

CITY OF LOS ANGELES CHARTER AMENDMENT ER

TITLE:

CITY ETHICS COMMISSION AUTHORITY AND OPERATIONAL INDEPENDENCE.

THE ISSUE:

Shall the City Charter be amended to establish a minimum annual budget for the City Ethics Commission; increase the Commission's authority over spending decisions and hiring matters; allow the Commission to obtain outside counsel in limited circumstances; impose additional qualification requirements on Commission members; require the City Council to hold a public hearing on Commission proposals; and increase penalties for violations of City laws?

THE SITUATION:

The Ethics Commission administers City and State laws related to campaign finance, governmental ethics, and lobbying. The City Council has recommended amending the City Charter to expand the Commission's authority and operational independence.

THE PROPOSAL:

This measure would change the City Charter to:

- Establish a minimum annual budget for the Commission;
- Allow the Commission to have more authority over spending decisions, hiring and personnel matters;
- Allow the Commission to retain its own legal counsel under limited circumstances, including for a specific investigative or enforcement matter;
- Impose additional qualifications on Commission members and the Executive Director, including prohibiting Commission members and the Executive Director from having an ownership interest in a business that contracts with or seeks approvals from the City, contributing as a major donor or providing paid services to political campaigns;
- Prohibit the appointment of a relative of an elected City official, a paid campaign consultant, or a major campaign donor, to the Commission;
- Require the City Council to hold a public hearing on Commission policy proposals; and
- Increase maximum penalties the Commission may impose, from the current level of \$5,000 per violation, to \$15,000 per violation adjusted annually.

A YES VOTE MEANS:

You want to expand the Ethics Commission's authority and operational independence.

A NO VOTE MEANS:

You do not want to expand the Ethics Commission's authority and operational independence.

THE FULL TEXT OF THIS MEASURE BEGINS ON PAGE 71.

ER**CITY ETHICS COMMISSION AUTHORITY AND OPERATIONAL INDEPENDENCE. CHARTER AMENDMENT ER.**

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**IMPARTIAL SUMMARY
BY SHARON M. TSO, CHIEF LEGISLATIVE ANALYST**

The Ethics Commission was established in the City of Los Angeles to ensure that the City is conducting business with efficiency, transparency, and fairness, while also working to build public confidence in City government and election processes. The Ethics Commission is required by law to administer City and State laws related to campaign finance, City contracts as it relates to prospective contractors and developers, governmental ethics, and lobbying.

In 2023, the Council initiated a process to reform the City Charter. As part of this effort, the Ethics Commission submitted several recommendations to the City Council that would update the City Charter to expand the Commission's authority and operational independence, as well as update administrative provisions related to the Commission's policies and processes.

The measure would amend the City Charter to:

- Add prohibitions on individuals who can be appointed to the Ethics Commission, which would prevent the nomination of an appointing authority's relative or relative of other elected City officials, a political campaign consultant, or a major donor to a political campaign;
- Add qualifications for members of the Commission and the Executive Director during their tenure, including limitations on having an ownership interest in a business that contracts with or seeks discretionary approval from the City, participating as a major donor to campaigns, or providing compensated advice or services to campaigns;
- Allow for appointed members of the Ethics Commission to be removed by their appointing authorities, and increase the time frame to fill a vacancy on the Commission from 30 to 90 days;
- Increase the monetary penalty of ethics-related violations from \$5,000 to \$15,000, and adjust this penalty annually according to the Consumer Price Index;
- Allow the Executive Director's designee to determine whether there is probable cause concerning a violation of provisions within the City Charter or City ordinances;

