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Re: Investigation of Publicly Reported Allegations Concerning Mechanical Orchard and Sourcing Event ID 0000009542

Ms. Stewart, Ms. Sobrepena, Ms. Robinson:

Thank you for taking the time to meet with Tajel Shah and interview her on Monday October 27. Ms. Shah appreciates the opportunity to provide additional information in response to the unfounded allegations of impropriety in the San Francisco Standard's September 25, 2025, article and to provide additional details relevant to the City's investigation. Ms. Shah remains available to assist the City in its investigation in any way she can.

I. Factual Background[1]

The September 25, 2025, article in the San Francisco Standard claimed Ms. Shah of

[1] Ms. Shah is eager to address any concerns that the City or Treasurer Cisneros may have and to provide relevant evidence about her interactions with Mechanical Orchard, RFP processes in general and in the specific context of the RFP for a business tax system, and the relevant policies and practices that the Office has observed over the course of her tenure. We note that we asked that Ms. Shah be given access to her emails so that she could refresh her own memory of events that happened two or more years ago and identify email communications that corroborate her account. Unfortunately, the City has declined that request as she is currently on administrative leave. Ms. Shah is confident that unfettered access to the relevant evidence would only further

influencing the RFP process for the business tax system to favor Mechanical Orchard, where a friend of hers, Roque Versace, was the chief financial officer. That accusation is entirely false. As she explained in her interview[2] and again in more detail below:

- Ms. Shah has long served as a conscientious and ethical employee of the City.

- She informed numerous people in the Treasurer's Office that Mr. Versace was a friend; no one ever suggested that she needed to make a more formal disclosure or remove herself from any process that might affect Mechanical Orchard.

- Ms. Shah's relationship with Mr. Versace was not one that would cause her to favor his employer in any dealings with the City, and she would not expect any reasonable person with access to the actual facts to believe otherwise.

- Ms. Shah never provided any selective assistance to Mechanical Orchard, and dealt with it just as she would any other local business seeking to contract with the City.

- Neither Mr. Versace nor Mechanical Orchard ever sought Ms. Shah's influence to obtain any kind of preferential treatment from the City in any way. They never offered her any benefit of any kind, she never asked for any benefit of any kind, and neither she nor any member of her family received any benefit of any kind from Mr. Versace or Mechanical Orchard.

- The RFP for the business tax system was conducted consistent with City policies and practices established in prior RFPs. Ms. Shah's involvement was focused entirely on process. She did not write the RFP. She did not design the scoring rubric for the RFP. She was not a reader or scorer for the RFP. She did not know what scores the bidders received or have any influence over their scores. Her involvement was to direct the process, and to answer process questions, without any knowledge of who would be affected by her answers, or how. She did not make any decision to award the business tax system contract to Mechanical Orchard.

- Once the scorers independently awarded the contract to Mechanical Orchard, Ms. Shah not only did not favor Mechanical Orchard, she repeatedly advised her

establish that she did nothing wrong and rather she has been wronged by the inaccurate reporting in the Standard, also based on incomplete information.

[2] Ms. Shah provided extensive information about the business tax system RFP and Mechanical Orchard in her October 27 interview. This letter does not attempt to repeat all of the evidence that Ms. Shah offered in that interview that further refutes the assertions in the Standard article and refutes any suggestion that she failed to comply with the City's ethics rules and policies.

colleagues at the City to consider ***canceling*** the contract on account of Mechanical Orchard's negotiating position on the contract and uncertainty around intellectual property rights. After the City received a Sunshine Act Request related to the business tax system RFP, Ms. Shah once again proposed that the City consider canceling if there was any concern that there could be any perceived problems with the RFP or award. Each time, TTX decided to proceed.

- The two aspects of the RFP in which the Standard suggested that Ms. Shah improperly influenced the process in favor of Mechanical Orchard (advancing the five bidders with the three highest scores, and directing bidders to update pricing to explicitly address the costs of hosting) were previously raised by a disappointed bidder in a protest and were rejected by the City.

Ms. Shah has done absolutely nothing wrong. Her continuing administrative leave is a disservice to her and to the City she has long served. She should be exonerated and allowed to return to her job as soon as possible.

Ms. Shah's Exemplary Record as a Dedicated City Employee

Ms. Shah has been a dedicated City employee for almost 20 years.

