

## Communication from Public

**Name:** Ethics Matter

**Date Submitted:** 03/23/2022 10:32 PM

**Council File No:** 19-0603

**Comments for Public Posting:** Ethics matter in Los Angeles. Please read the attached document.

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# Item 6

## Action

### *Proposed Stipulations*

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**Executive Summary:** This item presents proposed stipulations in Case No. 2021-08, *In the Matter of JCI Worldwide, Inc. and Seth Jacobson*, and Case No. 2021-11, *In the Matter of Steven Crosby and Crosby Consulting*.

**Recommended Action:** Approve the proposed stipulations as presented.

**Authors:** David Tristan, Executive Director  
Heather Holt, Deputy Executive Director  
Kenneth Hardy, Director of Enforcement

**Presenters:** Kenneth Hardy, Director of Enforcement  
Stephen Colon, Senior Investigator

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# *Proposed Stipulations*

*In the Matter of JCI Worldwide, Inc. and Seth Jacobson (Case No. 2021-08)*  
*In the Matter of Steven Crosby and Crosby Consulting (Case No. 2021-11)*

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## **A. Introduction**

These two cases involve allegations of failing to register and to report lobbying activities by JCI Worldwide, Inc. (JCI) and its owner Seth Jacobson (Jacobson), and Crosby Consulting and its owner Steven Crosby (Crosby). The respondents, who chose not to be represented by legal counsel, have agreed to proposed stipulations admitting to the violations, and we recommend that the stipulations be approved. Copies of the stipulations, which provide additional details and represent the agreements between the parties, are provided in Attachments A and B.

## **B. Law**

The Municipal Lobbying Ordinance (MLO) requires persons who qualify as lobbying entities to register with the Ethics Commission and to report their lobbying activities. Los Angeles Municipal Code (LAMC) §§ 48.01 *et seq.*

A lobbyist is an individual who is compensated to spend 30 or more hours in a consecutive three-month period engaged in lobbying activities that include at least one direct communication with a City official for the purpose of attempting to influence municipal legislation on behalf of another person. LAMC § 48.02. A lobbying firm is an entity that has a partner, owner, shareholder, officer, or employee who qualifies as a lobbyist and that receives or becomes entitled to receive at least \$1,000 in compensation during a consecutive three-month period for engaging in lobbying activities in an attempt to influence municipal legislation on behalf of another person. LAMC § 48.02.

Lobbyists and lobbying firms must register with the Ethics Commission within 10 days after the end of the calendar month in which they qualify as a lobbying entity. LAMC § 48.07. In addition to registering, lobbying entities must also file quarterly disclosure reports for every calendar quarter during which they retain that status. LAMC § 48.08(A)(1).

An individual who qualifies as both a lobbyist and a lobbying firm is required to file just one report, as a lobbying firm, for each quarter. *Id.* Quarterly reports by lobbying firms must identify, among other things, information about each client, a description of each City matter that the firm or its lobbyists attempted to influence, the total amount of payments received from each client, and total expenses incurred by the firm in connection with their attempts to influence City matters. LAMC §§ 48.08(C)(3),(7). Quarterly reports by lobbyists must include, among other things, each City agency that the lobbyist attempted to influence, the name of any candidate for

elective City office to whom the lobbyist made contributions of \$100 or more, and the date and amount of the contribution. LAMC §§ 48.08(B)(6), (12).

The requirement that lobbying entities disclose their lobbying activities is borne out of the public's interest in identifying "interests which attempt to influence decisions of City government, as well as the means employed by those interests." LAMC § 48.01(B)(2). This transparency helps to ensure both the integrity of and the public's confidence in City government. Failure to report such activities circumvents these important goals.

In addition, the Los Angeles City Charter (Charter) prohibits a lobbyist from making a campaign contribution to a candidate for elected City office if the lobbyist is required to be registered to lobby the City office for which the candidate is seeking election or the candidate's current City office or agency. Charter § 470(c)(11).

## **C. Facts**

JCI is a public affairs company that specializes in strategic communications, grassroots advocacy and coalition development to enhance corporate brands and messaging, as well as executing local, state, and national campaigns and advocacy programs. Jacobson is JCI's sole owner and is actively involved in the firm's services to its clients. Crosby, through his business Crosby Consulting, operated as a subcontractor to JCI in support of JCI clients. Crosby Consulting is a one-person operation.

