

Date of Hearing: May 6, 2015

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT
Brian Maienschein, Chair
AB 738 (Beth Gaines) – As Amended April 6, 2015

SUBJECT: Sacramento Regional Transit District.

SUMMARY: Makes changes to Sacramento Regional Transit District's (RT) boundaries and establishes a new process for the annexation and detachment of territory. Specifically, **this bill:**

- 1) Repeals existing law which governs RT boundaries, and instead, requires RT's boundaries to include the following:
 - a) The cities of Sacramento and Rancho Cordova;
 - b) The unincorporated territory of Sacramento County that is within the urban service area, as determined by the Board of Supervisors;
 - c) The cities of Citrus Heights, Elk Grove, Davis, Folsom, Rancho Cordova, Roseville, Sacramento, West Sacramento, and Woodland, and the counties of Sacramento and Yolo that have annexed to RT; and,
 - d) A city incorporated on or after January 1, 2016, in which the city consists entirely of territory that was included in RT prior to the city's incorporation.
- 2) Prohibits RT's boundaries from being affected by the incorporation of any territory wholly or partly within RT's boundaries or by annexation to or detachment from any city or territory wholly or partly within RT's boundaries, except as follows:
 - a) If a city is included in RT and annexes territory outside RT's boundaries, then that territory is deemed incorporated and annexed into RT, upon completion of the city annexation proceeding; and,
 - b) If territory partly within and partly outside RT is incorporated as a new city, on or after January 1, 2016, then the new city is deemed incorporated into and annexed into RT, upon completion of the city incorporation proceeding.
- 3) Provides that territory deemed incorporated and annexed to RT, pursuant to 1), and 2), above, shall be subject to taxation, in accordance with the assessable valuation of the property in that territory for general district purposes and for payment of any indebtedness incurred by RT, as specified.
- 4) Prohibits RT from levying an ad valorem property tax within the boundaries of any city that is not within RT's boundaries.
- 5) Prohibits RT from levying an ad valorem property tax in all or part of an unincorporated area of any county, if the unincorporated area is not within RT's boundaries.

- 6) Repeals a provision in existing law which governs the annexation process for a city or county to become part of RT which required written request by that city or county and approval by Sacramento Area Council of Governments, and instead, establishes a negotiated annexation process.
- 7) Allows any city or county listed in 1), above, to be annexed to RT in the manner provided in 8), below.
- 8) Requires the legislative body of the city or county proposed to be annexed to agree in writing with RT's board of directors (Board) upon the terms and conditions of annexation. The agreement, among other things, may provide for the levy and collection of special taxes within the city or unincorporated area of the county, the fixing of rates, rentals, and charges differing from elsewhere in the district, and the transfer of property.
- 9) Authorizes RT to detach territory within its boundaries by a supermajority vote of the Board, which shall be at least 80% of the non-weighted vote of the existing Board, provided that the detached territory shall not be relieved from liability for taxation for the payment of any bonded indebtedness existing at the time of detachment, and provided that all other pending legal and financial obligations have been resolved by mutual agreement.
- 10) Provides that the detachment of territory from RT shall be effective upon giving the notice to the Board of Equalization and the county assessor as required by current law for local agency formation commissions to file boundary changes.
- 11) Requires notice of the detachment of territory from RT to be given to each assessor whose roll is used for a tax levy, as specified.
- 12) Makes conforming changes to the definition of "member entity" in RT's Act to mean a city or county that is within the boundaries of RT as defined in 1), above.

EXISTING LAW:

- 1) Establishes the Sacramento Regional Transit District Act (Act) which governs the powers and functions of RT, and establishes RT's territory and Board.
- 2) Provides that RT shall be formed upon the adoption of a resolution by the City Council of Sacramento and by the Sacramento County Board of Supervisors declaring there is a need for RT.
- 3) Authorizes RT to comprise the cities of Citrus Heights, Elk Grove, Davis, Folsom, Rancho Cordova, Roseville, Sacramento, West Sacramento, and Woodland, and specified territory in Sacramento and Yolo counties to the extent they are not included in the above-mentioned cities.
- 4) Provides any city or county may annex to and become part of RT upon approval by the Board following a written request by that city or county and the approval of the Sacramento Area Council of Governments.

