



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: City Auditor's Office

CITY AUDITOR: Madison Rorschach

DATE: February 6, 2025

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the City Council's direction to move forward with a two-minute pitch to examine and reform the City of Denton local campaign finance rules.

BACKGROUND

On September 17, 2024, Council Member McGee made a two-minute pitch to review and reform the City's local campaign finance rules. The goal is to increase transparency and accountability by limiting or banning contributions from individuals, relatives, self-funding sources, organizations, and developers. The pitch received consensus and the City Auditor's Office conducted the initial research and provided the Council the attached Informal Staff Report.

DISCUSSION

The City Auditor's initial research determined the City has no local regulations restricting or limiting campaign contributions. The City has the authority to establish campaign contribution limits so long as the limits do not infringe upon a person's First Amendment right to free speech and the City can show a perception of corruption justifying such laws. Generally, the State of Texas does not restrict the amount of money that an individual or political committee may contribute to a campaign but does require candidates to appoint a treasurer, file finance reports every six months, and file reports before elections. Some cities such as Houston, San Antonio, and Dallas prohibit the acceptance of campaign contributions from individuals who have a pending matter with the City, such as an application for a permit, proposal to enter into a contract or arrangement, or are involved in ongoing litigation with the City. In general, the applicable ethics commission of each City has some degree of authority over the enforcement of these limitations and restrictions, such as processing a complaint of a suspected violation or recommending the City Attorney pursue prosecution of a municipal code violation.

Based on discussions with the Board of Ethics' special counsel, at minimum, it would cost about \$20,000 for the consultant to research, draft, and present a proposed local campaign financing ordinance; Staff believes it will likely cost more to draft the ordinance—for reference it cost the City about \$70,000 to draft the Ethics Ordinance in 2018. The City Auditor's Office does not have money budgeted for this project during Fiscal Year 2024-25. Further, this quote did not include plans or time to engage the community about their concerns and desires regarding local campaign financing.

RECOMMENDATION

Staff recommends the City Council discuss allocating money to draft a proposed Campaign Financing during the Fiscal Year 2025-26 budget process. In addition, Staff recommends conducting a public

engagement campaign during the spring of 2025 to gauge resident interest and desires about local campaign financing regulations. A specific engagement plan has not yet been developed but could include (1) resident surveys, (2) public input meetings, and (3) engagement activities at local events. It should be noted that a community engagement campaign for this project may impact the City Auditor's Office's ability to timely complete all audit projects authorized by the Fiscal Year 2024-25 Annual Internal Audit Plan.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Nov. 7, 2024: Agenda Committee gave direction to look into the cost for hiring a consultant to research and draft local campaign financing rules.

EXHIBITS

1. Agenda Information Sheet
2. Informal Staff Report

Respectfully submitted:
Madison Rorschach, 940-349-7228
City Auditor