



STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
1102 Q Street • Suite 3050 • Sacramento, CA 95811

January 15, 2026

Justin Hopkins
General Manager
Stockton East Water District
6767 East Main Street,
Stockton, CA 95215

Re: Your Request for Formal Advice
Our File No. A-25-152

Dear Mr. Hopkins:

This letter responds to your request for formal advice on behalf of Board Members Paul Sanguinetti and Andrew Watkins, two members of the Stockton East Water District Board (the “Board”), regarding conflict-of-interest provisions of the Political Reform Act (the “Act”).¹

Please note that we are only providing advice under the conflict-of-interest provisions of the Act and not under other general conflict-of-interest prohibitions such as common law conflict of interest or Section 1090.

Also note that we are not a finder of fact when rendering advice (*In re Oglesby* (1975) 1 FPPC Ops. 71), and any advice we provide assumes your facts are complete and accurate. If this is not the case or if the facts underlying these decisions should change, you should contact us for additional advice.

QUESTION

Under the Act, may Board Members Sanguinetti and Watkins participate in Board decisions regarding the implementation of a new water rate structure for the District’s surface water customers, which would change the water rate fee/tax assessed to their respective real properties?

CONCLUSION

Under the Act, Board Members Sanguinetti and Watkins have a disqualifying financial interest in Board decisions regarding a new water rate structure because it is reasonably foreseeable that the new water rate structure will have a material financial effect on their respective real properties by affecting a fee/tax applied to their real property. Additionally, the specific “public generally” exception applicable to public services and utilities would not allow

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18104 through 18998 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

the two board members to participate in the Board's decision to implement a new water rate or to determine the properties or persons subject to the new water rate.

FACTS AS PRESENTED BY REQUESTER

The Stockton East Water District (the "District") is governed by a seven-member elected Board. The District manages groundwater and provides supplemental surface water to customers within its service area. The District's surface water supply is derived from two separate sources: New Hogan Reservoir and New Melones Reservoir. Currently, the District charges all 131 surface water customers a uniform surface water rate, regardless of whether their water is supplied from the New Hogan Reservoir or the New Melones Reservoir. Seven total customers, including Board Members Sanguinetti and Watkins, receive their surface water from the New Melones Reservoir.

The cost to the District for purchasing water from the New Melones Reservoir is substantially higher than the cost of purchasing water from the New Hogan Reservoir. The Board will soon consider and may vote on a proposed change to the District's rate structure that would establish separate rates for surface water customers based on which reservoir supplies their surface water, reflecting the different costs to the District for purchasing water from these two reservoirs.

Board Member Sanguinetti is the customer and owner of his real property serviced by the New Melones Reservoir. Board Member Watkins is the customer for the real property serviced by the New Melones Reservoir, but the title is held in his late mother's trust. You confirmed in a follow-up email that Board Member Watkins has more than a 10 percent interest in the trust that holds the title to the real property, and he is a beneficiary of, and receives income from, the trust.

ANALYSIS

Section 87100 prohibits any public official from making, participating in making, or otherwise using their official position to influence a governmental decision in which the official has a financial interest. "A public official has a financial interest in a decision within the meaning of Section 87100 if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official, a member of the official's immediate family," or on any specific interests including any "real property in which the public official has a direct or indirect interest worth two thousand dollars (\$2,000) or more." (Section 87103; Section 87103(b).) An interest in real property "includes any leasehold, beneficial or ownership interest, or an option to acquire such an interest in real property located in the jurisdiction owned directly, indirectly, or beneficially by the public official, or other filer, or that person's immediate family." (Section 82033.) Board Member Sanguinetti has identified a financial interest in his real property.

Interest in a Trust

Regulation 18234 provides the standard for when an official has an economic interest in a trust. "An official has an economic interest in the pro rata share of the interests in real property,

sources of income, and investments of a trust in which the official has a direct, indirect, or beneficial interest of 10 percent or greater.” (Regulation 18234(a).) An official has an economic interest in real property, sources of income, and investments of a trust, that the official has a direct, indirect, or beneficial interest in, if the official is a beneficiary of the trust and “presently receives income” or has “an irrevocable future right to receive income or principal” from the trust. (Regulations 18234(c) and 18234(c)(2)(A)-(C).) Board Member Watkins has more than a 10 percent interest in his late mother’s trust, is a beneficiary, and presently receives income from the trust. Accordingly, he has identified a financial interest in real property as a beneficiary of the trust holding the real property interest.

