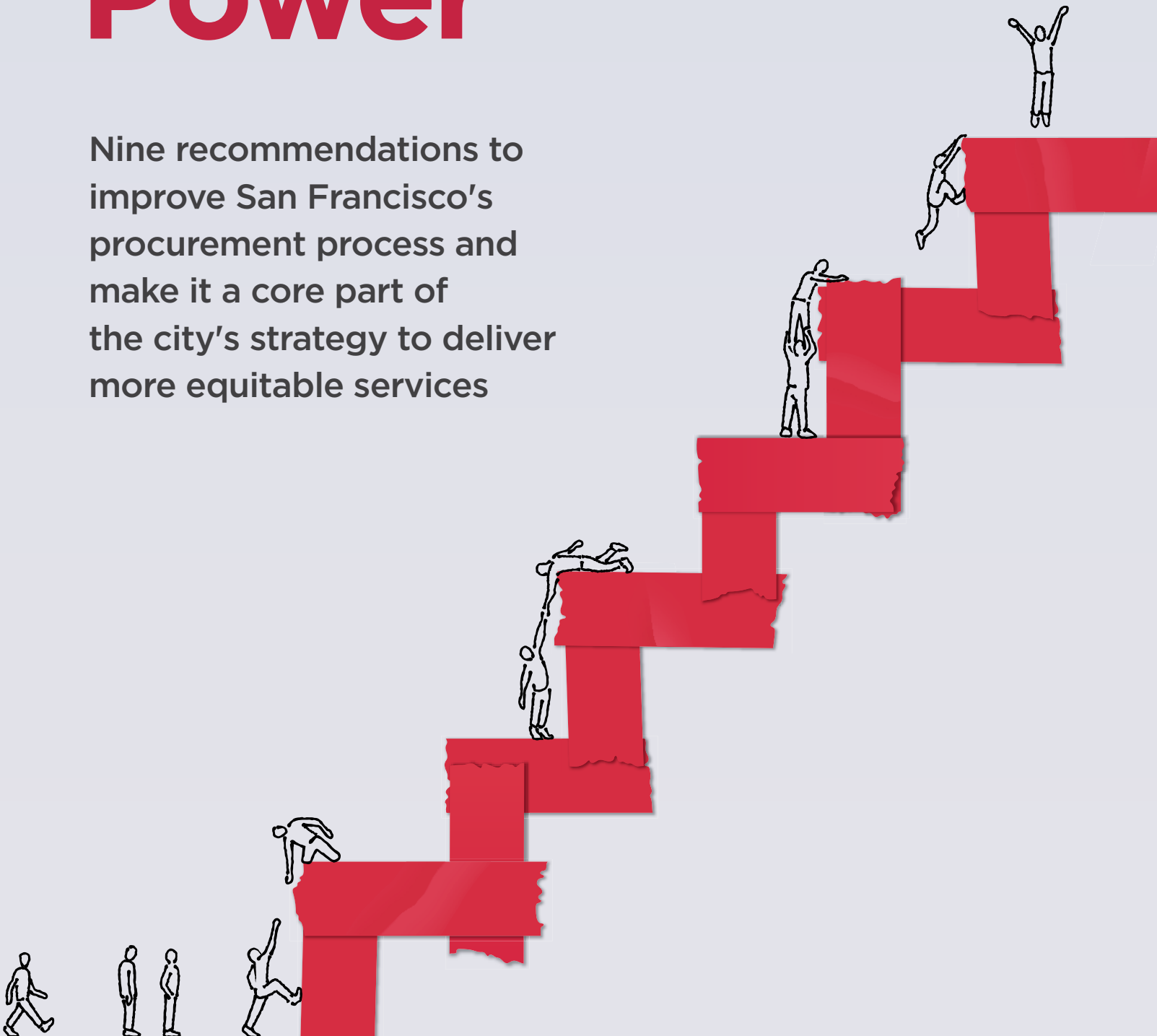


# Purchasing Power

Nine recommendations to improve San Francisco's procurement process and make it a core part of the city's strategy to deliver more equitable services





# Acknowledgments

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# Executive Summary

The City and County of San Francisco spends more than one in every three dollars of its roughly \$16 billion annual budget on procurement. Procurement is the way cities buy goods and services — everything from office supplies to sidewalk repairs to social services — and it's essential to ensuring that San Francisco can meet the needs of its 800,000-plus residents. The magnitude of government spending means that the city can use its purchasing power not only to improve outcomes in the city but also to make a significant impact on the local economy. It can use public procurement to minimize waste, transition to more sustainable energy sources, grow local businesses, create good jobs, strengthen labor protections, and deliver equitable services.

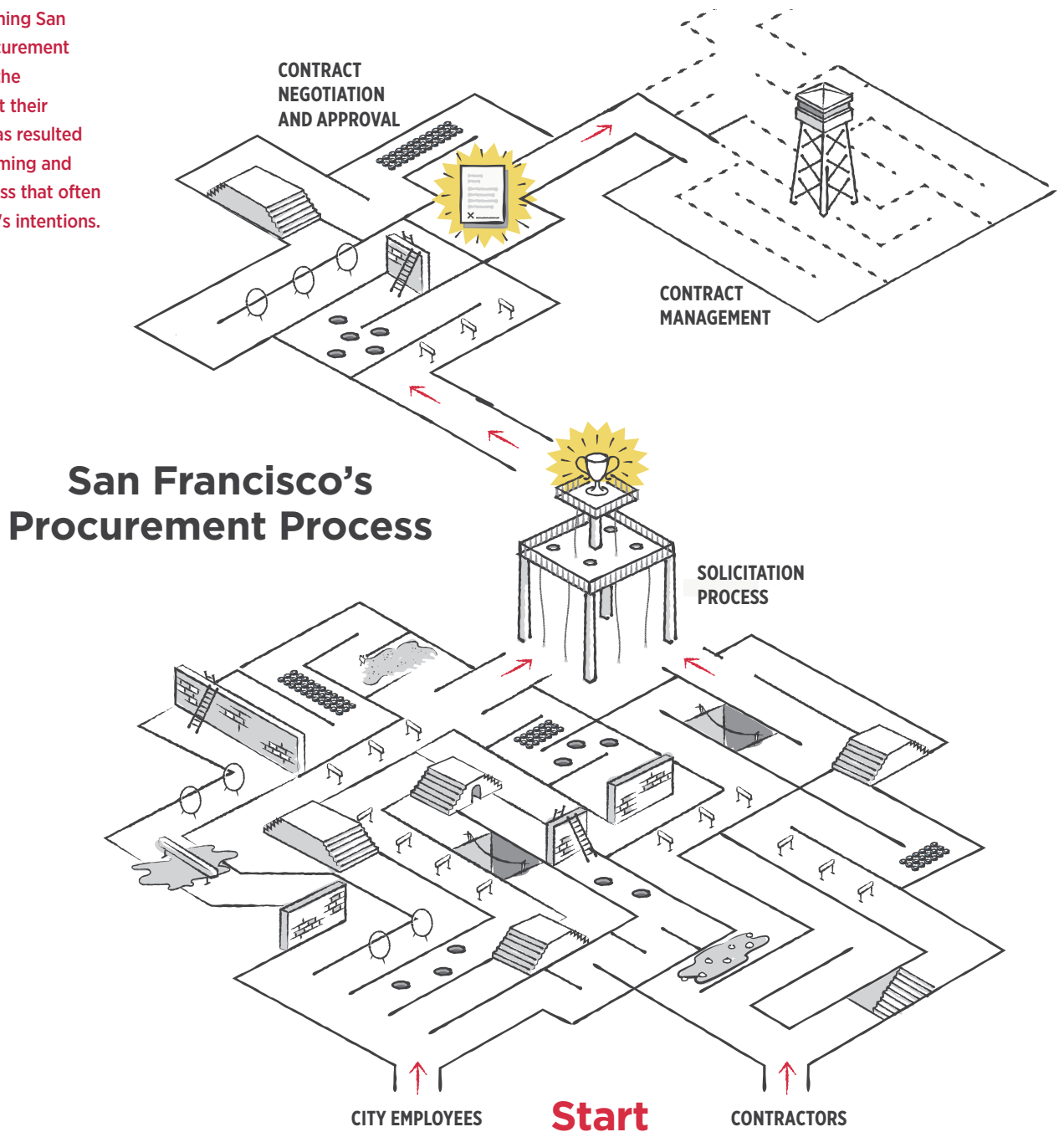
Over time, local, state, and federal rules have multiplied to influence economic or social objectives and to create fairness and transparency in the procurement process. As a result, more than 100 sections of the San Francisco Administrative Code, Labor and Employment Code, Environment Code, and Campaign and Governmental Conduct Code are dedicated to some aspect of contracting. According to the Office of the City Administrator for the City and County of San Francisco, San Francisco's municipal codes include the words "contract" and "procurement" more than 8,700 times. In addition to local regulations, contracts must comply with state and federal laws and any specific requirements from funding sources. While these rules are reflections of the city's values, many have been patched onto the process rather than integrated into it. The result is a maze of requirements that often don't produce the intended outcomes.

These requirements are costly in two ways. First, given the many rules that apply to contractors, staff spend their time dealing with a never-ending stream of paperwork, which competes with their focus on successful project delivery. According to the City Administrator's Office, the length of time to process a single contract can range from 8.5 months to more than 1.5 years — with a \$100,000 contract requiring roughly the same level of work as a \$5 million contract. SPUR estimates that the effort of a single solicitation can cost the city a minimum of \$22,000 to \$28,000 per contract.

Second, potential vendors — particularly small businesses and nonprofits — may be unable to successfully navigate the city's procurement process and may choose not to work with the city at all, given the difficulty of doing so. This situation ends up benefiting organizations with preexisting relationships, experience, and knowledge of the process, and it reduces overall competition, which increases the costs of public goods and services. In fiscal year 2022-2023, the Office of Contract Administration received only a single response or no response to 46% of its issued solicitations.

The many rules, the constantly evolving policy landscape, and the lack of clarity, transparency, and accountability in the procurement process breed a culture of mistrust that in turn leads to both real and perceived waste and disparities in the system. When things go wrong, individuals (rather than systems) are blamed. Staff face costly fines and could even lose their jobs, and more protections and oversight are put in place. Often the result is more rules, more barriers to entry, more fear of doing something wrong, and longer and costlier processes. Each new rule adds another path in the maze, making it harder and harder to meet San Francisco's growing needs.

The rules governing San Francisco's procurement process reflect the city's values, but their accumulation has resulted in a time-consuming and maze-like process that often stymies the city's intentions.



During the city's response to and recovery from the COVID-19 pandemic, several challenges relating to effective operation of core city processes were identified. To meet these challenges, the city created the Government Operations Recovery Initiative (Gov Ops) in 2022 to focus on improving its core functions, including contracting. The Gov Ops team has already addressed many administrative challenges related to departmental contracts for professional services, leading to a 50% decrease in the time needed for the Office of Contract Administration to review and approve such contracts. However, given the diffuse and distributed nature of procurement in San Francisco, broader ongoing changes across the city's many departments have proved more difficult.

SPUR makes nine recommendations that build on work that San Francisco is already doing to make its procurement system more effective:

- **Recommendation 1:** Empower and resource the City Administrator's Office to lead on procurement.
- **Recommendation 2:** Simplify the contracting process for low-value contracts.
- **Recommendation 3:** Align on shared goals, discuss trade-offs, and amend or eliminate policies that aren't having their desired impact.
- **Recommendation 4:** Strengthen the relationship between policy and implementation.
- **Recommendation 5:** Reduce the number of steps in the contracting process.
- **Recommendation 6:** Shift the focus from compliance and risk mitigation to successful contract outcomes.
- **Recommendation 7:** Make the procurement process more user-friendly for contractors.
- **Recommendation 8:** Build the capacity and skills of staff and vendors.
- **Recommendation 9:** Share contracts across government agencies through cooperative purchasing agreements, as-needed contractor pools, and joint solicitations.

These recommendations acknowledge that changing such a complex system is incredibly hard and requires a long-term vision, plus dedicated time and resources. It also requires clear leadership and the political will to make tough decisions. By developing more effective procurement processes, San Francisco has the opportunity to produce greater community benefits.

This report describes how San Francisco's procurement processes currently work — noting progress that the city has made in improving these processes — and details recommendations for additional steps that the city can take to achieve its policy goals and realize its purchasing power.

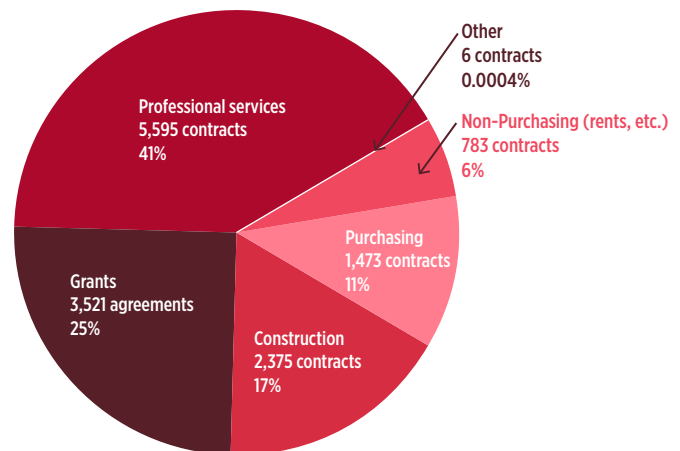
# Introduction

In July 2024, after conducting more than 40 interviews and extensive research, SPUR released *Designed to Serve: Resetting the City’s Governance Structure to Better Meet the Needs of San Franciscans*.<sup>1</sup> This report found that a high-functioning government is essential to ensuring the health, safety, and economic vitality of its constituents. The report notes that with more than 34,000 employees and an annual budget of nearly \$16 billion, San Francisco’s government is larger than many state governments and is “a sprawling system that often cannot deliver services effectively, leading to an overall perception that the government isn’t working.” Because contracts represent more than one in every three dollars of San Francisco’s roughly \$16 billion annual budget, procurement is one of the primary systems that can be improved to help government work better.

Contractors play a central role in the delivery of services that directly impact residents’ daily lives. The city relies on contractors to design and maintain infrastructure, trim trees, and provide vital public services, including childcare and afterschool programs, substance use prevention, supportive housing, mental health counseling, and services to the elderly. Vendors provide technology platforms, light rail vehicles, office furniture, and so on. As of October 2024, the city had 12,627 contractual agreements active in fiscal year 2024–2025. Professional services accounted for nearly half of those agreements (Exhibit 1).

**EXHIBIT 1**  
**Active City Contracts by Type, 2024–2025**  
 Professional services and grant agreements with nonprofit organizations make up about two-thirds of San Francisco’s contractual agreements. Grant agreements with nonprofits cover critical services, including childcare and afterschool programs, substance abuse prevention, supportive housing, mental health counseling, and services to the elderly.

**Source:** DataSF, Open Data Portal, “Supplier Contracts,” <https://data.sfgov.org/City-Management-and-Ethics/Supplier-Contracts/cq15-hm2d/data>.  
**Note:** Filtered for contracts with end dates of July 1, 2024, and beyond.



<sup>1</sup> Nicole Neditch, *Designed to Serve: Resetting the City’s Governance Structure to Better Meet the Needs of San Franciscans*, SPUR, July 2024, <https://www.spur.org/publications/spur-report/2024-07-31/designed-serve>.

Public sector contracting is fundamentally different from private sector procurement due to its use of public funds (Exhibit 2). Procurement practices that might make sense in the private sector would not meet public expectations for transparent, open, and fair government.

In addition to ensuring ethical spending, the city often tries to leverage its vast purchasing power to achieve social policy goals. These goals range from increasing local workforce participation to using materials in alignment with climate goals. Moreover, the city attempts to support the local economy and community-based businesses by ensuring that a percentage of contract opportunities are made available to them.

These goals make procurement in the public sector much more complicated than it is in the private sector. Adding to the complexity are the size and structure of San Francisco’s government. The city’s 34,000 employees in more than 50 departments must abide by contracting rules and regulations set by the Board of Supervisors as well as by policy directives from commissions and department leaders.

**EXHIBIT 2**  
**Government vs. Private Sector Procurement: Key Differences**  
 The need for transparency and strict regulation in the use of public funds makes government procurement more complex and time consuming than private sector procurement.

**Sources:** Adapted by SPUR from NIGP: The Institute for Public Procurement, <https://www.nigp.org/our-profession/impact-of-procurement>.

