

Improving the Process for Chapter 21 Low-value Procurements Recommendations



CITY & COUNTY OF SAN FRANCISCO

May 2024

Office of the City Administrator

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Challenge

The City's current contracting processes create a high level of administrative burden for both City staff and suppliers, making it more difficult for the City to fulfill its mission and serve the public.

- For City staff, an excessive amount of time is spent navigating complicated procurement processes and guiding suppliers through compliance requirements. This can take time away from strategic or performance management activities.
- For suppliers, the City's requirements make doing business with the City confusing and cost-prohibitive. Small and local businesses experience high barriers to entry, which can run counter to the City's goals of local investment and equitable contracting.

Root Causes

The City's current contracting challenges are the result of a complex, decentralized policy environment.

- Many of the City's contracting policies have prescriptive requirements, and some cannot be changed without legislative action. These policies have accumulated over time¹ without consideration of how they interact with other existing laws.
- Numerous City departments and divisions oversee discrete segments of procurement processes, making it difficult for City staff and suppliers to understand and monitor the full lifecycle of a contract. A contract can only move as fast as its slowest process.

Results

The City's procurement processes make executing a \$100,000 contract just as difficult as executing a \$5,000,000 contract.

- Over the past 5 years, thousands of contracts for \$200k or less – accounting for 59% of the contract volume but only about 2% of the City's total contract spend – had to comply with similar compliance processes as multi-million dollar contracts.
- This means that City staff and suppliers are spending a disproportionate amount of time and resources on a relatively small share of the City's spend.

¹ The San Francisco Municipal Codes include the word "contract" and "procurement" more than 8,700 times.

Background

The COVID-19 pandemic highlighted several significant challenges with core City processes like hiring, contracting, and financial operations as City staff and programs had to adapt to emergency response and remote work. These challenges impacted San Francisco's recovery on service delivery and implementation of new initiatives.

To address these challenges, in FY22-23 the Mayor created the Government Operations Recovery Initiative (Gov Ops) to focus on improving the City's core functions. With support from the Board of Supervisors, the goal of the Gov Ops initiative is to make our City's government more efficient, equitable, and effective. This included the formation of a new team within the City Administrator's Office focused on procurement and contract reform.

In the past two years, this new team has made key administrative and operational improvements while also working with policymakers to prioritize and implement a number of changes to the City's contracting processes. A few highlights of this work include issuing a report on policy alternatives to Ch 12X Banned States (December 2022), launching an SF.gov website centralizing contracting information (February 2023), developing a one-stop-shop for contracting waivers and forms (April 2023), creating a team to assist departments with their contracting needs (May 2023), and issuing a report on competition in City contracting (June 2023).

Letter of Inquiry

In April 2022, Supervisor Mandelman issued a letter of inquiry to the City Administrator's Office asking the City Administrator to draft recommendations to improve the Chapter 21 procurement process for low-value contracts.

- This report is in direct response to Supervisor Mandelman's letter of inquiry and incorporates the large body of work that CAO has been engaged in as part of the City's procurement reform efforts.
- This report aims to tackle the complex policies and business processes that hinder the City's ability to procure goods and services effectively and efficiently, while also applying a lens of how the City can make it easier to contract with small and local businesses.
- This report contains five overall strategic recommendations. In addition to improving the process for low-value contracts, some recommendations may also help improve the City's overall procurement framework.

Recommendation 1: Improve the Informal Procurement Process

- The City Administrator's Office (CAO) should work with the Office of Contract Administration (OCA) and the Contract Monitoring Division (CMD) to update informal procurement process guidelines, including how the City can maximize the Micro LBE Set-Aside and SF First programs.

Recommendation 2: Simplify Terms & Conditions

- CAO should partner with the City Attorney's Office (CAT) and Risk Management to make the City's standard Terms & Conditions (T&Cs) for low-value contracts more readable and user-friendly.
- The Board of Supervisors could conduct a comprehensive review of the T&Cs, with an eye towards amending legislation to update the City's standard T&Cs.

Recommendation 3: Amend Legislation to Update and Reconcile Contracting Requirements

- The Board of Supervisors could consider amending legislation to update and reconcile the City's contracting requirements, many of which were designed under different administrative or policy conditions and have not been re-visited since.

