CALIFORNIA COURT OF APPEAL, SECOND APPELLATE DISTRICT, DIVISION SIX

Moving Oxnard Forward, Inc. v. City of Oxnard

Moving Oxnard Forward · No. B334636; B335866 · Decided May 20, 2025

SUMMARY

The California Court of Appeal affirmed judgment for the City of Oxnard and related agencies in a reverse validation action challenging the issuance of lease revenue bonds. The court held that the bonds and related additional rental and reserve-fund payments did not violate article XVI, section 18 of the California Constitution because they constituted contingent obligations supported by contemporaneous consideration under the Offner-Dean rule. The court also rejected challenges concerning the Marks-Roos Act and the determination of significant public benefits.

CASE DETAILS

COURT	California Court of Appeal, Second Appellate District, Division Six
WRITING FOR THE COURT	Gilbert, P. J.; Baltodano, J.; Cody, J.
JURISDICTION	California Court of Appeal, Second Appellate District, Division Six
DECIDED	May 20, 2025
DOCKET	B334636; B335866
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from a judgment for the City of Oxnard, the City of Oxnard Financing Authority, and related public agencies in a reverse validation action challenging the authorization of two lease revenue bond series.
STANDARD OF REVIEW	The court examines the administrative record to determine whether substantial evidence supports the trial court's findings and whether the agency action was arbitrary, capricious, or entirely lacking in evidentiary support. The appellate court applies the same standard as the trial court.
PRECEDENTIAL VALUE	Published and certified for publication in the California Official Reports.
PARTIES	Moving Oxnard Forward, Inc., Aaron Starr v. City of Oxnard, Oxnard Community Development Commission Successor Agency

TOPICS

municipal finance · municipal law · constitutional law · appellate procedure · administrative law

PRACTICE AREAS

municipal finance · municipal law · constitutional law · administrative law · civil procedure

QUESTIONS PRESENTED

1. Whether the City's base rental payments and additional payments under the lease-leaseback arrangement constituted unconstitutional long-term indebtedness under article XVI, section 18 of the California Constitution.
2. Whether the lease-leaseback financing arrangement complied with the Offner-Dean rule even though base rental payments were tied to bond principal and interest rather than measured solely by actual or reasonably measured market rental values.
3. Whether reserve-fund payments associated with the bonds constituted noncontingent future obligations violating the constitutional debt limit.
4. Whether the Marks-Roos Act required a separate evidentiary hearing and evidentiary findings concerning significant public benefits before the Financing Authority could issue the bonds.
5. Whether substantial evidence supported the City's finding that the bond financing would provide significant public benefits.

HOLDINGS

1. The additional payments were permissible contingent obligations, not unconstitutional long-term debt, because they were due in exchange for the City's contemporaneous use and occupancy of leased property and were subject to abatement if that use was substantially impaired.
2. The reserve-fund provisions did not violate the constitutional debt limit because the City would make payments only if a lease payment were missed, and the obligation did not extend into future fiscal years irrespective of the City's use of the leased property.
3. The lease-leaseback arrangement did not violate the Offner-Dean rule merely because base rental payments were equivalent to bond principal and interest rather than being calculated solely by measured fair market rental value.
4. The Marks-Roos Act does not require a separate evidentiary hearing to determine significant public benefit before a local agency finances public capital improvements.
5. Substantial evidence supported the City's finding that the bond financing produced significant public benefits, including financing-cost savings, employment benefits, prompt completion of improvements, and reduced impact on the City's general fund.

KEY QUOTATIONS

> *“A sum payable upon a contingency is not a debt, nor does it become a debt until the contingency happens.”*

> (at 5)

> *“if the lease . . . is entered into in good faith and creates no immediate indebtedness for the aggregate installments therein provided for but, on the contrary, confines liability to each installment as it falls due and each year’s payment is for the consideration actually furnished that year, there is no constitutional debt limit violation.”* (at 6)

> *“We conclude that additional lease or rental payments to the reserve funds are not unconstitutional noncontingent obligations because they do not guarantee future payments irrespective of the City’s use of the leased property.”* (at 16)

> *“Based on this record, we will not disturb the approval of the two lease revenue bonds.”* (at 19)

FACTUAL BACKGROUND

The City of Oxnard, the Oxnard Community Development Commission Successor Agency, and the Housing Authority of the City of Oxnard formed the City of Oxnard Financing Authority under a joint powers agreement. In 2022, the City and Financing Authority approved two lease revenue bond series, not exceeding $36 million and $9 million, to finance street improvements and enterprise-resource-planning software upgrades through a lease-leaseback structure. The City would make base rental payments corresponding to bond debt service and additional payments for administrative costs, insurance, taxes, assessments, and related expenses in exchange for use and occupancy of leased property. Appellants challenged the bonds, arguing that they violated the California Constitution's debt limit and that Respondents failed to comply with the Marks-Roos Act's procedural requirements.

PROCEDURAL HISTORY

Appellants filed a reverse validation action and related writ of mandate/administrative mandamus and declaratory relief claims seeking to invalidate resolutions authorizing the issuance of two lease revenue bonds. The Ventura County Superior Court ruled for Respondents on the reverse validation claim, dismissed the writ claim because an adequate legal remedy existed in the reverse validation action, and dismissed the declaratory relief claim because its gist and effect were the same. Appellants appealed the tentative decision and subsequent judgment; the appeals were consolidated. The Court of Appeal affirmed and awarded Respondents costs on appeal.

DISPOSITION

affirmed

CASES CITED

- Robings v. Santa Monica Mountains Conservancy (2010) 188 Cal.App.4th 952
- Rider v. City of San Diego (1998) 18 Cal.4th 1035
- San Francisco Gas Co. v. Brickwedel (1882) 62 Cal. 641
- Compton Community College etc. Teachers v. Compton Community College Dist. (1985) 165 Cal.App.3d 82
- Taxpayers for Improving Public Safety v. Schwarzenegger (2009) 172 Cal.App.4th 749

- City of Los Angeles v. Offner (1942) 19 Cal.2d 483
- Dean v. Kuchel (1950) 35 Cal.2d 444
- Starr v. City and County of San Francisco (1977) 72 Cal.App.3d 164
- Chester v. Carmichael (1921) 187 Cal. 287
- Morgan v. Community Redevelopment Agency (1991) 231 Cal.App.3d 243
- Poway Royal Mobilehome Owners Assn. v. City of Poway (2007) 149 Cal.App.4th 1460
- Hubbard v. Superior Court (1997) 66 Cal.App.4th 1163
