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## *California State Senate*

COMMITTEE  
ON  
BUDGET AND FISCAL REVIEW

ROOM 5019, STATE CAPITOL  
SACRAMENTO, CA 95814

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### **Agenda**

**August 22, 2013**  
**Upon Adjournment of Senate Session**  
**Room 4203**

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<u>Bill</u>	<u>Author</u>	<u>Subject</u>
<b>AB 240</b>	<b>Rendon</b>	<b>Mutual Water Companies</b>

**SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW**  
*Mark Leno, Chair*

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<b>Bill No:</b>	<b>AB 240</b>
<b>Author:</b>	<b>Rendon</b>
<b>As Amended:</b>	<b>August 13, 2013</b>
<b>Consultant:</b>	<b>Catherine Freeman</b>
<b>Fiscal:</b>	<b>Yes</b>
<b>Hearing Date:</b>	<b>August 22, 2013</b>

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**Subject:** Mutual Water Companies

**Summary:** This bill requires mutual water companies to comply with open meeting, public record, audit, and budget requirements and allows them to impose liens to collect unpaid charges. Allows the Water Replenishment District of Southern California to receive specified Department of Public Health grants to improve drinking water infrastructure in communities served by mutual water companies in the City of Maywood.

**Background:** Existing law exempts a mutual water company from state regulation if it is organized to deliver water to its stakeholders and members, with specified exemptions.

Governance of a mutual water company is generally limited to shareholders or members of the company. While the details of any particular company's governing structure are determined by its articles and bylaws, most mutual water companies allow only shareholders and members to vote on organizational matters and serve on the company's governing board.

The Ralph M. Brown Act (Brown Act), first enacted by the Legislature in 1953, is the set of existing laws which guarantees the public's right to attend and participate in local legislative bodies' meetings. As private corporations, mutual water companies are not subject to the Brown Act. Instead, existing law gives mutual water companies broad authority to specify in their articles and bylaws how their meetings are conducted, and who may attend.

In 1968, the Legislature enacted the Public Records Act, which generally requires that government records must be provided to the public, upon request, unless there is a specific reason, specified in state law, to withhold a record. Private corporations, including mutual water companies are not subject to the Public Records Act. Existing law requires that mutual water companies must allow members to inspect specified records including accounting books, meeting minutes, articles and bylaws, and election results. A mutual water company's articles and bylaws determine whether non-members are permitted to access the company's records.

Existing law requires most local governments to prepare annual budgets and requires periodic audits of most local governments' accounts and records. Existing law requires private corporations to prepare and distribute annual reports and other specified financial statements.

Regarding the City of Maywood, three mutual water companies deliver water to residents of the City of Maywood, in Los Angeles County. Maywood residents have, for years, expressed concerns about the quality of the water they receive, citing problems with discoloration, odors and taste. A deteriorating water supply infrastructure may be a primary cause. A substantial portion of Maywood's residents are renters and do not own real property in Maywood. Because of this, they are not stockholders or members of the mutual water companies that serve Maywood and cannot participate in those companies' corporate governance.

**Analysis:** This bill:

1. Enacts the Mutual Water Company Open Meeting Act, which applies to mutual water companies, and permits an eligible person to attend a meeting of a mutual water company, as those terms are defined, or to speak at a meeting, except as provided.
2. Requires the board of a mutual water corporation that operates a public water system to contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of the mutual water company. The audit must conform to generally accepted auditing standards.
3. Requires the board of a mutual water company that operates a public water system to adopt, in an open meeting, an annual budget, on or before the start of each fiscal year of the mutual water company.
4. Allows a mutual water company's board of directors, after providing at least 20 days written notice and if authorized by its articles or bylaws, to authorize the recording of a lien against a shareholder's property to secure the collection of rates, charges, and assessments owed to the mutual water company by the shareholder.
5. Requires mutual water company board members to repeat, every six years, training on the duties of mutual water companies' board members.
6. Requires the board of directors of a mutual water company that operates a public water system to make specified documents available to an eligible person, as defined, upon payment of fees covering the direct costs of duplication, as specified.
7. Expresses the Legislature's intent to encourage collaboration among mutual water companies that operate public water systems in the City of Maywood to create a public water agency that can consolidate drinking water services for the people and businesses of that city.
8. Allows the Water Replenishment District (WRD) of Southern California to receive grant funding from \$7.5 million appropriated to the Department of Public Health from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006. The WRD must use the grant funds for water quality improvement projects to benefit the residents of the City of Maywood, subject to the following three conditions:
  - a. WRD manages the design and implementation or construction of the project.
  - b. WRD retains ownership of the project and oversees its operation.
  - c. A mutual water company that incorporates the project into its systems complies with specified open meeting requirements.
9. In keeping with other bond allocations in the budget, the appropriation allows for the use of funds for engineering including planning and California Environmental Quality Act analyses.

