MEMORANDUM OF UNDERSTANDING

Focusing and Limiting State Supervision of the City of Atlantic City (“Atlantic City”) Pursuant to N.J.S.A. 52:27BB-54 et seq.

WHEREAS, in 2010, the State of New Jersey and Atlantic City sought and received a judicial declaration that allowed for State supervision of Atlantic City pursuant to N.J.S.A. 52:27-BB-54 et seq; and

WHEREAS, the Local Finance Board, the Commissioner of the New Jersey Department of Community Affairs, and the New Jersey Attorney General approved a resolution providing for the State supervision of Atlantic City as of October 14, 2010; and

WHEREAS, economic challenges facing the casino industry and related tax appeals were a driving factor in what led to State supervision of Atlantic City; and

WHEREAS, the parameters of the State supervision of Atlantic City during 2011 were set forth in a Memorandum of Understanding that, among other things, required the review and approval of all hires, professional services contracts, and discretionary raises; and

WHEREAS, in an effort to help improve the economic situation in Atlantic City and strengthen its tax base, the State increased promotional funding in partnership with the Atlantic City Alliance, maximized access to certain economic development funds for the betterment of Atlantic City, and assigned personnel and financial resources to assist with certain public safety efforts; and

WHEREAS, economic challenges facing the casino industry continue and related tax appeals continue to place extraordinary pressures on the tax base in Atlantic City and the tax rates applicable to its residents and businesses; and

WHEREAS, the Local Finance Board, the Commissioner of the New Jersey Department of Community Affairs, and the New Jersey Attorney General approved a resolution providing for the continued State supervision of Atlantic City as of October 11, 2011; and

WHEREAS, Atlantic City applied to, and received approval from, the Local Finance Board in November of 2011 to finance approximately $35 million of tax appeal settlements that Atlantic City could not otherwise have reasonably addressed through an immediate increase in taxation; and

WHEREAS, billions of dollars of casino assessments remain under appeal; and

WHEREAS, a successful State and local strategy to prepare for pending appeals is essential if Atlantic City is to avoid falling into an unsound financial condition; and

WHEREAS, Atlantic City expects to continue making annual requests to the Local Finance Board to finance the impacts of tax appeals as they are settled as part of a successful State and local strategy to prepare for pending appeals; and

WHEREAS, continued financings of tax appeal settlements will likely continue to be an appropriate part of a successful State and local strategy to prepare for pending appeals, but a more comprehensive strategy, including fiscal restraint, is necessary and appropriate; and
WHEREAS, the State wishes to limit its supervision of Atlantic City to areas directly related to tax appeals and in areas critical to financial restraint as part of an effort to establish a successful State and local strategy to prepare for pending appeals; and

WHEREAS, the memorandum of Understanding setting forth the parameters of supervision during Calendar Year 2011 should be modified to reflect the State’s desire to focus and limit supervision appropriately; and

WHEREAS, the Memorandum of Understanding setting forth the parameters of supervision in 2011 allowed the State to ensure that Atlantic City exercised fiscal restraint, but contains more oversight and restrictive conditions than the State now believes is necessary or appropriate for Atlantic City for so long as Atlantic City demonstrates a commitment to fiscal restraint;

THEREFORE, the Director of the Division of Local Government Services and Atlantic City agree that the level of State Supervision shall be focused and limited to the processes set forth below for so long as Atlantic City demonstrates a commitment to fiscal restraint.

Modification to Local Finance Board Resolution

The Local Finance Board supervision resolution approved by the Local Finance Board, New Jersey Commissioner of Community Affairs, and New Jersey Attorney General as of October 11, 2011 is the lawful document setting forth the available powers of the Local Finance Board and Director with respect to supervision. However, it makes available certain powers that are not necessary under the planned supervision set forth in this Memorandum. The Director shall immediately seek modifications to the Local Finance Board supervision resolution approved as of October 14, 2011 to: clarify that no fiscal control officer will be appointed by the Local Finance Board; to clarify that the Director shall not have approval authority with respect to collective bargaining agreements; and to further limit the Board and Director’s authorities under the resolution to be consistent with the terms of supervision as set forth in this Memorandum.

Assistance from the State

The State shall provide, from time to time, assistance to Atlantic City in the form of expertise, guidance, and advice on such matters as the City shall request.

