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## CITY COUNCIL CONSIDERATION ITEM

### CITY OF FAIR OAKS RANCH, TEXAS

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AGENDA TOPIC: Consideration and possible action approving a resolution authorizing execution of an Interlocal Agreement with Texas Municipal League Intergovernmental Risk Pool to form a joint self-insurance pool to be named Texas Municipal League Joint Cyber Liability and Data Breach Response Self-Insurance Fund, expenditure of the required funds, and execution of all applicable documents by the City Manager.

DATE: August 1, 2024

DEPARTMENT: Finance

PRESENTED BY: Summer Fleming, Director of Finance

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#### **INTRODUCTION/BACKGROUND:**

Beginning in 2016, Texas Municipal League Intergovernmental Risk Pool (*"the Pool"*) began offering complimentary cyber liability coverage to Members with either General Liability or Real and Personal Property Coverage. In subsequent years the Pool began charging a minimal amount for the coverage and the City continued purchasing said coverage.

Over the last three years cyber claims have exponentially increased in both frequency and severity. Since future cybercriminal activity is impossible to predict, the Board of Trustees recently approved the Pool's formation of a new Cyber Fund and updated Cyber Liability and Data Breach Response Coverage (*"Cyber Coverage"*) effective October 1, 2024. Members must elect to continue coverage or opt-in by completing and returning the Cyber Interlocal Agreement to participate in the newly-created Cyber Fund.

#### **POLICY ANALYSIS/BENEFIT(S) TO CITIZENS:**

Supports Strategic Action Plan Priority 1.3 to Develop Risk Inventory and Mitigation Strategies.

Cyberattacks are becoming more common, more sophisticated, and more expensive. The City has many policies in place to mitigate the risk for a cyberattack as well as recurring training for employees, elected officials, and volunteers. While most cyberattacks are preventable, nothing can cover every possible scenario. Cyber liability insurance is another mitigating strategy the City can utilize that covers the damage suffered by a cyber breach. The Pools coverage provides, among other things:

- Breach response, which includes access to computer experts, public relations specialists, attorneys, negotiators, and others with experience responding to cyberattacks.
- Network business interruption, which can help cover the loss of income and extra expenses (for a limited period) caused by an attack.
- Cyber extortion, which can help with ransom payments to recover data.

- Data recovery costs, which can help with costs to restore data that was damaged, corrupted, and/or deleted.
- Fraud protection, which can help (if certain conditions are met) with costs related to fraud.

Cyber liability insurance is critical for municipalities at a time when cyberattacks against the public sector are on the rise and can aid in the recovery of a cyberattack as quickly as possible without compromising essential services.

**LONGTERM FINANCIAL & BUDGETARY IMPACT:**

The City's FY 2024-25 annual contribution amount for cyber coverage, if elected, is \$1,250. This is up \$1,003 from FY 2023-24 contribution amount of \$247. The cost of this insurance has been included in the FY 2024-25 Proposed Budget.

**LEGAL ANALYSIS:**

Approved as to form.

**RECOMMENDATION/PROPOSED MOTION:**

I move to approve a resolution authorizing execution of an Interlocal Agreement with Texas Municipal League Intergovernmental Risk Pool.