

**New Jersey Department of Community Affairs
Division of Local Government Services**

**CDBG Essential Services Grant Program (Fourth Round)
Provisional Program Description & Program Guidelines**

Program Overview and Purpose

Superstorm Sandy has continued to cause substantial budget difficulties for certain local governments and school districts. Storm-related revenue losses, as well as unanticipated storm-related expenses, have compromised the ability of local government entities to provide essential services in hard-hit communities even after appropriate cost-saving measures are taken. FEMA's Community Disaster Loan (CDL) program has been the primary source of direct funding for municipalities and other government entities with budget challenges following a natural disaster. However, the eligibility guidelines and hard cap on loan amounts set forth in CDL Program regulations result in its being inadequate to ensure that the hardest-hit entities are able to continue providing essential public services.

The Department of Community Affairs ("DCA"), through the Division of Local Government Services ("DLGS" or "Division") as its designee, serves as the lead agency for the CDBG Essential Services Grant Program. In 2013 the Division of Local Government Services ("DLGS" or "Division") created the Program to ensure continued funding in hard-hit communities for essential services such as public safety, sanitation and education. Eleven local governments and school districts were awarded over \$44 million in Essential Service Grants in 2013. Seven local governments and one school district were awarded over \$42 million in Essential Service Grants for 2014. Eleven local governments and two school districts were awarded over \$44 million in Essential Service Grants for 2015.

The State of New Jersey is seeking United States Department of Housing and Urban Affairs ("HUD") approval for a substantial amendment to its Action Plan that would allow a Round Four of the CDBG Essential Service Grant Program. If a Fourth Round is approved, grant funds would be sourced from HUD pursuant to the CDBG Disaster Recovery Action Plan approved April 29, 2013, Substantial Amendment #7 to the Action Plan approved May 30, 2014 and Substantial Amendment #18 to the Action Plan. The Program meets the National Objectives of Urgent Need and Low-Moderate Income ("LMI").

The program guidelines set forth herein are contingent on HUD approval of a fourth program round, and are subject to change in response to HUD recommendations or requirements, or as deemed necessary by the Division of Local Government Services.

What Services Qualify as “Essential” under the Program

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 for the local government to function and 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 and health and social services. Note: planning and permitting services will not be covered under this Program.
- in the schools context: education-related services such as teachers, school psychologists and paraprofessionals

No municipal applicant may anticipate any Essential Services Grant funds in its introduced 2016 budget.

Eligibility Criteria

Given the limited resources available for this funding round, the passage of time, and the advancement of housing recovery in hard hit communities, this ESG funding round (if approved by HUD) would include additional eligibility criteria and funding limitations.

Only those municipalities and school districts that received Essential Services Grants in 2015 will be eligible to apply in 2016 for Fourth Round Essential Services Grants. This initial eligibility threshold pertains to a municipality’s or school district’s being entitled to apply only, and does not mean that said entities will be automatically entitled to a 2016 Essential Services Grant.

Further eligibility criteria include the following:

- Ability to demonstrate that a Sandy budgetary impact in 2016 that amounts to 5% of the applicant’s 2016 budget
 - For municipal applicants, the Reserve for Uncollected Taxes (RUT) will be excluded when calculating the 5% threshold.

- For municipal applicants, utility appropriations will be included when calculating the 5% threshold if losses in utility revenues (e.g. water, sewer, beach) are projected
- Ability to demonstrate CY 2016/FY 2017 financial hardship directly attributable to Superstorm Sandy (ratable or revenue sources that have not recovered and/or expenditures that have increased) negatively impacting the local government's or school district's ability to maintain essential services.

The applicant must show that Superstorm Sandy's direct impact on revenues and/or expenditures is the reason for the local government budget not being able to support the cost of essential services with a sustainable tax rate and fee structure. Applicants will be required to compare current figures with the estimated Superstorm Sandy revenue losses and expenditure increases used to apply for Community Disaster Loans.

- The applicant must identify specific measures in its introduced 2016 budget (FY2017 for school districts) to reduce costs outside of the direct provision of public safety, public works, or education services. Among other things, this criterion is intended to ensure that applicants do not avoid available budgetary steps to reduce funding gaps.

Application Process

In order to be considered for an Essential Services Grant Award, applicants must complete and submit a grant application provided by the Division of Local Government Services. The applicant's grant request shall be no greater than what the applicant in good faith can demonstrate is its CY2016/FY2017 Sandy Budgetary Impact.

Along with such other information that may be requested in the application, the applicant must also provide the following:

- An explanation of specific measures in its introduced 2016 budget (FY2017 for school districts) to reduce costs both inside and outside of the direct provision of public safety, public works, or education services. Among other things, this criterion is intended to ensure that applicants do not avoid available budgetary steps to reduce funding gaps.
- Steps that have been already been taken to contain costs. Describe in detail all cost restraint measures including staffing reductions, shared services, procurement initiatives, etc.