Ethics Commission staff received a complaint alleging that members of a group calling itself "Build with Strength" were engaging in unregistered lobbying activities related to matters pending before City officials. Build with Strength is the grassroots lobbying program of the National Ready Mixed Concrete Association (NRMCA). The NRMCA is a 501(c)(6) organization that describes itself as the leading industry advocate for its members in the ready mixed concrete industry. The lobbying pertained to an ordinance addressing the use of non-combustible building materials.

During the investigation of the matter, enforcement staff determined that JCI, Jacobson, Crosby Consulting, and Crosby were paid to engage in lobbying activities on behalf of Build with Strength and, as a result, were required to register and report. JCI received approximately \$327,250 in compensation for such work. JCI subcontracted lobbying work to Crosby Consulting and compensated Crosby at least \$163,650. Enforcement staff determined that JCI failed to register in 2018 and 2020 and that Jacobson, Crosby, and Crosby Consulting failed to register in 2018, 2019, and 2020. Enforcement staff also determined that JCI and Jacobson failed to report from the first quarter of 2018 through the first quarter of 2020 and that Crosby Consulting and Crosby failed to report from the third quarter of 2018 through the first quarter of 2020.

During the relevant time period, JCI made one prohibited political contribution, Jacobson made two prohibited political contributions, and Crosby made three prohibited political contributions.

Jacobson and Crosby cooperated during the investigation. After Jacobson and Crosby were informed that their activities and their respective firm's activities qualified as lobbying, they agreed to remedy the situation and have registered and filed the required quarterly reports.

## **D. Penalty**

In administrative enforcement matters, the commissioners may impose a penalty up to the greater of \$5,000 per violation or three times the amount that was improperly reported, spent, or received. Charter § 706(c)(3). In these cases, the parties collectively face maximum charged penalties of \$195,000: \$130,000 (\$5,000 x 26 counts) against JCI and Jacobson and \$65,000 (\$5,000 x 13 counts) against Crosby and Crosby Consulting. We recommend resolving these matters by approving the proposed stipulations and imposing penalties totaling \$97,500: \$65,000 for JCI and Jacobson and \$32,500 for Crosby and Crosby Consulting.

We believe the recommended penalties are appropriate, given the relevant circumstances of the cases. *See* Los Angeles Administrative Code (LAAC) § 24.27(h)(2). Staff notes that the parties did not consult the Ethics Commission about how to comply with the laws and, in aggravation, the violations are serious. *See* LAAC §§ 24.27(h)(2)(A), (C).

In mitigation, however, the parties cooperated with the investigation, saved Ethics Commission resources by entering into a stipulated settlement prior to the issuance of a probable cause report, have registered and filed all required disclosure reports, and have no prior enforcement history with the Ethics Commission. *See* LAAC §§ 24.27(h)(2)(D)–(F). Staff found no evidence of a deliberate violation or an intent to conceal or deceive by any of the parties. *See* LAAC §§ 24.27(h)(2)(B).

The staff supports the recommended penalties, which are designed to promote the equitable treatment of similar respondents, encourage the early resolution of cases, and reflect the serious nature of the violations.

### *Attachments:*

- A Proposed stipulation in Case No. 2021-08 (JCI Worldwide, Inc. and Seth Jacobson)*
- B Proposed stipulation in Case No. 2021-11 (Steven Crosby and Crosby Consulting)*

KENNETH HARDY, SBN 162181  
Director of Enforcement  
Los Angeles City Ethics Commission  
200 North Spring Street  
City Hall, 24th Floor  
Los Angeles CA 90012  
(213) 978-1960

Complainant

BEFORE THE LOS ANGELES CITY ETHICS COMMISSION

In the Matter of:

JCI WORLDWIDE INC., AND SETH  
JACOBSON,

Respondents.

Case No. 2020-08

**STIPULATION AND ORDER**

Kenneth Hardy, Director of Enforcement of the Los Angeles City Ethics Commission (Ethics Commission), and JCI Worldwide, Inc. and Seth Jacobson (respondents) agree to the following:

1. This stipulation will be submitted to the Ethics Commission members for consideration at their next meeting.

2. If approved by the Ethics Commission members, this stipulation and the accompanying order will be the final disposition of this matter with respect to the respondent.

