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MUNICIPAL GIFTS OF PUBLIC FUNDS - WASHINGTON

Peterson v. State

Supreme Court of Washington - April 17, 2020 - P.3d - 2020 WL 1888727

Taxpayer, who was also the principal owner of a railroad services company, brought action against port district, among others, arising out of its failure to charge two railroads for using a portion of track that such railroads or their predecessors had assisted the United States in building in exchange for the right to use the track for free, which track was located on land that the United States had subsequently sold to the port district, and port district had leased to taxpayer's company.

Railroads intervened as defendants, and additional taxpayers intervened as plaintiffs. The Superior Court awarded summary judgment to port district. Taxpayers appealed, and the Court of Appeals affirmed. Taxpayers petitioned for review.

The Supreme Court held that port district did not act with donative intent when it failed to charge railroads for their use of track, and thus its actions did not violate state constitutional provision barring municipal gifts of public funds.

Port district did not act with donative intent when it failed to charge two railroads for their use of track that they or their predecessors helped build when the land was owned by the United States in exchange for the right to use the track for free, and thus its actions did not violate state constitutional provision barring municipal gifts of public funds; there was no evidence port district attempted to hide the arrangement, which was also reflected in a recorded indenture, from the state auditor, obligation to honor the railroads' agreement with the United States was a condition of the sale of the land to the port district, and there was no showing of grossly inadequate consideration to the port district or significant cost to taxpayers.