**MEMORANDUM OF UNDERSTANDING**

**Setting forth minimum conditions on the receipt of 2023 Calendar Year**

**Transitional Aid to Localities**

**\_\_\_\_\_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_\_, County of \_\_\_\_\_\_\_, New Jersey**

**TRANSITIONAL AID PROGRAM**

**MISSION STATEMENT**

The Division allocates its limited discretionary funds to ameliorate structural municipal budget shortfalls, ensuring that recipient municipalities can adopt a balanced budget during periods of distress. In addition to providing supplemental state aid to municipalities with documented need, the Division establishes a partnership with each recipient municipality, providing technical assistance and fiscal oversight that empowers the recipient municipality to achieve fiscal stability through operational reform, adoption of best practices, and sound financial planning.

To this end, each recipient municipality shall be assigned Technical Advisors who will work in collaboration with each Transitional Aid Municipality to identify cost drivers, implement operational and budgetary reforms, and identify and attract revenue generation and development opportunities. Through this intervention, the Division will assist each recipient municipality in achieving lasting structural reform sufficient to conclude the municipality’s reliance on transitional aid.

**RECITALS**

**WHEREAS**, after reviewing an application submitted by the \_\_\_\_\_\_\_\_\_\_of \_\_\_\_\_\_\_\_\_\_\_\_, County of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, New Jersey (the “Municipality”), the Director of the Division of Local Government Services (the "Director") has determined that the Municipality is in serious fiscal distress and an award of $\_\_\_\_\_\_\_\_\_\_\_\_\_ of Transitional Aid to Localities ("Transitional Aid") is appropriate, all in accordance with the criteria set forth in P.L. 2023, c.74 (the "State Budget"); and

**WHEREAS**, the State Budget and P.L. 2011, c.144 condition Transitional Aid on requirements, orders, and oversight that the Director deems necessary including, but not limited to, the implementation of government, administrative, and operational efficiencies, the approval by the Director of personnel actions, professional services and related contracts, payments in lieu of tax agreements, acceptance of grants from State, Federal or other organizations, and the creation of new or expanded public services; and

**WHEREAS**, provided the Legislature has appropriated, and the Governor has approved; sufficient Transitional Aid funding, an amount not to exceed 75% of the applicant’s total Transitional Aid award shall be disbursed upon execution of the Memorandum. The balance of Transitional Aid shall be disbursed on a timetable consistent with approval by the Director, provided the Municipality is in substantial compliance with this Memorandum and all laws, regulations, Local Finance Notices, and any government, administrative and operational efficiency, and oversight measures necessary for the fiscal recovery of the Municipality as the Director may order from time to time pursuant to the State Budget or any other law. Other than purposeful withholding of funds due to non-compliance with this Memorandum, all moneys will be transferred by year end. The Municipality may be deemed not to be in substantial compliance if it has hired personnel without appropriate approvals or otherwise knowingly violates any provision of the Memorandum. Additionally, the Municipality may be deemed not to be in substantial compliance if the Municipality or its officials have failed to attend meetings or produce documents as directed by DLGS.

**DLGS may, at its sole discretion, withhold funds from the final payment where the Municipality is in substantial compliance, but has otherwise violated certain terms of the Memorandum. For example, in addition to any other sanctions, DLGS may withhold aid in an amount equal to no less than the amount of funds expended in support of hires or activities not approved in strict compliance with the terms and timeframes set forth in this Memorandum.**

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS**:

(1) This Memorandum of Understanding (the "Memorandum") sets forth the minimum conditions, requirements, orders, and oversight required as a condition of receiving Transitional Aid; and

(2) The Municipality shall comply with the conditions set forth below in addition to all laws, regulations, Local Finance Notices, and any government, administrative and oversight measure necessary for the fiscal recovery of the Municipality as the Director may order from time to time pursuant to the State Budget or any other law.

Table of Contents

A. Definitions 4

B. List of Attachments 5

C. Implementing Provisions and Flexibility 6

D. Meeting Requirements 6

E. Authorities, Boards, Commissions, and Utilities 6

F. Restrictions on Hiring and Assignment of Individuals in Acting Capacities 7

G. Restriction on Terminations and Suspensions without Pay 9

H. Restrictions on Longevity Pay, Overtime, Salary Increases, Promotions and Transfers 10

I. Restrictions on Public Contracting 11

J. Restrictions on Tax Exemptions and Abatements and the Collection of Related Payments in Lieu of Taxes 13

K. Regular Meetings with DLGS on Economic Development Efforts and Reporting Requirements Pertaining to Tax Exemptions and Abatements 13

L. Restrictions on the Creation or Expansion of Services 14

M. Restrictions of Miscellaneous Nature 14

N. Requirement for Copy of Agenda Prior to Governing Body Meetings 16

O. Requirements for Approval of Bond Ordinances and Contract Request Forms 17

P. Requirement to Have a Pay to Play Ordinance 17

Q. Requirement to Consider a Model Insurance Brokerage Ordinance 17

R. Individual and Collective Negotiation Agreements 18

S. Miscellaneous Reporting Requirements 20

T. Requirements of Local Finance Notices for Transitional Aid Application Process 21

U. Good Faith Exceptions 21

V. Duration of Memorandum 22

Governing Body Acknowledgement 23

# **Definitions**

As used herein the following words are defined as follows, unless the context otherwise indicates:

