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8 **BEFORE THE FAIR POLITICAL PRACTICES COMMISSION**
9 **STATE OF CALIFORNIA**

10
11 In the Matter of

12
13 **STEVE DALLAS**

14 Respondents.

FPPC Case No. 2018-00804

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16 **STIPULATION, DECISION AND ORDER**

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18 **INTRODUCTION**

19 Respondent Steve Dallas (“Dallas”) was the Mayor of Carmel-by-the-Sea from 2016 through 2018,
20 having previously served as a member of the City Council. As a former elected official, Dallas had a duty
21 to timely disclose gifts, was prohibited from accepting gifts over the limit, and was prohibited from voting
22 on or participating in governmental decisions in which Dallas had a financial interest. By failing to timely
23 report gifts, accepting gifts over the limit, and by voting on a matter involving a source of gift to Dallas,
24 Dallas violated the Political Reform Act (“Act”)¹.

25
26 **SUMMARY OF THE LAW**

27 All legal references and discussions of law pertain to the Act’s provisions as they existed at the
28 time of the violations.

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30 ¹ The Political Reform Act—sometimes simply referred to as the Act—is contained in Government Code sections
31 81000 through 91014. All statutory references are to this code. The regulations of the Fair Political Practices Commission
are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references
are to this source.

1 **Need for Liberal Construction and Vigorous Enforcement of the Political Reform Act**

2 When enacting the Political Reform Act, the people of California found and declared that previous
3 laws regulating political practices suffered from inadequate enforcement by state and local authorities.²
4 Thus, it was decreed that the Act “should be liberally construed to accomplish its purposes.”³

5 One purpose of the Act is to ensure that public officials perform their duties in an impartial manner,
6 free from bias caused by their own financial interests or the financial interests of persons who have
7 supported them.⁴ Along these lines, the Act requires that the assets and income of public officials are
8 required to be disclosed and in appropriate circumstances.⁵ Further, the officials should be disqualified
9 from acting in order that conflicts of interest may be avoided.⁶

10 Another purpose of the Act is to provide adequate enforcement mechanisms so that the Act will be
11 “vigorously enforced.”⁷

12 **Disclosure of Gifts Received by Public Officials**

13 An express purpose of the Act is to ensure the assets and income of public officials which may be
14 materially affected by their official actions be disclosed, so that conflicts of interest may be avoided.⁸ In
15 furtherance of this purpose, members of city councils are required to file a Statement of Economic Interest
16 (“SEI”), also referred to as a Form 700, to disclose reportable investments, business positions, interests in
17 real property and sources of income or gifts received in the reporting period.⁹ In addition to SEIs required
18 when assuming office, when running for office, and when leaving office; city council members are required
19 to report every calendar year.¹⁰ The Annual SEI is due on April 1 of the following year, or the following
20 business day.¹¹

21 A gift is defined in the Act to mean any payment that confers a personal benefit on the recipient, to
22 the extent that consideration of equal or greater value is not received and includes a rebate or discount in
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24 ² Section 81001, subdivision (h).

25 ³ Section 81003.

26 ⁴ Section 81001, subdivision (b).

27 ⁵ Section 81002, subdivision (c), Section 87100, and Sections 87200 *et seq.*

28 ⁶ Sections 87100, *et seq.*

⁷ Section 81002, subdivision (f).

⁸ Section 81002, subdivision (c).

⁹ Section 87200.

¹⁰ Section 87201, 87202, 87203, and 87204.

¹¹ Regulation 18723, subdivision (b)(2) and Regulation 18116, subdivision (a).

1 the price of anything of value unless the rebate or discount is made in the regular course of business to
2 members of the public without regard to official status.

