

# **CHARTER AGREEMENT**

*between*

**HOWARD STREET CHARTER SCHOOL, INC.**

*and*

**SALEM-KEIZER SCHOOL DISTRICT 24J**

*July 1, 2010 – June 30, 2017*

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## CHARTER SCHOOL CONTRACT

THIS CONTRACT, dated this \_\_\_\_\_ day of \_\_\_\_\_, 2010, is made and entered into by and between the Salem-Keizer School District 24J (“District”) and Howard Street Charter School, Inc. (HSCS).

### RECITALS

WHEREAS, the Oregon Legislature has enacted ORS Chapter 338 for certain purposes as enumerated in that statute; and

WHEREAS, HSCS opened on September 1997, was rechartered to comply with new state chartering laws in 2002; and

WHEREAS, on October 3, 2007, a letter was submitted by HSCS to the District for renewal of HSCS as a charter school to operate within the School District; and

WHEREAS, the District has determined that the request for renewal submitted by HSCS, complies with the purposes and requirements of ORS Chapter 338; and

WHEREAS, the Board held a public hearing on the provisions of the proposal in accordance with ORS 338.065 and evaluated the criteria set forth in ORS 338.065;

WHEREAS by resolution on December 11, 2007, the District Board approved the renewal of HSCS; and

WHEREAS, by Memorandum of Understanding dated May 14, 2009 between the District and HSCS and satisfaction of that Memorandum of Understanding with the donation of the Bryan Johnson Performing Arts Lab by HSCS to the District in March 2010, and agreement by the District to renew the charter agreement for a seven year period; and

WHEREAS, the application as amended by this contract between HSCS and the District will constitute the agreement between the parties regarding the governance and operation of HSCS; and

WHEREAS, the parties desire that the HSCS be authorized to operate and conduct its affairs in accordance with the terms of this agreement and ORS Chapter 338.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual understandings, releases, covenants, and payments herein described, the parties agree as follows:

## CONTRACT

1. Grant of Charter

HSCS is granted a charter in accordance with ORS Chapter 338 and the terms and conditions of this contract to operate a charter school as described herein.

2. Effective Date

This contract shall commence on July 1, 2010 and shall expire at midnight on June 30, 2017

3. Philosophy and Mission

The philosophy and mission of HSCS, as described in its application, is hereby accepted by the District to the extent it is consistent with the purposes set forth in ORS Chapter 338.

4. Goals and Objectives

The goals and objectives set forth in HSCS's application are hereby accepted by the District, subject to the conditions set forth in this contract.

5. Educational Program, Student Performance Standards and Curriculum

A. Age and Grade Range

The HSCS shall provide instruction to students in grades 6 through 8.

B. Curriculum

The District agrees to waive its curricular requirements, to the extent permitted by state law, but subject to the implementation by HSCS of its instructional programs as outlined in its application, and as amended herein.

(i) HSCS shall have the authority and responsibility of designing and implementing its educational program, subject to the conditions of this contract, in a manner which is consistent with state law.

(ii) The educational program, pupil performance standards and curriculum designed and implemented by HSCS shall meet or exceed any written content standards if applicable adopted by the District and shall be designed to enable each pupil to achieve such standards.

- (iii) HSCS agrees to comply with all District credit requirements leading to a high school diploma or modified diploma, and benchmark testing.
- (iv) HSCS agrees to comply with all state requirements concerning academic content.
- (v) HSCS agrees to obtain prior approval from the District before changing the core educational program outlined in its application. The District may, at its sole discretion, approve or disapprove changes in the core educational program.
- (vi) HSCS shall establish an administrative process for resolving public complaints, if any, against HSCS, including complaints regarding curriculum.

C. Extracurricular Activities

HSCS students are eligible to participate in extracurricular activities at their neighborhood schools at no charge to HSCS. Nonresident HSCS students must comply with applicable OSAA rules before being eligible to participate in extracurricular activities in a District school. 24J shall not provide transportation for a HSCS student to and from an extracurricular activity.

D. Records

- (i) HSCS shall comply with all record keeping requirements of the District policy and federal and state law and shall provide any reports, as necessary, to meet the District's reporting obligations to the Oregon Department of Education. Student records include, without limitation, immunization records, class schedules, records of academic performance, disciplinary actions, attendance, documents required pursuant to the statewide assessment system under ORS 329.485(1) and any documentation required under federal and state laws regarding the education of students with disabilities.
- (ii) HSCS shall comply with all District policies and regulations, and applicable federal and state laws, concerning the maintenance, retention and disclosure of student records, including, without limitation, the Oregon Public Records Law.

