

ANALYSIS

This ordinance grants a water pipeline franchise to California Domestic Water Company, a California corporation ("Franchisee"), to collect, transport, and distribute water for a period of fifteen years, beginning on October 23, 2025, and expiring on October 22, 2040. The base annual fee payable to the County of Los Angeles by Franchisee will be determined according to a formula contained in Section 2 of this ordinance. Franchisee will also pay a granting fee of ten thousand dollars.

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County Counsel

By 
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Public Works Division

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Requested: 03/06/2025
Revised: 07/22/25

ORDINANCE NO. _____

An ordinance granting a water pipeline franchise to California Domestic Water Company, a California corporation, for a period of fifteen years, beginning on October 23, 2025, and expiring on October 22, 2040.

The Board of Supervisors of the County of Los Angeles ordains as follows:

Section 1. Franchise Term; Grant.

The right, privilege, and franchise is granted to California Domestic Water Company, a California corporation ("Franchisee"), and its successors and assigns, for a period of fifteen (15) years, beginning on October 23, 2025, and expiring on October 22, 2040, to lay, construct, reconstruct, operate, maintain, renew, repair, change the size of, remove, or abandon in place, pipes and pipelines for the collection, transportation, or distribution of water, mud, steam, wastewater, and other liquid substances, excluding any hazardous substances or hazardous waste within the meaning of the "Comprehensive Environmental Response Compensation and Liability Act of 1980" (42 U.S.C. § 9601 et seq.), as may be hereafter amended, and the "Federal Water Pollution Control Act," commonly referred to as the "Clean Water Act" (33 U.S.C. § 1251 et seq.), as may be hereafter amended, together with all manholes, valves, cathodic protection systems, appurtenances, and connections necessary or appropriate for the operation of said pipes or pipelines, including poles, conduits, wires, cables, including adjunct communications lines, and other appurtenances and equipment for telegraph or telephone lines, or both, necessary or appropriate solely for Franchisee's operations in, on, along, upon, under, or across any and all highways, as defined in Los Angeles

County Code ("County Code") Section 16.36.080 ("County Highway"), now or hereafter dedicated to public use within the franchise area of the unincorporated territory of the County of Los Angeles ("County"), State of California, as depicted on the map attached hereto as Exhibit "A" and made a part hereof.

Section 2. Consideration; Payment of Fees.

During such times as Franchisee's operations and rates for transportation are subject to the provisions of section 6231 of the California Public Utilities Code, the consideration shall be calculated pursuant to said section or other maximum amount permitted by law.

A. Granting Fee. As consideration for the franchise granted, transferred, extended, or otherwise amended, Franchisee shall pay to the County a fee of ten thousand dollars (\$10,000) within thirty (30) days after the adoption of this ordinance.

B. Annual Franchise Fee. As additional consideration for the franchise granted or extended, Franchisee shall pay annually in arrears, on or before April 15 following the end of each calendar year ("Fee Payment Date"), for each year during the life of the franchise, to the County, in lawful money of the United States, a franchise fee computed annually ("Annual Franchise Fee"), as set forth below:

Two percent (2%) of the gross annual receipts of Franchisee arising from the use, operation, or possession of the franchise; provided, however, that such payment shall in no event be less than one percent (1%) of the gross annual receipts of

Franchisee derived from the sale within the franchise area of the commodity or service for which the franchise is awarded. Such percentage shall be paid annually during the life of the franchise, including the year of granting of the franchise. In the event this amount is increased by federal or State law or the County is empowered to increase the rate, the County reserves the right to increase the rate to the maximum amount permitted by federal, State, or local law.

C. In addition to the foregoing Annual Franchise Fee, Franchisee shall also pay to:

1. County Department of Public Works ("Public Works"), on or before the Fee Payment Date, for each year of the life of the franchise, an initial construction charge calculated at a rate of one hundred dollars (\$100) per mile or fraction thereof for all new main lines laid during the preceding calendar year.

2. County Auditor-Controller ("Auditor-Controller"), on or before the Fee Payment Date, for each year during the life of the franchise, an Annual Franchise Fee, described in subsection 2.B., above, for the preceding calendar year.

