
**SENATE COMMITTEE ON
BANKING AND FINANCIAL INSTITUTIONS**
Senator Timothy Grayson, Chair
2025 - 2026 Regular

Bill No: SB 1291 **Hearing Date:** April 15, 2026
Author: Gonzalez
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Urgency: No **Fiscal:** Yes
Consultant: Michael Burdick

Subject: Mutual water companies

SUMMARY

This bill establishes stronger transparency requirements for mutual water companies, particularly related to board meetings, and requires the Water Board to conduct a study of mutual water companies related to their compliance with drinking water standards, transparency, governance, quality of service, affordability, and adherence to the human right to water.

EXISTING LAW

- 1) Provides for the establishment of a corporation as a mutual water company, where such a corporation is organized for or engaged in the business of delivering water for irrigation or domestic use only to the owners of the company's shares, which are appurtenant to certain lands described in the share certificate. (Corporations Code Section 14300)
- 2) Provides the Mutual Water Company Open Meeting Act (Corporations Code Section 14305) which allows an "eligible person" to attend board meetings and to receive notice of such meetings. Defines "eligible person" to mean any of the following:
 - a) A stockholder or member of the mutual water company.
 - b) A person who is an occupant, pursuant to a lease or rental agreement, of commercial space or a dwelling unit to which the mutual water company sells, distributes, supplies, or delivers drinking water.
 - c) An elected official of a city or county who represents people who receive drinking water directly from the mutual water company on a retail basis.
 - d) Any other person eligible to obtain copies of specified record under provisions of the mutual water company's articles or bylaws.
- 3) Pursuant to the Mutual Water Company Open Meeting Act:
 - a) Requires an eligible person to provide at least 24 hours advance written notice of their intent to personally attend a board meeting.
 - b) Authorizes the board to use teleconferencing to provide any eligible person access to the meeting that otherwise would be denied attendance at a board meeting for failure to provide the 24-hour notice or due to insufficient room capacity, as specified.

- c) Prohibits the board from prohibiting a person from attending a board meeting either in person, so long as the eligible person has complied with the 24 hour notice requirement, or by teleconference. Authorizes the board to allow an eligible person to attend the meeting personally in lieu of using teleconferencing.
 - d) Requires the board to maintain meeting minutes and to make those minutes available to eligible persons, as specified.
 - e) Requires the board to give notice to eligible persons of the time and place of a board meeting at least four days prior to the meeting (except for an emergency meeting) by posting the notice in a prominent, publicly accessible place and by mail to any eligible person who requested such notification.
 - f) Requires the board to permit any eligible person to speak at a board meeting, subject to a reasonable time limit established by the board.
 - g) Authorizes an eligible person to bring a civil action for declaratory or equitable relief for a violation, subject first to a demand to cure or correct, as specified.
- 4) Requires a board of a mutual water company that operates a public water system to make the following records available to eligible persons upon request, as specified: agendas and meeting minutes, annual budget, accounting statements, records related to water quality tests, and annual shareholder reports. (Corporations Code Section 14307)

THIS BILL

- 1) Removes the requirement that an eligible person provide at least 24 hours advance written notice prior to personally attending a meeting of the board of a mutual water company.
- 2) Requires a board of directors of a mutual water company with 50 or more connections to use teleconferencing to provide any eligible person access to a board meeting.
- 3) Authorizes a board of directors of a mutual water company with less than 50 connections to use teleconferencing to provide any eligible person access to a board meeting.
- 4) Requires a board of directors of a mutual water company to provide to an eligible person, upon request, an electronic copy or photocopy of all documents not related to an executive session to be discussed at a board meeting. Authorizes the board to charge a fee to cover the direct costs of duplication for photocopied document. Prohibits the board from charging a fee for electronic copies of documents.
- 5) Requires the notice required in advance of a board meeting be posted on the mutual water company's website in a clear manner and in an easily navigable location. Requires the notice be given by mail or electronic means to any eligible person who had requested such notification. Allows the board to charge a fee for the direct costs of reproduction and mailing. Prohibits the board from charging a fee for electronic notice. Requires detailed information on how an eligible person can request to receive such notifications to be displayed on the mutual water company's website in a clear manner and easily navigable location.
- 6) Requires the notice and agenda of a board meeting be distributed by electronic means, four days prior to the meeting, to federal, state, county, or city elected officials, or their

representative, who represent people who receive drinking water directly from the mutual water company on a retail basis.

- 7) Requires a mutual water company that operates a public water system to make specified records promptly available in an electronic form or in a hard copy. Adds to the specified list of records a copy of the log related to water quality and system water outage complaints maintained according to state regulations. Authorizes the mutual water company to charge a fee for the direct costs of duplication. Prohibits the mutual water company from paying a fee for electronic documents. Requires the mutual water company to maintain on its website detailed information on how an eligible person can request to receive such records.
- 8) Adds to the definition of “eligible person” a federal or state official (or the representative of a federal, state, county, or city elected official) who represents people who receive drinking water directly from the mutual water company on a retail basis.
- 9) Requires a mutual water company that operates a public water system to make available on its website a downloadable electronic copy of the company’s annual consumer confidence report, as specified, and to annually deliver a copy of the report to each customer. Requires the mutual water company to make a good faith effort to notify non-bill-paying customers, including renters or workers, of the report, as specified.
- 10) Requires the Water Board, by December 31, 2027, to conduct an assessment, as specified, of mutual water companies that operate a public water system related to compliance with drinking water standards, governance, transparency, quality of service, affordability, and adherence to the human right to water.

