



Helen Zukin
President

Sean Treglia
Vice President


Michael Camuñez

Nedra Jenkins

Paul Turner

December 10, 2008

To: Members of the City Ethics Commission

From: Heather Holt, Director of Policy and Legislation 

Re: **AGENDA ITEM 6**
BONC Recommendation Regarding Neighborhood Council Financial Disclosure

This item is presented to give you an opportunity to consider the recommendation made by the Board of Neighborhood Commissioners (BONC) regarding financial disclosure by neighborhood council board members. The City Council will be considering the matter after the first of the year, and your input regarding the BONC recommendation will provide additional assistance to them in their deliberations.

ETHICS COMMISSION RECOMMENDATIONS

Since January of this year, we have been considering the question of whether and how to require financial disclosure of neighborhood council board members. The issue arose in connection with a two-year pilot program that was created by the City Council and authorizes neighborhood councils to place business before the City Council by creating up to three neighborhood council files (NCFs) per year. As part of the project, the City Council adopted two motions that would require neighborhood council board members to file the California Statement of Economic Interests (Form 700) if their boards either introduce or second an NCF.

In a series of letters to the City Council, we have acknowledged the value of financial disclosure in general, as well as the City Council's desire for financial disclosure from neighborhood councils that participate in creating NCFs. However, we have firmly and consistently urged the City Council to require financial disclosure of neighborhood council board members through a vehicle other than Form 700. If Form 700 were required, it would permanently eliminate an existing exemption in Los Angeles Administrative Code § 2.20.1. In addition, we have recommended that the financial disclosure required of neighborhood council board members should reflect their advisory role and should not rise to the level of disclosure that is required by Form 700.

Through the course of our deliberations, we created two forms that may be used for financial disclosure by neighborhood council board members. The first, CEC Form 52 (Attachment A), would be required only of those board members who vote regarding the creation of an NCF. The second, CEC Form 53 (Attachment B), was created in response to a request

from the Education & Neighborhoods Committee and would be required of all board members on an annual basis. On September 8, the Commission forwarded both forms to the City Council and recommended the use of Form 52 if the City Council determines that financial disclosure should be required only when an NCF is created and, alternatively, the use of Form 53 if the City Council determines that universal financial disclosure should be required annually.

BONC RECOMMENDATION

On September 9, the Education & Neighborhoods Committee voted to recommend that neighborhood councils be permitted to create NCFs without filing any financial disclosure. On September 23, Councilmember Garcetti (CD-13) asked BONC to weigh in on the issue. In response, BONC held a series of town hall meetings and distributed a survey to solicit feedback from neighborhood councils about financial disclosure.

On November 10, BONC voted to recommend to the City Council that neighborhood council board members be required to submit financial disclosure statements when they participate in creating an NCF. However, their recommendation was that Form 52 be amended.

Currently, Form 52 requires the disclosure of the following financial interests:

1. The filer's employers;
2. The employers of the filer's spouse or registered domestic partner;
3. Real property interests located within 1,000 feet of the City that are valued at more than \$2,000 and held by the filer or the filer's spouse or registered domestic partner;
4. Business interests located in the City that represent an ownership interest of at least 10 percent, are valued at more than \$2,000, and are held by the filer or the filer's spouse or registered domestic partner; and
5. Other financial interest or benefits that were held or received by the filer or the filer's spouse or registered domestic partner in the 12 months prior to the filing, are valued at \$50 or more, and are affected by the NCF that triggered the filing.

BONC recommended that Form 52 be modified to require the disclosure of the first four items on the list above only if they would be affected by the NCF that triggered the filing.

CITY COUNCIL DECISION

This matter was originally on the City Council agenda for December 3, and we transmitted a letter summarizing Forms 52 and 53 (Attachment C) in anticipation of their discussion. The City Council did not discuss the matter on December 3, however, and it was continued to the first week of January 2009. The continuation gives us the opportunity to formally consider BONC's recommendation to change Form 52, and it may be helpful to the City Council for you to reach a consensus regarding the recommendation.

