



CITY OF PHILADELPHIA

BOARD OF ETHICS
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April 24, 2017

Honorable Darrell L. Clarke
President
Philadelphia City Council
City Hall, Room 494
Philadelphia, Pennsylvania 19107

Dear President Clarke:

Enclosed please find Fiscal Year 2018 Budget Testimony prepared by Board of Ethics Chair Michael H. Reed, Esq. We would appreciate it if you would share this testimony with your fellow Council Members.

While the Board has not been scheduled for a hearing, it requests your favorable consideration of the accomplishments and goals described in the Testimony and of its request for \$37,500 in additional Class 100 funds in FY2018. These funds would be used for the specific purpose of converting a vacant position to a Staff Attorney position. The staff attorney would immediately enable the Board to expand its training and outreach activity and would increase the Board's capacity to enact new regulations to provide clear rules in plain language for compliance with the Public Integrity Laws.

We are available to meet with you and other Council Members at your convenience to discuss any questions you may have concerning this testimony.

Please do not hesitate to contact me if I can be of any assistance.

Yours truly,

A handwritten signature in black ink, appearing to read "J. Creamer".

J. Shane Creamer, Jr., Esq.
Executive Director

Encl.

FY18 Operating Budget Testimony
Michael H. Reed, Esquire, Chairman
Philadelphia Board of Ethics
Prepared for City Council
April, 2017

As Chair of the Board of Ethics, it is my pleasure to present this testimony as the Board has recently passed a major milestone, its tenth anniversary. As you know, the five-member independent Philadelphia Board of Ethics was established by ordinance and installed its first members on November 27, 2006. Our current Board members are proud to report on the Board's continued progress and accomplishments and to outline our plans and needs for FY2018.

The mission of the Board of Ethics is to promote public confidence in City government through the administration and enforcement of the City's Campaign Finance, Ethics, Lobbying, and Financial Disclosure Laws (Public Integrity Laws). The administration and enforcement of the Public Integrity Laws helps to advance honesty, integrity and transparency in City government. The Board also promotes transparency in City government by making detailed campaign finance and lobbying information easily accessible to the public on its website.

At the core of the Board's mission are training and advice for compliance with the Public Integrity Laws so that City officers and employees, candidates and their treasurers, political committees, and those involved in lobbying can avoid violations of the law. When necessary, the Board investigates complaints and enforces these laws to protect the public's interest in a fair and effective City government.

Accomplishments and Goals

Training and Outreach

Because of the importance placed on training, especially ethics training, the Board worked to increase its training activity in FY17. The number of in-person classes conducted in all of FY16 (ending June 30, 2016) was 45. Through March 2017, the Board has already conducted 70 in-person training classes and has 22 more scheduled through the end of June, for a total of 92 in the current fiscal year. The Board expects that even more classes may be added to this number by the end of FY17. These classes include not only ethics training for new employees, but also refresher ethics training for existing employees, ethics training for members of City boards and commissions, and campaign finance training for candidates, treasurers, political committees and other interested individuals.

The Board continues to make information about the Public Integrity Laws available in plain language documents on its website. For example, Board staff developed and posted educational documents related to compliance with the City gift ordinance. These included a one-page overview of key points for City officers and employees regarding gifts and templates of letters a City officer or employee can use when returning gifts and gratuities.

The Board took a major step in FY17 toward maximizing its staff resources and expanding its training activity. The Board was one of the initial City departments and agencies to participate in a City-wide Learning Management System (LMS). The Board expects to begin actively using the LMS in FY18. This system ultimately will permit the Board to offer a variety of online classes, including ethics training for City employees and members of City boards and commissions, campaign finance training for candidates and treasurers, and lobbying training for lobbyists and principals. The LMS will also permit our small staff to manage administrative functions associated with an active training program, including registration for and tracking attendance at in-person and online courses.

Even with the LMS, the Board will continue to offer in-person ethics training to new City officers and employees because we believe it is the most effective training method for complex ethics concepts.

Advice

The Board provides advice to City officials and employees through informal general guidance and written advisory opinions. At every opportunity, we encourage City officials, employees, candidates, campaigns and lobbyists to ask for advice before they act because this is the most effective tool to prevent potential violations of the Public Integrity Laws.

Informal guidance is provided in phone calls, emails and in-person meetings. Staff members receive and field new inquiries on a daily basis and help hundreds of requestors each year to understand the legal requirements and comply with the laws. The willingness of Board staff to respond quickly to questions by email or telephone, whenever possible and appropriate, has contributed to a growing demand for this type of advice.

