



REPORT TO LAW & LEGISLATION COMMITTEE City of Sacramento

915 I Street, Sacramento, CA 95814-2671

STAFF REPORT
December 5, 2006

Honorable Members of the
Law and Legislation Committee

Subject: Amending the Public Campaign Financing and Contribution Limits
Ordinances

Location/Council District: Citywide

Recommendation: Review and provide direction to staff on possible amendments to the Public Campaign Financing and Contribution Limits ordinances.

Contact: Mark Prestwich, Special Projects Manager, 808-5380

Presenters: Patti Bisharat, Director of Governmental Affairs

Mark Prestwich, Special Projects Manager

Department: City Manager's Office

Division: Governmental Affairs

Organization No: 0320

Summary: The City's Campaign Finance Ordinances were approved by the City Council in 2000 (contributions) and 2003 (spending limits/public financing). Since their adoption, minor revisions have been made to clarify on-line reporting requirements and administrative processes. In November 2005, the City Auditor presented a report on the results of the audit of campaign expenditures under the matching funds program. The Audit Report worked well in identifying gaps in the ordinances and providing oversight in auditing expenditures. Per Council direction, this report identifies possible amendments to further clarify and fine-tune the ordinances based on the audit findings and Council concerns.

Committee/Commission Action: None

Background Information

On September 9, 2003, the City Council adopted Ordinance 2003-046 providing for campaign spending limits and public campaign financing (Chapter 2.14 of the City Code). The first implementation of public campaign financing occurred during the March 2004 primary election. The public campaign financing ordinance complements the City's local campaign contribution limits ordinance which was re-established on November 21, 2000 by the adoption of Ordinance 2000-048 (Chapter 2.13 of the City Code).

At the request of the Mayor and City Council and at the direction of the City Manager, the City Auditor completed a limited scope audit of the City's public campaign financing and contribution limits ordinance following the March 2004 primary election. The Auditor's Report was presented to and filed with the City Council on September 13, 2005.

The City Auditor's Report determined that one candidate applied for and received public funds totaling \$16,964 and that the candidate's usage of the matching funds complied with municipal criteria and requirements. However, the City Auditor did recommend the City Clerk establish written procedures for the distribution of matching funds before the next election. In addition to these findings, the Report determined that there was no prohibition on negative campaigning with matching funds and no requirement to sign an ethical statement as a condition of receiving matching funds.

The Auditor's report also noted several areas of concern including:

- Candidates can spend public funds on a wide range of campaign expenses to promote candidacy, including travel expenses outside of the City for transportation, lodging, and meals, except where specifically prohibited by The Political Reform Act;
- Candidates are not prohibited from using public funds for valid expenses that also could confer a substantial personal benefit on the candidate, such as purchasing goods and services from a business in which the candidate has an ownership interest; and
- Candidates that use matching funds are not required to specifically identify expenses that are paid for with public funds.

Discussion

As noted above, minor revisions have been made to clarify on-line reporting requirements and administrative processes since the ordinances were adopted. In November 2005, the City Auditor presented a report on the results of the audit of campaign expenditures under the matching funds program.

Staff has concluded the Auditor provided effective oversight of the ordinances through a review of financial system transactions, supporting documentation of contributions and expenditures, and interviews. The Auditor was also effective in identifying gaps in the City's existing campaign finance ordinances. In fact, many of the Auditor's findings

have led directly to the development of options for Committee consideration contained in this report.

Staff requests the Law and Legislative Committee review the possible amendments noted in the table below and provide direction to staff on amending the City’s Public Campaign Financing and Contribution Limits ordinance. Staff would return with draft ordinance language to the Law and Legislation Committee for review.

	ISSUE	POSSIBLE AMENDMENTS
PUBLIC FINANCE	Clarify acceptable campaign expenditures & contributions	<p>Clearly define “legitimate campaign expenses” so public funds may only be used for direct voter outreach defined as:</p> <ul style="list-style-type: none"> • Campaign literature, publicity, postage and signage. <p>Prohibit public funds from being used for travel outside Sacramento County.</p> <p>Prohibit public funds from being paid to any candidate, spouse, family member or business entity the candidate has an ownership interest in.</p> <p>Consider limitations on which campaign contributions can be used as a match for public matching funds (e.g. geographic area).</p>
	Accounting for use of public funds	Require accounting for legitimate campaign expenditures using public funds including verifiable receipts. Allows City to know with certainty how the public funds were spent.
	Require ethics pledge & encourage ethical campaigning	Consider requiring candidates sign an ethics pledge as a condition of receiving public financing and adding a phrase to the pledge encouraging ethical campaign practices.
CONTRIBUTION LIMITS	Clarify limits on transfer of campaign funds	Consider a cap consistent with existing individual contribution limits on transferred funds; candidates transferring funds would be required to identify specific contributors.
	Calculation of aggregate limits on an annual basis	There are legal concerns about changing the current method of calculating aggregate limits from an election period basis to an annual basis.

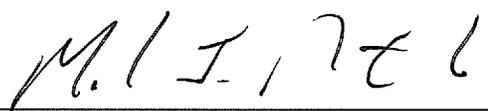
Staff met with representatives of the League of Women Voters and Common Cause on November 21, 2006 to discuss the possible amendments noted above. Of greatest interest to these organizations is the oversight of city campaign related ordinances and the desire to have dedicated staff for that purpose and the creation of an Ethics Commission. Other comments and concerns included: Provide a broader definition of "legitimate campaign expenses; Concern that limiting travel may unfairly benefit the incumbent; Consider a threshold such as 50% related to business interest/ownership; Consider language that capital equipment exceeding a certain value purchased with public funds would revert back to the City; Preserve the ability for candidates to compare and contrast themselves; Greater publicity regarding availability of the matching funds program.

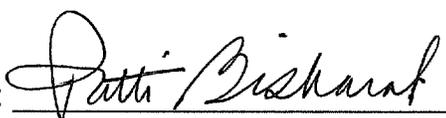
Financial Considerations: None

Environmental Considerations: None

Policy Considerations: None

Emerging Small Business Development (ESBD): None

Respectfully Submitted by: 
Mark Prestwich
Special Projects Manager

Approved by: 
Patti Bisharat
Director of Governmental Affairs

Recommendation Approved:

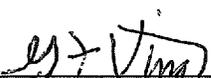

GUSTAVO F. VINA
Assistant City Manager

Table of Contents:
Pg 1 Report