*** NOTICE OF PUBLIC MEETING ***

INFORMATION TECHNOLOGY ADVISORY BOARD

LOCATIONS: Legislative Counsel Bureau   Grant Sawyer Building
401 S. Carson Street   555 E. Washington Avenue
Room 2134   Room 4412
Carson City, Nevada 89701   Las Vegas, Nevada 89101

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DATE AND TIME: June 11, 2012, 1:00 p.m. – 4:00 p.m.

Below is an agenda of all items to be considered. **Action will be taken on items preceded by an asterisk (*).** Items on the agenda may be taken out of the order presented**,** items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time at the discretion of the Chairperson.

AGENDA

1. CALL TO ORDER

Joe Marcella: I'd like to call the meeting to order. Would you please take the roll?

2. ROLL CALL

Lenora Mueller: Yes, sir. Assemblyman Bobzien?

David Bobzien: Here.

Lenora Mueller: Mr. Breslow?

Troy Dillard: Troy Dillard standing in for Bruce Breslow.

Lenora Mueller: Thank you. Mr. Casazza?

Cory Casazza: Present.

Lenora Mueller: Senator Denis? Mr. Diflo?

Paul Diflo: Here.

Lenora Mueller: Mr. Farrell?

Kevin Farrell: Here.

Lenora Mueller: Ms. Fucci?

Laura Fucci: Present.

Lenora Mueller: Mr. Marcella?

Joe Marcella: Present.

Lenora Mueller: Mr. Mohlenkamp?

Jeff Mohlenkamp: Here.

Lenora Mueller: Ms. Parker?

Carrie Parker: Here.

Lenora Mueller: And Mr. Willden?

Mike Willden: Yes.

Lenora Mueller: That constitutes a quorum, Mr. Chairman.

3. PUBLIC COMMENTS

Joe Marcella: Thank you. I'd like to open the meeting up for public comment. Is there anyone from the public in the north or the south that would like to speak on the comment? Hearing none, I'd like to close the meeting for public comment.

*4. APPROVAL OF MINUTES: May 14, 2012

Joe Marcella: Could I get approval of the minutes from our May 14, 2012 ITAB Board Meeting?

Jeff Mohlenkamp: Jeff Mohlenkamp. I move for approval.

Joe Marcella: Okay. Actually, Jeff, I apologize. I actually had one change to the minutes, and the pages are not numbered, but it's under Agenda Item 7. It's the fourth line down and it's something I said. It wasn't pinpoints, it was pain points. Just a New York phrase, expression. Thank you. Second?

Unidentified Male Speaker: Second.

Joe Marcella: All those in favor?

Group: Aye.

Joe Marcella: Thank you.

5. CHAIRMAN'S OPENING REMARKS and DIRECTION
   -Joseph Marcella, CIO, City of Las Vegas

Joe Marcella: I'd like to make a couple of opening comments in an attempt to explain this meeting. By the way, it's agendaed for three hours. Hopefully we won't go that long. Matter of fact, I don't think we will. What I'd like to accomplish today, and also being sure that we consistently focus on getting to a recommendation, I'd like to understand today the Governor's vision and direction derived from his May 31 Cabinet meeting. I'm gonna ask David to brief us on that. I'd like to establish a preliminary understanding of current state -- the current stated enterprise IT services, opportunities you've identified and any potential recommendations regarding the five priorities in Agenda Item No. 7.

So I'm gonna ask the chairs for the individual subcommittees to give us an overview of where they see issues, how those issues can be addressed, and then we'll start to move for a discussion towards recommendation. Get some insight regarding the IT strategy and budget direction, and encourage some Board discussion on Items 8 and 9, and I'll also ask David to give us a short update. Hopefully this will set the Agenda for a July 9 meeting to provide EITS with our recommendation prior to the upcoming legislative budget meeting.

6. GOVENOR'S May 31, 2012, CABINET MEETING BRIEFING
   -David Gustafson, CIO, EITS

Joe Marcella: I'd like to move on and ask David if you would give us an overview of the Governor's May 31, 2012 Cabinet meeting briefing, the high points, please.

David Gustafson: Thank you, Mr. Chairman. For the record, David Gustafson, State Chief Information Officer. A lot of what I had presented to the Cabinet I spoke about last time here and I sort of gave the highlights of what I said. For those Cabinet members, I apologize for you're going to hear this once again. I'll be brief. I'll try to hit the highlights so that I don't have to take up an hour.

I spoke last time about we went to NASCIO and the theme at NASCIO was about security. It wasn't about Cloud, it wasn't about mobility or anything like that, but the major theme was security for sure, and that was sort of shown through the NSA specialty top secret debriefing that I received. And so I started out with what is the purpose of a cyber attack? And so some cyber attacks are used to steal the citizen's data that's collected by our agencies. Some of the cyber attacks are designed to just disrupt services, some cause physical harm, and/or just otherwise mayhem in society. I actually looked at a video of a cyber attack that was taken against a generator, and actually caused the generator to self-destruct through a cyber attack. So these things can be used for physical harm as well as just the cyber world as well.

But I say that it's becoming more difficult to keep up with what's going on because the world around us is evolving so quickly. And I pointed out at the time Flame was the new one that came out over Memorial Day weekend, and I sort of explained it's a very complex piece of malware. And this one was built such that it turns on microphones, it takes screenshots, it collects data from your devices, your computer (inaudible) and this is the first time that I'm aware of that we've actually found malware that actually turned microphones and things like that on your phone, so you can imagine being anywhere in the world and all of a sudden your microphone just turns on without you knowing about it and everybody can hear what you're saying, or they can turn the camera on and see what you are seeing. So that would be a great benefit to the bad guys I would think, so, you know, the complexity in malware is really increasing. It's no longer one of those, oh, I got a virus and I'll just, you know, use my antivirus and just get rid of it, they were, you know, trying to sell me something that I didn't want to buy. These weapons now are being used actually to collect this information almost more for intelligence purposes.

And I said, while the media's been focused on Flame, there are actually two more vulnerabilities if you will or malwares that were actually found. One of them was that the Chinese have been building a back door in the hardware in chips manufactured in China that is used in the U.S. weapons, nuclear power plants and public transportation. So in this case, it was in the news that they're actually building back doors into the actual physical chips themselves. And then there was another one, there was a legitimate internet tool that was containing key login spyware that was exfiltrating data into a site registered by a Saudi ISP. So they're everywhere, they're in everything and the threats are very real.

Nevada's not immune, and I spoke about last time how the state email system receives about 600,000 emails every day, 575,000 of those are spam, viruses and phishing attempts on state data. I also spoke about every day we defend our network against a million attacks from the bad guys scheming our network trying to break in. I spoke about how we are personally playing whack a mile with the Chinese. We call whack a mole where they try and attack us, we defend, they attack, we defend, and so we're trying to find them all the time. They're setting off the sensors and we're defending.

And I also told the Governor that when he announced his trip to China, that I personally received several phishing email attempts to compromise my access to gain -- I believe to gain information about his trip and who he's going with, his position on topics, those kinds of things. And I said we've got the circle of wagons. The more dispersed our network is, the easier it is to find a way in.

And I went on then to talk about the state's CIO briefing and Assemblyman Bobzien wasn't here I don't believe last time, so I'd like to just spend a few minutes talking about that and -- yeah, I'll just stick to the highlights here. But what happened was they took 20 of us or so, 25 of us to a secret location and gave us a QT brief (inaudible), and they were talking to us about some of the threats that are going out. And they were estimating that there are over 10,000 networks that are already compromised and people don't (inaudible). I sort of think of this as the -- in the submarine world they have those little buoys, the little beacons that are all over the world and they can kind of track where the other guys are going. They're sort of looking at that and how they do that, and what they're seeing is there's an escalation going on from (inaudible) as well as organized crime, as well as the (inaudible) and the guys trying to make a buck who are finding these (inaudible) selling them, or they're using it to exfiltrate data from networks.

And so the reason why I think they brought us all into there was not to show off that they have these capabilities, but to actually let us know how great the threats really are. And I don't want to send anybody running for the hills, that's not what I want to do, but I do want you to know that the threats are very real. This is not long just adware popping up in your computer (inaudible) or something. These are real people doing real bad things.

Another thing I'd like to mention on that is when I was there, they made no mention of Flame. So I think I can say that without getting into too much trouble, but I believe if they would have known about Flame they would have mentioned it. This was a top secret SCI clearance briefing, and I believe if they knew about it, they would have mentioned it.

I also said that NASCIO (inaudible) chief technology officer from Utah who stated that attacks on their infrastructure went up 600 percent when the wire article came about the (inaudible). I don't know if I told you guys this last time, but he had mentioned that consolidation over five

years. They did a full consolidation around five years ago. They saved the state of Utah $76 million, and as a result they were able to reduce their IT staff by 20 percent. So they went -- when they fully consolidated, they had 1,000 IT guys, let's round the numbers up here, and when -- and now they're right about 800. So they actually trimmed off about 20 percent of their staff in the process.

Joe Marcella: David, can I interrupt just a second? Joe Marcella, for the record. What was the driving force for Utah to move to consolidation?

David Gustafson: Thank you, Mr. Chairman. For the record, David Gustafson. I believe their reason for consolidation was to reduce their expenses and to improve (inaudible) efficiencies.

Joe Marcella: So security wasn't -- I'm sorry, Joe Marcella, for the record. Security wasn't the driving force, that wasn't the trigger?

David Gustafson: No, I do not believe so. I believe if they were doing it today it would have been for security reasons, but five years ago I don't think the threats were that great.

Then I went on to mention that we're an easier target than Nevada -- or than Utah. Many of servers are so old they can't be patched, which is evident from looking at some of these consolidation reports I've been looking at. The age of equipment is really old. And then I say in this past week, and a few weeks ago we -- I was notified we were infected with the Black Hole virus which is a botnet piece of malware that is used to relay further malware. We've seen a DNS changer on our network. You'll see -- if you go to Google's website, you see, please, be advised of the DNS changer, all that stuff. We've seen that running around and we've been picking that up on our monitoring, and desktop (inaudible) viruses are popping up all over the place. I spoke about we're playing whack a mole with the Chinese on the training server.

Then I said when our security team goes to notify agencies that they're infected with malware or other viruses, sometimes these threats will continue for months, and I believe, this is the opinion of David, that these are low priority for agencies, or they simply are just too sophisticated for local staff to (inaudible). Some of the agencies don't even know that their equipment is infected. We have had situations where we will find something come up on one of our sensors, one of alerts, and we'll go to notify the agency and the agency won't even know that that piece of equipment exists.

One security assessment that the security team performed yielded over 3,500 high vulnerabilities on their network. And so what I'm really afraid of is that state agencies are not taking security seriously enough, which is why when I presented to the Cabinet about a lot of the reasons for

what I think consolidation should occur, security was my number one reason, was because I just don't think people are taking it as seriously as they should be taking it.

So I went on to say, you know, consolidation will help us. It will simplify our architecture. We'll save some money in the process. We'll standardize across the board. We'll build security in depth. We'll continue to build our security infrastructure. And then I was -- I prepared this little document here that I'm just gonna read the highlights for you all. I said this took me probably 15 or 20 minutes on the Friday before the Cabinet. I said -- I just named it "Are We Ready, Are We Prepared for Reality." And I'm going to read you some of the headlines of some of these articles that I just found in 20 minutes. There's four pages. World's most sophisticated cyber weapon burns computers in Middle East. That was in regards to Flame. U.S. Government used cyber attacks against al-Qaida. NSA, China is destroying U.S. economy via security hacks. NASA, the International Space Station, control codes were stolen. IT department incapable of patching PCs. War 2.0, China suspected in massive cyber attack on UN, U.S. government and more. Pentagon ruled that cyber attacks on government can be considered act of war. And it just goes on and on and on, and it took me 20 minutes to get these. So, yeah, I get really concerned when we find things and people don't know that they exist, or they say we don't have one of those and they do, you know. For example, we could say, hey, we're picking up a piece of malware or virus on a database server, and they say we don't have those database servers. Well, yeah, you do, and it's all infected by viruses. So that's a bit alarming when these threats are so real and then, you know, you find another one that has 3,000 plus high vulnerabilities. It only takes one.

