

265-07

FILE NO. 071369

ORDINANCE NO.

1 [Sweatfree Contracting Ordinance Amendments.]

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3 **Ordinance amending Sections 12U.2, 12U.3, and 12U.9 of the Administrative Code, and**  
4 **adding Section 12U.9.5, to (1) provide a system for awarding contracts to a bidder or**  
5 **proposer most substantially in compliance, but not in full compliance, with the**  
6 **Sweatfree Contracting Ordinance, when no bids or proposals are in full compliance,**  
7 **but only where such awards would not increase the cost of the contract by more than**  
8 **fifteen percent; and (2) make other changes in the Sweatfree Contracting Ordinance,**  
9 **including revising and simplifying the monetary threshold triggering coverage of**  
10 **certain subcontracts; relaxing the ban on mandatory overtime; referencing retirement**  
11 **benefits in calculation of wages; and relaxing the requirement for contractors'**  
12 **providing information as to amounts to be paid to subcontractors by providing that**  
13 **amounts be reported within a monetary range rather than as an exact dollar figure.**

14 Note: Additions are single-underline italics Times New Roman;  
15 deletions are ~~strikethrough italics Times New Roman~~.  
16 Board amendment additions are double underlined.  
17 Board amendment deletions are ~~strikethrough normal~~.

18 Be it ordained by the People of the City and County of San Francisco:

19 Section 1. The San Francisco Administrative Code is hereby amended by amending  
20 Sections 12U.2 and 12U.3, to read as follows:

21 **SEC. 12U.2. DEFINITIONS.**

22 For the purposes of this Chapter, the following definitions shall apply to the terms used  
23 herein.

24 (a) "Abusive Forms of Child Labor" shall mean the following: work performed by a  
25 person under the age of 18 when the person does not voluntarily seek the work or the person

1 is threatened by the person's employer with physical, mental or emotional harm for  
2 nonperformance; (2) work performed by a person under the age of 18 in violation of any  
3 applicable law of the country of manufacture or assembly governing the minimum age of  
4 employment, compulsory education, or occupational health and safety; or (3) the use of a  
5 person under the age of 18 for illegal activities, including but not limited to the production or  
6 trafficking of illicit drugs or for prostitution.

7 (b) "Contract" shall mean an agreement for Goods for an amount greater than  
8 \$25,000 and having a term in excess of three months to be purchased or provided at the  
9 expense of the City and County or to be paid out of moneys deposited in the treasury or out of  
10 trust moneys under the control of or collected by the City and County. "Contract" shall also  
11 mean any amendment to a contract entered into after the effective date of this Chapter that  
12 causes the amount of the contract to exceed \$25,000 or causes the term to exceed three  
13 months.

14 (c) "Contractor" shall mean any person or persons, association, cooperative, firm,  
15 partnership, corporation, company, venture, trustee, trustee in bankruptcy, receiver, or  
16 combination thereof who enters into a Contract with the City and County.

17 (d) "Director" shall mean the Director of the Office of Contract Administration.

18 (e) "Foreign Convict or Forced Labor" shall mean any form of labor used to produce  
19 or manufacture goods prohibited from importation into the United States under 19 U.S. C. §  
20 1307, which includes Abusive Forms of Child Labor and Slave Labor.

21 (f) "Good" shall mean any good, including without limitation, any material, supply,  
22 or equipment.

23 (g) "Slave Labor" shall mean any form of slavery, sale and trafficking of persons,  
24 debt bondage, indentured servitude, serfdom, or forced or compulsory labor.

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1 (h) "Subcontract" shall mean any subcontract agreement or arrangement directly  
2 with a Contractor for any work under a Contract (first tier subcontract) and shall mean any  
3 subcontract agreement or arrangement between subcontractors, at any tier, except for any  
4 agreement or arrangement between subcontractors if the amount of the agreement or  
5 arrangement is less than ~~the lesser of (1) 10 percent of the amount of the higher tier subcontractor's~~  
6 ~~work; or (2) \$25,000~~ \$20,000 the lesser of (1) 10 percent of the amount of the higher tier  
7 subcontractor's work; or (2) \$25,000. "Subcontract" also shall mean any subcontract  
8 agreement or arrangement that any Contractor or Subcontractor creates by dividing work into  
9 smaller increments for award to any subcontracting entity created for the purpose of awarding  
10 a subcontract that is not subject to this Chapter on the basis that it fails to meet ~~either of either~~  
11 of the monetary thresholds ~~of \$20,000~~ for a Subcontract set ~~above~~ above in this subsection  
12 (h).

