

**MEMORANDUM OF UNDERSTANDING
BETWEEN PERRIS UNION HIGH SCHOOL DISTRICT
AND CALIFORNIA MILITARY INSTITUTE**

This MEMORANDUM OF UNDERSTANDING (“MOU”), dated September 21, 2009, is made and entered by and between the PERRIS UNION HIGH SCHOOL DISTRICT (“PUHSD”), a California public school district, and CALIFORNIA MILITARY INSTITUTE (“CMI”), a California charter school, collectively referred to herein as “Parties.”

RECITALS

WHEREAS, The California Military Institute is a publicly funded charter school established and operating under the provisions of the Charter Schools Act of 1992, Education Code section 47600 et seq.; and

WHEREAS, The California Military Institute has been operating since 2003 under a charter petition (“Charter”) approved by the Perris Union High School District; and

WHEREAS, the Charter was renewed in July, 2008 for a five year period beginning September 1, 2008 and ending August 31, 2013; and

WHEREAS, Perris Union High School District provides supervision and oversight as the chartering agency for The California Military Institute; and

WHEREAS, pursuant to Education Code section 47613, subdivision (b), a chartering authority may charge a charter school for the costs of supervisory oversight, not to exceed three percent (3%) of the charter school’s revenue, if the charter school obtains substantially rent free facilities from the chartering authority; and

WHEREAS, the Perris Union High School District provides a rent free facility to The California Military Institute; and

WHEREAS, pursuant to Education Code section 47613, subdivision (c), a charter school may purchase administrative and other services from the chartering authority; and

WHEREAS, the Parties wish to have Perris Union High School District provide certain administrative and other services to The California Military Institute for program operation in accordance with the Charter; and

WHEREAS, the Parties enter into this MOU in order to establish the costs and obligations associated with the above services; and

WHEREAS, the term of this MOU shall run concurrent with the term of the Charter, expiring August 31, 2013.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, this MOU sets forth the fiscal responsibilities of CMI and PUHSD with respect to supervisory oversight, program operations and management, and direct operational costs related to CMI.

SECTION 1: SUPERVISION AND OVERSIGHT

As oversight agency for CMI, PUHSD is responsible for carrying out a number of general and fiscal oversight responsibilities, including but not limited to those listed in Education Code section 47604.32, as well as any tasks or responsibilities associated with the establishment, renewal, or revocation of the Charter. CMI is provided an appropriate rent-free facility by PUHSD, and therefore may be charged up to three percent (3%) of its revenue to reimburse PUHSD for the costs of such supervision and oversight. Pursuant to Education Code section 47613(f), revenue shall include general purpose entitlement and categorical block grant. The Parties agree that it is not in the best interests of either party to require a mechanical assessment, accounting, billing and payment process to compensate PUHSD for such oversight matters, but rather agree that the reasonable value of the supervisory and oversight services shall be deemed to be three percent (3%) of CMI's revenue each year. Should CMI acquire its own facilities, either by purchase or lease, the supervision and oversight reimbursement costs would be reduced to one percent (1%) pursuant to Education Code section 47613(a). Supervision and oversight fees include, but are not limited to, fiscal and instructional oversight, personnel policies, and other general oversight, including that of the PUHSD's officers and that of the Governing Board of PUHSD. For the purposes of this agreement, fiscal oversight is described more fully in the section below.

Fiscal Oversight: Fiscal Plan, Budget and Annual Audit

Fiscal solvency is the ultimate responsibility of CMI. However, PUHSD maintains the role of providing fiscal oversight to CMI including, but not restricted to the following:

1. CMI is a locally funded, dependent Charter school and as such all Average Daily Attendance ("ADA") or otherwise generated revenues shall be maintained within the PUHSD's ledgers in the Charter School Fund (Fund 09). The ADA funding is generated by grade level rates through the general purpose entitlement. This funding apportionment is a combination of state aid and a transfer of Charter-in lieu property taxes monthly from PUHSD to CMI. CMI shall receive the apportionment distribution based on the same percentage schedule as PUHSD. CMI is not eligible to apply for most categorical funding revenue streams; instead, based on ADA CMI receives a set amount of funding per ADA through the categorical block grant. This apportionment shall be distributed to CMI by PUHSD based on the same apportionment schedule as the general purpose entitlement. CMI shall also receive lottery funding based on annual ADA. CMI is eligible to apply for various other grants as applicable.
2. The Principal of CMI, in conjunction with the Military Advisory Board, shall prepare an initial proposed budget by March of each year. This is presented to

PUHSD and is reflective of the goals for the upcoming year. The budget assumptions, including revenue and expenditures are revised by PUHSD throughout the budget process and in conjunction with the CMI Principal. Long-range, or multi-year budgeting shall be maintained by both PUHSD and CMI to ensure fiscal solvency. The Principal shall ensure the instructional and program goals are built into the budget. PUHSD shall ensure this is done within the financial means of CMI. In no circumstance shall anything be included within the budget that cannot be reasonably afforded within the short and long-term budget.

