Ethics and Public Service
Laws and Principles
Session Objectives

1. To familiarize you with laws that govern your service *and* when to ask questions

2. To encourage you to *think beyond legal restrictions* and provide tools for doing so

3. Help you comply with AB 1234 requirements
Public Service Ethics is Different

• Laws play a bigger role
• Perception as important as reality
• Gut is not a reliable guide
Ethics versus Ethics Laws
• Most people believe there is an ethical dilemma in society today, and particularly with regard to politics.
• Most people believe that they (themselves) are ethical people.
Public Corruption in California

- Recent Suspensions of State Senators Leland Yee, Ron Calderon, Roderick Wright due to separate corruption charges; Numerous local cases
- Generally, money and power appear to drive the corruption that occurs
- Instances of corruption tend to be ongoing and occur over the course of several years before detected, which indicates problems with detection and enforcement
Different Types of Ethics:

- Situational
- Professional
- Categorical/Universal
  - Trustworthiness
  - Responsibility
  - Respect
  - Loyalty
  - Compassion
  - Fairness
Rationalizations for Unethical Conduct

- It was necessary – “the ends justify the means”
- It was legal
- It won’t hurt anyone (who’s gonna know?)
- It can’t be wrong – everyone is doing it
- It’s okay – I didn’t gain personally
- I deserve it
- I’m only “fighting fire with fire”
Ethics Laws

• Law = Minimum standards

• What we *must* do

• Ethics is what we *ought* to do
  – Above and beyond law’s minimum requirements
Thinking Beyond Ethics Laws

- Law tends to be starting point for most ethical analyses in public service

- *Floor* for ethical conduct—not the ceiling
  - Where do you want to set your sights as a public servant?

- Just because it’s legal, doesn’t mean it is ethical (or public will perceive it to be so)
Understanding Ethics Laws

• What They Cover
• When You Need to Ask Questions
• Resources for Further Reference
Four Groups of Ethics Laws

1. Personal financial gain
2. Personal advantages and perks
3. Governmental transparency
4. Fair processes
Group 1:
Personal Financial Gain Issues

• **Principle:** Public servants should not benefit financially from their positions
Examples of Laws

- Bribery and related crimes
- Financial interest disqualification requirements
- Revolving door restrictions
Bribery

- Rule: Public officials may not solicit, receive or agree to receive a benefit in exchange for their official actions.

- Penalties: Loss of office, prison time, fines, restitution, attorneys fees and public embarrassment.
Randy “Duke” Cunningham poses with a Rolls Royce he received in exchange for granting gov. contracts – convicted on bribery and corruption charges.
Senator Leland Yee
The Case Against Yee

- Solicited thousands of dollars of illegal campaign contributions from undercover FBI
- Offers to trade political favors for donations to pay off campaign debts
- Promise to facilitate an international arms deal worth up to $2.5 million
- Questionable voting record that might indicate votes in exchange for money.
The Case Against Yee (cont.)

• “We gotta be careful,” “we’ve gotta get the money, but, you know, to the extent that you could find a way to do it… you know, I would appreciate that.”
• Took money in exchange for setting up meetings with other senators
• Also accused of being part of an organized crime operation – allegedly agreed to take $60K from whom he believed was an NFL team owner in exchange for vote on workers comp bill for pro athletes, and took money in exchange for issuing a proclamation to “Shrimp Boy Chow’s” Chee Kung Tong organization.
The Case Against Yee (cont.)
Upland Mayor

• John Pomierski, former Mayor of Upland, resigned and was indicted on bribery and extortion charges (Feb./March 2011)
Upland Mayor

• Accused of:
  – demanding $70,000 from a nightclub owner
  – demanding $20,000 from a medical marijuana cooperative
  – making other demands to other businesses
  – using business associates as intermediaries to conceal the bribes, with those businesses then receiving favorable treatment
CALPERS OFFICIAL
ALFRED VILLALOBOOS

- In 2011, an investigator found a former CALPERS Board member had corrupted top CALPERS officials and likely cost the Fund tens of millions of dollars in fees
CALPERS/VILLALOBOS

- Authorities claims certain investment firms paid Villalobos and his cronies over $50 million in secret fees to help make introductions and convince CALPERS to do business with them

- The report alleges he created a perception that the firms needed to pay for connections to secure business

- The CALPERS CEO at the time attempted to shield Villalobos from liability by signing papers saying CALPERS was aware of the fees

- Since discovery of the scandal, the deals with the firms have been renegotiated and CALPERS has obtained over $300 million in fee discounts. New rules have been enacted prohibiting “placement fees.”
Similar Crimes

- Receiving rewards for appointing someone to public office
- Embezzlement—converting public funds or property to your own
Disqualification Based on Financial Interests

• Rule: You may not participate in a decision if financial interests are affected by a decision
• Effect can be positive or negative
• (Usually) Members of Advisory Board not subject to legal restrictions
Disqualification versus Abstention

- Abstention => voluntary

- Disqualification => Legally required
  - Does not imply wrongdoing
  - Unless don’t disqualify
What Kinds of Interests?

