



Case Summaries April 12, 2024

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DECIDED CASES

GOVERNMENTAL IMMUNITY

Contract Claims

Campbellton Rd., Ltd. v. City of San Antonio ex rel. San Antonio Water Sys., ___ S.W.3d ___, 2024 WL ___ (Tex. Apr. 12, 2024) [22-0481]

The issue in this case is whether a signed document providing for sewer services is a written contract for which the Local Government Contract Claims Act waives governmental immunity.

A private developer planned to develop land it owned into residential subdivisions. To ensure sewer service and guarantee sewer capacity, the developer signed a written instrument with a municipal water system documenting the terms and conditions for these services. The document also included terms of an option for the developer to participate in and fund the construction of off-site oversized infrastructure, which the system would then own. Although the developer participated in the construction project, it did not develop its land into residential subdivisions within the document's stated ten-year term. By the time it started developing the land, the system had no remaining unused sewer capacity. The developer sued the system for breach of contract, alleging that it had acquired vested rights to sewer capacity.

Under the Act, immunity from a breach-of-contract suit is waived when a local governmental entity enters into a written contract that states the essential terms of an agreement for providing services to that entity. Here, the municipal system asserted that it is entitled to governmental immunity in a plea to the jurisdiction, but the trial court denied the plea. The court of appeals reversed, holding that the Act does not apply because the system had no contractual right to receive any services and would not have legal recourse if the developer unilaterally decided not to proceed with its developments.

The Supreme Court reversed the court of appeals' judgment, holding that the Act waives the system's immunity from suit because the developer adduced evidence that (1) a contract formed when the developer decided to and did participate in the off-site oversizing project, (2) the written contract states the essential terms of an agreement for the developer to participate in the project, and (3) the agreement is for providing a service to the system that was neither indirect nor attenuated. The Court remanded the case to the trial court for further proceedings.

GOVERNMENTAL IMMUNITY

Contract Claims

San Jacinto River Auth. v. City of Conroe, ___ S.W.3d ___, 2024 WL ___ (Tex. Apr. 12, 2024) [22-0649]

The issue in this case is whether an alternative dispute resolution procedure in a government contract limits an otherwise applicable waiver of immunity under the Local Government Contract Claims Act.

The cities of Conroe and Magnolia entered into municipal water contracts with the San Jacinto River Authority. The contracts contained provisions that required pre-suit mediation in the event of certain types of default. The cities, along with other municipalities and utilities, began to dispute the rates set by SJRA under the water contracts. Substantial litigation ensued, including suits by several private utilities against SJRA. SJRA then brought third-party claims against the cities for failure to pay amounts due under the water contracts. The cities filed pleas to the jurisdiction, arguing that their immunity had not been waived due to SJRA's failure to submit its claims to pre-suit mediation and because the contracts failed to state their essential terms. The trial court granted both pleas and dismissed SJRA's claims against the cities. SJRA filed an interlocutory appeal, and the court of appeals affirmed, holding that the cities' immunity was not waived.

The Supreme Court reversed the court of appeals' judgment, holding that contractual alternative dispute resolution procedures do not limit the waiver of immunity in the Local Government Contract Claims Act. Instead, the Act provides that such procedures are enforceable so that courts may exercise jurisdiction to order compliance with those provisions. The Supreme Court also held that the parties' dispute did not trigger the mandatory mediation procedure in SJRA's contracts with the cities. Finally, the Supreme Court rejected the cities' argument that their immunity was not waived because the contracts failed to state their essential terms. The contracts complied with the common law and the Act's requirements, and so stated their essential terms.