**MEMORANDUM OF UNDERSTANDING**

Setting forth minimum conditions on the receipt of Calendar Year 2026
Transitional Aid to Localities

City of Salem, County of Salem, New Jersey

**TRANSITIONAL AID PROGRAM**
**MISSION STATEMENT**

The Division of Local Government Services ("DLGS") 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, DLGS 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, one or more Municipal Technical Advisor(s) will work in collaboration with each recipient municipality, or Transitional Aid ("TA") municipality, to identify cost drivers, implement operational, financial and budgetary reforms and policies, identify revenue generation and enhancement opportunities, and work to attract development and redevelopment projects. Through this intervention, DLGS will assist each TA municipality in achieving lasting fiscal structural reform, sufficient to conclude the municipality's reliance on TA.

**RECITALS**

**WHEREAS**, after reviewing an application submitted by the City of Salem, County of Salem, New Jersey (the "Municipality"), the Director (the "Director") of DLGS has determined that the Municipality is in serious fiscal distress and an award of $3,700,000 of Transitional Aid to Localities is appropriate, all in accordance with the criteria set forth annually, this year in P.L. 2026, c.27 (the "Appropriations Act"); and

**WHEREAS**, the Appropriations Act and N.J.S.A. 52:27D-118.42a conditions TA on requirements, orders, and oversight that the Director deems necessary including, but not limited to, the implementation of government, administrative, and operational efficiencies and measures necessary for the fiscal recovery of the Municipality, such as requiring 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**, if the Legislature has appropriated and the Governor has approved sufficient TA funding, an amount not to exceed 75% of the applicant's total TA award shall be disbursed

upon execution of the Memorandum of Understanding ("MOU") with the balance of TA to be disbursed pursuant to Section U of this MOU; and

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

This MOU sets forth the minimum conditions, requirements, orders, and oversight required as a condition of receiving TA; and

In exchange for TA, 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 Appropriations Act or any other law. Noncompliance may result in a reduction in, or withholding of all or a part of any awarded TA pursuant to Section U.

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## A. Definitions

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

1. "Municipality" means: City of Salem, County of Salem, New Jersey.
2. "Director" means: Director of the Division of Local Government Services.
3. "DLGS" means: Division of Local Government Services or any of its representatives, such as the Director or Municipal Technical Advisor.
4. "Transitional Aid or TA" means: Transitional Aid to Localities.
5. "Appropriations Act" means: P.L. 2026, c.27
6. "MOU" means: this Memorandum of Understanding and any addenda thereto.
7. "Municipal Technical Advisor(s)" or "Technical Advisor(s)" means: the Director's designee(s).
8. "PILOT" means: Payment in Lieu of Taxes.

## B. List of Attachments

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|---|---|
| **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 |
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## C. Implementing Provisions and Flexibility

The Director shall be represented by one or more assigned DLGS Municipal Technical Advisor(s) and/or any other person or persons designated by the Director who shall be authorized to act on the Director's behalf as fiscal monitor. The Municipal Technical Advisor(s) will partner with the Municipality to implement sound fiscal practices and ensure compliance with the terms of this MOU.

All requests, questions, issues, and submissions shall first be addressed to the Municipal Technical Advisor(s).

The Municipality shall provide reasonable office space and parking, as needed, so that the Technical Advisor may conduct business within the municipality. Additionally, the Municipality shall provide the Technical Advisor with requested documents and records and shall allow them to meet with the business administrator, chief financial officer, municipal clerk, tax collector, police chief, fire chief, and any other department heads or supervisors. Additionally, the Technical Advisor shall be provided with immediate access to view information on the Municipality's accounting system or any other municipal software system upon request.

## D. Meeting and Training Requirements

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

The Technical Advisor will set up a regular weekly meeting schedule that must be attended consistently by key elected officials and municipal staff as directed.

The Technical Advisor 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.

The mayor, governing body and department directors shall annually attend DLGS training, including but not limited to, form of government, budget, ethics, civility and decorum and procurement. At the discretion of the Director and/or at the request of the Municipality, training may be provided for other municipal staff.

## E. Personnel

### 1. General Conditions for All Personnel Waivers

a. No personnel decisions or actions to hire may be taken until the Municipality receives a signed waiver from DLGS.
b. All waivers approved by DLGS 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 if they still wish to hire.
c. When a personnel waiver is signed, the Municipality represents that:
    i. No one has yet been hired to the position.
    ii. They have complied with all State and Federal labor laws.
    iii. They have complied with all requirements of the Civil Service Commission if applicable.
    iv. They have complied with the anti-nepotism requirements as listed in section E.3. of this MOU.
    v. The proper background checks, as provided under the law and the Attorney General guidelines have been or will be conducted for the chosen candidate and the candidate has been or will be deemed clear of employment risk. Background checks shall be conducted at a minimum as follows:
        1) All positions which handle cash, checks, the collection of fees and those with fiduciary responsibility for municipal funds – complete criminal and financial background/credit check.
        2) All civilian employees who will work in the police department – complete criminal background check.
        3) All sworn officers in the police department – complete criminal background check, financial credit check, driving record check, and psychological evaluation, as authorized under the law.
        4) Drivers – All drivers of municipal vehicles require an annual driver's license check. All positions requiring a Commercial Driver's License (CDL) (with or without passenger endorsement) also require Federal DOT drug testing.
        5) Other employees as outlined in municipal personnel policies.

