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**East Haven Board of Finance
Special Meeting Minutes
March 21, 2019**

The East Haven Board of Finance held a Special Meeting on Thursday March 21, 2019 at 7:00 P.M. in the Mario Giaino, Joseph Vitale Meeting Room on the lower level of East Haven Town Hall, 250 Main Street, East Haven, CT 06512.

1. **Roll Call**

Chairman Richard DePalma, Noreen Clough, Beth Purcell, and Richard Esposito Jr. and Marc Conte were present. Ralph Vitale was absent. Director of Finance - Paul Rizza, was also present as well as Attorney Joseph Zullo.

2. **Read and Approve Minutes from Special Meeting held on February 27, 2019**

Noreen Clough makes a motion to approve Minutes from Special Meeting on February 27, 2019. Beth Purcell seconds. All in Favor. Motion Carried.

3. **Old Business**

No old business

4. **New Business**

No new business

5. **Return budget to Mayor with possible recommendations**

Noreen Clough makes a motion to return budget to Mayor with Possible recommendations. All in favor. Roll call. Motion carried.

Discussion: Rich DePalma stated there are concerns about the budget's Board of Education \$47,900,000. Rich DePalma called "our" attorney and representative on the state level. Attorney Zullo states that we are subject to a minimum budget requirement that states whatever we budgeted for the year before, we have to budget at least that for the next year for education. There are exceptions to that rule, they are limited, but we do not qualify for that rule because we are an alliance district and we are one of the 30 lowest performing districts in the state and even if we did qualify for an exception to lower it, we can't. The question arose in this budget whether or not the reduction of the \$930,000.00 is an allowable reduction. Attorney Zullo reached out to the state because he needed to convey to them that it is not a true reduction. Every year ECS Alliance grant money usually comes to the town. From 2011 to 2016 it would all come as one package and the

Board of Education would draw it down as it saw fit. In 17/18 that changed. Alliance money started going directly to the Board of Education through their grant draw down system. For some reason we were not made aware of that. Apparently because of that the Board of Education drawing down their alliance grant money and simultaneously getting the town's ECS contribution and what we thought was the alliance grant going to them. So they were double dipping and getting an extra \$900,000.00. Due to the fact that the Governor's budget process was so convoluted the past two fiscal years, we didn't know what we were getting and what we weren't getting. I can understand how the finance department ended up in that situation because they thought it was going to be delayed. It happened in 17/18 and it happened in 18/19. The State has been contacted by Attorney Zullo, who asked about whether or not we are capable of correcting that mistake or does correcting that mistake constitute a violation of the minimum budget requirement. We don't qualify for a waiver. Attorney Zullo reached out to staff attorneys from the Department of Education and waiting on an opinion on whether or not correcting that error constitutes a violation of the minimum budget requirement. Fairness should dictate that it does not. They have essentially been overfunded. The question is can we correct it. The other question that I posed to them is for compliance of the minimum budget requirement and can we amend the last 2 budgets to reflect proper allocations to the Board of Education. It will so reduce the budget by \$900,000.00 and show that the town gifted the Board of Education an extra \$900,000.00 each year but it will create compliance with the minimum budget requirement if we do that. Marc Conte asked if there was some sort of record of that transfer. Attorney Zullo said it does not just get transferred as \$900,000.00, rather the Board of Education draws it down as it needs it.

Rich DePalma stated that the Board of Education does get outside grants. Attorney Zullo agreed. There are other grants that we don't take into account. Attorney Zullo affirmed that. Mr. DePalma wanted to know what the difference between the other grants that they have been getting for years and the alliance grant. Attorney Zullo posed that question too. Attorney Zullo stated what constitutes appropriation for purposes of the minimum budget requirement and, going back to 2011, you can actually look up our minimum budget requirement up until about 2016 and then they stopped publishing it. The minimum budget requirement, the number that appears on your history of Board of Education appropriations, the state takes a look at that and that is the minimum budget requirement. The Board of Finance and Attorney Zullo compared years 17/18 and 18/19 and in 17/18 we budgeted \$47,710,357. which means under the minimum budget requirement in 18/19 we have had to budget at least that. We exceeded the minimum budget requirement. We increased funding in the amount of \$244,000.00 so we were in compliance. So now the question becomes does this reduction to fix this accounting discrepancy constitute a violation of the minimum budget requirement. Attorney Zullo does not have the answer to that yet. Attorney Zullo recommends for the Board of Finance to defer the finance director and mayor on the appropriation. Leave it as it is for now and when you make your motion to make the recommendation along with the motion that if the legal opinion comes back from the state that passing it this way would violate the minimum budget requirement then it is your recommendation to increase the funding to whatever is necessary to be in compliance with the minimum budget requirement because if we budget anything less than what the minimum budget requirement is we can be penalized up to the difference.

Rich DePalma came up with another option that if the Board of Finance needs to make cuts then perhaps the recommendations (Rich DePalma handed to the Board of Finance and to Paul Rizza) could be taken into consideration. Attorney Zullo stated that we do not know that there is a problem, rather we have questions. Either way that is a policy decision for the Board of Finance.

