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Central Basin MWD Files Cross-Complaint to Protect Ratepayers

District responds to West Basin Lawsuit

Carson, CA – On Wednesday, October 4, 2006 Central Basin Municipal Water District filed a cross-complaint against its former partner, West Basin Municipal Water District, in an effort to protect ratepayers from the negative effects of fighting an ongoing and costly legal battle over a frivolous lawsuit and to protect District-owned property.

The cross-complaint is a response to West Basin's lawsuit filed against Central Basin on June 30, 2006, just one day before the two agencies officially separated—an action that was prompted by a surprise decision West Basin made in February 2006 to dissolve the Districts' joint management agreement of more than 15 years.

Understanding that a lawsuit would seriously impede discussion between the two Districts during a critical time in the transition, Central Basin offered to work cooperatively with West Basin to separate the Districts in an organized, fiscally sound manner, without having to go to court. For four months Central Basin worked with West Basin to find common ground on which to efficiently and prudently separate the Districts. In the midst of these discussions, West Basin filed its lawsuit against Central Basin.

Almost three months later, when further settlement negotiations hadn't evolved beyond the initial stages of the separation, Central Basin was obligated to file a demurrer arguing for dismissal of West Basin's lawsuit on the grounds that there was no legal basis for West Basin's complaint.

In the demurrer, Central Basin defended its position as the lawful property owner of the office building the two Districts continue to use as a joint headquarters, located at 17140 South Avalon

Boulevard in Carson. Contrary to West Basin's claim that the building belongs to the Joint Finance Authority (JFA)—a joint powers authority created by the two Districts in 1992 to manage shared expenses—Central Basin has been the sole deed holder of the property since 1991.

“How can we be sued for a decision we didn't even make? West Basin's unfounded and short-sighted sprint to litigation has detrimentally impacted the negotiations and has cost both districts a lot of money,” said Central Basin General Manager Art Aguilar. “We made a commitment to protect our ratepayers and our communities during this transition, but as long as we have to handle frivolous lawsuits brought by West Basin, we will continue to be faced with unnecessary and costly expenses. We hope that this cross-complaint will enable us to put all matters that need to be resolved with West Basin in a forum for them to be settled once and for all.”

In the cross-complaint, Central Basin asserts that West Basin mishandled a variety of bookkeeping issues through the years related to the building, bond repayment and accounting of employee time. Specifically, Central Basin alleges that there were overpayments for building renovations and bonds, and that employee timesheets were manipulated.

“To date, the Districts' separation and lawsuit combined has cost Central Basin \$800,000 in non-budgeted expenses – a number that continues to grow as matters go unresolved,” said Aguilar. “Still, we will continue to try and settle these matters fairly and at minimal cost to our ratepayers. Now all we need is for West Basin to vigorously engage in settlement negotiations so that the separation can be complete before more time goes by and more money is spent.”

Central Basin is a public agency that wholesales imported water to cities, mutual water companies, investor-owned utilities and private companies in southeast Los Angeles County, serving a population of more than 2 million. In addition, Central Basin provides the region with recycled water for municipal, commercial and industrial uses. Formed in 1952, Central Basin is committed to ensuring a safe and reliable water supply for the region.

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