

**A CASE STUDY OF THE SUBURBAN TRUST**

**AUTHORITY: ALTERNATIVE FUNDING**

**FOR SCHOOL FACILITIES**

**By**

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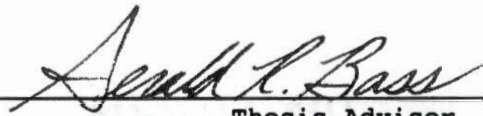
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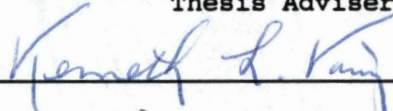
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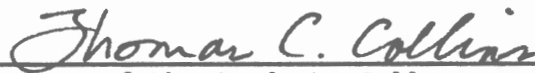
  
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The support and love of family during these years of graduate study and thesis writing has been and continues to be a great source of pride for the writer of this thesis.

## DEDICATION

The former superintendent provided strong leadership and innovative foresight in his planning for Suburban District. He involved patrons, teachers, support personnel and the Board of Education in developing short-, mid-, and long-range plans for the district. Innovative ideas were fostered and implemented. Extensive bond issues, at capacity, were presented to the patrons and were approved. Through ongoing construction, the district expanded the number of available facilities annually. The Trust Authority provided for those extra needs that were not currently viable due to the ongoing classroom needs of the district. The stadium and administrative center proved to be wise investments for the future of the district.

In his long-range view of the district's needs, the former superintendent provided some excellent foresight in providing for the quality and excellence for the district's facilities. His influence will be felt for years to come as these facilities are enjoyed by students, patrons and personnel.

Plans for further construction of secondary school facilities in the district are currently in process. The large stadium will serve the district's many sports activities in years to come. The administrative center will also continue to prove to be a wise financial investment due to its size and capacity for housing

administrative offices and the transportation fleet for the growing district.

The former superintendent was also a brave and determined leader of the district. Although he recognized the difficulties he was experiencing with the board on both fronts, school board meetings and Trust Authority meetings, he continued to persevere and fight for the rights of children in the district. His capable leadership skills and his determination allowed him to remain in the position longer than most superintendents who would face the difficulties and road blocks heaped upon him.

He was cautious and specific in his efforts to keep the board and the board president informed of impending dilemmas. Although he erred by approving payment for a land purchase without board approval, it is difficult to imagine a more constraining situation than the one in which he found himself on that day of decision. It is important to remember that the board was acting in an adversarial position to any actions of the superintendent at this time and the fact that he had kept them informed of the possible conflict of this situation would indicate the board's awareness, plus a determination to place him in this situation. Either decision made by the superintendent, default or payment without board approval, would have placed him in a perilous position.

The former superintendent has provided long hours of extensive interviews and has freely provided any and all information requested for this study. His information has been verbally verified and substantiated. What was most impressive was the continued and steadfast allegiance his former employees continue to give to him.

steadfast allegiance his former employees continue to give to him. His "team work" style of leadership continues to impact the leadership style of those numerous administrators, teachers, and employees who worked with him and who continue to face daily educational challenges throughout the state.

A common thread throughout the past years has been the concern for appropriate and adequate facilities for students' needs in the district.

The former superintendent continues to be a strong supporter of the district and its many activities. His dedication to the students and the future of the district are apparent on the periphery of the district's activities.

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## CHAPTER I

### INTRODUCTION

Prior to the 1990s, there was perceived to be little need for extensive state participation in the important aspect of financing educational facilities. Most school districts had been able to finance at least minimal capital outlay expenditures without assistance. School building problems had not yet reached the magnitude they have attained in recent years. However, as demands for school reform and a greater variety of educational programs and services have collided with voters' rejection of higher taxes and limited growth of state revenues, the capital outlay needs of school districts have begun to receive greater attention.

The most common local means of providing financing for capital outlay and debt service expenditures is the bond issue. This process involves obtaining voter approval for the district to issue long-term bonds to obtain funds to construct or renovate buildings and provide for other facility-related needs. Bond retirement depends upon the levy of property taxes to obtain funds to repay the principal and accrued interest. State requirements for the level of voter approval for districts to incur long-term indebtedness may demand as much as a two-thirds favorable vote. Fluctuation of interest rates, the ability to borrow money, and the tax base of real property have combined to magnify a trend to greater taxpayer

resistance to bond issues.

School districts in cities throughout the nation are in financial trouble. The culprits are unstable funding sources and accelerating demands on the school dollar. The costs of operating school districts have increased due mainly to rising instructional and operating costs and capital expenditures. These factors are greatly magnified in suburban and other "growth" districts in which rapid increases in enrollment require that significant amounts of resources to be provided for the construction of additional school facilities.

#### Statement of the Problem

Leaders of public school districts always seem to be searching for another way, a better way, a supplementary way, to secure educational funding. In rapidly growing school districts, the need for additional funding is even more critical. The bonding capacity and operating revenues of a school district are often limited by factors associated with student enrollment of previous years rather than the current year. In those districts where growth of 500 to 600 students per school year highlights the limits of school funding, additional resources are needed to provide for a continuation of quality education for students. Increased enrollment of a large magnitude can cripple a school district's ability to build and provide for a quality education. School districts, like cities, are facing bankruptcy.

In order to secure an alternative source of funding for school

facilities, the school board of a suburban school district formed in 1975 a trust authority with a goal of supplementing the funding and building capacity of the district. The state in which that district is located, however, no longer permits the formation of new trust authorities for public schools. Therefore, since the Trust Authority was the only authority established under the previous statutory provisions, it is the only such entity now operated in conjunction with a school district in that state.

The purpose of this study, therefore, was to determine first whether the laws in other states allow trust authorities to exist as an alternative or supplemental source of funding for public school facilities. The study was designed, secondly, to develop a case study of the Trust Authority in order to analyze its value as a legitimate source of revenue. The following research questions were developed to guide the study:

1. How was the Trust Authority established?
2. How has the Trust Authority provided additional funding for the school district?
3. What projects has the Trust Authority developed? How have those projects helped the school district?
4. What are the perceptions of the superintendent, school board members, patrons, and others, regarding the Trust Authority?
5. What states allow trust authorities or other similar means of funding facilities for public schools?

### Significance of Study

If the Trust Authority served as an effective means by which the school district could acquire new facilities, state leaders may wish to consider the authorization of such quasi-governmental entities. As school districts' tax bases and other measures of financial support either erode or are subjected to a multiplicity of demands, supplemental support becomes more critical. As noted earlier, this problem is greatly magnified in growing school districts.

### Limitations

1. This study was limited by the fact that only one trust authority became operational in the state before the authorization for such entities was removed from the state code of law.

2. Much of the data for this study was gathered by interviews with persons who have some previous involvement with the Trust Authority in this district. Because information will most likely be derived from past experience, factors such as history, maturation, and mortality will affect both the quantity and quality of the responses.

3. The researcher served as an employee of the Suburban District during the entire 15-year period of the case study, a significant portion of that time as an administrator. While an effort was made to gather and analyze data from multiple sources through a triangulation process, the inside knowledge and assumptions of the researcher must be acknowledged.

### Definitions of Selected Terms

1. A trust authority is an organized board which controls the investment and spending of funds. Johns, Morphet, and Alexander (1983) defined a "building authority" as an agency established by the state for the purposes of circumventing restrictive taxing or debt limitations of local governments and/or facilitating the construction of essential local school facilities.

2. The Suburban School District is an independent (K-12) school district located in a central state. It has experienced rapid growth on the edge of a major metropolitan area and encompasses both residential and industrial areas.

3. The Trust Authority is a quasi-governmental entity established in 1975 by the Suburban School District for the express purpose of providing the necessary funding for facilities needed by the District.

### Summary

This study was designed to develop and analyze a case study of a trust authority established by a board of education as a means of providing supplemental funding for school facilities. An effort was made to determine if the activities of the Trust Authority were effective for such a purpose.

Limitations to the study include its focus on just one school district trust authority and on the effects of time on the quality and quantity of data available.

The remainder of this document is used to provide the results of the study. Chapter II contains a review of the literature associated with the financing and construction of school facilities. The research method is described in Chapter III, along with the results of a preliminary survey of school board members in the selected district. Chapter IV is organized as an historical case study of the operations of the Trust Authority from 1975 to 1990. The final chapter then contains a summary of the study as a prelude to the conclusions and recommendations.



## CHAPTER II

### REVIEW OF LITERATURE

This chapter contains a summary of information obtained during a review of the professional literature relevant to the topic of this study. The chapter is divided into four major sections. The first section contains a review of the historical background and current status of educational facilities and other capital needs of American public school districts. The second segment of the chapter is focused on bond issues as the primary funding vehicle for school facility construction or renovation and the various limitations placed upon school districts in regard to their ability to raise funds, through bond issues, for capital projects. The third portion of this chapter contains a review of the various other means by which districts have sought to obtain the necessary funds for school construction and/or renovation. The final segment then is used to report data obtained through a survey of the states to identify various aspects related to the funding of school facilities.

#### School Facilities and Other Capital Needs

Adequate facilities are necessary for providing an appropriate setting for a quality education. Many existing school facilities are inadequate and require remodeling, renovation, and modification. School districts throughout the United States are forced to decide

whether to construct new facilities or bring existing buildings up to standards required by state and national codes and other regulations.

As Wood and Ruch (1988) noted,

even in times of decreasing enrollments, the need to improve, renovate, and maintain the physical infrastructure of a school district necessitates continuous capital outlay and/or debt service expenditures (p. 240).

Although small in comparison to total expenses in education, capital outlay, because it is generally a local concern, can impose disparate degrees of fiscal burden on local school districts.

The need for new construction and for the renovation of many existing structures is common to school districts throughout the nation (Honeyman, Wood, Thompson, & Stewart, 1988). School districts are frequently faced with difficult decisions concerning whether to repair, renovate, or replace a structure. These decisions often depend upon the growth or decline of student enrollments, the current condition of the structure, and the economic realities of the district and of its service area.

#### Facility Design

It is difficult to imagine that school buildings are not as old as education itself. In fact, today's educational facility is a relatively new concept that gained momentum immediately following World War II. To be sure, there were many structures called schools where teaching and learning occurred prior to that time, but they were generally unsophisticated structural envelopes that simply protected teachers and pupils from the elements. In essence, they were shelters in which teachers cited and pupils recited, and where the 'things of education' consisted primarily of benches, tables, books, pencils, paper, pens, and perhaps a slate blackboard (Castaldi, 1982, pp. 7-8).

There had been little or no attempt to design school buildings for specific educational functions until such facilities became unique architectural entities around the middle of the 20th Century.

According to Castaldi (1982)

the resulting development of school buildings was rapid, innovative, and dramatic. Immediately following World War II, architects became quite excited about 'bringing the outside into the building.' Beautiful vistas and great quantities of natural light were the order of the day. This development, however, created problems of heat build-up within the buildings during certain parts of the year as well as glare from directed and reflected sunlight (p. 17).

The 1960s ushered in the era of the 'finger design,' with many one-story corridors branching off from a central core. Perimeters were long and energy losses were high. But with a plentiful supply of inexpensive energy, this design posed no significant problems. During the 1970s, air conditioning of school buildings began to be widely accepted. Due to the large amounts of energy required for air conditioning, architects became more concerned with the heat gain of a school building and, in order to solve this problem, they introduced the controversial 'windowless' school (p. 18).

Prior to the Middle East embargo on oil shipments to the United States in 1973, architects, educational facility planners, and school officials had not been fully aware of the impending depletion of world sources of energy derived from fossil fuels. Energy supply was of no particular concern to public school officials then because there was an over-abundance of fuel and the cost was relatively low. Since 1973, however, the future outlook on energy has changed completely (p. 201).

Both the general public and world leaders have come to recognize that the finite nature of the fossil fuel supply may have shocking repercussions. The dwindling supply of energy from fossil fuels such as coal, oil, and gas became a major concern of leaders in the industrialized nations of the world and consequently impacted the design and construction of school facilities.

In the 1990s, school facility design "is coming out of a black-box era" ("Architecture enters," 1992, p. 4). According to remarks made by Jim Lawler, past president of the American Institute of Architects, school planners

are bringing back a sensitivity to people's needs, such as more daylight shining in halls, 'fun things' like cupolas, and spaces designed for round lunch tables other than the usual long ones that invite rowdiness. The designs also reflect growing needs for special spaces: for tutoring, small group sessions, and speech or physical therapy ("Architecture enters," 1992, p. 4).

### Facility Maintenance

Educational facilities are continually aging. Stewart and Honeyman (1988) explained that "facility maintenance" is an imprecise term used in various contexts to mean repair, renovation, reconstruction, modernization, rehabilitation, or even "facelifting." Regardless of the terminology, facility maintenance embraces those tasks commonly associated with keeping a building and its equipment and grounds from deteriorating.

According to Castaldi (1982, p. 349),

the terms rehabilitation, remodeling, and modernization are common in the parlance of school administrators, but they often have different meanings to different people. Rehabilitation is a form of deferred maintenance in which the school building is simply restored to the same condition as it was when it was built. Old equipment and worn parts are replaced while interior walls, floors, and ceilings are repainted and/or refinished and the exterior of the building is treated as necessary to make it weather-proof again. These changes are essentially cosmetic. Remodeling goes one step beyond rehabilitation by including changes in the size or shape of spaces within the building. A remodeled school facility should have improved functionality as an educational tool. The term modernization is referred to as a process whereby an existing school facility is brought up-to-date structurally, educationally and environmentally. In this process,

certain spaces within the school building may be reshaped in order to accommodate modern educational practices.

Shifting populations in an increasingly mobile society are creating demands for new schools in many districts while simultaneously forcing the need to close others. The modernization of facilities and replacement of obsolete structures comprise another growing problem. Other influences beyond the control of the local community, such as the demands of Title IX and provisions for handicapped accessibility have strained district budgets. Expanding curricular offerings to keep pace with technological advances and client demands have also forced reconsideration of inefficient or inadequate facilities (Thompson & Camp, 1988).

Maintenance deferral is a severe dilemma and it is not likely to ease with the passage of time (Stewart & Honeyman, 1988). While fiscally debilitating maintenance needs arise with increasing frequency, the financial resources necessary to fund these projects are decreasing as salaries and support for instructional programs, faculty development, and student services receive proportionately higher levels of funding. All too often, facility maintenance is deferred in the perception that more pressing problems exist. Unless a school building is on the verge of collapse, decision makers frequently provide rationalizations for the lack of on-going school facility maintenance programs.

Today, school facility maintenance needs represent a national problem. In 1983, the American Association of School Administrators, in cooperation with the Council of Great City Schools and the National School Boards Association, issued a report on the condition

of school buildings. That study found that buildings were deteriorating faster than they could be updated. It reported a national school facility maintenance needs backlog of approximately \$25 billion. As cited by Stewart and Honeyman (1988), Devin reported that the major causes of this phenomenal need were building age, increased energy prices, health and safety requirements (including asbestos and accessibility), budgetary limitations, changes in curriculum and instruction, and population and enrollment decline.

Bass (1988) reported an estimated total statewide need for capital improvements in Oklahoma public schools, exclusive of pupil transportation vehicles, of nearly \$622 million. If those districts in need were to become indebted to the full extent of their legal authority, spend all available general fund balance in excess of 15 %, and devote the total resources in their building funds, the identified capital outlay needs would still exceed available resources by over \$125 million.

Haas and Sparkman (1988) reported an estimated \$5.4 billion need in Texas for adequate housing of the school population by 1996. They based this estimate on three findings. First, the school-age population of the state would grow by 33% during the decade, requiring \$2.1 billion of additional construction. Second, reform mandates would require an additional \$1.8 billion in school facilities. Third, a total of 27,660 classrooms would become obsolete, structurally below average, or educationally inadequate during the decade, costing an additional \$1.5 billion.

In Florida, Curcio, Longstreth and Rao (1988) observed that an estimated growth of 60,000 students per year would create a need for

941 additional at a cost of \$7.9 billion 1998 just to house the increasing student population. This estimate did not include any new mandated program increases.

