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Atlantic City Cut Three Steps by S&P, Citing Lack of Debt Plan.

Atlantic City had its debt rating cut deeper into junk by Standard & Poor's, which said the New Jersey gaming hub has no "clear plan" to address its fiscal woes.

The municipality, which has been run by an emergency manager since January, was reduced three steps to B, the fifth level into junk, and may be lowered further, the ratings company said Monday.

Since Emergency Manager Kevin Lavin released a report in March citing the potential for deferred debt payments and job cuts, there has been no "additional clarity" on how the city can address its $101 million budget deficit and eroding tax base, Timothy Little, an S&P analyst, wrote in a release.

"The lack of clear and implementable reforms to restore fiscal solvency without payment deferrals or debt restructuring remains uncertain as the city continues to operate in a difficult fiscal environment," he said in the statement.

Bankruptcy protection may be a "potential course of action" if as yet unimplemented solutions are unsuccessful, Little said.

Atlantic City's finances haven't changed since May, when it sold securities with an S&P ranking of A-, the fourth-lowest investment grade, Michael Stinson, the city's revenue and finance director, said Monday. The bonds were issued through a New Jersey program that diverts state aid to debt payments, which lessens the risk to bondholders.

"For a downgrade at this point, it just doesn't make sense," he said.

Atlantic City "continues to make progress" in addressing its budget shortfall and longer-term structural deficit, Lavin, the emergency manager, said in an e-mailed statement.

Governor Chris Christie had appointed Lavin to come up with a plan to revive the finances of the city, where four of 12 casinos closed last year. The governor's move led Moody's Investors Service and S&P to downgrade Atlantic City because of the risk that a turnaround plan could foist losses on bondholders. Moody's ranks the city Caa1 with a negative outlook.

Bills that the state legislature passed in June, including a measure that would create payments in lieu of taxes from the the city's casinos, are part of the financial plan, Stinson said. The legislation still has to be signed by Christie.

Kevin Roberts and Brian Murray, spokesmen for Christie, didn't immediately return a call and e-mail requesting comment.

Tax-free general obligations due in December 2027 traded Monday with an average yield of 7.26 percent, or about 4.7 percentage points over benchmark munis, data compiled by Bloomberg show.

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