PRA Requirements for Outside Contractors

OVERVIEW

On March 6th, 2009 Councilmember Frye issued a memo requesting the Council President docket the matter of Public Records Act (PRA) requirements for outside contractors for discussion at the Rules Committee.

The issue was first heard at a July 28th, 2008 City Council Meeting as an Amendment to the Managed Competition and Business Process Reengineering Ordinances (Item number 151). In considering this, the City Council also discussed monitoring of performance standards as it relates to private contractors. A motion was passed that directed the City Attorney to come back with recommendations about the appropriate disclosure requirements for private interests that obtain contracts.

On September 24th, 2008 the Budget and Finance Committee meeting discussed Item number 4 regarding the City’s Contractor Ordinance. The City Attorney’s Office provided a possible amendment to the Municipal Code that would require disclosure of contractor documents through the PRA and recommended its adoption by the City Council. There was no action taken on this item, but the committee made the following requests: to include Stakeholders in the discussion; for the IBA to provide further analysis regarding how other cities address this issue; and for the Mayor’s Office to provide further financial analysis regarding impacts to the City.

Since the September Committee meeting, this matter has been moved to the Rules Committee as part of the City Council Governance Report, which was released by Councilmember Frye and Councilmember DeMaio on November 13th, 2008. It is outlined in section 3.3, “Enhance Oversight of City Contracting.” It should be noted that
“while Councilmember Frye supports this recommendation; [Councilmember] DeMaio would like to propose a more narrow scope of disclosure.”

POLICY DISCUSSION

Our office contacted the City Attorney and the Mayor’s office to discuss next steps in carrying out the direction given by the Budget Committee. In both cases, it was indicated that no additional work would be done on this item. To the extent possible, our office attempted to gather relevant data to report back to either a Council Committee or the City Council at a later date.

Comparison Methodology

In conducting our research of comparing disclosure requirements of other local governments, we examined a total of ten municipalities. Included are the seven most populous cities in California, the County of San Diego and also two smaller cities in California that have enacted “Sunshine” laws, which are laws created by local governments that provide greater rights of access for the public outside of the State California Public Records Act (CPRA). Coincidentally, many of the seven most populous cities also enacted “Sunshine” laws. The researched municipalities are:

1. County of San Diego
2. Los Angeles
3. San Jose
4. San Francisco*
5. Long Beach
6. Fresno
7. Sacramento
8. Oakland*
9. Milpitas*
10. Benicia*

*Municipalities that have also enacted “Sunshine” laws

For comparison purposes, our office also analyzed the State of Georgia. The state government enacted this legislation in the 1970’s and it is currently referred to as the “Sunshine” Law. The Law includes an Open Meetings Act and an Open Records Act (ORA). The ORA portion is comparable to California’s PRA however Georgia’s legislation requires disclosure by the private sector.

The review process of all municipalities included analyzing various documents such as council policies, municipal codes, and “Sunshine” laws where applicable. We also spoke to municipal staff from the Clerk and/or Attorney offices.
California Public Records Act
Because many municipalities follow the CPRA and do not enact legislation of their own, it is important to review disclosure requirements outlined in this legislation.

Private, non-profit corporations and entities that receive public funds are generally not subject to disclosure via a Public Records Act request. An exception includes private corporations or entities that are:

“Created by an elected legislative body to exercise authority that may lawfully be delegated by the elected governing body or receive funds from a local agency and have as a board member at least one member of the legislative body of the local agency appointed to the governing body of the private entity, by the legislative body of the local agency, as a full voting member. Cal.Gov’t Code § 54952 (c) (1).”

Alternatively, the State of Georgia’s Open Records Act includes private contractors as an entity required to disclose records. For comparison purposes, the section of this Act (which also applies to the state’s Open Meetings Act) is provided below:

“The Acts also apply to private entities to which public function have been transferred by an agency or which receives substantial funding or resources from an agency in performance of a task (in such instance, only the records and meetings related to that task are open). An agency may not transfer records to a private entity to avoid disclosure, and, if public records are transferred to private parties, that private person or entity is subject to the provisions of the Open Meetings.”

