# City of Atlantic City

## Update Report of the Emergency Manager
## January 15, 2016

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# Table of Contents

# Executive Summary

# Executive Summary

This Report both summarizes the progress that has been made in stabilizing the City of Atlantic City (“Atlantic City”, or the “City”) and details possible paths to achieve long-term fiscal balance. To be clear, while meaningful and measurable progress has been made the turnaround process needs to accelerate with a sense of urgency for the City to move from its present state of fiscal crisis to long-term fiscal stability.

The first report of the Emergency Manager dated March 23, 2015 (the “First Report”) listed five goals to achieve long-term fiscal stability for Atlantic City. The first two goals, balancing the 2015 budget and stabilizing the property tax rate for 2015, have been met. These were very important initial steps for the turnaround of the City. Indeed, with assistance from the State of New Jersey (the “State”) as well as implemented cost efficiencies, the municipal property tax rate did not increase in 2015. This represents a significant improvement over previous years where double-digit percent increases in property tax rates were the norm.

For the remaining three goals, the work continues. These three goals, as stated in the First Report, are:

- Achieve sustainable fiscal balance for the long term (2016 and beyond);
- Create greater efficiency with City processes to support those living and conducting business in the City; and
- Establish Atlantic City as a desirable target for investment and development.

To achieve these three goals, continued cost and operational efficiencies, negotiated creditor settlements, and additional revenue sources will be required. Property development, in particular, is a crucial underpinning to the ultimate success and turnaround of Atlantic City. The successful public private partnership in New Brunswick serves as a role model that Atlantic City should emulate. While the economic benefits (i.e., higher ratable base and employment) will not be immediate, it is imperative that this process is set up today. The City will also need to pursue privatization or regionalization possibilities for costly municipal services as well as the monetization of assets.

Fiscal stability for the City also depends on an effective and efficiently operated Atlantic City School District (the “School”). Coordination with the Department of Education (“DOE”), including the DOE appointed monitor of the School (“School Monitor”), has been extraordinarily helpful in this regard.

As set forth in this Report, forecasted deficits for each of the next five years have been reduced by almost 75% compared to the budget deficit the City faced in 2015. To eliminate the remaining forecasted deficits, decisive action must be taken by policy makers at the State, county and municipal levels to ensure a stable financial future for Atlantic City. Swift decision making and comprehensive planning that benefits all Atlantic City taxpayers must be achieved.

# Executive Summary

Finally, to achieve long-term fiscal stability, the continued hard work of and collaboration with all stakeholders will be required. The Division of Local Government Services and the Local Finance Board within the Department of Community Affairs (“DCA”) should continue to provide oversight and guidance to the City. Commitment to economic stabilization and collaboration among the Mayor, the City department leadership, City Council, Atlantic County (the “County”) officials, the State and DCA, the State-appointed monitor for the City (the “Monitor”) and the School Monitor, business partners and other key stakeholders will be crucial to this success.

# Balancing the 2015 Budget

# Balancing the 2015 Budget

- The following provides a summary of two of the Emergency Manager's key goals that have been met since issuing the First Report, specifically:
  - Balancing the City's 2015 budget; and
  - Stabilizing the property tax base with little to no increase in property tax rates.
- To achieve these goals, there has been collaboration among numerous stakeholders including representatives of the City (the Mayor and his team, and City department heads and their staff, among others), the Monitor, the State, the County, and the School and its School Monitor.
- The First Report noted a $101.1m budget shortfall; however, that shortfall increased to approximately $120.1m, due mainly to tax appeals, necessary increases in City reserves, and additional non-operational and one-time charges. Notwithstanding the increased deficit, the City was able to balance the 2015 budget through several actions including:
  - State aid of $37.8m (exclusive of $6.3m of Energy Receipts Tax received annually);
  - Delaying the State health benefit plan and Public Employees' Retirement System/Police and Fireman's Retirement System of NJ pension payments (net of associated interest) of $37.2m;
  - Anticipated new revenues of $33.5m; and,
  - Operating cost reductions of $11.6m. See Appendix B for summary of 2015 budget reductions.
- **As a result of the above efforts, there was no increase in the municipal property tax rate for 2015.**
- The following pages provide further detail on the additional downward adjustments to the initial $101.1m shortfall and items utilized to close the budget gap for the City's 2015 budget. See additional information regarding the 2015 budget in Appendix A.

Source: City information.

# Balancing the 2015 Budget

*Additional Downward Adjustments to the Budget Gap*

- Tax Appeals of $10.0m – The City received approximately 6,000 tax appeals in 2015 related to non-casino properties. The City estimated that the impact of these appeals would be approximately $10.0m in 2015.
- Increase in Reserves of $6.2m – The City reserves for certain expenditures including unemployment insurance, liability insurance, workers' compensation, and terminal leave payments. After reviewing the opening balances of these reserves, and considering adjusted run rates for liabilities and headcount impact, the reserves were increased. As a result, the City has increased these reserves by $6.2m. The use of the reserves, and the adequacy of the reserve balances, will continue to be reviewed as operational and occurrence factors continue to change.
- Non-Operational and One-Time Charges of $2.8m – The City identified additional capital-related costs and non-recurring one-time charges that were required to be added to the original budget. These items include primarily police and other vehicles, communication equipment, additional casino credits, and other one-time operating charges incurred by the City.

*Items Closing the FY15 Budget Gap*

- State Aid of $37.8m – an increase of $18.0m compared to 2014. Confirmed aid awarded by the State since our First Report:
  - CDBG Essential Services Grant – Awarded $14.8m (the majority received in late 2015); the award was $6.8m in 2014.
  - Transitional Aid – Awarded $13.0m (received in full in late 2015); represents the same amount awarded in 2014.
  - Consolidated Municipal Property Tax Relief Aid ("CMPTRA") – Awarded $10.0m (the City started receiving monthly payments in August 2015 based on a monthly schedule provided by the State); CMPTRA was not received in 2014.
- Additional Anticipated Revenues of $33.5m – While the source and/or amount of these various revenue sources have not been finalized, the Local Finance Board agreed to allow the City to include these additional revenue sources in its 2015 Budget.

Source: City information.

# Balancing the 2015 Budget

*Items Closing the FY15 Budget Gap – (cont'd)*

- Delayed State Payments of $37.2m – The payments for pensions and healthcare costs that have been delayed in 2015, less interest to be paid to the State on the delayed payments in 2015 (all delayed payments carry interest at 10.0% per annum). These delayed payments will be repaid over several years commencing in 2016.
  - State Health Benefit Program ("SHBP") – In total, the City will delay the payment of approximately $20.3m of SHBP payments for 2015 (payment delays commenced in April 2015).
  - Public Employees' Retirement System ("PERS") – The City has delayed its 2015 PERS payment, which was due April 25th. The amount of this delayed payment totals approximately $4.0m.
  - Police and Fireman's Retirement System of NJ ("PFRS") – The City has delayed its 2015 PFRS payment, which was also due April 25th. The amount of this delayed payment totals approximately $14.6m.
  - Interest on Delayed Payments and Other – As noted above, the City expects to pay the State interest of $1.9m (at 10.0% per annum) on the delayed SHBP and pension payments. This interest amount is offset by additional miscellaneous adjustments totaling $0.2m.
- Operating Cost Reductions of $11.6m – Headcount and operating expense reductions for 2015 were $11.6m.
  - Through retirements, attrition and layoffs, the City headcount was reduced by approximately 20% to nearly 1,000 people, which represents an overall reduction from the 2015 budgeted salaries and wages of $8.1m in 2015.
  - A review of the operating expenses of the City's 11 departments identified opportunities for operating cost reductions that would be impactful for the remainder of 2015 (and future years). As a result of these operational efficiencies and departmental cost containment opportunities, general operating costs have been reduced City-wide by $3.5m for 2015.
  - Additional details regarding the implemented cost savings for 2015 are provided in Appendix B to this Report.