3 Public officials are required to report the name and address of each source of a gift when the total
4 aggregates to \$50 or more in value, a general description of the business activity, if any, of each source,
5 and the amount and the date on which the gift was received.¹² For officials such as mayors and members
6 of city council, the official must report any gift or combination of gifts received from any source.¹³

7 **Gift Limit**

8 No elected state officer, elected officer of a local government agency, including the mayor or
9 member of the city council, or other individual specified in Section 87200 shall accept gifts from any single
10 source in any calendar year with a total value of more than the specified limit for that year.¹⁴ In 2017, the
11 gift limit was \$470.¹⁵

12 **Conflict of Interest**

13 A public official may not make, participate in making, or attempt to use their official position to
14 influence a governmental decision in which the official knows, or has reason to know, they have a financial
15 interest.¹⁶ A public official has a financial interest in a decision if it is reasonably foreseeable that the
16 decision will have a material financial effect, distinguishable from its effect on the public generally, on a
17 donor of a gift or gifts aggregating to the gift limit or beyond received by or promised to the public official
18 within 12 months prior to the time when the decision is made.¹⁷

19 A financial effect on a financial interest is presumed to be reasonably foreseeable if the financial
20 interest is a named party in, or the subject of, a governmental decision before the official's agency. A
21 financial interest is the subject of a proceeding if the decision involves the issuance, renewal, approval,
22 denial or revocation of any license, permit, or other entitlement to, or contract with, the financial interest.¹⁸

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26 ¹² Section 87207, subdivision (a)(1) and (a)(4).

¹³ Regulation 18940, subdivision (d).

¹⁴ Section 89503.

¹⁵ Regulation 18940.2 (2017).

¹⁶ Section 87100.

¹⁷ Section 87103, subdivision (e).

¹⁸ Regulation 18701.

1 The financial effect of a governmental decision on the source of a gift to a public official is material
2 if the source is a claimant, applicant, respondent, contracting party, or is otherwise named or identified as
3 the subject of the proceeding.¹⁹

4 SUMMARY OF THE FACTS

5 Dallas ran for Mayor of Carmel-by-the-Sea in an election held on April 12, 2016 and was
6 successful. Prior to this, Dallas served as a Planning Commissioner and successfully ran for City Council
7 of Carmel-by-the-Sea in a local April 8, 2014 election. Dallas ran for a subsequent term as Mayor in the
8 November 6, 2018 General Election, but was unsuccessful.

9 Late Disclosure of Gifts and Gifts Over the Limit

10 Dallas timely filed an SEI to disclose his interests in 2017. He filed multiple amendments prior to
11 the deadline and reported some gifts from various sources. On August 27, 2018, 147 days after the
12 disclosure was due, Dallas filed an amended SEI to disclose additional gifts. The first was a gift from the
13 Monterey County Vintners & Growers Association. Dallas reported that he received the gift, valued at
14 \$1,000, on May 7, 2017.²⁰ The description for the gift was, “[eight] for a Vintner’s wine tasting.” At
15 \$1,000, this gift was at least \$530 over the gift limit in 2017.

16 The second gift was from McCall events Inc., a motorsports event held in Monterey. Dallas
17 reported that he received the gift, valued at \$790, on August 16, 2017. The description of the gift was,
18 “[two] for 26th Anniversary.” At \$790, this gift was at least \$320 over the gift limit in 2017.

19 On September 20, 2018, Dallas filed an amended SEI to disclose an additional gift. This gift was
20 reported to be from the Carmel International Film Festival. Dallas reported that he received the gift, valued
21 at \$495, on October 1, 2017. The description for the gift was, “Ticket to Film Festival.” At \$495, this gift
22 was at least \$25 over the gift limit in 2017.

23 The Enforcement Division’s investigation also determined that Dallas failed to report an additional
24 gift. Based on evidence provided by the source of the gift, Dallas received two free tickets to The Quail,
25 a motorsports event held at the Quail Lodge. The source was the Quail Lodge, Inc. According to the
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27 ¹⁹ Regulation 18702.4.

28 ²⁰ For violating the gift limit, this violation is past the statute of limitations but is considered here because the gift
was reported late on a statement due by April 2, 2018 and because the acceptance of an over-the-limit gift caused a conflict.

