



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 17, 2015

FROM: INFORMATION TECHNOLOGY

SUBJECT: RESOLUTION NO. _____ - AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND INTERNATIONAL BUSINESS MACHINES CORPORATION FOR DISASTER RECOVERY SERVICES

SUMMARY:

The Information Technology (IT) Division is requesting approval to enter into an agreement with International Business Machines Corporation (IBM) to provide disaster recovery services, which includes the use of an alternate recovery site and computer equipment for the recovery of the City of Los Angeles Harbor Department's (Harbor Department) computing systems in the event that the data center is not available. The term of the proposed Agreement is three years at a not-to-exceed amount of \$287,640. In addition, the proposed Agreement allows the Executive Director to authorize up to an additional \$150,000 for related expenditures if needed due to changes in equipment or services, or for usage fees during an actual disaster.

The recommendation to select IBM is based on a competitive Request for Proposal (RFP) process performed by the Harbor Department. IBM is headquartered in Armonk, New York, with local offices in Los Angeles and other cities in Southern California.

The proposed Agreement for disaster recovery services is the financial responsibility of the Harbor Department.

RECOMMENDATION:

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

1. Find that in accordance with the Los Angeles City Charter Section 1022, the services required can be performed more feasibly by an outside contractor than by City employees;
2. Approve the agreement with IBM for a term of three years at an amount not to exceed \$287,640, and authorize up to an additional \$150,000 for related expenditures if needed;

SUBJECT: AGREEMENT WITH IBM FOR DISASTER RECOVERY SERVICES

3. Authorize the Executive Director to execute and the Board Secretary to attest to said agreement; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – The IT Division is responsible for the computing and telecommunications services at the Harbor Department. In addition to providing these services for normal operations, the IT Division is also responsible for restoring these services in the event of a disaster.

From September 2005 through September 2012, Agreement No. 2420 with IBM was used for disaster recovery services. This Agreement provided for an alternate recovery site, where IBM maintained data center space and equipment at their location that the Harbor Department could use to restore services if a disaster was declared. This Agreement also included the use of IBM's recovery site to conduct two disaster recovery tests per year. To restore services or conduct tests, Harbor Department staff would travel to the IBM disaster recovery site and use tape back-ups to restore the Harbor Department's systems and data on IBM's equipment. The not-to-exceed amount of Agreement No. 2420 was \$660,000. In the final year of the Agreement, the annual amount was approximately \$130,000. If the Harbor Department had actually declared a disaster, then additional usage fees would have been charged. Fortunately, during the term of Agreement No. 2420, the Harbor Department did not declare a disaster so no additional usage fees were incurred.

The Harbor Department continued to use the terms of Agreement No. 2420 on a month-to-month basis while other disaster recovery methods were considered. Although the current tape based method met the Harbor Department's business requirements for recovery, other methods were considered because of significant changes in the Harbor Department's IT environment, including the elimination of the mainframe computer, and developments in the industry. The other methods considered included:

- Cloud-based Disaster Recovery – The Harbor Department considered using cloud-based disaster recovery services, where the Harbor Department's IT environment is synchronized with a vendor's off-site IT equipment. The Harbor Department issued an RFP for cloud-based disaster recovery services in 2012. However, the total cost of this method, including the additional cost for required telecommunications services, was more costly than the previous recovery approach.

SUBJECT: AGREEMENT WITH IBM FOR DISASTER RECOVERY SERVICES

- Back-Up Data Center – The Harbor Department considered establishing a back-up data center, where the Harbor Department would purchase a duplicate set of data center equipment and install and maintain the equipment in an alternate data center location. This method would require the Harbor Department to lease a facility because a best practice is for the disaster recovery location to be a minimum of 100 miles away from the primary data center. This is to reduce the risk of a regional disaster, such as an earthquake, from damaging both the primary and recovery facilities. However, this method was more costly and required more resources than the previous recovery approach.

After determining that these other methods were not cost-effective for the Harbor Department's business requirements and IT environment, a new RFP was issued in 2014 for disaster recovery services using the previous method similar to Agreement No. 2420.