**Support:** Central Basin Municipal Water District  
Sierra Club  
Union de Vecinos

**Opposed:** Unknown

AMENDED IN SENATE AUGUST 13, 2013

AMENDED IN SENATE JULY 1, 2013

AMENDED IN SENATE JUNE 18, 2013

AMENDED IN SENATE JUNE 5, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 240**

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**Introduced by Assembly Member Rendon**

February 5, 2013

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An act to add Sections 14304, 14305, 14306, and 14307 to the Corporations Code, to amend Section 116755 of the Health and Safety Code, to add Section 10531.5 to the Water Code, and to amend Item 4265-111-6051 of Section 2.00 of the Budget Act of 2011, relating to mutual water companies, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 240, as amended, Rendon. Mutual water companies.

Under existing law, a mutual water company is defined as a corporation organized for or engaged in the business of selling, distributing, supplying, or delivering water for irrigation or domestic purposes that provides in its articles or bylaws that the water shall be sold, distributed, supplied, or delivered only to owners of its shares, as specified.

(1) Existing law requires each board member of a mutual water company that operates a public water system to complete a training course regarding the duties of board members of mutual water companies, as specified.

This bill would require a board member to repeat this training course every 6 years.

(2) Existing law permits a mutual water company that is not a public utility to levy assessments upon its shares, unless otherwise provided in its articles or bylaws.

This bill would also permit the board of directors of a mutual water company, if authorized by its articles or bylaws, to record a notice of lien against a shareholder's property if the shareholder has not timely paid any rate, charge, or assessment arising from, or related to, water services provided by the mutual water company to the shareholder's property and if the shareholder was given at least 20 days' notice of the lien.

(3) Existing law, the California Public Records Act, provides that public records are open to inspection at all times during the office hours of the state or local agency that retains those records, and that every person has a right to inspect any public record, except as provided. The Ralph M. Brown Act requires, with specified exceptions, that all meetings of a legislative body of a local agency, as those terms are defined, be open and public and that all persons be permitted to attend and participate.

This bill would enact the Mutual Water Company Open Meeting Act, which would apply to all mutual water companies, and would permit an eligible person to attend a meeting of a mutual water company, as those terms are defined, and to speak during the meeting, except as provided.

The bill would also require the board of the mutual water company that operates a public water system to adopt, in an open meeting, an annual budget on or before the start of each fiscal year. The bill would require the board of a mutual water company that operates a public water system to contract with a certified public accountant or public accountant to ~~make~~ *conduct* an annual ~~audit of the accounts and review of the financial records and reports~~ of the mutual water company, ~~and would require the report to be filed, within 12 months of the end of the mutual water company's fiscal year under examination, as a public record with the mutual water company, and to be sent to the Controller and any person served by the mutual water company that submits a written request to the board,~~ as specified.

The bill would also require the board of directors of a mutual water company that operates a public water system to make specified

documents available to an eligible person, as defined, upon payment of fees covering the direct costs of duplication, as specified.

(4) Existing law declares that water is a valuable natural resource in California and should be managed to ensure the availability of sufficient supplies to meet the state’s agricultural, domestic, industrial, and environmental needs. Existing law declares that local agencies can realize efficiencies by coordinating and integrating their assets and seeking mutual solutions to water management issues.

This bill would declare the intent of the Legislature to encourage collaboration among mutual water companies that operate public water systems in the City of Maywood to create a public agency that can consolidate drinking water services for the people and business of that city.