1 source, the general admission cost of each ticket was \$650, for a total gift of \$1,300. The source confirmed
2 and provided documentation that the tickets were used on August 18, 2017. At \$1,300, this gift was at
3 least \$830 over the gift limit in 2017.

4 **Conflict of Interest**

5 On February 6, 2018, the City Council for Carmel-by-the-Sea, voted to authorize the closure of city
6 streets for the Monterey Winemakers' Celebration Event. According to the staff report submitted by the
7 City Administrator, Resolution 2018-017 would authorize the closure of streets for the event and would
8 authorize the public consumption of alcohol. The event, hosted by the Monterey County Vintners &
9 Growers Association, was expected to attract at least eleven hundred people in attendance. The event was
10 described as the "26th Annual Winemakers' Celebration" and as an interactive event featuring workshops,
11 wine tastings, and food pairings. It would be the fifth consecutive time the event was held in the city. Per
12 city policy, City Council approval was required to close downtown streets and to exempt events from a
13 general prohibition on the consumption of alcohol in public. The staff report noted that previously, the
14 Council had awarded an 80% credit of all total fees to the Monterey County Vintners and Growers
15 Association for the event. By approving the consumption of alcohol and the closure of city streets, it was
16 reasonably foreseeable that this decision would have a material financial effect on the host, Monterey
17 County Vintners and Growers Association.

18 Dallas participated in the discussion on this item and voted to approve Resolution 2018-017. As he
19 had received a gift from the host and organizer for the event, Monterey County Vintners and Growers
20 Association, within the preceding 12 months of this decision, Dallas had a prohibited conflict of interest
21 when he participated in and voted on this item.

22 **VIOLATIONS**

23 **Count 1: Failure to Report Gifts on an Annual Statement of Economic Interest**

24 Steve Dallas, in his capacity as Mayor for the city of Carmel-by-the-Sea, failed to timely report
25 gifts on a statement of economic interest for the 2017 reporting year by the deadline of April 2, 2018, in
26 violation of Government Code Section 87207.

1 **Count 2: Acceptance of Gifts Over the Limit**

2 Steve Dallas, in his capacity as Mayor for the city of Carmel-by-the-Sea, accepted gifts over the
3 legally allowed limit in 2017, in violation of Government Code Section 89503 and Regulation 18940.2.

4 **Count 3: Conflict of Interest**

5 **Made a Governmental Decision in Which Public Official Had Financial Interest**

6 Steve Dallas, in his capacity as Mayor for the city of Carmel-by-the-Sea, had a prohibited conflict
7 of interest when voting on and participating in a vote on February 6, 2018 regarding the Monterey County
8 Vintners & Growers Association, a source of gift to Dallas, in violation of Government Code Section
9 87100.

10 **PROPOSED PENALTY**

11 This matter consists of three counts. The maximum penalty that may be imposed is \$5,000 per
12 count. Thus, the maximum penalty that may be imposed is \$15,000.²¹

13 This case does not qualify for the Streamline Program as the gift received from the Quail Lodge,
14 Inc. was more than \$1,000 over the annual gift limit and was not reported on the 2017 Annual SEI. In
15 addition, the source of an unreported gift had business before the filer’s agency.

16 In determining the appropriate penalty for a particular violation of the Act, the Enforcement
17 Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an
18 emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers
19 the facts and circumstances of the violation in the context of the following factors set forth in Regulation
20 18361.5 subdivision (e)(1) through (8): (1) The extent and gravity of the public harm caused by the specific
21 violation; (2) The level of experience of the violator with the requirements of the Political Reform Act;
22 (3) Penalties previously imposed by the Commission in comparable cases; (4) The presence or absence of
23 any intention to conceal, deceive or mislead; (5) Whether the violation was deliberate, negligent or
24 inadvertent; (6) Whether the violator demonstrated good faith by consulting the Commission staff or any
25 other governmental agency in a manner not constituting complete defense under Government Code Section
26 83114(b); (7) Whether the violation was isolated or part of a pattern and whether the violator has a prior

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²¹ See Section 83116, subd. (c).

