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Chapter 1:
DEFINING THE CLIENT: WHOM DOES THE CITY ATTORNEY REPRESENT?

A. INTRODUCTION

Lawyers owe the duties of both undivided loyalty and confidentiality to their clients. For the city attorney who represents a public entity the question often arises, “Who is the client?” This chapter discusses the nature of the professional relationship between the city attorney and his or her client.

It is the duty of an attorney to … maintain inviolate the confidence, and at every peril to himself or herself to preserve the secrets, of his or her client.

B. THE CITY IS THE CLIENT

Case law and the California Rules of Professional Conduct (referred to hereafter collectively as “Rules” and individually as “Rule”) are clear: the city attorney’s client is the city itself, “acting through its highest authorized officer, employee, body, or constituent overseeing the particular engagement.” Understanding that the city itself is the client is critical, especially when the interests of the city may conflict with those of its officials or employees.

Generally, an attorney’s duties of loyalty and confidentiality may be challenged when the interests of two or more clients conflict with one another. If the city attorney’s client were defined as each city official or employee who interacts with the city attorney, then a conflict of interest could arise every time two or more of these individuals had opposing interests. As a result, each party would be entitled to his or her own attorney. Fortunately, this is not the case in the vast majority of situations confronting the city attorney.

C. RULE 3-600

Rule 3-600 governs the ethical obligations of the city attorney. Under the Rule, the city attorney owes these obligations to the city itself — as the client — and not to any individual public official or community member. This Rule is also consistent with case law. The Rule obviates the need for the disqualification of the city attorney when council members are at odds with one another over an issue, or when the council and city manager have a dispute.

Practice Tip:

Government Code Section 41801 and some city charters contain language requiring the city attorney to advise specified officials. These provisions have no effect on the underlying principle that the city itself is the client. City officials are merely embodiments of the city, and the city attorney does not have a conflict of interest simply because the officials may have opposing agendas or positions.

That the city itself, and not any particular official or subordinate board, is the city attorney’s client is important because the city attorney typically advises individuals along the entire chain in the city’s hierarchy. Since these individuals are the embodiments of the city — and not separate and independent clients — the city attorney has no obligation to keep information obtained from one individual confidential from others in the hierarchy. This is significant because a city attorney typically has to gather information from a number of officials in order to provide legal advice and representation to the city.
CHAPTER 1: DEFINING THE CLIENT:

Furthermore, if the city manager’s management practices become the subject of a lawsuit — or the threat of a lawsuit — the city council would have the authority to direct the resolution of the matter. The council could act by stipulating to reinstatement and payment of back pay to the affected city employee. This is true even though the city manager would normally be the “highest authorized official” in charge of city personnel issues.

E. REPRESENTING MORE THAN ONE CLIENT

There are times when the city attorney has more than one client. The most common example of this is where the city attorney is representing an employee who is being sued — along with the city — in a lawsuit. Also a quasi-independent city board, official or agency (collectively “agency”) could become a separate client under exceptional circumstances where the city and the agency become adverse to one another in litigation. The city attorney may provide advice to both the city and the agency in a particular matter. Nevertheless in the event of litigation over the matter where the agency and the city are adverse, the city attorney who chose to advise both may not represent either in the litigation. In the alternative, the city attorney foreseeing potential adversity between the city and the agency may elect at the outset of the matter to advise the city and inform the agency that it will need outside counsel.

F. CITY ATTORNEY’S RIGHT TO REPORT MATTERS UP THE HIERARCHY

When a city attorney learns that the conduct of a city official or employee is or may be a violation of law that may be “reasonably imputed to the organization” or is “likely to result in substantial injury to the organization,” State Bar rules expressly authorize the city attorney to take the matter to the “highest internal authority within the organization.” While reporting such activity up the city’s hierarchy, the city attorney must not disclose any confidential information beyond the organization itself. Whistleblower statutory protections applicable to employees of state and local public entities do not supersede the statutes and rules governing the attorney-client privilege.

Finally, in the event the “highest internal authority” fails to heed the city attorney’s advice and that failure is likely to result in substantial injury to the client, the city attorney retains the right or, where appropriate, the obligation to resign employment pursuant to Rule 3-700.

D. THE “HIGHEST AUTHORIZED OFFICER, EMPLOYEE, BODY, OR CONSTITUENT”

While the city attorney has but one client — the city itself — he or she may take directions from a number of different individuals. Determining who speaks for the city as the “highest authorized officer, employee, body, or constituent” at any given time requires a review of the organic law of the city.

For example, under the council-manager form of government, the city manager is the “highest authorized officer” when it comes to terminating or disciplining a city employee. As a result, most city attorneys conclude that there is no legal basis to allow council members to view personnel records of all city employees. Unlike the city manager, council members play no role in the day-to-day hiring, discipline, and firing of these employees.

However, the city council does hire, evaluate, and fire the city manager. As a result, the council may review employee files if it can make a particularized showing that city employee personnel files are necessary for a performance evaluation of the city manager. In that event, the “highest authorized body” would be the city council acting through formal actions taken by a majority of its members. As a result, the city attorney may take his or her direction from the council in providing access to the files solely for the purpose of facilitating the evaluation of the city manager.

However, because of due process requirements the same attorney from the city attorney’s office may not be able to prosecute an administrative action or assist staff with the prosecution of an administrative action and also serve as the advisor to that administrative tribunal. A due process wall may allow different attorneys in an in-house city attorney’s office to both advocate and advise as long as proper screening functionally separates attorneys performing the two functions. But the same will most likely not hold true for contract city attorneys and special counsel attorneys from the same outside law firm serving in those dual roles.

Because the rules in this area of the law are changing rapidly, it is critical to carefully review the relevant case law.
G. CITY ATTORNEY’S DUTY NOT TO TREAT CITY OFFICIAL AS CLIENT OR TO PROMISE CONFIDENTIALITY

Whenever the city attorney becomes aware that the interests of a city official or employee may be adverse to those of the city, Rule 3-600(D) requires the city attorney to make clear that he or she represents the city and not the individual official or employee. The city attorney should advise the individual that the city attorney cannot withhold any information the individual shares from others in the city with authority over the matter.16 A clear admonition may help prevent the official from misperceiving the nature of a communication with the city attorney.

Walking this line can be difficult. A city attorney who commences every meeting with city officials with a warning that they are not his clients is not likely to have a productive relationship with the officials. However this issue is handled, do not promise confidentiality to individual council members or other city officials or lead them to believe they have a confidential relationship. Further, the city attorney must let the officials know he or she will share information the official provides to any official or agency in the city with a business need to know.

For example, a council member’s conflict of interest may be of critical importance to the entire council if the council member does not disqualify himself or herself and that failure to do so could invalidate the council’s action. The city attorney should make clear that conflict of interest advice is provided to a council member in his or her official capacity and such advice is subject to disclosure to the entire council. This may be true of other types of advice to council members and to other city officials, such as an opinion on whether legislation proposed by a council member is preempted or unconstitutional.

It is advisable to make it clear from the outset that the city attorney owes the duty of loyalty and confidentiality to the city itself — and the council as a whole — rather than to an individual. Some city attorneys make it a practice to provide standing memoranda to elected officials and staff explaining this principle.

Practice Tip

The California Attorney General has opined that when a city attorney obtains information in confidence from a council member under circumstances leading the council member to believe that a confidential relationship exists between the city attorney and the council member, the city attorney is precluded from prosecuting the council member under the Political Reform Act.17

H. JOINT REPRESENTATION OF THE CITY AND ITS EMPLOYEES

Rule 3-600(E) requires the consent of the city before the city attorney may undertake the representation of an individual official or employee. However, the Government Tort Claims Act imposes a mandatory duty on the city to defend and indemnify public officials and employees.18 While this statutory obligation, in effect, constitutes the city’s consent to employee representation by operation of law (though not necessarily by the city attorney), these areas of joint representation can create conflicts of interest (see chapter 2).
CHAPTER 1 ENDNOTES


2. *California Business and Professions Code section 6068(e)(1).*


4. *Ward v. Superior Court*, 70 Cal.App.3d 23, 32 (1977) [county counsel’s only client is County of Los Angeles and had no separate attorney-client relationship with the county assessor and other county officials that he represented as part of his duties as county counsel; thus county counsel was not disqualified from representing the county assessor in his individual capacity and subsequently representing the county in a suit brought against it by the county tax assessor, who was himself suing as an individual and taxpayer]. But see *People ex rel. Deukmejian v. Brown*, 29 Cal.3d 150 (1981) [where Attorney General had given confidential advice to client board, he is subsequently precluded from suing the board on the very same matter]. *California Rules of Professional Conduct, Rule 3-600(B).* [See also cases cited in Endnote 3.]

5. *Nightlife Partners, Ltd. v. City of Beverly Hills*, 108 Cal.App.4th 81 (2003); *Quintero v. City of Santa Ana*, 114 Cal.App.4th 810 (2003). See also *Department of Alcoholic Beverage Control v. Alcoholic Beverage Control Appeals Bd.*, 40 Cal.4th 1, 10 (2006) [“Procedural fairness does not mandate the dissolution of unitary agencies, but it does require some internal separation between advocates and decision makers to preserve neutrality”]; see also chapter 2.


8. *Today’s Fresh Start, Inc. v. Los Angeles County Office of Education*, 57 Cal.4th 197 (2013); see also chapter 2.


11. In some charter cities, multiple city officials are directly appointed by the city council and can be removed only by the city council. In those situations, the city manager would not be the “highest authorized officer” when it comes to terminating or disciplining those city officials.

12. *People ex. rel. Deukmejian v. Brown*, supra, 29 Cal.3d 150. (Rule 3-310 prohibits Attorney General from suing client department on a matter on which he advised that department); accord, *Santa Clara County Counsels Assn. v. Woodside*, 7 Cal.4th 525, 548 (1994) [“duty of loyalty for an attorney in the public sector does not differ appreciably from that of the attorney’s counterpart in private practice”]; *Civil Service Comm. v. Superior Court*, 163 Cal.App.3d 70, 75-78 (1984) [under Rule 3-310, county counsel may not represent county board of supervisors in suit against county’s civil service commission, where county counsel’s office advised commission on same matter and county failed to obtain the commission’s informed written consent to subsequent adverse representation of the board of supervisors in its suit to invalidate the commission’s decision]; State Bar of Cal. Standing Comm. on Prof’l Responsibility and Conduct, Formal Op. 2001-156, WL 34029610; see also chapter 2.


14. These whistleblower protections include Labor Code Section 1102.5, which prohibits employers from retaliating against employees for reporting an alleged violation of a state or federal statute, rule, or regulation. Protected activity under this statute does not cover reporting violations of local law. *Edgerly v. City of Oakland*, 211 Cal.App.4th 1191, 1199 (2012).


18. *California Government Code section 995 provides, in part:* "Upon request of an employee or former employee, a public entity shall provide for the defense of any civil action or proceeding brought against him, in his official capacity or individual capacity or both, on account of an act or omission in the scope of his employment as an employee of the public entity.”
CHAPTER 2
CONFLICTS OF INTERESTS ARISING FROM THE CITY ATTORNEY’S SIMULTANEOUS OR SUCCESSIVE REPRESENTATIONS

A. INTRODUCTION
Rule 3-310 broadly prohibits a range of possibly conflicting interests, including personal business or other interests of the lawyer that are adverse to those of the client. This chapter examines conflicts of interests arising from the simultaneous or successive representation of clients that are particular to city attorneys. These conflicts arise when the city attorney represents more than one public client whose interests conflict with one another.

City attorneys also need to be aware of conflicts between the interests of their public and current or former private clients. These conflicts are the same as conflicts between the interests of private clients and are discussed only briefly in this chapter.

B. RULE 3-310 AND CLIENT REPRESENTATION
Rule 3-310 governs conflicts of interest arising from the representation of two clients who may be adverse to one another. Subsection (C) of the Rule provides, in pertinent part, as follows:

A member shall not, without the informed written consent of each client:

1. Accept representation of more than one client in a matter in which the interests of the clients potentially conflict; or
2. Accept or continue representation of more than one client in a matter in which the interests of the clients actually conflict; or
3. Represent a client in a matter and at the same time in a separate matter accept as a client a person or entity whose interest in the first matter is adverse to the client in the first matter.

C. SIMULTANEOUS AND SUCCESSIVE REPRESENTATION OF CLIENTS WITH ADVERSE INTERESTS
Conflicts of interest can arise when a city attorney’s current or former clients have interests that are adverse to those of the city. Such conflicts of interest generally fall into two categories: (1) simultaneous representation of clients with adverse interests; and (2) successive representation of clients with adverse interests.

1. Simultaneous Representation
The simultaneous representation of clients with adverse interests arises when the same lawyer, firm, or office concurrently represents those clients in either the same or a different matter. Simultaneous representation as to the very same matter is prohibited *per se* because it violates the attorney’s duty of loyalty and confidentiality.

   **Practice Tip:**
   Notwithstanding the language of Rule 3-310, clients cannot give informed written consent in cases of simultaneous representations of adverse interests as to the very same matter.¹

2. Successive Representation
The successive representation of clients with adverse interests arises when the representation of a current client is adverse to the interests of a former client. Successive representation is prohibited if there is a substantial relationship between the current matter and the prior representation. If there is, it is presumed that the lawyer acquired confidential information from prior representation. Accordingly, Rule 3-310 bars the subsequent adverse representation without the prior client’s informed written consent to the later representation.
CHAPTER 2: CONFLICTS OF INTERESTS

Practice Tip:
Under the rule of vicarious disqualification, not only is the lawyer who represented the former client disqualified; his or her entire firm or office is also disqualified. The major ethical concern in cases of successive representation is the violation of the duty of confidentiality.²

D. SPECIAL CONSIDERATIONS FOR ATTORNEYS IN THE PUBLIC SECTOR

The courts weigh special considerations before finding that a public law office must be disqualified because an attorney’s prior representation of a party is adverse to the public entity for which the lawyer now works. The general rule is that “a public attorney, acting solely and conscientiously in a public capacity, is not disqualified to act in one area of his or her public duty solely because of similar activity in another such area.”³ “The question, therefore, is not whether a lawyer in a particular circumstance ‘may’ or ‘might’ or ‘could’ be tempted to do something improper, but whether the likelihood of such a transgression, in the eye of the reasonable observer, is of sufficient magnitude that the arrangement ought to be forbidden categorically.”⁴

Conflict of interest rules were drafted with private attorneys primarily in mind. In the public sector, the financial incentive to favor particular clients over others or to ignore conflicts is reduced if not eliminated. Courts have recognized in this context that disqualification of a public attorney can result in minimal benefits while causing dislocation and public expense. For these reasons courts have not assumed that the existence of a conflict of interest for one member of a public entity’s legal office warrants disqualification of the entire office.⁵

Practice Tip:
In the public sector, because of the somewhat lessened potential for conflicts of interest and the cost to the public for disqualifying whole offices of government funded attorneys, the use of internal screening procedures or “ethical walls” to avoid conflicts have been allowed unless the disqualified attorney is the head of the office. However, this general rule does not equally apply to city attorneys who are members of law firms and also does not apply equally to due process walls.⁶

E. TWO OR MORE SEPARATE “CLIENTS” WITH ADVERSE INTERESTS AND RULE 3-310

The city attorney’s client is the city itself, as embodied in the city council or other highest official or agency over the engagement.