In 2008 she joined the Office of the Treasurer and Tax Collector ("TTX") as a principal administrator analyst. Ms. Shah's hard work, dedication to the Office, and demonstrated effectiveness earned her increasing responsibilities. Eventually, the Treasurer, Jose Cisneros, appointed her Chief Assistant Treasurer in 2019. In this role, Ms. Shah was responsible for the on time and on budget migration of all major enterprise applications in the Treasurer's Office, as well as the development of an exacting middleware that serves the entire City. She also oversaw the design and development of: Unified License billing, the precursor for the business tax reform and permitting expedition; the flagship First Year Free and SF Lends programs; the rapid deployment of online tax applications to ease tax filings; and the award-winning Food Permit Online application for the Department of Public Health. Ms. Shah also implemented financial technology use for economic and social justice and business operations. For example, Ms. Shah oversaw the implementation of the robotic process automation to expedite tax refunds, saving the City millions in interest payments and leading to reduced customer service complaints. Ms. Shah also oversaw a 100% growth in the department's budget, managed layoffs, as well as the transfer of employees from other departments, and developed a budget that is transparent and ensures that critical deliverables such as a new tax implementation and increased requirements for public service are met while not hindering performance.

In addition to her role as Chief Assistant Treasurer, Ms. Shah has served on numerous committees and bodies within the City. She is the longest serving member on the Budget and Performance Subcommittee within the Committee on Information Technology; a member of the Government Operations Contracting Reform Committee; Chair of the SFMTA Bond Oversight Committee; former Chair of the SFUSD Parcel Tax Oversight Committee; and a member of the SMART Project Steering Committee within the Assessor's Office. Ms. Shah has received a recognition for service to small businesses from the San Francisco Small Business Commission; the Innovators Award from Wausau Financial Systems in January 2015; the Public Sector Champion Award by Thompson Reuters in January 2015; and the SPUR GOOD Government Award from SPUR & Municipal Finance Associate Committee in January 2012. Over the course of her career in the Office, Ms. Shah has earned the loyalty and admiration of many other employees in the Office and other departments of City government.

Introduction to Mechanical Orchard

Around February 2023, Ms. Shah became aware of Mechanical Orchard through her friend Roque Versace, who recently joined the company. Ms. Shah had become acquainted with Mr. Versace through Mr. Versace's wife, Karine, their sons had played soccer together, and the families occasionally socialized together. Mr. Versace was one of a number of people, including Treasurer Cisneros, who were invited to celebrate Ms. Shah's 48th birthday with drinks. He did not attend. Mr. Versace did attend Ms. Shah's 50th birthday celebration at which Treasurer Cisneros, Chief of Policy and Communications Amanda Fried and Tax Collector David Augustine were also in attendance. In fact, Ms. Fried and Mr. Augustine were seated with him at a small dinner table.

In February 2023, the Assessor's Office had a large contract with Salesforce and Sapient working with the office on a property tax replacement system. However, the second phase of the property tax system was not going as planned and the office was contemplating changing the scope of work on the project. Ms. Shah and Deputy Assessor Simone Jacques had discussed the challenges of the project, as the property tax system affected both of their departments.

In her conversation with Mr. Versace, Ms. Shah learned that his new company built technology that modernizes legacy systems, like the COBOL-based property tax system the City had at the time. In Ms. Shah's experience, not many companies have that expertise. Further, the requirements-oriented methodology that Mr. Versace described Mechanical Orchard as using appeared as though it could be superior to the "agile" methodology that Sapient was using. Ms. Shah thus recognized that Mechanical Orchard might have valuable insight on the issues occurring on phase two of the property tax system. Accordingly, on February 16, 2023, Ms. Shah emailed Ms. Jacques informing her of Mechanical Orchard, her conversation with Mr. Versace, and offering to set up a meeting with them. In this email, Ms. Shah disclosed her friendship with Mr. Versace and his affiliation with Mechanical

Orchard.[3]

Ms. Jacques took Ms. Shah up on her offer and Ms. Shah organized a meeting with Ms. Jacques, Information Systems Project Director Darrell Ascano, Director of Product Management Alanna Olague, and representatives from Mechanical Orchard. The purpose of the meeting was to learn about Mechanical Orchard's methodology on how to build new software, which was different than what the office was currently using for the property tax system. Ms. Shah again verbally disclosed to Mr. Ascano and Ms. Olague that she came to learn of Mechanical Orchard through her friendship with Mr. Versace.

Discovery Project on Business Tax System

Nothing came from the meeting with regard to the Assessor's Office. However, the meeting sparked interest in the TTX team around a new approach to building their business tax system. Ms. Shah, Mr. Ascano, and Ms. Olague wrote a white paper for the Treasurer Mr. Cisneros, Tax Collector Mr. Augustine, and Chief of Policy and Communications Ms. Fried to recommend an examination on the feasibility of building a new business tax system. At this time, Ms. Shah verbally disclosed to Mr. Cisneros, Mr. Augustine, and Ms. Fried that she came to learn of Mechanical Orchard through her friend who worked there, Mr. Versace.

