

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 1712 (Pacheco) – As Amended April 6, 2026

Policy Committee:	Local Government	Vote:	10 - 0
	Water, Parks and Wildlife		13 - 0

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

SUMMARY:

This bill authorizes the City of Santa Fe Springs, until January 1, 2032, to sell its water system without voter approval for the purpose of consolidating with another public water system if its city council determines doing so is in the public interest and other requirements are met.

Specifically, this bill:

Requires the City of Santa Fe Springs to determine it is uneconomical, and not in the public interest, to own and operate the public water utility, and allow the sale if four-fifths of the city’s legislative body adopts a resolution at a regularly scheduled meeting and all the following requirements have been met:

- a) The sale is not for less than fair market value.
- b) The city’s existing water supply is impaired or otherwise presents a risk to public health and the city lacks the managerial and financial resources necessary to treat the water or replace the system, or the cost of continued management of the water utility by the city would impose an unreasonable financial burden on ratepayers, as demonstrated by an independent rate study meeting the standards under Proposition 218.
- c) The receiving water system’s service area borders the service area of the subsumed water system.
- d) Consolidation of the water systems is economically feasible for the ratepayers of the subsumed water system.
- e) Consolidation of the water systems ensures continued water service to all existing customers without interruption or degradation in service quality.
- f) The city has considered oral and written protest at its second regularly scheduled meeting following adoption of a resolution, as specified, to sell the public utility, and has allowed 45 days for hearing protests. The city must state its intended use of the sale proceeds.
- g) The sale is subject to a majority vote of voters voting on the issue if at least 10% of interested persons protest the sale at a regularly scheduled meeting. If 50% or more protest the sale, the city may not sell the water utility for one year.

- h) The city adopts a resolution at a regularly scheduled meeting that the above requirements have been met.

FISCAL EFFECT:

- 1) Absorbable state costs. The State Water Resources Control Board (State Water Board) regularly handles public water system permits and amendments. If the city uses the ownership transfer process authorized in this bill, the State Water Board must review technical, managerial, and financial (TMF) capacity and issue a new permit. The State Water Board indicates this creates no extra cost because it routinely reviews, issues, and reissues hundreds of water system permits and amendments on an annual basis.
- 2) Local costs are not reimbursable by the state.

COMMENTS:

- 1) **Purpose.** According to the author:

All Californians deserve access to clean, affordable water. However, smaller water systems – such as the one owned by the city of Santa Fe Springs – cannot always afford to hold rates steady while performing much-needed upgrades. If Santa Fe Springs were to finance its desperately needed upgrades, ratepayers would see a nearly 300% increase on their bills. In contrast, if the city sells its system to a larger entity regulated by the California Public Utilities Commission, the larger ratepayer base will allow the new entity to perform critical upgrades with significantly lower rate increases. [This bill] allows the city to sell its water system through a public protest process (rather than a municipal election), thus saving the city, and ultimately ratepayers, money while supporting much-needed upgrades to the water system.

- 2) **Background.** Existing law allows cities to own and operate public utilities to provide various services to their residents, including water; light; heat; power; sewage collection, treatment, or disposal; transportation; or means of communication. Generally, if a city determines it is necessary and in the public interest, it can sell a utility it owns and operates if two-thirds of its city council and two-thirds of its residents approve the sale after notice and an opportunity for protest is provided.

Existing law creates a separate process for the sale or transfer of a water utility operated by a city. Under this process, a city can lease, sell, or transfer a water utility it operates by a majority vote of its city council and a majority vote of its residents.

AB 2339 (Gipson), Chapter 866, Statutes of 2018, authorized the Cities of El Monte, Montebello, and Willows to sell their water systems for the purpose of consolidating with another public water system under specified circumstances. If a city determined it was uneconomical and not in the public interest to own and operate its public water utility, AB 2339 allowed for the sale if four-fifths of the city's legislative body adopted a resolution and specified conditions, similar to the ones required in this bill, were met.

The City of Santa Fe Springs, population 19,000, is located in southeast Los Angeles County. According to the city's 2024 Annual Water Quality Report, the city obtains its water from treated groundwater and from the Metropolitan Water District of Southern California. According to the City of Santa Fe Springs, the sponsor of this bill:

The City of Santa Fe Springs Water System has become a financial drain on the city's budget. The system does not serve the entire city but does include portions of the City of Downey and the City of Norwalk. It is, however, subsidized by all the residents of Santa Fe Springs. It currently runs an annual deficit between \$2.5 to \$3.0 million. It faces extensive deferred infrastructure upgrades and groundwater contamination issues that are beyond the means of the city. Raising the capital would require a significant rate hike or bonds that would place more pressure on our annual budget.

This bill allows the City of Santa Fe Springs to sell its water utility to consolidate it with another utility under requirements similar to the requirements in AB 2339.

Existing law gives the State Water Board the authority to evaluate the ability of a proposed new public water system's ability to meet drinking water standards for the foreseeable future and to deny a permit if it is determined that the new public water system will not be sustainable into the future.

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