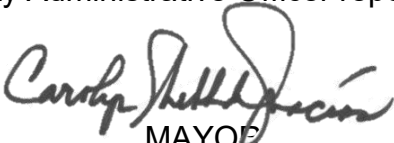


TRANSMITTAL		0150-12468-0000
TO Eugene D. Seroka, Executive Director Harbor Department	DATE 12/06/2023	COUNCIL FILE NO.
FROM The Mayor		COUNCIL DISTRICT 15
<p style="text-align: center;">RESOLUTION NO. 23-10237 AND PROPOSED FIRST AMENDMENT TO AGREEMENT NO. 20-3776 WITH INTERNATIONAL BUSINESS MACHINES CORPORATION FOR THE CYBER RESILIENCE CENTER PROJECT</p> <p style="text-align: center;">Approved and transmitted for further processing including Council consideration. See the City Administrative Officer report attached.</p> <div style="text-align: center;">  MAYOR (Carolyn Webb de Macias for) </div> <p>Attachment MWS/PJH/JVW:SHF:10240114t</p>		

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

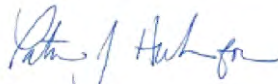
Date: November 16, 2023

CAO File No. 0150-12468-0000

Council File No.

Council District: 15

To: The Mayor



From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from Los Angeles Board of Harbor Commissioners (Board) dated September 7, 2023 regarding September 7, 2023 Board Resolution; referred by the Mayor for report on September 7, 2023

Subject: **RESOLUTION NO. 23-10237 AND PROPOSED FIRST AMENDMENT TO AGREEMENT NO. 20-3776 WITH INTERNATIONAL BUSINESS MACHINES CORPORATION FOR THE CYBER RESILIENCE CENTER PROJECT**

RECOMMENDATIONS

That the Mayor:

1. Approve Los Angeles Harbor Department (Port) Resolution No. 23-10237 which authorizes the proposed First Amendment to Agreement No. 20-3776 between the Port and International Business Machines Corporation by adding \$5,000,000 in compensation for a total not-to-exceed contract amount of \$11,800,000 and extending the term by two years to a total term of five years through December 8, 2025, for the Cyber Resilience Center project;
2. Adopt the September 7, 2023 Board of Harbor Commissioners findings that:
 - a. the proposed action is administratively exempt from the requirements of California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines; and
 - b. in accordance with the City Charter Section 1022, the services required can be performed more feasibly by an outside contractor than by City employees; and
3. Authorize the Port Executive Director, or designee, to execute the proposed amendment, already approved as to form by the City Attorney, and return the Resolution to the Port for further processing, including Council consideration.

SUMMARY

The Los Angeles Board of Harbor Commissioners (Board) requested approval of the September 7, 2023 Resolution No. 23-10237 which authorizes the proposed First Amendment (Amendment) to Agreement No. 20-3776 (Agreement) with International Business Machines Corporation (IBM)

to add \$5,000,000 in compensation for a total not-to-exceed contract amount of \$11,800,000 and extend the term by two years for a total contract term of five years with a completion date of December 8, 2025, for the Cyber Resilience Center (CRC) project. The Amendment is needed to complete remaining and new tasks, including hardware, software, and services required to enhance, operate, maintain, and support the turn-key CRC solution.

The proposed Amendment has been reviewed and approved as to form by the City Attorney. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. Our office has reviewed the request and recommends approval.

BACKGROUND

In 2021, the POLA established the CRC, a first-of-its-kind solution, to reduce the risk of a port-wide cyber incident that could disrupt the flow of cargo at the POLA. The CRC serves as an early warning system for POLA's ecosystem with improved quality, quantity, and speed of cyber information sharing, which will result in greater collective knowledge and stronger POLA community cyber resiliency. The CRC enables participants, such as tenants and cargo handlers, to quickly share threat indicators with each other and better coordinate defensive responses as needed. Additionally, the CRC services as an information resource that stakeholders can rely upon to help restore operations following a cyber-attack. The CRC receives, analyzes, and shares relevant information to and from direct stakeholders, who choose to become members of the CRC. Figure 1 illustrates the collaboration between the CRC and the ecosystem. The proposed Amendment would allow the Port to enhance and complete the CRC project.