And I want to say one of our security guys, he was proving his point when (inaudible) group, and he made a demonstration. He said, I'm going to show you how one vulnerability -- how I can take over your computer with one (inaudible). So he set up the stage where he had two computers and he said, okay, and he was using the tools and he was scanning and he found the right one. He exploited the vulnerability and he took over the computer and he showed us how they move around and hijack processes hide themselves and rename and clean up after them. It was really educational, and the moral of the story is it only takes one. So when you have 3,000 of those running around, you are just really in trouble. That's why I think that -- I just think that the state government is being a little bit (inaudible) security, and I don't know why they do that, but I just know that they are. So I hoping that we can spur some action here.

Then I furthered my discussion (inaudible) with that we were going to set up the IT Strategic Planning Committee and that will be used to sort of further the discussion on who's going to go in what order and what the framework would look like for consolidation, how we at the state government want to execute on such (inaudible), and as you can see here, I have my draft presentation. This is not (inaudible) in these pages here so that you guys know that.

And so that was the point of that. My Cabinet presentation is (inaudible) the Governor says, Mr. Gustafson, you actually have a very compelling story for consolidation because we need to protect ourselves, and I don't think any director or any department head or whatever the titles may be wants to be those guys who are out there trying to explain why so much of the data is missing. We certainly don't want that because of best practices such as background checks or patching or not updating, you know, antivirus software or not monitoring (inaudible).

Anyway, with that, that is what I presented to the Cabinet, and we have an IT Strategic Planning Committee meeting scheduled for I believe it's next week. I believe maybe next Monday, and where we have select Cabinet members and/or designee proxies to the (inaudible) we're gonna further the discussion on consolidation and what it means, what the expected benefits are. And in this presentation, I'll be going over more about what the benefits are to the state agencies specifically reducing costs and more efficiencies, all this kind of stuff, so (inaudible) and such. So, Mr. Chairman, with that, that is the briefing that I gave the Cabinet in a nutshell, if you will, and I'll be available for any questions.

Joe Marcella: For the record, Joe Marcella. David, you did touch on the recommendations, but what I did hear is that you were talking about consolidation and security seemed to be the key point, and the thing that would drive your organization to consolidation. In my mind, what I'm hearing from a consolidation perspective is some sort of uniform overreaching management or administration of security as a starting point. Was that your recommendation to the Governor?

David Gustafson: For the record, David Gustafson. That -- no. What I recommended to the Governor was that we put together the Strategic Planning Committee to actually to the planning on consolidations. If I may elaborate, there are a couple ways that CIOs lose their jobs. One of them is massive data breaches. And I don't think anybody here wants that, at least I certainly don't want it. And I certainly don't want it because some agencies are not patching servers or something like that. That is to me not acceptable when we require the residents of the state to provide this critical information to us. And so we have an obligation to protect that data. And when I see that the basics aren't even being covered, it really concerns me a lot because I'm alarmed at that. And I feel that agencies need to take, you know, security a lot more seriously. There are a million reasons why consolidation yields better results. Standardization is better governance, it's reducing costs, it's improving efficiencies, and through that we can build security in depth. But I really get concerned when the basics aren't even covered, you know, background checks on critical employees that have access to sensitive data. I mean, just the simple stuff is what makes me concerned. So thank you.

Laura Fucci: David, if I could ask a question. This is Laura Fucci for the record. I have some of the same challenges here in my jurisdiction that you face there, and, you know, it's taken a while to consolidate some of the infrastructures. Now, I was curious, do you have a statewide

security policy that all the agencies must comply to even if they're not consolidated? So is it a matter of complying to the policy, or do you not have a statewide security policy?

David Gustafson: For the record, David Gustafson. We actually do have a statewide -- a security committee who makes policy recommendations and I sign them. I'm required by statute to provide those. We do have -- we're finding that agencies are not following those policies, and so we have no real enforcement of those policies other than (inaudible), if you will.

Jeff Mohlenkamp: Mr. Chairman, if I might, this is Jeff Mohlenkamp, for the record. And, you know, I was at the Cabinet meeting, and David and I have spoken quite a few times about this. I think there are a few overarching reasons why we're looking at consolidation. Security is clearly one of those, and it's a significant one, and I think in David's world has become a higher and higher priority because of some of the concerns that have risen and are continuing to grow.

Coming and speaking as the budget director though, I would tell you that most states that have gone through consolidation efforts have achieved many savings in that process. So as we go forward, we will be looking at best practices, be able to reduce the, if you will, the footprint or the unnecessary footprint of the IT environment. So fiscal savings is clearly going to be one of the driving factors. And then I think the third one that's come up time and time again is the simplification of overall (inaudible) structure. And I think that leads to savings, but it also leads to maybe better mobility. I'm not an IT expert, I'm more of a fiscal guy, but I do understand that we have so many competing systems, if you will, that require a lot of update which costs money, but it also requires ingenuity, expertise and us to be popping many more heads down as they pop up. So I think it's the simplification of the environment is one of the things that sold me, in addition to the savings. But security certainly has become higher on the list of reasons that we would look at this.

Just if I might add one other thing, the reason that we want to bring the IT Strategic Planning Committee together is when David and I started talking about this a while back, there's a number of model states that we looked at, and one that really particularly appealed to me was the collaborative style that Missouri looked at. When they went through IT consolidation, they pulled in all of the directors, and in their case I think it was secretary's terminology, but they pulled in the (inaudible) of the various different departments to make sure that they were integrally involved in the process, not only on what we were going to consolidate at what pace, but also how the overall structure of communication was going to work after it was consolidated. So that's one of the reasons that I was insistent that -- and David and I were both agreeing on this, that we have a very collaborative effort within the state government on it.

Paul Diflo: For the record, Paul Diflo. David, let me ask you a question. What are the -- based on this Cabinet meeting, what are the expectations of the Governor? Is he endorsing, saying go

forward with the consolidation effort in this Strategic Planning Committee? Or is he waiting for the results of the Strategic Planning Committee?

David Gustafson: For the record, David Gustafson. For the record, I do not speak for the Governor or put words in his mouth, but he is in support of consolidation. Actions have shown that he is in support of consolidation and support.

Paul Diflo: Thank you.

Unidentified Male Speaker: Mr. Chairman.

Joe Marcella: Please.

Unidentified Male Speaker: Thank you. I think that the issue of consolidation is a good one. It's good to hear that we're down the road looking at this, and I would agree with Mr. Mohlenkamp that, you know, by and large, there's great potential for savings and efficiencies, and perhaps even to deliver a better service. But I also know from past consolidation efforts in other areas that, you know, it's not always that clean, and certainly the strategic planning process is going to uncover some of that. But -- so I'm aware how this fits in the administration's plans preparing the executive budget ahead of the next legislative session. I'm guessing this means we're planning for this next fiscal year and any major consolidation moves that will be built into the budget process itself would be coming next cycle, or are we actually thinking that we may see something this next session that we're gonna have to respond at the legislative level?

Jeff Mohlenkamp: Jeff Mohlenkamp, for the record. I think that you will see some going forward in the next Agenda, or the next budget submission, you will see some consolidation efforts built in that. But I think the more robust, larger term consolidation efforts that we're talking about will take some time to develop. And I think as a result it will take place over a couple biennium in the future.

Unidentified Male Speaker: And to follow up, I do think the consolidation obviously has been a major effort, a policy (inaudible) when you're talking about security challenges and everything else. I'm wondering since we know the consolidation is going to take a little bit of time, are there intermediate administrative steps that can be taken to circle the wagons as he put it? I think in some enterprises I know it's much harder to have the sort of network control across the state, but, you know, I'm thinking of my own assets (inaudible), you know, you had some computers if they were run -- if they were running around it was obvious they got cut off. And I'm sorry if your servers -- if you say you can't patch them, then you're shut off, you're not accessing our network. And I don't know if you have any of those tools available at your disposal or you've

engaged the Governor and other administrative staff to say, hey, we've got to take some intermediate steps now to (inaudible).

David Gustafson: Thank you. For the record, David Gustafson. That's a very good question. One of the other things the NSA was talking about was making sure that we build our network in -- they call it the honeycomb, so we can turn cells off, if you will, instead of shutting down the whole network. And so what we have been doing now, I actually already have the network, I was working on how do we segment our network further so we can do just that. But what I didn't understand at the time was that many agencies -- many of the larger agencies, for whatever reason we are here today, they are built on their (inaudible) which means they have their own networks. So in essence we have a firewall between our network and their network and they're an untrusted network. So we do not have the capability to go in and turn off those. We would have to shut their entire network off -- their network access off so that (inaudible) remediated. So, yes, sort off. Yes. There are things we can do to turn them off, but sometimes that could be detrimental to the entire agency if we shut down. But we do have that capability. Just not -- I'd like to see it a lot more granular than what it is. And I -- so there's a couple ways, and if I may put it -- if I may have the floor for just a moment, Mr. Chairman.

Joe Marcella: You may proceed.

David Gustafson: Okay. In the Department of Administration, one of the things that we came to realize is that we were a bunch of IT guys in the Department of IT before and we didn't have a lot of business users, so we didn't have a lot of need to support the end users in a way we had been supporting them. And so what we've come to do is we have purchased Symantec's Altiris Client Management Suite which allow us to do (inaudible) PC management. It will allow us to centrally monitor antivirus and (inaudible) protection from a central server. So now we actually have the help desk monitor and the security guys monitoring when the viruses are popping up on end user's PCs so we can proactively engage the end users, and we also have the capability to remotely turning off PCs if we find that they're compromised. So we can say if we see your PC is compromised, you know, (inaudible) and so we can go ahead and then dispatch either remotely clean it or we can actually send someone out there to physically scrub the machine if necessary.

So it's been really interesting because, like I said, when we merged with administration, we ended up with a lot more business users than we normally would have had, and it's been a really good experience for us because we've had to really be more of a full service IT shop than we were before. So we are extending that capability out to the Department of Administration, health (inaudible) may or may not know that health has also joined in on this as well, so the health division is actually moving with Altiris. This was joint buy, so we have roughly 2500 PCs or end points that are going to be protected under the same suite of tools. This will also allow us to

push patches and things like that (inaudible) here is third-party patching. So on your normal operating system, your Microsoft patches come from Microsoft, but what you don't get is the Adobes and the readers and all the Flash and all that kind of stuff. So instead of having to require end users to click on buttons and may or may not do that, what we're gonna do is we're gonna force those third-party patches now on the end client, so the end points will increase our security position dramatically just by deploying these tools.

Joe Marcella: Joe Marcella, for the record. I don't want to steal a lot of Paul's thunder, because he really is going to talk a little bit about security. The issue still remains that even with all of the tools, inconsistency in the infrastructure still makes it problematic for you to manage it with Federated Systems.

David Gustafson: David Gustafson, for the record. That's exactly correct, and also that this is a voluntary system. So we are doing it because -- on behalf of the administration as their IT department, we have just done it, but the rest of it is just completely voluntary for everybody else in the state to do that.

Joe Marcella: Joe Marcella, for the record. Not to state the obvious, but I will. This could be after the fact, which means that any breach of the overall systems in any one of the divisions or departments could be (inaudible).