Source: City information.

# Balancing the 2015 Budget

*Items Closing the FY15 Budget Gap – (cont'd)*

- In addition, the City continues to leverage aid provided by the Federal Emergency Management Agency ("FEMA") to reduce costs of firefighters in the City. For 2015, the City applied for, and received, a grant under the Staffing for Adequate Fire and Emergency Response ("SAFER") program. The SAFER grant provides funding for 85 firefighters which became effective July 1, 2015.
  - The Emergency Manager's team worked closely with the City to determine the full reimbursable costs related to the Firefighters covered by the SAFER grant and to ensure that the application maximized the potential recoverable value through the SAFER program.
  - The City's application resulted in an awarded grant of approximately $21.5m which will cover the full cost of these 85 firefighters through September 2017.

*Atlantic City School District Budget*

- On February 19, 2015, the Commissioner of Education for the State appointed Dr. Gary McCartney as the School Monitor of the Atlantic City School District. The School Monitor continues to work with the School and the State on its current and future budgets, as well as the need for financial support.
- Through a combination of operational cost reductions, $20.0m of State aid, and the use of available cash and reserves, the School reduced its levy from $135.0m to $101.9m (a reduction of nearly 25%) for its fiscal 2016 year.
- The School Monitor will continue to seek additional cost efficiencies and revenue opportunities for 2016 and beyond.
- See Appendix C for further discussion of the Atlantic City School District Budget.

Source: City information.

# Transition: From Fiscal Crisis to Financial Stability

# Transition: From Fiscal Crisis to Financial Stability

- It is important to reiterate that Atlantic City remains in a financial crisis and that numerous items will need to be improved or changed to address continuing structural deficits and achieve sustainable fiscal balance.
- As a result, the City will continue to incur budget deficits without further restructuring efforts by the City and financial solutions from key stakeholders. Liquidity concerns, outstanding property tax settlements, and unbonded debt also remain of concern to the City and are discussed below.

*Financial Forecasts for 2016 – 2020 Before Consideration of Unsettled and Unbonded Debt Obligations*

- The table below begins to summarize the financial forecast for the City over the next five years. Please note this forecast is before (and therefore does not include) liabilities for the delayed pension and healthcare benefits and outstanding tax settlements. See the next page (page 14) for discussion and hypothetical forecast of these amounts.

| $'s in Millions | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | 5 Year Total |
|---|---|---|---|---|---|---|
| Total Revenues | $ 174.8 | $ 174.9 | $ 180.8 | $ 186.4 | $ 186.4 | $ 903.3 |
| Total Appropriations | 242.1 | 236.5 | 236.6 | 245.0 | 246.5 | 1,206.5 |
| **Deficit Before Unbonded Debt** | **$ (67.2)** | **$ (61.6)** | **$ (55.7)** | **$ (58.6)** | **$ (60.1)** | **$ (303.2)** |

- The deficits noted above include the benefits of the efforts by the State, the City and the Emergency Manager and his staff that led to balancing the City's 2015 budget, which included $11.6m in budgeted operating cost efficiencies in 2015 (the annualized impact of these cost efficiencies, as well as additional cost efficiencies identified for 2016, results in combined operating budget reductions of $25.0m in 2016).
  - Additional details regarding the $25.0m of budget reductions for 2016 are included in Appendix B to this Report.
  - Additional details for the five-year financial forecast are provided in Appendix D to this Report.

Source: City information.

# Transition: From Fiscal Crisis to Financial Stability

*Unsettled and Unbonded Debt Obligations*

- As noted on the previous page, the City needs to address not only its continuing deficits, but the settlement of outstanding casino tax appeals and repayment of other unbonded debt, which may total more than $190m, before interest.
  - Based on preliminary research and advice, the City believes that its ability to raise public funds in order to repay the unbonded debt is highly unlikely. The City's inability to raise funds is due to numerous factors, including but not limited to an inability to qualify for adequate Qualified Bond Act financing, unrealistic interest rates, the City's limited current debt capacity, and the potential for adverse credit ratings.
  - Consequently, the City must provide for any repayment of the unbonded debt from its current operating budgets until such time that the City can raise sufficient public funds to extinguish the unbonded debt.
  - Below is an illustrative forecast showing deficits after inclusion of potential debt service payments on such unsettled and unbonded debt:

$'s in Millions

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | 5 Year Total |
|---|---|---|---|---|---|---|
| Deficit Before Unbonded Debt | $ (67.2) | $ (61.6) | $ (55.7) | $ (58.6) | $ (60.1) | $ (303.2) |
| Unbonded Debt Service | (19.2) | (18.4) | (17.7) | (16.9) | (16.1) | (88.3) |
| **Deficit After Unbonded Debt** | **$ (86.4)** | **$ (80.1)** | **$ (73.4)** | **$ (75.5)** | **$ (76.2)** | **$ (391.5)** |

- As a result, any potential solution to the City's substantial deficits and ultimate financial recovery will require shared commitment by interested stakeholders including settlement of outstanding tax appeals and agreement on the terms of repayment of unbonded debt with casino operators (holders of the majority of the City's unbonded debt) and the State (for delayed 2015 pension and benefits payments).

Source: City information.

# Transition: From Fiscal Crisis to Financial Stability

*Liquidity Concerns*

- Many of the solutions set forth in the “Road Map to Financial Recovery” section of the Report will require time to execute and implement.  Consequently, the availability of liquidity is paramount to determining the time available to all stakeholders to resolve the City’s many issues and implement both short and long-term solutions.
- Excluding receipt of cash related to alternative revenue sources of $33.5m, and other financial impacts from pending or new legislation, we anticipate the City will have available liquidity until April 2016.

# Road Map to Financial Recovery

# Road Map to Financial Recovery

- While closing a deficit of over $100m and adopting a balanced budget for 2015 without an increase to municipal property tax rates marks a significant achievement, further immediate action is needed to address forecasted budget gaps in 2016 and beyond, near-term liquidity issues, substantial debt obligations, and the continued decline in the ratable tax base of the City.
- The following pages identify potential supportive actions – a Road Map for Financial Recovery – for City Management and Council, the State and DCA, and other key stakeholders necessary for the City's financial future in the face of a five-year deficit forecast exceeding $300m (before addressing the unbonded debt obligations).
- A successful resolution of the City's financial situation that does not simply shift the financial burden from the City to the State is ultimately in the best interests of all stakeholders. An illustrative five-year financial forecast that hypothetically implements key priorities of the Road Map for Financial Recovery (the "Illustrative Forecast") is summarized below.