3. CMI shall maintain a reserve for economic uncertainties of at least three percent (3%). During times of economic uncertainty, PUHSD may require CMI to maintain an increased reserve level, up to five percent (5%).
4. Cash flow projections and analysis shall be the sole responsibility of PUHSD.
5. Student enrollment and ADA projections shall be completed by PUHSD in conjunction with CMI. If there is any discrepancy, the projections of PUHSD shall be used for both budget and staffing projections.
6. PUHSD agrees to establish, maintain and retain appropriate financial records relating to CMI revenues in accordance with all applicable federal, state and local laws, rules and regulations, and to make such records available to CMI, as requested, from time to time. CMI shall participate in PUHSD's annual audit by a certified public accountant selected by PUHSD. The cost of this audit shall be borne by PUHSD and is included within the supervision and oversight fee of this section.

SECTION 2: PROGRAM OPERATIONS AND MANAGEMENT

PUHSD shall provide CMI appropriate and necessary services for program operations and management including business operations, insurance and risk management, personnel services and instructional services. The fee for providing these program operation services shall be seven percent (7%) of CMI's actual annual expenditures. A flat rate as a percentage of expenditures is established due to the inability of these services to be identified as directly relating to that of CMI's operations versus the services provided to other District schools and operations. The Parties agree that it is not in the best interests of either party to require a mechanical assessment, accounting, billing and payment process to compensate PUHSD for such services, but rather agree that the reasonable value for program operations and management services shall be deemed to be seven percent (7%) of CMI's expenditures each year. The costs for these general services are agency wide and relating to the general management costs and functions performed for the direction and control of the agency as a whole. General management costs consist of administrative activities necessary for the general operation of the agency, such as accounting, budgeting, payroll preparation, insurance and risk management, personnel services, instructional services, purchasing, and centralized data processing. General management costs are necessary for any program to exist and by charging a flat percentage rate, the District will have a standardized, efficient way to recover a share of general management costs from CMI. The cost associated with Special Education is not included within this fee, nor within this MOU.

Costs associated with Special Education, other than oversight and compliance costs, shall be borne by CMI as a direct charge to program through appropriate funds or account transfer and in accordance with the Charter.

Business Operations

PUHSD shall provide the following business operation services to CMI:

1. Payroll functions for CMI similar to those provided for employees of PUHSD, will be provided by PUHSD, including the preparation of W-2's and other reports that are required by state or federal law. CMI employees will be paid according to the timelines established with the payroll schedules published by PUHSD for PUHSD employees. Checks will be printed on Riverside County Office of Education ("RCOE") check stock, the cost of which is payable by PUHSD to RCOE. Checks will be delivered to CMI and/or its employees in the same fashion in which they are delivered to all schools within PUHSD. W-2's will be issued with PUHSD's federal and state employer identification numbers. It is the responsibility of CMI to report all leave data to PUHSD, and PUHSD will be responsible for all other time and attendance monitoring and reporting, including accruals, usages and balances. CMI shall be responsible for certifying all payroll information to PUHSD in compliance with established timelines that allow for the sequential processing of all employees' data and the preparation of payroll checks consistent with PUHSD requirements. PUHSD shall be responsible for providing the final certification of payroll and leave data to RCOE.
2. Access to the PUHSD's purchasing system, including the obtaining of goods at PUHSD prices. Delivery from PUHSD's warehouse, for available supplies and materials shall be billed to CMI. Requisitions shall be processed by CMI personnel within the purchasing system in the same manner in which other PUHSD schools follow. All items or services retained by CMI shall be flagged as received by CMI personnel immediately upon receipt within the purchasing system. The responsibility for proper training on the use of this system shall be provided by PUHSD at no cost to CMI.
3. All other purchasing services, including, without limitation, the preparation of specifications, conduct of the bidding process and evaluating goods and services will be provided by PUHSD.
4. Accounting functions, including accounts payable, accounts receivable, invoice processing, grant monitoring and reporting, sales and use tax reporting, and fixed asset accounting. PUHSD will provide accounting services to CMI in the same manner in which they are provided to all schools within PUHSD. Associated Student Body ("ASB") accounting will be performed by PUHSD in conjunction with CMI. PUHSD shall retain all financial records and all other records necessary for audit.
5. Use of surplus furniture, materials and books will be permitted on the same basis as is available to other schools in District, except that CMI shall only have access to surplus items after PUHSD schools have had access. CMI agrees to pay PUHSD the prevailing cost for any of these items.
6. Mail delivery will be provided by the PUHSD to CMI. Delivery of US mail will be centralized to the PUHSD district office and delivered to all school sites, including

