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Atlantic City Considering Bankruptcy Filing, Mayor Says.

Atlantic City is considering a bankruptcy filing after New Jersey Governor Chris Christie vetoed legislation aimed at shoring up the finances of the distressed casino resort.

Mayor Don Guardian said he expects to call an emergency meeting for next week to discuss the city's options. He and Council President Marty Small spoke to reporters in Trenton after an hour-long meeting with Assembly Speaker Vincent Prieto. Lawmakers are considering a state takeover of the city as well as ending its four-decade casino monopoly in New Jersey.

Christie, a second-term Republican running for president, didn't sign bills that would have diverted some gambling funds to the city and prevented tax appeals that strain its finances. The rejection came after the Democratic-led legislature complied with changes he suggested. The governor declined to act because the city hasn't dealt with its "structural budget issues and excessive spending," said Kevin Roberts, a Christie spokesman.

"The Governor is not going to ask the taxpayers to continue to be enablers in this waste and abuse," Roberts said Wednesday in an e-mailed statement.

Once the second-largest U.S. gambling market, Atlantic City has seen its key industry crumble as day-trip patrons shift to newer, closer casinos in nearby Pennsylvania and New York. While state aid helped plug a gap this year, the city of 39,000 faces a shortfall of \$90 million next year, a third of its budget.

Guardian said bankruptcy would allow the city to emerge with a "clean slate," renegotiate union contracts and write off about \$40 million of its debt. The city, which he said has about \$240 million of bonds outstanding and owes \$161 million in tax appeals, would need state approval to file.

"It would be good from a financial point for Atlantic City," Guardian said. "But it's not good news for the rest of the state and we've said that before. A bankruptcy filing by Atlantic City would mean that every other community could file."

Prieto, after his meeting with city officials, said he's open to discussions on their next step.

"Everybody wants to avoid bankruptcy," he told reporters. "When you do that, your bond rating really goes down and your creditors get less money. If you can avoid that, it would be the right thing to do."

New Jersey, which has some of the most aggressive policies among states to steer local government from financial disaster, hasn't had a municipal bankruptcy since Fort Lee in 1938, according to the Pew Charitable Trusts. When Camden filed for bankruptcy in 1999, its case was dismissed because the city wasn't authorized to do so by the state, said James Spiotto, a bankruptcy specialist and managing director at Chicago's Chapman Strategic Advisors LLC, which advises on financial restructuring.

Lawmakers last week agreed on a plan to ask voters in November to expand gambling to northern

New Jersey and share the revenue with Atlantic City. Senate President Steve Sweeney, the highest-ranking Democratic legislator, said the city should declare bankruptcy if the Legislature doesn't quickly approve a plan he has introduced that would put the state in control of city government for 15 years.

"My goal is to save Atlantic City and to avoid bankruptcy," Sweeney said Wednesday in a statement. "State intervention is the best way to bring the city's finances under control."

Without the measures that were rejected this week, the city will run out of cash in April, according to a report released Friday by Kevin Lavin, the emergency manager appointed by Christie.

"That was like taking a knee in the fourth quarter — he's running out the clock," Small said of Christie, promising to fight takeover attempts. "We were counting on that money."

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by Terrence Dopp

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