



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: SEPTEMBER 23, 2025

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND INTERNATIONAL BUSINESS MACHINES CORPORATION FOR THE CYBER RESILIENCE CENTER OPERATIONS AND MAINTENANCE SERVICES

SUMMARY:

Staff requests approval to enter into an Agreement with International Business Machines Corporation (IBM) for the Cyber Resilience Center (CRC) Operations and Maintenance Services. The proposed Agreement is for hardware, software and services required to continue to operate, maintain, support, and enhance the CRC. The term of the proposed Agreement is three (3) years with a not-to-exceed compensation amount of \$8,720,000.

The recommendation to select IBM is based on the competitive Request for Proposals (RFP) process performed by the City of Los Angeles Harbor Department (Harbor Department). IBM is headquartered in New York, with offices throughout Southern California.

The Harbor Department will be financially responsible for the payment of expenditures incurred under the proposed Agreement.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Find that, in accordance with the Los Angeles City Charter Section 1022, it is more feasible for outside contractors to perform this work than City employees;

SUBJECT: AGREEMENT WITH IBM FOR THE CYBER RESILIENCE CENTER OPERATIONS AND MAINTENANCE SERVICES

3. Approve the Agreement with International Business Machines Corporation for CRC operations and maintenance services for a not-to-exceed compensation amount of \$8,720,000 and a term of three (3) years;
4. Authorize the Executive Director to execute and the Board Secretary to attest the said Agreement for and on behalf of the Board; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background – In 2021, the Port of Los Angeles (Port) was the first seaport in the world to establish a CRC to reduce the risk of a port-wide cyber incident that could disrupt the flow of cargo. The CRC serves as an early warning system for the Port’s ecosystem (e.g. – cargo handlers, tenants, cross-sector) with improved quality, quantity, and speed of cyber information sharing. If a cyber-attack impacts any of the stakeholders in the Port ecosystem, others may be vulnerable as well, and will result in disruption to the flow of cargo. The CRC provides a means to reduce the impacts of a cyber incident experienced by one or more stakeholders, from disrupting multiple operations within the Port ecosystem.

The CRC enables participating stakeholders to share relevant cyber threat indicators and defensive measures with each other. By sharing relevant cyber information across the Port ecosystem, the CRC results in greater collective knowledge and stronger Port community cyber resiliency.

In addition to defensive measures, the CRC serves as an information resource that stakeholders may use to help restore operations following a cyber-attack. The CRC receives, analyzes, and shares relevant information to and from direct stakeholders (e.g. – cargo handlers and tenants) and cross-sector stakeholders (e.g. – providers of essential services to direct stakeholders) who choose to become members of the CRC. The CRC also provides a secure technical foundation upon which other technological innovations at the Port can be better protected. The CRC also continues to evolve with the changing cyber threat landscape by expanding core capabilities to include Artificial Intelligence (AI) deepfake detection services, cybersecurity awareness training, and attack surface management to proactively defend and protect the Port’s ecosystem.

The CRC objectives include the following:

- Provide both automated and manual information sharing among participating stakeholders,

SUBJECT: AGREEMENT WITH IBM FOR THE CYBER RESILIENCE CENTER OPERATIONS AND MAINTENANCE SERVICES

- Improve the quality, quantity, and speed of available analysis of ecosystem cyber risks,
- Provide a collaboration forum for the stakeholders to increase cyber resilience, and
- Be a source of information to stakeholders that could allow them to improve their cyber security posture.

The CRC is different from the scope and function of the Port's Cyber Security Operations Center (CSOC). The CRC is a "system of systems" that the CSOC and stakeholders' cyber security systems connect to, but will not replace them, nor is it intrusive, disruptive, or burdensome to stakeholders' systems. Stakeholders have the control to decide if, and how, to use information from the CRC.

Previous Board Actions - At its meeting on December 3, 2020, the Board approved Agreement No. 20-3776 with IBM for hardware, software, and services to design, install, operate, maintain, and support the CRC project. The total not-to-exceed compensation was \$6,800,000 and the term was for three (3) years.

On September 7, 2023, the Board approved Agreement No. 23-3776-A, the First Amendment to Agreement No. 20-3776, which extended the initial term by two (2) additional years, for a total of five (5) years, and increased the not-to-exceed compensation by an additional \$5,000,000, for a total not-to-exceed compensation of \$11,800,000. This Agreement expires on December 8, 2025.