Stevenson and Pellicer (1988), in a report on South Carolina schools, indicated a need for \$1.5 billion to fund new schools, as well as additions and major renovations by 1992. Available funding sources of school districts would generate only \$500 million for capital outlay during that time. They predicted that "two-thirds of school construction needs may well go unmet for many years to come" (p. 405).

North Carolina's school facility needs were reported by King and MacPhail-Wilcox in 1988. They noted that in 1984, the state's school construction needs were estimated at \$2.2 billion. In a study two years later, that estimate was revised upward to \$3.2 billion.

Hudson (1988) wrote that the autonomy and responsibility of local school districts in Nebraska to determine and pay for their facility needs probably will prove to be inefficient and costly.

Failure by the state to gather a data base and take a leadership role in providing support for school facilities has led to wide disparities in the quality of school housing and has contributed to the continued operation of substandard education programs in some districts (p. 341).

Verstegen (1988) identified other factors accounting for the growth of the waiting list for capital outlay financing in Virginia. Primary factors included increased enrollment; aging schools, built for a baby boom population, which need renovation; increased costs of construction; using large transfers for teacher retirement

to avoid reduction in direct aid to localities; and history of inadequate projections of growth.

#### Funding of School Facilities

Districts in nearly every state finance the construction of public school facilities from local sources of revenue. While the main source of revenue is the property tax, each state has unique requirements concerning debt limits on borrowing, requirements for approval of bond issues, and numerous other specifications (Wood, 1986).

The construction of new buildings is a major financial undertaking for most boards of education. It is financially impossible for most of them to finance major capital outlays from current revenue receipts. Boards of education commonly issue several bonds that mature annually, usually over a period of twenty to twenty-five years. . . . However, . . . many boards of education do not have the bonding capacity or the taxpaying ability to provide for their capital-outlay needs by issuing bonds. . . . There are many indications that the tradition of relying almost entirely on the current and anticipated (through bond issues) revenues from local property taxes to finance school plant construction and other major capital outlay costs is no longer tenable (Johns, Morphet, & Alexander, 1983, pp. 274-275).

Concern for the issues which surround the complex process of financing school buildings is growing. There has been reported to be an increasing amount of literature which suggests that many school districts are confronted with insurmountable resistance to providing exemplary, or even adequate, facilities for school children.

Honeyman and others (1988) reported that

there is a broad and pervasive concern that the methods used to finance America's educational infrastructure are inadequate. Evidence exists which indicates that an



aging and overburdened population has lost contact with public schools and believes that education no longer serves its central, unifying purpose in American society. As a result, school districts continually experience tax limitation referenda, board of education resignations and recall elections, as well as failed bond elections for the purpose of building, renovating, and/or repairing school facilities (p. 227).

Hughes and Gallegos (1988) noted that the depression of the petroleum industry had a profound effect on school finance in the energy producing states. The loss of severance tax revenues coupled with high unemployment created a serious financial problem for the public schools in New Mexico.

School districts are frequently confronted by patrons who fail to understand increased facility needs which arise during periods of declining enrollment. This has resulted in a 50% reduction in spending for capital outlay and interest during the period 1970 to 1983. As state and federal policies require new special education programs, reduced class size, and new instructional programs for technology and computers, the adequacy of current facilities becomes suspect and the backlog of needed facilities grows (Honeyman et al., 1988).

According to Honeyman and his coauthors (1988),

there is an overwhelming inability of local districts to fund capital outlay at levels needed to keep their buildings adequate, safe, and accessible to special populations of students. Evidence exists to suggest that school buildings are deteriorating rapidly and that maintenance needs are increasing concomitantly. Where the average age of buildings exceeds 40 years, there is a clear indication that the costs for modernization, replacement and maintenance will continue to increase from an already high level (p. 236).

Thompson and Camp (1988) noted that although lawsuits filed directly on the basis of specific capital outlay concerns are scarce

and narrowly limited in scope, reference to capital outlay has been made in other equity lawsuits over the last 15 years. Court decisions specifically citing concerns regarding capital outlay have been noted in Arizona, California, Colorado, Minnesota, Missouri, New Jersey, Ohio, Texas, and West Virginia and have provided a historical basis of broad concern in which capital outlay as an object of equity may be observed. Together with new court cases currently being filed attacking finance formulas in several states, the equitable distribution of capital outlay funds may receive additional notice in the courts. The court-ordered master plan for improvement in West Virginia schools, appeared to leave little doubt regarding the validity of the argument that equality of educational opportunity depends in part upon the adequacy of educational facilities.

#### Alternative Funding for Capital Outlay

Because of the limitations of local tax bases, bonding limitations, and voter resistance to new taxes, districts have been forced to look outside their general operating revenues for ways to fund capital projects, sometimes finding very unique and interesting ways to fund needed facilities (Thompson & Camp, 1988). A slow but evident trend toward state involvement in capital outlay mechanisms has emerged. By 1985, approximately 45 states had adopted some type of plan for assisting capital outlay and debt financing service in the public schools.

The aftermath of landmark legal decisions regarding fiscal equity is a virtual smorgasbord of state school finance plans . . . some states have adopted plans for funding school construction that place a greater share

of the burden on state revenues. Other states have maintained programs that require local districts to rely entirely upon local taxes (Kowalski, 1989, p. 109).

According to Johns, Morphet, and Alexander (1983), state options for financing capital outlay may include (1) complete state support, (2) equalization, (3) percentage-matching, (4) flat grants, and (5) authorities. A complete state support program requires that the funding of capital and debt-services expenditures of the public schools be borne by the state. While only three states (Florida, Hawaii, and Maryland) were classified as having implemented complete state-support programs, none of the three completely met the criteria associated with that option. Neither Florida nor Maryland has seen fit to fully fund their capital outlay needs. The local school districts have either had to supplement state funds or the building needs have not been met. Hawaii, which is usually considered to have full state funding of both current and capital expenditures for its single school district, permits a small building level contribution for capital expenditures.

The primary purpose of the equalization grant-in-aid is to provide increased taxpayer equity within the state. In the absence of state support for the construction of public school facilities, taxpayers in school districts with low ability to pay are required to make a significantly greater fiscal effort to construct capital facilities than are taxpayers in districts with high ability to pay. According to Johns and others (1983), equalization grants are distributed in inverse proportion to fiscal ability, thus providing some degree of equalization of districts' tax burdens.

The percentage-matching grant is designed to provide a fixed percentage of state support for each local (usually state-approved) public school capital-facilities project. The fiscal capacity of the local school district is not taken into consideration, and the total amount of state assistance varies in accordance with the cost of the project.

The flat grant is designed so that the state allocates a fixed amount of funds per unit to the local school district, to be used to finance local capital construction (Johns et al., 1983). Some states allocate fixed amounts of funds per student, while other states allocate a fixed amount per state-approved project. The flat grant also ignores the variation in fiscal capacity among the school districts.

Loan funds have been established in some states to provide direct financial assistance to local school districts. States establish a permanent fund, or funds, often through the use of dedicated revenues, for the purpose of providing low-interest loans to local school districts. Loans again do not take into consideration the relative fiscal capacities of the district and, as a consequence, do not provide for a high degree of fiscal equalization (Johns et al., 1983).

A unique device designed to help local school districts finance the construction of their school facilities is the school building authority. Building authorities can be designed to function at either the local or state levels of government. Since the building authorities are separate agencies of government and do not operate

schools, taxing or debt limitations of the local school district need not apply.

Some states impose limitations on debt obligations for school districts. These limitations are typically stated as a ratio of debt to wealth (assessed valuation). The concept of lease/purchase emerged in states imposing debt limitations as one method of providing financing for needed schools without violating existing statutes. The process of lease/purchase entails a school being erected (or remodeled) by a legal entity other than the school district. The school district in turn pays the owner rental payments equal to the amount that is required to retire the debt obligation and the rental payments go toward an eventual purchase. The corporations that enter into such agreements with school districts are commonly called holding corporations or holding authorities. The major advantage of the private holding corporation is that no bond sale is conducted. Avoiding a bond sale usually saves time and may also reduce the school district's need for special consultant services. The laws vary among the 50 states regarding the use of the lease/purchase method of acquiring new schools (Kowalski, 1989, pp. 117-118).

Kowalski also noted that

loan programs are also used by some states to assist the funding of buildings. These loans typically are limited and provide a relatively small percent of the needed funds (p. 110).

While some states have chosen to address the concerns of capital outlay to some extent, new and truly innovative sources of funding have been slow to emerge. Given the interest of the courts regarding equal opportunity and facilities, the states which offer no assistance to capital facilities funding appear to be vulnerable to questions of equity relating to the adequacy of educational facilities and education program impact (Thompson & Camp, 1988).

As Verstegen (1988) noted

in an era where educational excellence and equity are attracting the attention of most sectors of the nation, local capital outlay financing needs cast a long shadow

on their satisfactory realization, yet loom large on the horizon of the 21st Century as one of the major issues facing American education. Building new schools could provide the key to true restructuring of education, as current structural arrangements are redesigned to better provide the work place and learning conditions which foster excellence, equity and renewal in the education sector (p. 435).

#### Data Results from 50 State Survey

As part of this study, all 50 states were surveyed to identify aspects of capital project funding, including the degree of participation in trust authorities or similar means for funding public school facilities. The survey instrument, a copy of which is contained in Appendix A, was designed for this study with the assistance of a faculty advisory committee from Oklahoma State University. A copy of the survey, a cover letter, and a stamped return envelope was mailed to the chief state school officer of each state. Only 16 responses were received, all of which reported that a trust authority was not possible in their states.

The responses were somewhat representative of the various quadrants of the United States, except for the southwest area. Responses were received from the northwest (Oregon and Washington), the north central (Iowa, Nebraska, North Dakota, and Wisconsin), the northeast (New Hampshire and New York), the southeast (Georgia and South Carolina) and the central region (Illinois, Indiana, Kansas, Missouri, Ohio, and Oklahoma).

The majority of those states for which responses were provided indicated that school funding was based upon a state-adopted equalized formula, that the local property (ad valorem) tax based on

assessed value of property was the main source of local revenue, and that capital outlay was primarily the responsibility of the local district rather than the state. Georgia was the only state indicating that capital outlay needs could be met through "100% state funding" though that support was only "available for system merger purposes."

Lease-purchase financing programs were also provided by the State of Georgia for public school equipment. Ohio's HB 264 authorized increased indebtedness capacity for school districts to implement energy conserving modification or remodeling of school structures. The only respondent state which allowed for a trust-like financing authority was Indiana. There, special legislation authorized the creation of public or private holding corporations to provide for school construction via lease-purchase agreements with school districts. The survey response noted, however, that this was not considered to be a trust authority, even though the holding corporations do operate with a trust indenture codicil, a legal document, attached to the lease agreement.

Other alternatives cited in the surveys for public school capital outlay funding needs were direct, long-term borrowing from financial institutions, direct long-term borrowing from state agencies, and grants or corporate sponsorships. A growing trend in public foundations for public schools was also noted.

## CHAPTER III

### RESEARCH DESIGN

This study was designed to investigate the use of trust authorities by school districts to provide an alternate source of funding for capital outlay. The primary focus of the study was on the development of a case study of the trust authority in one school district. A secondary activity involved a survey of all 50 states to determine to what degree trust authorities or other alternative funding mechanisms are allowed for the construction and/or renovation of school facilities. The details of the research design are provided in this chapter, which is divided into individual segments which are used to describe the district and identify the data collection and analysis efforts, and review the findings of an initial survey of school board members from the district.

#### The District

Since the Suburban School District had the only trust authority operating in the state, a case study was determined to be the appropriate design for this study. The basis for selection of the district was its unique status as the only school district with a recognized trust authority. As will be explained in Chapter IV, the state repealed statutory authorization of school district-based trust authorities after the district's establishment of such authority,



which was allowed to continue because of its status prior to the change.

The district is identified in this study as the "Suburban School District" in order to preserve the confidentiality of source material which was gathered for the study. This was necessary in order to receive access to documents and to allow for more detailed and explanatory material to be obtained through interviews. Throughout the remainder of the study, the authority will be referred to as simply "The Trust Authority."

The history of the Suburban School District dates to 1921, when four rural school districts consolidated to provide kindergarten through 12th grade education for their students. Construction began immediately on a school facility which housed all students until 1969. The first graduating class in 1922 consisted of four students, with a faculty of two. The original site was expanded with building additions in 1947, 1953, 1958, 1961, 1965, and 1967. The increasing rapidity of expansion reflects the burgeoning growth in the district's student enrollment.

Suburban School District was classified as an independent school district in 1947. It was the largest consolidated school district in its state at that time, encompassing a total of 42 square miles. A nearby metropolitan school district, in an attempt to keep pace with growth toward the suburbs, began a series of four annexations between 1953 and 1957. As a result, Suburban School District lost 14 square miles of its original territory. Since that time, the boundaries of the District have not changed.

Most of the district now lies within the metropolitan city limits. Dense growth from the city toward suburbia created an increasingly rapid pace of population growth within this district and its bordering suburban districts. Major industrial growth occurred in one part of the district, accompanying the development of a major expressway in that area. For a time, the value of the commercial development enabled the District to maintain quality education through local taxes. However, as the state equalized funding to a greater degree, with a de-emphasis on local taxes, and as the population grew rapidly, the district's financial condition became less favorable. This was particularly true in relation to the ability of the tax base to provide sufficient funding for construction of school facilities. Since 1970, the District has had to provide for 12 schools, 9 elementary and 3 secondary, as well as an administrative center. The original school complex was closed during this era.

#### Data Collection and Analysis

The development of this study involved three separate phases. In the first, a review of relevant literature was conducted. The results of this review were included in Chapter II, as were the results of the second effort, a survey of the 50 states in regard to alternative means of funding capital outlay projects. As noted previously, the survey instrument, included in Appendix A, was mailed to the chief state school officer in each state. A total of 16 surveys were returned.

The main focus of the study, the case study of Suburban School District, began with an initial interview with the superintendent and a survey of current and past board of education members. A copy of the board survey instrument is contained in Appendix B. The results of that survey are summarized in the final segment of this chapter.

Two major categories of sources were identified for data collection: interviews and documents. Interviews were conducted with a number of individuals. Each interview was recorded and later transcribed for analysis. Further clarification was conducted through follow-up telephone and/or personal interviews. As noted previously, an agreement was reached with the sources to disguise individuals and the district. In order to do this, the data were reviewed to modify names of persons, cities, the state, certain localized publications, and other identifying terminology. However, the researcher has maintained a record of all original source documentation, material which will remain privately held to assure the confidentiality of sources.

The individuals interviewed included the former superintendent (during whose tenure the Trust Authority was established and operated on behalf of the District), a retired deputy superintendent, a former assistant superintendent now employed in another organization, the attorney who still represents the District, a leading critic of the Trust Authority, the District's financial consultant, a non-random sample of board members selected for their leading roles in issues related to the Trust Authority, and an assistant principal who still works for the District.

An effort was made to locate and obtain copies of documents relevant to the Trust Authority itself and to the Suburban School District. Specific sources sought included minutes, financial records, and other documents from the Trust Authority; similar documents from the District that pertained to the Trust Authority; a report developed by the office of the state auditor; a relevant Attorney General's opinion; written communications between the Superintendent and the state education agency; media reports concerning the District and the Trust Authority; and District newsletters and other written communication with patrons. Other documents gathered included the original Trust Authority agreement and copies of relevant state statutes. A copy of the Suburban Trust Authority agreement is contained in Appendix D.

It was discovered that the documentary paper trail of the Trust Authority's actions was minimal. In fact, the agenda for only one meeting was found in the District's records and no official minutes could be provided. The Superintendent's former secretary noted in an interview relative to such records that, at the time of her retirement and that of the Superintendent, there was substantial documentation of the Authority's actions. However, at the time of the study approximately one year later, such records could not be found. It is interesting to note that the best documentation had to do with the least expensive project of the Trust Authority, a message center constructed at the high school stadium. Multiple contracts and other documents were found for this project and yet virtually no similar records could be found for the much more expensive and complex projects.

