

Date of Hearing: May 19, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 850 (Gallagher) – As Amended March 22, 2021

Policy Committee:	Water, Parks and Wildlife	Vote:	15 - 0
	Local Government		8 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill extends the authorization for the cities of El Monte, Montebello and Willows to sell their public water utilities without voter approval for purposes of consolidating with another system from January 1, 2022 to January 1, 2024.

FISCAL EFFECT:

No additional state costs.

COMMENTS:

- 1) **Purpose.** The City of Willows is seeking to consolidate its water system to ensure the community receives reliable and high-quality drinking water. The city has an interested party, but needs additional time to complete the transaction
- 2) **Background.** It is the policy of the state to encourage the consolidation of small water systems. AB 2339 (Gipson), Chapter 866, Statutes of 2018, authorized the Cities of El Monte, Montebello, and Willows, until January 1, 2022, to sell their water systems for the purpose of consolidating with another public water system if the cities met the criteria in the bill.

AB 2339 requires each of the cities to determine it is uneconomical and not in the public interest to own and operate its public water utility. The city must also meet requirements including (a) performing a study, (b) following provisions allowing for a protest vote, and (c) ensuring the subsumed water systems' rates are the same as the rates paid by customers of the receiving water system. After the city determines it has met its obligations, and after the adoption of a resolution by four-fifths of the governing body, a city may proceed with the sale. The sale is required to be at fair market value.

This bill extends the sunset date, by two years, on the statute to allow eligible cities to use the alternative procedure to sell their water systems.

- 3) **Community Water Systems and Drinking Water Quality.** There are approximately 7,500 public water systems in the state, of which 3,300 are community water systems. A community water system is a public water system that serves at least 15 service connections used by yearlong residents, or regularly serves at least 25 yearlong residents. These water systems primarily serve cities, neighborhoods, schools and businesses. The State Water Board data primarily captures community water systems. Of systems in the State Water Board data, 61% are very small systems serving populations of 25 to 500 people. Those very small systems represent 80% of all drinking water standard violations. The disproportionate number of violations occurring in small systems is due to small systems having a small rate base. A small rate base is more likely to struggle to pay for asset management necessary to maintain the system.

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