	PUBLIC SECTOR	PRIVATE SECTOR
<b>Responsibility</b>	Ethically sourcing contracts that benefit the public	Making a return on investment
<b>Transparency</b>	Required to show dealings publicly to prove that public money is spent fairly and efficiently	Not required to share dealings publicly
<b>Rules and regulations</b>	Heavily regulated by statutes, rules, and regulations to ensure taxpayer dollars are used properly and to avoid favoritism and corruption	Subject only to organizational policies and rules
<b>Contract award</b>	Usually a formal competitive process	Less formal negotiation
<b>Accountability</b>	To the public	To management

## Six Principles for Good Government

This report seeks to evaluate San Francisco’s current contracting system using SPUR’s six principles of good government. It builds on findings from SPUR’s 2024 *Designed to Serve* report on San Francisco’s government structure to make the case for holistic reforms. Ultimately, the goal is to ensure that public spending delivers desired outcomes and maximum benefit to the public.

SPUR defines “good government” as a government that upholds the rights of its people and supports their ability to thrive. Good government delivers programs and services that effectively meet the needs of the people it serves and ensures that its actions are transparent and responsive to public input. To realize this goal, leaders and government employees should have clear, effective rules for how to interact, should know who is doing what, and should support one another in



achieving success. The principles outlined below are not meant to be exhaustive. Due to the broad nature of the topic, they focus more on process than results and can apply to any level and type of government, regardless of scale, scope, or subject area.

- 1. Clarity and Fairness:** Good government has an established legal framework that is interpreted and enforced impartially. All governmental entities, staff, and elected officials respect and abide by established laws and rules of conduct. Rules and laws are applied in ways that are clear and fair. Legal guidance given to policymakers regarding the application of the law is clear and accurate.
- 2. Transparency:** Good government is transparent. Information is accessible to the public, is understandable, and can be monitored. Key interests seeking to influence the outcome of decisions are known to the public. Communication is clear, allowing leaders to discuss issues thoroughly and make good decisions.
- 3. Accountability:** Good government is accountable to the public for its decisions. Roles and responsibilities of governmental entities, departments, staff, and elected officials are clearly defined. Accountability includes fiscal accountability for tax dollars collected and spent.
- 4. Representation:** Good government engages with the community it represents and is inclusive and equitable. It reflects the community members it serves. It equitably allocates resources, both time and money, to ensure that all residents have opportunities to improve or maintain their well-being and that economic prosperity and growth are shared. Good government balances all voices and is not subject to the undue influence of any group or political power. It listens and considers not only the loudest voices but also those without a voice, without organization, and without financial strength. It represents everyone, balancing often-competing interests for the greater good.
- 5. Effectiveness, Efficiency, and Adaptability:** Good government delivers services to meet the needs of the public while making the best use of the resources available. It effectively leverages its time, talent, and resources to maximize benefits to its residents. It operates at a high level of competence and excellence, obtained through adequate funding, good management, and allocation of resources. Good government is nimble and quickly adapts to address challenges that arise.
- 6. Leadership:** Good government has leaders at every level (elected, appointed, employed) who establish norms and values to instill respectfulness in all interactions. They insist on civility in decision-making and in all public engagement and discourse. They enforce and follow the rule of law. Good leaders motivate and inspire others, creating an environment of collaboration and success despite differences of opinion. Good leaders work through challenges and make tough decisions in a timely manner. They balance all interests, set realistic expectations, strive for the greatest public good, and trust in the process, accepting and implementing results they may not personally like.

# San Francisco's Procurement Structure

San Francisco's procurement structure is not well understood, even within the city and county government. The legislative, legal, and administrative requirements described below illustrate the complexity of that structure and serve as a reference for those interested in understanding how the city's procurement works.

## BUDGET AND SPENDING TYPES

The City and County of San Francisco has a budget of nearly \$16 billion a year.<sup>2</sup> In the current fiscal year, 2024–2025, about 23% of that sum is budgeted for non-personnel operating costs and 10% for grants.<sup>3</sup> Together, these expenditures make up more than a third of the budget, annually totaling more than \$5 billion spent on contracts with external agencies. The city uses these funds to procure a variety of goods and services that it needs to operate and to serve San Franciscans (Exhibit 3).

There are exceptions to some of these rules, specifically for departments named in the Administrative Code or San Francisco City Charter as having separate authority. For example:

- The Municipal Transportation Agency (MTA) has the obligation to comply with general city regulations, but it has the authority to administer and enforce said requirements within itself.<sup>4</sup>
- The San Francisco Airport, the MTA, the Port of San Francisco, the Public Utilities Commission, and the Recreation and Parks Department have the authority to conduct real estate transactions without the involvement of the City Administrator's Office.<sup>5</sup>
- The Department of Public Health, while complying with Chapter 21 guidance, has the authority to manage procurements related to Healthcare Group Purchasing Organization transactions, managed care contracts, and residential care and treatment services.<sup>6</sup>

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<sup>2</sup> The fiscal year 2024–2025 budget is \$15.9 billion, and the fiscal year 2025–2026 budget is \$15.6 billion. Office of the Controller, City and County of San Francisco, *City and County of San Francisco Budget and Appropriation Ordinance: Fiscal Year Ending June 30, 2025 and Fiscal Year Ending June 30, 2026*, <https://www.sf.gov/sites/default/files/2024-07/AAO%20FY2024-25%20%26%20FY2025-26%20-%20FINAL%207.31.24.pdf>.

<sup>3</sup> In fiscal year 2024–2025, budgeted expenditures are 22.4% for non-personnel operating costs and 10.5% for grants. In fiscal year 2025–2026, budgeted expenditures are 23% for non-personnel operating costs and 9.7% for grants. Office of the Controller, City and County of San Francisco, *City and County of San Francisco Budget and Appropriation Ordinance: Fiscal Year Ending June 30, 2025, and Fiscal Year Ending June 30, 2026*, pp. 29–30, <https://www.sf.gov/sites/default/files/2024-07/AAO%20FY2024-25%20%26%20FY2025-26%20-%20FINAL%207.31.24.pdf>.

<sup>4</sup> City and County of San Francisco, "Municipal Transportation Agency," Charter, Section 8A.101.d, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/O-0-0-584](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/O-0-0-584).

<sup>5</sup> City and County of San Francisco, "Director of Property to Conduct Sales, Leases, Acceptances, and Other Real Estate Transactions," Administrative Code, Section 23.1, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/O-0-0-64061](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/O-0-0-64061).

<sup>6</sup> City and County of San Francisco, "Health-Related Commodities and Services," Administrative Code, Chapter 21A, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/O-0-0-13609](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/O-0-0-13609).

## EXHIBIT 3

**San Francisco's Six Categories of Procurements**

The San Francisco Administrative Code governs the city's six main categories of procurements, which currently total some \$5 billion a year.

Source: SPUR analysis of the San Francisco Administrative Code, [https://codelibrary.amlegal.com/codes/san\\_francisco](https://codelibrary.amlegal.com/codes/san_francisco).

TYPE OF PURCHASE	GOVERNING LEGISLATION	DEFINITION OF PURCHASE	MANAGEMENT
<b>Commodities and Services</b>	Chapter 21	<p><b>Commodities</b> include tangible products such as materials, equipment, and supplies. Examples of commodities are computers, uniforms, and office furniture.</p> <p><b>Services</b> are split into two categories in the Administrative Code: general services and professional services. Examples of <b>general services</b> are pest control and janitorial services while <b>professional services</b>, such as financial analysis or accounting services, are defined as requiring specialized training or degrees.</p>	These purchases are managed by the Office of Contract Administration, under the City Administrator's Office. Significant portions of procurement activities are performed by the city agency or department entering into the contractual agreement.
<b>Grants</b>	Chapter 21G	<b>Grants</b> are defined as awards of funds to further the general good of the city or in the interest of one or more communities in the city. The city defines a grant in part by what it is not: A grant does not include contracts for public works, real estate, commodities, or financial assistance in the form of a loan. A grant may go to a for-profit or nonprofit entity or an individual or government entity, but it is most often used for agreements with nonprofit agencies to provide services.	<p>Policies and procedures are set by the city.</p> <p>The procurement process is managed by the city agency or department entering into the grant agreement.</p>
<b>Construction/ Public Works</b>	Chapter 6	<b>Construction or public works contracts</b> , often called Chapter 6 contracts, can be used for any construction, renovation, alteration, improvement, demolition, excavation, installation, or repair of any public building, structure, infrastructure, bridge, road, street, park, dam, tunnel, utility, or similar public facility performed by or for the city, the cost of which is to be paid wholly or partially out of monies deposited in the treasury of the city. A public work or improvement may include integrated furniture, fixtures, and equipment. Professional services may include architectural services for a public works project.	Departments with Chapter 6 authority are the San Francisco Airport, the Department of Public Works, the Municipal Transportation Agency, the Port of San Francisco, the Public Utilities Commission, and the Recreation and Parks Department.
<b>Real Estate</b>	Chapter 23	The city acquires and leases <b>real estate</b> , also referred to as real property. The acquisition can also come in the form of an exchange or easement. Some common real estate transactions for the city include the rental of office space, acquisition of buildings, and lease of city-owned land for affordable housing development.	The Department of Real Estate, which sits within the City Administrator's Office, has authority for conducting real estate transactions for the city and county.
<b>Government Entity Agreements</b>	Chapter 1, Section 25	The city sometimes enters into contracts with other <b>government entities</b> . Government entities are defined as "any national, federal, state, regional, or local government agency including but not limited to a joint powers authority, a special district and/ or utility district, a public health or public education district or institution, a public entity, a designee of a federal or state agency, or a quasi-governmental agency."	Departments may enter directly into government entity agreements.

## Glossary of Key Terms

Key terms as they relate to procurement:

**Award:** The final acceptance of a bid or proposal from an offer, or the presentation of a purchase agreement or contract to a supplier.

**Contract:** A legally binding agreement between the buyer and a supplier or vendor to purchase goods or services.

**Contractor:** Any individual or business having a contract with a governmental body to furnish goods, services, or construction for an agreed-upon price. See “Supplier” and “Vendor.”

**Procurement:** The process to fulfill organizational needs that require external suppliers. Also referred to as “contracting.”

**Solicitation:** A request for vendors to make an offer or bid on a contract to provide services. Can be a request for proposals (RFPs), a telephone call, or any document used to obtain bids or proposals.

**Supplier:** An individual, business, or organization that provides goods or services, usually for some purpose other than low-cost, low-risk, and short-term engagements. While “supplier” is often used when a longer-term or strategic relationship is involved, this report uses “supplier” and “vendor” interchangeably. A supplier or vendor under contract may be referred to as a “contractor.”

**Vendor:** A seller of goods or supplies with whom the exchange is solely transactional and doesn’t require a specified scope of work.

**Request for Proposal (RFP):** The document used to solicit proposals for goods and services from potential providers. An RFP provides for the negotiation of all terms, including price, prior to contract award.

**Source:** Adapted by SPUR from NIGP: The Institute for Public Procurement, “Dictionary of Procurement Terms,” <https://www.nigp.org/dictionary-of-terms>.

## Methods of Procurement

Different methods can be used to procure goods and services. Which one is used depends on multiple factors, including the contract’s size and term, whether the purchase is a one-time or recurring purchase, what is being purchased, and how many companies have access to or would be qualified to deliver the service.

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## INVITATIONS FOR COMPETITIVE BIDS OR QUALIFICATIONS

Requests for proposals (RFPs) are formal bidding documents that are distributed to potential suppliers to solicit proposals for goods or services. RFPs should give all potential proposers the opportunity to understand the specific services the city requires, the anticipated duration of the business opportunity, and the expected compensation.

The value of the contract determines whether a department must follow a formal or informal bidding process to procure a good or service. The value of the contract reflects the Minimum Competitive Amount, which is set every five years by the city controller and is based on any proportional increase in the Urban Regional Consumer Price Index.

When the contract value will exceed the Minimum Competitive Amount, a formal solicitation process (“formal bidding”) that includes a sealed bidding process is required. This process is designed to ensure fairness and integrity in the sale or procurement process. Prospective vendors are invited to put forward their most competitive terms, which could include price and other relevant conditions attached to their offer. Once the deadline passes, the bids are reviewed concurrently, preventing bidders from adjusting their offer in response to competitors’ proposals.

When the contract amount will not exceed the Minimum Competitive Amount, an informal solicitation process (“informal bidding”) takes place. Informal bids do not need to adhere to the regulations of a formal procurement as laid out in the relevant authorizing code, but they must follow other regulations that are set by the city purchaser.<sup>7</sup> These rules depend on the type of product or service the department is purchasing.

The Minimum Competitive Amount is set at \$230,000 for commodities and professional services and \$1.17 million for general services.<sup>8</sup>

## NO SOLICITATION REQUIRED

Departments can make some one-time purchases under \$20,000 through Delegated Departmental Purchasing Authority (also known as “Prop. Q purchasing”) without involving the Office of Contract Administration (OCA). For other contracts, approval from OCA is required. For Prop. Q purchasing, departments are encouraged to seek three written bids or price quotes, particularly from local business enterprises (LBEs) and to choose the lowest responsible bidder.

## SOLE SOURCE CONTRACTS

In the rare circumstance that a contract governed by Chapter 21 is for a commodity or service provided by only one vendor or contractor, such as a consultant with highly specialized knowledge or a vendor who sells specialized equipment, the department making the contract can submit a Sole Source Waiver Request to the OCA that justifies the transaction as a sole source transaction. If the request is approved, only one price quotation is solicited, from the single vendor/contractor. From

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<sup>7</sup> OCA, City and County of San Francisco, *Rules and Regulations Pertaining to the San Francisco Administrative Code, Chapter 21*, [https://www.sf.gov/sites/default/files/2024-07/Chapter%2021\\_Rules%20and%20Regulations\\_Effective%20July%202021.pdf](https://www.sf.gov/sites/default/files/2024-07/Chapter%2021_Rules%20and%20Regulations_Effective%20July%202021.pdf).

<sup>8</sup> City and County of San Francisco, “Definitions,” Administrative Code, Section 21.02, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-13324](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-13324).

time to time, the Purchasing division of OCA may conduct a formal solicitation to determine the continuing validity of the sole source determination.

Grants that require a sole source agreement must receive approval from the commission or board that oversees the granting department. If the department doesn't fall under a commission or board, it must receive approval from a committee composed of representatives from the Controller's Office, the Department of Human Resources, the Office of Contract Administration, and the City Attorney's Office.<sup>9</sup>

## **CITYWIDE TERM CONTRACTS, PREQUALIFIED LISTS, AND DIRECT PAYMENTS**

### **Citywide Term Contracts**

OCA holds multiyear contracts with vendors that other city departments can use, expediting procurement by leveraging pre-negotiated costs and terms that departments cannot change. For example, OCA administers the Technology Marketplace, a platform for buying as-needed technology goods and services under established contract terms, resulting in a transaction time of just one to two weeks.<sup>10</sup> Additionally, OCA and the Department of Technology maintain vendor agreements specific to certain technologies and manufacturers, which city departments can also use.<sup>11</sup>

### **Prequalified Lists**

Chapter 21 of the Administrative Code gives purchasers authority to maintain lists of prequalified contractors for commodities and services that city departments can use. The city has a process by which city departments may request permission to create their own prequalified pools of suppliers and then award contracts to these suppliers.<sup>12</sup> This process saves time because many of the procurement tasks have already been completed in the vetting process to create the pool.

### **Direct Payments**

Most payments require a purchase order and encumbrances of funds in the city's accounting system. Encumbrances are specific amounts dedicated to funding a contract. To encumber funds, a contract agreement must be formally executed. Direct payments are generally not allowed under the city's standard procurement practices and are only allowed for a specific set of purchases, including dues and subscriptions, postage, and court-related fees.<sup>13</sup>

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<sup>9</sup> OCA, City and County of San Francisco, *Rules and Regulations Pertaining to the San Francisco Administrative Code, Chapter 21*, [https://www.sf.gov/sites/default/files/2024-07/Chapter%2021\\_Rules%20and%20Regulations\\_Effective%20July%201.pdf](https://www.sf.gov/sites/default/files/2024-07/Chapter%2021_Rules%20and%20Regulations_Effective%20July%201.pdf).

<sup>10</sup> OCA reviews department purchase requests. For more information on Technology Marketplace contracts, see City and County of San Francisco, "Option 1: Technology Marketplace Contracts," <https://www.sf.gov/resource/2022/option-1-technology-marketplace-contracts>.

<sup>11</sup> City and County of San Francisco, "Option 2: Citywide Technology and Enterprise Agreements," <https://www.sf.gov/resource/2022/option-2-citywide-technology-and-enterprise-agreements>.