$'s in Millions

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | 5 Year Total |
|---|---|---|---|---|---|---|
| **Deficit Before Stakeholders' Solutions** | **$ (67.2)** | **$ (61.6)** | **$ (55.7)** | **$ (58.6)** | **$ (60.1)** | **$ (303.2)** |
| Unbonded Debt Service | $ (19.2) | $ (18.4) | $ (17.7) | $ (16.9) | $ (16.1) | $ (88.3) |
| Additional Budget Improvements from City Actions | 9.0 | 12.0 | 12.0 | 15.0 | 15.0 | 63.0 |
| **Budget Imbalance to be Addressed by New Revenues and Further Cost Reductions** | **$ (77.4)** | **$ (68.1)** | **$ (61.4)** | **$ (60.5)** | **$ (61.2)** | **$ (328.5)** |

The successful execution of the Road Map will include the following key components:

I. Stabilize and Increase Revenues

II. Continued City Actions

III. Consolidation and/or Regionalization of Municipal Services

IV. Property Planning and Development

V. Agreement on Repayment Terms of Unbonded Debt

Source: City information.

# Road Map to Financial Recovery

I. <u>Stabilize and Increase Revenues</u>

- Although the City is expected to continue to implement significant additional budget reductions and increase its controllable revenues over the five-year period, the City's ratable base will not be sufficient to generate adequate property tax revenues to eliminate forecast deficits.
- As a result, potential new revenue sources will be integral to balancing future budgets. These new revenues may be derived from different sources and will be dependent upon the results of the City's additional budget improvements and ongoing negotiations with key stakeholders.
- As part of the State's consideration regarding potential new revenue sources, certain pending legislation, including those conditionally vetoed by the Governor, include the following:
  - S2572 – Casino Property Taxation Stabilization Act (e.g., reallocation of ACA $30.0m) (the "PILOT bill")
  - S2575 – Reallocation of casino investment alternative tax to Atlantic City (the "IAT bill")
  - A4931 – Amends and supplements the PILOT bill and the IAT bill
- These bills, if ultimately enacted, could provide additional revenues to the City, although the amount of revenue will be insufficient to resolve the City's current forecasted deficits.
- After review of the pending legislation, we note the following included in A4931 that could improve the results of the PILOT program:
  - A 10-year review period where the effectiveness of the PILOT program, and the amounts paid by casino operators, could be reassessed and adjusted,
  - Protections to prevent the base amount of the annual PILOT payment falling below the initial amount of $120.0m if the casinos are doing well in non-gaming revenues,
  - An annual 2% increase to the PILOT payment if the base amount does not increase rather than tying the change to the Consumer Price Index (which could move up or down, and is limited to 2% in the current PILOT bill),
  - Any new construction or alteration of existing buildings on casino properties would be excluded from the PILOT (specifically, they will be subject to regular property tax assessments),

# Road Map to Financial Recovery

- ACA-related payments would extend beyond the first two years of the PILOT bill,
- The PILOT would start in 2016 in order to avoid significant difficulties and confusion that would result by retroactively instituting the PILOT program to January 1, 2015,
- A specific percentage of the PILOT payments could be apportioned to the County for taxes owed by the City from the PILOT, and
- Monies allocated under the IAT bill would be subject to the Municipal Qualified Bond Act, which could improve the City's access to the bond markets.

► Below is an illustrative example of the financial results of the potential impact of the pending legislation. Although the pending legislation would not resolve the potential budget deficits, the remaining deficits could be reduced.

$'s in Millions

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | 5 Year Total |
|---|---|---|---|---|---|---|
| **Previously Noted Deficit Before Stakeholders' Solutions** | **$ (67.2)** | **$ (61.6)** | **$ (55.7)** | **$ (58.6)** | **$ (60.1)** | **$ (303.2)** |
| Unbonded Debt Service | $ (19.2) | $ (18.4) | $ (17.7) | $ (16.9) | $ (16.1) | $ (88.3) |
| Additional Budget Improvements from City Actions | 9.0 | 12.0 | 12.0 | 15.0 | 15.0 | 63.0 |
| Net Impact of Proposed Legislation - with Amendments | 46.9 | 36.1 | 29.0 | 28.7 | 35.0 | 175.7 |
| **Remaining Budget Imbalance** | **$ (30.5)** | **$ (31.9)** | **$ (32.4)** | **$ (31.8)** | **$ (26.2)** | **$ (152.8)** |

# Road Map to Financial Recovery

II. Continued City Actions

*Additional Budget Improvements*

- As noted on page 17, the Illustrative Forecast assumes that the City must continue to improve its budget results by identifying new sources of revenue and implementing steps to capture those revenues, as well as further restructuring of its operations, in order to reduce annual operational budgets beyond the $25.0m currently achieved.
  - Throughout 2015, the Emergency Manager and the Division of Local Government Services worked with the City to identify and implement reductions to budgeted headcount and operating expenses totaling $11.6m.
  - The impact of 2015 reductions, plus further operating expense reductions implemented for 2016, will result in additional operating savings of approximately $13.4m in 2016.
  - In total, budget operating expense reductions totaling $25.0m will be achieved annually.
    - Approximately $15.0m of the total savings has been achieved through reduced headcount; full-time headcount in the City has been reduced to approximately 1,000 people.
    - Refer to "Appendix B – Summary of 2015/2016 Budget Reductions" for more detail regarding the total operating savings of $25.0m.
- Though significant, the cost reductions are not nearly enough to align the City toward a "new normal" reflective of current economic conditions.
- The City must continue to identify operational cost savings, not only through layoffs and attrition, but by implementing creative solutions such as regionalization, consolidation, and privatization of municipal services. This provides not only the short-term benefit of reduced operating expenses but will also help relieve the City of associated costs such as pension, health care benefits, and employee-related expenses such as workers' compensation.
- Based on our detailed review of the departments and operations of the City, and a review of alternative service delivery models, we have identified numerous additional opportunities for the City to reduce operating costs and increase its revenues. These opportunities can be implemented within the next 12 months.
  - Refer to Appendix F for additional budget improvement opportunities.
- Lastly, in order to achieve these additional budget improvements, City Council will need to actively support and approve these actions, where appropriate, and ensure that these improvements are successfully implemented and achieved.

Source: City information.

# Road Map to Financial Recovery

*Monetize Certain City Assets*

- Based on a preliminary review of the City's assets and holdings, we have identified three areas where the City should consider monetization opportunities:
  - City's Municipal Utilities Authority
  - Bader Field
  - Gardner's Basin
- The City's Municipal Utilities Authority ("MUA") has significant assets which present opportunities to increase City revenues and provide much needed positive cash flow during the City's financial transition.
  - While the MUA presents multiple options for the City, in the near-term the City and County should work together to dissolve, restructure, and then operate the MUA for the benefit of the City. The current rates should be analyzed and restructured to ensure reasonable rates across all classes of ratepayers.
- Bader Field is another City asset with potential for monetization or other value enhancement. The impact to the City of a sale or other development arrangement is too speculative to estimate at this time, but could be significant at some point during this transition period and must be carefully examined.
- Finally, Gardner's Basin, which consists of approximately 22 acres of City-owned land along the back bay of the City, should be carefully considered for its potential value. Gardner's Basin houses the Atlantic City Aquarium and various retail and commercial establishments currently lease property contained therein from the City. However, over half of the City's Gardner's Basin land is vacant or underutilized and there are considerable development and redevelopment opportunities for the area.
- While the MUA, Bader Field and Gardner's Basin represent three of the City's larger holdings, further assessment of the City's remaining assets must be performed to identify other potential properties that may be sold, monetized, or otherwise turned into a tax generating property.