3. County any application fees, administrative fees, processing fees, late charges, accrued interest, and penalties required in connection with this franchise, all of which may be charged at the then-current applicable rates.

Section 3. Reports.

Franchisee shall during the life of the franchise:

A. File with the Auditor-Controller, within sixty (60) days after the expiration of each calendar year and, for the initial year of the franchise, within sixty (60) days after the expiration of that fractional calendar year, two copies of a report verified under oath by a duly authorized representative of Franchisee showing the total gross receipts of Franchisee for the immediately preceding franchise payment period, received or accrued in connection with the furnishing of the commodity or service arising from the use or operation of the franchise, together with such data as is necessary in the opinion of the Auditor-Controller to calculate or verify the calculation of the annual payment required by subsection 2.B., above (or the pro rata amount thereof for the first period if the first period is less than one year).

B. Show in the report prepared pursuant to subsection 3.A., above, any change in franchise footage since the end of the most recent Franchise Report Period, segregating such footage as to new main lines laid; old main lines removed; old main lines abandoned in place, including the internal diameter of such main lines laid, removed, or abandoned in place; the footage of new conduits laid for wires, cables, telegraph lines or telephone lines, old conduits removed, old conduits abandoned in place; the diameter of such conduits laid, removed, or abandoned in place; and the footage and internal diameter of main lines and conduits in territories annexed or incorporated since the last day of the most recent Franchise Report Period.

C. File with Public Works, on or before each Fee Payment Date, a report showing the permit number for each permit obtained for the installation of new main lines and conduits during the most recently completed Franchise Report Period, together with the length and size of such main lines and conduits.

Section 4. Late Payments.

A. In the event Franchisee fails to make full payment of any of the payments provided for herein on or before the dates they are due, Franchisee shall pay a late charge of ten percent (10%) of the amount due, said ten percent (10%) being due on the sixty-first (61st) day after the original due date.

B. In the event full payment of any rate, payment, or fee, including the ten percent (10%) late charge, is not received within ninety (90) days after the original due date, an assessment of interest shall accrue on the unpaid balance at ten percent (10%) per month, beginning on the ninety-first (91st) day after the original due date until full payment is received. Should the franchise payment not be provided to the County, County reserves the right to terminate the franchise. Upon termination of the franchise, operation of the facilities covered by the franchise will no longer be authorized, and Franchisee will be liable for costs associated with such termination, including, but not limited to, the costs of abandonment and/or removal of Franchisee's facilities. This term shall survive the termination or expiration of this franchise.

Section 5. Indemnification, Insurance, and Bonding.

Franchisee shall meet the following indemnification, insurance, and bonding requirements:

A. Franchisee shall indemnify, defend, and hold harmless the County and its special districts, elected and appointed officers, employees, and agents ("County's Agents") from and against any and all expenses, costs, fees, damages, claims, liabilities, and lawsuits of any nature, including, without limitation, those involving, relating to, or asserting bodily injury, personal injury, death, property damage, encroachment or encumbrance upon property rights or interests, infringement of property rights or interests, loss of property value, defense costs, attorneys' fees, and workers' compensation benefits (collectively "Claims"), that relate to or arise from:

(1) County's grant and/or extension of the franchise; (2) Franchisee's use or exercise of the franchise and/or the operations or services provided by Franchisee, its employees, agents, servants, receivers, contractors, subcontractors, successors, or assignees ("Franchisee's Agents") in connection with the franchise; and/or (3) any acts or omissions of Franchisee, Franchisee's Agents, or any person in connection with activities or work conducted or performed pursuant to the franchise and/or arising out of such activities or work. In furtherance of, and in no way limiting the foregoing, Franchisee shall indemnify, defend, and hold harmless the County and the County's Agents from and against any and all Claims that relate to, arise from, or involve pollution, contamination, degradation, and/or environmental compliance, relating to,

arising from, or involving the franchise, or Franchisee's use or exercise thereof, including, but not limited to, any Claims arising from or relating to any threatened, actual, or alleged discharge, dispersal, release, or escape of any substance, including, but not limited to, any pollutant or contaminant of any kind, into or upon any person, thing, or place, including the land, soil, atmosphere, man-made structure, and/or any above or below ground watercourse or body of water.

