

MEMORANDUM OF UNDERSTANDING

WHEREAS, the _____ (hereafter the City/Town) qualifies as an "eligible municipality" for the receipt of Special Municipal Aid pursuant to R.S. 52:27D-118.25 et seq., and

WHEREAS, the Director (Director) of the Division of Local Government Services has determined, in accordance with the criteria set forth in R.S. 52:27D-118.25 et seq., that the City/Town is experiencing fiscal distress and warrants the receipt of Special Municipal Aid to enable the City/Town to meet both its current year budget needs by providing essential services related to the safety and public health of its residents and to work towards regaining its financial stability; and

WHEREAS, the Local Finance Board has, on the basis of the Director's findings and of its own review of such findings, determined that State Aid, in the form of Special Municipal Aid shall be granted to the City/Town subject to the requirements of the law and provisions and requirements of this agreements; and

WHEREAS, the Local Finance Board has further determined that a grant in the amount of \$_____ for CY/FY 2006 should accordingly be provided to the City/Town subject to the requirements set forth in the Municipal Aid Act, R.S. 52:27D-118.25 et seq., and the contractual provisions set forth herein; and

WHEREAS, continued participation and State supervision in the distressed cities program remains a condition of receiving such assistance or any future assistance. As such, the City/Town is directed to implement any government, administrative and operational efficiencies and oversight measures necessary for the fiscal recovery of the City/Town as may be recommended by the Director and approved by the Board; and

WHEREAS, the Director may withhold any State aid payments or any future Special Municipal Aid payments that are disbursed by the Division of Local Government Services if the Director finds that the City/Town has failed to implement fiscal recovery measures approved by the Board.

NOW, THEREFORE, IT IS AGREED by and between the City/Town and the Director that, in consideration for a grant in the amount of \$_____ for CY/FY 2006, the City/Town shall observe and comply with the requirements established for the receipt of such assistance, shall implement any and all government, administrative and operational efficiency, and oversight measures necessary for the fiscal recovery of the City/Town as may be recommended by the Director and approved by the Local Finance Board, and shall otherwise completely and fully cooperate with the Director and the Board in achieving the purposes for which assistance is being made available, that is to

alleviate the City's/Town's financial distress, to meet its immediate budgetary needs and to restore its financial stability.

BE IT FURTHER AGREED, that the City/Town shall comply with certain personnel requirements as stated below:

1. The City/Town shall impose a hiring freeze on new employees. Any request for new employees (request of waiver) shall be made to the Director with justification for the need of the new hire. Advertising or posting for new employees is not permitted without prior approval by the Director of a waiver. This freeze shall include replacements for persons who have left the employment of the municipality and whose position is not filled at the time of the award.
2. The City/Town shall freeze all salaries for all employees not covered by a current contractual agreement.
3. The City/Town shall not fund vacancies for non-essential positions.
4. No budget monies shall be expended for charities or "the sunshine fund" type expenditures.
5. The City/Town shall freeze promotions and transfers involving salary increases unless required by contractual obligations.
6. The City/Town shall prepare a plan for reduction of staff through attrition.
7. The City/Town shall submit, prior to Board approval, a list of all employees with their title, salary and date hired.
8. In the event a waiver is granted from the hiring freeze, the City/Town must submit copies of job applications and resumes for all potential employees.
9. The City/Town shall provide details of labor negotiations with Division on a monthly basis and prior to ratification.
10. The City/Town shall submit copies of all ratified labor contracts to Division.
11. The City/Town shall not hire any consultants including outside attorneys, without prior written approval of the Director.
12. The City/Town shall pay salaries and wages in a given year in an amount not to exceed the annual rate of compensation established by ordinance for each job title.
13. The City/Town shall seek reimbursement from employees who, in any of the five preceding years, were paid salaries and wages with the addition of a 27th pay period in excess of the annual rate of compensation established by ordinance for the job title.

BE IT FURTHER AGREED that the City/Town, for any requested replacement, shall prepare and submit a waiver to the Director for the hiring of any replacement personnel and/or the transfer of any employee in compliance with a resolution adopted by the Board for municipalities receiving Special Municipal Aid. The waiver must include a description of the personnel action, salary implication, and a detailed explanation of the need for such action. The waiver must contain the signatures of the Mayor, Business Administrator and Chief Financial Officer.

