

1 GALENA WEST
Chief of Enforcement
2 BRIDGETTE CASTILLO
Senior Commission Counsel
3 Fair Political Practices Commission
1102 Q Street, Suite 3000
4 Sacramento, CA 95811
Telephone: (916) 323-6424
5 Bcastillo@fppc.ca.gov

6 Attorneys for Complainant

7
8 **BEFORE THE FAIR POLITICAL PRACTICES COMMISSION**
9 **STATE OF CALIFORNIA**

10
11 In the Matter of:

12 Armen Melkonians, Yes on Measure LV
13 Residocracy and Armen Melkonians,
Patricia Crane,

14 Respondents.

FPPC Case No. 16/19836

STIPULATION, DECISION AND ORDER

15
16 **INTRODUCTION**

17 Respondent Armen Melkonians (“Melkonians”) was an unsuccessful candidate for Santa Monica
18 City Council in the November 8, 2016 election. “Armen Melkonians for City Council 2016” was his
19 candidate-controlled committee. Respondent “Yes on Measure LV Residocracy and Armen Melkonians”
20 (“Committee”) was a primarily formed ballot measure committee to support Measure LV in the same
21 election. Measure LV was unsuccessful. The Committee remains active. Respondent Patricia Crane
22 (“Crane”) was the named assistant treasurer from November 30, 2015 through October 31, 2016.
23 Although Crane was named the assistant treasurer, she acted as the treasurer until she resigned at the end
24 of October 2016. Melkonians was the named treasurer on October 31, 2016 until the present.

1 The Political Reform Act (the “Act”)¹ requires all candidates, their controlled committees, and the
2 treasurers of those committees file campaign statements at specific times. Additionally, the Act prohibits
3 accepting cash and cash equivalents of \$100 or more. In this matter, the Committee and Crane violated
4 the cash prohibitions. Further, the Committee and Melkonians failed to timely file a semi-annual
5 campaign statement for the reporting period January 1, 2017, though June 30, 2017.

6 SUMMARY OF THE LAW

7 All legal references and discussions of the law refer to the Act’s provisions as they existed at the
8 time of the violations.

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

10 When enacting the Political Reform Act, the people of the state of California found and declared
11 that previous laws regulating political practices suffered from inadequate enforcement by state and local
12 authorities.² To that end, the Act must be liberally construed to achieve its purposes.³

13 There are many purposes of the Act. One purpose is to ensure that receipts and expenditures in
14 election campaigns are fully and truthfully disclosed so that voters are fully informed and improper
15 practices are inhibited.⁴ Another is to provide adequate enforcement mechanisms so that the Act will be
16 “vigorously enforced.”⁵

17 Duty to File Semi-Annual Campaign Statements

18 An express purpose of the Act is to ensure that receipts and expenditures in election campaigns
19 are fully and truthfully disclosed, so that voters may be fully informed and improper practices may be
20 inhibited.⁶ The Act therefore establishes a campaign reporting system designed to accomplish this
21 purpose of disclosure.

22
23
24
25 ¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014, and all statutory
26 references are to this code. The regulations of the Fair Political Practice Commission are contained in Sections 18110
through 18997 of Title 2 of the California Code of Regulations, and all regulatory references are to this source.

27 ² § 81001, subd. (h).

³ § 81003.

⁴ § 81002, subd. (a).

⁵ § 81002, subd. (f).

⁶ Section 81002, subd. (a).

1 The Act requires candidates and their controlled committees to file two semi-annual campaign
2 statements each year.⁷ The first semi-annual campaign statement covers the reporting period January 1
3 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the
4 reporting period July 1 to December 31, and must be filed by January 31 of the following year. When a
5 deadline to file a statement or report required by the Act falls on a Saturday, Sunday or official state
6 holiday, the filing deadline for such a statement or report shall be extended to the next regular business
7 day.⁸

8 Prohibition Against Receiving Cash and Cash Equivalents of \$100 or More

9 No contribution of \$100 or more, other than an in-kind contribution, may be made unless in the
10 form of a written instrument containing the name of the donor and the name of the payee and drawn from
11 the account of the donor or intermediary.⁹

12 Joint and Several Liability of Candidate, Committee, and Assistant Treasurer

13 An assistant treasurer may sign and verify campaign statements and may be held jointly and
14 severally liable for violations with respect to any statements signed by the assistant treasurer.¹⁰ A
15 committee's assistant treasurer may be held jointly and severally liable with the candidate and the
16 committee for violations committed by the committee.¹¹

17 **SUMMARY OF THE FACTS**

18 Melkonians was an unsuccessful candidate for Santa Monica City Council in the November 8,
19 2016 Election. Armen Melkonians for City Council 2016 was his candidate-controlled committee. The
20 Committee was a primarily formed ballot measure committee to support Measure LV in the same
21 election. Measure LV was unsuccessful. The Committee remains active. Although Bruce Ashton was
22 listed as the treasurer from November 30, 2015 through October 31, 2016, he did not perform any of the
23 treasurer duties during this time. Crane was the named assistant treasurer from November 30, 2015
24 through October 31, 2016. Crane was named the assistant treasurer and acted as the treasurer until she
25

26 ⁷ Section 84200, subd. (a).

