DLGS ENCOURAGES LOCAL GOVERNMENTS EXPERIENCING SANDY-RELATED REVENUE LOSSES FOR 2013 BUDGETS TO BEGIN COMMUNITY DISASTER LOAN APPLICATION PROCESS: CLARIFICATION OF PROGRAM AND HOW IT CAN HELP

This notice describes in further detail the federal government’s Community Disaster Loan Program, and clarifies eligibility criteria that is not as difficult to meet as some have believed. Local Finance Notice 2013-8 informed local governments about Federal funding available through the Community Disaster Loan Program. The program could potentially prevent unsustainable tax and rate increases in Sandy-affected communities, achieving stability for taxpayers in communities losing revenues due to Sandy impacts.

Thus far, more than twenty-five local governments have begun the application process and DLGS strongly encourages other local governments to apply. Generally, communities that can show cumulative actual and projected revenue losses over a four year period, which includes the year of the disaster (2012), and the three subsequent fiscal years (CY 2013-CY 2015) that are greater than 5% of the 2012 budgeted revenue can receive funding. That funding can be used to offset the levy in 2013 and beyond, providing a stable tax and rate environment for communities where stability is sorely needed.

While funding comes in the form of a loan, there are several reasons why it makes sense to apply:

(1) the interest rate on the loan is less than 1%

(2) the loan would be repaid at a time when the ratable base has been rebuilt, thereby reducing the impact on a currently diminished ratable base

(3) loans can be forgiven under certain circumstances.

Measuring Sandy-Related Revenue Loss

FEMA has clarified that the minimum revenue loss required for Community Disaster Loan eligibility can be measured over four years rather than just one year, as was stated in Local Finance Notice 2013-8. The revenue loss experienced by a local government must still be greater than five percent, but
that amount can be reached by the cumulative revenue loss experienced during the fiscal year the disaster occurred plus the three succeeding fiscal years. For a Sandy-affected municipality with a calendar year budget, this means that over 5% in actual and projected revenue losses due to Sandy can be measured from CY2012 through CY2015.

In order to put forth the strongest possible application to FEMA, local governments should thoroughly assess Sandy’s projected impact on all revenue sources. The Division has composed a general checklist of revenue sources that should be considered in assessing whether, and to what extent, your local government is eligible for Community Disaster Loan relief. This checklist is by no means exclusive, but rather a means by which to focus on the many streams of revenue potentially impacted by Superstorm Sandy.

- **Tax Ratables**
  - Total estimated revenue loss as calculated by tax assessor
  - Ratables at risk due to projected tax appeals

- **Property Tax Collections**
  - Decrease in tax collection rate

- **Actual and Projected Decrease in Other Revenues**
  - Water/Sewer collections
  - Beach badges
  - Parking meters
  - Municipal Court fines and fees
  - Hotel/Motel Taxes
  - Concessions (e.g., food/beverage, equipment rentals)
  - Marina boat slip rentals, boat ramp fees

Certain estimated unreimbursed disaster costs directly attributable to Sandy can also be factored into the revenue loss analysis for purposes of the Community Disaster Loan. These are non-capital expenditures which are not eligible for reimbursement by other federal disaster relief programs, and can include costs such as increased staffing, hiring of consultants and increases in insurance premiums.

**How the Community Disaster Loan Program Can Benefit Local Governments**

The Division strongly encourages officials from municipalities, counties, local authorities and fire districts to explore whether they can stabilize taxes and/or rates through the Community Disaster Loan Program. All local governments experiencing, or reasonably projected to experience, such revenue losses should apply for the Program.