### 2. Waivers - Restrictions on Hiring and Assignment of Individuals in Acting Capacities

a. 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 DLGS 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, chief financial officer, director of finance, municipal judge, police chief, fire chief, tax assessor, and tax collector. This requirement shall also apply to the municipal clerk.

The Municipality shall establish a hiring committee that shall include the mayor or their designee (except for the municipal clerk), the department head, a personnel/human resources staff member, and the Technical Advisor(s) 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 DLGS and governing body approval. Thereafter, the governing body may hold a meeting to consider its advice and consent. The Municipality shall complete and return the waiver form indicating the results of said meeting. This section shall also apply to the hiring of the municipal clerk. In the case of the municipal clerk, there shall be a subcommittee of the governing body along with the Technical Advisor.

Upon receipt of the waiver form, DLGS will make a final determination concerning the 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.

b. 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 DLGS prior to the Municipality hiring any such candidate for employment.

Senior level and confidential employees not requiring governing body advice and consent may include, but not be limited to city manager, business administrator, chief of staff, chief financial officer, tax collector, police chief, fire chief, department directors, division directors, and any aides to the mayor or governing body, regardless of job title.

Any senior level and confidential employees requiring advice and consent shall be subject to the approval process in E.2.a. above. Nothing herein shall alter any State or municipal laws governing the necessity to obtain advice and consent.

Upon receipt of the waiver form, DLGS will make a final determination concerning the approval or disapproval of the candidate. 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.

c. 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 DLGS prior to the Municipality filling any position not covered by either of the two processes described in E. 2.a. and E.2.b., unless the Municipality has submitted to DLGS, and received approval of, a table of organization and salary ranges for all municipal positions within this employee category contained therein.

A Municipality that has received DLGS 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 sections E.2.a. and E.2.b. above. Tables of organization and ranges may be submitted for individual departments. Waivers are required for any hiring or salary adjustments, including additional duties or out-of-title pay, outside approved tables of organization and ranges. Individual waivers may be required for each position at the discretion of the Technical Advisor(s).

Upon receipt of the waiver form, DLGS will make a final determination concerning the approval or disapproval of the candidate. 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.

d. Assignment of Individuals to Acting/Interim Positions

The Municipality shall not assign any person to work in an "acting" or "interim" capacity for positions permanently vacated through death, retirement, termination, or resignation without DLGS 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 of assigning a person to work in an acting or interim capacity shall follow the process for permanently filling the vacancy. 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.

e. 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 on an annual basis. The Municipality shall submit a table of organization and/or request for the maximum number of employees in the title along with the annual budgetary impact of 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.

**3. 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" is 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 exempt employees from this policy that were hired prior to the date of the original MOU, with the understanding that if an employee is separated and re-hired, they must adhere to this policy.

**4. Restriction on Terminations and Suspensions Without Pay**

The Municipality shall be required to notify the Technical Advisor(s) of a decision to terminate or suspend without pay any employee or request the resignation of any employee to which sections E.2.a. and E.2.b. of "Restrictions on Hiring" are applicable. No such employee may be terminated by the Municipality or asked to resign without the Municipality first submitting a "Termination Form" (Attachment L) for approval to DLGS. The Technical Advisor(s) in their sole discretion, shall be permitted to, but shall not be required to, prohibit or postpone such a termination for any of 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, or any other reason deemed appropriate by

DLGS that is consistent with this MOU. Prior approval to terminate an employee is not needed upon an employee being criminally convicted or indicted.

**5. Restrictions on Longevity Pay, Overtime, Salary Increases, Promotions, Transfers**

a. 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 and any emoluments 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 MOU (or in the case of a Municipality that received TA or a State Loan from DLGS in FY 2017, prior to the effective date of the 2017 MOU). Stated differently, supplemental pay for elected officials and non-contractual employees shall not be increased on or after the effective date of this MOU (or the 2017 MOU, if applicable). Any applicable ordinances and policies shall be amended accordingly.

b. Employee Primary Functions

The Municipality shall prescribe all municipal employees work 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 business.

c. 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.

The Municipality shall assess all employee titles and whether those titles are considered exempt or non-exempt under the Federal Fair Labor Standards Act (FLSA). This assessment shall be the basis for determining which titles are eligible for overtime and which are not. The designation of exempt or non-exempt shall be documented for each position in the personnel system and only those employees with a status of non-exempt shall be eligible for overtime. To the extent any ordinance contains provisions expressly allowing for such forms of compensation, the provisions shall be considered inoperative. Any such inoperative provisions shall be deleted by the governing body within sixty (60) days of being notified by DLGS. If there are collective bargaining agreements

which grant overtime to exempt employees, these provisions shall be negotiated out of the contract(s) with the bargaining unit.

d. Compensatory Time

The Municipality acknowledges that compensatory time can be an appropriate means to provide flexibility to employees that may be required to occasionally work at unusual times. Compensatory time should not be a form of compensation for employees whose positions require regular unusual work hours and/or who are not entitled by law or contract to receive pay for compensatory time per the FLSA. Therefore, while the Municipality may establish compensatory time policies for such employees, the policies shall at a minimum contain a requirement to "use it or lose it" on a quarterly basis. It is inappropriate for compensatory time to accumulate and be paid at the highest rate of pay upon separation of service or retirement or to extend the date of separation or retirement.

e. Sick Time Payout Policies

The Municipality shall adopt an ordinance prohibiting compensation for unused sick time in amounts exceeding $15,000 to the extent such an ordinance would not violate a contractual entitlement existing prior to enactment.