3. The respondent understands and knowingly and voluntarily waives all procedural rights under Los Angeles City Charter (Charter) §§ 706 and 709 and Los Angeles Administrative Code §§ 24.26 and 24.27. These rights include but are not limited to receiving an accusation, having the Ethics Commission members or an impartial administrative law judge hear the matter, personally appearing at an administrative hearing, confronting and cross-examining witnesses testifying at a hearing, and subpoenaing witnesses to testify at a hearing.

4. The respondent understands and knowingly and voluntarily waives all rights to seek judicial review of any action by the Ethics Commission on this matter.

5. The exhibit that is attached and incorporated by reference is a true and accurate summary of the facts in this matter. The respondent violated City law as described in the Exhibit.

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STIPULATION AND ORDER

Case No. 2021-08 (JCI Worldwide, Inc. and Jacobson)

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6. The respondents will pay a total penalty in the amount of **\$65,000**. On or before October 20, 2021, the respondents will make an initial payment of **\$5,000**, which will be held by the Ethics Commission staff until the Ethics Commission members issue the order in this matter. For the remaining **\$60,000** the respondents will pay **\$5,000**, on or before the first of each month, beginning on December 1, 2021, and ending on November 1, 2022. The payments will be made in the form of a cashier's check made payable to the "General Fund of the City of Los Angeles."

7. If the Ethics Commission members refuse to accept this stipulation, it will become null and void. Within ten business days after the Ethics Commission meeting at which the stipulation is rejected, the Ethics Commission staff will return all payments tendered by the Respondent in connection with this stipulation.

8. If the Ethics Commission members reject the stipulation and a full evidentiary hearing becomes necessary, the stipulation and all references to it are inadmissible, and the Ethics Commission members, executive director, and staff will not be disqualified because of prior consideration of this stipulation.

DATED: 10/7/21

[Redacted Signature]

KENNETH HARDY  
Director of Enforcement  
Los Angeles City Ethics Commission  
Complainant

DATED: 9/30/2021

[Redacted Signature]

SETH JACOBSON  
Respondent

[Redacted Signature]

JCI Worldwide, Inc.  
Respondent

By: SETH JACOBSON, Chief Executive Officer

**ORDER**

The Los Angeles City Ethics Commission considered the stipulation in Case No. 2021-08 at its meeting on October 20, 2021. The members of the Ethics Commission approved the stipulation and order Seth Jacobson and JCI Worldwide, Inc. to pay a fine of **\$65,000** to the City of Los Angeles in accordance with the terms of the stipulation.

DATED: \_\_\_\_\_

\_\_\_\_\_  
SHEDRICK DAVIS, President  
Los Angeles City Ethics Commission

## EXHIBIT

### I. INTRODUCTION

This case arose from an ethics complaint. JCI Worldwide, Inc. (JCI) and Seth Jacobson (Jacobson), both of whom chose not to be represented by legal counsel in this matter, admit that they violated City law by failing to timely register as lobbying entities and by failing to timely file quarterly disclosure reports. JCI and Jacobson have worked in cooperation with the Ethics Commission's enforcement staff from the time of notification by staff to address all potential complaints and resolve all resulting violations.

### II. APPLICABLE LAW

Lobbying and the disclosure of lobbying activities related to City matters are governed by the Municipal Lobbying Ordinance (Los Angeles Municipal Code (LAMC) §§ 48.01 *et seq.*).

A lobbying firm is an entity that receives or becomes entitled to receive at least \$1,000 in compensation for engaging in lobbying activities during a consecutive three-month period in an attempt to influence municipal legislation on behalf of another person and has a partner, owner, shareholder, officer, or employee who qualifies as a lobbyist. LAMC § 48.02.

A lobbyist is an individual who is compensated to spend 30 or more hours in a consecutive three-month period engaged in lobbying activities that include at least one direct communication with a City official or employee for the purpose of attempting to influence municipal legislation on behalf of another person. *Id.* "Direct communication" means appearing as a witness before, talking to (either by telephone or in person), corresponding with, or answering questions or inquiries from, any City official or employee, either personally or through an agent who acts under one's direct supervision, control, or direction. *Id.*

Municipal legislation is, essentially, any substantive legislative or administrative matter that is proposed or pending before a City agency, including permits and entitlements for use. *Id.* "Attempting to influence" means promoting, supporting, opposing, or seeking to modify or delay action on municipal legislation by any means. *Id.*

A lobbying firm must register with the Ethics Commission within 10 days after the end of the calendar month in which a partner, owner, shareholder, officer, or employee qualifies as a lobbyist. LAMC § 48.07(A). In addition to registering, all lobbying firms must also file quarterly disclosure reports with the Ethics Commission for every calendar quarter during which they retain that status. LAMC § 48.08(A)(1).

