

April 2, 1996

REPORT TO THE HONORABLE
MAYOR AND CITY COUNCIL

CITY OF SAN DIEGO, et al. V. RIDER, et al.

The City of San Diego and the Public Facilities Financing Authority appeared on Monday, April 1, 1996, before Judge Judith McConnell on their Motion for Summary Judgment in City of San Diego, et al. v. Rider, et al., Superior Court Case No. 697147, concerning the validity of the lease-revenue bond financing for the expansion of the San Diego Jack Murphy Stadium. Judge McConnell indicated that she did not believe there were any issues of fact outstanding and that the matter could be decided on a motion for summary judgment as a matter of law. She then asked counsel for both sides to address one issue: whether a joint powers agency such as the Public Facilities Financing Authority (the "Authority") may exercise powers greater or different than those of its constituent agencies, i.e., the City of San Diego and the San Diego Redevelopment Agency.

The City explained to the Court that pursuant to Article 4 of the Joint Powers law, Government Code sections 6507, 6508, and 6588, the

Authority may issue bonds for the construction of public improvements. Moreover, these Code provisions give the Authority the inherent power to issue bonds, such as the lease revenue bonds for the San Diego Jack Murphy Stadium expansion, without voter approval. After hearing oral argument, Judge McConnell stated she would take the matter under submission but would issue a ruling as quickly as possible.

On Tuesday, April 2, 1996, Judge McConnell issued her decision and granted the City's Motion for Summary Judgment. The Court held that the proposed lease for the Stadium financing fell within the "well-established contingent-payment exception to the constitutional limitation on indebtedness of a City," citing California Constitution Article XVI, section 18. Additionally, the Court rejected the defendants' allegations that the Authority is defective as a "mere shell" of the City. Finally, and most significantly, the Court found that the Authority derives its powers from State law and the joint powers agreement itself, which established the Authority as a public entity. The Authority is therefore not constrained by the City Charter. The Court held, "once created, the Authority is an independent public agency governed by the State laws pursuant to which it was created," citing California Government Code sections 6507 and 6508. The Court further concluded that the Authority is empowered to issue bonds pursuant to California Government Code section 6588.

Attached for your reference is a copy of the Court's decision. If you have any questions regarding this matter, please do not hesitate to contact our office.

Respectfully submitted,

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City Attorney

KJS:cdk:pev:271.1.1

Attachment
RC-96-15