

INDICTED | City councilmen charged with taking part in scheme to relax no-touch rule at San Diego strip clubs

[1,7 Edition]

The San Diego Union - Tribune - San Diego, Calif.

Author: Kelly Thornton; Caitlin Rother; Ray Huard

Date: Aug 29, 2003

Start Page: A.1

Section: NEWS

Text Word Count: 2496

Document Text

Editions vary | For chart see end of text.

A federal grand jury indicted three San Diego city councilmen yesterday on charges they joined in a scheme to repeal no-touch rules at strip clubs in exchange for money and favors from Cheetahs owner Michael Galardi and two of his employees.

Councilmen Ralph Inzunza, Michael Zucchet and Charles Lewis, plus Galardi, his lobbyist Lance Malone and Cheetahs night manager John D'Intino were charged in the 39-count indictment.

"The people of San Diego have a right to an open and honest government," U.S. Attorney Carol Lam said at a news conference at the federal building downtown to announce the indictment. "We are committed to ensuring that San Diego is represented by officials who are free from corrupt influences."

The councilmen, now defendants in San Diego's biggest political corruption case in 30 years, proclaimed innocence and vowed to remain in office. Lewis declined to comment, but Inzunza held a brief news conference and Zucchet made an emotional appearance before reporters, flanked by his family and staff.

"I am in the fight of my life," Zucchet said. "I will fight to the bitter end."

Those six defendants were charged with wire fraud and conspiracy to commit wire fraud; all but Lewis were charged with extortion. Additionally, Galardi, Malone and D'Intino are charged with interstate travel in aid of racketeering. A seventh defendant, Lewis aide David Cowan, was charged with lying to the grand jury.

The indictment also said Galardi, Malone and D'Intino -- in attempts to circumvent the rule prohibiting touching between dancers and customers -- paid \$43,600 to an undercover San Diego police vice detective they believed to be corrupt, in exchange for warnings about vice inspections at Cheetahs.

All but Malone were expected to surrender at the FBI office in Serra Mesa at 10 a.m. today. Arraignments were scheduled for 1:30 p.m. in federal court before U.S. Magistrate Judge Larry Burns. A spokeswoman for Malone said he planned to surrender in San Diego on Tuesday.

City Attorney Casey Gwinn said the council members can continue to serve. A guilty plea or a conviction could result in their removal from office.

However, he acknowledged that the taint left by this turn of events will significantly impact the daily operations of city government.

"It will be incredibly challenging for this city to keep operating with three council members under federal indictment," Gwinn said. "It will be very difficult as long as they remain in office."

If any of the council members were to resign, a special election would have to be held.

Gwinn said his staff has determined the council will not need to recast any votes if the charges of illegal payments are proved true. However, he said, the city might have a complicated time deciding what the councilmen will be able to vote on in the future.

Parallel investigation

The investigation by the FBI's organized crime agents with assistance from the San Diego Police Department's criminal intelligence unit involved wiretaps, surveillance and listening devices. The probe became public with the May 14 raids at City Hall, three Galardi-owned clubs in San Diego and Las Vegas, and D'Intino's La Jolla condominium. A San Diego grand jury began meeting two days later, and jurors have met at least 15 times and heard the testimony of more than 60 witnesses.

"We do not view this indictment as reason for celebration, but rather as a reminder that political corruption does exist in San Diego," said Dan Dzwilewski, the special agent in charge of the FBI in San Diego.

Convictions on wire fraud and extortion could result in prison terms and fines. Wire fraud is using an interstate communication facility, such as the telephone or bank wires, to carry out a scheme to defraud. Extortion is getting money by violence, threats or misuse of authority. Racketeering is a scheme involving extortion, bribery or fraud.

Lam declined to elaborate on the charges.

A parallel but independent investigation by a Las Vegas grand jury is ongoing, and the San Diego indictments are not expected to have a direct impact there, a Las Vegas FBI spokesman said.

The ordinance the strip club operators allegedly sought to change was passed by the City Council in October 2000. It prohibits touching between partially clad dancers and patrons. The rule -- complementing an older law prohibiting nude dancers from being within 6 feet of patrons -- essentially outlawed table and lap dancing, which are personal performances that involve rubbing, grinding, and touching.

At Zucchet's news conference, he proclaimed he is "completely innocent of the charges alleged by the government" and said he had not "betrayed the trust of my friends, my supporters, or my constituents."

Reading a prepared statement, Zucchet said: "Since all this began, I have consistently denied any wrongdoing. I reiterate again today my complete and total denial of taking any bribe. Period."

The indictment does not specifically allege that councilmen took bribes.

Zucchet took few questions, but said he will not resign and will be back on the job at City Hall on Tuesday and will attend and participate in a 10 a.m. council meeting.