A lobbyist must register with the Ethics Commission within 10 days after the end of the calendar month in which the individual qualifies as a lobbyist. LAMC § 48.07(A). In addition to registering, all lobbyists must also file quarterly disclosure reports with the Ethics

Commission for every calendar quarter during which they retain that status. LAMC § 48.08(A)(1).

Quarterly reports by lobbying firms and lobbyists must identify, among other things, information about each client, a description of each City matter that the firm or its lobbyists attempted to influence on behalf of their clients, the total amount of payments received from each client, and total expenses incurred by the firm in connection with their attempts to influence City matters. LAMC §§ 48.08(C)(3), (4), (7).

In addition, the Los Angeles City Charter (Charter) prohibits a lobbyist or lobbying firm from making a campaign contribution to a candidate for elected City office if the lobbyist or lobbying firm is required to be registered to lobby the City office that the candidate seeks or holds. Charter § 470(c)(11).

The requirement that lobbying entities disclose their lobbying activities is borne out of the public's interest in identifying "interests which attempt to influence decisions of City government, as well as the means employed by those interests." LAMC § 48.01(B)(2). This transparency helps to ensure both the integrity of and the public's confidence in City government. Failure to report such activities circumvents these important goals.

### **III. FACTS**

In December 2019, Ethics Commission staff received a complaint alleging that members of a group calling itself "Build with Strength" were engaging in unregistered lobbying activities related to matters pending before City officials. Build with Strength is the grassroots lobbying program of the National Ready Mixed Concrete Association (NRMCA). The NRMCA is a 501(c)(6) organization that describes itself as the leading industry advocate for its members in the ready mixed concrete industry.

The complaint referenced a motion pending before the City Council's Planning and Land Use Management (PLUM) Committee that would direct the Fire Department and the Department of Building and Safety to, among other things and in consultation with the City Attorney, prepare and present an ordinance to expand Fire District 1. The ordinance also addressed the use of non-combustible building materials. The motion was heard and passed by the PLUM Committee on December 3, 2019.

During a subsequent investigation by Enforcement staff, it was determined that JCI had been compensated by Build with Strength to influence City action on regulations related to the use of non-combustible building materials. JCI's efforts included, but were not limited to, direct communications with City officials, the production of educational newsletters, and the development of a grassroots coalition.

JCI was founded by Jacobson. He is the sole owner of the company and is actively involved in the firm's services to its clients. According to its website, JCI is a public affairs company that specializes in strategic communications, grassroots advocacy, coalition

development to enhance corporate brands and messaging, and executing local, state, and national campaigns and advocacy programs. JCI has stated that JCI has not previously engaged in lobbying activities. JCI/Jacobson asserted that he was not fully aware of the City's lobbying registration and reporting requirements and, therefore, did not realize that he and JCI were not fully compliant with those requirements. According to JCI's website, it has three full-time persons and several independent contractors and advisors involved in the firm's public relations activities.

JCI had registered as a lobbying firm on February 15, 2019, but did not file any quarterly reports in 2019 and did not identify Jacobson as a lobbyist. Even though he did not register as a lobbyist, Jacobson certified that he completed the required lobbyist training on February 15, 2019. Jacobson believed that, when he registered JCI, he had complied with all requirements.

Jacobson cooperated during the investigation. Jacobson said that he was unfamiliar with the lobbying regulations because the vast majority of JCI's business does not require interaction with City officials. After being informed that his and JCI's activities qualified as lobbying and that they should have registered and filed quarterly reports, Jacobson immediately agreed to do so retroactively.

JCI qualified as a lobbying firm from January 2018 through June 2021. During that time, JCI paid Jacobson to engage in lobbying activities and communicate with City officials, including members of the City Council, to further the interests of Build with Strength. JCI received approximately \$327,250 from that client for lobbying activities during that time. For each quarter during that time period, JCI and Jacobson should have registered as lobbying entities and filed lobbying reports to disclose their lobbying activities.