After receiving approval from Mr. Cisneros, Mr. Augustine and Ms. Fried, TTX engaged 21Tech, who already had an existing contract with TTX, on a discovery project on the feasibility of building a new business tax system. Because the discovery project was under the threshold for requiring multiple bids and there was space within TTX's existing contract with 21Tech for this work, TTX asked 21Tech to perform this discovery project. Ms. Shah recognized that 21Tech, as the party responsible for the existing system, might have blind spots when it came to evaluating alternative strategies. In addition, because 21Tech already had the contract for the existing system, it had a vested interest in the status quo, whereas the purpose of the discovery project was to ascertain whether the City should issue a Request for Proposal (RFP) to provide a different system. Accordingly, TTX needed 21Tech to subcontract with an outsider on the discovery project for a more impartial take. Ms. Shah, Ms. Olague and likely Mr. Ascano researched to locate organizations in this space but did not find any aside from Mechanical Orchard. Accordingly, at TTX's direction, 21Tech subcontracted with Mechanical Orchard on the discovery project. This discovery project concluded in November 2023.

[3] Ms. Shah has always been transparent that Mr. Versace was a friend, albeit not a "close friend." During her interview by the City, Ms. Shah was shown an email in which Mr. Versace addressed Ms. Shah as "Taj" and the interviewer suggested that this demonstrated a kind of casual familiarity. To the contrary, Ms. Shah never goes by "Taj," and described the invented form of address as "lazy." A close friend of Ms. Shah would never call her "Taj,"

Because Mechanical Orchard expressed an interest in doing more work with the City, Ms. Shah sent them the information on how to become a Local Business Enterprise ("LBE"). This program helps identify small businesses that may wish to bid for City contracts. Information on the program is publicly available and all businesses who meet the requirements can become LBE-certified. Because TTX recognizes that the City's processes can be complex, it is the Office's standard practice to send such information to any new business that engages with the Office. Ms. Shah did not provide Mechanical Orchard with any information or assistance that would not be available to any other business that made a similar inquiry.

RFP on Business Tax System

The results of the discovery project led to the Business Tax Replacement RFP. The discovery project enabled TTX to create a clear and detailed RFP that specified what was and what wasn't needed in building a new business tax system.

To ensure that the RFP was successful in obtaining the most accurate information about the proposals and in identifying the best proposal for the City's needs, the Office also utilized the Department of Technology's contract with Gartner to review the proposal.

The RFP process generally is very collaborative, involving numerous people. This RFP was no different. Patrick Pacleb served as the Contract Administrator and Camille Neal served as the Project Manager. Both were new to these roles. Ms. Olague supervised Ms. Neal. Mr. Ascano provided expertise on the technical set up.

Ms. Shah's involvement on this RFP was similar to her involvement on the property tax, credit card, investment services, and permit center kiosk RFPs. Her role was to oversee the process by escalating issues to the contract office and providing counsel on who should be outside readers given her connections. Ms. Shah did not draft the RFP; her review was limited to proofreading and making suggestions for clarity.

From the beginning, the Office anticipated that 21Tech would be one of the bidders on the RFP. Given 21Tech's role in managing the existing system, its understanding of the data, and its understanding of the City's requirement, the Office ensured that all participants in the RFP had equal access to relevant information, including information gathered in the discovery project, that was necessary to prepare their bids. Mechanical Orchard did not have any informational advantage over any other participant in the RFP as a result of its involvement in the discovery project.

As explained in the RFP, scoring had three components: a written proposal (worth 100 points), a price proposal (worth 50 points), and an optional interview (worth 25 points).

Initial Scoring

As is TTX's standard practice, Ms. Olague benchmarked the scoring for this RFP off a prior RFP, in this case the credit card RFP. The initial scoring determines who will be invited to interview in the second round.

Once the total number of available points for each portion of the RFP was determined, Ms. Olague, Mr. Ascano, and Ms. Neal developed a rubric specifying the number of points each answer on the written section was worth. Ms. Shah was not involved in this process.

The score on the written submissions was determined by the readers who had been selected for the RFP based on their subject matter expertise and familiarity with the City's needs. In this case, the RFP had three internal readers from within TTX and two outside readers. Mary Perez from the Controller's Office and Paul Merlin from the Department of Technology served as outside readers in this case. TTX Manager Adrienne Yang, TTX Systems Engineer Jeremy Wong, and TTX Project Manager Mark Bourbin served as internal readers. Ms. Shah was not a reader and had no involvement at all in scoring the written submissions. The score on pricing was determined by a formula, as in other City RFPs, for which Ms. Shah again had no input. (The lowest price gets the highest score and the remaining proposals get a value based on the ratio of their price to the lowest one.)