COMMENTS

1) *Purpose*

According to the author:

Low-income and disadvantaged communities in California, including Cudahy and Maywood in Senate District 33, have had decades of well-documented problems with their mutual water companies, from being served brown water for upwards of twenty years to being shut out of board meetings when election time comes. Our office has engaged directly with the City of Cudahy on these issues for years and seen firsthand the problems our constituents are facing.

SB 1291 has two sections to address these issues. The first section strengthens existing transparency requirements for mutual water companies, requiring water end users and other eligible persons such as their elected officials be allowed to attend board meetings without providing written notice and request pertinent documents virtually without being charged. The second section requests the State Water Board do a comparative analysis on mutual water companies serving disadvantaged and low-income communities, determining their effectiveness in engaging communities and meeting standards for water quality.

2) *Background*

Mutual water companies deliver water to 1.3 million Californians who are not served by municipal-owned (i.e., city, county, or special district) water departments or investor-owned utilities. Under state law, mutual water companies are often organized as nonprofit mutual benefit corporations owned by their members or as corporations owned by their shareholders. Mutual water companies are limited to serving only their shareholders or members, whose shares are linked to land they own in the service area of the mutual water company. There are approximately one thousand mutual water companies operating in California, more often in rural areas but also in smaller pockets of urban communities.

Mutual water companies are subject to several areas of state and federal law. The organization and governance of a mutual water company is specified by provisions of the Corporations Code. They are required to report to the Local Agency Formation Commission (LAFCO) in the county of their service area. They are regulated under the federal Safe Drinking Water Act, and those mutual water companies that operate a public water system are subject to regulation by the California Department of Public Health and must comply with requirements of the State Water Resources Control Board and pertinent Regional Water Quality Control Boards.

In several ways, mutual water companies are governed similarly as homeowner associations (HOAs). State law provides the bedrock for how the organization is legally created and specifies certain duties and responsibilities. Many of the specific decisions for how the organization operates, however, are left to the organization. Mutual water companies, like HOAs, are largely self-governing, and how mutual water companies self-govern is a fundamental issue addressed by this bill.

3) *Water problems*

While issues of governance are directly addressed by this bill, the desire for stronger governance is rooted in the human right to safe, clean, and affordable drinking water: governance is but a means to the end goal of realizing that human right. Since the enactment of the Human Right to Water law in 2012, California continues to struggle towards full realization of the state's goal. According to the State Water Resources Control Board, 411 water systems serving 556,607 Californians are deemed "failing" under the SAFER framework, driven primarily by water quality and accessibility.¹ An additional 661 water systems serving almost 2 million Californians are deemed "at-risk."

Failing and at-risk water systems are located throughout the state and across each type of water system: municipally-owned, investor-owned, mutual water companies, and private systems. According to the California Association of Mutual Water Companies, 20% of the systems on the "failing" or "at-risk" list are mutual water companies, indicating that mutuals are not alone when it comes to water problems.

The author's office provides a several examples of problems related to mutual water companies, including:

¹ https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/saferdashboard.html, accessed on April 8, 2026.

- A homeowner was charged \$20,000 “impact fee” related to a remodel. Water company shut water off and forced homeowner into payment plan that added \$200/month to bill in order to resume service.²
- Black, brown, or yellow water intermittently ran from residential faucets for years.³
- Arsenic contamination issues led to the consolidation of a mutual water company near Tulare.⁴

These examples are not an indictment of the mutual water company model, as similar issues arise in other water delivery models. Rather, these stories help to illustrate the underlying issues that motivate the desire for governance mechanisms that can help shareholders or members address deficiencies at a mutual water company.

4) *Principals and their agents*

The fundamental purpose of the corporation is to serve the interests of its shareholders or members, but in most cases, members are not involved in the day-to-day management and administration of the corporation. The members rely on agents – the managers and employees of the corporation – to conduct the business of the organization. This structure introduces the risk of misaligned incentives between the principals of the organization (i.e., the members or shareholders of a mutual water company) and their agents (i.e., the people who manage the mutual water company and conduct its business activities).

Certain governance mechanisms are required by law to facilitate accountability and transparency within a corporation, with the aim of reducing the risk that agents act against the interest of principals. A corporation organized under California law is required to have a board of directors who are elected by the shareholders, and the board is expected to exert influence and issue direction to managers of the corporation. Thus, the board is the primary mechanism through which the shareholders hold management responsible for their actions and the performance of the corporation.