1. “Municipality” means: \_\_\_\_\_\_\_\_\_ of \_\_\_\_\_\_\_\_\_, in the County of \_\_\_\_\_\_\_\_\_, New Jersey.
2. “Director” means: Director of the Division of Local Government Services.
3. “DLGS” means: Division of Local Government Services.
4. “Transitional Aid” means: Transitional Aid to Localities.
5. “State Budget” means: P.L. 2023, c.74.
6. “Memorandum” means: Memorandum of Understanding.
7. “State Fiscal Oversight Officer” means: Technical Advisor, and/or the Director’s designee.
8. “CMPTRA” means: Consolidated Municipal Property Tax Relief Aid.
9. “PILOT” means: Payment in Lieu of Taxes.
10. “Self-Liquidating” means: The entity generates sufficient annual revenue to cover 100% of its annual expenses which includes debt service.

# **List of Attachments**

**Attachment A** Request for Approval for Employees Requiring Advice and Consent of Governing Body

**Attachment B** Request for Approval for Senior Level Employees or Confidential Employees

**Attachment C** Request for Employment Approval

**Attachment D** Contract Request Form

**Attachment E** Creation/Extension of Services Form

**Attachment F** Out of State & Overnight Travel Request Form

**Attachment G** Grant Approval Form

**Attachment H** Bond Ordinance or Contract Request Form

**Attachment I** “Best Price Insurance Contracting” Model Ordinance

**Attachment J** Model Letter to Collective Bargaining Units and Arbitrators for Municipalities that Use the State Health Benefits Plan

**Attachment K** Model Letter to Collective Bargaining Units and Arbitrators for Municipalities that Do Not Use the State Health Benefits Plan

**Attachment L** Tax Exemption and Abatement Report

**Attachment M** Termination or Suspension without Pay Form

**Attachment N** Waiver Approvals List

# **Implementing Provisions and Flexibility**

The Director shall be represented by an assigned DLGS State Fiscal Oversight Officer (i.e. Technical Advisor) and/or any other person or persons designated by the Director who shall be authorized from time to time to act on the Director's behalf as State Fiscal Oversight Officer. This individual will act as a technical advisor, partnering with the municipality to implement sound fiscal practices, and ensuring compliance with the terms of this Memorandum.

All requests, questions, issues and submission of any attachment referenced above shall be first addressed to the State Fiscal Oversight Officer by contacting such person(s) at the DLGS.

The Municipality shall provide reasonable office space, as needed, so that the State Fiscal Oversight Officer may conduct business within the municipality. Additionally, the Municipality shall provide the State Fiscal Oversight Officer with requested documents and records and shall allow him or her to meet with the Business Administrator, Chief Financial Officer, Registered Municipal Clerk, Tax Collector and any other department heads or supervisors. Additionally, the State Fiscal Oversight Officer shall be provided immediate access to view information on the Municipality's accounting system upon request.

# **Meeting Requirements**

The Municipality's representatives shall meet with the Director or her staff at a time scheduled by the Director, to discuss budgetary, fiscal, operations and any other matters.

The State Fiscal Oversight Officer, as designated by the Director, may contact the Municipality to schedule meetings with the Auditor, Chief Financial Officer and the Mayor and/or designee to discuss the latest audit findings.

# **Authorities, Boards, Commissions, and Utilities**

1. The Municipality shall enter into a Memorandum with all Boards, Agencies, Authorities or Commissions including, but not limited to, Historic Preservation Commission, Parking Authority, Housing Authority, Planning Boards, Zoning Boards, Alcohol Beverage Control Board, and the Redevelopment Agencies (collectively “entities”). This Memorandum shall ensure the “entities” conduct ethics training, meet financial disclosure requirements and adhere to governance and procurement best practices. Additionally, all entities must comply with the Local Public Contracts Law, state and local affirmative action regulations and laws, and statutory “pay to play” requirements to the extent applicable to each entity. Furthermore, all such entities of the Municipality shall collaboratively work together to advance the vision and mission of the Municipality. The term of the Memorandum shall cover each year that the Municipality receives Transitional Aid.
2. Unless otherwise specified by MOU addenda, Division oversight of self-liquidating utilities shall be limited to annual budgetary review if the municipal budget does not rely upon transfers of surplus or utility assets, and the utility issues no debt that relies upon a municipal guarantee.
3. The Municipality shall obtain and review annually the independent audit reports for each utility and authority.