Source: City information.

# Road Map to Financial Recovery

III. Consolidation and/or Regionalization of Municipal Services

*Public Safety Services*

- The 2015 City budget realized annual savings of over $5.6m from the "right sizing" of the City's Police department ("ACPD") and Fire department ("ACFD").
  - The ACPD decreased from 330 to 285 uniformed officers and 60 part time Special Law Enforcement Officers.
  - The ACFD has decreased from 261 to 235 firefighters. However, the City is budgeting for only 150 firefighters since 85 are being paid through the federal SAFER grant.
- While this right-sizing effort helped reduce the ACPD and ACFD operating budgets, the cost of operating these two departments still constitutes over 69% of the City's overall budget for salaries and wages.
  - Despite reducing overall headcount, the City continues to be negatively impacted by high legacy labor costs. Lucrative ACPD and ACFD salary and benefit packages were awarded in the past when the City's ability to pay was significantly better than under the present circumstances. Compared to other municipalities, the City's cost per officer remains high due to higher salary ranges and the timing of progression through step increases and associated benefits increases. Additionally, top-heavy department staffing and outdated contract work rules governing overtime and other substantial payments continue to drive costs without improving the quality of public safety.
- Consolidation and/or regionalization of City municipal services may prove to facilitate both more efficient delivery of services and substantial cost savings similar to what has occurred in Camden County.
  - While there is no County regionalized fire model, consideration should be given to the privatization of fire services as a cost efficient alternative.
- Unless there is meaningful progress in the near term of impactful concessions under the existing ACPD contract (which expired in December 2015), the City and County should consider pursuing consolidation and/or regionalization efforts of the ACPD.
- While further analysis and due diligence is required, we note that the "Update Report of Governor's Advisory Commission on New Jersey Gaming, Sport and Entertainment" published on November 12, 2014, identified potential budgetary savings of over $25m associated with the ACPD and ACFD "right-sizing" and regionalized service and contract modifications.
- Additionally, with respect to the lifeguard pension plan which costs the City approximately $1.0m annually, the State should consider amendments to the lifeguard pension statute (N.J.S.A. T.43, Subt. 4, Ch. 13, Art. 3) that will limit (or eliminate) the pension payment requirements for new entrants to the plan.

Source: City information.

# Road Map to Financial Recovery

*Outsource Inefficient City Services to the County*

- The City continues to provide services traditionally provided by county governments at significant cost, specifically health services and the tax assessor operations.
  - The 2015 budget for the City's Department of Health exceeds $5.0m.
  - The 2015 budget for the tax assessor is $0.8m.
- If consolidated at the County level, the City could potentially reduce its budget while improving efficiency of these services. Further review and diligence will be required to assess the full impact of outsourcing these services to the County. Additionally, the City's ability and timing to outsource these services will be largely dependent upon the County's willingness to take on these services on behalf of the City.
- While health services and the tax assessor departments should be prioritized for potential outsourcing to the County, the City should continue to review all City operations to identify additional services that could be potentially outsourced, either to the County or third parties, to generate further cost savings.

Source: City information.

# Road Map to Financial Recovery

IV. Property Planning and Development

- As the City moves forward, it will be essential that the Atlantic City Development Corp ("ACDevCo") be positioned to play a lead role in the effective property planning and development in the City.
- While State aid, cost efficiencies, and new revenues are vital to support the turnaround of the City, property planning and development holds the true key for long term viability and success.
- Many stakeholders including City, County, and State personnel understand this importance and the impact that property planning and development will have on the revitalization of Atlantic City, especially in creating jobs and opportunities for its residents and business investors and partners.
- Currently, the property development process in the City is overly complicated and inefficient. Too many well intentioned stakeholders are trying to improve this process, but what the process truly needs is a well thought out, consensual, and transparent process to be implemented. The implementation of this goal should include a documented, web site based process and information portal for all property development stakeholders.
  - This new process will require coordination among the Casino Reinvestment Development Authority ("CRDA"), the Mayor and his team, City Council, and private developers, such as ACDevCo. This coordination should also include centralizing "under one roof" the land use and development process. Currently, this is being done by both CRDA and the City.
  - Refer to Appendix G for more detailed discussion of CRDA.
- A public private partnership has proven very successful in New Brunswick and that success must be duplicated in Atlantic City.
- In addition, property development should also be coordinated with Atlantic's City's Housing Authority (the "ACHA"). The ACHA has retained a consultant to help assess and advise the Board of the ACHA, among other items, on redevelopment possibilities for its properties. Furthermore, with the addition of the new ACHA Executive Director (who started on January 1, 2016) it is even more timely for the City to be working closely with the ACHA.

# Road Map to Financial Recovery

V. Agreement on Repayment Terms of Unbonded Debt

- As demonstrated in the Illustrative Forecast on page 14, the amortization of the City's unbonded debt will have a significant impact on the amount of new revenues and additional support required by the City.
- The negotiations must continue with the casinos and other unbonded debtholders with a view to providing the City with an economic resolution that satisfies all stakeholders and does not overly burden the City's finances or pass that burden onto the State.

Source: City information.

# Road Map to Financial Recovery

**Road Map to Financial Recovery – Summary**

- As noted previously, there are numerous options to consider in order to complete the recovery of Atlantic City. The impact of these options on each stakeholder will depend on the support negotiated from each participant. Regardless of the option, certain realities must be faced by the key stakeholders:
  - City – The City (including City Council) will need to continue to seek ways to improve its budget through further downsizing of operations, alternative service delivery options, privatization of operations, new or improved revenue sources, and potential monetization of assets.
  - County – The County will need to work with the City to consider how it can support the City's need to reduce its budget while continuing to provide necessary services. These options may include County assuming responsibility for certain functions of the City including public safety, health and property tax assessments, among other functions.
  - Casinos – Several of the City's casinos have outstanding property tax overpayments and appeals totaling more than $150.0m. Given the City's inability to access the capital markets, the casinos will need to work with the City to negotiate agreeable repayment schedules.
  - State – The State will need to continue to provide financial aid and assistance to the City consistent with current levels until such time as the City can create budget surpluses. In addition, the State will need to consider additional legislative actions that may be necessary to support the City.
    - As demonstrated on pages 18 and 19, although the pending PILOT legislation (as amended) and the IAT legislation could reduce the magnitude of budget deficits, the deficits will not be eliminated entirely. This legislation is merely the first step. Atlantic City needs to enact certain revenue enhancement and cost reduction measures as recommended herein.

Source: City information.