Proposed Agreement – The proposed Agreement is for disaster recovery services, including the use of network and computer equipment at an IBM recovery center location for the restoration of the Harbor Department's computer systems and data in the event of a disaster where the Harbor Department's data center is inoperable or inaccessible. The proposed Agreement also allows the Harbor Department to conduct two disaster recovery tests per year at an IBM recovery center location to ensure that the process in place is operable and reliable should a disaster occur.

The proposed Agreement is for the Harbor Department's business systems. Disaster recovery services for the Harbor Department's security systems are not part of the proposed Agreement and are handled separately.

The proposed Agreement does not include personnel services. The only personnel involved will be the IBM employees that work at the IBM recovery center, which are included with the use of the IBM recovery center and are not billed separately. However, as part of the 1022 process, the Contracts and Purchasing Division (CPD) asked the other City Departments if they had City staff that could do this work. For the Departments that did respond to CPD's inquiry, they stated that they do not have available staff. A few City Departments did not respond, which is understood to mean that they cannot provide staff.

The amount of the proposed Agreement is not to exceed \$287,640 over a term of three years, or \$95,880 per year. Compared to the annual cost in 2012, which was the last year of the previous Agreement No. 2420, the annual cost of the proposed Agreement is less by approximately 26 percent or \$34,000. This base cost is for IBM to have the necessary equipment and facilities maintained and ready on stand-by for the Harbor Department to use if a disaster is declared and for two testing exercises per year. Similar to the previous agreement, this base cost does not include the cost for actual use of the equipment and facility when a disaster is declared, which is an additional

SUBJECT: AGREEMENT WITH IBM FOR DISASTER RECOVERY SERVICES

charge based on the number of days that the IBM facility is used and other related costs in an actual disaster. The base and usage costs in the proposed Agreement are based on the current Harbor Department IT equipment. Changes to the existing IT equipment or recovery services during the term of the proposed Agreement may result in changes to the costs. Therefore, a clause is included in the proposed Agreement that allows the Executive Director to authorize up to an additional \$150,000 if needed for changes or actual usage fees during a disaster.

Selection Process – The selection of IBM is based on a competitive RFP process performed by the Harbor Department. Four firms responded to the RFP and submitted proposals (Transmittal 2). 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, and management; 4) rates, fees, and budget control; and 5) quality and comprehensiveness of the proposal. The selection committee was comprised of three individuals from the Harbor Department's IT Division, and an external rater from the City of Santa Monica. All four firms were invited to participate in interviews with the selection committee and present their proposal. Based on the scoring criteria, the selection committee recommends IBM (Transmittal 3).

IBM is headquartered in Armonk, New York, with local offices in Los Angeles and other cities in Southern California.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an agreement with IBM for disaster recovery services for Harbor Department computing systems. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed Agreement will support 1 direct and 2 secondary one-year equivalent jobs for the five-county region.

SUBJECT: AGREEMENT WITH IBM FOR DISASTER RECOVERY SERVICES

FINANCIAL IMPACT:

The financial impact of the proposed three-year agreement with IBM is that the Harbor Department would commit \$95,880 during fiscal year 2015/16 under the proposed Agreement. Funding for future fiscal years will be requested to be budgeted, upon Board approval each fiscal year, as part of the annual budget adoption process. It is expected that should the Board approve funds for the agreement in each subsequent future fiscal year, funds will be expended as follows:

Fiscal Year	Proposed Amount
2015/16	\$ 95,880
2016/17	\$ 95,880
2017/18	\$ 95,880
Not-To-Exceed	\$ 287,640

In addition, the proposed Agreement allows the Executive Director to authorize up to an additional \$150,000 for related expenditures if needed due to changes in equipment or services, or for usage fees during an actual disaster.

Funds for fiscal year 2015/16 in the amount of \$95,880 are budgeted in the IT Division's Account 54310, Center 0640, Program 000.

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

The proposed Agreement will not require office space for consultants.

SUBJECT: AGREEMENT WITH IBM FOR DISASTER RECOVERY SERVICES

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the proposed agreement as to form and legality.

TRANSMITTALS:

1. Agreement with IBM
2. List of Proposers
3. Scoring Matrix

FIS Approval: MB (initials)
CA Approval: CF (initials)



LANCE KANESHIRO
Chief Information Officer



THOMAS E. GAZSI
Acting Chief of Public Safety and
Emergency Management

APPROVED:



EUGENE D. SEROKA
Executive Director

LK:lk