The RFP received proposals from 12 qualified companies, including 21Tech and Mechanical Orchard. Ms. Shah was very pleased by the number of companies who submitted proposals, as the RFP had been successful in obtaining an unusually large number of bids, which would make for a more competitive process and enable the City to get the best possible outcome.

As shown in the materials that the City produced in response to the Standard's Sunshine Act request, the initial scoring resulted in one bidder having the highest score (127), three bidders having the second highest score (119), and a third bidders receiving the third highest score (113). As the RFP had stated that "interviews may be conducted for the top three scoring proposals that meet the minimum qualifications." Ms. Olague consulted Ms. Shah on what to do in the event of a tie.

Ms. Shah did not know how many bidders had tied, how many had tied for the first, second, or third highest score, or which bidders were among the three highest scores. She did not know any company's scores nor where they ranked. As was standard practice, Ms. Shah directed the team to consult the language of the RFP. It stated: "TTX reserves the right to conduct oral interviews as part of the selection process. Oral interviews may be conducted for the top three scoring proposals that meet the minimum qualifications." Consistent with prior practice, Ms. Shah understood this to be an application of "the Rule of Three," which TTX previously applied in such situations, such as the banking RFP. Under the Rule of Three, all applicants or bidders who have one of the three highest scores advance to the next round. As Ms. Shah was aware, the City of San Francisco applies the Rule of Three in exactly this way in the civil service context. *See*, *e.g.*, former Civil Service Commission Rule 202.6;[4] San Francisco Civil Service Commission, "Certification of Eligibles (Civil Service Adviser 11)," Nov. 1, 2000 (providing that "The 'Rule of Three' refers to the Charter requirement that the department head must consider at a minimum, the three highest scores from a list of eligibles to fill a vacancy.").[5] The Rule of Three is not unique to civil service in San Francisco, but it is perhaps better known here than in some other jurisdictions, as it led to litigation before the California Supreme Court. In a 2006 decision, the Court succinctly explained the Rule of Three and its application to tie scores:

> As of April 2000, the "Rule of Three Scores" governed promotions in the fire department. (S.F. Civil Service Commission Rules, rule 313 (issued Apr. 28, 2000).) Under that rule, all employees with the three highest scores on the list were certified as candidates when one position was available. (Rules 313.2.1(1), 313.3.1.) ***Because of tie scores, this group might include many more than three employees***.

San Francisco Fire Fighters Loc. 798 v. City & Cnty. of San Francisco, 38 Cal. 4th 653, 664 (2006) (emphasis added). *See also Leung v. City & Cnty. of San Francisco*, No. A123882, 2009 WL 3692263, at *1 (Cal. Ct. App. Nov. 6, 2009) (unpublished) ("Where the Rule of Three governs the selection process, all candidates on the eligible list who receive the three highest exam scores are certified as available for promotion. Because of tie scores, there are usually a greater number of certified candidates than available positions ….").

Accordingly, the team decided that the top three scores were to move on to the interviews and five companies were invited to interview. Each was informed that five companies had moved onto the interview round, and no participant raised any complaint or objection at that time. Once again, Ms. Shah's input was solely about process and was completely blind to which bidders would be affected by the application of the Rule of Three.

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[4] Available at https://www.sf.gov/reports--july-2024--rule-202-definitions-civil-service-commission.

[5] Available at https://www.sf.gov/reports--november-2000--certification-eligibles-civil-service-adviser-11.

Oral Interviews

The five companies that were invited to interview were 21Tech, DataHouse, Ernst & Young, Mechanical Orchard, and Vynyl. The same five individuals who had been readers and scorers of the initial written submissions also conducted the interviews (remotely, using Teams), employing a scoring rubric that they had developed without Ms. Shah's involvement. Ms. Shah sat in the videoconference interviews as an observer but did not participate in any way and did not have any involvement in scoring. To the best of Ms. Shah's recollection, Mr. Versace did not participate in the oral interview of Mechanical Orchard.

Based on the materials that the City produced in response to the Standard's Sunshine Act request, the five interviewers independently scored Mechanical Orchard highest of the five bidders, with Vynyl second, E&Y third, DataHouse fourth, and 21Tech last.

Final Scoring

During the oral interviews, it became clear to the readers that the five companies had different assumptions about costs such as testing scripts, rounds of testing, inclusion of AI services, and it wasn't clear what was included and excluded in their initial pricing sheet. For example, in the interviews, some bidders mentioned products or functionalities that they had not actually priced. Among other things, not all of the proposals appeared to anticipate that the solution would be hosted by the City. On this particular point, either TTX staff or readers asked Ms. Shah whether the new system was to be hosted by the City or not; she directed them to the RFP itself.

