

EXHIBIT AL

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STATE PUBLIC CHARTER SCHOOL AUTHORITY

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BRIEFING MEMORANDUM

TO: SPCSA Board
FROM: Patrick Gavin
SUBJECT: Quest Receiver Update and Recommended Closure of Azure/Roberson Campus
DATE: February 22, 2016

Based on a review of the evidence submitted by the Receiver, it is clear that Quest has made significant changes to improve its financial position since the Board took action in October 2015. It has made dramatic reductions to its expenses and has taken promising initial steps to lower its costs in other areas. The situation is significantly less dire than it was four months ago. But much remains to be done.

As with any complex restructuring, many of the changes Quest needs to make to continue on the path to financial viability require the cooperation of other parties, including staff, vendors, landlords, and the State of Nevada. It will also continue to face consequences for the past decisions and behaviors of former board members and staff. As we know from the forensic audit and the materials provided by the receiver, the school entered into a number of highly inadvisable contracts and leases. In one instance we have recently discovered, the school began serving students in a facility it only had the right to occupy with the support of its neighbors and the granting of a special use permit by the local municipality.

Based on the information provided by the receiver, it is highly unlikely that the Roberson campus at 7485 West Azure Drive will have its special use permit renewed this summer. A review of the school's current financial status also argues against the likelihood that the school will be able to secure a replacement facility. There is insufficient space to accommodate the current Roberson campus student body at the other three Quest campuses. Consequently, while the school's overall financial picture has begun to improve, it is very likely that the school will be unable to serve the high school students currently enrolled at Roberson during the 2016-17 school year.

Recommendation:

Pursuant to the conditions under which the Authority retroactively approved Quest's acquisition and occupation of the Torrey Pines campus last fall, the school agreed to abide by any decision made by the Authority. Subsequent to that agreement and the SPCSA Board's approval of the imposition of the receiver

pursuant to that agreement, the school's governing body failed to maintain sufficient membership to form a quorum or to meet the membership requirements set forth in statute and regulation.

Notwithstanding the governing body's abdication of responsibility, the Authority retains decision-making power over the school. Despite Quest's serious financial challenges, the school remains an attractive and academically sound educational option for students and families. Depending on the outcomes of the many negotiations being undertaken by the receiver, Quest may well emerge from these challenges as a viable candidate for reconstitution next year. Authority staff strongly recommend that the school be given additional time to improve its financial position and continue to provide educational services to students and families.

Staff recommends that Quest be permitted to remain open for the 2016-17 academic year. As the school is unable to provide sufficient evidence that it will be able to maintain municipal approval to occupy the Roberson campus, staff requests that the Board authorize staff to revoke approval for the contractual amendment permitting the school to occupy Roberson effective on the date of the expiration of the special use permit. As the school will no longer be legally able to operate the facility as a school of that date, the school would otherwise be in breach of its charter contract and in violation of the provisions of NAC 386.3265 which govern charter amendments to occupy new and additional facilities.

Approval for ongoing operation is contingent upon the school announcing the impending closure of the Roberson campus and the elimination of Quest's high school program at the end of the year on or before March 1, 2016. This timeline is also aligned with the intent behind Section 7 of R035-14A, the uncodified changes to the NAC governing charter schools, which require that a school seeking to eliminate grades must request authorization at least 90 days prior to the change to ensure that families have sufficient notice of the change. The early announcement of the closure of this campus and the elimination of the high school is critical to ensuring that students and families have as much time as possible to pursue new school options. Absent such an action, far too many families will be forced to seek out new schools.

Further, it is recommended that staff be directed to monitor the improvement of the school's financial health during the spring, summer, and fall of 2016. In the event that the school has made progress sufficient to recommend operation beyond the 2016-17 school year, staff are directed to issue a specific Call for Quality Charter Schools to invite the governing bodies of high quality charter schools and charter management organizations to submit proposals to assume oversight of a reconstituted Quest Academy in the fall of 2017. Pursuant to SB509, staff are directed to engage parents and the community in the review of applications and to provide those constituencies with the opportunity to cast an advisory vote on potential operators in the event that more than three high quality operators submit proposals.