

# Atlantic City's Math Does Not Add Up

*The Numbers Are Clear: The Solution To AC's Problems Requires State Intervention*

## The State of New Jersey Does Not Have The Tools It Needs Today

Despite the claims made by the Speaker and other state and Atlantic City leaders, New Jersey does not possess the tools needed to stabilize Atlantic City's finances without the intervention bill. The Assembly **must** pass the two pieces of bipartisan legislation, as written, that have been overwhelmingly approved by the State Senate.

- After years of financial mismanagement by city government, Atlantic City leaders do not have the credibility or creditworthiness to negotiate its debt issues.
- Although the State does have the creditworthiness, without the full ability to manage the City's finances, make decisions and back up commitments to creditors and investors, the State is unable to effectively negotiate and implement solutions to Atlantic City's enormous debt problems.

## **In Order To Effectively Negotiate, All Options Must Be On The Table**

As the situation stands now, public employees in Atlantic City exist as a protected class, unique among the many stakeholders in the city in being exempt from the shared sacrifice needed to fix these problems. Unless the Assembly passes *both* the proposed bills, this special class of citizens will remain protected and true reform cannot be accomplished.

## **Public Employee Excess, By The Numbers**

Unless the Assembly takes action on the intervention bill, these are the types of municipal extravagances that will remain on the books, protected by the powers of special interests even as taxpayers, bondholders and private businesses contribute to a solution:

119	The number of city employees with salaries over \$100,000, 93% of which are either police or fire.
\$6.6 Million	The amount in 2015 alone that Atlantic City paid out in terminal leave to retiring public employees, primarily in unused sick and vacation days.
\$320,000	The amount owed this year to the retiring deputy fire chief and deputy chief of police each.
\$300,000	The budget for the collective salaries received by the part-time councilmembers
93%	The percentage of AC's full time employees that are enrolled in NJ Direct 10 – the extremely generous, "Lamborghini"-level plan that was done away with for active state workers in 1997.

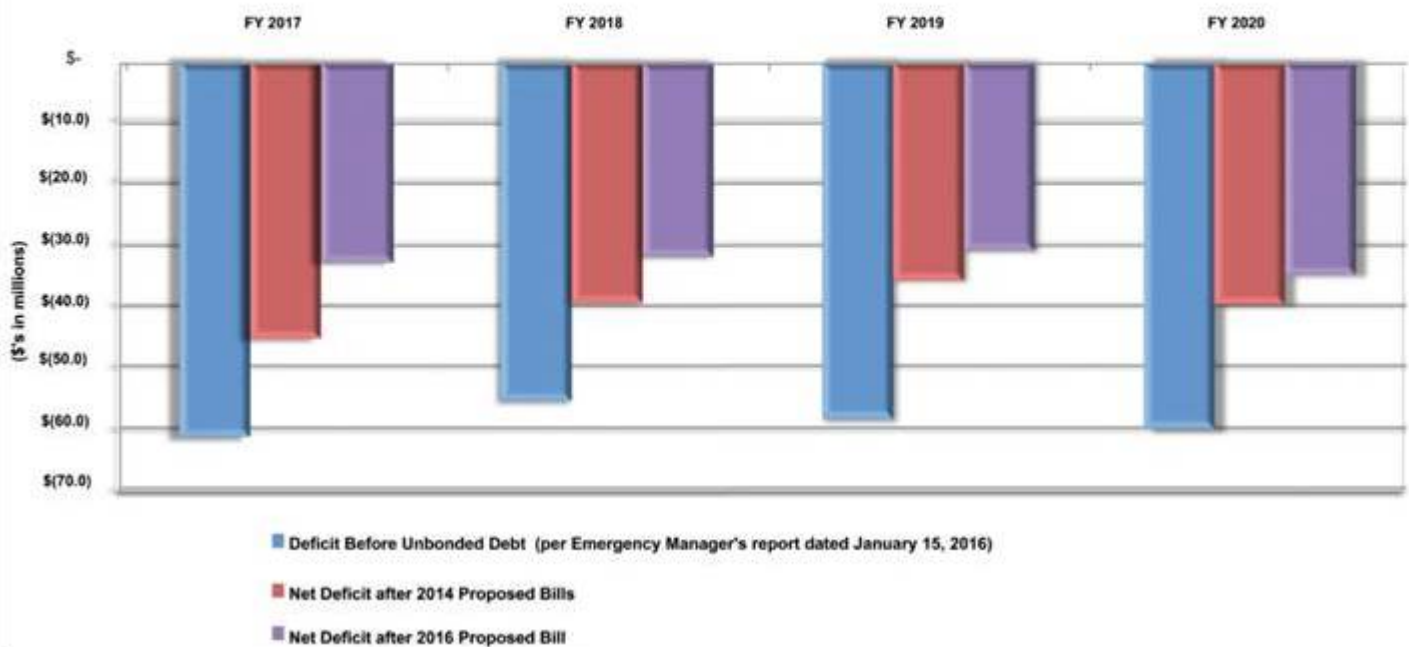
## PILOT Alone Is Not Enough

The greatest threat to Atlantic City's success is its decades long inability to deal with its finances in a responsible and fiscally sound manner. The City's remaining forecasted deficits must be eliminated and its budget must be brought into structural balance. This means making tough choices.

In January 2016, Governor Christie did not sign the PILOT legislation. On its own, this bill is not a solution to the problems that plague AC.

- Had the PILOT legislation been signed in January, without the fundamental changes needed in the City's budget and operations, AC would face an immediate \$23 million budget shortfall.
- That deficit would grow to \$35 million by 2020. These are the sober, mathematical realities of the situation and that is before factoring in any solution to the significant debt problems facing the City, including the nearly \$200 million owed to the Borgata and MGM and the \$38.8 million in deferred pension and health benefit payments which the City has not paid since 2014.

### **AC Projects Multimillion Dollar Budget Deficits 2017-2020 Even With PILOT Bill Signed**



## Getting Specific: The State Does Not Have Full Authority To Cut Costs, Curb Abuse, And Fix The City's Finances

Unless the State steps in and deals with the cost side of this problem, the hope that this problem will be resolved by the PILOT bill alone is just plain wrong. Greater intervention by the State is unquestionably needed.

Despite the rhetoric of some, the simple reality is the powers to fix Atlantic City's structural fiscal problems can *only* be exercised if the intervention bill is passed. And the power to do any of them does not exist if the PILOT bill is passed on its own. These actions include:

- Ending the practice of granting excessive terminal leave to non-unionized employees.
- Modernizing and out-sourcing waste hauling services to a private contractor or the county.
- Eliminating the platinum-plus-plus health insurance plan that was done away with for active state workers nearly 20

years ago.

- Direct involvement in the labor management of the City.
- Renegotiating with the City's public sector unions to get the exorbitant costs of the city work force under control.
  - New collective bargaining agreements that the Assembly Speaker says the Director of Local Government Services has the authority to approve are actually still subject to arbitration awards and are constrained by existing labor agreements
- Executing a plan to dissolve the Municipal Utilities Authority.
- Negotiating a settlement with Borgata – or any of the City's creditors – using state bargaining power.

Anything short of passing the intervention bill amounts to putting the problem off to another day, allowing the bloated budget issues to persist for months or years longer until the same issues AC faces today resurface on a greater scale – more debt, more mismanagement and greater deficits to overcome.