After the initial interviews and document had been reviewed and transcribed, an effort was made to establish a chronology of events related to the Trust Authority. Once the outline of the case study had been constructed, an emphasis was placed on triangulation of source data to establish the validity of data. This was accomplished by comparison of data from more than one source, either from two or more interviews or from interview(s) and documentary sources.

#### The Deputy Superintendent

The (now retired) Deputy Superintendent had provided service, as a teacher and principal, to the District during its "rural farm community" years from 1945 until 1960. He then served as superintendent from 1960 to 1975. During the early 1970s, he began to foresee the tremendous future growth in the District and began to experience the changing needs for leadership in a growing suburban district. His commitment to the District was deeply rooted for the future and, yet, he began to see the need for a different leader for the District in the coming years. It was his decision to begin a transition in leadership for the District to meet the demands as growth continued into the late 1970s and 1980s. He therefore resigned as superintendent, effective at the end of the 1974-75 school year, but requested reassignment as deputy superintendent, an appointment readily granted by the board of education.

#### The Superintendent

The (now retired) Superintendent led the Suburban School District from 1975 until 1990. His leadership would continue

to meet the ongoing growth and educational needs of the district, with the help and assistance of his chief financial advisor, the Deputy Superintendent. Together, they formed a special bond of old and new as they planned to invest district assets wisely, provided quality facilities, and continued to lead the district in a financially sound manner. As the Superintendent led the District into the 1980s, growing dissent from board of education members, school district patrons, and the Critic, resulted in criticism which was openly aired by the metropolitan media. While the level of trust and support for the superintendent eroded during the decade, he continued to lead the District. The Superintendent eventually, during the 1989-90 school year, decided to retire with the understanding that he would assist with the search for a new superintendent and would assist in the transition so as to assure continuity of quality services within the District.

#### Board Members

Board of education members were important participants in the financial workings of the District. They were the approving agents for the District budget and the "watch dogs" of financial transactions. Prior to the 1980s, most school board members served in what one described as a "validating" role, generally approving whatever the professional leadership of the District recommended. During the 1980s, however, board of education members perceived that they had become more directly involved in the functioning of the District and would advise, and correct as needed, the purchasing and budgetary processes.

The board members of Suburban School District had also become an integral part of the Trust Authority, with the majority of the Trustees simultaneously serving on the board of education. As such, their role became more complicated and more demanding.

### The Critic

The Critic had been a teacher in the Suburban School District during the 1971-72 school year. She had also been a student in the District, having grown up on a farm within its borders. She therefore perceived herself as having a long-term commitment to the District, stemming from her roles as student, teacher, parent, and property owner. She became a "self-appointed" critic of the Superintendent and the board of education. Her appearances at most board meetings was evidenced by frequent references in the minutes to her participation in the "open comments" portion of the agenda. She has continued to maintain a close observation of the District's leadership, even after the retirement of the Superintendent, but appears to be less vocally involved in board meetings and has not been quoted in the local print media in several years.

### The Board of Education Survey

Twenty different board of education members had served the Suburban School District during the period of 1975 to 1990. At the time of the study, two of the former members were deceased and a third had moved from the state and could not be located. Of the 17 remaining current and former members, seven responded to a survey.

Follow-up efforts failed to improve the return rate. Of the seven respondents, six had served simultaneously as board of education members and Trust Authority trustees. The one who had not, noted his refusal based on the perception that "it would give the appearance of conflict of interest."

The majority of the respondents cited the Trust Authority as a valuable asset to the District in a time of great need. There was mutual agreement that its benefits had been the facilities and land provided to the District, the ability to restrict the District's bonding capacity to the construction of schools, and the effect of providing support facilities without increases in local property taxes. It was noted by one respondent that the Trust "allowed moneys to be used in more creative ways." The same board member also noted, however, that the Trust "didn't allow for public input [and] was used for special interests only."

While the board members had seen the Trust Authority as a benefit to the District, a majority of the respondents also noted that the Trust Authority was no longer as valuable. In support of this position, respondents noted its status as the only legal authority of this type in the state, the growth of a local educational foundation to provide financial support to the District, and the erosion of public support for the Authority. Despite those views, five of the seven respondents wanted to keep the Authority, albeit in an inactive status, in case a need for its reactivation arose in the future. The two who opposed continued operation of the Trust Authority both noted their opinion that "it violates the law."



In response to a question about the legal status of the Trust Authority, respondents were split. Those supporting its legality noted that, "for growing districts which cannot pass bond issues, it offers the board an alternative option to provide for students" and "it was legally established and has withstood attorney general and grand jury tests." On the other hand, those who challenged the legality of the Trust Authority argued "the law outlawed trusts for a reason: they circumvent the law" and "it should have been abolished when the law was changed prohibiting trust." "Incurred debt [by the Authority] may cause financial problems or additional taxes without a proper vote."

When asked to provide their opinions regarding alternative funding, board members provided a variety of responses, including "the establishment of public education foundations with totally independent board members." Other suggestions included "dedicated sales tax without governmental interference," "corporate and public endowment of faculty 'chairs' administered through the Trust," and "reduced bond vote to simple majority passage . . . rework the amount of indebtedness a school district can carry."

As a final example of the diversity of opinion regarding the Trust Authority in the Suburban School District, consider these comments by two board members.

"To do away with it would be sheer insanity."

"It violates the purpose of the law."

## CHAPTER IV

### THE TRUST AUTHORITY

1975-1990

This chapter contains a description of the Trust Authority operated in cooperation with the Suburban Public Schools. Beginning with the employment of a new superintendent and the establishment of the Trust Authority in 1975, the chapter provides a chronology of events through the retirement of that superintendent in 1990. Included in the chapter are historical, financial, legal, and political issues and perspectives related to the Trust Authority. The data provided in this chapter were primarily obtained through interviews with the superintendent, school board and Trust Authority members, legal counsel, and both critics and supporters of the Authority's operations. An excerpt from the Superintendent's interview is contained in Appendix C. In addition, data are included which were obtained from Trust Authority, school district, state department of education, and bond consultant records.

1975

During the spring of 1975, efforts were made to hire a new superintendent for the Suburban School District. The outgoing superintendent had been in the district for the past 30 years: 15

years as a high school principal and 15 years as a superintendent. He could foresee the tremendous growth potential of the district and indicated that the superintendency had "begun to tell on him." He was "tired" of a board member's antagonism toward his practices and could see the "handwriting on the wall." Thus, he determined that it was to his own advantage to step down from the superintendent's position. He continued to believe that he "could be of good service to the district in the area of finance" and had asked to remain as a deputy superintendent, acting as an advisor for the district and the school board. The board agreed to continue to provide him with the same salary.

The board and the outgoing superintendent therefore began the search for a new superintendent. The board of education established a search committee comprised of two board members. When one of these two board members asked the outgoing superintendent for his suggestions, he told the board that they would need a "young lion with a tough hide." He then indicated that there were "only two men in the area" he would recommend: one was a local university professor and the other was an area school district superintendent who had just recently completed his doctorate in educational administration. Five names were submitted by the committee to the full board and all five candidates were then interviewed by the board of education. Within one week, the superintendency was offered to the recommended area superintendent.

The new superintendent had grown up in a small rural town in the state. He was 42 years old and recognized by his peers as an active

leader in the local administrators' group as well as in the statewide organization. He had begun his educational career as a teacher/coach in a small rural district. He moved to a high school principal/coach position after only two years of teaching experience. The superintendency of a small rural independent school district was reported to have further expanded his leadership abilities during a five-year period. He was then recruited as the superintendent of a suburban "bedroom community" district closer to the metropolitan area and served there for the next six years. These 11 years of superintendency experience, in increasingly larger districts, enhanced the perception by the outgoing superintendent that the candidate was viewed as the "up and coming" new superintendent in the state. He had thus accepted the leadership role in the "fastest growing school district in the state." He would lead this district for 15 years, through the most intensive growth period of any district in the state.

The new superintendent assumed office in August and almost immediately began to meet with the district's architects and others to discuss the facility needs of the rapidly growing school district. Of particular interest was the possible expansion of the high school campus, which consisted of 40 acres of land with the high school building centered on that site. In previous years, all bond issues which were approved by voters had been directed at the construction and expansion of elementary schools to meet the steady growth of elementary enrollment. As shown in Table I, the total district enrollment more than doubled in a nine-year period, from 3,755 in

1975-76 to 7,673 in 1984-85. In 1982, the superintendent published his enrollment projections in the district newsletter. Those projections are also shown, for comparative purposes, in Table I. The district had been growing at the rate of 500 to 600 students per year and, while the bond issues had been able to provide sufficient elementary facilities, the superintendent expressed great concern over the impending need for greatly expanded secondary facilities as well.

A series of committee meetings were held throughout the summer to generate short-, mid-, and long-range plans for the district. Committee memberships consisted of district patrons, teachers, and administrators. Data regarding population and housing patterns, planned commercial and residential developments, and projections for highways, sewer lines, and other utilities were reviewed during this planning process. As a result, the school board, superintendent, and architect developed a master plan for the high school facilities. The plan projected the future need for a high school of 2,200 students, including an athletic stadium with 10,000 seats; a gymnasium for 2,500 spectators; and an auditorium capable of holding 2,000 persons.

Once the master plan had been established, efforts were made to determine possible funding sources for construction. According to the superintendent and the deputy superintendent, the architect noted that the state had a constitutional limit on the amount of outstanding bonds which could be issued by the district and that this amount would not support continued construction of all necessary

TABLE I  
ACTUAL AND PROJECTED STUDENT ENROLLMENT  
1975-1991

School Year	ELEM (P-6)	MS/JH (7-9)	HS (10-12)	TOTAL	PROJECTED
75-76	*	*	*	3785	*
76-77	*	*	*	4233	*
77-78	*	*	*	4673	*
78-79	3301	1015	836	5152	*
79-80	3509	1085	946	5540	*
80-81	3776	1183	1027	5986	*
81-82	3898	1368	1092	6358	*
82-83	4039	1566	1182	6787	*
83-84	4059	1749	1230	7038	7192
84-85	4315	1919	1439	7673	7617
85-86	4504	1999	1683	8186	7990
86-87	4700	1945	1927	8572	8381
87-88	4778	1932	1938	8648	8657
88-89	4988	1978	1906	8872	8934
89-90	5361	1932	1863	9156	9206
90-91	5613	2094	1859	9566	*

\*Data unavailable for these years

NOTE: Data for this table were obtained from Suburban District student enrollment records and District patron newsletters, as well as county-wide school district statistics in the local newspapers.

facilities for the growing district. Table II shows the data regarding the bonding limitations during the period from 1975 to 1992. Included in the table are 1983 projections for bonded indebtedness made by the superintendent which were somewhat accurate for the first two years. However, anticipated growth in taxable property did not occur from 1985 to 1988. Data revealed that one primary factor in this disparity was action taken by the county assessor in regard to revaluation of existing property and reduction of the property assessment ratio. The other factor was a major decline in the general economy of the state. In the state, a school board could vote general obligation bonds up to 10% of the assessed valuation. A school district could not issue revenue bonds nor otherwise borrow money because of other state prohibitions.

The state constitution also forbids a district board of education from incurring financial obligations beyond the current fiscal year. The constitution allows for two exceptions: first, a board can, during a fiscal year, obligate itself for employment contracts of certified employees for the subsequent fiscal year and, second, as noted previously, a board may incur future indebtedness when approved by at least 60% of the district voters in a bond issue election. Because of this constitutional provision, a lease-purchase by a district that extends past the current fiscal year is invalid unless the contract provides for "mutual ratification" of the contract every fiscal year by the lessor and lessee-school district.

Companies typically present contracts that do not provide for the statutorily-required ratification provision that allows a board,

TABLE II  
PROPERTY TAX-RELATED DATA FOR SUBURBAN DISTRICT,  
1975-1991

FISCAL YEAR	NET ASSESSED VALUATION	LIMIT ON BONDED INDEBTEDNESS	1983 PROJECTION OF BOND LIMITS
1975-76	\$ 54,465,836	\$ 5,446,584	*
1976-77	61,474,880	6,147,488	*
1977-78	75,545,295	7,554,530	*
1978-79	85,124,694	8,512,469	*
1979-80	104,244,294	10,424,429	*
1980-81	134,858,419	13,485,842	*
1981-82	155,637,487	15,563,749	*
1982-83	179,318,375	17,931,838	*
1983-84	205,946,089	20,594,609	\$ 20,621,613
1984-85	272,584,732	27,285,473	23,714,855
1985-86	259,299,939	25,929,994	27,272,083
1986-87	273,983,759	27,398,376	31,362,896
1987-88	235,765,424	23,576,542	36,067,330
1988-89	232,744,920	23,274,492	*
1989-90	245,602,220	24,560,222	*
1990-91	251,025,507	25,102,551	*
1991-92	259,920,415	25,992,042	*

\*Projections unavailable for these years

NOTE: Table compiled from data gathered from bond consultant records, interviews, and Suburban District patron newsletters.



on a year-by-year basis, to determine whether it will continue to pay the lease for another year. Instead, these vendors will write a "governmental appropriations" article in the contract which allows the district to get out of the contract if the district does not receive appropriations (income) to pay for the contract. The district must, however, be given the absolute right to approve or not approve an extension of the lease for another fiscal year because obligating the district past June 30 would violate the state constitution's ban against committing funds to obligations in future fiscal years.

The architect suggested that the school board consider the establishment of a trust authority, similar to those used by cities and other local governments for the construction and/or operation of various utilities and other enterprises. The superintendent consulted a legal firm to verify the legal status of public school trust authorities. The then-current state law, which had been in effect since 1970, specified

that express trusts may be created in real or personal property, or either or both, or in any estate or interest in either or both, with the state, or any county, municipality, political or governmental subdivision, or governmental agency of the state as the beneficiary thereof by the: (1) express approval of the Governor if [the State] or any governmental agency thereof is the beneficiary; (2) express approval of two-thirds (2/3) of the membership of the governing body of the beneficiary if the county or a political or governtal subdivision thereof is the beneficiary; (3) express approval of two-thirds (2/3) of the membership of the governing body of the beneficiary if a municipality or a governmental subdivision thereof is the beneficiary and the purpose thereof may be the furtherance, or the providing of funds for the furtherance, of any authorized or proper function of the said beneficiary. Provided, that no funds of said beneficiary derived from sources other than the trust property, or the operation thereof, shall be charged

with or expended for the execution of said trust, except by express action of the legislative authority of the beneficiary first hand. The officers or any other governmental agencies or authorities having the custody, management or control of any property, real or person or both, of the beneficiary of such trust, or of such a proposed trust, which property shall be needful for the execution of the trust purposes, hereby are authorized and empowered to lease such property for said purposes, after the acceptance of the beneficial interest therein by the beneficiary as hereinafter provided.

The law also stated that

no trust in which a county or municipality, or a political or governmental subdivision of the state, is the beneficiary shall hereafter create an indebtedness or obligation to be paid in whole or in part from the income of any property, real, personal or otherwise, owned by such beneficiary and leased or licensed to said trust until such indebtedness or obligation has been approved by a two-thirds (2/3) vote of the governing body of said leasing or licensing beneficiary, if the indebtedness or obligation is in excess of five percent (5%) of the then existing total indebtedness of said trust; provided, the foregoing shall not apply to any trust created for industrial or cultural purposes.

According to a local newspaper editorial comment, "the strangest and most troublesome aspect of municipal finance in the state was the inability of cities and towns to issue revenue bonds." Revenue bonds are sold by a government entity to fund the construction of facilities which generate income, a portion of which is then used for payment of interest and principal to the bondholders. The elected governing bodies of many large, complex cities (and most other municipalities) could not, with the many restrictions on bonds, provide for some public services, such as public utilities, parking, airports, and civic centers. Public trusts were therefore established as a means of borrowing for capital projects without placing a significant, direct tax burden on the citizens. Trusts

were able to borrow money in ways that were not possible for ordinary government entities, including the sale of revenue bonds. It was reported by a legislator that citizens would have recourse at the polls if they felt that elected officials had abused the trust authority options. "Trusts give public officials a little more financial control than the constitution allows," according to the local newspaper editorial.