The Board provides informal guidance to requestors on a daily basis, and heavy demand for this type of guidance continues in FY17. Board staff has already responded to more than 500 requests for informal guidance covering various topics, including lobbying, gifts, political activity, conflicts of interest, campaign finance, post-employment restrictions, and other matters. We expect at least another 400 requests for financial disclosure filing assistance in April alone.

Regulations

During the first half of FY17, the Board completed a major revision of its Regulation 9 on Lobbying which condensed and clarified the lobbying rules. The result is a more accessible and helpful guide to compliance with Philadelphia's Lobbying Law. As part of the rulemaking process, the annual lobbying registration fee was increased from \$100 to \$200. The Board also amended Regulation 1 on Campaign Finance to include changes to the disclosure and reporting requirements in the Campaign Finance Law. The amendments became effective on December 2, 2016, in advance of the May 2017 Municipal Primary Election.

Financial Disclosure

Several thousand City employees and members of City boards and commissions must file one or more annual financial disclosure forms. Administration of these financial disclosure requirements for City officers, employees, and board and commission members requires cooperation among the City's Records and Human Resources Departments and the Board. In cooperation with the Records Department, we continue to make improvements to the electronic filing software for financial disclosure, and Human Resources managers work with employees in their City departments to ensure compliance with filing requirements. Staff members of all three offices actively participate in outreach to potential filers via reminder emails and letters and provide in-person and telephone assistance with filing.

Enforcement

The Board's enforcement staff has conducted numerous investigations of potential violations of the Public Integrity Laws over the past fiscal year. Through this enforcement activity, the Board seeks to ensure that the public has the benefit of complete and accurate financial disclosure and lobbying information, that City officers and employees complied with the City's gift, political activity and political fundraising restrictions, and that the City Campaign Finance Law's reporting requirements and contribution limits were enforced. Enforcement of these laws provides public access to required candidate contribution and expenditure information and details of lobbying activity in the City.

Over the past fiscal year, the Board has approved ten settlement agreements resulting in the imposition of \$88,890 in civil monetary penalties and disgorgement. These settlement agreements include a settlement for the largest civil monetary penalty and disgorgement in the Board's ten-year history (\$64,840) for violations of the City's gift restrictions and financial disclosure requirements.

FY18 Goals

The Board believes that compliance with the Public Integrity Laws is best promoted through training, outreach and easily accessible educational materials. The Board will therefore work during FY18 to maintain and expand the frequency and variety of its training and outreach activity and to continue to be responsive to all requests for formal and informal advice. The Board also plans to enact new regulations to offer clear rules in plain language for compliance with the Public Integrity Laws and to expand the educational materials and content on its website.

Budget Summary & Overview

The Board's total appropriation in the Administration's operating budget for FY18 is \$1,095,489. This includes \$985,489 for salaries (Class 100), \$96,000 for the purchase of services (Class 200), and \$14,000 for supplies and equipment (Classes 300 and 400). The amounts appropriated in Classes 200, 300, and 400 have remained unchanged since FY13. The small increase in Class 100 over FY17 is for contract mandated pay raises and for anticipated raises for exempt staff members.

The Board submitted a Justification and Request to the Administration in January 2017 for \$65,000 in additional funding in Class 100 to be used primarily to convert an existing vacant entry level position to a Staff Attorney position. The change in this position would not increase the Board's current number of budgeted positions (12). The Board was disappointed that this request was not included in the proposed budget for FY18.

A portion of the \$65,000 was also requested to support raises for exempt staff. However, because the proposed Administration budget now includes funds in Class 100 for raises for exempt staff, the Board no longer requests the \$65,000 amount that it submitted in its original FY18 Justification and Request. The Board now respectfully requests only \$37,500 in additional Class 100 funds for the specific purpose of converting its vacant position to a Staff Attorney position.

The additional staff attorney would support administration of the City's Public Integrity Laws by performing tasks such as preparing and conducting training, preparing educational materials and drafting regulations. These tasks support the Board's mission and core functions and will immediately enable the Board to expand its training and outreach activity, including the preparation of online training courses. The additional staff attorney would increase the Board's capacity to enact new regulations that offer clear rules in plain language for compliance with the Public Integrity Laws and make it possible to respond quickly to the need for new and updated educational materials that will expand the content of the Board's website.

Conclusion

The Board and the members of our staff remain enthusiastic about our mission to promote honesty, integrity and transparency in Philadelphia government and we look forward to continuing to serve the citizens of Philadelphia. We believe that our actions help to maintain public confidence in City government.

Thank you for receiving this testimony. I will be happy to respond to any questions you may have. We would also be pleased to meet with you at your convenience if you wish to discuss any of these matters.