

STAFF REPORT*CITY OF OCEANSIDE*

DATE: January 22, 2014

TO: Honorable Mayor and City Councilmembers

FROM: City Clerk Department

SUBJECT: **INTRODUCTION OF AN ORDINANCE TO REQUIRE ONLINE OR ELECTRONIC FILING OF CAMPAIGN DISCLOSURE STATEMENTS AND STATEMENTS OF ECONOMIC INTEREST (SEI) AND APPROVAL OF A PERFORMANCE OF SERVICES AGREEMENT WITH NETFILE, INC.**

SYNOPSIS

Staff recommends that the City Council introduce an ordinance amending Chapter 2, Article XII to add Sections 2.75 – 2.79 to require online or electronic filing of Campaign Disclosure Statements and Statements of Economic Interest (SEI); approve a five-year Performance Service Agreement with NetFile, Inc. of Mariposa, California, in an annual amount of \$18,000 to provide software and maintenance services to support the electronic filing system; authorize the City Manager to execute the agreement; and approve a budget appropriation in the amount of \$9,000 from the General Fund unallocated reserves to the City Clerk Elections and Political Reporting Program account for the first 6-month cost of the agreement.

BACKGROUND

Since the passage of the Political Reform Act, candidates and political action committees have complied with filing requirements by filing paper copies of campaign financial disclosure statements and reports. Additionally, in accordance with the City's current Conflict of Interest resolutions (Council Resolution No. 12-R0750-1, Harbor Resolution No. 12-R0751-2 and CDC Resolution No. 12-R0752-3) and Government Code Section 87200, designated positions in the City have filed their Statements of Economic Interest (SEI) in paper format. These forms are filed with the City Clerk as the Local Filing Officer/Elections Official.

While the forms are readily available in the City Clerk Department, there has been interest expressed by the public for electronic access. In 2009, staff conducted an in-house pilot program during a special election to provide all campaign statements online. It required a significant amount of staff time to scan, redact necessary information and upload the volume of reports submitted. Due to

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the volume of material and limited staff time, it was determined not to be a viable approach.

In reviewing options currently available, staff has determined that a contract with NetFile of Mariposa, California would provide the public and filers alike with the desired electronic system for filing and viewing the required reports for both campaign disclosure statements and SEI reports.

ANALYSIS

In July 2012, the California Legislature approved Assembly Bill 2452, which authorizes local jurisdictions to require the filing of campaign statements and reports solely in an electronic format. NetFile is the only system currently available that meets the requirements of AB 2452 and is the only vendor approved for paperless filing of Campaign Statements by the Secretary of State.

NetFile was established in 1998 and is a privately held corporation based in Mariposa, California. All programming, sales and support are based in California. The NetFile software is designed for the Web, which provides fast access. Campaign treasurers and SEI filers simply enter their information into the system and can then print disclosure reports and/or file those reports electronically. There is no financial burden to the filers.

The data and reports are hosted on NetFile servers. The data is secured and is replicated to offsite locations for redundancy. The cost of the program includes setup, ongoing support, ongoing maintenance and ongoing training, all provided by NetFile. A document viewing portal for the public will be accessed through the City's website. There will be administration and filer portals, as well.

In order to implement the provisions of Government Code Section 84615 and Assembly Bill 2452, the City must adopt an ordinance approving the use of online or electronic filing, including a legislative finding that the online or electronic filing system will operate securely and effectively and will not unduly burden filers. The ordinance may specify that the electronic or online filing requirements are triggered only by identified monetary thresholds. The proposed ordinance uses the threshold of a candidate or committee receiving or expending \$1,000 or more in any calendar year. However, the proposed ordinance also includes an opt-in section whereby any candidate or committee not required to file under that trigger, may voluntarily opt to file an electronic statement or report. This applies only to local ballot measures and the election of candidates for City offices.

For SEI filing, the process includes submitting an application to the Fair Political Practices Commission (FPPC) for E-filing. NetFile will submit that application and provide the \$1,000 application fee for FPPC approval of their software and electronic filing. This has been done successfully for other cities that currently use NetFile, so no obstacles are anticipated.

