
CITY OF PLEASANTVILLE,

Plaintiff,

vs.

LINDA D. PEYTON,

Defendant.

SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION
ATLANTIC COUNTY
DOCKET NO: **ATL-C-119-25**

CIVIL ACTION

ORDER

THIS MATTER having been brought before the Court on Plaintiff, City of Pleasantville's, Motion for an Order to Show Cause for preliminary injunctive relief against Defendant, Linda D. Peyton; and the Court having considered the Verified Complaint, all submissions, opposition and reply briefs, exhibits, oral argument, and for good cause shown and for the reasons set forth in the accompanying Memorandum of Decision issued on this date;

IT IS on this 4th day of March, 2026, **ORDERED** as follows:

1. Plaintiff's Motion for an Order to Show Cause is **GRANTED**;
2. Defendant, Linda D. Peyton, shall immediately repay to the City of Pleasantville the sum of \$83,987.00 representing unlawful payment of accumulated sick leave, as found in the accompanying decision;

IT IS SO ORDERED.



Hon. J. Christopher Gibson, P.J.Ch.

Administrator, the circumstances of her retirement, and the approval and disbursement of funds in dispute. The Complaint asserts claims under theories of mistake, illegality, and seeks reformation of employment-related agreements.

On January 7, 2026, the Court entered an Order to Show Cause (the “OTSC”), which set a return and hearing date on Plaintiff’s application for preliminary injunctive relief.

On or about January 21, 2026, Defendant, Linda Peyton, proceeding as a self-represented litigant, filed and served an Answer to the Complaint. Defendant’s Answer responds in detail to each of the allegations presented by Plaintiff and asserts multiple affirmative defenses, including but not limited to the entitlement to compensation, estoppel, waiver, good faith, and laches.

On or about January 27, 2026, Defendant filed an Objection to Plaintiff’s Motion for Injunctive Relief, opposing the relief sought by Plaintiff under the Order to Show Cause and providing further factual and legal argumentation in opposition to the injunction.

Arguments of the Parties

Plaintiff’s Complaint and Order to Show Cause

Plaintiff alleges Defendant was employed by the City from 1999 in escalating roles, ultimately serving as Business Administrator with a four-year term commencing January 1, 2024. On July 8, 2024, Defendant notified City officials of her intention to retire effective August 9, 2024, subsequently submitting a personnel action form indicating “retirement” from City employment (Exhibits 3–4). Pursuant to City policy and under the understanding that Defendant was retiring, the City paid her \$83,987.00 for 910 hours of accumulated but unused sick time, together with \$81,737.00 in severance pay. The total payout was **\$165,724.00**. However, Plaintiff contends that Defendant did *not* actually “retire” from the Public Employees Retirement System (PERS), but instead immediately took a new position with the New Jersey Judiciary and continued as an active PERS member.

On November 7, 2025, the City was advised by the Office of the State Comptroller (OSC) that the payment to Peyton for unused sick time violated New Jersey law, specifically N.J.S.A. 11A:6-16 and N.J.S.A. 11A:6-19.1, which strictly **limit payment of unused sick leave to retirees from a state-administered retirement system and impose a maximum of \$15,000.00**.

Plaintiff presents multiple legal bases for rescission and repayment:

1. **Statutory Violation:** Plaintiff asserts that payment for unused sick leave (supplemental compensation) is only lawful upon “retirement,” as defined in N.J.S.A. 11A:6-16, and that Defendant’s mere resignation and continuation in public employment fails to satisfy this requirement. The amount paid also exceeded the absolute statutory cap of \$15,000.00 (N.J.S.A. 11A:6-19.1).

2. **Mistake and Ultra Vires Action:** Plaintiff alleges payment was made by mistake—premised on incorrect representation or assumption of retirement—and was ultra vires, beyond City authority).

3. **Mandated Recoupment / Equitable Relief:** The OSC’s November 7, 2025 directive explicitly requires corrective action and recoupment of improperly paid funds. Plaintiff is obliged by State directive to seek rescission and restitution.

