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AUTHORIZING STATE AND POLITICAL SUBDIVISIONS TO HOLD STOCK IN MUTUAL WATER CORPORATIONS

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AUTHORIZING STATE AND POLITICAL SUBDIVISIONS TO HOLD STOCK IN MUTUAL WATER CORPORATIONS. Assembly Constitutional Amendment 26. Amends Section 31, Article IV, of Constitution.

13 Inserts proviso authorizing the State, or any political subdivision thereof, municipality, or other public corporation to be stockholder in any mutual water corporation when stock is acquired or held for supplying water for public purposes or for use of inhabitants thereof; declares such holder shall have the rights, powers, privileges, obligations and liabilities, of other stockholders in the mutual water corporation in which stock is so held.

YES

NO

(For full text of Measure see page 39, Part II)

Arguments in Favor of Assembly Constitutional Amendment No. 26

The purpose of this amendment is to allow cities in California, whose available water supply is limited, to increase that supply through cooperation with mutual water districts. Some growing cities have found that all available water sources are owned by mutual water companies. These mutual companies can sell water only to their own stockholders. This limitation is placed on mutual water companies by the state constitution and should not be changed.

The constitution, as it now stands, prohibits cities and other political corporations from owning stock in any corporation. This amendment will allow such cities and other subdivisions of the state to buy stock in mutual water companies for the purpose of securing an additional water supply for their inhabitants.

Possible abuses are safeguarded and mutual water companies are protected from the possible aggressive action of cities by the fact that they can sell water only to stockholders and can sell stock only for such amount of water as they have available.

There should be no objection to this amendment, as it simply gives our growing cities an opportunity to increase their water supply by purchasing from mutual water companies where such companies have a surplus that may be sold to the city. By this method, both the city and the mutual water company will be benefited and none others are interested.

CROWELL D. EDDY,
Assemblyman, Eightieth District.

This amendment should be approved by the voters of the state because of the urgency of water needs in many cities, towns and other political subdivisions where the use of the available water supply is fast reaching its maximum. In some instances the municipalities are not in a position to develop more water with their present facilities.

Mutual water companies have quantities of water to sell, but under the terms of their incorporation can sell only to their stockholders. Under the present law a city or other political subdivision, except an irrigation district, is expressly denied the privilege of owning stock in any kind of corporation. Irrigation

[Twenty]

districts are permitted to own stock to acquire water supply. The approval of this amendment by the people will grant permission to a municipality or other political subdivision to acquire and hold stock in mutual water companies only, and this for the purpose of obtaining a required water supply for their inhabitants.

In owning and holding stock in a mutual water corporation a political subdivision is entitled to just the same rights and benefits as any other owner of such stock, and is also subject to all obligations and liabilities as are given and imposed by law to or upon other holders of stock in the mutual water corporation in which such stock is so held.

The irrigation district and the veterans' welfare features referred to in this amendment are already in the state constitution. The provision granting permission to political subdivisions to purchase stock in mutual water companies is the new section and the only portion to be considered.

WILLIS M. BAUM,
Assemblyman, Sixty-fifth District.

Argument Against Assembly Constitutional Amendment No. 26

Section 31 of article IV, of the constitution, contains a prohibition common to state constitutions.

This restriction is designed to prevent municipalities entering into partnership with private corporations. The principal argument against the intended amendment, is that it will permit such partnership arrangements in the case of municipal corporations and mutual water companies.

Many evils may result from such a method of carrying on commercial activities.

By the ownership of stock in a private corporation, a municipality becomes subject to all of the obligations and liabilities of the other stockholders in the private corporation. This is true, even though the municipality may not own a sufficient quantity of the stock to enable it to control the methods of business carried on by the directors of the corporation.

Private corporations whose financial condition is bad, through political means, may induce municipalities to invest in their stock and immediately such investment will create an obligation on the property of the

citizens of the municipality. Political debts can be paid in this manner, for the investment would result in an increased value in the stock of the private corporation.

It appears unjust that the citizens of any municipality should in such a manner be made liable for their share of the bonded indebtedness of a mutual water company, and also for their share of the statutory stockholders liability arising at any time while the municipality owns stock in the mutual water company. Many of the mutual water companies existing in California at the present time, are in financial straits.