FISCAL IMPACT

The annual cost of NetFile is \$18,000, to be paid in quarterly installments of \$4,500. This includes a cost of \$3,250 per quarter for campaign E-filing and a cost of \$1,250 per quarter for SEI E-filing. There are no funds currently appropriated within the City Clerk Department budget for this system. To allow use of NetFile starting with the 2014 General Municipal Election, staff is requesting that funds in the amount of \$9,000 be appropriated from the General Fund unallocated reserves to cover the cost for the first 6-month period to the City Clerk Elections and Political Reporting program (account #120123101.5305). The ongoing cost for the remaining years of the contract will need to be allocated in the City Clerk Department budget. The cost should remain constant at \$18,000 per year over the 5-year life of the contract, with the stipulation that if the number of filers for SEI increases by more than 30 percent, NetFile may have to increase the rate for the SEI-only portion of the system. There are sufficient funds in the General Fund unallocated reserves to cover the requested amount.

INSURANCE REQUIREMENTS

The City's standard insurance requirements will be met.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

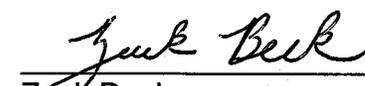
Staff recommends that the City Council introduce an ordinance amending Chapter 2, Article XII to add Sections 2.75 – 2.79 to require online or electronic filing of Campaign Disclosure Statements and Statements of Economic Interest (SEI); approve a five-year Performance Service Agreement with NetFile, Inc. of Mariposa, California, in an annual amount of \$18,000 to provide software and maintenance services to support the electronic filing system; authorize the City Manager to execute the agreement; and approve a budget appropriation in the amount of \$9,000 from the General Fund unallocated reserves to the City Clerk Elections and Political Reporting Program account for the first 6-month cost of the agreement.

PREPARED BY:



Holly Trobaugh
Assistant City Clerk

SUBMITTED BY:



Zack Beck
City Clerk

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
James Riley, Financial Services Director



ATTACHMENTS: 1) Ordinance
2) Performance Service Agreement

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE AMENDING CHAPTER TWO, ARTICLE XII OF THE OCEANSIDE CITY CODE BY THE ADDITION OF SECTIONS 2.75 - 2.79 TO REQUIRE ONLINE OR ELECTRONIC FILING OF CAMPAIGN CONTRIBUTIONS AND EXPENDITURES AND STATEMENT OF ECONOMIC INTEREST REPORTS

WHEREAS, public access to campaign and Statement of Economic Interest disclosure information is an integral component of a fully informed electorate; and transparency is critical in order to maintain public trust and support of the political process;

WHEREAS, since the enactment of the Political Reform Act, candidates and committees have complied with filing requirements by filing paper copies of campaign statements and reports, and, in accordance with the City's current Conflict of Interest resolutions and appendices and Government Code Section 87200, designated persons have filed Statements of Economic Interest reports;

WHEREAS, the City Clerk is the Local Filing Officer for both types of filings, and the City Clerk Department has expended a significant amount of staff time to make such paper filings readily available to the public;

WHEREAS, in July 2012, the California Legislature approved Assembly Bill 2452, which authorizes local jurisdictions to require the filing of campaign statements and reports solely in an electronic format;

WHEREAS, the elimination of manual processing of filings through electronic filing requirements will conserve resources and ensure the public has access to information disclosed in campaign statements and Statement of Economic Interest reports in a more timely manner; and

WHEREAS, the City Council finds that the electronic filing system will operate securely and effectively and will not unduly burden filers.

NOW, THEREFORE, the City Council of the City of Oceanside does ordain as follows:

SECTION 1. Chapter 2, Article XII is amended to add Sections 2.75 through 2.79 to read as follows:

1 “2.75. Online or Electronic Filing of Campaign Disclosure Statements of Economic Interest
2 Filings.

3 The purpose of this section is to require online or electronic filing of campaign
4 statements and require online or electronic reporting of contributions and independent
5 expenditures regarding elections of candidates to city offices and the qualification or passage of
6 local ballot measures within the City of Oceanside as currently required under the Political
7 Reform Act, commencing with California Government Code Section 84200 et seq., in order to
8 facilitate review and maximize the availability of this information to the public.

9 Additionally, this section also requires online or electronic filing of Statement of
10 Economic Interest reports as required by the City’s current Conflict of Interest resolutions and
11 Appendices and Government Code Section 87200.

12 “2.76. Definitions

13 Committee. Any person or combination of persons who, directly or indirectly, does any
14 of the following:

- 15 1) Receives contributions totaling one thousand dollars (\$1,000) or more in any calendar
16 year; or
17 2) Makes independent expenditures totaling one thousand dollars (\$1,000) or more in
18 any calendar year;

19 A person or combination of persons that becomes a committee shall retain its status as a
20 committee until such time as that status is terminated pursuant to California Government Code
21 Section 84214. A committee includes, but is not limited to, “Controlled Committee,”
22 “Independent Committee,” and “General Purpose Committee.”