1 record of violations of the Political Reform Act or similar laws; and (8) Whether the violator, upon learning
2 of a reporting violation, voluntarily filed amendments to provide full disclosure.²²

3 With respect to the first factor, an express purpose of the Act is to ensure the assets and income of
4 public officials which may be materially affected by their official actions be disclosed, so that conflicts of
5 interest may be avoided. Dallas impermissibly accepted gifts over the limit and failed to report the receipt
6 of the gift. In this case, the public harm is aggravated because Dallas also participated in a vote that
7 concerned this source, causing a conflict of interest.

8 With respect to the second factor, Dallas had enough experience as a public official that he knew
9 or should have known the legal requirements expected of him as a trusted public official. Dallas had served
10 as a Planning Commissioner, City Councilmember, and was serving a term as Mayor during the period
11 described above. In an interview with the Enforcement Division, Dallas confirmed that he had received
12 ethics training, training on conflicts of interest, and trainings on the filing of the SEI (Form 700). Dallas is
13 no longer in office as of the date of this writing.

14 With respect to the third factor, the following cases were considered as comparable cases:

15 [In the Matter of Karson Klauer](#), FPPC No. 17/1313. The Commission approved a stipulation on
16 January 21, 2021. In this matter, Klauer, a member of the Hollister City Council, admitted to one count of
17 failing to timely disclose a source of income on a SEI and one count for violating the Act's conflict of
18 interest statute. Specifically, Klauer failed to report an interest in a business entity on an SEI, and later
19 participated in a vote wherein it was reasonably foreseeable that the governmental decision would have a
20 material financial effect on the business entity. The Commission imposed a penalty of \$2,000 for failing
21 to disclose the financial interest and a penalty of \$3,500 for making a governmental decision in which the
22 public official had a financial interest.

23 [In the Matter of Devon Mathis](#), FPPC No. 18/365. The Commission approved a stipulation in this
24 matter on October 21, 2021. In this matter, Mathis, a member of the California State Assembly, admitted
25 to accepting a gift in excess of the gift limit and failing to timely disclose this gift on an annual statement
26 of economic interest. Specifically, Mathis routinely stayed at the home of a former employee on an ongoing
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²² Regulation 18361.5, subd. (e).

1 basis without paying any compensation for lodging. The fair market equivalent was calculated to be \$37
2 per night for at least 62 nights in 2016. In total, the gift was \$1,834 over the annual gift limit. In addition,
3 Mathis failed to disclose the gift. The Commission imposed a penalty of \$3,500 for accepting the gift over
4 the limit and \$2,000 for failing to timely disclose the financial interest.

5 *In the Matter of Brook Ashjian*, FPPC No. 16/19903. The Commission approved a stipulation in
6 this matter on December 19, 2019. In this matter, Ashjian, a member of the Fresno Unified School District,
7 failed to report income and real property interests on SEIs. In addition, Ashjian participated in and voted
8 on four different matters where the decisions were reasonably foreseeable to have a material financial effect
9 on Ashjian's financial interests. The Commission imposed a penalty of \$3,000 for two counts of failing to
10 disclose sources of income and real property interests on SEIs and imposed a penalty of \$4,500 for three
11 of the four conflict-of-interest counts and \$4,000 for the fourth conflict-of-interest count.

12 With respect to the fourth factor, there was no evidence found during the investigation to establish
13 or disprove that Dallas acted with an intention to conceal or deceive the public.

14 With respect to the fifth factor, there was no evidence found during the investigation to establish
15 that the acts were deliberate. Dallas contends that the acts were negligent. This is consistent with the
16 evidence that Dallas was an experienced public official, he had received training regarding SEIs and
17 conflicts of interests so he should have known the Act's requirements, and the SEIs were largely corrected
18 prior to contact from the Enforcement Division.