The school district attorneys determined that it would be legal to establish a trust authority for the public school system (a "governmental agency or subdivision") with the approval of a two-thirds vote by the school board. An officer of a bond consulting firm and a banker, both of whom had previous experience with municipal trust authorities, were contacted for further assessment and clarification of the proposal. Yet another expert in bonds and trust authorities was also called into the planning for "a further stamp of approval" on the plan. The latter expert expressed strong interest in the idea and indicated his desire to assist with the implementation. This would be the first trust authority in the state established by a public school system.

The school board had encouraged and supported these planning efforts. In November, 1975, at an official board of education meeting at which four of the five members were present, the Trust Authority was authorized, three members voting in favor. The official minutes provide no documentation of a dissenting vote. Later clarification by persons in attendance indicated that, due to a clerical error, the fourth member's vote in favor of forming the

trust authority was apparently overlooked. An affidavit by that board member clarified that error at a later date and proved that all four members present at that board meeting voted in favor of forming the district's Trust Authority.

When the Trust Authority was formed, one of the conditions of the agreement was that the school district board members would serve simultaneously as board members of the school district and trustees of the Trust Authority. A provision was included that, if a board member did not want to serve as a trustee, that member could appoint someone else to serve in that capacity. At the time of the formation of the Trust Authority, all five board members agreed to serve as trustees. At a later date, two board members decided not to serve in both positions and other community leaders were designated by them as trustees. At the current time (1992), there continue to be only three of the five board members serving as trustees.

The next challenge before the group was to select a project to be financed by the Trust Authority. The board members were aware that the district voters had been supportive of previous bond issues for construction of elementary classrooms. Current growth figures at that time indicated the most critical need to be at the elementary level. As shown in Table III, three of the four school facilities constructed with bond proceeds since 1970 were assigned to elementary grades. (Two of the Trust Authorities projects identified in the table as being occupied after 1975 will be reviewed later in this chapter.)

Looking to the future movement of the elementary students into secondary facilities, the superintendent and board members decided to

TABLE III

## NEW SCHOOL FACILITIES IN SUBURBAN DISTRICT, 1970-91

New School Facility	School Year Occupied
Elementary #1	1970-71
High School	1972-73
Elementary #2	1973-74
Elementary #3	1974-75
Athletic/Sport Stadium	1976-77
Elementary #4	1977-78
Elementary #5	1979-80
Elementary #6	1980-81
Junior High School	1982-83
Administrative Center	1982-83
Elementary #7	1984-85
Intermediate High School	1988-89
Elementary #8	1988-89
Elementary #9	1991-92

NOTES: Additions and other renovation projects to district facilities are not included. Data for this table were gathered from District records and interviews with District officials.

focus the trust authority's attention to the high school setting. They then identified an athletic/sports stadium to be the next structure to be built at the high school site. An estimated \$1.75 million was required to implement the plan for preparation and modification of the topography on the acreage surrounding the high school to build a stadium to meet the needs of the district's future vision of two high schools among the largest in the state. According to the superintendent, he and the board planned to

build the stadium so that both sides would be the same size, because when there were two high schools in the district there would be equal seating on both sides of the stadium.

The first Trust Authority project had thus begun.

During the planning for the Trust Authority, an agreement had been made with the participating banker that his bank would be used by the Authority. Thus, the trustees sought a loan of \$1.75 million for construction of the stadium. First, it was learned that the Trust Authority was required to have assets of at least 10 dollars in order to officially begin its operations. The superintendent donated the 10 dollars. The bank officials then insisted that the Trust Authority needed to provide some collateral for the loan. The school board thus voted, according to procedure allowed by law, to declare a 20-acre piece of land on which the future stadium would stand to be "surplus property." The superintendent recalled that

south of the high school, was a big pond and a hill. It was the roughest site I have ever seen in my life. There was going to be massive earth moving out there because we had a big pond to fill and a big hill to tear down. So, [the board] declared the land surplus, which raised some eyebrows.

This land was then sold to the Trust Authority for one dollar. Of course, the Trust Authority then used the 20-acre plot as collateral and received the loan, repayable over a 10-year period.

Obviously, a major concern was the manner in which funds could be secured for repayment of the loan. While the trust authority could borrow money, it had no taxing authority. In the case of municipalities, operation of such capital assets as airports or utilities created revenue used for repayment of debt. Since the stadium was unlikely to generate sufficient revenue, the school board decided to use revenues of the district's building fund to pay off the loan.

We were going to use the building fund. Now in order to use the building fund, the attorney drew it up so that every year when the building fund would make the payment on the loan, they would get title to something. They would divide into different tracts and every year when the building fund would make a payment to the Trust Authority, the Trust Authority in turn would give some consideration and title back to the Board of Education (Interview with the Superintendent).

As planning for the stadium was in progress, the state legislature amended the original statute governing trust authorities. The old law stated that

express trusts may be created in real or personal property, or either or both, or in any estate or interest in either or both, with the state, or any county, municipality, political or governmental subdivision, or governmental agency of the state as the beneficiary thereof.

The revised law stated that

express trusts may be created to issue obligations and to provide funds for the furtherance and accomplishment of any authorized and proper public function or purpose of the state or of any county or municipality or any combinations thereof, in real or personal property, or either or both, or in any estate or interest in either

or both, with the state, or any county or municipality or any combination thereof, as the beneficiary thereof.

The new statute contained no authorization for trusts to be created by any government entity other than state, county, or municipality. With this change in the wording of the law, according to the district's attorney, trust authorities in public schools were no longer permitted. Those trust authorities already in place, however, were "grandfathered" and permitted to continue.

1976

In April, the Trust Authority closed on a \$1,750,000 loan with the bank through which they would finance the stadium. Construction began immediately with the expectation that the stadium would be completed in time for the new football season and the beginning of the new school year. The athletic/sport stadium was completed and officially opened on September 24, 1976, with a football game between Suburban and a neighboring school district. The critic commented that the stadium should be used for classroom space by "putting a dome over it."

The athletic/sports arena available to the district prior to this was of such limited use that, by 1975, there was severe concern about sanitation, parking, and seating. The new facility began to be utilized by the district and the community on a year-round basis. It provided for numerous community functions, as well as area and state athletic competition for this and other school districts. In the past 15 years, the district's stadium has hosted 10 of the state's championship football tournaments. According to the former athletic



director, "I can't think of any other facility in the state" that can meet that record in hosting state-wide tournaments. The main reason for utilization of the stadium has to do with the size of the stadium, including seating capacity to meet the needs of such championship contests.

For the past seven years, a national community college football championship has been held at the stadium. This bowl game has been broadcast on national television and was viewed in 22 to 40 million homes.

Monthly payments were approved by the school board to be taken from the district's building fund and utilized to pay the Trust Authority's obligation to the bank. This original payment plan, scheduled for a 10-year period, would eventually be revised to pay off the loan in just over seven years.

In September, school district voters approved yet another bond issue to support new school construction. As noted earlier, school district indebtedness is limited by the state's constitution. The bond issues shown in Table IV essentially maintained the Suburban District's indebtedness at, or near, those limits.

#### 1977-1978

District enrollment continued to climb. A 17% growth rate at the high school created an overcrowded situation at that site, prompting the district's assistant superintendent to comment that the middle school existed "in name only," implying an absence of true middle school programs. A decision was then made to move the ninth

**TABLE IV**  
**BOND ISSUES FOR BUILDING CONSTRUCTION IN SUBURBAN DISTRICT**  
**1976-1990**

Date of Bond Election	Amount of Bond Issue	Final Maturity Date of Bonds
September, 1976	\$ 1,225,000	November 1, 1981
October, 1977	2,575,000	November 1, 1981
September, 1978	1,170,000	November 1, 1982
September, 1979	3,600,000	October 1, 1984
September, 1980	5,500,000	December 1, 1985
September, 1981	5,000,000	November 1, 1986
September, 1982	5,500,000	December 1, 1987
September, 1983	6,500,000	January 1, 1989
November, 1984	9,900,000	January 1, 1990
April, 1986	12,000,000	June 1, 1991
May, 1988	8,000,000	June 1, 1993
May, 1988	1,900,000	July 1, 1993
June, 1989	7,590,000	September 1, 1994
May, 1990	7,845,000	July 1, 1995

NOTE: Data for this table were obtained from bond consultant records and interviews, as well as Suburban District patron newsletters.

graders from the high school to the renamed "junior high" and the sixth graders to the elementary sites.

The junior high would continue to be housed at the original district site. A state fire marshal's report concerning the original complex of brick buildings indicated that they required extensive renovation or reconstruction. In response, the superintendent's column in the next district newsletter contained the following explanation.

Money for new construction comes from bonds passed annually by the voters and is limited according to a state formula. Our greatest problem in this school district is that we are never able to vote enough money to even begin to meet our needs. It's all we can do to keep a roof over all our students' heads, much less have enough left over to do much remodeling. We do hope, in the near future to be able to correct the problems at the middle school.

Annual payments continued to be paid from the building fund for the stadium.

1979

In the spring, area developers reported to the superintendent that they were planning 6,000 new homes in the district. The superintendent later reported a 594% growth in enrollment during the past decade, two to three times the growth as experienced in an adjacent district.

In the fall, a bond issue passed for renovation of the original complex of brick buildings. As noted in Table IV, the authorized bond issue generated \$3.6 million in revenue.

The stadium payments continued to be paid from the building fund.

## 1980-1981

Students assigned to a new elementary site started the 1980-81 school year in rented facilities within the local metropolitan area while the building was being completed. In 1981, yet another bond issue passed, by 73%, showing positive support of the patrons for the construction of school facilities in the district.

Further payments were made on the stadium.

## 1982-1983

In April, a number of the district's teachers picketed the administrative center. They were at impasse in the collective bargaining process with the board and were demanding direct communication with the board rather than bargaining with a negotiating team composed of school administrators. This was perceived by some as emblematic of growing dissatisfaction by teachers with the district's administration.

The stadium was paid off in 7.5 years rather than the originally estimated 10 years. The Trust Authority deeded the stadium over to the District.

A decision was made to maintain seventh graders at the original complex and move only eighth and ninth graders into the new junior high. This was due to the overwhelming growth in the number of students and a possible overcrowding situation at the new site. The building construction and supporting bond issues were not providing sufficient academic space for the district's growth. This problem was complicated by uncertainty over the ad valorem tax base and the

need for expansion of support service facilities.

In the fall, the superintendent wrote to the patrons in the district newsletter that

we are experiencing some difficulties in getting budget approvals from the Excise Board. The State Board of Equalization, the State Tax Commission and the local tax assessor are all embroiled in debate and discussion over assessment ratios. It not only affects this county but many other counties across the state. We will not get the net valuations approved until some agreement is reached among these groups. It not only affects our operating budget but we cannot call a bond issue until the valuations have been certified. We have approval to spend 25% of our estimated budget. If agreement is not reached when this money runs out, the school will be shut down until these groups act.

By October, the situation had been decided and a bond issue was proposed to the district patrons. The bond issue barely met the mandatory level of approval with a yes vote by 60.22% of the voters.

The second project selected by the Trust Authority was an administrative center for the district. The district had grown so rapidly that the administrative offices had become housed in rental property separate from any school building. While a 20-acre plot of land within the district had been purchased as the future site of a school or administrative center, the construction of a new facility seemed beyond the district's means. However, it was learned that a trucking firm with offices within the district had recently gone bankrupt. Housed on a 23-acre piece of land, the firm's headquarters included administrative offices, a cafeteria building, and housing for 400 large tractor-trailer trucks as well as other storage and mechanical/repair facilities. The complex had been appraised at seven million dollars but was on the market for only

three million dollars. The superintendent commented that

it was appraised at seven million dollars. Well, my heart sank because I knew there was no way we could pay seven million dollars. [The property manager] came to me two or three months later and said the property was in bankruptcy. 'An insurance company from another state wants to get rid of it and if you want to buy it, you can get it for \$3 million.' so I called every board member and told them they had to come see what I had found. Each board member took a tour of the site and they expressed an interest in it because they could see it would serve as an administrative center for a long time to come.

The superintendent and the board evaluated the situation and determined that it would be more reasonable to purchase this facility than to construct new facilities for an administrative center.

Attorneys for the district and for a national insurance company drew up an agreement whereby the property was divided into thirds, each third worth approximately one million dollars. As each million-dollar debt was paid, the Trust Authority would receive title to one third of the property. The negotiated interest rate was between eight and nine percent. One tract was immediately acquired by the district and paid from the building fund in October of 1982. The other two tracts were acquired through the Trust Authority. These two tracts were to be "rented" from the Trust Authority by the district at a nominal fee. The school district was given an option to pay off the remaining indebtedness at any time. If the district exercised the option (and the district was not legally obligated to do so), the payment would flow through the Trust Authority and would be paid to the insurance company to obtain a release of the mortgage on the two tracts.

With the move into the newly purchased administrative center, the superintendent had reportedly assured the school board that he

would use the facilities as they were; that no further decorating would be done to the facilities. A board member walked into the administrative center one day and observed what appeared to her to be "decorating" by way of new furniture for the superintendent's office. The board demanded that the furniture be returned; no purchases would be approved. The superintendent offered to personally purchase the blue couch for his office. The board member commented to a reporter, "off the record," that the new administrative center was the superintendent's "palace." The word spread quickly once the reporter included the comment in her report in the local newspaper of the monthly board meeting. According to the board member, the term "palace" became a negative comment and was quickly overused in describing the administrative facility.

During the 1983 annual PTA spring banquet in the district, an assistant principal, who was asked to speak at the banquet, developed a slide presentation and narrated a humorous parody of the television show Dallas, utilizing the term "Palace" and referring to the superintendent as "U. R. Suing." This display of humor was followed by a board member who, prior to the next board meeting, made new name plates for the board members and the superintendent which coincided with the names utilized during the slide presentation.

Since the original loan for the stadium had been paid, the trustees no longer felt obligated to use that bank as a repository of funds. The Trust Authority board decided to withdraw the remaining money from the first bank and place it in another bank. Officers of this new bank "wanted to do something" for the district and thus a

third Trust Authority project came under consideration. The athletic director and the president of the new bank agreed upon the need for a message center at the stadium. The bank would pay for the message center, the district would erect it next to the stadium, and the bank would pay for the annual maintenance fee. The center was built through the Trust Authority, with the bank's name prominently displayed above the sign. Financing was to be accomplished by the Trust Authority's issuance of a promissory note in the original principal amount of \$43,860. This project would not create any debts or liabilities on behalf of the school district. The obligation of the Trust would be payable solely from the revenues derived by the trust under the advertising agreement. The trust would also enter a standard maintenance agreement to provide electronic maintenance for a term of ten years at an annual payment of \$955, which could be increased based on the cost of living index but would not be increased more than 4% per year.

#### 1984-1985

At this time, there were multiple and rapid changes on the school board. As evidenced by media reports and school board minutes and confirmed in interviews, the newer board members were voicing disapproval of the superintendent's management and leadership skills of the district. There was a changing attitude locally, and nationally, that parents and board members should have more input into decision making for the district. Some were becoming more critical of the perceived autocratic style of leadership and direction provided by the superintendent.



The board of education for the district had gone through several changes during the early 1980s. One seat changed four times due to a long-time member's resignation, a new member assigned to that seat for only one year to complete the term, another new member winning the election for the seat and then resigning when his firm was hired to audit the school district, and a fourth person appointed to that seat on the board following the resignation. The original member in this seat had been a long-standing supporter of the superintendent. The new members tended to be less favorably disposed toward the superintendent's style of leadership.

Another position on the school board had been occupied by a member who had been most vocal in her opposition to the district's administration. When offered a position at the administrative center, she resigned from the board and another patron was asked by the board to finish her term. The new member was also a strong opponent of the superintendent's leadership of the district. Two other seats on the school board had been won by new members during elections in 1983 and 1985. The fifth member of the board had become a board member in 1982. In 1985, therefore, there was a completely new and different make-up of the board in comparison to the board in 1981-82. This would culminate in longer board meetings, less acceptance of the superintendent's recommendations, and numerous examples of split votes on proposed board actions.