13 (i) "Subcontractor" shall mean any person or persons, association, cooperative,  
14 firm, partnership, corporation, trustee, trustee in bankruptcy, receiver, or combination thereof  
15 including without limitation any subcontractor, entering into a Subcontract.

16 (j) "Sweatshop Labor" shall mean work performed by any Worker under terms or  
17 conditions that seriously or repeatedly violate laws of the jurisdiction within which the work is  
18 performed governing: (i) wages; (ii) employee benefits; (iii) health and safety, including without  
19 limitation exposure to hazardous or toxic substances; (iv) labor, including without limitation  
20 collective bargaining rights; (v) environmental conditions; (vi) nondiscrimination, harassment,  
21 or retaliation, including without limitation all laws prohibiting workplace and employment  
22 discrimination; (vii) freedom of association; or (viii) building or fire codes. "Sweatshop Labor"  
23 also shall mean any work performed by any person contributing to the provision of Goods to  
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1 the City and County under a Contract or Subcontract that constitutes Foreign Convict or  
2 Forced Labor, or Abusive Forms of Child Labor or Slave Labor.

3 (k) "Worker" shall mean any employee of a Contractor or Subcontractor who  
4 contributes to the provision of Goods to the City and County under a Contract or Subcontract,  
5 including but not limited to any manufacturing or assembling of the Goods.

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7 **SEC. 12U.3. PROHIBITION ON SWEATSHOP CONDITIONS.**

8 Each Contractor and Subcontractor shall comply with each of the following  
9 requirements:

10 (a) Each Contractor and Subcontractor, regarding any Worker, shall comply with all  
11 human and labor rights and labor standards imposed by treaty or law on the country in which  
12 the Goods are made or assembled, and shall not engage in Sweatshop Labor.

13 (b) Each Contractor and Subcontractor shall pay at least the following minimum  
14 wages to Workers: (1) to Workers working in the United States a base hourly wage, to be set  
15 and adjusted annually by the Director, to produce for 2,080 hours worked, an annual income  
16 equal to or greater than the U.S. Department of Health and Human Services most recent  
17 poverty guidelines for a family of three plus an additional 20 percent of the wage level paid,  
18 including without limitation amounts paid as hourly wages or health benefits or retirement  
19 benefits; and (2) for Workers working in countries other than the United States, a wage, to be  
20 set and adjusted annually by the Director, that shall be comparable to the wage for domestic  
21 manufacturers established above, adjusted to reflect the country's level of economic  
22 development by using the World Bank's most recent Gross National Income per capita  
23 Purchasing Power Parity Index.

1 (c) This Chapter specifies a minimum level of compensation to be paid Workers and  
2 shall not be construed to preempt or otherwise limit any other applicable law, regulation or  
3 requirement that requires a higher level of compensation.

4 (d) Each Contractor and Subcontractor shall keep or cause to be kept for a period  
5 of not less than three years from the date of the expiration or termination of the term of the  
6 Contract, basic payroll and time records for each Worker, and copies of any tax records filed  
7 with a governmental entity during the term. Such records shall include the following for each  
8 Worker: (a) name and job classification; (b) a general description of the work the Worker  
9 performed each day and the rate of pay (including rates of contributions for, or costs assumed  
10 to provide fringe benefits); and (c) the daily and weekly number of hours worked, deductions  
11 made; and (d) any actual wages paid.

12 (e) Each Contractor and Subcontractor shall maintain weekly certified payroll  
13 records for submission to the Office of Contract Administration, the Office of Labor Standards  
14 Enforcement, or the Director's designee or other authorized officers or agents of the City and  
15 County upon demand. The Contractor shall be responsible for submitting the payroll records  
16 of its Subcontractors, although Subcontractors shall submit such records directly to the City  
17 and County upon request. All certified payroll records shall be accompanied by a statement  
18 signed by the Contractor, or Subcontractor if requested by the City and County to submit the  
19 records, stating that the records are complete and correct.

