

**STATE OF MINNESOTA
CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD**

.....

**November 3, 2015
Room 220
Minnesota Judicial Center**

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MINUTES

The meeting was called to order by Chair Beck.

Members present: Beck, Flynn, Leppik, Oliver, Rosen (arrived during Executive Director topics), Sande

Others present: Goldsmith, Sigurdson, Fisher, Pope, staff; Behrens, Hartshorn, counsel

MINUTES (October 7, 2015)

After discussion, the following motion was made:

Member Flynn's motion: To approve the October 7, 2015, minutes as amended to add the underlined language to the last paragraph on page 4:

Board members discussed the possibility of creating a Facebook page for the Board. The Chair and Vice Chair were generally in favor of establishing a Facebook page after the launch of the new website. There was agreement that the establishment of a Facebook page is a lower priority than completing the new website.

Vote on motion: Unanimously passed (Rosen absent).

CHAIR'S REPORT

Board meeting schedule

The next Board meeting is scheduled for Tuesday, December 1, 2015. Member Leppik has a conflict in January and February. The Executive Director will poll members to determine if the meeting date can be adjusted so that all members are able to attend.

Appointment of nominating committee for 2016 officers

Chair Beck appointed himself and Member Flynn to the nominating committee for 2016 officers. The Chair said that the committee would have a report for the Board at the December meeting.

EXECUTIVE DIRECTOR TOPICS

Status of office operations

Mr. Goldsmith told members that since the last meeting, staff had been busy conducting routine work.

Report to legislature on website project

Mr. Goldsmith presented members with a copy of a letter that he recently sent to the Governor and several legislators outlining the progress of the website redevelopment project. The letter is attached to and made a part of these minutes. Mr. Goldsmith said that he had not received any responses from the legislators to whom the letter had been sent or from the Governor.

Website redevelopment

Mr. Goldsmith told members that the website redevelopment was on schedule and that there had been progress made in all areas of the project. Mr. Goldsmith said that he was developing a formal schedule for the project. Mr. Goldsmith also reported that a contract developer had started work on the database portion of the project.

Budget report

Mr. Goldsmith presented members with a budget report that is attached to and made a part of these minutes. Mr. Goldsmith said that the report was generated from the new state finance system. Mr. Goldsmith explained what was included in each budget category listed on the report. Mr. Goldsmith also explained that the negative figures on the report were due to the fact that the state's system placed some expenses in different categories than those used by the Board. Mr. Goldsmith said that staff was working to resolve these differences and that the Board was operating within its budget.

ENFORCEMENT REPORT

A. Administrative terminations

Mr. Goldsmith described the 2013 statutory changes to the procedures for administratively terminating the registrations of inactive committees. Ms. Pope told members that notices had been sent to each committee that met the statutory definition of inactive. These notices asked each committee to file a termination report or to ask the Board to allow it to remain registered. Ms. Pope said that the PoliticalModerates.org and the Joy Jubilee Yeoman Loyalist/The Tory Party 1783 committees had not responded to the notices. Four other committees had responded with a request to remain open.

After discussion, the following motions were made:

Member Oliver's motion: To administratively terminate the registrations of the PoliticalModerates.org and the Joy Jubilee Yeoman Loyalist/The Tory Party 1783 committees.

Vote on motion: Motion passed (5 ayes, 1 nay).

Member Sande's motion: To grant the requests to remain registered submitted by USW Local 2705 TAC PAC and the Olson (Mark) Volunteer Committee.

Vote on motion: Unanimously passed.

Member Sande's motion: To grant the requests to remain registered submitted by the Gary Satnan 4 Minnesota House and the Southeast Metro Business PAC.

Vote on motion: Motion passed (5 ayes, 1 nay).

B. Waiver requests

<u>Name of Candidate or Committee</u>	<u>Late Fee Amount</u>	<u>Civil Penalty Amount</u>	<u>Reason for Fine</u>	<u>Factors for waiver</u>	<u>Board Member's Motion</u>	<u>Motion</u>	<u>Vote on Motion</u>
Susan St. Ores	\$25	\$0	8/31/15 Economic Interest Statement	Individual was unaware of the requirement to file an economic interest statement for her involvement in the Middle St. Croix Watershed Management Organization. The Board sent letters dated June 30, 2015, and August 17, 2015, regarding the required filing to the address provided by the organization.	Member Sande	To waive the \$25 late fee.	Passed unanimously.
Independent Pharmacy Cooperative	\$25	\$0	3/16/15 Principal Report	Letter with password was sent on February 13, 2015, to the address on file with the Board. Individual states that he did not receive this letter and works out of a different office. Individual registered with this address and confirms that he has received other Board correspondence at this address. Reminder email sent to designated lobbyist was forwarded to individual 3 days prior to filing deadline. Individual has not updated his registered address with the Board at this time.	No motion.		

