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Void Means Void - Municipal Contract That Did Not Conform to Statute Is Void and No Claim for Breach or Quasi-Contract or Unjust Enrichment Is Permitted.

Aquatic Renovations Sys. v. Vill. of Walbridge, 2018 Ohio App. Lexis 1581 (April 13, 2018)

On May 2, 2012, Aquatic Renovations Systems, Inc. ("Aquatic") entered into a contract with the Village of Walbridge ("the Village") for the installation of a new pool liner ("Contract 1"). Prior thereto, the Village council adopted an ordinance which authorized the mayor to enter into Contract 1 ("Ordinance"). On April 12, 2013, the mayor signed a new contract for the balance of the work ("Contract 2"). A few days after Aquatic completed its work, the pool liner began to lift. The Village then refused to pay Aquatic for the completed and approved work.

Aquatic sued the Village for non-payment, alleging the Village breached Contract 2. Aquatic also alleged that the Village was liable under a theory of quantum meruit and unjust enrichment. The trial court granted the Village's motion for summary judgment, holding that Contract 2 was not valid because it did not comply with the Ohio Revised Statute which required the mayor, the clerk, and the Village administrator to authorize all Village Contracts. Thus, because Contract 2 was unenforceable, Aquatic could not recover under a breach of contract, quantum meruit or unjust enrichment theory.

On appeal, Aquatic argued that Contract 2 was a binding contract. The Village argued that Contract 2 was invalid because under the Ohio Revised Code section 731.14, Village contracts must be signed by the mayor and the clerk, and under Ohio Revised Code 731.141, if the Village has an administrator, Village contracts must be signed by the Village administrator and the clerk. In response, Aquatic argued that the Village failed to raise the "legislative authority" argument in its Answer and therefore it was waived. Additionally, Aquatic argued that even if the Village administrator did not sign the Contract 2, it was ratified by the Village and it was made in good faith under which Aquatic incurred considerable expenses.

The Court of Appeals rejected Aquatic's arguments. First, the Court found that because the Village denied that the existence of Contract 2, the "legislative authority" argument need not be raised in the Village's Answer. Because it was undisputed that at all relevant times the Village had an administrator and that Contract 2 was not signed by the administrator or the clerk, Contract 2 did not comply with the Statute. The Court also found that the Ordinance, allowing the mayor to enter into the Contract 1, did not conflict with the Statute and that both the Ordinance and the Statute operated concurrently. Second, the Court found that the Aquatic's ratification argument failed because Aquatic cited to no legal authority to support it. Third, the Court found that Aquatic's good faith argument also failed because Aquatic did not establish that the Contract 2 was awarded by the appropriate agents of the Village, as mandated by the Statute. Thus, the Court of Appeals affirmed the trial court's holding that Contract 2 was invalid and unenforceable. Additionally, because, under Ohio law, a municipality may not be liable on the basis of a quasi-contract, the Court affirmed the trial court's ruling that Aquatic's quantum meruit and unjust enrichment claims also failed.

To view the full text of the court’s decision, courtesy of Lexis®, click here.

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