During the relevant time period, JCI and Jacobson also made political contributions. JCI contributed \$500 to the David Ryu for City Council 2020 committee on March 27, 2019. Jacobson contributed \$800 to the Harris-Dawson for City Council 2020 committee on December 5, 2019, and \$800 to the David Ryu for City Council 2020 – General committee on October 23, 2020. Jacobson stated that, due to his incorrect interpretation of the lobbying ordinance, he believed that he was not prohibited from making campaign contributions.

#### **IV. VIOLATIONS**

JCI and Jacobson admit that they violated City law as follows:

#### **COUNTS 1 – 2 FAILING TO REGISTER AS A LOBBYING FIRM**

COUNT 1: JCI violated LAMC section 48.07(A) by failing to register as a lobbying firm in 2018.

COUNT 2: JCI violated LAMC section 48.07(A) by failing to register as a lobbying firm in 2020.

**COUNTS 3 – 5**  
**FAILING TO REGISTER AS A LOBBYIST**

COUNT 3: Jacobson violated LAMC section 48.07(A) by failing to register as a lobbyist in 2018.

COUNT 4: Jacobson violated LAMC section 48.07(A) by failing to register as a lobbyist in 2019.

COUNT 5: Jacobson violated LAMC section 48.07(A) by failing to register as a lobbyist in 2020.

**COUNTS 6 – 14**  
**FAILING TO FILE LOBBYING FIRM DISCLOSURE REPORTS**

COUNT 6: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the first quarter of 2018.

COUNT 7: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the second quarter of 2018.

COUNT 8: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the third quarter of 2018.

COUNT 9: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the fourth quarter of 2018.

COUNT 10: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the first quarter of 2019.

COUNT 11: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the second quarter of 2019.

COUNT 12: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the third quarter of 2019.

COUNT 13: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the fourth quarter of 2019.

COUNT 14: JCI violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the first quarter of 2020.

**COUNTS 15 – 23**  
**FAILING TO FILE LOBBYIST DISCLOSURE REPORTS**

COUNT 15: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the first quarter of 2018.

COUNT 16: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the second quarter of 2018.

COUNT 17: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the third quarter of 2018.

COUNT 18: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the fourth quarter of 2018.

COUNT 19: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the first quarter of 2019.

COUNT 20: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the second quarter of 2019.

COUNT 21: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the third quarter of 2019.

COUNT 22: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the fourth quarter of 2019.

COUNT 23: Jacobson violated LAMC section 48.08(A)(1) by failing to file a lobbyist quarterly disclosure report for the first quarter of 2020.

**COUNTS 24 – 26:**  
**MAKING PROHIBITED POLITICAL CONTRIBUTIONS**

COUNT 24: JCI violated Charter section 470(c)(11) by making a contribution to a City Council candidate on March 27, 2019, when it was required by ordinance to be registered to lobby the City Council.

COUNT 25: Jacobson violated Charter section 470(c)(11) by making a contribution to a City Council candidate on December 5, 2019, when he was required by ordinance to be registered to lobby the City Council.

COUNT 26: Jacobson violated Charter section 470(c)(11) by making a contribution to a City Council candidate on October 23, 2020, when he was required by ordinance to be registered to lobby the City Council.

## V. PENALTY

Charter section 706(c)(3) establishes the penalty formula for administrative actions taken by the Ethics Commission. The commissioners may impose a penalty up to the greater of \$5,000 per violation or three times the amount that was improperly reported, spent, or received. In this case, the maximum charged penalties against JCI and Jacobson total \$130,000 (\$5,000 x 26 counts):

The Ethics Commission is required to consider all relevant circumstances before assessing penalties. Los Angeles Administrative Code (LAAC) § 24.27(h)(2). In considering the penalty in this case, Ethics Commission staff notes the following aggravating circumstances: (1) the violations in this case are serious; and (2) JCI and Jacobson did not consult with Ethics Commission staff about how to comply with the law.

However, staff also notes the following mitigating circumstances: (1) JCI and Jacobson cooperated with the staff and saved Ethics Commission resources by entering into this stipulated settlement at an early stage in the investigation, prior to the preparation of a probable cause report; (2) JCI and Jacobson have registered and filed all required disclosure reports; and (3) JCI and Jacobson have no prior enforcement history with the Ethics Commission. *See* LAAC §§ 24.27(h)(2)(D)–(F).

