

# **Bond Case Briefs**

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## **VALIDATION - CALIFORNIA**

### **McGee v. Torrance Unified School District**

**Court of Appeal, Second District, Division 8, California - May 29, 2020 - Cal.Rptr.3d - 2020 WL 2781608 - 20 Cal. Daily Op. Serv. 5028 - 2020 Daily Journal D.A.R. 5274**

Taxpayer brought reverse validation action against school district and construction company, seeking to invalidate lease-leaseback agreements on numerous bases.

Trial court sustained demurrers, and taxpayer appealed. The Court of Appeal, 2015 WL 301918, affirmed in part but reversed as to conflict of interest claim and remanded. Taxpayer, together with taxpayer organization, brought separate reverse validation action against school district and construction company, and after the trial court sustained demurrers, taxpayer appealed. The Court of Appeal affirmed in part but reversed as to conflict of interest claim and remanded. Taxpayer and organization brought third action against school district and construction company for conflict of interest. Cases were consolidated. Following trial on issue of mootness, the Superior Court found claims were rendered moot by completion of construction projects and entered judgment of dismissal. Taxpayer appealed.

The Court of Appeal held that:

- Lease-leaseback agreements constituted contracts to which validation statutes applied;
- Taxpayer's conflict of interest claims were subject to validation statutes; and
- Completion of construction projects rendered conflict of interest claims moot.

Lease-leaseback agreements between school district and construction contractor involved district's financial obligations and were inextricably bound up in district's bond financing, and, thus, constituted "contracts" within the meaning of statute declaring that validation statutes applied to an action to determine the validity of a local agency's contracts; Education Code authorized lease-leaseback agreements without competitive bidding as a method to finance school construction, lease-leaseback agreements at issue were funded through school district's general obligation bond, and taxpayer who brought actions to invalidate lease-leaseback agreements on grounds including conflict of interest relied on reverse validation procedures and principles.

Taxpayer's claims that conflict of interest statute prohibited school district from entering into lease-leaseback agreements with construction contractor were, in essence, requests to invalidate agreements, and, thus, were subject to validation statutes; taxpayer sought finding that agreements were ultra vires, illegal, void, and unenforceable due to conflict of interest, any judgment in taxpayer's favor would necessarily render agreements void from their inception, and given lengthy procedural history of litigation, judgment in taxpayer's favor would undermine purpose behind validation statutes, namely, prompt validation of school district's actions to preserve district's ability to finance itself through public bonds and credit.

Completion of construction projects pursuant to lease-leaseback agreement between school district and construction contractor rendered moot taxpayer's conflict of interest claims, by which he sought to declare agreements void and obtain disgorgement of funds spent on projects, where agreements

were subject to validation statutes, and taxpayer's requested relief required invalidation of agreements.