Sources of income of $500 or more

– Your own income
– Promised income
– Partner’s/child’s income
– Loans/guarantors
What Kinds of Interests?

Real property interests of $2000 or more

- Direct or indirect
- Partner/child’s property
- Tenant interest
  (except month to month)
- 500 foot rule – New changes in effect!!
Changes to “500 Foot” Rule – Property within 500 feet

• If your property is within 500 feet of property the subject of a City decision, the financial effects were presumed material, but could be rebutted if facts showed no financial effect whatsoever.

• NOW – If you own property within 500 feet of the decision, you must have FPPC clearance before you can participate.
Change to “500 Foot” Rule – more than 500 ft. from property

- Old rule – financial impacts were presumed not material if more than 500 ft. from property that is subject of decision unless certain specific special circumstances applied
- New – even if property is well beyond the 500 ft., must consider whether decision “would cause a reasonably prudent person, using due care and consideration under the circumstances, to believe that the governmental decision was of such a nature that its reasonably foreseeable effect would influence the market value of the official’s property.” (Does not apply to leasehold interests.)
Changes – Business Properties

• Old Rule – if a business entity in which the official had an interest was located on the property, the effects of the decision on the property as well as the business were both considered.

• New – effects of real property NOT considered when decision involves issuance of permit or entitlement, or when considering impact of decision on income producing potential of property; instead only the impacts on the official’s business entity interest are considered.
Changes – Leasehold Interests

- Old Rule – 500 foot rule determined whether materiality presumed, but rebuttable with a number of specific factors
- New – 500 foot rule eliminated, but must consider if decision will
  - Change termination date of lease
  - Increase or decrease the potential rental value
  - Increase or decrease potential rental value, with official having ability to sublease
  - Change actual or legally allowable use
  - Impact use and enjoyment of the property
Changes – Common Areas

• Old Rule – no special consideration given to an undivided interest in common areas (often raised doubts as to ability to participate when the common area was within 500 ft., even if main property wasn’t)

• New – undivided common area interest no longer considered official’s “property”
FPPC Changes - Takeaway

- Some of the changes make the analysis easier, but most of the changes make the analysis more fact-intensive and more difficult to apply.
- “500 foot rule” is no longer a bright line rule.
- Be proactive in spotting potential conflicts.
- Expect that the FPPC will need to be contacted more often.
If You Are Disqualified

- Don’t discuss or influence (staff or colleagues)
- Identify nature of conflict at meeting
- Leave room (unless matter on consent)
- Limited exceptions
  - Owned property
  - Owned/controlled business
Penalties

- Invalidate decision
- Misdemeanor (could result in loss of office)
- Fines ($5,000 to $10,000 per violation)
- Attorneys fees (yours and others)
- Embarrassment (personal/political)
Warning!
Special Rules for Contracts

• Disqualification not be enough for elected officials
  – Direct or indirect interest
  – Limited exceptions
• May have to refund money paid
• Felony: $1,000 fine, imprisonment, and loss of office
• FPPC now has jurisdiction
Case Study: The Travel Store

- Elected official in travel business
  - Twice failed to disclose on SEI

- Voted on consent calendar

- Included approval of payments to her travel agency ($28,481 total)

- Possible fine under PRA: $76,000 (ultimate fine: $29,000)
Future Employment Issues

• Revolving door prohibition
  – Electeds and top managers
  – Cannot represent people for pay for a year after leaving their agency

• No participation in decisions involving future employers
Best Practices

- Avoid temptation to look at public service as an opportunity for financial gain

- Look at every decision and ask yourself whether it involves some kind of financial interest for you
PERKS
Group 2: Perks

• Principles:
  – Democratic equality
  – Public servants should not receive special benefits by virtue of their positions
Two Kinds of Perk Rules

1. Perks that others offer you
2. Perks that you give yourself/use-of-public-resources issues
Gifts Don’t Always Have Bows

• Meals, food and drink (including receptions)

• Entertainment (concerts & sporting events)

• Certain kinds of travel and lodging
Perks Others Offer

• Report $50 and up (over a year)

• Limit $460 per calendar year (through 12/31/16)

• Exceptions for some kinds of travel, informational materials

• May also be a disqualifying interest (over $460 in prior 12 months)
Penalties

- Up to $5,000 per violation
- Own attorneys fees ($3,000-$30,000)
- Others’ attorneys fees (for private actions to enforce law)
Other Perks Others Offer

• No free transportation from transportation carriers

• No honoraria (fees) for speaking or writing
Use of Public Resources Issues

• Personal use of public resources (including staff time and agency equipment) prohibited