- An explanation of why the amount of surplus displayed in the applicant's introduced budget is necessary to maintaining the applicant's fiscal integrity, and does not obviate the need for an Essential Services Grant.
- A list of other Sandy-related grants are being sought and/or received for CY2016/FY2017, and are being anticipated in the CY2016/FY2017 budget, and their respective amounts.

Other documents that must accompany the application include:

- Introduced CY2016/FY2017 municipal budget and all documentation provided to the governing body relating to same
- Most recent Audit and Annual Financial Statement
- In Excel format, the name of each local government officer and employee as of the first payroll of the budget year together with their annual salary, title, department and date of hire
- Current organization chart showing budgeted positions and titles (do not include salaries on the chart)
- A list of all new hires from 7/1/15 to present
- Proposed Grant Budget (utilizing template supplied by DLGS)
- Updated revenue and expenditure figures to reflect actual experience or more current estimates as compared to projections shown in the applicant's original Community Disaster Loan Application.
- Either a governing body resolution or a signed statement from the mayor, chief administrative officer and chief financial officer (for school districts the Board of Education President), superintendent and school business administrator) authorizing application submission

The application process will be paper based and submitted pursuant to instructions provided by the Division. In addition to the items referenced above, applicants must submit a proposed grant budget along with information concerning applicant's budget, finances, staffing and labor contracts. All items in a proposed grant budget are subject to the Director's approval.

Applications and all accompanying documentation shall be submitted via email to the attention of Jason Martucci, Program Manager, at Jason.Martucci@dca.nj.gov no later than **April 8, 2016**; however, DLGS reserves the right to modify said date as circumstances require.

Application Review and Award Determination

The Division Director, Assistant Director for Financial Regulation, and the Manager of the Essential Services Grant Program, and such other staff as may be appropriate, will review and discuss the grant applications and supporting documentation, conferencing as necessary with applicants to afford them an opportunity to clarify, supplement or otherwise explain any information submitted in support thereof. In considering school district applications, DLGS will consult with and substantially rely upon the expertise of the New Jersey Department of Education.

The process for determining a grant award is as follows:

“Sandy Budgetary Impact”:

The review team will determine whether the applicant’s Superstorm Sandy-related actual/estimated revenue losses and unreimbursed expenses through CY2016 or FY2017 exceed the Community Disaster Loan received by the applicant. This amount is considered the “2016 Sandy Budgetary Impact.” Revenue losses and unreimbursed expenses will be compared with pre-Sandy levels.

Adjusted Sandy Budgetary Impact (Offsets)

Once the Sandy Budgetary Impact for CY2016/FY2017 is calculated, the review team shall review the following to determine whether this number may be subject to reduction.

Surplus

When analyzing the applicant’s projected surplus (if any) in its introduced CY2016/FY2017 budget, review staff evaluate whether the surplus exceeds the amount required to maintain the fiscal integrity of the applicant. The review staff shall consider factors such as:

- the potential that the applicant will be required to repay all or a portion of their FEMA Community Disaster Loan
- Projected Sandy-related debt service payments in CY2017/FY2018 (e.g. repayment of special emergency note)
- The historical rate that surplus has been generated in each budget year from CY2012/FY2013 to present
- The projected level of revenue recovery in CY2017/FY2018, based on measures such as demolitions, building permit issuance, number of inspections and overall reconstruction

The determination shall be based on the particular fiscal circumstances of the applicant.

Areas for Cost-Reduction in Applicant’s CY2016/FY2017 Budget

Application and accompanying materials will be reviewed to determine whether

- specific measures can be identified in applicant’s introduced CY2016/FY2017 budget to reduce costs outside of the direct provision of public safety, public works, or education services;
- if direct public safety, public works or education services are being provided at levels necessary to ensure efficient service delivery

Sandy-Related Grants

Application and accompanying materials will be reviewed to determine whether applicant is or will be receiving Sandy-related grants in CY2016/FY2017 budget year

“Provisional Grant Award”

To the extent funds are available, a successful applicant’s Provisional Grant Award shall be equal to their Adjusted Sandy Budgetary Impact.

If the aggregate 2016 Sandy budgetary impact across all eligible applicants who apply to the program exceeds ESG program funds available for disbursement (less program delivery and ancillary costs), then program funds available for disbursement will be divided by the aggregate total 2016 Sandy-related budgetary impact of all eligible applicants who have applied. In this case, each applicant’s provisional grant award will be that percentage of the applicant’s 2016 Adjusted Sandy budgetary impact.

“Final Grant Award”

An successful applicant’s Provisional Grant Award may be subject to further reduction if the Division determines that the provisional grant award would be excessive based the applicant’s particular budgetary or fiscal circumstances.

The Final Grant Award is determined once adjustments, if any, have been made to the Provisional Grant Award. The Director shall make the ultimate determination as to the Final Grant Award.

Appeals of Award Determinations

Applicants that wish to appeal either their grant denial or award amount may schedule a phone conference with the Director, who may be accompanied by the Assistant Director for Financial Regulation and the Program Manager. If the Director upholds the decision, applicant may appeal further to the Local Finance Board pursuant to state law. The calculation is kept in each applicant’s file and memorialized in an award or denial letter.