20 (f) All records required to be maintained by this Chapter shall at all times be open  
21 to inspection and examination of the duly authorized officers and agents of the City and  
22 County of San Francisco.

23 (g) All Contractors and Subcontractors shall comply with the overtime laws and  
24 regulations applicable to their Workers. In the absence of a law setting overtime compensation,  
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1 overtime hours shall be compensated at the rate of one-and-one-half times the regular hourly  
2 compensation rate. All overtime hours worked beyond 48 hours of working time per work week shall  
3 be worked voluntarily, except mandatory overtime above that 48-hour mark is permitted if each of the  
4 following conditions is satisfied: (1) the law of the country of manufacture permits mandatory overtime,  
5 (2) the manufacturing facility is party to a collective bargaining agreement that permits mandatory  
6 overtime, and (3) the mandatory overtime hours are worked in conformance with the collective  
7 bargaining agreement.

8 (h) No Contractor or Subcontractor shall subject any Worker to any physical,  
9 sexual, or other illegal harassment or abuse, including corporal punishment, illegal  
10 discrimination or retaliation for exercising his or her right to free speech and assembly or other  
11 rights protected under applicable labor or employment laws.

12 (i) No Contractor or Subcontractor shall require or compel any Worker to use  
13 contraceptives or take pregnancy tests.

14 (j) Before commencing any work under the Contract, the Contractor shall provide  
15 the City and County a list of the names and addresses of each Subcontractor to be utilized in  
16 the performance of the Contract, the Contractor's and each Subcontractor's applicable state  
17 tax identification number and the address of each manufacturing or other facility or operation  
18 of the Contractor and its Subcontractors for the performance of the Contract. The Office of  
19 Contract Administration shall post this information on its internet website before a Contractor  
20 or any of its Subcontractors may commence work under the Contract. Contractor shall update  
21 the list to show any changes in the Subcontractors or the facilities or operation during the term  
22 of the Contract. Before commencing any work under the Contract, the Contractor also shall  
23 provide the City and County a written statement showing the amount to be paid each  
24 Subcontractor and shall update this information in writing to show changes in the amount to  
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1 be paid any Subcontractor or amounts to be paid Subcontractors added after submittal of the  
2 most recent statement to the City and County. Amounts to be paid to subcontractors may be  
3 reported in ranges of \$20,000 to \$50,000; \$50,001 to \$100,000; \$100,001 to \$250,000; \$250,001 to  
4 \$500,000; above \$500,000; or such other ranges as the Director, after consultation with the Office of  
5 Labor Standards Enforcement and Sweatfree Procurement Advisory Group, deems appropriate to  
6 effectively implement this Chapter. Updates in the amount to be paid a Subcontractor or  
7 Subcontractors after submittal of the most recent statements to the City and County need only be  
8 submitted if the changed amount would fall into a different range.

9 (k) During each year of the term of a Contract, the Director, the Office of Labor  
10 Standards Enforcement, or the Director's designee may request a written assurance from the  
11 Contractor and each of its Subcontractors that the Contractor or Subcontractor is in  
12 compliance with this Chapter. The request may seek confirmation of compliance with some or  
13 all of the requirements of this Chapter, and may require the response to be submitted under  
14 penalty of perjury. The Contractor or Subcontractor shall provide the written assurance within  
15 the time period specified by the Director, the Office of Labor Standards Enforcement, or the  
16 Director's designee, which shall not be less than 14 days from receipt of the request.

17 (l) Each Contractor and Subcontractor shall be responsible for ensuring the  
18 Subcontractor's compliance with this Chapter.

19 (m) Contractors and Subcontractors shall demonstrate commitment to best practices  
20 and continuous improvement in management practices to eliminate Sweatshop Labor,  
21 including the right to freedom of association and collective bargaining. No Contractor or  
22 Subcontractor shall subject a Worker to harassment, intimidation or retaliation as a result of  
23 his or her efforts to freely associate or bargain collectively. This subsection shall not apply to  
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1 Contractors or Subcontractors subject to the National Labor Relations Act, 29 U.S.C. §§ 151  
2 et seq.