The Budget Act of 2011 appropriated \$7,500,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 to the Department of Public Health for the provision of grants to public agencies, as specified, to improve drinking water infrastructure in communities served by mutual water companies in the Cities of Maywood and Santa Ana.

This bill would limit the use of this appropriation to providing grants to the Water Replenishment District of Southern California for water quality improvement projects for the benefit of the City of Maywood, subject to specified conditions.

Vote: majority. Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 14304 is added to the Corporations Code,  
2 to read:  
3 14304. If a shareholder of a mutual water company has not  
4 timely paid any rate, charge, or assessment arising from, or related  
5 to, water service provided by the mutual water company to the  
6 shareholder’s property, and if authorized by its articles or bylaws,  
7 then after providing at least 20 days’ written notice to the  
8 shareholder, the board of directors of the mutual water company  
9 may authorize the recording of a notice of lien against that  
10 shareholder’s property to secure the collection of the rates, charges,  
11 and assessments owed to the mutual water company by the  
12 shareholder.

1 SEC. 2. Section 14305 is added to the Corporations Code, to  
2 read:

3 14305. (a) (1) This section shall be known and may be cited  
4 as the Mutual Water Company Open Meeting Act.

5 (2) *This section shall only apply to a mutual water company*  
6 *that operates a public water system.*

7 (b) Any eligible person, *upon 24 hours advance written notice,*  
8 may attend meetings of the board of directors of a mutual water  
9 company, except when the board adjourns to, or meets solely in,  
10 executive session to consider litigation, matters relating to the  
11 formation of contracts with third parties, member or shareholder  
12 discipline, personnel matters, or to meet with a member or  
13 shareholder, upon the member or shareholder's request, regarding  
14 the member or shareholder's payment of assessments, as specified  
15 in Section 14303. The board of directors of the association shall  
16 meet in executive session, if requested by a member or shareholder  
17 who may be subject to a fine, penalty, or other form of discipline,  
18 and the member shall be entitled to attend the executive session.  
19 As specified in paragraph (3) of subdivision (m), an eligible person  
20 shall be entitled to attend a teleconference meeting or the portion  
21 of a teleconference meeting that is open to eligible persons, and  
22 that meeting or portion of the meeting shall be audible to the  
23 eligible persons in a location specified in the notice of the meeting.

24 (c) Any matter discussed in executive session shall be generally  
25 noted in the minutes of the immediately following meeting that is  
26 open to eligible persons.

27 (d) The minutes, minutes proposed for adoption that are marked  
28 to indicate draft status, or a summary of the minutes, of any  
29 meeting of the board of directors of a mutual water company,  
30 *conducted on or after January 1, 2014,* other than an executive  
31 session, shall be available to eligible persons within 30 days of the  
32 meeting. The minutes, proposed minutes, or summary minutes  
33 shall be ~~distributed~~ *provided* to any eligible person upon request  
34 and upon reimbursement of the mutual water company's costs for  
35 ~~making that distribution~~ *providing the minutes.*

36 (e) ~~Eligible persons shall be notified in writing, at the time that~~  
37 ~~the~~ *The* pro forma budget required in Section 14306 is distributed,  
38 ~~of their right to have copies of the minutes of meetings of the board~~  
39 ~~of directors, and how and where those minutes may be obtained~~  
40 *shall be available to eligible persons within 30 days of the meeting*

1 *at which the budget was adopted. The budget shall be provided to*  
2 *any eligible person upon request and upon reimbursement of the*  
3 *mutual water company's costs.*

4 (f) Unless the bylaws provide for a longer period of notice,  
5 eligible persons shall be given notice of the time and place of a  
6 meeting as defined in subdivision (m), except for an emergency  
7 meeting or a meeting that will be held solely in executive session,  
8 at least four days prior to the meeting. Except for an emergency  
9 meeting, eligible persons shall be given notice of the time and  
10 place of a meeting that will be held solely in executive session at  
11 least two days prior to the meeting. Notice shall be given by posting  
12 the notice in a prominent, publicly accessible place or places within  
13 the territory served by the mutual water company and by mail to  
14 any eligible person who had requested notification of board  
15 meetings by mail, at the address requested by the eligible person.  
16 *Eligible persons requesting notice by mail shall pay the costs of*  
17 *reproduction and mailing of the notice in advance.* Notice may  
18 also be given by mail, by delivery of the notice to each unit served  
19 by the mutual water company or, with the consent of the eligible  
20 person, by electronic means. The notice shall contain the agenda  
21 for the meeting.