# **Restrictions on Hiring and Assignment of Individuals in Acting Capacities**

1. **Hiring Employees Requiring Governing Body Advice and Consent.** A "Request to Hire Employees Requiring Governing Body Advice and Consent Waiver Form" (Attachment A) shall be completed and submitted to the Director through the State Fiscal Oversight Officer prior to the Municipality advancing any candidate to the governing body for advice and consent. Senior level and confidential employees typically requiring Governing Body advice and consent may include, but are not necessarily limited to, city manager, business administrator, chief of staff, department directors (including the chief financial officer who is also the director of finance), municipal judges, the police chief, the fire chief, the tax assessor and the tax collector. The Municipality should establish a hiring committee that shall include the mayor or his/her designee, a governing body representative, the department head, a personnel/human resources staff member, and the State Technical Advisor to interview/screen candidates for the position in a collaborative manner. The Municipality will then submit the candidate to the governing body for advice and consent. This methodology will ensure key positions are filled with qualified individuals who will achieve State and governing body approval. Thereafter, the governing body may hold a meeting to consider its advice and consent. The Municipal Clerk shall return the waiver form indicating the results of said meeting. Upon its receipt of the waiver form, DLGS will make a final determination concerning approval or disapproval of the candidate. The Municipality shall not hire the candidate until it receives DLGS final written approval. Resumes must be submitted for each candidate being considered for employment under this section.

All waivers approved by the Municipal Technical Advisor for the hiring of personnel expire 6 months after the date of approval if the position has not been filled. The Municipality must resubmit new waiver requests for each expired waiver.

1. **Hiring Senior Level and Confidential Employees Not Requiring Governing Body Advice and Consent.** A "Request to Hire Senior Level and Confidential Employees Not Requiring Governing Body Advice and Consent Waiver Form" (Attachment B) shall be completed and submitted to the Director through the State Fiscal Oversight Officer prior to the Municipality hiring any such candidate for employment. (Senior Level and Confidential Employees shall include, but not be limited to: City Manager, Business Administrator, Chief of Staff, Chief Financial Officer, Tax Collector, Chief of Police, Chief of Fire, Department Head, Division Director, and any aides to the Mayor or governing body, regardless of job title.) Any such senior level and confidential employees requiring advice and consent shall be subject to the approval process in #1, above. Nothing herein shall alter any State or municipal laws governing the necessity to obtain advice and consent. The Municipality shall not hire the candidate until it receives final written approval from DLGS. Resumes must be submitted for each candidate being considered for employment under this section.

All waivers approved by the Municipal Technical Advisor for the hiring of personnel expire 6 months after the date of approval if the position has not been filled. The Municipality must resubmit new waiver requests for each expired waiver.

**3. Hiring All Employees Other Than Employees Requiring Governing Body Advice and Consent or Senior Level and Confidential Employees.** A "Request to Hire Employee Waiver Form" (Attachment C) shall be completed and submitted to the Director prior to the Municipality filling any position not covered by either of the two processes described in the preceding paragraphs, unless the Municipality has submitted to the Division, and received Director approval of, a Table of Organization and salary ranges for all municipal positions within this employee category contained therein. A Municipality that has received Director approval of a Table of Organization and salary ranges may hire candidates for the approved positions and ranges without individual waivers, except those positions described in provisions one and two above. Tables of Organization and ranges may be submitted for individual departments. The Municipality must certify that the appropriate background checks were completed for any hires within this category and that the municipality remains in compliance with State and federal labor laws. Waivers are required for any hiring or salary adjustments outside approved Tables of Organization and ranges.

All waivers approved by the Municipal Technical Advisor for the hiring of personnel expire 6 months after the date of approval if the position has not been filled. The Municipality must resubmit new waiver requests for each expired waiver.

1. **Assignment of Individuals to Acting Positions.** The Municipality shall not assign any person to work in an "acting capacity" regarding positions permanently vacated through death, retirement, termination or resignation without Division approval if the vacant position is covered by the process for either a "Request to Hire Employees Requiring Governing Body Advice and Consent Waiver Form" or a "Request to Hire Senior and Confidential Employees Not Requiring Governing Body Advice and Consent Waiver Form." In such cases, the process for assigning a person to work in an "acting capacity" shall follow the process for permanently filling the vacancy.
2. **Hiring Part Time, Hourly and Seasonal Employees.** The hiring of part time, hourly and seasonal employees receiving no health benefits will be addressed by title in its entirety. The Municipality shall submit a Table of Organization and or request for the maximum number of employees in the title along with the budgetary impact for the title. DLGS will review the request and approve a total number of positions for that title for the purpose of hiring and replacing employees, as needed. Additionally, DLGS will review and approve the appropriate budgetary appropriation for said title. The Municipality must certify that the appropriate background checks were completed and remain in compliance with State and federal labor laws.

All waivers approved by the Municipal Technical Advisor for the hiring of personnel expire 6 months after the date of approval if the position has not been filled. The Municipality must resubmit new waiver requests for each expired waiver.

1. **Anti-Nepotism Policy.** The Municipality shall adopt and maintain an anti-nepotism policy. The policy shall be reflected in the municipal personnel manual. Family members/relatives of municipal officials and employees may be eligible for employment with the Municipality only if individuals involved do not work in a direct supervisory relationship, or in job positions in which a conflict of interest could arise. The term “family member/relatives” should be defined to include but not necessarily be limited to spouses, children, siblings, parents, in-laws, and step-relatives. Current employees who marry will be permitted to continue working in the job position held only if they do not work in a direct supervisory relationship with one another or in job positions involving conflict of interest. Barring conflicts of interest, the Municipality may “grandfather” employees from this policy that were hired prior to the date of the original Memorandum, with the understanding that if an employee is separated and re-hired, they must adhere to the new policy.

