

**HEALTH COMMISSION  
RESOLUTION 14-1**

**RESOLUTION ON CONTRACT CONTINGENCY POLICY**

WHEREAS, in October 2001 the San Francisco Board of Supervisors created the Non-Profit Contracting Task Force to review city contracting policies and procedure and make recommendations to improve and streamline contracting process for non-profit health and human services providers; and

WHEREAS, in 2003 the SFDPH developed a contract contingency model in response to efforts to streamline the contracting process. The model used a 12% contingency as a way to streamline the contracting process to eliminate multiple contract certifications, build in financial flexibility into contracts, to anticipate foreseeable cost increases, and to avoid interruptions in payment to non-profit contractors; and

WHEREAS, in 2004 the SFDPH piloted the contract contingency model for behavioral health contracts; and

WHEREAS, in 2005 the Non-Profit Contracting Task Force reviewed best practices of non-profit contracting and recommended the SFDPH contract contingency model as a best practice to streamline the contracting process; and

WHEREAS, in 2005 the SFDPH implemented the contract contingency model department-wide for all contractors; and

WHEREAS, in 2012 the Budget Analyst prepared a report for the Board of Supervisors on a performance audit of professional service contracts for the SFDPH and the Human Services Agency. In this report the Budget Analyst recommended that the Health Commission develop a written policy on contract contingency;

WHEREAS, at its August 6, 2013 meeting, the Health Commission Finance and Planning Committee reviewed and discussed the *Performance Audit of Professional Service Contracts for the Department of Public Health and Human Services Agency*, and reviewed the SFDPH use of a 12% contingency as a tool in its contracting process.

THEREFORE BE IT RESOLVED that the following contract contingency policies be adopted:

1. A 12% contract contingency may be included in SFDPH contracts.
2. The 12% contingency is added to the total contract amount (contract not-to-exceed amount) but is not funded.
3. The DPH budget does not include an appropriation for contract contingency funds.

4. When unspent or new funds are identified, these funds may be reallocated or added to a contract using the contract contingency.

5. Allowable uses of contract contingency are for any use that complies with the SFDPH goals of streamlining the contracting process, as described above.

6. When a contract is modified, a 12% contingency may be added for future services but any unused contingency remaining from prior contract periods will be reduced to \$0.

FURTHER BE IT RESOLVED that the contract policies stated in this resolution shall become the policies of the SFDPH.

FURTHER BE IT RESOLVED that in 2014, 2015, and 2016, the SFDPH will present the Health Commission with data and analysis regarding its use of the 12% contract contingency in the previous year.

FURTHER BE IT RESOLVED that in 2017, the Health Commission will conduct a review of the SFDPH contingency policy to insure it remains an effective tool in the SFDPH contracting process.

I hereby certify that the foregoing resolution was adopted by the Health Commission at its meeting of 1/7/14.

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Mark Morewitz,  
Executive Secretary to the Health Commission