23 Statement of Economic Interest (SEI) Filer. Any person holding a position that is listed
24 in California Government Code Section 87200 or any person holding a position listed in the
25 current City of Oceanside Conflict of Interest resolutions and Appendices.

26 “2.77. Electronic Filings.

27 A) Each Elected Official, Candidate, Candidate Controlled Committee and Independent
28 Committee that is required to file a semi-annual campaign statement, a pre-election campaign

1 statement or an amended campaign statement with the City Clerk of the City of Oceanside
2 pursuant to Chapter 4 of the Government Code (commencing with Section 84100) and that
3 receives a total of one thousand dollars (\$1,000) or more in Contributions or makes a total of
4 one thousand dollars (\$1,000) or more in Independent Expenditures, shall file the statement
5 with the City Clerk of the City of Oceanside in an electronic format.

6 B) Each person listed as a Statement of Economic Interest Filer that is required to file an
7 assuming office, annual or leaving office statement with the City Clerk of the City of Oceanside
8 pursuant to Government Code Section 87200 or the current City of Oceanside Conflict of
9 Interest resolutions and appendices shall file the statement with the City Clerk of the City of
10 Oceanside in an electronic format.

11 "2.78. Exemption from filing paper copy

12 A Candidate or Committee or Statement of Economic Interest Filer that has filed an
13 electronic statement or report is not required to file a paper copy.

14 "2.79. Option to file electronically

15 Any Candidate or Committee not required to file an electronic statement or report under
16 Section 2.77 may voluntarily opt to file an electronic statement or report by submitting written
17 notice to the City Clerk. A Candidate or Committee that opts to file an electronic statement of
18 report is not required to file a paper copy."

19 SECTION 2. Severability.

20 If any section, sentence, clause or phrase of this Ordinance is for any reason held to be
21 invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision
22 shall not affect the validity of the remaining portions of this Ordinance. The City Council
23 hereby declares that it would have passed this ordinance and adopted this Ordinance and each
24 section, sentence, clause or phrase thereof, irrespective of the fact that any one or more sections,
25 subsections, sentences, clauses or phrases be declared invalid or unconstitutional.

26 SECTION 3. The City Clerk of the City of Oceanside is hereby directed to publish this
27 ordinance, or the title hereof as a summary, pursuant to state statute, once within fifteen (15)

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1 days after its passage in the *Union Tribune*, a newspaper of general circulation published in the
2 City of Oceanside.

3 SECTION 4. This ordinance shall take effect and be in force on the thirtieth (30th) day
4 from and after its final passage.

5 INTRODUCED at a regular meeting of the City Council of the City of Oceanside,
6 California, held on the _____ day of _____, 2014, and, thereafter,

7 PASSED AND ADOPTED at a regular meeting of the City Council of the City of
8 Oceanside California, held on the _____ day of _____, 2014, by the following vote:

9 AYES:

10 NAYS:

11 ABSENT:

12 ABSTAIN:

13
14 MAYOR OF THE CITY OF OCEANSIDE

15 ATTEST:

16 APPROVED AS TO FORM:

17
18 _____
19 CITY CLERK

20
21 
22 _____
23 CITY ATTORNEY

24
25
26 [Ordinance to require for online of electronic filing of campaign contributions and expenditures
27 and Statement of Economic Interest reports]

**AGREEMENT FOR THE PERFORMANCE OF SERVICES
BY AND BETWEEN
CITY OF OCEANSIDE, CALIFORNIA
AND
"NETFILE, INC."**

This agreement for the performance of services ("Agreement") is made and entered into on this 22nd day of January, 2014 ("Effective Date"), by and between "NetFile, Inc.", a California corporation, with its principal place of business located at 2707 Aurora Road, Mariposa, California 95338 ("Contractor"), and the City of Oceanside, California, with its principal place of business located at 300 N Coast Hwy, Oceanside California 92054 ("User"). User and Contractor may be referred to herein individually as a "Party" or collectively as the "Parties" or the "Parties to this Agreement."

