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State Rejects Atlantic City Fiscal Plan, Can Seek Takeover.

ATLANTIC CITY, N.J. — Gov. Chris Christie's administration rejected a financial turnaround plan by Atlantic City, enabling it to move forward with a threatened takeover of the struggling seaside gambling resort's assets and major decision-making power.

The state Department of Community Affairs on Tuesday rejected a five-year turnaround plan in which the city would lay off 100 workers, cut spending and sell its largest tract of vacant land to its water utility, with the money helping pay down its \$500 million debt.

Commissioner Charles Richman said the plan didn't bring enough stability to Atlantic City's finances and relied on legally dubious asset transfers to raise most of the money with which it intends to pay down the debt.

"I would have much preferred to leave management of the city's recovery in the hands of its municipal officials," Richman wrote in his decision. "However, I am constrained by the plan the city has placed before me. The enormous problems confronting the city did not occur overnight. City leadership has had ample time to improve the city's financial condition, yet has avoided doing so in any meaningful way. The plan is not likely to achieve financial stability for the city."

City Council President Marty Small, a Democrat, called the decision "misinformed, misguided and biased."

"The fix was in, and it will be dealt with," he said. "This is far from over."

Mayor Don Guardian, a Republican as is Christie, has promised to appeal an adverse decision in court. He called on Christie to hold off on imposing a takeover to give the city a chance to address the state's concerns, even as he warned, "We will fight this until we cannot fight any longer."

Democratic Assembly Speaker Vincent Prieto lamented the decision.

"Taxpayers better now beware," he said. "State takeovers of school districts have been disastrous. The administration needs to immediately detail whether a takeover would cost taxpayer money and how much. It must also detail whether it will push a property tax hike upon Atlantic City residents that the city's plan showed was unnecessary."

The proposed takeover would give the state vast authority over Atlantic City's affairs, including the right to dissolve agencies, cancel decisions by local elected officials and sell off assets, including land and a water utility coveted by private operators.

Richman stopped short of saying the state intends to use that authority. Spokeswoman Tammori Petty said deciding whether to do so is "the next step" for the state Local Finance Board but gave no timetable for a decision.

Some of Richman's criticisms of Atlantic City's plan include that it underestimates debt service over the next five years by approximately \$18 million; assumes it will receive \$31 million more in

redirected casino investment taxes than is likely; and overstates property tax revenues by \$20.5 million.

Richman also faulted the city for not including tax increases as part of its recovery plan and said the proposed \$110 million sale of the city-owned Bader Field former airport property to the city's municipal utilities authority is "structurally flawed." That sale would've raised the largest share of money the city intended to use for debt reduction.

Atlantic City's financial situation has worsened as its casino industry continues to contract. Five of the city's 12 casinos have gone out of business since 2014.

In 2006, casino revenues were \$5.2 billion; last year they fell to \$2.56 billion. As the casinos' value decreased, they won numerous reductions in their tax assessments, making it impossible for the city to fund the level of spending it had when times were better.

By THE ASSOCIATED PRESS

NOV. 1, 2016, 6:30 P.M. E.D.T.

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