

STATE OF ATLANTIC COUNTY

Dennis Levinson, County Executive
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I wish to thank the Chamber for giving me the opportunity to discuss the State of Atlantic County government. As you well know, our area faces some significant challenges, but at the same time we also face significant opportunities. Therefore I am pleased to report that despite our challenges, the state of Atlantic County is good. We are well positioned to do what needs to be done to advance our area and to capitalize on those opportunities. In fact, we are already doing it.

Over the years you have often heard me say that Atlantic County is the best run county in the state. You may have brushed off my comments as the sort of braggadocio that is expected from a politician. But don't take my word for it. Let me read what Moody's Investors Service had to say about Atlantic County just last month. Quote:

“Despite the financial issues and uncertainty plaguing Atlantic City, the county has maintained structural balances and demonstrated strong governance. The county has shown a remarkable degree of budgeting accuracy, closely matching annual operating revenues to expenses. In fact, since 2009, appropriation reserves have annually contributed an average of \$3.6 million to adjusted fund balance, or 15.5% of the total.”

In other words, what Moody's is saying is that Atlantic County is doing something you just don't see being done much anymore, especially at the state and federal level. We are spending less than we take in.

Moody's goes on to say:

"The county's contingency planning has primarily turned on the uncertainty in Atlantic City. In doing so, the county has attempted to balance its financial needs with avoiding overtaxing its other municipalities."

As Moody's notes, despite extremely uncertain economic times, county government has been able to stabilize our finances and taxes. However, three new factors make doing this more difficult: the PILOT legislation, bail reform, and property tax refunds to Atlantic City.

Bail Reform: The Bail Reform/Speedy Trial Act was passed by the voters in November 2014. It is designed to reduce daily populations at county jails and make the bail process more equitable by requiring any person arrested on a new warrant after January 1, 2017 to have a hearing within 48 hours, including weekends.

In Atlantic County we do not feel that this legislation was needed. We have been successful in reducing our daily inmate population by working cooperatively with the courts, the Sheriff, and the Prosecutor. Our average daily population at the county jail is down about 40%, from 1,200 inmates several years ago to a current average of 700.

This new fiscal mandate may have been well intentioned but it comes with a hefty \$800,000 annual price tag for property taxpayers. We will have to hire new officers, new assistant prosecutors, new investigators, and make capital improvements to our facilities.

PILOT Legislation: The so called PILOT bill was perhaps the most poorly conceived legislation ever passed by the state legislature. Since it has been extensively covered by the news media I am sure that you have some general familiarity with it. We are now seeing some of our worst fears being realized. Casinos are the largest tax ratables in Atlantic County. They have been given 10 years of property tax relief while requiring every non casino property taxpayer to bear the burden of any tax increase. Non casino property tax payers in Atlantic City saw a 16.2% property tax increase in 2016 while the casinos saw none.

Despite our best efforts, the PILOT legislation never specified what Atlantic County's share of the PILOT would be, leaving it up to the county and the city to negotiate an amount. Prior to passage Mayor Guardian and I agreed that the county share should be 13.5% based on historical average but that agreement no longer seems to be in effect. Governor Christie had publicly consented to the county receiving 13.5% last April. However the number we hear that is now being discussed by the Division of Local Government Finances is 10.3%. If that turns out to be the case, than every non casino property tax payer in Atlantic County, will have to make up the \$4 million annual difference in revenue. The casinos will be exempt.

Property Tax Refunds: From 2007 to 2016 Atlantic County has had to refund \$51.7 million in property taxes back to Atlantic City because of successful casino tax appeals. In 2017 we will refund another \$12.7 million for a total of \$64.4 million. The loss of revenues has to be made up either through reduced services, layoffs or property tax increases. Although property tax refunds are not unusual, the magnitude of the casino tax appeals are. They are almost 40 times higher than in other counties. This

whole problem could have been prevented, without a PILOT, simply by assessing casinos correctly. Centralized property tax assessments is one way to achieve this goal.

Now let's focus on more positive developments. As many of you well know, Atlantic County has implemented an aggressive, comprehensive approach to economic development that is a fundamental break from how it was done in the past. We are breaking away from old ways of doing things. We have put together a broad-based coalition to outline economic goals and priorities. We are letting the private sector take leadership.

I sometimes hear people ask why this wasn't done years ago. Well, the answer is that it was. Unfortunately we could not get sufficient community support. The times were good. People were making money. There were plenty of jobs and there was no shortage of individuals interested in investing in Atlantic County. Until 2008, this area was in a full growth mode. We were anticipating three new casinos. There was concern as to where we were going to get all the needed workers and what impact this new development would have on local roads and infrastructure, and most important on schools.

In 2008, all that changed virtually overnight. It became clear that the economic development efforts in place at the time were inadequate in relation to our needs. They were too disjointed. They lacked coordination. Too dependent on state rather than local leadership. There was no guiding strategy or plan. Goals and priorities frequently changed as elected officials and their staffs changed.