CMI on a daily basis. CMI will also be permitted to access JET mail service provided by RCOE for delivery within the county's schools. The cost of this is payable by PUHSD to RCOE and is provided to CMI at no additional cost above the cost of this MOU.

7. Technology services shall be provided to CMI, comprised of connection to the PUHSD wide area network, CMI local area network support, and local computing support equitable with that provided to other PUHSD sites and schools. CMI staff will also be provided with PUHSD email accounts, network accounts and limited space for network file storage. CMI shall operate within PUHSD standards for technology equipment and software applications unless otherwise agreed upon by PUHSD's Director of Technology
8. Maintenance and repairs of buildings and building structures shall be provided to CMI to keep the provided facility in the intended operating condition. This includes maintaining and operating the CMI facility's mechanical (i.e., HVAC, Plumbing, elevators, etc.), electrical (i.e., main service, distribution, lighting, etc.) structural, and life safety systems. In addition, PUHSD will also maintain and repair individual building components, such as walls, roofs, windows, doors, ceilings and walls.
9. Upkeep of the CMI grounds shall be provided by PUHSD. This involves maintaining the exterior environment of the CMI facilities in a safe, orderly, clean, and visually appealing manner in support of various educational activities. The grounds maintenance will focus on such areas as sports/athletic fields, parking lots, lawns, and irrigation systems.
10. PUHSD and CMI acknowledge and agree that transportation will not be provided to students attending CMI. If CMI subsequently determines to provide transportation, CMI may contract with PUHSD for transportation services at cost, by separate written agreement as an addendum to this MOU.

Insurance and Risk Management

To the extent permitted by the PUHSD's coverage currently in force, PUHSD agrees to include CMI as a named insured for first party property coverage, third party liability coverage including property damage, auto liability and crime insurance. PUHSD shall have the full authority to purchase the coverage, oversee and settle the claims. PUHSD will, provide loss control management of CMI's property, liability, workers' compensation program and safety exposures. The cost for all coverages and insurance shall be the responsibility of CMI as a direct charge to the program through appropriate funds or account transfer. The coverage and insurance costs related to CMI will be based on the costs the District is charged for CMI's coverage including, but not limited to contribution and deductibles.

The worker's compensation and employers' liability coverage for CMI will be provided through the same provider and at the same rate as PUHSD. The coverage for the CMI employee is the financial responsibility of CMI and will be processed through the payroll system and charged to the CMI program. Unemployment insurance is the financial responsibility of CMI and will be processed through payroll at the same percentage of salary as PUHSD employees.

Employees of CMI shall be eligible for health, dental and vision benefits consistent with the same eligibility requirements made available to PUHSD employees. Coverage levels and employee contributions will be determined by CMI and in no way shall be required to be consistent with that of PUHSD employee groups. CMI will pay or reimburse PUHSD through appropriate funds or account transfer, the cost of providing these benefits to each employee at CMI. In the event CMI requires payment by or reimbursement from any employees for any benefits provided, the risk of uncollectibility shall be borne by CMI.

CMI agrees that it will coordinate all risk management activities through PUHSD's risk management office. This will include the prompt reporting of any and all pending or threatened claims, filing of timely notices of claim, cooperating fully with PUHSD in the investigation and defense of any claims and complying with the defense and reimbursement provisions of PUHSD's applicable coverage and insurance policies. CMI shall not compromise, settle, negotiate or otherwise affect any disposition of potential claims asserted against it without the prior written approval of PUHSD.

