



FAIR POLITICAL PRACTICES COMMISSION

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January 29, 2015

James C. Harrison
Remcho, Johansen & Purcell, LLP
o/b/o Pat Kolstad, Terri Kolstad and Pat Kolstad for City Council 2014

[REDACTED]
[REDACTED]

RE: Warning Letter
FPPC No. 14/1319; Pat Kolstad, Terri Kolstad and Pat Kolstad for City Council 2014

Dear Mr. Harrison:

The Fair Political Practices Commission (“Commission”) enforces the provisions of the Political Reform Act (the “Act”)¹. This letter is in response to a complaint filed regarding Pat Kolstad for City Council 2014 (the “Committee”). The complaint alleges that the Committee purchased raffle tickets at a non-profit fundraiser and gave a ticket to Terri Kolstad, the treasurer for the Committee, who in turn won a 2014 Infiniti Q50 automobile. The Commission has decided to close this case with this warning letter.

The Commission has completed its investigation into the facts in this case. We determined that the Committee reported making a charitable donation in the amount of \$950 for the raffle tickets and gave a ticket to Mrs. Kolstad. In addition, the Enforcement Division has found that Mrs. Kolstad won the car in the raffle. She then kept the car, mistakenly thinking that she, not the Committee, won the raffle.

Under the Act, all contributions deposited into a campaign account are deemed to be held in trust for expenses associated with the election of the candidate. (Section 89510, subd. (a).) An expenditure to seek office is within the lawful execution of the trust imposed by Section 89510 if it is reasonably related to a political purpose. (Section 89512.) Expenditures that confer a substantial personal benefit must be directly related to a political purpose. A “substantial personal benefit” means a direct personal benefit to the candidate, or any individual with authority to approve the expenditure of campaign funds held by the

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. 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 Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

committee, with a value of more than \$200. (Section 89511, subd. (b)(3).) The use of campaign funds to make charitable donations is permissible to a bona fide charitable or civic nonprofit organization if the donation bears a reasonable relation to a political, legislative or governmental purpose and where no substantial part of the proceeds will have a material financial effect on the candidate or on a member of his or her immediate family. (Section 89515.)

Based on our review of the campaign statements and supporting documents provided by your clients, even though the expenditure of campaign funds appears to comply with the requirements of the Act, Mrs. Kolstad, as the treasurer of the Committee could not receive a substantial personal benefit from that expenditure. Therefore, her receipt of the car was not in compliance with the rules and regulations of the Act. In addition, since the Committee's raffle ticket won the car, the car is required to be reported as an asset of the Committee on its campaign statements. However, since your clients paid the full cost of the car to the Committee once contacted by the Enforcement Division, they did not unduly benefit from the receipt of the car. In addition, there appears to be no intent to deceive the public since the donation to the non-profit was disclosed on the Committee's campaign statement. Neither Kolstad has a history of violating the Act and cooperated with the inquiry. Therefore, this case is being closed with this warning letter.

This letter serves as a written warning. The information in this matter will be retained and may be considered should an enforcement action become necessary based on newly discovered information or future conduct. Failure to comply with the provisions of the Act in the future could result in monetary penalties up to \$5,000 per violation.

A warning letter is a Commission resolution without administrative prosecution or fine. However, the warning letter resolution does not provide you with the opportunity for a probable cause hearing or hearing before an Administrative Law Judge or the Commission. If you wish to avail yourself of these proceedings by requesting that your case proceed with prosecution rather than a warning, please notify us within ten (10) days from the date of this letter. Upon this notification, the Commission will rescind this warning letter and proceed with administrative prosecution of this case. If we do not receive such notification, this warning letter will be posted on the Commission's website ten (10) days from the date of this letter.

If you have any questions regarding this matter, please feel free to contact me at 916-322-5796.

Sincerely,



Galena West
Commission Counsel IV
Enforcement Division