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ANNEXATION - INDIANA

City of Bloomington v. Smith

Court of Appeals of Indiana - February 18, 2025 - 252 N.E.3d 951

City filed seven actions against county auditor, one for each territory city sought to annex, challenging constitutionality of state law that invalidated many of city's agreements with nearby landowners who waived their right to remonstrate against future annexation by city in exchange for provision of city sewage services.

State intervened to defend law and moved for partial summary judgment, and city moved for voluntary dismissal with prejudice of two of seven actions. The Circuit Court granted city's motion to dismiss, reconsolidated remaining five actions, and later granted state's motion for partial summary judgment. City appealed.

The Court of Appeals held that:

- Doctrine of claim preclusion did not bar city from litigating claims in five remaining actions;
- As municipality, city lacked enforceable rights under state Contract Clause to challenge constitutionality of statute; and
- Statute did not substantially impair city's contracts with landowners.

City that had voluntarily dismissed with prejudice two of seven actions it had brought against county auditor challenging constitutionality of statute that voided certain remonstrations was not barred by doctrine of claim preclusion from litigating claims in five remaining actions, even though actions in which city sought to proceed relied on same general constitutional arguments as actions that were dismissed; five remaining actions had been brought simultaneously with two dismissed actions, rather than after them, and matter now in issue involved annexation of five areas that were distinct from two areas in dismissed actions and could not have been determined in those actions.

As municipality of state, city lacked enforceable rights under state Contract Clause to challenge constitutionality of state statute that voided certain remonstrations as having impaired its contracts with nearby landowners with whom it had agreed to provide sewer service in exchange for waiver of their right to remonstrate against future annexation; in contract between municipality and private actor, state was real contracting party, and state was authorized to release obligations owed to city without violating Contract Clause.

Statute that voided certain remonstrations did not substantially impair city's contracts with nearby landowners to provide them sewer service in exchange for waiver of their right to remonstrate against future annexation so as to violate Contract Clauses of United States and Indiana Constitutions; contracts were principally for provision of sewer services, not for annexation, statute did not affect city's ability to provide or landowners' ability to pay for services, statute did not undermine contractual bargain to provide sewer services, as city provided services to many properties outside city limits for which it did not have remonstrations, and it was within parties' reasonable expectations that state could exercise its authority to modify municipal annexation powers.