Government Code section 41801 provides that “[t]he city attorney shall advise the city officials in all legal matters pertaining to city business.”

The city attorney always advises city officials in their official capacity not as individuals with interests separate and distinct from the city. Because the city attorney represents the city as a single client entity, the adverse interests of two or more city officials generally does not give rise to a conflict under Rule 3-310.

For example, county counsel is not disqualified from representing the county in a lawsuit filed by the county assessor merely because the assessor and county counsel exchanged confidential information concerning the operation of the assessor’s office. Assessors are not independent, but are under the supervision of the county board of supervisors. The information exchanged between the assessor and county counsel is therefore not confidential as to the county and accordingly not grounds for disqualification.⁷

Similarly, a city attorney may advise both the mayor and city council as to the legality of an ordinance where the council has the power to adopt the ordinance under the city charter and the mayor has the power to veto it. The mayor and council may have antagonistic positions, but the city attorney’s client is the city.⁸
A city attorney who represents a JPA should also be aware of the Political Reform Act (see chapter 3) and Government Code section 1090 (see chapter 4) issues that can arise in the course of representing a JPA.

2. Defending City Employees Pursuant to the Government Claims Act

a. The City’s Duty to Defend City Officials and Employees

The Government Code sets out a comprehensive statutory scheme for determining the rights of public employees to a defense and indemnification from their employing entities with respect to suits filed against them arising out of the course and scope of their employment.11 The duty to provide a defense is imposed by Government Code section 995, which provides in pertinent part as follows:

Except as otherwise provided in sections 995.2 and 995.4, upon request of an employee or former employee, a public entity shall provide for the defense of any civil action or proceeding brought against him, in his official or individual capacity or both, on account of an act or omission in the scope of his employment as an employee of the public entity. For the purposes of this part, a cross-action, counterclaim or cross-complaint against an employee or former employee shall be deemed to be a civil action or proceeding brought against him.12

The duty to defend under Government Code section 995.2 is subject to three limitations:

» The act or omission giving rise to the action must have been within the employee’s scope of employment;

» The employee cannot have acted or failed to act because of actual fraud, corruption, or actual malice; and

» Defense of the action or proceeding by the public entity cannot create a specific conflict of interest between the public entity and the employee or former employee.

There are, however, circumstances where individual officials or agencies of a public entity can acquire separate client status even though they are not necessarily separate legal entities. The most common of these circumstances are: (1) disputes between the city and its quasi-independent boards or commissions or joint powers authorities of which the city is a member; and (2) the defense of city employees pursuant to the Government Claims Act.

1. Representing Quasi-Independent Bodies and Officials and Joint Power Authorities

A conflict can arise when the city council and a subordinate quasi-independent body or official are involved in litigation against one another. This situation is most likely to arise in charter cities if the charter creates a quasi-independent official or body with the ability to make a binding decision and the city council seeks to overturn that decision by filing suit against the subordinate body.9 By contrast, general law cities are generally more hierarchical in structure, with the council clearly established as the final decision maker with respect to most subordinate bodies.

Representing a joint powers authority (“JPA”) can give rise to conflicts in a manner similar to quasi-independent bodies where an attorney who represents one of the participating public agencies is selected to act as an attorney for the JPA.

Agreeing ahead of time as to how to resolve conflicts between the JPA and its participating agencies can avoid problems when the conflicts arise. In *Elliott v. McFarland Unified School District*,10 for example, two school districts entered into a joint powers agreement and the agency created was represented by counsel for one of the districts. The parties agreed that if a conflict of interest arose between the members of the JPA, the counsel representing the JPA could continue to represent his own district. The other district with a conflicting interest would obtain its own counsel since it had granted informed written consent to the successive adverse representation by the JPA counsel of his own district.
CHAPTER 2: CONFLICTS OF INTERESTS

b. Joint Representation of a City and its Employees in Litigation

Whenever an employee is potentially subject to discipline for the same acts as those at issue in the suit, there will always be a conflict of interest under Rule 3-310 because the interests of the entity as the employer and the individual are adverse to one another. Under those circumstances the same lawyer simply may not represent both the employee and the employer. Since under Rule 3-600 the entity itself is the city attorney’s primary client, it is the employee’s or official’s representation that should be contracted out while the city attorney continues to represent the entity. Occasionally this is not feasible. For example, where the subordinate official was advised by the city attorney’s office before informing the official that the city could have an adverse position, the city attorney will have to withdraw from representing both sides of the dispute.

Law firms and large city attorney law offices employ ethical screening devices to wall off the lawyers prosecuting a disciplinary matter from the lawyers handling a tort suit. If a sufficient ethical wall cannot be created and maintained, outside counsel should be retained to represent the employee.

The way to avoid hiring duplicative counsel is to try to resolve any disciplinary issues at the claims stage, when there is only a single client, the city. If possible, an ethical wall should be erected before the duty to defend arises. It is only when a suit is filed that the city’s duty to defend the employee under the Government Claims Act is triggered. Up to that point, the claim is simply filed with the city to evaluate and the city attorney represents a single client, the city.

If the disciplinary issue is resolved by the time suit is filed, the city and the employee will no longer have adverse interests and the city attorney will be able to represent both the city and the employee without violating Rule 3-310. Although the Government Claims Act imposes time limits to respond to claims and gives the claimant the right to sue when the entity fails to act on the claim within statutory deadlines, the city can agree to toll time limits and take more time at the claims stage to either resolve the case or to ensure that a suit is not filed until after any possible adversity is eliminated.
That punitive damages are sought is not sufficient to trigger a conflict of interest between the entity and the employee and require separate representation. Further, in DeGrassi v. Glendora, the court held that a city had no duty to reimburse a city council member for retaining a private lawyer to defend her in a suit brought against her in her official capacity, where the council member refused to agree to the city’s condition that cooperate in her defense and allow the city to control the defense.

Where a potential issue in litigation against a public agency and its employee is whether the employee was acting within the course and scope of employment, the public agency may undertake the defense with a reservation of rights as to that issue. Nevertheless, such a reservation may place in question the ability of the city attorney to defend both the city and the employee. For this reason a better practice may be to decide the course and scope of employment issue before undertaking representation of the employee. Either decide to provide the defense without a reservation of rights or, in the rare situation where there is a significant course and scope issue, inform the employee that the city will not undertake his or her defense thereby assuming the risk that a court will find the employee was in the course and scope requiring the city to pay for the defense.


F. OBTAINING INFORMED WRITTEN CONSENT

Rule 3-310 allows representation of clients with actually or potentially conflicting interests if the attorney first obtains each client’s informed written consent. This requires each client’s written agreement to the representation following written disclosure of the relevant circumstances and of the actual and reasonably foreseeable adverse consequences to the client.

The particular problem for city attorneys in obtaining consent is determining who can provide it on the city’s behalf. As discussed in Chapter 1, determining who speaks for the city in a given matter depends on who is the highest, authorized officer, employee, body, or constituent of the city. In many cases, this will mean obtaining the informed written consent of the city council or city manager. The particular facts of each case must be carefully evaluated to ensure that the person or body authorized to speak on the city’s behalf gives the consent. In some cases, that person may be the city attorney.

Practice Tip: Remember that informed written consent must be based upon the circumstances actually contemplated by the consent granted. If the consent is not informed or circumstances change such that consent is vitiated, the waiver is not effective.

G. ETHICAL WALLS TO AVOID CONFLICTS OF INTEREST

Devices employed to screen lawyers in separate branches of publicly-funded law offices from one another have been allowed for the representation of clients with adverse interests. For example, a county counsel office may represent both the public guardian in the conservatorship proceeding and the county in a petition to declare the conservatee’s child a ward of the court.

However, while such walls may be accepted in cases of successive representation or in very large offices, they are fraught with danger in cases of simultaneous adverse representation as to the same matter and could be deemed a violation of Rule 3-310, especially where the conflict arises from the prior private clients of the city attorney.
CHAPTER 2: CONFLICTS OF INTERESTS

CHAPTER 2 ENDNOTES


5. *People v. Christian*, 41 Cal.App.4th 986, 997-98 (1996) [permitting lawyers from two separate branch offices of the public defender, screened off from one another, to represent criminal co-defendants with adverse interests]. "Thus, in the public sector, in light of the somewhat lessened potential for conflicts of interest and the public price paid for disqualifying whole offices of government funded attorneys, use of internal screening procedures or "ethical walls" to avoid conflicts within government offices...have been permitted." *Id.* at 998. Also see *City and County of San Francisco v. Cobra Solutions* 38 Cal.4th 839 (2006) and *City of Santa Barbara v. Superior Court*, 1122 Cal.App.4th 17 (2004).


9. *Civil Service Commission v. Superior Court*, 163 Cal.App.3d 70 (1984), in which the county counsel was disqualified under Rule 3-310 from representing a board of supervisors in a suit against a county civil service commission. The suit challenged the commission’s action in reversing a discharge and county counsel had advised the commission about the same matter. The major rationale for the court in concluding that there was more than one client represented by the county counsel was the fact that the quasi-independent board’s decision was binding and could not be overruled by the board of supervisors. Since the county counsel had already advised the commission, he had to withdraw from representing the board of supervisors against the commission that he had advised as to the same matter. The court relied on *People ex. rel Deukmejian v. Brown*, 29 Cal.3d 150 (1981). There, Rule 3-310 prohibited the attorney general from suing a client department in a matter on which he advised that department. 80 Ops. Cal. Atty. Gen. 127 (1997) (Opinion No. 96-901) (when a county counsel takes a position in favor of the interests of the county board of supervisors and adverse to the interests of an independently elected sheriff, a conflict of interest may, depending upon the individual circumstances, thereafter exist so as to entitle the sheriff to legal representation in that matter by independent counsel).


12. This provision has been held to apply to actions under 42 U.S.C. § 1983 (*Williams v. Horvath*, 16 Cal.3d 834, 843 (1976)).


14. California Government Code section 825 (emphasis added). *Stuart v. City of Pismo Beach*, 35 Cal.App.4th 1600, 1607 (1995) [city could continue to provide a defense to a police officer who was cooperating with the opposing party because such cooperation created a conflict of interest between the city and the officer].

15. *DeGrassi v. City of Glendora*, 207 F.3d, 636, 642 (9th Cir. 2000).


18. California Government Code section 825.2(b). *Stuart v. City of Pismo Beach*, 35 Cal.App.4th 1600, 1607 (1995) [city could refuse to continue providing a defense to a police officer who was cooperating with the opposing party because such cooperation created a conflict of interest between the city and the officer].

19. *Laws v. County of San Diego*, 219 Cal.App.3d 189, 198-200 (1990). There is no conflict because city councils cannot agree in advance to indemnify officials and employees for punitive damages. See *id.* at 198 [contrasting the authority of public entities to make discretionary decisions after judgment is rendered to pay punitive damages awards with the public policy against the issuance of liability insurance against punitive damages].


22. See cases discussed in *People v. Christian*, 41 Cal.App.4th 986, 993-995 (1996). Screening devices used to avoid conflicts of interest should be distinguished from similar arrangements used to avoid due process violations that would otherwise arise from the same attorney or attorneys simultaneously performing advocacy and advisory functions in administrative proceedings. *Howitt v. Superior Court* (County of Imperial), 3 Cal.App.4th, 1575, 1586-1587 (1992) (screening measures within county office avoided due process violation); but see also *Sabey v. City of Pomona*, 215 Cal.App.4th 489, 497-498 (2013) (screening measures did not avoid due process violation where attorneys representing city in advocacy and advisory functions were partners from the same private law firm).


24. *City and County of San Francisco v. Cobra Solutions, Inc.*, 8 Cal.4th 839, 853-854 (2006) [city attorney’s prior representation of corporation later sued by the city for fraud required vicarious disqualification of the entire city attorney office because as a head of a government law office, the city attorney was the position of both making policy decisions and overseeing the attorneys who served under him such that both the city and the corporation could question the city attorney’s confidentiality and loyalty].
CHAPTER 3:
THE POLITICAL REFORM ACT: ETHICAL CONSIDERATIONS FOR THE CITY ATTORNEY

A. INTRODUCTION

The Political Reform Act (PRA), adopted by the voters in 1974, governs disclosure of political campaign contributions and spending by candidates and ballot measure committees; it also creates ethical rules for state and local government officials that impose limits on certain actions they may take that affect the official’s financial interests. The Fair Political Practices Commission (FPPC) was created by the PRA to oversee and implement its provisions. The PRA is set forth in Government Code sections 81000 et seq., and the FPPC’s implementing regulations are located in the California Code of Regulations (CCR), at Title 2, Division 6, sections 18110-18997.¹

City attorneys are public officials subject to the PRA. However, there are some aspects of the PRA that apply differently to city attorneys than to other public officials. Also, some aspects of the PRA apply differently to contract city attorneys than to in-house city attorneys. These differences are the focus of this chapter. Because city attorneys routinely need to apply and interpret the PRA for their clients, they should already have a basic knowledge of the PRA and the Regulations. As a result, this chapter will presume a general understanding of the PRA and the guidance set forth in Regulation 18700 used to analyze potential financial conflicts.²

Distinct from the PRA, Government Code Section 1090 prohibits public officials from making or participating in the making of contracts in which they have a financial interest; it also must be considered when analyzing possible financial conflicts of interest. See chapter 4 for a full discussion of Government Code Section 1090 issues.

B. THE POLITICAL REFORM ACT APPLIES TO BOTH IN-HOUSE AND CONTRACT CITY ATTORNEYS

The PRA defines “public officials” as every member, officer, employee, or consultant of a state or local government agency.³ Therefore, an individual serving as city attorney (or assistant city attorney) in an in-house capacity is a public official. Similarly, an individual serving a city by contract with the power to make governmental decisions or providing services normally provided by a city staff member is a “consultant” and, thus, also a public official.⁴ As a result, city attorneys are public officials covered by the PRA whether they work for the city in-house or pursuant to a contract.

Practice Tip:

Both in-house and contract city attorneys and assistant city attorneys are required to file an annual California Form 700 Statement of Economic Interests pursuant to Government Code section 87200.