19 With respect to the sixth factor, Dallas could not recall if he had sought advice regarding the issues
20 in this matter.

21 With respect to the seventh factor, the facts show that Dallas failed to fully disclose all gifts received
22 and accepted several gifts over the legal limit in 2017.

23 With respect to the eighth factor, Dallas filed corrective amendments to his 2017 SEI prior to
24 contact from the Enforcement Division.

25 For the foregoing reasons, the following is recommended as a penalty in this matter: For Count 1,
26 the failure to timely disclose gifts, a penalty of \$2,000 is justified. For Count 2, the acceptance of gifts over
27 the legal limit, a penalty of \$3,500 is justified. For Count 3, a conflict of interest, a penalty of \$4,000 is
28 justified. The total proposed penalty is \$9,500.

1 **CONCLUSION**

2 Complainant, the Enforcement Division of the Fair Political Practices Commission, and
3 Respondent Steve Dallas hereby agree as follows:

4 1. Respondent violated the Act as described in the foregoing pages, which are a true and
5 accurate summary of the facts in this matter.

6 2. This stipulation will be submitted for consideration by the Fair Political Practices
7 Commission at its next regularly scheduled meeting—or as soon thereafter as the matter may be heard.

8 3. This stipulation resolves all factual and legal issues raised in this matter—for the purpose
9 of reaching a final disposition without the necessity of holding an administrative hearing to determine the
10 liability of respondents pursuant to Section 83116.

11 4. Respondent has consulted with his attorney, Kathryn Meola with Atkinson, Andelson,
12 Loya, Ruud & Romo, and understands, and hereby knowingly and voluntarily waives, all procedural rights
13 set forth in Sections 83115.5, 11503, 11523, and Regulations 18361.1 through 18361.9. This includes, but
14 is not limited to, the right to appear personally at any administrative hearing held in this matter, to be
15 represented by an attorney at Respondent’s own expense, to confront and cross-examine all witnesses
16 testifying at the hearing, to subpoena witnesses to testify at the hearing, to have an impartial administrative
17 law judge preside over the hearing as a hearing officer, and to have the matter judicially reviewed.

18 5. Respondent agrees to the issuance of the decision and order set forth below. Also,
19 Respondent agrees to the Commission imposing against them an administrative penalty in the amount of
20 \$9,500. One or more payments totaling this amount—to be paid to the General Fund of the State of
21 California—is/are submitted with this stipulation as full payment of the administrative penalty described
22 above, and they will be held by the State of California until the Commission issues its decision and order
23 regarding this matter.

24 6. If the Commission refuses to approve this stipulation—then this stipulation shall become
25 null and void, and within fifteen business days after the Commission meeting at which the stipulation is
26 rejected, all payments tendered by respondents in connection with this stipulation shall be reimbursed to
27 respondents. If this stipulation is not approved by the Commission, and if a full evidentiary hearing before
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1 the Commission becomes necessary, neither any member of the Commission, nor the Executive Director,
2 shall be disqualified because of prior consideration of this Stipulation.

3 7. The parties to this agreement may execute their respective signature pages separately. A
4 copy of any party's executed signature page—including a hardcopy of a signature page transmitted via fax
5 or as a PDF email attachment—is as effective and binding as the original.

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8 Dated: _____

Angela J. Brereton, Chief of Enforcement
Fair Political Practices Commission

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12 Dated: _____

Steve Dallas

1 The foregoing stipulation of the parties “In the Matter of Steve Dallas,” FPPC Case No. 2018-
2 00804, is hereby accepted as the final decision and order of the Fair Political Practices Commission,
3 effective upon execution below by the Chair.

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5 IT IS SO ORDERED.

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7 Dated: _____

Richard C. Miadich, Chair
Fair Political Practices Commission