



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 17, 2020

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 PROJECT

SUMMARY:

Staff requests approval to enter into an Agreement with International Business Machines Corporation (IBM) for the Cyber Resilience Center (CRC) project. The CRC will be a first-of-its-kind solution that will reduce the risk of a port-wide cyber incident that could disrupt the flow of cargo at the Port of Los Angeles by serving as an early warning system for its ecosystem with improved quality, quantity and speed of cyber information sharing. By sharing relevant Port of Los Angeles cyber information across the ecosystem, the CRC will result in greater collective knowledge and stronger Port community cyber resiliency.

The proposed Agreement is for hardware, software and services to design, install, operate, maintain and support the CRC. The total not-to-exceed compensation amount is \$6,800,000 and the term is three years. 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.

Expenditures incurred under the proposed Agreement are the financial responsibility of the Harbor Department.

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;

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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;
3. Find that it is in the best interest of the City of Los Angeles Harbor Department to deviate from the standard provisions of the Harbor Department personal services agreement for
 - Section 3(B)(2): Effective Date and Term of Agreement,
 - Section 9: Indemnification,
 - Section 11: Termination Provision,
 - Section 18: Trademarks, Copyrights, and Patents,
 - Section 19: Proprietary Information,
 - Section 20: Limitations of Liability, and
 - Section 21: Excusable Delays;
4. Approve the Agreement with International Business Machines Corporation for a not-to-exceed compensation amount of \$6,800,000 and a term of three years;
5. Authorize the Executive Director to execute and the Board Secretary to attest the said Agreement for and on behalf of the Board; and
6. Adopt Resolution No. _____.

DISCUSSION:

Background and Context – Today, each stakeholder in the port ecosystem protects its own systems with limited cyber security coordination with others. However, if a cyber-attack hits any of the stakeholders in the ecosystem, others may be vulnerable as well and the flow of cargo may be at risk. The Cyber Resilience Center (CRC) will be a first-of-its-kind solution that will reduce the risk of a port-wide cyber incident that could disrupt the flow of cargo at the Port of Los Angeles. The CRC will enable participating stakeholders from the Port of Los Angeles ecosystem to share relevant cyber threat indicators and defensive measures with each other as a means to reduce the impacts of a cyber incident experienced by one of the Port's stakeholders from disrupting multiple operations within the Port of Los Angeles. In addition to defensive measures, the CRC will serve as an information resource that stakeholders may use to help restore operations following an attack. The CRC will receive, analyze and share 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.

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CRC objectives include the following:

- Provide both automated and manual information sharing among participating stakeholders,
- Improve the quality, quantity and speed of available analysis of ecosystem cyber risks,
- Create new collaboration with stakeholders to increase cyber resilience, and
- Provide a new source of information to stakeholders that could allow them to improve their cyber security posture.

By sharing relevant Port of Los Angeles cyber information across the ecosystem, the CRC will result in greater collective knowledge and stronger Port community cyber resiliency. The CRC will also provide a secure, technical foundation upon which other Port of Los Angeles technological innovations can be better protected.

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

Proposed Agreement – The proposed Agreement (Transmittal 1) will be for all required hardware, software and services for a turn-key CRC solution. The total not-to-exceed compensation is \$6,800,000 and the term is three years. The proposed Agreement includes the following, which will be conducted in collaboration with ecosystem stakeholders:

1. Governance – This is for a collaborative governance structure that includes a CRC Executive Steering Committee and a CRC Technical Committee, consisting of select stakeholder representatives, to advise the Harbor Department. This effort will include establishing protocols for both Governance Committees, including roles, responsibilities, protocols and communications for collaborative and effective governance.
2. Design – This is to collect and validate requirements with stakeholders and design the CRC in detail, including automated and manual data collection from stakeholders and external threat intelligence sources, integration into CRC technology platforms, analysis, data distribution, visualization, the physical build-out, and an operations manual.
3. Data Sharing Agreements (DSAs) – This is to develop and secure signed DSAs with up to 100 participating stakeholders. DSAs will be based on the collaborative CRC design and the National Institute of Standards and Technology (NIST) information sharing guidelines NIST SP 800-150.
4. CRC Solution and Installation – This includes the physical build-out to install the hardware, software and services for the CRC solution. The CRC will be located in an existing Harbor Department facility. This also includes capability to stand

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up the CRC at a secondary site, if the primary site is not available (e.g. – disaster recovery). No expenses for the CRC Solution and Installation will be incurred until after the Executive Director issues a Notice-to-Proceed for this item, which will be after the design has been successfully completed and data sharing agreements have been secured from the first group of stakeholders.