David Gustafson: David Gustafson, for the record, that is correct. And what we found is that while we have a standard of you have to have antivirus, that could be anything from -- it could be something free, it could be free AVG, that's (inaudible), it could be Microsoft Essentials, it could be Symantec (inaudible) it could be whatever you want it to be as long as you have it. The policy is that you have it, but what we're doing is we're taking it up to the next level by centrally monitoring that so that we can identify the parts that have been compromised.

*7. SUBCOMMITTEE PROGRESS REPORT and DISCUSSION
   Subcommittees Reporting
   - Security (Cyber and Logical)-- Chair/Participant; Paul Diflo/Laura Fucci
   - Consolidation (Infrastructure/Standards/Resource Management)-- Chair/Participant(s); Bruce Breslow/Mike Wilden/Joseph Marcella
   - Governance-- Chair/Participant(s); Carrie Parker/Corry Casazza/Laura Fucci
   - Application Modernization/Life Cycle Management-- Chair/Participant(s): Kevin Farrell/Mo Denis/Jeff Mohlenkamp
   - Citizen Enablement (Mobile)—Chair/Participant(s) Kevin Farrell/Mo Denis/Jeff Mohlenkamp

Joe Marcella: I'd like to move on to Agenda Item No. 7, and am going to ask the committee chairs to give me an overview -- or give us all an overview of what they've found about the current state or condition of IT, as well as where there might be some opportunities. And if in all of that there has been a decision or at least some sort of a recommendation forming, I'd like to hear that as well. I do want to mention that I think Jeff framed this conversation very well. What he didn't mention is that there are a whole lot of additional components that benefit from some level of consolidation. Not only security, but you mentioned several others. I think the subcommittees should and can cover those, and I think that those are all being considered in our five priorities, one of which is security, and I think we'll hear from Paul. I'm sorry, I'll continue, consolidation. And Bruce Breslow is not here. Who's -- I think we can all talk to consolidation (inaudible).

Dillard: Yeah, Troy Dillard on that one. I did speak with Bruce, and he indicated that he -- I don't believe the subcommittees met, so he didn't have anything to report specifically.

Joe Marcella: Okay. Thank you. Governance and that would be Carrie Parker and the other participants. Application modernization and citizen enablement, which is really application, and you had a better phrase for that.

Unidentified Male Speaker: On which, on the mobile, the…

Joe Marcella: On the mobile.

Unidentified Male Speaker: Yeah.

Joe Marcella: Okay. Can I ask Paul to give us an overview?

Paul Diflo: Thank you. To start with, I'd like to comment, we did not meet as a subcommittee. We need to meet as a subcommittee, but this is -- I guess David and I met briefly, but this is really research on the steps that I think need to be taken. I heard you say, you know, you're looking for kind of an assessment of the current environment. That's not what this is going to be, nor would there be enough time between the last meeting and this meeting to do that even if we didn't have day jobs. However, an assessment is part of the recommendation here. So if I can just walk through the presentation, I want to go over what I think the objective is for today, the key findings.

When I talk about strategy and what's known as an ISM, that's our Information Security Management System, and then the level of maturity that the state decides to be at, needs to be at, and how you go about sustaining that. Security government and then risks involved. So what this is, is the objective which identifies the high level security opportunities for the State of

Nevada key organization. The research sources are IGT, you know, something that I've (inaudible) over the last couple of years, Gartner (sp?) Research Firm and IST. And I'd like to present these findings and my recommendations.

So we launched an IGT (inaudible) a couple of years ago to not be a reactive whack a mole IT security department. And I directed my security director to come up with a strategy so that we could be proactive and that we had control of the environment. Now, we had enjoyed a little bit more consolidation than you have right now, David, although there was definitely work that we had to do to bring in some of the international entities, and some of the R&D entities, which was done, and now we do control almost everything.

We talked to a security expert from Gartner. We actually invited him to Las Vegas. We also invited many of our customers and casino customers to hear the same thing. And he spoke about the importance of doing this right and not launching from the middle. In other words, I think we all know this, the tools and the systems are not the panacea to the problem. You really have to have a plan. You have to have a strategy. You have to have a process. Just like any project that you would undertake in the business unit, we need to define those processes and what the strategy is before you apply tools on top of that, so key messages, let's not start in the middle.

And so step one would be to create a strategy and/or an ISNS and it should be based on a framework that's out there. And I don't know that it necessarily matters what framework you choose. In the case of IGT, it made sense for us to utilize the ISO 27001 and 27002 as our manufacturing department is ISO certified. In the case of the decision (inaudible) it may be an IST. An IST seems to make some sense. It could be something else.

The strategy may include -- notice I'm saying may, I'm not dictating anything here. I'm throwing out -- we've got best practices, but the strategy at a high level should include the following disciplines, governance. There really needs to be some overriding governance. It can't just be the IT department. It has to be the other business units involved in this. Planning and budgeting, the organization itself, it controls framework, you know. We certainly are sensitive to that being a public company, but as we go through (inaudible) audits, you may have something similar. Architecture and engineering, operations and processes, communications, education and awareness. We have all heard that statistic that 70 percent of the breach does really occur within your own organization, and the best way to mitigate that is through education and communication. Threat detection and response which leads into what is known as, you know, when you get more advanced, situational awareness, so you know the propensity of what could happen and what your response would be in the event that something would happen, and you could even automate certain responses. Threat and vulnerability management and risk and controls assessment.

On a more tactical level, the ISNS needs to include things that's going to give you weapons for (inaudible) so you need to have a security policy which it sounds like you do. Security management plan that includes all of the different layers and the scope could be the perimeter, the gateways, your applications. It could be at the data level. Certainly we're doing a lot to secure at the data level, which I'm sure is part of your honeycomb that you talk about at the desktop. Asset management, which sounds like you'll be able to do with the Symantec Altiris product. Physical security, your operations management and patch management, requires constant monitoring. I know from talking to the Gartner security expert, patch management is certainly recommended that that is a consolidated item so that you get exceptions every single day depending on your cycle of patching which vulnerabilities have not been addressed. Proactive vulnerability management (inaudible), data loss prevention tools. These are all necessary things after you develop the strategy of the ISNS. Access management, (inaudible) management. Business continuity plan and disaster recovery usually falls into the ISNS and any type of compliance management that you have.

Step two, and I think this is where the work is going to be, and that is conducting the current state assessment of IT, its maturity level. Now, this could be done in house. It could be done, you know, with some commissioned independent assessment. I guess that depends on -- be driven by the budgets and the resources on how that could be done. But we need to assess the current state, identify the gaps, do the gap analysis, set the maturity targets and improvements that's not done even after you implement that. It's constantly something that's changing and evolving and the ISNS evolves with strategy.

There's several security maturity levels that are out there. Gartner has a maturity model. I was just talking to somebody the other day that had a maturity model. NIST has a maturity model from one to six. And I think you can coordinate what you want perhaps with a budget cycle. You can target I want this maturity level, you know, in the next two years, this maturity level two years after that. I think we need to define what that security maturity level is that I want.

And then step three is to create that governance committee. Now in our case, it's made up of (inaudible) VPs of all of the key business units, and it's chaired by the head of risk management and compliance. The theory here is that the business needs to have a stake in the security, and that the IT department isn't the one necessarily making the decisions on what is an acceptable risk. I think it is the responsibility of the IT security group to identify the risk maybe of a new technology or a vulnerability, identify the mitigating options and then articulate the risk levels to the governance board and let that governance board accept, you know, the level of risk that they're comfortable with as a business. You know, so it works pretty well at IGT. I would guess that it could work in a state environment as well.

And I've started a list of risks, because that's one of the reasons I asked that question, but I think it requires commitment and it requires (inaudible). In our case it required commitment from the CEO and we got the commitment from the CEO, so I translated that to the Governor (inaudible). So, again, this is not an assessment of the current situation, but more a direction of how to allow this, an assessment (inaudible).

Joe Marcella: Discussion? Joe Marcella, for the record.

Jeff Mohlenkamp: This is Jeff Mohlenkamp, for the record. I'm not the IT guy here, so I have just a very general question. Maybe some of the IT experts can help me. When you're talking about improving security or the environment, in this case the maturity level, is there a natural trade-off between security and performance in a system? Does one preclude the other, or can they go hand in hand? Can you improve the security and maintain or even improve performance in systems? I just don't know the answer to that, whether it's an either/or type situation.

Paul Diflo: For the record, Paul Diflo. And I can see from experience there was a perception, especially from the engineering group, that was a doing a lot of the compiles, that a robust, antivirus client application is going to destroy their ability to do things in a timely manner. We did some benchmark testing and it did have the slight impact to their performance. We were able to go to the security group and we defined two standards, a compromise if you will, one for the engineering group that was secure enough. It did everything we needed, but it had -- they shut down two or three options on that antivirus that the rest of the company had turned on. That balancing act holds true not just for performance, but for new technologies, you know, you need to protect the business, in this case, the state, but you can't stop the individuals from using the tools that we need to get their job done. The balance also holds true with the costs. So I think that IT security folks have their hands full in trying to balance between security performance and security letting people get their job done, and cost consolidation as well.

We have found that as you deploy some of the tools, we put PTP on the laptops. The initial perception was, well, this is going to impact my ability to do business, and it was resisting at first until we started using it. Now it's been six months and no complaints. And you look at the risks versus rewards. Somebody loses a laptop and it's not encrypted and they've got IT on it, that's a big deal. I don't want to be sitting in that seat. So many things are perception hurdles that really have to get disproven, in my experience.

Joe Marcella: Joe Marcella, for the record. It's been my experience when security gets standardized across the board, that systems have to be standardized as well, and the result of that tends to mean that not only is it easier to administer, but across the board, the same level of capabilities are then employed. And at that point, it becomes simpler and easier to get to the

higher version of modernized software and the like, and it become a business advantage, where it hadn't been before.

David Gustafson: Mr. Chairman, if I may. David Gustafson, for the record.

Joe Marcella: David, please.

David Gustafson: I was also speaking to the general on the Cabinet, General (inaudible), and he was saying that now they are -- the military is actually (inaudible) encryption even on the desktop PCs in light of some of the threats that they're seeing. So not only are they doing it on laptops as Mr. Diflo was describing, they're also doing it on desktops now as well, so to just further their level of security. And those are the things that are transparent to end users. So you can create an environment that's extremely secure while staying out of the way (inaudible), but that's a balancing act of course, but it can be done.

Joe Marcella: Joe Marcella, for the record. And this is just for some insight. I have administrators in all of my background services that would dearly love not for anyone to use the systems. So therefore they would be very, very secure servers, and we've tried to balance them where they're literally delivering services securely. So it takes time and understanding. Any other discussion?

Unidentified Male Speaker: Thanks. I had a chuckle with that as I thought back to my own IT days, that constant dialogue, and in my situation it was my advocacy for services up against the network security person who was predisposed to a client being held as responsible to represent his interest and he was responsible for it. And even the issue is, is it's incredibly instructive to hear how advanced the approach can be in private industry and (inaudible) case, but then I think of how that translates and applies across state government where we've been more with less for a long time. And, you know, for instance, the area I know about when we're talking about web publishing and content (inaudible), if we were not in a position where we would move forward (inaudible) made that enterprise level decision investment, I would be someone who would be arguing for, for instance, greater adoption of open source software to take care of these problems. (Inaudible), you know, instantly the network security people hackles go up because they're concerned about it.

And so -- and I would hope that in the strategic planning going forward, you know, there is this acknowledgement that there is a world of Cloud computing. There is a world of open source. There are these opportunities for low cost solutions that are easy to deploy, that are rapid to deploy, that people can get up to speed with quickly to help them do their job, to help them (inaudible). But of course that needs to be balanced with the security concerns and everything else. And I hope that part of this is not a just, you know, (inaudible) we're not doing that, we're

not doing this, but understanding that it's an evolving conversation that always has to happen between delivering services, doing it in a cost-effective way, but then balancing that with the security concerns. So just some thoughts going forward.

