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New Jersey Moves to Take Control of Atlantic City.

The State of New Jersey moved on Wednesday to take control of Atlantic City, having lost patience with the financially troubled gambling resort's inability to pay its bills.

Over the objections of Atlantic City's elected officials, the Local Finance Board in Trenton unanimously approved a five-year state takeover to stave off a bankruptcy filing by the city. The decision would give the head of the finance board the power to sell municipal assets, renegotiate union contracts and fire city employees.

"It's an incredible responsibility, one that I've lost sleep over the last few weeks," Timothy Cunningham, the head of the finance board, told reporters, according to The Associated Press. "I'm sure I'm going to lose sleep tonight."

It was not immediately clear what authority the city's Republican mayor, Donald Guardian, or its elected council would retain. Mr. Guardian said before the vote that the city would go to court to assert its rights to manage its own affairs.

Afterward, Mr. Guardian released a statement that said that a five-year recovery plan drawn up by the city "would have saved the state a substantial amount of money and would have allowed us to maintain complete local sovereignty." He said the city would continue to work with the state but would "keep all of our options on the table."

Other New Jersey cities, including Camden, have been placed under state supervision in the past, but the state has granted itself more authority to take direct control in Atlantic City, said Marc H. Pfeiffer, assistant director of the Bloustein Local Government Research Center at Rutgers University.

"This is a new process," Mr. Pfeiffer said. "We've never done a process like this before."

In 2002, the state assigned a chief operating officer to help sort out Camden's financial problems. One of the changes that ensued was the dissolution of the city's police department and the transfer of authority to patrol Camden to the county police.

"Camden is effectively not on the critical list any more" and is in better shape than Trenton and Paterson, Mr. Pfeiffer said. "Atlantic City's fiscal problems are far more critical than those of Trenton or Paterson."

Atlantic City, which has around 39,000 residents, has sunk deep into debt as much of its lifeblood, the money that gamblers lose at its casinos, has been drained away by Pennsylvania and other neighboring states that have legalized gambling in recent years.

Three years ago, Atlantic City had 12 casinos, two of which had once been controlled by Donald J. Trump, the president-elect. But five of the 12, including the Trump Plaza and the Trump Taj Mahal, have shut down as the industry's annual revenue has been cut in half in the past decade.

During that period, the value of the city has plunged to about \$6 billion from \$21 billion, Mr. Pfeiffer said. But the city has not adjusted its budget to account for that sharp decline in fortunes, he said.

“The city’s not dead,” he said. “They haven’t been able to get their expenses under control to live within their circumstances.”

The state had ordered the city to submit a five-year plan for solving its financial problems. But last week, the commissioner of the state’s Department of Community Affairs, Charles A. Richman, rejected that plan, concluding that the city was “not likely to achieve financial stability” without raising taxes or taking more drastic actions.

The city has few assets that it could sell to pay down its \$500 million of debt. City officials have been loath to divest the most valuable of them, the local water utility, operated by the Municipal Utilities Authority. The city also owns a defunct airport, Bader Field.

Rather than selling the utility, city officials proposed another idea: having the utility issue bonds and using the proceeds to buy the airfield for \$100 million. Mr. Richman said that would not be “prudent fiscal management.”

Mr. Pfeiffer said that the state might opt to dissolve the Municipal Utilities Authority and sell the utility company or enter into a long-term contract with an outside entity for its operation. But city officials have made it clear that they would sue to stop such a move.

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By PATRICK McGEEHAN

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