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4 Section 2. The San Francisco Administrative Code is hereby amended by amending  
5 Section 12U.9 to read as follows:

6 **SEC. 12U.9. EXCEPTIONS.**

7 This Chapter shall not apply in the following circumstances:

8 (a) When a Contract involves the expenditure of funds received by the City and  
9 County and the application of this Chapter would violate or be inconsistent with the terms or  
10 conditions of the applicable grant agreement, subvention or agreement or the instructions of  
11 an authorized representative of any such agency with respect to any such grant agreement,  
12 subvention or agreement.

13 (b) When the Director or the Director's designee determines that there is only one  
14 responsible contractor available to provide the Goods and that contractor is unable to comply  
15 with this Chapter, or the City and County department, commission, office or other City and  
16 County entity seeking to enter into the contract certifies in writing to the Director, and the  
17 Director finds that there are no qualified responsive bidders or proposers or prospective  
18 contractors that would comply with the requirements of this Chapter and the Contract is for  
19 Goods that are essential to the City or the public. *This subsection (b) is subject to the provisions*  
20 *of Section 12U.9.5. If a waiver is granted pursuant to this subsection (b), the Contract entered*  
21 *into as a result of the waiver may be for a term of no greater than two years.*

22 (c) When the Contract is with a public entity.  
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1 (d) When the acquisition of Goods is only incidental to the other purchases under  
2 the Contract. The acquisition of Goods shall be incidental if the amount paid by the City for the  
3 Goods is 10 percent or less than the total amount of the Contract.

4 (e) If the department recommending the Contract certifies in writing to the Director  
5 that pursuant to Administrative Code Section 6.60 or 21.15 that the Contract is necessary to  
6 respond to an emergency which endangers the public health or safety and no entity which  
7 complies with the requirements of this Chapter capable of responding to the emergency is  
8 immediately available.

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10 Section 3. The San Francisco Administrative Code is hereby amended by adding  
11 Section 12U.9.5 to read as follows:

12 **SEC. 12U.9.5. AWARD OF CONTRACT ABSENT A SWEATFREE-COMPLIANT BID OR**  
13 **PROPOSAL.**

14 (a) It is the City's goal to achieve full compliance with this Chapter. But, in the absence of  
15 bids or proposals that are fully compliant with the provisions of this Chapter, the City should have  
16 authority to award Contracts to the bidder or proposer that is most compliant with this Chapter. If, in  
17 response to a solicitation for bids or a request for proposals, the City receives no bids or proposals that  
18 are fully compliant with the provisions of this Chapter, the Director is authorized to enter into a  
19 Contract with a noncompliant bidder or proposer, according to the following principles.

20 (b) Notwithstanding the determination of low bid or highest ranked proposal, the Director  
21 shall have authority to determine which bidder or proposer most substantially complies with this  
22 Chapter, and shall award the Contract to that bidder or proposer.

23 (c) No Contract awarded pursuant to subsection (b) may exceed two years in term unless  
24 the Director determines, no later than six months prior to the expiration of the original term of the  
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1 Contract, that the Contractor has achieved an additional level or levels of compliance with the  
2 provisions of this Chapter that warrants exercise of an option to extend the Contract for up to an  
3 additional year.

4 (d) Any Contract awarded pursuant to subsection (b) shall be terminated by the Director  
5 during the original term of the Contract or any extension of the original term if the Director determines  
6 that the Contractor (i) is not making a good faith effort to achieve an additional level or levels of  
7 compliance with the provisions of this Chapter or (ii) has not corrected within a reasonable time, as  
8 defined by the Director, a specific violation of this Chapter that the City discovers after award of the  
9 Contract. In addition, the Director shall include in any Contract awarded pursuant to subsection (b) a  
10 compliance plan that identifies deficiencies in the bid or proposal and specifies a condition or  
11 conditions and related timetables designed to achieve an additional level or levels of compliance  
12 with the provisions of this Chapter no later than six months prior to the expiration of the original  
13 term of the Contract; ~~including requirements for specific compliance plans, and failure of the~~  
14 Contractor to satisfy said compliance plan ~~condition or conditions~~ may serve as the basis for the  
15 Director to terminate the Contract.