Informational Items

A. Payment of late filing fee for Special Election 3A Report of Receipts and Expenditures:

Kelsey Johnson 4 MN House VC, \$100

B. Payment of a civil penalty for a contribution from an unregistered association without disclosure:

Baillon Thome Jozwiak & Wanta LLP, \$108.59

C. Payment of a civil penalty for misuse of committee funds:

Tim Manthey, \$100 July , \$200 August, \$200 September payments

LEGAL COUNSEL'S REPORT

Mr. Hartshorn presented members with a written report that is attached to and made a part of these minutes. Mr. Hartshorn said that the Peterson matter had been taken off the litigation report because Sen. Peterson had filed the required report and paid the civil penalty. Mr. Hartshorn also reported that Derrick Lehrke had filed an answer denying all claims in the complaint and maintaining that a correct report had been filed.

OTHER BUSINESS

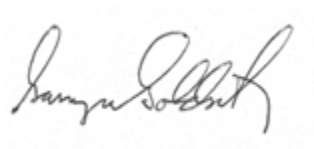
Members expressed an interest in discussing the Public Subsidy and Political Contribution Refund Programs at the December meeting. Chair Beck announced that his term on the Board would end in January 2016 and that he did not intend to reapply.

EXECUTIVE SESSION

The Chair recessed the regular session of the meeting and called to order the executive session. Upon completion of the executive session, the Chair reported the following matter into regular session:

Findings, conclusions, and order in the audit/investigation of Al Garcia.

There being no other business, the meeting was adjourned by the Chair.



Gary Goldsmith
Executive Director

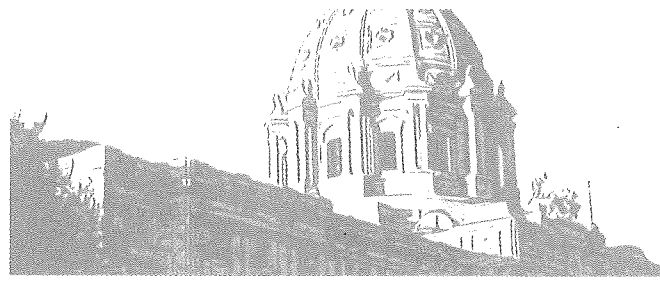
Attachments:
Report to the legislature on website redevelopment

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Minutes
November 3, 2015

Budget report
Legal counsel report
Findings, conclusions, and order in the audit/investigation of Al Garcia

Minnesota

Campaign Finance and Public Disclosure Board



October 20, 2015

Dear Governor Dayton and Legislators,

I would like to update you on the Campaign Finance and Public Disclosure Board's progress on its website redevelopment project. If you have questions about the project or would like to meet with me to discuss it further, please let me know.

The website redevelopment itself is one of a series of technology initiatives that the Board is undertaking to improve its outreach to citizens and its service to our clients in the regulated communities. These important improvements are possible because in 2013 the legislature funded the Board for a full complement of staff and provided about \$150,000 per year for major initiatives. The full staff complement allowed the Board to clear a backlog of investigations and freed the executive staff to devote time to new projects.

The Board's technology initiatives include four major components: hardware infrastructure, data infrastructure, the website platform itself, and website content. The Board focused on the hardware infrastructure component first because our existing systems were insufficient to provide the level of reliability required for the features on the new website, particularly online electronic filing and robust data search. The Board updated its servers and storage and converted from multiple physical servers to a virtual server system. This part of the project is nearly complete with our off-site recovery capability in the late stages of implementation.

The data infrastructure modifications presented a very complex task. The Board has combined separate candidate and political committee databases into a single database to facilitate better access to this data for the website. This consolidation required the Board to develop new interfaces into the data for staff use. These components are now in the testing stage. Another major component of the data infrastructure initiative is the standardization of names in our databases so that all variations of a person's name on filed reports can be searched using a single standardized name. This part of the project is under active development and will be completed in time so that standardized name searches will be available on the new website.

While these facets of the overall technology plan were moving forward, the Board was also developing website content. During fiscal 2015, the Board developed five online video training modules, which are now available on its current website. These modules provide compliance training for people who cannot attend one of our regular sessions in St. Paul or one of the infrequent sessions held around the state. The Board also is internally developing the first online version of campaign finance reporting software. This product is nearing completion and we expect to release it on a voluntary trial basis for 2015 year-end filings by small committees.