C. DECISIONS AFFECTING THE CITY ATTORNEY’S COMPENSATION OR PAYMENTS TO THE CITY ATTORNEY’S LAW FIRM

The basic rule regarding conflict of interests under the PRA is that a public official may not make, participate in making, or in any way use or attempt to use his or her official position to influence a governmental decision when he or she knows (or has reason to know) that he or she has a disqualifying financial interest. A public official has a disqualifying financial interest if the decision will have a reasonably foreseeable material financial effect, distinguishable from the effect on the public generally, directly on the official, or his or her immediate family, or on any financial interest described in the regulations.⁵

Although “financial interest” generally includes any source of income to the official within twelve months before the decision is made, the PRA specifically provides that salary received from a local government agency is not considered income for purposes of the PRA.⁶ Regulation 17232 defines salary from a government agency as follows:
“Salary’ from a state, local, or federal government agency means any and all payments made by a government agency to a public official, or accrued to the benefit of a public official, as consideration for the public official’s services to the government agency. Such payments include wages, fees paid to public officials as “consultants” as defined in California Code of Regulations, Title 2, section 18701(a)(2), pension benefits, health and other insurance coverage, rights to compensated vacation and leave time, free or discounted transportation, payment or indemnification of legal defense costs, and similar benefits.”

Therefore, a salary from the city, paid directly to either in-house or contract city attorneys, is not defined as income under the PRA, and does not constitute a disqualifying financial interest.

Contract city attorneys typically do not receive compensation directly from the city. Rather, they receive compensation from and/or have an ownership interest in the law firm that is paid by the city for their services. Thus, contract city attorneys will likely have a financial interest in decisions affecting their compensation because the city will generally compensate their firm – and not the individual contract city attorney – for these services.

Regulations 18702 through 18702.4 define “Making, Participating in Making and Using or Attempting to Use Official Position to Influence a Government Decision.” Regulation 18702.4(a)(3) specifically provides that “Making or participating in making a governmental decision shall not include:

(3) Actions by public officials relating to their compensation or the terms or conditions of their employment or contract. In the case of public officials who are “consultants,” as defined in Title 2, California Code of Regulations, section 18701(a)(2), this includes actions by consultants relating to the terms or conditions of the contract pursuant to which they provide services to the agency, so long as they are acting in their private capacity.

A similar exception is provided to the prohibitions on attempting to influence a decision. Regulation 18702.4(b)(3) which provides in relevant part:

(b) Notwithstanding Title 2, California Code of Regulations, section 18702.3(a), an official is not attempting to use his or her official position to influence a governmental decision of an agency covered by that subsection if the official:

(3) Negotiates his or her compensation or the terms and conditions of his or her employment or contract.

The FPPC’s Leidigh Advice Letter applied the predecessor to these Regulations to city attorney contracts.8 The advice letter indicates that an attorney employed by a law firm where the firm has a contract with a government agency to provide services may negotiate changes in, a renewal of, or extension of, his or her firm’s contract with that agency, or negotiate a separate contract for his or her law firm, provided that the attorney does so while acting in the attorney’s private capacity.9 The FPPC concluded that such actions were within the scope of both of the consultant contract exceptions (the “participation” exception to Regulation section 18702.4(a)(3) and the “using his or her official position to influence” exception to Regulation section 18702.4(b)(3)).

Contract city attorneys are frequently requested to render advice to their clients on matters that could result in generating additional work for the city attorney or other members of his or her office. Rendering such advice does not usually implicate the PRA for in-house city attorneys because their compensation will generally not be affected by the amount of work they or their offices perform.
However, the compensation of contract city attorneys and their law firms frequently depends on the amount of work attorneys in the firm perform for the city. For example, the city attorney’s firm might receive additional compensation depending on whether the city attorney’s office files or defends a lawsuit on behalf of the city. It would be untenable if the PRA prevented a contract city attorney from participating in such decisions in his or her official capacity. The compensation of contract city attorneys and other consultants can participate in and use their official position to influence decisions that could result in additional compensation to them or their firm so long as the contract with the city already specifically includes such services. The FPPC reasoned that the governmental decision to pay the law firm for the legal services enumerated in the contract had already been made by disinterested agency officials at the time the contract was approved. The city attorney’s participation in a decision that could trigger these services merely involved implementation of that preexisting decision.

**Practice Tip:**
Contract city attorneys should make certain that their contracts contain provisions to provide specialized services prior to providing advice that might lead to a need for such services. Otherwise, the attorney’s performance of those services after having participated in the underlying decision necessitating the services could result in a violation of the PRA. This area can become tricky if the decision on amending the city attorney’s contract and the underlying decision become intertwined.

City attorneys frequently are requested to participate in decisions involving general benefits or compensation that could indirectly affect their own compensation. For example, a city attorney might be requested to advise the city on an issue relating to the CalPERS retirement benefit formula, which would affect his or her retirement benefits. Government Code section 82030(b)(2) and Regulations 18232 and 18702.4, discussed above, may apply to these decisions for in-house city attorneys, allowing them to provide advice, even though it could indirectly affect their compensation. This result is not certain; there is no guidance on the issue.

In the case of contract city attorneys, if the firm’s compensation is not linked in any way to the benefits being discussed, he or she could advise the city because the decision would not impact the firm’s compensation. If it were linked, Regulation 18702.4 would not permit the city attorney to provide advice because he or she would not be acting in a private capacity relating to the terms of their firm’s compensation, as required by the Regulations. See Chapter 4 for a discussion of the application of Government Code Section 1090 to this issue.

**Practice Tip:**
Independent from PRA considerations, neither contract nor in-house city attorneys should attend a closed session at which their compensation is discussed. Government Code section 54957.6 (the meet and confer Brown Act closed session provision) provides the only authority to discuss the city attorney’s salary in closed session. That section, however, does not authorize the affected employee to attend the closed session. Both contract and in-house city attorneys would violate these Brown Act provisions by attending a closed session during which their (or their firm’s) compensation is discussed.

**D. DECISIONS AFFECTING OTHER CLIENTS OF THE CITY ATTORNEY**

City attorneys will sometimes be requested to participate in decisions affecting another client of the city attorney. This situation arises more commonly for contract city attorneys, who often represent clients in addition to the city. Under the PRA, there may be a disqualifying economic interest depending on whether the other client is a source of income to the city attorney.

In-house city attorneys can also sometimes face such an issue. For example, in-house city attorneys might be called on to represent another entity, such as a joint powers authority, to which the city belongs.
The PRA would not be implicated for in-house city attorneys so long as the other client is a public entity because the salary the city attorney receives from that entity is not income under the PRA. Additionally, the PRA would not apply to this situation for either in-house or contract city attorneys if the individual is not compensated by the joint powers authority for providing services to the authority. Keep in mind that the Rules of Professional Conduct apply, and client waivers may be needed. (See chapter 2.)

The situation is a little more complicated for contract city attorneys who work for firms if the other entity compensates the attorney or the firm. Government Code Section 82030 provides that sources of income to a public official owning 10% or more of a business entity include sources of income to the business entity if the public official’s pro-rata share of income from that source exceeds $500. As a result, city attorneys owning more than 10% of a law firm will not be able to participate under the PRA in decisions affecting other clients of the firm, if the city attorney’s pro-rata share of the income from that other client exceeds $500.\(^{13}\)

However, sources of income to the firm will not be sources of income to city attorneys owning less than 10% of the law firm. In such cases, the PRA would require the city attorney to abstain from participating in decisions affecting the other client only if it is reasonably foreseeable the decision would have a material financial effect on the law firm. So long as the firm will not perform work for the client that would flow from the decision, it is unlikely that the PRA would be implicated.

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**CHAPTER 3 ENDNOTES**

1. All further references in this chapter to “Regulations” refer to the California Code of Regulations, Title 2, Division 6, sections 18109-18997.
2. In 1998 the FPPC adopted an “eight-step” standard analysis for conflict of interest issues, which was set forth in Regulation 18700. On April 25, 2013, the FPPC adopted an amendment to Regulation 18700 that eliminates the eight-step test and creates a more streamlined analysis. The effective date of the amendment has been delayed; it will become effective at the same time as other proposed regulatory amendments which are part of the FPPC’s conflict of interest improvement project. As of this writing the amendment is not yet effective.
5. California Code of Regulations section 18700(a) (as amended).
9. The Ecks Advice Letter, A-93-270 (1993), which determined that contract city attorneys could not negotiate or renegotiate their contracts, was decided under different regulations and is no longer valid.
10. Ritchie Advice Letter, A-79-045 (March 19, 1979). This advice letter addresses the issue whether a contract city attorney may participate in a rezoning decision that would likely lead to a redevelopment agency bond sale from which the city attorney would receive a percentage commission as bond counsel. Although the advice letter did not reach the ultimate issue, it does indicate that the bond counsel payments, even if paid as a percentage of the bond proceeds, are considered salary from a government agency and, thus, are excluded from income under the PRA. The implication of the advice letter is that the city attorney could participate in the rezoning decision. In this case, the attorney was a sole practitioner.
11. McEwen Informal Assistance Letter, I-92-481, I-92-523 and I-92-G14. This informal advice letter contains a comprehensive analysis of the PRA as applied to city attorneys. For purposes of this chapter, the relevant determination is that a city attorney can participate in decisions that could result in additional compensation from the city to the firm if the services for which the extra compensation will be earned are included in the contract. Some of the Regulations discussed in this informal advice letter have changed. For example, the portion of the letter prohibiting a contract city attorney from renegotiating the contract between the city and the city attorney’s firm, even in his or her private capacity, is no longer valid. Thus, the analysis in this letter should be reviewed carefully.
12. Mosely Advice Letter, A-01-161 (2001). This advice letter analyzes whether a contract city attorney may represent a city in a contract dispute with the retired police chief even though the attorney’s law firm had also provided legal services to the police chief in past years. In this particular case, no conflict was found since the firm had not provided any legal services to the police chief in the 12 months prior to the dispute. Therefore, since the firm did not have a disqualifying economic interest, the attorney could represent the city in the matter.
CHAPTER 4
CITY ATTORNEYS’ FINANCIAL INTERESTS IN CONTRACTS: CONFLICTS OF INTEREST UNDER GOVERNMENT CODE SECTION 1090

A. INTRODUCTION
Government Code section 1090 generally prohibits public officials from making or participating in the making of contracts in which they have a financial interest.1 This statute codifies the common law prohibition against self-dealing with respect to contracts entered into by government agencies. Public officials must comply with the requirements of both section 1090 and the Political Reform Act (see Chapter 3).

In contrast to the Political Reform Act, which has been interpreted in comprehensive administrative regulations and both formal and informal advice letters promulgated by the Fair Political Practices Commission, Section 1090 has in the past been interpreted and applied only through appellate court decisions and Attorney General opinions. Effective January 1, 2014, however, the Fair Political Practices Commission was given authority to issue opinions and advice regarding prospective compliance with Section 1090.2

In light of the general and sometimes ambiguous statutory language, the task of analyzing Section 1090 issues and reaching definitive conclusions can be particularly challenging. This difficulty, combined with the especially severe penalties for violations, militates in favor of interpreting Section 1090 very conservatively. This chapter focuses on potential conflicts of interest under Section 1090 that are of particular concern to all city attorneys and some special counsel.

B. GOVERNMENT CODE SECTION 1090 AND CITY ATTORNEYS GENERALLY

1. Elements of a Section 1090 Violation.
Section 1090 prohibits “city officers or employees” from being “financially interested in any contract made by them in their official capacity.” The essential elements of a Section 1090 violation are:

» a city officer or employee
» acting in an official, rather than private, capacity
» who participates in the making
» of a contract entered into by the city
» in which the official has a direct or indirect financial interest

a. City Officer or Employee.
A city attorney holds a public office, and therefore is a “city officer” within the meaning of section 1090, regardless of the individual’s status as an employee or independent contractor.3 That much is clear. It is less clear whether Section 1090 also applies to lawyers serving as special counsel to a city if they are in a position to influence the decision to enter into a contract in which they have a direct or indirect financial interest.

In the early case of Shaefer v. Berinstein, the court held that an attorney retained as special counsel to handle certain real property matters was a city officer subject to section 1090.4 The attorney was hired to rehabilitate properties burdened by tax deeds and special assessments. The court held that he was acting as an officer of the city within the meaning of section 1090 when he advised the city council to sell certain the properties, which he then fraudulently purchased through dummy entities. Similarly, in California Housing Finance Agency v. Hanover, the court held that an outside attorney who was in a position of influence over a public agency’s contracting decisions was an “employee” within the meaning of Section 1090, even if he would be classified as an independent contractor under common law principles.5 In the recent case of People v. Christiansen, however, the court expressly declined to follow this holding of the CHFA case and instead concluded that a criminal prosecution could not be brought under section 1090 against a school district consultant who did not meet the common law definition of an “employee.”6 Pursuant to an independent contractor agreement with the school district, the consultant prepared a facilities master plan and recommended that construction projects be funded by a bond measure, while her company was to be paid for project management duties from the bond proceeds.
Before Christiansen, it was likely that special counsel would be treated as employees or public officials covered by Section 1090, even if they were retained as independent contractors. After Christiansen, the result is far less clear. Because of this legal uncertainty, special counsel should carefully consider the risks under Section 1090 when advising client agencies on contracts in which counsel may have a direct or indirect financial interest.

b. Acting in an Official Capacity.
Section 1090 prohibits city officials from having a financial interest in contracts made by them “in their official capacity.” It does not prevent them from entering into contracts made in their private capacity. This distinction is fact-dependent, and there is no bright line test for determining whether an official is acting in a private capacity.

In Campagna v. Sanger, a law firm provided contract city attorney services under an agreement providing a monthly retainer. The retainer excluded litigation, but the agreement provided that the firm would be paid reasonable fees for litigation, depending upon the type of services provided. An attorney with the firm negotiated a legal services contract with the City providing that his firm and another law firm would represent the City in prosecuting a toxic contamination lawsuit against chemical companies. The contingency fee agreement approved by the city council set forth how the total fee would be calculated, but did not explain how the two firms would split the fee. Under a separate oral agreement with the second law firm, the city attorney’s firm was to receive a certain percentage of the total contingency fee.

The court held that the city attorney did not violate Section 1090 when he negotiated with the city on his firm’s behalf in his private capacity to provide additional legal services beyond the basic retainer agreement. However, the contingency fee agreement did not establish how the firm would be paid for this additional work; that was determined in the separate referral fee agreement between the city attorney’s firm and the second firm. The attorney admitted and the court found that when negotiating this second agreement, he was acting within the course and scope of his official duties as the city attorney. Because he was financially interested in a contract made in his official capacity, a violation of Section 1090 had occurred; and the referral fee agreement was unenforceable. The court’s discussion of the contingency fee agreement is confusing due to the unique facts presented in this case; however, the court did clearly hold that a city attorney can negotiate his or her contract with the city when acting in a private capacity.