Recommendation 4: Explore Standardization in Future Procurement Legislation

- CAO should partner with CAT to develop a legislation template for any future, proposed procurement-related legislation.
- Prior to enacting any new legislation that may impact City contracting, the Board of Supervisors should consider requesting an administrative review to understand the potential impact on the City's overall procurement process and incorporate recommendations into the legislation.

Recommendation 5: Increase Coordination Across Departments that Interact with Suppliers

- CAO should convene City departments responsible for different aspects of supplier experiences to regularly align on policy and administrative processes to ensure that suppliers can experience greater cohesion in their interactions with the City.

The City's procurement and contracting terminology are nuanced and complicated.¹ Definitions have been included to clarify key concepts.

Note: The first three key terms – minimum competitive amount, informal procurement, and low-value procurement – overlap conceptually and are nearly interchangeable. Their use depends on what a speaker is trying to emphasize.

- **Minimum Competitive Amount (MCA):** The MCA is the threshold above which goods or services need to be *formally* procured (conversely, anything under the MCA threshold can be procured *informally*). The MCA is tied to the Urban Consumer Price Index and is updated every 5 years, with the next update scheduled for January 2025. The MCA is explicitly defined in the Administrative Code and is currently set at \$200k for professional services and commodities. (*See slide 40 in the appendix for the list of MCA thresholds.*)
- **Informal procurements:** Informal procurement refers to instances where the contract amount will be less than the MCA and are subject to Office of Contract Administration and Contract Monitoring Division guidelines. (*See Chapter 21 Rules and Regulations, Definitions.*) An informal procurement should first be conducted as a Micro LBE set-aside or through the SF First program.
- **Low-value procurements:** No formal definition of “low-value procurements” exists in the Administrative Code. This report uses the professional services and commodities MCA of \$200k as the definition of low-value procurements.

¹ The confusing terminology is itself a challenge that needs addressing beyond the scope of this report.

Other Acronyms and Abbreviations

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- **BOS:** Board of Supervisors
- **CAO:** City Administrator's Office
- **CAT:** City Attorney's Office
- **CIO:** Chief Information Officer
- **CMD:** Contract Monitoring Division
- **HCAO:** Health Care Accountability Ordinance
- **LBE:** Local Business Enterprise
- **MCO:** Minimum Compensation Ordinance
- **OCA:** Office of Contract Administration
- **PO:** Purchase Order
- **SME:** Subject Matter Expert
- **T&Cs:** Terms and Conditions

Who is responsible for executing procurement in the City?

The City's Administrative Code authorizes different departments to execute different types of procurements.

OVERSIGHT BODY	TYPE OF PROCUREMENT	AUTHORIZING ADMIN CODE
Office of Contract Administration	Professional and general services, commodities	Chapter 21
Chapter 6 Departments and Commissions (Public Works, Public Utilities Commission, SFO, MTA, SF Port, Rec & Park)	Construction	Chapter 6
All Departments (with rules and regulations issued by the City Purchaser)	Grants	Chapter 21G
Real Estate, Enterprise Departments	Property Contracts	Chapter 23
City Departments and Commissions (MOHCD, OCII, OEWD, TIDA, SF Port, Public Utilities Commission, Rec & Park, MTA)	Construction with Development Agreements	Chapter 56
Departments with special authority as defined in code or charter (e.g., Department of Public Health, MTA)	Special Purchasing Authorities	Multiple

Who else creates or administers contracting requirements?

In addition to the departments that preside over the solicitation and approval of contracts, the Administrative Code also tasks different departments with creating and administering different parts of the contracting process.

Department	Contracting Requirement
Treasurer & Tax Collector	Business Tax Registration
Civil Service Commission	Services Contracts Review & Approval
Risk Management	Insurance Requirements
Department of Technology	CIO Review and Cyber Security Approval
Contract Monitoring Division	Local Business Enterprise Program, Equal Benefits
Office of Economic and Workforce Development	First Source Hiring Program
Committee on Information Technology	Surveillance Ordinance
Office of Labor Standards Enforcement	Labor Rules and Regulations (Minimum Compensation, Healthcare Accountability, Prevailing Wage)
Controller's Office	Bidder and Supplier Registration
Department of the Environment	Green Purchasing Requirements
City Attorney	Terms & Conditions

What challenges does the City's approach to contracting create?

