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Davis v. Fresno Unified School District

Court of Appeal, Fifth District, California - November 24, 2020 - Cal.Rptr.3d - 2020 WL 6882737 - 20 Cal. Daily Op. Serv. 12,214 - 2020 Daily Journal D.A.R. 12,675

Taxpayer brought action against school district and contractor, alleging that contract for construction of a middle school violated competitive bidding requirements, rules governing conflicts of interest, and education statutes, among other claims.

The Superior Court sustained district's and contractor's demurrer and the Court of Appeal reversed in part. On remand, the Superior Court granted district's and contractor's motion for judgment on the pleadings. Taxpayer appealed.

The Court of Appeal held that:

- Taxpayer's action was a reverse validation action combined with an action to restrain or prevent an illegal expenditure of public money;
- Taxpayer did not abandon or forfeit portion of lawsuit that was an action to restrain or prevent an illegal expenditure of public money;
- Taxpayer's reverse validation action was rendered moot after contracts were fully performed; and
- It was appropriate for taxpayer to challenge legality of contracts in action to restrain or prevent an illegal expenditure of public money.

Taxpayer's action against school district and contractor, which challenged contracts for construction of a middle school, was a reverse validation action to determine validity of district's decision combined with a taxpayer's action to restrain or prevent an illegal expenditure of public money; even though complaint stated that action was brought as special in rem proceeding for judicial invalidation of contracts, complaint did not state it was "exclusively" or "only" brought as such a proceeding, and complaint's prayer for relief requesting that contractor be ordered to pay back monies sought relief that was not available in validation action but was available in a taxpayer's action.

Taxpayer did not abandon or forfeit portion of lawsuit that was brought as a taxpayer's action to restrain or prevent an illegal expenditure of public money in school district's construction of middle school, which was combined in lawsuit that also was reverse validation action to determine validity of district's decision; taxpayer's opposition to motion for judgment on pleadings asserted his taxpayer's complaint was not moot, taxpayer used fact that complaint sought remedy not available in reverse validation action to distinguish cases, and taxpayer's appellate brief requested remand to proceed with trial on in personam taxpayer claims.

Taxpayer's reverse validation action, which sought declaration that district's contracts with contractor in constructing middle school were invalid, was rendered moot after contracts were fully performed and no longer in effect; declaratory judgment as to the validity of completed contracts was not effectual relief.

Contracts for construction of middle school were not “contracts” to which validation statutes applied, and thus it was appropriate for taxpayer to challenge legality of contracts in a taxpayer’s action to restrain or prevent an illegal expenditure of public money; school district paid for construction as it was completed, making alternative lease-leaseback approach not a method of financing the construction, but rather a construction contract with no element of financing included, and terms of lease stated that district’s obligations could not be construed as debt or creating indebtedness.

The reference to “contracts” is construed narrowly in the statute that declares that the validation statutes apply to an action to determine the validity of a local agency’s contracts; only contracts involving financing and financial obligations fall within the statute.

In the context of a taxpayer’s action, the fact that the plaintiff could have enjoined the illegal expenditure does not prevent him seeking to recover on behalf of the local agency monies illegally expended.