



October 14, 2016

Timothy Cunningham, Director  
Dept. of Community Affairs  
101 South Broad Street  
Trenton, NJ 08625

Dear Director Cunningham:

I received your letter of October 12, 2016 regarding the City of Atlantic City's 2016 Introduced Budget. There appears to be a disconnect as to whether a draft or introduced budget was submitted for your consideration. Although Mike Stinson will address that issue along with other technical issues under separate cover, please recall that the City did submit a draft budget to the Division in June of 2016 as directed, for its review and commentary. Subsequently with the Division's consent, the City formally introduced its budget on August 17, 2016. The introduced budget was forwarded to the Division on August 18<sup>th</sup> along with City Council Resolution 487. In addition, we were advised by the Division as recently as last week to hold October 13<sup>th</sup> open on our calendars to attend a meeting in Trenton. The purpose of that meeting was to go through the budget line by line prior to its consideration by the Local Finance Board. I continue to believe that would be a productive meeting to have and stand ready, with our staff, to meet with yourself and Division staffers.

My comments with regard to other concerns raised in your letter will focus on actions the City has taken, and will take, to continue with its reductions in force, decreases in expenditures and increases in revenues. I want to dispel any notion that the City has not acted proactively to address the budgetary concerns that we both share. I also recognize that the revenue that would be generated by a tax increase in the last quarter of this year would reduce the amount of Transition Aid requested by the City. However, I ask that you consider the major tax increases that the City has already borne, the other actions taken by the City referred to in this letter and the Recovery Plan, when you and the Local Finance Board adopt the City's budget at your next meeting. Further taxing our residents and businesses will be counterproductive to our joint effort to return the City to fiscal stability. In fact, the Recovery Plan we expect to forward to you and the Commissioner prior to the November 3<sup>rd</sup> deadline, sets the City on a course to recovery without tax increases and with declining State assistance.

Let me begin by describing our efforts to date as I am hopeful that a better understanding of these initiatives will assist you in setting the City's budget without further tax increases. In particular, I will focus on those efforts that are having an impact in 2016:

1. Significant headcount reductions due to hiring constraints. This year alone, we have reduced our staff by approximately 86 F/T employees in comparison to 2015. This

P 609-347-5400 F 609-347-5638 E DGuardian@CityOfAtlanticCity.org

number will be reduced even further by the end of 2016 (As you are aware significant reductions in force took place in the prior years of my administration as well);

2. Across the board fee increases (construction, mercantile, fire etc.) enacted in 2016 which were not reflected in introduced budget because not certain of the impact at that time;
3. New parking meter contract reached in 2016 producing revenue gains not reflected in introduced budget (project implemented successfully over the summer);
4. Land sales / auctions (\$7.1 million under contract);
5. Telephone system changeover to VOIP to facilitate a cost savings to the City projected annually at approximated \$320,000;
6. Rationalizing the fleet by a reduction of approximately 120 vehicles with review ongoing;
7. Consolidation of Police Internal Affairs to reduce leased space; and,
8. Regular chattel property auctions.

Also, new but already in the 2016 Introduced budget:

1. Restructured Rx and dental benefits (projected \$1.1 million savings).

Other actions taken this year, although these will not have an impact until next year:

1. Bidding out of Payroll, Public Defenders, Emergency Dispatch, Solid Waste, Recycling, Kelly Act, Construction and Towing;
2. Negotiating Health/Senior services transfer to County and Parks/Playground maintenance with CRDA/SID;
3. Early Retirement Incentives have been offered to our employees (expected further net reduction in F/T employees from such offering is at least 150);
4. New labor agreements (pending State approval); and
5. Energy savings plan / streetlight conversion.

Now let me explain why I believe that additional taxes would not be in the best interest of the State or the City. Since 2010, City real estate tax rates have increased 84.5% with total rates (including the School District and County) having more than doubled. In particular, the City increased taxes by 50% over a two year period (2013 and 2014); increases that taxpayers should have had a decade to absorb. So, yes, we did not include a municipal tax increase in the 2015 State approved budget or in the 2016 introduced budget. As you are aware, Atlantic County has one of the highest, if not the highest, foreclosure rates in the nation. A tax rate increase would have a devastating effect on the remaining residents and businesses of the City. More importantly, it is not necessary. As you will soon see in our Recovery Plan, with cuts in operating expenses, increases in other revenues, and the monetization of City assets, Atlantic City will reduce its reliance on State Aid and eliminate its structural deficit.

Mike Stinson will be providing you with a more detailed letter concerning our introduced budget. His letter will suggest that the amount of Transitional Aid requested in our introduced

2016 Budget can be reduced by the State as a result of the actions taken to date by the City and based upon 9 months of actuals. This can be achieved without a devastating tax increase. Further, our Recovery Plan will include planned reductions in Transitional Aid. In order to get there from here however, we need an approved 2016 Budget that serves as the foundation for our recovery.

Atlantic City is moving forward. We are making hard decisions that impact the lives of real people. And we are not done. However, I am more optimistic than I have ever been for this City. We have a plan that is weeks away from being finalized. It is carefully crafted, realistic, and achievable. Together let's plan for the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald A. Guardian". The signature is written in a cursive style with a large initial "D".

Donald A. Guardian  
Mayor

Cc: Rick Richardella, State Monitor  
Jason Holt, Business Administrator  
Anthony Swan, City Solicitor  
Michael Stinson, Director of Revenue and Finance  
Marty Small, Council President  
Chris Filiciello, Chief of Staff