Impact on City Operations

Process Pain Points

- **Complexity limits competition** in City bidding, as businesses may choose not to work with the City given how difficult it is to participate. For example, in FY23, approximately 46% of the solicitations that the Office of Contract Administration issued received only a single response or zero responses.
- **Lengthy processes and delays** can jeopardize projects so there may be an incentive for workarounds. It can take 1+ year from the time of issuing a solicitation to an actual project start date.
- Processes are decentralized, which **weakens opportunities for accountability** and change.

Staffing Challenges

- Complexity requires **heavy staff resourcing** to run a procurement process.
- There is a **steep learning curve for new staff**, which can take away from strategic and performance management activities and leads to inconsistencies.
- **Vacancies are hard to fill** with long ramp up periods to get staff fully trained. Without the staffing resources to oversee procurement, contracting backlogs also grow.

Impact on Businesses and Nonprofits

High barriers to entry

- The City's **array of requirements is hard to understand and navigate**, so businesses and non-profits must invest a lot of time and resources to work with us.
- In particular, **small businesses may not have the resources to navigate** all of the City's business processes and legal requirements. This limits the City's ability to use its buying power to support the local economy, as many local businesses may not be able to participate.

Less transparency & accountability

- The City's processes are decentralized with **no single, central source of information** and highly decentralized program administration, making it difficult to understand where you are in the process and who is accountable.
- The City provides a **poor experience for suppliers and vendors**. In response to these challenges, there has been consistent and active advocacy for change from businesses and non-profits.

What does procuring low value contracts currently look like?

A one-size-fits-all approach:

- Even though the City has an existing “informal” process for procurements up to the Minimum Competitive Amount (MCA), the City’s many requirements make informal procurements just as time and resource intensive as competitive formal solicitations.
- All contracts require the same approval process regardless of value. For example, it is often just as complicated to execute a \$100,000 contract as it is to execute a \$5,000,000 contract.
- Most contracts use the same Terms and Conditions (T&C) language, including similar liability and indemnification language, regardless of what is being purchased.
- Most contracts (with limited exceptions) require that the supplier demonstrate compliance with a range of contracting requirements or obtain a waiver.
- Even though City staff spend much of their time on compliance activities, the complexity of the City's procurement framework may create incentives for workarounds in order to get through onerous processes. Improving processes could allow for more transparency and accountability.