f. Renewal, Extensions, and Changes to Individual Employment Contracts

No new or renewed individual employment contracts, letters of agreement, extension of terms of an individual employment contract, or any other change to an individual employment contract or letter shall be executed without a waiver of approval from DLGS.

g. Promotions, Transfers, and Title Changes

Absent a waiver of 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.

h. Salary Restraints for Elected Officials and Non-Contractual Employees

On and after the effective date of this MOU, 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

DLGS and received 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 and may be considered by DLGS for reasons such as stagnant salaries, market conditions, the ability to find qualified candidates, and other appropriate factors.

i. Elected Officials Benefits

Full time elected officials may accrue and use vacation and sick time in accordance with the policies of the Municipality; however, any unused accrued time shall not be paid upon separation of service or used to extend date of separation.

Part-time elected officials shall not be entitled to accrue sick or vacation time and shall not be entitled to receive payouts for said time. To the extent any ordinance contains provisions expressly allowing for such forms of compensation to part-time 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.

No elected officials are eligible to accrue or be paid overtime or compensatory time.

The Municipality acknowledges that the State does not provide TA to support health and prescription benefits to part-time elected officials and agrees that it shall eliminate such benefits.

j. Direct Deposit of Pay

The Municipality shall adopt a resolution or ordinance requiring mandatory direct deposit of 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**.

k. Human Resources Policies

All policies pertaining to personnel and human resources may be reviewed at the discretion of DLGS. The Municipality shall implement changes recommended by DLGS to its personnel or human resource policies and procedures, including, but not limited to, employee training and handling of employee complaints, that are

not otherwise required under Title 11A (Civil Service) or required under the terms of a collective negotiation agreement or an individual employment agreement.

If the Municipality is part of a Joint Insurance Fund, DLGS expects the Municipality to implement any recommended changes to their personnel policies as instructed by the risk managers.

l. 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 MOU if not already outlined in collective bargaining agreements.

## F. Individual and Collective Negotiation Agreements (CNAs)

### 1. Limitations on Annual Increases

The Municipality acknowledges that the State will not provide TA 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, agreement, or letter or any collective negotiation agreement or is otherwise compelled to enforce a compulsory arbitration award that increases annual compensation for the employee or group of employees by more than a total of 2% annually for all economic terms and conditions of employment, on average, during the term of the agreement, the Municipality may become ineligible for future aid or may have a portion of awarded aid withheld.

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

Prior to final approval of a CNA or of any related Memorandum of Understanding/Agreement (MOU/MOA) setting forth negotiated terms of settlement, the Municipality shall provide DLGS, for its review and approval, a memo or report that outlines the changes from contract to contract, inclusive of salary changes. The memo or report shall include the following:

a. Establishment of base salary costs upon which the total annual and aggregate costs shall be calculated:
   i. 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.
   ii. Cost of increments and the specific date on which they are paid.

iii. Cost of longevity and the calculation by which it was derived.
iv. 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, the base salary shall be prorated to that actually paid to the unit member.
v. The total of all costs identified above.

b. Establishment of the total contract cost over the proposed contract period, to include a scattergram 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 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.
c. Analysis of the cost of any proposed changes to health benefits, including the methodology by which the costs were calculated including any assumptions.
d. Requirement for an analysis of the cost of any other non-salary financial impacts proposed including the methodology and assumptions used in the calculation.
e. Maintain no less than employee health benefits premium share contributions based on the fourth-year implementation schedules of P.L. 2011, c.78, for active employees and establish retiree contribution of a minimum of 1.5% total pension payment if providing retiree benefits.

**2. DLGS Presence During Negotiations Sessions**

The Municipality agrees to include the Technical Advisor(s) in collective bargaining negotiations, mediation, and arbitration which shall include but not be limited to providing copies of draft agreements to DLGS and authorizing the Technical Advisor(s) to participate as an observer, if requested by the DLGS, who may offer comments or recommendations to the negotiation team in closed session. At a minimum, the Municipality shall review all potential offers and counter offers with the Technical Advisor(s) throughout the negotiation process and/or during their weekly fiscal oversight meetings and incorporate all DLGS feedback. In other words, the Municipality cannot simply request approval from DLGS at the end of negotiations without having consulted with the Technical Advisor(s) throughout the negotiations.

**3. DLGS Prior Approval of All Agreements**

The Municipality shall provide a copy of any proposed employment contract, employment agreement, employment letter, CNA, or settlement agreement to DLGS for review at least ten days prior to ratification. A "Contract Request Form"

(Attachment D) shall be submitted to and approved by DLGS prior to the Municipality authorizing execution of all such agreements.

DLGS will not sign an Attachment D waiver for any new MOU/MOA/CNA unless and until the previous MOU/MOA/CNA has been finalized and signed by all parties. The financial benefits of a new MOU/MOA/CNA cannot be provided to employees until there is a signed Attachment D waiver.

An updated and fully executed CNA must be provided to DLGS within three months of ratification of an MOU/MOA previously approved by an Attachment D waiver. Failure to do so may result in a reduction in, or withholding of, all or a part of any awarded TA.

**4. Requirement to Provide Notification of Transitional Aid Impact**

The Municipality will provide DLGS with copies of letters substantially similar to the model letters set forth in Attachment I that it has delivered to each of the collective bargaining units representing the Municipality's employees prior to the commencement of negotiations.

