



OFFICE OF THE CITY CLERK

REPORT

INFORMATIONAL REPORT TO THE ETHICS COMMISSION

DATE: Written March 25, 2015 for the Ethics Commission Meeting of April 9, 2015

REPORT#: 15-03

SUBJECT: Informational Report Regarding a Review of Lobbying Fees & Process Improvements

BACKGROUND

On July 31, 2007, the Council adopted ordinance O-19656 which revised San Diego Municipal Code section 27.4010 to remove the current listing of lobbyist registration fees from the Municipal Code and to require that the approved fee schedule be filed in the City Official Rate Book. San Diego Municipal Code section 27.4010 further provides that the City Clerk shall from time to time recommend fee amounts to the City Council that reflect, but do not exceed, the City's costs of administering the lobbyist filing requirements.

On November 8, 2007, Council approved Resolution R-303107 which established fees as follows, beginning January 1, 2008:

Annual Lobbyist Registration:	\$40.00
Pro-rated Registration after October 1:	\$20.00
Annual Client Registration:	\$15.00
Pro-rated Client Registration after October 1:	\$10.00

IMPACTS TO REVIEW SCHEDULE

Given the January 1, 2008 roll-out of the fee schedule, the initial goal was to allow for three years of data in order to fairly and comprehensively assess the impacts associated with implementing the ordinance. The initial plan was to bring potential fee updates forward to the Council in 2011.

However, in 2011 my department began outreach efforts to interested parties in anticipation of initiating on-line filing for lobbyists. By 2012, the Office of the City Clerk was heavily involved in beta testing, training and fine-tuning the on-line system with the City's vendor and customers. Paperless filing of Campaign Disclosures and Lobbying was fully implemented January 1, 2013.

Thus, in an attempt to allow for two full years of electronic filing to fully assess the costs and impacts associated with this change, the time is finally ripe for a thorough review of the lobbying on-line system and the fees established in 2008.

BENCHMARKING

To begin the Clerk's review of lobbyist fees, staff benchmarked 28 other government entities within California which regulate lobbyist registration. Table 1, below, ranks the 20 cities included in the study in descending order by fee charged per lobbyist, which ranges from \$500 to \$0. Where applicable, the table also reflects fees per client, pro-rated fees for lobbyists and clients registered for a partial year, renewal (re-registration) fees, and registration amendment fees. Finally, the size of each city included in the study is indicated in the right-most column, which provides rank by total population among 482 California cities.

As shown, with an annual fee per lobbyist of \$40, San Diego ranks 12th among the 16 cities which impose an annual lobbyist registration fee. Among the eight (8) cities which charge an annual fee per client, San Diego is tied with Oceanside and Richmond for the lowest fee (\$15).

For purposes of comparison, Table 2 provides additional information from nine (9) non-city entities which regulate lobbyist registration, again in descending order by lobbyist registration fee. If included as a tenth entity in this table, San Diego would rank seventh, with the lowest registration fee among those which impose such fees.

TABLE 1: CALIFORNIA CITIES WITH LOBBYING ORDINANCES

March, 2015

	Lobbyist Annual Fee	Renewal Fee	Pro-Rated Fee?	Client Fee	Pro-Rated Fee?	Fee to Amend?	City Rank by Pop.*
San Francisco	\$500	--	--	--	--	--	4
Irvine	\$487	--	\$229 (7/1)	\$69	--	--	15
Los Angeles	\$450	--	\$337 (10/1)	\$75	\$56 (10/1)	--	1
San Jose	\$350	--	--	\$60	--	--	3
Oceanside	\$150	--	--	\$15	--	--	27
Santa Clarita	\$120	--	--	--	--	\$25	18
Sacramento	\$100	--	--	\$25	--	--	6
Long Beach	\$100	--	--	\$25	--	--	7
Carson	\$100	\$50	--	--	--	\$10	78
Santa Rosa	\$94	--	--	--	--	\$30	28
Malibu	\$45	--	--	--	--	--	346
San Diego	\$40	--	\$20 (10/1)	\$15	\$10 (10/1)	--	2
Richmond	\$35	--	--	\$15	--	--	64
Cathedral City	\$25	--	--	--	--	--	168
Fresno	\$25	--	--	--	--	--	5
West Hollywood	\$10	--	--	--	--	--	221
Lancaster	--	--	--	--	--	--	31
Milpitas	--	--	--	--	--	--	120
Oakland	--	--	--	--	--	--	8
San Luis Obispo	--	--	--	--	--	--	187