• Political use of public resources also prohibited
Example: Expense Reimbursement

• Familiarize yourself with your agency’s policies/limits
  – What kinds of expenses
  – What rates for food, lodging and transportation
  – The importance of documentation

• Note: Spouse/partner expenses not reimbursable
Consequences of Violations

• Civil penalties: $1,000/day fine + 3X value of resource used

• Criminal penalties: 2-4 year prison term + disqualification from office

• Can also have income tax implications
Case Study: Sacramento Suburban Water District

- Staff and directors misusing public resources
- Investigative report by *Sacramento Bee*
  - Use of agency credit card for personal purposes
  - Misreporting of income
  - Double-dipping on expense reimbursements
- Legislative response: AB 1234
Political Use of Public Resources

• By individuals or agency itself (support of ballot measures)
  – FPPC now enforces the rule against advocating for ballot measures

• Mass mailing restrictions
  – Goal: restrict incumbents’ advantages

• Gifts of public funds
FPPC

- FPPC rules are changing all the time!
• Avoid perks *and* the temptation to rationalize about them
  – Legally risky
  – Public relations headache
Group 3: Transparency Laws

Principles:

• It’s the public’s business
• Public trusts a process it can see
Transparency Rules

• Conduct business in open and publicized meetings

• Allow public to participate in meetings

• Allow public inspection of records
Conducting Business at Open Meetings

• A majority may not consult outside an agency-convened meeting

• Key concept: what constitutes a meeting
  – Example: Serial communications

• Exceptions for certain kinds of events
  – As long as a majority does not consult among themselves
Consequences of Violations

• Nullification of decision

• Criminal sanctions for intentional violations (up to 1 year in jail/$1000 fine)

• Intense adverse media attention
Allowed Gatherings of Majority

- Still no discussion, other than as part of scheduled program, or commission issues
  - Conference open to the public on agency issues
  - Open and public meeting on topic of community concern by person/group other than City
  - Open and public meeting of another agency
  - Social or ceremonial occasion
Agenda Requirements

• Agenda must be posted 72 hours prior to regular meeting
  – Contain a brief description of each item of business
  – Cannot take action on any item not listed
  – Limited exceptions that are likely inapplicable to Commissions
PUBLIC INPUT

• Public has a right to speak on any item on the agenda, before the item is considered

• Public has a right to speak on any non-agenda item within the commission authority

• Reasonable limits may be imposed (time per issue and/or speaker

• Public has a right to obtain/view documents Board has in front of it
Parliamentary Procedure

• “Robert’s Rules” procedures may be used
• Election of Presiding Officer of the Board
• Presiding Officer runs the meetings
  – Provides for efficient public meetings; time for each speaker
  – Determines order or proceedings and makes parliamentary rulings
  – Failure to follow will not invalidate a decision
Public Records

• Agendas and meeting materials
• Other writings prepared, owned, used or retained by agency (including electronic)
• Electronic records issues
• Penalties: Adverse media attention + costs and fees if litigated
Financial Interest Disclosure

• Transparency includes obligation for high level public servants to disclose financial interests
  – Assuming office
  – Annually while in office
  – Upon leaving office
Best Practices

• Assume all information is public or will become public

• Don’t discuss agency business with fellow decision-makers outside meetings
Group 4: Fair Process Laws

- **Principle:** As a decision-maker, the public expects you to be impartial and avoid favoritism
Fair Process Laws

• Due process requirements and rules against bias
  – Nasha
  – Clark v. Hermosa Beach

• Incompatible office prohibitions
Fair Process Laws, continued

- Disqualification requirements if decision involves family members (for quasi-judicial decisions)
- Campaign contribution restrictions (appointed bodies)
- Soliciting campaign contributions from employees
Best Practices

• Think fairness and merit-based decision-making in your decisions

• Keep politics separate from relationships with agency staff
Case Study: City of Bell

- 8 Bell officials arrested on criminal charges related to a pay scandal
City of Bell, continued

- Public outrage spurred by high salaries
- State Controller Audit reveals numerous possible instances of misuse of public funds
  - $93,000 in city funds used to repay former CAO’s personal loans
  - $1.5 million in loans made to Council members, city officials, and city employees without justification of public benefit
City of Bell, continued.