# Appendices

# Appendix A: 2015 Budget Summary

# 2015 Budget Summary

- A summary of the 2015 Budget is provided below:

| ($ in millions) | | TOTAL CY 2015 |
|---|---|---|
| **REVENUES** | | |
| Property Taxes | $ | 251.4 |
| State Aid | $ | 44.1 |
| Grants (In) | $ | 38.5 |
| Anticipated Casino Redirect Revenues | $ | 33.5 |
| Miscellaneous Revenues Anticipated | $ | 11.8 |
| Receipt of Delinquent Taxes | $ | 2.5 |
| **Total Revenues** | **$** | **381.7** |
| **APPROPRIATIONS** | | |
| Remittances (to School and County) | $ | 119.3 |
| Salaries and Wages | $ | 84.2 |
| Grants (Out) | $ | 38.5 |
| Debt Service | $ | 34.7 |
| Reserve for Tax Appeals & Overpayments | $ | 29.2 |
| Reserves | $ | 23.3 |
| Other Expenses | $ | 15.4 |
| Other | $ | 13.6 |
| Employee Group Insurance | $ | 12.0 |
| Utilities | $ | 6.8 |
| Statutory | $ | 5.0 |
| **Total Appropriations** | **$** | **381.7** |
| ***Surplus / (Deficit)*** | **$** | **-** |

Source: City information.

# 2015 Budget Assumptions

*Revenues – Key Assumptions*

- Property Taxes – Property tax revenues include three main components: City, School and County. The tax rates assumed are based on the City's $7.35b ratable base. The School and County rates are based on their budgets provided to the City applied against the same $7.35b ratable base. As a result of increases to the School and County levies, the tax rates for the School and County were required to be increased. As previously noted, the City's tax rate was not increased for 2015.
- State Aid – Includes $13.0m Transitional Aid, $6.3m of Energy Tax Receipts, $14.8m of CDBG Essential Services Grant, and $10.0m CMPTRA.
- Anticipated Casino Redirect Revenues – As noted previously, we have identified additional revenue sources, which should be provided to the City. While the source and/or amount of these various revenue sources have not been finalized, the Local Finance Board has agreed to allow the City to include these additional revenue sources in its 2015 Budget.
- Grants (In/Out) – Represents the inflow of grants received by the City for 2015, with similar offsetting grant-related expenditures shown under "Appropriations."

*Appropriations – Key Assumptions*

- Remittances – School remittances are determined by the School's Certification of School District Requirements for 2015, which, after applying State aid, results in approximately $91.1m of School taxes to be raised by the City in 2015. The County remittance equals $28.2m, which represents the amount scheduled by the County to be raised by property taxes in the City.
- Salaries and Wages, and Other Expenses – Salaries and wages of $84.2m and other expenses of $15.4m include the impact of the $11.6m of savings identified and implemented in 2015.
- Debt Service – Includes scheduled payments of principal and interest on bonds, bond anticipation notes, and capital notes.
- Reserve for Tax Appeals & Overpayments – Includes (i) 2015 credits as a result of settlements made with property owners in 2015 for prior years' tax appeals, (ii) anticipated settlements of 2015 tax appeals for various non-casino properties, and (iii) the impact of "true-ups" and other tax credit adjustments.
- Reserves – Includes reserves for unemployment insurance, liability insurance, workers' compensation, terminal leave payments, and capital expenditures.

Source: City information.

# 2015 Budget Assumptions

*Appropriations – Key Assumptions – (cont'd)*

- Other – Other includes appropriations related to the City's libraries ($3.8m), interest on delayed state payments ($1.9m), the reserve for uncollected taxes ($5.0m), deferred charges ($2.3m), and other items ($0.6m).
- Employee Group Insurance – Represents the City's employee health costs, excluding delayed payments for the SHBP.
- Utilities – Represents the total utilities for the City.
- Statutory – Represents statutory commitments (e.g. social security for $3.5m, lifeguard pension for $1.1m, and other items totaling approximately $0.4m), but excludes the delayed PERS and PFRS payments.

Source: City information.

# Closing the 2015 Budget Gap

- At the time of the First Report, the City had a projected budget shortfall of approximately $101.1m. Subsequent to the issuance of the First Report, additional downward adjustments, not previously known, increased the $101.1m budget shortfall to $120.1m. After significant efforts since the issuance of the First Report, the Emergency Manager and his staff, together with management of the City, have worked to close the budget shortfall through a combination of operational cost reductions, delayed payments to the State for the SHBP, the PERS and the PFRS, State aid, and anticipated new revenues. Below is a summary table of the key financial items addressing the 2015 budget gap.

($ in millions)

| | | |
|---|---|---|
| **FY15 Budget Deficit (as presented in March 23, 2015 report)** | **$** | **(101.1)** |
| ***Additional Downward Adjustments:*** | | |
| 2015 Tax Appeals | $ | (10.0) |
| Increase in Reserves | | (6.2) |
| Non-Operational and One-Time Charges | | (2.8) |
| **FY15 Revised Budget Deficit** | **$** | **(120.1)** |
| ***Closing the FY15 Budget Gap:*** | | |
| State Aid: | | |
| CDBG Essential Services Grant | $ | 14.8 |
| Transitional Aid | | 13.0 |
| CMPTRA Aid | | 10.0 |
| | $ | 37.8 |
| Alternative Revenue Sources | $ | 33.5 |
| Delayed State Payments: | | |
| State Health Benefits Program | $ | 20.3 |
| PERS / PFRS Pension Funding | | 18.6 |
| Interest on Delayed Payments and Other Adjustments | | (1.7) |
| | $ | 37.2 |
| Operating Cost Reductions: | | |
| Salaries and Wages | $ | 8.1 |
| Operating Expenses | | 3.5 |
| | $ | 11.6 |
| **Total Net Adjustments** | **$** | **120.1** |
| **Balanced FY15 Budget** | **$** | **-** |

Source: City information.

# Appendix B: Summary of Implemented 2015/2016 Budget Reductions

# 2015 Cost Savings Achieved

- As noted in the First Report, the Emergency Manager targeted savings of $10.0m for 2015. To that end, the Emergency Manager's team conducted a detailed review of each of the 11 City departments, consisting of over 90 sub-departments. The review included:
  - Meetings with department heads and their key staff.
  - Line-by-line analysis of the proposed budget for each department, including labor costs (by employee) and non-labor operating costs (by expense type), to understand the purpose and need for each item.
  - Review of departmental organizational structures and headcount (current and proposed).
  - Assessment of departmental operations and processes for cost saving opportunities.
  - Assessment of services provided by each department and review of alternative service delivery options.
  - Review of potential revenue enhancement initiatives, including new revenue sources.
- Through the efforts of City management and the Emergency Manager and his staff, the City achieved total operating budget efficiencies of approximately $11.6m for 2015, surpassing the initial goal of $10.0m. The $11.6m of operational budget efficiencies is mainly the result of reductions in headcount and operating expenses.
  - Through retirements, attrition and layoffs, the City has reduced headcount by approximately 20% to nearly 1,000 people, which represents an overall reduction to budgeted salaries and wages of $8.1m in 2015.
  - A review of the operating expenses of the City's 11 departments identified opportunities for budgeted operating cost reductions that were impactful in 2015 (and in future years). As a result of these operational efficiencies and departmental cost containment opportunities, budgeted operating costs have been reduced City-wide by $3.5m (implemented mainly in August 2015).

Source: City information.