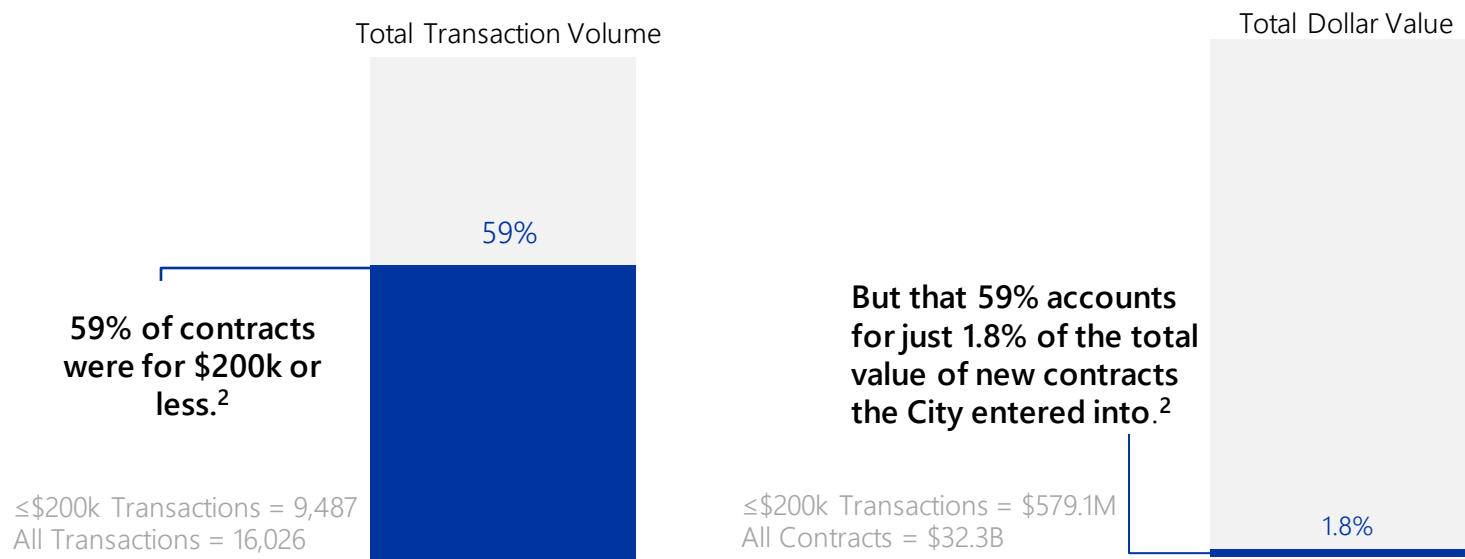
Context: Contracts for \$200k or Less

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Over the past 5 years, the thousands of contracts entered into PeopleSoft for \$200k¹ or less accounted for 59% of the total number of contracts the City entered into. However, cumulatively, these contracts only accounted for ~2% of the City's total contract spend.

These low value contracts had to comply with similar compliance processes as multi-million dollar contracts. This means that City staff and suppliers are spending a disproportionate amount of energy and resources on a relatively small share of the City's spend. Therefore, improving the low value procurement process will allow staff to focus their time on entering into and administering contracts where the City focuses most of our buying power.

For example, from FY2019 – FY2023:



¹ This report uses the Minimum Competitive Amount for professional services and commodity procurements as the definition for low value procurement. The MCA is currently set at \$200k. ² These figures exclude purchases made via Prop Q and stand-alone purchase orders.

Recommendation 1: Improve the Informal Procurement Process

- CAO should work with OCA and CMD to update informal procurement process guidelines, including how the City can maximize the Micro LBE Set-Aside and SF First programs.

Recommendation 1: Analysis and Rationale

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Recommendations: 1. Informal Process | 2. Terms & Conditions | 3. Reconciling Contracting Requirements | 5. Future Standardization | 5. Departmental Coordination

Procurements under the Minimum Competitive Amount are supposed to be considered “informal” per the City's Administrative Code. However, informal procurements are often just as rigorous and time-consuming as formal solicitations.

- Departments are required to establish formal scoring panels and evaluation criteria during the informal process.
- Informal procurements include additional steps and considerations around solicitation design and outreach that do not necessarily apply to formal procurements.

The City could incentivize greater use of the Micro LBE Set-Aside and SF First programs by clarifying and improving processes, systems, and LBE outreach mechanisms.

- The Micro LBE Set-Aside and SF First programs are two types of informal procurements. These programs could be updated to both simplify informal procurement processes and expand contracting opportunities to the City's LBE community.
- CAO and CMD could collaborate to explore the current challenges that City staff have in implementing Set-Asides and SF First and develop revised program processes that maximize efficiency and contracting equity.
- Additionally, CMD is currently pursuing an evaluation of the overall 14B program. This evaluation can help surface insights from both City staff and suppliers about how the Set Aside and SF First programs could improve the informal procurement process while upholding the City's values around fairness and transparency in procurement.

Proposal evaluation is another resource-intensive part of the City's procurement framework.

Issuing guidance on evaluation panel best practices – rather than prescribing requirements – could move the City closer towards right-sizing the amount of time and resources that go into low-value procurements.

- For example, the City could allow a greater share of individuals from a single department to serve on panels.
 - Current City regulations cap the share of panelists coming from a single department at 50%.
 - Depending on the size of the panel, this could necessitate recruiting many individuals from other departments to serve as panelists. This is difficult because evaluation is a time-intensive responsibility when departments are already resource-constrained.
- To preserve impartiality, the City should continue to maintain its ethics and conflicts of interest policies and all evaluators should be reminded of ethics considerations before serving on a selection panel.

Recommendation 2: Simplify Terms & Conditions

- CAO should partner with the CAT and Risk Management to make the City's standard T&Cs for low-value contracts more readable and user-friendly.
- The Board of Supervisors could conduct a comprehensive review of the T&Cs, with an eye towards amending legislation to update the City's standard T&Cs.