Joe Marcella: For the record, Joe Marcella. Any other discussion? Then I'd to move on to -- actually, under consolidation, I just wanted to make a brief comment. It appears in all of our conversation that if you think about consolidation and you think about all of our other priorities, somehow they seem to have not only a nexus, but almost as if consolidation tends to be apparent or the priority and everything else gets prioritized underneath that. So I'll reserve those comments for later, and maybe we can have some additional conversation. Troy, would you -- any comments that you'd like to make or we'll talk about that a little bit later?

Troy Dillard: Troy Dillard, for the record again. Mr. Chairman, unfortunately, Bruce indicated that the committee has not been able to get together and have any additional -- clearly, this is the topic of conversation amongst all the state agencies. And as one of the larger IT agencies, we've been working very closely with David trying to define exactly how that will move forward, and so the committee that's been put together for the strategies I think is gonna be absolutely key for the future of the state to determine what methodologies are needed to look at moving and at what speed.

Joe Marcella: Thank you. We'll go ahead and move on to governance, but this might be a good time -- Jeff and I had a short conversation before we opened the meeting as to the issue with a very short time period where the subcommittees could not meet because there was an open meeting consideration, and that meant that if we brought the folks together, then obviously they needed at least three days to post, and then it had to be an open meeting where the public could comment. And I don't think there was sufficient amount of time to do that. So hopefully before the next meeting we can not only post, but move some folks together where it can be a public meeting and we can discuss these items and come up to some resolution. Jeff?

Jeff Mohlenkamp: Mr. Chairman, thank you. I think -- Jeff Mohlenkamp, for the record. I think to the extent that we desire to go forward with subcommittees, and, you know, I know there's a lot of time commitments that people make, so that might be somewhat limited, but if we're going to go forward, I think we need a structure to do so. We tried to meet twice and one time it was a scheduling issue, but both times we had some issues with trying to make sure that we were in compliance with the open meeting law requirements. And I'm not sure what we can or cannot talk about absent a posting in a public notice of our meeting. So I thought maybe I'd defer to legal counsel to give us some guidance on our limitations. Maybe we can talk but not deliberate, but I was uncomfortable going down a path too far without getting some clarity.

Jeff Menicucci: Open meeting law's a problem when you have -- especially when you have a small group, because two things are involved. One is, do you a quorum. If you do, you're potentially under the open meeting law. Second is what are you doing. And it's not just that you're deciding or taking action or a vote on something, but also that you're discussing, and some of the court cases are (inaudible) gathering information to prepare you to discuss things, so it's a fairly broad definition under our open meeting laws of what constitutes action (inaudible) that can trigger it. And, again, if you have a large group, you could two or three people gathering, but if you have a small group and you've got a quorum, you're definitely under the open meeting law. So that is a consideration for your subcommittees. And the committee as a whole might want to consider whether it might make more sense to simply assign the individuals research projects or something that they've agreed to take on rather than have a committee do that.

Joe Marcella: Paul?

Paul Diflo: Mr. Chairman, I was just going to suggest that I think in light of all the time commitments we have and forming the Strategic Planning Committee at the state level that it might make some sense to have individual reports back to the committee on the matters that we wish to get into more detail. But if we were going to go forward with subcommittees, then we would have to come up with a structure to make sure that we were posting and, you know, so I guess maybe we should discuss whether we want more individual reports, then we don't have any concerns with regard to subcommittees, or whether we want to create a structure with which to hold those meetings.

Joe Marcella: For the record, Joe Marcella. I think what we'll do is, I'll reserve Agenda Item 10 to have that conversation, as well as what our opportunities are to go forward. At this time, I'd like to call on Carrie and have a conversation about governance.

Carrie Parker: Carrie Parker, for the record. The governance subcommittee hasn't met yet. We have scheduled a meeting for Tuesday, June 19 at 2:30, and we've invited David to come, and I know Cory had someone from his staff who will be there as well. And it's at that time that we'll try to talk some more about the state IT governance. Right now what the current process is, policies, procedures, what the state needs, what the state is doing well, and we'll just gather research and create recommendations as necessary.

Joe Marcella: Thank you. Any discussion? Let's move on to application modernization. Can I ask Kevin to (inaudible)?

Kevin Farrell: Sure. Kevin Farrell, for the record. As Jeff mentioned, we had a couple meetings that we had scheduled, but they didn't come together. And so in addition to that, David

and I had a conversation to just talk about whatever issues were top of mind related to both modernization and mobility.

There's a document that everybody has that we want to be real careful that -- and I wrote it up in the recommended format for recommendation, but this is absolutely just a draft, and it's only my personal thoughts, and my intent was to kind of throw something on the fire and use it as a starting point for conversation and idea exchange from there. So I'm looking forward to the conversation when we get to Item 10 or whatever number it was towards what we do at the subcommittees. But these are just a couple of thoughts regarding -- as it relates to modernization, the fact that we've got a very old core application out there that I think it's well recognized will need to be replaced some point in the future.

And I stepped back and was thinking about just the enormous risk of that kind of project. Even at AAA we're replacing our two core systems now and it is a struggle. It is a monumental struggle. There are obviously other horror stories out there with California, the VA, federal VA. So this recommendation here was about how do we get just the core capability in place to elevate the probability of success. And what I perceive is the need for more expertise across the DevOps lifespan of getting something rolled out. So DevOps is the name of that kind of technology sector. There is a write up from an analyst group called (inaudible) that I've included if anybody wants to read further about what, you know, the definition of what DevOps means.

The other area with mobility was just reflecting on what I see happen with the various websites that the state has out there for the different agencies, and they're just different. They all appear to be differently developed by different teams with different platforms and technologies, and I think with mobile, you get a chance for a do-over, and a way to do that while under one umbrella with one initiative. So that's what that speaks to.

Joe Marcella: And that covers two of the items overall, so that brings us to the next Agenda item unless there's some additional discussion.

*8. STRATEGIC PLANNING PROCESS DISCUSSION and DIRECTION

Joe Marcella: Strategic Planning Process Discussion and Direction. And I wanted to ask David, and I think we've had several comments and direction conversations about this particular item, but I'd like you to make a few comments based on what you've heard from the Board, the Cabinet meeting and your own observations.

David Gustafson: Thank you, Mr. Chairman. David Gustafson, for the record. Mr. Farrell, that is because they are in fact designed by (inaudible) groups and supported by (inaudible) groups. And what we've tried to do is that state web team that we have are -- my number one

goal was to standardize the same look and feel across all of the websites that we support. And what you'll see is that (inaudible) commissions now to revitalize their look. We're also the (inaudible) as Assemblyman Bobzien was saying earlier, the ability to update the look and feel simply with a mouse click now, so that when we deploy a new template, we can deploy the new template and websites just change to the new look and feel, so dramatically helped us in our ability to not only perform to get a standardized look and feel to distribute the ability to update the content, it also has workflows and all kinds of -- there's a million good reasons why, but to your point, they are in fact developed by countless web teams and supported by those agencies largely so. That is why they do not have the same look and feel.

Sorry, Mr. Chairman, I'm back onto No. 8 now, strategic planning process. I am charged with creating a strategic plan every biennium for -- as part of our legislative budget process that we submit with the budget. I am -- as soon as I'm finished with the strategic planning committee presentation, got to start working on that. As a matter of fact, the ones we have submitted in years past have not been to the quality as I'd like to be, and they were in fact thrown together very quickly, and I believe in the more thought out process, in the planning process, strategic planning. So I'm going to begin drafting our strategic plan with input from the IT Advisory Board. So many of the things that I'm hearing are going to be key and that will be represented in the strategic planning process going forward, which I will begin drafting probably next week or so. So if there's anything that anybody would really like me to make sure, just let me know. I'd be happy to take some notes now and write them down. Otherwise I will proceeding with what I think is the theme from the IT Advisory Board.

Paul Diflo: For the record, Paul Diflo. Clarifying question. When you put together your strategic plan, is that based on input from your customers, your business units that you service?

David Gustafson: David Gustafson, for the record. Yes and no. Yes, we have 417 customers, so we won't be soliciting all of our customers, but what I will be doing is reaching out to major customers, major users of our services and getting their feedback. But I will be doing most of the heavy lifting for the division.

Paul Diflo: Thank you.

Joe Marcella: David, not understanding state government, or at least not having a whole lot of experience in state government, does your strategic plan transition or turns into a business plan?

David Gustafson: David Gustafson, for the record. No, it does not. There isn't a higher business plan that I'm aware of. I don't think the -- I think the last time the state had a strategic plan I believe was in 1993, which is probably why the IT plans have been not very good since then, so…

Joe Marcella: Joe Marcella, for the record. Does the strategic plan tie to your budget period?

David Gustafson: Ideally, yes. That's probably not always the case. In fact, and I'll be honest with everybody here, I could come up with the best strategic plan in the entire world and everybody would say, yes, that's the right thing to do, but if it's not funded or -- then it just wouldn't happen. And I think what's happened in the past is that my predecessors have put together what they would believe to be really solid plans and couldn't get funding for it, and therefore decided at some point in time to just basically stop doing them just to do something to check the box.

Joe Marcella: Maybe I'm not understanding, but clearly we're not having that kind of experience. Your budget is submitted every two years?

David Gustafson: Yes.

Joe Marcella: Do you predict for that two year period from a strategic planning perspective?

David Gustafson: In what way?

Joe Marcella: Do you know what -- from a strategic plan for IT, what you're going to accomplish or would like to accomplish from the day the plan is issued until the next legislature or two-year period?

David Gustafson: Yes.

Joe Marcella: You project for two years?

David Gustafson: Yes.

Joe Marcella: Okay.

David Gustafson: In fact, we're building budgets now for the end of fiscal year '15, so we're budgeting now for three years.

Joe Marcella: And the reason that I ask, initially when we talked about this advisory group providing some sort of direction in helping ITS move forward, we tried to do that as rapidly as we could and put together a series of meetings so that in fact you would have a sufficient amount of information to move forward for the budget, or at least as part of your budget recommendation. Is that still true?

David Gustafson: Yes.

Joe Marcella: Okay. I'm sorry, Jeff, (inaudible). Okay. Thank you. Anything else, David? Sorry.

David Gustafson: No. So that is why I believe that -- I believe in the past why these things haven't been as good as they should have been. But I am of the mindset that you have to have a plan even if it's not a very well-funded plan. You have to have a plan to start with, and if the plan keeps changing, that's fine, but you still should have a plan. You should always have a plan for those things, so it is my goal and my -- every intent that I have to develop a robust strategic plan mostly this summer, certainly by the end of the summer to have it finished, because it needs to be part of our budget submission, and I will be looking for a more robust plan than we have presented in the past.

Joe Marcella: For the record, Joe Marcella. Any additional discussion?

Senator Denis: This is Senator Denis in Las Vegas.

Joe Marcella: Senator Denis.

Senator Denis: Thank you. And I guess I have two comments. One on the robust plan, I would agree with Dave that, you know, a lot of times it seems like, especially when you're doing budgets, people say, well, how much money do we have and then we'll figure out what we're going to do. And it seems to me that we need to figure out what we we're gonna do first and figure out how much that costs. And then even though, you know, when it comes down to the budget, we're gonna do whatever, you know, we have to do because we've only got so much money. I think it's important for everybody to know what the priorities are so that, you know, when we're looking at it, and I'm saying from the legislative side when we're doing the budgets, when we're looking at it, we can see what the priorities are. And even though we can't necessarily always do everything that needs to be done, we at least will know what's important and, you know, we're making decisions based on, well, you know, this is very important to us. And we don't have money we know that we're not doing -- we're not going to do something, or we are going to do something that is important to us. So I would agree with having a robust plan.