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 DLGS, a letter that is substantially similar to the model letter as set forth in Attachment I.

**5. No Benefits for Part-Time Officials and Employees**

The Municipality acknowledges that the State does not provide TA 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.

**6. PERC**

All completed CNAs must be filed with PERC at contracts@perc.state.nj.us.

**G. Finance**

**1. Audit Firm**

The qualified person or firm that is engaged to perform the annual audit shall be ineligible to perform non-audit accounting services.

## 2. Budget Introduction and Adoption

The Municipality shall introduce the municipal budget within the statutory timelines (as amended if applicable) and adhere to deadlines for the submittal of the AFS, audit, and debt statements. Failure to do so will subject the officials responsible to statutory enforcement and/or withholding of TA funds.

The introduced budget should include TA at 15% less than the prior year's allotment but in no case shall it be more than the amount received in the previous year. The introduced budget must contain a two percent (2%) increase over the prior year's tax levy if it does not exceed the tax levy cap workbook maximum allowed by Local Budget Law, N.J.S.A. 40A:4-1 et seq.

The budget adoption may be outside of the statutory deadlines to the extent that the TA awards have not been provided. Once TA awards are given, the Municipality shall move forward expeditiously to advertise, hold a public hearing, and adopt the budget. The Municipality shall adopt the municipal budget as ordered by the Director.

The Municipality shall adopt a budget with a tax levy increase of at least two percent (2%) more than the tax levy of the previous year.

## 3. Budget Reports

The Municipality shall provide quarterly budget reports no later than two weeks after the end of the reporting month. The report shall include, but not necessarily be limited to, the following:

a. For each budgeted item of revenue
   i. Approved budgeted amount,
   ii. Amount collected year to date,
   iii. Percentage of budgeted revenue collected year to date, and
   iv. Previous year collected year to date.

b. For each budgeted appropriation line item
   i. Approved budgeted amount,
   ii. Amount expended year to date,
   iii. Percentage of approved budgeted amount expended year to date, and
   iv. Previous year expended year to date.

## 4. Revenues

a. The Municipality must provide an assessment of existing local revenues, including whether rates or fees need to be increased, and a plan to implement

potential changes. Additionally, the Municipality must demonstrate that user fees have been established where reasonable and practicable for discretionary services to avoid taxpayer subsidy of nonessential services. The Municipality shall annually review and adjust fees / revenues to cover the current cost of services including but not limited to:

i. All fees charged by the various municipal departments
ii. All utility rates and utility fees
iii. All shared services agreements
iv. All agreements with outside agencies such as Housing and Parking Authorities
v. PILOTs

b. The Municipality shall annually collect all budgeted revenue, plus other revenues including but not limited to:
   i. Life Hazard Use fees
   ii. Unclaimed property – check Department of Treasury website once a year.

**5. Self-liquidating Utilities**

Unless otherwise specified by the MOU addenda, DLGS oversight of self-liquidating utilities (as defined in Local Bond Law, N.J.S.A. 40A:2-45) shall be limited to an 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.

**6. Corrective Actions**

The Municipality shall annually review audit corrective action plans with the Technical Advisor(s) prior to presenting them to the Governing Body. The Municipality shall then provide the Technical Advisor(s) with regular updates on implementation of corrective actions.

**7. Audits from Boards and Authorities**

The Municipality shall annually obtain and review the independent audit reports for each municipal board and authority.

**8. Requirements for Approval of Bond Ordinances**

a. DLGS Approval Prior to Authorization

A "Bond Ordinance Request Form" (Attachment H) shall be submitted to and approved by DLGS prior to the introduction by the governing body of any proposed bond ordinance exceeding $1 million. Attachment H shall include a copy of the

bond ordinance to be voted upon by the governing body and a supplemental debt statement.

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.

b. Offering Statements

The Municipality shall file with DLGS, prior to the closing of a bond sale, a copy of any Offering Statement prepared in relation to the financing.

## H. Insurance

### 1. Requirement to Use Competitive Contracting for Insurance Consulting Services

Insurance expenditures, 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, risk manager, etc.), the Municipality must utilize competitive contracting per NJSA 40A:11-4.1 et seq and NJAC 5:34-4.1 et seq.

### 2. Health Benefits Plan

The Municipality acknowledges that the State does not provide TA for subsidizing health and prescription benefits that are more expensive than the health and prescription benefits available through the State Health Benefits Program (SHBP). Additionally, the Municipality shall provide a plan to provide the most cost-effective health and prescription benefits possible by annually comparing SHBP costs with other competitive health insurance options, including regional health insurance funds (HIFs).

## I. Restrictions on Public Contracting

### 1. Professional and Consultant Services

A "Contract Request Form" (Attachment D) shall be submitted to and approved by DLGS 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, consulting services, and/or extraordinary unspecifiable services under the Local Public Contracts Law.

The Municipality shall include in each contract for professional or consulting 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 an 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 Technical Advisor(s) upon request.

The Municipality may retain consultants and professionals without preapproval of DLGS in cases of emergency, provided however, that the engagement is promptly reported to the Technical Advisor(s), a "Contract Request Form" (Attachment D) is submitted, and the scope of the engagement is limited to meeting the requirements created by the emergency.

**2. Public Bidding**

A "Contract Request Form" (Attachment D) shall be submitted to and approved by DLGS prior to the Municipality authorizing services of any kind that exceed the bid limits of Qualified Purchasing Agent (currently $53,000) municipalities 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 DLGS approves an alternative procurement process that is necessary under the circumstances or that provides greater transparency and competition than the minimum requirements set forth in N.J.S.A. 19:44A-20.4 et seq.