At the February, 1985, board meeting, there was a two and one-half hour executive session to consider action to rehire administrators. At the March meeting, a three and one-half hour

executive session focused on plans to rehire teachers, and the May meeting was recessed and reconvened over three different dates just to complete the original agenda.

In late 1985, the board rejected the superintendent's recommendation to award a contract for tennis courts at the junior high school and directed him to file a supplemental report to transfer the funds set aside for this project from reserves to the general fund.

The final two payments on the administrative center were made by the Trust Authority during 1984 and 1985, and the property was released from mortgage and turned over to the district by the Trust Authority.

#### 1986-1988

The fourth Trust Authority project evolved from a need for additional land near the high school site. Owners of a farm south of the stadium had some land available for sale and the Trust Authority decided to purchase it with the idea of building a swim complex and tennis courts. These 11 acres would also allow for additional site access from a major street in the heavily trafficked area. There was some opposition among the board members and public opinion appeared to be more vocally in opposition to the plans for a swim complex and tennis courts. In spite of the opposition from school board members, the purchase of this land by the Trust Authority was passed by a majority vote of the trustees. The Superintendent noted that

there was a farm that was south of the stadium that had some good, flat land. The idea behind buying

that land was that we would eventually need to put in a swim complex. We had drawn up some pretty fancy plans for a swim complex. It was my opinion that we, as a school district of this size, needed tennis courts and a swim complex. There were no other swim complexes in this area, so I thought this would be a community-wide thing and it would be made accessible for the handicapped, with a portable floor that would raise and lower on hydraulic jacks so you could use it with wheel chairs, etc. In order to do this, it was going to take a good-size piece of property. . . . There was some opposition on the board at that time, but I think it passed by a fairly good majority to go ahead and enter into a contract with the property company to buy that 11 acres for \$1.4 million . . . to be financed in the same way as before . . . we divided it up into three different areas and the Trust Authority owned it, had the mortgage on it, and they would, in turn, as the school district paid for a third of it, would [sic] give them title to it.

The 11-acre tract of land would prove to be a deciding factor concerning public opinion and support for the superintendent. The Trust Authority made the first payment on this strip of land and got title to one third of the property. By the second year, there was still more change in board membership and the new board decided not to appropriate in the budget the amount of money needed to make the second annual payment. The superintendent tried to convince them to do otherwise, but the board stood firm in its decision.

They decided they were not going to appropriate in the budget enough money to make the payment. They did not verify this with the bank or anybody. When it came time to put the money in the budget, they just decided they were not going to do it. I told them, 'you just can't do that.' But they did it.

When it came time to make the second payment, the superintendent talked to the bank officials and proposed two alternatives: extend the payment deadline or pay only the interest due. The bank refused

both offers. The superintendent explained that

The bank did not want to extend the payment but also did not want to foreclose on the property. There was enough money in the Trust's account to pay the interest, but the bank didn't want that. That left me with only one alternative.

The superintendent went back to the board and asked for approval to go to a third bank to borrow money to pay off the balance of the loan. The new loan would be structured so as to be paid over three years rather than just the two years remaining on the original loan. The board agreed. When the superintendent returned to the bank to finalize the process, he found that officers of the newest bank kept postponing a final decision on the loan. When there were only three or four days left before the note payment came due, the superintendent made a decision which, he noted, would "haunt" him for years to come.

The deputy superintendent and I conferred over the dilemma. The bond counsel said that if the district went into default, the district would probably never be able to sell a bond issue again because bond holders are not going to buy if the district has gone into default.

Rather than allow the Trust Authority to default on the loan, he directed the district's treasurer to make the loan payment, with the understanding that the superintendent would take the newest bank's loan ("when they moved on it") to replenish that money in the budget, hopefully within only a few days.

The superintendent's dilemma and subsequent decision were based on a concern that defaulting on the loan would impact future bond issues, comparing it to an individual filing for bankruptcy and then trying to buy a new car on credit. For a district in which continued

construction was vital for housing the large annual increases of students, this, he reasoned, would be disastrous.

At the next board meeting, when this payment which had been authorized by the superintendent and made by the treasurer came to the attention of the board members, they refused to approve the transaction! In the meantime, officials of the newest bank informed the superintendent that they had decided not to loan the district the money requested. The district's attorney was summoned immediately. The attorney and the superintendent visited with the bank where the check had been sent for payment. They asked for the check to be returned to the school district and asked for consideration in restructuring the loan for three annual payments instead of two, to allow the district budget and that of the Trust Authority to continue "on solid ground." The bank finally agreed. The loan was paid off in September of 1989 and the Trust Authority deeded the property to the school district, free and clear at last.

As a result of what some critics called a "scandal," the loan near-default and unauthorized payment, a state audit soon followed. According to the superintendent,

it created so much controversy that the state auditor decided to audit [Suburban School District]. The state was auditing schools all over the state as a routine matter as a result of a new state law, but when they got to [Suburban], the state auditor decided to also audit the Trust Authority. The state auditor previously had been with the state tax commission and did not like trust authorities because 'TAs' do not pay taxes. He didn't like 'TAs' for cities and especially not for schools. So they audited and [released] their scathing report.

In its November, 1988, report, the state auditor's office documented, and criticized, the problems created by the payment on the Trust's note.

On September 29, 1987, two (2) warrants were issued without board approval from the Suburban School District general fund to [the local bank]. A cash warrant . . . and an advance funding warrant . . . were generated to pay a principal and interest payment on a land acquisition loan incurred by the Trust. The approved 1987-88 district budget includes an 'interest only payment' to be made from the building fund to the Trust.

On September 29, 1987, the district superintendent, without an appropriation sufficient in amount, without board approval, and without funds encumbered, generated the requisitions, purchase orders and warrants . . . as a credit to the outstanding loan. The warrants were stamped with the facsimile signature stamp of the president and clerk of the school board (without their knowledge or approval) and the school district treasurer.

The school board president and clerk . . . had no knowledge of this transaction, nor did the school board approve the issuance of the two warrants in any board meeting. After the board was made aware of the expenditure and loan negotiations were made with the bank, the general fund was reimbursed in January, 1988. Thus, that money was improperly placed outside the school's accounts for approximately three months. The bank agreed to an 'interest only' payment to be made for the current year. The school board then approved the interest amount to be paid from the building fund to the Trust.

Since interest is payable on the advance funding warrant for the period of use, it appears that, as a result of its issuance, the school district paid [funds] in unauthorized interest expense. This amount does not take into account interest lost on the amount of the cash warrant or interest paid on other advanced funding warrants necessitated by the absence of the money from the general fund.

The audit report concluded with a question regarding the legality of the Trust Authority.

The clear reality of the dealing between the school and the Trust is that the payments characterized as 'consideration paid to extend purchase options' were in fact the exact amounts necessary to pay the interest payments due on the money borrowed by the Trust. Through the use of the Trust as a 'straw man' the school district accomplished indirectly what it is not authorized by law to do directly.

Such arrangements also involve questions . . . whether the obligations to pay principal and interest payments on borrowed money increases the indebtedness of the school district beyond the current year without the consent of the voters and without regard to whether the school district has exceeded its legal level of borrowing capacity.

The Trust Authority asked for a state Attorney General's opinion to clarify the legal status of the Trust Authority, noting that

these comments [by the state auditor] address the philosophic question of whether a public trust is an appropriate vehicle to acquire land or provide facilities which the school district could not directly acquire because of the [state] constitutional debt limitations. It is significant to note that the report on this issue does NOT conclude that the transaction was illegal.

A local newspaper editorial writer, in a November, 1988, column, defended the Suburban District Trust Authority.

Public Trusts, . . . often criticized and usually misunderstood . . ., are vital to the orderly function of government in [the state]. Trusts are back in the news because [of the report by] the state auditor and inspector [and a request for] an Attorney General's opinion on whether elected officials serving on trusts are illegally doing business with themselves.

The reason trusts exist in [this state] is because the state constitution has a very strong prohibition on public debt. No unit of government in [the state], including cities, counties and school districts, can incur a debt greater than can be paid from the income of a single fiscal year. In other words, there can be no installment buying, no long-term leasing, no borrowing, period. Only by a vote of the people can debt be incurred and then under strict limitations.

Although there have been some abuses of trusts, they provide a middle-ground between allowing cities to incur debt and forcing them to operate on a flat cash-only basis. Citizens always have recourse at the polls if they feel elected officials have abused the trusts. In fact, the very problem criticized at [Suburban District] is probably a strength. When elected officials serve on a trust there is no doubt of where responsibility lies.

The trusts, then, are a necessary compromise. They indeed are an elaborate subterfuge, but they are a subterfuge that voters and their elected officials have evolved that gives public officials a little more financial control than the constitution allows . . . but not too much.

While the Attorney General's written opinion on conflict of interest stated that it was legal for the Suburban school board to form a Trust Authority and for the board members to serve as trustees of that Trust Authority, questions were raised regarding the potential for a conflict of interest.

The highest court of this state has squarely held that dual memberships on boards, even when the boards contract with one another, does not create any legal conflict of interest as a matter of law. While there is no conflict of interest as a matter of law because of such dual membership, we believe that the facts of a given case could conceivably give rise to a violation of the public officers' common law fiduciary duty to each governmental entity.

The [state] Supreme Court cases on the subject of dual membership do not deal at great length or discuss in great depth repeated financial dealing between two separate entities governed by identical boards. Public trusts are legal entities separate and apart from their governmental beneficiaries. It is this separate legal existence which the court has emphasized in finding that the obligations of trusts are not the obligations of its beneficiary.

While theoretically the boards of the trust and school district are both looking out for the best interests of the school district, a myriad of circumstances may occur when the duties of a trustee may vary from that of a school board member. For instance, when the trust goes



into debt without a vote of the people, the trustees will owe a duty to its creditors or bondholders. The trustees must insure that they do everything within their power not to jeopardize the revenue source to pay these obligations. This revenue will invariably come from the school district. Unlike the trust, a school district may not commit its revenues from a future fiscal year.

In this hypothetical situation, these individuals may have conflicting loyalties. As trustees they have imposed a duty upon themselves by contract which would be illegal if attempted as members of the board of education. As members of the board of education, they owe a high duty to the tax-payers of the school district. When the trust depends on revenue from the school district, the interests of the taxpayers and creditors of the trust may not always coincide.

It is beyond question that a properly created and operated trust is a separate legal entity from its governmental beneficiary. If the boards of each entity are composed of identical individuals, and the beneficiary and trust engage in a series of contracts between one another, the chances of these individuals encountering conflicting duties and loyalties becomes more likely. In this situation it is quite conceivable that board members may lose sight of the fact they serve the taxpayers first and foremost, and such a duty must always remain paramount in their public decisions and actions. It is, therefore, the official opinion of the Attorney General that:

1. A member of a school board may not have a direct or indirect interest in any contract with the board of education on which he serves. This direct or indirect interest must be of a financial or pecuniary nature under [state statutes].
2. Where a member of a board of education of a school district is also a member of a board of trustees of a trust with the school district as its beneficiary no conflict of interest exists under [state statutes], as a matter of law, even where the board of education and board of trustees enter into contracts with one another.
3. Board members of public trusts created pursuant to [state statutes], who also serve as board members of the governmental beneficiaries' governing body should avoid repeated contractual dealings between both entities in which they are voting to

approve both sides of the same contract. Such contracts may raise possible conflicts of interest depending on the facts of a given transaction.

In the meantime, a group of patrons in the district called for a grand jury investigation. They charged that the board members were violating the open meeting law by meeting illegally and by illegally going into executive session. The district's leaders had proposed a response to the audit report including their perspective on conflict of interest.

The beneficiary of the trust is the school district. The board of education members are legally responsible for the operation of the school district . . . the trustees of the trust and the board of education members, in their respective capacities have the same duty of loyalty, both legally and morally, to the school district. In fact, the board of education members were designated as the trustees of the trust for a purpose. That purpose was to prevent the trust from engaging in transactions that were unrelated to the school district, even though the school district is the ultimate beneficiary of the trust. Further, having the members of the board of education as the trustees of the trust makes the trustees of the trust answerable to the voters of the school district, in that the voters of the school district can remove a trustee of the trust by removing that individual as a board of education member. The 'conflict of interest' position of the state auditor has been considered by the [state] supreme court in several cases and the court has declined to find 'conflict of interest' where the trustees of a public trust and the members of the governing body of the trust beneficiary are the same individuals.

The superintendent volunteered to provide testimony to the district attorney and subsequently spent seven hours before the grand jury. He explained the history of the Trust Authority, the land purchase, the bank transactions, and other issues. "I supplied them [with] documents, checks that were written and re-deposited which clearly showed that there was not any money taken."

The grand jury report indicated that no indictments could be recommended and that, in the jury's decision, no illegal action had taken place in the district.

#### 1989-1990

From 1989 to the time of this study, the only transactions involving the Trust Authority were the small payments that the bank was making every year to provide for the maintenance of the message center at the stadium. The Trust Authority was free of debt and had assets exceeding \$40,000. The board members had indicated a desire to disenfranchise the Trust Authority, but the superintendent suggested they "put it into a coma, but not kill it."

An April, 1989, bond issue for \$9,995,000 failed. The 11 acres of land by the high school were offered as a part of the bond issue for tennis courts and a swimming pool complex. Also included were library/media materials and equipment, performing arts center equipment, a new elementary school site, and Phase I of a new elementary school. Both parts of the bond issue failed. Patrons attributed the failure to the inclusion of tennis courts and the swim complex as well as the performing arts center equipment.

In June of the same year, a second bond issue met with difficulty in the district. This time, voters approved the bond issue's first proposition for the development of the 11 acres of land near the high school. The second proposition failed, for construction of the tennis courts and the swim complex.

The superintendent was meeting with more and more antagonism from the board and decided to resign from the position as superintendent. He had accumulated the necessary number of years of service in the state to gain full retirement benefits, so he handed his resignation to the board and an agreement was made for him to complete the 1989-90 school year with an effective retirement date of June 30, 1990.

The school board immediately began a nation-wide search for a new superintendent. A committee of 32 people, designated by the board, was assigned the task of finding the best candidate for the position. The committee screened 30 applicants, interviewed 13, and submitted names of the three top candidates to the board in late 1989. The board then interviewed and conducted background checks on the three candidates. The final selection was made in January, 1990. The new superintendent-to-be began periodic visits to the district from his out-of-state location through the early months of 1990 and began full duties as superintendent of the district on June 1, 1990.

#### 1991-1992

A March, 1991, bond issue proposed by the board and the new superintendent included the installation of a new district-wide computer system and a satellite system, as well as renovation of the administrative center. The bond issue failed.

A second bond issue in the summer of 1991 proposed a three-year plan of capital outlay improvement for the district. That bond issue was approved.

A new elementary school opened in the fall of 1991 bearing the name of the now-retired superintendent. In spite of petitions opposing the name of the school, the school board dedicated it as named.

The current education foundation at Suburban School District was established during the fall of 1990. Funding from the Trust Authority was utilized during the 1990-91 school year to pay attorney fees of \$1,900 for the district and to subsidize a \$45,000 community-wide foundation breakfast on May 13, 1991. That gathering was held to coordinate the organization and obtain the initial funding for the district's foundation. Many patrons and business people from the community were invited. As the critic commented,

they paid for that big breakfast with the Trust Authority money; I think what they're trying to do is deplete the money. I think they could have depleted the money a little better than having a patron paid-for, sit down breakfast. I don't know what's gonna [sic] happen about the foundation. The great piles of money with just a few people who manage them are always dangerous. I believe the new administration is straight arrow. That's almost to our detriment, 'cause [sic] we're gonna [sic] believe that the system we have now can work, 'cause [sic] somebody has come in and has done it clean. That'll do until they leave.