<sup>12</sup> City and County of San Francisco, "Request for Qualifications Template and Attachments," <https://www.sf.gov/resource/2022/request-qualifications-template-and-attachments>.

<sup>13</sup> Office of the Controller, City and County of San Francisco, *Controller's Office Accounting Policies & Procedures*, Section 3.6.4, August 2020, <https://sfcontroller.org/sites/default/files/Documents/AOSD/CON%20Accounting%20P%26P%20-%202020%20-%20Final.pdf>.

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## Rules and Requirements

Local governments must balance efficiency and effectiveness with responsible stewardship and accountability for the use of public resources. Over the years, the City and County of San Francisco has built a complicated maze of legislation and policies that govern the way it buys goods and contracts for services.

Notably, more than 100 sections of San Francisco’s legal framework outline rules and regulations related to procurement. The rules that govern the procurement and monitoring of contracts are primarily located in the city’s Administrative Code, with additional relevant legal requirements in the Labor and Employment Code, the Environment Code, the Campaign and Governmental Conduct Code, and the charter.<sup>14</sup> The rules regulate contracting components, including how a bid process must be run, types of work and products that can be procured, and wages and benefits to contractors and subcontractors. Additionally, the city’s charter has provisions regarding contracting. In the contracting process, city staff must also adhere to regulations set forth by the city’s purchaser, Ethics Commission, and Controller’s Office.

### ADMINISTRATIVE CODE

The Administrative Code is the municipal code of the City and County of San Francisco that governs its operations. Amending the Administrative Code requires legislative action by the Board of Supervisors. Most contracting policies and regulations are codified in the Administrative Code. At least 24 chapters in the Administrative Code are either focused on or contain provisions relating to procurement.<sup>15</sup> Provisions of the code are legally binding and, to the extent that details are explicitly stated, offer little flexibility in implementation.

Some of the key procurement programs and policies in the Administrative Code:

- **Governmental entity agreements** — Legislation passed by the Board of Supervisors in 2024 exempts agreements with other governmental entities from the obligations that otherwise govern contracting, including, but not limited to, “the Administrative, Labor and Employment, Environment, or Police Codes, imposing obligations or other restrictions on contractors.”<sup>16</sup>
- **Public works contracting policies and procedures** — Chapter 6 of the Administrative Code governs construction and professional services contracts related to public works. It designates specific departments to enter into these agreements and gives them the authority to conduct elements of the process that otherwise are performed in the City Administrator’s Office.<sup>17</sup>

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<sup>14</sup> See the City and County of San Francisco’s Code Library at [https://codelibrary.amlegal.com/codes/san\\_francisco](https://codelibrary.amlegal.com/codes/san_francisco).

<sup>15</sup> The 25 chapters are 1, 6, 12E, 12F, 12G, 12J, 12L, 12M, 12N, 14A, 14B, 21, 21A, 21B, 21D, 21F, 21G, 21H, 23, 64, 82, 83, 101, and 104.

<sup>16</sup> City and County of San Francisco, “Government Entity Agreements,” Charter, Section 1.25, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-69967#JD\\_1.25](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-69967#JD_1.25).

<sup>17</sup> City and County of San Francisco, “Public Works Contracting Policies and Procedures,” Charter, Chapter 6, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-64902](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-64902).

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- **Local Business Enterprise Program** — The Local Business Enterprise (LBE) Program’s goal is to combat a competitive disadvantage faced by small local business enterprises in successfully competing for public contracts. Chapter 14 of the Administrative Code defines qualifying businesses and lays out rules that must be implemented in the solicitation process. These rules make LBE applications more competitive by providing bidding discounts and by requiring LBEs’ participation in contracts whose value is equal to or exceeds 50% of the Minimum Competitive Amount. The program is administered by the Contract Monitoring Division within the City Administrator’s Office.<sup>18</sup>
  - **Acquisition of commodities and services** — Chapter 21 of the Administrative Code, which includes 50 sections, governs the contracting of professional and general services as well as commodities. Its provisions are administered by the Office of Contract Administration.<sup>19</sup>
  - **Grant agreements** — Chapter 21G of the Administrative Code is specific to grant agreements. It includes requirements for key grant terms and authorizes the city purchaser to lay out rules and regulations for grant agreements for city departments to abide by.<sup>20</sup>
  - **Real property transactions** — Chapter 23 of the Administrative Code is dedicated to real estate transactions, from acquisition to leasing to sale. It authorizes the director of property management, currently under the City Administrator’s Office, to implement said transactions with exceptions. These exceptions are spelled out elsewhere in the Administrative Code and the City Charter and relate to the San Francisco Airport, the MTA, the Port of San Francisco, the Public Utilities Commission, and the Recreation and Parks Department.<sup>21</sup>
  - **First Source Hiring Program** — Chapter 83 of the Administrative Code created the First Source Hiring Program and provides the rules and regulations for the program’s operations. The First Source Hiring Program requires that developers, contractors, and employers utilize good-faith efforts to employ economically disadvantaged San Franciscan residents in new entry-level positions on applicable projects. The program provides a ready supply of qualified workers to employers with hiring needs, and it gives economically disadvantaged individuals the first opportunity to apply for entry-level jobs in San Francisco. The first source hiring requirement is tailored to individual contracts.<sup>22</sup> The Office of Economic and Workforce Development is tasked with implementing and overseeing the first source hiring requirements.<sup>23</sup>

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<sup>18</sup> City and County of San Francisco, Administrative Code, Section 14B.2, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-9440](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-9440).

<sup>19</sup> City and County of San Francisco, “Acquisition of Commodities and Services,” Administrative Code, Chapter 21, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-58262](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-58262).

<sup>20</sup> City and County of San Francisco, “Grants,” Administrative Code, Chapter 21G, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-13825](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-13825).

<sup>21</sup> City and County of San Francisco, “Real Property Transactions,” Administrative Code, Chapter 23, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-64061](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-64061).

<sup>22</sup> City and County of San Francisco, “Purpose,” Administrative Code, Section 83.3, [https://codelibrary.amlegal.com/codes/san-francisco/latest/sf\\_admin/0-0-0-20510](https://codelibrary.amlegal.com/codes/san-francisco/latest/sf_admin/0-0-0-20510).

<sup>23</sup> City and County of San Francisco, “First Source Hiring Program,” Administrative Code, Chapter 83, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-20483](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-20483).



Additionally, the Administrative Code includes provisions with a clear social policy intent that can be quite specific. Examples:

- **Implementation of the MacBride Principles** — Chapter 12F includes a requirement that all contracts “for public works or improvements to be performed, for a franchise, concession or lease of property, or for goods and services or supplies...contain a statement urging companies doing business in Northern Ireland to move toward resolving employment inequities and encouraging them to abide by the MacBride Principles.”<sup>24</sup>
- **Requirement for lesbian, gay, bisexual, transgender, queer, and questioning youth sensitivity training for youth services contractors** — Chapter 12N mandates that contracts with youth service providers must require all employees and volunteers who have direct contact with youth or whose work directly affects youth to complete a lesbian, gay, bisexual, transgender, queer, and questioning youth sensitivity training.<sup>25</sup>
- **Slavery disclosure** — With some noted exceptions, contractors for insurance or insurance services, financial services, or textiles must provide to the city an affidavit that they have searched for and, if found, provided any relevant records of the organization’s participation in the slave trade per Chapter 12Y.<sup>26</sup>
- **Ban on tropical hardwood and virgin redwood** — A provision of Chapter 8 requires as a material condition in contracts that contractors not use tropical hardwood and wood products or virgin redwood and wood products. Additionally, contract language must include a statement urging contractors not to use these products generally. This legislation applies to public works agreements, goods and services contracts, and grants.<sup>27</sup>

## LABOR AND EMPLOYMENT CODE

The Labor and Employment Code in San Francisco has two parts: one that governs city employees and one that governs the employees of a government contractor. For both, the code provides legally required guidance related to working conditions, wages, and benefits. The Civil Service Commission and the Office of Labor Standards Enforcement are the chief enforcers of the code’s provisions. The code’s “City Contractor Employee Provisions” include mandates for contractors related to minimum compensation, prevailing wages, healthcare, nondiscrimination, and hiring.

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<sup>24</sup> City and County of San Francisco, “City Contracts,” Administrative Code, Section 12F.6, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-7711#JD\\_12F.5](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-7711#JD_12F.5)

<sup>25</sup> City and County of San Francisco, “Lesbian, Gay, Bisexual, Transgender, Queer, and Questioning Youth: Youth Services Sensitivity Training,” Administrative Code, Chapter 12N, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-8075](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-8075).

<sup>26</sup> City and County of San Francisco, “San Francisco Slavery Era Disclosure Ordinance,” Administrative Code, Chapter 12Y, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-8985](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-8985).

<sup>27</sup> City and County of San Francisco, “Tropical Hardwood and Virgin Redwood Ban,” Environment Code, Chapter 8, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_environment/0-0-0-798](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_environment/0-0-0-798).

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## ENVIRONMENT CODE

The city's Environment Code includes several mandatory contract provisions regulating and restricting the types of products the city procures. The code requires the Environment Department to maintain a list of "target products," routinely purchased products that have undesirable health impacts for which alternative products should be substituted. Departments are required to purchase from the Approved Alternatives list maintained by the Environment Department unless they have received a waiver.<sup>28</sup> The Environment Code also includes several provisions specific to materials often used in public works construction projects.

## CAMPAIGN AND GOVERNMENTAL CONDUCT CODE

Article 3 of the Campaign and Governmental Conduct Code ("Conduct of Government Officials and Employees") contains legal requirements for city employees' decision-making, including decision-making related to procurement. This article, also known as the San Francisco Government Ethics Ordinance, outlines what constitutes a conflict of interest, what types of relationships need to be disclosed, and when government officials must recuse themselves from a decision-making process.<sup>29</sup> The article requires city employees to disclose certain types of personal, professional, or business relationships when making government decisions and restricts them from receiving gifts from anyone doing business with the city or seeking to do business with the city.<sup>30</sup> The Ethics Commission is tasked with the administration of Article 3 provisions.

## CITY CHARTER

The Charter of the City and County of San Francisco is the city's constitution. It lays out the branches of government and the roles and responsibilities of key offices. It can be amended only by the voters of San Francisco. Given this high threshold for revision, items related to day-to-day city operations are typically not included in the charter.

This report covers three charter items related to contracting: specified thresholds for the Board of Supervisors to review contracts, the MTA's authority over its own contracting, and the role of the city attorney in contract review.<sup>31</sup>

## ADDITIONAL RULES AND REGULATIONS

In addition to the regulations set out by the city's codes, city staff must also adhere to regulations set forth by the Office of Contract Administration, the Ethics Commission, and the Controller's Office.

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<sup>28</sup> City and County of San Francisco, "Environmentally Preferable Purchasing Ordinance," Environment Code, Chapter 2, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_environment/0-0-0-44](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_environment/0-0-0-44).

<sup>29</sup> City and County of San Francisco, "Regulations to San Francisco Campaign and Governmental Conduct Code — San Francisco Government Ethics Ordinance Section 3.200 et seq," <https://sfethics.org/ethics/2011/06/regulations-related-to-conflicts-of-interest.html>.

<sup>30</sup> City and County of San Francisco, "Disclosure of Personal, Professional and Business Relationships," Campaign and Governmental Conduct Code, Chapter 2, Section 3.214, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_campaign/0-0-0-1610](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_campaign/0-0-0-1610); and "Gifts," Chapter 2, Section 3.216, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_campaign/0-0-0-1615](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_campaign/0-0-0-1615).

<sup>31</sup> City and County of San Francisco, "Contract and Lease Limitations," Charter, Section 9.118, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/0-0-0-1015](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/0-0-0-1015); "Municipal Transportation Agency," Section 8A.101.d, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/0-0-0-584](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/0-0-0-584); and "City Attorney," Section 6.102.6, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/0-0-0-512](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/0-0-0-512).

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## Office of Contract Administration Rules and Regulations

The Office of Contract Administration publishes rules and regulations pursuant to Chapter 21 of the San Francisco Administrative Code.<sup>32</sup> Although Chapter 21 sets forth detailed procedures for procurement, some sections in the code require further guidelines. Chapter 21's "Rules and Regulations Pertaining to the San Francisco Administrative Code" lays out additional rules for how city staff manage procurements for commodities and services.

## Ethics Commission Guidance

The Ethics Commission, which is a city department in addition to the commission that governs it, is tasked with enforcing the Government Ethics Ordinance and provides guidance to city departments and potential vendors based on this legislation.<sup>33</sup> Certain city employees, including those who must comply with contracting and purchasing requirements, have to complete ethics training every other year per current Department of Human Resources policy.<sup>34</sup>

## Controller's Office Accounting Policies & Procedures

A 956-page document authored and enforced by the Accounting Operations and Supplier Management Division (AOSD) of the Controller's Office lays out the rules and policies that departmental accounting staff must follow.<sup>35</sup> The section pertaining to contracting offers detailed guidance regarding the laws included in the authorizing codes in addition to accounting standards and policies developed by AOSD.

## Central Contracting and Approval Bodies

All 52 city departments are involved in the contracting process. Some, such as the Office of Contract Administration and City Attorney's Office, oversee the solicitation and approval of certain types of contracts requested by other city departments. In addition, other departments create and administer different parts of the contracting process, such as the Office of Risk Management, which focuses on insurance requirements. Departments that administer nonprofit grants implement and run their own contracting processes. Multiple offices and teams have roles in procurement processes ranging from managing a procurement to reviewing and approving a specific component of a proposal.

→ **Accounting Operations and Supplier Management Division (AOSD)** — AOSD is a division in the Controller's Office that serves as the city's central control over financial activities. Its responsibilities include the certification of contracts and payment of vendors. AOSD is the author of the city's *Accounting Policies & Procedures*, which includes detailed policies for setting up

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<sup>32</sup> OCA, City and County of San Francisco, *Rules and Regulations Pertaining to the San Francisco Administrative Code, Chapter 21*, [https://www.sf.gov/sites/default/files/2024-07/Chapter%2021\\_Rules%20and%20Regulations\\_Effective%20July%201.pdf](https://www.sf.gov/sites/default/files/2024-07/Chapter%2021_Rules%20and%20Regulations_Effective%20July%201.pdf).

<sup>33</sup> City and County of San Francisco, "Conflict of Interest and Other Prohibited Activities," Campaign and Governmental Conduct Code, Chapter 2, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_campaign/0-0-0-1566](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_campaign/0-0-0-1566), and Ethics Commission, "Guidance," <https://sfethics.org/guidance>.

<sup>34</sup> Ethics Commission, City and County of San Francisco, "Ethics and Sunshine Training," <https://sfethics.org/guidance/city-officers/ethics-and-sunshine-training>.

<sup>35</sup> Office of the Controller, City and County of San Francisco, "Accounting Policies & Procedures," August 2024. <https://www.sf.gov/resource--2023--controllers-office>.

and implementing contracts in the city's financial system. AOSD reviews, approves, and monitors compliance with those policies.

- **Board of Supervisors** — Unless specifically exempted, the Board of Supervisors is required to review and approve all contracts that meet or exceed certain thresholds, which are set in the city's charter and were last amended in November 1997. Such contracts (1) have an anticipated revenue to the city of \$1 million, (2) exceed 10 years in duration, (3) exceed \$10 million in value, or (4) are amended by more than \$500,000 from their original value.<sup>36</sup> The board's legislative process contains multiple steps and can take weeks or months to complete.<sup>37</sup>
- **City Attorney's Office** — This office is required to approve all contracts to which the city is a party.<sup>38</sup> This means that a city attorney reviews all contractual agreements mentioned in this report and provides legal guidance on contract negotiations. There are no exemptions from the city attorney review.
- **Civil Service Commission (CSC) and Department of Human Resources (DHR)** — CSC and DHR review all proposals to contract out work by the city. CSC has delegated to DHR the authority for updating and issuing guidance to departments on professional services contracts. CSC and DHR review departmental proposals to determine whether the work to be done should be performed by city employees or can be contracted out. In general, they review services contracts governed by Chapter 21 of the Administrative Code, not other types of contracts.<sup>39</sup>
- **Contract Monitoring Division (CMD)** — This division, part of the City Administrator's Office, oversees city laws designed to protect equality throughout San Francisco's governmental contracting process.<sup>40</sup> CMD administers the Local Business Enterprise (LBE) Program and monitors whether contracts comply with the requirements of the Equal Benefits Program.<sup>41</sup>
  - **LBE Program** — The program was established in Chapter 14B of the Administrative Code. Its requirements apply to formal contracts for professional services, general services, commodities, and construction that are valued at more than \$10,000. Contracts with values between \$10,000 and the Minimum Competitive Amount are subject to the Micro-LBE Set-Aside Program, which helps small businesses compete for and win contracts, or to the San Francisco First Source Hiring Program. The LBE Program expressly does not apply to grants, real estate transactions, government-to-government contracts, and agreements made under the emergency provisions of the Administrative Code.<sup>42</sup>

<sup>36</sup> City and County of San Francisco, "Contract and Lease Limitations," Charter, Section 9.118, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/0-0-0-1015](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/0-0-0-1015).