**based on California Dept. of Finance Demographic Research Unit city population data for January 2014*

TABLE 2: OTHER CALIFORNIA ENTITIES WITH LOBBYIST REGISTRATION REGULATIONS

March, 2015

	Lobbyist Annual Fee	Renewal Fee	Pro-Rated Fee?	Client Fee	Pro-Rated Fee?	Fee to Amend?
Los Angeles Co.	\$450/lobbyist; \$75/employer	--	\$337/lob; \$56/emp (10/1)	--	--	--
LA USD	\$200 (org.) + \$100/lobbyist	--	--	\$150	--	--
Santa Clara Co.	\$180	--	\$90 (6/30)	--	--	--
LA MTA	\$40/lobbyist; \$75/employer	\$25/lob; \$50/emp	\$45/lob; \$85/emp (1/16)	--	--	--
Orange Co.	\$75	\$50	--	--	--	--
State of California	\$50	--	--	--	--	--
San Diego Co.	--	--	--	--	--	--
San Diego RAA	--	--	--	--	--	--
San Mateo Co.	--	--	--	--	--	--

CITY OF SAN DIEGO FEE UPDATE PROCESS

User fees, or charges for services, are an important component of government revenues. State and local governments use charges and fees to fund the provision of goods and services for a specific benefit, or government service conferred, directly to the payor or recipient of that specific benefit. These charges and fees are not required of those who do not receive the specific benefit or service, and they shall not exceed the reasonable cost of providing the service or product.

The City of San Diego performs a comprehensive user fee study or cost of service study (COSS) in order to determine appropriate fees for any particular service. The COSS assumes full cost recovery of city services. City Council can decide to collect less than the full cost for a service in certain instances, but never more than the full cost. Examples of partial collection of fees are those that the Council has decided should be subsidized as in recreation or senior services charges, or those that are not cost effective to collect.

On November 2, 2010, California voters approved Proposition 26, a ballot initiative that limits the ability of local government agencies to impose certain fees and charges. This resulted in many local government fees being considered a “tax” and thereby requiring a two-thirds approval by the voters with a few exceptions. Per a City Attorney’s Opinion letter dated March 4, 2011, user fees, or charges for services, are exempt from Proposition 26 as they relate to a charge for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed reasonable costs by the City in conferring this benefit or privilege.

The City’s Financial Management department provides a spreadsheet for use in the calculation of appropriate fees that includes both direct and indirect costs. The Office of the City Clerk will work closely with both Financial Management and the City Attorney to ensure that the fee update proceeds in accordance with the City’s established process and the law.

PROCESS IMPROVEMENTS

It is anticipated that there will be two major enhancements to the Electronic Filing System (ELF) as it relates to lobbyists in 2015 and 2016: parsing of lobbyist data and online payments for lobbyist registration.

Parsing Data

Staff is working closely with our vendor regarding expectations for the parsing enhancement. The system will be upgraded to allow for date range searches. It is anticipated that testing of this function will begin in April, with a roll-out to the public as soon as testing is completed. The parsing and the ability to search will include:

- a. lobbyists
- b. clients
- c. municipal decisions
- d. city officials who were lobbied
- e. activity expenses
- f. details about contributions
- g. fundraising reported
- h. campaign services
- i. contract services

On-line Payment

The San Diego Municipal Code (§27.4010, *Registration Fees*) requires lobbyist payment at the time of registration. Currently, staff manually tracks all lobbyist registration payments. Implementing online payments will benefit both the lobbyists and the City. When registered lobbyists were apprised of the upcoming review of fees and the Clerk's process, they were asked for feedback. Of the 16 lobbyists who responded, 11 suggested electronic payments for registration as a desired enhancement.

The first step in making electronic payment possible requires upgrades to the electronic registration by the current vendor, so that the system can be linked with an electronic payment program. In addition, on the City side, coordination with the City Treasurer's Office is necessary. Discussions are already underway and several of the first hurdles have been cleared.

Once electronic payment is implemented, lobbyists will have two choices for paying their registration:

- o ACH (Check routing number)
- o Credit/Debit card

The cost for online payments will be passed on to the lobbyist through a convenience fee. The convenience fee is collected by the bank and the registration fees collected will be transferred into the General Fund.

Once electronic payment is implemented, it will be the only method by which lobbyists may submit their registration fees. The goal is to have online payments ready for testing by the end of September 2015 with a roll-out to coincide with the fee update to take effect January 1, 2016.

CONCLUSION

The time is ripe for a review and update of the lobbying fees in the City of San Diego. Careful consideration of benchmarking data, as well as input from interested parties will be combined with the fee update process established for the City of San Diego by Financial Management and the City Attorney to propose updated fees which will take effect January 1, 2016. System upgrades will also be implemented to coincide with this roll-out date to better serve the City's filers and customers wishing to access the on-line data.

Elizabeth Maland
City Clerk