E. Youth Services Team

HSCS shall participate in the Youth Service Team to the extent that its students require these services. HSCS shall become a signatory on the current YST Agreement and abide by the terms of the YST Agreement.

F. Nonreligious and Nondiscrimination

The educational program of HSCS shall be nonreligious and nonsectarian. HSCS shall not discriminate against any student or staff on the basis of race, creed, color, sex, national origin, religion, ancestry, disability, marital status, sexual orientation, or political beliefs and/or affiliations.

G. Open Enrollment

- (i) Enrollment shall be open to any child who resides within the District in grades 6 through 8. To apply for enrollment, students must reside within the District at the time of application.
- (ii) The maximum student enrollment during the seven years of this agreement will be negotiated between the District and HSCS, but will not exceed reimbursement for 180 students.
- (iii) HSCS shall not enroll any student for the upcoming year before March 1 of each year. If, on March 1, there are more eligible applicants for enrollment in HSCS than there are spaces available, successful applicants shall be selected by lottery which shall be open to all applicants. Priority for enrollment shall be given to younger siblings of returning students enrolled in HSCS and to resident students who were enrolled the previous school year, unless expelled, or withdrawn from the school.
- (iv) Using the lottery process, the HSCS shall establish a waiting list of students who shall be offered the opportunity to enroll at HSCS if additional space later becomes available. HSCS shall not permit dual enrollment of any student at both HSCS and another public school or non-public school.

H. Admission

HSCS will follow the admission and lottery policies contained in ORS Chapter 338. IF HSCS receives a waiver from the State Board of Education from any of these requirements, HSCS will be exempted from those requirements to the extent specifically stated in the waiver. "Admission" means that the student has (1) enrolled with HSCS; (2) successfully completed the lottery; unless the student is exempted from the lottery process; and (3) been formally accepted as a HSCS student by HSCS.

- (i) Admission of nonresident students is subject to the availability of space, but nonresident students shall not exceed 20% of all student admissions. Nonresident students may only be accepted by the HSCS if District resident student enrollment is insufficient to fill the available spaces.

- (ii) In the event a nonresident student is admitted in HSCS, HSCS agrees to:
  - a) Enter into written inter-district transfer agreement with the student's resident district.
  - b) If student is eligible for special education, the inter-district transfer agreement shall provide that the resident district is responsible for all special education costs of student while attending HSCS.
- (iii) The inter-district agreement for nonresident students shall be for only one academic year. Renewal for subsequent years is subject to space availability. No preference will result in a nonresident student's attendance at HSCS during the previous academic year.

I. Student Attendance, Conduct and Discipline

HSCS shall implement a system of uniform student discipline consistent with the District policies and rules concerning conduct and discipline. HSCS shall comply with all District policies and rules concerning student attendance, standards of conduct and discipline. HSCS shall notify its students of the student rights and responsibilities in the same manner that the District notifies its students. HSCS shall maintain accurate enrollment data and daily records of student attendance and shall provide these data to the District on a monthly basis. HSCS shall maintain enrollment and attendance data on the District's student information system. The District shall provide the HSCS with required software and training to allow HSCS personnel to input such enrollment data.

- (i) Student attendance at HSCS shall be in compliance with Oregon's compulsory attendance laws.
- (ii) Discipline involving suspension and expulsion shall be achieved according to Oregon law. All HSCS expulsion proceedings shall be administered by a District hearings officer. HSCS shall employ a District hearings officer for expulsion hearings at its own cost. This shall be a contracted service cost as set forth in Exhibit C to this contract. A student expulsion by a hearings officer may be appealed directly to the District Board under Board Policy JD and District Rule. HSCS shall not fill the slot of a student recommended for expulsion until the expulsion order is final.
- (iii) Further, upon determining that initiation of expulsion proceedings is warranted, the HSCS shall provide the District with written notice within three days of such determination and no later than five days following the suspension of such student with a summary statement of the grounds and evidence warranting suspension. The

District hearings officer shall then commence expulsion appeal proceedings in accordance with the District's rules and procedures for the expulsion of students. The Board shall promptly notify HSCS of the disposition of any expulsion appeal proceedings, and HSCS shall honor and give full effect to the Board's disposition of the appeal.

- (iv) HSCS and the District shall extend full faith and credit to the suspension and expulsion of a student of the other.