It also appears apparent that this method of procedure is not necessary. The law gives municipalities the right of eminent domain, and by the proper proceedings the municipality can acquire such water rights as are necessary, even though they be owned by a mutual water company. In case of a paramount necessity on the part of the city, this method of acquiring water rights is the only just and American method. Even that proceeding would only be necessary, where by negotiations such water

rights could not be acquired by purchase.

It is true that the assurance of an adequate water supply is vital to the further development of many of the cities of California, and it is claimed that there are many communities desiring to avail themselves of the proposed amendment. For the municipality in such a position its remedy should be relegated to the purchase of such water rights, or to the condemnation thereof, in either of which cases, the stockholders of the mutual water company will be properly recompensed.

In the last analysis, it appears that this amendment is submitted on behalf of municipalities which have been injudicious to the extent that they have already invested capital in the stock of existing mutual water companies in violation of the present constitutional provision, and who are now attempting to legalize, by the passage of this amendment, their past mistakes.

Such special legislation should not be supported.

WALTER J. LITTLE,
Assemblyman, Sixty-second District.

to grant aid to the institutions conducted for support and maintenance of minor orphans, half-orphans, or abandoned children, or children of a father who is incapacitated for gainful work by permanent physical disability or is suffering from tuberculosis in such a stage that he can not pursue a gainful occupation, or aged persons in indigent circumstances—such aid to be granted by a uniform rule, and proportioned to the number of inmates of such respective institutions; provided, further, that the state shall have at any time the right to inquire into the management of such institutions; provided, further, that whenever any county, or city and county, or city, or town, shall provide for the support of minor orphans, or half-orphans, or abandoned children, or children of a father who is incapacitated for gainful work by permanent physical disability or is suffering from tuberculosis in such a stage that he can not pursue a gainful occupation, or aged persons in indigent circumstances, such county, city and county, city, or town shall be entitled to receive the same pro rata appropriations as may be granted to such institutions under church, or other control. An accurate statement of the receipts and expenditures of public moneys shall be attached to and published with the laws at every regular session of the Legislature; provided, however, that for the purpose of raising five million dollars, to be used in establishing, maintaining, and supporting in the city and county of San Francisco, State of California, an exposition in commemoration of the completion of the Panama canal, to be known as the Panama-Pacific International Exposition, the state board of equalization shall, for the fiscal year beginning July 1, 1911, and for each fiscal year thereafter, to and including the fiscal year beginning July 1, 1914, fix, establish, and levy such an ad valorem tax of taxation, as when levied upon all the taxable property in the state, after making due allowance for delinquency, shall produce for each of such fiscal years a sum of one million two hundred fifty thousand dollars. The said taxes shall be levied, assessed, and collected upon every kind and character of property in the State of California not exempt from taxation under the law, and subject to taxation on the first day of July, 1910, and in the same manner, and by the same method, as other state taxes were levied, assessed, and collected under the law, as the same existed on the first day of July, 1910. The state board of equalization shall each year, at the time it determines the amount of revenue required for other state purposes, determine, fix, and include the rate of tax necessary to raise the revenue herein provided for.

There is hereby created in the state treasury a fund to be known as the Panama-Pacific International Exposition fund, and all moneys

collected pursuant to this provision, after deducting the proportionate share of the expense for the collection of the same, shall be paid into the state treasury, and credited to such fund. All moneys so paid into such fund are hereby appropriated, without reference to fiscal years, for the use, establishment, maintenance and support of said Panama-Pacific International Exposition. No tax, license fee, or charge of any kind or character shall ever be levied or assessed or charged against any property of said Panama-Pacific International Exposition, or against any property used as exhibit therein, while being used or exhibited in connection therewith.

