



THE CITY OF SAN DIEGO  
**PRESS RELEASE**

**Ethics Commission**

**FOR IMMEDIATE RELEASE**

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**ETHICS COMMISSION ANNOUNCES TWO  
SETTLEMENTS ARISING FROM INVESTIGATION OF  
SAN DIEGO DATA PROCESSING CORPORATION**

Stacey Fulhorst, Executive Director of the City of San Diego Ethics Commission, announced today the Commission's approval of two stipulated settlement agreements arising from the Commission's extensive investigation of the San Diego Data Processing Corporation (SDDPC), a public non-profit corporation created by the City of San Diego. In January of 2004, following the release of the City Audit Division's Interim Audit Report regarding SDDPC, the Commission was asked to investigate certain findings contained in the Audit Report to determine if they reflected violations of the City's Ethics Ordinance. In particular, the Commission was asked to examine the personal financial interests of former President and CEO Roger Talamantez to determine whether he unlawfully participated in decisions that affected his financial interests. In addition, the Commission was asked to investigate the spending practices of SDDPC executives to determine whether these City Officials violated one or more provisions of the Ethics Ordinance.

The Commission staff conducted a comprehensive and time-consuming investigation that involved interviewing dozens of witnesses and reviewing thousands of documents provided by SDDPC in response to informal requests and a Commission subpoena. These documents were produced in various stages, beginning in March 2004 and continuing through December 2004.

After reviewing the results of the extensive staff investigation, the Commission concluded that it had no jurisdiction to pursue an enforcement action in connection with Mr. Talamantez' participation in decisions that affected his personal stock holdings. Because all of the municipal decisions at issue

took place prior to the City Council's April 29, 2002, adoption of the Ethics Ordinance, any actions by Mr. Talamantez in this regard pre-dated the Commission's jurisdiction. The Commission declined to refer this matter to another governmental agency because the San Diego County District Attorney had already investigated these allegations and charged Mr. Talamantez with violations of the State's conflict of interest laws.

The Commission also determined that it was not appropriate to pursue an enforcement action in connection with SDDPC executives' use of company credit cards. Although the Commission found that SDDPC executives charged thousands of dollars of meals on company credit cards and frequently failed to provide back-up documentation, there was no evidence that these actions violated any provision of the City's Ethics Ordinance. The scope of the Ethics Ordinance does not extend to the general misuse of public funds, although this is a subject the Commission may eventually seek to have included within its jurisdiction. Moreover, although the Ethics Ordinance does prohibit City Officials from using their positions to induce others to provide them with something of value, no inducement was evident in this case. To the contrary, the investigation revealed that SDDPC had an unwritten policy that permitted and encouraged its executives to use company credit cards with little or no oversight or regulation.

There was, however, evidence that another form of unlawful inducement took place. As a result of its investigation, the Commission determined that Mr. Talamantez misused his position by asking his subordinate, the Director of Intergovernmental Affairs, to work with City Council District 2 staff to prioritize his request to underground the overhead utility lines on his residential street. According to Commission Chair, Dorothy Leonard, "The Commission concluded that Mr. Talamantez's request was made with the intention of obtaining a private benefit, and was therefore an unlawful use of the power and authority of his office." As a result, the Commission has approved a stipulated settlement with Mr. Talamantez whereby he has agreed to pay an administrative fine of \$500 for violating the Ethics Ordinance.

The Commission's investigation also revealed that Rey Arellano, the Deputy City Manager and Chief Information Officer for the City, accepted gifts from SDDPC executives in the form of meals, but failed to report all of these gifts on his annual Statements of Economic Interests. Commissioner Leonard explained that "Although the Commission found that records maintained by SDDPC are inaccurate and unreliable in terms identifying the parties who attended particular meals, Mr. Arellano acknowledged receiving more gifts than he previously reported." Mr. Arellano agreed to amend his

SEIs to reflect the receipt of these gifts (\$149.00 in 2002 and \$76.00 in 2003), and to pay an administrative fine in the amount of \$500.

Ethics Commission fines are paid to the City of San Diego's General Fund. The stipulated settlements approved by the Commission resolve all factual and legal issues without the necessity of holding an administrative hearing.

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