

Date of Hearing: April 30, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

AB 523 (Irwin) – As Amended April 22, 2025

SUBJECT: Metropolitan water districts: proxy vote authorizations.

SUMMARY: Establishes a process for a member agency of the Metropolitan Water District of Southern California (MWD) to designate a proxy for the purposes of voting at a MWD board meeting. Specifically, **this bill**:

- 1) Authorizes a representative of a member public agency of MWD entitled to designate or appoint only one representative to assign a proxy vote authorization to a representative of another member public agency that shall be exercised when the assigning representative is unable to attend a meeting or meetings of the board.
- 2) Provides that a proxy vote authorization permits the assigned representative to cast votes on behalf of the assigning representative only for the assigned meeting or meetings designated by the assigning representatives.
- 3) Requires the proxy vote authorization to be memorialized by a written instrument as required by MWD and filed with MWD's board secretary one business day in advance of the meeting and the written instrument shall be maintained with Metropolitan's records.
- 4) Specifies that a proxy vote shall not authorize the assumption of the assigning representative's officer position at the meeting or meetings designated by the assigning representative. A proxy vote authorization shall be valid for the designated assigned meeting or meetings of the board, except committee meetings, and shall be effective for no longer than one week. A representative shall not assign a proxy vote authorization more than six times in any year.
- 5) Provides that all provisions of the Metropolitan Water District Act (Act) shall apply to the representative assigned the proxy vote authorization. All laws relating to conflicts of interest that apply to the assigning representative shall also apply to the representative assigned a proxy vote authorization. A conflict of interest held by either the assigning representative or the assigned representative applies equally to the assigned representative relative to a proxy vote authorization for any conflicted item.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Bill Summary.** This bill establishes a process for a member agency of the MWD to designate a proxy for the purposes of voting at a MWD board meeting. The proxy vote permits the assigned proxy to cast votes on behalf of the assigning representative only for the assigned meeting or meetings, and the proxy vote authorization must be memorialized by a written instrument as required by MWD. This bill also prohibits the assumption of an officer position at a meeting, and the authorization is effective for only one week for a total of six

authorizations in any year. Lastly, this bill specifies that all laws relating to conflicts of interest apply to the assigned proxy.

The Eastern Municipal Water District is the sponsor of this bill.

- 2) **Author's Statement.** According to the author, "Of the 26 member agencies that constitute the Board of Directors of Metropolitan, 21 agencies are represented by a single board member. If a board member, acting as their member agency's sole representative, were unable to attend a board meeting, that member agency would lose the opportunity to cast a vote. This means their voice could go unheard regarding billion-dollar infrastructure projects and investments that impact nearly half the state's population.

AB 523 will allow member agencies represented by a single board member to authorize a proxy vote authorization to another Metropolitan board member to vote on their agency's behalf if they are unable to attend a board meeting. This will ensure more fair and flexible representation for smaller member agencies on the Metropolitan board."

- 3) **MWD.** The MWD Act authorizes the creation of metropolitan water districts for the purpose of developing, storing, and distributing water for municipal and domestic purposes. MWD is the only district organized under this act. MWD is a regional wholesale water district in Southern California that delivers water to 26 member public agencies. These member agencies in turn provide water to 19 million people in Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties, making MWD the largest distributor of treated drinking water in the United States. MWD has imported water from the Colorado River since 1941 and from Northern California since the early 1970s.

The MWD Act sets out the district's governance structure, powers and duties, annexation processes, and taxation and bonding authorities. MWD is governed by a 38-member board, representing each of the district's 26 member agencies. The board establishes and administers MWD's policies and oversees the operations of MWD.

Each member agency is represented by one director on the Board, plus an additional director for each full 5% of assessed property valuation. For example, the City of Los Angeles appoints five directors, one for belonging to MWD and four more for its 20.63% share of assessed property valuation. MWD's principal act also establishes a weighed voting system that is distinct from the number of seats that each agency gets. The voting power on MWD's board of directors reflects each member agency's share of MWD's total assessed valuation. However, rather than a fixed number of seats on the board, members get one vote for every \$10 million of assessed valuation within the member agency. According to MWD's August 20, 2024, report on the list of certified assessed valuations for Fiscal Year 2024/2025, the assessed valuations within MWD is more than \$4 trillion.

Each year, MWD reviews the assessed property valuation of all 26 member agencies. Assessed valuation is the key to the current and future representation for all member agencies on the Board. While membership is based on assessed valuation and votes are allocated in proportion to assessed valuation, votes are not split equally among directors. The casting of votes is vested as a block in the agency, and not distributed among the number of board members. For example, the City of Los Angeles has five board members, but only one of them needs to be present to cast all 83,835 votes. Consequently, if a member agency with just

one board member misses a meeting, its votes are not cast. As a result, the majority of member agencies with just one member cannot afford to miss a meeting, while board members from larger member agencies can miss meetings with no voting repercussions. The current members with more than one member on the MWD board are:

- a) The City of Los Angeles, with five members.
- b) The Municipal Water District of Orange County, with four members.
- c) The San Diego County Water Authority, with four members.
- d) The Central Basin Municipal Water District, with two members.
- e) The West Basin Municipal Water District, with two members.