- 5) Requires RT's boundaries, at any point in time, to include:
 - a) All the area of any city eligible to participate as defined in 3), or 4), above, in which the governing body has declared a need for RT to operate; and,
 - b) That area of any county eligible to participate under 3), or 4), above, within which the governing body has declared a need for RT to operate.
- 6) Authorizes RT to operate and exercise its powers within any city provided that RT has no power to levy an ad valorem property tax within the boundaries of any city, unless the city council adopts a resolution declaring there is a need for RT to operate and levy a tax within the city boundaries.
- 7) Authorizes RT to operate and exercise its powers within all or part of the unincorporated area of any county provided that RT has no power to levy an ad valorem property tax within any unincorporated area, unless the board of supervisors of the county adopts a resolution declaring a need for RT to operate and levy a tax within the unincorporated area of the county.
- 8) Specifies that a city or county that is not annexed to RT may become a participating entity that is entitled to make at least one appointment to the Board, if they enter into an agreement with RT to pay their proportional share of RT's cost to provide rail or other district-wide transit services to the entity and the District agrees to maintain a specified level of services and is not obligated to provide transit services along any particular route or location.
- 9) Defines "member entity" to mean a city or county that is annexed to RT pursuant to 2), 3), or 4), above. Defines "member entities" to mean all those cities and counties.
- 10) Defines "participating entity" to mean a city or county that is not annexed to RT, but has entered into a specified agreement to pay its proportional share of RT's cost to provide rail or other district-wide transit services to the entity.

FISCAL EFFECT: None

COMMENTS:

- 1) **RT.** The Legislature authorized the creation of the Sacramento Regional Transit District in 1971 to operate a comprehensive public transportation system for the Sacramento region. RT serves an area encompassing 418 square miles and 1.4 million people; it operates 67 bus routes and 38.6 miles of light rail service. RT is governed by an 11-member Board of Directors comprised of eight directors that are appointed by the annexed jurisdictions, which are "member entities," including Sacramento County, and the cities of Sacramento and Rancho Cordova. Additionally, three directors are appointed by non-annexed jurisdictions, which are "participating entities," including the cities of Citrus Heights, Elk Grove, and Folsom. Board members vote based on a weighted vote system established by AB 2137 (Niello), Chapter 227, Statutes of 2008, which is based upon the type of membership and the financial contribution made by each entity to RT.

- 2) **Bill Summary.** This bill makes several changes to the way RT's boundaries may be changed by establishing a new process for annexation and detachment of territory.

Current law allows any city or county to annex and become part of RT upon approval of the Board, if the request is made in writing by the city or county, and the Sacramento Area Council of Governments approves the annexation. This bill repeals this provision of law and establishes a new annexation process for RT. This bill authorizes RT and the legislative body of a city or county proposed to be annexed to agree in writing on the terms and conditions for annexation. This process is already contained in statute for several other transit districts. Under this bill, the agreement for annexation may include the fixing of rates or charges, the transfer of property, or provide for the levy and collection of special taxes. The annexation process would apply to any city listed in the territory defined in RT's enabling act, which means the cities of Citrus Heights, Elk Grove, Davis, Folsom, Roseville, West Sacramento, Woodland and specified territory in Sacramento and Yolo counties could be annexed pursuant to this process. If a city or county wanted to be annexed to RT and they weren't listed in RT's enabling act, they would need to modify statute.

Under current law, if a new city incorporated entirely within the territory of RT, the new city council would need to annex back into the district to activate their membership as a member entity. Under this bill, if a new city incorporates after January 1, 2016, and is entirely within RT's boundaries or includes any territory within RT's boundaries, that city would automatically be annexed to RT as a member entity. Also mirroring existing law for other transit districts, this bill authorizes RT to detach territory within its boundaries with a vote of 80% of the non-weighted Board.

This bill is sponsored by RT.

- 3) **Author's Statement.** According to the author, "The purpose of this bill is two-fold: 1) A number of jurisdictions presently contract with RT for service (the cities of Citrus Heights, Folsom, and Elk Grove). As contracting parties, these jurisdictions are able to maintain a degree of control over the operations of service within their boundaries; these jurisdictions have expressed reluctance to annex to RT and cede control over service that is of benefit to their citizens. Addition of a provision for a negotiated annexation would permit RT and the affected jurisdiction to negotiate an annexation agreement that might commit RT to certain service levels and amenities; 2) The other concern this bill addresses is future incorporation of areas within RT's present boundaries. RT has made significant capital investments in bus and rail transit facilities within its present boundaries and its operations are designed to provide efficient transportation within those boundaries. As RT's Act is presently written, a newly incorporated area must affirmatively act to annex to RT to remain within its boundaries. To protect RT's existing investments in these areas and the integrity of its existing transit network, this bill would specify that these areas remain a part of RT notwithstanding a new incorporation."
- 4) **Policy Consideration.** The Committee may wish to consider, even with the 80% non-weighted vote threshold to detach territory, if it would be possible for the Board to detach territory without that territory's consent. If so, the author and sponsor may wish to consider, if there should be sign-off from both RT's Board and the governing body of the territory proposed to be detached.

- 5) **Arguments in Support.** Supporters argue that this bill addresses issues unique to the manner in which cities and counties may activate their participation with RT.
- 6) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Sacramento Regional Transit District [SPONSOR]

Opposition

None on file

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