



CITY COUNCIL AGENDA REPORT

DATE: 5/31/2014

AGENDA OF: 6/10/2014

DEPARTMENT: City Council

SUBJECT: Ordinance Governing City Council Campaign Contributions and Expenditures (CN)

RECOMMENDATION: Introduce for publication an ordinance amending Chapter 2.10, Sections 2.10.010, 2.10.020, 2.10.030, 2.10.055, 2.10.060, 2.10.070, 2.10.075, and 2.10.080, and adding Sections 2.10.030(c) and 2.10.065 to the Santa Cruz Municipal Code to accomplish some or all of the following:

1. Provide for matching public campaign financing for City Council candidates who agree to voluntary campaign expenditure limits; AND/OR
2. To make the current voluntary campaign contribution system mandatory.

BACKGROUND: Over 40 cities around the country attempt to control campaign finance spending by establishing mandatory limits on individual donations and voluntary limits on overall expenditures. The majority of these cities, including San Francisco, New York, Boulder, and Ventura, provide a limited amount of public financing to candidates that agreed to the voluntary overall limit. For an interactive map of the Cities go to <https://www.zeemaps.com/map?group=941199#> (or see attachment 3). Setting a maximum limit on overall campaign donations or expenditures is prohibited by the Supreme Court Decision known as Citizens United.

In the City of Santa Cruz, Santa Cruz Municipal Code Chapter 2.10 sets voluntary campaign expenditure limitations for city council races - both per donor and per total expenditures. Both limits rise with population and cost of living increases. The per person limit is currently \$345.00. Per organization is \$825.00 and the total expenditure limit is \$28,548.00. The ordinance was established in 2000. The goals of the ordinance are:

1. To minimize the potentially corrupting influence and appearances of corruption caused by excessive contributions; and
2. To limit overall expenditures in campaigns, thereby allowing candidates to spend less time fundraising and more time communicating with voters; and
3. To provide incentives to encourage candidates to voluntarily limit their campaign expenditures.

However, unlike most municipal campaign finance ordinances, there is very little incentive for candidates to agree to the voluntary limits. Agreeing to the limits does allow a candidate to not

pay \$1,494.00. A more serious incentive- a free mailer for candidates who agreed to the ordinance was rescinded by the City Council in the year of 2004, prior to the November election. Since the 1980s, a majority of winning Council Candidates did not spend much more than \$20,000.00. After the ordinance was passed in 2000, however, candidates started to outspend the voluntary limit as early as 2004. In 2010, none of the winning candidates agreed to the limit and the frontrunner spent well over \$40,000.00. In 2012, two out of four of the candidates did not agree to the limit, including a candidate who spent close to \$43,000.00 and placed 4th. Overall the amount of money spent per voter on City Council races since 2004 has increased significantly (see attachment 4). Thus the ordinance is no longer succeeding at two out of three of its primary objectives as listed above. On the positive side, no candidate has exceeded the per person/ per organization limits set up by the ordinance thereby fulfilling the first goal of the ordinance. However this appears to be due to a healthy culture among candidates and not of a successful ordinance.

The recent history of voluntary campaign contributions suggest:

1. We do not yet have a problem of undue influence in city elections, though the ordinance is so weak that it would not prevent this from occurring.
2. The ordinance has not proven to be a strong incentive to control maximum expenditures, and the most costly campaigns are getting more costly with each election cycle.
3. It is still entirely possible to win a city council election while agreeing to the voluntary expenditure limits. In 2012 the Candidates who placed 1st and 3rd both agreed to the ordinance. One was an incumbent and one was not.

DISCUSSION: The goal of the proposed ordinance is to allow the City to better serve its primary purpose as a democratic, public institution by:

- Insuring that the pool of City Council candidates is not limited to those with fund raising experience and/or access to money, allowing better access to students, for example, or people of color;
- Significantly increasing the quality of the debate during elections by allowing candidates to focus more on issues and conversations with constituents and less on fundraising; and
- Preventing the potential for undue influence, or the perception thereof, in City Council elections.

In order to advance this goal the ordinance would amend and strengthen the City's current Voluntary Campaign Expenditure and Contributing Limitations Ordinance, Chapter 2.10 of the Santa Cruz Municipal Code, by making the following revisions:

- Change voluntary limits on individual and organizational contributions to mandatory limits, using the same contribution limitation formula set forth in the current ordinance;
- Provide a public 1 to 1 general fund match for campaign contributions to candidates who agree to the Voluntary Expenditure Limitations;
- To insure that this policy does not artificially encourage large numbers of candidates and to reduce staff time needed to implement the policy, the match would occur at \$5,000.00 increments up to the voluntary expenditure limit, which is currently \$26,641.00. Under the current voluntary maximum expenditure limit, upon raising \$5,000.00, a candidate would submit proof to the City Clerk Administrator who would authorize payment of \$5,000.00 to the candidate's treasurer for expenses. The process would repeat at the \$10,000 and \$13,320.50 levels for donations;

- The ordinance would also make it a misdemeanor for a candidate to renege on his or her voluntary pledge to limit campaign expenditures after receiving matching funds and/or other benefits in exchange for that voluntary pledge; and
- General administrative cleanup of language and to remove requirement in Section 2.10.30 (b)(1) pertaining to city paid vendor to assist candidates with maintaining financial filings.

FISCAL IMPACT: Staff estimates that the cost to the City of these proposed changes to the ordinance is a maximum of between \$80,000 and \$106,000 in election years (varying between a three- and four-seat election), representing 0.10% to 0.14% of the City’s current General Fund budget of \$78 million (from which the public match would be paid).

This cost estimate relies on the assumption (historically accurate) that no more than double the open seats (three or four seats) of candidates in each City Council election would raise at least \$5,000. Assuming a maximum expense per candidate, using recent past candidate numbers, the City would pay up to \$13,320.50 per candidate for up to 14 candidates over any 4-year period. \$13,320.50 multiplied by 14 candidates equals \$186,487. In an election year with three seats, the estimated maximum public match would be approximately \$80,000, with a maximum of \$106,000 in election years with four open seats. If half of the candidates adhered to the proposed Voluntary Expenditure Limitations, the maximum cost in election years would be \$40,000 and \$53,000, respectively.

This cost would offset contributions from the community of between \$55,000 and \$200,000 annually in contributions to the candidates, depending on what the candidates would have raised without the strengthened ordinance. \$55,000 represents the cost savings if the ordinance had been enacted in the last election cycle, while \$200,000 represents savings if each would have spent \$50,000.

Prepared by:
Micah Posner
Councilmember

Submitted by:
Micah Posner
Councilmember

Submitted by:
Don Lane
Councilmember

ATTACHMENTS:

- Municipal Code Chapter 2.10 – Revised Campaign Finance - Redline Version
- Proposed Revised Campaign Finance Ordinance – Clean Version
- Campaign Finance Examples
- Campaign Finance Data