Secondly, Dave, when you talked about having 400-some-odd customers, and you said you would talk to the major ones, is it -- it seems to me that you would want to get some input from some of the smaller users because their needs sometimes are a little different than the big guys. And having, you know, having worked in state government and sometimes having helped some

of the smaller agencies with some of their stuff, it just seems that sometimes they have, you know, their needs are a little different. So I just wondered if you could reach out to a few of those to at least get some input from the small guys as you create your plan.

David Gustafson: For the record, David Gustafson. Senator, I can absolutely do that. And I think if I may just add to what you were saying there, Senator, and that is, it is my opinion that even if all of my initiatives or the plan, well, it's not even mine, it's the division's plan, are not funded, you still should have a good plan. That way the legislature and the Governor's office and whoever, the budget director can look at it and say, well, I see where the picture is becoming clearer rather than just a bunch of random things that are thrown on the budget and we're trying to explain what they are. I think in the past that's just sort of been the way it is. And sort of what Assemblyman Bobzien was saying is that, you know, for as long as I've been in state government we've been just cutting, cutting, cutting and that to me just means we must need to change the plan to be -- to fit the budget, the scenario that we're in, but we still should have an overarching plan of where we think the state needs to be, so that's what I plan on developing.

Senator Denis: Thank you. And, you know, obviously the thing that helps us too is that as you develop that, if you prioritize the things that, you know, if we have to do certain things, we know what the most important things are. And I'm sure the Governor's office would look at the same thing when they're looking at their thing, so thank you.

Unidentified Male Speaker: And just to follow along with the Senator's comments, it is incredibly helpful for us to know how the window into the conversation that we had and the creation of the executive budget, that once we get the executive budget, of course, we're going to get the ultimate priorities, but -- and I'm thinking in terms of the security argument, I gotta think that there's going to be investments that you're going to consider, that you're going to recommend to your strategic plan that are not going to make the executive budgets because of scarcity and everything else, but we need to have a clearer picture of obviously the priorities in the Governor's budget related to IT and how it will stack out, but also the things that didn't make it into the Governor's budget that you see and you uncovered in your strategic planning process are remaining on the challenges, things that the decision was made not to invest in before it gets to the legislature, because obviously the whole creation of the budget there's two phases. There's, you know, the internal discussions on the executive branch side and (inaudible) the process that we have to go through having a more candid discussion of all of those concerns is always the better way to go in that process.

David Gustafson: And may I also add, for the record, David Gustafson, there's actually three phases. And the executive branch side is actually an agency request phase before we even get to the governor recommends phase and so then when you guys get in, so it's a ways down the road already, so absolutely.

Unidentified Male Speaker: The standards I was talking just in terms constitutional, and then there's executive and there's legislative.

Joe Marcella: Any further discussion? I'd like if someone from the Board could frame a motion regarding the EITS strategic planning process and direction. It could be as simple as we can follow the recommendation of EITS and how we're going to go forward with the direction.

Jeff Mohlenkamp: This is Jeff Mohlenkamp, for the record. I think to the extent that this committee is comprised of many people with a lot of different experiences, I think it would be helpful if the committee was able to -- I know David's been taking notes and all that, but I think some of the real value that comes from this committee is being able to provide some advisory, some points to David, to the, you now, EITS to consider for inclusion in that strategic plan. I mean, I think that that would be ideal is if we could provide some bullet points for things that should be under consideration or more -- and then ultimately that strategic plan maybe ultimately will come back to this group for review. And that's not really a motion, but it was just kind of more some comments.

Joe Marcella: Any discussion regarding what Jeff had stated? I think that could be framed as a motion to move forward and then ask for a second. Jeff, can I ask you…

Jeff Mohlenkamp: Sure. And my motion if everybody thinks it's reasonable would be for this committee to come back at the next meeting with some concepts -- individually with some concepts to be able to be forwarded to David for inclusion and consideration of the strategic planning process as a recommendation, and that ultimately David would advise us whether or not those considerations made it into the ultimate plan.

Joe Marcella: Can I have a second?

Unidentified Male Speaker: Second.

Joe Marcella: All in favor?

Group: Aye.

Joe Marcella: Passed.

   *9. BUDGET PLANNING PROCESS DISCUSSION and DIRECTION

Joe Marcella: Okay. We'll move on to Agenda Item No. 9. It's budget planning process discussion and direction. I asked David if he would at least frame this conversation and discussion, so David?

David Gustafson: Thank you, Mr. Chairman. We are in the process now, and I think Director Mohlenkamp probably knows this process a whole lot better than I do, but we're in the process of building two budgets. One is a traditional line item budget that the state has evolved since the '70s, I believe, and the other is the performance-based budgeting which is based on activities and benchmarks and all these kinds of things. And what we have been doing as of lately is establishing all of our performance-based budgeting benchmarks, performance metrics and things. My directive to the staff has been to let's get performance metrics that actually mean something. You know, in the past when we have found that when we were in a department that, you know, they would say things such as server availability is three 9s availability -- triple 9s. Okay. Well, that's great, but that doesn't really do a whole lot. So that's great when you reach, you know, 99 percent, but that doesn't really help us with how we're doing.

So we're constantly looking at now measurements and how we are doing as managing an IT organization. Are we meeting our customers' expectations? Are we performing in a way that they expect us to? Also, directed them to find things that aren't so great. I want to know where the skeletons are at and let's pull them out, I want to drag them out of their closets and let's talk about them. And even if we're not doing so great, I want to be able to go and report on things that are going to help us be better IT people. So how do we manage our business and our expectations and our customers as well as, you know, as well as our legislature requirement to come up with performance metrics.

So we've been in that process now developing all of the documentation that goes along with that, these narratives and along with core functions and aligning the benchmarks and things like that, so we are well underway with that now. In fact, Director Mohlenkamp was just yelling at me the other day because I'm behind on the ball a little bit, but -- and it is for good reason, because I just didn't want to rinse and repeat a bunch of stuff that didn't mean anything to anybody. I wanted to actually come up with metrics that were meaningful even if they weren't so good. In fact, I'm recommending we have some that are not so great so that we can improve on them. So that's just kind of the way that I am, but we are well underway with our budget and our budget preparation, and this is -- if I may bring up a bit of a sticky wicket here. The NRS requires, or I don't think it requires, but it does say that the Board's supposed to review our budget. I don't know how that's going to work, but it does actually say that in the statute, that the Board is supposed to review our budget. We have two budgets that are not complete, but we are in the process.

Our final submission to the budget office is the end of August. I think it's the end of August I

think or first of September or something to that timeframe. So it is underway. And what we're doing now is we're taking requirements from our customers in terms of what they're utilizations and what they're expectations are of us, such as, I'll give you an example, programmers. So if they say -- and agency says I need an extra 2,000 hours of programming support, then we have an obligation to fulfill that service. So then we (inaudible) staffing model or our ability to apply or to (inaudible) that request. So there's a lot of things that are going on in the budget right now, but it's still a lot up in the air. Mr. Chairman?

Joe Marcella: David, I have two quick questions, and this is just to get (inaudible). You're in (inaudible)?

David Gustafson: Yes.

Joe Marcella: Totally?

David Gustafson: Yes.

Joe Marcella: Okay. And then the second thing is, it's probably not as related, when you talk about services out to the community, does a service catalog or services catalog exist for your current IT organization?

David Gustafson: Yes. In fact, on our new website, it.nv.gov, we actually have -- our full-service catalog is actually on our website. To your first point, Mr. Chairman, as an internal service department, we take no…

Joe Marcella: Position…

David Gustafson: We take no appropriation from the legislature, so all of our services, our cash flow and our ability to sustain ourselves is derived from our ability to perform services and then issue bills and receive -- just like a normal business would, but we take no general fund, or no appropriations from (inaudible).

Joe Marcella: Are you -- you're currently at a zero balance in your budget? Internal service funds are tricky because of the timing. It's just…

David Gustafson: We always start with zero and end with zero.

Joe Marcella: Okay.

David Gustafson: And somewhere in the middle is the gyrations of ups and downs that we go through, but anything that -- if we have excess at the end of the year, we would roll it into our reserve accounts.

Joe Marcella: One additional question. You talked about metrics, and those measurements are performance assistance and so forth. You're looking to expand those as to service delivery, something more tied to your services catalog?

David Gustafson: You're talking about performance metrics?

Joe Marcella: Yes.

David Gustafson: Yes.

Joe Marcella: Okay. And then the last question. Does your service catalog actually have pricing in it?

David Gustafson: Yes, it does.

Joe Marcella: Okay. Thank you.

Paul Diflo: For the record, Paul Diflo. Let me try to understand the budget process. So we just talked about application modernization, as I read the first one, we're just talking about the ERP system, right? Who funds this as part of the budget, if you were to oppose the new ERP system? Where does the funding come from for that?

Jeff Mohlenkamp: Jeff Mohlenkamp, for the record. As I've been in this position over the last year, I've had countless conversations and almost invariably the conversations were talking to David or Mike Willden or any of the other directors, almost always ends up talking about their IT systems and the status and state of condition of their IT systems. And, yes, our primary finance system ultimately is very old. It's I understand not supported and we have some challenges going forward, but we have that in a number of different environments within the IT overall structure. So I think (inaudible) going to be really important that we prioritize. And I think that's another area this committee can be of real value to the state government is because I think that there are so many systems that are old and antiquated and many of which are either not supported or will not be supported that I think that there's probably not enough money in the near future to be able to really fund, you know, good solutions for all of those. So some prioritization's gonna be necessary. I noticed that there was -- that there might be some overall structural. I'm interested in this data (inaudible) and some of these different overall structures that might enable to state to move forward structurally to be able to replace these things on an as-

needed basis. But I'm not the expert here. I just know that the needs outweigh what our resources are going to be. I'm pretty confident in that.

Paul Diflo: But from a -- I guess the point of view of how the funding would work, let's pretend that the money to put in a new ERP system, this would be a system that's gonna be used by multiple departments. So you can't -- you're not going to charge back to multiple departments to initiate this, right? There's gotta be a fund somewhere to start an ERP project. Does that come from the IT budget, or does that start someplace else?

Jeff Mohlenkamp: You know, I'm not sure structurally under the (inaudible) expenditures. Exactly how they get cost allocated, I have to look into, and I'm not familiar with it. Clearly I think it would be a need for some appropriation or some funding source, and then how that was going to be transferred over, whether the federal sources would pick up their fair share, how it would work, we'd have to look into that. And it might be somewhat case-by-case depending on what the need was.

Paul Diflo: So I'm just trying to get an idea of how you put together a budget if everything is services based. You know, do you want a new solution? Do they plan for that in their budget then, or do you plan for it in your IT budget?

Mike Willden: Mr. Chairman, Mike Willden, for the record, Health and Human Services Director. Generally, it's kind of a cat and mouse game how we build the budgets. So agency requests are due September 1. And so the agencies are out there right now, and we've got what, 80, 81 more days to get our budgets built, and it's a scramble to meet the September 1 deadline. We go through a number of things, federal requirements, our own needs, you know, things like the Affordable Care Act, do you want a new bell or whistle, things like that, and we build what we call enhancement decision units. And part of the problem is, that's what I was going to ask David, you know, the statute says we shall review his agency request budget before he submits it to Mr. Mohlenkamp on September 1. Well, you know, it's always the agencies are out here building and David doesn't get to know until we're done inputting into the system what we're even asking for. And so there's sort of a reconciliation process right after September 1, that it's like the agency's asking for X, Y, Z. We try to keep him in the loop of what we're asking for so that he can step up and have the resources necessary to do it, but it, you know, it just kind of gets built in silos, and then all of sudden September 1 hopefully it all comes together and works, you know. You have to have -- we always say a pitcher and a catcher's mitt that's all got to balance out in the process.