Foreseeability and Materiality

Regulation 18701 provides the standard for determining the foreseeability of a financial effect on an economic interest, depending on whether it is explicitly or not explicitly involved in the governmental decision. A reasonably foreseeable financial effect on a financial interest is presumed if the financial interest is the subject of a governmental decision before the official or the official’s agency, which includes a governmental decision that affects a real property financial interest as described in Regulation 18702.2(a)(1)-(6). (Regulation 18701(a).) The reasonably foreseeable financial effect of a governmental decision on a parcel of real property a public official has a financial interest in is material when the decision “would impose, repeal, or modify, any taxes, fees, or assessments, that apply to the parcel.” (Regulation 18702.2(a)(3).)

The reasonably foreseeable financial effect on the real properties of Board Member Sanguinetti and Board Member Watkins, respectively, is material because the decision at issue is whether to impose a new water rate structure, which would impose a new fee/tax on Board Members Sanguinetti’s and Watkins’s real property interests. Absent an exception, the two board members are disqualified from taking part in Board decisions related to the District’s water rate structure.²

Public Generally Exception

Under the public generally exception, a public official with a financial interest in a governmental decision is not disqualified from the governmental decision if the effect of the decision on the official’s financial interest is indistinguishable from its effects on the public. The exception provides that, “a public official’s financial interest is indistinguishable from its effect on the public generally if the official establishes that a significant segment of the public is affected,” and the effect on the official’s financial interest is not unique as compared to a significant segment of the public. (Regulation 18703(a).) A “significant segment” includes “15 percent of residential real properties within the official’s jurisdiction if the only interest an official has in the governmental decision is the official’s primary residence.”

² An official disqualified from a decision under the conflicts of interest provisions of the Act may not make, participate in making, or use their official position to influence the decision as defined in Regulation 18704. Additionally, the official must follow the recusal requirements in Regulation 18707.

There is a specific exception for public services and utilities, which states that a public official's interest is indistinguishable from the public generally if:

The decision sets or adjusts the amount of an assessment, tax, fee, or rate for water, utility, or other broadly provided public service, that is applied equally, proportionally, or by the same percentage to the official's interest and all businesses, properties, or individuals subject to the assessment, tax, fee, or rate. This exception does not apply if the decisions would impose the assessment, tax, fee, or determine the boundaries of a property, or who is subject to the assessment, tax, or fee. Under this exception, an official is only permitted to take part in setting or adjusting the amount of the assessment, tax, or fee, once the decisions to implement, and determine the property or persons subject to the assessment, tax, or fee, have already been made.

(Regulation 18703(e)(1).)

Here, the District currently has a uniform water rate for all 131 surface water customers, regardless of which reservoir supplies their surface water. The governmental decision by the Board to implement a new two-tiered water rate structure would charge a different fee to seven customers who receive their water from the New Melones Reservoir. The Board's decision would implement a new rate structure and determine which properties would be subjected to the separate rates based on the source of the customer's surface water. Therefore, the public generally exception is not applicable, and Board Members Sanguinetti and Watkins are prohibited from participating in Board decisions related to implementing a new water rate structure for the District.³

If you have other questions on this matter, please contact me at mroeckl-navazio@fppc.ca.gov.

Sincerely,

Dave Bainbridge
General Counsel

Margaret L. Roeckl-Navazio

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By: Margaret L. Roeckl-Navazio
Counsel, Legal Division

³ Note that this conclusion extends to the implementation of the new rate structure and initial determination of the rate to be applied to the seven customers subject to the increased rate as this rate change will not apply equally or proportionally to all customers subject to the current rate. Should the new rate structure be approved, Board Members Sanguinetti and Watkins may wish to seek additional advice regarding their involvement in future rate changes under the public generally exception in Regulation 18703(e)(1), as applied to assessments, taxes, fees, and rates, should they have additional questions regarding this exception.