



*Mayor Sylvia Ballin • Mayor Pro Tem Robert C. Gonzales
Councilmember Jesse H. Avila • Councilmember Joel Fajardo • Councilmember Antonio Lopez
City Manager Brian Saeki*

SAN FERNANDO CITY COUNCIL
SPECIAL MEETING NOTICE & AGENDA
SEPTEMBER 15, 2014 – 5:00 PM
COMMUNITY MEETING ROOM
117 MACNEIL STREET
SAN FERNANDO, CA 91340

NOTICE IS HEREBY GIVEN that the San Fernando City Council will hold a Special Meeting on **Monday, September 15, 2014, at 5:00 p.m.**, in the Community Meeting Room, located at 117 Macneil Street, San Fernando, California.

CALL TO ORDER/ROLL CALL

PLEDGE OF ALLEGIANCE

Mayor Sylvia Ballin

APPROVAL OF AGENDA

PUBLIC STATEMENTS – WRITTEN/ORAL

There will be a three (3) minute limitation per each member of the audience who wishes to make comments in order to provide a full opportunity to every person who desires to address the City Council. Only matters contained in this notice may be considered.

PRESENTATION

1) GENERAL OVERVIEW BY THE CITY ATTORNEY'S OFFICE REGARDING PREPARATION AND SUBMISSION OF FORM 700 AND GENERAL CONFLICT OF INTEREST COMPLIANCE

The City Attorney's Office will provide a verbal presentation.

No formal action will be taken.



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ADJOURNMENT

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the City Hall bulletin board not less than 24 hours prior to the meeting.

*Julie M. Fernandez, Deputy City Clerk
Signed and Posted: September 12, 2014 (10:00 am)*


Agendas and complete Agenda Packets (including staff reports and exhibits related to each item) are posted on the City's Internet Web site (www.sfcity.org). These are also available for public reviewing prior to a meeting in the City Clerk's Office. Any public writings distributed by the City Council to at least a majority of the Councilmembers regarding any item on this regular meeting agenda will also be made available at the City Clerk's Office at City Hall located at 117 Macneil Street, San Fernando, CA, 91340 during normal business hours. In addition, the City may also post such documents on the City's Web Site at www.sfcity.org. In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification/accommodation to attend or participate in this meeting, including auxiliary aids or services please call the City Clerk's Office at (818) 898-1204 at least 48 hours prior to the meeting.

Special Meeting

San Fernando City Council

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POLITICAL REFORM ACT REPORTING AND CONFLICTS: FORM 700 FILING & RECUSAL


SEPTEMBER 15, 2014

PRESENTED BY:
RICHARD PADILLA
ASSISTANT CITY ATTORNEY


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THE POLITICAL REFORM ACT

- The Political Reform Act (the "Act") addresses the financial conflicts of interests regarding public officials through disclosure of the official's economic interests and prohibitions on participation in making decisions that the official knows or has reason to know will result in a material financial effect on one of the official's economic interests.
- The Act created the Fair Political Practices Commission (the "FPPC") to adopt regulations in furtherance of the Act and educate the public and public officials on the Act's requirements.


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FORM 700 (STATEMENT OF ECONOMIC INTERESTS)

- The Form 700 (Statement of Economic Interests) is a form that local public officials and designated employees must file annually (and certain other specified times) to disclose their financial interests.
- Disclosure alerts public officials to their own financial interests and potential areas of conflict in relation to their official duties.
- Disclosure also enables the public to judge whether there was a risk that a governmental decision was affected by a public official's financial self-interest or that of supporters and friends.


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RETENTION AND INSPECTION

- Form 700s are public records: During normal business hours, any member of the public is permitted to inspect and copy Form 700s on file with the City.
- City Form 700s are filed with the City Clerk, who must retain original Form 700s for at least 7 years.


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WHO MUST FILE A FORM 700?

- Mayors, City Council members, Planning Commissioners, City Managers, City Attorneys, City Treasurers and other officials who manage public investments ("Section 87200 Filers"), and candidates for those offices at any election must file a Form 700.
- In addition, employees and consultants designated as filers by the City's own conflict of interest ("COI") code ("designated employees") must file a Form 700.


