

Bond Case Briefs

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PUBLIC CONTRACTS - CALIFORNIA

California-American Water Company v. Marina Coast Water District

Court of Appeal, First District, Division 1, California - August 18, 2016 - Cal.Rptr.3d - 2016 WL 4400452 - 16 Cal. Daily Op. Serv. 9086

Water utility brought action against water district and county water resources agency for declaratory judgment that five contracts related to desalination project were void because a board member of the county water resources agency was financially interested in the contract.

Water district cross-complained for a declaration barring any challenge to the contracts, and county water resources agency cross-complained for a declaration the contracts were void. The Superior Court declared four of the contracts void after bench trial. Water district appealed.

The Court of Appeal held that:

- A public agency is not bound by the 60-day limitation period that governs validation actions when it seeks a judicial determination of the validity of a contract under the statute forbidding public officers from being financially interested in any contract made by them in their official capacity;
- Water resources agency's cross-complaint was not barred by statute of limitations; and
- Board member had sufficient financial interest to invalidate contracts.

In water utility's action against water district and county water resources agency for declaratory judgment that contracts were void under the statute forbidding public officers from being financially interested in any contract made by them in their official capacity, water resources agency's cross-complaint against the water district for declaratory judgment that the contracts were void related back to the water district's cross-complaint against the water resources agency that the contracts were valid, and thus the four-year limitation period for water resources agency's cross-complaint stopped running upon the water district's cross-complaint.

Member of county water resources agency's board of directors had a sufficient financial interest in four contracts related to desalination project for his participation in the agency's negotiation of the agreements to support invalidation of the contracts under the statute forbidding public officers from being financially interested in any contract made by them in their official capacity, where the board member was a paid consultant for the project manager, the project manager increased board member's compensation from \$25,000 to \$160,000 while three of the contracts were being negotiated, and board member reasonably could have expected to receive more work based on the execution of a fourth contract that was negotiated after manager stopped working as a consultant.