# **Restriction on Terminations and Suspensions without Pay**

The Municipality shall be required to notify the State Fiscal Oversight Officer of a decision to terminate or suspend without pay any officer or employee, as previously defined in Sections 1 and 2 of “Restrictions on Hiring” or, request that an employee resign. No employee referenced above may be terminated by the Municipality or asked to resign without the Municipality first submitting a "Termination Form" (Attachment M) for approval to DLGS. The State Fiscal Oversight Officer in his or her sole discretion, shall be permitted to, but shall not be required to, prohibit or postpone such a termination for any the following reasons: retaining a qualified and conscientious employee; ensuring an appropriate transition to a qualified replacement; concerns that termination is not consistent with law. Prior approval to terminate an officer or employee is not needed upon an officer or employee being criminally convicted or indicted.

# **Restrictions on Longevity Pay, Overtime, Salary Increases, Promotions and Transfers**

1. **Elimination of Ordinances** **Allowing for Future Increases in Longevity Pay or other Forms of Increases for Elected Officials and Non-Contractual Employees:** The Municipality shall immediately freeze supplemental pay provided to elected officials and non-contractual employees, including but not limited to “longevity pay,” at the rates that existed prior to the effective date of this Memorandum (or in the case of a Municipality that received Transitional Aid or a State Loan from DLGS in FY 2017, prior to the effective date of the 2017 Memorandum). Stated differently, supplemental pay for elected officials and non-contractual employees shall not be increased on or after the effective date of this Memorandum (or the 2017 Memorandum if applicable). Any applicable ordinances and policies shall be amended accordingly.
2. **Employee Primary Functions:** The Municipality shall prescribe all municipal employees service functions that directly relate to the service responsibilities of the department and division to which they are assigned. No municipal employee may have as their primary function the performance of union functions.
3. **Salary Restraints for Elected Officials and Non-Contractual Employees:** On and after the effective date of this Memorandum, the Municipality shall not increase the salaries or compensation of elected officials, non-contractual employees, and contractual employees who are not otherwise entitled to increases under the terms of a negotiated contract. However, annual increases of no greater than 2% under the PERC cost-out may be authorized if the Municipality has submitted to the Division, and received Director approval of, a Table of Organization and salary ranges for all municipal positions contained therein, and the salary increases fall within the approved salary ranges for each position for which a raise is approved. Waivers are required for any salary adjustments outside approved Tables of Organization and salary ranges. Elected officials shall not be entitled to accrue sick or vacation time and shall not be entitled to receive payouts for said time.
4. **Overtime Compensation:** The Municipality shall not authorize any employee, including but not limited to any management employee, to earn or be paid for overtime unless Federal or State law expressly requires overtime to be earned or paid. Any applicable ordinances and policies shall be amended accordingly. Elected officials are not eligible for overtime.
5. **Renewal, Extensions, and Changes to Individual Employment Contracts:** No new or renewed individual employment contracts, extension of terms of an individual employment contract, or any other change to an individual employment contract shall be executed without the prior written approval of the Director.
6. **Promotions, Transfers, and Title Changes:** Absent approval by DLGS, the Municipality shall not approve any promotions, transfers, and/or title changes including but not limited to “backfilling” unless contractually obligated to do so.
7. **Elected Officials:** The Municipality acknowledges it is inappropriate for an elected official to receive payment for vacation, sick, compensatory, or overtime relating to his or her elected position. To the extent any ordinance contains provisions expressly allowing for such forms of compensation to elected officials, the provisions shall be considered inoperative. Any such inoperative provisions remaining on the books shall be deleted by the governing body within 60 days of being notified by DLGS.
8. **Sick Time Policies:** The Municipality shall adopt an ordinance disallowing compensation for unused sick time in amounts not to exceed $15,000 to the extent such an ordinance would not violate a contractual entitlement existing prior to enactment.
9. **Compensatory Time:** The Municipality acknowledges that compensatory time can be an appropriate means by which to manage human resources within flexible time schedules that may require work at unusual times but should not be a form of compensation for employees whose positions require unusual work hours and who are not entitled by law or contract to receive pay for compensatory time. Therefore, while the Municipality may establish compensatory time policies for such employees, the policies shall contain a requirement to "use it or lose it" at minimum, quarterly.
10. **Direct Deposit of Net Pay:** The Municipality shall adopt a resolution or ordinance requiring mandatory direct deposit of net pay for all employees. Exemptions may be granted for seasonal and temporary employees. Additional information regarding direct deposit can be found in LFN 2015-14 on the DLGS website at <http://www.nj.gov/dca/divisions/dlgs/lfns/15/2015-14.pdf>

# **Restrictions on Public Contracting**

1. **Professional and Consultant Services**: A "Contract Request Form" (Attachment D) shall be submitted to and approved by the Division prior to the Municipality authorizing the services of any consultant or professional, regardless of contract value, or any amendments with respect thereto. This condition applies to legal services, insurance brokerage services, risk management, grant writing, public relations, government affairs, engineering and public works, accounting and financial services, public safety and health services, management services, and without any exceptions, services of any type or description, regardless of contract value, that are procured as professional services and/or extraordinary unspecifiable services under the Local Public Contracts Law.

