

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

**CDBG Essential Services Grant Program (Third Round)  
Program Description and Guidelines – June 2015 Update**

**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 is 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.

Round Three of the CDBG Essential Service Grant Program has been made available for Municipalities, Counties, and Authorities (including Fire Districts) to utilize in their CY2015/FY2016 budgets provided that they:

- Received and will have exhausted Community Disaster Loans by the end of CY 2015/FY 2016; and
- Demonstrate CY 2015/FY 2016 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 maintain essential services.

Grant funds are sourced from the United States Department of Housing and Urban Affairs (“HUD”) pursuant to the CDBG Disaster Recovery Action Plan approved April 29, 2013, and Substantial Amendment #7 to the Action Plan approved May 30, 2014. The Program meets the National Objectives of Urgent Need and Low-Moderate Income (“LMI”).

## **What Services Qualify as Essential**

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. Planning/permitting services will not be covered under this Program.
- in the schools context: education-related services such as teachers, school psychologists and paraprofessionals

Grants can also be utilized to reimburse costs resulting from a shared service agreement involving the delivery of essential services. School districts may use grants to implement sending-receiving agreements. Enrollment numbers will be verified with the Department of Education. Grant made to fund sending-receiving agreements will not be adjusted upward to reflect increases in enrollment or tuition expenses. If either a decline in student enrollment or a decrease in tuition expenses results in an applicant being unable to expend the full award during FY2016, the award balance will revert to the Department of Community Affairs.

## **Eligibility Criteria and Application Process**

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

- Fully exhaust any Community Disaster Loan balance by the conclusion of CY2015/FY2016.

- Aggressively seek all available funds that could obviate the need for a Round Three Essential Service Grant.
- Explain what essential services would be negatively impacted if a grant is not approved; and consequently, what essential services would be continued with the receipt of an award.
- 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 compare current figures with the estimated Superstorm Sandy revenue losses and expenditure increases used to apply for Community Disaster Loans.
- Discuss the steps being taken to contain costs. Describe in detail personnel cost restraints, nonessential service reductions, procurement initiatives, etc.
- Explain efforts to identify opportunities for sharing services and capital assets 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 any awards that may be made.

The application process will be completely electronic, with each applicant completing an online application through the Department of Community Affairs' SIROMS System. In addition to the items referenced above, applicants must submit a proposed grant budget along with information concerning applicant's budget, staffing and labor contracts. All items in a proposed grant budget are subject to the Director's approval.

Documents that must accompany the application include:

- Introduced CY2015/FY2016 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)
- Fully-executed Application for the Community Disaster Loan Program, along with updated revenue and expenditure figures to reflect actual experience or more current

estimates as compared to projections shown in the Community Disaster Loan Application.

The application submission deadline is April 6, 2015; 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 or explain any information submitted in support thereof. In considering school district applications, DLGS will consult with the New Jersey Department of Education.

The award is calculated as follows:

### “Residual Sandy Budgetary Impact”:

The review team will determine whether the applicant’s revenue losses and unreimbursed storm-related expenditures through 2015 exceeded the Community Disaster Loan received by the applicant. This amount is considered the “2015 Residual Sandy Budgetary Impact.” Providing more funds as aid than the 2015 Residual Sandy Budgetary Impact would inappropriately reimburse local governments for budget shortfalls unrelated to the storm. Therefore, the Residual Sandy Budgetary Impact is the starting point for determining a reasonable and appropriate award.

### “Maximum Grant Eligibility”

Based upon the Division’s general experience and in-depth analysis of financially impacted communities, the Division has determined that no grant should be awarded that is more than 75% of the 2015 Residual Sandy Budgetary Impact, except for applicants that as a whole are classified as LMI-area, in which case the relevant percentage will be 85%. The premise for this determination is that applicants can and should be expected to address some of its Residual Sandy Budgetary Impacts through additional revenue collection initiatives (e.g. more aggressive collection of aged liabilities, maximization of assets, modernizing outdated user fees, etc.) or actions to constrain costs (e.g. aggressive procurement or personnel actions.) Housing and Urban Development representatives, in the course of a review of the 2013 Essential Service Grant Program, communicated a similar concern - that reasonable local actions should be required in order to mitigate the need for assistance. For these reasons, the Division established a “Maximum Grant Eligibility” for each applicant equal to 75% of the 2015 Residual Sandy Budgetary Impact (or 85% for applicants classified as LMI-area). Please note that unless the applicant as a whole is classified as LMI-area, the relevant percentage will be 75%.

### “Substantive Grant Eligibility”:

Essential Service Grants are intended for those applicants that required such funds in order to deliver essential services. To this end, applicants are expected to engage in management and budgeting actions designed to minimize future grant requests and prepare their budgets for the eventual phase out of the Grant Program. Division staff reviews five categories (four in the case of school districts) of the application and related documents as set forth below. For each of the categories, where two staff reviewers find application responses to be “Reasonably in Need of Improvement,” 5% will be deducted from the 2015 Maximum Grant Eligibility. The scoring was designed to establish a floor of no less than 50% of the 2015 Maximum Grant Eligibility (55% in the case of school districts). This floor was established in recognition of a need to strike a balance between providing a minimum level of funding to avoid the disruption of essential services and incentivizing improvements in operations to ensure preparation for the elimination of Essential Service Grants after 2015. The categories reviewed were as follows:

- A. 5% - Does the proposed budget advance financial stability by adjusting local revenues, including the levy, upward to sustainable levels, while maintaining a reasonable surplus?
- B. 5% - Is the applicant advancing appropriate actions to constrain costs other than personnel?
- C. 5% - Is the applicant advancing appropriate actions to constrain personnel costs?
- D. 5% - Is the applicant advancing appropriate actions to advance shared services?
- E. 5% - Is the Municipality aggressively pursuing responsible reconstruction of revenue sources: including the reconstruction of taxable properties with provisions for enhanced resiliency? (Local governments only)

### Determining Final Grant:

The Final Grant is the lowest of the following amounts: (1) the amount for which an application was submitted; (2) the Substantive Grant Eligibility; and (3) the Maximum Grant Eligibility, unless a lower amount is justified based on circumstances unique to the applicant. The Director, Assistant Division Director for Financial Regulation, and the Program Manager jointly calculate the grant amount after reviewing the application and supporting documentation. The Director makes the ultimate determination as to the amount of the grant award. The calculation is kept in each applicant’s file and memorialized in an award or denial letter.

### 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.

## 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. These conditions may include, but are not necessarily limited to:

- Measures restraining or cutting personnel and other costs
- Implementation of best practices identified on the Best Practices Questionnaire in conformance with the State Budget (municipalities only);
- 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 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, 2015 through December 31, 2015 for local governments, July 1, 2015 through June 30, 2016 for school districts. Each Agreement will incorporate the subrecipient's grant budget.

The drawdown process, like the program application, is entirely 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. 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.

### **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.