Proposed Agreement – The proposed Agreement (Transmittal 1) is for hardware, software and services required to continue to operate, maintain, support, and enhance the CRC. The total not-to-exceed compensation amount is \$8,720,000 for a term of three (3) years. The proposed Agreement includes the following, which will be conducted in collaboration with ecosystem stakeholders:

1. Operations and Maintenance – Operating the CRC, 24 hours per day, 7 days per week (24x7) with qualified cyber security analysts. This includes maintenance, warranties, and support for all items provided under the Agreement, including but not limited to the hardware, software, subscriptions, and equipment. This also includes maintaining International Standards Organization (ISO) 27001 certification, ongoing governance, onboarding new stakeholders, and providing annual CRC refresher training and tabletop exercises for stakeholders. The CRC provides annual general cybersecurity awareness training that participating stakeholders may use as appropriate for their company's cyber program.
2. Video Wall System Refresh – Replace End-of-Support (EOS) video wall system with the latest video wall servers, components, and software. Activities include design, installation, configuration, testing, and documentation required to operate the video wall in the CRC.

SUBJECT: AGREEMENT WITH IBM FOR THE CYBER RESILIENCE CENTER OPERATIONS AND MAINTENANCE SERVICES

3. Enhancements – Implement AI Copilot external threat intelligence feed to improve quality, quantity, and speed of detection of ecosystem cyber risk. Expand existing AI deepfake detection services to include integration with Microsoft Teams teleconferencing, to protect against impersonation. Implement new functionality to provide additional methods to support automated data sharing between the CRC and stakeholder systems. Activities include design, development, implementation, integration, and documentation to enhance CRC services.

The proposed Agreement includes a Limitations of Liability provision that limits IBM's liability to the maximum contract amount of \$8,720,000. Staff recommends that it is in the best interest of the Harbor Department to enter into this Agreement despite this deviation from standard terms and conditions, as IBM is the most qualified firm with the staff and expertise required to provide continuous operations, maintenance, support, and enhancement services for the CRC. In addition, staff determined that this deviation is consistent with the Harbor Department's existing agreement with IBM.

Selection Process - The recommendation to select IBM for the proposed Agreement was based on a competitive RFP process performed by the Harbor Department. The Contracts and Purchasing Division issued an RFP for CRC Operations and Maintenance Services on April 18, 2025. Four firms responded to the RFP and submitted proposals. The Selection Committee evaluated the proposals based on: 1) firm's qualifications, experience and references; 2) project organization, personnel, and staffing; 3) project approach, work plan, management, and timeline; 4) cost and budget control; and 5) clarity and comprehensiveness of the proposal. The Selection Committee was comprised of three raters. Two raters were from the Information Technology Division at the Harbor Department and one rater was from Los Angeles World Airports. Based on the scoring criteria (Transmittal 2), the Selection Committee recommends IBM for CRC operations and maintenance services.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Agreement with IBM for hardware, software, and services required to operate, maintain, support, and enhance the CRC, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Agreement with IBM authorizes the Information Technology Division to continue to operate, maintain, support, and enhance the CRC for a not-to-

SUBJECT: AGREEMENT WITH IBM FOR THE CYBER RESILIENCE CENTER OPERATIONS AND MAINTENANCE SERVICES

exceed compensation amount of \$8,720,000 over a three (3) year term. Fiscal Year 2025/2026 funding in the amount of \$1,863,967 is available within Account 542000 (Software Subscriptions), 542015 (IT Hardware Maintenance), 542025 (IT Implementation and Consulting Services), Division 50010 (Information Technology). Upon Board approval, funding for future fiscal years will be budgeted as shown in the table below:

| Fiscal Year | Information Technology Division Budget Accounts | | | | TOTAL |
|-------------------------------------|--|----------------|--------------------|------------------|--------------------|
| | 542000 | 542015 | 542025 | 553000 | |
| 2025/26 | \$877,045 | \$1,672 | \$985,250 | \$0 | \$1,863,967 |
| 2026/27 | \$1,048,242 | \$1,672 | \$1,735,040 | \$390,000 | \$3,174,954 |
| 2027/28 | \$1,103,094 | \$1,672 | \$1,720,424 | \$0 | \$2,825,190 |
| 2028/29 | \$0 | \$0 | \$855,889 | \$0 | \$855,889 |
| Total Not- to- Exceed Amount | \$3,028,381 | \$5,016 | \$5,296,603 | \$390,000 | \$8,720,000 |

The actual expenditures may differ from the estimated amounts in the accounts and in any given fiscal year presented in the table above. However, the total aggregate amount will not exceed \$8,720,000.

The estimated on-going cost for CRC operations is \$2,907,000 per year.

A Termination for Non-Appropriation of Funds Clause (also known as a Funding Out Clause) is included in the Agreement.

DATE: SEPTEMBER 23, 2025

PAGE 6 OF 6

SUBJECT: AGREEMENT WITH IBM FOR THE CYBER RESILIENCE CENTER OPERATIONS AND MAINTENANCE SERVICES

CITY ATTORNEY:

The Office of the City Attorney has prepared and approved the proposed Agreement as to form and legality.

TRANSMITTALS:

1. Agreement with International Business Machines Corporation
2. Scoring Matrix

FIS Approval: JS
CA Approval: SO

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THOMAS E. GAZSI
Chief of Public Safety and Emergency
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APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director

SV:dpy