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WHO MUST FILE A FORM 700?

- An employee in a newly created position that is not yet listed in the City's conflict of interest code is nevertheless a designated employee who must file a Form 700 under the broadest disclosure categories.
- Section 87200 Filers must complete all disclosure categories on the Form 700 but designated employees need only fill out the applicable disclosure categories specified in the COI code.


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TIMING OF FORM 700 FILING

- Officials must file Form 700s on the occurrence of certain triggering events and dates:
 - Upon assuming office (Slide 7);
 - Annually while holding office or a designated position (Slide 8); and
 - Upon leaving office or a designated position (Slide 9).


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FORM 700 UPON ASSUMING OFFICE

- Appointed and elected officials must file an “assuming office statement” listing the required economic interests within **30 days of assuming office**.


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ANNUAL FORM 700s

- After assuming office, the annual Form 700 must be filed **no later than April 1**.
- If an office is assumed between October 1 and December 31, and an assuming office Form 700 is completed, an annual Form 700 is not required to be filed until 1 year later than otherwise would be required.


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FORM 700S WHEN LEAVING OFFICE

- An office holder must file a Form 700 within **30 days of leaving office.**
- With regard only to City Council members, Planning Commissioners, City Managers, City Attorneys, City Treasurers and other officials who manage public investments, and candidates for those offices, if a person leaves such office between January 1 and April 1, the leaving office statement will qualify as the annual statement if the person notifies the City Clerk.


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CONTENTS OF DISCLOSURE STATEMENTS

- Form 700s must disclose the filer's source of income and interests in real property, except the filer's primary residence.
- Filers must disclose specified types of investments, interests in real property and businesses, income, gifts, and loans.
- Filers must also disclose the income and real property interests held by his or her immediate family (spouse and dependent children).


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COMMON ISSUE: PERSONAL RESIDENCE

- Generally, any personal residence occupied by an official or his or her family is not reportable if used exclusively as a personal residence.
- However, any residence for which an official receives rental income is reportable if it is located in the City.
- Also, a residence for which a business deduction is claimed is reportable if the portion claimed as a tax deduction is valued at \$2,000 or more.


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COMMON ISSUE: SPOUSE'S SALARY

- Generally, an official is required to report 50% of his or her spouse's salary disclosing the employer's name as the source of income on Schedule C of the Form 700.
- If the spouse is self-employed, the business entity should be reported on Schedule A-2.
- Filers should check their disclosure category to determine if income is required to be reported.


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COMMON ISSUE: RETIREMENT ACCOUNT

- Investments held in a government defined-benefit pension program (e.g. CalPERS) are not reportable.
- Investments held in a 401k or exchange traded fund are not required to be disclosed if it meets the regulations set forth in FPPC Regulation 18237.
- Filers should contact their account managers for assistance in determining what assets are in their accounts.


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COMMON ISSUE: GIFTS

- The gift limit for 2014 is \$440, so that gifts from a single, reportable source may not exceed \$440 in a calendar year.
- If over the course of a year, an official receives several \$35 meals from the same reportable source, the source must be reported because the gifts from a single source are aggregated and must be reported if aggregated at \$50 or more.
- Unused gifts that are returned to the donor, or reimbursed within 30 days of receipt are not reportable.




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CONFLICT OF INTEREST

- Stripped of legal jargon, an official has a conflict of interest with regard to a particular government decision if:
 - *It is sufficiently likely that the outcome of the decision will have an important impact on your economic interest(s); and*
 - *A significant portion of your jurisdiction does not also feel the important impact on their economic interests.*
- The process of determining whether a disqualifying conflict of interest exists for an official is a very complex one.




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CONFLICT OF INTEREST

- There are statutes, regulations, and interpretive opinions that flesh out each aspect of the basic prohibition identified above.
- To organize this analysis, the FPPC has adopted an eight-step procedure for identifying when one must disqualify oneself from participating in a matter.



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EIGHT STEP ANALYSIS

Step 1: Am I a public official?