22 (g) An emergency meeting of the board may be called by the  
23 chief executive officer of the mutual water company, or by any  
24 two members of the board of directors other than the chief  
25 executive officer, if there are circumstances that could not have  
26 been reasonably foreseen which require immediate attention and  
27 possible action by the board, and which of necessity make it  
28 impracticable to provide notice as required by this section.

29 (h) The board of directors of ~~the~~ a mutual water company shall  
30 permit any eligible person to speak at any meeting of the mutual  
31 water company or the board of directors, except for meetings of  
32 the board held in executive session. A reasonable time limit for  
33 all eligible persons to speak to the board of directors or before a  
34 meeting of the mutual water company shall be established by the  
35 board of directors.

36 (i) (1) Except as described in paragraphs (2) to (4), inclusive,  
37 the board of directors of the mutual water company may not discuss  
38 or take action on any item at a nonemergency meeting unless the  
39 item was placed on the agenda included in the notice that was  
40 posted and distributed pursuant to subdivision (f). This subdivision

1 does not prohibit an eligible person who is not a member of the  
2 board from speaking on issues not on the agenda.

3 (2) Notwithstanding paragraph (1), a member of the board of  
4 directors, mutual water company officers, or a member of the staff  
5 of the mutual water company, may do any of the following:

6 (A) Briefly respond to statements made or questions posed by  
7 a person speaking at a meeting as described in subdivision (h).

8 (B) Ask a question for clarification, make a brief announcement,  
9 or make a brief report on his or her own activities, whether in  
10 response to questions posed by an eligible person or based upon  
11 his or her own initiative.

12 (3) Notwithstanding paragraph (1), the board of directors or a  
13 member of the board of directors, subject to rules or procedures  
14 of the board of directors, may do any of the following:

15 (A) Provide a reference to, or provide other resources for factual  
16 information to, the mutual water company's officers or staff.

17 (B) Request the mutual water company's officers or staff to  
18 report back to the board of directors at a subsequent meeting  
19 concerning any matter, or take action to direct the mutual water  
20 company's officers or staff to place a matter of business on a future  
21 agenda.

22 (C) Direct the mutual water ~~companies~~ *company's* officers or  
23 staff to perform administrative tasks that are necessary to carry  
24 out this subdivision.

25 (4) (A) Notwithstanding paragraph (1), the board of directors  
26 may take action on any item of business not appearing on the  
27 agenda posted and distributed pursuant to subdivision (f) under  
28 any of the following conditions:

29 (i) Upon a determination made by a majority of the board of  
30 directors present at the meeting that an emergency situation exists.  
31 An emergency situation exists if there are circumstances that could  
32 not have been reasonably foreseen by the board, that require  
33 immediate attention and possible action by the board, and that, of  
34 necessity, make it impracticable to provide notice.

35 (ii) Upon a determination made by the board by a vote of  
36 two-thirds of the members present at the meeting, or, if less than  
37 two-thirds of total membership of the board is present at the  
38 meeting, by a unanimous vote of the members present, that there  
39 is a need to take immediate action and that the need for action

1 came to the attention of the board after the agenda was posted and  
2 distributed pursuant to subdivision (f).

3 (iii) The item appeared on an agenda that was posted and  
4 distributed pursuant to subdivision (f) for a prior meeting of the  
5 board of directors that occurred not more than 30 calendar days  
6 before the date that action is taken on the item and, at the prior  
7 meeting, action on the item was continued to the meeting at which  
8 the action is taken.

9 (B) Before discussing any item pursuant to this paragraph, the  
10 board of directors shall openly identify the item to the members  
11 in attendance at the meeting.

12 (j) (1) ~~The~~ *Notwithstanding any other law, the* board of directors  
13 shall not take action on any item of business outside of a meeting.