The Attachment D shall be accompanied by the specifications, the list of all bidders and their bid amounts, and the evaluation memorandum or worksheet.

The Municipality may utilize vendors without preapproval of DLGS in cases of emergency, provided, however, that the engagement is promptly reported to the Technical Advisor(s), a "Contract Request Form" (Attachment D) is submitted per the

thresholds described above, and the scope of the engagement is limited to meeting the requirements created by the emergency.

### 3. Aggregation Compliance

Municipalities must comply with all aggregation requirements in Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq., and must include this topic for discussion with the municipality's Independent Auditor to ensure it is addressed in the annual audit. If not currently existing, the Municipality should explore and implement a commodity code system that is provided or recognized by a Professional Association (such as NIGP), or that is suggested by the Municipality's Independent Auditor to ensure aggregation compliance.

## J. Economic Development

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

a. 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 DLGS prior approval.

b. DLGS Approval Prior to Authorization of Any Agreement

A "Contract Request Form" (Attachment D) shall be submitted to and approved by DLGS prior to the Municipality authorizing any proposed PILOT Redevelopment Plan or Redeveloper Agreement (or amendments thereto) or any ordinance authorizing same.

To support the request for approval of PILOT agreements, the Municipality shall retain financial advisors to provide an analysis of proposed PILOTs – both new and renewals. The financial advisors will be paid by the City via an escrow payment by the developer for plan review. DLGS, in its discretion, can provide the Municipality with a model ordinance for this process. The analysis should outline the proposed economic terms, confirm the proposed rates, and/or make suggested changes to payment calculations that, at a minimum, cover the cost of municipal services. This analysis may also provide guidance on any proposed community benefits agreements as outlined in New Jersey Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq.

The Municipality may also consult and utilize the DCA Tax Abatement Toolkit and the PILOT Financial Agreement Forecast (PFAF) to determine the economic impact of the PILOT agreement.

The Technical Advisor(s) 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:

- 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 districts;
- 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
- the Redevelopment Plan or Redeveloper Agreement 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 payment.

**2. 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 K) along with its TA Application in each year aid is sought. The report is an electronic fillable spreadsheet that is located on the DLGS 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 the municipality classified as Redevelopment Areas,
- A map of all areas within the municipality classified as Areas in Need of Rehabilitation,

- 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 the accuracy of the data submitted.

The Municipality must designate someone in the organization to prepare and maintain a spreadsheet or similar instrument to list all current PILOT agreements, the amounts owed to the Municipality, and the date the agreement expires. This designee shall also ensure that the annual payments for these PILOTs are collected prior to the end of each fiscal year.

**K. Shared Services**

The Municipality shall formally explore the sharing of municipal services including, but not limited to, emergency dispatch, municipal court, trash and recycling collection, and emergency medical services (EMS). This engagement shall proceed through DLGS Local Assistance Bureau (LAB) or through the retention of a consultant.

A "Contract Request Form" (Attachment D) shall be submitted to and approved by DLGS prior to the Municipality authorizing any shared services agreement proposed or entered into pursuant to the Uniform Shared Services and Consolidation Act, N.J.S.A. 40A:65-1 et seq., or another law.

**L. Restrictions on the Creation or Expansion of Services**

A "Creation/Extension of Services Form" (Attachment E) shall be submitted to and approved by DLGS 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 DLGS: creating a new recreational program; expanding the total number of enrollees in a particular service; establishing a new regulatory program in code enforcement; establishing or increasing funding for a grant or loan program. This requirement exists to avoid the expansion of a structural budget deficit. DLGS may create a custom Attachment E for any program as it may determine to be necessary.

## M. Licensing and Permitting

The Municipality's processes for issuing any permit or license and enforcing the provisions of permits or licenses issued by the Municipality may be reviewed at the discretion of DLGS. The Municipality shall implement any changes recommended by DLGS to increase efficiency in permitting or licensure application reviews, along with the enforcement of the terms and conditions of licenses and permits, including, but not limited to, hiring of staff or entry into a shared services agreement. As required by DLGS, the Municipality shall provide updates on the status of permit or license application reviews and enforcement actions.

## N. Records Management and Responses to Records Requests

The Municipality's processes for responding to public records requests may be reviewed at the discretion of DLGS. As required by DLGS, the Municipality shall provide updates on the status of records requests made pursuant to the Open Public Records Act, the common law right to access, a subpoena served on the Municipality, or any other method and any action related to records access filed in Superior Court or with the Government Records Council. The Municipality shall implement any changes recommended by DLGS to increase efficiency in responses to public records requests, including, but not limited to, hiring of staff or entry into a shared services agreement.

The Municipality shall immediately provide DLGS 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.

## O. Authorities, Boards, and Commissions

The Municipality shall annually notify all independent Boards, Agencies, Authorities, or Commissions including, but not limited to, Parking Authority, Housing Authority, and Redevelopment Agency (collectively "entities").

This notification (see Attachment J) shall ensure that these entities conduct annual ethics training, meet annual financial disclosure requirements, and adhere to governance and procurement best practices. Additionally, all entities must comply with the Local Public Contracts Law, N.J.S.A. 40A:11-1 et seq., 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.