Step 2: Am I making, participating or influencing a governmental decision?

Step 3: What legally recognized economic interest of mine is at stake?

Step 4: Is the economic interest I have directly or indirectly affected by the governmental decision?


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EIGHT STEP ANALYSIS

Step 5: Is the potential financial effect of the at-stake economic interest material?

Step 6: Is it reasonably foreseeable that the economic interest will in fact be materially affected?


Step 7: Is the effect on my interest any different from the effect on the general public?

Step 8: Even with an otherwise disqualifying conflict-of-interest is the situation such that I'm still legally required to act?


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REGARDING CONFLICT OF INTEREST ANALYSIS

- Conflict of interest law applies only to financial/economic conflicts of interest.
- Whether an official has a conflict of interest depends heavily on the facts of each governmental decision.
- The most important proactive step an official can take to avoid conflict of interest problems is learning to recognize the economic interests from which conflicts of interest can arise (See #3 of handout.)


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DISQUALIFICATION VS. ABSTENTION

- Disqualification is legally required.
 - Does not imply wrongdoing.
 - Can lead to the lack of a quorum since a disqualified official does not count as "present" during the consideration of the conflicted item.
- Abstention is discretionary.
 - Example: No legal basis for disqualification but official is not confident that he or she can separate personal loyalties from the decision.
 - An official who abstains is considered "present" for the quorum but his or her abstention does not count as a yes or no vote.


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PROCESS FOR DISQUALIFICATION

- If an official is disqualified from participating on an agenda item, he or she must:
 - *Not attempt to influence the commission's decision in any way or discuss the item with City staff or other officials.*
 - *Immediately prior to the discussion of the item, orally identify each type of conflicted economic interest in sufficient detail to be understood by the public.*
 - *Recuse himself or herself and leave the room for the duration of the discussion and vote on the item.*


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NOTE: AB 1234 TRAINING

- This presentation is not a substitute for the full AB 1234 ethics training required under the Act.
- Self study materials for AB 1234 training are available at www.ca-ilg.org/ab1234compliance.
- The FPPC offers free online training at <http://localethics.fppc.ca.gov/login.aspx>.

California Fair Political Practices Commission

Frequently Asked Questions:

Form 700 Disclosure

General	Page 1	Income	Page 2	Investments	Page 3
Real Property	Page 3	Enforcement	Page 4	Gifts/Travel	Page 4
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The FAQs listed below are selected from questions people frequently ask the FPPC about the Statement of Economic Interests (Form 700). All efforts have been made to provide helpful, easy to understand, answers to common questions. Please note that this fact sheet cannot address all of the unique variables and circumstances related to disclosure. Individuals are encouraged to contact the FPPC with specific facts. Keep in mind that the Form 700 is a public document. Form 700s filed by State Legislators and Judges, members of the FPPC, County Supervisors, and City Council Members are available on the FPPC's website.

General Questions

1. Q. Do all officials have the same disclosure requirements for Form 700 reporting?
 - A. No. The majority of individuals that file the Form 700 must do so by following the rules set forth in their agency's conflict of interest code ("designated employees"). Before completing the Form 700, an official should be familiar with the disclosure category for his or her position. For example, since job duties differ from agency to agency and even unit to unit within the same agency, an analyst for one agency, or unit of that agency, may not have the same reporting requirements as an analyst from another agency, or even another unit of the same agency.

Officials listed in Government Code Section 87200 (e.g., boards of supervisors, city council members, planning commissioners, elected state officials, etc.) must report all sources of gifts, as well as sources of income, and investments and business positions in business entities, doing business within, and real property interests located within, their agency's jurisdiction. For local officials, real property located within 2 miles of the boundaries of the jurisdiction or any real property that the agency has an interest in is deemed to be "within the jurisdiction."
2. Q. Is it necessary to read all of the information before completing the Form 700?
 - A. Each individual must verify the Form 700's content under penalty of perjury. Therefore, all effort must be made to understand what is required by the form. When necessary, the FPPC may be contacted for specific, personal guidance. Immunity from an enforcement action can only be provided when an official submits a request for formal written advice.
3. Q. Where are the Form 700s filed?
 - A. Most state and local officials file with their agency. In most instances, the agency is required to forward the originals for specified high-level officials to the FPPC; however, only retired judges serving on assignment and legislative staff file the Form 700 *directly* with the FPPC.

