



AGENDA NO: 9.c

MEETING DATE: April 9, 2024

## Staff Report

TO: Honorable Mayor and City Council

DATE: March 28, 2024

FROM: Dana Swanson, City Clerk

SUBJECT: Consideration of Introduction and First Reading of Ordinance No. 667 Adding Chapter 2.48 to Title 2 of the Morro Bay Municipal Code Relating to Electronic and Paperless Filing of Campaign Disclosure Statements and Statements of Economic Interests

### **RECOMMENDED ACTION**

Introduce for first reading by title only, with further reading waived, Ordinance No. 667: An Ordinance of the City Council of the City of Morro Bay, Adding Chapter 2.48 to Title 2 of the Morro Bay Municipal Code Relating to Electronic and Paperless Filing of Campaign Disclosure Statements and Statements of Economic Interests to the Morro Bay Municipal Code.

### **ALTERNATIVES**

The Council may choose not to introduce Ordinance No. 667 and provide direction as deemed appropriate by a majority of the Council.

### **FISCAL IMPACT**

Implementation of NetFile will result in substantial staff time savings currently spent reviewing, requesting amendments, scanning, redacting and uploading campaign disclosure statements to the City website for public review.

### **BACKGROUND/DISCUSSION**

The Political Reform Act of 1974 ("Act") requires the filing of specified statements, reports and other documents. Under the Act, a local government agency may require these filings to be made online or electronically with the local filing officer (City Clerk). With the enactment of more recent legislation, AB2452 and AB2151, the Act requires the local filing officer to make all data available on the internet in an easily understood format that provides the greatest public access within 72 hours of the filing deadline.

Historically, City Council candidates and campaign committees have filed paper copies of required campaign statements and reports. Once filed, the documents are made available for review by the public. The City Clerk's office spends a significant amount of staff time to make such paper filings readily available and posted online which requires further handling.

Public access to campaign disclosure information is a vital and integral component of a fully informed electorate. Transparency in campaign financing is critical in order to maintain public trust and support

Prepared By: DS

Dept Review: \_\_\_\_\_

City Manager Review: YK

City Attorney Review: LNL

of the political process. Nevertheless, these values require staff resources to implement. As a means to more cost-effectively maintain the public trust, the City recently contracted with NetFile for installation of two electronic programs for on-line submittal and posting of Fair Political Practices Commission (FPPC) forms related to Conflict of Interest (i.e., Form 700s) and Campaign Disclosure documents (i.e., Form 460s). Both programs have been installed and are operational; however, there is one remaining authorization necessary by Council in order to make these filings fully electronic.

Pursuant to California Government Code Section 84615, the City Council must adopt an Ordinance memorializing their approval to require and authorize complete electronic signature and submission of electronic campaign disclosure forms. Tonight's action is the first of a two-step process to implement electronic filing.

The proposed Ordinance pertains specifically to the campaign finance component of the NetFile system, and will only apply to those filers that exceed a threshold of \$1,000 for expending or receiving campaign funds, or another amount as established under the Political Reform Act. This section reflects Senate Bill No. 1329 (2017-2018 Reg. Sess.), which updates applicable thresholds to \$2,000 effective when "the Secretary of State certifies an online filing and disclosure system pursuant to paragraph (7) of subdivision (b) of Section 84602 of the Government Code." This threshold is also consistent with the Act, which recognizes campaigns that spend or raise more than \$2,000 as "Controlled Committees." Under the Act, these types of committees are obligated to file detailed campaign finance disclosure statements, also known as Form 460s. For those smaller campaigns that do not exceed the \$2,000 threshold, they may continue to file paper versions of the Form 470 disclosure forms. That being said, it should be noted that the NetFile system is able to accommodate the online filing of several types of required forms by the FPPC, including Form 460, 470, 496, and 497, which are the most commonly used in Morro Bay's local election campaigns.

The NetFile system is created specifically for cities and counties responsible for administering campaign finance filings and Statements of Economic Interest, meets the requirements of the Secretary of State, and allows for electronic and paperless filing of campaign statements.

In terms of security, the NetFile system is a web-based, vendor-hosted application that utilizes "industry best practices" for securing data, using the same data encryption for online filings that is used by banks for online banking. NetFile stores and backs up data at three separate locations, creating the essential safety measures and redundancy that will allow for recovery of information in the event of an emergency or disaster. The City's data will be retained in compliance with state and local regulations. For professional treasurers that have already purchased campaign software, NetFile is able to receive uploaded data from certain types of third-party applications for electronic filing purposes. The NetFile system also maintains each filing for easy updates the next year or filing cycle.

The City Clerk's office has begun to request City of Morro Bay Statement of Economic Interest (Form 700) filers to file electronically through the NetFile system. State law does not require the City to adopt an ordinance before mandating Form 700s be filed electronically. Rather, this is accomplished through changes to internal procedures. With the transition to electronic filing of Campaign Disclosure Statements through the Ordinance in front of Council, the City Clerk's office intends to require all future reports and other documents filed on behalf of Form 700 filers to be filed electronically. The City Clerk's office is currently responsible for the annual filing of all Form 700s, which include the City Council, Planning Commission, City Manager, City Attorney, City Clerk, Treasurer, designated City employees, board and commission members, and consultants. Form 700s occasionally need

amendments or are submitted incomplete or without marked schedules attached. The Form 700 electronic filing incorporates an initial review process and alerts the filer of errors at the time he or she is entering information, thereby minimizing the need for the City Clerk to request amendments. Transitioning to electronic filing will substantially reduce staff burdens on the Clerk's office.

**ATTACHMENT(S)**

1. Ordinance No. 667