The Municipality shall include in each contract for professional services the requirement that each vendor provide monthly billing statements that include a brief statement showing the original amount of the Contract, any increases established by amendment to the Contract, the amount previously billed under the Contract, and the total amount of unbilled funds remaining available under the Contract after deduction of the most recent amount billed. A copy of each billing statement shall be made available to the State Fiscal Oversight Officer upon request.

The Municipality may retain consultants and professionals without the Division's pre-approval in cases of emergency, provided however, that the engagement is promptly reported to the State Fiscal Oversight Officer, a Contract Request Form is submitted, and the scope of the engagement is limited to meeting the requirements created by the emergency.

1. **Public Bidding**: A Contract Request Form” (Attachment D) shall be submitted to and approved by the Director prior to the Municipality authorizing services of any kind that exceed the bid limits of Qualified Purchasing Agent (currently $44,000) or, if applicable, non-Qualified Purchasing Agent (currently $17,500) municipalities. All contracts exempt from public bidding shall be procured pursuant to the "fair and open" process described in N.J.S.A. 19:44A-20.4 et seq., unless the Director approves an alternative procurement process that is necessary under the circumstances or that provides greater transparency and competition than the minimum requirements of the "fair and open" process.

The Contract Request Form shall be accompanied by the Request for Proposal, the list of all bidders and their bid amounts, and the evaluation memorandum or worksheet.

The Municipality shall include a disclosure form in its bid package for bidders to disclose any prior or pending ethics complaints against them or their company.

1. **Pre-Approval of Returning Vendors**: Unless ordered to the contrary, the Division's pre-approval is not required in cases where the Municipality intends to award a contract to a vendor that was approved by DLGS during the previous budget year and if all of the following conditions are present: (i) the Municipality has complied with this Memorandum and laws relating to the procurement process, and (ii) the scope of services, rates (or total contract value), caps on payment, and other terms are the same or better than the previous budget year, and (iii) any conditions imposed by DLGS in the previous year's approval are retained .

# **Restrictions on Tax Exemptions and Abatements and the Collection of Related Payments in Lieu of Taxes**

1. **Payment Schedules**: In no case shall the governing body approve a redeveloper agreement or PILOT payment schedule that requires an up-front, one-time, or short-term payment that leaves the Municipality with a structural revenue loss in the ensuing year or later years without prior approval.
2. **DLGS Approval prior to Authorization of any Agreement**: A “Contract Request Form” (Attachment D) shall be submitted to and approved by the Director or Designee prior to the Municipality authorizing any proposed PILOT Redevelopment Plan, or Redeveloper Agreement (or amendments thereto), or any ordinance authorizing same. The State Fiscal Oversight Officer shall meet with the Municipality and determine whether the development plan has been established through a reasonable process and that tax exemptions and PILOTs have been reviewed in the context of gap financing to ensure they are not being awarded without good cause. Such notification shall not be required when: (1) any proposed PILOT contained in the Redevelopment Plan or Redeveloper Agreement is allocated to the county, school district(s), and other applicable local government jurisdictions in the same proportion as ordinary taxes are allocated to those taxing district; (2) any amendment to a Redevelopment Plan or Redeveloper Agreement maintains or increases a PILOT previously set forth in a Redevelopment Plan or Redeveloper Agreement; or (3) any Redeveloper Agreement that is required or approved by the New Jersey Housing and Mortgage Finance Agency. To request approval of tax exemptions and PILOTs pursuant to this section, the Municipality shall submit Attachment D and provide information containing: a cost benefit discussion of the project; assurances that the project would not move forward but for the existence of a PILOT; the taxes that would be collected if the project were subject to ordinary taxation; and the proposed PILOT.

# **Regular Meetings with DLGS on Economic Development Efforts and Reporting Requirements Pertaining to Tax Exemptions and Abatements**

In recognition that special tax exemptions or abatements should be granted only where essential to ensure economic development, the Municipality shall complete and return to DLGS a completed "Tax Exemption and Abatement Report" (Attachment L) along with its Transitional Aid Application in each year aid is sought. The report is an electronic fillable spreadsheet which is located on the Division's website under the Municipal State Aid section. The following documents must accompany the report and be delivered in PDF format: a map of all areas within municipality classified as Redevelopment Areas; a map of all areas within municipality classified as Areas in Need of Rehabilitation; and any current ordinance(s) allowing taxpayers to obtain tax exemptions or abatements as a matter of right. This report does not replace any similar filing requirements that may be required pursuant to State statute. It will be necessary for the Tax Collector, Chief Financial Officer, and Tax Assessor to collaborate in preparing the form and certifying to the accuracy of the data submitted.