In People v. Gnass, a city attorney was a partner in a private law firm hired to provide part-time, contract city attorney services to the City of Waterford. Waterford formed a Public Financing Authority through a joint powers agreement with its redevelopment agency. The city attorney was criminally prosecuted for representing the Waterford PFA in connection with the formation of several other PFA’s under the Marks-Roos Local Bond Pooling Act, then receiving compensation for serving as disclosure counsel for revenue bond issuances of the other PFA’s. The court held that the city attorney was acting in his official capacity when he advised the Waterford PFA with regard to formation of the other PFA’s, in which he had a prohibited financial interest.

c. Making a Contract.
The courts and the Attorney General have read section 1090 broadly so that the “making of a contract” includes actions preliminary to approval and execution. This includes involvement in early discussions about the need for the contract, as well as negotiations of contract terms. The prohibition of section 1090 applies when a public official has the opportunity to exert influence over decisions leading to a contract, even if the official does not personally participate in the actual approval or execution of the contract.
Practice Tip: Try to identify potential Section 1090 conflicts as early as possible and refrain from any involvement in discussions that may lead to a prohibited contract. It will usually be impossible to “unring the bell” after you have participated in preliminary decision-making, with the possible result that the contract cannot be entered into at all.

d. Financial Interest.
The courts and the Attorney General have broadly interpreted the term “financial interest” to include both direct and indirect financial interests in a contract. In the Gnass case, discussed above, the court found an indirect financial interest when a city attorney, acting in his official capacity, provided advice to a financing JPA regarding the formation of several other JPAs, then reaped a financial reward by serving as disclosure counsel for bonds issued by the other JPAs. This case is troubling because it suggests that a contract which creates a mere possibility of future paid legal work can constitute an indirect financial interest.

The Attorney General has opined that a city council cannot enter into a contract with a law firm, of which a city council member is a partner, to represent the city in a lawsuit, even if the law firm would receive no fees for its services and would agree to turn over to the city any attorney fees that might be awarded in the litigation. The Attorney General pointed to the potential divergence of interests between the law firm and the city because the costs incurred by the firm in pursuing the litigation might give it an incentive to settle, as well as the potential for indirect economic gain to the firm through the marketing value of a successful outcome.

In Frasor-Yamor Agency, Inc. v. County of Del Norte, the court found a financial interest arising out of a county supervisor’s status as an employee and part owner of an insurance brokerage which placed insurance policies in its capacity as an agent for the county, even though the supervisor had agreed with his firm to share in none of the commission income attributable to the insurance policies. In reaching this conclusion, the court relied on the potential impact of the overall financial success of the company on the value of the supervisor’s ownership interest. Additionally, the company could potentially receive additional remuneration in the form of profit-sharing, over and above ordinary commissions, based on the overall volume of business it produced.

The Attorney General is in the process of responding to a request from the Riverside County District Attorney for an opinion on the question of whether a private attorney acting as a contract city attorney may also act as bond counsel for the same city and be paid based on a percentage of the bond issues. The District Attorney took the position that a city attorney may not provide advice on the issuance and amount of bonds and in what amounts because the attorney has a financial interest arising from the additional income that will be realized from the bond issuance.

City attorneys should also be aware that financial interests may arise from the employment or business activities of their spouse. Both the financial interests and exceptions applicable to the spouse will be imputed to the city attorney.
2. Exceptions: Non-Interests and Remote Interests.

a. Non-interests.

Section 1091.5 provides that a public official is deemed not to have a financial interest in a contract and may fully participate in its formation if his or her interest falls within certain listed categories. Of particular interest to city attorneys are Subdivisions (a)(9) and (a)(10) of Section 1091.5. Subdivision (a)(9) is commonly referred to as the “governmental salary exception”. Under this provision, a public official is deemed to have a non-interest in a contract when the official’s interest is “that of a person receiving salary, per diem, or reimbursement for expenses from a government entity, unless the contract directly involves the department of the government entity that employs the officer or employee, provided that the interest is disclosed to the body or board at the time of consideration of the contract, and provided further that the interest is noted in its official record.” Subdivision (a)(10) provides that a public official who also serves as an attorney for a party contracting with the public agency has a non-interest in a contract if the attorney has not received and will not receive any remuneration as a result of the contract and has an ownership interest of less than 10% in the law practice or firm.

The exception contained in Subdivision (a)(9) was interpreted in the recent case of Lexin v. Superior Court. The Lexin court had no difficulty concluding that the board members had participated in the making of a contract in which they had a financial interest. After an exhaustive analysis, the court concluded that Section 1091.5(a)(9) provides an exception to the prohibition of Section 1090 for an individual whose financial interest in a proposed contract is only the present interest in an existing employment relationship with a public agency which is a party to the contract, provided that the contract does not directly affect the individual’s own department. However, this exception does not apply when the contract effects prospective changes in the pension benefits or other elements of government compensation provided to the interested officials.

The court ultimately concluded that the board members did qualify for the “public services” exception under Section 1091.5(a)(3), which states that a non-interest exists when a member of a public body or board is a recipient of public services on the same conditions as if he or she were not a board member. In Lexin, board members’ financial interest arose because of their role as constituents of the retirement board and recipients of the public services it provided. There was no conflict, the court reasoned, because the pension benefits were broadly available to all others similarly situated, rather than narrowly tailored to favor a particular employee or group of employees. It is noteworthy that in reaching this interpretation, the court relied on legal authorities interpreting the “public generally” exception in the Political Reform Act. However, this defense was not available to the board member who received a special benefit.

Similarly, in People v. Rizzo, the governmental salary exception was held inapplicable to a city manager and assistant city manager who participated in modifying the city’s supplemental retirement plan to provide themselves with unique benefits not made available to other plan members.

b. Remote Interests.

Government Code section 1091 provides that a public board may approve a contract in which one of its members has only a “remote interest,” provided that the interested official discloses his or her financial interest, has it noted in the board’s official records, and refrains from participating in the decision-making process leading to contract formation.
Section 1091 makes one remote interest specifically applicable to attorneys and certain other occupations; this remote interest dovetails with the non-interest set forth in Section 1091.5(a)(10). Section 1091(b)(6) encompasses the interest of an attorney of a contracting party, if the attorney has not received and will not receive remuneration as a result of the contract and has an ownership interest of 10 percent or more in the law practice or firm. Prior to the addition of the 10% ownership provision, the Attorney General found that a city council member had only a remote interest in the client of a law firm in which his spouse was a partner because the law firm would receive no remuneration from the contract since the firm’s representation of the client concerned matters unrelated to the contract with the city. Although this issue has not yet been addressed by the courts or the Attorney General, it seems reasonable to conclude that the references to receipt of remuneration under a contract found in Section 1091(b)(6) and Section 1091.5(a)(10) do not prevent a city attorney from being paid by the city for drafting the contract itself, as long as the city attorney is not going to receive remuneration from the other party to the contract in the future as a result of the contract.

3. Rule of Necessity.

In limited circumstances, a public official or board may be permitted to carry out essential duties despite a conflict of interest when the official or board is the only one who may legally act. For example, a school superintendent may enter into a memorandum of understanding with school employees, even though he was married to a school employee, because he was the only official authorized to approve the MOU. Similarly, a community college board was allowed to negotiate health benefits with its faculty, even when a board member was a retired faculty member whose retirement health benefits would be affected because only the board is legally authorized to act on this decision. It is unlikely that there will be many situations where the rule of necessity might apply to a city attorney. One possible scenario might be where a city charter provision expressly requires approval of a particular contract by the city attorney.
4. Penalties for Violations.

Any contract made in violation of Section 1090 is void and unenforceable even if the city official acted pursuant to legal advice from the city attorney, the violation was unintentional, and the contract was not unfair or fraudulent. The city, or any other party except the financially interested official, may seek nullification of a contract made in violation of Section 1090, as well as the interested city official’s disgorgement of profits and payment of restitution. Actions to void contracts under Section 1090 must be commenced within four years after the plaintiff has discovered, or in the exercise of reasonable care should have discovered, the violation. A public official who knowingly and willfully makes a contract in which he has a financial interest can be punished by fines, imprisonment, and disqualification from holding any public office. Effective January 1, 2014, the Fair Political Practices Commission was given authority to bring administrative or civil actions to enforce Section 1090 after obtaining authorization from the District Attorney, resulting in possible fines of up to $10,000 or three times the financial benefit received by a defendant for each violation.

Practice Tip:
If it is not clear whether a particular contract will give rise to a section 1090 violation affecting the city attorney, it is advisable for the city attorney to abstain from any participation. This approach will minimize the risk of a successful criminal prosecution because the element of “making” a contract would be absent.

C. IDENTIFYING AND ANALYZING POTENTIAL CONFLICTS OF INTEREST UNDER SECTION 1090

Several common circumstances in which city attorneys may encounter potential Section 1090 conflicts are:

» Negotiating new or amended employment contracts with the city

» Representing the city in negotiations with employee groups for salary or benefit changes that may also apply to the in-house city attorney.

» Negotiating for the performance of additional services outside the scope of an existing legal services agreement with the city attorney’s law firm

» Contracts with other clients of the city attorney’s law firm

» Serving as legal counsel to a joint powers agency of which the city is a member

1. Negotiating City Attorney Employment Contracts

Section 1090 does not prohibit contract city attorneys from negotiating the terms of their employment contracts directly with the city so long as they are acting solely in their private capacity. The Attorney General has acknowledged that a public employee’s contract may be renegotiated, “so long as the employee totally disqualifies himself or herself from any participation, in his or her public capacity, in the making of the contract.” Nevertheless, the Attorney General also stated that “when a contractor serves as a public official (e.g., a city attorney) and renegotiates a contract, this office recommends that such contractors retain another individual to conduct all negotiations. In so doing, the official would minimize the possibility of a misunderstanding about whether the contractor’s statements were made in the performance of the contractor’s public duties or in the course of the contractual negotiations.” Although this passage is not supported by references to legal authority, the Attorney General’s recommendation merits consideration because the retention of legal counsel to conduct contract negotiations could provide additional factual support for the conclusion that the city attorney is truly acting in his or her private capacity.

Practice Tips:
When negotiating your employment contract or amendments thereto, notify the city council in writing that you are representing yourself in your personal capacity and not advising them in your official capacity as the city attorney. Any letter or memorandum providing this notification should be on personal or law firm letterhead.

Consider establishing further separation between your official service as the city attorney and representation of your personal financial interests in the contract negotiations. Options include presenting your proposal to the city manager or human resources director and allowing that individual to present it to the city council, or even retaining personal legal counsel as suggested by the Attorney General.
Refrain from providing legal advice on the city’s negotiating strategy or how contract provisions should be interpreted. If asked to provide such advice, remind the city that you are acting in your private capacity and recommend that the city consult with independent counsel. If you are an in-house city attorney, consider recommending that your city obtain legal advice on your contract from outside counsel, rather than from one of your subordinates.

2. Representing the City in Negotiating Employee Benefit Changes that May Also Affect an In-house City Attorney

An in-house city attorney may be called upon to provide advice and representation for negotiations with employee groups through the collective bargaining process. These negotiations sometimes cover compensation and benefit changes which can reasonably be expected to apply to the city attorney, either through a “me too” clause in the attorney’s employment agreement, through local custom and practice, or otherwise. The Lexin and Rizzo cases hold that although the government salary exception applies to an interest in government compensation under an existing employment relationship, contracts that may result in future changes to that compensation do not qualify as non-interests under Section 1091.5. Moreover, even though the remote interest exception under Section 1091(b)(13) states that it applies to an interest “of a person receiving salary, per diem, or reimbursement of expenses from a government entity,” Lexin reasoned on the basis of legislative history that it is inapplicable when the contract involves a direct financial impact on the official.

This case presents a dilemma for a city attorney who is expected to advise the city in the collective bargaining process. The Section 1090 issue could be avoided if the city attorney abstains from participation in the making of a collective bargaining agreement when it is reasonably foreseeable that the compensation changes reflected in the agreement will be applied to the city attorney. Another possible way to mitigate legal risk would be to avoid including a “me too” clause in the city attorney’s employment agreement.

The Lexin case provides little useful guidance on these important practical questions. Because of the lack of clarity in this area of the law, city attorneys may wish to consider seeking an opinion or advice from the Fair Political Practices Commission before proceeding.

There may be factual situations where it is appropriate to rely on the “rule of necessity” to allow participation in the formation of contracts with employee groups, even though the elements of a Section 1090 violation are present and no exceptions apply. As discussed above, this rule authorizes formation of a contract despite a conflict of interest when necessary to ensure that essential governmental functions are performed. The Lexin case suggested that the rule of necessity could apply in appropriate circumstances to permit city officials to negotiate contracts affecting their personal salaries, but did not reach that issue.31

3. Negotiating to Provide Additional Legal Services

a. In-house City Attorneys

City attorneys are often asked to perform litigation, bond counsel and other specialized services. Such requests normally do not present any questions under Section 1090 for in-house city attorneys because they usually will not receive any additional compensation for performing such services.

b. Contract City Attorneys

Whether a request for specialized legal services would raise Section 1090 questions for contract city attorneys depends on two factors: (1) will the city attorney’s contract with the city require modification in order for the attorney to be paid for these services; and (2) will the city attorney’s involvement in the making of a contract between the city and a third party generate additional income or otherwise have a financial effect on the city attorney? The last question is particularly important if there would be additional income coming to the city attorney from an entity other than the city.
A contract city attorney who is advising the city on the likelihood of success in litigation or on other matters that could affect the city attorney’s income or that of his or her law firm will not have a Section 1090 issue arising from the additional income that could result from these services if the retainer agreement already provides for such services. This is because the provision of those services will not require a new contract or an amendment to the existing contract. Since no contract is involved, Section 1090 is not implicated.

However, if the contract does not include those services, the city attorney will likely need to amend the contract. Although city attorneys can represent themselves in such negotiations, they may not recommend the need for such services in their capacity as city attorney or advise the city as a client with respect to the contract amendment.

There is no consensus legal opinion or direction on whether a Section 1090 violation when providing advice on decisions that might require additional services not already included in the contract for which the city attorney could be selected by the city. Such situations should be carefully evaluated on a case-by-case basis. If the firm’s existing representation of the city is on a limited basis as special counsel and the city relies on its city attorney to advise it as to the wisdom of participating in litigation, then a Section 1090 violation would likely not occur. Under the Christiansen case, an attorney hired as special counsel is not even subject to Section 1090 as long as he or she meets the common law definition of an independent contractor. However, care should be exercised when relying on this case because it conflicts with earlier case law.32

**Practice Tip:**
Contract city attorneys should include in their retention agreements all services they anticipate providing for the city and specify the basis for determining the compensation for those services.