Recommendation 2: Analysis and Rationale

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Recommendations: 1. Informal Process | **2. Terms & Conditions** | 3. Reconciling Contracting Requirements | 4. Future Standardization | 5. Departmental Coordination

The City's current T&Cs are long, dense, and difficult to understand – particularly for small businesses.

Example:

Article 7. Payment of Taxes

Contractor to Pay All Taxes. Except for any applicable California sales and use taxes charged by Contractor to City, Contractor shall pay all taxes, including possessory interest taxes levied upon or as a result of this Agreement, or the Services delivered pursuant hereto. Contractor shall remit to the State of California any sales or use taxes paid by City to Contractor under this Agreement. Contractor agrees to promptly provide information requested by the City to verify Contractor's compliance with any State requirements for reporting sales and use tax paid by City under this Agreement.

This contract term uses 479 characters (89 words) to tell the contractor: pay your taxes.

Recommendation 2: Analysis and Rationale

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Recommendations: 1. Informal Process | 2. Terms & Conditions | 3. Reconciling Contracting Requirements | 4. Future Standardization | 5. Departmental Coordination

Individually, each of the City's T&C are well-intentioned, but in aggregate, they become difficult to manage, effectively layering on an additional premium to the cost of doing business with the City.

(c) The Pollution Liability Insurance policy shall provide that such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Agreement, and that the insurance applies separately to each insured against whom claim is made or suit is brought.

5.1.5 Other Insurance Requirements

(a) Thirty (30) days' advance written notice shall be provided to the City of cancellation, intended non-renewal, or reduction in coverages, except for non-payment for which no less than ten (10) days' notice shall be provided to City. Notices shall be sent to the City address set forth in Section 11.1 entitled "Notices to the Parties."

(b) Should any of the required insurance be provided under a claims-made form, Contractor shall maintain such coverage continuously throughout the term of this Agreement and, without lapse, for a period of three years beyond the expiration of this Agreement, to the effect that, should occurrences during the Agreement term give rise to claims made after expiration of the Agreement, such claims shall be covered by such claims-made policies.

(c) Should any of the required insurance be provided under a form of coverage that includes a general annual aggregate limit or provides that claims investigation or legal defense costs be included in such general annual aggregate limit, such general annual aggregate limit shall be double the occurrence or claims limits specified above.

(d) Should any required insurance lapse during the term of this Agreement, requests for payments originating after such lapse shall not be processed until the City receives satisfactory evidence of reinstated coverage as required by this Agreement, effective as of the lapse date. If insurance is not reinstated, the City may, at its sole option, terminate this Agreement effective on the date of such lapse of insurance.

(e) Before commencing any Services, Contractor shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City, in form evidencing all coverages set forth above. Approval of the insurance by City shall not relieve or decrease Contractor's liability hereunder.

(f) If Contractor will use any subcontractor(s) to provide Services, Contractor shall require the subcontractor(s) to provide all necessary insurance and to name the City and County of San Francisco, its officers, agents and employees and the Contractor as additional insureds.

5.2 Indemnification. Contractor shall indemnify and hold harmless City and its officers, agents and employees from, and, if requested, shall defend them from and against any and all claims, demands, losses, damages, costs, expenses, and liability (legal, contractual, or otherwise) arising from or in any way connected with any: (i) injury to or death of a person, including employees of City or Contractor; (ii) loss of or damage to property; (iii) violation of local, state, or federal common law, statute or regulation, including but not limited to privacy or personally identifiable information, health information, disability and labor laws or regulations; (iv) strict liability imposed by any law or regulation; or (v) losses arising from Contractor's execution of subcontracts not in accordance with the requirements of this Agreement applicable to subcontractors; so long as such injury, violation, loss, or strict liability (as set forth in

The City's standard T&Cs are about 31 pages long. Some cities and counties have terms and conditions that are closer to 5 – 20 pages.

Recommendation 2: Examples of Terms & Conditions

This table illustrates regulations specific to the City that have been embedded into contract terms and conditions. Suppliers must also comply with federal and state-wide regulations, such as maintaining accessible workspaces and prohibitions on working with minors.