4. Q. If the Form 700 is postmarked by the due date, is it considered filed on time?
A. Yes.
5. Q. If an official holds various positions for which the Form 700 is required, is a statement required for each position?
A. Yes, however one expanded statement covering the disclosure requirements for all positions may be completed so long as an originally signed statement is filed with each filing officer.
6. Q. Do individuals need to file a complete Form 700 when they leave office?
A. Yes. The same requirements apply for the assuming office, the annual, and the leaving office filings.
7. Q. An individual is hired into a newly created management position in her agency's Information Technology Department. How does she complete the Form 700?
A. Because it is a newly created position, the law requires that economic interests are reported under the broadest disclosure category in the agency's conflict of interest code unless the agency sets interim disclosure that is tailored to the limited range of duties of the position. Generally, the Form 700 must be filed with the agency within 30 days of the date of hire. Note: An individual may request that the agency complete the Form 804 (Agency Report of New Positions) to tailor the disclosure category to the job duties of the new position.
8. Q. Must board members of a non-profit public benefit corporation that operates California charter schools file Form 700?
A. Yes. Members of charter schools are officials and must file Form 700.

Income Questions

9. Q. Must an official report a spouse's (which includes registered domestic partner's) salary?
A. Generally an official is required to report 50% of his or her spouse's or registered domestic partner's salary disclosing the employer's name as the source of income on Schedule C of the Form 700. If the spouse or registered domestic partner is self-employed, the business entity should be reported on Schedule A-2. Officials should check their disclosure category, if applicable, to determine if the income is reportable. Note: The filer's regular government salary is not reportable.
10. Q. If an official owns a business in which he has received income of \$10,000 or more from a client, is the official required to disclose the client's name on Schedule A-2, Part 3?
A. Yes, except for under rare circumstances where disclosure of the identity would violate a legally recognized privilege under California law. In these cases, the FPFC's Executive Director is authorized to grant an exemption.

Investment Questions

11. Q. An official holds various stocks through an account managed by an investment firm. The account manager decides which stocks to purchase with no input from the official. Are the stocks subject to disclosure?
- A. Yes. Unless the stocks are in diversified mutual funds registered with the SEC, any investments worth \$2,000 or more in a business entity located in or doing business in the jurisdiction must be disclosed on Schedule A-1 or A-2 if the official's disclosure category requires that such investments be reported.
12. Q. Are funds invested in a retirement account required to be disclosed?
- A. Investments held in a government defined-benefit pension program plan (i.e., CalPERS) are not reportable. Investments held in a fund such as a defined contribution plan 401(k) or exchange traded fund (ETF) are not required to be disclosed if the fund meets specified requirements. (See Regulation 18237.) An official may need to contact their account manager for assistance in determining what assets are held in the account.
13. Q. How are interests in a living trust reported? If the trust includes rental property in the official's jurisdiction, a primary residence, and investments in diversified mutual funds, are there different disclosure rules?
- A. The name of the trust is reported, along with the rental property and its income, on Schedule A-2. The official's primary residence, if used exclusively as a personal residence, and investments in diversified mutual funds registered with the SEC, are not reportable. (For secondary residences, see Question 15.) Although the official's primary residence is not required to be disclosed on the Form 700, it is still considered an economic interest for conflict of interest purposes. (See Question 14.)

Real Property Questions

14. Q. Is an official's personal residence reportable?
- A. Generally, any personal residence occupied by an official or his or her family is not reportable if used exclusively as a personal residence. However, a residence for which a business deduction is claimed is reportable if the portion claimed as a tax deduction is valued at \$2,000 or more. In addition, any residence for which an official receives rental income is reportable if it is located in the jurisdiction.
15. Q. When an official is required to report interests in real property, is a secondary residence reportable?
- A. It depends. First the residence must be located in the official's jurisdiction. If the secondary residence is located in the official's jurisdiction and rental income is received (including from a family member), the residence is reportable. However, if the residence is used exclusively for personal purposes and no rental income is received, it is not reportable. Although the secondary residence may not be reportable, it is still considered an economic interest for conflict of interest purposes.