There is hereby created a commission to be known as the Panama-Pacific International Exposition commission of the State of California, which shall consist of the governor of said state and four other members to be appointed by the governor, by and with the advice and consent of the senate of said state. The governor shall have the power to fill all vacancies occurring at any time in said commission. The members of said commission shall receive no compensation and shall hold office until such exposition shall have been closed and its affairs settled. Said four members of said commission shall be selected from different sections of the state, and the appointment thereof shall be made by the governor of the state during the month of February, 1911. The commission hereby created shall have the exclusive charge and control of all moneys paid into the Panama-Pacific International Exposition fund; and provided, further, that the Legislature shall pass all laws necessary to carry out the provisions of this act, including the times and the manner in which and the terms and conditions upon which moneys shall be drawn from the state treasury by said commission; where contracts and vouchers shall be filed; to whom and how often reports shall be made; what disbursements shall be made of any sum left unexpended or received from the sale of any property or buildings purchased or constructed by said commission for the use of said exposition, or of any disposition of any building or improvement constructed by said commission out of said fund, and to provide for the transfer to the general fund of the State of California, of any portion of said Panama-Pacific International Exposition fund unused.

The commission herein created is authorized and directed to make such proper contract with the Panama-Pacific International Exposition Company, a corporation organized under the laws of the State of California on the twenty-second day of March, 1910, as will entitle the State of California to share proportionately with the contributors to the said Panama-Pacific International Exposition in the returns from the holding of said exposition at the city and county of San Francisco.

AUTHORIZING STATE AND POLITICAL SUBDIVISIONS TO HOLD STOCK IN MUTUAL WATER CORPORATIONS. Assembly Constitutional Amendment 26. Amends Section 31, Article IV, of Constitution.

Inserts proviso authorizing the State, or any political subdivision thereof, municipality, or other public corporation to be stockholder in any mutual water corporation when stock is acquired or held for supplying water for public purposes or for use of inhabitants thereof; declares such holder shall have the rights, powers, privileges, obligations and liabilities of other stockholders in the mutual water corporation in which stock is so held.

YES
NO

Assembly Constitutional Amendment No. 26—A resolution to propose to the people of the State of California an amendment to section thirty-one of article four of the constitution of the State of California relating to the giving or lending of public credit.

The Legislature of the State of California, at

its regular session commencing on the third day of January, 1927, two-thirds of the members elected to each of the two houses of the Legislature voting in favor thereof, hereby proposes an amendment to section 31 of article IV of the constitution of the State of California to read as follows:

[Thirty-nine]

PROPOSED AMENDMENT

(Proposed changes in provisions are printed in black-faced type)

Sec. 31. The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the state, or of any county, city and county, city, township or other political corporation or subdivision of the state now existing, or that may be hereafter established, in aid of or to any person, association, or corporation, whether municipal or otherwise, or to pledge the credit thereof, in any manner whatever, for the payment of the liabilities of any individual, association, municipal or other corporation whatever; nor shall it have power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever; provided, that nothing in this section shall prevent the Legislature granting aid pursuant to section 22 of this article; and it shall not have power to authorize the state, or any political subdivision thereof, to subscribe for stock, or to become a stockholder in any corporation whatever; provided, however, that the provisions hereof shall not apply to, or preclude, the state, or any political subdivision thereof, or any municipality, or other public corporation, from acquiring or holding shares of the capital stock of any mutual water corporation, when such stock is so acquired or held for the purpose of furnishing a supply of water for public or municipal purposes or for the use of the inhabitants of any such political subdivision, municipality, or public corporation, and the state, and any political subdivision thereof, and any municipality, and any other public corporation are hereby severally authorized to acquire and hold such stock, and said holding of such stock shall entitle such holder thereof to all the rights, powers and privileges, and subject such holder to all the obligations and liabilities as are given or are imposed by law to or upon other holders of stock in the mutual water corporation in which such stock is so held; and provided, further, that irrigation districts for the purpose of acquiring control of any entire international water system necessary for its uses and purposes, a part of which is situated in the United States, and a part thereof in a foreign country, may in the manner authorized by law acquire the stock of any foreign corporation which is the owner of, or which holds the title to the part of such system situated in the foreign country; provided, further, that irrigation districts for the purpose of acquiring water and water rights and other property necessary for their use and purposes, may acquire and hold the stock of corporations, domestic or foreign, owning waters, water rights, canals, waterworks, franchises or concessions subject to the same obligations and liabilities as are imposed by law upon all other stockholders in such corporation; and

Provided, further, that nothing contained in this constitution shall prohibit the use of state money or credit, in aiding veterans who served in the military or naval service of the United States during time of war, in the acquisition of, or payments for, farms or homes, or in projects of land settlement or in the development of such farms or homes or land settlement projects for the benefit of such veterans.