**4. Contracts Between the City and Another Client of City Attorney’s Law Firm**

Cities sometimes wish to contract with other clients of the city attorney. This situation is more common for contract city attorneys, who may be members of firms with many public and private clients. It can also arise for in-house city attorneys who represent other government entities, such as joint powers authorities, affiliated with the city. As long as the city attorney avoids involvement in the “making” of a particular contract, the city and the other client can contract without violating Section 1090. There may be situations in which the city attorney may lawfully work on the contract, perhaps more in theory than practice. The city attorney can participate in the making of the contract if the elements of the Section 1091.5(a)(10) non-interest exemption are met (city attorney will not receive remuneration as a result of the contract and has an ownership interest of less than 10% in the law practice or firm). The city attorney may, however, have an indirect financial interest if his or her compensation could increase as a result of the income the firm would receive for representing the other client, or through enhancement in the value of the partnership interest.33

If the city attorney’s other client is a public entity, then potential Section 1090 issues must be addressed for that entity as well if the attorney advising that client qualifies as an “officer or employee” of that entity within the meaning of Section 1090.

**Practice Tip:**
Even if you determine that you have no Section 1090 conflict, you still need to check the Rules and the Political Reform Act for possible ethical or financial conflicts.
5. Serving as Legal Counsel to a Joint Powers Authority

City attorneys are frequently asked to advise agencies closely affiliated with the city itself, or to work on the contract that will form a joint powers agency which includes the city as a member. Section 1090 issues can arise when the city attorney advises two legally distinct, but related entities and receives compensation separate from the compensation provided for services as city attorney/general counsel. If faced with this situation, take a close look at the Gnass case and make an assessment whether you are facing an analogous fact pattern.

**Practice Tip:**

Be particularly wary of any situation in which you or your firm will be paid by an entity that, directly or indirectly, is “across the table” from the city in a contract negotiation, even if the contract constitutes only one aspect of a more complex transaction.

A more typical joint powers agreement advances policy objectives shared by a number of public agencies. Often, the “lead” city hosts the new agency by providing staffing and facilities and is reimbursed by the authority for doing so. If the city attorney is a public employee, the contract forming the JPA usually does not present Section 1090 issues because the city attorney will not receive additional compensation.

In the case of a contract city attorney, however, the issue is more complex. A joint powers authority is created by contract, and an attorney who expects to be considered as general counsel for the new agency may be deemed to be financially interested in that contract under the reasoning of Gnass. Therefore, it may be prudent for the city attorney to advise the city that he or she will either (1) not represent the city in the formation of the authority or (2) not provide legal services to the new authority after it is formed.

D. OTHER RESOURCES

1. Counsel and Council: A Guide for Building a Productive Employment Relationship. This handbook contains basic information about structuring the employment relationship between the city attorney and the city council. It also contains suggested employment agreement provisions, including “scope of services” for both contract and in-house city attorneys. It can be downloaded from the League of California Cities website:

   » [http://www.cacities.org/Member-Engagement/Professional-Departments/City-Attorneys/Publications.aspx](http://www.cacities.org/Member-Engagement/Professional-Departments/City-Attorneys/Publications.aspx)

2. Providing Conflict of Interest Advice (May 2008), Chapter XII. Also available from the League of California Cities website.


CHAPTER 4 ENDNOTES:

1 Section 1090 states: "Members of the Legislature, state, county, district, judicial district, and city officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Nor shall state, county, district, judicial district, and city officers or employees be purchasers at any sale or vendors at any purchase made by them in their official capacity. As used in this article, "district" means any agency of the state formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries."


5 California Housing Finance Agency v. Hanover, 148 Cal.App.4th 682, 690-694 (2007); see also HUB City Solid Waste Services, Inc. v. City of Compton, 186 Cal.App.4th 1114 (2010) [independent contractor who managed the city's in-house waste division was acting as a public official within the meaning of Section 1090 when he advised the city to enter into a franchise agreement with a waste management company he created]; cf. Handler v. Board of Supervisors, 39 Cal.2d 282, 286 (1952) [county charter provision requiring appointment of officers or employees by ordinance held inapplicable to attorney retained by contract to perform specialized legal services on a temporary basis].

6 People v. Christiansen, 216 Cal.App.4th 1181 (2013); see generally Klistoff v. Superior Court, 157 Cal.App.4th 469 (2007) [Section 1090 held inapplicable to private solid waste company and its principal who exerted influence on city official to obtain refuse collection and recycling contract because the private parties were not public officers or employees].


8 People v. Gnass, 101 Cal.App.4th 1271, 1289-1292 (2002) [note that the indictment in Gnass was set aside because of defective instructions to the grand jury on the question whether the Section 1090 violation was knowing and willful].


13 Pending Opinion No. 12-409; request submitted May 7, 2012.
CHAPTER 5:
THE CITY ATTORNEY’S ROLE AS PROSECUTOR

A. INTRODUCTION

City attorneys occasionally perform dual functions, handling both civil and criminal matters. Generally, the performance of these dual functions will not result in the disqualification of the city attorney’s office. But the intrusion of improper influences upon the city attorney’s exercise of prosecutorial discretion can result in disqualification in criminal and code enforcement matters and possibly other proceedings where a city attorney is representing the City as a sovereign. This chapter examines those circumstances where a city attorney’s other duties and responsibilities and improper influences may conflict with his or her role as a prosecutor.

B. FACTORS TO CONSIDER WHEN FILING CRIMINAL CASES

1. Impartiality and Objectivity

Prosecuting criminal and quasi-criminal proceedings presents special ethical issues. For instance, it may be alleged that the city attorney filed a criminal complaint or a code enforcement action as a result of pressure from the city manager, chief of police, city council or an individual council member. There may also be allegations that the city attorney filed the action in an effort to protect the city from civil liability; for example, filing a criminal complaint for battery on a peace officer to counteract or deter a potential civil action against the city for use of excessive force.

City attorneys serving as prosecutors on behalf of the people in civil nuisance abatement and criminal proceedings are subject to heightened standards of impartiality and objectivity. City attorney decisions in these proceedings must not be influenced by factors other than probable cause and the interests of justice. As the California Supreme Court observed in People ex rel. J. Clancy v. Superior Court:

“[A] prosecutor’s duty of neutrality is born of two fundamental aspects of his employment. First, he is a representative of the sovereign; he must act with the impartiality required of those who govern. Second, he has the vast power of the government available to him; he must refrain from abusing that power by failing to act evenhandedly.”

Indeed, courts are likely to apply these standards in any case where the government is exercising powers unique to a sovereign as in civil nuisance abatement and condemnation actions.

Penal Code section 1424 authorizes disqualification of a criminal prosecutor where: (1) there is a reasonable possibility that the prosecutor may not exercise his or her discretionary function in an evenhanded manner; and (2) the conflict is so grave that it is unlikely that a criminal defendant will receive fair treatment. The conflict must be more than apparent. “The statute does not allow disqualification because participation of the prosecutor would be unseemly, appear improper, or even reduce public confidence in the criminal justice system. An actual likelihood of prejudice must be shown.” Note that public agency attorneys operating under contingency fee agreements also face the potential for disqualification under Penal Code section 1424.

2. Probable Cause

Violations of municipal codes can be enforced criminally as misdemeanors or infractions or enforced administratively. City attorneys prosecuting criminal violations of their city’s municipal codes are subject to Rule 5-110, which prohibits the filing of criminal charges where the prosecuting attorney knows or should know that the charges are not supported by probable cause. Likewise, if after filing the charges the prosecuting attorney discovers the lack of probable cause, he or she must notify the court in which the charges are pending and seek dismissal of the action.
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Practice Tip:
The city council has budgetary authority over the resources that the city attorney may devote to criminal prosecutions. But the city attorney who also acts as a prosecutor needs to clearly warn the council, city manager, chief of police and other interested officials early in his or her tenure that they must not try to influence city attorney’s exercise of prosecutorial powers including whether to file criminal complaints in specific cases. Attempts to influence these decisions expose the city to a defense claim that probable cause does not support the decision to prosecute or that the city attorney is not independently exercising prosecutorial powers. The city attorney who has already given this warning can more easily remind officials when a highly visible or political case arises that may invite interference.

Practice Tip:
Situations giving rise to administrative penalties can trigger a criminal prosecution of the owner of the property or business. This connection between the civil and criminal aspects of the enforcement supports the need for the city attorney’s neutrality and objectivity. Therefore, city attorneys should apply the same standards of review when deciding whether to institute actions to abate nuisances and to enforce administrative citations for municipal code violations.

3. Prosecutorial Immunity
Federal law provides city attorney prosecutors with absolute immunity from liability for their acts in initiating or pursuing criminal charges. Likewise, under state law, city attorneys are immune from any actions for malicious prosecution. However, immunity is qualified, not absolute, regarding statements a prosecutor makes to the media regarding a criminal case.

Practice Tip:
Under Rule 5-120, city attorneys should exercise restraint in making statements to the media when exercising the sovereign or unique governmental powers to file or prosecute civil or criminal proceedings to avoid materially prejudicing a pending case. The prosecutor can, however, respond to recent publicity not initiated by the prosecutor or the client to the extent reasonably necessary to protect the city or one of its officers or employees from the substantial undue prejudicial effect of that publicity. The city attorney should limit the response to providing the information necessary to mitigate the recent adverse publicity.

4. Conflicts of Interest of the City Attorney
Conflicts of interest requiring recusal of the city attorney in a criminal or quasi-criminal proceeding may arise when he or she acquires a conflicting personal or emotional – rather than professional – interest in the case or where the city attorney seeks to use the criminal proceedings as a means to advance “personal or fiduciary interests.” In the event of a conflict of interest in proceeding to be brought in the name of the people, the city attorney should refer the matter to the local District Attorney’s Office. Examples of conflicts of interest and appearance of conflicts that would likely require recusal include:

» Prosecution of officers, employees or agents of the city for an act committed in the course and scope of their official duties;

» Prosecution of a city council member or personnel of the city attorney’s office, or continued prosecution of a matter against an individual who becomes a council member or department staff member after the criminal action is filed;

» Prosecution of an officer, employee or agent of the city who has previously provided confidential information relating to the criminal prosecution to members of the city attorney’s office for use in a civil matter; and

» Cases in which an employee of the city attorney’s office, or member of an employee’s family, is the victim of the alleged crime.
Proper management and oversight should be provided to avoid such conflicts of interest and ensure recusal at the earliest opportunity.

**Practice Tip:**
A city attorney who serves as a prosecutor cannot seek direction from the city council when filing a criminal case. However, a city attorney filing a civil action can, and in many cases must, receive direction from the city council before filing the lawsuit. In the case of a nuisance abatement action, the city attorney may bring either a criminal action in the name of the “People” or a civil action in the name of the city. In the former case, no council direction is required or permitted, and the case cannot be discussed in closed session because the People, not the city, are the client.

One consequence of proceeding with a criminal action is that there is no attorney-client privilege with respect to the city because the city is not the client in that instance; however, the attorney work-product and other privileges that are held by prosecutors would still apply. When seeking direction from the city council regarding institution of a potential civil nuisance abatement action, the city attorney should focus the council’s deliberations on factors that will enable the city attorney to comply with his or her obligation to file such actions with impartiality and neutrality and to pursue fairness and the interests of justice.

**C. CRIMINAL ACTIONS CANNOT BE USED TO GAIN AN ADVANTAGE IN CIVIL CASES**

A common potential pitfall involves a city attorney prosecutor’s use of his or her position to gain an advantage in a civil action. One example is the dismissal of a criminal action in exchange for the release of civil claims or a stipulation to probable cause for the underlying criminal arrest. A prosecutor’s “offer to dismiss a criminal prosecution may not be conditioned on a release from civil liability because that practice constitutes a threat to obtain an advantage in a civil dispute in violation of the Rules of Professional Conduct.”

By contrast, in response to an offer from defense counsel, the prosecutor and defendant may stipulate to the existence of probable cause as part of the dismissal of the criminal case where there is no basis for a finding that the prosecutor sought the stipulation to gain any civil advantage. Ultimately, the question will be whether the prosecutor acted in the interest of justice or sought to coerce the defendant into agreeing to the stipulation. In this inquiry the defendant’s access to and receipt of advice from counsel on the stipulation will also blunt a claim of coercion.

A court may apply the same ethical principles to a city attorney’s use of administrative or civil enforcement proceedings to exert leverage in existing or potential civil disputes. The key distinction in these matters is the extent to which public criminal, administrative or disciplinary charges are used to leverage concessions in a related civil matter.

A city attorney is not disqualified from prosecuting defendants merely because the city attorney would also defend any civil action the defendants may file against the city and arresting officers alleging, for example, excessive force in the arrest leading to the prosecution. There is a long history of government law offices both prosecuting crimes and defending civil actions that the criminal defendants file against the government, and courts have held that the a city attorney’s dual service as a city’s criminal prosecutor and civil defender does not per se warrant recusal of the city attorney from the criminal proceeding.
CHAPTER 5: THE CITY ATTORNEY’S ROLE AS PROSECUTOR

**Practice Tip:**

City attorney offices performing civil and criminal (including code enforcement) functions should establish internal policies and procedures that avoid the intrusion or appearance of intrusion of improper influences in the criminal proceeding. For example, guidelines that separate civil and prosecutorial functions and prohibit communications between civil lawyers and criminal prosecutors could forestall claims that the office is using the criminal process to deter the filing of civil actions against the city and its officials. To that end the city attorney should consider assigning to a chief deputy final authority over prosecutorial decisions on individual cases while the city attorney retains authority over general administrative and policy matters related to the criminal functions of the office.

D. CONTRACT CITY ATTORNEYS AND THE ABILITY TO PROVIDE CRIMINAL DEFENSE SERVICES

In *People v. Rhodes*, the California Supreme Court held that a city attorney with prosecutorial responsibilities may not defend persons accused of crimes. The court observed that even in the absence of a direct conflict of interest with the city attorney’s official duties, “there inevitably will arise a struggle between, on the one hand, counsel’s obligation to represent his client to the best of his ability and, on the other hand, a public prosecutor’s natural inclination not to anger the very individuals whose assistance he relies upon in carrying out his prosecutorial responsibilities.”

However, following the *Rhodes* decision, Government Code section 41805 was amended to allow a city attorney and his or her firm to represent criminal defendants in cases other than violations of city laws, as long as:

- The firm has been expressly relieved of all prosecutorial responsibilities on the city’s behalf; and
- The accused had been expressly informed of the defense counsel’s role as city attorney and had waived any conflict created by it.