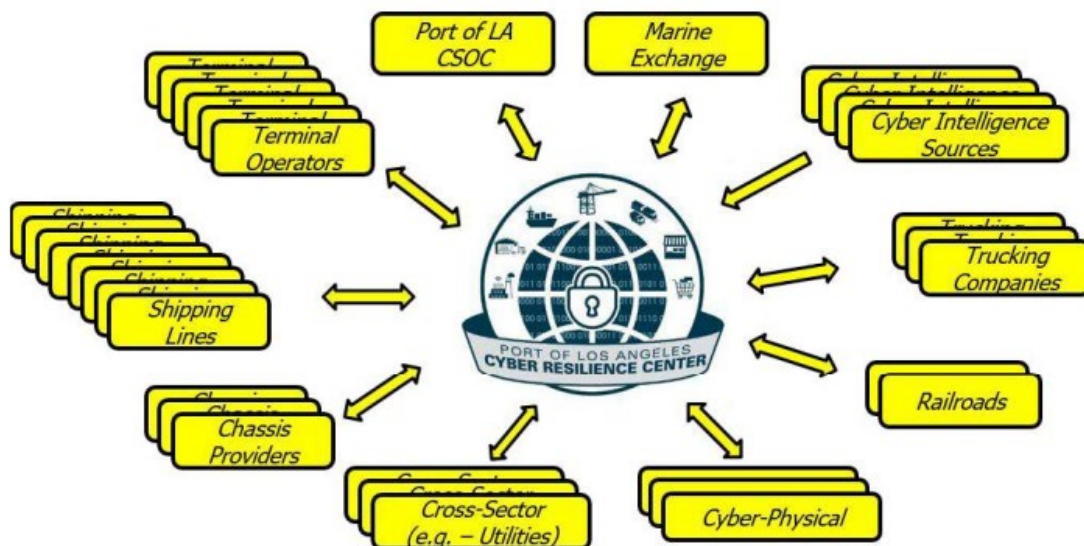


Figure 1: Collaboration between CRC and POLA's Ecosystem

POLA's Ecosystem – POLA's ecosystem are stakeholders that consist of terminal operators, shipping lines, railroad companies, trucking companies, chassis provides, cross-sector companies (e.g., utilities), marine exchange, POLA's Cyber Security Operations Center (CSOC),

and relevant cyber-physical intelligence sources. The POLA established the CSOC in 2014, staffed with a dedicated cyber security team, to serve as a centralized hub for proactively monitoring the POLA's own technology environment to prevent and detect cyber incidents. While the CSOC is focused on POLA's cyber security operations, the CRC was collaboratively designed by POLA's supply chain stakeholders and is a "system of systems" that the CSOC and stakeholders' cyber security systems connect to.

Original Agreement – The Board approved the original Agreement with IBM on December 3, 2020 for a not-to-exceed amount of \$6,800,000 and a term of three years through December 8, 2023 for hardware, software, and services to design, install, operate, maintain, and support the CRC project. IBM, a New York corporation with offices throughout Southern California, was selected as a result of a competitive Request for Proposals process.

Proposed First Amendment – The proposed Amendment adds \$5,000,000 in compensation for a total not-to-exceed amount of \$11,800,000 and extends the term by two years for a total term of five years ending on December 8, 2025. The Amendment is needed to complete remaining and new tasks, including purchase and installation of hardware and software configuration, and services required to enhance, operate, maintain, and support the turn-key CRC solution:

- Remaining stakeholder on-boarding task – Includes set-up and training for up to 100 stakeholders.
- Remaining ISO 27001 certification task – This is an international standard used in cyber security operations.
- New enhancement tasks – Replace limited and inefficient technologies with a new threat intelligence platform and external threat intelligence sources.
- Continued operations and maintenance through the extended period – Includes operating the CRC 24 hours per day and seven days per week with qualified cyber security analysts, trainings, and maintenance of all items provided under the Agreement.
- Additional contingency – This is for new requirements that are beyond the original scope and are required to meet the objectives of the CRC.

The proposed additional \$5,000,000 is budgeted as follows:

- CRC solution enhancements and implementation: \$1,504,006
- Software and hardware maintenance: \$854,858
- Operations and maintenance support including on-site staff: \$2,301,770
- Additional contingency: \$339,366

The CRC has been operational since December 2021. Its state-of-the-art facility was completed in October 2022. There are currently 21 stakeholders participating in the CRC, including the Port, all seven terminal operator, shipping lines, rail lines, trucking companies, marine exchange, etc. The Port staff continues to identify and reach out to additional stakeholders. The goal is to onboard up to 100 participants in the CRC. The CRC is operated and managed by IBM with Port's oversight during the term of the Agreement. The Port will budget for the ongoing operation expenses after the closeout of the Agreement and plans to select a vendor through a request for proposals process to continue the operations and maintenance of the CRC.

Funding and Spending Schedule – Proposed additional funds would come from Port’s capital and operating funding, and are expected to be utilized over three fiscal years. The projected spending schedule by fiscal year is shown in Table 1 below:

Table 1: Projected Spending Schedule by Fiscal Year			
Fiscal Year	Original Agreement	Proposed Amendment	Total
Prior Fiscal Years	\$5,554,672	\$ -	\$5,554,672
2023-24	1,245,328	1,724,990	2,970,318
2024-25	-	2,374,138	2,374,138
2025-26	-	900,872	900,872
Total Not-To-Exceed	\$6,800,000	\$5,000,000	\$11,800,000

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – On September 7, 2023, the Board determined that the proposed action is administratively exempt from requirements of CEQA pursuant to Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

On September 7, 2023, the Board approved the Port’s finding that in accordance with the City Charter Section 1022, the services required can be performed more feasibly by an outside contractor than by City employees.

The City Attorney has reviewed and approved the proposed Amendment as to form. Pursuant to Charter Section 373 and Los Angeles Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. Our office recommends approval.

FISCAL IMPACT STATEMENT

Funding in the amount of not-to-exceed \$5,000,000 for the proposed Amendment is expected to be utilized over three fiscal years. Fiscal Year (FY) 2023-24 funding in the amount of \$1,724,990 is available in the Harbor Department’s capital funding within Work Order 2555500 (\$1,238,624) and operating funding within Information Systems Consulting Services Account 54310 (\$486,366). Funding for future FYs will be contingent upon approval of funds by the Board as part of the annual budget adoption process. If any subsequent FY funds for work required by the Agreement are not appropriated by the Board, the Agreement shall be terminated. However, such termination shall not relieve the parties of liability for any obligations previously incurred. The recommendations in this report and proposed actions comply with the Department’s Financial Policies. There is no impact on the City’s General Fund.

Attachment 1 – September 7, 2023 Harbor Board report, Resolution 23-10237