There are over 20 City terms and conditions in the City's contract template that cannot be changed without amending the City's Administrative Code, including the examples below:

Requirement/Regulation	Applicable Contracts
Admin Code 12F: MacBride Principles – Northern Ireland	All
Env Code 16: Food Services Waste Reduction	Food services
Admin Code 101: Sugar-Sweetened Beverage Prohibition	All
Admin Code 12Y: Slavery Era Disclosure	Textiles, financial services, insurance services
Admin Code 12L: Public Access to Nonprofit Records and Meetings	All nonprofit contracts
Env Code 24: Packaged Water Prohibition	All
Env Code 8: Tropical Hardwood and Virgin Redwood Ban	Wood or wood products
Env Code 13: Preservative Treated Wood Products	Wood or wood products
Env Code 5: Print Services and/or Writing Paper Products	Printing services or writing paper products
Env Code 5: Collection of Recyclable Materials	Janitorial services + the City owns or leases at least 50% of the building

CAO should work with CAT and Risk Management to analyze and simplify the T&Cs language for Chapter 21 low-value contracts.

- CAT can provide context on how the various terms and conditions were conceived, what purpose they serve, and whether certain terms can be retired or updated.
- Both CAT and Risk Management can advise on whether revisions to the T&C opens the City up to additional risk and whether that risk is something that the City can tolerate or manage through other means.
- In addition to a simplified template, the revised T&C can help reduce the time it takes to negotiate contract terms with potential suppliers.

Recommendation 2: Analysis and Rationale

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Recommendations: 1. Informal Process | **2. Terms & Conditions** | 3. Reconciling Contracting Requirements | 4. Departmental Coordination | 5. Administrative Review

In addition to simplifying contract language, a policy option for the Board of Supervisors to consider is to conduct a comprehensive review of the City's T&C to determine which contract terms can be revised or removed.

- While simplifying the contract language will make contract documents more readable, changes to language alone will not lessen the burden of the City's requirements.
- Legislative action is required for reducing the number of contractual requirements for City suppliers.
- Moreover, while updating previously legislated contracting requirements will help simplify the City's current terms and conditions, a balance will need to be struck between changing past requirements and administering newly legislated changes as policymakers enact new laws.

Recommendation 3: Amend legislation to update and reconcile contracting requirements

- The Board of Supervisors could consider amending legislation to update and reconcile the City's contracting requirements, many of which were designed under different administrative or policy conditions and have not been re-visited since.

The many policy and administrative variations in contracting requirements are often cited as one of the most challenging aspects of City contracting.

- Contracting requirements are administered by different program departments and have different administrative requirements, thresholds, and triggers (see slide 28):
 - Thresholds range from \$0k to \$350k.
 - Requirements are applied based on varying triggers such as type of purchase (service or commodity) and by different durations (per contract or per fiscal year);
 - Different programs have different waiver and exemption criteria and processes.
- Inconsistencies between how different contracting requirements are articulated in policy and code documents often leads to interpretive questions that require multiple City staff to resolve – even for simple inquiries.
- The differing requirements also require the City to build highly customized IT systems to administer contracting requirements. This adds to customization costs, maintenance needs, and administrative burden.
- Suppliers and City staff must spend significant time, effort, and expenses to manage and document compliance with different program departments. This takes away from time that could be otherwise spent on performance management and other strategic activities.

Recommendation 3: Examples of Contract Requirements

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Recommendations: 1. Informal Process | 2. Terms & Conditions | **3. Reconciling Contracting Requirements** | 4. Future Standardization | 5. Departmental Coordination

Examples of Contracting Requirements' Thresholds, Basis, and Applicability

Program	Threshold	Basis	Applicable Chapters
Article 131/132: Equal Benefits	\$5,000	Fiscal Year	6, 21, 21G, 23
Article 141: Salary History	\$10,000	Fiscal Year	6, 21
Article 111: Minimum Compensation Ordinance	\$25,000/\$50,000	Fiscal Year	6, 21, 23 (Services Only)
Article 121: Healthcare Accountability Ordinance	\$25,000/\$50,000; \$75,000 ¹	Contract OR Fiscal Year	6, 21, 23 (Services Only)
Article 142: Criminal History	\$5,000	Fiscal Year	6, 21, 21G, 23
Article 151: Sweat-free	\$25,000	Contract	21 (Textiles Only)
14B: Bid Discounts/Rating Bonuses	\$10,000	Contract	6, 21
14B: LBE Subcontracting	\$100,000; \$500,000 ²	Contract	6, 21 (Professional Services)
83: First Source Hiring	\$50,000/\$350,000 ³	Contract	6, 21, 21G
Civil Service Review	\$0	Contract	6, 21 (General + Professional Services)