Notwithstanding Section 41805, the court in *People v. Pendleton* found that since a city attorney did not prosecute city crimes (although his firm did handle prosecutions for another city) and had aggressively represented the criminal defendant, there was no prejudice to the criminal defendant as a result of the city attorney’s failure to comply with Section 41805 and did not reverse the criminal conviction.

The Los Angeles County Bar Association issued an ethics opinion reiterating that firms that engage in prosecutorial work in enforcing violations of the city’s municipal code may not represent criminal defendants. Even though such representation may not result in *per se* reversals of criminal convictions, the Association concluded such representation violates Section 41805 and prior Supreme Court decisions.
CHAPTER 5 ENDNOTES

1. “[A] public attorney, acting solely and conscientiously in a public capacity, is not disqualified to act in one area of his or her public duty solely because of similar activity in another such area.” In re Lee G., 1 Cal.App.4th 17, 29 (1991). See also People v. Superior Court (Hollenbeck), 84 Cal.App.3d 491, 504 (1978). People v. Municipal Court (Byars), 77 Cal.App.3d 294, 296 (1977) [Court found that there was no conflict or appearance of impropriety that prevented city attorney from handling a prosecution. “Here we must determine whether the circumstances are appropriate to justify trial court action barring participation by a prosecuting attorney where: (1) a city attorney is charged by law with the obligation both of prosecuting misdemeanors within the city and of defending civil actions against the city and its agents; (2) a claim is pending against the city and its agents asserting liability to the defendants in the criminal prosecution arising out of the same incident which is the basis of the prosecution; (3) there is no evidence of personal, as opposed to purely professional and official, involvement of anyone in the prosecutor’s office in the civil litigation; and (4) there is no evidence supporting an inference that the prosecutor is improperly utilizing the criminal proceeding as a vehicle to aid his function of defending claims against his employer.”] People ex rel. J. Clancy v. Superior Court, 39 Cal.3d 740, 746 (1985) [citing ABA Code of Prof. Responsibility, EC 7-14]. Clancy involved a nuisance abatement action against an adult bookstore where the prosecuting attorney was being paid a contingency fee. The Court concluded that certain nuisance abatement actions share the public interest aspect of criminal cases and often coincide with criminal prosecutions and found that the lawyer’s contingent fee arrangement was improper, just as it would be in a criminal prosecution. The Court analyzed the case under principles of neutrality and applied conflict of interest rules substantially similar to the conflict of interest rule applicable to criminal prosecutors. Later, in County of Santa Clara v. Superior Court, 50 Cal. 4th 35, 54 (2010), the California Supreme Court clarified that the rules applicable to criminal prosecutors do not always apply in nuisance abatement actions, but principles of heightened neutrality are valid and necessary in such actions. Unlike Clancy, in Santa Clara, the Court upheld the public agency’s engagement of contingent-fee counsel where the public entity’s in house lawyers retained and exercised exclusive approval authority over all critical prosecutorial decisions in the case including the unfettered authority to dismiss the case. In that case the court also noted that the action did not seek to put the defendant out of business and that the defendant had the resources to mount a full defense. City of Los Angeles v. Decker, 18 Cal.3d 860 (1977); Clancy, supra, 39 Cal.3d at 748-749. People v. Choi, 80 Cal.App.4th 476, 483 (2000). When a close personal friend of the district attorney was murdered close in time and location to the murder that occurred in the case being prosecuted, the court found that there was a reasonable possibility that the district attorney’s office might not exercise its discretionary function in an evenhanded manner and held recusal of the entire district attorney’s office was appropriate.

7. Ibid.
10. Clancy, supra, 39 Cal. 3d at 749, and County of Santa Clara, supra, 50 Cal. 4th at 53, fn 10.
12. California Government Code section 821.6 provides: “A public employee is not liable for injury caused by his instituting or prosecuting any judicial or administrative proceeding within the scope of his employment, even if he acts maliciously and without probable cause.”
13. Buckley v. Fitzsimmons, 509 U.S. 259, 278 (1993) ["Statements to the press may be an integral part of a prosecutor’s job…and they may serve a vital public function. But in these respects a prosecutor is in no different position than other executive officials who deal with the press, and…qualified immunity is the norm for them."]
14. People v. Superior Court (Martin), 98 Cal.App.3d 515, 521 (1979) [citations omitted].
22. Id. at 300.
25. Id. at 184.
A. INTRODUCTION
A variety of important considerations should guide the retention of outside counsel by city attorneys. This chapter discusses several factors that may come into play when selecting and working with outside counsel, such as:

» Avoiding improper grounds for hiring or terminating outside lawyers;
» Developing and using standard contracting procedures;
» Conflicts of interest;
» Billing and other practices of the outside firm;
» Special rules for outside counsel in civil public nuisance contingency fee arrangements; and
» Confidentiality of billing records.

B. AVOID IMPROPER GROUNDS FOR HIRING OR FIRING OUTSIDE LAWYERS
City attorneys must select and manage outside counsel in a manner that does not result in discrimination, or create the perception of an improper basis for selecting or terminating outside counsel. It can be a challenging situation for city attorneys when, for instance, council members have expressed concern based on either fact or perception, that their race, national origin, sex, sexual orientation, religion, age, or disability is not represented among the outside lawyers selected by the city attorney. It is also challenging if the city has not had lawyers of particular under-represented groups in the past and the city manager feels that it is time for the city to hire someone from those unrepresented groups.

Another difficult situation may occur when the city is contemplating a jury trial involving allegations of discrimination based on race or sex. Does the city attorney select someone because of the pressure from a council member or the city manager? Does the city attorney hire someone because they are the same race or sex as the plaintiff assuming that those characteristics will influence the jury?

In making decisions regarding selection of outside counsel, city attorneys must be guided by principles and laws set forth in the State Bar Rules of Professional Conduct; United States and California Constitutions; and in state statutes that prohibit discrimination in the hiring of outside counsel on the basis of race, national origin, sex, sexual orientation, religion, age, or disability. Neither a perceived view of the jury regarding the race, national origin, sex, sexual orientation, religion, age, or disability of the lawyer, nor the feeling that the city should have more legal representation by members of a specific race, national origin, sex, sexual orientation, religion, age, or disability should control the selection of outside counsel.

1. Rule 2-400
Rule 2-400 prohibits discriminatory conduct in a law practice, which includes governmental legal departments, on the basis of race, national origin, sex, sexual orientation, religion, age, or disability in the hiring, discharge or other determination regarding the conditions of employment of any person. Accordingly, to avoid the risk of violating rule 2-400, city attorneys should select outside lawyers based on the lawyer’s or law firm’s ability to provide quality legal representation in a cost effective manner rather than on race, national origin, sex, sexual orientation, religion, age, or disability.

2. State and Federal Laws
The California Constitution prohibits public entities from discriminating against, or granting preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education or public contracting.1
Further, public programs or benefits that are provided based on race or sex have generally been presumed invalid as suspect classifications that violate the equal protection clause, absent some showing that such discrimination was necessary to remedy prior discrimination. Therefore, to support a determination of the necessity to hire a law firm or lawyer based on race, ethnicity, or gender, there must be a showing of past discrimination that supports the need to create specific racial, ethnic or gender hiring requirements.

**Practice Tip:**
Unfortunately, there is no guiding authority on the nature of a preferential program that would pass constitutional muster. Therefore, when selecting outside counsel, city attorneys should regularly call on lawyers without regard to race, national origin, sex, sexual orientation, religion, age, or disability. This is an excellent way to maintain a broad base of qualified lawyers from whom to choose. If council members exert pressure to hire a lawyer or firm of a particular ethnicity, the city attorney may be able to deflect such pressure by telling them that they utilize lawyers from a diverse pool. The city attorney should also remind them that selecting or not selecting someone because of their race, national origin, sex, sexual orientation, religion, age, or disability violates the rules of professional conduct for lawyers in California.

**Practice Tip:**
If pressure is being exerted by a council member or city manager to fire or stop using a lawyer or law firm that is performing in a satisfactory manner and the city attorney senses that it is because they are not viewed as a member of the “right” group, the city attorney should indicate that the matter is being handled appropriately. Further, the city attorney should advise them that, consistent with city policy and rules of professional conduct, they can fire or stop using a lawyer or firm for any lawful reason or no reason, they cannot make those types of decisions based on illicit reasons, such as those related to race, national origin, sex, sexual orientation, religion, age, or disability.

### 3. Decisions to Terminate Outside Counsel Based on the Lawyer’s Public Criticism

While the First Amendment’s guarantee of free speech may protect some independent city contractors from termination because of their speech on matters of public concern, the Ninth Circuit Court of Appeals has held that lawyers who hold policymaking positions do not have such protection. Nevertheless, city attorneys should exercise care in decisions regarding termination of outside lawyers because they are outspoken critics of the city. Depending on the nature of comments made, the role played by the outside attorney, and issues related to a lawyer’s duty of loyalty to his or her client, it can be difficult to know if termination on such grounds will or will not be protected by the First Amendment.

### C. DEVELOP AND USE STANDARD CONTRACTING PROCEDURES

In addition to complying with the rules prohibiting discrimination, it is advisable to have systems in place to avoid allegations of “cronyism” in the selection of outside counsel. One such form of “cronyism” may occur when friends or colleagues of council members are chosen as outside counsel. This can become problematic if the attorneys are selected frequently, and even more so if the city attorney does not agree with their approach to a matter or if they do not effectively represent the city. To avoid this situation, it is advisable to refrain from selecting lawyers who are politically involved at the city level, unless they are clearly the best (or only) lawyer qualified to handle the matter.

Methods for selection can vary, based on such factors as timing, cost, required technical/specialized expertise, prior experience with a firm or lawyer, and the type of legal matter involved. For example, if timing is a factor and selection must be done immediately, the city attorney may want to use legal counsel with whom he or she has worked successfully on prior matters.
D. CONFLICTS OF INTEREST

An agency’s contract with outside counsel can provide that the attorney must not acquire a conflict of interest during the term of engagement. Some cities have policies precluding the hiring of lawyers who also represent clients adverse to the city.

**Practice Tip:**

It may become embarrassing if it is discovered that an outside firm represents another client that is adverse to the city. Even if such representation may not be “adverse” for purposes of Rule 3-310; the situation will likely still be problematic.

One way to avoid perceived conflict problems is to include a clause in the engagement agreement that prohibits the lawyer from representing clients who are adverse to the city. In considering issues related to waiver and consent, the city attorney should keep in mind who has authority to grant a waiver and give informed consent to the representation. Depending on the city’s practice, the city attorney, the city manager or the city council may give such consent.

A conflict may arise when a contract city attorney participates in a decision to “assign” new work to his or her law firm. Government Code section 1090 may apply to outside counsel once they are hired by the city (see chapter 4).

The Political Reform Act and Fair Political Practices Commission (FPPC) regulations (see chapter 3), along with local ordinances or rules set forth guidelines regarding gifts to public officials and employees. City attorneys, like many other public officials, must be sure to report the value of gifts received from lawyers. City attorneys should keep track of meals paid for by outside counsel, tickets to various events, gifts of spa treatments, and so on that are provided by law firms doing business with the city. While lawyers who deal regularly with municipalities are probably aware of the gift restrictions, those who are newer to city representation may be unaware of the requirements and may need to be educated regarding the FPPC rules regarding gifts.

E. BILLING AND OTHER PRACTICES OF THE OUTSIDE FIRM

The city attorney or his or her staff should review the bills and monitor the billing and other practices of outside counsel in order to avoid questionable ethical practices by outside counsel. The city attorney, or another lawyer or person familiar with the matter being handled, should review the bills submitted by the outside lawyer. The billing statement should provide the city attorney’s office with a quick summary of case activity and tell how much time is spent on various aspects of a matter.

**Practice Tip:**

The same person should review the bill on a particular matter each month and should look for content, time spent, and consistency with the agreed upon terms of representation. Block billing (where several items are grouped together within one large block of time) should be discouraged in most, though not necessarily all, situations. Review of bills also helps to ensure that major activities were first cleared with the city attorney’s office. Periodic questioning of items on the bill informs the firm that the city attorney is reviewing the bills. The city should not be charged for responding to questions about the bills.

It is important that the city attorney be aware of the status of matters handled by outside counsel. Frequently, the city attorney is charged with responsibility for all legal matters in which the city is involved. Reviewing the bills, pleadings and correspondence, and regular updates from outside counsel are important to the city attorney’s ability to manage that responsibility; as well as for his or her ability to answer questions from staff or council members about a particular matter. Accordingly, any agreement with the outside law firm should designate that the city attorney is in charge of all legal services and tactical decision-making. The city council and city manager should also understand that the city attorney must have the discretion to control the manner in which litigation or other legal matters are handled, and that appropriate oversight is being exercised regarding the firm.
In *County of Santa Clara v. Superior Court*, the California Supreme Court has upheld the use of contingency fee arrangements with outside counsel in civil public nuisance actions, while pointing out that “a heightened standard of neutrality is required for attorneys prosecuting public-nuisance actions on behalf of the government.” This heightened standard is generally met, and the retention of private counsel on a contingent-fee basis is permissible, if neutral, conflict-free government attorneys retain the power to control and supervise the litigation and the government’s action poses no threat to fundamental constitutional interests and does not threaten the continued operation of an ongoing business.

The power to “control and supervise” public nuisance actions must be reflected in a contingency fee agreement, which must include several specific criteria indicating control of “critical discretionary decisions” by the supervising in-house public agency attorney, including at a minimum:

- The authority to settle the case
- The ability for any defendant to contact the lead government attorneys directly
- The retention by the government attorneys of complete control over the course and conduct of the case
- The retention by the government attorneys of veto power over any decisions made by outside counsel
- The government attorney with supervisory authority must be personally involved in overseeing the case.

**Practice Tip:**

Supervising outside counsel includes doing such things as watching them in court or at a hearing, reviewing their work product, and periodically commenting on documents they prepare. Also, the city attorney should be in regular contact and communicate with the outside lawyer regarding the matter, including prospects for settlement and alternate means of dispute resolution. The city attorney should ensure that outside counsel does not delegate any aspect of the case without prior consultation with and approval by the city attorney. That being said, the city attorney and the outside lawyer should view the relationship as a partnership to provide the client with the best possible representation.

**F. SPECIAL RULES FOR OUTSIDE COUNSEL IN CIVIL PUBLIC NUISANCE CONTINGENCY FEE ARRANGEMENTS**

At times, cities may find it advantageous to employ outside counsel on a contingency fee basis. Special rules apply when outside counsel are retained on a contingency fee basis to handle civil nuisance actions.