16. Q. If a primary or secondary personal residence is required to be reported, is the street address required to be disclosed?

A. No. The assessor's parcel number may be listed instead of the street address.

Enforcement Question

17. Q. What is the penalty for not filing the Form 700 on time or not reporting all required economic interests?

A. A late fine of \$10 per day up to a \$100 may be assessed. In addition, if a matter is referred to the FPPC Enforcement Division for failure to file or failure to include all required economic interests, the fine may be substantially higher. In 2013, the FPPC collected over \$80,000 in fines for late statements and non-disclosure of economic interests. If an individual does not pay a fine, the matter may be referred to the Franchise Tax Board for collection.

Gift/Travel Questions

18. Q. What is the gift limit for 2013-2014?

A. **\$440:** This means that gifts from a single, reportable source, other than a lobbyist or lobbying firm (see below), may not exceed \$440 in a calendar year. For officials and employees who file the Form 700 under an agency's conflict of interest code ("designated employees"), this limit applies only if the official or employee would be required to report income or gifts from that source on the Form 700, as outlined in the "disclosure category" portion of the agency's conflict of interest code. Note: For conflict of interest purposes, the gift must be under \$440 to avoid consideration under the conflict rules. (In other words, there is a one dollar discrepancy in the threshold amounts.)

State Lobbyist & Lobbying Firm Limit:

\$10: State candidates, state elected officers, and state legislative officials may not accept gifts aggregating more than **\$10 in a calendar month that are made or arranged by a registered state lobbyist or lobbying firm.** The same rule applies to state agency officials, including members of state boards and commissions, if the lobbyist or firm is registered to lobby, or should be registered to lobby, the official's or employee's agency.

19. Q. During the year, an official received several gifts of meals from the same reportable source. Each meal was approximately \$35. Is the source reportable?

A. Yes. Gifts from the same reportable source are aggregated, and the official must disclose the source when the total value of all meals reaches \$50.

20. Q. Does a gift source have to be reported if it is not doing business in the jurisdiction but is of the type that would need to be reported if it were?

A. Yes. While income reporting has a jurisdictional limitation under the Act, gift reporting does not. Therefore, gifts from sources located anywhere in the world are reportable if they are of the type that do business with the employee's agency such that the employee is required to report sources of that type.

21. Q. How does an individual return a gift so that it is not reportable?

A. Unused gifts that are returned to the donor, or reimbursed within 30 days of receipt are not reportable. The recipient may also donate the unused item to a charity or governmental agency within 30 days of receipt or acceptance so long as the donation is not claimed as a tax deduction.

22. Q. Two people typically exchange gifts of similar value on birthdays. Are these items reportable?

A. No. Such gift exchanges with individuals, other than lobbyists, on birthdays, holidays, or similar occasions, are not reportable or subject to gift limits. The gifts exchanged must be similar in value.

23. Q. Must an official report gifts received from an individual whom the official is dating?

A. No. Gifts of a personal nature exchanged because the individuals are in a bona fide dating relationship are not reportable or subject to gift limits. However, the official remains subject to the conflict of interest rules and some matters may require recusal from voting.

24. Q. A vendor that does business with the agency provided entertainment tickets to the spouse of one of the agency members. Must the member report the tickets as gifts?

A. Yes, unless an exception applies, the tickets are a reportable gift. A gift to an official's spouse is a gift to the official when there is no established working, social, or similar relationship between the donor/vendor and the spouse or there is evidence to suggest that the donor had a purpose to influence the official.

25. Q. An agency received two free tickets to a concert from a local vendor. The agency had discretion to determine who in the agency received the tickets. Each ticket was valued at \$140. If the director of the agency used the tickets, how are they reported?