14 (2) (A) Notwithstanding any other provision of law, the board  
15 of directors shall not conduct a meeting via a series of electronic  
16 transmissions, including, but not limited to, electronic mail, except  
17 as specified in subparagraph (B).

18 (B) Electronic transmissions may be used as a method of  
19 conducting an emergency meeting if all members of the board,  
20 individually or collectively, consent in writing to that action, and  
21 if the written consent or consents are filed with the minutes of the  
22 meeting of the board. These written consents may be transmitted  
23 electronically.

24 (k) (1) An eligible person may bring a civil action for  
25 declaratory or equitable relief for a violation of this section by a  
26 mutual water company for which he or she is defined as an eligible  
27 person, ~~including, but not limited to, injunctive relief, restitution,~~  
28 ~~or a combination thereof, within one year of the date the cause of~~  
29 ~~action accrues for a judicial determination that an action taken by~~  
30 ~~the board is null and void under this section.~~

31 (2) *Prior to the commencement of an action pursuant to*  
32 *paragraph (1), the eligible person shall make a demand on the*  
33 *board to cure or correct the action alleged to be taken in violation*  
34 *of this section. The demand shall be in writing, and submitted*  
35 *within 90 days from the date the action was taken. The demand*  
36 *shall state the challenged action of the board and the nature of*  
37 *the alleged violation.*

38 (3) *Within 30 days of receipt of the demand, the board shall*  
39 *cure or correct the challenged action and inform the demanding*  
40 *party in writing of its actions to cure or correct, or inform the*

1 *demanding party in writing of its decision not to cure or correct*  
2 *the challenged action.*

3 *(4) Within 15 days of receipt of the written notice of the board's*  
4 *decision to cure or correct or not to cure or correct, or within 15*  
5 *days of the expiration of the 30-day period to cure or correct,*  
6 *whichever is earlier, the demanding party shall commence the*  
7 *action pursuant to paragraph (1). If the demanding party fails to*  
8 *commence the action pursuant to paragraph (1), that party shall*  
9 *be barred from commencing the action thereafter.*

10 *(l) A board action that is alleged to have been taken in violation*  
11 *of this section shall not be determined to be void if the action taken*  
12 *was in substantial compliance with this section.*

13 *(m) The fact that the board of directors of a mutual water*  
14 *company takes subsequent action to cure or correct an action*  
15 *taken pursuant to this section shall not be construed as, or*  
16 *admissible as evidence of, a violation of this section.*

17 ~~(t)~~

18 *(n) An eligible person who prevails in a civil action to enforce*  
19 *his or her rights pursuant to this section shall be entitled to*  
20 *reasonable attorney's fees and court costs, ~~and the court may~~*  
21 *impose a civil penalty of up to five hundred dollars (\$500) for each*  
22 *violation, except that each identical violation shall be subject to*  
23 *only one penalty if the violation affects each member of the*  
24 *association equally. A prevailing mutual water company shall not*  
25 *recover any costs, unless the court finds the action to be frivolous,*  
26 *unreasonable, or without foundation.*

27 ~~(m)~~

28 *(o) As used in this section:*

29 *(1) "Eligible person" means a person who is any of the*  
30 *following:*

31 *(A) A ~~stockholder~~ shareholder or member of the mutual water*  
32 *company.*

33 *(B) A person who is an occupant, pursuant to a lease or a rental*  
34 *agreement, of commercial space or a dwelling unit to which the*  
35 *mutual water company sells, distributes, supplies, or delivers*  
36 *drinking water.*

37 *(C) An elected official of a city or county who represents people*  
38 *who receive drinking water directly from the mutual water*  
39 *company on a retail basis.*

1 (D) Any other person eligible to participate in the mutual water  
2 company's meetings under provisions of the company's articles  
3 or bylaws.

4 (2) "Item of business" means any action within the authority of  
5 the board, except those actions that the board has validly delegated  
6 to any other person or persons, officer of the mutual water  
7 company, or committee of the board comprising less than a  
8 majority of the directors.

9 (3) "Meeting" means either of the following:

10 (A) A congregation of a majority of the members of the board  
11 at the same time and place to hear, discuss, or deliberate upon any  
12 item of business that is within the authority of the board.