Consistent with her general practice, Ms. Shah referred the readers to the RFP itself, which confirmed that there was no requirement that the City host the solution. This particular issue had also been the subject of formal questions submitted by at least one bidder, and was addressed in the RFP questions and answers. For example, in response to question 26 the City explained that City hosting was not required by the RFP; other responses identified the cloud tenancies that were acceptable to the City (e.g., Nos. 14, 118, 122, 134).

It was important to clarify whether bidders were assuming City hosting or not, as the true, total cost of a solution to the City could be very different depending on that particular variable. It is TTX's practice to include the City's costs in hosting, which are determined by Mr. Ascano and the IT team. This was also done for the cashiering, property tax, credit card, and permit center kiosk RFPs. In response to inquiries from either staff or the readers about the business tax system RFP, Ms. Shah explained that if the RFP permitted both City-hosted and non-City-hosted solutions, they should obtain clarification about the cost of each, so that an apples-to-apples, true cost comparison could be made. At that time, Ms. Shah did not know which bidders were proposing City-hosted solutions and which were not, and she did not know what the cost impact of that variable would be. She had no involvement in calculating the City's costs for a City-hosted solution; that was performed independently by Mr. Ascano.

In addition to clarifying assumptions about pricing, it is not uncommon that the interview process provides the bidders better information about the City's expectations and requirements and allows them to refine or improve their pricing. In these circumstances, in past RFPs the City has been able to get more attractive terms from some bidders by asking for "best and final" pricing after initial pricing and interviews have been conducted.

Accordingly, On October 9, 2024, Ms. Neal emailed each of the five bidders who had advanced to the interview stage to request updated pricing from them. Her email explained that, "After a thorough review of the solutions presented during the oral interviews, we have identified the need for more specific and comparable pricing details to ensure a clearer evaluation of all proposals and their comparative value." *See* Email from C. Neal to D. Sanchez, re "Request for Updated Pricing Proposals – Business Tax System Replacement RFP," Oct. 9, 2024.[6] Ms. Neal asked that each bidder "ensure your pricing reflects the most current version of the solution you are proposing" and directed that if the bidder "mentioned any additional products, functionalities, or approaches during the oral interview or presentation that were not fully captured in your original cost proposal, make sure they are included in this updated submission." *Id.* She also told all bidders to assume a start date of January 2025, with an estimated 18-24 month implementation period. *See id.* And she reminded the bidders to "ensure the assumptions you listed still apply, and update if needed." *Id.*

Ms. Neal's email also made clear that bidders were free to propose a City-hosted or non-City-hosted solution, and should make clear in their pricing which they were offering and the costs associated with the decision. She wrote, "***For those proposing a non-City-hosted solution***, please clarify any ongoing hosting costs associated with your proposal. ***For those proposing to use the City-owned tenancies***, please clarify whether there are any additional infrastructure related costs that your proposal would incur." *Id.* (emphasis added). The email attached the Excel cost workbook with instructions about identifying cost assumptions for "Cloud Infrastructure" including the distinction between the necessary detail for "City Hosted solutions" and for "Non-City Hosted solutions." *Id.*

Ms. Neal's email also explained that the bidders' updated pricing would replace their initial pricing submission for scoring purposes. *See id.*

The updated pricing was scored using the previously established algorithm, allocating

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[6] This email was produced to the Standard by the City in response to the Sunshine Act request and thus is now publicly available.

20 points to the lowest price for app development and contingency, and 30 points to the five-year costs component. As always, the lowest price received the full point allocation, and the remaining bidders received scores based on the ratio of their price submission to the lowest price. As shown in the documents the City produced in response to the Sunshine Act request, bidders reduced their pricing in response to the request for updated, best and final offers ("BAFO") for pricing. For example, although E&Y added $199,970 to its updated pricing to account for cloud infrastructure costs, it offset that by a $335,000 reduction in its total pricing in an effort to win the contract. *See* Email from R. Samuel to C. Neal, re "Request for Updated Pricing Proposals – Business Tax System Replacement RFP," Oct. 23, 2024.

With the benefit of the updated pricing, 21Tech had the lowest price for app development and contingency in the updated pricing and so was awarded 20 points, and Mechanical Orchard had the lowest price for the five-year costs component and so was awarded 30 points. For the total updated pricing score, 21Tech was first and Mechanical Orchard second.

Final Scoring

After the final scores had been calculated, Ms. Shah had a call with Ms. Neal, Ms. Olague, and Mr. Ascano, where she learned Mechanical Orchard received the highest score. Ms. Shah instructed them to double-check and verify the scores. Ms. Shah also directed Ms. Neal, Ms. Olague and Mr. Ascano to move all the score sheets into the ready folder and send it to Mr. Pacleb for review.