Regular Discussions on Outstanding Appeals, Litigation Strategies, and Pending Settlements

Atlantic City shall regularly inform an agent assigned by the State Division of Local Government Services as to changes in outstanding appeals, litigation strategies, and pending settlements. The agent assigned the State Division of Local Government Services shall facilitate discussions amongst appropriate State officials and representatives of Atlantic City to discuss proposals designed to address instability that may otherwise be created due to pending and future tax appeals.

Restrictions on Personnel Matters

1. Hiring Employees Requiring Governing Body Advice and Consent. A “Request to Hire Employees Requiring Governing Body Advice and Consent Form” (Attachment A) shall be completed and submitted to the Director prior to Atlantic City advancing any candidate to the governing body for advice and consent. Atlantic City may not submit the candidate to the governing body for advice and consent until the Division has indicated it has completed a preliminary review of the candidate. After receiving an indication from the Division that the candidate has received a preliminary review, the governing body shall conduct a meeting to consider advice and consent and the Municipal Clerk shall return the form indicating the results of the meeting. Upon receipt, the Division shall then
make a final determination and indicate approval or disapproval as appropriate. At no
time shall Atlantic City hire the candidate until approval from the Division has been
communicated in writing.

2. **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 Form” (Attachment B) shall be completed
and submitted to the Director prior to Atlantic City hiring any such candidate for
employment. Senior Level and Confidential Employees shall include, but not be limited to:
the 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 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. At no time shall the Municipality hire the
candidate until approval from the Division has been communicated in writing.

3. **Salary Restraints for Elected Officials and Noncontractual Employees:** Atlantic City
shall not increase salaries or compensation for elected officials and employees not
otherwise entitled to increases pursuant to the terms of a contract in effect as of the date
of this Memorandum without the Director’s prior written approval.

**Restrictions on Legal Services Contracts**

1. The hiring of legal services, either directly or through a sub-contract, regardless of cost,
shall be subject to the prior written approval of the Director of a “Legal Services Request
Form” (Attachment C). Change orders for legal services or other modifications of
previously approved contracts for legal services shall similarly require prior written
approval of the Director, but only that portion of the “Legal Services Request Form” with
the heading, “Change Orders and Amendments” needs to be provided to the Director for
his approval.

**Restrictions on Contracts Related to Tax Appeals, Revaluations, and Reassessments**

No contract for any service pertaining to tax appeals, revaluations, or reassessments shall be
executed without the prior written approval of the Director.

**Restrictions of Miscellaneous Nature**

1. The Municipality shall neither create nor expand services without the Municipality first
receiving a “Creation/Extension of Services Form” (Attachment C) approved by the
Director. This restriction extends to: the creation of a new program; increase in funding
for an existing program; expansion of eligibility for, or benefits from, any existing
program. By way of example only, the following things would need approval of DLGS:
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.

2. The City shall not expend funds on out-of-State travel or overnight stays within New
Jersey, without first submitting a “Travel Approval Form” to the Director and receiving
written approval therefore from the Director. The City shall explain good cause for the
expenditure, which may include, but is not limited to, a need to ensure licensure or
certification of statutory employees or essential training for public safety employees.
Requirement to Retain Pay to Play Ordinance

Atlantic City’s Pay to Play Ordinance May not be Modified without First Receiving the Written Approval of the Director of the Division of Local Government Services.

Requirement to Clearly Communicate Fiscal Stress to Unions and Arbitrators

The Municipality will provide the Director with copies of letters (substantially similar to the draft letter set forth on Attachment E) that it has provided to each of the collective bargaining units representing employees of the Municipality. Furthermore, in the event that a collective negotiation has been submitted for binding arbitration, the Municipality will provide the Director with a copy of a letter (substantially similar to the draft letter set forth on Attachment E) to the arbitrator.

Meeting Requirements

City representatives shall meet with the Director or his staff quarterly to discuss budget and fiscal progress, or more often as requested by the Division.

Implementing Provisions and Flexibility

The Director shall be represented by Mr. Ed Sasdelli who shall be authorized to act on his behalf.

Duration

The provisions of the Memorandum shall remain in force through December 31, 2012, but in no event shall this Memorandum remain in force in effect if State supervision, pursuant to N.J.S.A. 52:27BB-54 et seq., is no longer in effect.