B. Public Works shall be immediately notified by Franchisee of any discharge, dispersal, release, or escape of any water, steam, wastewater, mud, or other substances from Franchisee's pipelines or appurtenances within the franchise area. All actions to investigate, remove, or remediate any substance reasonably demonstrated to be discharged, dispersed, released, or escaped from Franchisee's pipelines or appurtenances, and actions to repair or restore Franchisee's pipelines and appurtenances, shall be the sole responsibility of Franchisee and shall be conducted by Franchisee or Franchisee's Agents, in conformance with any and all laws, ordinances, rules, regulations, requirements, and orders whatsoever, present or future, of the federal, State, County, or other applicable local government at Franchisee's sole cost and expense, and shall be immediately undertaken by Franchisee or Franchisee's Agents. If Franchisee fails to take any action required pursuant to this Section, the County may, but shall not be obligated to, take all actions it deems appropriate at Franchisee's sole expense. Upon written demand by the County, Franchisee shall reimburse the County for all County expenses reasonably incurred in connection with

the County's actions, including, but not limited to, all direct and indirect costs relating to investigation, remediation, and removal.

C. Without limiting Franchisee's indemnification of the County or the County's Agents, Franchisee shall provide and maintain at its own expense, during the term of this franchise, the following programs of insurance. Such programs and evidence of insurance are required to be satisfactory to the County, and shall be primary to, and not contributing with, any other insurance or self-insurance programs maintained by the County.

1. Certificate(s) or other evidence of coverage satisfactory to the County shall be delivered to Public Works on or before the operative date of this franchise ordinance, and on or before the expiration date of each term of insurance. Such certificates or other evidence of coverage shall:

- a. Specifically identify this franchise ordinance;
- b. Clearly evidence all insurance required in this franchise ordinance;
- c. Contain the express condition that the County is to be given written notice by registered mail at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of liability insurance, and at least thirty (30) days in advance of any modification, non-renewal, cancellation, or termination of any program of Workers' Compensation or other insurance required by subsection 5.C.;

d. Include a copy of the additional insured endorsement to the commercial general liability policy, adding the County and County's Agents as additional insureds for all activities arising from or related to this franchise; and

e. Show Franchisee's insurance as primary to the County's insurance and self-insurance programs. This may be evidenced by adding a statement to the additional insured endorsement required in subsection 5.C.1.d., above, stating: "It is further agreed that the insurance afforded by this policy is primary to any insurance or self-insurance programs maintained by the additional insureds, and the additional insureds' insurance and self-insurance programs are excess and non-contributing to Named Insureds' insurance."

2. The County reserves the right to require within thirty (30) days copies of Franchisee's insurance policies at the County's request.

3. Insurance is to be provided by an insurance company with an A. M. Best rating of not less than A:VII, unless otherwise approved by Public Works in writing.

4. Franchisee shall release the County and the County's Agents and employees and waive its rights of recovery against them under the insurance policies specified in this franchise unless injury, death, loss, damage, or destruction is caused by either willful misconduct or sole negligence of the County.

5. Such insurance shall be endorsed naming the County and the County's Agents as additional insureds, and shall include, but not be limited to:

a. Commercial General Liability insurance written on a commercial general liability form (ISO policy form CG 00 01, or its equivalent, unless otherwise approved by Public Works in writing), with a combined single limit of not less than five million dollars (\$5,000,000) per occurrence.

i. If written on a claims-made form, such insurance shall be endorsed to provide an extended reporting period of not less than two (2) years following expiration, termination, suspension, or cancellation of this franchise.

b. Comprehensive Auto Liability insurance (written on ISO policy form CA 00 01, or its equivalent, unless otherwise approved by Public Works in writing), endorsed for all owned, non-owned, and hired vehicles with a limit of not less than one million dollars (\$1,000,000) per occurrence.

c. Professional Liability/Errors and Omissions Insurance covering Franchisee's liability arising from or related to this franchise, with limits of not less than \$3 million per claim and \$5 million aggregate. Further, Franchisee understands and agrees it shall maintain such coverage for a period of not less than three (3) years following the expiration, termination, suspension, or cancellation of this franchise.