For municipally appointed Boards, Agencies, Authorities or Commissions, including but not limited to, Library Board, Historic Preservation Commission, Planning Board, Zoning Board, Alcohol Beverage Control Board, Recreation Commission (collectively entities), the Municipality shall provide annual ethics training and ensure that they meet annual 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 Municipality shall annually obtain and review the independent audit reports for each municipal authority.

**P. Restrictions of a Miscellaneous Nature**

**1. Travel Approval**

A "Travel Approval Form" (Attachment F) shall be submitted to and approved by DLGS before the Municipality expends funds from any source (e.g., operations, grants, trusts, reserves, fund balance, etc.) for out-of-state travel and overnight stays within New Jersey, which shall include, but is not limited to, attendance at the annual conference of the New Jersey League of Municipalities.

The Municipality must have and explain good cause for the expenditure. Such good cause may include, but is not limited to, a need to maintain licensure or certification of statutory employees; provide essential training for elected officers in areas concerning finance, budget, procurement, and ethics; and provide essential training for public safety employees. Travel for executive protection will generally not be approved absent a compelling reason. It is important that the training should match the Municipality's requirements for the job and not the employee's desires. The Municipality should encourage employees to look for best practices for implementation in the workplace.

DLGS may 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 Attachment F along with a significant justification for the need for executive protection.

Requests must be submitted in advance of the requested travel dates, before any travel is booked, and before any registration expenses are incurred.

**2. Attendance at the NJ League of Municipalities Conference**

a. When the Municipality will pay the cost or reimburse the employee for the cost of attendance:
   i. With the approval of the chief administrative officer, and subject to an appropriate rationale and explanation (as set forth above) approved by 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.

ii. The mayor may attend with the cost of registration and lodging for up to two (2) nights reimbursed or paid for by the Municipality.

b. Who may attend, subject to self-payment:

i. Any employee whom the chief administrative officer considers appropriate may take time off from work to attend the League Conference at their own expense (registration, lodging, mileage, meals, etc.).

ii. Any employee whom 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.).

**3. 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 $0.47 cents per mile).

**4. 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 MOU), entertainment, and receptions are prohibited.

**5. Grants**

A "Grant Pre-Approval Form" (Attachment G) shall be submitted to and approved by DLGS 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 DLGS within 15 days of receipt of the award letter.

Grants for capital projects must be used for section 20 expenses, if permitted by the grantor, to reduce the impact on the municipal budget.

6. **Expenditure of Funds to Individuals/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 federal and/or state 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, ARP, opioid settlement, and HOME funds, distributed to non-profits through a competitive process for the performance of municipal social service work are exceptions to this limitation.

7. **Fee Waivers**

   No fees adopted by the governing body by ordinance shall be waived, reduced, or otherwise revised.

8. **Municipal Court Security**

   The Municipality shall not regularly assign active-duty police officers as security for the Municipal Court but shall hire retired police officers or special law enforcement officers at a reasonable hourly rate.

9. **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.

10. **Local Finance Board**

    If the Municipality has been notified by DLGS of a violation of the MOU, then the Local Finance Board (LFB) 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.

    If the Municipality is filing an application to the LFB, a copy of the application shall simultaneously be provided to the assigned Technical Advisor(s).

**Q. Governing Body Meeting Agendas**

Immediately upon publication, prior to any regular or special meetings by the governing body, the municipal clerk or their designee shall provide a copy of each agenda to the

Technical Advisor(s), along with all accompanying documents. The term agenda shall also encompass any supplemental document referencing or describing what will occur at the meeting.

**R. Miscellaneous Reporting Requirements**

**1. Municipal Employee List**

The Municipality shall promptly submit to DLGS upon 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. Police Department Reporting**

Reports shall be provided to DLGS by no later than the 15th of each month. Reports shall include a roster of all personnel by title inclusive of open positions; list of officers on leave along with the start date and reason for leave (e.g., sick, disability, administrative, military, etc.); crime statistics from either the Uniform Crime Reporting Program or the National Incident-Based Reporting reported to the New Jersey State Police; number of calls for service by type; and such other activity as may be requested. Overtime reports shall be generated and provided to DLGS on a monthly basis and shall include total hours and dollar amounts, justification(s) for the overtime and type of overtime (including, but not limited to, vacation/PTO replacement, sick time replacement, weather emergency, incident recall, incident continuation, arrest, investigation, assigned program, etc.), and such other information as may be requested.

**3. Fire Department Reporting**

Reports shall be provided to DLGS by no later than the 15th of each month. Reports shall include: a roster of all personnel by title inclusive of open positions; a list of personnel on leave along with the start date and reason for leave (e.g., sick, disability, administrative, military, etc.); fire calls for service, including those reported to the National Emergency Response Information System (NERIS); EMS calls; Hazardous Material calls; false alarms; and such other activities as may be requested. Overtime reports shall be generated and provided to DLGS on a monthly basis and shall include total hours and dollar amounts, justification(s) for the overtime (including, but not limited to, vacation/PTO replacement, sick time replacement, weather emergency, incident recall, incident continuation, investigation, assigned program, etc.), and such other information as may be requested.

4. **Findings by State or Federal Agencies**

   The Municipality shall promptly notify DLGS 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 Office of the State Comptroller, Department of Labor, Civil Service Commission, and the Public Employment Relations Commission.

5. **Municipal Judgments and Settlements**

   The Municipality shall promptly submit to DLGS a copy of all judgments or settlements in excess of $100,000 rendered or executed on and after the date of this MOU. DLGS may request copies of any other judgments or settlements involving the Municipality or its employees regardless of the date of same.