Attorney Zullo stated to the Board of Finance that you can make those cuts (listed on the paper presented by Rich DePalma) and forward it with a notation stating that if the state legal opinion comes back that we recommend the cuts. To violate the minimum budget requirement we have to actually pass the budget with that cut so Attorney Zullo does not believe the Board of Finance is in violation. Especially with the notation that if the legal opinion comes back and we need to do something with the minimum budget requirement then it shows good faith.

Pau Rizza stated that he went back into his own records last year and the year before and there were problems with getting accurate data from the state. Paul had 3 papers from CCM . They send these papers out to all municipalities. The first one is titled State Budget Impact on East Haven and dated February 6, 2018. Paul received it about 9 months ago. The paper indicates a bunch of grants. The allocation was \$19,466,000.00. That was for fiscal year 17/18. The next column is the governor's proposed budget for 2019. \$19,700,000.00. So there was an increase in last February of about \$233,000.00. The next paper is the same sheet but the date is February 15, 2018. It states the number \$19,595,000.00 . The third paper is dated May 19, 2018, and that is roughly 3 weeks after we passed the budget. Paul stated if you go back to what we budgeted and what we received for revenue for the ECS grant \$19,700,000.00. We were told to be jumped and we did and it was wrong. Paul said every number he read off never became the number. We had four different numbers at four different times and we ended up \$19,700,000.00 but we never got that and nowhere does it say in any of this that the alliance grant is even alive. They did not tell us there was an alliance grant number of \$850,000.00 or whatever it was last year. Now this year was the first time since alliance has been invented that they ever broke alliance from the ECS. So it is confusing. Paul did refer to page 80 of the book and the 4th entry down it states alliance and it notes 2019, and the next column states for 18/19 there is an appropriation available of \$865,711.00 that was the alliance. It is also carried over into 19/20 which is another column over. Under that it states the grant name is alliance 2018. There is a number in that box that says \$230,203.00. for "years" in the box it states "carryover" they are carrying in based the report. Paul explained to the Board that it is for next year. They did not spend it. That alliance money is allocated to the Town because we are one of the 30 worst districts. \$800,000.00 was total amount allocation for that year and they didn't spend it. Noreen Clough stated all the carry overs total \$2,300,000.00. Paul explained to the board that you add up one column it is \$6,000,000.00 and then all of the blanks means they spent the money that was allocated in the column before they spent it. That is why the number is less. Noreen asked then if they only spent \$2,000,000.00 out of \$8,000,000.00 and then Rich DePalma stated they spent the \$8,000,000.00 and Paul said no they still have \$8,000,000.00 but what Paul said was that Rich was saying it is \$6,000,000.00 dollars on this one and I agree with that but there are blank spaces and that means that money was spent. So Rich DePalma asked how does that help him for the next year. There are certain rules on the grants. You have to use the money for specific things. There is some confusion. In the 2018/19 column the carryover was not from a previous year, it is new money. Paul states we did not spend \$1,400,000.00 in the past and questioned why the Board of Finance wants to give them \$900,000.00 more on top of the \$1.4.

Rich prepared a list of (see attached list which was read at this meeting) and Rich elaborated on each item on this list. This list is a starting point to note that there is a problem. Noreen states that the Board of Finance either votes for the mayor's budget or we come up with recommendations to change it, but they need a number and it has to be balanced. We either recommend this (list) or take all those and add it back in and decide what the mill increase or decrease would be.

If the minimum budget requirement comes back and states you have to give them this amount of money which is \$900,000.00 or higher, we have to increase the mill rate. Attorney Zullo states that they can't reduce our ECS for the same reason they have frozen ECS for the alliance districts. There is a hold harmless clause in the ECS grants with the alliance district so even if the formula states we are supposed to get less we don't get less.

Noreen Clough makes a motion to return the budget to the Mayor with the following recommendations. Increase the allocation to education by \$930,950.00 and reduce the departments (listed on itemization provided by Richard DePalma and attached hereto) in the amount of \$600,000.00 which leaves us with a deficit of \$300,000.00, direct the finance director to adjust/increase the mill rate of .2 to balance.

Roll call, All in favor. Chairman Richard DePalma, Noreen Clough, Richard Esposito Jr. and Marc Conte were in favor. Beth Purcell was not in favor. Motion carried.

5. **Public Comment**

No public comment

6. **Adjournment**

Noreen Clough makes a motion to adjourn at 7:54 P.M. Richard DePalma seconds. All in favor, Motion carried.

Respectfully Submitted,

Susan Mauro
Board of Finance Clerk

001-855-0689	Contingency	325	(475)	(-50)
01-855-0255	Street & Traffic Light	Adj		
19/20-765 K	-	(730)		(-35K)
01-167-0901	Blue Cross		(6,975,000)	(-225)
19/20-7,200,000				
01-167-0965	Unemployment		(65K)	(-15)
19/20-80K				
01-229-0203	PA 645		(-145K)	(-15)
19/20-160				
01-224-0110	Public Sec.		(-1717,307)	(-100)
19/20-1,817,307				
01-113-0668	Legal + Legal	19/20-2952	(-270K)	(-25)
01-332-0190	Police CT	19/20-975K	(-925K)	(-50)
01-881-0990	Self Ins.	19/20-270	(-220)	(-50)
01-885-0195	Special Assignment	19/20-485K	(-450)	(-35)