With tears in her eyes and voice trembling, Zucchet's wife, Teresa, handed the couple's infant, Molly, to her husband and stepped to the lectern.

"This has been especially hard on Mike and I because we have a beautiful, 3-month-old baby daughter. We would love to spend our time and energy on parenting her but instead we've had to focus so much attention on this investigation. Our entire family stands behind Mike. We love him and in the end we know his innocence will be declared."

Inzunza read a brief statement to reporters late yesterday afternoon outside the federal building downtown.

"I am innocent and I've done nothing wrong, and I intend to stay in office and fight this," Inzunza said. "All of the money that I received was campaign money. I repeat, campaign money. There have been no bribes. In this case, you will clearly see that there has been no political corruption here in San Diego.

"I am looking forward to my day in court, so that I can clear my name and that of my family. To my wife, Ana, to my friends, and to the citizens of San Diego who I represent, I want you all to know that I've never lied to you, I've never let you down and I love you all."

Contacted yesterday afternoon by a reporter at his home, Lewis declined to discuss the indictment. His attorney, Frank Ragen, characterized his client's campaign fund-raising as entirely routine.

"It appears that the money in the indictment refers to the campaign contributions that Charles Lewis received. Charles Lewis acknowledges receiving campaign contributions from any number of people and any number of industries. He did not participate in any bribes. There was no political corruption."

Charges denied

Galardi, who lives in Las Vegas, was en route to San Diego and could not be reached for comment. His lawyer, Pete Christiansen, said his client was troubled by the indictment.

"My client looks forward to defending himself in court," Christiansen said. "He's done nothing illegal, and is being targeted because of the nature of his legal but controversial business.

"I think Mike was disappointed the government chose to make criminal allegations against him. The guy said bye to his kids and headed toward San Diego."

D'Intino's attorney, Geoffrey C. Morrison, said: "Mr. D'Intino is prepared to meet the charges." He declined to comment further.

Cowan's attorney, Michael Crowley, said the indictment was not unexpected. But he added, "We have a disagreement (with the U.S attorney) about whether this charge can be proven and we intend to defend it."

Cowan, who testified before the grand jury with immunity on May 30, handles matters of graffiti, weed abatement, code compliance, urban forestry, vacant property, street sweeping and transportation for Lewis' office. Immunity means prosecutors promise not to use witnesses's testimony against them in court, unless they lie.

Cowan is accused of lying when he said he never discussed no-touch provisions of the local adult-entertainment law with Lewis, Malone and Patrick Schott, an aide to Inzunza.

Meanwhile, at City Hall, where staffers have been bracing for indictments for months, Mayor Dick Murphy said he was "saddened" by the indictment. He said they undoubtedly would cloud the city's reputation.

"Anytime that something like this happens, it has some negative reflection on the city," Murphy said. "This is still a great city and we're still doing lots of important things here."

As he did the day of the raid, Murphy cautioned people about making any judgments on the actions of the three council members. "I continue to remind you that an indictment is an accusation and in America, we presume people innocent until proven otherwise."

Murphy has contributed \$250 to each of the three council members' legal defense funds.

According to the indictment, the key aspects of the alleged scheme to repeal the no-touch rule are:

Galardi, Malone and D'Intino directed Cheetahs employees, adult entertainers and others to write checks to council campaigns and illegally reimbursed them, the indictment said. They disguised the source of the contributions, with the knowledge and cooperation of the councilmen, who "filed financial disclosure forms knowing that the forms concealed, disguised and failed to disclose the true source of their contributions."

The indictment was vague and did not specify how much money was paid in total to the councilmen. Lam declined to answer questions at the news conference.

"Defendants Inzunza, Lewis and Zucchet would seek and accept money from defendants Galardi, Malone and D'Intino, and would agree to be corruptly influenced in the performance of their official duties," the indictment said.

Malone and Inzunza attempted to convince council colleagues that the public was interested in adult entertainment matters by sending them bogus e-mails purporting to be from constituents.

All the defendants devised a plan to bring adult-entertainment issues before a City Council committee April 30. The morning of the meeting, Malone and Galardi traveled from Las Vegas to San Diego with Tom Waddell, who claimed to be a concerned citizen who lived in Zucchet's district. Waddell, who is actually an employee of Galardi's Jaguars strip club in Las Vegas, asked the committee to consider tighter zoning restrictions on strip clubs. Zucchet responded to Waddell, requesting the issue be referred to the City Attorney's Office for analysis. It was.

The next day, Malone told Lewis in an intercepted phone call: "Thanks so much for helping me out yesterday." Also that day, Malone met Inzunza for lunch.

