

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **PUBLIC FINANCE - CALIFORNIA**

### **San Diegans for Open Government v. City of San Diego**

**Court of Appeal, Fourth District, Division 1, California - November 20, 2015 - Cal.Rptr.3d - 2015 WL 7352188**

Objector brought reverse validation action against city, city redevelopment agency's successor agency, a joint powers authority formed by the city and the redevelopment agency, and the city housing authority to challenge a lease-back financing plan adopted to fund public infrastructure improvements.

The Superior Court denied objector any relief. Objector appealed.

The Court of Appeal held that:

- Bonded debt held by joint powers authority did not trigger constitutional two-thirds vote requirement;
- Bonded debt held by joint powers authority did not require two-thirds vote under city charter; and
- Redevelopment agency's successor agency was authorized to enter into joint powers agreement.

Bonded debt held by a joint powers authority reconstituted by a city, the successor to the city's redevelopment agency, and the city's housing authority was not counted in determining whether the city violated the constitutional provision prohibiting cities from incurring any indebtedness "exceeding in any year the income and revenue provided for such year, without the assent of two-thirds of the qualified electors," even though the joint powers authority's governing board was comprised exclusively of city council members, the joint powers authority had never owned tangible property, and the city's annual financial report deemed the joint powers authority to be a "blended component unit" of the city pursuant to generally accepted accounting principles (GAAP).

A city charter provision stating that every "ordinance or resolution determining that the public interest or necessity demands" a municipal improvement authorized to be acquired, constructed, completed, or maintained by the city, "the cost of which will be too great to be paid out of the ordinary annual income and revenue," shall require a vote of two-thirds of the voters in an election, did not require such a two-thirds vote for public infrastructure improvements funded by a joint powers authority's bonded debt under a lease-back arrangement with the city.

City housing authority was authorized to enter into a joint powers agreement with city and city redevelopment agency's successor agency to create a joint powers authority to finance public infrastructure improvements, even if the improvements were not housing projects.

The statutes providing that a redevelopment agency's successor agency generally shall not "create new enforceable obligations or begin redevelopment work," and setting forth the mandatory duties of successor agencies, did not preclude a successor agency from entering into a joint powers agreement with city and city housing authority to reconstitute a joint powers authority to finance public infrastructure improvements.

The statute providing that a redevelopment agency's successor agency generally shall not "create new enforceable obligations or begin redevelopment work" did not prohibit the issuance of bonds by a joint powers authority reconstituted by a redevelopment agency's successor agency, a city, and a housing authority.