Protest

On November 7, 2024, Vynyl protested the decision that awarded Mechanical Orchard the highest score for the Business Tax Replacement RFP for two reasons. First, Vynyl contended there was a procedural error in advancing five bidders to the oral interview stage. According to Vynyl, only three bidders could be invited to interview, regardless of ties. As it stated in its protest letter, "[t]o allow the advancement of the fifth place scorer, the RFP would have needed to specify the top three scores and not the top three proposals." Second, Vynyl protested the scoring methodology for the total cost because they were unaware of how the City was allocating the 50 points for final pricing between app development and contingency, on the one hand, and five-year costs on the other.

TTX officially rejected both protests. On November 12, 2024, Mr. Pacleb wrote to Vynyl, stating:

> With respect to your first protest, the selection of the top 3 proposers could not have been limited to only 3 firms because 3 of those firms shared the same score. If the City had limited its selection of 3 firms solely to 3 firms, it would

> have had to arbitrarily choose which of the 3 equally ranked proposers could move forward to oral interviews. This would have been unreasonable and unfair to the single equally scored entity that was not permitted to move forward, despite sharing the same score as the two that did move forward. The RFP stipulates oral interviews would be afforded to the top 3 scores, which resulted in 5 entities. This was also communicated to all as part of the invitation to the oral interview.

See Letter from P. Pacleb to M. Stevenson, Nov. 12, 2024.

As for Vynyl's second protest, that it had been unaware of how the 50 points for pricing were allocated across the cost workbook, that too was rejected. Mr. Pacleb explained that "With respect to your second argument, although the City did not inform Proposers how each section of the price proposal would be evaluated, there is no legal requirement that it do so. The City did not provide a breakdown for any section – Written, Oral and Price."

See id. Mr. Pacleb's denial letter communicated the Office of Contract Assessment's determination with input from Taraneh Moayed, Assistant Director of the Office of Contract Assessment, as well as Ms. Shah's explanation of her understanding.

Contract Negotiations

As Ms. Shah explained in her interview, at no time did she ever have any interest in favoring Mechanical Orchard over other bidders, at no time in the RFP process did she have information available to her that would have allowed her to influence the process in favor of other bidders, and at no time did she try to influence the process in favor of other bidders. Much to the contrary, after the contract had been awarded to Mechanical Orchard, Ms. Shah repeatedly made clear that she was prepared to withdraw the award and even counseled to cancel it in light of contracting difficulties caused by Mechanical Orchard and uncertainty over intellectual property rights.

Soon after TTX awarded Mechanical Orchard the Business Tax Replacement RFP, contract negotiations began. Mechanical Orchard heavily redlined the City's Terms and Conditions. TTX then had a meeting with Mechanical Orchard where Ms. Shah informed them if they could not agree to the City's Terms and Conditions the City would instead contract with the company that came in second place in the RFP. Mechanical Orchard then revised their redlines.

The City Attorney's Office then received a cease-and-desist letter from TTX's then-current vendor on the business tax system, Aumentum, claiming that TTX's contract with another vendor on the business tax replacement would infringe on Aumentum's intellectual property. Ms. Shah inquired whether this warranted cancelling the contract negotiations with Mechanical Orchard but, at this point, the City Attorney's Office did not advise cancelling negotiations. Ms. Shah and Mr. Augustine realized the negotiations with Mechanical Orchard were taking longer than expected. Accordingly, they decided to extend the terms on the existing contract with Aumentum for the business tax system. However, Aumentum's proposed contract terms included the City stipulating that Aumentum owned the intellectual property on elements of the legacy system, including the City's own data, that any successor system would have to use. At this point, Ms. Shah met with Mr. Cisneros, Mr. Augustine, and City Attorneys Scott Rieber and Mo Jamil to discuss how to proceed. At this meeting, Ms. Shah raised the question of whether any vendor or RFP would encounter this same IP issue. Ms. Shah again suggested cancelling the sourcing event for the business tax replacement system all together. Instead, with advice from the City Attorney, TTX decided to hire outside counsel, Cooley LLP, with expertise in intellectual property to look into the issues. Cooley ultimately advised that TTX could proceed notwithstanding the asserted IP issues.

In late September 2025, after receiving inquiries from the Standard, Mechanical Orchard informed TTX that it no longer wished to move forward on the contract on the business tax replacement system. Ms. Shah went to Mr. Cisneros, Mr. Augustine, Mr. Rieber, and Mr. Jamil to discuss next steps. She informed them that the usual process in this situation would be to continue the contract with the company that scored second in the RFP process. Mr. Cisneros and Mr. Augustine, with advice from counsel, decided not to move forward with the contract at all due to the intellectual property threat.

