

Bond Case Briefs

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JUDGMENTS - CALIFORNIA

Sutter Health v. Eden Township Healthcare District

Court of Appeal, First District, Division 1, California - November 29, 2016 - Cal.Rptr.3d - 2016 WL 6958654

Nonprofit health system brought action against township healthcare district for specific performance of a written agreement to convey real property and for damages. District cross-complained for declaratory and injunctive relief.

The Superior Court granted summary judgment for health system on cross-complaint and denied district's motion for summary adjudication. District appealed. The Court of Appeal affirmed. The Superior Court denied health system's motion for attorney fees. Health system appealed, and the Court of Appeal reversed and remanded. District filed a motion to pay a judgment in up to 10 annual installments on the basis that prompt payment would impose an "unreasonable hardship." The Superior Court granted the motion, and effectively amended the judgment nunc pro tunc to decrease the postjudgment interest rate retroactively from the date the judgment was entered. Judgment creditor appealed.

The Court of Appeal held that:

- District's financial straits supported a finding of "unreasonable hardship," but
- Interest accrued prior to the trial court's grant of relief could not be reduced retroactively.

Trial court's finding that prompt payment of a \$19.5 million judgment would impose an "unreasonable hardship" on township healthcare district, in authorizing payment in up to 10 annual installments, was supported by substantial evidence, including testimony of an accountant that a 10-year installment plan was necessary to avoid significantly impacting district's "ability to continue to service its residents," evidence that district was unable to borrow the funds necessary to pay the judgment in a lump sum, and evidence that a sale of assets to finance payment of the judgment would threaten bankruptcy by depriving the district of the funds required for it to operate.

Under the statutes providing that a local agency may pay a judgment in up to 10 annual installments upon a showing that prompt payment would impose an "unreasonable hardship" and that the interest rate for such judgments is the one-year United States Treasury bill rate, interest accrued prior to the trial court's grant of relief could not be reduced retroactively to the Treasury bill rate.

Township healthcare district's failure to challenge the constitutional default seven percent rate of postjudgment interest, either at the time a judgment was entered against the district or on appeal, waived any argument that the seven percent rate was not the correct rate for the trial court to impose upon the Court of Appeal's reversal of the trial court's order imposing the one-year United States Treasury bill rate retroactively under the statute authorizing a local agency to pay a judgment in up to 10 annual installments where prompt payment would impose an "unreasonable hardship."