- Require the City Council to hold a public hearing on a policy proposal from the Ethics Commission within 180 days;
- Allow the Ethics Commission to retain outside legal counsel under limited circumstances, including on matters involving the City Attorney, the City Attorney's Office, the City Attorney's campaign, or on specific investigative and enforcement matters;
- Increase the Commission's budget for a special prosecutor from \$250,000 to \$500,000, and update provisions that would authorize the Commission to select a special prosecutor from an approved list when the City Attorney declares a conflict of interest;
- Appropriate a minimum of \$7 million per year beginning in fiscal year 2025-26 for the Ethics Commission's annual operating budget, and adjust this appropriation each year based on the City's prior year revenues, unless the Council finds that circumstances exist not to do so;
- Authorize expenditures by the Ethics Commission without prior approval from City offices or personnel when the expenditures are within the Commission's budget, unless the Council finds that circumstances exist not to do so;
- Authorize the Ethics Commission to set the salary of the Commission's Executive Director, and align the salary range to be consistent with the salary ranges of other City General Managers;
- Exempt employees of the Ethics Commission from civil service employment provisions; and
- Exempt the Ethics Commission from hiring freezes if the Commission operates within its approved budget.

This measure will become effective if approved by a majority of voters.

**FINANCIAL IMPACT STATEMENT
BY MATTHEW W. SZABO, CITY ADMINISTRATIVE OFFICER**

This measure establishes a minimum annual budget for the City Ethics Commission of \$7,000,000 inclusive of \$500,000 to support any special prosecutor appointed; increases the Commission's authority over spending decisions and hiring matters; allows the Commission to obtain outside counsel in certain circumstances; and, increases penalties for violations of City laws. The increase required to reach \$7,000,000 in 2025-26 from the current budget is estimated at \$380,000. Further, the measure requires that the budget amount be adjusted each fiscal year based on the change to City's revenues in the prior year. However, the Council may find that exigent circumstances exist such that an adjustment should not be made for that fiscal year. A potential offset to the required increases are additional revenues stemming from penalties for violations. The number and amount of penalties that may be issued and collected in future years cannot be determined at this time.

ARGUMENT IN FAVOR OF CHARTER AMENDMENT ER

Vote for real ethics reform in city government with CHARTER AMENDMENT ER. This amendment gives the City Ethics Commission more freedom to investigate ethics violations, and it increases potential penalties for those who break the rules.

In recent years, a few city officials have betrayed the public and disgraced their position by acts of corruption, and they have been punished under the law. The vast majority of City employees and officials perform their duties conscientiously and respect our ethics rules. Unfortunately, there are some who will try to abuse their authority to enrich themselves or serve their own interests.

An effective city government must be beyond reproach. The people of Los Angeles depend on the City Ethics Commission to discourage the kind of violations that undermine public confidence in government.

CHARTER AMENDMENT ER is the first significant ethics reform measure in the history of the Ethics Commission. It dramatically increases the penalties the Commission can impose for ethics violations, and it gives the Commission greater independence.

Among other things, CHARTER AMENDMENT ER will:

- Triple the existing penalties for those who violate the ethics laws.
- Prohibit anyone who does business with the City or has any financial interest in the City's actions from serving on the Ethics Commission.
- Prohibit elected officials from appointing relatives, campaign consultants or major campaign donors to the Commission.
- Compel the City Council to consider all Commission recommendations within 180 days.
- Give greater independence to the Ethics Commission by setting a minimum annual budget that the Commission controls without Council approval for specific expenditures, and by allowing the Commission to retain its own legal counsel.

Strengthen ethics enforcement and restore confidence in City government!

VOTE YES ON CHARTER AMENDMENT ER.

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PERSONS SIGNING ARGUMENTS IN FAVOR OF CHARTER AMENDMENT ER

PAUL KREKORIAN
Councilmember, District 2
City of Los Angeles

NO ARGUMENT AGAINST THIS MEASURE WAS SUBMITTED.

DRAFT

REBUTTAL ARGUMENT IN FAVOR OF CHARTER AMENDMENT ER

Over 30 years ago, the people of Los Angeles voted to create a City Ethics Commission to ensure that public servants truly serve the public and obey the City's ethics rules. For the first time in three decades, we now have the chance to strengthen the Ethics Commission. CHARTER AMENDMENT ER would give the Ethics Commission greater independence, insulate it from conflicts of interest, and increase penalties for those who violate the City's ethics rules and abuse the public trust.

CHARTER AMENDMENT ER triples the penalties for ethics violations; it gives the Commission an independent budget so it won't need to rely on the City Council to approve every expenditure; and, it allows the Commission to hire its own attorneys to investigate ethics violations and advise the Commission.