Because we were not able to ramp up the website redevelopment component as quickly as we hoped, the Board faced the close of the 2014-15 biennium with unspent funds that were targeted to the website project. As a result, the Board requested that the 2015 legislature allow it to carry forward \$150,000 in unexpended FY 2015 funds into the next biennium specifically for

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For TTY/TDD communication contact us through the Minnesota Relay Service at 800-627-3529

AN EQUAL OPPORTUNITY EMPLOYER

website redevelopment. The legislature approved this request, thus providing the resources needed to complete the project as planned.

Preliminary work done with MN.IT, with a temporary contract developer, and with internal staff led to the recognition that the Board needed an experienced web development company as a partner on this project. Because we envisioned a very collaborative project, we sought a smaller local company that could meet with us regularly to give executive staff continuous input into and oversight over the development process. The Board issued a request for proposals on July 27, 2015; and signed a contract with Avallo Web Design at the beginning of September. Design and development began almost immediately.

As the executive in charge of this project, I can say that after the first six weeks of work, I am satisfied with our partnership and believe that the website we produce will be exceptional. We are developing search capabilities right now and expect to begin user evaluation of these components later this month. We are also developing the navigation approach, which is typically referred to as the menu system. Navigation is a critical part of website design since it both informs the user as to what is available on the site and guides the user to find relevant content. We expect to begin testing navigation with users in November.

The Board has also contracted with the MnGeo arm of MN.IT for the development of data mapping components for the site. This work is being managed by Assistant Executive Director Jeff Sigurdson and is a cooperative project between MnGeo and the Board's IT staff. This component of the project is in active development and progressing well.

The Board's target for release of the new site is April 1, 2016. This is about a month before the first reports for the 2016 election cycle are due from political committees, state parties, and caucus committees. Our goal is to release a full-featured and fully functional site at that time. We anticipate a future second phase that will add data and features not in scope for the first phase. For example, at this time, online registration of campaign finance committees is not in scope for phase one. If we are able to expand the scope of phase one and still meet our deadline, this is the first component that will be added. Otherwise, it will be an early component in phase two, followed by online lobbyist registration.

The Board thanks the Governor and the legislature for providing funding for this project. As Executive Director, I am determined to ensure that it is a success and meets our, and your, expectations. If you have any comment or input, I would appreciate hearing from you. As noted above, if you want to discuss this project (or any aspect of the Board's operations) by phone or in person, just let me know. You can reach me at gary.goldsmith@state.mn.us or at 651-539-1190.

Sincerely,



Gary Goldsmith
Executive Director

Copy: Campaign Finance and Public Disclosure Board Members



MANAGER'S FINANCIAL REPORT

Run DateTime: 10/27/2015 9:28 AM
 Source Report #: KK002
 As of Date: 10/27/2015

Selection Criteria: Budget Period - 2016, Fund - 1000 to 1000, DeptID - G9J30000 to G9J30000, AppropID - G9J1CFB to G9J1SPE

Break On: Budget Period, Fund

Budget Period:	2016	Fund:	1000	DeptID:	RANGE	AppropID:	RANGE
			General		G9J30000 to G9J30000		G9J1CFB to G9J1SPE