Governing Body Acknowledgement

The City Governing Body shall review this Memorandum of Understanding and pass a resolution indicating awareness of its contents within 30 days of the effective date.

___________________________________  __________________________
Signature of Mayor                        Date__________

____________________________________  __________________________
Signature of Chief Administrative Officer as Applicable  Date__________

___________________________________  __________________________
Signature of Director                     Date__________

___________________________________  __________________________
Certification of Municipal Clerk          Date__________
ATTACHMENT A (INSTRUCTIONS)

1. All attachments should be returned in Word. Please do not send the Division handwritten forms as illegible writing will slow the process of review.
2. Enter name of municipality in 1st paragraph
3. Enter the name of the employee or candidate
4. Enter the job title and job specification number, if applicable
5. Enter the name of the department and/or division
6. Enter the salary associated with item 4. Please attach documentation indicating the salary range for the position.
7. Enter title and salary last held by employee or candidate
8. Enter name, salary and separation date of employee being replaced. If vacant, please indicate the last date the position was held.
9. Temporary/Seasonal/Acting – Please indicate if this is a temporary, seasonal or acting. Justification must be provided in writing with the appointment term, if applicable.
10. Grant Funded – Please provide grant information, if position is grant funded. Please provide grant award letter and information allowing for the use of grant funds for personnel. Additionally, please provide information if the position is a requirement of the grant terms.
11. Attach written justification for the position (i.e. statutory obligation, replacement, etc.). Resume must be included as well as job duties and job application, if applicable. Additionally please review and respond to the items on the employment checklist for the candidate. Resumes of other candidates considered and method of solicitation for the position should be included.
12. After DLGS has preliminarily approved and it has been reviewed by the governing body, the Municipal Clerk shall indicate the vote tally and submit, in writing, any objections to the appointment made by the governing body along with Attachment A for DLGS review.
13. Mayor’s signature is required.
14. If applicable, signature of Business Administrator or Manager is required.
15. CFO signature and funding source is required.
16. The Director will conduct a preliminary review of complete attachments and if appropriate DLGS staff will notify the municipality that they can move the nomination to the governing body for review. DLGS will verify the governing body has provided its advice and consent and will conduct a final review and notify the municipality of the final decision and return Attachment A with the Director’s signature and waiver number.

A Division representative will review Attachment A and back up documentation and contact the appropriate municipal personnel if any questions or concerns should arise. Please note that if all information is not provided, the attachment will be returned to the municipality and no action will be taken.
This form must be filled out in its entirety. Its purpose is to provide the Division with appropriate information so it can perform due diligence with respect to oversight pursuant to the State Supervision Act. Please provide any additional information you believe will help the Division fully understand what is being requested by the Municipality.

Be advised that the candidate for employment may only be hired after a two-step review process conducted by DLGS. First, DLGS will review the information and give notice to the Municipality that it may formally advance the appointment to the governing body for advice and consent. It is incumbent on the Municipality to report the results of their governing body’s actions and to provide the actual vote on the nomination and related minutes of the nomination if there were votes in the negative. After it has been verified that the Governing body has given its consent, DLGS will conduct a final review and will notify the Municipality of its final decision.

<table>
<thead>
<tr>
<th>Name of Nominated Employee</th>
<th>NJCSC Title and Job Specification Number, if applicable</th>
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<th>Department</th>
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<tr>
<th>If applicable, Salary and Title that the nominated employee last held</th>
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<th>If applicable, Name and Salary of employee being replaced</th>
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( ) Temporary/Seasonal/Acting ( ) Grant Funded (Must provide backup documentation.)

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<tr>
<th>Check if completed:</th>
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<tbody>
<tr>
<td>Criminal History Check was Conducted / Reviewed (Required for all candidates, but need not be submitted to DLGS)</td>
</tr>
<tr>
<td>Driver’s License Check was Conducted / Reviewed (Only applicable if employee will drive a city car or be expected to drive as part of his/her responsibilities.)</td>
</tr>
<tr>
<td>A Credit Check was Conducted / Reviewed.</td>
</tr>
<tr>
<td>A Resume of the candidate has been reviewed and has been provided to DLGS.</td>
</tr>
<tr>
<td>The resume of all other individuals who submitted resumes for consideration of the position have been provided to the Division.</td>
</tr>
</tbody>
</table>
Indicate if the Municipality had a review committee and the names of candidates considered and interviewed by the committee.

