

Bond Case Briefs

Municipal Finance Law Since 1971

Atlantic City Tax Liens Draw Less Than Half Expected \$53 Million.

Atlantic City, the junk-rated onetime U.S. East Coast gambling center on New Jersey's coast, drew bids for less than half of the \$53 million of casino tax liens it tried to sell yesterday at auction.

Michael Sklar, an Atlantic City attorney, was the sole bidder for \$22 million of debt owed by the Trump Taj Mahal, according to Michael Stinson, the city's revenue director. No bids were received for the \$31 million in debt linked to Revel, the boardwalk high-rise that was among four casinos to close this year, battered by out-of-state competition.

"The city's obviously disappointed," Stinson, speaking by telephone today, said of the outstanding Revel debt.

Atlantic City was counting on the sale of the tax liens to help close a \$70 million revenue shortfall, 27.6 percent of the budget that ends in less than 30 days, according to Moody's Investors Service. The company, which in July cut the city's credit rating two steps to the non-investment grade Ba1, put it on review yesterday for a possible downgrade.

Smaller Plans

Mayor Don Guardian, a Republican, canceled a planned November bond sale for as much as \$140 million that would have helped cover some casinos' successful tax appeals. Instead, the city plans a \$40 million note sale by year end, Stinson said.

"Atlantic City's recently postponed bond sale of \$140 million poses significant budgetary, cash flow and balance sheet risk," Moody's said in its report.

Moody's said its review, which affects about \$244 million of general-obligation debt, should be finished by mid-January.

Sklar, the Trump bidder, didn't immediately return a phone call to his law office.

No Talks

Yesterday's auction drew another \$2 million to \$3 million for debt owed by non-casino properties, Stinson said. City officials are taking steps to resolve the financial stress, and "have tried to keep the rating agencies informed of what we're doing," he said.

"I'm just a little bit surprised," Stinson said of the possibility of another downgrade. "They already had us on negative watch and adjusted our rating in September, and there have been no conversations with the city since then."

The city, which began the year with 12 gambling resorts, had counted on casinos for about 70 percent of income. Casino revenue dropped to \$2.9 billion last year, from a peak of \$5.2 billion in

2006, as Pennsylvania, Delaware, Maryland and New York expanded gambling.

Pennsylvania replaced Atlantic City as the second-largest U.S. gambling market, behind Las Vegas, in 2012.

Relief Measures

Taj Mahal will be the fifth Atlantic City casino to close this year unless more than 1,100 unionized employees decide by Dec. 15 to accept cuts in health care and pensions.

Governor Chris Christie, a 52-year-old Republican in his second term, is advocating for non-gambling attractions, including dining and entertainment.

The Moody's report said bills before the legislature "may provide some level of relief." Its report also called a state-appointed fiscal monitor a positive. Christie, after a second summit meeting on Atlantic City's future last month, said he is considering an emergency manager.

Bloomberg News

By Elise Young Dec 12, 2014 8:50 AM PT

To contact the reporter on this story: Elise Young in Trenton at eyoung30@bloomberg.net

To contact the editors responsible for this story: Stephen Merelman at smerelman@bloomberg.net
Stacie Sherman, Mark Schoifet