J. Education Of Students With Disabilities

HSCS will comply with all District policies and regulations and the requirements of federal and state law concerning the education of children with disabilities under the Individuals with Disabilities Education Act ("IDEA"). The District is responsible for special education services for resident students under ORS 338.165. Compliance by HSCS includes, but is not limited to, the following:

- (i) HSCS will comply with all District policies regarding discipline of special education students;
- (ii) The IEP team is determined by state and federal law. HSCS IEP team must have a District representative in attendance, as well as appropriate District specialists;
- (iii) The student's IEP team will determine the appropriate educational program and placement for the HSCS student. HSCS shall abide by the IEP team's decision on program and placement;
- (iv) HSCS staff will comply with training required by an IEP team for delivery of services to a HSCS student;
- (v) The funds from the Oregon Department of Education representing the ADMw for special education for HSCS special education students shall be retained by the District;
- (vi) The District has the discretion to determine which specialized programs will be offered on site at the HSCS site;
- (vii) For a nonresident HSCS student eligible under IDEA, HSCS and the District shall enter into a written agreement with the resident district for the provision of special education services to the student. The District is in no way responsible for these services or the cost thereof;
- (viii) The HSCS student's IEP team may recommend any appropriate placement for the HSCS student based on the student's needs,

whether in or out of the charter school. HSCS shall not change the student's program without IEP team action;

- (ix) Special education transportation will only be provided to a HSCS special education student if it is a related service on a HSCS student's IEP;
- (x) HSCS shall provide substitutes for HSCS staff who are required to attend IEP meetings or other meetings related to a HSCS special education student during the instructional day at HSCS's expense in an amount set forth in Exhibit C of this contract;
- (xi) HSCS will notify the student's resident district if a new student may need special education services.

K. Academically Low Achieving Students

HSCS shall identify academically low achieving students and shall provide appropriate interventions to these students in a manner that best serves their needs.

L. Tuition

HSCS will not charge tuition to students who reside within the District. HSCS will not charge tuition for programs, classes or courses of study which are part of the regular school program. HSCS may charge reasonable fees for after-school programs and student activities.

M. Student Welfare and Safety

HSCS shall comply with all District-approved policies and regulations, and applicable federal and state laws, concerning student welfare, safety and health, including, without limitation, the reporting of child abuse, accident prevention and disaster response, and any local, state or federal regulations governing the operation of school facilities.

N. English as a Second Language

HSCS shall not provide bilingual education services. HSCS will provide any special services that are required for English as a second language students pursuant to federal law and the Oregon Department of Education's (ODE) current interpretation.

O. Health and Social Services

HSCS will provide for the delivery of health and social services for students.

- (i) HSCS is responsible for the reporting of child abuse and neglect in accordance with state law.
- (ii) HSCS shall immediately inform the District Superintendent's office of any incident regarding child abuse and neglect.
- (iii) HSCS shall comply with state and federal law relating to drug administration to students.

P. School Year; School Day; Hours of Operation

Instruction for a school year shall commence at HSCS on the date District schools commences its school year, unless HSCS adopts its own calendar. Any new calendar different from the District's calendar will require HSCS to receive a waiver from the Salem-Keizer Education Association (SKEA) and a written agreement to pay for any additional District staff costs attributable to the HSCS calendar. HSCS may maintain a typical nine-month school year for its regular academic program. HSCS may also operate summer programs if sufficient funds are available. The length of the school day for HSCS shall meet District policies, the terms of the collective bargaining agreement, and state law.

Q. Alternative Education Model

Subject to applicable state and federal laws, the District shall allow HSCS to promote and implement learning situations that are flexible with regard to environment, time, structure and pedagogy. HSCS may grant credits to its students under the criteria set forth in OAR 581-022-1350(2) and (3).

6. Evaluation of Student Performance and Procedures for Corrective Action

HSCS shall pursue and make reasonable progress toward the achievement of the goals, objectives and student performance standards consistent with those set forth in its application, provided that such goals, objectives and student performance standards shall at all times remain in compliance with Oregon law. The HSCS's plan for evaluating student performance, the types of assessments to be used, the timeline for achievement of performance standards, and the procedure for taking corrective action in the event that student performance at HSCS falls below those standards, shall be consistent with the application and as further described in subsequent agreements between HSCS and the District. The District approves HSCS's methods for evaluating pupil performance and procedures for corrective action contained in the "School Design" and "Accountability" sections of its application, as amended herein, and subject to the conditions otherwise set forth in this contract.

- (i) HSCS will submit an annual report to the District summarizing its progress towards meeting the academic goals stated in its application.