13 (B) A teleconference in which a majority of the members of the  
14 board, in different locations, are connected by electronic means,  
15 through audio or video or both. A teleconference meeting shall be  
16 conducted in a manner that protects the rights of members of the  
17 association and otherwise complies with the requirements of this  
18 title. Except for a meeting that will be held solely in executive  
19 session, the notice of the teleconference meeting shall identify at  
20 least one physical location so that members of the association may  
21 attend and at least one member of the board of directors or a person  
22 designated by the board shall be present at that location.  
23 Participation by board members in a teleconference meeting  
24 constitutes presence at that meeting as long as all board members  
25 participating in the meeting are able to hear one another and  
26 members of the association speaking on matters before the board.

27 (4) "Mutual water company" means a mutual water company,  
28 as defined in Section 14300, that operates a public water system,  
29 as defined in Section 14300.5.

30 SEC. 3. Section 14306 is added to the Corporations Code, to  
31 read:

32 14306. (a) The board of a mutual water company that operates  
33 a public water system shall adopt, in an open meeting, an annual  
34 budget on or before the start of each fiscal year of the mutual water  
35 company.

36 (b) The board of a mutual water ~~corporation~~ *company* that  
37 operates a public water system shall contract with a certified public  
38 accountant or public accountant to ~~make an annual audit of the~~  
39 ~~accounts and records of the mutual water company. The audit shall~~  
40 ~~conform to generally accepted auditing standards. A report of the~~

1 ~~audit shall be filed with the mutual water company and shall be~~  
 2 ~~sent to the Controller and any person served by the mutual water~~  
 3 ~~company that submits a written request to the board. The report~~  
 4 ~~shall be filed within 12 months of the end of the mutual water~~  
 5 ~~company's fiscal year under examination.~~ *conduct an annual*  
 6 *review of the financial records and reports of the mutual water*  
 7 *company. The review shall be subject to generally accepted*  
 8 *accounting standards.*

9 *(c) Eligible persons may request a copy of the report, and shall*  
 10 *reimburse the mutual water company for the costs of providing*  
 11 *the report.*

12 *(d) For purposes of this section, the term "eligible persons"*  
 13 *has the same meaning as that term is defined in subdivision (o) of*  
 14 *Section 14305.*

15 SEC. 4. Section 14307 is added to the Corporations Code, to  
 16 read:

17 14307. (a) (1) Unless its governing documents impose more  
 18 stringent standards, a mutual water company that operates a public  
 19 water system shall make the following records promptly available  
 20 upon *written* request to an eligible person upon payment of fees  
 21 covering direct costs of duplication:

22 ~~(1)~~

23 (A) Agendas and minutes of board meetings *conducted on or*  
 24 *after January 1, 2014.*

25 ~~(2)~~

26 (B) A copy of an annual budget adopted pursuant to subdivision  
 27 (a) of Section 14306.

28 ~~(3)~~

29 (C) A copy of an ~~audit~~ *accounting* report prepared pursuant to  
 30 subdivision (b) of Section 14306.

31 ~~(4)~~

32 (D) A copy of any records reporting the results of a water quality  
 33 test.

34 ~~(5)~~

35 (E) A copy of an annual report *that has been distributed to the*  
 36 *mutual water company's shareholder or members.*

37 (2) *Any request for records pursuant to this subdivision shall*  
 38 *be limited to the three calendar years preceding the written request*  
 39 *for the records.*

1 (b) For the purposes of this section, “eligible person” means a  
2 person who is any of the following:

3 (1) A stockholder or member of the mutual water company.

4 (2) A person who is an occupant, pursuant to a lease or a rental  
5 agreement, of commercial space or a dwelling unit to which the  
6 mutual water company sells, distributes, supplies, or delivers  
7 drinking water.

8 (3) An elected official of a city or county who represents people  
9 who receive drinking water directly from the mutual water  
10 company on a retail basis.

11 (4) Any other person eligible to obtain copies of the records  
12 listed in subdivision (a) under provisions of the mutual water  
13 company’s articles or bylaws.