A. The tickets are reportable in the amount of \$280 on the director's Form 700 if the vendor is the type of source covered under the director's disclosure category in the agency's conflict of interest code.

26. Q. An agency received a large box of chocolates as a holiday gift from a local merchant. It was addressed to the agency and not to a particular employee. Is there a reporting requirement?

A. No, so long as the value is less than \$50 to any one employee of the agency.

27. Q. Do prizes received by city employees in a drawing conducted by the city for all city employees participating in the city's charitable food drive constitute gifts under the Act, subject to the Act's limits and reporting requirements, if they were donated to the agency by an outside source?

A. Yes. The prizes are gifts if donated by an outside source.

28. Q. Is a ticket provided to an official for his or her admission to an event at which the official performs a ceremonial role or function on behalf of his or her agency reportable on the official's Form 700?

A. No, so long as the organization holding the event provides the ticket. However, the official's agency must complete FPPC Form 802 (Agency Report of Ceremonial Role Events and Ticket/Pass Distributions) and forward it to the FPPC. The form will identify the official's name and explain the ceremonial function. (See Regulation 18942.3 for the definition of "ceremonial role.")

29. Q. Are frequent flyer miles reportable?

A. No. Discounts received under an airline's frequent flyer program that are available to all members of the public are not required to be disclosed.

IMPORTANT NOTE: Effective January 1, 2014, the types of travel payments that may be reported by an official's agency on the Form 801 in lieu of the official reporting the payment on his or her Form 700 have been revised. See Regulation 18950.1 for additional information.

30. Q. If a non-profit organization pays for an official to travel to a conference after receiving the funds to pay for the travel from corporate sponsors, specifically for the purpose of paying for the official's travel, is the non-profit organization or the corporate sponsors the source of the gift?

A. The corporate sponsors are the source of the gift if the corporate sponsors donated funds specifically for the purpose of the official's travel. Thus, the benefit of the gift received by the official would be pro-rated among the donors. Each reportable donor would be subject to the gift limit and identified on the official's Form 700. The FPPC should be contacted for specific guidance to determine the true source of the travel payment.

31. Q. May an official accept travel, lodging and subsistence from a foreign sister city while representing the official's home city?

A. If the travel and related lodging and subsistence is paid by a foreign government and is reasonably related to a legislative or governmental purpose, it is not subject to the gift limit. However, the payments must be disclosed as gifts on the Form 700 for this exception to apply. While in the foreign country, any personal excursions not paid for by the official must also be disclosed and are subject to the gift limit. If private entities make payments to the foreign government to cover the travel expenses, the gift limit will apply and travel payments will likely be prohibited. Please contact the FPPC for more information.

32. Q. An analyst for a state or local agency attends a training seminar on the new federal standards related to the agency's regulatory authority. If the analyst's travel payments are paid by the federal agency, must the analyst report the payment on the Form 700?

A. No. A payment for travel and related per diem received from a government agency for education, training, or other inter-agency programs or purposes, is not considered a gift or income to the official who uses the payment.

33. Q. A state legislator and a planning commissioner were guest speakers at an association's event. Travel expenses were paid by the association, and the event was held in the United States. Is this reportable?
- A. Yes. The payment is reportable, but not subject to the gift limits. In general, an exception applies to payments for travel within the United States that are provided to attend a function where the official makes a speech. These payments are not limited, but are reportable as gifts. The rules require that the speech be reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy; and the travel payment must be limited to actual transportation and related lodging and subsistence the day immediately preceding, the day of, and the day immediately following the speech. (See Government Code Section 89506. Other rules may be applicable if this exception is not used.)

