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Moody's Sees Mixed Bag in Upcoming A.C. Bond Sales.

An analysis issued by Moody's Investors Service on Monday said Atlantic City could benefit from state support when it tries to sell about \$55 million in bonds over the coming weeks, but added the municipality still faces fiscal uncertainty and significant challenges.

The city is receiving support from the state's Municipal Qualified Bond Act program, which diverts future aid to municipal bond payments. The program aims to provide increased confidence the bonds will be paid back, security better borrowing rates in the process.

The Moody's analysts said the MQBA program "should improve the city's market access," and that the sale "will remove a major short-term obstacle facing the city: a \$40 million emergency bridge loan from the state."

That loan was taken out in December to cover casino tax appeal payments. The city also aims to sell an additional \$12 million in bonds borrowed in February.

However, Moody's said it remains unclear how the city's bonds will be rated by the market. In addition, "Atlantic City continues to grapple with a \$101 million structural deficit and narrow liquidity, which its planned MQBA bond issues do nothing to address," Moody's wrote.

Major state aid packages, such as the payment-in-lieu-of-taxes, or PILOT, bill affecting casino tax payments, also remain unresolved, Moody's said.

"Without a significant liquidity infusion in 2015 and significant increase in recurring revenues," Moody's wrote, "debt service payments still remain highly susceptible to default in 2015 and the city's future operations continue to face pressure from a large structural deficit."

Finance Director Michael Stinson declined to comment on the Moody's report Tuesday, saying instead that the city is moving ahead with its bond sales and is working to secure the best borrowing rates it can.

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