<sup>37</sup> Board of Supervisors, City and County of San Francisco, *Legislative Process Handbook*, pp. 4-6, [https://sfbos.org/sites/default/files/Leg\\_Handbook.pdf](https://sfbos.org/sites/default/files/Leg_Handbook.pdf).

<sup>38</sup> City and County of San Francisco, "City Attorney," Charter, Section 6.102.6, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/0-0-0-512](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/0-0-0-512).

<sup>39</sup> Civil Service Commission, City and County of San Francisco, "Memo: Policy of the Civil Service Commission on Personal Service Contracts," December 2023, <https://www.sf.gov/sites/default/files/2022-07/Personal-Services-Contracts.pdf>.

<sup>40</sup> City and County of San Francisco, "Contract Monitoring Division," <https://www.sf.gov/departments/contract-monitoring-division>.

<sup>41</sup> City and County of San Francisco, "14B Local Business Enterprise (LBE) Program," <https://www.sf.gov/14b-local-business-enterprise-lbe-program>.

<sup>42</sup> City and County of San Francisco, Administrative Code, Section 14B.2, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-9440](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-9440).

- Equal Benefits Program — This program requires that contractors provide the same benefits to employees with domestic partners as to those with spouses.<sup>43</sup> Contractors are required to complete an Equal Benefits Declaration, provide formal proof of employee count, and attach a copy of the memo sent to employees summarizing the domestic partner policies in all benefit plans and handbooks.
- **Purchasing/Office of Contract Administration (OCA)** — OCA is a division of the City Administrator’s Office that serves as the central purchasing office for the city. Its main role is managing procurement for services and commodities governed by Chapter 21 of the Administrative Code. It is led by the city’s purchaser. OCA’s activities include
  - Managing more than 1,500 active contracts
  - Bidding and awarding contracts exceeding \$400 million annually
  - Developing and maintaining contract templates
  - Establishing rules and regulations for grant agreements
  - Reviewing all Chapter 21-eligible procurements<sup>44</sup>
- **Office of Labor Standards and Enforcement (OLSE)** — OLSE is a division of the City Administrator’s Office with responsibility for enforcing the city’s Labor and Employment Code. While OLSE has no direct, active role in the procurement process, it monitors requirements in the city’s contract templates once a contract is in place. The requirements are numerous: An OLSE presentation for city contractors on relevant labor laws exceeds 200 slides.<sup>45</sup>
- **Office of Economic and Workforce Development (OEWD)** — OEWD is tasked with implementing the First Source Hiring Program. The program is authorized by Chapter 83 of the Administrative Code, which delegates the development and monitoring of specific program policies to the Workforce Development Advisory Committee and assigns OEWD to staff that body. The program currently applies to
  - Leases with the city
  - Contracts for goods, services, grants, or loans worth more than \$50,000
  - Construction contracts worth more than \$350,000
  - Cannabis-related businesses
  - Special projects required by the Board of Supervisors or administered by OEWD
  - Development projects with building permits for a residential project of more than 10 units or

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<sup>43</sup> City and County of San Francisco, “Equal Benefits Program,” <https://www.sf.gov/equal-benefits-program>.

<sup>44</sup> City and County of San Francisco, “Office of Contract Administration,” <https://www.sf.gov/departments--city-administrator--office-contract-administration>.

<sup>45</sup> OLSE, City and County of San Francisco, “Labor Laws for City Suppliers,” [https://www.sf.gov/sites/default/files/2023-12/Labor%20Law%20for%20City%20Supplier%20Slide%20Deck%20Final%2012.6.23\\_0.pdf](https://www.sf.gov/sites/default/files/2023-12/Labor%20Law%20for%20City%20Supplier%20Slide%20Deck%20Final%2012.6.23_0.pdf).

commercial activity of more than 25,000 square feet and construction activities that include entry-level and apprentice-level positions<sup>46</sup>

- **Office of Risk Management** — This division of the City Administrator’s Office sets insurance requirements, advising city departments on indemnity issues and administering the city’s insurance program. Additionally, the office supports small contractors with technical assistance through the contractor development program administrator.<sup>47</sup> Finally, it develops uniform insurance requirements for city contracts governed by Chapter 21 of the Administrative Code.<sup>48</sup>

## Specialized Review Offices

Some contracts may require additional specialized review due to the type of services or products to be procured. These reviews are required by city policy, not code. A contract may need to be reviewed by the Environment Department, the Department of Technology, or the Committee on Information Technology.<sup>49</sup>

## Administrative Requirements for Potential Suppliers

To do business with the city, entities must comply with many registration requirements, including the following:

- **Business Tax Registration** — Entities must register with the Office of the Treasurer and Tax Collector as a business, file annual renewals, and pay taxes due.
- **Bidder and Supplier Registration** — To be issued a supplier ID, entities must register with the City Partner Portal managed by the Controller’s Office and must submit tax documentation and other required forms.
- **Business Insurance Requirements** — Entities must obtain required insurance and maintain business documentation, a requirement monitored by the Office of Risk Management in the City Administrator’s Office.
- **State Attorney General Requirements** — Eligible entities must obtain and maintain status with the California Attorney General Registry of Charitable Trusts, a requirement monitored by the Controller’s Office and the City Administrator’s Office.

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<sup>46</sup> City and County of San Francisco, “Comply With the First Source Hiring Program,” <https://www.sf.gov/comply-first-source-hiring-program>.

<sup>47</sup> City and County of San Francisco, “Contract Terms - Insurance,” Administrative Code, Section 21.20, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-13498](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-13498).

<sup>48</sup> City and County of San Francisco, “Contract Terms - Insurance,” Administrative Code, Section 21.20, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-13498](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-13498).

<sup>49</sup> OCA, City and County of San Francisco, *OCA Technology Purchasing Guidebook*, revised September 30, 2022, [https://www.sf.gov/sites/default/files/2022-10/OCA%20Technology%20Purchasing%20Guidelines%20v13.1\\_9-30-22.pdf](https://www.sf.gov/sites/default/files/2022-10/OCA%20Technology%20Purchasing%20Guidelines%20v13.1_9-30-22.pdf).

# Findings

The above-described legislative, legal, and administrative requirements are not well integrated, leading to a suboptimal procurement process, as SPUR's findings illustrate.

## **FINDING 1:**

### **Many well-intentioned policies have been passed to change the procurement process, resulting in a confusing maze of requirements that is difficult for staff and contractors to navigate.**

The city has a responsibility to make sure that every dollar that goes out the door counts and that the city's vast purchasing power is used to advance San Francisco's various goals. As a result, the number of local rules designed to address economic and social behaviors or to create fairness and transparency in the procurement process has grown significantly over time. More than 100 sections of the San Francisco Administrative Code, Labor and Employment Code, Environment Code, and Campaign and Governmental Conduct Code are dedicated to an aspect of contracting. In fact, San Francisco's municipal codes include the words "contract" and "procurement" more than 8,700 times.<sup>50</sup> In addition to local regulations, contracts need to comply with state and federal laws and any specific requirements from funding sources. While these rules were often developed with good intentions, many have been patched onto, rather than integrated into, the process. The result is a confusing maze of requirements that leads to an ineffective process for both city staff and vendors.

Because there are so many goals, they end up competing with one another. While a rule may be added to increase transparency, its implementation could have the unintended consequence of making the process less effective. The current legislative process doesn't lend itself to discussions about trade-offs, and the distributed nature of procurement makes it difficult to collect data or review the outcomes of a rule to ensure that it is working as it was intended or to address any unintended consequences. And while adding rules is relatively easy, eliminating those that no longer serve the city — or that cost more than the benefits they provide — is not. Because internal or external constituencies (or both) often feel strongly that any given rule should continue to exist, the path of least resistance is often to leave it in place.

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<sup>50</sup> City Administrator's Office, City and County of San Francisco, "Improving the Process for Chapter 21 Low-Value Procurements," May 2024, Slide 4, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf).

## Chapter 12X: A Well-Intentioned Policy With Unintended Consequences

In some cases, well-intentioned social policies end up making the work of contracting more difficult, as was the case with legislation passed in 2016 that established Chapter 12X in the Administrative Code, banning both travel to and contracting with states that restrict LGBTQ rights. Chapter 12X restrictions were expanded twice after 2016 to include states that restricted abortion and voting rights. By the time it was repealed, the law ultimately restricted travel to and contracting with 30 U.S. states.<sup>a</sup>

While the original intent of Chapter 12X was to put economic pressure on states to change their social policies, no state ever repealed a restrictive law in order to be delisted. Only one state, Massachusetts, was removed from the banned list after changing its laws related to abortion access. Meanwhile, Chapter 12X drove up the cost of contracting by decreasing the number of bidders competing for contracts in San Francisco, and its administration incurred both ongoing and one-time costs. It increased paperwork enormously, in part because the difficulty of adhering to the law led staff to apply for waivers — 538 in just one year — and in part because demonstrating compliance with the ban on all purchasing required extra paperwork. In one case, an LGBTQ-owned business that had been doing business with the city for years was cut from the supplier rolls when it was bought by a company from one of the 30 banned states.<sup>b</sup> Chapter 12X was cited as one of the reasons for a \$1.7 million price tag for a public toilet that became the focal point of constituent outrage.<sup>c</sup>

In 2023, the Board of Supervisors passed an ordinance repealing it.<sup>d</sup> While Chapter 12X was a well-intentioned, values-based contracting initiative, it did not achieve its intended objectives. It did create a burdensome and costly contracting process that was mired with unintended consequences and that was difficult to change. Moreover, it prohibited the city from contracting with companies whose values align with those of San Francisco but that are located in banned states. Finally, it made accessing emergency housing and other social services more challenging and costly.<sup>e</sup> The story of 12X is a cautionary tale of unintended consequences that can arise from well-intended policy decisions.

<sup>a</sup> City Administrator's Office, City and County of San Francisco, *Chapter 12X of the Administrative Code: Policy Alternatives*, February 2023, <https://www.scribd.com/document/625846870/Chapter-12X-Policy-Alternatives-Memo>.

<sup>b</sup> A report by the Niskanen Center highlights the failure of San Francisco's 12X laws. See: Jennifer Pahlka and Andrew Greenway, *The How We Need Now: A Capacity Agenda for 2025 and Beyond*, December 2024, [https://www.niskanencenter.org/wp-content/uploads/2024/12/Niskanen-State-Capacity-Paper\\_-Jen-Pahlka-and-Andrew-Greenway-2.pdf](https://www.niskanencenter.org/wp-content/uploads/2024/12/Niskanen-State-Capacity-Paper_-Jen-Pahlka-and-Andrew-Greenway-2.pdf).

<sup>c</sup> Lyanne Melendez, "SF re-Examines Its Procurement Process After Business Ban on 30 States Backfires," *ABC News*, February 15, 2024, <https://abc7news.com/san-francisco-procurement-business-ban-boycott-sf-park-and-rec/14428958/>.

<sup>d</sup> "Administrative Code — Repealing Prohibitions on City Travel and Contracting Related to States With Certain Types of Discriminatory Laws," <https://sf.gov/legistar.com/View.ashx?M=F&ID=11688662&GUID=390A469A-2F36-47DF-8A30-8DE697596BE6>.

<sup>e</sup> Board of Supervisors, City and County of San Francisco, "San Francisco Board of Supervisors Repeals 12X Boycott of 30 U.S. States," press release, April 25, 2023, [https://sfbos.org/sites/default/files/4-25-2023\\_San\\_Francisco\\_Board\\_of\\_Supervisors\\_Repeals\\_12X\\_Boycott\\_of\\_30\\_US\\_States.pdf](https://sfbos.org/sites/default/files/4-25-2023_San_Francisco_Board_of_Supervisors_Repeals_12X_Boycott_of_30_US_States.pdf).



**FINDING 2:****Staff time and city resources are spent navigating the complexity of the process as opposed to finding the best vendor or actively managing selected contracts.**

The complexity of the procurement system takes up valuable staff time and city resources. The system's many rules and regulations mean that city staff focus on a never-ending stream of paperwork to ensure compliance, lessening the focus on the successful delivery of projects. A recent report by the Office of the City Administrator noted that a single contract can take 8.5 months to more than 1.5 years to execute — and a \$100,000 contract requires the same level of work as a \$5 million contract (Exhibit 4).<sup>51</sup>

This undue emphasis on contract administration reduces staff's capacity to ensure that contracts are being fulfilled. Resources (both money and time) could be better spent on service delivery and tighter project and vendor management. The absence of strong contract management practices can lead to incomplete or unsatisfactory services, missed deadlines, unfulfilled deliverables, and unspent sums.

Moreover, the complexity of contract administration can cause staff and policymakers to look for ways to bypass parts of the process to speed it up, ensure continued service delivery, and keep projects on track. Waivers and alternatives to the traditional RFP process have been created to procure needed goods and services more efficiently, and carveouts have been created to expedite the contracting process for high-priority contracts. This often feels easier than fixing the underlying structural issues, which require more time and political will. But each exception adds another pathway within the maze, necessitates a lot of up front work and legal interpretation, and creates another process that staff need to be trained on.

There's no question that the delays in and administrative challenges of contracting, in its current state, have real costs for city government. These delays and complexity translate into financial costs to contractors, which are passed on to the city in the form of higher bids and negotiated prices.

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<sup>51</sup> City Administrator's Office, City and County of San Francisco, "Improving the Process for Chapter 21 Low-Value Procurements," May 2024, Slide 4, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf).

## Each Solicitation Costs the City at Least \$22,000 to \$28,000

SPUR surveyed contract managers in the city to develop an estimate of the cost to competitively bid a contract. We looked at data from three departments, representing 6% of non-personnel (contract) expenditures and 52% of grant expenditures included in the city's fiscal year 2024–2025 budget.

Estimating the cost of contracting is difficult because of the complexity of the processes, which vary from department to department. Any single procurement process can involve multiple stakeholders: the departmental contracts team, programmatic staff, management reviewers, commission staff, and central offices such as the Office of Contract Administration and the City Attorney's Office. In addition, a specialized review is often required by departments such as the Department of Technology or the Environment Department (see "Central Contracting and Approval Bodies" on page 19 for more details).

SPUR sought data only on departmental contract staff hours and direct costs.<sup>a</sup> One department we surveyed reported that 65% to 75% of the hours that it takes to develop a contract are managed by other team members, so the data that we collected is representative only of a fraction of the process.

We found that, for a typical contract bidding process resulting in one to two awards, the costs related to the contracts team is approximately \$5,500 for a professional services contract and \$7,000 for a grant award. If we assume that these costs represent only a quarter of the staff time involved in the bidding process, the costs of all the staff time for a single contract solicitation would be at least \$22,000 to \$28,000. This estimate is conservative, given that it does not include the cost of staff time at the City Attorney's Office, the Office of Contract Administration, and other reviewing departments.

According to the City Administrator's Office, the requirements of a solicitation do not vary significantly on the basis of the amount of the funds being awarded.<sup>b</sup> Therefore, costs for a solicitation to award one \$100,000 professional services contract are generally the same as those to award a \$5 million professional services contract.

<sup>a</sup> For simplicity, SPUR's analysis looked at only two types of contracts: professional services contracts, which are reviewed by the Office of Contract Administration (OCA), and grant agreements. Estimates include the cost of the procurement from drafting of the solicitation through emailing of the executed contract to the vendor (grants) or processing of the contract by OCA. They do not include subsequent steps such as contract management.

<sup>b</sup> City Administrator's Office, City and County of San Francisco, "Improving the Process for Chapter 21 Low-Value Procurements: Recommendations," May 2024, Slide 4, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Lowvalue\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Lowvalue_Contract_Memo_Final_Response.pdf).

EXHIBIT 4

**The Long Road to Contracting Professional Services**

Much of the work of city staff who administer contracts is setting up and following the solicitation process while navigating the landscape of procurement rules and regulations until the contract is finally signed and official. Depending on the contract, the length of the process can range from 8.5 months to more than 1.5 years.