Grant Awards

Award decisions are made as soon as possible after the application deadline to facilitate expeditious adoption of local government and school district budgets. 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 awardees implementing, or making good faith efforts to implement, cost controls. The Director reserves the right to impose any budgetary or other conditions on grant awards deemed necessary to fulfill program objectives and ensure an awardee's fiscal integrity. Grant awards may only be spent pursuant to the grant budget incorporated into the Grant Agreement, but may be modified afterwards upon approval of the Program Manager if circumstances require and the expenses are otherwise compliant with program guidelines (see "Grant Agreements and Drawdown Process"). Awardees must comply with all applicable federal and State laws and regulations.

Grant Agreements and Drawdown Process

Awardees must execute a grant agreement requiring grant funds to be used only for essential services and identifying those items that will be paid for with awarded funds. Each awardee must agree to abide by all applicable statutes, rules, regulations and policies governing the Program. Local governments and school districts that qualify on an area basis for "Low-Moderate Income" designation (LMI) will have an LMI designation incorporated into the Agreement; all others will be designated "Urgent Need" (UN) unless otherwise directed. The head of the governing body, Chief Administrative Officer and Chief Financial Officer must sign the Agreement on behalf of local governments. The Board of Education President, School Superintendent and the School Business Administrator must sign on behalf of a school district. The grant award will be rescinded if the awardee fails to execute this Agreement. Under the Agreement, awardees are subrecipients, the Department of Community Affairs is the Grantee and HUD is the Grantor. The Agreement term will span from January 1, 2016 through December 31, 2016 for local governments, July 1, 2016 through June 30, 2017 for school districts. Each Agreement will incorporate the subrecipient's grant budget.

The drawdown process will be electronic. Awardees will utilize the SIROMS system to submit drawdown requests to DLGS for review and approval. Drawdown requests will only be accepted for prior expenditures, not for expenditures yet to be made. Said expenditures must be made during the awardee's fiscal year unless an exception is granted in writing by DLGS. Each request must be accompanied by an Excel requisition form detailing each line item to be reimbursed (e.g. each employee for which reimbursement is sought), and payroll records (or other appropriate invoices and proofs of payment for shared service agreements) documenting

each line item sought. Reimbursement for salaries will not include overtime or the cost of FICA, pension, health benefits and other employer contributions (e.g. Medicare). Salary reimbursement can be for regular, sick and vacation pay, or other administrative leave pay as approved by the Director.

Requisition forms or any accompanying payroll documentation must either exclude or have redacted Social Security Numbers and home addresses of personnel. If line items being reimbursed deviate from the grant budget as set forth in the Agreement, for example if an individual is being substituted, or the amount sought is less or more than the amount stated on the grant budget, state what is being changed on a separate sheet on the requisition form.

For local governments, each requisition form must be certified by the Chief Administrative Officer and Chief Financial Officer. In the case of school districts, the Superintendent and School Business Administrator must certify. The Division reserves the right to request additional information and documentation as necessary. A copy of the requisition form's certification page must be manually signed and submitted as a scanned pdf to the Program Manager. After approval by the Program Manager (or in his/her stead such other Division staff as designated by the Director), the request must be approved by DCA's Sandy Recovery Division and its Office of Fiscal Affairs (each of which may request additional information as necessary) before funds can be drawn down.

National Objective

The CDBG Essential Services Grant Program meets the CDBG National Objective Criteria of Urgent Need ("UN") and Low-Moderate Income (Area Benefit) ("LMI"). The Division consults with the Department of Community Affairs' Sandy Recovery Division staff and consultants with respect to determining whether an awardee qualifies for LMI designation based on a review of census tract data.

Duplication of Benefits

The primary focus of the Division's duplication of benefits analysis is to ensure that FEMA Community Disaster Loan funds are fully utilized prior to the award of a CDBG Essential Services Grant, should an applicant be eligible. The grant application and supporting documentation are reviewed to ensure that a duplication of benefits does not take place.

Program Monitoring & Recordkeeping

Representatives from DCA's Sandy Recovery Division, Office of Compliance and Monitoring will examine records and provide technical assistance to awardees with respect to recordkeeping

and compliance with all applicable rules and regulations. Records shall be kept for a minimum of five years after the close of the agreement term.

Agreement Closeout

At the end of the term of the Agreement, Subrecipients not receiving an Essential Services Grant in the subsequent year will receive a letter from the Division citing the program's achievement of the stated national objective and closing out the grant.

Revision History

Version	Revised Date	Approval
Original (Round 2)	March 6, 2014	Jason Martucci
Revision (Round 2)	September 5, 2014	Jason Martucci
Original (Round 3)	January 9, 2015	Jason Martucci
Revision 1 (Round 3)	June 16, 2015	Jason Martucci
Revision 2 (Round 3)	September 30, 2015	Jason Martucci
Original (Provisional Round 4)	March 11, 2016	Jason Martucci