RECITALS

Whereas:

- A. User desires to obtain professional services more fully described in this Agreement;
- B. Contractor represents that it, and its sub-contractors, if any, have the professional qualifications, expertise, desire and any license(s) necessary to provide certain goods and/or required services of the quality and type which meet the User's requirements; and,
- C. The Parties have specified in this Agreement the terms and conditions under which such services will be provided and paid for.

Contractor and User agree as follows:

AGREEMENT PROVISIONS

1. SERVICES TO BE PROVIDED

User employs Contractor to perform the services ("Services") more fully described in Exhibit A entitled, "SCOPE OF SERVICES." Exhibit A is attached and incorporated by this reference. Except as otherwise specified in this Agreement, Contractor shall furnish all necessary technical and professional services, including labor, material, equipment, transportation, supervision and expertise to satisfactorily complete the work required by User at his/her own risk and expense.

2. TERM OF AGREEMENT

Unless this paragraph is subsequently modified by a written amendment to this Agreement, the term of this Agreement shall begin on the Effective Date of January 22, 2014 and terminate at the end of the day on January 22, 2019. The fee for this service is listed in the "Compensation

and Payment” section below. Upon User’s sole discretion, this Agreement for continued service may be renewed annually.

3. COMPENSATION AND PAYMENT

- a. For the time period of January 22, 2014 through January 22, 2019, Contractor will bill User on a quarterly basis for Services provided by Contractor during the following quarter, subject to verification by User. User will pay Contractor within thirty (30) days of User’s receipt of invoice.

4. NO ASSIGNMENT OF AGREEMENT

User and Contractor bind themselves, their successors and assigns to all covenants of this Agreement. This Agreement shall not be assigned or transferred without the prior written approval of User.

5. NO THIRD PARTY BENEFICIARY

This Agreement shall not be construed to be an agreement for the benefit of any third party or parties, and no third party or parties shall have any claim or right of action under this Agreement.

6. INDEPENDENT CONTRACTOR

Contractor and all person(s) employed by or contracted with Contractor to furnish labor and/or materials under this Agreement are independent contractors and do not act as agent(s) or employee(s) of User. Contractor has full rights, however, to manage its employees in their performance of Services under this Agreement. Contractor is not authorized to bind User to any contracts or other obligations.

7. SUBCONTRACTING

None of the Services under this Agreement shall be performed by subcontractors unless Contractor specifically identifies subcontractors in writing and User pre-approves such subcontractors in writing. Contractor shall be as fully responsible to User for the acts and omissions of its subcontractors, and of persons either directly or indirectly employed by them, as Contractor is for the acts and omissions of persons directly employed by it.

8. USE OF USER NAME OR EMBLEM

Contractor and its employees, agents and representatives will not, without the prior written consent of User in each instance, use in advertising, publicity or otherwise the name of User or any affiliate of User, or any officer or employee of User, nor any trade name, trademark, trade device, service mark, symbol or any abbreviation, agreement or simulation thereof owned by User or its affiliates, nor represent, directly or indirectly, that any product or service provided by Contractor has been approved or endorsed by User, nor refer to the existence of this Agreement

in press releases, advertising or materials distributed to prospective customers. Notwithstanding the foregoing, Contractor may acknowledge, when asked, that the User is a NetFile client.

9. AUDITS

User, through its authorized representatives, has the right during the term of this Agreement, and for three (3) years from the date of final payment for goods and/or Services provided under this Agreement, to audit the books and records of Contractor regarding matters covered by this Agreement. Contractor agrees to maintain accurate books and records in accordance with generally accepted accounting principles. Any expenses not so recorded shall be disallowed by User. Contractor agrees to help User meet any reporting requirements with respect to Contractor's Services if requested by User in writing.

10. QUALIFICATIONS OF CONTRACTOR

Contractor represents that its personnel are qualified to furnish Services of the type and quality which User requires. User expressly relies on Contractor's representations regarding its skills and knowledge. Contractor shall promptly perform all Services requested by User in a safe manner and in accordance with all federal, state, and local operation and safety regulations. Contractor shall work closely with and be guided by User. Contractor shall also perform all work in accordance with generally accepted business practices and performance standards of the industry.

11. MONITORING OF SERVICES

User may monitor the Services performed under this Agreement to determine whether Contractor's operation conforms to User policy and to the terms of this Agreement. User may also monitor the Services to be performed to determine whether financial operations are conducted in accord with applicable User, county, state, and federal requirements. If any action of Contractor constitutes a breach, User may terminate this Agreement pursuant to the provisions described herein.