Based on the specific facts and circumstances in this case, staff recommends resolving this case by imposing penalties totaling \$65,000. The recommended penalties are intended to promote the equitable treatment of similar respondents, encourage the early resolution of violations, and reflect the serious nature of the violations.

KENNETH HARDY, SBN 162181  
Director of Enforcement  
Los Angeles City Ethics Commission  
200 North Spring Street  
City Hall, 24th Floor  
Los Angeles CA 90012  
(213) 978-1960

Complainant

BEFORE THE LOS ANGELES CITY ETHICS COMMISSION

In the Matter of:

STEVEN CROSBY AND CROSBY  
CONSULTING,

Respondents.

Case No. 2021-11

**STIPULATION AND ORDER**

Kenneth Hardy, Director of Enforcement of the Los Angeles City Ethics Commission (Ethics Commission), and Steven Crosby and Crosby Consulting (respondents) agree to the following:

1. This stipulation will be submitted to the Ethics Commission members for consideration at their next meeting.
2. If approved by the Ethics Commission members, this stipulation and the accompanying order will be the final disposition of this matter with respect to the respondent.
3. The respondent understands and knowingly and voluntarily waives all procedural rights under Los Angeles City Charter (Charter) §§ 706 and 709 and Los Angeles Administrative Code §§ 24.26 and 24.27. These rights include but are not limited to receiving an accusation, having the Ethics Commission members or an impartial administrative law judge hear the matter, personally appearing at an administrative hearing, confronting and cross-examining witnesses testifying at a hearing, and subpoenaing witnesses to testify at a hearing.
4. The respondent understands and knowingly and voluntarily waives all rights to seek judicial review of any action by the Ethics Commission on this matter.
5. The exhibit that is attached and incorporated by reference is a true and accurate summary of the facts in this matter. The respondent violated City law as described in the Exhibit.

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STIPULATION AND ORDER

Case No. 2021-11 (Crosby and Crosby Consulting)

Page 1 of 3

6. The respondents will pay a total penalty in the amount of **\$32,500** on or before October 20, 2021 which will be held by the Ethics Commission staff until the Ethics Commission members issue the order in this matter. The payment will be made in the form of a cashier's check made payable to the "General Fund of the City of Los Angeles."

7. If the Ethics Commission members refuse to accept this stipulation, it will become null and void. Within ten business days after the Ethics Commission meeting at which the stipulation is rejected, the Ethics Commission staff will return all payments tendered by the Respondent in connection with this stipulation.

8. If the Ethics Commission members reject the stipulation and a full evidentiary hearing becomes necessary, the stipulation and all references to it are inadmissible, and the Ethics Commission members, executive director, and staff will not be disqualified because of prior consideration of this stipulation.

DATED: 10/7/21

[Redacted signature]

KENNETH HARDY  
Director of Enforcement  
Los Angeles City Ethics Commission  
Complainant

DATED: 10/1/21

[Redacted signature]

STEVEN CROSBY  
Respondent

[Redacted signature]

Crosby Consulting  
Respondent

By: STEVEN CROSBY, Chief Executive Officer  
*CS*

**ORDER**

The Los Angeles City Ethics Commission considered the stipulation in Case No. 2021-11 at its meeting on October 20, 2021. The members of the Ethics Commission approved the stipulation and order Steven Crosby and Crosby Consulting to pay a fine of **\$32,500** to the City of Los Angeles in accordance with the terms of the stipulation.

DATED: \_\_\_\_\_

\_\_\_\_\_  
SHEDRICK DAVIS, President  
Los Angeles City Ethics Commission

## EXHIBIT

### I. INTRODUCTION

This case arose from an ethics complaint. Steven Crosby (Crosby) and Crosby Consulting, both of whom chose not to be represented by legal counsel in this matter, admit that they violated City law by failing to timely register as lobbying entities and by failing to timely file quarterly disclosure reports. Crosby has worked in cooperation with the Ethics Commission's enforcement staff from the time of notification by staff to address all potential complaints and resolve all resulting violations.

### II. APPLICABLE LAW

Lobbying and the disclosure of lobbying activities related to City matters are governed by the Municipal Lobbying Ordinance (Los Angeles Municipal Code (LAMC) §§ 48.01 *et seq.*).