Attempts to change the governance structure or to provide more flexibility for smaller MWD members have taken place in recent years. AB 1220 (Garcia), Chapter 71, Statutes of 2019, provided that each MWD member agency cannot have fewer than the number of representatives the member agency had as of January 1, 2019. Similar to this bill, AB 885 of 2008 would have authorized a member public agency to appoint a proxy for each representative that is appointed or selected to serve on MWD's board of directors, and the member public agencies which appointed the proxy would have had to pay all costs for their alternate. However, AB 885 was vetoed by the Governor due to circumstances unrelated to the bill. The Governor stated in the veto message that, "The historic delay in passing the 2008-2009 State Budget has forced me to prioritize the bills sent to my desk at the end of the year's legislative session. Given the delay, I am only signing bills that are the highest priority for California. This bill does not meet that standard and I cannot sign it at this time."

- 4) **County Water Authorities.** The sponsors of this bill have pointed to the San Diego County Water Authority (Authority) as an example of a water agency that currently uses a proxy voting system. Under the County Water Authority Act (CWA Act), a member of the board of directors of the Authority is allowed to designate another member of the board to vote in their absence. The designation and confirmation must be by a written instrument file with the Authority and a written notice must be filed with the board secretary that a director will be absent and they wish for the designee to cast a vote on their behalf. The designation, confirmation, and notices must be maintained on file with the Authority, and the designation may be changed from time to time with the confirmation of the representative's agency. The CWA Act specifically prohibits the designation to direct how the absent representative's vote shall be cast on any matter.
- 5) **Policy Consideration.** The 38 board members of MWD are elected officials and appointed community members, with significant interest and knowledge in MWD affairs. Since its inception in 1928, MWD has functioned without alternate or proxy board members. Although not completely unique, it is unclear how common a proxy vote is in the manner that this bill provides. While being able to appoint a proxy to vote on behalf of a member agency provides more flexibility to smaller agencies, it also gives a MWD board member the ability to make decisions for an agency in which they were not elected. Does this bill allow for the same scrutiny by voters of decisions that are made by a proxy on behalf of another

local agency? The Committee may wish to consider if a system to appoint proxies from another agency strikes the right balance between flexibility and accountability.

- 6) **Committee Amendments.** In order to address the above policy consideration, the Committee may wish to amend the bill as follows:

Sec. 52. (c) (1) A representative of a member public agency entitled to designate or appoint only one representative may assign a proxy vote authorization to a representative of another member public agency that shall be exercised when the assigning representative is unable to attend a meeting or meetings of the board and pursuant to this subdivision. A proxy vote authorization permits the assigned representative to cast votes on behalf of the assigning representative only for the assigned meeting or meetings designated by the assigning representative. The proxy vote authorization shall be memorialized by a written instrument as required by the district and filed with the district's Board Secretary one business day in advance of the meeting and the written instrument shall be maintained with the district records.

(2) A proxy vote authorization shall not authorize the assumption of the assigning representative's officer position at the meeting or meetings designated by the assigning representative. A proxy vote authorization shall be valid for the designated assigned meeting or meetings of the board, except committee meetings, and shall be effective for no ~~longer than one week. A representative shall not assign a proxy vote authorization~~ more than six **board meetings times** in any **calendar** year.

(3) All provisions of this act, including Section 56, shall apply to the representative assigned the proxy vote authorization. All laws relating to conflicts of interest that apply to the assigning representative shall also apply to the representative assigned a proxy vote authorization. A conflict of interest held by either the assigning representative or the assigned representative applies equally to the assigned representative relative to a proxy vote authorization for any conflicted item.

(4) This subdivision shall remain in effect only until January 1, 2030, and as of that date is repealed.

- 7) **Arguments in Support.** According to the sponsors of this bill, the Eastern Municipal Water District, "Currently, for agencies with multiple representatives, any individual representative may cast the entirety of the weighted votes allotted to that member agency. However, in the event a representative of a single-representative agency is unable to attend a board meeting, either physically or by teleconferencing, the member agency loses the opportunity to vote. This has impacted EMWD and other Metropolitan member agencies with a single representative and creates an inequitable voting structure at Metropolitan. As an agency that is embarking on billion-dollar infrastructure investments and water supply initiatives that impact millions of Californians, Metropolitan board's actions hold tremendous consequence for their member agencies and the customers that they serve. This underscores the need for more fair and flexible representation for smaller member agencies on the Metropolitan board."

- 8) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Eastern Municipal Water District [SPONSOR]

City of Beverly Hills

Elsinore Valley Municipal Water District

Inland Empire Utilities Agency

Las Virgenes Municipal Water District

Upper San Gabriel Valley Municipal Water District (Introduced version)

Western Municipal Water District (Introduced version)

Opposition

None on file

Analysis Prepared by: Jimmy MacDonald / L. GOV. / (916) 319-3958