12. WARRANTY

Contractor expressly warrants that all materials and services covered by this Agreement shall be fit for the purpose intended, shall be free from known defects, in a timely manner, and shall conform to the specifications, requirements, and instructions upon which this Agreement is based. Contractor agrees to promptly replace or correct any incomplete, inaccurate, or defective Services at no further cost to User when defects are due to the negligence, errors or omissions of Contractor.

Contractor further warrants and represents that it is the owner of or has acquired the rights to use (including derivative rights) the software, technology or otherwise that is required to provide all related materials and services as set forth in Exhibit A, without violating any rights of any third party, and there is currently no actual or threatened suit by any such third party based on an alleged violation of such third-party rights by Contractor.

Contractor further warrants that NetFile servers have a guarantee uptime of 99% and for so long as User shall pay the fees described in this Agreement (a) the System will be materially free of errors, and (b) Contractor will provide the Professional Services in a professional and workmanlike manner consistent with the highest industry standards. Contractor further warrants, during the term of this Agreement, that (i) the NetFile servers will be free of any Harmful Code (as defined below), and (ii) Contractor will not interfere with or disrupt User's or the User's use of the System. For purposes of this Agreement, the term "Harmful Code" means any software code with the ability to damage, interfere with, or adversely affect computer programs, data files, or hardware without the consent or intent of the computer user. This definition includes, but is not limited to, self-replacing and self-propagating programming instructions commonly called "viruses," "Trojan horses" and "worms." Contractor agrees to implement reasonable procedures adequate to prevent any software, link or code provided to User hereunder from being contaminated with Harmful Code. If Contractor learns of or suspects the existence of any Harmful Code, Contractor will immediately notify User and make every effort to remove the Harmful Code.

13. NON-DISCRIMINATION

Contractor shall not discriminate on the basis of race, gender, religion, national origin, ethnicity, sexual orientation, age or disability in the solicitation, selection, hiring, or treatment of subcontractors, vendors or suppliers. Contractor shall provide equal opportunity for subcontractors to participate in subcontracting opportunities. Contractor understands and agrees that violation of this clause shall be considered a material breach of the contract and may result in contract termination, debarment, or other sanctions.

14. CONTRACTOR TO HOLD USER HARMLESS

Subject to the limitations set forth in Exhibit A (SCOPE OF SERVICES) Section F (LIMITATION OF LIABILITY), Contractor agrees to indemnify, protect, defend, and hold harmless User, its User Council, officers and employees from and against any claim, injury, liability, loss, cost, and/or expense or damage, including all costs and reasonable attorney's fees in providing a defense to any claim, arising from Contractor's negligent, reckless or wrongful acts, errors, or omissions with respect to or in any way connected with the performance of the Services by Contractor, its agents, subcontractors and/or assigns under this Agreement.

15. INSURANCE REQUIREMENTS

During the term of this Agreement, and for any time period set forth in Exhibit C, Contractor shall purchase and maintain in full force and effect, at no cost to User insurance policies with respect to employees assigned to the Performance of Services under this Agreement with coverage amounts, required endorsements, certificates of insurance, and coverage verifications as defined in Exhibit C attached and incorporated by this reference.

16. AMENDMENTS

This Agreement may be amended only with the written consent of both Parties.

17. INTEGRATED DOCUMENT

This Agreement represents the entire agreement between User and Contractor. No other understanding, agreements, conversations, or otherwise, with any representative of User prior to execution of this Agreement shall affect or modify any of the terms or obligations of this Agreement. Any verbal agreement shall be considered unofficial information and is not binding upon User.

18. SEVERABILITY CLAUSE

In case any one or more of the provisions in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, it shall not affect the validity of the other provisions, which shall remain in full force and effect.