A public lawyer or outside counsel acting as a public lawyer must observe the rules of prosecutorial neutrality even in civil nuisance actions by avoiding a pecuniary interest in the outcome of the matter. California courts have general authority to disqualify counsel when necessary in the furtherance of justice. The courts will exercise their authority to disqualify outside counsel hired on a contingency fee basis by a city to prosecute a civil public nuisance action when important constitutional concerns (such as the First Amendment) are implicated, ongoing business activity is threatened, and there is a threat of criminal liability.
CHAPTER 6 ENDNOTES

1. California Constitution, art. 1, section 31 [Proposition 209].

2. Shaw v. Reno, 509 U.S. 630, 642 (1993); Richmond v. Croson Co., 488 U.S. 469 (1989). As the California Supreme Court observed, “the United States Supreme Court never has held that societal discrimination alone is sufficient to justify a racial classification. Rather, the Court has insisted upon some showing of prior discrimination by the governmental unit involved before allowing limited use of racial classification in order to remedy such discrimination.” Hi-Voltage Wire Works, Inc. v. City of San Jose, 24 Cal.4th 537, 568 (2000).

3. Board of County Commissioners v. Umbehr, 518 U.S. 668 (1996). In Umbehr, the United States Supreme Court found that independent contractors are protected from termination of their at-will government contracts in retaliation for their exercise of free speech rights. The contractor must show initially that the termination was motivated by his or her speech on a matter of public concern. The government “will have a valid defense if it can show, by a preponderance of the evidence, that, in light of their knowledge, perceptions, and policies at the time of the termination, the Board members would have terminated the contract regardless of his speech.” Id. at p. 685.

4. Biggs v. Best, Best & Krieger, 189 F. 3d 989 (9th Cir. 1999) [an associate attorney at a contract city attorney firm could be terminated because of political activity related to the city since she acted as a policymaker]; see also, Oasis West Realty, LLC v. Goldman (2011) 51 Cal.4th 811.


6. Id., at p. 48.

7. Id., at p. 54.

8. Id., at p. 57.

9. Id., at 58.

10. Id., at pp. 63-64.


12. California Government Code section 6254(k); The Ninth Circuit Court of Appeals has stated that “our decisions have recognized that the identity of the client, the amount of the fee, the identification of payment by case file name, and the general purpose of the work performed are usually not protected from disclosure by the attorney-client privilege.” Clarke v. American Commerce Nat’l Bank, 974 F.2d 127, 129 (9th Cir.1992). United States v. Amlani, 169 F.3d 1189, 1194 (9th Cir. 1999); see also County of Los Angeles v. Superior Court 211 Cal.App.4th 57 (2012) approving redaction of law firm billing records, “to show [only] the information that is not work product – the hours worked, the identity of the person performing the work, and the amount charged.”

G. CONFIDENTIALITY OF OUTSIDE COUNSEL BILLING RECORDS

The League of California Cities publication, The People’s Business: A Guide to the California Public Records Act (2008; 2011 Supplement) contains an excellent discussion of the disclosability of outside counsel billing records. In general, billing records are exempt from disclosure under the attorney-client privilege or attorney work-product doctrine to the extent they describe an attorney’s impressions, conclusions, opinions, legal research or strategy. However, the name of the matter, the total invoice amount and date are not exempt and should be provided in response to a public records request after redacting the privileged information.

Practice Tip

City attorneys may wish to direct outside counsel to provide a cover sheet with a billing summary showing disclosable information such as who did the work, the number of hours expended and the amount of the bill.
CHAPTER 7:  
THE DUTY OF CONFIDENTIALITY

A. INTRODUCTION

This chapter examines the ethical duty of city attorneys to maintain the confidentiality of matters involving their clients. It also discusses the impact of whistleblower laws on city attorneys’ ethical responsibilities of confidentiality.

B. CONFIDENTIALITY

Among the most important duties an attorney owes to the client is the duty of confidentiality (see chapter 1). Given that confidentiality is the cornerstone of trust between the client and the attorney, California public policy has long held this duty is paramount, and may not be breached except in very limited circumstances. Business and Professions Code subsection 6068(e) requires an attorney to:

“[M]aintain inviolate the confidence, and at every peril to himself or herself to preserve the secrets, of his or her client… [A]n attorney may, but is not required to, reveal confidential information relating to the representation of a client to the extent that the attorney reasonably believes the disclosure is necessary to prevent a criminal act that the attorney reasonably believes is likely to result in death of, or substantial bodily harm to, an individual.”

The California Supreme Court put it this way:

“Protecting the confidentiality of communications between attorney and client is fundamental to our legal system. The attorney-client privilege is a hallmark of our jurisprudence that furthers the public policy of ensuring ‘the right of every person to freely and fully confer and confide in one having knowledge of the law, and skilled in its practice, in order that the former may have adequate advice and a proper defense’.”

Additionally, Evidence Code section 954 allows a client to refuse to disclose, and to prevent others from disclosing, confidential communications between the client and the client’s attorney. The attorney-client relationship has been characterized by at least one court as “sacred,” while another court has admonished that the relationship “must be of the highest character.” The duty of confidentiality survives the termination of the attorney-client relationship, apparently indefinitely.

If a city attorney finds himself or herself in federal court on behalf of a client, the Federal Rules of Evidence include specific provisions related to the attorney-client privilege, and circumstances under which it may be waived in the context of the federal matter. The Rules generally provide that the federal common law on privileges controls, unless otherwise provided for in the U.S. Constitution, federal legislation or a rule of the Supreme Court, but they also contain specific provisions related to waivers of the attorney-client privilege in federal litigation. There is an ongoing debate as to the scope of the privilege in the federal context and it is likely that the scope of the privilege is narrower in federal proceedings.

1. Confidentiality in the Public Sector

The duty of confidentiality takes on a special meaning in the public sector where the client is a public entity and not an individual. In the governmental setting, the client cannot speak for itself, but rather, must rely on its elected and other authorized officials to act in its interest. Thus, the issues of who possesses and who may exercise the attorney-client privilege, and to whom the public entity attorney owes the duty of confidentiality, become particularly relevant when the city attorney faces or suspects official malfeasance.
2. Government Malfeasance

In the Spring of 2000, Cindy Ossias, a government attorney for the California Department of Insurance, disclosed confidential information that allegedly evidenced governmental abuse of authority in her department. The State Bar’s Office of Trial Counsel (OTC) investigated her actions for potential violations of the duty of confidentiality. While the OTC ultimately declined to prosecute Ossias, her story reflects the difficulty attorneys face in government representation.

The Rules reinforce the standard of confidentiality set in Business & Professions Code section 6068(e), even in the context of an attorney “know[ing] that an actual or apparent agent of the [client] organization acts or intends or refuses to act in a manner that is or may be a violation of law reasonably imputable to the organization, or in a manner which is likely to result in substantial injury to the organization …” The Rules provide that the attorney “shall not violate his or her duty of protecting all confidential information,” and if the client “insists upon action or a refusal to act that is a violation of law and is likely to result in substantial injury to the organization,” the attorney’s response “is limited to the [attorney’s] right, and, where appropriate, duty to resign in accordance with rule 3-700.”

The Rules require attorneys to protect the confidences of the client, at all costs, while state whistleblower statutes (discussed below) encourage all government employees to report government malfeasance. California law has given more importance to maintaining the duty of confidentiality than to the public attorney’s status as a government employee and would-be whistleblower.

Courts have expressed the principle that city attorneys are subject to special ethical obligations in the “furtherance of justice.” In the context of whistleblowing on suspected malfeasance, that special obligation appears in conflict with the duty of confidentiality. For example, if city officials empowered to protect the city are themselves guilty of violating the law or committing waste that harms the city, then how can the city attorney protect his or her client? While the client is not the individual official who committed the malfeasance, that official may be the highest officer over the engagement. If so, then to whom may the city attorney disclose the malfeasance?

Even when an attorney representing an organization becomes aware that an agent of the organization intends to commit a crime that may result in substantial injury to the organization, the attorney “shall not violate his or her duty of protecting all confidential information.” The attorney has limited options, including: (1) urging the agent to reconsider his or her actions, or (2) going up the chain of command to the highest level of the organization authorized to act. If the highest level of the organization refuses to act and no other legally permissible options can be discerned, then the attorney’s only remaining option may be to resign. Rule 3-700 delineates the circumstances under which withdrawal from representation of a client is mandatory and when it is permissive.

While Rule 3-600 makes the duty of confidentiality paramount, it does not directly address the unique nature of government representation as it relates to either the duty of confidentiality or whistleblowing. A 2001 Attorney General opinion did, however, address this issue. The opinion noted that, in some respects, “[R]ule 3-600 appears designed to meet the concerns of the private sector better than the concerns of public practice” and recognized there are real differences between city attorneys and private practitioners representing corporate entities. The opinion ultimately concluded, however, that the Legislature did not intend to “supersede or impair the attorney-client privilege” when it enacted several laws (discussed below) to protect government employee whistleblowers. Accordingly, the city attorney’s duty is to maintain client confidentiality.
If the highest city officer refuses to act, or is also guilty of malfeasance, then should the city attorney keep quiet and knowingly allow his client, the city, to suffer due to the putative illegal actions of its individual representatives? While Rule 3-600(B) permits, but does not require, the city attorney to go up the chain of command, it prohibits the city attorney from disclosing any confidential information beyond the organization. If the highest authority is the city council, and not a particular individual within city government, then the city attorney may address his or her concerns to the council itself. Since California cities function under various forms of city government (council-manager, strong-mayor, etc.), the general rule should be considered in light of the particular governing structure of the city in question. For example, in a strong-mayor form of government, the mayor may be the highest level of authority empowered to speak or act on behalf of the city, though even that broad authority may be limited or applied based on particular charter or municipal code provisions.

The issue of what a city attorney could have done is likely to come to the forefront if a city’s highest ranking officials are committing egregious misconduct the city attorney might have known about. City attorneys should be mindful of the damage such actions have on the public’s trust in local government, as well as the confidence they place with cities’ legal officers. When confronted with this dilemma it is recommended the city attorney contact the State Bar ethics hotline.

**Practice Tip:**

City attorneys facing the difficult question of whether they should or must withdraw from representing a client that may be violating the law may wish to seek the advice and assistance of special ethics counsel.

**3. Grand Jury Proceedings**

For a discussion of the privilege in grand jury proceedings, please see chapter 8.

**C. WHISTLEBLOWING STATUTES AND THE DUTY OF CONFIDENTIALITY**

To protect government employees who report criminal action by government officials, the California Legislature enacted four “whistleblower” statutes: the California Whistleblower Protection Act,18 the Whistleblower Protection Act,19 the Local Government Disclosure of Information Act20 and the Whistleblower Protection Statute21 (jointly the “Whistleblower Laws”). The Legislation sought to prevent abuses within the government by protecting employees who might otherwise not report wrong-doing for fear of losing their jobs. The Whistleblower Laws built upon the history of earlier statutes related to reporting government malfeasance by expanding whistleblower protections.22 The Whistleblower Laws protect from retaliation those public employees who disclose nonpublic information regarding malfeasance in their respective agencies that harms the public interest.

1. **California Whistleblower Protection Act (CWPA)**

The CWPA protects employees of state agencies who disclose activities that (1) violate state or federal laws or regulations, (2) constitute economic waste or (3) involve gross misconduct, incompetence or inefficiency.23 The Office of the State Auditor administers the law and investigates and reports on improper governmental activities.

2. **Whistleblower Protection Act (WPA)**

The WPA expands the protections found in the CWPA and gives state employees the right to disclose government malfeasance to the Legislature.24 However, the WPA includes language that a court would likely interpret as excluding government attorneys’ disclosure of confidential client information from the protections of the WPA. Specifically, the WPA states “[n]othing in [the operative] section shall be construed to authorize an individual to disclose information otherwise prohibited by or under law.”25

3. **Local Government Disclosure of Information Act (LGDIA)**

The LGDIA extends whistleblower protections to the municipal level by encouraging local government employees to disclose information regarding gross mismanagement, a significant waste of public funds, abuse of authority, or dangers to public health and safety.26
CHAPTER 7: THE DUTY OF CONFIDENTIALITY

4. Whistleblower Protection Statute (WPS)
California Labor Code section 1102.5 prohibits employers from retaliating against an employee for disclosing a violation of state or federal law.27

D. THE WHISTLEBLOWER LAWS VS. THE DUTY OF CONFIDENTIALITY
The California Supreme Court declined to modify Rule 3-600 to protect public agency attorneys from professional discipline in the event they choose to disclose confidential information relating to official malfeasance noting that such a modification would conflict with the fundamental duty of confidentiality state law imposes on attorneys.28 Also, two attempts by the Legislature to provide that protection were vetoed.29

The Attorney General has also addressed whether the Whistleblower Laws supersede existing statutes and rules governing the attorney-client privilege.30 In determining that Whistleblower Laws do not supersede those statutes and rules, the Attorney General relied on the separation of powers doctrine, the rule of statutory reconciliation and the failure of the Legislature to express its intent to supersede the “strong and long established public policy” of client confidentiality.31

1. Statutory Reconciliation
The Attorney General stated that “statutes must be harmonized to the extent possible…and construed in the context of the entire system of which they are a part.”32 Some of the Whistleblower Laws included language permitting disclosure “to the extent not expressly prohibited by law.” The Attorney General interpreted the express enumeration of statutory bans that would not apply to whistleblowers to manifest legislative intent to not alter the obligation of attorneys under Business and Professions Code subsection 6068(e), a current and well-established law that is not enumerated in the Whistleblower Laws.33

2. Lack of Express Provisions Overturning Well-Established Law
The Attorney General noted that in General Dynamics Corp. v. Superior Court, the court made clear that “[e]xcept in those rare instances when disclosure is explicitly permitted or mandated by an ethics code provision or statute, it is never the business of the lawyer to disclose publicly the secrets of the client.”34 Since State law does not make clear an intent to either change the client confidentiality laws, or modify the existing ethical code provisions, the Attorney General declined to conclude the Whistleblower Laws supersedes the duty of confidentiality.35

3. Separation of Powers
The Attorney General also made a brief separation of powers argument noting the regulation of the practice of law has been “recognized to be among the inherent powers of the courts; the courts are vested with the exclusive power to control the admission, discipline, and disbarment of persons entitled to practice before them.”36 The opinion recognized the tension between the Legislature and the courts in this area, stating the Legislature may regulate and control the practice of law to a “reasonable degree,” but may not restrict the court’s authority to discipline persons entitled to practice before it.37 Any attempt to do so would “overstep constitutional bounds.”38

No law requires a city attorney to become a whistleblower and, as stated previously, no law protects city attorneys who choose to do so. Nevertheless, a city attorney representing a client who is committing malfeasance in office is confronted with the personal ethical choice of whether to terminate that representation knowing he/she cannot make a public disclosure about the reasons underlying that potential departure.39 As a public official and officer of the court, a city attorney may feel a personal obligation to make the public aware of wrongdoing where communicating with the highest level of authority in the city has not succeeded in bringing about a termination of the wrongdoing. The consequences of a disclosure will be vulnerability to charges of violating Rule 3-600 and Business and Professions Code section 6068.
CHAPTER 7 ENDNOTES

1 People, ex rel. Department of Corporations v. SpeeDee Oil Change Systems, Inc., 20 Cal. 4th 1135, PIN [Emphasis added, internal citations omitted.]