# 2015 Cost Savings Achieved

- The table below outlines the budgeted 2015 operational cost savings by department:

| ($ in millions) | 2015 | | |
|---|---|---|---|
| **Department** | **S&W** | **OE** | **Total** |
| Public Safety | $5.7 | $0.3 | $5.9 |
| Administration | 0.3 | 2.9 | 3.2 |
| Health | 1.1 | 0.4 | 1.5 |
| Public Works | 0.6 | 0.3 | 0.9 |
| Planning & Development | 0.3 | (0.1) | 0.2 |
| Licensing & Inspections | 0.2 | 0.0 | 0.2 |
| Other Departments | 0.0 | 0.0 | 0.0 |
| Excluded from Caps | 0.0 | (0.3) | (0.3) |
| **Total** | **$8.1** | **$3.5** | **$11.6** |

Source: City information.

# 2016 Cost Savings Achieved

- In addition to the savings target for 2015, the Emergency Manager targeted a further $10.0m in budget reductions for 2016.
- Based on our detailed review of all City departments, combined with the efforts to reduce the 2015 budget, the $10.0m target was exceeded and $13.4m of budget operating reductions are now forecast for 2016. The savings are comprised of $7.1m of savings from salaries and wages and $6.3m of savings from other operating expenses.
- The table below outlines the forecasted 2016 operational cost savings by department:

| ($ in millions) | 2016 | | |
|---|---|---|---|
| **Department** | **S&W** | **OE** | **Total** |
| Public Safety | $6.2 | ($0.3) | $5.9 |
| Administration | 0.2 | 4.3 | 4.6 |
| Health | 0.3 | 0.6 | 0.8 |
| Public Works | 0.2 | 0.8 | 1.0 |
| Planning & Development | 0.1 | 0.1 | 0.1 |
| Licensing & Inspections | 0.0 | 0.0 | 0.0 |
| Other Departments | 0.1 | 0.8 | 0.9 |
| **Total** | **$7.1** | **$6.3** | **$13.4** |

Source: City information.

# Combined Cost Savings Achieved

- In total, the currently implemented restructuring efforts for 2015 and 2016 are estimated to yield combined annual savings of approximately $25.0m; specifically, $11.6m of budget operational savings from 2015, plus additional cost reductions totaling $13.4m commencing in 2016.
- The table below outlines the combined 2015 and 2016 operational cost savings by department:

| ($ in millions) | 2015 | | 2016 | | Total | | |
|---|---|---|---|---|---|---|---|
| **Department** | **S&W** | **OE** | **S&W** | **OE** | **S&W** | **OE** | **Total** |
| Public Safety | $5.7 | $0.3 | $6.2 | ($0.3) | $11.9 | ($0.0) | $11.9 |
| Administration | 0.3 | 2.9 | 0.2 | 4.3 | 0.5 | 7.3 | 7.8 |
| Health | 1.1 | 0.4 | 0.3 | 0.6 | 1.3 | 1.0 | 2.3 |
| Public Works | 0.6 | 0.3 | 0.2 | 0.8 | 0.9 | 1.1 | 1.9 |
| Planning & Development | 0.3 | (0.1) | 0.1 | 0.1 | 0.3 | 0.0 | 0.3 |
| Licensing & Inspections | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 |
| Other Departments | 0.0 | (0.3) | 0.1 | 0.8 | 0.1 | 0.5 | 0.6 |
| **Total** | **$8.1** | **$3.5** | **$7.1** | **$6.3** | **$15.2** | **$9.8** | **$25.0** |

- While achieving $25.0m of annual budget savings is a significant achievement, the Emergency Manager and his staff have been continuing to work with the City to identify additional areas of potential cost savings and revenue enhancements that will be pursued and implemented. These alternative areas for improvements are outlined in Appendix F to this Report.

Source: City information.

# Appendix C: Atlantic City School District Budget

# Atlantic City School District Budget

- The School Monitor recently issued the fiscal 2016 School budget which reflects significant reductions in expenses and the inclusion of State aid.
- A summary of the School's FY2016 budget is provided below:

($ in millions)

| | Fiscal 2016 | |
|---|---|---|
| Revenues | | |
| Recurring | | |
| Local Tax Levy | $ | 101.9 |
| State Aid Formula | | 17.8 |
| Tuition Revenue | | 11.1 |
| Debt Service Aid | | 0.8 |
| Misc. Revenue & Other | | 0.7 |
| Use of Reserves | | 29.0 |
| **Total Revenue** | **$** | **161.3** |
| Disbursements | | |
| Operating Costs | $ | 147.9 |
| Debt Service | | 13.4 |
| **Total Disbursements** | **$** | **161.3** |
| **Budget Surplus (Deficit)** | **$** | **-** |

- Notwithstanding the efforts of the School Monitor to reduce the School budget, and the financial support provided by the State, the minimum levy requirements result in a 2015 School tax rate increase of 3.5%.
- For fiscal 2017, the District is projecting a budget deficit of approximately $50.0m to $55.0m mainly due to the loss of previously utilized fund balances and increasing operational costs (projected salary and benefit cost increases included in the estimated shortfall will be dependent upon collective bargaining results).

Source: School District information.

# Atlantic City School District Budget

- The School Monitor will be pursuing various cost containment initiatives to address the currently forecasted fiscal 2017 budget shortfall, including:
  - Rental or sale of a vacant school;
  - Collective bargaining;
  - Reduction in healthcare costs;
  - Moving central office to a less expensive location;
  - Conducting program audits for the purpose of establishing greater efficiencies;
  - Continued staffing review in consideration of further reductions;
  - Energy efficiencies from energy audit;
  - Continued vigilance in the area of legal expenses; and,
  - Greater transportation efficiencies.

# Appendix D: Five Year Financial Forecast and Assumptions

# Five-Year Financial Forecast

*Overview*

- The financial future of the City continues to be adversely impacted by the significant decline in the ratable base of the City. As a result, the City will continue to incur budget deficits without further restructuring efforts by the City and financial solutions from key stakeholders.
- The table below summarizes an estimated five-year financial forecast (the “Forecast”) for the City before considering the impact of unbonded debt, and further supportive actions of City Management and Council, and the State.

$'s in Millions

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | 5 Year Total |
|---|---|---|---|---|---|---|
| Revenues | | | | | | |
| Property Taxes | $ 118.6 | $ 118.6 | $ 124.6 | $ 130.8 | $ 130.8 | $ 623.4 |
| State Aid | 25.0 | 25.0 | 25.1 | 24.4 | 24.4 | 123.9 |
| Other | 31.2 | 31.2 | 31.2 | 31.2 | 31.2 | 156.0 |
| Total Revenues | $ 174.8 | $ 174.9 | $ 180.8 | $ 186.4 | $ 186.4 | $ 903.3 |
| Appropriations | | | | | | |
| Salary & Wages | $ 84.2 | $ 84.2 | $ 84.2 | $ 85.8 | $ 85.8 | $ 424.2 |
| Pension and Other Statutory | 24.3 | 25.2 | 26.3 | 27.3 | 28.5 | 131.6 |
| Benefits and Other Insurance | 49.7 | 51.5 | 53.5 | 55.5 | 57.6 | 267.8 |
| Operating Costs | 60.7 | 59.8 | 60.8 | 61.8 | 62.7 | 305.8 |
| Debt Service - Bonded | 31.6 | 24.1 | 20.2 | 22.8 | 20.2 | 118.9 |
| Additional Operating Cost Reductions | (13.4) | (13.4) | (13.4) | (13.4) | (13.4) | (66.8) |
| Reinvestment (not bonded) | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 25.0 |
| Total Appropriations | $ 242.1 | $ 236.5 | $ 236.6 | $ 245.0 | $ 246.5 | $ 1,206.5 |
| **Deficit Before Unbonded Debt** | **$ (67.2)** | **$ (61.6)** | **$ (55.7)** | **$ (58.6)** | **$ (60.1)** | **$ (303.2)** |

Source: City information.