¹ The \$25,000 HCAO contract threshold applies to for-profit businesses, the \$50,000 for non-profits. But, regardless of whether it is for-profit or nonprofit, if a supplier receives a cumulative of \$75,000 or more from the City in a fiscal year, the HCAO applies. For example, if a for-profit receives 2 contracts each worth \$40,000 in a year, for a cumulative of \$80,000, the HCAO would apply.

² \$100,000 is the subcontracting threshold for Chapter 6 and 21 professional services contracts; \$500,000 is the subcontracting threshold for Chapter 6 construction contracts and Chapter 6 and 21 general services contracts.

³ The \$50,000 First Source contract threshold applies to professional and general services, the \$350,000 to Chapter 6 construction contracts.

A policy option for the Board of Supervisors to consider is amending legislation to reconcile various aspects of the City's contracting requirements.

- Potential areas for reconciliation include:
 - Definitions
 - Triggers for contract dollar amount, duration, and employee count
 - Applicability and non-applicability requirements
 - Waiver and exemption criteria
- Subsequent to any legislative changes, the City Administrator's Office should work with departments to update their systems, forms, and workflows to bring greater cohesion to the City's overall procurement process.

Recommendation 4: Ensure standardization in future procurement legislation

- CAO should partner with CAT to develop a legislation template for any future, proposed procurement-related legislation.
- Prior to enacting any new legislation that may impact City contracting, the Board of Supervisors should consider requesting an administrative review to understand the potential impact on the City's overall procurement process and incorporate recommendations into the new legislation.

Recommendation 4: Analysis and Rationale

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Recommendations: 1. Informal Process | 2. Terms & Conditions | 3. Reconciling Contracting Requirements | **4. Future Standardization** | 5. Departmental Coordination

The City has enacted many important contract policies to reduce inequalities and protect the health, well-being, and financial security of its constituents.

- Taken individually, the requirements for each policy are straightforward. Yet taken as a whole, achieving compliance with the full set of requirements is highly complex, costly, and confusing for suppliers.
- Because of their complexity, these policies can also create a high barrier of entry for smaller businesses. This runs counter to the City's goals of local investment and equitable contracting.
- If the City continues to add new policies without re-visiting its legal and regulatory foundations, procurement processes will be further overwhelmed.

The City can take proactive measures to balance future policy development with the need to procure goods and services.

Any future contracting-related legislation should use standard terms, definitions, and concepts to ensure that it fits into a cohesive procurement framework.

- This can be achieved through a procurement legislative template developed and maintained by CAT.
- The template could include standardized language on key procurement concepts, such as:
 - Definitions
 - Applicability and policy triggers
 - Waiver justifications
 - Exemptions

Recommendation 4: Analysis and Rationale

Before voting on future legislation that impacts procurement, the Board of Supervisors should consider requesting an administrative review to understand how the proposed law would fit into or alter the City's overall contracting framework.

- **The administrative review should include implementation, standardization, and resource considerations such as:**
 - How the new requirements would affect the ability of suppliers and small businesses to access City contracting opportunities;
 - How the new requirement interacts with existing laws;
 - Whether the City has available resources to effectively administer and enforce any new requirements;
 - What changes to the City's business processes would need to be made to administer the new requirements, especially as they pertain to any tools, forms, or IT systems that need to be created or maintained; and
 - When the change should be implemented, taking into consideration the communication and training that is required for all City departments and suppliers. Timing of implementation is particularly important given the number of newly legislated changes that departments must build into their business processes.
- **Recommendations from the review can then be incorporated into the proposed legislation to ensure that the new policy can be effectively implemented.**

Recommendation 5: Increase Departmental Coordination

- CAO should convene City Departments that are responsible for different aspects of supplier experiences to regularly align on policy and administrative processes, with the goal of ensuring that suppliers can have a more cohesive experience in their interactions with the City.