7. Economic Plan, Budget and Annual Audit

A. Funding

- (i) For each year of this agreement, the District shall provide a Net Discretionary Resource Allocation (NDRA) to HSCS in lieu of the 80% ADM minimum amount required by ORS 338.155(2)(a). The NDRA is calculated by adding together the following amounts:

Budgeted per pupil cost, including contingency, and actual cost to District for transportation for a District middle school student

= total resources for each student

Total resources = (total resources for each student) x (average daily membership (ADM))

Total resources minus mandatory District services (school board of education, executive administration, assessment and testing services, school support services) minus optional District services (maintenance, custodial, and utilities services)

= Net Discretionary Resource Allocation (NDRA)

As an example, for the 2007-08 school year, the estimated NDRA to HSCS was \$937,650 pursuant to the formula above and the following allocations. This estimated NDRA is subject to final calculation once the District has an approved budget and is subject to change each year.

TOTAL RESOURCE ALLOCATION TO HSCS	Per Student Allocation	Anticipated Enrollment	Anticipated Allocation
Average Cost for a District Middle School student	6251	150	
Contingency		150	
Actual cost to District for Transportation		150	
Total Resources	\$6251	150	\$937,650

*[This space intentionally left blank to allow the following chart to remain on one page.]*

ALLOCATION RETAINED BY THE DISTRICT FOR DISTRICT PROVIDED SERVICES

Mandatory District Services		Per Student Allocation	Anticipated Enrollment	Anticipated Allocation
7190	School Board	\$15	150	\$2301
7010	Executive Administration	\$35	150	\$5195
8430	Assessment & Testing	\$30	150	\$4453
	School Support Services	\$35	150	\$5,302
	TIS Licensing & Connectivity			\$5350
Subtotal				\$22601
Mandatory District Services (Facility)				
9410	Maintenance	\$187	150	\$27334
9490	Custodial	\$252	150	\$37853
9470	Utilities	\$144	150	\$21640
Subtotal				\$578
Total Value of District Provided Services				\$109301
Net Discretionary Resource Allocation to HSCS				\$828349

- (ii) The NDRA will be reduced by the cost of services set forth in Exhibit C. Exhibit C are those services specifically requested by HSCS to be provided by the District.
- (iii) The same formula will be used to determine the NDRA for the future school years. The parties recognize that the allocated amounts listed above may change for future school years, but the formula used to determine the NDRA will remain the same.
- (iv) The NDRA for each school year shall be reduced or increased in the same proportion as the state reduces or increases the District's funding for that school year.

- (v) In addition, if HSCS enrollment falls below the anticipated enrollment used in the formula, the NDRA will be reduced to reflect the actual enrollment.
- (vi) Any financial commitment on the part of the District contained in this contract is subject to annual appropriation by the District and the parties agree that the District has no obligation to fund HSCS operations except as expressly provided herein.
- (vii) The optional District services of maintenance, custodial and utilities set forth in paragraph (i) of this section shall be deducted for the Total Resources to arrive at the NDRA if HSCS resides in a District-owned facility.

B. Budget

- (i) By March 1 of each year, HSCS shall submit to the District for its review, HSCS's proposed budget for the upcoming school year.
- (ii) The District shall provide HSCS with information to construct the budget as soon as it is available. HSCS shall be responsible for all costs associated with school operations, including the costs of subcontracting for goods and services, except as expressly provided in this contract. Exhibit C is attached and incorporated into this contract and sets forth those contracted services that HSCS must purchase and others that it may purchase. On or before February 15 of each year, the District shall provide HSCS with cost of services for the upcoming school year following the format of Exhibit C. On or before March 1 of each year, HSCS shall submit to the District the list of services HSCS expects to purchase for the upcoming school year. In the event of a change to District supplied funding for HSCS, as per Section 7.A., or cost of services, HSCS may revise the list of services to be purchased for the upcoming school year.
- (iii) The fiscal year of the HSCS shall begin on July 1 of each year and end on June 30 of the subsequent year.
- (iv) The payroll and associated payroll costs for 24J employees working at HSCS shall be deducted from the funding provided to HSCS by the District in paragraph 7A.

C. Financial Records, Audits and Accounting Reports

HSCS agrees to establish, maintain and retain appropriate financial records in accordance with all applicable federal, state and local laws, rules and regulations and to make such records available to the School District, as requested, from time to time. HSCS will submit quarterly

accounting reports to the District. HSCS shall have an annual audit of its accounts in accordance with the Municipal Audit Law, ORS 297.405 to 297.555 and 297.998. HSCS will provide the District with a copy of the audit.

