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Atlantic City Showdown Looms Over Finances.

Municipality is poised to file plan to shore up budget; Christie administration has five days to accept it or proceed with state takeover

A yearslong power struggle between Trenton and Atlantic City is expected to come to a head this week as both sides reveal plans for saving the New Jersey gambling hub from bankruptcy.

Atlantic City officials are hoping their plan to sell the city's former airport, offer early-retirement incentives to public workers and implement other cost-cutting measures will stave off state intervention. Gov. Chris Christie and many state legislators have said a state takeover is the best way to solve the city's financial crisis.

"A lot of people think that we're wasting our time, that no matter what we turn in the state is going to reject it," said Atlantic City Council President Marty Small, a Democrat. "Every ounce of energy and effort that we've put into this since January is to avoid a state takeover."

A spokesman for Mr. Christie, a Republican, referred requests for comment to the state Department of Community Affairs, which will review Atlantic City's proposal. A spokeswoman for the department said, "We emphatically and categorically reject any implication that a decision regarding the city's plan has been predetermined."

Atlantic City's casino industry has crumbled over the past decade, decimating the local tax base and leaving a \$100 million deficit in the municipal budget. In May, the Democratically controlled Legislature passed bills, later signed by the governor, that gave the city an unspecified bailout and 150 days to develop a plan to balance its budget. The bailout came in July, when Atlantic City officials signed a \$73 million loan agreement with the state.

While Atlantic City has revealed several key details of the five-year recovery plan, it is expected Monday to formally submit it to the state. Mr. Christie's administration then will have five days to decide whether to accept it or move forward with a takeover.

State Sen. Jim Whelan, a Democrat who represents Atlantic City and supported a state takeover, said state officials are "professionals" who will review the city's plan fairly. "If it achieves the goals, which is to provide a path to fiscal stability for the city, then it will presumably be embraced," said Mr. Whelan, who was Atlantic City's mayor from 1990 to 2001.

The showdown comes as Atlantic City faces a Nov. 1 deadline to make a \$9 million debt payment. The city's mayor, Don Guardian, a Republican, said the city will make the payment.

The centerpiece of the city's plan is a proposal to sell Bader Field, a 142-acre tract of city-owned land that once served as the municipal airport. The local water utility has agreed to borrow \$110 million to buy the land, with the proceeds of the sale going toward paying down the city's \$500 million in debt, Mr. Guardian said.

The water utility, which operates as an independent government authority funded by ratepayers, is

one of the city's most valuable assets. State officials have urged the city to monetize it, either through selling it, or by boosting revenue by having the city or county run it and implement budget cuts and rate increases.

Atlantic City residents and officials have long suspected the state wants to sell off the utility, which they fear would lead to lower water quality and higher residential rates. Mr. Guardian said the proposed land sale is a "poison pill" designed to protect the water utility from privatization. Potential buyers, he said, wouldn't want to be saddled with \$110 million in debt.

He said the water utility could use Bader Field for special events, to develop wind and solar energy or sell it to developers.

The proposed deal passed a preliminary vote Wednesday by the City Council but needs final approval from the state. The water utility's board unanimously voted to buy the land, its executive director said.

Mr. Christie's administration hasn't commented on the proposed land deal. Sen. Paul Sarlo, a Democrat who represents portions of Bergen County, called it a "financial shell game" that wouldn't solve the city's underlying problems.

Moody's Investors Service released a statement Sept. 29 questioning whether the utility, which has a junk-level credit rating, would be able to borrow the money needed to purchase Bader Field. The credit-rating company also expressed doubt that the land, which received a top bid of \$50 million at a city auction this summer, is worth more than \$100 million.

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Assemblyman Chris Brown of Atlantic County, a Republican who has opposed state intervention in Atlantic City, said he wants to make sure the proposal isn't a "gimmick," but understands residents' concerns about protecting their water utility.

Atlantic City also has offered early-retirement incentives to trim its budget. Mr. Guardian said 190 city workers have applied for the buyouts.

Betty Lewis, who has worked for the city's planning department for 31 years and is president of the local NAACP chapter, said morale is low among workers at City Hall. The city's nine public unions have been on a monthly pay schedule since March, when the city didn't have enough cash to make payroll and the workers voted to spread out their pay periods to avoid a government shutdown.

"Everybody's just scared," Ms. Lewis said.

The mayor said he hopes to resume a biweekly pay schedule in January.

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