Tickets to Non-Profit and Political Fundraisers Questions

34. Q. An official is offered a ticket from a 501(c)(3) charitable organization to attend its fundraising event. The face value (price) of the ticket is \$500, and the ticket states that the tax deductible portion is \$350. If the official accepts the ticket, what must be reported?
- A. Nothing is required to be reported on the Form 700 so long as the ticket is provided directly by the 501(c)(3) organization for its own fundraising event and is used for the official's own attendance at the fundraiser. In this case, the ticket is deemed to have no value. The official may also accept a second ticket provided directly by the 501(c)(3) organization for his or her guest attending the event, without a reporting obligation by either the official or the guest.
35. Q. What if someone purchases a table at a non-profit fundraiser and offers an official a seat at the table?
- A. If another person or entity provides a ticket, it is a gift and subject to the gift limit. The value is the non-deductible portion on the ticket. If there is no declared face value, then the value is the pro-rata share of the food, catering service, entertainment, and any additional item provided as part of the event. The "no value" exception only applies if the official receives no more than two tickets for his or her own use directly from the 501(c)(3) organization and it is for the organization's fundraising event.
36. Q. An agency employee who holds a position designated in the conflict of interest code receives a ticket to a fundraiser from a person not "of the type" listed in the agency's code. Is the agency employee required to report the value?
- A. No. A ticket or any other gift may be accepted under these circumstances without limit or reporting obligations. Note: agencies must ensure the conflict of interest code adequately addresses potential conflicts of interests but not be so overbroad as to include sources that are not related to the employee's official duties.
37. Q. A 501(c)(3) organization provides a ticket to an official for its fundraising event. The organization seats the official at a table purchased by a business entity. Does the official have to report the ticket?

- A. No. So long as the ticket is provided directly by the 501(c)(3) organization and is used for the official's own attendance at the fundraiser, the ticket is not reportable regardless of where the official is seated.
38. Q. An official receives a ticket to attend a political fundraiser held in Washington D.C. from a federal committee. Is the official required to disclose the ticket as a gift, and is it subject to the gift limit?
- A. No. The value of the ticket is not a gift so long as the ticket is provided to the official directly by the committee holding the fundraiser and the official personally uses the ticket. (Regulation 18946.4.) Separate rules apply for travel provided to attend the fundraiser. Regulation 18950.3 covers issues on travel paid by or for a campaign committee.
39. Q. A political party committee is holding a political fundraiser at a golf course and a round of golf is included. If the committee provides an elected official a ticket, is the ticket reportable by the official?
- A. No. So long as the official uses the ticket for his or her own use. If someone other than the political party provides a ticket, the full cost of the ticket is a gift. The political party must report the total amount spent on the fundraiser on its campaign statement.
40. Q. If a business entity offers an official a ticket or a seat at a table that was purchased for a political fundraiser, what is the value?
- A. Because the ticket was not offered by the campaign committee holding the fundraiser, it is a gift to the official. The value is either the face value of the ticket or the pro-rata share of the food, catering services, entertainment, and any additional benefits provided to attendees.
41. Q. If an official attends an event that serves only appetizers and drinks, does the "drop-in" exception apply no matter how long the official stays or how many appetizers or drinks are consumed?
- A. No. The focus of the food and beverages "drop-in" exception is not on the nature of the event as a whole, but rather on the particular official's brief attendance and limited consumption. If an official attends an event that serves only appetizers and drinks, the "drop-in" exception would only apply if the official just "drops in" for a few minutes and consumes only a "de minimis" amount of appetizers and drinks. However, the "drop-in" exception does not automatically apply just because the event does not serve more than appetizers and drinks.
42. Q. An organization, which is not a 501(c)(3) organization, is holding a fundraiser at a professional sporting event. Tickets to this sporting event are sold out and it appears that tickets are only available at a substantially higher price than the stated face value amount of the ticket provided to the official by the organization. If the official attends the event, what is the value of the gift?
- A. The value is the face value amount stated on the ticket to the sporting event. This valuation rule applies to all tickets to such events that are not covered by a separate valuation exception, such as non-profit and political party fundraisers.

43. Q. An official receives a ticket to a fundraiser, and if accepted, the ticket will result in a reportable gift or a gift over the current gift limit. What are the options?
- A. The official may reimburse the entity or organization that provided the ticket for the amount over the gift limit (or pay down the value to under the \$50 gift reporting threshold if the official does not want to disclose the ticket). Reimbursement must occur within 30 days of receipt of the ticket. A candidate or elected official may use campaign funds to make the reimbursement if the official's attendance at the event is directly related to a political, legislative, or governmental purpose for the payment. A ticket that is not used and not given to another person is not considered a gift to the official.