- (i) Financial Management. The HSCS shall operate in accordance with GAAP or other generally accepted standards of fiscal management, provided that the HSCS's accounting method shall comply in all instances with applicable governmental accounting requirements.
- (ii) Distribution of Funds. The District shall distribute the school year HSCS funds as determined in paragraph 7.A. according to the funding schedule in Exhibit D of this contract. The distribution of funds to HSCS are to be based on receipt of funds from the State of Oregon to the District. HSCS will receive the funds not later than 10 days following the District's receipt of the funds from the State. Fund balances, if any, carry forward into the next school year.

The District shall establish a similar distribution schedule for each successive school year and provide written notification to HSCS of the distribution schedule if the District changes the schedule listed above. The District's subsequent distribution schedule for the successive school years shall become part of this contract.

- (iii) Refund of Unspent Funds. In the event that this contract is revoked or is not renewed by the District, HSCS shall refund to the State Board of Education all unspent funds in accordance with ORS 338.105.
- (iv) Other Sources of Fund for HSCS. The parties acknowledge that the HSCS is or may be entitled to other state and federal sources of funds for schools which are not included in the per capita tuition payment described in this contract.
- (v) Outside Funding. The HSCS may accept gifts, donations or grants pursuant to grants pursuant to ORS Chapter 338, provided that no such gifts, grants or donations may be accepted if contrary to applicable law or to the terms of this contract. In the event that the HSCS solicits funding from sources other than the District, it shall comply with all applicable state and federal laws regarding reporting of such charitable solicitations. HSCS shall annually report all gifts, donations and grants to the District by recording the same in the financial records required in paragraph 7.C. above.
- (vi) Statement of Management and Financial Controls. At all times, the HSCS shall maintain reasonable governance and managerial

procedures and financial controls. The HSCS shall retain a certified public accountant or other similar professional who shall perform a review of the HSCS's management and financial controls and who shall provide a statement to the District no later than November 15 of each school year concerning the status of those controls. The initial statement must address whether the HSCS has the following in place: (1) generally accepted accounting principles; (2) a checking account; (3) adequate payroll procedures; (4) bylaws; (5) an organizational chart; and (6) procedures for the creation and review of monthly and quarterly financial statements, which procedure shall specifically identify the individual who will be responsible for preparing such financial statements in the following fiscal year. This information may be submitted in conjunction with the annual audit. In the event that the initial statement reveals that any of the above controls is not in place, the HSCS shall remedy such deficiency no later than September 30 of each school year.

- (vii) HSCS shall provide the District with copies of letters from the HSCS auditor to the HSCS Board or HSCS Executive Director.

D. Building

- (i) Through the duration of this charter agreement, HSCS shall be located primarily on the first floor of the South Salem High School Annex. HSCS will also occupy office space near the classrooms, including what is currently used as the office for HSCS and what is currently used as the teachers' break room, and have access to the gym. HSCS will also share space, as available, with South Salem High School for music and drama. HSCS students will have access to the South Salem High School media center but the High School is under no obligation to provide materials to the students. Eight (8) rooms will be available to HSCS for the 2010-2017 school years to be mutually agreed by the principals of HSCS and South Salem High School. The Bryan Johnson Performing Arts Lab will also be available to HSCS for the duration of this charter agreement. To the extent feasible these rooms will be contiguous as determined by the District. Additional space may be provided based on space availability as determined at the sole discretion of the District.
- (ii) If an unforeseen or catastrophic event occurs, the District is under no obligation to provide space at the South High School Annex or any other location during the term of this contract.
  - a) For the purpose of this section "catastrophic event" includes such events as fire, earthquakes or other Acts of

God that render South Salem High School unusable, or another district school or schools unusable so students must be moved to SSHS because of the effect of the catastrophic event on another school. If a catastrophic event occurs which renders SSHS or the SSHS Annex unusable, the District will provide a minimum of six (6) months prior notice, if possible, regarding the termination of this contract to provide space for HSCS at the SSHS annex. To the extent possible, such notice to HSCS will allow for the completion of the current school year.

- b) If a catastrophic event occurs at another school or schools that requires students be moved to SSHS or in the SSHS Annex, the District will provide notice in subsection (a) above to HSCS of need for this space.
  - c) If an unforeseen event occurs that necessitates using the HSCS space at the SSHS Annex, the District will provide notice to HSCS regarding the need for HSCS to move to another location. This would include, by way of illustration only and not as an exhaustive list of unforeseen circumstances, an increase in student enrollment at SSHS to 2,100 students. This notice shall be provided by the District at least two years plus the number of months remaining in the school year in which notification is given in advance of HSCS vacating its current location at the SSHS Annex. In no case will the District be required to provide HSCS more than 36 months prior notice.
- (iii) While the District has no obligation to provide HSCS with replacement space in the event of an unforeseen or catastrophic event that displaces HSCS from the SSHS Annex, the District will use its best efforts to provide technical support to HSCS for the transition out of the SSHS Annex and explore other space options for HSCS.

