

**SUPPORTING TRANSPARENCY, OVERSIGHT, AND REGULATION OF PRIVATE
MUTUAL WATER COMPANIES**

Private mutual water companies are a longstanding part of California’s drinking water landscape, including in Los Angeles County’s unincorporated communities. In Altadena, three mutual systems — Rubio Cañon Land & Water Association, Las Flores Water Company, and Lincoln Avenue Water Company — serve residents and businesses and have faced extraordinary recovery challenges following the January 2025 windstorms and Eaton Fire. Publicly available reports and agency updates have documented system damage, do-not-drink orders, emergency power reliance, and difficult operational and fiscal decisions required to maintain service and restore safe drinking water.

Rubio Cañon Land & Water Association reported a significant revenue shortfall following the loss of a large share of occupied parcels after the Eaton Fire. The Association proposed an approximate 11 percent rate increase, along with a new fixed monthly “fire recovery” charge, in order to maintain operations. Las Flores Water Company — the smallest of the three systems — lost reservoirs and approximately three-quarters of the homes in its service area. With operating revenue reduced to roughly one-quarter of pre-fire levels, their Board adopted a multiyear “fire recovery assessment” to prevent insolvency of \$3,000 per standing home. Lincoln Avenue Water Company experienced the loss of more than half of the properties in its service area and implemented a combined rate increase to address the ongoing fixed costs of water service despite a significantly reduced customer base.

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Across all three mutual systems, significant capital improvements are needed. Upgrading these facilities to modern, fire-resilient standards will require substantial investment. However, these assessments have presented considerable hardship for fire-displaced residents, many of whom are managing reconstruction costs, insurance delays, and temporary living arrangements.

Unlike public water agencies and special districts, private mutual water companies generally lack access to the most cost-effective and widely used public financing tools, including tax-exempt municipal bonds, certificates of participation, and other pooled financing mechanisms. Although California law allows mutual water companies to participate in financing through joint powers authorities, doing so requires partnerships, legal expertise, and administrative capacity that many small systems do not possess.

While certain state grant and loan programs are available for drinking water infrastructure, many forms of principal forgiveness and grant funding are restricted to systems serving disadvantaged communities. Much of Altadena does not qualify under these state criteria, limiting access to the most beneficial funding programs despite the severe impacts of the Eaton Fire.

Mutual water companies are private corporations that operate public water systems. They are not regulated by the California Public Utilities Commission and are primarily accountable to their boards of directors and shareholder-customers. State oversight is focused on water quality, not corporate governance, rates, or fiscal management. Although mutual water companies that operate public water systems are subject to the Mutual Water Company Open Meeting Act, gaps still exist that limit meaningful participation by customers. This includes barriers to electronic access to meetings, limited teleconferencing requirements, and inconsistent practices around document availability and notice. These gaps have become especially problematic in Altadena, where many residents have been displaced by the fire and face numerous logistical and financial challenges that make participation in governance more difficult.

The absence of standardized and accessible governance practices places additional burdens on fire survivors, many of whom are navigating insurance disputes, significant rebuilding expenses, temporary housing, and uncertainty regarding the timeline for returning home. These factors have made it difficult for shareholders to engage in oversight or participate in board decisions that directly affect their water systems and financial obligations.

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Across Los Angeles County, numerous small and at-risk water systems face challenges similar to those in Altadena. Studies and state assessments have identified more than one hundred small water systems countywide, including several that are failing or at risk of failing, particularly in the Antelope Valley and other communities within the Fifth Supervisorial District.

These systems often struggle with aging infrastructure, insufficient revenue, and limited technical and administrative capacity.

Senate Bill 1417, by Senator Sasha Pérez, would establish standardized advance notice requirements for assessments and charge increases, clarify that tenants cannot be held responsible for shareholder charges, and expand access to corporate records. It would also enhance public transparency and provide improved consumer protections in situations where mutual water companies consider significant financial changes. Senate Bill 1291, by Senator Lena Gonzalez, would strengthen requirements for open meetings, including improved teleconferencing access, more consistent public notice, and mandatory electronic availability of governance documents at no cost to customers.

These reforms align with Los Angeles County's goals of supporting disadvantaged and at-risk water systems, improving wildfire resilience, and promoting equitable access to essential services. Both pieces of legislation will strengthen transparency, improve governance, expand public access to meetings and documents, and promote consumer protections for residents served by mutual water companies. These bills will also complement the County's broader efforts to stabilize and support small and at-risk water systems and to assist communities navigating recovery from disasters such as the Eaton Fire.

I, THEREFORE, MOVE that the Board of Supervisors direct the Chief Executive Officer, through the Legislative Affairs and Intergovernmental Relations Branch, to support Senate Bill 1417 (Pérez) and Senate Bill 1291 (Gonzalez).

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