**Source:** City Administrator’s Office, City and County of San Francisco, “City Contracting Overview & PSC Survey Results,” June 5, 2023, Slide 4, [https://www.sf.gov/sites/default/files/2023-06/Gov%20Ops%20CSC%20Presentation%20-%20June%205th\\_updated.pdf](https://www.sf.gov/sites/default/files/2023-06/Gov%20Ops%20CSC%20Presentation%20-%20June%205th_updated.pdf)

**Note:** Key activities were edited to reflect SPUR’s “cost to procure” research.

2-4 WEEKS

**Identify the need and determine the approach.**

- Meet with program staff to review strategies, timelines, minimum qualifications, submission requirements, and evaluation criteria.
- Determine purchase authority, purchase type, and procurement vehicle.

2-5 MONTHS

**Prepare and issue the solicitation.**

- Draft solicitation documents, including scopes of work and appendices.
- Secure approvals for solicitation materials and prerequisites, such as Chapter 14B Local Business Enterprise Program set-asides and waivers.

1-1.5 MONTHS

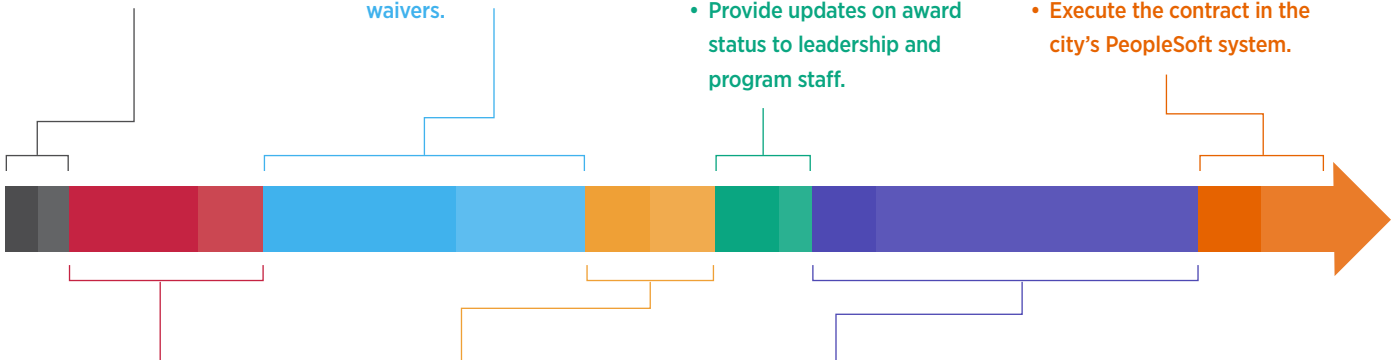
**Evaluate bidders and award the contract.**

- Review proposals to check that minimum qualifications are met, and score proposals.
- Host an oral interview panel.
- Send out award letters and manage any formal protests from bidders who were not chosen.
- Provide updates on award status to leadership and program staff.

1-2 MONTHS

**Approve and execute the contract.**

- Prepare solicitation materials.
- Obtain final approval by the city attorney and, for professional services, by the Office of Contract Administration.
- Manage program department reviews for compliance with programs.
- Execute the contract in the city’s PeopleSoft system.



2-3 MONTHS

**Get approval to issue the solicitation.**

Submit the personal services contract for review and approval by the Civil Service Commission, Department of Human Resources, and unions.

1-2 MONTHS

**Post the solicitation.**

- Post the solicitation and conduct outreach and communications.
- Provide technical assistance (pre-bid conference, Q&A process).
- Download submissions and manage files.
- Recruit an evaluation panel.

1-6 MONTHS

**Negotiate the contract.**

- Negotiate terms and conditions and agree on subcontracting paperwork and invoicing requirements.
- Check for supplier compliance with the city’s program requirements and obtain any necessary waivers.
- Manage departmental review (and commission review, if needed).

**TOTAL**  
**8.5 months-1.5+ years**

**FINDING 3:****Structural barriers lead to a lack of competition, benefiting organizations with preexisting relationships with the city and experience navigating the system.**

Structural barriers, the complexity of navigating the system, and the city's many requirements prevent some potential vendors — particularly small businesses and nonprofits — from choosing to work with the city. These factors end up benefiting organizations with preexisting relationships with the city and with experience and knowledge of the procurement process. Therefore, San Francisco relies on contractors who can navigate its procurement system, not all of whom can deliver the best solutions. Available city data suggest that, in fiscal year 2022–2023, the Office of Contract Administration received only a single response or no response to 46% of its issued solicitations.<sup>52</sup> Reduced competition results in increased costs of public goods and services.

As the City Administrator's Office has noted, "Small and local businesses experience high barriers to entry, which can run counter to the City's goals of local investment and equitable contracting."<sup>53</sup> Small business owners described numerous hurdles to SPUR, including navigating the City Partner Portal to find new business and spending hours filling in and proofreading templates without any guarantee of awards. In addition, business owners who win awards can wait months to receive payment because of the lengthy payment process. That's a substantial amount of time for many organizations, in particular smaller ones, to carry payroll.

First-time contractors, especially small businesses and organizations with limited bandwidth or expertise to navigate San Francisco's procurement system, face several steep learning curves (Exhibit 5). For starters, it's hard to find the entry point to become a city contractor. The Contract Monitoring Division and Office of Labor Standards Enforcement offer workshops on their programs or the laws for which they are responsible but not training for potential contractors to navigate the contracting system end to end.

Some high-volume contracting departments have developed their own specialized teams to help contractors navigate the process. The San Francisco Public Utilities Commission (SFPUC) has its own Contractors Assistance Center, which helps contractors interested in doing business with the SFPUC or other city departments.<sup>54</sup> The Department of Public Health has a team that helps health providers navigate the contract development process.<sup>55</sup>

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<sup>52</sup> City Administrator's Office, City and County of San Francisco, "Improving the Process for Chapter 21 Low-Value Procurements: Recommendations," May 2024, Slide 13, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf).

<sup>53</sup> City Administrator's Office, City and County of San Francisco, "Improving the Process for Chapter 21 Low-Value Procurements: Recommendations," May 2024, Slide 3, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf).

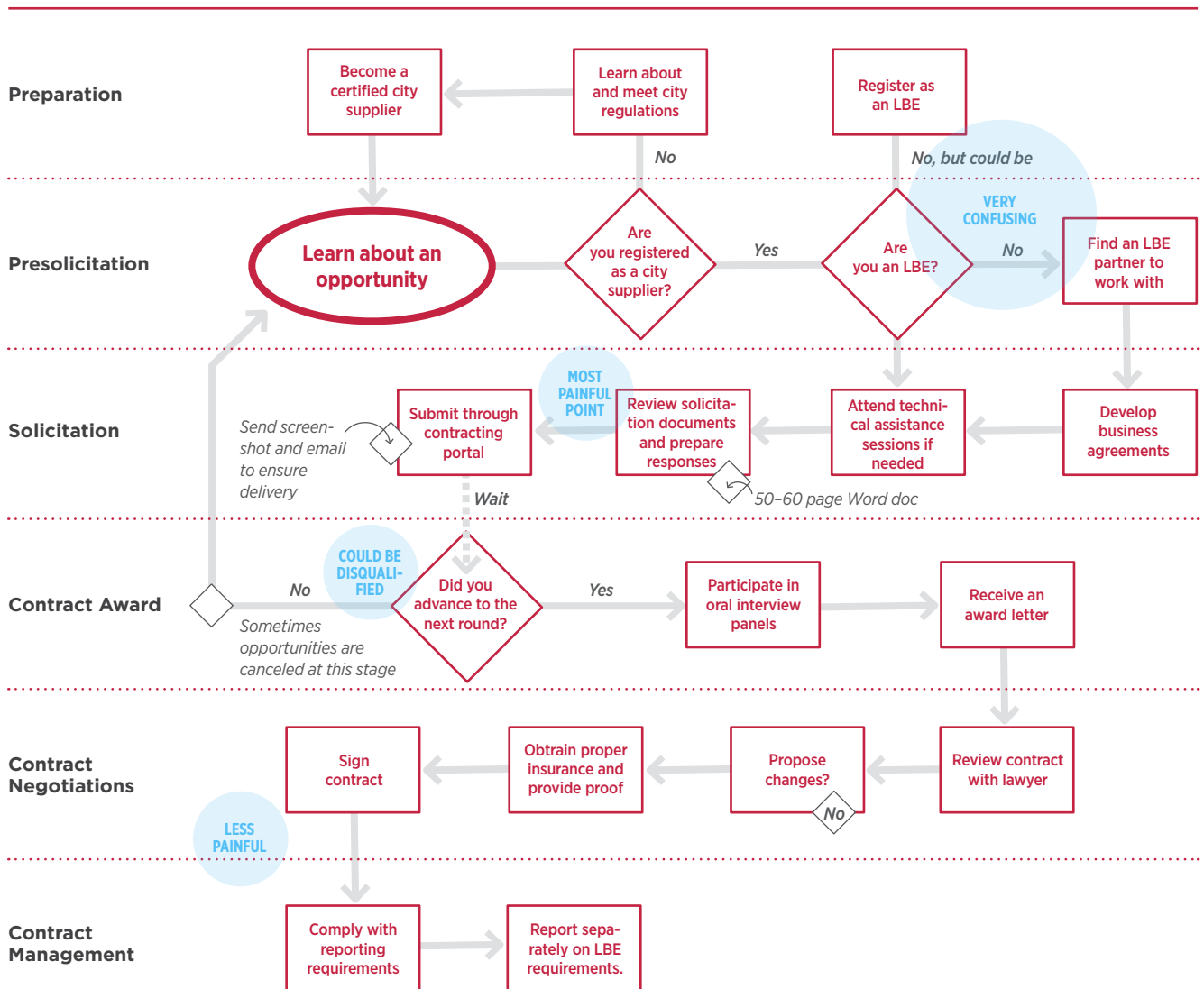
<sup>54</sup> San Francisco Water, Power and Sewer, "Contractors Assistance Center," <https://www.sfpuc.gov/construction-contracts/contractor-assistance/contractors-assistance-center>.

<sup>55</sup> Contract Monitoring Division, City and County of San Francisco, "Get Contracting Help," <https://www.sf.gov/get-contracting-help>.

**EXHIBIT 5  
Suppliers Face a Complex and Time-Consuming  
Process**

To view open solicitations, first-time vendors must become official city suppliers and understand and meet city requirements. Responding to a solicitation typically requires significant time and effort. Many months can pass between the response and initial payment from the city. LBE = local business enterprise.

Source: SPUR.



**FINDING 4:****People, rather than systems, are blamed when things go wrong, which has led to a culture of fear and oversight.**

To ensure the integrity of financial and accounting information and prevent fraud, the city must balance the risks of noncompliance with the costs of preventing it. When these risks and costs are not correlated, errors will more likely result in new rules and procedures that further complicate the system. These new rules and procedures lead to slower processing times, and they incentivize shortcuts. In the absence of a risk-cost assessment, the system enters a reinforcing negative cycle, resulting in both slower outcomes and greater overall risk.

The city's procurement processes reflects this cycle. The complexity of the rules, combined with a lack of internal compliance guidance, leads to a lack of clarity, transparency, and accountability, breeding a culture of mistrust and fear and resulting in both real and perceived waste and disparities in the process. Staff and contractors often don't fully understand the process, and because they frequently encounter obstacles, they are incentivized to find workarounds to keep projects on track or to ensure ongoing delivery of critical services.

Improvements have been made in the city's procurement process in recent years. But during this same period, these steps forward have been accompanied by notable steps backward:

- New vendor compliance requirements have been legislatively added, further complicating already paperwork-heavy vendor registration processes.
- Personal fines can now be assessed for certain types of noncompliance by those involved in the purchasing process.
- Additional documentation requirements have created new approval steps and checkpoints in the process.

Each of these changes was spurred by small numbers of failures in the system. While the changes may reduce these failures in the future, they make the procurement system more complicated, slower, more costly, and therefore riskier. People, rather than the system, are too often blamed.

As noted in SPUR's *Designed to Serve* report, good policy design requires the Board of Supervisors and its staff not only to understand problems, potential solutions, and possible intended and unintended outcomes but also to have knowledge of and experience with the way San Francisco's government works — expertise that allows them to analyze the implementation context and operational considerations that will impact a policy's effectiveness.

Policymakers may need years to gain this expertise. However, they regularly face both political and policy pressures to work within tight timelines to craft legislation, often operating with information gaps. These pressures are heightened when news of potential contracting misconduct or abuse of public funds breaks. As a result, legislative outcomes may not always match intentions, and new rules may, in effect, duplicate or complicate existing rules. The city can use its purchasing power for good, but it can't afford the administrative burden required to ensure that every procurement is zero-risk.

**FINDING 5:****The city has made many improvements to procurement processes, but the complex, decentralized nature of the system and limited resources make change slow and incremental.**

The city has made many attempts to reform both the rules and administrative processes governing procurement processes. However, no single entity has clear jurisdiction for the overall system, making ownership, resourcing, and improvement efforts challenging.

The responsibilities of the City Administrator's Office, according to the charter, generally include

- Administering long-term plans such as bonds
- Coordinating all capital improvement and construction projects
- Administering policies and procedures for contracts, procurement, and permits
- Appointing and removing heads of departments under its direction
- Managing publicity and advertising funds
- Providing administrative services for the executive branch

However, in practice, the City Administrator's Office has often served as a catchall for emerging initiatives with no natural home. As a result, the office's current portfolio is a mix of departments, programs, and agencies serving widely different functions and constituencies. The city administrator is meant to be an apolitical appointment focused on long-term administrative and operating procedures for the city. However, as outlined in SPUR's *Designed to Serve* report, the City Administrator's Office is currently not clearly defined, resourced, organized, or empowered to address citywide challenges like procurement. The office's diverse purview and lack of explicit authority to convene and ultimately drive decisions across departments limit its capacity to play a long-term strategic role.

The COVID-19 pandemic highlighted several significant challenges facing the coordination of core city processes, including contracting. To address these challenges, the city created the Government Operations Recovery Initiative (Gov Ops) in 2022 to focus on improving the city's core functions. This initiative is comprised of three teams — one focused on procurement and housed within the City Administrator's Office; the others are focused on human resources and finance operations. The procurement team works to (1) remove barriers to accessing contracting opportunities, especially for small businesses, and (2) reduce administrative burdens and red tape for city contracting staff. The team also works to align the city's procurement rules with processes and technology systems. It develops templates and tools that can be used by all departments and that increase the capacity of staff to develop contracts.

The Gov Ops procurement team is doing great work, but because of the city's decentralized contracting structure and existing laws, the City Administrator's Office lacks clear authority to make cross-departmental decisions that would improve processes for all procurement types.

**FINDING 6:****Current contracting thresholds and requirements are not commensurate with the level of risk or the amount of a contract.**

In most governments, the dollar value of the purchase determines which rules apply to the purchase. Typically, more formal solicitation procedures apply to larger-dollar purchases, and less formal procedures apply to smaller-dollar purchases. Purchasing thresholds help procurement staff understand which set of rules pertain to a given purchase, and those rules are often commensurate with the risk associated with the purchase.

Dollar amount thresholds are used to determine whether a city agency (or purchasing department) is required to go through a competitive procurement process. Thresholds generally fall within three categories:

- 1. No competition** — City agencies and procurement departments are not required to go through any kind of process to engage in a contract or purchase order.
- 2. Informal purchase** — The contracting agency may choose which contractors it solicits for a quote.
- 3. Formal purchase** — The contracting agency must go through a standard competitive bidding process in accordance with its city's policies and procedures.

Some cities have different thresholds for goods versus services, and others have different thresholds for a city agency versus a city's purchasing department. Exemptions, waivers, or both can provide flexibility to city agencies to skip the competitive procurement process when it's in the city's best interest.

In San Francisco, the following thresholds determine the solicitation process:

- No competitive solicitation is required for purchases under \$20,000 (except for professional services).<sup>56</sup>
- An informal purchase is allowed for contracts under the Minimum Competitive Amount, or MCA, (currently \$230,000 for commodities and professional services and \$1 million for general services).<sup>57</sup>
- A formal process is required for anything above the relevant MCA.

Although the MCA threshold removes the need to follow the competitive sealed bidding process as laid out in the Administrative Code, it does not exempt procurements from meeting the relevant programmatic and legal contracting requirements, such as participation in the Local Business Enterprise Program and review by the Civil Service Commission (Exhibit 6).

<sup>56</sup> As of July 2024, the cap for direct purchases is \$20,000. Only goods and general services may be procured under this authority. Professional services are excluded from this provision. See: City Administrator's Office, City and County of San Francisco, "Improving the Process for Chapter 21 Low-Value Procurements: Recommendations," May 2024, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf).