Recommendation 5: Analysis and Rationale

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Recommendations: 1. Informal Process | 2. Terms & Conditions | 3. Reconciling Contracting Requirements | 5. Future Standardization | **5. Departmental Coordination**

The City's various contracting requirements are administered by different program departments.

- Because responsibilities are delegated to various agencies, there is no centralized source of information for suppliers.
- Decentralization has led to a lack of standardization in how contracting requirements are administered, which is confusing for both staff and suppliers.

CITY PROCUREMENT & SUPPLIER COMPLIANCE REQUIREMENTS	PROGRAM DEPARTMENT
Services Contracts	Civil Service Commission
Insurance Requirements	Risk Management
Technology Contracts – CIO Review and Cyber Security Approval	Department of Technology
Local Business Enterprise Program	Contract Monitoring Division
Equal Benefits	Contract Monitoring Division
First Source Hiring Program	Office of Economic and Workforce Development
Surveillance Ordinance	Committee on Information Technology
Labor Rules and Regulations (MCO, HCAO, Prevailing Wage)	Office of Labor Standards Enforcement
Bidder and Supplier Registration	Controller's Office
Green Purchasing Requirements	Department of the Environment
Terms and Conditions	City Attorney

Recommendation 5: Analysis and Rationale

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Recommendations: 1. Informal Process | 2. Terms & Conditions | 3. Reconciling Contracting Requirements | 5. Future Standardization | 5. Departmental Coordination

Issues arise even before suppliers can submit a bid on one of the City's various bidding portals. Suppliers must expend time and resources to navigate the City's complex ecosystem of departments and agencies.

Quotes from OCA CivicBridge Supplier Survey (Aug 2021):

The red tape and bureaucracy makes the process inaccessible to underrepresented and marginalized community members.

I received emails from different points of contact with the city. All were helpful, however it was unclear if they were sometimes automated messages or if the messages specifically applied to me. I had to follow up with people directly, which ended up being the most sure-footed way to know whether I was processed appropriately in the system or not.

Greater coordination between City departments would increase the City's accountability to suppliers and reduce the likelihood that willing and able suppliers disengage from the City's processes.

- City staff are experts in their program areas – but they may be less familiar with other departments' programs and the City's overall procurement and contracting framework.
- City staff need a centralized space to convene and align on policy, processes, and technology.
- While this would not lead to a centralization of responsibilities, it would help with internal awareness building, support better communications between the City and suppliers, and help City staff become better stewards of the procurement process.

Appendices

Appendix A: Copy of Letter of Inquiry

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Member, Board of Supervisors
District 8

City and County of San Francisco

RAFAEL MANDELMAN

April 12, 2022

City Administrator Carmen Chu
1 Dr. Carlton B. Goodlett Place
City Hall Room 362
San Francisco, CA 94102

Dear Administrator Chu,

The City's procurement process is complex, time-consuming, and requires intensive resources both from City staff and potential partners who want to work with the City. Creating a procurement process for low-value contracts that is faster and more efficient would allow City staff to prioritize their efforts on higher risk procurement items. Additionally, a transparent, streamlined and less-costly procurement process would encourage more competition and will support the City's small businesses, who may not have the resources to navigate the complexity of the City's current procurement and contracting requirements.

Pursuant to the unlimited power of inquiry assigned to the Board of Supervisors in the San Francisco City Charter, I hereby ask the City Administrator to draft a recommendation on a new procurement process for low-value Chapter 21 contracts. The recommendation for a new procurement process should encompass the full life-cycle of the contract, starting from the solicitation process and ending with contract expiration.

I look forward to your response to this letter of inquiry and request that your office draft the recommendation within six months, by October 12, 2022. Thank you for your collaboration and ongoing reform efforts to ensure the City's services are inclusive, efficient, and equitable for everyone.

Sincerely,

A handwritten signature in black ink, appearing to read "Rafael Mandelman".

Rafael Mandelman
Member, San Francisco Board of Supervisors

cc: Mayor London Breed

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Appendix B: Minimum Competitive Amount

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The table below lists the Minimum Competitive Amount (MCA) for each purchasing category.

Administrative Code	Purchasing Category	MCA / Threshold Amount
Chapter 21, 6	Professional Services Commodities	\$200,000
Chapter 21	General Services	\$1,000,000
Chapter 6	Construction	\$1,000,000

