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Bankruptcy Battle Threatens a Summer Chill in Atlantic City.

ATLANTIC CITY — In a normal year, residents and business owners in this seaside resort would be making preparations for a summer-long influx of tourists and gamblers. But this is in no way a normal year in Atlantic City.

The city's government is on the verge of running out of money, even after persuading its employees to defer their paychecks for four weeks. Its mayor and City Council are engaged in a political standoff with Gov. Chris Christie that turned nasty and personal this week.

On Thursday, the speaker of the State Assembly, Vincent Prieto, a Democrat, added fuel to Mr. Christie's ire by introducing legislation intended to help Atlantic City that the governor had vowed he would not sign. Mr. Christie, a Republican, has already sued the city's government for failing to make timely payments to the local schools — even though the school board president said he opposed the lawsuit.

Caught in the political crossfire are business owners like Debbie Devlin, who has two shops on the city's famous boardwalk that sell painted hermit crabs and other novelties and souvenirs. Ms. Devlin said she had only recently begun ordering merchandise for this year, about four months later than usual, and she was doing that cautiously.

"With all the different factions fighting each other, we're stuck in the middle," Ms. Devlin, an Atlantic City native, said. She said the uncertainty about how the city would stave off bankruptcy was compounding the effects of the casino industry's decline. "It's just sad," she said.

Other businesses, like Perry's Cafe, a coffee shop near City Hall, are bracing for a drop-off in traffic from municipal employees who are scheduled to go without pay from Friday until early May.

The nine unions that represent city workers agreed to defer payment until property taxes for the second quarter of the year are collected, a concession the City Council approved on Wednesday. Until that arrangement was worked out, the city planned to shut City Hall and suspend all but the most essential services until May.

A shutdown would have wiped out much of Perry's business, its owner, Perry Arsenis, said. But he said he still expected a stark decline in spending by municipal employees during the long stretch between paydays.

"We'll feel the pinch in the restaurant, yes, absolutely," Mr. Arsenis said. But he said he hoped the city's financial crisis could be resolved before it starts to hurt tourist-dependent businesses like the Howard Johnson motel his family owns near the boardwalk.

"We can't be talking about this all through the summer," Mr. Arsenis said. "If we don't have a good summer, you're going to see people closing up. We're running on fumes."

The motel has already suffered from the reversal of the city's gambling fortunes, he said of the closing in 2014 of four of Atlantic City's 12 casinos. About half of the motel's 71 rooms would be rented on a weeknight before there were casinos in neighboring states, Mr. Arsenis said. Now, with casinos in Pennsylvania, Delaware and Maryland drawing away customers, he said, he was lucky if 10 rooms were filled on a weeknight.

The casinos had been the foundation of the city's tax base, but as their revenues plunged and some closed their doors, the value of the survivors also declined. Casino owners challenged the assessments of their properties and won judgments for significant rebates.

Now Atlantic City owes the most successful of the casinos, the Borgata, more than \$125 million. When the city failed to pay part of that debt, the Borgata received court approval to stop paying its tax bills, exacerbating the city's cash crunch.

Some smaller business owners, including Mr. Arsenis, tried to help the city out by paying their property taxes a month early. But the gap between what Atlantic City takes in and what it owes is too wide to bridge without help from the state, city officials say.

That is why the mayor, Donald Guardian, turned to Trenton for help. Mr. Christie said the state would negotiate with the city's creditors only if legislators approved two pending bills that would give the state broad control over the city.

Mr. Guardian and Marty Small, the City Council president, said the legislation would usurp too much local authority, including control over collective bargaining agreements, and enlisted Mr. Prieto's help in crafting an alternative bill, which the Assembly's judiciary committee passed on Thursday and the speaker may put up for a vote next week.

But Mr. Christie had already said, at a news conference in Atlantic City on Wednesday, that he would not sign any bills related to a bailout of Atlantic City other than the two the State Senate passed last month. And while he was in town, the governor took a few swipes at Mr. Guardian, a fellow Republican, and the city's other elected leaders.

Asked why he was meeting with the Atlantic County executive, Dennis Levinson, and not Mr. Guardian, Mr. Christie said, "There's no purpose in meeting with a liar." The governor explained that he believed Mr. Guardian had reneged on a previous agreement with Mr. Christie and the Senate president, Stephen M. Sweeney, a Democrat.

As soon as the governor was on his way out of town, Mr. Guardian and the Council held their own news conference across a courtyard and fired back at Mr. Christie. "His credibility is shot," Mr. Small said of the governor. "Let's not let him come down here and use the divide-and-conquer method."

It was another war at the shore that people might pay to watch, but it lacked a resolution. When the oratorical grudge match was over, Mr. Guardian said he still expected the state to help Atlantic City before it runs out of money.

"We're in this shape because we haven't been given the state aid that other cities have," Mr. Guardian said. He added, "If we do a bankruptcy, it's not an Atlantic City bankruptcy, it's a Chris Christie bankruptcy."

Mr. Christie opposes the idea of having the city file for bankruptcy because credit analysts say it would raise the costs of borrowing money for other cities in New Jersey. But not everybody in Atlantic City is averse to a municipal bankruptcy.

Frank Pileggi, the longtime manager of a bar called the Irish Pub near the boardwalk, said the perception that Atlantic City was not open for business was more damaging than a bankruptcy filing would be.

“Bankruptcy’s not a dirty word around here,” Mr. Pileggi said. “There’s a possibility that the next president of the United States will be a man whose businesses in Atlantic City went bankrupt repeatedly,” he said, referring to Donald J. Trump, who once operated three casinos in town.

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