6. **Municipal Records**

   The Municipality shall make available to DLGS upon request any of the Municipality's records, including but not limited to bill lists, vouchers, active litigation files, etc.

7. **Waiver Approvals**

   The Municipality shall maintain a list of all waiver approvals and provide them monthly to the Technical Advisor(s). It shall contain the information provided in Attachment M.

8. **National Emergency Response Information System (NERIS)**

   The Municipality shall participate in the NERIS and shall submit its data to DCAs Division of Fire Safety monthly.

**S. Requirements of Local Finance Notice for Transitional Aid Application Process**

The requirements outlined in LFN 2026-03 are incorporated herein by reference.

**T. 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 MOU. The Director may also issue sua sponte exceptions from any condition or requirement contained in this MOU for good cause shown, as determined within Director's exclusive discretion.

## U. MOU Compliance and Disbursement of Transitional Aid

The Municipality fully and knowingly agrees with the terms, conditions, oversight, and all other requirements imposed by this MOU and acknowledges that such terms, conditions, oversight, and requirements are consistent with N.J.S.A. 52:27D-118.42a and P.L. 2026, c.27.

The Municipality fully and knowingly agrees that failure to comply with any of the terms, conditions, oversight, or other requirements imposed by this MOU may result in a reduction in or withholding of all or a part of any awarded TA.

Following the disbursement of 75% of the Municipality's total TA upon execution of the MOU, the balance of TA shall be disbursed on a timetable determined by the Director. Subsequent disbursements shall be made as long as the benchmarks specified and outlined in the MOU are met as determined by and within the sole discretion of the Director, and provided that the Municipality is otherwise in substantial compliance with this MOU 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 and as the Director may order from time to time pursuant to the Appropriations Act or any other law. Other than purposeful withholding of funds due to non-compliance with this MOU, all money will be transferred by municipal budget year-end.

The Municipality may be deemed non-compliant when in the determination of the Director, the Municipality has failed to substantially pursue DLGS directives and/or provisions of the MOU, such as if it has hired personnel without appropriate approvals or otherwise violates any provision of the MOU. Additionally, the Municipality may be deemed non-compliant 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 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 or no less than the amount of funds expended in support of hires or activities not approved in compliance with the terms and timeframes set forth in this MOU.

Failure to comply substantially with this MOU may result in the Director's exercise of the State Supervision Act, N.J.S.A. 52:27BB-54 et seq. The State Supervision Act, in summary, may grant the Local Finance Board and Director extensive powers including, but not limited to:

- Adoption of the municipal budget.
- Approval of all CNAs, except that the Director cannot overrule an interest arbitrator for police and fire.

- Power to fix the hours and terms and conditions of employment for all municipal employees.
- Appoint or dismiss municipal employees to the extent permitted by Civil Service and any CNA in effect.
- Direct a municipality to liquidate or refinance debt pursuant to a plan; liquidate any municipal liabilities unpaid, or unrealized assets outstanding, for more than 2 years.
- Supervise and control the methods and procedures used for the assessment, collection, and enforcement of taxes upon real and personal property; and the administration of licenses and other miscellaneous revenues.
- Perform the control function on behalf of the municipality.
- On behalf of the municipality, study and negotiate cooperative agreements with the county or other municipalities.
- The Board may also order the municipality to appoint a fiscal control officer that would be authorized to perform the powers and duties of the Director pursuant to N.J.S.A. 52:27BB-57 and 58; and 52:27BB-82 through 87.

If withholding of disbursements of TA pursuant to this subsection would require a budgetary appropriation for "cash deficit of the preceding year" in amounts in excess of 4% of the total taxes levied upon real and personal property for all purposed outlined at N.J.S.A. 52:27BB-55(3), supervision of the Municipality by DLGS may be imposed pursuant to the Municipal Supervision Act, N.J.S.A. 52:27BB-1 to -100.

**V. Duration of Memorandum**

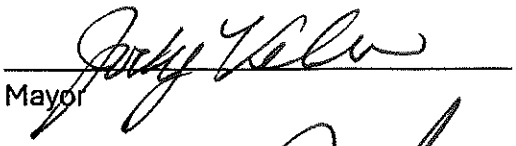
The provisions of the MOU shall remain in force and effect until a successor MOU is executed.

Provided, however, that if the Municipality adopts a budget for calendar year CY 2026 that leaves a structural imbalance heading into CY 2027 that is greater than 5% of their levy as determined by the Director, the MOU shall remain in force and effect until a budget is adopted for CY 2027 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.

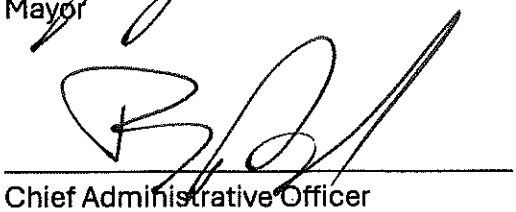
If the Municipality adopts a budget for CY 2026 that does not rely on TA, the State may offer early termination.

**W. Governing Body Acknowledgement**

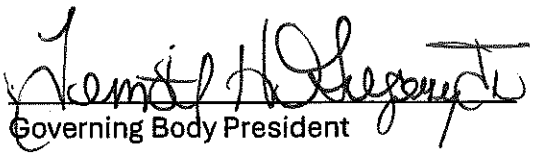
The Municipal Governing Body shall review this MOU and approve a Resolution stating its awareness and acknowledging its contents.