<sup>57</sup> City and County of San Francisco, "Definitions," Administrative Code, Section 21.02, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-13324](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-13324).



## EXHIBIT 6

**For Contracts Equaling or Exceeding 50% of the Minimum Competitive Amount, Procuring Entities Must Attempt to Obtain Local Business Enterprise Bids From Prime Contractors**

Although the Minimum Competitive Amount (MCA) threshold removes the need to follow the competitive sealed bidding process for smaller contracts, as laid out in the Administrative Code, it does not exempt procurements from meeting the relevant contracting requirements such as the Local Business Enterprise Program review.

Source: SPUR.

REQUIREMENT	DESCRIPTION	THRESHOLD
Civil Service Commission (CSC) review <sup>a</sup>	CSC must review most contracts for services. It does so through presentations at its public meetings.	CSC review is required for all professional services procurements. It is required for all general services procurements except procurements through Delegated Departmental Purchasing (current cap of \$20,000).
Local Business Enterprise (LBE) Program review	Procuring entities must make good-faith efforts to obtain LBE bids from prime contractors. <sup>b</sup>	Contracts valued at or less than \$10,000 are not required to obtain LBE bids when doing so is deemed "impracticable."
	Procuring entities must use a qualified LBE as a subcontractor for at least 20% of the contract scope. When such a contractor is used for less than 20% of the contract scope, a written explanation from the director of the Contract Monitoring Division is required. <sup>c</sup>	LBE Program review is required when a contract equals or exceeds 50% of the MCA.
Various legal contract terms <sup>d</sup>	The city attorney must verify that contract language includes city requirements related to guaranteed maximum costs, insurance, and infringement indemnity.	This requirement applies to all contracts executed by the city for professional services, general services, and commodities.
Board of Supervisors review	The Board of Supervisors must undertake a formal legislative review at the committee and full board levels before approving contracts.	Contracts exceeding 10 years in duration or \$10 million in value and contract amendments exceeding \$500,000 require Board of Supervisors approval. (These amounts were set by voters in 1997, when the city's annual budget was \$3.5 billion — about 20% of the size of the current annual budget.) <sup>f</sup>

<sup>a</sup> Civil Service Commission, City and County of San Francisco, "Policy of the Civil Services Commission on Personal Service Contracts," December 2023, <http://www.sf.gov/sites/default/files/2024-07/Policy-of-the-CSC-PSCs.pdf>.

<sup>b</sup> City and County of San Francisco, "Prime Contracts," Administrative Code, Section 14B.7, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-9569](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-9569).

<sup>c</sup> City and County of San Francisco, "Subcontracting," Administrative Code, Section 14B.8, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-9613](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-9613).

<sup>d</sup> City and County of San Francisco, "Contract Terms," Administrative Code, Sections 21.19-23, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-13491](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-13491).

<sup>e</sup> City and County of San Francisco, "Contract and Lease Limitations," Charter, Section 9.118, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/0-0-0-1015](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/0-0-0-1015).

<sup>f</sup> City and County of San Francisco, Annual Appropriation Ordinance for the Fiscal Year Ending June 30, 1998, [https://sfcontroller.org/sites/default/files/FileCenter/Documents/1678-FY97-98AAO\\_final.PDF](https://sfcontroller.org/sites/default/files/FileCenter/Documents/1678-FY97-98AAO_final.PDF).

**FINDING 7:****A collective understanding of what's possible could help unlock potential strategies that could save time and lower costs.**

To reduce the number of needed solicitations, some public agencies maximize the use of existing contracts, or they design solicitations that can be used by many parties. While these strategies are allowed in the City and County of San Francisco, they are infrequently used because city staff are not aware of them or because local regulations make them just as time-consuming as a full procurement process.

Many tools are available to allow organizations to purchase goods and services through contracts already competitively solicited and awarded by a lead agency, saving time and resources. These tools also allow organizations to access a wider range of products and services at potentially lower costs. Under these arrangements, one agency conducts the solicitation and RFP process, sets the terms, and awards the contract to a supplier. Other agencies can use the contract with competitive pricing and terms.

## Time- and Cost-Saving Procurement Tools

To realize time and cost savings in procurement, public agencies can use these tools:

### Term Contracts

The Office of Contract Administration holds approximately 550 term contracts, which are multiyear contracts all city departments can use. They cover commodities such as supplies and uniforms and services such as translation and vehicle maintenance.

### Technology Marketplace

The Office of Contract Administration negotiates multiyear term contracts with technology product vendors for as-needed technology goods and services. Departments' purchase requests are reviewed by the Office of Contract Administration, but thanks to the pre-negotiated terms and conditions, the typical transaction time is only one to two weeks.

### Citywide Technology and Enterprise Agreements

The Office of Contract Administration and the Department of Technology both have established vendor agreements that city departments can use. While the Technology Marketplace contracts cover a variety of goods and services, these agreements are specific to a particular technology or manufacturer.

## **Preapproved Vendor Pools**

The Controller's Office has several pools of preapproved contractors for facilitation, financial, and certain other services that can be accessed by all city departments. Some individual departments have also set up vendor pools for specific services; for example, the Department of Homelessness and Supportive Housing has a pool of supportive housing providers. Once vendors have been accepted into the pool through a competitive solicitation process, departments may select them for contracts through an expedited RFP or a direct award.

## **Piggybacking**

Piggybacking is a procurement practice that allows a department to enter a contract with a vendor that has been selected through a solicitation created by another city department or government agency for a similar scope of services. The Administrative Code allows for this practice only if the original solicitation states that it may be used in this manner.

## **State and Federal Multiple Award Schedules**

The California Multiple Award Schedule (CMAS) offers a wide variety of commodities, information technology (IT) products and services, and non-IT services at prices that the federal government and the State of California have assessed to be fair, reasonable, and competitive. CMAS creates a pool of suppliers that state, local, and tribal governments can use to solicit offers and streamlines the procurement process.

## **Joint Solicitations**

In a joint solicitation, two or more agencies aggregate their individual product and service needs into a single solicitation effort. Each agency is bound to the contract that results from the singular effort.

## **Cooperative Purchasing Programs**

Local governments can use many cooperative purchasing programs and platforms to facilitate joint solicitations or piggybacking.<sup>a</sup>

<sup>a</sup> NIGP: The Institute for Public Procurement maintains a list of these programs at <https://www.nigp.org/our-profession/cooperative-purchasing-programs>.

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# Recommendations

SPUR makes nine recommendations that build on the work that is already being done to make the City and County of San Francisco's procurement system more effective. The recommendations acknowledge that making changes to such a complex system is incredibly difficult and requires a long-term vision, plus time and resources. Moreover, it requires clear ownership and the political will to make tough decisions.

*Because of the complexity and decentralized nature of procurement in the City and County of San Francisco, our recommendations are primarily focused on professional services and grant contracts that are governed under Chapter 21 and Chapter 21G in the Administrative Code.*

## RECOMMENDATION 1:

### **Empower and resource the City Administrator's Office to lead on procurement.**

*Who's responsible: Mayor and Board of Supervisors*

The Gov Ops team in the City Administrator's Office has made great progress building the relationships needed to effectively improve procurement. It has launched a website to gather contracting information in one place, created a one-stop shop for contracting waivers and forms, and developed recommendations to improve the process for low-value professional services contracts.<sup>58</sup> This work has led to a 50% decrease in the time needed for the Office of Contract Administration to review and approve departmental contracts for professional services.<sup>59</sup> Critically, the work is helping reposition the city's procurement efforts from a back-office administrative function to a core strategic activity.

All 52 city departments are involved in contracting, and making any changes to the way procurement processes work is difficult due to decentralized governance and authority. To succeed in this massive effort, the city administrator must have the explicit authority to make citywide decisions and must be adequately resourced to do so. In *Designed to Serve*, SPUR recommended that the City Administrator's Office be realigned in accordance with the City Charter and empowered by the mayor to serve as the city's chief operating officer, a role focused on the city's

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<sup>58</sup> City Administrator's Office, City and County of San Francisco, "Gov Ops City Procurement Update: Presentation to the Local Business Enterprise Advisory Committee," June 6, 2024, <https://www.sf.gov/sites/default/files/2024-06/LBEAC%20Gov%20Ops%20presentation%206-6-2024.pdf>.

<sup>59</sup> City Administrator's Office, City and County of San Francisco, "Gov Ops City Procurement Update: Presentation to the Local Business Enterprise Advisory Committee."

long-term projects and core operational functions. As an apolitical professional leader, the city administrator should be given the authority by the mayor to

- Convene departments, set direction, and manage performance to address issues with public procurement.
- Make citywide decisions when departments cannot agree about the approach or best course of action.
- Set internal policy, standards, and guidance where needed to improve the experience of people and businesses working with the city on procurement.
- Provide citywide procurement-related trainings and resources for city staff and potential vendors.
- Increase internal services, such as providing support to departments that don't have dedicated contracting staff.

The City Administrator's Office should have staff experienced in facilitating, mediating, and managing complicated work that requires coordination across departments. To give the City Administrator's Office the bandwidth and resources to focus on citywide operational issues such as procurement, SPUR's *Designed to Serve* report recommends that programs and functions outside the clarified purview of the office be moved to other departments with constituencies and services similar to those of the office (Exhibit 7).

Additionally, existing resources should be harnessed to support the City Administrator's Office in improving procurement citywide. Recommended actions include the following:

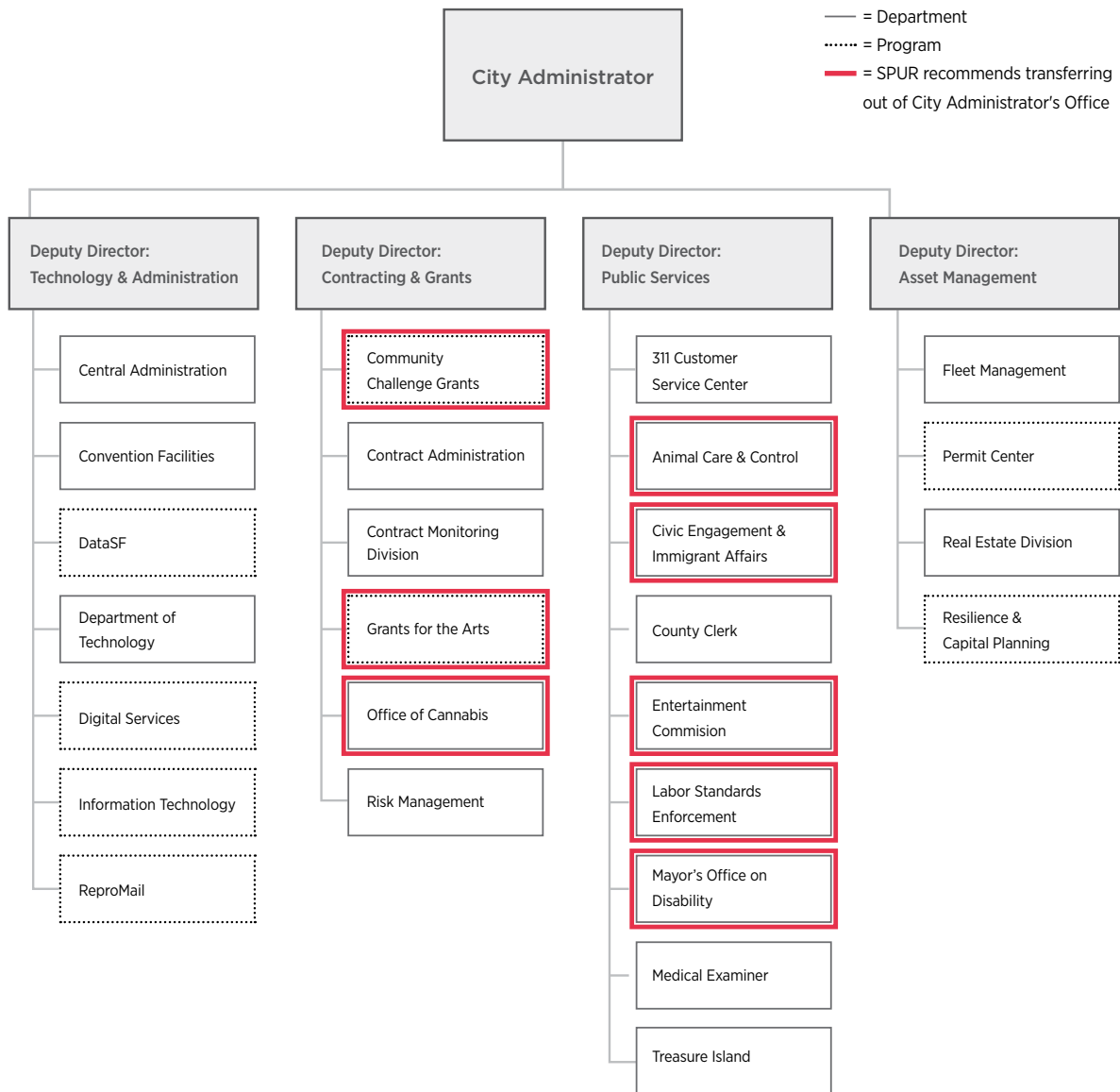
- Prioritize citywide procurement improvements and integrate them into cross-departmental work plans, such as the work plan of the City Services Auditor Division in the Controller's Office, which regularly convenes stakeholders to work on process improvements.
- Utilize the Digital Services team within the City Administrator's Office to map processes, improve the user experience, and enhance information on the city's website for city staff and vendors.
- Coordinate and manage departmental contracting staff and staff working within central contracting department programs to implement procurement changes.

For staff to have capacity to support these efforts, departmental leaders will likely need to deprioritize other work, and the City Administrator's Office should request that they do so. With each city procurement costing at least \$22,000 to \$28,000, the City Administrator's Office should monitor cost savings achieved by the development of a more effective process and should recommend the reallocation of resources to more strategic uses, such as contract performance monitoring and service delivery improvements.

EXHIBIT 7

**Programs and Functions Outside the Clarified Purview of the Office of the City Administrator Should Be Moved to Other Departments**

Currently, 27 departments, divisions, and programs report directly to the City Administrator. They range from public services (e.g., 311 Customer Service) to internal planning (e.g., Risk Management) to oversight of relatively small agencies (e.g., Animal Care and Control). Four deputy directors currently manage portfolios organized by functional areas. SPUR recommends moving 11 of the current functions out of the City Administrator's Office.



Source: London N. Breed, *Proposed Budget: Fiscal Years 2022-2023 and 2023-2024*, Mayor's Office of Public Policy and Finance, [https://sfmayor.org/sites/default/files/CSF\\_Proposed\\_Budget\\_Book\\_June\\_2022\\_Master\\_REV2\\_web.pdf](https://sfmayor.org/sites/default/files/CSF_Proposed_Budget_Book_June_2022_Master_REV2_web.pdf).

There's much debate over whether it's best to have purchasing agents and buyers procure goods and services on behalf of multiple departments (centralized purchasing) or have subject matter experts within departments run their own processes (decentralized purchasing). With clear guidance and adequate resources, either approach can work well. However, successful centralized operations require a strong customer-oriented operational culture, whereas decentralized operations need a cross-departmental leader who will create simple and effective processes that are broadly communicated, easy to understand, and implemented with clear and standardized templates and an easy-to-follow administrative review process. The City Administrator's Office should identify which structure will work best for San Francisco and design the system accordingly. With the authority given by the mayor, the city administrator could do a lot of this work under current rules. However, updates to the City Charter may be needed to achieve the full impact of this recommendation.

## RECOMMENDATION 2:

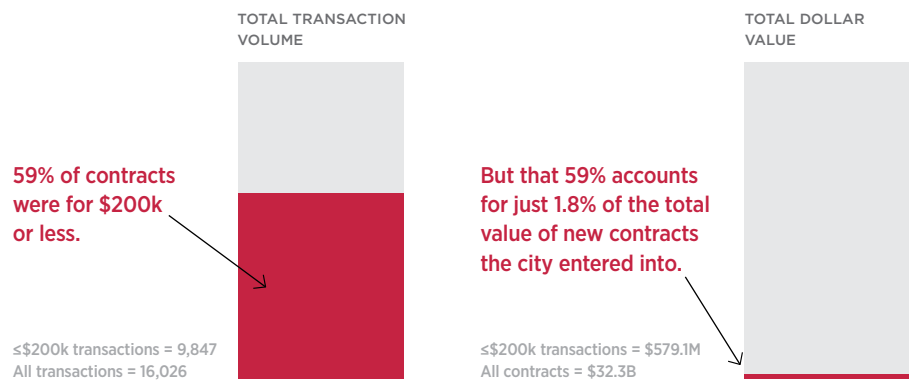
### Simplify the contracting process for low-value contracts.