The California veterans' welfare bond act of 1921 (statutes of 1921, chapter 578, as enacted at the forty-fourth session of the Legislature of the State of California, authorizing the issuance and sale of state bonds in the sum of ten million dollars, for the purpose of creating a fund to carry out the provisions of the California veterans' welfare act, providing land settlement for veterans (statutes of 1921, chapter 580, and the provisions of the "veterans' farm and home purchase act," providing farm and home aid for veterans (statutes of 1921, chapter 519) is hereby approved, adopted, legalized, validated and made fully and completely effective irrespective of the vote that may be cast upon the proposition of approving or disapproving such veterans' welfare bond act of 1921 at the general election of November 7, 1922. All provisions of

this section shall be self-executing and shall not require any legislative action in furtherance thereof, but this shall not prevent such legislative action.

And provided, still further, that notwithstanding the restrictions contained in this constitution, the treasurer of any city, county, or city and county shall have power and it shall be his duty to make such temporary transfers from the funds in his custody as may be necessary to provide funds for meeting the obligations incurred for maintenance purposes by any city, county, city and county, district, or other political subdivision whose funds are in his custody and are paid out solely through his office. Such temporary transfer of funds to any political subdivision shall be made only upon resolution adopted by the governing body of the city, county, or city and county directing the treasurer of such city, county, or city and county to make such temporary transfer. Such temporary transfer of funds to any political subdivision shall not exceed eighty-five per cent of the taxes accruing to such political subdivision, shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year, and shall be replaced from the taxes accruing to such political subdivision before any other obligation of such political subdivision is met from such taxes.

NOTE.—The text of section 22 of article IV, above mentioned, appears on pages 38-39 hereof.

EXISTING PROVISIONS

Sec. 31. The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the state, or of any county, city and county, city, township or other political corporation or subdivision of the state now existing, or that may be hereafter established, in aid of or to any person, association, or corporation, whether municipal or otherwise, or to pledge the credit thereof, in any manner whatever, for the payment of the liabilities of any individual, association, municipal or other corporation whatever; nor shall it have power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever; provided, that nothing in this section shall prevent the Legislature granting aid pursuant to section twenty-two of this article; and it shall not have power to authorize the state, or any political subdivision thereof, to subscribe for stock, or to become a stockholder in any corporation whatever; provided, further, that irrigation districts for the purpose of acquiring the control of any entire international water system necessary for its use and purposes, a part of which is situated in the United States, and a part thereof in a foreign country, may in the manner authorized by law, acquire the stock of any foreign corporation which is the owner of, or which holds the title to the part of such system situated in a foreign country; provided, further, that irrigation districts for the purpose of acquiring water and water rights and other property necessary for their uses and purposes, may acquire and hold the stock of corporations, domestic or foreign, owning waters, water rights, canals, waterworks, franchises or concessions subject to the same obligations and liabilities as are imposed by law upon all other stockholders in such corporations; and

Provided, further, that nothing contained in this constitution shall prohibit the use of state money or credit, in aiding veterans who served in the military or naval service of the United States during time of war, in the acquisition of, or payments for, farms or homes, or in projects of land settlement or in the development of such farms or homes or land settlement projects for the benefit of such veterans.

The California veterans' welfare bond act of 1921 (statutes of 1921, chapter 578), as enacted at the forty-fourth session of the Legislature of the State of California, authorizing the issuance and sale of state bonds in the sum of ten million dollars, for the purpose of creating a fund to carry out the provisions of the California

veterans' welfare act, providing land settlement for veterans (statutes of 1921, chapter 580), and provisions of the "Veterans' farm and home lease act," providing farm and home aid for veterans (statutes of 1921, chapter 519) is hereby approved, adopted, legalized, validated and made fully and completely effective irrespective of the vote that may be cast upon the proposition of approving or disapproving such veterans' welfare bond act of 1921 at the general election of November 7, 1922. All provisions of this section shall be self-executing and shall not require any legislative action in furtherance thereof, but this shall not prevent such legislative action.