A lobbying firm is an entity that receives or becomes entitled to receive at least \$1,000 in compensation for engaging in lobbying activities during a consecutive three-month period in an attempt to influence municipal legislation on behalf of another person and has a partner, owner, shareholder, officer, or employee who qualifies as a lobbyist. LAMC § 48.02.

A lobbyist is an individual who is compensated to spend 30 or more hours in a consecutive three-month period engaged in lobbying activities that include at least one direct communication with a City official or employee for the purpose of attempting to influence municipal legislation on behalf of another person. *Id.* "Direct communication" means appearing as a witness before, talking to (either by telephone or in person), corresponding with, or answering questions or inquiries from, any City official or employee, either personally or through an agent who acts under one's direct supervision, control, or direction. *Id.*

Municipal legislation is, essentially, any substantive legislative or administrative matter that is proposed or pending before a City agency, including permits and entitlements for use. *Id.* "Attempting to influence" means promoting, supporting, opposing, or seeking to modify or delay action on municipal legislation by any means. *Id.*

A lobbying firm must register with the Ethics Commission within 10 days after the end of the calendar month in which a partner, owner, shareholder, officer, or employee qualifies as a lobbyist. LAMC § 48.07(A). In addition to registering, all lobbying firms must also file quarterly disclosure reports with the Ethics Commission for every calendar quarter during which they retain that status. LAMC § 48.08(A)(1).

A lobbyist must register with the Ethics Commission within 10 days after the end of the calendar month in which the individual qualifies as a lobbyist. LAMC § 48.07(A). In addition to registering, all lobbyists must also file quarterly disclosure reports with the Ethics Commission for every calendar quarter during which they retain that status. LAMC §

48.08(A)(1). However, an individual who qualifies as both a lobbyist and a lobbying firm is required to file just one report, as a lobbying firm, for each quarter. *Id.*

Quarterly reports by lobbying firms and lobbyists must identify, among other things, information about each client, a description of each City matter that the firm or its lobbyists attempted to influence on behalf of their clients, the total amount of payments received from each client, and total expenses incurred by the firm in connection with their attempts to influence City matters. LAMC §§ 48.08(C)(3), (4), (7).

In addition, the Los Angeles City Charter (Charter) prohibits a lobbyist or lobbying firm from making a campaign contribution to a candidate for elected City office if the lobbyist or lobbying firm is required to be registered to lobby the City office that the candidate seeks or holds. Charter § 470(c)(11).

The requirement that lobbying entities disclose their lobbying activities is borne out of the public's interest in identifying "interests which attempt to influence decisions of City government, as well as the means employed by those interests." LAMC § 48.01(B)(2). This transparency helps to ensure both the integrity of and the public's confidence in City government. Failure to report such activities circumvents these important goals.

### **III. FACTS**

In December 2019, Ethics Commission staff received a complaint alleging that members of a group calling itself "Build with Strength" were engaging in unregistered lobbying activities related to matters pending before City officials. Build with Strength is the grassroots lobbying program of the National Ready Mixed Concrete Association (NRMCA). The NRMCA is a 501(c)(6) organization that describes itself as the leading industry advocate for its members in the ready mixed concrete industry.

The complaint referenced a motion pending before the City Council's Planning and Land Use Management (PLUM) Committee that would direct the Fire Department and the Department of Building and Safety to, among other things and in consultation with the City Attorney, prepare and present an ordinance to expand Fire District 1. The ordinance also addressed the use of non-combustible building materials. The motion was heard and passed by the PLUM Committee on December 3, 2019.

During a subsequent investigation by Enforcement staff, it was determined that JCI Worldwide, Inc. (JCI) had been compensated by Build with Strength to influence City action on regulations related to the use of non-combustible building materials. JCI's efforts included, but were not limited to, direct communications with City officials, the production of educational newsletters, and the development of a grassroots coalition.

Crosby is identified on the JCI website as a Senior Advisor. Crosby, through his business Crosby Consulting, operated as a subcontractor to JCI in support of the Build with Strength campaign. Crosby Consulting is a one-person operation.

Crosby stated that he has not previously engaged in lobbying activities and that he was not fully aware of the City’s lobbying registration and reporting requirements. Crosby also stated that he does not believe that he met the threshold of 30 hours of lobbying activity in a three-month period. Nonetheless, Crosby cooperated during the investigation. After being informed by staff that his activities qualified as lobbying and that he and his business should have registered and filed quarterly reports, Crosby agreed to do so retroactively.