Personnel Services

PUHSD will provide the following personnel services to CMI:

1. The authority for Human Resources is held and managed exclusively by PUHSD. This includes all employment matters such as employee relationships, job descriptions, terms and conditions of employment, hiring practices and Beginning Teacher Support & Assessment (BTSA), and credentialing requirements.
2. Personnel may be selected by CMI in accordance with existing and prospective practices of PUHSD. The hiring of personnel is subject to compliance with all federal and state rules and regulations, including, without limitation, requirements concerning the recruitment of applicants and the use of background and criminal checks.
3. CMI agrees that PUHSD shall be responsible for policies and regulations concerning the compensation, evaluation, promotion, discipline and termination, and employee-related problems, including complaint and grievance procedures in the employment of CMI employees subject to compliance with all state rules and regulations.
4. PUHSD shall be responsible for establishing and maintaining personnel records for CMI employees in compliance with all Board approved policies and regulations, and applicable federal and state laws, concerning the maintenance, retention and disclosure of employee records.

Instructional Services

In accordance with Element A of the Charter, the curriculum used by CMI will follow the State of California adopted subject matter Frameworks and utilize textbooks and instructional materials that are approved and adopted by the Governing Board of PUHSD and the Governing Board of CMI. Compliance with, and development for these instructional services shall be provided by PUHSD in conjunction with CMI.

SECTION 3: DIRECT CHARGES TO CMI

Costs directly identifiable with the day to day operation of CMI shall be directly charged to CMI. Direct charges are costs that provide measurable, direct benefits to CMI's program including costs that relate directly to instructional programs and also support costs that relate to the peripheral services necessary to maintain the instructional programs. Salaries and benefits of CMI's staff, including the Principal who is an employee of PUHSD, payments for textbooks, instructional supply purchases, equipment purchases, and pupil service costs such as counseling and health services will be directly charged to CMI. This includes all costs not specifically addressed within the supervision and oversight fee or within program operation and management fees, cumulatively totaling ten percent (10%).

Direct charges to the program will be completed through appropriate funds or account transfer or by directly billing CMI. PUHSD will be responsible for completing these transactions and posting them to the CMI ledgers.

1. Utility costs including electric, gas, water, trash, and sewer will be the responsibility of CMI. When the facility is occupied solely by CMI, then CMI shall be responsible for the entire utility costs. When other occupants utilize the facility on a regular basis, the pro-rata share shall be charged to CMI based upon square footage calculations.
2. Phone service, including cellular phone service will be charged on a cost per phone line whenever possible. If this is not practical, then phone service will be treated like utility costs and charged in full or in part based on occupancy.
3. Operational services such as alarm service and security service shall be charged to CMI. As with utility costs, CMI will be responsible for the cost in entirety unless based on occupancy, a pro-rata share is calculated.
4. The cost of custodians employed by PUHSD and assigned to CMI shall be directly charged to CMI. CMI will be responsible for the cost of supplies and equipment necessary for custodial work. Custodians work under the supervision of PUHSD, however PUHSD and CMI will collaborate on scheduling and direction of work.
5. Mailings may be coordinated through PUHSD however the cost of postage and any supplies will be a direct charge to CMI.
6. Software and applications used district-wide, including by CMI, shall be directly charged to CMI on a pro-rata basis. This shall be calculated based on CBEDS enrollment from the prior year. The current year CBEDS may be used at the discretion of PUHSD if a significant change has occurred with either PUHSD enrollment or CMI enrollment.
7. The cost of new equipment, or replacement or repairs of existing equipment will be the responsibility of CMI. Equipment is defined as moveable property and is generally not attached to the buildings or their fixtures.
8. Student field trips will be coordinated through PUHSD and initially charged to PUHSD under its contract for transportation. These costs will subsequently be transferred to CMI by PUHSD.

9. The salaries and benefits, including any substitute, extra duty, over-time or stipends paid to CMI employees, or the Principal of CMI who is an employee of PUHSD shall be a direct cost of CMI.
10. Any professional memberships held by CMI or its employees will be the responsibility of CMI and will only be built into CMI's budget or charged to CMI upon approval of the Principal.
11. Professional staff development opportunities provided agency-wide by PUHSD shall be offered to CMI for participation, the cost of which shall be negotiated with PUHSD and charged on a reasonable pro-rata basis. CMI shall not be required to participate in professional staff development offered by PUHSD.
12. The cost of graduation for CMI cadets shall be borne by CMI.
13. The decision to purchase textbooks, materials, supplies, equipment and capital outlay shall be the decision of the CMI Principal in conjunction with the Military Advisory Board when applicable, and shall be directly charged to CMI.
14. The cost for maintenance and repairs of buildings and building structures, and the cost for upkeep of the CMI grounds shall be provided by PUHSD in accordance with its district-wide maintenance schedule. This schedule is developed by PUHSD to ensure all its facilities are maintained and kept in their intended operating condition as allowable and within the available financial means of PUHSD. If CMI desires for PUHSD to deviate from this schedule for any reason, or if CMI desires to upgrade the general scope of work that would be provided, the cost of shall be negotiated in advance and directly charged to CMI. This includes, but is not limited to, painting, carpet, asphalt, roof replacement, HVAC, plumbing, lighting, and structural additions or modifications.
15. The cost of any new construction or modernizations shall be negotiated with PUHSD in advance and provided within funds available to either CMI or PUHSD, or both.
16. The cost resulting from any audit findings, or additional audits required shall be borne by CMI.
17. Legal services will be provided through PUHSD's legal counsel, for defense of suits, actions and claims against CMI, including special education due process hearings and appeals, and actions for which PUHSD provides insurance coverage in accordance with this agreement. The cost of such legal services shall be a direct charge to CMI.

