



**Date:** August 30, 2024  
**To:** All Departments  
**From:** Sailaja Kurella, Director and City Purchaser  
**Subject:** Summary of Revisions to Chapter 21 Rules and Regulations

In May and June of 2024, OCA implemented several important revisions to the Chapter 21 Rules and Regulations intended to provide clarity to City staff on the City's Chapter 21 purchasing policies and practices and to streamline procurement. The table on the following pages summarizes these revisions.

The [revised Chapter 21 Rules and Regulations are available on OCA's website](#).

### **Summary of Changes**

#### ***Delegated Departmental Purchasing ("Prop Q") Revisions***

<b>Regulation #</b>	<b>Summary of Revision</b>
21.03(a)	<b>General Authority of the Purchaser of Supplies: Approval of Purchases</b> <ul style="list-style-type: none"><li>Increases Prop Q Delegated Departmental Purchasing threshold to \$20,000, inclusive of taxes, delivery, installation, shipping, and all change orders, taking effect July 1, 2024</li><li>Clarifies that Prop Q cannot be used to procure goods and services from e-marketplaces</li><li>Refers City staff to <a href="#">OCA's website</a> for most up-to-date list on restricted items under Prop Q</li></ul>
21.5(a)	<b>Other Purchases: Commodities and Services Less than the Minimum Competitive Amount</b> <ul style="list-style-type: none"><li>Aligns solicitation requirements for professional services to revised Prop Q threshold in 21.03(a). <i>Note: Prop Q Delegated Departmental Purchasing cannot be used for professional services.</i></li><li>Provides guidance to City staff to reference Chapter 14B for more information on the City's Micro LBE and SF First programs</li></ul>
Definitions Section	<b>"Delegated Department Purchasing"</b> <ul style="list-style-type: none"><li>Updates definition to reflect increase in Prop Q threshold to \$20,000 and clarifies that the \$20,000 threshold encompasses taxes, delivery, installation, shipping, and all change orders</li></ul>

**Software and IT Related Revisions**

Regulation #	Summary of Revision
21.30(b)	<p><b>Software Licensing Procurements</b></p> <ul style="list-style-type: none"> <li>Clarifies that software licensing procurements include all forms of software licenses, whether hosted or accessed by City locally on its own hardware and computer systems (on premise), through the internet on servers and computer systems owned by third parties (cloud), or by any other technological means.</li> <li>Clarifies the difference between “standard support” for software licenses (i.e., services that ensure the operability and basic usability of the software) vs. “proprietary services that go beyond such standard support” (i.e., implementation, integration, customization, etc.)</li> <li>Clarifies that standard support is considered a commodity, whereas services beyond standard support are considered a professional service</li> <li>Aligns with current Civil Service Commission Personal Services Contracts (PSC) policy</li> </ul>
21.30(d)	<p><b>Software-related Sole Source</b></p> <ul style="list-style-type: none"> <li>Clarifies that if a vendor has proprietary rights to software or hardware purchased by the City and designates itself or a reseller as the sole provider of services related to that software or hardware, the City can treat the designated entity as a sole source</li> </ul>
21.30(e)	<p><b>Advanced Payment in Software and Maintenance Agreements</b></p> <ul style="list-style-type: none"> <li>Allows the City to make advance payments for software license fees, software support, and equipment maintenance</li> </ul>
21.03(j)	<p><b>Information Technology (IT) Purchases</b></p> <ul style="list-style-type: none"> <li>Clarifies that purchases of IT commodities and services are subject to certain City policies (e.g., Department of Technology’s cyber risk analysis)</li> <li>Clarifies that even though IT commodities are not subject to Municipal Code requirements, departments must still document non-applicability of contracting requirements in the manner prescribed by the agencies administering those requirements</li> </ul>

**Solicitation and Contract Management Related Revisions**

Regulation #	Summary of Revision
21.3(b)	<p><b>Competitive Sealed Bidding: Bid Opening</b></p> <ul style="list-style-type: none"> <li>Provides OCA authority to approve contract awards and amendments that immaterially deviate from the solicitation, based on a “reasonableness” standard</li> </ul>
21.3(g)	<p><b>Additional Purchases</b></p> <ul style="list-style-type: none"> <li>Clarifies OCA’s ability to amend contracts to add like items or substitute items</li> <li>Removes OCA’s ability to add substantively new items to existing contracts without conducting a solicitation</li> </ul>

21.5(b)	<b>Sole Source</b> <ul style="list-style-type: none"> <li>Removes redundant guidance on evaluating the justifications for a sole source</li> </ul>
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### *Clerical and Regulatory Language Revisions*

Regulation #	Summary of Revision
Multiple	<b>Clerical Changes</b> <ul style="list-style-type: none"> <li>Replaces all instance of the “§” symbol with the word “Section”</li> </ul>
21.03(e)(3)	<b>Dollar Limit for Optional Equipment in Vehicles</b> <ul style="list-style-type: none"> <li>Grammatical changes to fix use of passive voice</li> </ul>
21.06(c)	<b>Other Electronic Transactions</b> <ul style="list-style-type: none"> <li>Updates names of social and economic policy provisions and their corresponding Municipal Code locations following migration of certain laws to the Labor and Employment Code</li> </ul>