Crosby and Crosby Consulting qualified as lobbying entities from January 2018 through June 2021. During that time, JCI paid Crosby to engage in lobbying activities and communicate with City officials, including members of the City Council, to further the interests of JCI’s client, Build With Strength. Crosby reported payments of \$163,650 from JCI during that time frame. For each quarter during that time period, Crosby and Crosby Consulting should have registered and filed lobbying reports to disclose their lobbying activities.

During the relevant time period, Crosby also made political contributions: \$250 to the John Lee for City Council 2020 – Primary committee on March 3, 2020; \$500 to the Mark Ridley-Thomas for City Council 2020 – General committee on September 14, 2020; and \$250 to the David Ryu for City Council 2020 – General committee on October 27, 2020. Crosby stated that he was not aware that the lobbying ordinance prohibits a lobbyist from making certain campaign contributions.

#### **IV. VIOLATIONS**

Crosby and Crosby Consulting admit that they violated City law as follows:

#### **COUNTS 1 – 3 FAILING TO REGISTER**

COUNT 1: Crosby and Crosby Consulting violated LAMC section 48.07(A) by failing to register as a lobbyist and lobbying firm in 2018.

COUNT 2: Crosby and Crosby Consulting violated LAMC section 48.07(A) by failing to register as a lobbyist and lobbying firm in 2019.

COUNT 3: Crosby and Crosby Consulting violated LAMC section 48.07(A) by failing to register as a lobbyist and lobbying firm in 2020.

#### **COUNTS 4 – 10 FAILING TO FILE DISCLOSURE REPORTS**

COUNT 4: Crosby and Crosby Consulting violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the third quarter of 2018.

COUNT 5: Crosby and Crosby Consulting violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the fourth quarter of 2018.

COUNT 6: Crosby and Crosby Consulting violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the first quarter of 2019.

COUNT 7: Crosby and Crosby Consulting violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the second quarter of 2019.

COUNT 8: Crosby and Crosby Consulting violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the third quarter of 2019.

COUNT 9: Crosby and Crosby Consulting violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the fourth quarter of 2019.

COUNT 10: Crosby and Crosby Consulting violated LAMC section 48.08(A)(1) by failing to file a lobbying firm quarterly disclosure report for the first quarter of 2020.

### **COUNTS 11 – 13 MAKING PROHIBITED POLITICAL CONTRIBUTIONS**

COUNT 11: Crosby violated Charter section 470(c)(11) by making a contribution to a City Council candidate on March 3, 2020, when he was required by ordinance to be registered to lobby the City Council.

COUNT 12: Crosby violated Charter section 470(c)(11) by making a contribution to a City Council candidate on September 14, 2020, when he was required by ordinance to be registered to lobby the City Council.

COUNT 13: Crosby violated Charter section 470(c)(11) by making a contribution to a City Council candidate on October 27, 2020, when he was required by ordinance to be registered to lobby the City Council.

## **V. PENALTY**

Charter section 706(c)(3) establishes the penalty formula for administrative actions taken by the Ethics Commission. The commissioners may impose a penalty up to the greater of \$5,000 per violation or three times the amount that was improperly reported, spent, or received. In this case, the maximum charged penalties against Crosby and Crosby Consulting total \$65,000 (\$5,000 x 13 counts):

The Ethics Commission is required to consider all relevant circumstances before assessing penalties. Los Angeles Administrative Code (LAAC) § 24.27(h)(2). In considering the penalty in this case, Ethics Commission staff notes the following aggravating circumstances:

(1) the violations in this case are serious; and (2) Crosby and Crosby Consulting did not consult Ethics Commission staff about how to comply with the law.

However, staff also notes the following mitigating circumstances: (1) Crosby and Crosby Consulting cooperated with the staff and saved Ethics Commission resources by entering into this stipulated settlement at an early stage in the investigation, prior to the preparation of a probable cause report; (2) Crosby and Crosby Consulting have registered and filed all required disclosure reports; and (3) Crosby and Crosby Consulting have no prior enforcement history with the Ethics Commission. *See* LAAC §§ 24.27(h)(2)(D)–(F).

Based on the specific facts and circumstances in this case, staff recommends resolving this case by imposing penalties totaling \$32,500. The recommended penalties are intended to promote the equitable treatment of similar respondents, encourage the early resolution of violations, and reflect the serious nature of the violations.