A Community Disaster Loan can be drawn down upon as needed to maintain solvency while cushioning taxpayers from unsustainable property tax or utility rate increases. The ultimate loan’s rate of interest is extremely low (currently less than 1%) and may be forgiven if the local government incurs a cumulative operating deficit and a revenue loss equal to the amount of the loan, for the three full years after the year of the disaster. CDL Regulations further define the cancellation process. Whatever portion of the loan is not forgiven must be repaid at the end of five years, unless an extension of time is granted by FEMA, per the regulations.
The loan term is for 5 years and starts when the local government executes the promissory note from FEMA. A loan term may be extended for up to 5 additional years if FEMA finds that the local government’s fiscal situation warrants the extension. The maximum loan amount is the lesser of

- 25% of the applicant’s operating budget for the fiscal year of the disaster (or 50% of operating budget if revenue loss totals at least 75% of applicant’s operating budget); or
- The cumulative estimated revenue loss for the fiscal year of the disaster and the subsequent three fiscal years, plus any estimated unreimbursed disaster-related expenditures

In either case, the maximum loan amount is capped at $5 million. Local governments should show all actual and projected revenue losses attributable to Superstorm Sandy regardless of whether they exceed the maximum loan amount.

Community Disaster Loan proceeds may be accepted by a municipality, county, local authority or fire district through the adoption of a resolution by the governing body. A model resolution may be found in Appendix “A” of this Notice.

**Local Governments Must Notify the Division of Intent to Apply for a Community Disaster Loan**

As discussed in Local Finance Notice 2013-08, counties, municipalities, fire districts, authorities and special taxing districts that can reasonably demonstrate a greater than 5% actual or projected loss of annual revenue interested in applying must notify the Division by sending an email to Jason Martucci, the Division’s Community Disaster Loan Coordinator, at Jason.Martucci@dca.state.nj.us. The Division is extending the submission deadline to February 15.

Include “Community Disaster Loan” in the heading of the email. In the body of the email identify: the interested applicant; a primary contact (including phone and email); and the name and contact (including phone and email) of the CFO or Finance Director. The Division will provide additional information to potential applicants and arrange for a meeting with appropriate federal officials and a representative of the Division. It is extraordinarily important that the Division be notified as State endorsement of application is required and Division approval will be needed to include federal assistance as revenue in budgets.

Approved: Thomas H. Neff, Director
Appendix A

Model Resolution to Accept Community Disaster Loan Proceeds

(Insert name of governmental unit) of (Insert name of county)

Resolution Number

A RESOLUTION TO ACCEPT PROCEEDS FROM THE COMMUNITY DISASTER LOAN PROGRAM ADMINISTERED BY THE FEDERAL EMERGENCY MANAGEMENT AGENCY

WHEREAS, due to the effects of Superstorm Sandy, the (insert name of governmental unit) is projecting substantial revenue losses necessary for the continued operations of essential government services including, but not limited to, public safety and garbage collection services; and

WHEREAS, the Federal Emergency Management Administration (“FEMA”), though its Community Disaster Loan Program, makes available low interest loans to help offset substantial revenue losses until such time as recovery efforts lead to restored revenues sources; and

WHEREAS, FEMA has authorized a loan to be issued to (insert name of governmental unit) in the amount of $__________, to be drawn down over a period of years and included as revenue in support of annual budgets as permitted by the Division of Local Government Services; and

WHEREAS, State law permits local governments to accept such loan proceeds and anticipate same in support of their annual budgets; and

WHEREAS, (1) the rate of interest of the loan is extremely low (currently less than 1%); (2) the loan may be forgiven under certain circumstances; and (3) whatever portion of the loan is not forgiven will be repaid at a time when economic recovery has broadened the base of revenues in support of the budget; and

WHEREAS, refraining to accept such a loan would irresponsibly forgo relief available to the residents of (insert name of governmental unit), at a time when relief is critically needed;

NOW, THEREFORE, BE IT RESOLVED, by the Governing Body of the (insert type of governmental unit) of (insert name of governmental unit), County of (insert name of county), New Jersey as follows:

1. The Governing Body does hereby accept the amount of up to $_______________ in loan proceeds from the Community Disaster Loan Program; and

2. The amount of the loan that is utilized as revenue in support of annual budgets shall be set forth on schedule _________________ in the adopted budgets; and

3. The Clerk of the (insert name of governmental unit), County of (insert county name) is hereby directed to forward two certified copies of this Resolution to the Director of the Division of Local Government Services.

Adopted this _____ day of ________, 2013
and certified as a true copy of an original.

____________________________
Municipal Clerk

• Resolution MUST include reference to enabling resolution.