# **Restrictions on the Creation or Expansion of Services**

A "Creation/Extension of Services Form" (Attachment E) shall be submitted to and approved by the Director before the Municipality creates or expands municipal services for which no fully offsetting revenue is generated. This condition extends to the creation of new programs and increases in funding or expansion of eligibility of existing programs. By way of example only, the following actions would need pre-approval from the Director: creating a new recreational program; expanding the total number of enrollees in a particular service; establishing a new regulatory program in the area of code enforcement; establishing or increasing funding for a grant or loan program. This requirement exists to avoid expansion of a structural deficit.

# **Restrictions of Miscellaneous Nature**

1. **Travel Approval**: A "Travel Approval Form" (Attachment F) shall be submitted to and approved by the Director before the Municipality expends funds for out-of-state travel and overnight stays within New Jersey, which shall include attendance at the annual convention of the New Jersey League of Municipalities. The Municipality shall explain good cause for the expenditure, which may include, but is not limited to, a need to: maintain licensure or certification of statutory employees; essential training for elected officers in areas concerning finance, budget, procurement and ethics; and essential training for public safety employees. Travel for executive protection will generally not be approved absent a compelling reason.  The Director may, at his or her discretion, consider requests for executive protection upon request of the Municipality.  These requests must follow the same procedure as all other travel requests and must be accompanied by a completed “Travel Approval Form” (Attachment F) along with a significant justification for the need for executive protection.  Requests must be submitted in advance of the requested travel dates.  Failure to obtain prior written approval may result in a reduction in Transitional Aid.
2. **Attendance at the NJ League of Municipalities Conference**:
3. Travel and Conference Policy regarding League of Municipalities Annual Conference who may attend, subject to self-payment.
   1. Any employee who the chief administrative officer considers appropriate may take time off from work to attend the League Conference at his/her own expense (registration, lodging, mileage, meals, etc.).

Any employee who the chief administrative officer considers appropriate may take time off from work to attend training sessions and organizational conferences for purposes of obtaining continuing education units to maintain a license or certification may do so at their own expense (registration, lodging, mileage, meals, etc.).

1. When the Municipality will pay the cost or reimburse the employee for the cost of attendance:
   1. With the approval of the chief administrative officer, and subject to an appropriate rationale and explanation (as set forth above) approved by the Director (DLGS), appropriate employees, including department heads and members of the governing body, may attend the conference with the cost of registration and lodging for one (1) night reimbursed or paid for by the Municipality.
   2. The Mayor may attend with the cost of registration and lodging for up to two (2) nights reimbursed or paid for by the Municipality.
   3. Whenever possible, when the costs are being paid directly or indirectly by the Municipality, employees should share a room (lodging for one night) so as to reduce the cost of attendance for taxpayers.
2. **Mileage Reimbursement**: Expenditures and reimbursements for travel mileage to and from meetings for the purpose of day-to-day municipal business shall be restricted to the State reimbursement rate (currently .47 cents per mile.)
3. **Food/Entertainment Prohibited:** Expenditures and reimbursements from any municipal funds for food/meals (other than food/meals required by contracts in effect on the date of this Memorandum), entertainment, and receptions are prohibited.
4. **Grant Applications**: A “Grant Pre-Approval Form” (Attachment G) shall be submitted to and approved by the Director prior to the application of any grant requiring current or long-term matching funds or a commitment of municipal resources or staffing to ensure sustainability. If the Municipality is awarded a grant requiring any commitment of resources or funds, a copy of the award letter shall be submitted to the Director or the State Fiscal Monitor within 15 days of receipt of the award letter.
5. **Expenditure of Funds to Non-Profit/Charitable Organizations**: No public funds shall be paid or distributed in any manner to non-profit organizations, including but not limited to, charitable organizations, unless the expenditure of funds is expressly authorized by statute. No public funds shall be expended for non-statutory charitable contributions, bereavement, or celebratory purposes, for individuals or organizations. Funds allocated to third party grantees, including CDBG and HOME funds, distributed to non-profits though a competitive process for performance of municipal social service work are exceptions to this limitation.
6. **Fee Waivers**: No fees established by ordinance adopted by the governing body shall be waived, reduced or otherwise revised without prior approval of the Director.
7. **Municipal Court Security**: The Municipality shall not assign active-duty police officers as security for the Municipal Court but shall hire retired police officers or special law enforcement officers at an hourly rate not to exceed $25 per hour.
8. **Use of Municipal Funds for Litigation.** Approval of contracts or other requests does not extend to any litigation contesting actions of the State of New Jersey or any of its agencies or authorities. Prior to participating in any such actions, the prior written approval of the Director shall be first obtained by the Municipality.
9. **Local Finance Board.** If the Municipality has been notified by the Director or the assigned Municipal Technical Advisor of a violation of the MOU, then Local Finance Board shall not accept as complete any application submitted for approval or findings, as appropriate, until such time as the requirements of the MOU have been satisfied.
10. **Compliance with Pay-to-Play Ordinance**. All approved vendors shall comply with the Municipality’s Pay-to-Play Ordinance prohibiting contributions exceeding $300 to any candidates for office in the Municipality. A violation of the Pay-to-Play Ordinance will result in the approval of a contract being rescinded.