Standard Article

In its September 25, 2025, article, the San Francisco Standard reported that a whistleblower complaint alleged Mechanical Orchard's sister company, Ratio PBC, hired Ms. Shah's niece, Anjali Mehta, just weeks before the City began accepting bids to replace its business tax system. This is false.

As stated in the LinkedIn endorsement by Eric Guroff from Ratio PBC, which the Standard article quotes, Ms. Mehta was hired at Ratio for a few months to fill in for a staff consultant on parental leave. Ms. Mehta's engagement with Ratio ended in June 2024, prior to submissions for the Business Tax Replacement RFP. Ms. Shah did not know her niece consulted for Ratio until the Standard article. Moreover, Ratio was never involved or listed in the RFP.

II. Ms. Shah Did Not Violate San Francisco's Campaign and Governmental Conduct Code.

Ms. Shah did not violate Section 3.214 of San Francisco's Campaign and Governmental Conduct Code.

Section 3.214 of San Francisco's Campaign and Governmental Conduct Code provides that "[a] City officer or employee shall disclose on the public record any personal, professional, or business relationship with any person who is the subject of or has an ownership or financial interest in the subject of a governmental decision being made by the officer or employee where as a result of the relationship, the ability of the officer or employee to act for the benefit of the public could reasonably be questioned." Ms. Shah was not required to disclose her friendship with Mr. Versace on the public record as she did not make a "governmental decision" with respect to Mechanical Orchard.

The San Francisco Ethics Commission's regulation 3.214-2 provides that "[a] City officer or employee is making a governmental decision any time the officer or employee: (1) votes on a matter; (2) appoints a person; (3) obligates or commits his or her department, board, commission or agency to any course of action; (4) enters into any contractual agreement on behalf of his or her department, board, commission or agency; (5) determines not to act within the meaning of subsection (a)(1), (a)(2), (a)(3), or (a)(4)." In addition, it states "[a] City officer or employee is not making a government decision when: (1) the governmental decision must be approved by other City officers or employees within the same department, board, commission or agency of the City officer or employee."

The Ethic Commission has published commentary on its website to illustrate the application of this specific regulation. In particular, with respect to "determining whether a City officer or employee is making a governmental decision," the Commission provides the following example:

> Example 1. An employee at the Port of San Francisco reviews a rent reduction request from one of the Port's tenants and drafts a recommendation to the Port Commission regarding the request. Because the Port Commission, not the employee, must decide whether to grant the tenant's request, the decision regarding whether to grant the request is not a governmental decision being made by the employee.

See City and County of San Francisco Ethics Commission "Conflict of Interest & Other Prohibited Activities Regulations (C&GCC Section 3.200 et seq.)," Nov. 26, 2024, update.[7]

Ms. Shah never made a governmental decision with respect to Mechanical Orchard as she did not vote, appoint, obligate or commit her department to a course of action, enter into a contractual agreement on behalf of her department, nor determine not to act. Rather, the decision to award Mechanical Orchard the business tax replacement contract was the result of a competitive RFP process scored by five readers: Ms. Perez, Mr. Merlin, Ms. Yang, Mr.

[7] Available at https://sfethics.org/laws/conflict-of-interest/conflict-of-interest-other-prohibited-activities-regulations-san-francisco-campaign-and-governmental-conduct-code-section-3-200-et-seq#_Toc145494664.

Wong, and Mr. Bourbin. The RFP process was administered by the Contract Administrator, Mr. Pacleb and Project Manager, Ms. Neal. Ms. Shah's involvement in the RFP was limited to providing guidance to the TTX team on the RFP process. Moreover, once the RFP scoring was complete and a winner determined, the process had to be approved by the Office of Contract Administration . The contract was then negotiated by legal, Mr. Pacleb, the new Budget Director Yuri Hardin, , Ms. Olague, Mr. Ascano, and Ms. Shah. Although no final contract was signed with Mechanical Orchard, Mr. Cisneros, Mr. Augustine, and Ms. Shah decided that any contract would have been approved and signed by Mr. Augustine given his position as Tax Collector and Ms. Shah's relationship with Mr. Versace. Once again, neither Mr. Cisneros nor Mr. Augustine raised any concerns regarding Ms. Shah's involvement in the RFP or negotiations.

With regard to the discovery project, TTX had an existing contract with 21Tech that covered the scope of work. 21Tech then subcontracted with Mechanical Orchard to complete the work. TTX was never committed to a course of action with respect to Mechanical Orchard on the discovery project nor did TTX enter into any contractual agreement with Mechanical Orchard on the discovery project. Moreover, the discovery project was approved by Mr. Cisneros, Mr. Augustine, and Ms. Fried, other City officers within the same department.

