



Los Angeles City Ethics Commission

April 22, 2014

The Honorable Budget and Finance Committee
c/o Erika Pulst, City Clerk's Office
200 North Spring Street
City Hall Room 395
Los Angeles CA 90012

Re: Proposed Ethics Commission Budget for Fiscal Year 2014-15
FOR COUNCIL CONSIDERATION

Dear Committee Members:

The Mayor's proposed budget for Fiscal Year 2014-15 does not reduce the Ethics Commission's current budget, and we are pleased with the proposal. However, we do want to point out two requests that were not included in the Mayor's proposal.

The first request was for additional funding for a Citywide database of bidders and contractors. On December 10, 2013, the City Council added to the Governmental Ethics Ordinance a requirement that the Ethics Commission create and maintain a publicly-accessible electronic database that tracks all City contracts, contractors, and bidders. Los Angeles Municipal Code (LAMC) § 49.7.11(B). The new law also mandates that the City "provide the Ethics Commission with adequate staffing and funding to create, maintain, and update the database." LAMC § 49.7.11(B)(5).

To begin the process of creating the required database, we requested additional funding of \$371,376 for Fiscal Year 2014-15. *See* Attachment A. In our discussions with the Mayor's office and the CAO's office, it was suggested as a cost-saving measure that we work with ITA and other agencies regarding the new FMS system that is being developed. We have since been interacting with them regarding that system, and they are willing to accommodate the requirements of the Governmental Ethics Ordinance to the extent possible. However, the new FMS system will not be operational for at least two years. And, more importantly, it will not apply to contracts, contractors, or bidders within the proprietary departments. Therefore, it will not be as comprehensive as the law requires. Without additional funding for a Citywide contract database, we will not be able to comply with LAMC § 49.5.11(B).

The second request we would like to highlight was a request to convert into regular authority positions the two resolution authority positions that were added this year for auditing purposes. *See* Attachment B. The 2013 elections were the most expensive and active in Ethics Commission history. In order to ensure that the nearly 100 mandatory post-election audits are

completed within the statute of limitations, two Auditor I positions were added to our staff this year as resolution authority positions. We will need to maintain those positions for at least four years to meet the statute of limitations for the 2013 elections. And in the intervening years, additional mandatory audits associated with the 2015 elections and 2017 elections will be added to the queue.

Campaign audits are a highly complex undertaking, and the learning curve is steep. As long as these positions remain resolution authority positions and their longevity is uncertain, the individuals who fill them will look for permanent placements. The loss of even one auditor (one-fourth of our entire audit team) will have significant repercussions and could delay the audit process to the point that we fail to complete audits within the statute of limitations.

As always, we are willing to work with our City partners to develop a fair and sustainable budget. We are pleased that the Mayor's proposal does not cut the Ethics Commission's budget for next year. However, we will not be able to comply with the mandate to create and maintain a Citywide contract database without additional funding.

We will be available to answer questions at committee and City Council budget hearings, and I am happy to talk with you or your staff at any time.

Sincerely,



Heather Holt
Executive Director

cc: Rick Cole, Deputy Mayor for Budget and Financial Policy
Miguel Santana, City Administrative Officer
Mara Corella, Analyst, CAO's Office

City Ethics Commission
FY 2014-15 REQUEST NO. 1

Provide Adequate Funding for Contract Database
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COST

One full-time contract programmer for one year	\$219,120
One Senior Management Analyst I salary	\$82,831
One Management Analyst I salary	\$59,425
Two servers (one Web and one database)	<u>\$10,000</u>
<i>Total</i>	<i>\$371,376</i>

RATIONALE

On December 10, 2013, the City Council adopted changes to the Governmental Ethics Ordinance, many of which were recommended by the Ethics Commission. Included among the changes is a provision that was added by the City Council and requires the Ethics Commission to create and maintain a publicly-accessible electronic database that tracks all City contracts, contractors, and bidders. Los Angeles Municipal Code (LAMC) § 49.7.11(B).

The new law also mandates that the City “provide the Ethics Commission with adequate staffing and funding to create, maintain, and update the database.” LAMC § 49.7.11(B)(5). This request is submitted as an initial estimate of the staffing and funding that will be required to comply with the mandate.

We estimate that it will take a full-time programmer one year to create a user-friendly database that complies with the requirements. The Information Technology Agency has contracts for outside programmers and has indicated that the cost is approximately \$110/hour.

Once the database has been created, it will need to be continually maintained and updated. This will include providing advice to City officials and the public, educating City agencies about their obligations under the law, notifying City agencies of quarterly filing deadlines, tracking and securing compliance, and ensuring accurate reporting. We estimate that we will require one Senior Management Analyst I to oversee the database, provide expert advice, and supervise the administrative duties associated with maintaining it. We will also require one Management Analyst I to provide more routine advice and to perform the administrative duties associated with maintaining the database. The job descriptions for these positions are attached.

Finally, we will be required to house a voluminous amount of data as a result of this new law. The General Services Department, alone, processed over 85,000 contracts, including purchase orders, last year—and the database must include information about every contract and every bidder in every City agency (including proprietary departments). In addition, the public and approximately 6,000 City officials must have 24-hour access to the information in the database in order to comply with the requirements of the Governmental Ethics Ordinance. To facilitate these needs, we estimate that we will need two additional servers (one Web and one database).

City Ethics Commission
FY 2014-15 REQUEST NO. 3

Regularize Two Resolution Authority Positions

COST

Two Auditor I salaries		<u>\$118,098</u>
	<i>Total</i>	<i>\$118,098</i>

RATIONALE

The 2013 elections were the largest in Ethics Commission history. We had 148 individuals file paperwork with us to become candidates: 125 in City elections and 23 in LAUSD elections. This is a 72-percent increase over the previous Commission record, which was set in 2001 when 86 individuals filed paperwork to become candidates.

The 2013 elections were also the most expensive in Ethics Commission history. Candidates received nearly \$34 million in contributions and spent over \$44 million. Over \$10 million in public matching funds was paid to eligible candidates. And there were 1,288 independent expenditures that, combined, exceeded \$20 million.

The Ethics Commission is required by law to conduct post-election campaign audits of all committees controlled by candidates who raised or spent \$100,000 or more or received public matching funds. Los Angeles City Charter § 702(d); Los Angeles Administrative Code §§ 24.41(A)(1)–(2). In the wake of the intense 2013 elections, nearly 100 committees will have to be audited.

To ensure that the audits can be completed before the four-year statute of limitations expires, two Auditor I positions were added as resolution authorities to this year's budget. However, as we indicated during the last budget cycle, we will need to maintain these positions for at least four years to meet the statute of limitations for the 2013 elections and the 2015 elections (which will occur before the 2013 audits are completed).

Therefore, we request that the two Auditor I resolution authority positions be made regular authority positions. The job description for these positions is attached.