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Atlantic City Stabilizes After State Takeover, But Unhappiness Remains

By Kate King

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ATLANTIC CITY—One year after New Jersey Gov. Chris Christie moved to seize control of this cash-strapped coastal city, property taxes are down and [municipal bankruptcy](#) no longer poses an immediate threat.

But the recent successes haven't alleviated [many Atlantic City residents and officials' anger at the governor](#) over the state's intervention, which has led to pay cuts for police and firefighters and deepened concerns about local control. The city's mild-mannered mayor, a Republican, refers to the governor's upcoming departure from office as "liberation day."

"This could have been done without all of this infighting," said Mayor Don Guardian. "I don't think a takeover was necessary."

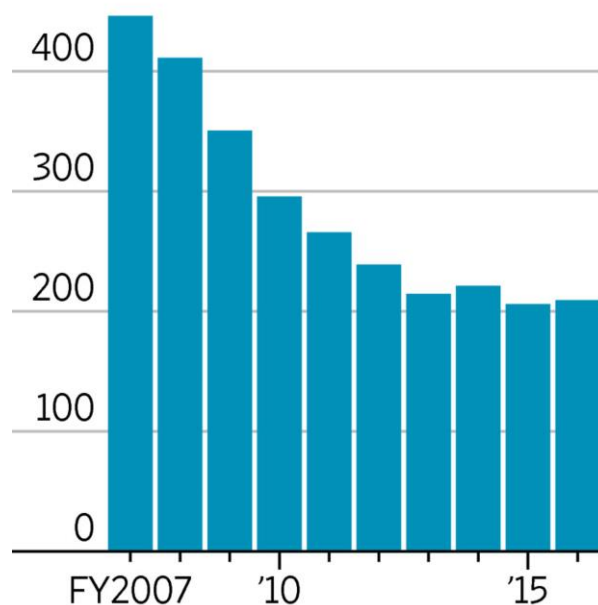
Once flush with casino cash from a longtime monopoly on East Coast gambling, Atlantic City has [slipped into economic and fiscal crisis](#) over the past decade. Five Atlantic City casinos have closed since 2014, largely due to competition from new gaming halls in neighboring states, decimating the local tax base and straining the city's bloated budget.

Under the [state's oversight](#), Atlantic City saved about \$90 million by settling a huge property-tax appeal with its biggest casino, secured a commitment from Hard Rock International to open a location in the former Trump Taj Mahal and cut residents' property taxes by 5%.

Leveling Off

Total Atlantic City revenue from taxes, fees and fines from the gambling industry

\$500 million



Source: New Jersey Division of Gaming Enforcement

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Mr. Christie, at a June 1 press conference in Trenton, said the state's intervention has encouraged investment from private business owners. "They want stability and sanity in local government," the governor said. "They've had neither in Atlantic City, and now they do."

A key component of the state's intervention involves significant changes to the city's police and fire collective-bargaining contracts. In March, the state unilaterally implemented salary, benefits and overtime cuts, elongated work schedules and reduced worker-compensation coverage. The changes are expected to save \$34 million this year, a state spokeswoman said.

The state also moved to lay off about 100 firefighters as well as 19 police officers. The unions sued, and a state Superior Court judge temporarily blocked the layoffs but allowed the other changes to proceed.

The fire department's union has appealed the state's actions and is scheduled to appear in court again later this month. Union President Bill Dilorenzo said the pay cuts took effect four weeks ago.

"The schedule change together with the pay cut, you're looking at your hourly rate being decreased by almost 50%," he said. "It's devastating."

A state spokeswoman said "shared sacrifice by all stakeholders, including firefighters," is necessary to return the city to financial stability.

Mr. Christie, who is prevented by term limits from running for re-election, has a complicated legacy in Atlantic City. After his initial plan to revitalize the city floundered, the governor appointed an emergency manager and eventually called for a full takeover of the city's finances and operations.

Atlantic City officials have long resented what they saw as Mr. Christie's heavy-handed interventions, and they were backed by some state lawmakers as they resisted his takeover attempt last year. But the governor refused to sign legislation to deliver critically needed funding to the city unless state lawmakers gave him control of the city, sparking a bitter, monthslong standoff that the governor eventually won.

In November, the state appointed Jeffrey Chiesa, the governor's friend and former chief counsel, to oversee the city.

Atlantic City officials have criticized the cost of hiring with Mr. Chiesa, now a private attorney whose firm has so far billed the state more than \$1 million for six months of work in the city. The New Jersey Department of Community Affairs declined to make Mr. Chiesa available for an interview.

Atlantic City's future is still unsettled, with parts of the state's intervention tied up in court, the local economy still dependent on gaming and several new potentially costly tax appeals pending from casino owner Carl Icahn.

Linda Steele, the former president of Atlantic City's NAACP chapter, said she would like to see the state publicly outline its future plans for the city, including when the intervention will end.

"The people in Atlantic City are still against the takeover," Ms. Steele said.

Marc Pfeiffer, assistant director of the Bloustein Local Government Research Center at Rutgers University, said the state takeover was necessary.

"Things were not being resolved on their own," he said. "We would not see the improvements that we've seen without the takeover."

Moody's Investors Service issued a May report on Atlantic City that kept the city's general-obligation bond rating at Caa3 but revised the outlook to positive from negative.

The ratings company believes the state intervention has had a positive effect on the city, but it remains concerned about the city's continued reliance on the casino industry and high debt burden.

“Although they’ve taken some positive steps, they still have a great deal of work that remains to be done,” said Douglas Goldmacher, a Moody’s analyst.

Mr. Guardian acknowledged that the city has received much-needed financial assistance from Mr. Christie’s administration but said that many of the changes the state has implemented were in the works beforehand. He said he still believes the state takeover unconstitutionally violates local sovereignty.

“They don’t live here,” Mr. Guardian said, referring to Mr. Chiesa and the state officials overseeing Atlantic City. “They don’t hear the angst of the residents about losing their jobs, about the taxes, about the conditions of their families. That’s why you elect local people.”

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