# **Requirement for Copy of Agenda Prior to Governing Body Meetings**

Immediately upon publication, prior to any regular or special meetings by the governing body, the municipal clerk, or his or her designee, shall provide a copy of each agenda to the State Fiscal Oversight Officer.

# **Requirements for Approval of Bond Ordinances and Contract Request Forms**

1. **DLGS Approval Prior to Authorization**: Bond Ordinance or Contract Request Form (Attachment H) shall be submitted to and approved by the Director or designee prior to introduction by the governing body of any proposed bond ordinance exceeding $1 million or contract exceeding $500,000. All Contract Request Forms shall include a copy of the contract or bond ordinance to be voted upon by the governing body. Each bond ordinance shall include a financial impact statement on the estimated additional debt service attributable to the bond ordinance, using an interest rate in effect at the time of introduction and certified by the municipality’s Certified Financial Officer, Bond Counsel or Financial Advisor. The purpose of this requirement is to ensure that elected officials (and the public) are aware of the cost and impact on future years budgets of the legislation being voted upon.
2. **Offering Statements**: The Municipality shall file with the Director, prior to closing, a copy of any Offering Statement prepared in relation to any financing.

# **Requirement to Have a Pay to Play Ordinance**

The Municipality shall have a "pay to play" ordinance pursuant to P.L. 2005, c.271 limiting the awarding of public contracts by the Municipality or its agencies to business entities that have made a contribution pursuant to N.J.S.A. 19:44A-I, et seq. and limiting the contributions that any business entity can make during the term of their contract with the Municipality. The ordinance shall not be repealed or amended for so long as this Memorandum is in effect. The ordinance shall be substantively identical to the provisions of the "pay to play" model ordinance which can be found at http://www.state.nj.us/dca/lgs/muniaid/pay to play ordinance-contractor.doc.

# **Requirement to Consider a Model Insurance Brokerage Ordinance**

Insurance costs, especially health care and prescription benefits are very costly for municipalities. To obtain the lowest possible price for insurance, whenever the Municipality desires to retain the services of an insurance consulting service (e.g. broker), the Municipality shall first have considered, discussed and adopted the "Best Price Insurance Contracting" model ordinance at a public hearing of the governing body in substantially the form as shown in Attachment. I

# **Individual and Collective Negotiation Agreements**

1. **Limitations on Annual Increases**: The Municipality acknowledges that the State will not provide Transitional Aid in cases where the Municipality allows or approves compensation increases that are not sustainable. The Municipality understands that if it approves any individual employment contract or any collective negotiation agreement that increases annual compensation for the employee or group of employees by more than 2% annually, on average during the term of the agreement, the Municipality may become ineligible for future aid.

For purposes of calculating the 2% annual increase referenced above, the Municipality shall provide an analysis guided by decisions of the New Jersey Public Employment Relations Commissions (see Borough of New Milford, PERC No. 2012-53 and City of Atlantic City, PERC No. 2013-82).

Prior to final approval of the Collective Negotiations Agreement (CNA) or of any Memorandum of Understanding/Agreement (MOU/A) setting forth the negotiated terms of settlement, the Municipality shall provide to the State, for its review, the following:

1. Establishment of base salary costs upon which the total annual and aggregate costs shall be calculated:
2. A list of all bargaining unit members, their base salary step in the last year of the expired agreement and their anniversary date of hire;
3. Cost of increments and the specific date on which they are paid;
4. Cost of longevity and the calculation by which it was derived;
5. The total cost of all base salary items for the last year of the expired agreement. For unit members retiring in the last year of the expired agreement, base salary shall be prorated to that actually paid to the unit member; and
6. The sum total of all costs identified above.
7. Establishment of the total contract cost over the proposed contract period, to include a scatter gram of each employee listed in the base year (last year of the expiring agreement – see above) moving each employee through the salary guide proposed for the proposed term of the agreement (the potential future retirement of unit members shall not be considered as part of this analysis). The scattergram shall include the annual dollar and percentage increases for each year of the contract along with the total aggregate dollar and percentage increase compared to the base year. A hard copy and an electronic copy (in MS Excel format) are required.
8. Analysis of the cost of any proposed changes to health benefits including the methodology by which the costs were calculated including any assumptions.
9. Requirement for an analysis of the cost of any other non-salary financial impacts proposed including the methodology and assumptions used in the calculation.
10. Maintain no less than current chapter 78 employee health benefits premium contributions.
11. **DLGS Presence During Negotiations Sessions**: The Municipality agrees to include the State Fiscal Oversight Officer or designee in collective bargaining negotiations/mediation/arbitration, to include providing copies of draft agreements and authorizing them to participate as an observer who may offer comments or recommendations to the negotiation team in closed session.
12. **DLGS Prior Approval of all Agreements**: The Municipality shall provide a copy of any proposed employment contract, collective bargaining agreement, or settlement agreement to the Division for review at least ten days prior to ratification. A “Contract Request Form” (Attachment D) shall be submitted to and approved by the Director prior to the Municipality authorizing execution of the Collective Negotiations Agreement.
13. **State Health Benefits Plan**: The Municipality acknowledges that the State does not provide Transitional Aid for subsidizing health and prescription benefits that are more expensive than the health and prescription benefits available through the State Health Benefits Program. The Municipality shall provide a plan to take all steps necessary to enroll in the State Health Benefits Plan should their health care insurance costs exceed that of the State Health Benefits Plan.
14. **Requirement to Provide Notification of Transitional Aid Impact**: The Municipality will provide the Director or Designee with copies of letters substantially similar to the model letters set forth on Attachment (J) (for municipalities participating in the State Health Benefits Program) or Attachment (K) (for municipalities not participating in the State Health Benefits Program) that it has delivered to each of the collective bargaining units representing the Municipality's employees. Furthermore, in the event any collective negotiation is submitted to binding arbitration in the case of police and fire employees or fact-finding in the case of all other bargaining unit employees, the Municipality will deliver to the arbitrator or fact-finder, with a copy to the Director, a letter that is substantially similar to the model letter set forth on Attachment J or Attachment K, whichever is applicable).
15. **No Benefits for Part-Time Officials and/or Employees**: The Municipality acknowledges that the State does not provide Transitional Aid to support health and prescription benefits to part-time elected officials, part-time appointed officials and part-time employees and agrees that it shall eliminate such benefits unless said benefits are contractually required.