*Who's responsible: Board of Supervisors and City Administrator's Office*

In 2022, Supervisor Rafael 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. The City Administrator's Office responded to the inquiry with a report that found that low-value contracts are subject to the same contracting requirements as higher-value contracts.<sup>60</sup> 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 contracting spend (Exhibit 8). The report found that improving the low-value procurement process would allow staff to focus on entering into and administering contracts that represent the majority of the city's buying power.

#### EXHIBIT 8

**Since 2020, Contracts for \$200,000 or Less Have Accounted for 59% of the Total Number of Contracts the City Has Entered Into** While these contracts made up the majority of transactions, they accounted for only about 2% of the city's total contract spend.



Source: City Administrator's Office, City and County of San Francisco, *Improving the Process for Chapter 21 Low-Value Procurements*, May 2024. Adapted from the chart on slide 15, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf).

<sup>60</sup> Office of the City Administrator, City and County of San Francisco, *Improving the Process for Chapter 21 Low-Value Procurements*, May 2024. Adapted from the chart on slide 15, [https://sfbos.org/sites/default/files/Chapter\\_21\\_Low-value\\_Contract\\_Memo\\_Final\\_Response.pdf](https://sfbos.org/sites/default/files/Chapter_21_Low-value_Contract_Memo_Final_Response.pdf).

In February 2025, now-Board of Supervisors President Mandelman introduced the Open for Business Contract Streamlining Act, which aims to simplify the city's procurement processes and promote competition, especially for low-value contracts.<sup>61</sup> The legislation would remove duplicative and outdated requirements for contracts below the Minimum Competitive Amount, which was recently raised to \$230,000. The legislation would retain social policy requirements for contracts above the Minimum Competitive Amount while updating them to better align with state law and modern business practices, and it would establish a formal review process to assess the costs and impacts of proposed contracting regulations before they are enacted.

This legislation was developed by Mandelman's office in partnership with the Gov Ops team and is a good example of legislation that considers not just a policy but also its implementation. SPUR supports the proposed legislation and recommends that the city

- **Expand the Delegated Departmental Purchasing Authority (also known as “Prop. Q purchasing”) to include professional services.** Prop. Q purchasing allows departments to make one-time purchases of commodities or general services under \$20,000 without going through the Office of Contract Administration, but it currently prohibits the purchase of professional and technical services through this mechanism. The limit is set by the city purchaser, and it could be adjusted to include professional services as an allowable expense. Expanding Prop. Q to include professional and technical services would allow for smaller contract needs to be addressed quickly.
  
- **Allow the project manager to serve on the contractor selection panel for low-value contracts.** Because serving on a contractor selection panel is a time-intensive role, recruiting the required number of panelists from departments other than the department seeking the contractor can be difficult. This barrier could be lowered by allowing the project manager to serve on the selection panel.

### RECOMMENDATION 3:

## **Align on shared goals, discuss trade-offs, and amend or eliminate policies that aren't having their desired impact.**

*Who's responsible: City Administrator's Office and Board of Supervisors*

The city should build on efforts like President Mandelman's Open for Business Contract Streamlining Act and the work of the Gov Ops team to streamline portions of the procurement process to identify and address systemwide challenges. Policies not having their intended impact should be amended, consolidated, or eliminated. This effort will require conversations about trade-

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<sup>61</sup> Aldo Toledo, "Mandelman Introduced Legislation Under the Open for Business Contract Streamlining Act That Intends to Simplify the City's Procurement Processes," *San Francisco Chronicle*, February 25, 2025.



offs as well as alignment and coordination on the part of those who create policy and those who implement it.

Procurement has always been an important strategic policy tool in San Francisco — and for good reason. How the city spends money has a significant impact on the local economy. 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, each policy requirement is straightforward. But achieving compliance with all of them is highly costly and confusing for staff and potential vendors. Doing so creates a high barrier to entry for smaller businesses, an outcome that runs counter to the city's goals to increase local investment and ensure equitable contracting.

Amending or eliminating policies that are not achieving intended outcomes, no longer serving the greater good of the city, or generating costs greater than their benefits makes sense but is difficult to do. Because there are always internal or external constituencies that feel strongly that the principles of the policies are critical, it is politically challenging for elected leaders and staff to make changes to the policies.

Recent legislation to streamline parts of the procurement process by reducing restrictions for contractors and decreasing processing times is a move in the right direction. Yet each new rule requires a new process, contributing to the complexity of the system. Moreover, most recent legislative efforts seek to bypass the rules that exist for a set of purchasing activities, rather than addressing the problem holistically.

For the City Administrator's Office to successfully lead on procurement, it needs to be clear on its procurement-related policy goals. The office should work with the Board of Supervisors to define those goals, which might vary according to type of procurement; a policy goal for construction procurement may not apply to real estate procurement. In some instances, this alignment may require future changes to the City Charter.

The City Administrator's Office should use their inventory of existing rules and regulations and determine which, if any, policy goals align with them. It should recommend that the Board of Supervisors eliminate or amend rules that are not meeting their intended goals. Because the current rules were added over time and are overseen by different departments and bodies, they must be reviewed as a whole and reconciled within a framework of intended outcomes.

Many city departments should participate in a facilitated process to review the costs and benefits of differing policy goals and to define priorities. This significant and ongoing undertaking will require a sustained effort supported by policymakers. The City Services Auditor Division of the Controller's Office and the City Administrator's Office should allocate time in their work plans to support and train departments on changes.

**RECOMMENDATION 4:****Strengthen the relationship between policy and implementation.**

*Who's responsible: Mayor and the Board of Supervisors*

With procurement rules constantly changing, successfully implementing them proves challenging. In *Designed to Serve*, SPUR found that good policy design requires, among other factors, that supervisors and their staff — and the attorneys supporting them in crafting legislation — understand how their proposed policy will impact the existing system and the resources that will be needed to ensure its effectiveness.

Before proposing or voting on future legislation that impacts procurement, the mayor and the Board of Supervisors should request that the City Administrator's Office review the proposed legislation to understand how it will fit into or alter the city's overall contracting framework. Legislators should show discipline in not proposing or approving new legislation absent a careful review and thoughtful recommendation to ensure that the benefits exceed the implementation costs. The administrative review should include implementation, standardization, and resource considerations, such as

- How the new requirements will affect the ability of suppliers and small businesses to access city contracting opportunities
- How the city will measure the impact of existing and new laws and sunset rules that are not achieving their desired goals
- How new requirements will interact with existing laws
- Whether the city has staff time to administer and train people on new rules and laws
- What changes to the city's business processes will be needed to administer the new requirements, especially as they pertain to any tools, forms, or IT systems that must be created or maintained
- When the change should be implemented, taking into consideration the communication and training that is required for all city departments and suppliers and the number of newly legislated changes that departments must build into their business processes
- Whether there's a clear need for changes and whether their benefits will outweigh their costs as they relate to the city's larger procurement goals as identified by the City Administrator's Office (Recommendation 2)

Recommendations from the review should be incorporated into proposed legislation to ensure that the law can be effectively implemented if the City Administrator's Office deems it should move forward.

## A Model for Connecting Procurement Policy and Implementation: The San Francisco Capital Planning Committee

General obligation (G.O.) bonds are a key revenue source for San Francisco to build, maintain, and improve critical public infrastructure. Between 2002 and 2005, city leaders put five G.O. bonds before San Francisco voters for a total of \$841 million to address capital needs for affordable housing and street and sidewalk repair, among other proposed uses.<sup>a</sup> Voters rejected the bonds.

In response to this series of failures, the Board of Supervisors passed the Ten-Year Capital Expenditure Plan (Capital Plan) and replaced an existing advisory body with the Capital Planning Committee (CPC) to be chaired by the city administrator.

The Capital Plan and CPC established a rigorous, thoughtful, and public process, supported by analytical staff in the City Administrator's Office, for the planning and expending of capital funds. Every department with the authority to implement capital projects has representation on the CPC. City administrator staff facilitate the meetings, run the budget process for recommended General Fund allocations, and publish the Capital Plan every other year. The Capital Plan includes an inventory of all known capital needs with prioritization and expenditure plans.

The new body created a policy constraint for itself to limit city-controlled G.O. bonds within the property tax rates of fiscal year 2005–2006 — because G.O. bonds are repaid from property taxes, their impact on tax rates is a major factor for voters in considering the issuance of new debt. The Board of Supervisors bound itself (legislatively) to neither place on the ballot nor authorize any long-term financing that had not been reviewed by and received a recommendation from the CPC.<sup>b</sup>

Since the first Capital Plan was introduced in 2005, voters have considered 18 G.O. bonds totaling nearly \$6 billion and have approved all but two.

The Capital Plan and CPC process have led to greater discipline for policymakers and greater trust in government. Empowering the city administrator to lead the CPC further ensures that all policy recommendations are supported by rigorous staff research, rather than reflecting political whim. The process changes created by the Capital Plan and CPC can serve as a model for changes to procurement.

<sup>a</sup> Office of Resilience and Capital Planning, City and County of San Francisco, "GO Bonds & the Capital Plan," <https://www.onesanfrancisco.org/node/828>.

<sup>b</sup> "San Francisco Capital Planning Plan and Committee," Ordinance, <https://sfgov.legistar.com/View.ashx?M=F&ID=2576720&GUID=1AB3ED61-D522-4A25-B796-E3F54472CAD5>.

**RECOMMENDATION 5:****Reduce the number of steps in the contracting process.**

*Who's responsible: Board of Supervisors, City Administrator's Office , and the Department of Human Resources*

The Board of Supervisors reviews contracts based on static thresholds established in the city's charter in 1997. Because the dollar values were set in the charter, they can only be changed by voters, and they have not been updated since 1997. The charter states that the Board of Supervisors must review all contracts resulting in \$1 million of revenue and \$10 million in costs as well as all contract amendments exceeding \$500,000. Because these thresholds have remained the same while the city's budget has grown, the board is now reviewing a higher volume of contracts in a process that can take weeks to months to complete and that increases the board's day-to-day operational burden. Adjusted for inflation, the \$10 million contract review threshold from 1997 equals \$21 million in 2024 dollars.<sup>62</sup> The review threshold should not be static and should be set — in a piece of legislation or policy that can be more readily amended than the charter — to match the changing realities of the city's budget or to automatically reflect inflationary increases. For example, the Minimum Competitive Amount is tied to the Urban Consumer Price Index and is updated every five years, most recently on January 1, 2025. The charter should be changed either to remove Board of Supervisors approval requirements or to update them and tie them to inflation.

Procurement requirements are also embedded in memorandums of understanding with labor partners to ensure that the city only contracts out work that it can't do in house, with limited exceptions. Most professional services contracts are required to be reviewed by the Civil Service Commission, and notification must be provided to the relevant labor union, which adds to the time it takes to execute a contract. The Civil Service Commission can delegate authority to the Department of Human Resources in some cases, and should look at opportunities to delegate more of its authority.

All other reviews, such as those by the Environment Department or the Committee on Information Technology, should be evaluated through a cost-benefit analysis. Whenever possible, requirements should be agreed on up-front, and reviews should be required only when those terms cannot be met. For example, suppliers should be required to adhere to the city's Privacy First Policy or to comply with proper waste sorting.<sup>63</sup> As long as suppliers state that they comply, no other review should be necessary. Only the need for an exemption from compliance should prompt additional review.

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<sup>62</sup> The Consumer Price Index used for this calculation is the Bay Area Index Annual Average 1998–2023. See: Association of Bay Area Governments, "Consumer Price Index," <https://abag.ca.gov/tools-resources/data-tools/consumer-price-index>.

<sup>63</sup> City and County of San Francisco, "Privacy First Policy," Charter, Section 16.130, [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_charter/0-0-0-52869](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_charter/0-0-0-52869).

**RECOMMENDATION 6:****Shift the focus from compliance and risk mitigation to successful contract outcomes.**

*Who's responsible: City Administrator's Office, Controller's Office, and City Attorney's Office*

Lawsuits and scandals related to contracting have deteriorated the public's trust in government and led to increased oversight and rules. The city has responded with more requirements for contractors and consequences for staff who don't follow the rules. However, this increase in compliance and risk mitigation has not prevented problems from arising. Complicated processes make it more difficult to identify corruption, and when things go wrong, people, rather than systems, are blamed. More protections, oversight, and checkpoints are put in place, often resulting in more rules, more barriers to entry, more fear, and longer and costlier processes. For procurement processes to move faster, become easier to navigate, and cost less, the city will have to accept that a certain level of risk is inherent in contracting and shift resources from up-front compliance to managing for successful outcomes. It will have to design adaptable systems and instill trust in staff that they will be able to identify problems early and course-correct when they see that things are going wrong.

Citywide agencies already have systems to audit city records and data in response to public integrity and whistleblower complaints.<sup>64</sup> The Controller's Office, in consultation with the City Attorney's Office, conducts reviews to assess misconduct or criminal conduct by city employees, officials, and vendors when complaints are made. The city should trust these systems rather than try to design the contracting system for zero risk. And when issues do arise, policymakers should give the Controller's Office and the City Attorney's Office time to investigate what transpired before acting or passing new rules and laws.

Driven by fear that a vendor may not deliver what they want, staff tend to focus on compliance and can overly prescribe how the vendor delivers the service or goods. In such cases, scopes of work specify exactly how to build something and which inputs to use. These scopes of work then become models and are recycled year after year, even if they no longer meet the city's needs or result in selection of the best vendors. This compliance-driven mentality runs the risk of limiting alternative methods and innovative thinking that may be better suited to achieving the outcomes desired by the city. Rather than focusing on what vendors need to do, staff should focus on what outcomes they hope to achieve and how they can partner with vendors to realize these outcomes.

Adopting a more agile, test-and-learn approach to contracting will require a significant change in typical city practices. Rather than drafting contracts with every output that the city might need over a multiyear period, the city should design them to achieve desired outcomes. Doing so will require a change in how RFPs and scopes of work are written as well as how staff manage projects.

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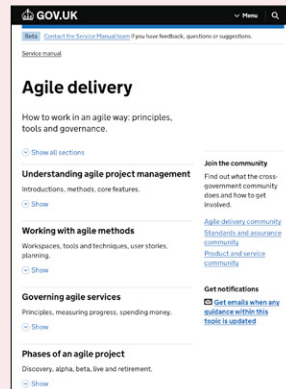
<sup>64</sup> City and County of San Francisco, "Public Integrity," <https://www.sf.gov/public-integrity>.

## SPUR-Recommended Resources for Outcomes-Based Contracting

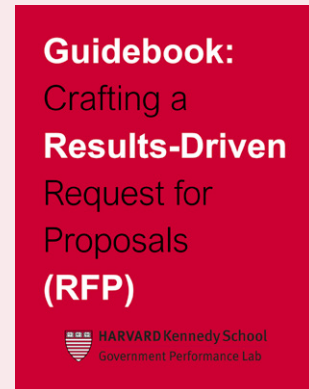
SPUR recommends three resources on agile, test-and-learn, and outcomes-based contracting:



**Recoding America** by Jennifer Pahlka is a deep dive on the hamstrung operations of government in the digital age and the growing gaps between policy and implementation. <https://www.recodingamerica.us/>



**The Government Digital Service** in the United Kingdom has published a series of resources about working in an agile way. <https://www.gov.uk/service-manual/agile-delivery>



**The Government Performance Lab** at the Harvard Kennedy School has created many resources on results-driven procurement practices. <https://govlab.hks.harvard.edu/>

### RECOMMENDATION 7:

#### Make the procurement process more user-friendly for contractors.

*Who's responsible: City Administrator's Office, Controller's Office, and City Attorney's Office*

Currently, the user experience in the procurement process is filled with hurdles. To help staff shift their focus to managing for outcomes, the inefficiencies of the current processes need to be addressed, and the processes need to be simplified. Likewise, to increase competition and make the system accessible for new contractors as well as small and local businesses, the city should streamline the process of discovering opportunities and applying for them.

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- **Make procurement improvements a top priority for Digital Services.** The San Francisco Digital Services team is under the purview of the city administrator, and its purpose is to redesign services to ensure an excellent user experience.<sup>65</sup> The team includes product managers, designers, developers, content strategists, and project managers. The City Administrator's Office should make improving procurement — both the staff experience of creating contracts and the vendor experience of applying for them — a top priority for the Digital Services team. As the City Administrator's Office develops its goals regarding process improvements, this team's capacity to design and implement such improvements will be critical.
  