As was noted in the letter in Attachment C, BONC's recommendation seems to be in keeping with the dual goals of fostering transparency and accountability in government while

also promoting civic participation by avoiding unnecessarily burdensome requirements. Your perspective on the recommended modifications to Form 52—whether you believe they are appropriate or not—will assist the City Council in making its determination regarding financial disclosure by neighborhood council board members.

Because the City Council has not yet determined which approach it will take, we are not proposing an actual form to adopt at this meeting. If the City Council requests amendments to either of the forms, we will revisit the issue and propose specific changes at that time.

If you have questions about this item, please feel free to ask at any time. I look forward to discussing this with you at the meeting.



Attachment A



City Ethics Commission
 200 N Spring Street
 City Hall — 24th Floor
 Los Angeles, CA 90012
 Mail Stop 129
 (213) 978-1960

Neighborhood Council Financial Disclosure

CEC Form 52

Name

LAST

FIRST

MIDDLE

Spouse's/Registered Domestic Partner's Name

LAST

FIRST

MIDDLE

Neighborhood Council

Your Employer(s)

NAME:

FULL ADDRESS:

Your Spouse's/Registered Domestic Partner's Employer(s)

NAME:

FULL ADDRESS:

Real Estate In (or Within 1000 Feet of) the City of Los Angeles That Is:

- Owned or leased by you or your spouse/registered domestic partner (excluding your primary residence); *and*
- Valued at more than \$2,000.

FULL ADDRESS:

Businesses In the City of Los Angeles That Are:

- Owned by you or your spouse/registered domestic partner (an interest of at least 10%); *and*
- Valued at more than \$2,000.

NAME:

FULL ADDRESS:



City Ethics Commission
 200 N Spring Street
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 (213) 978-1960

Neighborhood Council Financial Disclosure CEC Form 52

Neighborhood Council File (NCF)

NUMBER: _____ DATE CREATED: _____ *[This form due within 30 days.]*

SUBJECT MATTER: _____

ACTION YOUR NEIGHBORHOOD COUNCIL TOOK (circle one): **INTRODUCED** or **SECONDED**

Other Financial Interests or Benefits, Not Disclosed on Page 1, That Are:

- Held or received by you or your spouse/registered domestic partner in the previous 12 months; and
- Affected by the NCF identified above; and
- Valued at \$50 or more.

Example: Your neighborhood council seconded the NCF identified above, and your spouse received a \$100 gift from an individual whose business would be affected by that NCF.

CHECK ONE:

_____ I have no other financial interests or benefits that meet all three conditions above.

OR

_____ I have the following other financial interests or benefits that meet all three conditions above:

INTEREST/BENEFIT: _____

NAME OF SOURCE: _____

ADDRESS OF SOURCE: _____

POSSIBLE EFFECT OF NCF: _____

INTEREST/BENEFIT: _____

NAME OF SOURCE: _____

ADDRESS OF SOURCE: _____

POSSIBLE EFFECT OF NCF: _____

INTEREST/BENEFIT: _____

NAME OF SOURCE: _____

ADDRESS OF SOURCE: _____

POSSIBLE EFFECT OF NCF: _____

NOTE: If you listed other financial interests or benefits, you might be required under the Political Reform Act of 1974 to recuse yourself from decisions regarding the NCF identified above. The City Attorney's Office can advise you regarding whether recusal is required.

I certify under penalty of perjury that the information provided in this form is true and correct.

Date: _____ Signature: _____

Attachment B



City Ethics Commission
 200 N Spring Street
 City Hall — 24th Floor
 Los Angeles, CA 90012
 Mail Stop 129
 (213) 978-1960

Neighborhood Council Financial Disclosure CEC Form 53

Please type or print in ink.

This is a public record.

Your Name

LAST

FIRST

MIDDLE

Type of Statement *Assuming Office* [due 30 days after the date you assume office]
 Annual [due April 1 for the previous calendar year of 20____]

Your Neighborhood Council: _____

Your Position or Title: _____

Appointed *Elected* [date of election: ____ / ____ /20____]

Date You Assumed Office: ____ / ____ /20____ **Date You Left Office:** ____ / ____ /20____

Your Contact Information *(may be for your business or neighborhood council office)*

Mailing Address*: _____

Daytime Phone Number*: _____ Fax Number: _____

Email Address: _____

* Required information.

