Conclusion

I would have much preferred to leave management of the City's recovery in the hands of its municipal officials. However, I am constrained by the Plan the City has placed before me. The enormous problems confronting the City did not occur overnight. City leadership has had ample time to improve the City's financial condition yet has avoided doing so in any meaningful way. Significantly, the City failed to take the steps necessary to implement the signature components of its Plan during the past 150 days. That inaction, combined with the Plan's disappointing shortcomings, which I have detailed throughout this recitation, compel me to conclude that the Plan is not likely to achieve financial stability for the City.

The Act found that "the short and long term fiscal stability of local government units is essential to the interests of the citizens of this State to assure the efficient and effective provision of necessary governmental services . . . ." Having already determined that Atlantic City is a "municipality in need of stabilization and recovery," my obligation under the Act was to evaluate the City's five-year recovery plan and determine whether it is "sufficient to effectuate the financial stability of the municipality."

In crafting its plan, it was incumbent upon the City to include those specific actions statutorily mandated to be included in the recovery plan. Likewise, the standards by which I judged the Plan's sufficiency were dictated by the Act's eight required elements and the threshold specification that the Plan include a proposed balanced budget for 2017 – in total nine mandatory components.

I have examined in detail every aspect of the Plan looking for specific actions taken by the City since it was designated a municipality in need of stabilization and recovery for strategies, actions, and policies that could be deemed to satisfactorily address those nine mandatory components. The Plan fails for three fundamental reasons.

First, the City's submission does not meet basic requirements of the Act. It does not include a proposed balanced budget for 2017 that complies with all of the applicable conditions of the Local Budget Law. Nor is it adequately responsive to all of the Act's eight specific directives insofar as some important details are missing and some are factually wrong.

Second, there is a significant financial gap each year and a cumulative financial shortfall across the recovery period in excess of approximately $106 million. Even more modest estimates of the fiscal gap would yield a structural deficit that could never be closed by the actions outlined in the City's Plan. Some glaring errors or omissions that contribute to the shortfall include:

- understating debt service over the next five years by approximately $18 million;
- failing to accurately estimate the revenues collected from the investment alternative tax by improperly anticipating an excess of IATs of approximately $31 million over the life of the Plan; and
- overstating property tax revenues by approximately $20.5 million, based on the City's flawed assumption that the property tax base will remain constant for the Plan period.

Third, the Plan presents a number of other operational and qualitative concerns described within this Decision.

By way of example, the City has made some effort to reduce its workforce, primarily through attrition and outsourcing of services. Although the Plan outlines an additional headcount reduction of 100 over the life of the Plan, it is not enough to sustainably address one of the biggest cost drivers in the City's budget. Indeed, more generally, the City neglects to quantify operational savings achieved through full implementation of cost cutting strategies.

Fundamentally, the City elected to rely on various financing mechanisms the basis for which are not supported by information and whose viability has been challenged by both Department and consulting experts. For example, assuming these transactions would even be legally permissible, the sale of Bader Field to the MUA for $110 million and a new $105 million financing secured by State Municipal Qualified Bond Act credit enhancement should have been predicated on pro forma analyses of interest rates and other important terms, yet the Plan lacks that basic level of detail about the proposed transactions and omits the interest rates used to calculate the cost of issuance and debt. Independent financial experts advise that in the current financial marketplace, given Atlantic City's credit rating, the cost would be significantly higher than the City's projections.

The Emergency Manager urged the City to dissolve the MUA as a practical way to raise the most cash. Instead, the City rejected the Emergency Manager's recommendation and proposed a structurally flawed alternative, which even if consummated, could financially burden the City and the MUA, a significant asset of the City. Thus, the City's proposed sale of Bader Field is not likely to aid the City in achieving financial stability and is not prudent fiscal management.

Despite the extraordinary need to raise revenue, the City chose not to increase taxes at any point during the five-year recovery term and provided no analysis to support its decision.

Further, the City has not provided evidence of negotiated PILOT agreements with casino properties as required by the PILOT Act, thereby jeopardizing revenue collections during calendar year

2017 and beyond. Nor does the Plan sufficiently account for future payments for off balance sheet liabilities as required by N.J.S.A. 52:27BBBB-4(b)(6).

For all of the foregoing reasons, I find that the Plan is not likely to achieve financial stability.