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POLITICAL REFORM ACT: EIGHT-STEP CONFLICT OF INTEREST TEST

THE POLITICAL REFORM ACT

The Political Reform Act (the “Act”) addresses the financial conflicts of interests regarding public officials through disclosure of the official’s economic interests and prohibitions on participation in making decisions that the official knows or has reason to know will result in a material financial effect on one of the official’s economic interests. The Act created the Fair Political Practices Commission (the “FPPC”) to adopt regulations in furtherance of the Act and educate the public and public officials on the Act’s requirements.

The process of determining whether a disqualifying conflict of interest exists for an official is a very complex one. There are statutes, regulations, and interpretive opinions that flesh out each aspect of the basic prohibition identified above. To organize this analysis, the FPPC has adopted an eight-step procedure for identifying when one must disqualify oneself from participating in a matter.

1. Am I a public official?

Persons who have “decision-making authority” over governmental decisions, per FPPC Regulation 18701 or who are required to file a Form 700 as a Section 87200 Filer or Conflict of Interest Code designated employee are considered public officials.

2. Am I making, participating or influencing a governmental decision?

The rule of thumb as to whether an official is making, participating in making, or influencing a governmental decision is if he/she is exercising *discretion or judgment* with regard to the decision. If the answer is “yes,” then his/her conduct with regard to the decision is very probably influencing a governmental decision.

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3. **What legally recognized *economic interest* of mine is at stake?**

- Business investment: \$2,000 or more investment in a business entity by commissioner/by agent on his/her behalf.
- Business employment or managements: Position of management in a business entity.
- Real property: \$2,000 or more interest in real property.
- Sources of income: Receipt of at least \$500 within 12 months prior to decision made.
- Gifts: Anyone who has given Commissioner gifts totaling at least \$440 or more within 12 months prior to decision.

4. **Is the economic interest I have directly or indirectly affected by the governmental decision?**

An economic interest which is directly involved in and therefore directly affected by a governmental decision creates a bigger risk of a conflict of interest than does an economic interest which is only indirectly involved in the decision. As a result, the FPPC's conflict of interest regulations distinguish between economic interests that are directly involved and interests that are indirectly involved.

5. **Is the potential financial effect of the at-stake economic interest *material*?**

An official will have a conflict of interest only if it is reasonably foreseeable that the governmental decision will have an *important* or *significant* impact on his/her economic interests. Unfortunately, the definition of "materiality" is somewhat subjective and non-quantifiable and it is not clear from the FPPC Regulations precisely when a financial impact is considered material. Since different materiality standards apply to different economic interests, it is necessary to apply the appropriate standard to the relevant interest. For example, under the FPPC's recent change to the 500-foot rule that became effective May 31, 2014, interests in properties beyond 500 feet are no longer presumed to be non-material and an official owning such property may be disqualified if the decision changes the property's development potential, income producing potential, highest and best use, and/or character.

6. **Is it *reasonably foreseeable* that the economic interest will in fact be materially affected?**

Foreseeability requires a factual analysis of the likelihood of significant impact. The Act uses the words "reasonably foreseeable," which the FPPC has interpreted to mean as "substantially likely." Generally speaking, the likelihood need not be a certainty, but it must be more than merely possible.

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7. Is the effect on my interest any different from the effect on the general public?

An official may still be allowed to participate in a decision if the impact on him or her is not different from the impact on the general public. This exception exists because an official is less likely to be biased by a financial impact when a significant part of the community has financial interests that will substantially likely experience the same impact by the governmental decision in issue.

8. Even with an otherwise disqualifying conflict of interest is the situation such that I'm still legally required to act?

In rare circumstances, an official may be called to take part in a decision despite having a disqualifying conflict of interest. This legally required participation, sometimes referred to as the rule of necessity, applies only in certain very specific circumstances in which the Commission would be paralyzed and unable to act without his or her participation in the vote.