4. **Application for Immediate Injunctive Relief—Order to Show Cause:** Plaintiff seeks temporary restraints and preliminary injunction, requesting the Court:

- To fix the sum of \$83,987.00 as representing the amount illegally paid;
- To declare the payment unlawful under New Jersey law;
- To order immediate repayment of \$83,987.00 by Defendant;
- To award costs of suit, attorney fees, and interest;
- To grant all other equitable relief deemed appropriate.

Plaintiff’s brief emphasizes the four Crowe v. DeGioia, 90 N.J. 126 (1982) factors:

Irreparable Harm: Allowing Defendant to retain funds would violate statute, harm public interests, and expose the City to legal and fiscal risk. Mere monetary recoupment after the fact would not suffice without injunctive relief.

Settled Legal Right: Statutory mandates are clear—payment for unused sick leave is strictly limited by both circumstance (retirement) and amount (\$15,000).

Reasonable Probability of Success: Plaintiff argues that the facts and OSC directive are undisputed, and law clearly supports rescission and restitution.

Balance of Hardship: Public and taxpayer harm from impermissible payment far outweighs any hardship to Defendant from return of funds she was not legally entitled to.

Defendant’s Opposition

Defendant asserts that in early July 2024, she advised the Mayor of her intent to retire effective August 9, 2024, in anticipation of accepting subsequent employment with the New Jersey

Judiciary. On July 8, 2024, Defendant sent written notice of retirement to the Chief Financial Officer; on July 12, 2024, she executed the City's Request for Personnel Action form, listing her separation as retirement. Defendant did not misrepresent her status at any point. On August 19, 2024, City Council formally accepted Defendant's resignation, marking August 9, 2024, as her last day.

Defendant did not unilaterally determine or process her own compensation. The payments were made through Plaintiff's payroll system following approval by City officials. The compensation included: Base Salary (2024): \$163,474.07; 50% Severance Pay (per City Manual): \$81,737.04; Sick Time Pay-Out: \$83,986.99

Total estimated package provided to Defendant: \$172,323.01, including severance and accrued, unused vacation and sick leave.

On January 23, 2025—over five months after Defendant's separation—the New Jersey Office of the State Comptroller ("OSC") commenced an investigation into Plaintiff's compensation practices, issuing a subpoena for documents and later testimony from Defendant. Defendant timely complied, producing documents by February 3, 2025 and testifying on April 7, 2025. Following completion of its investigation, OSC issued a preliminary letter on September 8, 2025. Defendant contested the findings in writing on September 21, 2025. Nevertheless, Plaintiff, relying on OSC's correspondence and absent any judicial finding, issued a demand for repayment of \$83,986.00 to Defendant on September 29, 2025.

Defendant asserts that there is No Irreparable Harm — Monetary Damages Are Sufficient: Plaintiff's alleged harm consists solely of the recovery of a specific, liquidated sum—\$83,987.00—previously paid to Defendant. Such harm is not irreparable, as the City may seek a money judgment post-trial. Additionally, Plaintiff's delay—from payment in 2024, OSC findings in September 2025, demand letter in September 2025, to court action in January 2026—contradicts any claim of immediate irreparable harm. Defendant, by contrast, faces actual prejudice if forced to return funds prior to adjudication, having relied on Plaintiff's representations and payment in structuring her financial affairs. Thus, the irreparable harm analysis clearly disfavors granting injunctive relief.

