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BOND VALIDATION - CALIFORNIA

[Alliance San Diego v. California Taxpayers Action Network](#)

Court of Appeal, Fourth District, Division 1, California - October 3, 2025 - Cal.Rptr.3d - 2025 WL 2813618

Taxpayer advocacy organizations filed petition for writ of mandate and a reverse validation complaint, seeking determination that city's resolution declaring that a voters' ballot measure for hotel tax increase to fund expansion of city's convention center, address homelessness, and repair streets had passed was invalid.

City then filed a validation action seeking determinations that its resolution and related bond resolutions were valid. After consolidation, the Superior Court, San Diego County, granted organizations' motion for judgment on the pleadings. City appealed. The Court of Appeal reversed and remanded. After a bench trial, the Superior Court entered judgment for city. Organizations appealed.

The Court of Appeal held that:

- Trial court had subject matter jurisdiction over city's validation action;
- Validation action was ripe for adjudication;
- Special fund doctrine applied to exempt bond resolutions from two-thirds vote requirement for general obligation bonds;
- Measure was a citizens' initiative that required only a simple majority vote to pass;
- City did not have substantial control over measure that would preclude measure from being a citizens' initiative;
- Statements in newspaper articles were not admissible under hearsay exception for admissions by a party-opponent; and
- Any error in exclusion of hearsay statements in newspaper articles was harmless.

Trial court had subject matter jurisdiction over city's validation action seeking determinations of the validity of its resolution declaring that a voters' measure imposing hotel tax increase to fund expansion of city's convention center, address homelessness, and repair streets had passed and the validity of related bond resolutions, even though there were no specific bonds ready to be issued pursuant to measure or additional resolutions authorizing issuance of bonds based on provisions of measure; resolutions expressly authorized and approved preliminary steps necessary for, and therefore were inextricably bound up with, the ultimate issuance of specific bonds.

City's validation action seeking determinations of the validity of its resolution declaring that a voters' ballot measure imposing hotel tax increase to fund expansion of city's convention center, address homelessness, and repair streets had passed and the validity of related bond resolutions presented a dispute that was sufficiently concrete to be ripe for adjudication, even though city had not authorized or approved issuance of any existing bonds, where city passed other resolutions expressly authorizing and approving issuance and sale of bonds pursuant to provisions of measure.

City would suffer a hardship from the withholding of jurisdiction, and thus the second prong of

ripeness doctrine was satisfied for city's validation action seeking determinations of the validity of its resolution declaring that a voters' ballot measure imposing hotel tax increase to fund expansion of city's convention center, address homelessness, and repair streets had passed and the validity of related bond resolutions; measure's programs and projects depended on bond revenues to be repaid by the special taxes imposed by measure, and if trial court did not adjudicate validation action, city might not have been able to proceed toward issuance of bonds for those programs and projects or their issuance at reasonable interest rates due to possibility of future litigation causing a chilling effect on third-party lenders.

Special fund doctrine applied to exempt city's bond resolutions related to voters' ballot measure for hotel tax increase to fund expansion of city's convention center, address homelessness, and repair streets from requirement under State Constitution and city charter of assent of two-thirds of voters for general obligation bonds; bonds related to measure would not be "general obligation bonds," since resolutions did not obligate city to make payments on bonds out of its general funds or any funds other than the special tax funds established by measure.

Special fund doctrine, as an exception to state constitutional provision requiring assent of two-thirds of voters for a municipality to incur any indebtedness or liability exceeding in any year the income and revenue provided for such year, is not limited to obligations only of a specific agency that would be benefited, as opposed to a special fund overseen by a local agency.

Mere fact of a city government official's involvement in a voter initiative imposing a special tax does not necessarily convert the voter initiative into a local government initiative that would need two-thirds supermajority vote to pass rather than a simple majority vote.

Hotel tax increase measure passed by voters to fund expansion of city's convention center, address homelessness, and repair streets was not a "city-sponsored ballot measure" but rather was a bona fide "citizens' initiative" that required only a simple majority vote to pass and not a two-thirds supermajority vote, where individual proponents of measure published a notice of intent to circulate an initiative petition, proponents filed notice with city clerk, and proponents subsequently submitted petitions signed by requisite number of city voters, and measure was thereafter placed on ballot for election and received 65.24 percent of the votes.

A local government entity or official's support of a citizens' initiative to adopt a special tax does not convert the citizens' initiative into a government-sponsored measure that would need two-thirds supermajority vote to pass rather than a simple majority vote.

City and nonprofit convention center corporation controlled by city did not have substantial control over a hotel tax increase measure passed by voters to fund expansion of convention center, address homelessness, and repair streets, and thus the measure qualified as a bona fide "citizens' initiative" that required only a simple majority vote to pass and not a two-thirds supermajority vote, even though one proponent of measure was both vice president of city's regional chamber of commerce that was primary sponsor of measure and a volunteer member of corporation's board, and another board member voted in favor of board resolution supporting measure; vice president did not openly cite her unpaid board membership as a proponent of measure, the voting board member was not involved in proposing measure, and corporation's only action was a resolution passed by board supporting measure.

Statements in newspaper articles purportedly showing involvement of board members of nonprofit convention center corporation controlled by city in sponsoring and/or supporting voters' ballot measure imposing hotel tax increase to fund expansion of city's convention center were not admissible under hearsay exception for admissions by a party-opponent, in city's validation action

seeking determinations of the validity of its resolution declaring that the measure had passed and the validity of related bond resolutions; neither member was a named party to the action, and their statements in articles were not authorized by a party to the action.

Statements that board members of nonprofit convention center corporation controlled by city made in newspaper articles were not admissible under hearsay exception for statements of a declarant's then existing mental or physical state, in city's validation action seeking determinations of the validity of its resolution declaring that a voters' ballot measure imposing hotel tax increase to fund expansion of city's convention center had passed and the validity of related bond resolutions, where proponent of statements did not show that members were unavailable to testify as witnesses or that the hearsay evidence was offered to prove or explain their conduct.

Statements that board members of nonprofit convention center corporation controlled by city made in newspaper articles were not admissible under hearsay exception for statements of a declarant's previously existing mental or physical state, in city's validation action seeking determinations of the validity of its resolution declaring that a voters' ballot measure imposing hotel tax increase to fund expansion of city's convention center had passed and the validity of related bond resolutions, where proponent of statements did not show that members were unavailable to testify as witnesses or that the hearsay evidence was offered to prove or explain their conduct.

Any error in trial court's exclusion of hearsay statements that board members of nonprofit convention center corporation controlled by city made in newspaper articles was harmless, in city's validation action seeking determinations of the validity of its resolution declaring that a voters' ballot measure imposing hotel tax increase to fund expansion of city's convention center had passed and the validity of related bond resolutions; there was no showing that it was reasonably probable that taxpayer advocacy organizations, as proponents of statements, would have received a more favorable result at trial had the error not occurred.