So I don't really understand when the statute says we, this Board, shall review your budget, you know, it ain't done, quite frankly, until August 31 at 4:59 p.m. We're not late putting things into the budget, you know, we don't push the button to send it to the budget office until 4:59. If you

move up dates to, okay, we're gonna review something on August 15 or August 20, I don't know how David's budget builders are, but if they're like mine, they might be 85 percent of the way done because they are -- we start working 48-hour days, literally shifts of people coming in working in cycles, you know, to finish the budget. And that's a long answer to how the budget gets built, but I don't really know how you review the budget before you submit it to him, unless he can guarantee that we're all going to be done sometime before this Board can meet to look at it.

And there are a lot of moving parts is what I'm saying. The Affordable Care Act, we're all on pins and needles right now trying to figure out what the Supreme Court's gonna do because we can't build a budget until we know what they're going to do. We're building multiple budgets. We have a parking lot full of budgets and then pretty soon we'll pick one and plug it in and, you know, and make things work, but it's just try this one, try this one, wait for this decision, try something else. It's a very difficult process to build those types of budgets and particularly to the internal service funds, because they don't know what they're doing until we tell them what we're doing.

Jeff Mohlenkamp: I'll just follow up a little bit because it was my (inaudible) the state's (inaudible). Just a guess. So we do have I'd say kind of a triplicate type thing, and I'm over simplifying, but I'm just trying to give some context here. Each of the agencies have -- well, most of the agencies have their own IT budget which would include they have their IT staff, and then they also have the equipment and purchases, things like computers, servers, et cetera, that they're requesting independently of David's (inaudible). And David has his budget which is, you know, a centralized structure of IT that (inaudible). We're not completely decentralized, you know. We have some consolidation that already exists in certain areas and that's within David's budget. and then we have a third area, and that's just technology investment requests, the TIRs, so if somebody wants to enhance their system, they want to acquire new technology, we do have a separate process whereby that would be approved. And then there's a ranking that this IT special -- that this committee that we were referring to earlier, they actually are the same ones that look at the technology investment requests and prioritized those for recommendation with the Governor.

You know, at the end of the day, ultimately all of these requests that come forward go in the form of agency requests or items of special consideration. And then they become -- then they're consideration by the Governor. Whether or not he's going to include which items in the budget become then his decision ultimately. So it's not real simple. It's very complicated, and we have a myriad of funding sources. For example, (inaudible) a lot of his agencies have significant federal funding. So in those cases, some of those situations will be pulling in money from the feds. Other agencies are strictly general funds, so it really is quite a complicated scenario.

Paul Diflo: So the obvious risk then is if you have 417 customers, each one of them could be asking for a solution that is similar or redundant, somebody's got to make that decision to say these three are the same requests we can accommodate four customers with one piece of software for example. Is that you, David? Do get to be involved in that?

David Gustafson: For the record, David Gustafson. No, not typically. And this is sort of part of the problem with the federated IT model that we have as well. So that's how we end up with two Enterprise Oracle portals and an IBM portal. It's the same story. Three independent agencies who for very good ready want a (inaudible) portal, but then, you know, they put it in their budget and these things just kind of happen magically and they get funded in that way and appropriated and then they move on.

Paul Diflo: Part of this, correct me if I'm wrong, but part of the strategic planning might be -- it sounds like there's a lot of low-hanging fruit to save some money through consolidation and probably better governance.

David Gustafson: Yes, I would agree. And then honestly, one of the goals to -- and I think that's where a lot of states have saved a lot of money is the fact that we will build one portal and everybody will use it.

Paul Diflo: Right.

David Gustafson: Rather than building three of the exact same thing, or more.

Jeff Menicucci: Mr. Chairman, you know, I haven't had many conversations about this. To me, the money savings -- I don't know if the word standardization or -- is the right word, but that is absolutely -- as a big user, 60 percent user, if he's got 417, I'm one, but I'm 60 percent, and it is about standards. I think we have to make strong recommendations about standards, and hold people's feet to the fire or else you don't get anywhere. I mean, 'cause that's why we've got multiple email systems, multiple websites, multiple portals or whatever you want to call them, multiple this, multiple that, because standards have been set for several years, but we don't enforce them. And unless we enforce them, suddenly enforce them, we aren't going to save money.

David Gustafson: So, Mr. Chairman, I'm probably going to say something that I probably shouldn't, but we're required by statute to provide those standards, and we have those standards and a lot of the security standards and policies are not being followed. We have no authority to enforce them, and this is part of the problem. So if you have an agency that just says, hey, thanks, but I'm not interested, then what do you do? Their IT people are beholden to the agencies, they're funded by those agencies, they have their own IT organizations doing their own

thing, so then what is my enforcement over that? And this is, you know, sort of one of the problems that we have here at the state government, is there's no enforcement.

Joe Marcella: Joe Marcella, for the record. There's usually two ways to look at this. You can mandate and that gets you nothing other than a mandate. It's no different than what you were just talking about, Mr. Willden, is that you have compliance and yet you literally have to put that into your software and usually it's the unfunded mandates that happen. Or the other thing is, is that -- and what I heard in our previous meeting is that the reputation of the centralized IT has built, and continues to improve. The larger organizations, the 60 percenters, where you have the opportunity for not necessarily consolidation as much as standardization across the board where it matches and meets your overall organization's direction, and if you have two of those, the largest ones as Senator Denis mentioned before, you can start to make an impression on the smaller ones and bring them along as well. It cannot be done in one fell swoop, and it can't be done by legislation, even though I understand in statute you have some jurisdiction to make those kinds of things happen.

So it's a matter of deciding what the priorities are, standardizing under those priorities, moving in those things that matter most, security is something we heard as a primary approach to certain things, and then understanding the business reason to go forward which a lot of conversation with units that you support. You go the bigs first I would imagine to get a clean understanding and, therefore, the capacity and the standardization could service the rest of the organization. At least that's been my experience.

David Gustafson: Mr. Chairman, if I may reply? For the record, David Gustafson.

Joe Marcella: Please.

David Gustafson: That is absolutely true, but it is still a voluntary process. We have a state security policy that says you will patch your servers, but we still have agencies who don't have servers. We have a policy that says your lockout will be 15 minutes on your infrastructure, right, there are group policies set on a domain level, and they still don't follow the policy. So I can talk until I'm blue in the face, and if I don't have a way of enforcing the policies, then I don't know how, other than building walls around people to protect myself and the assets that I'm responsible for, I don't know how else to enforce those policies even if I do have statutory authority. There's still, you know, there's just no enforcement. I have no enforcement over them, so the world according to David is, you know, that as long as IT people are budgeted, they're responsible, they're accountable to agency directors, then they'll continue to do that because they have protection that way, and they're not accountable to me or to the state policies in that way. Anyway, sorry to digress. That's the world according to David.

Jeff Mohlenkamp: Mr. Chairman, Jeff Mohlenkamp, for the record. I think Mr. Bobzien earlier made some comments about that it is going to take us some time despite our desire to move forward with consolidation, it is going to be an effort that's going to take several years to move forward with. There is going to be some need to find an intermediate step to deal with security issues and to deal with some of these standardization issues as we proceed forward with the (inaudible) consolidation effort, which I think is absolutely necessary when we're looking at some of these, you know, multiple domains and some of the cost inefficiencies that we have.

So I'm really interested in both this committee's and ultimately the strategic planning committee's concepts, and I think we are planning to bring Gartner in. I've heard that mentioned as a structural recommendation to be able to identify some of these intermediate steps that we can take so that we're not only moving towards the ultimate goal, but in the meantime over the next three years we're not -- we're at least gaining some major ground. So I'll be interested in what people -- the IT people on this committee really can provide in the way of those intermediate steps to help bridge that gap.

Jeff Menicucci: Mr. Chairman, I've tried to be quiet because this is a subcommittee, Director Breslow's subcommittee hasn't met yet, but I think it's gonna be really important that we develop -- and, again, this is not new today, but we've talked about this matrix -- he talked about his 400-plus users, and we all do things differently. I mean, well, there's a lot of commonality, but there's areas that are different. At HHS we've been through three consolidation efforts since I've been the director, and I have been the director since 2001. And we've, you know, bridged things back and forth. I mean, we went through a time where we sent all application development to people out of his agency to my agency. And then we looked at pulling things into his agency, you know, like all the mainframe applications, the server (inaudible). So we've got things going both ways across the bridge for 11 or 12 years now.

So I'm going to be encouraging us to look at users and then the matrix of what we do, the last thing we did, we spent a lot of time, you know, what's on the mainframe, what's not on the mainframe, how many mainframes are there, what's on servers, what's in his farm, what's out in our world. Desktop support, how are doing with desktop support? Operating systems, security, communications. We went down through the list, nine different components, and I think it's gonna be really important to get an inventory or a matrix how we're doing things now, email systems, web Ektron, Front Page, who's where, and then there is low-hanging fruit. We don't have to move entire departments at a time. We can say let's pick security, communications and desktop support and get all those done quickly, and then the bigger pieces might take us four years. It probably will take us four years.

I think we don't want to leave behind whole agencies because my frustration will be we've tried two, three times now, and if the apple is too big, we don't move it. And so you've got to pick the

things you can move in year one, year two, year three, year four, and once you start the ball rolling, it'll get done. But we never seem to really be able to get the ball rolling because it seems too big. It's overwhelming budgetarily and it doesn't move, so we stay with 417 agencies doing the 15 things that we do 12 different ways. That's my rant.

Paul Diflo: Paul Diflo, for the record. An excellent point. It's good to identify and prioritize some of the easy wins, but we could identify them by not only what would be easy to do like infrastructure stuff, but cost, and then we can benchmark what the state is paying versus, you know, what the standards -- not even world class, but maybe just the standard, I think you know probably is a really easy thing to tackle. You could get a benchmark, identify the number of users and this is what it costs for a typical email solution, and this is what it's costing the state of Nevada. I suspect we're going to see a pretty good gap there where we could save some money.

David Gustafson: For the record, David Gustafson. We as a matter of fact do that. It's been my belief that something should always be retained in state government just for security reasons, or other sensitivity. But we always compare our rates with the private sector. And if I find that we can no longer be competitive, then those are the things we absolutely will be outsourcing. I think you'll find our email at $3.47 a month for 11,000 users very competitive, but that is one of those things, if I may, that we're looking at outsourcing next biennium. So even if I realize that -- even if it was the same price as the private sector, it's still a business value added process that I need to be involved in, right?

Paul Diflo: Right.

David Gustafson: The private sector is very good at providing email services. As long as we can do it safely and securely, then we should be doing that, right? Why wouldn't I want to do that? I want to focus the state IT resources on those things that are government centered and that provide maximum value to the agencies. Those things that are custom such as these custom applications that we need to support. The fact that we have people, you know, providing the email services is not of great value to the business, the agencies. I also want to say that Mike is absolutely right. And what Mike doesn't tell you, Director Willden, is that he has 250 IT people and he supports 6,000 users. He has a tremendously large IT organization. Most agencies are not near as big as his, and to take an IT department that is 20 people, and to separate the desktop guy from the network guy from the server guy is -- they probably create a bigger process than it probably should it. It is my opinion that if you're 25 or less, something to that tune, you should just come over, lock, stock and barrel, you go in your respected teams and we're done with it.

But certainly I've told Director Willden the same thing. I said, he's the one I'm worried about because that elephant is -- as Mike said, it's the company eating the elephant in this case, you know, so -- or the company eating the whale. So because he is twice as large as I am, we have to

-- you have to plan these things out, and it will take a very long time because these are things that he's performing, services he's performing, and that's just a (inaudible). But mostly IT organizations are not that big. So I did want to say that for the record there.

Mike Willden: Making fun of my (inaudible).

David Gustafson: Yeah. Hey, the guppy and the whale, you said that to me. I didn't say that to you.

