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ICYMI: "Analysts: AC's troubles could hurt other N.J. cities"

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"Analysts: AC's troubles could hurt other N.J. cities"

- *The Philadelphia Inquirer*

"Analysts: AC's troubles could hurt other N.J. cities"

Andrew Seidman

The Inquirer

New Jersey's political impasse over how to rescue Atlantic City is risking the state's reputation as a reliable financial backstop for distressed municipalities and threatens to plunge the resort town into a bankruptcy that would affect cities across the state.

Even with Atlantic City projected to run out of cash soon, the state's leaders continued to spar Monday and reported no progress on a proposed intervention.

Moody's Investors Service downgraded the city's general obligation debt rating, citing a possible default within the next year and an "ongoing political stalemate" in the Statehouse.

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The city, reliant on revenue from its cratering casino industry, was headed toward a government shutdown Friday, but Mayor Don Guardian said Monday that public-employee unions had agreed to a deferred-wage plan that would allow the city to continue operating.

That may buy some time, but Gov. Christie says the city will be \$30 million under water by mid-August. It faces a projected \$300 million structural deficit during the next five years, not including nonbonded obligations such as deferred pension and health benefits, according to a state-appointed emergency manager's January report.

Christie said Monday that his administration was suing Atlantic City to ensure it distributes property taxes to its school district, asserting that the city had been using taxes collected for the schools in part to pay "extraordinarily rich public-sector union contracts."

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Christie, a Republican, and Senate President Stephen Sweeney (D., Gloucester) support legislation that would allow the state to take control of the city's finances for five years. The state would be able to restructure debts, renegotiate labor contracts, sell city assets, and dissolve agencies, among other provisions.

The bill, along with another one that would establish a payment-in-lieu-of-taxes system for the city's eight casinos, has passed the Senate. The PILOT legislation would require the casinos to pay the city a collective sum of at least \$120 million annually for a decade.

Assembly Speaker Vincent Prieto (D., Hudson) opposes the takeover bill, writing in a letter to his colleagues Monday that Sweeney had "again enabled" Christie and violated "progressive principles by trampling collective bargaining."

The speaker says Christie already has the authority to stave off financial disaster.

Prieto's rhetoric underscored the state Democratic Party's rift ahead of the 2017 gubernatorial primary, when Sweeney is expected to run against Jersey City Mayor Steve Fulop, a Prieto ally.

Christie, speaking with reporters at a news conference, said that he met with Prieto on Monday but that they hadn't made any progress. The speaker has put "one of America's great historical cities" at risk, Christie said.

"When politicians for political gain are allowing downstream governments to be collateral damage, it's somewhat disturbing and introduces a new risk into our marketplace," said Lisa Washburn, managing director at Municipal Market Analytics.

A bankruptcy or default would likely deter development and tourists, and thus much-needed revenue, Washburn said. "There's at least a question about the quality of services, police coverage, all of those government-provided services, while a city isn't paying its bills," she said.

Even now, "other cities in New Jersey are hurt by the travails of Atlantic City," said Alan Schankel, managing director and municipal strategist at Janney Montgomery Scott L.L.C.

Uncertainty with regard to the state's response will drive up borrowing costs for bigger cities "that aren't terribly wealthy" such as Newark, he said.

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No New Jersey city has entered bankruptcy since Fort Lee in 1938; Camden almost did in 1999, but ultimately accepted millions in state aid.

Christie says he won't bail out Atlantic City without also getting the "tools" to rightsize its government. The state installed a fiscal monitor in 2010 and has had the authority to reject government spending, but the takeover would be far more sweeping in scope.

Fernandez, the public-finance attorney, said the city's public-sector unions "are going to have to come to some realization that they have to be part of the conversation."

In bankruptcy, he said, "they end up with nothing."

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Full article [HERE](#).

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