## 8. Governance and Operation

HSCS shall govern and operate the charter school as set forth in its application to the extent permissible under federal and state law and subject to all conditions of this contract. In addition, the application is amended as follows, which amendments, and all other provisions of this contract, shall supersede and control over any conflicting language contained in the application:

A. Governing Board

The governing board of HSCS shall be consistent with its Articles of Incorporation and application.

B. Corporate Status

HSCS is and will remain an Oregon nonprofit corporation. Before making any changes in its Articles of Incorporation or Bylaws, HSCS agrees to get prior approval from the District. HSCS's Articles of Incorporation and/or Bylaws will include a provision specifying that upon dissolution, voluntary or otherwise, assets not requiring return or transfer to donors or grantors or required for discharge of existing liabilities and obligations of HSCS shall be returned to the State Department of Education in accordance with ORS 338.105. Unless a donor or grantor specifically provides otherwise, all gifts, donations and grants are assumed to be to the charter school, and shall be included among the assets returned to the State Department of Education upon dissolution. Any gift, donation or grant from the HSCS Foundation shall be returned to the Foundation.

HSCS shall provide a full copy of all HSCS corporate documents before the signing of this contract.

C. Conflict of Interest

The governing board and any employees of HSCS shall comply with District policies and regulations and state law regarding public employee ethics and conflicts of interest.

D. Nonreligious, Nonsectarian Status

HSCS agrees that it shall operate, in all respects, as a nonsectarian, nonreligious public school. HSCS shall not be affiliated with any nonpublic sectarian school or religious organization.

E. Nondiscrimination

HSCS shall comply with all applicable federal, state and local laws, rules and regulations regarding nondiscrimination, including, without limitation, statutory and constitutional provisions prohibiting discrimination on the basis of disability, age, race, creed, color, sex, national origin, religion, ancestry, marital status, political beliefs and/or affiliations, or sexual orientation.

F. Accountability

HSCS shall be accountable to the District and subject to all District policies and regulations as set forth in paragraph B.(ii), pages 25-26,

unless specifically waived by the District. All records established and maintained in accordance with the provisions of this contract, Board policy, and federal and state law shall be open to inspection by the District. HSCS shall participate in the statewide assessment system developed by the Department of Education under ORS 329.485(1). HSCS is obligated to collect and provide such data regarding staffing, student enrollment, student records, and school operations, upon request by the District.

G. Public Meetings

HSCS and its Board of Directors are subject to the provisions of the Oregon Public Meetings Law, ORS 192.610 to 192.690.

H. Indigent Students

HSCS shall waive all fees for indigent students in accordance with District policy and applicable federal and state law. HSCS shall survey its student population for eligibility for free and reduced lunches under federal and state law if it elects to provide lunch for its students.

I. Operational Powers

Subject to the conditions and provisions of this contract, HSCS through its Board of Directors shall be fiscally responsible for its own operations within the limitations of any funding provided by the School District and other revenues derived by HSCS consistent with law.

(i) HSCS Powers: HSCS shall have authority to exercise independently, also consistent with federal and state law, the following powers (including such other powers as provided for elsewhere in this contract): contract for goods and services necessary for the operation of HSCS; prepare a budget; procure insurance; lease facilities for school purposes; purchase, lease or rent furniture, equipment and supplies; retain fees collected from students in accordance with law; organize and carry out fundraising efforts; accept and expend gifts, donations or grants of any kind in accordance with such conditions prescribed by the donor as are consistent with law and not contrary to any of the terms of this contract; and hiring and firing of teachers designated as employees of HSCS.

(ii) District Powers: In addition to the powers provided elsewhere in this contract, the District retains all other applicable powers over the staff of HSCS, including, but not limited to, the following: making all personnel decisions (with consultation with HSCS), including hiring, firing and discipline of all teachers, supervisors, and staff (with the sole exception of employees specified as HSCS

employees under this agreement or separate agreement between HSCS and the District); providing all administrative and accounting services related to personnel. HSCS shall comply with all District student discipline policies, academic standards and credit requirements.