  - **Improve outreach for contracting opportunities and develop a centralized place for suppliers to apply.** Because the city's various contracting requirements are administered by different program departments, there's no centralized source of information that takes suppliers through the entire process, from becoming a supplier to understanding post-award reporting and contract renewal. And because the type of work suppliers do determines the processes for registering with the city and obtaining information about contracting opportunities, potential suppliers must search dozens of websites to find all the contracting opportunities offered by the city.

The City Administrator's Office has made most contracting opportunities available on the City Partner Portal, which is managed by the City Controller's Offices Systems Division. However, some departments continue to use their own bidding system. The City Administrator's Office should work with the Controller's Office to ensure an easy-to-navigate process for registering and applying for all opportunities.
  
  - **Automate processes with technology.** The City Administrator's Office has already done a lot to automate the procurement process for professional services contracts. The city should invest in similar automation for other contracts. The benefits include reduced compliance risk and administrative time, standardized contracts, increased collaboration, and accelerated approval processes.

The test-and-learn approach for contracts should be extended to the contracting process. As improvements are made to standardize and streamline the process, user feedback should be collected, and user testing should be performed to continuously incorporate what is being learned. For example, the city should make it a practice to follow up with vendors that did not respond to RFPs, perhaps through user interviews or short surveys, in order to understand the reasons they did not respond.

In addition, the city should establish a set of key performance indicators targeting equity, efficiency, quality, user experience, cost, and other goals that the City Administrator's Office determines are important to track. The city should consider making the indicators available on

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<sup>65</sup> City and County of San Francisco, "About the Digital Services," <https://www.sf.gov/departments/city-administrator/digital-services/about>.

San Francisco's Citywide Performance Data Dashboard and should create places for regular public reports on progress toward goals.<sup>66</sup> The data should be used to continuously improve the procurement process. Key performance indicators could include the following:

→ **Equity**

- Percent and number of vendors awarded contracts, particularly the types within which the city is working to increase equity (e.g., small businesses or those in the Local Business Enterprise Program)
- Percent of contracts awarded to contractors that have not done business with the city before

→ **Efficiency/timing**

- Average or median time from publication of RFPs to award of contracts and from award to completion of contracts
- Average number of staff hours required per type and size of contract, including as a percent of contract value

→ **Quality/cost**

- Percent of RFPs issued with three or more respondents
- Average number of respondents to RFPs

→ **User experience**

- RFP respondents' rating of the ease of the process
- RFP non-respondents' reasons for not responding
- City staff satisfaction with the contracting process
- Percent of contracts with standard terms that were not acceptable to the contractor (e.g., the city attorney had to be asked to change a term)

**RECOMMENDATION 8:**

**Build the capacity and skills of staff and vendors.**

*Who's responsible: City Administrator's Office*

There will always be a need for technical support and training for staff and potential vendors. Currently, no entity is charged with owning the entire end-to-end user experience for procurement, leaving city staff and potential vendors to navigate the complex bureaucracy, which includes many city agencies and programs, on their own. The City Administrator's Office, as the leader on public procurement, can improve the overall process and experience for staff and potential vendors in several ways:

<sup>66</sup> City and County of San Francisco, "San Francisco Citywide Performance Data," <https://app.powerbigov.us/view?r=eyJrljoiZWEOZlE3OTEtYjE3Yi00YzJlTQzOTEtOW-U3ZGY2YzU4NTYwiwidCl6ijlvZDVjMmNmLWNIM2UtNDQzZC05YTdmLWRmY2MwMjMxZicZiJ9>.



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- **Develop comprehensive resources and training materials for city staff as well as potential vendors.** The City Administrator's Office should provide clear process maps and guidance documents for existing contract processes so that both city department staff and potential vendors are clear on the steps, documents, and timelines to deliver services. It should offer training and technical support on the entire user experience, including how to write outcomes-based scopes of work.
  - **Provide clear guidance on the use of preapproved lists and collaborative agreements.** The City Administrator's Office should outline the process, approvals, and steps (with timelines) to use these contracting tools. It should advise and support city departments and potential vendors on their allowable uses.
  - **Support succession planning and professionalism for procurement staff.** Due to the complexity of the city's current procurement environment, training new staff can take an inordinate amount of time. Additionally, that complexity and the culture of fear related to procurement can make it hard to attract and retain staff to fill procurement positions. Support for procurement staff citywide, as well as documentation of procurement processes and training, will help the city attract and retain staff.
  - **Support smaller departments.** Navigating and administering San Francisco's procurement processes require specialized expertise. While large agencies such as the Municipal Transportation Agency and the Public Utilities Commission have entire teams supporting their purchasing, smaller departments such as the Human Rights Commission and the Department on the Status of Women may have limited or no dedicated contract staff. The City Administrator's Office should provide centralized support to smaller departments for professional services and grant agreements. Models for this support include the hiring support provided by the Department of Human Resources and the accounting, audit, and finance support provided by the Controller's Office.

Capacity-building resources should be made available in a centralized location to staff tasked with procurement across the organization. A citywide community of practice should be established to help spread information and lessons.

## Growing a Community of Practice

The City of Seattle developed a community of practice that brought together dozens of city purchasers through monthly meetings and kept them connected through a team channel. The community has produced interactive trainings focused on writing RFPs to achieve results and on right-sizing compliance requirements. The gatherings have led to collaborations of capital consultants, multiple user testing workshops on digital tools, the co-creation of technical assistance best practices for women and minority business enterprises, and other cross-department problem-solving efforts.

An issue reported by staff members across the city was that they didn't understand the procurement process and lacked a single source of information for guidance. To address this issue, the city redesigned its internal SharePoint site, which warehouses information and legal forms intended to guide city staff who execute recurring and one-time procurements. This project engaged more than 55 city staff members in informing design from their different perspectives as administrators, super users, or procurement novices. The upgraded site is better organized and up to date. It continues to be a one-stop shop for procurement.

Source: City of Seattle, *The Procurement Cookbook: Recipes for Procurement Excellence*, 2024. <https://seattle.gov/documents/Departments/FAS/PurchasingAndContracting/Purchasing/Purchasing-Contracting-Playbook.pdf>.

### RECOMMENDATION 9:

#### **Share contracts across government agencies through cooperative purchasing agreements, as-needed contractor pools, and joint solicitations.**

*Who's responsible: City Administrator's Office*

In addition to supporting more internal collaboration, the city should be looking outside of its walls to collaborate and find inspiration. As mentioned in Finding 7, a variety of procurement strategies aim to reduce the number of solicitations through maximizing the use of existing contracts by multiple entities or through designing solicitations for use by many parties. While many of these strategies are allowed in the City and County of San Francisco, they are infrequently used because city staff are unaware of them or because local regulations make them as time-consuming as a full procurement.

- **City departments should be encouraged to make use of as-needed contractor pools and cooperative contacts that have already been vetted by other public agencies.** To

experience the benefits of shared contracts, the city should update Section 21.16 of the Administrative Code to waive local requirements when leveraging cooperative contracts. Legislation passed in May 2024 waives local requirements when a government entity contracts with other government entities.<sup>67</sup> This approach should be applied to cooperatively purchased goods and services and joint solicitations with other governments.

- **All executed contracts should be made available to staff in a centralized repository to promote contract sharing.** In addition, the process, approvals, and steps (with timelines) to use these contracting tools should be outlined and promoted. For example, Orange County developed a shared repository of contracts so that public procurement professionals could find cooperative and reuseable contracts.<sup>68</sup> The city should also add language to its standard contracting templates making it clear that, by default, contracts are available for use by other departments or outside agencies and do not require additional steps by staff. Sample contract language from King County, Washington, could be added to San Francisco solicitations: “Other federal, state, county, and local entities may utilize the terms and conditions established by the Contract if agreeable to all parties. The County does not accept any responsibility or involvement in the purchase orders or contracts issued by other public agencies.”<sup>69</sup>

This approach can produce significant cost and time savings: The Recreation and Parks Department recently announced its first use of cooperative agreements, which is projected to save between \$130,000 and \$160,000 on a playground by eliminating a general contractor markup and reducing administrative review costs as well as by shortening the standard contracting process by three to five months.<sup>70</sup>

- **The city should join and make use of regional and state contracting mechanisms such as the California Multiple Award Schedule (CMAS), which lists certified vendors whose prices have been determined to be fair, reasonable, and competitive.** These mechanisms work well for straightforward goods such as software licenses and generally defined services. One state employee SPUR interviewed said that by using CMAS she was able to contract for change management services in six months instead of a year, with a clear process that also reduced extra work for her and the supplier.

Cities across the Bay Area have procurement processes with high operational costs. Increased resource sharing across the region and the state could help lessen local governments’ cost burden and drive down overall expenses.

<sup>67</sup> City and County of San Francisco, “Government Entity Agreements,” Administrative Code, Section 1.25: “Exemption from Obligations. Agreements with Government Entities entered into pursuant to Chapter 2A: Article IX, Chapter 6, Chapter 21, and Chapter 23, are not subject to the provisions in the Municipal Code, including but not limited to the Administrative, Labor and Employment, Environment, or Police Codes, imposing obligations or other restrictions on contractors.” [https://codelibrary.amlegal.com/codes/san\\_francisco/latest/sf\\_admin/0-0-0-69967](https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_admin/0-0-0-69967).

<sup>68</sup> California Association of Public Procurement Professionals, “The Orange County Procurement Alliance’s New, Tech-Enabled Approach to Regional Collaboration,” June 14, 2022, <https://www.cappo.org/news/608478/The-Orange-County-Procurement-Alliances-new-tech-enabled-approach-to-regional-collaboration.htm>.

<sup>69</sup> Pavilion, “Why and How to Add Shareable Language to Your Contracts,” September 8, 2022, <https://www.withpavilion.com/about/resources/why-and-how-to-add-shareable-language-to-your-contracts>.

<sup>70</sup> San Francisco Recreation and Parks, “Rec & Park Delivers Faster, Cost-Effective Park Improvements Thanks to Cooperative Purchasing,” December 18, 2024, <https://sfrecpark.org/CivicAlerts.aspx?AID=1998#:~:text=These%20savings%20stem%20from%20both,17%20months%20to%20just%20one.>

# Conclusion

The need to transform procurement from a maze-like, box-checking compliance function into a core city strategy for delivering better services has never been greater. SPUR's recommendations seek to move the city's procurement process from a culture of fear and excessive oversight to one of trust, accountability, and desired outcomes. Implementing these recommendations will require systematic, practical, and cultural shifts, and those tasked with making these shifts will need clear authority and adequate resources for the changes. The payoff: improved services at lower costs.

# Appendix A. Plan of Action

RECOMMENDATION	IMPLEMENTATION
1. Empower and resource the City Administrator's Office to lead on procurement.	Mayor and Board of Supervisors
2. Simplify the contracting process for low-value contracts.	Board of Supervisors and City Administrator's Office
3. Align on shared goals, discuss trade-offs, and amend or eliminate social policies that aren't having their desired impact.	City Administrator's Office and Board of Supervisors
4. Strengthen the relationship between policy and implementation.	Mayor and Board of Supervisors
5. Reduce the number of steps in the contracting process.	Board of Supervisors, City Attorney's Office, and Department of Human Resources
6. Shift the focus from compliance and risk mitigation to successful contract outcomes.	City Administrator's Office, City Controller's Office, and City Attorney's Office
7. Make the procurement process more user-friendly for contractors.	City Administrator's Office, Controller's Office, and City Attorney's Office
8. Build the capacity and skills of staff and vendors.	City Administrator's Office
9. Share contracts across government agencies through cooperative purchasing agreements, as-needed contractor pools, and joint solicitations.	City Administrator's Office

# Appendix B. City and County of San Francisco Procurement Rules and Regulations

List of key legislation pertaining to contracting in the city's municipal codes, which might be the entire chapter referenced or only certain subsection

<a href="#">Administrative Code Chapter 1</a>	General Provisions
<a href="#">Administrative Code Chapter 6</a>	Public Works and Construction Contracting
<a href="#">Administrative Code Chapter 12E</a>	Ban on City Use of Gas-Powered Landscaping Equipment
<a href="#">Administrative Code Chapter 12F</a>	Implementing MacBride Principles – Northern Ireland
<a href="#">Administrative Code Chapter 12G</a>	Prohibition on Use of Public Funds for Political Activity by Recipients of City Contracts, Grants, and Loans
<a href="#">Administrative Code Chapter 12J</a>	City Business with Burma Prohibited
<a href="#">Administrative Code Chapter 12L</a>	Public Access to Nonprofit Records and Meetings
<a href="#">Administrative Code Chapter 12M</a>	Protection of Private Information
<a href="#">Administrative Code Chapter 12N</a>	Lesbian, Gay, Bisexual, Transgender, Queer and Questioning Youth: Youth Services Sensitivity Training
<a href="#">Administrative Code Chapter 12Y</a>	Slavery Disclosure
<a href="#">Administrative Code Chapter 14A</a>	Disadvantaged Business Enterprise Program
<a href="#">Administrative Code Chapter 14B</a>	Local Business Enterprise Program
<a href="#">Administrative Code Chapter 19B</a>	Acquisition of Surveillance Technology
<a href="#">Administrative Code Chapter 21</a>	Acquisition of Commodities and Services
<a href="#">Administrative Code Chapter 21A</a>	Health-Related Commodities and Services
<a href="#">Administrative Code Chapter 21B</a>	Commodities and Services Relating to Projects Addressing Homelessness
<a href="#">Administrative Code Chapter 21D</a>	Food Purchase at Hospitals Operated by the Department of Public Health and Jails Operated by the Sheriff's Department
<a href="#">Administrative Code Chapter 21E</a>	Goods or Services Contracts for Incarcerated Persons
<a href="#">Administrative Code Chapter 21F</a>	San Francisco Public Utilities Commission Social Impact Partnership Program
<a href="#">Administrative Code Chapter 21G</a>	Grants

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<a href="#"><u>Administrative Code Chapter 21H</u></a>	Procurement of Firearms and Ammunition
<a href="#"><u>Administrative Code Chapter 22A</u></a>	Information and Communication Technology
<a href="#"><u>Administrative Code Chapter 23</u></a>	Real Property Transactions
<a href="#"><u>Administrative Code Chapter 56</u></a>	Development Agreements
<a href="#"><u>Administrative Code Chapter 64</u></a>	City Employee and City Contractor Safety and Health
<a href="#"><u>Administrative Code Chapter 82</u></a>	Local Hiring Policy for Construction
<a href="#"><u>Administrative Code Chapter 83</u></a>	First Source Hiring Program
<a href="#"><u>Administrative Code Chapter 101</u></a>	Sugar-Sweetened Beverage Restriction
<a href="#"><u>Administrative Code Chapter 104</u></a>	Collection of Sexual Orientation and Gender Identity Data
<a href="#"><u>Campaign and Governmental Conduct Code Chapter 2</u></a>	Conflict of Interest and Other Prohibited Activities
<a href="#"><u>Charter Section 6.102</u></a>	City Attorney
<a href="#"><u>Charter Section 8A</u></a>	Municipal Transportation Agency
<a href="#"><u>Charter Section 9.118</u></a>	Contract and Lease Limitations
<a href="#"><u>Environmental Code 2</u></a>	Environmentally Preferable Purchasing
<a href="#"><u>Environmental Code 5</u></a>	Resource Conservation
<a href="#"><u>Environmental Code 8</u></a>	Tropical Hardwood and Virgin Redwood Ban
<a href="#"><u>Environmental Code 13</u></a>	Arsenic-Treated Wood
<a href="#"><u>Environmental Code 16</u></a>	Food Service and Packaging Waste Reduction
<a href="#"><u>Environmental Code 24</u></a>	Bottled Drinking Water
<a href="#"><u>Labor and Employment Code Article 102</u></a>	Prevailing Wage Requirements
<a href="#"><u>Labor and Employment Code Article 111</u></a>	Minimum Compensation
<a href="#"><u>Labor and Employment Code Article 121</u></a>	Health Care Accountability
<a href="#"><u>Labor and Employment Code Article 131</u></a>	Nondiscrimination in Contracts
<a href="#"><u>Labor and Employment Code Article 141</u></a>	Salary History
<a href="#"><u>Labor and Employment Code Article 132</u></a>	Nondiscrimination in Property Contracts
<a href="#"><u>Labor and Employment Code Article 142</u></a>	City Contractor Consideration of Criminal History in Hiring and Employment Decisions (Fair Chance)
<a href="#"><u>Labor and Employment Code Article 151</u></a>	Sweat-Free Contracting
<a href="#"><u>Labor and Employment Code Article 161</u></a>	Earned Income Credit Information



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