Written justification for the position: For example, does the candidate have exceptional work experience or reputation.

______________________________ Date __________
Mayor’s Signature

______________________________ Date __________
Business Administrator/Manager Signature

The Chief Financial Officer affirms that there is adequate funding available for this personnel action.

______________________________ Funding Source for this action

______________________________ Date __________
Chief Financial Officer Signature

I certify that this form is complete and accurate.

______________________________ Date __________
Municipality Representative

For LGS use only:
DLGS Authorization to Advance to Governing Body (Not an approval to hire.)
( ) Yes ( ) No  Signed:______________ Date: _______________

DLGS will verify with the City Clerk that advice and consent has been achieved and received a copy of the vote and relevant minutes or other information regarding issues raised by opponents of the nomination.

DLGS Final Consideration after Governing Body Approval:
( ) Approval to Hire ( ) Denied

Signed:______________________________ Date: ___

Number Assigned ____________
INSTRUCTIONS FOR ATTACHMENT B

1. All attachments will be provided in Word format to allow the forms to be typed. Please do not send the Division handwritten forms.
2. Enter name of municipality in 1st paragraph
3. Enter the name of the employee or candidate
4. Enter the job title and job specification number, if applicable
5. Enter the name of the department and/or division
6. Enter the salary associated with item 4. Please attach documentation indicating the salary range for the position.
7. Enter title and salary last held by employee or candidate
8. Enter name, salary and separation date of employee being replaced. If vacant, please indicate the last date the position was held.
9. Temporary/Seasonal/Acting – Please indicate if this is a temporary, seasonal or acting. Justification must be provided in writing with the appointment term, if applicable.
10. Grant Funded – Please provide grant information, if position is grant funded. Please provide grant award letter and information allowing for the use of grant funds for personnel. Additionally, please provide information if the position is a requirement of the grant terms.
11. Attach written justification for the position (i.e. statutory obligation, replacement, etc.). Resume must be included as well as job duties and job application, if applicable. Additionally please review and respond to the items on the employment checklist for the candidate. Resumes of other candidates considered and method of solicitation for the position should be included.
12. Mayor’s signature is required.
13. If applicable, signature of Business Administrator or Manager is required.
14. CFO signature and funding source is required.
15. The Director will review if completed waiver is submitted. DLGS staff will notify the municipality of the final decision and return Attachment B with the Director’s signature and waiver number.

A Division representative will review Attachment B and back up documentation and contact the appropriate municipal personnel if any questions or concerns should arise. Please note that if all information is not provided, the attachment will be returned to the municipality and no action will be taken.
STATE OF NEW JERSEY
DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF LOCAL GOVERNMENT SERVICES
REQUEST FOR APPROVAL FOR SENIOR LEVEL EMPLOYEES OR
CONFIDENTIAL EMPLOYEES

This form must be filled out in its entirety. Its purpose is to provide the Division with appropriate information so it can perform due diligence with respect to oversight required as a condition of State Supervision. Please provide any additional information you believe will help the Division fully understand what is being requested by the Municipality.

<table>
<thead>
<tr>
<th>Municipality Name</th>
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<tr>
<th>Name of Employee</th>
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<tr>
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<tr>
<th>Indicate if the Municipality had a review committee and the names of candidates considered and interviewed by the committee.</th>
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</table>
Written justification for the position: For example, does the candidate have exceptional work experience or reputation.

Mayor’s Signature ___________________________ Date __________

Business Administrator/Manager Signature ___________________________ Date __________

The Chief Financial Officer affirms that there is adequate funding available for this personnel action.

Chief Financial Officer Signature ___________________________ Date __________

I certify that this form is complete and accurate.

Municipality Representative ___________________________ Date __________

For LGS use only:
DLGS Approval: (   ) Approval to Hire (   ) Denied

Signed:_________________________ Date: _____

Number Assigned ____________
This form must be filled out in its entirety and is intended to provide the Division with appropriate information to determine whether to approve a new or extended service. Please provide any additional information you believe will help the Division make an informed decision.