5. Stakeholder On-Boarding – This includes set-up and training for up to 100 stakeholders. Training will include use of the CRC platform, use of dashboards, use of data and available reports, methods of communication and interactions between stakeholders and CRC Operations. On-boarding documentation will be developed, which will be detailed and organized such that it can later be used as a stakeholder operations manual.
6. Operations and Maintenance – This is for operating the CRC, 24 hours per day, 7 days per week (24x7) with qualified cyber security analysts. This also includes annual CRC refresher training and tabletop exercises for stakeholders that interface with the CRC. The CRC will also provide annual general cyber security awareness training that participating stakeholders may use, as appropriate for their company's cyber program. This also includes maintenance for all items provided under the Agreement, including but not limited to the hardware, software, subscriptions, furniture consoles and equipment.
7. ISO 27001 Certification – ISO 27001 is an international standard used in cyber security operations. Initial certification is expected within 6 months of starting CRC operations to verify that the documented policies and procedures conform with the ISO 27001 standard. After the initial certification, annual surveillance audits will be conducted to verify that the CRC's actual operations conform to the ISO 27001 standard. Initial certification and annual surveillance audits are conducted by an independent 3rd party firm.
8. Contingency – This is for new requirements that are beyond the original scope and are required to meet the objectives of the CRC. This amount is approximately 15 percent of the known costs for this first-of-its-kind solution. Contingency funds will be used only if authorized by written directive from the Executive Director.

As part of the 1022 process, the Contracts and Purchasing Division (CPD) asked other City of Los Angeles (City) Departments if they had City staff that could perform 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 proposed Agreement includes the following provisions that deviate from the Harbor Department's standard terms and conditions:

- Section 3(B)(2) – Effective Date and Term of Agreement: The cancellation period has been changed to thirty (30) days, from the standard ten (10) days.

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- Section 9 – Indemnification: The standard indemnification provision has been modified to limit IBM's liability to its active negligence.
- Section 11 – Termination Provision: The cancellation period has been changed to thirty (30) days, from the standard ten (10) days.
- Section 18 – Trademarks, Copyrights, and Patents: Clarifies that IBM has no responsibility for claims based on non-IBM products, items not provided by IBM, or any violation of law.
- Section 19 – Proprietary Information: The Port will own all intellectual property rights both created in the course of the contract and embodied in project materials, however, language has been added to grant IBM with a world-wide, non-exclusive, royalty-free, irrevocable license.
- Section 20 – Limitations of Liability: Language has been added to limit IBM liability to not exceed the amount of any actual direct damages incurred by City up to the amounts paid.
- Section 21 – Excusable Delays: Language has been added to clarify excusable delays.

The Harbor Department RFP allowed proposers to request deviations to the standard terms and conditions because the previous two RFP attempts for this CRC project were unsuccessful. All three of the short-listed proposers requested deviations. Staff recommends that it is in the best interest of the Harbor Department to deviate from the standard terms and conditions. Staff reviewed the deviations and determined they were consistent with the City's agreement with IBM in August 2019 for the City's Cyber Lab Project, which is similar to the CRC.

The recommendation to select IBM for the proposed Agreement was based on a competitive RFP process performed by the Harbor Department. Ten 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, and management; 4) rates, fees, and budget control; and 5) clarity and comprehensiveness of the proposal. The Selection Committee was comprised of three raters. Two raters were from the IT Division and one rater from the Cargo Marketing Division. Two rounds of evaluations were conducted. In the first round, all ten proposals were reviewed and scored. The top three proposers were then invited to continue the evaluation process in the second round, including a virtual meeting, and were scored. Based on the scoring criteria, the Selection Committee recommends IBM for the CRC project (Transmittal 2).

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Agreement with IBM for hardware, software, and services to design, install, operate, maintain, and support the CRC, which is an administrative activity. Therefore, the Director of Environmental Management has

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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 IT Division to proceed with the CRC project for a not-to-exceed compensation amount of \$6,800,000 over three years. Funding has been approved for Fiscal Year 2020/2021 in the Capital Improvement Program (CIP) budget, Work Order 2555500, Center 1179, Program 640. Upon Board approval, funding for future fiscal years will be budgeted as shown in the following table:

Fiscal Year	Capital Improvement Program (CIP) WO 2555500, Center 1179, Program 640			IT Division Center 0640, Program 000	TOTAL
	Acct 54310	Acct 55130	Acct 55160	Acct 54310	
2020/21	\$ 912,941	\$ 0	\$ 0	\$ 0	\$ 912,941
2021/22	\$ 327,986	\$ 1,267,675	\$ 790,000	\$ 600,445	\$ 2,986,106
2022/23	\$ 454,735	\$ 0	\$ 0	\$ 1,200,890	\$ 1,655,625
2023/24	\$ 444,735	\$ 0	\$ 0	\$ 800,593	\$ 1,245,328
	\$ 2,140,397	\$ 1,267,675	\$ 790,000	\$ 2,601,928	\$ 6,800,000

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 \$6,800,000.

The estimated on-going cost for CRC operations is \$1,200,890 per year.

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

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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: MB
CA Approval: So



Digitally signed by Lance Kaneshiro
DN: cn=Lance Kaneshiro, o=Port of
Los Angeles,
email=lkaneshiro@portla.org, c=US
Date: 2020.11.17 11:43:53 -08'00'

LANCE KANESHIRO
Chief Information Officer



Digitally signed by
Thomas E. Gazsi
Date: 2020.11.17
12:57:10 -08'00'

THOMAS E. GAZSI
Chief of Public Safety and Emergency
Management

APPROVED:



FOR

EUGENE D. SEROKA
Executive Director

LK:lk