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*****PRESS RELEASE*****

**CITY ADMINISTRATOR RELEASES LOW-VALUE CONTRACTING
REPORT, RECOMMENDS UPDATES TO PROCUREMENT PROCESS**

Supervisor Mandelman introduces a drafting request to enact sensible low-value contracting reforms based on the City Administrator's report. The intention of this drafting request is to reduce the burden of contracting regulations on small businesses, nonprofits, and the City, and to encourage more competition for City contracts.

SAN FRANCISCO — This morning, the City Administrator released a [report](#) on the City's low-value contracting processes and potential improvements. The report was issued in response to a request submitted by Supervisor Mandelman. The report details some of the administrative effort and burden created by the current contracting processes and makes a series of recommendations to help address that challenge.

Today at the Board of Supervisors regular meeting, Supervisor Mandelman introduced a drafting request to follow up on recommendations in that report and enact sensible low-value contracting reforms to incrementally lessen the burden of contracting regulations on small businesses, nonprofits, and the City, and to encourage more competition for City contracts.

“San Francisco contracts for a wide variety of services it cannot provide itself, from the registration of the City's website, which cost \$10,000, to the installation of the Central Subway, which cost nearly \$2 billion,” said **Supervisor Mandelman**. “We require contractors large and small to jump through the same hoops, often for relatively small contracts, and there are many, many hoops to jump through. The results are delays, higher costs, and less competition at all levels of contracting. It's long past time for a package of common-sense, incremental updates to increase competition, lower costs, and reduce administrative burden on contracts below \$200,000. With such a package, we can open up work with the City to more small, local businesses and nonprofits, not just the small handful with the resources to wade through a morass of arcane contracting requirements.”

“Over many decades, policies on how we purchase goods and services have piled up with the cumulative effect of creating processes that are, at times, overly bureaucratic, time-consuming and burdensome for both businesses and City staff to implement,” said **City Administrator**

Carmen Chu. “I want to thank Supervisor Mandelman for his focus on improving core governmental functions and for requesting this report. Nearly every aspect of our City’s operations relies on procurement. Whether it is the purchase of medicine for our hospitals and clinics, chemicals to treat our wastewater, or uniforms and computers, easing purchasing will have a positive impact for all government services.”

The City Administrator’s report makes five strategic recommendations for updates and clarifications to clean up the City’s procurement process, focused on small-dollar contracts:

- 1. Improve the informal procurement process**, which refers to procurements under \$200,000, and is intended to be a simplified process. As it stands, the City lacks a truly standardized informal procurement process, making these contracts just as rigorous and time-consuming as formal solicitations.
- 2. Simplify the City’s Terms and Conditions**, 31 pages that are part of every contract. By contrast, other cities’ Terms and Conditions documents run five to 20 pages long. San Francisco’s Terms and Conditions are unnecessarily detailed. For example, Article 7 (of 14) of SF’s Terms & Conditions uses nearly 100 words to tell contractors to pay their taxes. This verbosity is confusing and unnecessary, especially for small, local businesses and nonprofits who don’t have contracting professionals or attorneys on staff.
- 3. Amend the City’s procurement legislation to update and reconcile inconsistencies** in processes, thresholds, and triggers. For example, some rules apply to all contracts; some apply only to those worth \$5000 or more; and some don’t take effect until \$350,000 or \$500,000, among many other thresholds. There are also highly varied waiver processes, some of which are digital, others of which are manual. These inconsistencies make understanding what is applicable to a specific contract difficult, especially for small, local businesses or nonprofits without contracting staff. It also means that the City has to build highly customized systems and dedicate thousands of staff hours to administer contracts under the many different requirements.
- 4. Standardize any future procurement legislation.** Because the many different pieces of procurement legislation have been added over the years and by many different legislators, they are highly varied from each other in terms of how and when they apply, resulting in the overly complex web that exists today. The report recommends that any future procurement requirements be standardized so that they are more easily applied. Furthermore, the report recommends that for any future procurement legislation, the Board consider requesting an administrative review of potential impacts to the City’s procurement process, so legislators do not blindly add to the administrative burden without understanding the existing context into which new requirements are being wedged.
- 5. Increase inter-departmental coordination in contracting** and align policy and administrative processes across departments. This recommendation is already being

enacted by the Government Operations Recovery Initiative, which has been hard at work for the last year and a half on these challenges.

Supervisor Mandelman's drafting request asks the City Attorney to work with his office and the City Administrator to turn applicable recommendations into legislation.

"These updates will not solve all of the contracting issues facing San Francisco," said **Supervisor Mandelman**, "But they'll move the needle in the right direction."

Background on the City Administrator's Report

Supervisor Mandelman's letter of inquiry to the City Administrator's Office asked the City Administrator to draft recommendations to improve the Chapter 21 procurement process for low-value contracts. The letter of inquiry came at a time when both federal and local governments across the country were looking to advance equitable economic policies through procurement reform. In addition, recently published books highlighted governmental structures where the complexities of procurement rules inhibit the government's ability to fulfill its mission.

Since that letter of inquiry, the City Administrator's Office has worked with Supervisor Mandelman and other policymakers to prioritize and implement a number of changes to the City's contracting processes. These have included issuing a report on competition in City contracting, launching an SF.gov website centralizing contracting information, developing a one-stop-shop for contracting waivers and forms, and creating a team to assist departments with their contracting needs.

In February 2023, Supervisor Mandelman introduced legislation to repeal Chapter 12X of the City's Administrative Code, the so-called Banned States policy, which prohibited contracting with businesses located in states with regressive laws, as well as City-funded travel to those states. In 2022, Supervisor Mandelman had requested that the City Administrator develop a report on alternatives to 12X. The report, released in early 2023, concluded that 12X created burdens for the communities it was intended to serve and increased costs by up to 20%. Supervisor Mandelman's legislation repealing 12X passed the Board of Supervisors and was signed by the Mayor May 9, 2023.

Today's report from the City Administrator builds on these earlier reform efforts. In addition to improving the process for low-value contracts, some recommendations may also help improve the City's overall procurement framework.

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