ANALYSIS

This ordinance amends Chapter 2.190 of Title 2 - Administration of the Los Angeles County Code related to Political Campaigns for County Office (Proposition B – Campaign Finance) to prohibit contributions from tax agents to the County's Assessor or candidates for Assessor.

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BMM:plp

August 30, 2012 (Requested)
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October 29, 2012 (Revised)
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ORDINANCE NO. _____

An ordinance amending Title 2 - Administration of the Los Angeles County Code, relating to campaign contributions to the Assessor or candidates for the office of Assessor.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Section 2.190.010 is hereby amended to read as follows:

2.190.010 Findings.

A. The people of the County of Los Angeles find that as the cost of campaigning for County office increases, there is the need to raise larger and larger amounts of money, much of which may come from interest groups with a stake in matters pending before County officers. While citizens of the County should be allowed to make financial contributions to political campaigns for County offices as a legitimate form of participation in the political process, there is a need to reduce the opportunity for persons or organizations to use their financial strength to attempt to exercise control over candidates and the electoral process.

B. 1. The Board of Supervisors finds that events that came to light beginning in 2011, and more recently in 2012, in the County of Los Angeles have generated questions regarding the integrity of the Assessor's office. Felony indictments by the District Attorney of the County's elected Assessor, Assessor employees, one tax agent, and an ongoing criminal investigation of the Assessor's office and additional staff, have eroded the public's confidence in the elected Assessor. In addition, numerous investigative media reports have alleged significant "pay to play" activities within the Assessor's office.

2. The Assessor manages the County's property tax assessment roll, representing a value of approximately $14 billion per year. The Assessor, whose fundamental duty it is to fairly determine the value of property so that fair and accurate tax bills may be issued and collected, has a clear fiduciary obligation to the taxpayers of the County. It is crucial that there be public confidence in the elected Assessor and his or her staff, and that property taxes in the County are assessed legally, properly, without special-interest influence, and in a manner that is equitable to all property owners and the citizens of the County.

3. The District Attorney's investigation has resulted in the filing of two criminal complaints alleging that political contributions to the County's Assessor from at least one tax agent were made to ensure that properties represented by the tax agent were assigned values far below their fair market value, resulting in unwarranted property tax refunds paid by the County to property owners. The tax agent, in turn, received a percentage of the tax refunds as a fee for services. The criminal complaints demonstrate that the County's elected Assessor and at least two Assessor employees allegedly personally interceded on cases involving the tax agent in order to enroll the values requested by him. The investigation paints a disturbing picture of "pay to play" activities, which would result in lost revenue to the County, its taxing agencies, and every taxpayer in the County. Such allegations of unethical conduct undermine the credibility of the Assessor's office, compromise its ability to carry out its lawful functions, erode the public trust in the tax assessment process, and present an appearance of corruption.

4. According to the first indictment and arrest warrant filed on May 16, 2012, by the District Attorney, one Assessor office employee was charged with 60 felony counts, including keeping false records or making false entry or erasure of accounts of public moneys by reducing property values in exchange for contributions and/or favors to the County's Assessor. The indictment alleges that various reductions in property values were made without supervisor approval or documentation or evidence in support of the change, on properties represented by known campaign donors to the County's Assessor, and include conduct such as: (a) reducing a newly appraised property value of $4 million to $2.8 million while that parcel was scheduled for assessment appeal hearing; (b) changing the base value of a parcel with a new purchase price of $2.15 million to $1.5 million; (c) reducing the value of a parcel from $3.11 million to $2.1 million after denying a decline in value request submitted one year after a parcel was purchased and without the applicant submitting comparables or evidence; (d) attempting to reduce the value of a parcel from $15.8 million to $10 million, without any pending application submitted to the Assessor's office for review; (e) reducing a parcel value from $9.1 million to $6 million after another appraiser had denied reduction because market value was in excess of the assessment; (f) reducing a parcel value from $3.4 million to $2.3 million, and another from $1.76 million to $950,000, without any pending applications submitted to the Assessor's office for review; and (g) reducing a value found by the Assessment Appeals Board of $2.7 million to $1.7 million although having no authority to override a Board found value.

5. On October 16, 2012, the District Attorney filed a second indictment containing 31 felony counts against the County's elected Assessor, one Assessor employee, and one tax agent, charging them each with multiple counts including bribery, misappropriation of funds, perjury, embezzlement and conspiracy.

6. While the Board recognizes that the Assessor's office has many honest and hardworking employees, the criminal complaint alleges a pattern and practice of corruption or the appearance of corruption within the office, assigning requested value changes for political supporters or on property represented by political supporters.

7. The criminal complaint alleges that the County's Assessor accepted at least four payments totaling $185,000 from a tax agent with appeals pending before the Assessment Appeals Board and failed to report the payments on his Statement of Economic Interest. The criminal complaint further alleges that the same tax agent made payments of approximately $100,000 to another Assessor employee. Additionally, multiple witnesses interviewed by the District Attorney's office stated that tax agents who contributed to the County Assessor's campaign had extraordinary access to him, as well as priority with regard to matters relating to properties they represented.

8. For example, four parcels of property which comprised the site of a landmark Hollywood eatery were purchased for $14 million. Following payments to the County's Assessor from a tax agent who represented the owners of the parcels, the values of the four parcels were reduced to $7.6 million, $6.3 million and $4.8 million for tax years 2008, 2009 and 2010 respectively. One month after receiving tax refunds, the parcels sold for $21 million.