16 (e) Standards for determining most substantial compliance under subsection (b) and  
17 additional level or levels of compliance under subsections (c) and (d) shall be adopted by the Director  
18 following consultation with the Office of Labor Standards Enforcement and the Sweatfree Procurement  
19 Advisory Group, and a public hearing. Such standards shall give due consideration to the City's need  
20 to receive information from bidders and Contractors to enable the City to monitor compliance with this  
21 Chapter; the degree to which a particular requirement of the Ordinance is not being complied with by  
22 a bidder or Contractor; the number of requirements of the Ordinance that are not being complied with  
23 by a bidder or Contractor; practical difficulties faced by bidders and/or Contractors generally in  
24 complying with a particular requirement of the Ordinance; the relative importance, if ascertainable, of  
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1 the different labor standards set forth in Section 12U.3; and such other factors as may be relevant to  
2 achieving maximum compliance with this Chapter.

3 Such standards shall become operative on the effective date of this Section if they are adopted  
4 by the Director before then. Such standards shall become operative on the date they are adopted by the  
5 Director if that occurs after the effective date of this Section.

6 In addition, the Director has authority to adopt rules and procedures that implement this  
7 Section.

8 (f) The Director shall not award a Contract pursuant to subsection (b) where the  
9 cost of that contract would exceed the low bid or highest ranked proposal by more than  
10 15 percent.

11 (g) The Director shall submit quarterly reports to the Board of Supervisors regarding  
12 the implementation of this Section and contracts issued to otherwise noncompliant bidders or  
13 proposers under this Section.

14 (h) Neither subsection (b) nor any other provision in this Section shall override the  
15 Director's authority to reject all bids or proposals or take other action within his or her legal authority.

16  
17 APPROVED AS TO FORM:  
18 DENNIS J. HERRERA, City Attorney

19 By:   
20 PAUL ZAREFSKY  
21 Deputy City Attorney  
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23  
24  
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# City and County of San Francisco

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

## Tails

### Ordinance

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**File Number:** 071369

**Date Passed:**

Ordinance amending Sections 12U.2, 12U.3, and 12U.9 of the Administrative Code, and adding Section 12U.9.5, to (1) provide a system for awarding contracts to a bidder or proposer most substantially in compliance, but not in full compliance, with the Sweatfree Contracting Ordinance, when no bids or proposals are in full compliance, but only where such awards would not increase the cost of the contract by more than fifteen percent; and (2) make other changes in the Sweatfree Contracting Ordinance, including relaxing the ban on mandatory overtime; referencing retirement benefits in calculation of wages; and relaxing the requirement for contractors' providing information as to amounts to be paid to subcontractors by providing that amounts be reported within a monetary range rather than as an exact dollar figure.

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November 6, 2007 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE

Ayes: 11 - Alioto-Pier, Ammiano, Chu, Daly, Dufty, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval

November 6, 2007 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 11 - Alioto-Pier, Ammiano, Chu, Daly, Dufty, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval

November 13, 2007 Board of Supervisors — FINALLY PASSED

Ayes: 11 - Alioto-Pier, Ammiano, Chu, Daly, Dufty, Elsbernd, Maxwell, McGoldrick, Mirkarimi, Peskin, Sandoval

File No. 071369

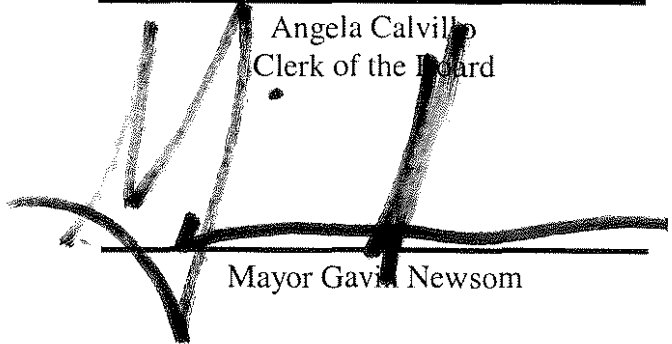
I hereby certify that the foregoing Ordinance was FINALLY PASSED on November 13, 2007 by the Board of Supervisors of the City and County of San Francisco.



Angela Calvillo  
Clerk of the Board

11-14-07

Date Approved



Mayor Gavin Newsom