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<tr>
<th>Municipality</th>
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<tr>
<th>Professional Service or EUS Type</th>
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<tr>
<th>Name of Vendor_</th>
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<th>Purpose or Need for service:</th>
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<th>Contract Award Amount</th>
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<th>Term of Contract</th>
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<th>Temporary or Seasonal</th>
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<th>Grant Funded (attach appropriate documentation allowing for service through grant funds)</th>
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<th>Please explain the procurement process (i.e. bids, RFQ, competitive contracting, etc)</th>
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<tr>
<th>Were other proposals received? If so, please attach the names and amounts for each proposal received?</th>
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Please attach any evaluation memoranda or evaluation forms used to evaluate the vendors. If the lowest bidder was not selected, please have the appropriate personnel sign the certification on page 2.

**Change Orders and Amendments**

Please briefly provide an explanation of any proposed change order or amendment. If any change order or amendment is changing a salary cap, fee arrangement, or scope of service, clearly explain the change. If the change entails a change in the scope of services, please provide the precise change in the scope of services.
The Chief Financial Officer affirms that there is adequate funding available for this personnel action. Funding Source for this action

Chief Financial Officer Signature
I certify that the vendor selected is in compliance with the adopted Pay to Play Ordinance and that the vendor was notified of any restrictions with respect to campaign contributions. Certifying Officer

For LGS use only:
( ) Approved ( ) Denied Date

Director or Designee,
Division of Local Government Services

Number Assigned
This form must be filled out in its entirety and is intended to provide the Division with appropriate information to determine whether to approve a new or extended service. Please provide any additional information you believe will help the Division make an informed decision.

Municipality:

Explanation of new or extended service, what essential unmet need the new or extended service fills, and the estimated costs and sources of funding for the new or extended service.

What category of people will be eligible to receive, or benefit from, the new or extended service?

How will the municipality determine who will receive the new or extended service?

Summarize any application or enrollment process, criteria or guidelines.

What Department or Division will oversee the new or extended service?
What user fees or other provisions will be in place to minimize the cost to taxpayers of this new or extended service?

What person or persons are primarily responsible for the new or extended service and how can they be reached?

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<th>Name</th>
<th>Title</th>
<th>Telephone Number</th>
<th>Email</th>
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List any and all ordinances, resolutions, policies, rules, regulations, applications, or criteria that will govern the new or extended service and provide a copy of each.

<table>
<thead>
<tr>
<th>Ordinance:</th>
<th>Resolution:</th>
<th>Policies</th>
<th>Rules and regulations:</th>
<th>Applications:</th>
<th>Criteria:</th>
</tr>
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</table>

______________________________  Date__________
Mayor’s Signature

______________________________  Date__________
Business Administrator/Manager Signature

For LGS use only:
( ) Approved  ( ) Denied  
______________________________
Director or Designee,  
Division of Local Government Services

Number Assigned ______________________________
(Date)

(Name of Collective Bargaining Unit or Arbitrator)
________________________
________________________, NJ ___

Dear (Representative of Collective Negotiating Unit or Arbitrator):

The State of New Jersey is working with the City of Atlantic City to help ensure a sound plan is in place to address extraordinary fiscal challenges caused by unprecedented tax appeals filed by casinos. The New Jersey Local Finance Board has placed the City of Atlantic City under State Supervision to help ensure that such a plan is in place and part of that State Supervision requires this letter to be sent to you.

It is the concern of the State that pending tax appeals, without an appropriate plan of fiscal restraint, could destabilize Atlantic City’s ability to provide essential services in the years to come. While the Local Finance Board has not assumed the responsibility for collective bargaining as otherwise authorized pursuant to the State Supervision Act, the City of Atlantic City has been directed to seek appropriate concessions from employees such that layoffs of essential employees will not otherwise be required should tax appeals be settled or otherwise adjudicated.

To be clear, at this point the State does not approve or deny contracts. However, you should be aware that this could change if the City of Atlantic City agrees to contracts that do not realistically acknowledge the unprecedented level of fiscal stress caused by unprecedented tax appeals.

I look forward to working with you during these difficult financial times to continue providing essential services in a sustainable manner.

Sincerely,

(Mayor)