19. LAW GOVERNING CONTRACT

This Agreement shall be governed and interpreted using the laws of the State of California. Venue shall be Shasta County

20. DISPUTE RESOLUTION

- a. Any controversies or claims between Contractor and User regarding this Agreement must first be put in writing and delivered to the other Party. The Parties will meet in good faith to attempt to resolve the issue in question. If the Parties fail to come to an agreement on the resolution of the issue, all required administrative procedures must be followed. If all administrative procedures are exhausted and the Parties are unable to resolve the issue, the matter must be submitted to mediation within thirty (30) calendar days after the written request for mediation is delivered by one Party.
 - b. The Parties may agree on one mediator. If they cannot agree on one mediator, the Party demanding mediation shall request that the Superior Court of Shasta County appoint a mediator. The mediation meeting shall not exceed one work day [eight (8) hours]. The Parties may agree to extend the time allowed for mediation under this Agreement.
 - c. Mediation under this section is a condition precedent to filing an action in any court. In the event litigation or mediation arises out of any dispute related to this Agreement, the Parties shall each pay their respective attorneys' fees, expert witness costs and cost of suit, regardless of the outcome of the litigation.
 - d. Only after both the administrative dispute resolution procedure and the mediation procedure have failed to resolve a dispute between the Parties may one or both of the Parties file suit in the appropriate civil court.
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21. VENUE

The venue of any suit filed by either Party shall be vested in the state courts of the City of Oceanside, or if appropriate, in the United States District Court, Southern District of California.

22. ELECTION OF REMEDIES

The pursuit by any Party of any specific remedy shall not exclude any other remedy available to the Party.

23. CONFLICT OF INTERESTS

This Agreement does not prevent either Party from entering into similar agreements with other parties. To prevent a conflict of interest, Contractor certifies that to the best of its knowledge, no User officer, employee or authorized representative has any financial interest in the business of Contractor and that no person associated with Contractor has any interest, direct or indirect, which could conflict with the faithful performance of this Agreement. Contractor is familiar with the provisions of California Government Code Section 87100 and following, and certifies that it does not know of any facts which would violate these code provisions. Contractor will advise User if a conflict arises.

24. TERMINATION OF THE AGREEMENT

a. Termination Without Cause

Either Party may terminate this Agreement without cause by giving the other Party written notice ("Notice of Termination") which clearly expresses that Party's intent to terminate the Agreement. Notice of Termination shall become effective no less than thirty (30) calendar days after a Party receives such notice. After either Party terminates the Agreement, Contractor shall discontinue further services as of the effective date of termination, and User shall pay Contractor for all Services satisfactorily performed up to such date.

b. Termination For Cause

For purposes of this Agreement, the term "default" shall mean the failure of any Party to perform any material obligation in the time and manner provided by this Agreement. Either Party may terminate this Agreement in the event of a default by the other Party by providing a written Notice of Termination to the defaulting Party. Such Notice of Termination shall become effective no less than ten (10) calendar days after a Party receives such notice. Such Notice of Termination for cause shall include a statement by the terminating Party setting forth grounds for determination of default under the Agreement. In the event this Agreement is terminated for cause as set forth under this section, User shall pay Contractor for all Services satisfactorily performed up to the date the Agreement is terminated. User may deduct from such payment the amount of actual damage, if any, sustained by User due to Contractor's failure to perform the Services or for breach of this Agreement.

c. Opportunity to Cure Default

Upon receipt of a Notice of Termination for Cause by a Party arising from its default under this Agreement, the defaulting Party shall have five (5) days from the receipt of such notice to cure the default by making such payment or performing the required obligation. If the default is cured to the mutual satisfaction of the Parties, the Agreement shall remain in effect upon written acceptance of the cure by the Party who issued the Notice of Termination for Cause.

In addition to, and cumulative to all other remedies in law, at equity and provided under this Agreement, in the event Contractor is in material default of its duties or obligations under this Agreement and it fails to cure the default within five (5) days after receipt of written notice of Termination for Cause from User, User may, without waiving any other rights under this Agreement, elect to withhold from the payments due to Contractor under this Agreement during the period beginning with the 6th day after Contractor's receipt of notice of Termination for Cause, and ending on the date that the default has been cured to the reasonable satisfaction of User, an amount that is in proportion to the magnitude of the default or the service that Contractor is not providing. Upon curing of the default by Contractor, User will cause the withheld payments to be paid to Contractor, without interest.

d. Termination Due to Unavailability of Funds

When funds are not appropriated or otherwise made available by the User to support continuation of performance, the Agreement shall be cancelled and the Contractor shall be reimbursed for the reasonable value of any nonrecurring cost incurred but not amortized in the price of the supplies or services delivered under the Agreement prior to termination.

25. NOTICES

All notices to the Parties shall, unless otherwise requested in writing, be sent to User addressed as follows:

City of Oceanside
City Clerk
300 N Coast Hwy
Oceanside, CA 92054

And to Contractor addressed as follows:

NetFile
2707 Aurora Road
Mariposa, CA 95338
or by facsimile at (209) 391-2200

26. HOSTING SERVICES

a. Availability of Services.