Defendant alleges that Plaintiff Cannot Demonstrate Likelihood of Success on the Merits: Plaintiff's argument—that N.J.S.A. 11A:6-16 and 11A:6-19.1 bar Defendant's payment—is disputed because Defendant was hired in 1999, rendering her sick-leave payout rights governed

by pre-reform policies under N.J.S.A. 11A:6-19.1. Plaintiff overlooks statutory grandfathering provisions, which preserve her rights to sick-leave payout amounts exceeding post-2010 statutory caps. Plaintiff's own actions—processing Defendant's retirement, approving payment, and issuing funds—contradict its current claim of illegality. Administrative correspondence from OSC does not constitute a binding legal determination or adjudication of individual rights. Material factual and legal questions concerning Defendant's eligibility, Plaintiff's policies, and the applicability of post-reform statutory caps prevent Plaintiff from establishing likelihood of success on the merits.

Defendant maintains that Balance of Hardships Strongly Favors Defendant. Plaintiff cannot demonstrate hardship from denial of injunctive relief; its requested relief is entirely monetary. Defendant, by contrast, would suffer immediate prejudice if forced to repay funds received in good faith and integrated into her finances. The hardship Plaintiff seeks to impose is the result of its own actions and policy decisions, not Defendant's conduct.

New Jersey law prohibits altering the "status quo" as a means to retroactively effect a desired outcome. The status quo is the last peaceable, uncontested condition—here, Defendant's receipt of approved compensation post-retirement. Granting Plaintiff's relief would improperly adjudicate the central issue and disrupt Defendant's settled financial position.

Defendant alleges that Public Interest Weighs Against Injunctive Relief. The OSC's findings highlight systemic issues in sick-leave and severance pay policy, not individual wrongdoing. Public interest lies in transparency and lawful administration, but is not served by punitive action against an employee who relied in good faith on Plaintiff's own policies and approval. Equitable principles and due process require a full adjudication, not a premature injunction enforcing Plaintiff's preferred outcome.

For all the above reasons, Defendant submits that Plaintiff's application for preliminary injunctive relief must be denied.

Plaintiff's Reply

Plaintiff, City of Pleasantville, submits this reply in further support of its Order to Show Cause, responding to Defendant Peyton's opposition. Plaintiff asserts that Defendant's characterization of the relief as merely monetary fails to recognize the statutory mandate and direct order from the State Comptroller that the funds paid were illegal and must be recouped without delay. The City argues that, under Crowe v. DeGioia, 90 N.J. 126 (1982), irreparable harm exists

where immediate action is required to recover public funds illegally disbursed, and delay may hinder the City's ability to comply with state requirements and protect taxpayer resources.

Plaintiff further contends that the law governing supplemental compensation for unused sick leave (N.J.S.A. 11A:6-19.1) is explicit: such payments are authorized only upon retirement from a State-administered retirement system. Defendant Peyton's departure did not constitute such retirement, and Plaintiff's right to reimbursement is well-established. Arguments that financial hardship should excuse compliance or that payment was valid based on mutual error are unavailing. The City emphasizes that the action was ultra vires in the primary sense, and as such, neither the City nor Defendant can rely on equitable estoppel to avoid statutory compliance. The City concludes that injunctive relief is necessary, as the legal standard, probability of success, and balance of hardships all weigh in favor of Plaintiff; immediate return of the improperly paid funds must be ordered.

The correspondence dated February 10, 2026, from Plaintiff's counsel to the Court submits a document entitled "Pleasantville City Council Work Meeting August 19, 2024," provided by the City Clerk in response to Defendant Linda Peyton's OPRA request. The letter states this document is more complete regarding the City's acceptance of Ms. Peyton's voluntary resignation, as referenced in Resolution No. 135-2024. Plaintiff's counsel reiterates that the "retirement" paperwork from Ms. Peyton's separation did not constitute a retirement triggering a payout under N.J.S.A. 11A:6-19.1, and expresses appreciation for the Court's acceptance of these submitted materials.