According to the former athletic director, the school district utilizes the athletic facility about 200 days a year. Community use expands the utilization of the stadium by about 75 to 100 additional days per year, a figure he termed "a conservative estimate." Over the years to 1990, rental fees (charged only to outside agencies or organizations) generated as much as \$20,000 in a year, with a minimum income of \$10,000 a year.

The Administrative Center, although viewed by some patrons and board members as a "palace" for administration, was quickly filled by the burgeoning growth of the district and expanding needs for administration of federal, state, and local programs.

The former superintendent, reflecting upon the decision he made regarding the payment on the 11-acre plot of land, noted that

after all these decisions, the only thing I probably wouldn't have done, I'm not sure that I would have okayed that payment to the bank. Now I've thought about that a lot, but nobody will know how much static and criticism I got over that thing. The only thing I can always think back and justify to myself, we did not do anything illegal and we prevented default. If we had defaulted and the bank had followed up on that, the district would have suffered. If I had to do it over again, I probably would not have done it. I don't know what I would have done. I probably would have been down at that bank pleading with them not to default.

The facility building program at Suburban District continues to be based on a plan for expansion in the district. New elementary and secondary sites are planned in the near future. The district continues to grow at a rate of 500 to 600 students per year.

## CHAPTER V

### SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This final chapter is divided into three sections. The first segment contains a summary of the problem, the method, and the findings of the study. Presented in part two are the conclusions drawn from the findings. Suggestions for further research are provided in the final portion of the chapter.

#### Summary

This case study was focused on a 15-year period during which the Suburban School District leaders employed a Trust Authority as an alternative method of financing capital outlay to meet the dramatic facility needs of a rapidly growing school district. Specifically, the study was designed to answer the following questions:

- (1) How was the Trust Authority established?
- (2) How has the Trust Authority provided additional funding for the school district?
- (3) What projects has the Trust Authority developed? How have those projects helped the school district?
- (4) What are the perceptions of the superintendent, school board members, patrons, and others regarding the Trust Authority?
- (5) What other states allow trust authorities or similar means of funding facilities for public schools?

To answer these research questions, a qualitative, historical method was utilized. Primary data collection included interviews with key individuals, including the superintendent, board members, the school attorney, and critic; examination of school district records, school board minutes, Trust Authority minutes, financial records, media reports, legal documents, state statutes, school district newsletters, and school board meeting summaries; a national survey of state departments of education; and a survey of local school board members.

The Suburban School District was selected from the beginning of this study because it was reportedly the first and only school district in the state to have formed the Trust Authority. This district, like those in a number of other states, was facing critical financial and facility problems. New and innovative programs would be required. If it were determined that the Suburban Trust Authority had been just such an innovative program, an additional answer to the dilemma might be suggested for use in other public schools in this and other states.

The Suburban School District faced a critical capital outlay need to meet the tremendous growth in student population. The district was passing bond issues at the maximum allowable amount and was still having difficulty providing sufficient facilities to meet the district's growth needs. The state's limitation on bonded indebtedness placed an even greater restriction on the district. Elementary schools were at or above capacity. The new superintendent, in his long-range planning, was looking toward the future movement of these young students into the secondary schools.



While the secondary facilities were adequate at the moment, they would be woefully inadequate in the very near future. In an effort to brainstorm for newer and better ways of solving such impossible problems, the superintendent gathered together the best available financial and legal advisors to develop a creative and viable solution to his district's capital needs. The Trust Authority was thus formed.

The four major projects of the Trust Authority were the construction of an athletic/sports stadium (1975-76), the purchase of an administrative center on 23 acres of land (1981-82), a computerized message center at the high school (1982-83), and the purchase of 11 acres adjacent to the high school (1989). The four properties are currently owned by the Suburban School District.

The former superintendent's decision to retire during the 1989-90 school year, de-escalated the community's focus upon his leadership style and the Trust Authority activities. Attention was refocused upon the anticipated replacement of a new superintendent for the district.

The Trust Authority's activities decreased dramatically following the controversy surrounding the payment of the 11 acre plot of land by the high school. Community criticism and adverse media attention coincided with the district's increasing ability to construct facilities at capacity bonded indebtedness, thus diminishing and quieting the activities and attention of the Trust Authority. The Trust Authority's funding balance was diminished greatly by the district's financing for the formation of a foundation in 1991. The Trust Authority lies dormant at this time.

## Conclusions

1. The Trust Authority did provide valuable financial support to the district. Bond issues were proposed at capacity amounts with district patrons' approval for the construction of needed classroom facilities. It seemed as if school buildings could not be built fast enough. In fact, as each such facility was completed, the district required even more classroom space. Consequently there were no other available options for financing other facility needs of the district. The Trust Authority was able to provide for those extra facilities to meet the district's growing needs.

2. The Trust Authority, although effective in supplementing this district's resources for capital outlay needs, should have been administered with better accountability procedures and more clearly defined delineation of powers and responsibilities. The "gray areas" of accountability identified during this study indicate a poor paper trail to document the meetings, financial transactions, and official business of the Trust Authority. More specific minutes and supporting files, including those for all financial transactions, could have quickly clarified each allegation of improper action. When the public perceived Trust Authority transactions as vague or unexplained, they became suspicious. Many questions remain unanswered even following exhaustive searches for old records of the Trust Authority. A former secretary of the superintendent observed that when she left her position in the district, there were extensive records available in the superintendent's office for both the Trust Authority and the school board meetings. However, she also indicated

that there were not always official "minutes" of the Trust Authority meetings. Because of the dual responsibilities of the district's school board and the Trust Authority board, there appeared to be a more relaxed attitude as to the need for documented business procedures and minutes of the Trust Authority's meetings. A former assistant superintendent of finance, when interviewed, said that he could readily identify those transactions if given the district's financial records. However, to the outsider or to the typical patron of the district, the transactions appeared to be muddled and unclear. Unclear and vague transactions often breed suspicion and distrust.

3. The Superintendent provided innovative, long-range planning and effective leadership for the district. The athletic stadium and the administrative center met both immediate and future requirements for the district. His foresight allowed for the future needs of the district as well as for the critical immediate needs. Today, the stadium is utilized a minimum of 200 days per year and the administrative center, which originally appeared to be too large, is currently at capacity for administration, transportation, bus storage, and maintenance services. Without the Trust Authority, those facilities, much as in the case of the swim complex, might well have remained only ideas for some future time.

#### Recommendations

1. Policymakers in this and other states should continue to explore the use of trust authorities and other innovative options for meeting growing school district's capital outlay needs. The

literature clearly indicates that public schools nationwide are experiencing tremendous needs for refurbishing and replacing old school buildings and for the construction of new facilities. The current funding methods (in nearly all states) have limited those innovative leaders who are striving to keep up with the facility needs for school children. The gap is widening between safe and adequate structures and the available structures for housing students. The longer the wait, the more complicated and expensive will be the repairs and renovations and the more extensive will be the construction needs. The trust authority could be a viable option for other school districts in this state and in other states, given approval and further clarification by the states' governing power.

2. Trust authorities or other quasigovernmental agencies, as well as school districts, must be administered in a manner that ensures public accountability. Recordkeeping and the conduct of meetings, therefore, should comply not only with the letter, but also with the spirit, of controlling laws and regulations. The documentation requirements of the official meetings and financial actions of the Trust Authority were clearly outlined in the original agreement (contained in Appendix D).

3. Further research is recommended for other innovative methods of financing school district capital outlay needs. More state involvement in providing expanded bonded indebtedness for construction, remodeling and renovation projects could be further studied. Other research could be conducted to compare and contrast trust authorities being operated by other governmental agencies and

how those relate or differ from school district's utilization of trust authorities. The lease purchase option is similar in action to the concept of a trust authority. Research could determine the commonality and legal differences of these two options.

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**APPENDIXES**



**APPENDIX A**

**STATE SURVEY FORM**

Posted: Mon, Jul 30, 1990 2:17 PM EDT Msg: AGJA-4348-3855  
From: DOE  
To: mlmembers  
Subj: Information request

The Department of Education is requesting information concerning the following survey. Please respond to the following survey as soon as possible:

Voice  
FAX  
STATE \_\_\_\_\_  
POSITION/TITLE OF  
RESPONDENT: \_\_\_\_\_

1. Does your state approve/allow for school district utilization of Trust Authorities for capital outlay/construction/etc.?  
YES \_\_\_\_\_ (IF YES, CONTINUE ANSWERING #2 THRU #8 BELOW)  
NO \_\_\_\_\_ (IF NO, SKIP #2-6 AND ANSWER #7 & #8)
2. Approximately how many districts in your state have authorized-established Trust Authorities? \_\_\_\_\_
3. For how many years have Trust Authorities been available for funding public schools within your state? \_\_\_\_\_
4. What are acceptable uses for funds provided through Trust Authorities in public schools? \_\_\_\_\_
5. Is there a state law governing Trust Authorities in public schools? \_\_\_\_\_  
If so, could you please enclose a copy of that law.\*
6. Have there been any legal cases concerning utilization of Trust Authorities in public school? \_\_\_\_\_  
If so, could you provide the legal citation of those cases.\*
7. What types of funding for public schools does your state utilize?  
Full State Funding \_\_\_\_\_  
Equalized Formula \_\_\_\_\_  
Other (Please specify) \_\_\_\_\_
8. What other options are available/acceptable for public school funding?  
Direct long term borrowing from financial institutions \_\_\_\_\_  
Direct long term borrowing from the state \_\_\_\_\_  
Grants \_\_\_\_\_  
Corporate Sponsorship \_\_\_\_\_  
Other (Please Specify) \_\_\_\_\_

\*If you cannot provide, please give name & address where I can request such information. Thank You.

Sincerely,

**APPENDIX B**

**SCHOOL BOARD MEMBER SURVEY FORM**

TRUST AUTHORITY SURVEY  
Fall 1991

Your term as a School Board member was/is from \_\_\_\_\_ to \_\_\_\_\_.  
Mo/Yr Mo/Yr

While a Board Member for Schools did/do you also serve as a Board Member of the Trust Authority? \_\_\_\_\_ YES \_\_\_\_\_ NO

If you answered "NO" please give rationale for your decision: \_\_\_\_\_

\_\_\_\_\_

If school board members do not serve as board members of the Trust Authority, WHO should serve on the TA Board and HOW should they be selected/named to the board? \_\_\_\_\_

\_\_\_\_\_

What is your opinion of the Trust Authority today as an alternative method of financing public schools: \_\_\_\_\_

\_\_\_\_\_

What has the Trust Authority provided for \_\_\_\_\_ that has been of benefit  
for students: \_\_\_\_\_  
for patrons: \_\_\_\_\_  
for the district: \_\_\_\_\_

What do you consider to be the most beneficial result of having the Trust Authority at \_\_\_\_\_ Schools? \_\_\_\_\_

What do you consider to be the most detrimental result of having the Trust Authority at \_\_\_\_\_ Schools? \_\_\_\_\_

Do you believe the Trust Authority is an advisable and legal option for additional funding for public schools? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Give rationale to support your answer: \_\_\_\_\_

\_\_\_\_\_

What are your suggestions for other options (other than the Trust Authority) for alternative funding of public schools? \_\_\_\_\_

\_\_\_\_\_

What do you think should be done with the Trust Authority at \_\_\_\_\_ today?  
MAINTAIN IT AS IS \_\_\_\_\_ DO AWAY WITH IT \_\_\_\_\_  
Give rationale to support your answer: \_\_\_\_\_

\_\_\_\_\_

THANK YOU FOR YOUR TIME AND YOUR OPINIONS.

**APPENDIX C**

**SUPERINTENDENT TRANSCRIPT EXCERPT**

This Appendix contains an excerpt of data contained in a transcription of an interview with the Superintendent. The interview was conducted on October, 25, 1989, in the Suburban District Superintendent's office. The excerpt was chosen because it focused on the formation process of the Trust Authority and the two major projects. Words and phrases which identified specific locations or people or which would otherwise compromise confidentiality were deleted from the transcription.

plan for the High School. We drew what we thought would be a 5A high school with approximately 2200 students in it, and we drew the entire high school plan at that time. Included in that plan was a stadium that would seat roughly 10,000 -- and they thought we were all out of our gourd, because we had a small stadium at that time (you couldn't put 10 cars in the parking lot). Anyway, we drew a stadium that would seat 10,000, a gymnasium that seated 2500, and an auditorium for 2,000, but all those facilities were drawn and put on there.

The problem the district was experiencing at that time was we were gaining approximately 500 to 600 students each year, and when I came here we had only 2 elementaries -- and was in the process of being built -- at least a portion of it. All the bond money that this district could generate was being directed toward building elementary schools because most of the population we were gaining at that time was in the elementary school. This led to the board, and myself, thinking "How are we ever going to keep up?"; because when I came to people told me that knew the history of the district much better than I did that you'll never be able to keep up with the student population. You will always be behind in classrooms -- you'll never be able to build enough classrooms with the amount of money you have in order to keep up with it. At the same time, we were at the High School site and a portion of this population was coming to the high school and we did not have facilities there.

So \_\_\_\_\_, a principal partner, said we have to think of alternative financing systems. At that time there just wasn't anything available -- the school board could only vote general obligation bonds up to 10% of assessed valuation. There was limits to how much funds you could generate there. There was no other vehicle. You could not issue revenue bonds; you could not borrow money; you could not do anything. So \_\_\_\_\_ came up with the bright idea -- there are cities who have a city council and face the same limitations that we do, but they have developed trust authorities and these trust authorities are operated by the same people as the city council, but they can borrow money and do things that the city council cannot. So why wouldn't this work for a school system?

It had never been done in \_\_\_\_\_. So we got together with the architectural firm and also the firm of \_\_\_\_\_.

\_\_\_\_\_ We had heard of them because they had represented \_\_\_\_\_ Public Schools. We contacted \_\_\_\_\_ who was the partner in the firm that was basically representing \_\_\_\_\_ Public Schools. And I will never forget, his comment was -- "Well it's never been done, but that doesn't mean it can't be done" -- and I like that spirit that he had because he didn't say it couldn't be done, he just said that we will just have to find a way of doing this. Well in addition to that there was a young man by the name of \_\_\_\_\_ who was with a consulting firm that promoted bond issues and this type of \_\_\_\_\_



thing; a very bright young man that we had contacted to be our bond council at that time -- he was taking the place of -- was about 80 years old and couldn't hear and our board wanted some young blood. So we contacted . Well was an active part of forming this trust authority. It had never been done in , so when you start something like this everyone says this cannot be done. At the same time we were doing this there had to be finances, because what the trust authority was going to do was borrow money over a period of time and pay it back thru the school district. We contacted the Bank of , and , at that time the President and Chairman of the Board, expressed an interest in helping us because he wanted to be the banker for the district and to do a lot of things. So we contacted and met with him a number of times. It finally became apparent that was no quite adventurous enough to take on this task, because to say again it had not been done in . So at this time, someone told us that there was a banker in town who was a progressive banker, who later became infamous, . We met with him, and at this time said he had done a lot of things with trust authorities and he expressed an interest. So he began meeting with us. There is a young man in who is supposed to be one of the "experts" in bonds and trust authorities, and his name is . Everyone says that if would give his stamp of

approval to this, than it has got to fly with the state and everybody else because he is the "expert." Well, I was expecting , from people quoting him as an expert, to be this guy who is whiteheaded with a beard, as old as Methuselah. So the attorneys and I and several others went to meet with . was a young guy. He was not more than 30 - 35 yrs. old (which I thought at that time was young) and he had the worst organized office I had ever seen in my life. He had stacks of stuff all over his desk, his table, and everywhere else. I thought at that time, this guy will never find our materials in there. We made a presentation about trying to organize a trust authority. And was "gung ho" about this thing, because again it had never been done in , and so he thinks that we are going to be in on the fore front of this thing. So after a long period of time, decides that this will work. So now we have a banker that is willing to furnish the money; we have a good council that maintains that he can handle the financing and so forth; we have an attorney that is willing to go and file the papers with the Secretary of State; and we have a board that is wiling to go "gung ho" because we need all these projects.