Galardi, Malone and D'Intino funneled money to an undercover San Diego police vice detective in exchange for warnings about vice raids at Cheetahs. Most of the payments -- usually \$2,000 a month -- were made by D'Intino through a middleman, an unidentified "cooperating witness." The indictment indicated that both Inzunza and Lewis had phone conversations with the vice detective, in the presence of Malone.

Galardi, Malone and D'Intino were overheard by the FBI discussing the recruitment of and payments to council members.

On June 13, Galardi told D'Intino: "We gave him (Inzunza) almost ten grand, he almost sh--," the indictment said.

And in conversations intercepted on Feb. 7, 2002, Inzunza told Malone: "Zucchet is coming calling." During the same conversation, Malone told Inzunza that he can get money for Zucchet "very very discreet this time."

On May 28, 2002, while using Malone's cell phone, Lewis called Galardi in San Diego and asked him for "five" before June 30, 2002, the indictment said.

The indictment said money given to the council members was supplemented by perks, such as tickets Malone purchased for Lewis and his wife for the popular Blue Man Group show in Las Vegas in November.

At Cheetahs yesterday, employees were uneasy.

Ron Collins, 31, a bouncer who was called to testify before the grand jury, said it has been a tense four months for many of the 300 employees he said work at the club. All of them are worried about their future, he said.

"Everybody is just nervous, no one knows what's going on," he said. He added: "Don't make up your mind before you know all the facts."

In a separate indictment, D'Intino and Charles Tappe were charged with federal firearms violations. The indictment said D'Intino and Tappe, who was taken into custody in Arizona on Wednesday, conspired to possess machine guns, silencers and pistols with serial numbers that had been intentionally removed. Officials would not say how the cases were related, or how Tappe figures in the probe.

What's next?

Here's how the case is likely to unfold:

Those indicted surrender.

Within 48 hours, excluding weekends and holidays, they must appear in court to enter a plea, usually a plea of not guilty. Those who want to plead guilty can do so now or at any point before trial, perhaps hoping for more lenient sentences. If they can't afford attorneys, they will be assigned lawyers at taxpayer expense.

If they are not released on bond, a judge will decide if they will be held in jail. If they are allowed bail and can raise the money, they will probably be released that day.

At some point, the prosecutors will ask the judge to unseal pertinent documents, such as search warrants, so defense attorneys can prepare.

The media and the public will also have access to the documents.

At a hearing, prosecutors and defense attorneys will tell the judge about legal issues they intend to raise. Both sides can request access to evidence. The judge may or may not grant their requests.

More court hearings may be held to debate legal issues or the judge can ask for the arguments in writing.

A trial date is set.

Each defendant can plead guilty or go to trial. By the time the case is heard, a year may have passed.

Kelly Thornton: (619) 542-4571; kelly.thornton@uniontrib.com

Credit: STAFF WRITERS

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.

Abstract (Document Summary)

[Michael Galardi], Malone and D[Intino] funneled money to an undercover San Diego police vice detective in exchange for warnings about vice raids at Cheetahs. Most of the payments -- usually \$2,000 a month - - were made by D'Intino through a middleman, an unidentified "cooperating witness." The indictment indicated that both [Ralph Inzunza] and Lewis had phone conversations with the vice detective, in the presence of Malone.

In conversations intercepted on Feb. 7, 2002, Inzunza told Malone: "[Michael Zucchet] is coming calling." During the same conversation, Malone told Inzunza that he can get money for Zucchet "very very discreet this time."

10 PICS | 1 CHART; 1. RALPH INZUNZA -- Charged with extortion, wire fraud, conspiracy to commit wire fraud 2. [Charles Lewis] -- Charged with wire fraud, conspiracy to commit wire fraud 3. MICHAEL ZUCCHET -- Charged with extortion, wire fraud, consipracy to commit wire fraud 4. U.S. Attorney [Carol Lam] announced the corruption case indictment at a news conference at the downtown federal building. The three council members are expected to surrender at 10 a.m today at the Serra Mesa FBI office. 5,6,7,8. ALSO ACCUSED 5. MICHAEL GALARDI -- Strip club owner 6. [Lance Malone] -- Lobbyist for Galardi 7. JOHN D'INTINO -- Manager of Cheetahs 8. [David Cowan] -- Aide to Charles Lewis 9. (Indictment) 10. San Diego Mayor [Dick Murphy] addressed the media after indictments were issued yesterday. Murphy said he was "saddened" by the indictments and they undoubtedly would cloud the city's reputation. (A-4) 11. What's next? (A-4) [4. Jerry Rife / Union-Tribune 5,7. Galardi and D'Intino photos courtesy of KFMB 10. Nancee E. Lewis / Union-Tribune]

Reproduced with permission of the copyright owner. Further reproduction or distribution is prohibited without permission.