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Atlantic City Turnaround Team Bets on Cuts Not Bankruptcy.

NEW YORK — A turnaround team tasked with reviving Atlantic City says New Jersey's struggling gambling hub must consider cost cuts, layoffs and longer bond maturities, but bankruptcy is not in the cards – yet.

“Bankruptcy is not something that we are contemplating,” said emergency manager Kevin Lavin on a conference call on Tuesday. “We think that this process can be done without that necessity.”

Atlantic City's tax base has been gutted, to just \$7.35 billion in 2015 from \$20.5 billion in 2010, as its casinos suffered from competition in neighboring states.

Lavin's report, which comes about 60 days after his appointment by Governor Chris Christie, describes a city in acute distress.

“It's actually a lot more severe than we thought when we first started,” Lavin said.

Many had feared his team, which has ties to the professionals that oversaw Detroit's municipal bankruptcy, would prioritize bondholder losses and bankruptcy.

Instead, Lavin's report proposes a mediator to negotiate with stakeholders, including labor unions and casinos.

Lavin's first priority is closing the city's projected budget deficit of \$101 million. Without significant change, the cumulative deficit will be \$393 million over five years, the report said.

Stakeholders would have to help staunch the bleeding, he said.

The city may have to cut expenses by \$10 million, a combination of operational cuts and a 20 percent to 30 percent reduction of its 1,150 or so full-time employees. Six of the city's labor contracts have expired and are already in negotiations.

Retirees, including lifeguards, could see pension plan changes or benefit delays.

Even taking adjustments into account – including delaying city contributions into pension funds, operational cuts and the infusion of \$77 million of state aid – the city's cash flow would still dip below zero twice by August, the report showed.

“Absent the continuation of significant state assistance ... the city simply cannot stand on its own,” it said.

Matt Fabian, a managing director of Municipal Market Advisors, said the state was responsible for the city's dependency on casinos.

“The state created Atlantic City,” he said. “The state should have some culpability.”

New Jersey Senate President Steve Sweeney, a Democrat who is spearheading legislation to help Atlantic City, said the Christie administration has held summits and issued reports, but “taken no real action.”

Mayor Don Guardian said he had been working with Lavin’s team, which will consider long-term solutions in a second phase of work.

By REUTERS

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(Reporting by Hilary Russ and Megan Davies; Editing by David Gregorio and Andre Grenon)

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