Improve our government by strengthening our City Ethics Commission.

Vote YES on reforming City Hall. Vote YES on CHARTER AMENDMENT ER!

PERSONS SIGNING REBUTTAL ARGUMENT IN FAVOR OF CHARTER AMENDMENT ER

PAUL KREKORIAN
Councilmember, District 2
City of Los Angeles

NITHYA RAMAN
Councilmember, District 4
City of Los Angeles

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New provisions or language added to the Charter or to existing Charter sections are shown in underline type; words deleted from the Charter or from existing Charter sections are shown in ~~strikeout~~ type.

CHARTER AMENDMENT ER

Section 1. Subsection (b) of Section 700 of the Charter of the City of Los Angeles is amended to read as follows:

(b) **Appointment.** The Mayor, the City Attorney, the Controller, the President of the Council and the President Pro Tempore of the Council shall each appoint one member to the commission. All appointments shall be subject to confirmation by a majority vote of the Council. An appointing authority shall not appoint their relative or the relative of any other elected City officer, a campaign consultant, or a major donor. For purposes of this provision: a relative includes a spouse, domestic partner, child, parent, sibling, or in-law; a campaign consultant includes an individual who has provided compensated advice or services to a political campaign or to a committee controlled by a City officeholder in the prior 12 months; and a major donor includes an individual who has qualified as a major donor under the Political Reform Act in the prior 12 months. A President and Vice President of the commission shall be selected by the commission and shall serve in those capacities as set forth in Section 503.

Sec. 2. Subsection (d) of Section 700 the Charter of the City of Los Angeles is amended to read as follows:

(d) **Qualifications.** Each member of the commission shall be a registered voter of the City. Neither a member of the Commission nor its Executive Director shall seek election to any City office or Los Angeles Unified School District Board of Education office concerning which the commission has made a decision during the term of the commissioner or Executive Director unless the election for that office is to be held at least two years following the expiration of the term of office of the commissioner or Executive Director. During his or her their tenure, neither a member of the commission nor its Executive Director shall:

- (1) hold any other public office;
- (2) participate in or contribute to a City election campaign;
- (3) participate in or contribute to an election campaign for a member of the Los Angeles Unified School District Board of Education;
- (4) participate in or contribute to a City official or member of the Los Angeles Unified School District Board of Education running for any elective office; or
- (5) employ or be employed as a person required to register as a lobbyist with the City of Los Angeles;:-
- (6) have an ownership interest in a business (other than stock in a publicly traded company) that contracts with or seeks discretionary approvals from the City; or personally provide compensated services to the City under a contract;

(7) provide compensated advice or services to a political campaign or to a committee controlled by a City officeholder; or

(8) contribute to committees such that the individual qualifies as a major donor as provided under the Political Reform Act.

Sec. 3. Subsections (e) and (f) of Section 700 of the Charter of the City of Los Angeles are amended to read as follows:

(e) **Removal.** A Member of the commission may be removed by the member's appointing authority the Mayor, with the concurrence of the Council by majority vote, or by a two-thirds vote of the Council for substantial neglect of duty, gross misconduct in office, inability to discharge the powers and duties of office, or violation of this Article, after written notice of the grounds on which removal is sought and an opportunity for a reply.

(f) **Vacancies.** Appointments to fill a vacancyies on the commission shall be made within 9030 days by the same appointing authority who appointed the prior holder of the position. An appointments to fill a vacancyies shall be for the unexpired term of the member whom the appointee succeeds. A vacancy or vacancies shall not impair the right of the remaining members to exercise the powers of the Commission.

Sec. 4. Subsections (a) and (b) of Section 701 of the Charter of the City of Los Angeles are amended to read as follows:

Sec. 701. Executive Director, Commission Staff and Delegation of Authority.