# Five-Year Forecast Assumptions

*Key Assumptions*

- Ratable Base of City Properties:
  - 2015 ratable base of $7.35b is estimated to be reduced by 10.0% for 2016 mainly to account for further decline in values through ongoing appeals. The ratable base remains constant in 2017, but, as a result of the anticipated efforts of ACDevCo and the sale/development of vacant or previously tax exempt land, there is an assumed 5.0% increase in the ratable base for 2018 and again for 2019 (based mainly on more properties coming on-line, as opposed to revised valuations). Property values are held constant in 2020.
- Municipal tax rates (including library) are assumed to be held constant throughout the Forecast period; School and County levies are excluded from the Forecast.
- Financial Aid:
  - State aid of $13.0m for Transitional Aid, $10.0m for CMPTRA, and $6.3m of Energy Tax Receipts assumed annually throughout the Forecast period (CMPTRA and Energy Tax Receipts are net of annual debt service on Qualified Bond Act bonds).
  - Federal SAFER grant assumed to expire in September 2017. SAFER-related firefighters assumed laid off once SAFER grant expires, resulting in no net cash impact.
- Salaries and wages are increased by 2% in 2019 to coincide with likely timing of CBA renewals.
- Pension and benefit costs include a 5% annual increase throughout the Forecast period.
- Reserves for unemployment, general liability, workers' compensation, terminal leave, capital improvements, and tax appeals have been maintained at historical levels.
- Additional Operating Cost Reductions:
  - The Emergency Manager targeted savings of $10.0m for each of 2015 and 2016. Through the efforts of City Management and the Emergency Manager and his staff, budget savings of approximately $11.6m for 2015 and $13.4m for 2016 have been achieved.
  - In total, the restructuring efforts in 2015 and 2016 will yield budget savings of approximately $25.0m (see Appendix B for details). The Emergency Manager and the City are continuing to explore additional budget improvement opportunities (see Appendix F for details).

Source: City information.

# Five-Year Forecast Assumptions

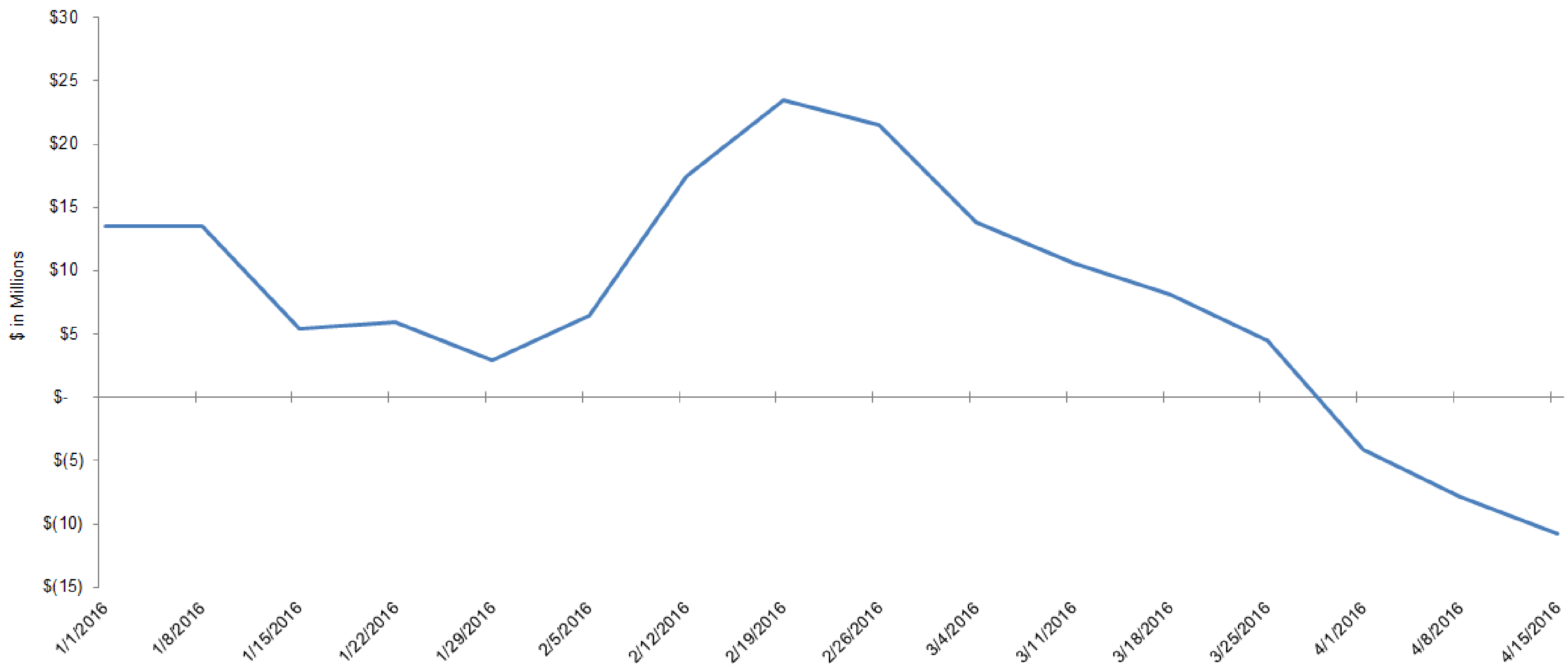
- Debt service is forecast in accordance with current debt amortization schedules for the City's bonded debt.
- Reinvestment (not bonded):
  - The reinvestment appropriation assumes that the City will incur annual costs for infrastructure and other capital items of approximately $5.0m annually. Similar to the unbonded debt, it is assumed that the City will be unable to issue bonds in the market to fund this reinvestment capital and, as a result, the City will be required to fund these expenses through its current operating budget.

Source: City information.

# Appendix E: Liquidity Forecast

# Liquidity Forecast

- Many of the solutions noted in this Report will require time to execute and/or implement. Consequently, the availability of positive liquidity is paramount to determining the time available to all stakeholders to resolve the City's issues in both the short and long-term.
- Assuming the Base Case forecast (i.e., status quo), the City will have positive liquidity until April 2016.




Source: City information.

# Liquidity Assumptions

*Key Assumptions*

- Ending 2015 liquidity was positive mainly due to the receipt of final State aid payments, positive tax lien sales in December 2015, and the impact of fourth quarter tax collections in November 2015.
- The impact of $11.6m of operating cost savings in 2015 and increasing to an aggregate of $25.0m in 2016 is reflected throughout the liquidity forecast.
- The receipt of the $33.5m of alternative revenue sources in 2015, and other financial impacts from pending or new legislation, have not been included in the liquidity forecast.
- Liquidity is shown net of restricted funds.

Source: City information.

# Appendix F: Additional Budget Improvements from City Actions – Near Term

# Additional Budget Improvements from City Actions – Near Term

- Through the continued efforts of City Management and the Emergency Manager and his staff, additional actionable steps have been identified that will allow the City to exceed the combined annual budget improvements of $25.0m already achieved.
- These budget improvements consist of opportunities to both increase revenues and decrease costs.

