
THIRD READING

Bill No: AB 1712
Author: Pacheco (D)
Amended: 4/6/26 in Assembly
Vote: 21

SENATE LOCAL GOVERNMENT COMMITTEE: 6-0, 6/17/26
AYES: Durazo, Choi, Arreguín, Cervantes, Laird, Seyarto
NO VOTE RECORDED: Ashby

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 77-0, 5/14/26 - See last page for vote

SUBJECT: City of Santa Fe Springs: sale of water utility property

SOURCE: City of Santa Fe Springs

DIGEST: This bill allows the City of Santa Fe Springs to sell its water utility without voter approval under specified circumstances.

ANALYSIS:

Existing law:

- 1) Establishes a policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes.
- 2) Encourages the consolidation of small community water systems that serve disadvantaged communities, under specified conditions.
- 3) Allows, under specified conditions, the State Water Resources Control Board (State Water Board) to order the consolidation of a public water system or a state small water system within a disadvantaged community.

- 4) Limits the liability of any agency in the chain of distribution that delivers water to a consolidated water system.
- 5) Allows cities to sell their public utilities when they determine doing so to be in the public interest with a 2/3 vote. However, cities can lease, sell, or transfer their water utilities with majority governing board and voter approval instead.

This bill:

- 1) Allows the City of Santa Fe Springs to sell its water utility for the purpose of consolidating its public water system with another public water system if its legislative body determines it is not in the public interest for the city to own and operate the utility, pursuant to the following requirements:
 - a) The City shall not sell the water utility property for less than its fair market value, as defined.
 - b) The City shall not sell the water utility property without obtaining a 4/5ths vote of its legislative body.
 - c) The City's existing water supply is contaminated, impaired, or otherwise presents a risk to public health, and the City lacks the technical, managerial, or financial capacity to provide for necessary treatment or replacement, or the cost of continued operation, maintenance, or treatment by the City would impose an unreasonable financial burden on ratepayers, as demonstrated by an independent financial analysis applying financial industry standards in adherence to Section 6 of Article XIII D of the California Constitution, commonly referred to as Proposition 218.
 - d) Consolidation of the water systems shall be economically feasible for the ratepayers of the subsumed water system. Ratepayers of the subsumed water system shall be notified of the applicable rate that will be in effect during the first year after consolidation has been completed. Any rate increases following the sale of a public utility for furnishing water service shall be phased in over time.
 - e) Consolidation of the water systems shall ensure continued water service to all existing customers without interruption or degradation in service quality.
 - f) The City shall not sell its public utility for furnishing water service unless it considers oral and written protests at its second regularly scheduled meeting following the adoption of a specified resolution and publication. The resolution shall allow 45 days for hearing protests to the sale and shall state

the city's intended use of the sale proceeds. Notice of the sale may be given by including notice in the agency's regular billing statement. One written protest per parcel, filed by an owner or tenant of the parcel, shall be counted in calculating a protest. The City shall maintain all written protests for a minimum of two years following the date of the hearing to consider written protests.

- g) The resolution shall be published at least once in a daily newspaper published and circulated in the City or, if there is none, the City shall designate a newspaper published in the county. It shall also be posted for not less than 10 days in at least three conspicuous places in the City.
- h) If the City finds that protests have been filed by at least 10% of interested persons, the City shall call an election, as specified. If an election is called, the City shall not sell the public utility for furnishing water service unless the sale is approved by a majority of the City's registered voters voting on the issue.
- i) If 50% or more of interested persons protest the sale of the public utility, the city shall not take further steps for the sale of the public utility. The City, after one year has passed, may sell the public utility if the requirements of this bill are met, including adoption of a new resolution.

2) Sunsets the city's authority on January 1, 2032.

Background

Sales of water utilities. In 2018, the Legislature allowed the Cities of El Monte, Montebello, and Willows to sell their water utilities for the purposes of consolidating with another agency without voter approval under specific circumstances (AB 2339, Gipson, Chapter 866, Statutes of 2018) using a process substantially similar to the one that AB 1712 authorizes for the City of Santa Fe Springs. AB 850 (Gallagher, Chapter 705, Statutes of 2021) extended the sunset on the authorization for the Cities of El Monte, Montebello, and Willows to sell their water utilities without voter approval under specified circumstances from January 1, 2022, to January 1, 2024. The City of Montebello successfully sold its water utility to the San Gabriel Valley Water Company in 2023 for \$15.9 million. Later in 2023, California Water Service purchased the City of Willow's water utility. So far, the City of El Monte has not sold its water utility.

Santa Fe Springs. The City of Santa Fe Springs is located in Southeast Los Angeles County with a population of approximately 19,000 residents. According to

the City's 2024 Annual Water Quality Report, the City obtains its water from treated groundwater and water from the Metropolitan Water District of Southern California. As of 2020, the City's water system had 6,788 municipal water connections. The City's water system serves most, but not all, of the City, and parts of the cities of Downey and Norwalk.

Comments

Purpose of the bill. 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. AB 1712 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."

Public participation. Cities form municipal utilities to control the provision of vital public services, such as water. Instead of distant private corporations owned by shareholders, municipal ownership of utilities provides public control and accountability: voters know who to contact when service is substandard, infrastructure improvements are needed, or rates are too high. If the city sells to a private water utility, residents have to go to the California Public Utilities Commission in San Francisco and navigate the Commission's complex intervenor process to have their voices heard. Like AB 2339 before it, AB 1712 gives residents the opportunity to protest the proposed sale of the utility if they want to keep it in the hands of local officials. However, if the city receives an insufficient number of protests, it can move forward with the sale of the utility without an election. Does the protest process give residents sufficient opportunity to weigh in on a potential sale of a city's water utility?

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 6/30/26)

City of Santa Fe Springs (Source)
California Contract Cities Association
California Water Association

OPPOSITION: (Verified 6/30/26)

None received

ASSEMBLY FLOOR: 77-0, 5/14/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Arambula, Flora, Celeste Rodriguez

Prepared by: Jonathan Peterson / L. GOV. / (916) 651-4119
7/1/26 16:54:57

**** **END** ****