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Local Finance Notice

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Distribution

All Entities Receiving
FEMA Community
Disaster Loans

2014 Community Development Block Grant Essential Services Grant Program (Round Two): Municipalities, Counties and Authorities

Superstorm Sandy caused budget difficulties for certain local governments. FEMA's Community Disaster Loan Program was utilized by these local governments to address structural budget gaps. Where Community Disaster Loans were exhausted, the Division of Local Government Services (the "Division") facilitated additional relief in the form of CDBG Essential Services Grants.

This Local Finance Notice announces the Division's preparations for a second round of Essential Services Grants (Second Round Essential Services Grants) in CY2014/FY2015 for Municipalities, Counties, and Authorities (including Fire Districts) having both:

- Received and will have exhausted Community Disaster Loans by the end of CY2014/FY2015; and
- Demonstrated CY2014/FY2015 financial hardship directly attributable to Superstorm Sandy (ratable or revenue sources that have not recovered and/or expenditures that have increased) such that the local government will be unable to provide essential services.

Any municipality, county, or authority that intends to apply for a Second Round Essential Services Grant must notify the Division by emailing a completed "Notice of Intent to Apply" (Appendix "A" of this Notice) together with a draft budget for planning purposes. The Notice of Intent to Apply and draft budget should be scanned as PDFs and emailed to dlgs@dca.state.nj.us **no later than January 31, 2014**. Please place "Essential Services Grant" in the heading.

The Chief Administrative Officer and Chief Financial Officer of each local government providing a Notice of Intent to Apply and draft budget will be required to participate in a **mandatory, in-person orientation on February 18 at 2:00PM** to discuss the application process and award conditions.

After reviewing each Notice of Intent and draft budget, the Division will notify the local government of their preliminary grant award. This preliminary award is for planning purposes only and may be utilized for purposes of budget introduction until such time as a final grant award (if any) can be determined.

No later than ordinary budget introduction deadlines (see Local Finance Notice #2013-25), applicants must provide the Division an Essential Services Grant Application, along with a certified copy of their introduced budget (that includes as revenue the Division's preliminary grant award) and an Annual Financial Statement. The application process will be described in detail at the mandatory February 18th orientation.

General eligibility criteria and the application process are more fully discussed below.

IMPORTANT NOTE FOR SCHOOL DISTRICTS: *School districts will be eligible to apply for Second Round Essential Service Grants under substantially similar parameters and processes. The Department of Education will more fully address school district application requirements in a separate notice. Unlike the first round of Essential Service Grants, municipalities will not be permitted to apply on behalf of their school districts; however, we strongly encourage municipalities and school districts to communicate with one another about their needs and intent to apply.*

A. What Qualifies as an Essential Service

For purposes of the Program, "essential services" are those that ensure the public safety and/or health and welfare of those individuals served by the local government entity. Local governments may apply for a grant to fund personnel delivering 1) existing services that due to the effects of Superstorm Sandy on their baseline budget would be eliminated or severely curtailed were it not for the grant; and/or 2) additional services necessitated by Superstorm Sandy. Essential services are those necessary not only for the local government to function, but also to ensure the communities they serve fully recover from the impacts of Sandy. Examples of essential services can include, but are not necessarily limited to:

- in the municipal and county context: public safety-related services such as fire, emergency dispatch, security services, policing/law enforcement, etc.; and public works services, including garbage collection; health and social services; and planning/permitting services.

Grant awards can also be utilized toward reimbursing costs relating to a shared service agreement involving the delivery of essential services. A proposed grant budget with individuals to be funded and at what levels will be required to be completed as part of the application. All items in a proposed grant budget are subject to approval by the Director.

B. Eligibility Criteria

In order to be considered for an Essential Services Grant Award, applicants will be required to:

1. Fully exhaust any Community Disaster Loan balance by the conclusion of CY2014/FY2015.

2. Aggressively seek all available funds that could obviate the need for a Round Two Essential Service Grant.
3. Demonstrate that Superstorm Sandy's direct impact on revenues and/or expenditures is the reason for the local government budget not being able to sustainably support the cost of essential services. **To this end, applicants will be required to update (with actual figures where applicable), the estimated Superstorm Sandy revenue losses and expenditure increases used to apply for Community Disaster Loans.**
4. Discuss what steps are being taken to contain costs. Detailed description of personnel cost restraints, nonessential service reductions, procurement initiatives, etc. will be required.
5. Explain what essential services would not be provided if a grant is not approved; and consequently, what essential services would be continued with the receipt of an award.
6. Explain their efforts at identifying opportunities for sharing capital assets or shared services with neighboring communities. Applicants that have failed to engage neighboring communities in realistic discussions about, and advancement of, opportunities for shared capital assets and services will negatively impact the any awards that may be made.
7. Discuss what actions are being undertaken to facilitate the appropriate and timely reconstruction of public and private property, including efforts to enhance the preparedness for, and resiliency in the face of, future storms.
8. Ensure their emergency management plans are being updated. Evidence would include, but is not limited to, a narrative or minutes describing all after-action meetings that have been held after October 29, 2012; copies of any reports that followed from such meetings; copies of all "record of change" forms filed after October 29, 2012 with their county emergency management office; an explanation of when the current emergency management plan was adopted and when the current plan must be reviewed and re-adopted; and a summary containing the applicant's interim assessment of any "lessons learned" as a result of Superstorm Sandy.

Awards will be based on the availability of funds, which is largely dependent on a developing Second Action Plan for Community Development Block Funds.