6. A program of Workers' Compensation insurance in an amount and form to meet all applicable requirements of the California Labor Code and the "Longshore and Harbor Workers' Compensation Act," (33 U.S.C. § 901 et seq.), as may be hereafter amended, including Employer's Liability with not less than a one million

dollar (\$1,000,000) limit, covering all persons providing services on behalf of Franchisee and all persons Franchisee is legally required to cover.

D. Franchisee shall furnish Public Works, within thirty (30) days of the operative date of this ordinance, and within thirty (30) days of the expiration date of each term of insurance, either certified copies of each of the policies required by subsection 5.C., above, or a certificate of insurance for each of said policies, executed by Franchisee's insurance agent, or by the company issuing the policy, certifying that the policy is in force.

E. Notwithstanding anything to the contrary contained in this Section 5, Franchisee may provide evidence of a program of self-insurance with evidence of financial worth of Franchisee by a Certified Public Accountant showing Franchisee has the financial ability to meet the insurance requirements contained herein. The County, in its sole discretion, may allow Franchisee to self-insure provided the self-insurance program complies with the provisions and specified limits contained herein and is approved by County.

F. Within thirty (30) days following the operative date of this ordinance, Franchisee shall provide to Public Works a faithful performance bond in the sum of not less than fifty thousand dollars (\$50,000), payable to the County of Los Angeles and executed by a corporate surety acceptable to the County and licensed to transact business as a surety in the State of California. Such bond shall be conditioned upon the faithful performance by Franchisee of the terms and conditions of this franchise and

shall provide that, in the case of a breach of any condition of this franchise, the whole amount of the penal sum of fifty thousand dollars (\$50,000), or any portion thereof, shall be immediately payable to the County by the principal and surety(ies) of the bond.

1. Throughout the term of this franchise, Franchisee shall maintain the faithful performance bond in the amount specified herein. Within ten (10) business days after receipt of notice from the County that any amount has been withdrawn from the bond as provided in subsection 5.F., Franchisee shall immediately restore the bond to the full amount specified herein.

2. Franchisee shall maintain or cause to be maintained the faithful performance bond for one year following the County's approval of any sale, transfer, assignment, or other change of ownership of the franchise, or following the expiration or termination of this franchise. Public Works, in its sole discretion, may release said bond prior to the end of the one-year period upon satisfaction by Franchisee of all its obligations under the franchise.

3. At its sole option, the County may accept Certificates of Deposit, Cash Deposits, irrevocable letters of credit, or U.S. Government Securities in lieu of, or in addition to, commercial bonds to meet the above bonding requirements. Such alternative instruments shall be made payable to the County and shall be deposited with the Auditor-Controller and/or the County Treasurer and Tax Collector, as applicable.

G. The types and amounts of said insurance coverage and bonding shall be subject to review and reasonable adjustment by the County, in its sole discretion, at any time during the term of the franchise. In the event of such adjustment, Franchisee agrees to obtain said adjusted insurance coverage and bonding, in type(s) and amount(s) determined by the County, within thirty (30) days after written notice from the County.

H. Failure on the part of Franchisee to procure or maintain the required insurance and bonding, or to provide evidence of current insurance and bonding, shall constitute a material breach of the terms of this franchise upon which the County may immediately terminate or suspend this franchise.

I. It is the obligation of Franchisee to provide evidence of current insurance policies and bonding. No franchise operations shall commence until Franchisee has complied with the provisions of this Section 5, and any operations shall be suspended during any period that Franchisee fails to obtain or maintain the insurance and bonding required hereunder.

Section 6. Transfers and Assignments.

A. Franchisee shall not sell, transfer, exchange, assign, lease, or divest itself of the franchise or any part thereof (each of which is hereinafter referred to as an ("Assignment")), to any other person or entity ("Transferee"), except as provided in this Section and after payment of a transfer fee as detailed in subsection 6.G., below.