27 ⁸ Regulation 18116.

28 ⁹ Section 84300, subd. (c).

¹⁰ Regulation 18426.1.

¹¹ §§ 83116.5 and 91006.

1 resigned at the end of October 2016. While Crane was the named assistant treasurer, she was a signatory
2 on the Committee bank account, prepared, signed and filed the campaign statements and coordinated
3 fundraisers. Crane was the only signor of the campaign statements until the campaign statement ending
4 on October 22, 2016. Afterwards, Melkonians began signing the campaign statements. Melkonians was
5 the named treasurer on October 31, 2016 until the present.

6 Melkonians was a candidate in the Santa Monica City Council in the November 8, 2016 Election.
7 The Committee became his controlled committee, at a minimum, when he became treasurer prior to the
8 election on October 31, 2016. However, his name was added to the name of the Committee on October
9 24, 2016, prior to the relevant election and he lost the City Council election. As such, the failure to
10 include his name as the controlling candidate is not being pursued. Additionally, some reporting
11 discrepancies are not being pursued for settlement purposes.

12 In this matter, the Committee, the Committee and Crane violated the cash prohibitions. Further,
13 the Committee and Melkonians failed to timely file a semi-annual campaign statement for the reporting
14 period January 1, 2017, though June 30, 2017.

15 VIOLATIONS

16 Count 1

17 *Accepting Prohibited Cash Equivalents of Over \$100*

18 The Committee and Crane impermissibly accepted two prohibited contributions of \$1,500 in the
19 form of a cashier's check and a money order. The following chart details the contributions received:

20 Date	Contributor Name	Amount	Type of Contribution
21 4/29/2016	Form 460 states "Howard Myers"	\$500.00	Cashier's check
22 9/6/2016	Form 460 states "Howard Myers"	\$1,000.00	Money order

23 As such, the Committee and Crane impermissibly accepted two prohibited contributions totaling
24 \$1,500, in violation of Government Code section 84300, subdivision (c).

1 **Count 2**

2 *Failure to Timely File a Semi-Annual Campaign Statement*

3 The Committee and Melkonians failed to timely file a semi-annual campaign statement for the
4 reporting period January 1, 2017, through June 30, 2017, by the July 31, 2017 due date, in violation of
5 Government Code section 84200.

6 **PROPOSED PENALTY**

7 This matter consists of two counts. The maximum penalty that may be imposed is \$5,000 per
8 count.¹² Thus, the maximum penalty that may be imposed is \$10,000.¹³

9 In determining the appropriate penalty for a particular violation of the Act, the Commission
10 considers the facts of the case, the public harm involved, and the purposes of the Act. Also, the
11 Commission considers factors such as: (a) the seriousness of the violation; (b) the presence or absence of
12 any intention to conceal, deceive or mislead; (c) whether the violation was deliberate, negligent or
13 inadvertent; (d) whether the violation was isolated or part of a pattern; (e) whether corrective
14 amendments voluntarily were filed to provide full disclosure; and (f) whether the violator has a prior
15 record of violations.¹⁴ Additionally, the Commission considers penalties in prior cases with comparable
16 violations.

17 In this case, the actions of the Committee appear to be the result of negligence as opposed to
18 deliberate or intentional. In FPPC Case No. 15/148, Melkonians, as a treasurer for a different committee,
19 received a streamline penalty for failing to timely file a semi-annual campaign statement, thus excluding
20 him from streamline consideration.

21 The Commission considers penalties in prior cases involving similar violations. *In the Matter of*
22 *Dolores Marquez for School Board 2016, Dolores Marquez for Santa Clara County Board of Education*
23 *2014, Dolores Marquez, and Anjelica Frausto; FPPC No. 17/106.* Dolores Marquez was a successful
24 candidate for School Board of Alum Rock Union Elementary School District in the 2016 General
25 Election. Dolores Marquez for School Board 2016 was her candidate-controlled committee. Anjelica
26

27 ¹² Section 83116, subdivision (c).

28 ¹³ Section 83116, subd. (c).

¹⁴ Regulation 18361.5, subdivision (d).

1 Frausto was the Committees Treasurer. The Committee, Marquez, and Frausto failed to report
2 contributions and expenditures on two campaign statements totaling approximately \$1,750 in
3 contributions and approximately \$2,330 in expenditures, in violation of Government Code Section
4 84211, and accepted a prohibited cash contribution in the form of a \$5,000 cashier's check, in violation
5 of Government Code Section 84300, subdivision (c). In August 2019, the Commission approved a
6 penalty of \$2,500 for the use of cash equivalents.