- Director of Planning Services oversaw many subcontractors of the city, each garnering him a 10% administrative fee (profit).
- Mismanaged voter-approved Measure A bond funds, including depositing funds into the General Fund which artificially inflated General Fund cash balance. CAO’s salary increases were contingent on a positive cash position in the general fund.
- City Council increased assessments and taxes without voter approval.
- Etc.!
City of Bell, continued

• City Manager charged with 53 counts of misappropriation and conflict on interest
City of Bell, continued

- City officials “rounded up during early morning raids on their homes that prompted many of their neighbors to burst in to cheers.”
- Picture and quote from MSNBC
City of Bell, continued
City of Bell, continued

• Five former elected officials convicted in March 2013 of multiple counts of misappropriation of public funds
• Paid themselves inflated salaries of up to $100K annually in a city pop. 36,000, where 1 in 4 live below poverty line
• Guilty findings for appointment to agency serving no other purpose than to pay them a salary; only 1 meeting held; boosted pay by $13K per member.
City of Bell, continued

- Former City Manager Robert Rizzo was sentenced in April 2014 to 12 years in prison. Sentenced separately to 33 months in federal prison for income tax evasion. He pled “no contest” to 69 counts.
City of Bell, continued

- Former Assistant City Manager Angela Spaccia sentenced to more than 11 years in prison. She was the first Bell official to be sentenced.
- “You can take your share of the pie just like us. We will all get fat together…Bob has an expression…. Pigs get fat…. Hogs get slaughtered!!! So as long as we’re not Hogs…all is well!!” (quote from email she wrote to Police Chief Randy Adams when negotiating his contract)
Resources for Further Reading

A Local Official's Reference on Ethics Laws

Principles
Consequences
Prohibitions

INSTITUTE FOR LOCAL SELF GOVERNMENT
WWW.ILSG.ORG
Beyond the Law: Public Service Ethics Principles
Ethics = Values

• Six universal ethical values:
  – Trustworthiness
  – Loyalty
  – Responsibility
    • Community interest
  – Respect
  – Fairness
  – Compassion

Source: Institute for Global Ethics
Applying Values to Public Service

Trustworthiness:
- I am truthful with my fellow officials, the public and others.
Analyzing Ethical Dilemmas

Two kinds of dilemmas:

- Two competing “right values”
- Doing the right thing costs more than one wants to pay
Example

- Campaign contributor wants you to do something
  - You are not convinced it’s in the best interests of the community

- Right versus right dilemma (loyalty versus responsibility)
  - Doing the right thing (acting on responsibility) then becomes a personal cost dilemma
Questions to Ask

• What would make the public feel best/inspire public confidence?

• What would you want to read about on the front page?

• How do you want to be remembered?
Key Lessons

• The law sets minimum standards for ethical behavior
  – Violations of ethics laws carry stiff penalties
  – When in doubt, ask and ask early

• It’s your choice how high you want to set your sights above the minimum requirements of the law
AB 1234 Compliance

- Sign in
- Proof of participation certificate
- Provide to clerk as public record
- Consider going beyond the minimum in terms of education
King City Police

- Towing Impound Scheme – cars in exchange for tows.
- Officers would pull over vehicles while out on patrol, so that the cars could be towed by Miller’s Towing, in exchange for free cars. Victims were often poor and did not speak English.
- Sgt. Bobby Carrillo received cars 8 separate times in exchange for tows.
- Police Chief Bruce Miller (tow company owner’s brother) also received a car.
- For several years, Miller’s Towing requested 87-90% of the time; 100% one year.
King City Police

- Two other officers faced separate embezzlement and perjury charges involving embezzling a patrol car and then lying about it on DMV paperwork.
- As of 1/8/15, the City served termination notices on certain involved officers, and the Chief of Police has resigned.
Official Misconduct - continued

• Justice Department Indicts Sen. Ted Stevens (picture from MSNBC)
Sen. Ted Stevens - convicted of Corruption October 2008 [Conviction overturned by Supreme Court]

- Failed to report gifts including a $29,000 “FISH SCULPTURE”

- August 9, 2010, Stevens died in a plane crash while en route to a private lodge
Official Misconduct – continued
San Jacinto City Council
Mayor Dale Stubblefield, Member Jim Ayres, Member James Potts, and Vice Mayor John Mansperger indicted on corruption charges
San Jacinto, continued

- Prosecutors claim 9 people, including the council members, conspired to launder hundreds of thousands of dollars, conceal campaign contributions and offer bribes in order to advance political agendas
- 56 Felonies and 99 misdemeanors alleged
- Agricultural-based community of approx. 39,000
Official Misconduct – continued

Oxnard, CA

• Public Works Director Richard Ortega resigned after the Ventura County Star reported that Ortega failed to report gifts such as meals, golf games, and tickets to the Lakers and the Dodgers
Hot Off the Press

• Orange County DA is considering whether to file misdemeanor charges against Santa Ana Mayor Miguel Pulido for voting to approve lucrative city contracts with an auto parts dealer just months after he had consummated a real estate deal with the dealer.
Hot Off the Press – Trap for the Unwary

- Former St. Helena Planning Commissioner and lawyer Brian Russell is facing conflict of interest claims because one of his clients, a winery, might have benefitted from new winery regulations that had been adopted but were later rescinded. He specializes in winery legal issues and helped draft the regulation and may not have even considered the implications of having represented clients that could be affected.
Questions?