Discussion

Payment of accumulated sick leave

N.J. Stat. § 11A:6-19.2 Cap on compensation for unused sick leave under Title 11A (2010)

Notwithstanding any law, rule or regulation to the contrary, a political subdivision of the State, or an agency, authority or instrumentality thereof, that has adopted the provisions of Title 11A of the New Jersey Statutes, shall not pay supplemental compensation to any officer or employee for accumulated unused sick leave in an amount in excess of \$15,000. **Supplemental compensation shall be payable only at the time of retirement from a State-administered or locally-administered retirement system based on the leave credited on the date of retirement.** This provision shall apply only to officers and employees who commence service with the political subdivision of the State, or the

agency, authority or instrumentality thereof, on or after the effective date [May 21, 2010] of P.L.2010, c.3. This section shall not be construed to affect the terms in any collective negotiations agreement with a relevant provision in force on that effective date.

N.J. Stat. § 11A:6-19.1 Payment of accumulated sick leave by political subdivision under civil service (2007)

Notwithstanding any law, rule or regulation to the contrary, a political subdivision of the State, or an agency, authority or instrumentality thereof, that has adopted the provisions of Title 11A of the New Jersey Statutes, shall not pay supplemental compensation to any officer or employee for accumulated unused sick leave in an amount in excess of \$15,000, except that an officer or employee who:

(1) on the effective date of P.L.2007, c.92 (C.43:15C-1 et al.), or upon the expiration of a collective negotiations agreement or contract of employment applicable to that officer or employee in effect on that date has accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so accumulated or not more than \$15,000, whichever is greater; or

(2) becomes an officer or employee after the effective date of P.L.2007, c.92 (C.43:15C-1 et al.) and has previously accrued supplemental compensation based upon accumulated unused sick leave shall, upon retirement, be eligible to receive for any unused leave not more than the amount so previously accumulated or not more than \$15,000, whichever is greater.

Supplemental compensation shall be payable only at the time of retirement from a State-administered or locally-administered retirement system based on the leave credited on the date of retirement.

As used in this section, "officer or employee" means an elected official; or a person appointed by the Governor with the advice and consent of the Senate, or appointed by the Governor to serve at the pleasure of the Governor only during his or her term of office; or a person appointed by an elected public official or elected governing body of a political subdivision of the State, with the specific consent or approval of the elected governing body of the political subdivision that is substantially similar in nature to the advice and consent of the Senate for appointments by the Governor of the State as that similarity is determined by the elected governing body and set forth in an adopted ordinance or resolution, pursuant to guidelines or policy that shall be established by the Local Finance Board in the Department of Community Affairs, but not including a person who is employed or appointed in the regular or normal course of employment or appointment procedures and consented to or

approved in a general or routine manner appropriate for and followed by the political subdivision, or the agency, authority or instrumentality of a subdivision, or a person who holds a professional license or certificate to perform and is performing as a certified health officer, tax assessor, tax collector, municipal planner, chief financial officer, registered municipal clerk, construction code official, licensed uniform subcode inspector, qualified purchasing agent, or certified public works manager.

Interlocutory injunction

It is well-settled that the issuance of an interlocutory injunction requires the court to consider the four factors set forth in Crowe v. DeGoia, 90 N.J. 126 (1982). Each factor must be “clearly and convincingly demonstrated.” Waste Management of New Jersey v. Union County Utilities Authority, 399 N.J. Super. 508, 519 (App. Div. 2008). The factors that an applicant must demonstrate in order for a preliminary or temporary injunction to issue are as follows:

- (1) Substantial, immediate, and irreparable harm;
- (2) A settled legal right;
- (3) A reasonable probability of success on the merits; and
- (4) The balance of the relative hardships to the parties weighs in favor of granting the relief sought.

Crowe, *supra*, 90 N.J. at 132-34.

The issuance of an interlocutory injunction “must be squarely based on an appropriate exercise of sound judicial discretion.” Waste Management, *supra*, 399 N. J. Super. at 520. That is so because the injunction remains “the strongest weapon at the command of the court of equity,” *Id.* at 538 (quoting Light v. Nat’l Dyeing and Printing Co., 140 N.J. Eq. 506, 510 (Ch. 1947)), and “often remains the most effective means to avoid an inequity.” *Ibid.* (citing Banach v. Cannon, 356 N.J. Super. 342, 347 (Ch. Div. 2002)). Lastly, where the case presents an issue of “significant public importance,” the court must consider the public interest in addition to the Crowe factors. McNeil v. Legislative Apportionment Comm’n of N.J., 176 N.J. 484 (2003).