(a) The Commission shall appoint and has the authority to discharge an Executive Director, who shall act in accordance with commission policies and regulations and with applicable law. The Executive Director shall serve at the will of the commission, shall not be subject to civil service provisions, and shall have no property interest in the Executive Director'shis or her employment. The commission shall establish a salary range for the Executive Director consistent with other City general managers, considering similar duties and responsibilities, and shall annually set or adjust the salary for the Executive Director from within that range. The salary of the Executive Director shall be set by the Council, subject to approval of the Mayor and shall be based on a recommendation submitted by the Director of the Office of Administrative and Research Services after a review and analysis of the responsibilities and authority vested in the position. The Executive Director shall not serve in that capacity for more than ten years.

(b) The Executive Director shall appoint and has the authority to discharge commission staff members and prescribe their duties. Non-clerical Personnel of the commission shall serve at the will of the Executive Director, shall not be subject to civil service provisions, and shall have no property interest in their employment.

Sec. 5. The heading for Section 703 shall be amended to read as follows:

Rules, Regulations and Proposals

Sec. 6. Subsection (c) of Section 703 of the Charter of the City of Los Angeles is added to read as follows:

(c) Within 180 days after the commission transmits a policy proposal within its jurisdiction to the Council, the Council shall hold a public hearing on the proposal. If the Council does not hold a hearing within the 180-day period, the City Clerk shall schedule the proposal at the next regular meeting of the City Council.

Sec. 7. Subsection (b) of Section 706 of the Charter of the City of Los Angeles is amended to read as follows:

(b) **Findings of Probable Cause; Administrative Enforcement.** If the Executive Director of the commission or the Executive Director's designee determines that there is probable cause to believe that a provision of the Charter or City ordinances relating to campaign financing, lobbying, conflicts of interest or governmental ethics has been violated, the Executive Director or the Executive Director's designee shall cause an administrative enforcement accusation to be issued and served. No finding of probable cause shall be made by the Executive Director or Executive Director's designee ~~commission~~ unless, at least 21 days prior to the Executive Director or the Executive Director's designee's consideration of the alleged violation, the person alleged to have committed the violation is notified of the alleged violation by service of process or registered mail with return receipt requested, is provided with a summary of the evidence, and is informed of ~~their~~^{his or her} right to be present in person and represented by counsel at any proceeding held for the purpose of considering whether probable cause exists for believing the person committed the violation. Notice to the alleged violator shall be deemed made on the date of service, the date the registered mail receipt is signed, or, if the registered mail receipt is not signed, the date returned by the post office. A proceeding held for the purpose of considering probable cause shall be private unless the alleged violator files with the commission a written request that the proceeding be public.

Sec. 8. Subsections (c) and (d) of Section 706 of the Charter of the City of Los Angeles are amended to read as follows:

(c) **Administrative Hearings, Orders and Penalties.** After an accusation is issued and served, the commission shall cause a public evidentiary hearing to be held to determine if a violation has occurred. When the commission determines on the basis of substantial evidence presented at the hearing that a violation has occurred, it shall issue an order which may require the violator to:

- (1) cease and desist the violation;
- (2) file any reports, statements or other documents or information required by law; and/or
- (3) pay a monetary penalty to the General Fund of the City of up to ~~five~~ fifteen thousand dollars (~~\$15,000~~ 5,000) for each violation, adjusted annually to reflect changes to the Consumer Price Index, or three times the amount which the person failed to report properly or unlawfully contributed, expended, gave or

received, whichever is greater. When the commission determines that no violation has occurred, it shall publish a declaration so stating.

(d) **Referrals Between Agencies.** Regardless of whether the Executive Director or designee makes a formal determination concerning probable cause, the matter may be referred to another appropriate agency for purposes of enforcement.

Sec. 9. Section 708 of the Charter of the City of Los Angeles is amended to read as follows:

Sec. 708. Legal Services.

The City Attorney shall provide legal services to the commission, except that, notwithstanding Section 275, the commission may retain its own legal counsel to provide advice to the commission and to take such action as the commission may direct when necessary under the two circumstances described in this Section. ~~Notwithstanding Section 275, First, independent of the City Attorney, the commission may employ or contract for staff counsel to give advice to the commission and to take such action as the commission may direct on matters that~~which directly involve the conduct of the City Attorney, the City Attorney's his or her office, or the City Attorney's his or her election campaign. Second, the commission may retain its own legal counsel for legal services in carrying out the commission's responsibilities and duties under Section 706 on a specific investigative or enforcement matter. In this second circumstance, the commission and the City Attorney shall approve a panel of law firms or attorneys from which the commission may select legal counsel for these services.