B. Franchisee shall inform Public Works of any pending Assignment, except as excluded in subsection 6.E., below, and shall provide all documents requested by the County, as set forth in subsection 6.F., below. Consent to any such Assignment shall only be refused if the County finds that Franchisee is not in compliance with the terms and conditions of the franchise and/or that the proposed Transferee, as applicable, lacks sufficient experience and/or financial ability to meet the franchise obligations. Consent shall be conditioned upon the terms and conditions set forth in the Assignment documents, which shall be delivered to Public Works, the assumption by the proposed Transferee, as applicable, of all Franchisee's covenants and obligations under the franchise, and all information provided to the County being true and correct as of completion of the Assignment. Upon receipt of such consent from the County, Franchisee may proceed to consummate the Assignment.

C. Franchisee shall file with Public Works, within thirty (30) days after the effective date of any Assignment, a certified copy of the duly executed instrument(s) that officially evidence(s) such Assignment. If any such duly executed instrument(s) is not filed with Public Works within thirty (30) days after the effective date of such proposed Assignment, or if any condition to consent by the County has not been met, then the County may determine, and then notify Franchisee and the proposed Transferee, that the Assignment has no force or effect and/or that the franchise is forfeited.

D. As a condition to granting consent to such Assignment, the County may impose such additional terms and conditions upon Franchisee and/or the proposed Transferee as the Board of Supervisors deems to be in the public interest. Nothing contained herein shall be construed to grant Franchisee the right to complete an Assignment except in the manner aforesaid, whether by operation of law, by voluntary act of Franchisee, or otherwise.

E. Notwithstanding the foregoing, shareholders, partners, and/or any other persons or entities owning an interest in Franchisee may transfer, sell, exchange, assign, or divest themselves of any interest they may have therein without the consent of the County so long as such sale, transfer, exchange, Assignment, divestment, or other change, including a merger, does not result in giving majority control of Franchisee to any person or persons, corporation, partnership, or legal entity other than the person or entity with the controlling interest in Franchisee on the operative date of the franchise or the effective date of the last approved Assignment. Otherwise, consent thereof shall be required as otherwise provided in this Section 6.

F. Except for any Assignments made pursuant to subsection 6.E., above, upon notice by Franchisee of any proposed Assignment, the proposed Transferee shall submit an application to Public Works, which shall contain, at a minimum:

1. Identification of the proposed Transferee, which indicates the corporate or business entity organization, including the submission of copies of the corporate or business formation papers (e.g., articles of incorporation and by-laws,

limited partnership agreements, and/or operating agreements), and the names and addresses of any parent or subsidiary of the proposed Transferee, or any other business entity owning or controlling the proposed Transferee in part or in whole.

2. A current financial statement, which has been audited by a certified public accountant, demonstrating conclusively to the satisfaction of the County that the proposed Transferee has all the financial resources necessary to carry out all of the terms and conditions of the franchise. The financial statement shall include a balance sheet, a profit and loss statement for at least the three (3) most recent years, and a statement of changes in financial position; however, if the proposed Transferee has been in existence for less than three (3) years, then for such period of existence.

3. A copy of the proposed agreement of sale, letter of understanding, or other documentation, which details the proposed Assignment ("Assignment Documents").

4. Other information that may be required by the County to assess the capability of the proposed Transferee to operate and maintain the franchise.

G. A transfer fee of ten thousand dollars (\$10,000) shall be submitted with Franchisee's request for the County's consent to any Assignment. If the County's actual costs to process the proposed Assignment application, including any consultant fees incurred by the County to assist in evaluating the application, exceed the transfer fee amount of ten thousand dollars (\$10,000), Franchisee and the proposed Transferee, or either, shall pay any additional costs incurred by the County in processing the

Assignment application. Such additional costs shall be paid by Franchisee and the proposed Transferee, or either, prior to final consideration of the request for Assignment by Public Works or the Board of Supervisors, as applicable.

Section 7. Removal or Abandonment of Facilities.