Now the problem was, "what project are we going to select?" At that time our thinking was we can float bond issues in this community to build classrooms. They are "gung ho" to build classrooms and there won't be any problems with that. However

they may be hesitant to float a bond issue to build a stadium. Here we were about to be a 4A high school at that time and our stadium was a total disgrace. The thing was falling in, there was no sewer, the lights were terrible and no parking -- I mean absolutely no parking. It sat in the middle of a housing addition and there was no parking. We played one year on it -- and it was a total disaster. So the board and everybody concerned seemed to think that we would use this trust authority to build a stadium and the play fields at the high school. At that time we had one small building located on this 40 acres and south of there was a hill and west of the high school site (still on the 40 acres) was a big pond. It was the roughest looking site I have ever seen in my life. So what the architects decided to do: we are going to design a stadium that will seat 10,000. Our thinking was, in the long run there would be two high schools here at . We would build the stadium so that both sides would be the same size, because when these two schools played each other, you would need equal seating on each side. Generally when you go to a visitors side, they have only got a few seats and the home side has all the seats. In addition to that, there was going to be massive earth moving out there, because we had a big pond to fill and a big hill to tear down.

So now comes the date of the closing when we were going to borrow \$1.75 million. This trust authority had been formed and some of the conditions of that was that the same members

of the Board of Education would be listed as trustees of the Trust Authority. They would serve in the same role. There was provision in there that if a board member did not want to serve, they could appoint someone to serve in their place. At this time, all 5 board members agreed to be members of the trust authority. They needed \$10 to start the Trust Authority, because the Trust Authority had to have some assets.        said we need \$10 and we want the superintendent to give the \$10. So I reached into my billfold and got my \$10 and I gave him \$10 -- that was the total assets of the Trust Authority at that time. Shortly after that we borrowed \$1.75 million and we had a bunch! (and they gave me my \$10 back.) We were going to borrow the \$1.75 million, and we were going to build a stadium. We were going to level the site out there and we were going to build a baseball field and a soft ball field and have the dirt work done for a track. We were not going to build a track at that time.

So closing day came and we went to the        Bank building. I have never seen so much paper work in my life. There were people running around there -- it was a classic day I'll never forget -- we had a table in there and this was kind of a big celebration type of thing, because we had been working on this for months and months and months. We had finally gotten this thing done and we had the closing. We had stacks of paper and there were people making up books of this. The book itself that we ended up with was about 5 inches thick. This included

all the documents. You can imagine -- we had about 3 attorneys represented, the bank's attorney, everybody had an attorney and they were present. We made that closing and they delivered the \$1.75 million, and we started advertising for bids.

We advertised for bids and as a part of the condition of this, the Bank would be our bankers for this period -- the note was going to be paid off in 15 years. The agreement was that we would use Bank as our repository for that entire time until the note was paid off. Obviously the Trust Authority did not have any money except the money it had borrowed and it was going to use the money it borrowed to honor the contract of the stadium and everything. The way we were going to pay that back, we were going to use the building fund. Now in order to use the building fund, drew it up so that every year when the building fund would make the payment on the loan, they would get title to something. They would divide this land into different tracks, and every year when the building fund would make a payment to the Trust Authority, the Trust Authority in turn would give some consideration and title back to the Board of Education. So when the board paid something, they got something in return. The bank said we have got to have some collateral. We cannot loan you \$1.75 million -- our Board of Directors would shoot us if we loaned you \$1.75 million and we didn't have any collateral. So the only thing we had for collateral was land.

So the Board of Education owns the land.. They declared it surplus - which raised some eyebrow! They declared better than 20 acres at the high school as surplus property and sold it to the Trust Authority for \$1. The Trust Authority then took the land and put it up for collateral to cover that \$1.75 million. At that time there was no stadium there -- just a hill and a pond. So they used that land as collateral against the loan plus the stadium when it was built. So that kinda worked okay for the bank to loan us \$1.75 million. And it was structured so we would pay it off in 15 equal payments from the building fund (which at that time, we had enough money to make the payments with plenty of money left over.) That was in the good old days!

So we awarded the contract and they started. We had the whole school and half of the community out there that day when we broke ground. We had one or two of the board members who got up on the big earthmovers and they made the pass through there. We all had the shovels and turned the ground. We broke ground and started moving dirt. The architects can tell you how many thousand of cubic yards of soil we moved, but it was unbelievable. We had to take the hill and chop it down and move it back over behind the high school and fill in the pond. So the site you see out there right now doesn't compare to what it was in 1975. We built the stadium and, as a matter of fact, we were able to pay it off early. It was scheduled to be paid off in 15 years, and we paid it off in about 7 to

7 1/2 years. The Trust Authority had the title to that thing because we had given them title to the land for \$1 and the Trust Authority owned the land and stadium. Once we paid it off the Trust Authority turned around in another big ceremony and gave it back to Public Schools. So the Board of Education took control, and they owned the property. So that project went quite well. It was paid off early.

Then we come along, in the mean time, and had rented property down on Street for the Administrative Center. When I first came here, for a period of time, my office was located in what is now the abandoned 7th Grade Center and my office was in a place that had no windows and red carpet. Every 55 minutes it was a chinese fire drill because all those kids were changing classes. It was the Jr. High School I think at that time. So we went down and rented a spot on Street that we used for an Administrative Center. Everything was going quite well with the Trust Authority at that time -- we had paid off the stadium and all that kind of thing. And we had this financial capability defunct at that time. We had bought a piece of property out here to build an Administrative Center on. We had kind of designed it -- how we were going to park the buses out there and everything. We had bought 20 acres. We knew it would be a while before we could build an Administrative Center, but we were going to eventually do that.

A guy came along with Properties and said that Trucking Co. was going out of business and that they had a piece of property that we might be interested in because it had offices, parking spaces for 400 trucks, etc. I've forgotten what all he told me. So I said "let me go down and look at it." I came down and they took us all through it, and I just fell in love with this site. I could just see this being perfect for us. I said to him, "How much is this going to sell for?" He said, "It is appraised at \$7 million." Well my heart sank because I knew there is no way we could pay \$7 million. So I went back to my little 20 acres out there and we continued doing some design on this and so forth. This guy came to me two or three months later and said that the property was in bankruptcy. wants to get rid of it, and if you want to buy it, you can get that thing for \$3 million. I said if we can get that for \$3 million, you start drawing the papers up because I'm going to get the Board of Education out there. So I called every board member and told them they had to come see what I had found. Gradually -- slowly but surely -- I got one or two board members in here and we took them on a complete tour of the site. They expressed an interest because what they could see would serve as an Administrative Center for a long time to come and had 22 acres and everything we wanted. They said, "We will never fill this place up." And I said, "it would fill up faster than they thought."



**APPENDIX D**

**TRUST AUTHORITY AGREEMENT**

TRUST INDENTURE

CREATING

[SUBURBAN] SCHOOL DISTRICT PUBLIC TRUST

KNOW ALL MEN BY THESE PRESENTS:

This Trust Indenture, dated this 3rd day of November, 1975, by:

[THE SUPERINTENDENT]

hereinafter referred to as "Trustor"; and

[The Board Members, listed individually], as Trustees  
of the [Suburban] School District Public Trust and who  
shall be Trustees of the Trust herein set out,

hereinafter referred to as "Trustees".

W I T N E S S E T H :

That in consideration of the payment by Trustor to the Trustees of the sum of \$10 and of the mutual covenants herein set forth, the Trustees agree to hold, manage, invest, assign, convey, lease and distribute, as herein provided, authorized and directed, such property as Trustor, or others, may from time to time assign, transfer, lease, convey, give, bequeath, devise or deliver unto this Trust or the Trustees hereof.

TO HAVE AND TO HOLD such property and the proceeds, rents, profits and increases thereof unto said Trustees, and said Trustees' successors and assigns, but nevertheless in trust, for the exclusive and irrevocable use and benefit of [THE SUBURBAN SCHOOL DISTRICT] OF [THE] COUNTY, [STATE], a public corporation, hereinafter referred to as the "School District", which said School District is hereby designated as the Beneficiary of this Trust and hereinafter referred to as the "Beneficiary", and upon the following trusts, terms and conditions herein stated.

## I

Creation of Trust

The undersigned Trustor creates and establishes a Trust for the use and benefit of the School District, and for the public purposes and functions hereinafter set forth, under the provisions of [State] Statutes, the [State] Trust Act and other applicable statutes of the State.

## II

Name of Trust

The name of this Trust shall be ["SUBURBAN SCHOOL DISTRICT PUBLIC TRUST"] hereinafter referred to as the "Trust". The Trustees shall conduct all business and execute all instruments and otherwise perform the duties and functions required in the execution of this Trust in the name of the Trust.

## III

Purposes of Trust

The purposes of this Trust are:

- A. To promote the general welfare of the Beneficiary by acquiring property, real, personal and mixed, for the use by the Beneficiary in the performance of its public educational functions under the [State] Statutes.
- B. In carrying out said public purposes, to issue bonds, notes and other obligations as the Trustees may deem desirable and to secure the payment of such bonds, notes or other obligations by the pledge of all or any part of the rents and income of the Trust and its property.
- C. To hold, maintain and administer any leasehold rights, in and to physical properties demised to the Beneficiary or to the Trust and to comply with the terms and conditions of any such lease.
- D. To acquire, re-acquire, receive, construct, reconstruct, raze, level, grade, beautify, extend, lease, purchase, use, loan, borrow, install, equip, maintain, operate, renovate, stabilize, refurbish, enlarge,

remodel, relocate, convey, reconvey, sell, at public or private sale, pledge, encumber, alienate, transfer, exchange and/or resell, any property, real, personal or mixed, improvements, buildings, equipment, chattels, furnishings, fixtures, trade fixtures and any and all other facilities and/or property of whatever nature, and including but not limited to, water, sanitary and storm sewer lines, mains and laterals and facilities, telephone, gas and electrical lines and conduits, and including any and all rights to or therein, for use by the Beneficiary, or for the use of corporations, individuals, partnerships, associations or proprietary companies for any or for the purpose of executing and/or fulfilling the Trust purposes as set forth in this instrument, and to plan, establish, develop, construct, enlarge, improve, extend, maintain, equip, operate, lease, furnish, provide, supply, regulate, hold, store and administer property, buildings, improvements and facilities of every nature, either within or without the territorial boundaries of the Beneficiary, which may be useful in pursuing, promoting, executing and/or fulfilling the Trust purposes as set forth in this instrument.

E. To lease, rent, furnish or provide such property, buildings, improvements and facilities for use by the Beneficiary or for the use of corporations, individuals, partnerships, associations or proprietary companies, upon such terms as the Trustees may deem suitable; and to relinquish, rent, dispose of or otherwise make provision for properties owned or controlled by the Trust but no longer needed for Trust purposes.

F. To enter into contracts with the Beneficiary and with other parties to carry out the purposes of this Trust.

G. To provide funds for the cost of financing, refinancing, acquiring, constructing, purchasing, equipping, maintaining, leasing, repairing, improving, extending, enlarging, remodeling, holding, storing, operating, providing and administering any and all of the aforesaid property, improvements, services, utilities, buildings, facilities and all property

(real, personal or mixed), needful for executing and fulfilling the Trust purposes as set out in this Indenture and all other charges, costs and expenses necessarily incurred in connection therewith and in so doing to insure indebtedness, either unsecured or secured by all or any part of the Trust Estate and its revenues.

H. To expend all funds coming into the hands of the Trustees as revenue or otherwise for the payment of any indebtedness incurred by the Trustees for purposes specified herein, and in the payment of the aforesaid costs and expenses and in payment of any other obligation properly chargeable against the Trust or to distribute the residue and remainder of such funds to the Beneficiary as hereinafter set forth, which said funds, together with all Trust property, assets, profits and net revenues are irrevocably dedicated to the Beneficiary.

#### IV

##### Duration of Trust

This Trust shall have duration for the term of duration of the Beneficiary and until such time as its purposes shall have been fulfilled, or until it shall be terminated as hereinafter provided.

#### V

##### The Trust Estate

The Trust Estate shall consist of:

A. The funds and property presently in the hands of the Trustees, including the consideration, as hereinabove recited.

B. Any and all leasehold rights, remised to the Trust for the purposes of this Trust, including such as may be remised to the Trust by the Beneficiary as authorized and empowered by law.

C. Any and all improvements that may be constructed by, or in behalf of, the Trustees upon any property owned by or leased to the Trustees.

D. Any and all improvements that may be constructed by, or in behalf of, the Beneficiary upon any property owned by the Beneficiary and leased to the Trustees.

E. Any and all money, property (real, personal or mixed), rights, choses in action, contracts, leases, privileges, immunities, licenses, franchises, benefits and all other things of value coming into the possession of the Trustees, pursuant to the provisions of this Indenture.

F. Cash in the sum of \$10 paid to the Trustees, receipt of which is hereby acknowledged by the Trustees.

The instruments executed for each project and such issuance of Trustees' bonds and other indebtedness, shall set out the specific property of the Trust exclusively pledged and mortgaged for the payment of such indebtedness.

## VI

### The Trustees

A. The Trustees of this Trust are the members of the Board of Education of the Beneficiary on the date of execution of this Trust. Each Trustee, original or successor, shall be a Trustee of this Trust for a term co-extensive with the term of his office as a member of the Board of Education of the Beneficiary. In the event any Trustee, original or successor, ceases to be a member of the Board of Education of the Beneficiary, the successor member of the Board of Education, upon his election or appointment and qualification, shall automatically succeed to the position of Trustee of this Trust. If any member of the Board of Education of the Beneficiary declines or is unable for any reason to serve as a Trustee, the Board of Education of the Beneficiary shall elect a Trustee in lieu of the member who declines or is unable to serve, and such elected Trustee shall serve a term as Trustee co-extensive with the term of office of the Board of Education member who declines or is unable to serve.

At the present time, the Board of Education of the Beneficiary consists of five members. If the membership of the Board of Education of the Beneficiary is increased or decreased, the number of Trustees of this Trust shall be increased or decreased accordingly. It is the purpose and intent of this paragraph that the Trustees of this Trust shall be those persons who, from time to time, are the members of the Board of Education of the Beneficiary, except, as provided above, if a member of the Board of Education declines or is unable to serve as a Trustee.

B. All Trustees and all temporary Trustees appointed hereunder shall qualify by a written acceptance of all the terms of this instrument, duly acknowledged and signed in the same manner and in the same places that this instrument is acknowledged and filed. All Trustees, permanent and temporary, before assuming the powers and duties as such, also shall subscribe and file such oaths as shall be required by law for elected public officers of the State of Oklahoma.

C. The Trustees shall elect annually by majority vote a Chairman of the Trustees, who shall preside at all meetings and perform other duties designated by the Trustees. The Trustees shall designate the time and place of all regular meetings. All actions by the Trustees pursuant to the provisions of this Indenture shall be approved by the affirmative vote of at least a majority of the Trustees qualified to act as such under the provisions of this Indenture. The Trustees shall select one or more of their members to be Vice-Chairman, who shall act in the place of the Chairman during the latter's absence or incapacity to act.

D. The Trustees shall elect a Secretary of the Trustees who may or may not be a Trustee. The Secretary shall keep minutes of all meetings of the Trustees which minutes shall be filed within 15 days after each meeting at the office of the Trust. The Secretary shall maintain complete and accurate records of all Trust financial transactions. All such minutes, books and records shall be on file in the principal office of

the Trust, which said office shall be in the School District. All meetings of the Trustees shall be open to the public, and the books, records and minutes of the Trustees shall be considered as public records and available for inspection at all reasonable times by any interested person or persons.

E. The Trustees shall elect a Treasurer of the Trustees who may or may not be a Trustee.

F. The Trustees may appoint a general manager for the Trust and may employ such other clerical, professional, legal and technical assistance as may be deemed necessary in the discretion of the Trustees to properly operate the business of the Trust Estate, and may fix their duties, terms of employment and compensation. In the event a general manager for the Trust is appointed by the Trustees, the general manager shall administer the business of the Trust as directed from time to time by the Trustees.