Subject to the terms of this Agreement, Contractor shall use its best efforts to provide online access to the User and filers of FPPC Campaign Disclosure forms for twenty-four (24) hours a day, seven (7) days a week upon completion of the parsed database and accepted by the User and thereafter, throughout the term of this Agreement. User agrees that from time to time Contractor's servers may be inaccessible or inoperable for various reasons, including: (i) equipment malfunctions; (ii) periodic maintenance procedures or repairs which Contractor may undertake from time to time; or (iii) causes beyond the control of Contractor or which were not reasonably foreseeable by Contractor, including interruption or failure of communications or transmission links, hostile network attacks or other failures (collectively "Downtime"). Contractor shall provide forty-eight (48) hour advance notice to User in the event of any scheduled Downtime. Contractor shall use its best efforts to minimize any disruption, inaccessibility and/or inoperability in connection with the Downtime, whether scheduled or not. In the event of any Downtime, User shall be entitled to a pro-rata reduction of any payments due and payable to Contractor for such period.

b. Backups

Contractor shall maintain backup servers and telecommunications connections and maintain weekly backups of User's database of FPPC Campaign Disclosures Form filings on such backup servers. Contractor's disaster recovery and contingency planning, equipment, software, and telecommunications connections shall enable Contractor to provide User access on and from such backup servers within forty-eight (48) hours of any disruption in service.

c. Storage and Security

Contractor shall operate and maintain the servers in good working order with access restricted to qualified employees of Contractor and persons specifically designated by User. Contractor shall undertake and perform the measures set forth in Exhibit A to ensure the security, confidentiality subject to Section 27 d. below, and integrity of all User content and other proprietary information transmitted through or stored on Contractor's server(s), including, without limitation: (i) firewall protection; (ii) maintenance of independent archival and backup copies of the User's content; and (iii) protection from any network attack and other harmful, malicious, or disabling data, work, code or program.

d. Non-Disclosure

Contractor shall comply with all laws and regulations applicable to the gathering, processing, storing, transmitting and dissemination of personal information. Contractor will not disclose any personal information accepted as required pursuant to the FPPC Campaign Disclosures Form laws, without User's prior written consent, unless such disclosure is (i) authorized pursuant to the FPPC Disclosure laws; (ii) required by law or regulation, but only to the extent and for the purpose of such law or regulation; (iii) is in response to a valid order of any

court of competent jurisdiction or other government body, but only to the extent of and for the purpose of such order, and only if Contractor first notifies User of the order and permits User to seek an appropriate protective order; or (iv) with written permission of User in compliance with any terms or conditions set by User regarding such disclosure.

27. LIABILITY FOR USER SCANNED DOCUMENTS

User accepts any and all liability resulting from the placement of documents scanned by the User that are made available on the Internet for public viewing through the services of the Contractor. In no event does the Contractor accept liability created by any document scanned into the System by the User.

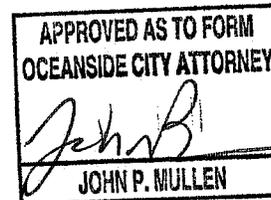
The Parties acknowledge and accept the terms and conditions of this Agreement as evidenced by the following signatures of their duly and authorized representatives. It is the intent of the Parties that this Agreement shall become operative on the Effective Date.

The City of Oceanside,

Name:
Title:

300 N Coast Hwy
Oceanside, CA 92054

NetFile, Inc.



By: _____

Tom Diebert
TOM DIEBERT
Vice President
NetFile, Inc.

2707 Aurora Road
Mariposa, CA 95338
Telephone: (209) 742-4100
Facsimile: (209) 391-2200

By: _____

David Montgomery
DAVID MONTGOMERY
CFO
NetFile, Inc.

2707 Aurora Road
Mariposa, CA 95338
Telephone: (209) 742-4100
Facsimile: (209) 391-2200

**AGREEMENT FOR THE PERFORMANCE OF SERVICES
BY AND BETWEEN
CITY OF OCEANSIDE, CALIFORNIA
AND
NETFILE**

EXHIBIT A

SCOPE OF SERVICES

The Services to be performed for the User by the Contractor under this Agreement are more fully described in the Contractor's proposal which is added to this Exhibit A and incorporated by this reference.