Because Ms. Shah did not vote, appoint, obligate or commit her department to a course of action, enter into a contractual agreement on behalf of her department, nor determine not to act with respect to Mechanical Orchard she did not make a governmental decision. Even if she had made such a decision or recommendation (she did not), her actions would still not be considered a governmental decision as any decision had to "be approved by other City officers or employees within the same department." Accordingly, Ms. Shah was not required to publicly disclose her relationship with Mr. Versace at all. *See IMCO, L.L.C. v. Ford*, 2011 WL 5117265, at *3 (N.D. Cal. Oct. 27, 2011) (finding defendant did not make a governmental decision within the meaning of Section 3.214 because the decision to move forward with awards was not his decision alone).

This conclusion was ratified by the TTX department. Ms. Shah's relationship with Ms. Versace was not a secret. Mr. Cisneros, Mr. Augustine, Ms. Fried, Ms. Olague, and Mr. Ascano all knew of her friendship with Mr. Versace and his position at Mechanical Orchard. No one thought Ms. Shah's involvement in the RFP process was inappropriate or required public disclosure.

We have reviewed the publicly available disclosures of personal, family, and business relationships filed by other City employees and can find no precedent for any City employee filing a disclosure form in comparable circumstances. We have also reviewed the published decisions of the Ethics Commission, in which penalties and discipline have been imposed for failure to comply with disclosure rules and other ethics provisions. Likewise, we are aware of no prior occasion in which any City employee has been penalized or disciplined in circumstances similar to these.

Ms. Shah did not violate Section 3.218 of San Francisco's Campaign and Governmental Conduct Code.

In a telephone call following Ms. Shah's interview, counsel for the City raised the possibility that Ms. Shah might have acted inconsistent with the prohibition on incompatible activities. Questions asked at the interview appeared to touch on whether Ms. Shah had violated that policy by providing selective assistance to Mechanical Orchard. Ms. Shah did not violate any such policy.

On March 5, 2024, voters approved proposition D, which went into effect on October 12, 2024. Proposition D standardized and made uniform the rules previously contained in individual departmental Statements of Incompatible Activities, moved them into the Ethics Code, and discontinued the departmental Statements of Incompatible Activities.[8] Accordingly, Ms. Shah's actions prior to October 12, 2024, were governed by TTX's separate statement of incompatible activities.

TTX's statement of incompatible activities provided that: "No officer or employee may knowingly provide selective assistance (i.e., assistance that is not generally available to all competitors) to individuals or entities in a manner that confers a competitive advantage on a bidder or proposer who is competing for a City contract. Nothing in this Statement prohibits an officer or employee from providing general information about a bid for a City contract, a Department Request for Qualifications or Request for Proposals or corresponding application process that is available to any member of the public. Nothing in this Statement prohibits an officer or employee from speaking to or meeting with individual applicants regarding the individual's application, provided that such assistance is provided on an impartial basis to all applicants who request it." [9]

Ms. Shah did not provide selective assistance to Mechanical Orchard in violation of TTX's statement of incompatible activities. Ms. Shah at no point during the RFP process provided Mechanical Orchard any assistance not generally available to all competitors or in a manner that conferred a competitive advantage to Mechanical Orchard. In fact, when any question was asked during the RFP process Ms. Shah ensured that the answer was shared with all proposers, consistent with RFP practice generally. While Ms. Shah did share with Mechanical Orchard information on how to become an LBE this was prior to the RFP

[8] https://sfethics.org/ethics/2024/06/what-will-proposition-d-do.html.

[9] The prior policy is no longer readily visible on the Treasurer's website but can be located through targeted internet searches, and is available here: https://sftreasurer.org/media/405/download.

process and Mechanical Orchard becoming "a bidder or proposer." Moreover, becoming an LBE conferred no advantage to Mechanical Orchard in the RFP process, as TTX pursued a waiver for the LBE requirement on this RFP. In addition, providing Mechanical Orchard the information on how a business would become an LBE was merely "providing general information about […] [an] application process that is available to any member of the public," which was specifically not prohibited by TTX's statement of incompatible activities. This was also consistent with TTX's general practice of providing such information to small businesses that expressed an interest in doing work with the City.

III. Conclusion

Once again, Ms. Shah appreciates the opportunity to respond to the allegations of impropriety raised in the San Francisco Standard's article and participate in the City's investigation into the matter. If you have any additional questions or information Ms. Shah can provide that would be helpful, please let us know.

Very truly yours,

Fred Norton

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THE NORTON LAW FIRM PC