J. Bidding Requirements

Unless purchased from or through the District, contractual services and purchases of supplies, materials and equipment shall be procured through a system of competitive bidding as required by public contracting law.

K. Third-Party Contracts

The HSCS shall not enter into any contract for comprehensive school management or operation services to be performed in substantial part by an entity not a party to this contract, unless the HSCS has first submitted such contract to the District for approval and executed a contract services rider with the District acceptable to the District.

L. Annual Report and Review

HSCS will submit an annual report by October 31 to the District which will include, without limitation, the following:

- (i) Summary data on the progress toward meeting its academic goals and objectives;
- (ii) Policy development issues, if any;
- (iii) Student attendance and student discipline information; and
- (iv) Any recommendations regarding personnel matters; and
- (v) Any other information the District deems reasonably necessary to demonstrate that HSCS is in compliance with state and federal law and the terms of this contract.

M. Term

The HSCS charter and this contract are to be effective as of the date this contract is signed by both parties and approved by the District Board, and will last for a period of seven (7) school years (2010 through 2017), subject to the continued financial stability of HSCS. This contract may be renewed by joint agreement between the District and HSCS according to the procedure set out in ORS 338.065.

In the event the contract is not renewed prior to the expiration of the contract, this contract shall terminate at midnight on June 30, 2017.

N. Termination

- (i) Grounds for Termination: The District may revoke the charter and terminate this contract on any of the following grounds:
  - a) Violation of or failure to meet and sustain any terms of this contract or ORS Chapter 338.
  - b) Failure to meet the requirements for student performance stated in the application or this agreement.
  - c) Violation of any federal or state law that is described in ORS 338.115.
  - d) Failure to maintain insurance as described in this contract.
  - e) Failure to maintain financial stability.
- (ii) Notice and Appeal: The District shall provide 60 days prior written notice of its intent to terminate the charter agreement. HSCS may appeal the District's decision to terminate the charter agreement directly to District Board. HSCS may respond to the allegations in the District's written notification by offering documentary evidence and oral argument. The District bears the burden of proving the allegations in the written notification by a preponderance of the evidence. HSCS has the burden of proof for any affirmative defense to the allegations by a preponderance of the evidence. The Board's decision may only be appealed to the Oregon Department of Education according to ORS 338.105.
- (iii) HSCS Decision to Terminate: HSCS may only terminate this charter, dissolve or close HSCS at the end of a semester. If this charter is terminated by the HSCS governing body or HSCS is closed or dissolved, the HSCS governing body shall notify the District at least 180 days prior to the proposed effective date of the termination, closure or dissolution consistent with ORS 338.105(7). In the event of termination, closure or dissolution, all assets not requiring return or transfer to donors or grantors or required for discharge of existing liabilities and operations of HSCS shall be returned to the State Board of Education to the extent allowed under ORS 338.105(6).

O. Dissolution

In the event HSCS should cease operations for whatever reason, including, but not limited to, the nonrenewal or revocation of its charter, or dissolution of the nonprofit corporation, it is agreed that the District shall supervise and have authority to conduct the winding up of the business and affairs of HSCS; provided, however, that in doing so, the District does not assume any liability incurred by HSCS beyond the funds allocated to it by the District under this contract. The District's authority hereunder shall include, but not be limited to, the return and/or disposition of any assets acquired by purchase or donation by HSCS 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 HSCS shall be returned to the District to the extent allowed under ORS 338.105(6). Any item purchased solely with Foundation funds and donated to HSCS shall be returned to the Foundation.

9. Employment Matters

The District will serve as the employer for the staff at the HSCS. This designation will apply to all of HSCS's licensed and classified staff and administrators, with the exception of employees that HSCS directly employs. Licensed and classified staff working at HSCS as District employees will be included in their respective bargaining units in the same manner as all other District employees. The District has the right to set all terms and conditions of employment for its employees, subject only to state and federal law and applicable collective bargaining agreements.

A. Hiring of Personnel

HSCS may select its Administrator and leadership model, subject to the District's approval and hiring process. District shall not unreasonably withhold its approval. The District will review the leadership model on an annual basis. The HSCS Board may set goals and expectations for the Administrator. Any set goals and expectations may not be in conflict with the established goals and expectations of the District. The HSCS Board and the District may co-evaluate the HSCS Administrator using the District's evaluation process, and, when appropriate, in a manner mutually agreed upon by the District and HSCS. The HSCS Board has no authority to discipline or terminate the Administrator.

HSCS may select its staff (licensed and classified) subject to the District's approval and hiring process in a collaborative relationship with the District. District shall not unreasonably withhold its approval. The parties recognize that the district retains the authority as the employer of these staff.