Remaining Payroll Projection	Full-Time (41000):	\$531,973.03	Part-Time (41030):	\$49,182.09	Total:	\$581,155.12
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Account Class and Description	Current Budget	Pre-Encumbered	Encumbered/Committed	Expended	Unobligated	Unexpended
41000 Full Time - Salary	727,526.00	0.00	539,467.74	188,058.26	0.00	539,467.74
41030 Part-Time-Seasonal-Labor Serv	66,812.00	0.00	55,594.24	11,217.76	0.00	55,594.24
41070 Other Employee Cost	4,400.00	0.00	3,190.00	1,210.00	0.00	3,190.00
41100 Space Rental And Utilities	40,000.00	0.00	19,744.98	19,744.98	510.04	20,255.02
41110 Printing And Advertising	3,500.00	0.00	1,000.00	426.00	2,074.00	3,074.00
41130 Prof-Tech Serv-Outside Vend	8,400.00	0.00	0.00	0.00	8,400.00	8,400.00
41145 IT/Prof/Tech O/S Vendor	50,000.00	0.00	20,800.00	0.00	29,200.00	50,000.00
41150 Computer and System Services	5,000.00	0.00	0.00	946.30	4,053.70	4,053.70
41155 Communications	10,200.00	0.00	10,000.00	0.00	200.00	10,200.00
41160 Trav-Sub-InState-Border Comm	3,000.00	0.00	3,182.92	511.08	-694.00	2,488.92
41170 Trav/Sub-OutOfState-BorderComm	5,000.00	0.00	0.00	0.00	5,000.00	5,000.00
41180 Employee Development	6,800.00	0.00	20.00	2,335.00	4,445.00	4,465.00
41190 State Agcy-Prov Prof-Tech Serv	4,000.00	0.00	4,000.00	0.00	0.00	4,000.00
41196 Centralized IT Services	9,350.00	0.00	6,047.56	1,452.44	1,850.00	7,897.56
41300 Supplies	2,800.00	0.00	3,841.32	143.06	-1,184.38	2,656.94
41400 Equipment	3,225.00	0.00	2,612.55	860.89	-248.44	2,364.11
41500 Repairs To Equip & Furn	2,000.00	0.00	1,532.98	390.77	76.25	1,609.23
43000 Other Operating Costs	26,987.00	0.00	500.00	0.00	26,487.00	26,987.00
47060 Equipment-Capital	25,000.00	0.00	0.00	0.00	25,000.00	25,000.00
47160 Equipment-Non Capital	10,000.00	0.00	0.00	0.00	10,000.00	10,000.00
Total	1,014,000.00	0.00	671,534.29	227,296.54	115,169.17	786,703.46
Report Total	1,014,000.00	0.00	671,534.29	227,296.54	115,169.17	786,703.46

CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD
November, 2015

ACTIVE FILES

Candidate/Treasurer/ Lobbyist	Committee	Report Missing/ Violation	Late Fee/ Penalty	Referred to AGO	Date S&C Served by Mail	Default Hearing Date	Date Judgment Entered	Case Status
Derrick Lehrke	Derrick Lehrke for House	Principal Campaign Committee Amended 2014 Year-End Report of Receipts and Expenditures Late Filing Fee for late filing of the Principal Campaign Committee 2013 Year-End Report	\$1,000 \$125	8/3/2015	9/ 21/2015 10/6/2015			
Branden Petersen	Branden (Petersen) for Senate	Principal Campaign Committee 2014 Year-End Report of Receipts and Expenditures	\$1,000/\$1,000	8/3/2015				Hold
	Cedar Towing & Auction	2014 Lobbyist Principal Report-Late filing 2014Amended Principal Report	\$1,000/\$1,000	10/13/2015				
	North East Social Club	2013 Lobbyist Principal Report 2014 Lobbyist Principal Report-Late filing	\$1,000/\$1,000 \$475/\$100	10/13/2015				
Evan Rapp	Evan Rapp Volunteer Committee	2011 Year-End Report 2012 Year-End Report Fund reimbursement	\$350 \$175 \$928.50/\$928.50	10/13/2015				

CLOSED FILES

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STATE OF MINNESOTA
CAMPAIGN FINANCE AND PUBLIC DISCLOSURE BOARD

FINDINGS OF FACT,
CONCLUSIONS OF LAW,
AND ORDER

IN THE MATTER OF LOBBYIST AL GARCIA (REG. NO. 9579);

Background

Mr. Al Garcia, having no registered clients at the time, registered as a lobbyist for nine new clients between August 23, 2012, and October 24, 2012. Two more clients were registered on April 19, 2013. When none of the 11 clients filed a 2013 principal's report, due on March 17, 2014, on time, Board staff reviewed the matter and the Executive Director initiated an informal inquiry. The matter was elevated to a formal investigation by Board action on July 7, 2015.

Analysis

In response to a communication about the late principal report, one of Mr. Garcia's clients sent the Board an email indicating that it had never authorized Mr. Garcia to lobby on its behalf. As a result of the email from the principal indicating that Mr. Garcia was not its lobbyist, Board staff undertook further review of these matters. Contacts with several of the principals revealed a pattern. Mr. Garcia was acquainted with a person who was the owner of a small business and offered his services, sometimes without compensation. The several individuals who were questioned indicated that Mr. Garcia's services were to include such things as assisting with regulations or other City of Minneapolis matters. Most of the clients were unaware that by authorizing Mr. Garcia to help them, they were creating a relationship that would require filing reports with the Board on an annual basis.

Mr. Garcia's lobbyist disbursement reports were also reviewed by Board staff. In the course of its review, staff noted that the lobbyist disbursement reports filed by Mr. Garcia were all similar to each other, regardless of the client; typically reporting amounts in round numbers, most often in even hundred dollar increments, using categories for telephone, entertainment, food and beverages, and other categories not ordinarily seen on a lobbyist disbursement report for a small client involved in metropolitan governmental unit lobbying.