(1) substantial, immediate & irreparable injury;

Under the first Crowe factor, the movant must show that preliminary relief is necessary to prevent irreparable harm. Crowe, *supra*, 90 N.J. at 132. Harm is generally considered irreparable in equity if it cannot be redressed adequately by monetary damages. *Ibid.* “In other words, plaintiff must have no adequate remedy at law.” Subcarrier Communications, Inc. v. Day, 299 N.J. Super. 634, 637 (App. Div. 1997) (citing Green v. Piper, 80 N.J. Eq. 288, 293 (Ch.1912)).

Here, Plaintiff, City of Pleasantville, asserts the improper payment of \$83,987.00 in accumulated sick leave to Defendant, Linda Peyton, constitutes a substantial and immediate loss of taxpayer funds that must be recouped without delay. Plaintiff relies upon the **directive from the Office of State Comptroller (OSC)**, received November 7, 2025, which deems the payment **unlawful under N.J.S.A. 11A:6-19.1** and mandates corrective action. Plaintiff emphasizes that, if preliminary relief is not granted, there is a risk that these funds could dissipate, impeding the City's compliance with statutory obligations. Plaintiff contends further that allowing Defendant to retain funds paid in violation of state law would perpetuate an ultra vires act and expose the City to liability for failing to heed state directives.

In contrast, Defendant argues that Plaintiff's claim is purely economic, consisting solely of recovery of a liquidated sum, and can be fully remedied by monetary damages following a final judgment on the merits. Defendant points out that Plaintiff's delay—from August 2024 payment, to OSC findings in November 2025, demand letter in September 2025, and court filing in January 2026—undermines any claim of urgency or irreparable harm.

However, the Plaintiff's position is supported by the statute's mandatory language and the public policy underlying enforcement against unlawful distributions of public funds. The risk of loss of public funds, combined with a state mandate for prompt recoupment, raises the urgency above a typical money judgment scenario. Accordingly, this factor supports granting Plaintiff's requested injunctive relief.

(2) a settled legal right;

Temporary injunctive relief should be withheld when the legal right underlying the plaintiff's claim is unsettled. Crowe, supra, 90 N.J. at 133.

Turning to the second Crowe factor, Plaintiff contends that controlling statutes, specifically N.J.S.A. 11A:6-19.1, clearly bar payment of supplemental compensation for unused sick leave in excess of \$15,000, except in two narrowly defined "grandfathered" situations. Plaintiff claims that Defendant's payout both exceeded this statutory cap and **was made upon resignation (or "retirement" from a job)—not retirement from a State-administered retirement system**. Plaintiff further argues that OSC's directive establishes an unambiguous entitlement to claw back the disputed sum.

In response, Defendant raises as a defense that she was hired in 1999, prior to the statutory reforms effective in 2007 and 2010, and is entitled to calculate sick leave payout according to pre-reform policy, invoking the “grandfathered” exceptions of the statute.

However, upon careful review of the record, neither party has produced documentation affirmatively proving that the full \$83,987.00 payout represents sick leave accrued **prior** to the statutory cut-off date for grandfathering, or that the payout was made upon bona fide **retirement from the State retirement system (not only “retirement” from a job-i.e.resignation)**, as required by statute. Plaintiff’s Verified Complaint and the OSC findings both describe Defendant’s departure as a resignation, with Defendant continuing as an active PERS member, which does not qualify as a retirement under the statute. The “grandfathering” argument is insufficiently supported by evidence of accrued amounts and retirement status; thus, Plaintiff’s legal right to recoupment is well-settled and Defendant’s payment was ultra vires under New Jersey law. Accordingly, this factor supports granting Plaintiff’s requested injunctive relief.

