

# **Bond Case Briefs**

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## **INDEBTEDNESS - IDAHO**

### **Greater Boise Auditorium Dist. v. Frazier**

**Supreme Court of Idaho, Boise, September 2015 Term - October 15, 2015 - P.3d - 2015 WL 6080521**

Auditorium district, a governmental subdivision, filed petition for judicial confirmation that proposed real estate transaction did not violate state constitution's prohibition on municipal bodies, without voter approval, incurring indebtedness or liabilities greater than it has funds to pay for in the fiscal year. The District Court denied the petition. District appealed.

The Supreme Court of Idaho held that:

- Courts have duty to examine other documents affecting question submitted in petition for confirmation;
- Lease did not violate constitution; and
- Overall agreement did not violate constitution.

In deciding petitions for judicial confirmation of the validity of agreements brought by the governing bodies of political subdivisions, courts have a duty to examine other documents which affect the questions submitted and then to determine the propriety of the contracts before them.

Lease between auditorium district, a governmental subdivision, and urban renewal agency did not subject district to more liability than it could pay in year in which it was entered, and therefore entering lease without voter approval did not violate state constitution, despite contention that entire financing structure could have failed and resulted in financier pursuing remedies against district. Lease bound district to pay rent of one year, which it had funds to do, lease allowed district option to renew lease in subsequent years if it had funds to do so, constitution did not bar government subdivisions from incurring all potential liabilities without voter approval, and whether lease was, in fact, equitable mortgage did not create specific liability.

Overall agreement entered into by auditorium district, a governmental subdivision, in which district was obligated to purchase facility upon completion of construction did not subject district to long-term liability greater than it had the funds to pay for in the year in which it was entered, and therefore entering agreement without voter approval did not violate state constitution, despite contention that district was subject to continuing liability of lender's right to impose security interest on facility. Cost of purchase was covered by urban renewal agency if overall agreement was confirmed by court or by district's cash on hand, and any liens imposed by lender would have had to be released before sale, based on requirement of developer to convey clear title.