A. At the time of expiration, revocation, or termination of this franchise or of the permanent discontinuance of the use of Franchisee's pipes and appurtenances, Franchisee shall, within sixty (60) days thereafter, make a written application to Public Works for permission to engage in one of the following in accordance with applicable federal, State, and local laws and regulations: (1) abandon all, or a portion, of such pipes and appurtenances in place; or (2) remove all, or a portion, of such pipes and appurtenances. Such application will describe the pipes and appurtenances desired to be abandoned by reference to the map or maps attached to this franchise and will describe with reasonable accuracy the relative physical condition and location of the pipes and appurtenances. Upon receipt of written application, Public Works will determine within ninety (90) days whether any abandonment or removal that is proposed may be effected without detriment to the public interest, or under what conditions the proposed abandonment or removal may be safely effected, and will promptly notify Franchisee of any such requirements. If, for any reason, Franchisee suspends operations of any of the pipes and appurtenances contained in this franchise for a period more than ninety (90) days, Franchisee will notify Public Works. During this

period of suspended operations, Franchisee will maintain said pipes and appurtenances in accordance with all applicable federal, State, and local laws.

B. If any pipes and appurtenances to be abandoned in place subject to prescribed conditions are not abandoned in accordance with all such conditions, then Public Works may impose additional requirements at its sole discretion, including, but not limited to, requiring that Franchisee remove all such pipes and appurtenances in accordance with applicable requirements. In the event Franchisee fails to remove any pipes and appurtenances that it is obligated to remove in accordance with applicable requirements within such reasonable time as may be prescribed by Public Works, then the County may remove such pipes and appurtenances at Franchisee's expense, and Franchisee will pay to the County within sixty (60) days after delivery of an itemized bill the cost of removal including, but not limited to, reasonable overhead expenses in the sum no greater than an additional thirty percent (30%) of the actual cost of such work.

C. Abandoned pipes and appurtenances on County highways remain the property of Franchisee. Should the abandoned pipes or appurtenances interfere with other uses in the right-of-way, including future utilities or underground facilities, said pipes and appurtenances shall be removed by Franchisee, as necessary, at Franchisee's sole cost and expense. Alternatively, the County may remove or cause to be removed said pipes and appurtenances at Franchisee's sole cost and expense. For the purposes of the payment of fees provisions in Section 2 of this franchise, such facilities shall continue to be included in the calculation of fees until inspection reports

prepared by Public Works indicate the work of removal or abandonment has been completed to the County's satisfaction.

D. This Section 7 will survive the termination or expiration of this franchise.

Section 8. Relocation of Pipelines.

In the event the County provides Franchisee notice to relocate its pipelines, facilities, and appurtenances, should Franchisee, after receipt of any such notice, neglect or fail to relocate its pipelines, facilities, and appurtenances in a timely manner and in accordance with applicable federal, State, and local laws and regulations, Franchisee shall be solely responsible for, and shall reimburse the County for any and all costs or expenses incurred by the County due to, or resulting from, such neglect or failure with respect to relocation of the same. Such costs and expenses shall include, but not be limited to, those due to, or resulting from, the County relocating, or causing to be relocated, Franchisee's pipelines, facilities, and appurtenances.

Section 9. Compliance with All Applicable Law.

Franchisee acknowledges that it must comply with all applicable federal, State, and local laws and regulations, including the County Code, as may be hereafter amended, to the extent Franchisee continues to conduct activities within the County's right-of-way, and/or Franchisee's facilities continue to occupy the County's right-of-way, following the termination, cancellation, suspension, or expiration of this franchise.

Section 10. County Addresses.

All fee payments and reports required hereunder, except those expressly directed to be sent to Public Works, shall be sent to the County and addressed as follows:

Franchise/Concessions Section
County of Los Angeles
Office of the Auditor-Controller
Administrative Services, Room 515
500 West Temple Street
Los Angeles, California 90012-2713

Applications, reports, notices, and other documents and information referenced in this franchise shall be sent to the County, at the same address referenced above, with a copy to:

Los Angeles County Public Works
Attn: Survey/Mapping & Property Management Division
900 South Fremont Avenue
Alhambra, California 91803

Any notice, request, instruction, or other document to be given to Franchisee shall be addressed as follows:

California Domestic Water Company
15505 Whittier Boulevard
Whittier, California 90603
Attention: Ms. Lynda Noriega

Section 11. Franchise Ordinance Operative Date.

The operative date of this franchise ordinance shall be October 23, 2025.

Section 12. Termination.

If Franchisee fails to comply with any of the requirements of the franchise, the County may, in its sole discretion, terminate the franchise and/or seek any and all available remedies at law or in equity.

[CALDOMWTRCOMPFRNGCCC]

EXHIBIT A