(3) a reasonable probability of success on the merits; and

The third Crowe element requires that a plaintiff must show “a reasonable probability of ultimate success on the merits” to prevail on its application for interim relief. Crowe, supra, 90 N.J. at 133. Therefore, “a preliminary injunction should not issue where all material facts are controverted.” Ibid. Nonetheless, “mere doubt as to the validity of the claim” is not an adequate basis for denial of the relief. Ibid.

Regarding the third Crowe factor, Plaintiff asserts a high probability of success based upon the clear statutory language, documented OSC directive, and sequence of events: Defendant notified City officials of intended retirement in July 2024, received payout in August 2024, and was subsequently found to have resigned rather than retired from the State pension system. Plaintiff establishes that payment of \$83,987.00 for unused sick leave departed from the requirements of N.J.S.A. 11A:6-19.1, both as to amount and timing (retirement vs. resignation).

Defendant, in opposition, maintains her entitlement as a pre-reform employee, asserting grandfathered status and good faith reliance upon City policies and practices in effect at the time. Defendant also argues the City calculated, approved, and issued payment without her input and only took corrective action months later.

Nevertheless, the record is clear that payment was made upon resignation, not statutory retirement, with no conclusive evidence that Defendant’s accrual prior to 2007 meets the statutory

grandfather threshold. The OSC's finding, Plaintiff's internal review, and city records collectively establish a strong likelihood of success on Plaintiff's claim for rescission and recovery of the funds. Accordingly, this factor supports granting Plaintiff's requested injunctive relief.

(4) in balancing the equities and considering public interest, a hardship of granting or denying the relief weighs in favor of the applicant. Ibid.

A mandatory injunction will not issue if the benefit to a plaintiff will be grossly less than the expense imposed upon the defendant in carrying out such an injunction. The final test in considering granting of a preliminary injunction is relative hardship to parties in granting or denying relief. Ibid.

Finally, the balance of equities and public interest weigh decisively in Plaintiff's favor.

Although the court is sympathetic to Defendant's lengthy commitment to public service, the fact that she did not make *any* false statements regarding her employment status, that *she* was the one who notified Plaintiff of her new employment, and that she received payments in good faith believing they were legal and authorized, both relevant statutes—N.J. Stat. § 11A:6-19.2 (2010) and N.J. Stat. § 11A:6-19.1 (2007)—explicitly state that **supplemental compensation shall be payable only at the time of retirement from a State-administered or locally-administered retirement system based on the leave credited on the date of retirement.**

Simply starting employment before 2007—specifically as a clerk in 1999—is not enough to qualify for the “grandfathered” exception. Although both the resignation letter dated July 8, 2024 and her Request for Personnel Action dated July 12, 2024 mention that she is “retiring” from the City of Pleasantville, it is clear that she did not retire from the State pension system—she only “retired” from her job, or more precisely, resigned from her job, as established in the City Council Meeting Agenda of August 19, 2024 under point 6 (“Resolution of Linda Peyton”), and confirmed in the City of Pleasantville’s resolution accepting Linda Peyton’s resignation dated August 19, 2024.

Therefore, there is no evidence in the record conclusively showing her payout qualifies as a “grandfathered” exception under the statute. Here, despite the fact that City contributed to the hardship that forms the basis for its complaint, the controlling law and the OSC's explicit mandate for recoupment weigh the balance in favor of granting interim relief.

That Defendant's hardship results from an unlawful payment made by mistake (admitted by Plaintiff) does not outweigh the public's interest in lawful administration. Accordingly, this factor supports granting Plaintiff's requested injunctive relief.

Conclusion

For the reasons set forth in this Memorandum of Decision, Plaintiff's Order to Show Cause is hereby **GRANTED**.

Dated: 3/4/2026



Hon. J. Christopher Gibson, P.J.Ch.