Sec. 10. Subsections (a), (b) and (c) of Section 710 of the Charter of the City of Los Angeles are amended to read as follows:

(a) Notwithstanding Section 275, when the City Attorney determines that the City Attorney's his or her office has a possible conflict of interest and that the office should not investigate or prosecute an alleged violations of the Charter, City ordinances or regulations, or statutes relating to campaign financing, lobbying, conflicts of interest or governmental ethics, the City Attorney shall notify the City Ethics Commission, which by a four-fifths vote of all of its members may determine to request the appointment of a special prosecutor to conduct the investigation. A special prosecutor shall not be appointed when it appears from a preliminary investigation that an alleged violation will warrant only an action for civil damages or administrative penalties.

(b) The commission's request for the appointment of a special prosecutor shall be made from a list of special prosecutors to a standing committee composed of three retired judges selected approved by the commission at the beginning of each odd-numbered year. ~~The three judge panel shall name the special prosecutor, who~~ upon appointment, shall have the authority to file and prosecute criminal and civil actions in the name of the People.

(c) Each fiscal year ~~there shall be included in the budget of the City Ethics Commission~~ shall include the sum of five hundred two hundred fifty thousand dollars (\$500,000,250,000) for expenditure to support any special prosecutor appointed pursuant to this section. In the event that all of these funds have been or are likely to be expended before the end of any

fiscal year, the commission may request an additional appropriation fromask the Council for an additional appropriation. Under no circumstance shall the amount appropriated or provided under contract for a special prosecutor exceed five hundred two hundred fifty thousand dollars (\$500,000 250,000) in any fiscal year without Council approval. The Council shall have 30 days (excluding weekends and holidays) following its receipt to accept, reject, or modify a request for additional funds from the commission. If Council does not act within that time period, the request is deemed approved. The Mayor shall act on the Council's action or inaction if the request is deemed approved within five days (excluding weekends and holidays). If the Mayor vetoes the Council's action, the Council shall have five days (excluding weekends and holidays) to override the at veto by a two-thirds vote.

Sec. 11. Section 711 of the Charter of the City of Los Angeles is amended to read as follows:

Sec. 711. Appropriation and Expenditures.

(a) Starting with the 2025-2026 fiscal year budget, the Council shall appropriate a minimum of seven million (\$7,000,000) dollars for each fiscal year for the commission's annual operating budget. The appropriation amount shall be adjusted each fiscal year based on the change to City's revenues in the prior year. However, adjustment to the commission's annual budget based on the change to City's revenues in the prior year is not required if the Council finds that exigent circumstances exist such that an adjustment should not be made for that fiscal year. The Council shall appropriate funds for the Commission at least one year in advance of each subsequent fiscal year.

(b) The expenditures of the commission shall not require prior approval of City offices or personnel where the expenditures are within the Commission's budget, unless Council makes a finding of exigent circumstances. The commission shall comply with applicable City requirements, procedures, and laws relating to the expenditures.

(c) The commission is not subject to hiring freezes when it operates within its budget, unless the Council makes a finding of exigent circumstances.

Sec. 12. Subsection (a)(13) of Section 1001 of the Charter of the City of Los Angeles is amended to provide that all positions of the Ethics Commission are exempt from civil service and shall read as follows:

(13) The Executive Director and all ~~non-clerical~~ personnel of the City Ethics Commission.

Sec. 13. If any section, clause, sentence, phrase, or portion of this Charter amendment is held unconstitutional or invalid by any court or tribunal of competent jurisdiction, the remaining sections, clauses, sentences, phrases, or portions of this article shall remain in full force and effect, and to this end the provisions of this article are severable. In addition, the voters declare that they would have passed all sections, clauses, sentences, phrases, or portions of this Charter amendment without the section, clause, sentence, phrase or portion held unconstitutional or invalid.