“Sunshine” Laws
Although state law governs access rights at the local level, cities and counties are free to enact ordinances that provide greater rights of access than state laws provide. As described in the previous section, these local laws providing extra rights are often referred to as “Sunshine” laws.

According to the California First Amendment Coalition, a not-for-profit, nonpartisan, program that promotes “freedom of expression and the people’s right to know,” there are seven local governments in California that have enacted such laws. These municipalities include: Benicia, Contra Costa County, Milpitas, Oakland, Riverside, San Francisco and Vallejo. It is important to note that each of these ordinances vary significantly in their individual methods for strengthening local public access rights.

Comparison Results of Researched Municipalities
After reviewing each municipality, it was found that either the CPRA was followed and therefore, no further requirements for private entity disclosure were created, or a
“Sunshine” law was enacted. However, after reviewing the “Sunshine” laws for each applicable municipality and speaking with staff from various City Attorney offices, nothing was found in these laws that extended this particular subject of disclosure requirements.

FISCAL DISCUSSION

Fiscal Impacts to Consider
Another area that our office attempted to analyze was potential fiscal impacts to the city if this requirement were mandatory. In exploring this matter, our office scheduled an informational meeting with representatives from the contracting industry. The entities that were present include the: Engineering and General Contractors Association, Associated General Contractors of America, National Electrical Contractors Association, Hazard Construction Company, and Perry and Shaw Inc. Below are some points that were raised.

One concern was the unknown cost to contractors of responding to PRA requests. Because it is difficult to predict what types of requests (and the number) that would be initiated, the total time spent on responding would not be known. If the contractor bears the responsibility for the cost, this becomes an additional cost that the contractor must incur. And, it may not be possible for bids to include an estimate of these costs and still remain competitive. The unknown cost may deter a contractor from bidding on a city contract. This could also potentially raise the cost of providing a specific service (as there would be fewer bidders for the city to choose from). Another potential fiscal impact would be if, over time, added costs were passed on to the City through an increase in bidders’ cost proposals. This possibility needs to be evaluated particularly in these difficult fiscal times.

Currently, a PRA request regarding contracting work is disseminated through the Administration Department to the Purchasing and Contracting Department and it is this Department that responds to the request. If additional information is needed that the Department cannot provide, the contractor is contacted by the City and the request for the information is made. However, if through this legislation the number or extent of disclosure requests increase, additional administrative staff may be required. According to the performance measures from the FY 2009 adopted budget, the Administration Department processed 129 requests in FY2008 and anticipates processing a total of 250 in FY2009, which may provide context to this discussion.

Another significant concern raised was the potential disclosure of proprietary information. Because submitting a bid is a competitive process, private contractors who are obligated to respond to PRA requests may be subject to disclosure of this information, potentially into the hands of a competitor. Theoretically, this threat may drive down the
number of contractors that bid on city contracts and for the same reason explained above, may impact the cost of this service to the City.

CONCLUSION

The IBA is not providing a recommendation as to whether disclosure requirements of the Public Records Act should be extended or applied to private contractors. The purpose of this report is to provide additional information as requested by the Budget Committee.

In summary, our research found no other municipalities in California that enacted this type of disclosure requirement; however, attempts have been made by many local governments to increase public access rights to its citizens.

Our office would like to provide questions to consider regarding fiscal impacts:

- Will the City or contractors absorb the cost of responding to PRA requests? Clarification by the City Attorney may be necessary, and may be helpful to include in the amendment language.
- Will additional administrative staff be needed in the Administration and/or Purchasing and Contracting Department for monitoring and enforcement?
- How much and what type of disclosure is currently required of contractors? Before entering into an agreement, the Purchasing and Contracting Department requires contractors to complete (and sign under penalty of perjury) a Contract Standards Questionnaire providing useful financial contractor information, contract performance history and compliance records. Should this type of disclosure be adequate?

Additional discussion should be thoughtfully undertaken between all stakeholders before any decisions are made.

[SIGNED]  [SIGNED]
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Attachment:
City Attorney Report – Proposed Amendment