BE IT FURTHER AGREED that the City/Town shall comply with certain budget and operations requirements as stated below:

1. The City/Town shall submit detailed monthly revenue and expenditure budget reports, including any fees paid to consultants, and copies of budget transfer resolutions approved by the governing body to the Director.
2. The City/Town shall not fund nor expand new programs or services without the prior approval of the Division.
3. Out-of-state travel is prohibited and overnight stays within New Jersey are prohibited, except when essential for licensure or certification required for employment or where required as a condition of a grant.
4. The City/Town must have certified personnel where required by statute.
5. The City/Town shall impose an expenditure restriction for educational expense. Educational expense should be limited to certified personnel or those in certification programs requiring CEUs or training.
6. The City/Town shall utilize the maximum percent allowable for "Reserve for Uncollected Taxes calculation" and shall hold accelerated tax sale.
7. The City/Town shall not make a change in insurance plan or carrier without Division approval.
8. The City/Town shall hold timely foreclosures and lien sales.
9. The City/Town shall insure that all interfunds must be liquidated by year-end.
10. The Town must have functional general ledger, fixed asset and encumbrance accounting systems.
11. The City/Town shall prepare its tax billings in compliance with Ch. 72, P. L. 1994, related to State Fiscal Year estimated tax bills and tax billing.
12. Reimbursement for employee meals or entertainment is prohibited and City/Town funds cannot be used for receptions for City/Town employees.

BE IT FURTHER AGREED that the City/Town shall introduce its budget within 20 days of the statutory deadline and shall adopt the budget within 45 days of introduction.

BE IT FURTHER AGREED that the City/Town shall submit the following documents/reports to the Division:

1. Monthly revenue and expenditure reports.
2. Analysis of fees set by ordinance vs. cost of services provided.
3. Cash management plan to Division.
4. Plan for sharing services and cooperative purchasing with contiguous municipalities or the County where practical.
5. Analysis of current debt structure and plan for debt reduction.
6. Plan for collection of outstanding grants receivable.
7. Annual fiscal recovery plans for 5 years and shall include details on efforts to eliminate the need for Special Aid and shall include a capital project/acquisition plan.

BE IT FURTHER AGREED that the City/Town agrees to comply to the general procedural and operational requirements as listed below:

1. The City's/Town's representatives shall meet with Division staff quarterly to discuss budget and fiscal progress, or more often as requested by the Division.
2. The City/Town shall agree to a review of operations by Division staff.
3. The City/Town shall agree to implement recommendations of Division.
4. The City/Town must sign a Memorandum of Understanding each year municipality is in program (before they receive allocation).
5. The City/Town is directed to implement any government, administrative and operational efficiencies and oversight measures necessary for the fiscal recovery of the municipality.
6. Director may withhold any State Aid payments or future Special Municipal Aid payments if Director finds that municipality has failed to implement fiscal recovery measures approved by Local Finance Board.
7. The City/Town shall observe and comply with all statutory requirements with respect to prudent budgeting, fiscal controls, and tax collection procedures, (for municipality, county and schools).
8. The City/Town shall comply with all requirements imposed by the Board and the Director and shall fully cooperate with the Director and the Board in achieving the purposes for which assistance shall be made available.
9. Participants are subject to the restrictions for one fiscal year following receipt of the award.

BE IT FURTHER AGREED that, at the discretion of the Director, the Special Municipal Aid allocation may be made in quarterly payments and that such payments will be made based on a compliance review of the terms of this agreement. If this agreement is for less than the entire year, then payments will be made in equally divisible amounts for the remaining months of the year.

BE IT FURTHER AGREED that the City/Town Governing Body shall review this Memorandum of Understanding and pass a Resolution authorizing this Agreement within 20 days of the date of execution of this Agreement.

BE IT FURTHER AGREED that the Director may withhold from the City/Town any State aid payments that are disbursed by the Division of Local Government Services if the Director finds the City/Town has failed to implement fiscal recovery measures approved by the Board, and

IT IS FINALLY AGREED that the terms of this agreement shall be binding upon the City/Town for any and all subsequent years in which Special Municipal Aid funds are allocated to the Town.

Signature of Mayor

Date_____

Signature of Director

Date_____

Certification of Municipal Clerk

Date_____