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**AB-689 Municipal Utility District Act: nonstock security.** (2019-2020)

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**Assembly Bill No. 689**

**CHAPTER 230**

An act to add and repeal Section 12773 of the Public Utilities Code, relating to the Municipal Utility District Act.

[ Approved by Governor September 05, 2019. Filed with Secretary of State September 05, 2019. ]

**LEGISLATIVE COUNSEL'S DIGEST**

AB 689, McCarty. Municipal Utility District Act: nonstock security.

The Municipal Utility District Act authorizes the formation of a municipal utility district and authorizes a district to acquire, construct, own, operate, control, or use works for supplying the inhabitants of the district and public agencies with light, water, power, heat, transportation, telephone service, or other means of communication, or means for the collection, treatment, or disposition of garbage, sewage, or refuse matter.

This bill would authorize the Sacramento Municipal Utility District to operate a pilot project, until January 1, 2025, to allow the board of directors of the district to hold nonstock security in a corporation or other private entity if acquired as part of a procurement of goods or services from that entity, provided that (1) no separate funding is expended solely for the nonstock security and (2) the value of each nonstock security acquisition, at the time of the acquisition, does not exceed 3% of the district's annual revenue in the fiscal year the district makes the acquisition. The bill would authorize the governing board of the district to sell or otherwise dispose of the nonstock security when, in its judgment, it is in the best interests of the district to do so. The bill would limit the pilot program to 3 acquisitions and would require that any profit or gain earned by the acquisitions be used to benefit the district's ratepayers.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

**THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:**

**SECTION 1.** Section 12773 is added to the Public Utilities Code, to read:

**12773.** (a) For purposes of this section, "security" has the same meaning as defined in Section 25019 of the Corporations Code.

(b) The Sacramento Municipal Utility District is authorized to operate a pilot project to allow the board of directors of the district to hold nonstock security in a corporation or other private entity if acquired as part of a procurement of goods or services from that entity, provided that no separate funding is expended solely for the nonstock security. The board of directors of the district may sell or otherwise dispose of the nonstock security when, in its judgment, it is in the best interests of the district to do so.

(c) Before exercising the authority described in subdivision (b), the district's board of directors shall do all of the following:

(1) Make the following findings:

(A) The acquisition furthers the purposes of the district, pursuant to the Municipal Utility District Act.

(B) The acquisition is in the interest of the district's ratepayers and the public.

(2) Establish a policy governing acquisitions that shall include, but not be limited to, the following:

(A) Procedures for preventing conflicts of interest and violations of Article 4 (commencing with Section 1090) of Chapter 1 of Division 4 of Title 1 of the Government Code.

(B) Procedures for determining how much of an acquisition to accept in lieu of, or in addition to, other forms of remuneration, in order to ensure the district secures a reasonable return on any intellectual property or other resources it provides the private entity.

(C) Procedures governing the approval process for accepting any acquisitions.

(D) Procedures that ensure acquisition of a nonstock security does not unduly influence the amount paid for the associated goods and services.

(3) Post the policy described in paragraph (2) on the district's internet website.

(4) Adopt a resolution at a regular meeting of the board stating the intent of the board to exercise the authority described in subdivision (b).

(d) The authority described in subdivision (b) shall be limited to a total of three acquisitions. Any profit or other gain earned by these acquisitions shall be used to benefit the district's ratepayers.

(e) The value, at the time of acquisition, of any single nonstock security acquired pursuant to the authority described in subdivision (b) shall be limited to no more than 3 percent of the district's annual revenue in the fiscal year the district makes the acquisition.

(f) This section shall remain in effect only until January 1, 2025, and as of that date is repealed.

**SEC. 2.** The Legislature finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique needs of the Sacramento Municipal Utility District regarding nonstock security interests in private entities with which the district partners to further its purposes.