

SUPREME COURT OF NEW MEXICO

Palenick v. City of Rio Rancho

4 N.M. 402 (2013) · No. 33,380 · Decided June 27, 2013

SUMMARY

The New Mexico Supreme Court considered whether a former city manager waived claims arising from an alleged violation of the Open Meetings Act by demanding and accepting contractual severance benefits. The court held that his conduct constituted waiver by estoppel, reversed the Court of Appeals, and declined to decide whether the Open Meetings Act had actually been violated or whether the City could retroactively ratify its prior action.

CASE DETAILS

COURT	Supreme Court of New Mexico
WRITING FOR THE COURT	Petra Jimenez Maes, Chief Justice; Richard C. Bosson, Justice; Edward L. Chávez, Justice; Charles W. Daniels, Justice; Barbara J. Vigil, Justice
JURISDICTION	New Mexico
DECIDED	June 27, 2013
DOCKET	33,380
DISPOSITION	reversed
PROCEDURAL POSTURE	Original proceeding on certiorari reviewing the New Mexico Court of Appeals' reversal of a district court judgment in favor of the City.
STANDARD OF REVIEW	Because the facts underlying waiver by estoppel were undisputed, whether Palenick waived his rights was a question of law reviewed de novo.
PRECEDENTIAL VALUE	Published New Mexico Supreme Court opinion; precedential.
PARTIES	City of Rio Rancho v. James M. Palenick

TOPICS

- waiver
- breach of contract
- employment contracts
- municipal law
- writ of certiorari

PRACTICE AREAS

- Contracts
- Employment law
- Municipal law
- Appellate procedure
- Civil procedure

QUESTIONS PRESENTED

1. Whether Palenick's demand and acceptance of severance benefits, together with his failure to notify the City of the alleged Open Meetings Act violation or object to the termination, constituted waiver by estoppel barring his breach of contract and OMA-related claims.
2. Whether the waiver issue was subject to de novo review because the facts underlying the alleged waiver were undisputed.
3. Whether the Supreme Court needed to decide whether the Open Meetings Act violation could be retroactively cured by the City's later ratification resolution.

HOLDINGS

1. Palenick waived by estoppel his right to challenge the December 13, 2006 termination and to pursue a breach of contract claim for additional wages and benefits because he demanded and accepted severance benefits, failed to notify the City of the alleged OMA violation, and failed to object to the termination while the City relied on his conduct.
2. When the facts underlying the waiver issue are undisputed, whether a party waived a right is a question of law subject to de novo review.
3. Because waiver disposed of Palenick's claims, the Court did not need to decide whether the OMA violation was retroactively cured by the City's resolution or whether a prevailing party was required to file a cross-appeal to raise alternative grounds for affirmance.

KEY QUOTATIONS

“Therefore, the following facts must be established to support a claim of waiver by estoppel:” (¶ 14)

“(1) the party to be estopped made a misleading representation by conduct; (2) the party claiming estoppel had an honest and reasonable belief based on the conduct that the party to be estopped would not assert a certain right under the contract; and (3) the party claiming estoppel acted in reliance on the conduct to its detriment or prejudice.” (¶ 14)

“For the reasons outlined above we conclude that Palenick waived his right to pursue a breach of contract claim and reverse the Court of Appeals.” (¶ 17)

FACTUAL BACKGROUND

Palenick served as Rio Rancho's City Manager under an employment agreement providing severance benefits if he was terminated without cause. After the City Council voted to terminate him, Palenick requested and accepted the contractual severance package without notifying the City that he believed the termination violated the Open Meetings Act or objecting to the stated termination date. He later sought additional salary and benefits on the theory that the OMA violation invalidated the termination, but the Supreme Court held that his conduct had induced the City reasonably to believe that he accepted the termination and was no longer entitled to salary.

PROCEDURAL HISTORY

Palenick sued the City for an alleged Open Meetings Act violation and breach of his employment contract, seeking salary and benefits allegedly accruing after his termination. After a bench trial, the district court found an OMA violation but concluded that the City's later resolution cured it and that Palenick waived his claims by demanding and accepting severance benefits. The Court of Appeals reversed, holding that the later resolution did not retroactively validate the termination and that waiver or estoppel did not bar Palenick's claims. The Supreme Court granted certiorari and reversed the Court of Appeals.

DISPOSITION

reversed

CASES CITED

- Chavez v. Gomez, 77 N.M. 341, 423 P.2d 31 (1967)
- Crutchfield v. New Mexico Department of Taxation and Revenue, 2005-NMCA-022, ¶ 28, 137 N.M. 26, 106 P.3d 1273
- Golden Cone Concepts, Inc. v. Villa Linda Mall, Ltd., 113 N.M. 9, 820 P.2d 1323 (1991)
- J.R. Hale Contracting Co. v. United N.M. Bank, 110 N.M. 712, 799 P.2d 581 (1990)
- Brown v. Taylor, 120 N.M. 302, 901 P.2d 720 (1995)
- Palenick v. City of Rio Rancho, 2012-NMCA-018, ¶¶ 9, 11-12, 270 P.3d 1281