

Budgeting mishaps costly to school

Vertus

Mixups cost Vertus Charter nearly \$200K

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One of Rochester's newest charter schools stands to lose nearly \$200,000 in disputes over its per-pupil funding and its lease agreement, a pair of financial mishaps that threaten to punch a hole in its already tight budget.

Vertus Charter School opened in September 2014 as an all-boys high school. Part of its appeal to parents is that school is in session nearly yearround, 24 days above the state minimum.

For its first year, it expected state reimbursement based on a Septemberto- August financial year, going through the summer of 2015. An accountant for the Rochester School District, though, pointed out the state only allows the district to pass through funds based on the more typical July-to-June calendar year.

If Vertus is a year-round school but did not begin class until two months into the standard July 2014 to June 2015 fiscal year, that means it only provided five-sixths of its promised school year and therefore is only entitled to fivesixths of its state aid. The difference is about \$172,000.

The trick is that if the school had never stated it would hold classes in July and August, it would have delivered on 100 percent of its promise and gotten 100 percent of its funding, even though the number of days students spent in the classroom would have been the same.

“We’re running 12 months of school

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on 10 months worth of funding,” Vertus CEO Leigh McGuigan said. “Not to get the full funding our first year was a surprise. No one warned us about that.”

In theory, the school should get paid for the summer 2015 months in the 2015-16 state disbursement. But if it can't resolve the problem, the school's board plans to vote to realign its year with the state standard.

“If I expect to get my paycheck in January and someone says, ‘Oh, don't worry, I'll get it to you next January,’ it doesn't help you pay the bills,” McGuigan said.

Rochester School District spokesman Chip Partner said the district is willing to help Vertus resolve the problem with the state but has no choice on how much money it passes along.

“We'd be happy to give them the money; it's not our money,” he said. “But legally we can't do it. ... The issue is between Vertus and the state.”

A New York State Education Department spokesman did not have information immediately available. McGuigan said the school is optimistic it will be able to reclaim at least some of the money.

Separately, the school also got an unexpected \$21,000 property tax bill from the city for its Austin Street building, which it leases from the Roman Catholic Diocese of Rochester.

Before 2014, the building off Lyell Avenue hosted a Head Start program and swing space for the city school district. Those programs had a full tax exemption.

When Vertus signed its two-year lease, though, the city investigated and determined that the lease cost — \$10,833 per month — “exceeded the carrying, maintenance and depreciation charges for the property.”

In other words, the city determined that the diocese is making a profit off the lease and therefore revoked all but \$500,000 of the tax exemption. Under the lease, the tenant pays the taxes, which are now about \$21,000 to the city and \$6,500 to the county.

As with the per-pupil issue, the school wasn’t aware of the problem until after it set its budget.

“Once we moved in, we got notice the tax status of the property had changed and Diocese would be assessed and we’d have to pay it,” McGuigan said. “It is of course frustrating, because when the district was here there was no property tax but now that a charter school is here, there is.”

In a statement, the diocese said only that it had concluded “an appeal of the city’s determination would not likely prove successful at this time” because of the financial terms of the lease.

The school will soon grow out of the building anyway; it is currently shopping for a new location for the 2016-17 school year.

Between the per-pupil funding and the taxes, the school stands to lose \$199,500 — nearly 10 percent of its roughly \$2 million budget.

McGuigan pointed to students’ strong results on recent national assessments, but said: “This work is not for the faint of heart. When you innovate, you have to expect to have things (go wrong). We certainly have had our share.”

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At Vertus Charter School, 10th-graders Spencer Burns, Giovanni Cintron and Lashawn Cason make prosthetic hands with 3-D printers. The hand they are looking at had been processing for four hours.

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