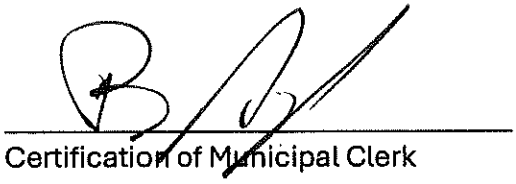
Mayor Date: 8-4-26



Chief Administrative Officer Date: 8-4-26



Governing Body President Date: 8-4-26



Certification of Municipal Clerk Date: 8-4-26

Director, DLGS Date: _____

# CY 2026 MEMORANDUM OF UNDERSTANDING
## CITY OF SALEM
## ADDENDUM

The following additional terms and conditions shall supplement the City of Salem Calendar Year (CY) 2026 Memorandum of Understanding (MOU) for receipt of Transitional Aid (TA).

As with other terms, failure to comply with the MOU and this Addendum, to the satisfaction of the Municipal Technical Advisor(s), may result in the Division of Local Government Services (DLGS) withholding, either temporarily or permanently, TA payments to the City.

1) **Salem Master Plan**: Continue working with the Department of Community Affairs (DCA), Division of Local Planning Services (DLPS), to update the Salem Master Plan.

2) **Financial Disclosure Statements (FDS) Compliance:** The City shall ensure full compliance with the Financial Disclosure Statements (FDS) filing requirements under the Local Government Ethics Law (N.J.S.A. 40A:9-22.6). A significant number of required filers failed to submit an FDS by the 2025 statutory deadline. The City Clerk shall immediately follow up with all non-filers and ensure that all outstanding 2026 FDS are submitted through the Local Finance Board's online filing system no later than December 31, 2026. The City shall develop and implement a formal tracking and monitoring system to verify the timely annual filings of all Local Government Officers, including procedures for notification, follow-up, and escalation of non-compliance. The monitoring system and compliance status shall be subject to review by the DLGS Municipal Technical Advisor(s), who may require periodic reporting.

3) **Supplemental TA Balance:** By September 30, 2026, the City must provide a plan and project timeline for the reallocation of Supplemental TA balances for capital improvements.

4) **Explore Shared Services:** The City shall pursue and evaluate the feasibility of shared services in areas including but not limited to Public Safety (Police, Fire, EMS, Dispatch), Municipal Court, and Public Works. DLGS will assist the City by conducting feasibility studies.

5) **Shared Services – Snow Plowing:** The City shall evaluate the feasibility of entering into a shared services agreement with Salem County for snow plowing services. The City shall provide a cost-benefit analysis and implementation plan to the Municipal Technical Advisor(s) for review.

6) **Staffing-Succession Planning:** The City shall establish and implement a staffing and succession plan for key positions, including the Chief Financial Officer (CFO), (DCA

recommends the City consider reverting back to a full-time CFO in the future. The quantity and complexity of Salem's financial operations may be too much for a part-time CFO). Assistant CFO, Municipal Clerk, Deputy Municipal Clerk, and clerical support. The plan shall include hiring timelines and continuity measures and shall be subject to the Municipal Technical Advisor(s) review and approval.

7) **Disposition of Municipally Owned Properties:** The City shall implement a structured program for the sale of municipally owned properties to generate revenue, facilitate housing development, and reduce maintenance costs. The City shall provide periodic reporting to the Municipal Technical Advisor(s) on properties identified, marketed, and sold.

8) **FinLaw Building – Management Services Review:** The City shall evaluate the feasibility of engaging a qualified external entity to provide building management services for the FinLaw Building, including building operations and maintenance, financial accounting, and tenant retention strategies. The City shall submit its findings and recommendations to the Municipal Technical Advisor(s) for review.

9) **Cooperative Purchasing – Salem County:** The City shall explore participation in a cooperative purchasing agreement with Salem County for public works equipment and services to achieve cost efficiencies. Any proposed agreement shall be subject to the Municipal Technical Advisor(s) review.

10) **Property Transfer to Land Bank:** The City shall identify eligible municipally owned properties for transfer to the Land Bank to support the redevelopment of affordable housing. All transfers shall be subject to the Municipal Technical Advisor(s) review and approval.

11) **TA MOU Compliance Memorandum:** The City Administrator shall issue a formal memorandum to all department heads, including the City Library, notifying them of the City's participation in the State's TA Program. The memorandum shall require adherence to all provisions of the TA MOU and this Addendum and shall mandate the submission and approval of appropriate waivers for any actions that impact the municipal budget, in accordance with DCA requirements.

12) **Tax Liens:** The Municipality must move to implement the assignment of municipal-held tax liens for the following reasons:
    a) Statutory Compliance: Under N.J.S.A. 54:5-19, the enforcement of tax liens is a non-discretionary administrative duty.
    b) Fiduciary Duty: Maintaining "stagnant" municipal liens negatively impacts the Reserve for Uncollected Taxes (RUT), unnecessarily inflating the municipal budget and increasing the tax burden on compliant taxpayers.

c) Fiscal Recovery: Assignment provides the Municipality with immediate full (100%) liquidity of the principal, interest, and costs, shifting the two-year foreclosure clock and legal expenses to the private sector.

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

Mayor — Date: 7-30-26

Chief Administrative Officer — Date: 7-30-26

Governing Body President — Date: 7-30-26

Certification of Municipal Clerk — Date: 7-30-26

Director, DLGS — Date: _____