

**To:** Mark Drew, Holly Alpert

**From:** Heather Crall

**Re:** Summary of Assembly Bill 54

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You asked me to provide a brief summary of California Assembly Bill 54, which updates and adds to the responsibilities and requirements of LAFCOs and mutual water companies with respect to water management. The bill is fairly straightforward, containing provisions directed at LAFCOs and at water companies and water districts, and is not specifically related to disadvantaged communities. The bill provisions are summarized below.

1. CA Corporations Code § 14301.1(a). **Map.** This section states that any mutual water company operating as a public water system submit to their applicable LAFCO a map depicting “the approximate boundaries of the property that the mutual water company serves.” *Id.* This map must be completed no later than December 31, 2012. *Id.*
2. CA Corporations Code § 14301.1(b). **Information Requests.** This section requires any mutual water company to provide “all reasonably available nonconfidential information related to the operation of the public water system” to its applicable LAFCO if and when the LAFCO requests such information in connection with the preparation of a municipal service review or sphere of influence update. *Id.* The information must be submitted within 45 days of the request. *Id.* The mutual water company must explain in writing why any requested information is not “reasonably available.” *Id.*
3. CA Corporations Code § 14301.2. **Training.** This section requires all board members of a mutual water company that operates a public water system to comply with certain training requirements outlined in section 116755(b) of the California Health and Safety code. *Id.* Specifically, each board member, must, within six months of taking office, complete a 2 hour course offered by a qualified trainer regarding the duties of a board member of a mutual water company, the duties of a corporate director to avoid conflicts of interest in contracts, the duties of public water systems to provide clean drinking water, and long term management of a water system. *See* Cal. Health and Safety Code § 116755.
4. CA Corporations Code § 14301.3(a). **Construction.** This section requires all construction done on public water systems to comply with the official California Waterworks standards. *Id.* California Waterworks standards are contained in Chapter 16 of Title 22 of the California Code of Regulations (they are administrative rules, not legislation). They were last amended in 2008, and regulate several functions of municipal water systems such as reservoir levels, daily demand rates, disinfection of reservoirs, mains, and wells, additives,

materials, and system operation. *See* 22 Cal. Code Reg. 16, Articles 1-8.

5. CA Corporations Code § 14301.3(b). **Reserve Requirement.** This section requires any mutual water company to maintain a financial reserve fund “for repairs and replacements to its water production, transmission and distribution facilities.” *Id.* This fund must be “sufficient for continuous operation of facilities,” in compliance with both federal and state Safe Drinking Water Acts. *Id.*
6. CA Health and Safety Code § 116755(b). **Liability for Fines.** Provides that any mutual water company is liable for any fines, penalties, costs, expenses, etc., that may be imposed on such a company by the California Safe Drinking water Act, and authorizes a mutual water company to levy an assessment to pay such fines. *Id.* If the fine amount “exceeds 5% of the annual budget of the mutual water company,” the bill requires that mutual water company to levy an assessment to pay those fines. *Id.*
7. CA GC § 56375(r). **Annexations.** AB-54 changes slightly the law relating to the annexation of property owned by a mutual water company or public utility into the jurisdiction of a city. The bill provision gives LAFCOs the power to approve and disapprove such annexations at its discretion, but does require any approved annexation to comply with state and federal constitutional prohibitions on the taking of private property without just compensation, i.e., there must be payment for any annexed property. *Id.*
8. CA GC § 56430(c). **Municipal Service Review Compliance.** This section authorizes LAFCOs to include in their Municipal Service Review a review of whether a mutual water company or other agency is in compliance with the California Safe Drinking Water Act. *Id.* A mutual water company that is the subject of a request for information from a LAFCO may satisfy such a request by providing the same information “as prepared by the public water system as provided by Section 116470 of the Health and Safety Code” *Id.*
9. CA Health and Safety Code § 116760.9(c). **Grant Funding Letters of No Prejudice.** This bill provision states that the California Department of Public Health, which provides grant money and funding for water related constructions projects throughout the state, shall not be prejudiced in its awarding of funds because “the costs were incurring by the applicant prior to the department approving the application for funding.” *Id.* It also allows for an applicant to seek reimbursement for costs incurred prior to application for funding. *Id.*