7 Regarding Count 1, the Committee and Crane accepted prohibited forms of cash contributions.
8 Accepting cash equivalents makes it more difficult to track the contribution to the true source and makes
9 it difficult to audit the activities of the committee. In this case, the Committee and Crane accepted two
10 prohibited cash equivalents, totaling \$1,500 in the forms of a cashier's check and a money order. No
11 additional documentation was provided to prove this was from the identified source. In mitigation, the
12 Committee and Crane did not display a pattern of accepting cash equivalents other than these two
13 contributions. Further, these contributions were reported on the relevant 460's. As such, a penalty in the
14 amount of \$2,000 is recommended.

15 Regarding Count 2, the Committee and Melkonians failed to timely file a semi-annual campaign
16 statement for the first half of 2017. A recent Commission decision includes *In the Matter of Contra*
17 *Costa Supervisor John Gioia 2010 Officeholder Account, Contra Costa Supervisor John Gioia 2014*
18 *Officeholder Account, John Gioia and Jennifer Peck*, FPPC Nos. 17/84 and 17/86 (the Commission
19 approved a stipulated decision in August 2017.) *Contra Costa Supervisor John Gioia 2010 Officeholder*
20 *Account and Contra Costa Supervisor John Gioia 2014 Officeholder Account* were his candidate-
21 controlled committees. Jennifer Peck was previously the treasurer for both Committees. Gioia was the
22 current treasurer for both Committees. The 2010 Committee, Gioia, and Peck failed to timely file seven
23 semiannual campaign statements, in violation of Government Code Section 84200, subdivision (a). The
24 2014 Committee, Gioia, and Peck failed to timely file seven semiannual campaign statements, in
25 violation of Government Code Section 84200, subdivision (a), among other filing violations. The
26 Commission imposed a penalty of \$1,500 for each semi-annual campaign statement violation.

27 In this case, the semi-annual campaign statement was filed 127 days late. While the only
28 campaign activity disclosed was approximately \$2,500 in payments made during this period, the public

1 was not timely provided with this information. As such, a penalty in the amount of \$1,500 is
2 recommended.

3 Under these circumstances, it is respectfully submitted that imposition of an agreed upon penalty
4 in the amount of \$3,500 is recommended.

5 CONCLUSION

6 Complainant, the Enforcement Division of the Fair Political Practices Commission, and
7 Respondents Armen Melkonians, Yes on Measure LV Residocracy and Armen Melkonians and Patricia
8 Crane hereby agree as follows:

9 1. Respondents violated the Act as described in the foregoing pages, which is a true and
10 accurate summary of the facts in this matter.

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

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

16 4. Respondents have consulted with their attorney, Beverly Grossman Palmer of
17 Strumwasser & Woocher LLP. Respondents understand and hereby knowingly and voluntarily waive,
18 any and all procedural rights set forth in Sections 83115.5, 11503, 11523, and Regulations 18361.1
19 through 18361.9. This includes, but is not limited to the right to appear personally at any administrative
20 hearing held in this matter, to be represented by an attorney at Respondents' own expense, to confront
21 and cross-examine all witnesses testifying at the hearing, to subpoena witnesses to testify at the hearing,
22 to have an impartial administrative law judge preside over the hearing as a hearing officer, and to have
23 the matter judicially reviewed.

24 5. Respondents agree to the issuance of the decision and order set forth below. Also,
25 Respondents agree to the Commission imposing against them an administrative penalty in the amount of
26 \$3,500, as noted above. One or more payments totaling this amount—to be paid to the General Fund of
27 the State of California—is/are submitted with this stipulation as full payment of the administrative
28

1 penalty described above, and they will be held by the State of California until the Commission issues its
2 decision and order regarding this matter.

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

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

1 Dated: _____

Galena West, Chief of Enforcement
Fair Political Practices Commission

2

3

4

5 Dated: _____

Armen Melkonians, individually and on behalf of Yes
on Measure LV Residocracy and Armen Melkonians,
Respondents

6

7

8

9

10

11 Dated: _____

Patricia Crane, individually and on behalf of Yes on
Measure LV Residocracy and Armen Melkoinians,
Respondents

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

1 The foregoing stipulation of the parties “In the Matter of Yes on Measure LV Residocracy and
2 Armen Melkonians, Armen Melkonians and Patricia Crane,” FPPC Case No. 16/19836, is hereby
3 accepted as the final decision and order of the Fair Political Practices Commission, effective upon
4 execution below by the Chair.

5
6 IT IS SO ORDERED.

7
8 Dated: _____

Richard C. Miadich, Chair
Fair Political Practices Commission