14 SEC. 5. Section 116755 of the Health and Safety Code is  
15 amended to read:

16 116755. (a) Each board member of a mutual water company  
17 that operates a public water system, as defined in Section 116275,  
18 shall, within six months of taking office, or by December 31, 2012,  
19 if that member was serving on the board on December 31, 2011,  
20 complete a two-hour course offered by a qualified trainer regarding  
21 the duties of board members of mutual water companies, including,  
22 but not limited to, the duty of a corporate director to avoid  
23 contractual conflicts of interest and fiduciary duties, the duties of  
24 public water systems to provide clean drinking water that complies  
25 with the federal Safe Drinking Water Act (42 U.S.C. Sec. 300f et  
26 seq.) and this chapter, and long-term management of a public water  
27 system. A board member of a mutual water company *that operates*  
28 *a public water system* shall repeat this training every six years.  
29 For the purposes of this subdivision, a trainer may be qualified in  
30 any of the following ways:

31 (1) Membership in the California State Bar.

32 (2) Accreditation by the International Association of Continuing  
33 Education and Training (IACET) ANSI/IACET 1-2007.

34 (3) Sponsorship by either the Rural Community Assistance  
35 Corporation or the California Rural Water Association.

36 (b) A mutual water company formed pursuant to Part 7  
37 (commencing with Section 14300) of Division 3 of Title 1 of the  
38 Corporations Code, *that operates a public water system*, shall be  
39 liable for the payment of any fines, penalties, costs, expenses, and  
40 other amounts that may be imposed upon the mutual water

1 company pursuant to this chapter. The mutual water company may  
 2 levy an assessment, pursuant to Section 14303 of the Corporations  
 3 Code, to pay these fines, penalties, costs, expenses, and other  
 4 amounts so imposed. If the amount of outstanding fines, penalties,  
 5 costs, expenses and other amounts imposed pursuant to this chapter  
 6 exceed 5 percent of the annual budget of the mutual water  
 7 company, then the mutual water company shall levy an assessment,  
 8 pursuant to Section 14303 of the Corporations Code, to pay those  
 9 fines, penalties, costs, expenses, and other amounts so imposed.

10 SEC. 6. Section 10531.5 is added to the Water Code, to read:  
 11 10531.5. It is the intent of the Legislature to encourage  
 12 collaboration among mutual water companies that operate public  
 13 water systems in the City of Maywood to create a public agency  
 14 that can consolidate drinking water services for the people and  
 15 businesses of that city.

16 SEC. 7. Item 4265-111-6051 of Section 2.00 of the Budget  
 17 Act of 2011 is amended to read:

18  
 19 4265-111-6051—For local assistance, Department of Public  
 20 Health, payable from the Safe Drinking Water, Water  
 21 Quality and Supply, Flood Control, River and Coastal  
 22 Protection Fund of 2006..... 7,500,000

23 Provisions:

- 24 1. The funds appropriated in this item shall be to provide  
 25 grants to public agencies, as provided in Section 75022  
 26 of the Public Resources Code, to improve drinking  
 27 water infrastructure in communities served by mutual  
 28 water companies in the City of Maywood. Grants may  
 29 be made to the Water Replenishment District of  
 30 Southern California for water quality improvement  
 31 projects to benefit the residents of the City of May-  
 32 wood, subject to the following conditions: (a) the dis-  
 33 trict manages the design and implementation or con-  
 34 struction of the project; (b) the district ~~retains owner-~~  
 35 ~~ship of the project and~~ oversees its operation; ~~and~~ (c)  
 36 *a public agency remains the owner of the project after*  
 37 *construction; and (d) the mutual water company that*  
 38 *incorporates the project into its system complies with*  
 39 *Section 14305 of the Corporations Code. *Notwithstand-**  
 40 *ing any other law, the funds appropriated in this item*

1           *shall be available for expenditure until January 1,*  
2           *2018. Any funds that are not awarded ~~within three~~*  
3           *years after the effective date of the act adding this item*  
4           *on or before January 1, 2018, shall revert back to the*  
5           *Safe Drinking Water, Water Quality and Supply, Flood*  
6           *Control, River and Coastal Protection Fund of 2006.*  
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