Your Spouse's/Registered Domestic Partner's Name

LAST

FIRST

MIDDLE

Your Employers *(identify by checking box)* and **Your Spouse's/ Registered Domestic Partner's Employers**

EMPLOYER:

YOURS: FULL ADDRESS:

- | | | |
|----------|--------------------------|-------|
| 1. _____ | <input type="checkbox"/> | _____ |
| 2. _____ | <input type="checkbox"/> | _____ |
| 3. _____ | <input type="checkbox"/> | _____ |
| 4. _____ | <input type="checkbox"/> | _____ |
| 5. _____ | <input type="checkbox"/> | _____ |



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 City Hall — 24th Floor
 Los Angeles, CA 90012
 Mail Stop 129
 (213) 978-1960

Neighborhood Council Financial Disclosure CEC Form 53

Real Estate Located Within Your Certified Neighborhood Council Boundaries That Is:

- Owned or leased by you or your spouse/registered domestic partner (excluding your primary residence); *and*
- Valued at more than \$2,000.

FULL ADDRESS:

1. _____
 2. _____
 3. _____

Businesses Located Or Doing Business In Your Certified Neighborhood Council Boundaries That Are:

- Owned by you or your spouse/registered domestic partner (an interest of at least 10%); *and*
- Valued at more than \$2,000.

NAME:

FULL ADDRESS:

1. _____
 2. _____

Gifts To You (Or From Which You Received A Benefit) That:

- Aggregated \$390 or more during the previous calendar year; *and*
- Were given by a single source that currently has business pending before your neighborhood council or had business before your neighborhood council during the previous calendar year.

NAME OF SOURCE:

DATE:

VALUE:

DESCRIPTION OF GIFT.

1. _____	___/___/___	\$ _____	_____
2. _____	___/___/___	\$ _____	_____
3. _____	___/___/___	\$ _____	_____
4. _____	___/___/___	\$ _____	_____

I certify under penalty of perjury that the information provided in this form is true and correct.

I understand that I may be required under the Political Reform Act of 1974, Government Code § 1090, or the common law doctrine of conflicts of interests to recuse myself from board decisions that affect the interests identified in this form, as well as decisions that affect other financial or personal interests. I understand that the City Attorney's Office can advise me regarding when recusal is required.

Date: _____ Signature: _____

Attachment C

CITY OF LOS ANGELES
CALIFORNIA

CITY ETHICS COMMISSION

(213) 978-1960
(213) 978-1988 FAX
<http://ethics.lacity.org>



CITY ETHICS COMMISSION
200 N. SPRING STREET
CITY HALL - 24TH FLOOR
LOS ANGELES, CA 90012

December 2, 2008

BY MESSENGER

The Honorable City Council
c/o Karen Kalfayan, City Clerk
200 North Spring Street
City Hall – 3rd Floor
Los Angeles CA 90012

**Re: Council File Numbers 05-0894-S3 and 08-0351
Financial Disclosure by Neighborhood Council Board Members**

FOR COUNCIL CONSIDERATION ON DECEMBER 3

Dear Councilmembers:

On September 8, the Ethics Commission transmitted a letter urging the use of CEC Form 52 or CEC Form 53 if financial disclosure by neighborhood councils is required. The Commission created these forms in response to City Council action, including two motions, that indicated a desire for neighborhood council board members to file California Form 700.

On September 9, the Education and Neighborhoods Committee recommended that neighborhood councils be permitted to create neighborhood council files without any financial disclosure requirement. We understand that the issue will be considered by the full City Council on Wednesday, December 3. This transmittal provides a brief overview of the two forms, and recaps the Ethics Commission's recommendations for the Council's consideration.