# **Miscellaneous Reporting Requirements**

1. **Municipal Organizational Inventory**: The Municipality shall promptly submit to the Director, upon the Director's request, a list of all employees containing their name, salary, title, department or organizational unit, and date of hire, together with information identifying which employees were direct appointments of the Mayor.
2. **Findings by State or Federal Agencies**: The Municipality shall promptly notify the Director of all future findings, decisions, penalties, orders and requirements resulting from complaints, investigations, and reports issued by State and Federal regulatory agencies including, but not limited to, the Department of Labor, Civil Service Commission, and the Public Employment Relations Commission.
3. **Municipal Judgments and Settlements**: The Municipality shall promptly submit to the Director a copy of all judgments or settlements in excess of $100,000 rendered or executed on and after the date of this Memorandum. The Director may, at the Director's discretion, request copies of any other judgments or settlements involving the Municipality or its employees regardless of the date of same.
4. **Government Records**: The Municipality shall immediately provide the Director with a copy of any complaint filed with the Superior Court or the Government Records Council against the Municipality or its officers with respect to a request for government records.
5. **Municipal Records**: The Municipality shall make available to the Director, upon the Director's request, any of the Municipality's records, including but not limited to: bill lists, vouchers, active litigation files, etc.
6. **Waiver Approvals:** The Municipality shall maintain a list of all waiver approvals and make it available to the Director, upon the Director’s request. It shall contain the information provided in Attachment (N).
7. **Budget Reports:** The Municipality shall provide quarterly budget reports by no later than two weeks after the close of the reporting month. The report shall include, but not necessarily be limited to, the following:
   1. For each budgeted item of Revenue
      1. Approved budgeted amount
      2. Amount collected year to date
      3. Percentage of budgeted revenue collected year to date
      4. Previous year collected year to date
   2. For each budgeted Appropriation line item
      1. Approved budgeted amount
      2. Amount expended year to date
      3. Percentage of approved budgeted amount expended year to date.
      4. Previous year expended year to date
8. **Pay Classification Plan:** The Municipality shall establish a pay classification plan with salary ranges for all municipal job titles within six months of execution of this Memorandum.
9. **Revenue Adjustments:** The Municipality shall annually review and adjust revenues in line with current cost of services for the following:
   1. All shared services agreements
   2. All agreements with outside agencies such as Housing and Parking Authorities.
   3. All fees charged by the various municipal departments.
10. **National Fire Incident Reporting System (NFIRS):** The Municipality shall participate in the NFIRS and shall submit their data to DCA’s Division of Fire Safety monthly.

# **Requirements of Local Finance Notices for Transitional Aid Application Process**

The requirements outlined in LFN 2023-03 are incorporated herein by reference.

# **Good Faith Exceptions**

The Municipality may apply in writing to the Director for a good cause exception of any condition or requirement contained in this Memorandum. The Director may also issue *sua sponte* exceptions from any condition or requirement contained in this Memorandum for good cause shown, as determined within her exclusive discretion.

# **Duration of Memorandum**

The provisions of the Memorandum shall remain in force and effect until a successor MOU is executed. Provided, however, if the Municipality adopts a budget for CY 2023 that leaves a structural imbalance heading into 2024 that is greater than 5% of their levy as determined by the Director, the Memorandum shall remain in force and effect until a budget is adopted for 2024 or a subsequent year that is free of such a structural imbalance in the sole discretion of the Director. The Director's determination to extend the provisions of the MOU can be appealed to the Local Finance Board, but the Director's decision shall remain final unless and until a majority of appointed members vote to overturn the Director's decision. If the Municipality adopts a budget for Calendar Year 2024 that does not rely on Transitional Aid, the State may offer early termination.

# **Governing Body Acknowledgement**

The Municipal Governing Body shall review this Memorandum and approve a resolution stating its awareness and acknowledging its contents.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Mayor

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Chief Administrative Officer

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Governing Body President

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Certification of Municipal Clerk

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Director, DLGS