Joe Marcella: Actually, I like the expression guppy and the whale too. So, David, is there any further comments that you want to…

David Gustafson: No, thank you, Mr. Chairman.

Joe Marcella: Any further discussion from the Board? Cory?

Cory Casazza: Cory Casazza, for the record. David, how decentralized was the State of Utah, and how long did it take them to centralize or consolidate?

David Gustafson: For the record, David Gustafson. I can answer part of that. Remember when Director Mohlenkamp was telling you about these five states that that we like? That's actually part of my presentation I'm putting together is I'm picking out five states that have done -- who have performed consolidation or in the process of it, it got (inaudible) how they're doing it. (Inaudible) completed, what has been the result of that consolidation, and I don't know that I can answer that completely, but what I do know is that when they were federated, when they were all doing their own thing, that was in 2005 I think that there was essentially, you know, an executive order or legislation that said all your IT people report to the CIO. And then over time, through things like email and other things that are -- they've been able to consolidate, take ten help desks and make one, you know, those kinds of things. They've been willing to virtually eliminate 200 positions to attrition. They have not -- they tell me that they laid off a couple people strategically, but there was no real lay-offs per se. It was all through attrition, they downsized, and then that resulted in over five years there's 73 or $76 million dollars in savings, just by -- the big thing that they do is the infrastructure they closed 30 data centers. They went down to two data centers. That's another thing that we're, you know, we have over 20 that I could calculate data centers that are running around, circuits all over the place, you know, probably in the same conduit, going to the same places, you know, that different agencies are paying for. So, Mr. Casazza, I may or may not have answered your question there, but I don't have all the answers for you.

Cory Casazza: Thank you. I get concerned when I hear about an IT project or a consolidation spanning four years, because I think the tendency is to dig in -- for the agency is going to be consolidated to dig in their heels and delay that from ever happening. So I would just have a concern of dragging it out too long, and I know it's painful to do a lot at one time, but I think it's also better to get it done quickly and let the healing begin.

David Gustafson: For the record, Mr. Chairman, I did not plant Mr. Casazza, but he said that on his own accord. That has been my experience too is that these states who have performed massive consolidation on the scale we're talking about have always started out with some executive order or some legislation that says, you know, all you IT people now report to CIO, now sort it out kind of thing. I think that's largely because of the -- you could drag it out, you will be here two decades later and you'll still be talking about some of it because of every reason you could find under the sun. So -- but, Mr. Casazza, would you let the Board know that I did not plant you?

Cory Casazza: Cory Casazza, for the record. No, I wasn't planted, but just doing consolidation at the county level, I know we had a two phase plan for consolidation and we were able to get through the first phase relatively quickly, and we're on year five of the second phase and pretty much we'll never make any more progress until something major happens.

Joe Marcella: Joe Marcella, for the record. I have three things. One which is, David, a real quick question. Do you know the percentage of states that have either started the initiative or have actually completed and consolidated? Was that a statistic that was shared with you?

David Gustafson: I do not know the exact statistic, but I do not know a state who hasn't performed some level of consolidation, or who hasn't started major consolidation.

Joe Marcella: And part of the reason that I'm asking is that there's a template for those that have been successful and if that could be replicated here.

David Gustafson: And for the record, David Gustafson. That's exactly what we're trying to establish. What I have found in my preliminary research is that every state is unique, every -- many states actually have (inaudible) department of IT. They're all structured differently. Statutes are different, funding is different, so what I've found is that each state that I have researched is largely unique in the process.

Joe Marcella: Thank you. The second thing is, is that Agenda Item 9 calls for a motion, and I'm struggling what that motion would be. I struggled with the other one, Jeff, and I'm struggling with this one. And so are there any opportunity or any Board member that would entertain a motion?

David Gustafson: Mr. Chairman, if I may?

Joe Marcella: Yes.

David Gustafson: David Gustafson, for the record. I think the condition that Director Willden was speaking of in the statute where it says that the Board shall review the budget, that is a condition that will almost never exist. In my opinion, because once we go from agency request, so the intent was that the Board would review the agency requested budget that is changing up to the last minute. Once we go into -- once the agency request phase is completed and we go into Governor recommends, the budget is no longer public. So what happens then comes out in mid-January, that is the Governor's recommended budget. It is my opinion that something probably should be changed in the statute so that we're not violating the law, because it's a condition that I don't believe will ever exist where you could review the budget before I submit mine.

Joe Marcella: Jeff, could I ask you to comment?

Jeff Mohlenkamp: Sure. Mr. Chairman, I think it'd be probably be appropriate for David to be able to come back and talk about some of the key initiatives that are in this budget. I don't think this committee's going to be in a position to review the budget before it's submitted because of the things that have been discussed. I just functionally it's going to be very difficult to make that happen, but I think he can come back and talk about some of the key initiatives that he has, some of the struggles that he's aware of within state government that need to be addressed, and talk about those things in a budgetary context. I think that would be what I think we can hope for, or at least expect to get from David.

Joe Marcella: Will you format -- take that as a motion? Second?

Unidentified Male Speaker: I don't have a second. I do have some discussion though.

Joe Marcella: Proceed.

Unidentified Male Speaker: (Inaudible) opportunity to -- if you wanted to second the motion before we go to that or you just want to take it now. I mean, I just -- regarding that requirement, I think it would be helpful to hear from counsel what exactly would fulfill that requirement. And based on that, I would decide if we need to make a motion at all on this. I'm always a little bit nervous trying to answer back the statute with motions without full clarity about what the requirement is.

Mike Willden: I think two things. One is just because something's on the Agenda doesn't mean that it has to have a motion or one has to be passed. Second, I don't think we should proceed to interpret a statute to require the committee to do that which is impossible. I think the committee can only review the budget to the extent that it's able to be provided to or shared with the committee at the time, and I think the committee's performing that function as we go ahead.

Joe Marcella: Then can I get an amended motion? What I'm understanding then is we do not have to vote on this Agenda item?

Mike Willden: I believe that's correct, Mr. Chairman, that we do not have to actually take an action on that, but that the budget review process is something which is an obligation to the committee, but it should not be considered an obligation that's impossible to accomplish because of the way the state budget is operating.

Joe Marcella: Okay. Thank you. This has been a long meeting so far. I wanted to know if the Board would entertain a five to ten minute recess, or should we continue?

Jeff Mohlenkamp: It looks like we're almost done.

Unidentified Male Speaker: I think we're almost done.

10. DISCUSSION FROM MEMBERS

Joe Marcella: Okay. Then let's proceed to the next Agenda item. Let's go ahead and discuss in general to set up some direction for our next meeting, and what we would want to provide as some recommendations to IT as well as how that will be provided, how we can go about making that happen. So let me open it up for discussion. Jeff, you and I had a previous conversation before this meeting. Maybe you can share that with the Board, whether it can be handled from a structural perspective or individual reports.

Jeff Mohlenkamp: Thank you, Mr. Chairman. I think with regard to moving forward with the subcommittee, I think we've got counsel to tell us that if we individually assign specific projects for research for somebody to report back, there's certainly no committee issue, there's no open meeting issue, and I think that might be -- it might be easier for us to do that rather than trying to form schedules and all that. If there was a desire to move forward with committees, then I'm not sure if I heard from counsel if it was a committee of two that wouldn't be a quorum and maybe there's no open meeting law, or I'm not sure where we go there. So I guess I'd have to redirect that.

Mike Willden: I think with a committee of two, once the two get together, you have a quorum, so that's going to happen. So even small committees do have quorums.

Jeff Mohlenkamp: So that would be a subcommittee quorum, not a quorum with the fully body. So I think it might make sense probably because I don't think that David's group is really right now set up to handle a variety of subcommittees, or are you? I'm not sure whether you're in a position to want to have to post budget submeeting agendas and all that. It's quite a bit of effort. In my view it makes sense to have individual members report back to the committee on certain research projects and things of that nature.

Joe Marcella: I would tend to agree. The (inaudible) of the subcommittees may not get us to where we need to get to. Let me make this recommendation. We've talked about consolidation being more of a lesson overarching concept not necessarily a priority. Priorities are everything that facilitates the consolidation. So I would imagine -- I would recommend that the subcommittees or the chairs for each one of those components have some conversations as to -- and we can have that conversation starting here, as to those items or those priorities and which ones are priority today, which ones are in priority sequence that facilitate the consolidation parent or overarching concept so that we can come back with a recommendation under consolidation, these are the three or four things that need to be focused on to make that happen.

And let me use this as an example. Under consolidation, if you move to standards, if you start to move to shared systems and the like, security needs to be addressed. Many of those systems have to then be managed and administered so governance needs to be addressed, and that's one of the priorities. And then application modernization literally has an opportunity to be managed as well as approached if in fact that infrastructure of the standards and that level of consolidation has begun. So the recommendation would be is that each one of those be vetted to a level that we understand. Again, what I had mentioned before, what the current condition is, and I tend to agree with Paul, any kind of analysis for security has got to be at the 50,000-foot level, and we're going to get to that deeper dive until in fact we actually make it a priority, put some budget (inaudible) and start to investigate it. So from a security point of view, governance, and then application modernization all fit underneath consolidation. And then under consolidation there are three or four different items that are consolidation and that would infrastructure standards and resource management.

So given that's the direction we'd like to go, or at least that's the recommendation I'd like to make, I want to open that up for some discussion. And then the next thing I want to talk about is how we can get that accomplished. So Paul?

Paul Diflo: Yeah, Paul Diflo, for the record. If I look at this in the order like you said I'm used to doing it, it would strategic plan, budget planning and then execution. So we've all talked a lot

about consolidation. That's really not the result. I mean, there's something, a reason why we want to consolidate, right? But (inaudible) plan, so we need to improve the security, we need to improve service levels, we need to reduce costs. It seems to me that those are the types of results that would be in strategic plan, and in order to achieve those results, consolidation seems to be the step that will help us reach that, right? I mean, it's hard to do this without a business plan for that (inaudible). Okay. We want to increase revenue, we want to reduce costs, inefficiencies are growing (inaudible) revenue. It absence of that, I think that's what I would like to see defined is why do we want to consolidate. What are the results that we're looking for here? Do we want to save money? Do we want to improve security? Do we want to increase our service levels, or is there something else? Because that would help me from a starting block.

David Gustafson: Mr. Chairman, for the record, David Gustafson. So what you're asking for on government terms is what is the policy statement, why are we doing this, right? Otherwise we're just doing it to do it, just so we could say we did it or check a box or something? So what you're trying to say, the private sector would say that the finance guy, CFO or something says, yeah, we're gonna cut costs, and the IT guy goes, great, we're gonna consolidate and we'll save X amount of money, and here in the government we sometimes would say that those are policy decisions that are made above my pay grade. But when we started down this road, it was certainly to improve efficiencies, save some money, strengthen our security and improve our service delivery in the process, which are the four reasons why we started off down this road originally or initially.

Paul Diflo: Okay. Perfect, that helps me.

Mike Willden: Mr. Chair, I'm still a little bit confused in my -- so I had to leave early last meeting, so we created the subcommittees, at least I'm trying to read through the minutes. It appears the subcommittee model was created, and then with that the open meeting law and quorum and lots of issues come along. So I'm sort of wondering, because time is of the essence, and that type of thing, following up on what the previous speaker just indicated, Paul, to me the top level thing again is the strategic plan. We're somewhere today and we want to be somewhere in two, five, so many years down there, and that to me is primary to getting something done soon.

