

# PRESS RELEASE



## Court Affirms That WRD Will Have To Pay Cities Back for Overcharges, But Says Protested Assessments Must Be Paid In The Meantime

**Downey, CA, October 31, 2013:** A California Appellate Court has ruled that the Cities of Cerritos, Downey and Signal Hill must pay assessments to the Water replenishment District of Southern California, pending final judgment on litigation by the cities challenging the legality of the assessments. The Court added that the cities will not be required to pay interest on the amounts withheld to date. The Court cited the "pay first, litigate later" doctrine as grounds for overturning the trial court's ruling that the Cities did not have to pay the assessment, and said that the cities would be able to recover an undetermined amount of the payments, once a final judgment is entered.

The Cities of Cerritos, Downey and Signal Hill initially brought suit against the WRD in August 2010, after years of complaining to WRD that it had overcharged the Southeast Los Angeles County cities by over \$10 million per year to subsidize the coastal communities and oil refineries. The trial court has twice ruled that the WRD has been illegally setting assessments in violation of California law (Proposition 218), but it has yet to hold a trial on the amount the Cities are entitled to as a result of the illegal assessments.

The trial court orders, concluding that the WRD violated the Constitution in imposing replenishment assessments on municipalities and other water providers prompted a number of cities within the district – including Bellflower, Cerritos, Downey and Signal Hill – to withhold payment of assessments and, instead, hold the amounts in escrow until a determination is made as to what is actually owed.

Despite the court rulings, the WRD has not only failed to adhere to Proposition 218 procedural requirements for levying assessments, it has also taken the position that it is not obligated to return overpayments – a position rejected by the Court. Instead of following the law, the WRD has instituted a bogus protest mechanism that bypasses the cities' right to protest the assessments, even though the cities are directly responsible for paying the assessments.

The average resident has no connection with the WRD, which is not a water provider. It is the cities who must ensure WRD does not overcharge for its service through the assessment, which constitutes a third to half of the monthly water bills paid by households. The cities that do provide water directly to their constituents have an obligation to resist excessive assessments that needlessly inflate water bills. That is why the cities, in the interest of their citizens, have been challenging the WRD actions in the courts and have, in good faith, withheld payment of unsubstantiated assessments.

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