The consequence of this is that we face the economic challenges that we do today, first and foremost, because we failed to diversify our economy and attract new business and industries. When the gaming industry declined there was nothing else here to keep things in balance. As AngelouEconomics noted in their report, our over reliance on one economic sector, to the near exclusion of all others, is a serious threat to our long term economic well-being.

This is now all changing. We now have a comprehensive economic development strategy and action plan in place. We have targeted five strategic industries best suited for Atlantic County: Gaming, tourism and hospitality, aviation, light manufacturing, life sciences, (areas such as bio-medicine and pharmaceuticals) and entrepreneurship.

Most important, we have established an independent economic development corporation, the Atlantic County Economic Alliance. And for the first time we have an entity exclusively focused on attracting and retaining businesses and promoting all of Atlantic County as a place to live and work. The ACEA is up and running with offices located at Hamilton Mall and serves as “single point of entry” for economic development assistance. Without such an entity, we will always be at a competitive disadvantage with competing communities that have one. I would like to thank Leo Schoffer, the Interim Chairman, for his extraordinary efforts in bringing this to reality.

As I mentioned earlier, our conservative financial management practices have enabled us to support some critical economic development initiatives. The significance of this was noted in the Moody’s report. During the good times, we maintained one of the lowest debt ratios of any county in the state. In the last year we put our debt capacity to good use by supporting two economic development projects that were

identified by our consultant as critical to getting the local economy back on track. These projects are the Stockton Gateway Project in Atlantic City and the first building of the Aviation Research and Technology Park in Egg Harbor Township.

Construction of the \$210 million Gateway project began last summer. It includes a new Stockton University campus and South Jersey Gas headquarters on and around the former Atlantic City High School site. At Stockton's beach campus, 1,800 students daily will use the academic building. Five hundred students will live on site, walking the streets, using the nearby park, frequenting local shops and mixing during the day with about 200 South Jersey Gas employees. Atlantic County stepped up ~~and helped~~ to make this happen by using the county's strong bond rating to help finance this project.

When it is completed by Aug. 1, 2018, it will transform the Chelsea section of the city and be a catalyst for additional development. The Stockton portion of the project was funded by a \$127 million bond issued by our Improvement Authority and backed by Stockton University, County government and ERG (Economic Redevelopment and Growth) Tax Credits. And no county property taxpayer money to pay debt service.

Perhaps the most significant economic development project ~~that is~~ now underway is the development of the Aviation Research and Technology Park. The aviation sector offers Atlantic County the most immediate opportunity for growth. It builds on the work being done at the FAA Tech Center and New Jersey's designation as one of six FAA designated test regions for unmanned air vehicles.

As I have stated on numerous occasions, it is not our goal to develop an aviation research park as an end in itself. It is our goal to get a strong aviation industry established here. Work is currently underway on phase one of the project which

includes, site drainage, parking lots, sidewalks, curbing and outside electrical. Bids are out for phase two which consists of a 60,000 square foot building with actual construction planned to begin in March. This project is also financed through our Atlantic County Improvement Authority with county support.

Successful development of the park is vital because we need to attract skilled workers who will be paid good salaries and benefits. The average salary of a research based worker ranges from \$85,000 to \$120,000 or more. These individuals will be able to buy and improve homes, hire landscapers, shop and dine out more often. They will give the local economy the shot in the arm it badly needs. More important, it is a way to rebrand our area as something more than an area dependent on tourism but as a center for aviation technology. Every region that is advancing economically has a strong technology sector.

Last month we met with a major aviation company that is interested in expanding their operations here and potentially taking more than half the first building. Later this month we are meeting with another major aviation corporation that has expressed an interest in coming to Atlantic County. Now that construction of the park has begun, it is generating strong interest.

In 2017, the Atlantic County Economic Alliance will begin a campaign to aggressively promote and market all of Atlantic County as a place to live, work and do business.

We are also working to develop an Aviation Maintenance Training Institute here. This project is very significant because it will help us to realize the economic development potential of the airport since that potential comes more immediately from

developing aircraft maintenance and cargo handling operations. The goal is to have the training institute opened by the end of this year or sooner. I would like to thank Ira Weissman and Greg Derhan who have been spearheading this effort.

Clearly the year ahead looks very promising. As I said, we are not without opportunities. We are not unlike numerous other communities around the country that faced economic challenges because their major industry collapsed, a military based relocated, or a factory closed down. Places like Pittsburgh; Cleveland; Bethlehem, PA; Dubuque, Iowa; or Reno, Nevada overcame economic adversity and have successfully reestablished themselves as regions known for medicine, education and technology. They were successful because they were able to come together, develop a new vision and strategy, commit resources and advance in promising directions. They knew it would be hard and they knew that it would take time, but they did it. Atlantic County is on this same path and I will assure, that we, and by we, I mean all of us - government, business and private citizens, will do the same. Thank you.