In other committees that I have participated in, if David and his staff move forward with comments that we've provided over the last three meetings, and he starts penning out, developing out, drafting that strategic plan, it's my understanding he can provide drafts of that process to the committee, and as long as we don't deliberate amongst ourselves, if he gives us a draft and we individually comment back to him, that we can provide comment back to him and bring that strategic plan along so that in the next meeting or two we can have a more finished product, you know, we have a strategic plan that then can be, you know, brought public and

those types of things. Maybe counsel needs to weigh in here to do that. But I would really like to see us get focused on the strategic plan, because like Paul said, after that you've got to -- if you don't have a strategic plan down soon, we can't go ask the Governor for asks about money, or we can't go do whatever else we need to do.

So I'm all for getting the strategic plan done, step one, getting David to provide us as much good information as he can, and obviously about agency request budgets, and the consolidation thing is just sort of like a parallel thing. We're working on consolidation. It probably is going to fit into the strategic plan. It needs to happen whether it's fast, one year, or three years, or four years, or two years. I don't know what that answer will be, but to me, we've got to be focused on the strategic plan. And as I read the statute, we're required to do three things; review a strategic plan, review standards manuals and review the budget. And to me the first thing is the strategic plan.

Joe Marcella: Comments, David?

David Gustafson: For the record, David Gustafson. I agree. And Mike is right, and what I can -- if it's okay with Director Mohlenkamp, when I finish my presentation for the strategic planning committee, I can also share that with the members as well. I don't think there's anything sensitive in there because we're gonna share it with a lot of other people. But it outlines a lot more of the business case, at least in the world according to David, about why we want to do this, what other states have done it, why they've done it, and sort of the expected benefit of that. From that I'm going to use a lot of the same -- the framework, the foundation build, the strategic plan. And so I can certainly share that with everybody if it's okay with Director Mohlenkamp when I finish that presentation, because I think it'll answer a lot of questions.

Jeff Mohlenkamp: Jeff Mohlenkamp, for the record. And I think both comments from Paul and Mike I think are well put. I think that one of the things we're trying to do, and I think, Paul, maybe you in your presentation indicated to start in the middle.

Paul Diflo: Yeah.

Jeff Mohlenkamp: And I think that's one of things we're trying to do. I realize that there's a sense of urgency to move. I get it. I know from my Mike's experience that he's seen us talk about IT consolidation for a long time and not really making steps except for to analyze it. And I don't want to be caught in that trap, but at the same point in time, I don't want to shoot and then aim, you know, and that's why we have this committee that has people with expertise across governmental sectors and private sector. That's why IT strategic planning committees have come together with specifically governmental expertise and knowing how the services are used

within the state government. That's why bringing those two groups together to basically come out and flush out what are the primary drivers to consolidate, and then ultimately bringing in Gartner in who has been involved in multiple consolidations, both in private and public sector, will help us flush it out.

Now, I understand that that may not be in time fully to be able to move forward with the next budget, you know, because the clock is ticking on us. I would rather take our time and do it right than try and rush to be able to get it on a certain Agenda. Now, that doesn't mean I want to slow the process down. It means that I want to be deliberate in how we do it. So I think that both points are well taken and the strategic plan is the right place for us to start. And while consolidation certainly will be a component of that, we have to make sure that we're doing consolidation for the right purposes. I want the cost savings, I'll be honest with you. I mean, I want them to be high up on our Agenda (inaudible) early on in the process, and so what do we need to do to drive those things early on as (inaudible).

Joe Marcella: Initial meeting when we first had these conversations -- by the way, Joe Marcella, for the record. Absent a strategic plan, the direction that we had gone with or proceeded was that that's happening across the United States, and I thought it was in an effort to assist with the strategic direction that the IT organization should do, or should pursue. I think it's a question again for David. Poor guy. You've been badgered today. Do you have a sufficient amount of information based on lots of conversation from the Board, several hours, three meetings, to at least pursue some of what we've talked about as to -- and incorporate that within the strategic direction (inaudible).

David Gustafson: For the record, David Gustafson. I believe I have enough to at least get something started. Let me echo what Paul and Jeff were saying, and this is what Jeff hears from me a lot, is that if we can't get something planned and in our budgets now in the next 80 days, we won't be in this same situation again for another two years. So the state's budgets are two years, so I want you guys to think about that. That if we can get something -- and this is why we're starting in the middle, unfortunately, we've been trying to get this process started earlier, but it just hasn't come that way to us. But if we can't get something going now, we won't be in the same situation again for two years. In IT, two years is an eternity. And so if we're again talking about this again in another two years to then do something, I mean, we're talking, you know, a decade before you get anything done. So I would just comment that we've been trying to get this process started and everything, and the government takes forever, but just keep in mind that we are budgeting every two years, so if we wait too long to do something…

Cory Casazza: Cory Casazza, for the record. David, would it be safe to assume that your strategic would probably have five focus areas and they would be security, consolidation, governance, application modernization and (inaudible) enablement, and that would be, I mean,

that's probably the starting point for your strategic plan So while it would be great to have the strategic plan completed now, I think as a group we, I think, agreed kind of at the last meeting that those would be the focus areas for the strategic plan, and now you're looking to us to help fill in some of the blanks in those areas using the expertise that the panel has here to help develop what that security focus area would be, what that governance focus area would be. So I guess just my question is, does it help us if we give you something that you can put into your strategic plan that also would fold into the budget for those five focus areas?

David Gustafson: For the record, David Gustafson. Absolutely. And I think those are the five focus areas that I would absolutely start with, at least be the framework for the strategic plan.

Joe Marcella: There is a document, and I'm looking for the mechanism to make that happen, Joe Marcella, for the record, that Kevin submitted which was a template or it followed the guidelines that I have recommended to illustrate essentially what the issues were, an explanation of what that is, and an overall recommendation, not a high level, but a recommendation in each one of -- for Kevin it was in the application modernization. It could set some stakes in the ground or foundation in every one of the categories that Cory just mentioned, and each one of the chairs for the subcommittee could submit that document based on some research and conversations that they will have with the members of the subcommittee to at least have that submitted to you so that you can adapt at least those recommendations from the Board so that you can move forward with the strategic planning process based on some of the information that you've gotten from us. Would that be helpful?

David Gustafson: David Gustafson, for the record. Yes, that would be extremely helpful.

Joe Marcella: All right. So then my recommendation would be is then to go ahead and with the subcommittees or the chairs from the subcommittees continue to pursue that analysis to whatever level that you can analyze it and understanding the current state, the opportunities and the recommendation so that you have a starting point for your business plan -- I'm sorry, your strategic plan which I would say should transition to a business plan.

David Gustafson: That would be great. Thank you, Mr. Chairman.

Joe Marcella: Kevin.

Kevin Farrell: Just as a clarification, can we, I guess, unhinge ourselves from the subcommittee structure so that we can just send emails and share information without creating an open meeting or serial meeting?

Joe Marcella: I ask counsel how we would do that.

Jeff Menicucci: Jeff Menicucci. Probably the safest way would be to disband the subcommittees so that you could -- so two members could discuss without forming a quorum of any committee or subcommittee. Otherwise the committees could be held out there and not meet, but you do have that risk that if you get a quorum of the subcommittee together, you're into the open meeting law, and that's probably not something that would be noticed.

Joe Marcella: I would tend to agree. Discussion? Carrie.

Carrie Parker: Carrie Parker, for the record. Also, I would just say, I'm a member of the governance committee, but I can talk with someone else about other issues that aren't related to the governance subcommittee because the open meeting law, as I understand it, applies when a quorum is convened and there's discussion of the issue or issues about (inaudible) that body has jurisdiction or advisory power or whatever it may be. So I think the subcommittee structure would just confine the people within those particular subcommittees.

Jeff Menicucci: Jeff Menicucci. I do not disagree with that.

Cory Casazza: Cory Casazza, for the record. Is it legally possible to open up Item No. 7 again and disband the subcommittees and just name the chairs as the single reporting unit for each one of those focus areas?

Jeff Menicucci: We have an Agenda item -- this is Jeff Menicucci. We have an Agenda item for subcommittee progress report and discussion. The question would be whether within that Agenda item the Board would be able to take action upon the disbanding of the subcommittee structure. And at this point I'm leaning in the direction that that's probably not covered within the Agenda item, but we could certainly notice it for the next meeting.

Joe Marcella: Please.

Carrie Parker: Carrie Parker, for the record. I think that we already passed a motion that each member would come back with recommendations for the strategic plan; is that right?

Joe Marcella: We did.

Carrie Parker: So I think some of what you're wanting to accomplish we've already moved and approved, I think, if I'm understanding correctly.

Joe Marcella: You are correct.

Jeff Mohlenkamp: This is Jeff Mohlenkamp. I just want to clarify. So between now and the next meeting, we are free to be able to talk directly to David, to provide correspondence directly to David, with regard to the matters, but not to talk within subcommittees, is that correct, unless there's a public notice? I just want to make sure I'm clear on what we can and can't do so that I don't run afoul.

Jeff Menicucci: Jeff Menicucci. I think what you want to avoid is gathering a meeting of a subcommittee that constituted a quorum to discuss matters within that subcommittee's assignment and jurisdiction, or to make some recommendation thereon. I think that's something that would be within the open meeting law. But individual committee members I think would have no problem communicating with Mr. Gustafson directly, or individuals could come back to the committee and report what they as individuals believe to be items of concern or what recommendations that should be made.

Joe Marcella: So what I understand is, is that if we continued with the -- I guess this is Cory's recommendation. If we continue with the chairs doing the analysis and having conversations with David and then making a recommendation to this Board, that would essentially without disbanding the subcommittees would still give us the opportunity to get the recommendations and not violate open meeting law.

Jeff Menicucci: Jeff Menicucci. I believe that's correct, Mr. Chairman. So the chair of the committee would actually be acting as an individual not assigned on the committee itself. The committee could still meet if it chose to do so and follow the open meeting law, but it would not be required to do that.

Joe Marcella: Thank you. So then in my mind we can continue the process that we -- where we were before, however, if someone needs to convene, then they would have to follow the provisions of the open meeting law.

Jeff Menicucci: I believe that's correct, Mr. Chairman.

Joe Marcella: Any further discussion of the Board? So then I would suspect -- yes.

Cory Casazza: Just to flag it, it sounds like we have an Agenda item for next meeting which is (inaudible).

Joe Marcella: I would agree. Thank you.

11. PUBLIC COMMENTS

Joe Marcella: Then I move on to the -- is there anymore discussion? And everyone understands? Okay. And can I move on to the next Agenda item, and that's I want to open it up for public comment. Is there anyone in this room or down south that would like to speak on the subject? Hearing none, I'd like to close the meeting for public comment.

12. NEXT MEETING: JULY 9, 2012; 1:00 p.m. – 4:00p.m.

Joe Marcella: I wanted to mention that our next meeting is July 9 -- oh, I'm sorry. Laura, did you have a question?

Laura Fucci: No.

Joe Marcella: Thank you. The next meeting date is July 9, 2012, that's at one o'clock, and I assume it's going to be in this room?

Lenora Mueller: It's either this room or the other one. It'll be on your Agenda.

Joe Marcella: Okay. Thank you.

*13. ADJOURNMENT

Joe Marcella: Can I have a motion for adjournment?

Unidentified Male Speaker: I move to adjourn.

Joe Marcella: Second?

Cory Casazza: Cory Casazza. Second.

Joe Marcella: In favor?

Group: Aye.

Joe Marcella: Thank you.

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Legislative Building, 401 N. Carson St., Carson City, NV 89701
Nevada State Library and Archives, 100 Stewart Street, Carson City, NV 89701

Notice of this meeting was emailed for posting to the following Las Vegas, Nevada location:
Capitol Police, Grant Sawyer Office Building, 555 E. Washington Ave, Las Vegas, NV 89101

Officer Brad Carson: bcarson@dps.state.nv.us

Notice of this meeting was posted on the internet via the it.nv.gov website:
http://it.nv.gov/Governance/dtls/ITAB/Information_Technology_Advisory_Board_(ITAB)/

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