

Bond Case Briefs

Municipal Finance Law Since 1971

New Jersey to Bail Out Atlantic City With Short-Term Loan.

(Reuters) – Atlantic City, New Jersey’s struggling gambling hub, will get a short-term \$40 million loan from the state rather than try to borrow the money in the capital markets this year, a city official said on Tuesday.

Even the city’s originally planned \$40 million note sale, now squashed, was itself a scaled back version of a larger bond issuance that was delayed amid uncertainty over the city’s next financial steps.

The city must repay the loan by March 31 at a 0.75 percent interest rate, according to the loan agreement, signed on Dec. 18 by Mayor Don Guardian and the state.

Atlantic City still hopes to issue at least \$140 million of bonds in the first quarter of 2015, revenue director Michael Stinson told Reuters. That will help pay down property tax appeals won by casinos.

The delayed bond sale and other financial uncertainties prompted Moody’s Investors Service to warn this month that it could downgrade the city’s Ba1 credit rating further into junk territory.

By next spring, officials hope that more pieces of Atlantic City’s financial puzzle will be solved, which would make borrowing from investors at lower rates more feasible.

By then, lawmakers could have finalized a package of legislation that aims to prop up Atlantic City and stabilize its revenue stream from casinos.

Early next year, Governor Chris Christie will also present his proposed state budget, which itself could be strained by rising public pension costs and revenue growth that has lagged the nation.

Atlantic City is also due to receive money from a settlement with Wells Fargo, the bankruptcy lender to Revel Casino Hotel, regarding nearly \$32 million in unpaid taxes owed by Revel.

Stinson would say only that the agreement covers a “significant” portion of the total bill. The Philadelphia Inquirer, citing the mayor, reported on Tuesday that Wells Fargo would pay \$26 million. The city council and Revel’s bankruptcy judge must approve the deal.

Tax collectors in the city had hoped to auction off Revel’s tax lien earlier this month, but they got no bidders. They did sell about \$22 million of tax debt associated with the bankrupt Trump Taj Mahal and Trump Plaza casinos.

New Jersey’s “constructive” approach to its distressed municipalities could be sending positive signals to investors, Municipal Market Advisors said in a commentary on Tuesday.

By REUTERS

DEC. 23, 2014, 4:34 P.M. E.S.T.

(Reporting by Hilary Russ; editing by Gunna Dickson)