*Revenue Improvements*

- Revenue improvements include adjustments to current fees charged by the City, and potential new revenues that could be generated by the City. The following is a brief outline of some of the sources of additional revenues that the Emergency Manager and his staff, in combination with City Management, have identified:
  - In addition to property tax revenues, the City collects other revenues in the form of fees for services, licenses, permits and other charges. The rates charged for many of these other revenues have not been increased to keep pace with and cover the cost of the service and, as such, the City should consider adjusting the rates for these numerous other revenues. The Emergency Manager and his staff will be working with the City to determine appropriate fee amendments, which City Council will need to approve and implement.

Source: City information.

# Additional Budget Improvements from City Actions – Near Term

*Reduced Costs*

- As previously discussed, budget savings of $25.0m have been identified in the City, but additional cost reduction opportunities are available. These additional savings can be achieved through reduced operating expenses and headcount, alternative service delivery options, such as outsourcing and privatization, and numerous other options.
- After reviewing the operations of the City's 11 departments, the Emergency Manager and his staff have identified numerous cost saving opportunities that would be beneficial to the City. Although numerous options exist, we have provided a sample of certain initiatives that could streamline City operations and lower costs.

| Department / Area | Initiative |
|---|---|
| 1. Vehicle Fleet | Rationalize City fleet and fleet maintenance operations |
| 2. Parking | Overhaul parking operations (fees, hardware, signage, and enforcement) |
| 3. Municipal Court | Reduce number of weekly municipal court sessions |
| 4. Sanitation | Outsource of certain trash and recycling collection |

Source: City information.

# Additional Budget Improvements from City Actions – Near Term

1. Rationalize Vehicle Fleet and Fleet Maintenance Operations

- Fleet rationalization
  - A full review of the City's fleet and fleet usage (department by department) should be conducted to help identify unnecessary vehicles, vehicles that should be reassigned and/or consolidated or pooled, and vehicles that should be retired or sold. Rationalizing the fleet should result in reduced repair and maintenance costs.
  - A fleet rotation plan should also be developed in order to rotate high-usage and low-usage vehicles, which should reduce repair and maintenance costs, and also reduce capital costs of replacement for certain vehicles.
  - The City should consider if the short term rental of certain vehicles would be more cost effective than purchasing and maintaining vehicles (e.g. beach vehicles used only in high peak season). In addition, where minimal use is required by departments, consideration should be given to short term rentals or the use of taxis rather than purchasing vehicles for minimal usage.
- Vehicle maintenance
  - The City is currently contracting with one vendor to provide the City with vehicle maintenance services. Since vehicle maintenance is a significant operating expense, the City should consider issuing a new RFP to ensure it is receiving the best possible price and service available.
  - Data on the nature and frequency of repairs by vehicle and the assignment of vehicles (department and sub division) should be regularly maintained and reviewed. This data is necessary to monitor the appropriateness of the work performed by the vendor and will assist the City in assessing future vehicle capital expenditure needs.

Source: City information.

# Additional Budget Improvements from City Actions – Near Term

2. Overhaul Parking Operations

- The City needs to remedy the current parking operational issues, including fees, hardware, signage and enforcement.
  - Increase ticket costs – The cost of parking tickets is low compared to other municipalities ($36 for meter violations and $46 for residential and street cleaning violations). Increasing these fines has a significant financial impact (e.g., if the cost of each of these were increased by $10, last year's ticket revenue would have increased by approximately $100,000 (from $500,000 to $600,000)). The City should review the cost of its parking-related fines and adjust upward where appropriate.
  - Install adequate number of working kiosks – The City currently has 14 "Strada Kiosk" units. These units patrol several parking spaces from one machine and are Wi-Fi enabled in order to alert the City when maintenance is required. Installing additional kiosks, and ensuring they are properly maintained and repaired, would increase City parking revenues.
  - Improve street signage – Currently, the signage for street cleaning is very poor. The signs are faded and illegible, and therefore, the City has only been able to enforce street cleaning where the signs are readable. Updating signage would improve street cleaning and would potentially generate additional street cleaning ticket revenues where violations occurred.
  - Increase enforcement during summer peak season – The City should hire seasonal summer employees to assist with ticket writing and meter collections.

Source: City information.

# Additional Budget Improvements from City Actions – Near Term

3. Reduce Number of Weekly Municipal Court Sessions

- In recent years, the Municipal Court's case load has decreased as the volume of tickets issued by the Police Department has declined.
- Currently, the Municipal Court holds two courtroom sessions (criminal and traffic) four times per week. Given the lower case load, there is an opportunity to reduce the number of courtroom sessions per week, and consequently, the number of judges (reduce from 2 to 1) and supporting courtroom personnel required.
- To the extent case load volume peaks at certain points, the increase can be managed through the use of per diem judges (per diem judges are already being utilized by the Court for conflict cases).
- The City should commence a review of the Court operations and make adjustments noted above, where applicable.

4. Outsource of Certain Trash and Recycling Collection

- In an effort to reduce costs, the City should consider rationalizing its sanitation operations, including the outsourcing of certain trash and recycling collection operations.
  - The City's 2015 budget includes over $3.6m for sanitation services which the City estimates could be reduced by nearly $1.0m if contracted out to a third party (with the additional benefit of reducing the City's associated long-term pension and benefit obligations and workers' compensation costs).
- As part of the effort to outsource the City's trash and recycling collection, the City should also consider taking greater control over trash and recycling collection at apartments/condominiums.
  - Currently, the City allows apartment/condominium owners to contract their own trash and recycling collection and then compensates the owner for the cost of this service.
  - Consolidating this service into one contract that the City issues under a Request for Proposal ("RFP") will likely result in additional cost savings and greater visibility and control over costs.
- Outsourcing the City's trash and recycling operations will require City Council approval.

Source: City information.

# Appendix G: CRDA Discussion

# CRDA Discussion

- CRDA currently provides various services (e.g., property development) and financial support for Atlantic City. In particular, CRDA has overall responsibility for Boardwalk Hall and the Atlantic City Convention Center (the "Convention Center"). These two properties operate at a combined loss of $15.0m to $20.0m annually. In addition, substantial capital expenditures are required for both assets, and approximately $75.0m in cash is currently reserved for such improvements. While progress has been made in improving these two properties, it will take many years, if ever achievable, for these properties to operate efficiently and to be effective economically for Atlantic City.
- CRDA should therefore privatize these two assets.
  - Privatization of Boardwalk Hall would allow for it to again become an Atlantic City icon and a top-flight destination for visitors.
  - Privatization of the Convention Center would provide an opportunity to maximize the use of the Convention Center through strategic and dedicated ownership, that could capitalize on existing relationships and opportunities.
- Once privatized, these entities would not only have the potential support of significant private investment dollars, but the facilities could be placed on the City's tax rolls and, consequently, provide additional property tax revenues.
- In addition to eliminating the annual financial support of these two properties, the $75.0m in reserves (for capital expenditures) would become available for alternative uses in CRDA. These monies could then be spent on items which would be much more beneficial to Atlantic City's long-term stability, such as property development.

Source: CRDA information.