And provided, still further, that notwithstanding the restrictions contained in this constitution, the treasurer of any city, county, or city and county shall have power and it shall be his duty to make such temporary transfers from the funds in his custody as may be neces-

sary to provide funds for meeting the obligations incurred for maintenance purposes by any city, county, city and county, district, or other political subdivision whose funds are in his custody and are paid out solely through his office. Such temporary transfer of funds to any political subdivision shall be made only upon resolution adopted by the governing body of the city, county, or city and county directing the treasurer of such city, county, or city and county to make such temporary transfer. Such temporary transfer of funds to any political subdivision shall not exceed eighty-five per cent of the taxes accruing to such political subdivision, shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year, and shall be replaced from the taxes accruing to such political subdivision before any other obligation of such political subdivision is met from such taxes.

AUTHORIZING QUASI-PUBLIC CORPORATIONS TO EXTEND TERM OF EXISTENCE. Senate Constitutional Amendment 22. Amends Section 7, Article XII, of Constitution. Authorizes any quasi-public corporation to extend its term of existence, prior to expiration thereof, for **14** not exceeding fifty years from date of extension, by vote or written consent of stockholders representing two-thirds of its stock or of two-thirds of its members; extension of any corporation's term not to extend term of any franchise previously held, owned or controlled by it; requires public utility corporation first obtain written consent of Railroad Commission or body having jurisdiction over issuance of its securities.

YES	
NO	

ate Constitutional Amendment No. 22—A resolution to propose to the people of the State of California that section seven of article twelve of the constitution of said state relating to the extension of franchises and charters and the remission of forfeitures of franchises and charters of corporations be amended.

Be it resolved by the Senate, the Assembly concurring, That the Legislature of the State of California, at its forty-seventh regular session commencing the third day of January, 1927, two-thirds of the members elected to each of the houses thereof voting in favor thereof, hereby proposes to the people of the State of California an amendment to the constitution of this state, viz: that section 7 of article XII of said constitution be so amended that said section shall read as follows:

PROPOSED AMENDMENT

(Proposed changes in provisions are printed in black-faced type)

Sec. 7. The Legislature shall not extend any franchise or charter, nor remit the forfeiture of any franchise or charter of any quasi-public corporation now existing or which shall hereafter exist under the laws of this state. The term of existence of any corporation now or hereafter existing under the laws of this state, may be extended, at any time prior to the expiration of its corporate existence, for a period not exceeding fifty years from the date of such extension, by the vote or written consent of stockholders representing two-thirds of its capital stock or of two-thirds of the members thereof; provided, in the case of corporations engaged in public utility business the written consent of the railroad commission or such governing body having jurisdiction over the issuance of securities of such corporations, is first obtained. A certificate of such vote or consent shall be signed and sworn to by the president and secretary, and by a majority of the directors or trustees of the corporation and filed and certified in the manner and upon payment of fees required by law for filing and certifying articles of incorporation, and thereupon the

term of existence of the corporation shall be extended for the period specified in such certificate, and such corporation shall thereafter pay all annual or other fees required by law to be paid by such corporation. The extension of the term of existence of any corporation shall in no case be construed as extending the term of existence of any franchise held, owned or controlled by such corporation prior to the time of such extension.

And be it further resolved by the Senate, the Assembly concurring, That the Legislature of this state hereby submits said proposed amendment to the people of this state for adoption at the next ensuing general election, in the manner and after the publication provided for in the sections of the Political Code of the State of California then in force and effect relating to general elections and the submission and adoption of proposed constitutional amendments.

EXISTING PROVISIONS

(Provisions proposed to be repealed are printed in italics)

Sec. 7. The Legislature shall not extend any franchise or charter, nor remit the forfeiture of any franchise or charter of any quasi-public corporation now existing or which shall hereafter exist under the laws of this state. The term of existence of any *other* corporation now or hereafter existing under the laws of this state, may be extended at any time prior to the expiration of its corporate existence, for a period not exceeding fifty years from the date of such extension, by the vote or written consent of stockholders representing two-thirds of its capital stock or of two-thirds of the members thereof. A certificate of such vote or consent shall be signed and sworn to by the president and secretary, and by a majority of the directors of the corporation and filed and certified in the manner and upon payment of fees required by law for filing and certifying articles of incorporation, and thereupon the term of the corporation shall be extended for the period specified in such certificate, and such corporation shall thereafter pay all annual or other fees required by law to be paid by *corporations*.