SECTION 4: TERMINATION, DISSOLUTION, FAITH AND CREDIT, INDEMNIFICATION, DISPUTE RESOLUTION AND INVALIDITY

Termination

This MOU may be terminated by either party upon one-hundred eighty (180) days advance written notice being given to the other party. Termination of this MOU would require the Charter be revised and approved by the PUHSD Board. This MOU shall also be automatically terminated if the Charter is revoked or not renewed.

Dissolution

In the event CMI should cease operations for whatever reason, including the nonrenewal or revocation of its charter, it is agreed that the PUHSD Board shall have authority to conduct a final audit to determine the disposition of all assets and liabilities. In doing so, PUHSD does not assume any liability incurred by CMI beyond the funds allocated to PUHSD under this MOU. PUHSD's authority hereunder shall include, but not be limited to, the return and/or disposition of any assets acquired by purchase or donation by CMI during the time of its existence. All assets not requiring return or transfer to donors or grantors or required for discharge of existing liabilities and obligations of CMI shall be determined to belong to PUHSD. Any liabilities beyond that of the assets held by CMI shall not be the responsibility of PUHSD.

Faith and Credit

CMI agrees that it will not extend the faith and credit of PUHSD to any third party or entity. CMI acknowledges and agrees that it has no authority to enter into a contract that would bind the PUHSD and that CMI's authority to contract is limited by the same provisions in law or Board policy that apply to the PUHSD itself. No officer of CMI is permitted to enter into any contract. Contracting authority is hereby delegated to the officers of PUHSD.

Indemnification

To the extent not covered by insurance or otherwise barred by applicable federal, state and local laws, rules and regulations, CMI agrees to indemnify and hold PUHSD, its Board, agents and employees harmless from all liability, claims and demands on account of injury, loss or damage, including, without limitation, claims arising from bodily injury, personal injury, sickness, disease, death, property loss or damage or any other losses of any kind whatsoever which arise out of or are in any manner connected with CMI's operations. The foregoing provision shall not be deemed a relinquishment or waiver of any kind of applicable limitations of liability,

Dispute Resolution

In the event any dispute arises between the PUHSD and CMI concerning this MOU, including, without limitation, the implementation of or waiver from any policies, regulations or procedures, such dispute shall first be submitted to the Superintendent of the PUHSD for review. Thereafter, representatives of PUHSD and CMI shall meet and attempt in good faith to negotiate a resolution of the dispute. In the event these representatives, or the Superintendent are unable to resolve the dispute informally pursuant to this procedure, they shall submit the matter to their respective Boards for consideration.

Invalidity

If any provision of this MOU is determined to be unenforceable or invalid by any reason of law, the remaining provisions shall remain in effect, unless otherwise terminated in accordance with the terms contained herein.

IN WITNESS WHEREOF, this Memorandum of Understanding has been executed by the Parties as of the date first written above which for all purposes shall be considered to be the date of this Memorandum of Understanding. The Parties verify that the understand signatories are authorized to sign on behalf of their respective governing boards.

CALIFORNIA MILITARY INSTITUTE

By: _____

Name: Joan Cooley

Title: President of the Board of Trustees of the California Military Institute

By: _____

Name: Major Richard B. Wallis

Title: Principal/Commandant of the California Military Institute

PERRIS UNION HIGH SCHOOL DISTRICT

By: _____

Name: Joan Cooley

Title: President of the Board of Trustees of the Perris Union High School District

By: _____

Name: Jonathan L. Greenberg, Ed.D.

Title: Superintendent of the Perris Union High School District