4 Ibid. [“So fundamental is this precept that an attorney continues to owe a former client a fiduciary duty even after the termination of the relationship.”]


7 Please see a report on this issue at: http://www.americanbar.org/advocacy/governmental_legislative_work/priorities_policy/independence_of_the_legal_profession/federal_agency_privilege_waiver_politics.html

8 Ward v. Superior Court, 70 Cal.App.3d 23, 35 (1977) [holding that the client of the county counsel was the county, acting through its board of supervisors.]

9 California Rules of Professional Conduct, Rule 3-600(B).

10 Id. at subsections (B) and (C).

11 In People ex rel. Clancy v. Superior Court, 39 Cal.3d 740, 745 (1985), a private attorney retained by a city under a contingent fee arrangement to prosecute civil nuisance abatement actions was ordered disqualified, in the interests of justice, because his personal stake in the actions was inconsistent with the neutrality required of a government lawyer when prosecuting a nuisance abatement action.

12 California Rules of Professional Conduct, Rule 3-600(B).

13 Id. at subsection (C).

14 California Rules of Professional Conduct, Rule 3-700(B) and (C).


16 Id. at p. 9.

17 Id. at p. 14.

18 California Government Code sections 8547-8547.12.

19 California Government Code sections 9149.20-9149.22.

20 California Government Code sections 53296-53297.

21 California Labor Code section 1102.5.


24 Doskow, supra note 1, at 31 [citing California Government Code section 9149.21].

25 Id. (citing California Government Code section 9149.23(c)).

26 Doskow, supra note 1, at 31, [citing California Government Code section 53296(c)].


28 California Rules of Professional Conduct 3-600, S104682, Minutes of the California Supreme Court (May 10, 2002), appearing in the Advance Sheets of California Official Reports, Vol. 16 (June 16, 2002).

29 AB 363 (2002) would have protected city attorneys from professional discipline for referring a matter regarding malfeasance in office (1) to a higher authority in the organization, and (2) to law enforcement in specified circumstances. However, that bill was vetoed by Governor Gray Davis.

30 AB 2713 (2004) would have expanded the exception to the duty of confidentiality by authorizing an attorney “who, in the course of representing a governmental organization, learns of improper governmental activity…to refer the matter to law enforcement or to another governmental agency and would exempt the attorney from disciplinary action for making a referral of the matter.” AB 2713 was vetoed by Governor Arnold Schwarzenegger.


32 Id. at p. 17.

33 Id. at p. 14.

34 Id. at p. 15.

35 General Dynamics Corp. v. Superior Court, 7 Cal.4th 1164 (1994).


38 Id. (citing Hustedt v. Workers’ Comp. App. Bd., 30 Cal. 3d 329, 337 (1981)).

39 California Rules of Professional Conduct, Rule 3-600(B).
Initially, the investigatory power of grand juries was limited to cities’ finances; however, in 1983, the grand juries’ authority to investigate cities was greatly expanded and grand juries are now authorized to “examine the books and records of any incorporated city” as well as “investigate and report upon the operations, accounts, and records of the officers, departments, functions, and the method or system of performing the duties of any such city…” The grand jury’s authority, however, may be limited to procedural matters and not substantive policy concerns.

In conducting investigations, grand juries may employ experts and assistants to supplement their investigations. Grand juries also may request issuance of subpoenas to compel witnesses to attend grand jury proceedings. When a grand jury is questioning witnesses at a grand jury session, the presence of non-witnesses (including counsel for witnesses in civil proceedings) is prohibited, except that a witness may have counsel present when testifying under oath before a civil grand jury. Also, a grand jury may admonish a witness not to disclose what the witness learns in the grand jury room, but cannot require the witness to execute an admonishment form.

Grand juries have only those powers expressly granted by statute. Accordingly, the authority of grand juries to investigate cities and issue reports is only as extensive as expressly authorized by statute. The authority of grand juries to investigate cities, counties and special districts is set forth in Penal Code sections 925 through 933.5.

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After a civil investigation is concluded, the grand jury issues a final report that contains its findings and recommendations. No later than 90 days after the grand jury has submitted its report, Penal Code section 933(c) requires “agencies” (including cities, housing authorities, and districts) to submit a written response to the grand jury report to the Presiding Judge of the Superior Court. The respondent must respond in writing to each finding indicating whether it agrees, disagrees, in whole or in part, with the finding. In addition, the written response must indicate whether the recommendation has been implemented, will be implemented, requires further analysis, or will not be implemented.

**Practice Tip:** Prior to conducting a formal investigation, grand juries will sometimes issue requests for information and documents to determine whether the grand jury should initiate a formal investigation. These requests for information are often directed to staff, and the city attorney should ensure that a process is in place so that the city attorney is notified of these requests and has an opportunity to assert appropriate objections.

Civil grand juries gather most of their information in committees of three that interview city officials and take the information back to the full grand jury. Most information is confidential, but a grand jury may obtain judicial approval to release non-privileged information to the public. City staff members may ask the city attorney to accompany them to these interviews to explain the laws that underlie the staff action on a specific matter. The city attorney should advise the official that the city attorney may not attend the interview without the consent of the members of the committee. The officials who will be meeting with the grand jurors should ask in advance of the meeting whether the city attorney may accompany the officials.

Also, grand juries may issue a final report that is not directed to the City Council or City Manager. For instance, a grand jury may send the final report to the Chief of Police for response. In these situations, it is important to ensure that a process is in place to ensure that the City Council and City Manager are made aware of the final report so the City Council can approve a response to the findings and recommendations as required by law.

### C. FEDERAL LAW

Grand juries are recognized in the Fifth Amendment to the United States Constitution which provides that “[n]o person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury.” This protects against unwarranted prosecution by requiring charges to be brought by presentment or indictment.

The formation, composition and function of federal grand juries can be found in Rule 6 of the Federal Rules of Criminal Procedure. Federal grand juries are formed by the court’s order when “the public interest so requires” and are composed of between 16 to 23 persons. However, no matter how many grand jurors are on the grand jury, it takes a vote of 12 grand jurors to issue an indictment.

Currently, there are two different types of grand juries in the federal system: “regular” grand juries and “special” grand juries. A regular grand jury primarily considers whether, based on the evidence presented, there is probable cause to believe a crime has been committed and that they should “return” an indictment (i.e., charge a person with those crimes). In addition to regular grand juries, in 1970, to combat organized crime, Congress created special grand juries that may issue not only an indictment but also a report on its investigation. Generally, special grand juries are created for specific investigative purposes.

A federal grand jury is highly dependent upon the prosecutor for many of its functions. This is because, while the grand jury can also investigate matters and subpoena evidence, it is usually the prosecutor who proposes the charges and gathers the required evidence for consideration.
Like California grand juries, the power of the federal grand jury to investigate and subpoena documents is limited. Under Rule 501 of the Federal Rules of Evidence, privileges are “governed by the principles of common law.” Rule 1101(d)(2) of the Federal Rules of Evidence states that the privileges are applicable to grand jury proceedings. Thus, the attorney-client privilege and work-product doctrine recognized by Rules 501 and 502 of the Federal Rules of Evidence apply to grand jury proceedings. However, because federal grand juries are criminal in nature, the privileges applicable to federal cases are more limited. In fact, the Supreme Court has warned against expansive construction of privileges for criminal cases since the proceedings of a criminal trial are a “search for the truth” and civil cases do “not share the urgency or significance of the criminal subpoena request.”

D. ETHICAL ISSUES RAISED BY WORK INVOLVING GRAND JURIES

Three common ethical questions arise in responding to grand jury investigations, subpoenas and reports:

» Who is the client?
» What materials are not protected by the attorney-client, attorney work-product and other privileges?
» When are city attorneys required to recuse or disqualify themselves?

1. Who is the Client?

The city attorney represents the city as a legal entity and not individual elected officials or staff who may be the subjects of a grand jury investigation. (See chapter 1.) While the city is the client, in certain circumstances, it may be in the city’s interest to disclose information that would be subject to the attorney-client privilege so that the grand jury is fully informed of all relevant facts. In this instance, the city attorney should seek a waiver of the attorney-client privilege from the city council or other competent official or agency.

Practice Tip:

City attorneys cannot and should not promise individual public officials that they will keep confidences from the city council and other city officials. City attorneys should remind staff or officials who approach them for advice regarding grand jury investigations or subpoenas that the city attorney’s client is the city, not the individual staff member or official.

2. The Attorney-Client Privilege and Attorney Work-Product Privilege

As referenced above, grand juries may not compel the disclosure of information protected by attorney-client or work-product privilege. In California, despite the absence of an express statutory exemption from the privilege for grand jury proceedings, the Attorney General has issued an opinion that the protections for attorney-client communications afforded by Evidence Code section 910 apply to grand jury proceedings. The California Attorney General has also opined that the attorney work-product privilege applies in county grand jury proceedings because of the common law’s recognition of the broad applicability of the privilege, the similarities between grand jury proceedings and pretrial discovery, and because “the various privileges found in the Constitution, statutes and common law historically have been applied in grand jury proceedings.” It is this last rationale that allows cities to put up a broad resistance to grand jury inquiries of privileged communications in grand jury proceedings. But as noted above in discussing the attorney-client privilege in the context of a federal grand jury’s investigation of a federal official, courts could conclude that in the context of public agencies the need for the grand jury to conduct thorough investigations outweighs the protections of attorney-client privilege.
As discussed in chapter 7, federal courts have limited the applicability of the attorney-client privilege when a federal grand jury is investigating a federal official for commission of a crime in office, and the federal official asserts the attorney-client privilege to prevent the grand jury from questioning the government attorneys who advised the official. The core rationale for the decision is that the attorney-client privilege belongs to the government and should not prevent the grand jury, another governmental agency, from attaining information regarding official misconduct in office. A federal grand jury might take the same approach when investigating local and other non-federal officials.

Practice Tip:

City attorneys should remind any staff member or official who starts to provide information about possible criminal wrongdoing that the attorney-client privilege does not protect this information and that the city attorney may be compelled to disclose it to the grand jury and is obligated to disclose it to the city council.

In circumstances where a staff member is being asked to disclose information to a grand jury that may be subject to the attorney-client privilege, the city attorney must keep in mind who holds the privilege for the city, which usually will be the city council. In most cases, as holder of the privilege, only the city council or other highest agency of officer with jurisdiction over the subject matter — not individual council members, or the staff member or attorney being contacted by the grand jury — can waive the privilege and disclose the information. In the event the city council or other Brown Act body holds the privilege, it must therefore deliberate in open session when considering waiver of the privilege.

Public entities have a right to assert the attorney-client privilege with respect to communications made in the course of the attorney-client relationship.39 With regard to city business, the city itself is the client; however, the city is not a natural person and it communicates — like other corporations — through people. City officers and employees may claim the attorney-client privilege derivatively. At times, the attorney-client privilege may attach to communications between the city attorney and other city officials.41

Communications between the city attorney and the mayor, council members, city manager, city clerk, city treasurer, and department heads, while acting in their official capacity, are protected by the attorney-client privilege. While the applicability of the attorney-client and/or work-product privileges to public officials may be more limited in criminal matters, it appears reasonably settled that where city staff or officials are acting in their official capacities and do not have interests adverse to the city, and there is no alleged wrongdoing, the advice they have sought from, the information they have provided to and advice they have received from, the city attorney are protected by attorney-client privilege and a grand jury may not obtain such information by subpoena.

That said, the attorney-client privilege does not protect, and a grand jury can obtain, information disclosed to a city attorney by a staff member or official who was not acting in his or her official capacity. Similarly, the attorney-client privilege does not apply to communications to the city attorney from staff members or officials whose interests are adverse to the city’s interest.42 For example, the attorney-client privilege will not shield communications or requests for advice regarding crime or fraud.43
Where the grand jury is requesting information that is protected by the attorney-client privilege, the city council or other competent agency or officer - acting through the city attorney — has the authority to demand that the employee refuse to provide the requested information to the grand jury. However, four whistleblower statutes place an important limitation on this authority. These statutes are designed to protect government employees who report criminal activity by government officials. Whistleblower statutes may protect from retaliation public employees who disclose confidential information to a grand jury regarding criminal actions of the city if they follow the procedural requirements of the whistleblower statutes. These statutes, however, do not protect city attorneys. (See chapter 7.)

When responding to or providing advice relating to a grand jury subpoena or report, it may be necessary under certain circumstances for the city attorney to recuse himself or herself and hire outside counsel to handle the matter. For example, the city attorney should recuse himself or herself in the event a grand jury is investigating an issue on which the city attorney made errors, that, if revealed to the public in a grand jury report, might result in legal action, malpractice, negative performance review, or significant embarrassment for the city attorney. Because the city attorney may be more concerned with his or her personal interest in withholding particular information from the grand jury rather than with the best interests of the city, the city attorney should recuse himself and recommend that the city hire outside counsel under rule 3-310. (See chapter 2.)

**Practice Tip:**

City attorneys can assist grand juries in working more effectively with cities. Broad, unfocused or misdirected grand jury investigations and subpoenas can consume significant amounts of city attorney and city staff time. Grand juries generally receive formal training on numerous subjects when they are impaneled. Based on a series of interviews of grand jurors, grand jury experts, and a supervising judge, it appears that, at least in some counties, the curriculum includes very little, if anything, about how cities operate. City attorneys should consider contacting the presiding judge of their superior court and offering to supplement the current grand jury training program by meeting with the grand jury when it is impaneled to explain the structure of city departments, the city’s major reports, and contact people at the city for various types of information. City attorneys should also encourage the city’s officers and employees to fully cooperate with the grand jury.
CHAPTER 8 ENDNOTES

1. California Constitution article I, section 23.
2. California Penal Code section 888 et seq.
3. California Penal Code sections 888 and 888.2.
20. California Penal Code section 933.05(a).
21. California Penal Code section 933.05(b).
24. U.S. Constitution amendment V.
34. Fed. R. Evid. 1101(d)(2).
42. California Evidence Code section 950 et seq.
44. California Government Code sections 8547-8547.13, 9149.20-9149.23, 53296-53299; California Labor Code section 1102.5.

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