Hiring of itinerate district personnel working at HSCS will be at the sole discretion of the District.

The HSCS and its Board has no authority to hire, discipline, supervise or terminate District employees.

B. Employee Compensation, Evaluation and Discipline

The District will make all decisions regarding compensation, evaluation, promotion, discipline, reduction in force and termination of District employees working at HSCS, subject to the terms of the collective bargaining agreements. HSCS will make all decisions regarding compensation, evaluation, promotion, discipline and termination of HSCS employees working at HSCS.

- (i) The District will be responsible for the supervision and evaluation of District teaching staff within HSCS. HSCS will be responsible for the supervision and evaluation of HSCS teaching staff hired by HSCS.
- (ii) HSCS is bound by District policies and federal and state law regarding recruitment, promotion, discipline and termination of personnel; methods for evaluating performance; and a plan for resolving employee-related problems, including complaint and grievance procedures.
- (iii) In the event of a reduction in force requiring the District to place a teacher at HSCS who is paid a higher amount than the person he/she is replacing, the District shall pay the difference in pay for the remainder of the school year in which the reduction in force occurs.

C. Payroll

District employees shall be paid through the payroll department of the District. The District will use the same payroll procedures as it uses for other District employees. Non-District employees shall be paid through HSCS. The payroll service shall be a cost to HSCS as set forth in Exhibit C to this contract.

D. Benefits

The licensed and classified staff at HSCS that are District employees will receive benefits in compliance with their respective collective bargaining agreements. District supervisory staff will receive benefits in accordance with their employment contracts.

E. PERS

Pursuant to ORS Chapter 338, HSCS shall participate in the Public Employees Retirement System (PERS) for its own employees, if any.

F. Employee Welfare and Safety

HSCS shall comply with all District policies, and applicable federal and state laws, concerning employee welfare, safety and health issues.

G. Employee Records

District shall be responsible for establishing and maintaining personnel records for District employees working at HSCS in compliance with all District policies and regulations, and applicable federal and state laws, concerning the maintenance, retention and disclosure of employee records. HSCS shall be similarly responsible for complying with the same policies, regulations and applicable law and establishing and maintaining its personnel records.

H. Employee Conduct

HSCS shall ensure that all employees working at HSCS shall comply with all District policies and regulations, and applicable state law and ethical standards, concerning employee conduct.

I. Placement Upon Revocation of Charter

In the event of termination or nonrenewal of this contract, the reduction in force provisions in the collective bargaining agreements for licensed and classified employees working at HSCS as District employees shall apply.

J. Substitutes

Whenever possible, HSCS will provide coverage for teachers requiring substitutes. When this is not possible, HSCS will contract with the District for substitute teachers from the District substitute pool. The use of District substitute by HSCS shall be a contracted cost to HSCS as set forth in Exhibit C to this contract.

K. Licensure

Teachers employed by the District to work at HSCS shall be licensed to teach in Oregon.

L. Professional Development

HSCS shall provide professional development opportunities to HSCS staff as provided for in District policy, state law, and applicable collective bargaining agreements. HSCS may contract with the District for professional development opportunities.

HSCS shall train teachers in its educational program.

M. TSPC Obligation

The District's Superintendent retains all reporting obligations to TSPC and ODE regarding District employees assigned to HSCS.

N. Criminal Background Checks

The HSCS shall not knowingly employ any individual or allow an individual to volunteer for whom a criminal background investigation has not been initiated or who has been convicted of one or more offenses in District Policy and Rule. No later than August 1 of each school year, the HSCS shall provide the District with a list containing the names, job positions, and Social Security numbers of all of its employees and volunteers. Such list shall also indicate:

- (i) For each employee the date of initiation of the criminal background investigation required by ORS 342.223;
- (ii) For any individual hired in an instructional position after the start of the current academic year, the HSCS shall provide the District with such evidence of licensure or other qualification no later than 30 days after the individual's initial date of hire.

O. Renegotiation of Contract

In the event HSCS wishes to become the employer of all the employees who work at HSCS, the parties may negotiate a new charter agreement.

10. Insurance and Legal Liabilities

A. Insurance

- (i) Provided by HSCS: HSCS shall, at its own expense, secure and retain and provide proof of the following insurance and in the amounts set forth in Exhibit B for HSCS employees and board directors: commercial and general liability insurance; errors and omissions insurance; directors and officers liability insurance; automobile liability insurance; workers' compensation insurance; employee dishonesty insurance; property insurance. HSCS will