9. The Board of Supervisors has a substantial interest in maintaining the integrity of the tax rolls and ensuring that revenues due to the public are properly and legally assessed and collected without undue influence. Such interest includes protecting the rights of taxpayers, holding tax agents to the highest ethical standards, and reducing the opportunity to influence the County's Assessor and his or her employees through contributions in order to receive tax reductions or special treatment.

10. The Board of Supervisors therefore finds that an amendment to this chapter is necessary and proper to prevent actual corruption or the appearance of corruption and to further its purposes by strengthening the laws governing contributions to the County's Assessor or candidates for Assessor by limiting the ability for the Assessor to use his or her official position to influence decisions on assessment matters where tax agents have contributed to Assessor campaigns, officeholder accounts, or attorney's fees funds.

SECTION 2. Section 2.190.030 is hereby amended to read as follows:

2.190.030 Definitions.

The following phrases, whenever used in this chapter, shall be construed as defined in this section:

A. "Bundling of contributions" means the making of contributions to a candidate through another person or entity who acts as an intermediary or conduit.

B. "Campaign expenditure" means any "expenditure" as that term is defined in Government Code Section 82025 which is made by a candidate or his or her controlled committee in furtherance of that candidate's effort to be elected to a County office. Campaign expenditures occurring at any time up to and including the date of the

primary election, even if prior to the filing for office, shall be considered campaign expenditures related to the primary election. If the candidate is a candidate in the general election, campaign expenditures occurring after the date of the primary election shall be considered campaign expenditures related to the general election, except to the extent any expenditure is to repay a debt incurred for the primary election prior to the primary election, in which case the expenditure will be a campaign expenditure related to the primary election.

C. "Candidate" means an individual, with regard to any primary or general election for either a Countywide office or supervisor, who is listed on the ballot or who has qualified to have write-in votes on his or her behalf counted by election officials or who receives a contribution or makes any expenditure with a view to bringing about his or her nomination or election.

D. "Committee" shall have the meaning set forth in Government Code Section 82013.

E. "Contribution" shall have the meaning set forth in Government Code Section 82015, except that as used in this chapter, "contribution" shall also include a loan or an extension of credit for a period of more than 30 days, other than loans or extensions of credit from financial institutions which are given in the regular course of business upon terms and conditions generally available to other customers of that financial institution.

F. "Controlled committee" shall have the meaning set forth in Government Code Section 82016.

G. "Countywide office" means the sheriff, the District Attorney and the Assessor of the County of Los Angeles.

H. "Registrar-Recorder" means the Registrar-Recorder/County Clerk for the County of Los Angeles.

I. "Personal funds of the candidate" means both the community and separate property of the candidate. "Personal funds of the spouse of the candidate" means only the separate property of the spouse.

J. "Political action committee" means any "general purpose committee" or "County general purpose committee" as those terms are defined by Government Code Section 82027.5.

K. "Political party" means any "qualified party" as described in Elections Code Section 5100.

L. "Inter-Candidate Transfer" means the transfer of campaign funds from a candidate as defined by Government Code Section 82007 or Section 2.190.030 C to any other candidate.

M. "Intra-Candidate Transfer" means the transfer of campaign funds between controlled committees of a single candidate as defined by Government Code Section 82007 or Section 2.190.030 C.

N. "Primary election" shall also include a special election, and "general election" shall also include the runoff for a special election.

O. "Person" shall have the meaning set forth in Government Code Section 82047.

P. "Supervisor" means a member of the Board of Supervisors of the County of Los Angeles.

Q. "Tax agent" means any individual who is employed, is under contract, or otherwise receives compensation to communicate directly, or through agents, employees or subcontractors, with the Assessor, an Assessment Appeals Board member, an Assessment Hearing Officer, or any other County employee within the Office of the Assessor whose duties are not primarily clerical or manual, for the purpose of influencing by any means, including promoting, supporting, influencing, seeking modification of, opposing or seeking delay of any official action which shall include locating all taxable property in the County, identifying ownership, establishing a taxable value for all property subject to property taxation, including the initial value, declines in value, corrections to values and any other changes in the taxable value set, completing an assessment roll showing the assessed values of all property, applying all legal exemptions to assessments, and deciding all property assessment disputes between taxpayers and the Assessor, if a substantial or regular portion of the activities for which he or she receives such compensation is for the purpose of influencing official action. A tax agent shall not include:

1. An elected or appointed public official or public employee when acting in his or her official capacity;

2. An enrolled agent pursuant to Part 10 of Title 31 of the Code of Federal Regulations; or

3. A person representing any of the following:

a. Himself or herself;

b. An immediate family member; or

c. An entity of which the person is a partner, officer, or owner of ten percent or more of the value of the entity.

SECTION 3. Section 2.190.135 is hereby added to read as follows:

2.190.135 Tax Agent Contributions

No Assessor or candidate for Assessor shall solicit or accept any contribution to his or her campaign for the office of Assessor or to his or her officeholder account or attorney's fees fund from any person who is a tax agent, or otherwise performed the duties of a tax agent, at any time in the previous 12 months. No person who is a tax agent, or otherwise performed the duties of a tax agent at any time in the previous 12 months, shall make any contribution to the Assessor or candidate for Assessor.

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