



City of Arts & Innovation

News Release

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Riverside settles water transfer lawsuit

Riverside, Calif. –The City of Riverside settled a lawsuit challenging its century-old practice of transferring Water Fund monies to the General Fund because an unexpected loss in court could have wiped out the City’s reserves and robbed voters of an opportunity to once again decide the fate of the transfer that pays for essential services.

The City settled the lawsuit with Javier and Vivian Moreno on April 15 without agreeing that the City had violated Prop. 218. The \$10 million settlement limited Riverside’s liability to about a fourth of the amount that the Morenos may have sought in court, or as much as \$42 million, according to Mayor Rusty Bailey. Riverside has \$40 million in reserves.

“The potential impact to the General Fund is unacceptable,” Bailey said. “Riverside residents have voted three times – in 1907, 1968 and 1977 – to support the transfer of funds. So, the City agreed to let Riverside residents, again, decide instead of having a court do so.”

The transfer will continue if more than 50 percent of voters favor Measure A on the June 4 ballot. Registered voters in Riverside will begin receiving their ballots in the mail the week of May 6 and must return them in time to be counted by June 4. There is no polling place voting.

The transfer of 11.5 percent of water revenues boosts the City’s General Fund by about \$6 million per year. General Fund revenues pay for services like police, fire, parks, libraries and the City’s “311” system, which allows residents to quickly request city services through one phone call. The General Fund also pays for school crossing guards at busy intersections and uniformed police officers at local high schools.

The lawsuit alleged that the City was violating Prop. 218, a 1996 law that requires voter approval of some taxes and fees. But when the law was passed, the impact on the City of Riverside was

not clear because Riverside voters had already voted to approve the transfer and Riverside is a charter city that enjoys more local control than non-charter cities.

"Settling this case was the best way to resolve this dispute for the City and the taxpayers," City Manager Scott Barber said.

Under the agreement, the City will transfer \$10 million to the City's Water Fund, minus as much as \$1 million in fees demanded by the Morenos' attorney. The money remaining after the attorney fees are paid will be transferred to the Water Fund in equal installments within three years if Measure A passes and within 10 years if it doesn't.

Barber noted that some opponents of Measure A have said inaccurately that the City has been unaffected by not having money from the transfer for this year. The City has voluntarily set aside in an escrow account about \$6 million -- an amount of money equal to what would have been transferred to the City's General Fund.

But those funds were included in the formulation of the 2012-13 city budget, so if voters do not approve Measure A on June 4, that \$6 million will have to come from the City's reserves by the end of this fiscal year on June 30 and would maintain services for only this year.

"There is no way to generate enough savings in 30 days to make up \$6 million," Barber said.

However, next year the City will be faced with over \$6 million in cuts to essential services, including public safety.

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