EXHIBIT A – CONTRACT SPECIFICS

A. Expected Outcome

NetFile will develop and maintain a system that permits the City of Oceanside ("User") and users authorized by the User to (1) Electronically file FPPC Campaign Disclosure Forms and FPPC Statement of Economic Interest Forms (for up to 250 filers) to be available in redacted form for public viewing of documents over the Internet through a link on the User's website; (3) maintain a database of the FPPC Campaign and SEI forms to track filings and generate filing deadline and amendment letters and (4) allow the User to scan Campaign and SEI forms not submitted electronically.

B. Deliverables

NetFile will continue to have ready for use a system that permits (1) electronic filing of FPPC Campaign Disclosure Forms and Statement of Economic Interest Forms (hereinafter collectively referred to as "FPPC Forms"); (2) availability of FPPC Forms in an electronic format to be available (in redacted form) for public viewing of documents over the Internet through a link on the User's website; (3) maintaining a database of the FPPC Forms to track filings and generate filing deadline and amendment letters and (4) allow the User to scan FPPC Forms not submitted electronically.

C. Scope of Service

1. For five years from the date of execution of the service agreement, NetFile will develop and maintain a system that:

- (a) For Filers Using the Internet:
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- i. Allows the User to provide to Filers who have their own access to the Internet, a user ID and password which is used to log on to a secure site hosted on NetFile's web server but accessible via the User's web site.
- ii. Allows Filers who have their own access to the Internet, to log on to, enter data in, and upload to NetFile's secure site electronic formats of FPPC Forms.
- iii. Once the forms have been uploaded, NetFile's secure site validates the submitted filing and notifies the Filer that the filing was accepted or, if declined, explains why the filing was declined.
- iv. Allows Filers to print a copy, using Adobe Acrobat Reader, of the forms that they upload to NetFile's secure site.
- v. Allows Filers to access earlier validated electronically filed forms.

(b) For the User:

- i. Allows tracking of Filers and all electronically filed forms in a database.
- ii. Allows User to scan hard copy filings and post to the online searchable database provided a liability waiver is signed by the User absolving NetFile of any liability associated with manually redacted documents not under the control of NetFile during the redaction process.

(c) For All FPPC Forms Uploaded to NetFile's Secure Site:

- i. Produces two versions in .pdf format of the FPPC Forms: one version, not accessible by the public, will include all information as filed (non-redacted); the other version, accessible by the public, will have all street addresses and bank account information, if applicable, blocked from view.

(d) For the Public:

- i. Allows the public to search and view electronically filed documents (with street addresses and bank account information, if applicable, blocked from view) over the Internet.
- ii. If a document was not available electronically, NetFile's secure site will notify the searcher that the document is available for viewing in the office of the City Clerk.

2. NetFile's system will, among other things:

- Issue an ID number and password for Filers.
 - Grant different user access and security levels for User staff.
 - Store and edit general information about Filers.
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**AGREEMENT FOR THE PERFORMANCE OF SERVICES
BY AND BETWEEN
CITY OF OCEANSIDE, CALIFORNIA
AND
NETFILE**

EXHIBIT C

INSURANCE REQUIREMENTS

INSURANCE COVERAGE REQUIREMENTS

Without limiting the Contractor's indemnification of the User, and prior to commencing any of the Services required under this Agreement, the Contractor shall purchase and maintain in full force and effect, at its sole cost and expense, the following insurance policies with at least the indicated coverages, provisions and endorsements:

A. COMMERCIAL GENERAL LIABILITY INSURANCE

1. Commercial General Liability Insurance policy which provides coverage that shall in no event be less than, the following:

\$1,000,000 each occurrence
\$1,000,000 general aggregate
\$1,000,000 personal injury

2. Exact structure and layering of the coverage shall be left to the discretion of Contractor; however, any excess or umbrella policies used to meet the required limits shall be at least as broad as the underlying coverage and shall otherwise follow form.

B. WORKERS' COMPENSATION

1. Workers' Compensation Insurance Policy as required by statute and employer's liability with the following limits: at least one million dollars (\$1,000,000) policy limit Illness/Injury by disease, and one million dollars (\$1,000,000) for each Accident/Bodily Injury.
 2. The indemnification and hold harmless obligations of Contractor included in this Agreement shall not be limited in any way by any limitation on the amount or type of damage, compensation or benefit payable by or for Contractor or any subcontractor under any Workers' Compensation Act(s), Disability Benefits Act(s) or other employee benefits act(s).
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