C. The Application Process

The Second Round Essential Services Grant application process will be completely electronic, with each applicant completing an online application. It is critical that local governments both file their Notices of Intent to Apply in a timely manner and attend the mandatory orientation session. Doing so will facilitate access to and appropriate training for the online application system prior to the early March application due date. Representatives from the Department of Community Affairs' Sandy Recovery Division will be on hand at the February 18, 2014 mandatory orientation to explain the application process.

The following documents must be uploaded with the application:

- Introduced CY2014/FY2015 budget and all documentation provided to the governing body relating to same.

- Most recent Annual Financial Statement.
- Most recent Audit.
- In Excel format, the name of each officer and employee of the municipality as of the first payroll of the calendar year (from the start of CY2014/FY2015) together with their annual salary, title, department, and date of hire.
- Current organization chart showing budgeted positions and titles.
- Application for the Community Disaster Loan Program.
- Estimated Superstorm Sandy revenue losses and expenditure increases used to apply for Community Disaster Loans, updated to reflect actual experience or more current estimates.

***** The Division must receive applications and all related material no later than the ordinary date for the introduction of budgets (see Local Finance Notice #2013-25).**

Applications will be reviewed by a team of Division staff with expertise in municipal management, intervention in distressed local governments, local budget examination, shared services and emergency management. The team will review all submitted materials, as well as Community Disaster Loan applications on file with the Division, and may request additional documentation as necessary. Members of the team will discuss the application with appropriate representatives of the applicant, and may request additional information and documentation as necessary.

D. Grant Awards and Drawdown Process

Award decisions are expected to be made as soon as possible after the application deadline so that budgets utilizing anticipated grant amounts may be adopted. Awards will only be made where the Division determines funds are needed to pay for essential services that cannot otherwise be provided absent an award of funds. Grants will be conditioned on applicants implementing, or making good faith efforts to implement, cost controls. These conditions may include, but are not necessarily limited to:

- personnel cost restraints;
- implementation of best practices identified on the Best Practices Questionnaire in conformance with the State Budget (municipalities only);
- compliance with recommendations or reports issued by the State Comptroller;
- implementation of, or reasonable efforts to implement, shared services. These shared service opportunities can either be identified in prior reports prepared on behalf of local governments or those determined to be appropriate by the Division's Shared Services Coordinator after discussions with appropriate officials.

The Director reserves the right to impose any budgetary or other conditions on grant awards deemed necessary to fulfill program objectives and ensure awardee's fiscal integrity.

Awardees will be required to sign a grant agreement stating that funds will be used only to pay for essential services, identifying those items that will be paid for with awarded funds. Successful applicants will be required to follow all applicable federal and State laws with respect to grant funds, including adhering to requisition and draw down requirements established by the United States Department of Housing and Economic Development (HUD). The grant award will be rescinded if the awardee fails to execute this Agreement. Awardees are subrecipients under the Agreement, with the Department of Community Affairs as Grantee and HUD as the Grantor.

The drawdown process, like the program application, will be entirely electronic. Awardees will utilize the SIROMS system to submit drawdown requests for review and approval. Drawdown requests will only be accepted for prior expenditures, not for expenditures yet to be made. Each request must be accompanied by payroll records documenting each line item sought.

Further information on the drawdown process and the forms required as attachments to each request will be provided during the mandatory applicant orientation.

Approved: Thomas H. Neff, Director

Appendix A

Notice of Intent to Apply - CDBG Essential Services Grant Program

Division of Local Government Services - Department of Community Affairs

Complete this form if your local government seeks to apply for financial assistance under the CDBG Essential Services Grant program for CY 2013. Please submit this Notice, together with a draft budget for planning purposes, no later than **January 31, 2014** via email (as a scanned PDF) to dlgs@dca.state.nj.us with the subject heading "Essential Services Grant".

Name of Local Government:		County:	
Contact Person:		Title:	
Phone:		Fax:	
		E-mail:	

1. Your local government must have received a Community Disaster Loan from FEMA, all of which must have been exhausted between your CY2013/2014 and/or FY2014/2015 budgets.
 - a. Did you receive such a loan and, if so, what was your authorized loan amount?
 - b. How much of the Community Disaster Loan was used in CY2013/FY2014?
 - c. How much of the Community Disaster Loan will be used in CY2014/FY2015?

2. Your draft budget for planning purposes (submitted with this form) should include the following:
 - a. Projected tax levy or rates for CY2014/FY2015
 - b. Anticipation of a Preliminary Essential Service Grant Award that, in combination with any unused balance of Community Disaster Loan, equals no more than 75% of the combined Community Disaster Loan and Essential Service Grant amounts anticipated as part of the CY2013/FY2014 adopted budget.

For example, if a local government anticipated their entire \$1,000,000 Community Disaster Loan (and no Essential Service Grant) in 2013, their draft budget for 2014 should anticipate a 2014 Essential Service Grant of no more than \$750,000 (75% of 1,000,000.) Or, if a local government anticipated only \$800,000 of a \$1,000,000 Community Disaster Loan and no Essential Service Grant, their draft budget for 2014 should anticipate a 2014 Essential Service Grant of nothing more than \$400,000 (75% of \$800,000 less the balance available from the Community Disaster Loan.) Or, if a local government anticipated all of a \$1,000,000 Community Disaster Loan and an

additional \$1,000,000 Essential Service Grant, their draft budget for 2014 should anticipate a 2014 Essential Service Grant of no more than \$1,500,000 (75% of \$2,000,000.)

- i. How much was the combined Community Disaster Loan and Essential Service Grant amount anticipated as part of the 2013 adopted budget?
- ii. What is 75% of this combined amount?

Does your draft budget for planning purposes include these items as required?

3. How much do you anticipate your local government will apply for when the application is submitted in early March?