Bond Case Briefs

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BONDS - GEORGIA

Savage v. State

Supreme Court of Georgia - June 29, 2015 - S.E.2d - 2015 WL 3937118

Development authority sought validation of revenue bonds to be used to construct professional baseball stadium. Objecting county residents were permitted to intervene. Following revenue bond validation hearing, the Superior Court confirmed and validated bonds. Residents appealed.

The Supreme Court of Georgia held that:

- Intergovernmental agreement did not violate Intergovernmental Contracts Clause of state constitution;
- Authority's issuance of bonds did not violate Debt Limitation Clause of state constitution;
- County's promise to pay for bonds was not regulated by Debt Limitation Clause;
- Intergovernmental agreement did not violate Gratuities Clause of state constitution;
- Intergovernmental agreement did not violate Lending Clause of state constitution;
- Notices of validation hearing were sufficient; and
- Trial court acted within its discretion in refusing to admit evidence regarding negotiations.

Intergovernmental agreement between county and development authority, under which authority agreed to issue bonds for construction of professional baseball stadium and county agreed to pay principal and interest on bonds, did not violate Intergovernmental Contracts Clause of state constitution. Contract was between political subdivisions, its term did not exceed period of 50 years, contract was for provision of services by county and authority, including that authority agreed to issue bonds and county agreed to oversee design and construction of stadium, contract dealt with activities that county and authority were authorized by law to undertake, and stadium project was for public benefit, even though it also conferred private benefits on professional baseball organization.

Issuance of revenue bonds by development authority for construction of professional baseball stadium did not violate Debt Limitation Clause of state constitution, requiring that debt incurred by a political subdivision never exceed 10% of the assessed value of all taxable property, where, in accordance with revenue bond laws, the bond financing documents provided that stadium project bonds were limited obligations and were payable only from the pledged security, that, if authority defaulted on bonds, bond holders' only recourse was to step into the shoes of authority as to stadium project, and that only project property and revenues from intergovernmental agreement with county and professional baseball organization's licensing fees were pledged as security for the bonds.

County's promise to pay for revenue bonds issued by development authority for project to construct professional baseball stadium was not debt regulated by Debt Limitation Clause of state constitution, requiring that debt incurred by a political subdivision never exceed 10% of the assessed value of all taxable property and that vote be held before county acquired new debt, as county was incurring debt under constitutionally valid intergovernmental contract between county and development authority.

Intergovernmental agreement between county and development authority, under which the authority agreed to issue bonds for professional baseball stadium construction project and city agreed to pay amount sufficient to cover principal and interest on bonds in addition to other costs incurred by authority, did not violate Gratuities Clause of the state constitution, where services that authority would provide constituted contractual consideration to the county.

Intergovernmental agreement between county and development authority, under which authority agreed to issue revenue bonds for professional baseball stadium construction project and city agreed to pay amount sufficient to cover principal and interest on bonds and other costs incurred by authority, did not violate Lending Clause of state constitution prohibiting lending to any nonpublic corporation or association, since county was not paying, with appropriated funds or credit, for anything to be owned by professional baseball organization, but rather the stadium and site would be owned by the authority, with the professional baseball organization paying license fees to authority for at least 30 years, at the end of which the bonds that county was helping to pay would be fully redeemed.

Development authority was authorized to issue revenue bonds for construction of professional baseball stadium under constitutional provision allowing for issuance of bonds as provided for by general law and statutes governing revenue bonds, where revenue bond law authorized authority to issue revenue bonds to finance construction of any undertaking, including stadiums.

Proposed revenue bonds to finance construction of professional baseball stadium met statutory and constitutional requirement that they be funded solely from revenues derived from the project. License fees paid by professional baseball organization to use stadium would cover part of bond payments, remainder would come from payments made by county under intergovernmental agreement with development authority, and although county promised to levy ad valorem taxes if necessary to satisfy its commitments under the intergovernmental agreement, county’s liability was under contract, not bond, and county could pledge its full faith and credit to meet such contractual obligations.

Notices of validation hearing for proposed revenue bonds for construction of professional baseball stadium were sufficient under statute governing such notices; notices were published in local newspaper the proceeding two weeks, shortly after first notice was published, and although second notice contained change in presiding judge and courtroom, any potential confusion about location of hearing caused by change in presiding judge was sufficiently addressed by signs mounted throughout courthouse complex, including on original judge’s courtroom door, directing people to the correct courtroom, and objecting county residents had made it to the right courtroom at the right time.

Failure of development authority, which sought validation of revenue bonds to finance construction of professional baseball stadium, to oppose issuance of bonds under statute assigning role of showing why bonds should not be validated to same entity that proposed to issue them, did not render validation proceedings improper. Although statutory scheme was unusual, more significant and realistic protection against improper validation was provided by statutory right of objecting residents to intervene and then appeal validation decision, authority asserted it did not present any reasons why bonds should not be issued because it did not have any good reasons, and objecting resident made no colorable claim that that decision was result of improper professional conduct by government’s attorneys.

Trial court, in validation proceedings regarding proposed revenue bonds for construction of professional baseball stadium, acted within its discretion in refusing to admit documents and testimony offered by objecting residents regarding negotiations between professional baseball organization, the county, and the development authority, where objecting residents failed to show how negotiations would be relevant to whether proposal to issue bonds was sound, feasible, and reasonable, given that unambiguous financing documents that parties entered into were controlling, not the discussions that led up to them.