A lobbyist disbursement report must be an accurate representation of the money actually spent to advance the principal's lobbying interest. See Minn. R. 4511.0600, subpart 1. It is not sufficient to simply pick a number and attribute it to a principal and a category of spending. The fact that all of Mr. Garcia's expenditures were reported in round numbers and five dollar increments, and because none of his clients reimbursed him for any expenditure or authorized him to spend money on its behalf, suggested to Board staff that these amounts did not reflect money actually spent on a particular principal's work.

Board staff met with Mr. Garcia on December 11, 2014, and explained that lobbyist disbursements cannot be based on rough estimates or round numbers but must be accurate

and supported by adequate records. Board staff also explained that general overhead unrelated to a particular client could not be reported as a disbursement made on behalf of that client. Mr. Garcia insisted that he could document the actual costs incurred and his method or "formula" for allocating them to his clients. However, to date no documentation has been provided, although staff has repeatedly requested this information from Mr. Garcia.

Additionally, even though Mr. Garcia was advised prior to filing reports in 2015 that reporting estimated lump sums for disbursements did not comply with the disclosure statutes, the two reports filed by Mr. Garcia on June 12, 2015, that included disbursements continued the practice of reporting disbursements in round numbers.

On July 30, 2015, and after documentation was not provided as requested, Board staff sent to Mr. Garcia formal inquiries seeking information. Board staff met with Mr. Garcia again on August 31, 2015, to discuss the formal requests for information sent by the Board on July 30, 2015. Mr. Garcia assured Board staff that he would respond to each of the Board's inquiries. However, Mr. Garcia's only response was a letter dated September 1, 2015, which only addressed the basis for his lobbyist registrations. Board staff sent Mr. Garcia an additional letter dated September 21, 2015, informing him that his response had not been sufficient and that, if he did not respond, the Board would proceed without his input. To date, no response to this letter has been received.

Based on the investigation, the Board makes the following:

Findings of Fact

1. Mr. Garcia, despite repeated requests by Board staff, has failed to provide records to support the disbursements disclosed on his 2012 – 2014 reports, supporting a conclusion that Mr. Garcia does not have the required records to explain and justify the disbursements disclosed.
2. Mr. Garcia's use of round numbers, often in hundred dollar increments, on his disbursement reports indicates that the reports themselves are not accurate, because none of the types of expenses reported will typically result in expenses in exact hundred dollar increments. Mr. Garcia continued the use of this practice on his 2015 reports after being advised by Board staff of the correct approach to reporting disbursements.

Conclusions of Law

1. With respect to the lobbyist disbursements he filed from 2012 – 2014, Mr. Garcia violated Minnesota Statutes section 10A.025, subdivision 3(a), which requires an individual to maintain records for four years on the matters required to be reported to the Board, including bills, invoices, worksheets, and receipts, that will provide in sufficient detail the necessary information from which the filed reports and statements may be verified.

2. With respect to his lobbyist disbursement reports filed on June 12, 2015, on behalf of Cedar Towing and Auction and Pepito's Restaurant/Parkway Theatre, Mr. Garcia violated Minnesota Statutes section 10A.025, subdivision 2(b), which prohibits an individual from certifying a report knowing it contains a false statement, when he continued to report round number disbursements, despite being previously notified by Board staff that such an approach is inconsistent with statutory requirements.

Based on the above Findings of Fact and Conclusions of Law, the Board issues the following:

Order

1. Pursuant to Minnesota Statutes section 10A.025, subdivision 3(b), Mr. Garcia is ordered to pay a civil penalty of \$3,000 to the State of Minnesota for failing to keep the required records on matters required to be reported to the Board from 2012 – 2014.
2. Pursuant to Minnesota Statutes section 10A.025, subdivision 2(d), Mr. Garcia is ordered to pay a civil penalty of \$3,000 to the State of Minnesota for falsely certifying his lobbyist disbursement reports due June 15, 2015, on behalf of Cedar Towing and Auction and Pepito's Restaurant/Parkway Theatre.
3. The civil penalties must be paid by check or money order made payable to the State of Minnesota within 30 days of the date of this Order and must be sent to the Board at 658 Cedar St., St. Paul, MN 55155.
4. The investigation of this matter is concluded.

Dated: November 3, 2015



George A. Beck, Chair
Campaign Finance and Public Disclosure Board