G. Upon each change of personnel of the Trustees hereunder, the Chairman of the Board of Trustees shall cause to be filed in the Office of the County Clerk of [the] County, a certificate of the entire personnel of the Board of Trustees of the Trust.

H. The Trustees shall be, during their terms, subject to removal only by action of the District Court of [the] County, for cause shown.

I. The Trustees are authorized to contract, in connection with the incurring of any funded indebtedness secured by the Trust and/or its revenues, or any part of either or both, that in the event of a default in the fulfillment of any contract obligation undertaken on behalf of the Trust or in the payment of any indebtedness incurred on behalf of the Trust, that a Temporary Trustee or Trustees or Receiver shall be appointed to succeed to the rights, powers and duties of the Trustees then in office. Any such contract, if made, shall set out the terms and conditions under which such Temporary Trustee or Trustees or Receiver shall be appointed, and operate the Trust and provide for compensation to be paid, and



appointment to be vacated and permanent Trustees to be automatically reinstated upon termination of all defaults by which the appointment of Temporary Trustee, or Trustees, or Receiver was authorized.

J. Bonds or other evidences of indebtedness to be issued by the Trust shall not constitute an indebtedness of the Beneficiary nor personal obligations of the Trustees of the Trust, but shall constitute obligations payable solely from the Trust.

K. The Trustees and the Beneficiary shall not be charged personally with any liability whatsoever by reason of any act of omission committed or suffered in good faith or in the exercise of their honest discretion in the performance of the Trust or in the operation of the Trust; but any act or liability for any omission or obligation of the Trustees in the execution of the Trust, or in the operation of the Trust shall extend to the whole of the Trust or so much thereof as may be necessary to discharge such liability or obligation.

L. No Trustee or Trustees shall have the power or authority to bind or obligate any other Trustee, or the Beneficiary, nor can the Beneficiary bind or obligate the Trust or any individual Trustee.

M. No Trustee shall be paid any compensation of any kind for his services as Trustee of this Trust, except that each Trustee shall be reimbursed for actual expenses incurred in the performance of his duties as Trustee.

## VII

### Powers and Duties of the Trustees

To accomplish the purposes of the Trust, and subject to the provisions and limitations otherwise provided in this Indenture, the Trustees shall have, in addition to the usual powers incident to their office, and the powers granted to them in other parts of this Trust Indenture, the following rights, powers, duties, authority, discretion and privileges, all of which may be exercised by them without any order or authority from any court or legislative body, except as herein provided:

A. To finance, refinance, acquire, establish, develop, construct, redevelop, enlarge, extend, improve, maintain, equip, operate, lease, furnish, exchange, sell, at public or private sale, supply, regulate, hold, store, pledge, encumber, alienate, transfer, loan, use, hold and/or administer any of the property, buildings or facilities designated pursuant to or under the provisions of, or reasonably required for, functionally related or incident to the pursuit, development, execution and/or fulfillment of the Trust purposes as set forth and enumerated in Article III hereof as the Trustees shall determine necessary within, without and/or near the territorial limits of the Beneficiary for the benefit of the Beneficiary.

B. To enter into contracts for the acquisition and construction of property, buildings and facilities authorized to be acquired and constructed pursuant to the terms of this Indenture.

C. To employ such architectural and engineering firm or firms as the Trustees deem necessary to prepare such preliminary and detailed studies, plans, specifications, cost estimates and feasibility reports as are required in the opinion of the Trustees. The cost of such engineering and architectural work shall be paid out of the proceeds of the sale of bonds or from such other funds as may be available therefor.

D. To enter into contracts for the sale of bonds, notes or other evidences of indebtedness of obligations of the Trust for the purpose of acquiring, equipping or constructing property, buildings, improvements and facilities authorized to be acquired or constructed pursuant to the terms of this Indenture and for that purpose may:

1. Employ a financial advisor or advisors, or committee of advisors, to advise and assist the Trustees in the marketing of such bonds, notes or other evidence of indebtedness or obligations, and to present financial plans for the financing of the acquisition or construction of such project, and to recommend to, or consult with, the Trustees concerning

the terms and provisions of bond indentures and bond issues, and may pay appropriate compensation for such work and services performed in the furtherance of the project.

2. Sell all bonds, notes or other evidences of indebtedness or obligations of the Trust in whole or in installments or series and on such terms and conditions and in such manner as the Trustees shall deem to be in the best interest of the Trust, subject to applicable statutory provisions.

3. Appoint and compensate attorneys, paying agencies and corporate trustees in connection with the issuance of any such bonds, notes, evidences of indebtedness or other obligations of the Trust.

E. To enter into and execute, purchase, lease or otherwise acquire property (real, personal or mixed), contracts, leases, rights, privileges, benefits, choses in action or other things of value and to pay for the same in cash, with bonds or other evidences of indebtedness or otherwise.

F. To make and change investments, to convert into personal property, and vice versa, to lease, improve, exchange or sell, at public or private sale, upon such terms as they deem proper, and to resell, at any time and as often as they deem advisable, any or all the property of the Trust, real and personal; to borrow money, or renew loans to the Trust, to refund outstanding bonded indebtedness and to execute therefor notes, bonds or other evidences of indebtedness, and to secure the same by mortgage, lien, pledge or otherwise; to purchase property from any person, firm or corporation, and lease land and other property to and from the Beneficiary, and construct, improve, repair, extend, remodel and equip buildings and facilities thereon and to operate or lease or rent the same to individuals, partnerships, associations, corporations and others, including [the state] and agencies or authorities of the United States of America, or of [the state], or of any political subdivisions thereof, as well as the Beneficiary hereof, and to do all things provided for in Article III of this Indenture, and procure funds necessary for such

purpose by the sale of bonds or other evidences of indebtedness by a mortgage, lien, pledge, or other encumbrance or otherwise of such real and personal property, buildings, and facilities owned or otherwise acquired, leased or controlled by Trustees, and by rentals, income, receipts and profits therefrom, or from any other revenue associated with the ownership, operation or control of the property of the Trust; to lease or sublease any property of the Trust or of which the Trustees may become the owners or lessees; to collect and/or receive for and disburse and/or pay to the Beneficiary such voluntary contributions as are or may be made for public purposes under such contractual arrangements as the Trustees may enter into with any person, firm, corporation or entity with respect to any property, whether real, personal or mixed; and to otherwise exercise any and all rights and powers which a trust organized and created pursuant to [State Statutes] may now or hereafter exercise.

G. To fix, demand and collect charges, rentals and fees for the property, buildings and facilities of the Trust; to discontinue furnishing of properties, buildings and facilities to any person, firm or corporation, or public instrumentality, delinquent in the payment of any indebtedness to the Trust; to purchase and sell such supplies, goods and commodities as are incident to the operation of its properties.

H. To make and perform contracts of every kind, including management contracts, with any person, firm, corporation, association, trusteeship, municipality, county, state or federal government or any agency thereof; and, without limit as to amount, to draw, make, accept, endorse, assume, guarantee, account, execute and issue promissory notes, drafts, bills of exchange, acceptances, warranties, bonds, debentures, and to have issued a letter or letters of credit from any state or national bank, and other negotiable or non-negotiable instruments, obligations and evidences of unsecured indebtedness, or of indebtedness secured by mortgage, deeds of trust, or otherwise, upon any or all property of the Trust and to

pledge any or all income of the Trust, in the same manner and to the same extent as a natural person might or could do. To collect and receive any property, money, rents or income of any sort and distribute the same or any portion thereof for the furtherance of the authorized Trust purposes set out herein.

I. To select depositories for the funds and securities of this Trust; any officer or employee having custody of Trust funds shall be bonded in such amount as may be determined according to the provisions of [state statutes] The Temporary Trustee or Trustees or Receiver appointed pursuant to paragraph F of Article VI hereof may employ special counsel to represent them and such special counsel's compensation shall be paid from revenues of the Trust.

J. To compromise any debts or claims of or against the Trust, and to adjust any dispute in relation to such debts or claims by arbitration or otherwise and pay any debts or claims against the Trust upon any evidence that seems to the Trustees to be sufficient. The Trustees may bring any suit or action which in their judgment is necessary or proper to protect the interests of the Trust or to enforce any claim, demand, or contract for the Trust; and they shall defend, in their discretion, any suit against the Trust, the Trustees, employees, agents or servants thereof. They may compromise and settle any suit or action and discharge the same out of the Trust, together with court costs and attorneys' fees. All such expenditures shall be treated as expenses of executing this Trust.

K. To do all other acts and things in their judgment necessary or desirable for the proper and advantageous management, investment and distribution of the Trust and income therefrom.

The whole title, legal and equitable, to the properties of the Trust, is and shall be vested in the Trustees, as such title in the Trustees is necessary for their due execution of this Trust. Said Trustees shall have and exercise exclusive management and control of the Trust properties

for the use and benefit of the Beneficiary; but may agree for approval of any or all of its actions and transactions by the governing board of the Beneficiary.

L. To contract for the furnishing of any services or for the performance of any duties that they may deem necessary or proper, and pay for the same as they see fit; but in any case, the Trustees shall provide for an annual audit of the Trust property funds, financial affairs, transactions and operations, one copy of which shall be filed with the Beneficiary, and one copy of which shall be filed with the State Examiner and Inspector of [the state]. Said audits shall be certified with the unqualified opinion of a Certified Public Accountant, a Certified Municipal Accountant or a licensed public accountant and shall adhere to the standards set by the State Examiner and Inspector. The audits shall be ordered within 30 days of the close of each fiscal year of the Trust and the filing of the audit reports shall be made not later than 90 days following the close of each fiscal year of the Trust. Within 30 days after the date of this Indenture, the Trustees shall select a fiscal year for the Trust and shall certify such fiscal year in writing to the State Examiner and Inspector. Said audit report shall include (but not by way of limitation) a report of all fees and other expenditures paid by the Trust of whatever nature, including amounts and to whom paid.

M. No purchaser at any sale or lessee under a lease made by the Trustees shall be bound to inquire into the expediency, propriety, validity or necessity of such sale or lease or to see to or be liable for the application of the purchase or rental monies arising therefrom.

N. Any firm of which any Trustee may be a member, or any public or private corporation, association, commission or agency of which any Trustee may be an officer, director or member, or in which any Trustee may be interested as the holder of any amount of its capital stock, or

otherwise, or any Trustee individually, may be a party to, or may be pecuniarily, or otherwise interested in, any contract or transaction with this Trust or the Trustees thereof; and, in the absence of fraud, no contract or other transaction shall be thereby affected or invalidated; provided that in case a Trustee, individually, or a firm of which a Trustee is a member, or a corporation in which any Trustee owns a substantial amount of capital stock, such fact shall be disclosed or shall have been made known to the other Trustees.

O. No part of the net earnings, if any, of this Trust or any of its properties, whether real, personal or mixed, shall ever inure to the benefit of any private individual or Trustee, and no substantial part of the activities of this Trust shall consist of carrying on propaganda for, or otherwise attempting to influence legislation, nor shall it participate in, or intervene in, including the publishing or distributing of statements or other and similar materials, any political campaign on behalf of any candidate for public office.

## VIII

### Beneficiary of Trust

A. The Beneficiary of this Trust shall be [the Suburban School District] , under and pursuant to

[state statutes] presently in force and effect.

B. Trustor agrees that this Indenture may be altered, amended, revised or modified with the express written consent of two-thirds of the Trustees and the Beneficiary, which said written consents shall be evidenced by endorsement upon any such instrument of alteration, amendment, revision or modification; provided, that no such alteration, amendment, revision or modification shall take effect in such way as to impair the rights of the holder of any bond or other evidence of indebtedness

of the Trust or party to whom the Trust is indebted in any way under written obligation of indebtedness.

C. The Beneficiary shall have no legal title, claim or right to the Trust, its income, or any part thereof, or to demand or require any partition or distribution thereof, except as set forth hereinafter in this Trust Indenture. Neither shall the Beneficiary nor any agents thereof, have any authority, power or rights, whatsoever, to do or transact any business for, nor in behalf of, or binding upon the Trustees or upon the Trust, nor the right to control or direct the actions of the Trustees. The Beneficiary of this Trust, shall be entitled solely to the benefit of this Trust as administered by the Trustees hereunder, and at the termination of the Trust as herein provided and then only shall the Beneficiary receive the residue of the Trust.

D. The Trustees, after fulfilling the purposes of this Trust and after paying all obligations of the Trust and Trustees, and interest thereon and all the costs and expenses incident to the management, operation, maintenance and conservation of this Trust, shall then distribute the then remaining property, real, personal or mixed to the Beneficiary.

## IX

### Termination of Trust

This Trust shall terminate:

A. When the purposes set out in Article III of this Indenture shall have been fully executed; or

B. In the manner provided by [State Statutes].

PROVIDED, however, that this Trust shall not be terminated by voluntary action, if there be outstanding indebtedness or fixed term obligations of the Trustees, unless all owners of such indebtedness or obligations shall have consented in writing to such termination.



Upon the termination of the Trust, the Trustees shall proceed to wind up the affairs of the Trust, and after payment of all debts and obligations out of the monies and properties of the Trust, to the extent thereof, shall distribute the residue of all monies and properties of the Trust to the Beneficiary in the manner provided in Article VIII, paragraph C of this Indenture. Upon final distribution, the powers, duties and authority of the Trustees hereunder shall cease.

## X

By-Laws

A. The Trustees shall enact specific by-laws for the day to day operation of the Trust. The by-laws may be amended, changed, altered and added to from time to time by the Trustees.

B. The by-laws shall be subject to the approval of the Board of Education of the Beneficiary and said Board of Education shall have the right to veto all or any part of the by-laws.

## XI

Miscellaneous

A. The Trustees accept the Trust herein created and provided for and agree to carry out the provisions on their part to be performed.

B. If any one or more of the powers or provisions provided in this Indenture to be performed on the part of the Trust or on the part of the Trustees shall be declared by any court of competent jurisdiction to be contrary to law, then such powers or provisions shall be null and void and shall be deemed separable from the remaining powers or provisions and shall in no way affect the enforceability of any other power or provision of this Indenture, or of any bonds, notes or other evidences of indebtedness, issued hereunder.

C. The Trust shall comply with all of the provisions of the [State] Public Meeting Law, [reference to state statutes]

and the [State] Public Competitive Bidding Act  
 [reference to state statutes] as now existing or  
 hereafter amended.

D. The Trustees shall file proper copies of this Indenture with the  
 Secretary of State of [State], the County Clerk of [The] County, [State],  
 and with such other offices as may be required by law.

IN WITNESS WHEREOF, the Trustor and the Trustees, have hereunto set  
 their hands this 3 day of November, 1975.

[The Superintendent's Signature]

as "Trustor"

- and -

[Signatures of the Members of the  
 Board of Education]

as "Trustees"

VITA 7

Joyce Elaine Minson

Candidate for the Degree of

Doctor of Education

**Thesis:** A CASE STUDY OF THE SUBURBAN TRUST AUTHORITY: ALTERNATIVE  
FUNDING FOR SCHOOL FACILITIES

**Major Field:** Educational Administration

**Biographical:**

**Personal Data:** Born in Decatur, Illinois, February 4, 1933, the daughter of Mr. and Mrs. Verne R. Myers. Married to Ernest Minson. Mother of three sons: Jeff, Jon and David.

**Education:** Graduated from Stonington High School, Stonington, Illinois, in June, 1951; received Bachelor of Science degree in Education from Eastern Illinois University, Charleston, Illinois, in June, 1955; received Master of Arts degree in Speech Pathology at the University of Tulsa, Tulsa, Oklahoma, in July, 1974; completed requirements for Doctor of Education degree at Oklahoma State University, Stillwater, Oklahoma, in July, 1992.

**Professional Experience:** Speech Therapist with Tulsa, Oklahoma, Public Schools, 1955-56; Title III Speech Therapist with Tulsa County Schools, 1970-71; Employee/Administrator for Suburban School District, 1971-91; Executive Director of Town and Country School, 1991-present.