



SB 625 – Central Basin Governance Reform

SUMMARY

SB 625 would help resolve the current governance crisis at the Central Basin Municipal Water District (Central Basin/District). The Board of Directors for the District is divided and the District is in disarray. SB 625 would put the District into receivership, at the Water Replenishment District of So Cal (WRD). The Local Agency Formation Commission would organize a public process to recommend long-term governance alternatives to the Legislature.

BACKGROUND

Central Basin is a *wholesale water* agency, a middle man that sells water to the public water systems who actually serve drinking water to the people of Southeast Los Angeles County. It was created in 1952, to buy water from the Metropolitan Water District of Southern California (MWD) and represent its region on the MWD Board.

In a 2015 audit of Central Basin, the State Auditor concluded that the board's poor leadership, decision-making and oversight hindered the district's ability to meet its responsibilities. It discovered that the board violated state law in creating a \$2.75 million trust fund and the board gave its members benefits that were "too generous." The State Auditor recommended modification of its governance structure to ensure it remains accountable to those it serves – its public water system customers, not the public at large.

The next year, the Legislature reformed the District board, by adding 3 appointed representatives of the district's customers, leading to an 8-member board requiring 5 directors to take action. In January 2020, **4 directors claimed control of the district**, arguing that because one director had resigned, the board had only 7 members. This minority, however, has failed to take action to address the District's financial crisis and cannot even convene the Board.

SOLUTION

SB 625 will push the pause button on the District's dysfunction and create a public process to assess how the District would be best managed over the long term. Specifically, the bill would:

- Appoint the Water Replenishment District as a "receiver" for Central Basin, dissolving its Board of Directors.
- Require the Los Angeles County Local Agency Formation Commission to hold a public discussion of how best to manage the District's affairs and serve the public water system customers.

SB 625 also would protect the District's financial condition, reducing costs and ensuring a continued revenue stream that the District has had for almost 30 years. Specifically, it would:

- Eliminate the costs of the November board election (\$2.2 million).
- Preserve the receiver's authority to enact the District's water standby charge, which it has collected since 1991 (\$3.1 million).

Due to the COVID-19 pandemic, a consistent water supply for our communities is more essential than ever. SB 625 protects that consistent water supply from the dysfunction of the Central Basin board.

SUPPORT

None on File (Introduced on May 26)

OPPOSITION

None on File (Introduced on May 26)

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