CEC Supports Narrowly Tailored Disclosures for Neighborhood Council Boards

The Ethics Commission remains firmly opposed to using Form 700 for neighborhood councils at this time, because the Commission believes that the level of disclosure required by Form 700 is disproportionate to the advisory role of neighborhood councils. Even the ability to create neighborhood council files does not imbue a neighborhood council with decision-making authority over public policy.

In addition, requiring neighborhood council board members to file Form 700 would result in permanently eliminating an existing exemption in Los Angeles Administrative Code § 2.20.1. It would also subject neighborhood council board members to additional restrictions under the Governmental Ethics Ordinance.



The Commission does recognize, however, that the potential for actual or apparent conflicts of interests does exist among neighborhood council board members. Accordingly, some degree of financial disclosure appears to us to be appropriate. Creating a narrowly crafted City form to achieve that disclosure would avoid the consequences associated with Form 700 and would also establish a more tailored level of disclosure that is more appropriate to the role of neighborhood council boards.

If the City Council adopts a financial disclosure requirement for neighborhood council board members who participate in creating a neighborhood council file, the Ethics Commission recommends that Form 52 be used. If the City Council concludes that financial disclosure should be required of all neighborhood council board members on an annual basis, the Ethics Commission recommends that Form 53 be used. The key differences between the two forms are identified in the following chart.

FORM 52	FORM 53
Recommended if the City Council determines that neighborhood council board members should make financial disclosure when they participate in creating a neighborhood council file (NCF).	Recommended if the City Council determines that neighborhood council board members should make financial disclosure on an annual basis, unrelated to neighborhood council files.
Required of all neighborhood council board members when acting to introduce or second an NCF.	Required of all neighborhood council board members once a year.
<p><u>Disclosable Items:</u></p> <ul style="list-style-type: none"> • Employers.* • Real estate interests within 1000 feet of the city[†] valued at more than \$2,000.* • Business interests in the city[†] valued at more than \$2,000.* • NCF number, date created, subject matter, and action of neighborhood council board. • Other financial interests or benefits affected by the NCF and valued at \$50 or more. * <p>[†]Because NCFs require the support of two neighborhood councils, disclosure was not limited to the geographic bounds of a particular neighborhood council.</p> <p>*For the filer and the filer's spouse or registered domestic partner.</p>	<p><u>Disclosable Items:</u></p> <ul style="list-style-type: none"> • Employers.* • Real estate interests in the neighborhood council[†] valued at more than \$2,000.* • Business interests located in or doing business in the neighborhood council[†] valued at \$2,000 or more.* • Gifts aggregating \$390 or more in the previous year from a single source with business before the filer's neighborhood council. <p>[†]Because disclosure is made without regard to an NCF and may be most pertinent to decisions that affect a neighborhood council, it was limited to the neighborhood council's geographic bounds.</p> <p>*For the filer and the filer's spouse or registered domestic partner.</p>
Due within 30 days of creating an NCF. No further filings required unless another NCF is created.	Due within 30 days of assuming office and annually (by April 1) thereafter while in office.
Filed with Ethics Commission.	Filed with Ethics Commission.
Board members unable to participate in board actions as long as out of compliance.	Board members unable to participate in board actions as long as out of compliance.

In a letter dated November 17, 2008, the Board of Neighborhood Commissioners (BONC) recommended that neighborhood council board members be required to file a modified version of Form 52 that requires the disclosure of employers, business interests, and real estate interests only when they would be affected by the neighborhood council file that triggers the disclosure. Our Commission has not had an opportunity to formally consider the BONC's recommendation, but it seems to be in keeping with the dual goals of fostering transparency and accountability in government and promoting civic participation. The Commission would be happy to further consider the BONC's recommendation if the City Council endorses that approach.

We would be happy to answer any questions you might have about Forms 52 and 53 or about financial disclosure, in general. We will also be available to respond to questions during the Council's deliberations. Please feel free to contact me or Heather Holt, our Director of Policy and Legislation, at (213) 978-1960 if we can provide additional information.

Sincerely,


LeeAnn M. Pelham
Executive Director

cc: BongHwan Kim, General Manager, DONE
Gwen Poindexter, Deputy City Attorney
Renee Stadel, Deputy City Attorney