Corporate governance is important in the realm of for-profit enterprise, but governance takes on a heightened role in the case of mutual water companies. If the shareholder of a for-profit company disagrees with the actions of management or the board, the shareholder has the option to simply sell their shares in the corporation and invest elsewhere. But members or shareholders of a mutual water company do not have such a simple option. To switch water utility providers, the member is left with the disruptive option of selling their home and moving to a different area. Because the member cannot “exit” the corporation in a traditional way by selling its shares, there is a greater need for governance mechanisms that empower that member to exert influence on the board and management to effect change in the activities of the mutual water company.

This bill strives to empower shareholders or members of mutual water companies by making board meetings more accessible and by providing enhanced transparency of board and company activities. By making it easier to participate in board meetings and to obtain electronic copies of company records, the bill gives more power to members and shareholders to exert influence over the board of a mutual water company. The underlying theory of change rests on the assumption that empowering members or shareholders can lead

² <https://www.paloaltoonline.com/news/2019/07/17/troubledwater/>

³ https://www.huffpost.com/entry/maywood-pollution_n_1073960

⁴ https://www.epa.gov/system/files/documents/2022-06/WSP_Pratt%20Mutual_Case%20Study_508.pdf

to positive outcomes related to the quality, accessibility, and affordability of drinking water in areas served by mutual water companies.

5) *Arguments in Support*

Clean Water Action, Leadership Counsel Action, Community Water Center, and Physicians for Social Responsibility – Los Angeles write in support:

[Mutual water companies (MWCs)] were developed with the best of intentions, allowing neighbors to come together to address a shared need for safe drinking water. Over time, that relationship often changes; property owners develop or rent their property and are no longer direct customers, yet still retain authority over the water system. These non-profit mutual benefit corporations are governed by boards that are beholden to their shareholders (property owners the MWC serves) and are not subject to public transparency laws like the Brown Act or the California Public Records Act. This can result in serious problems for customers of the water system, including lack of access to records, inaccessible governance and difficulties accessing safe drinking water. Our organizations have found that some mutual water companies are so averse to transparency that they refuse to apply for grant funding for needed improvements because of the reporting requirements. When the Legislature made \$1 billion available in 2021-23 to address pandemic water debt, approximately 90% of mutual water companies chose not to request funds to assist their customers. One is left to question whether these companies have the best interest of their ratepayers in mind...SB 1291 will ensure community access to MWC board meetings and key records at no cost, strengthen notice requirements, and direct the State Water Board to assess how well these systems are serving vulnerable communities. For these reasons, our organizations support SB 1291.

6) *Arguments in Opposition*

The California Association of Mutual Water Companies writes in opposition:

We appreciate the author's office for their willingness to engage in discussions regarding potential amendments to AB 1291. However, we must respectfully oppose the bill as currently written because it imposes new administrative and operational mandates...

Teleconferencing involves far more than simply posting a phone number or Zoom link; meaningful public access requires reliable technology, adequate staffing, and clear administrative protocols. Any right-sized solution must account for the operational capacity and the structure of the organization...Mutual water companies, like other water providers, vary significantly in their resources, access to technology, and community needs. A blanket mandate that fails to account for these operational realities risks creating compliance obligations that are difficult to implement effectively...

Many mutual water companies already maintain websites and provide public notices online. However, others face genuine economic hardship and technological barriers, including the costs of website development, maintenance, accessibility compliance (including the ever-growing threat of ADA compliance lawsuits), and the staff time required for regular updates. If online posting requirements are to remain in the bill, they should include hardship exemptions and alternative compliance pathways.

7) *Double Referral*

This bill is double referred to the Committee on Environmental Quality.

8) *Prior and Related Legislation*

AB 1077 (Holden, Chapter 669, Statutes of 2015) allows a mutual water company to use teleconferencing as a means to allow eligible persons to access board meetings, pursuant to the Mutual Water Company Open Meeting Act.

AB 240 (Rendon, Chapter 633, Statutes of 2013) increased transparency requirements for those mutual water companies that operate a public water system by enacting the Mutual Water Company Open Meeting Act and authorized mutual water companies to impose liens to collect unpaid charges.

AB 54 (Solorio, Chapter 512, Statutes 2011) established training requirements for board members of a mutual water company regarding the duties of board members, made mutual water companies liable for specified fines and penalties for violating the California Safe Drinking Water Act, and expanded the authority of a LAFCO to review matters related to mutual water companies.

LIST OF REGISTERED SUPPORT/OPPOSITIONSupport

City of Cudahy
 City of Maywood
 Clean Water Action
 Communities for a Better Environment
 Community Water Center
 Leadership Counsel Action
 Physicians for Social Responsibility - Los Angeles

Opposition

Bellflower-somerset Mutual Water Company
 California Association of Mutual Water Companies
 California Domestic Water Company
 Covina Valley Mutual Water Company
 Fairway Mutual Water Company
 Jubilee Mutual Water Co, INC
 Krista Mutual Water Company
 LA Cumbre Mutual Water Company
 Marygold Mutual Water Co
 Muscoy Mutual Water Company #1
 North Shore Mutual Water Company
 Rubio Canon Land and Water Association
 San Antonio Water Company
 South Mesa Water Company
 Sunnyslope Water
 Terrace Water Company

Western Heights Water Co
Willo Glen Water Company
Wini Mutual Water Company

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