

EXHIBIT B

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January 30, 2017

VIA FEDERAL EXPRESS

Clerk of the Court
Atlantic County
Atlantic County Civil Courts Bldg.
1201 Bacharach Blvd.
Atlantic City, NJ 08401

**Re: International Association of Fire Fighters, AFL-CIO,
Local 198 and William DiLorenzo v. City of Atlantic City, New
Jersey, et al.
Request for Emergent Order to Show Cause with Temporary
Restraints**

Dear Clerk of the Court:

I represent the Plaintiffs, International Association of Fire Fighters, AFL-CIO, Local 198 and William DiLorenzo in the above matter. I am requesting that this matter be presented before Judge Julio L. Mendez, A.J.S.C.

Please note that I am simultaneously filing a courtesy copy of the enclosed documents with Judge Mendez's chambers.

Enclosed please find an original, and two copies, of the following documents:

- Civil Case Information Statement;
- Verified Complaint;
- Order to Show Cause With Temporary Restraints;
- Motion for Preliminary Injunction;
- Order to Show Cause (Preliminary Injunction);
- Certification of IAFF President William DiLorenzo;
- Certification of Mayor Donald A. Guardian; and

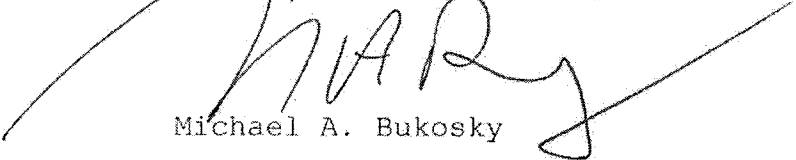
Certification of Service.

Please stamp (1) copy "filed" and return in the stamped, self-addressed envelope enclosed. Please charge any fees to my Superior Court Account 0061180.

By copy of this letter, I am also providing Matthew J. Giaccobe, Esq., and Ronald Israel, Esq. with copies of the enclosed documents via electronic mail and federal express.

Thank you for your courtesies in this matter. Please contact me if you have any questions. You may also contact my colleague Megan K. Mechak at the law firm of Woodley & McGillivary LLP at (202)833-8855.

Respectfully submitted,
LOCCKE, CORREIA & BUKOSKY



Michael A. Bukosky

cc: Megan K. Mechak, Esq.
William DiLorenzo
Matthew Giaccobe, Esq. (Via Email and FedEx)
Ronald Israel, Esq. (Via Email and FedEx)

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Attorneys for Plaintiffs

INTERNATIONAL ASSOCIATION OF : Superior Court of New Jersey
FIRE FIGHTERS, AFL-CIO, LOCAL : Law Division: Atlantic County
198, and WILLIAM DiLORENZO, :
on behalf of himself and all : Docket No.
others similarly situated, :

Plaintiffs, :

CIVIL ACTION

v. :

VERIFIED COMPLAINT FOR
DECLARATORY AND INJUNCTIVE
RELIEF

CITY OF ATLANTIC CITY, NEW :
JERSEY, CHARLES RICHMAN, :
COMMISSIONER OF NEW JERSEY :
DEPARTMENT OF COMMUNITY :
SERVICES, sued in his :
official capacity, TIMOTHY :
CUNNINGHAM, DIRECTOR OF NEW :
JERSEY DEPARTMENT OF :
COMMUNITY SERVICES, DIVISION :
OF LOCAL GOVERNMENT SERVICES, :
sued in his official :
capacity, and :
JEFFREY CHIESA, DESIGNEE OF :
THE DIRECTOR OF NEW JERSEY :
DEPARTMENT OF COMMUNITY :
SERVICES, DIVISION OF LOCAL :
GOVERNMENT SERVICES, sued in :
his official capacity, :

Defendants. :

Plaintiffs International Association of Fire Fighters, AFL-
CIO, Local 198 ("IAFF Local 198"), and William DiLorenzo, by
their undersigned attorneys allege as follows:

NATURE OF THE ACTION

1. This action seeks declaratory and injunctive relief to redress the irreparable injuries that Plaintiffs will suffer as a direct result of the implementation of L. 2016, C. 4, otherwise known as the "Municipal Stabilization and Recovery Act" ("MSRA").

2. This action also seeks declaratory and injunctive relief to redress the irreparable injuries that the Plaintiffs will suffer as a direct result of the actions taken by defendants pursuant to the MSRA.

JURISDICTION AND VENUE

3. This court has jurisdiction to grant declaratory relief pursuant to The Declaratory Judgements Act, N.J. Rev. Stat. § 2A:16-51 *et seq.*; *Chamber of Commerce v. State*, 89 N.J. 131, 140 (1982).

4. This court has jurisdiction over actions seeking primarily injunctive relief pursuant to R 4:3-1(a)(1) of the Rules Governing the Courts of the State of New Jersey.

5. Venue in this action lies properly in this Court pursuant to R. 4:3-2(a)(2) of the Rules Governing the Courts of the State of New Jersey.

6. Pursuant to R. 1:33-4 of the Rules Governing the Courts of the State of New Jersey, the responsibilities of the Assignment Judge "shall include all such matters affecting

county and municipal governments, including but not limited to budgets, personnel, and facilities.”

PARTIES

7. Plaintiff IAFF Local 198 was founded in 1964 and is a labor organization that is the exclusive negotiating agent and representative for all uniformed fire department personnel employed by the City of Atlantic City.

8. IAFF Local 198 has the right to negotiate on behalf of all uniformed fire department personnel over rates of pay, hours of work, fringe benefits, working conditions, safety procedures, for adjustment of disputes and grievances, and all other related matters with the City of Atlantic City.

9. Members of IAFF Local 198 are employed by the City of Atlantic City and, as public employees, are subject to the rules and regulations enshrined in the New Jersey Civil Service Act. N.J. Rev. Stat. Title 11A.

10. Plaintiff William DiLorenzo is an employee of the City of Atlantic City's fire department and is the duly elected president of IAFF Local 198.

11. Defendant City of Atlantic City is a municipal corporation organized pursuant to the laws of the State of New Jersey.

12. The current published population of Atlantic City is 39,558. However, when visitors and commuters are included, this number rises to approximately 165,000.

13. Defendant Charles Richman is the Commissioner of the New Jersey Department of Community Affairs ("Commissioner"). He is sued in his official capacity.

14. Defendant Timothy Cunningham is the Director of the New Jersey Department of Community Affairs' Division of Local Government Services ("Director"). He is sued in his official capacity.

15. Defendant Jeffrey Chiesa has been designated by defendant Timothy Cunningham as his "Designee" to handle all matters related to the economic stabilization and recovery of the City of Atlantic City ("Designee"). He is sued in his official capacity.

FACTS COMMON TO ALL COUNTS

16. The New Jersey Constitution recognizes that the citizens of New Jersey have a fundamental right to collectively negotiate with their employer regarding the terms and conditions of their employment. N.J. Const., Art. I, § 20.

17. The New Jersey Constitution requires the creation of a civil service system for public employees, including but not limited to municipal employees. N.J. Const., Art. VII, § 1, para. 2.

18. IAFF Local 198, in exercising the rights enumerated in the New Jersey Constitution, has enjoyed a positive, working relationship with the City of Atlantic City throughout its 53-year history. The parties have successfully negotiated a number of collective bargaining contracts, which are valid and binding. In fact, the first collective bargaining agreement between IAFF Local 198 and the City of Atlantic City was ratified on March 25, 1971.

19. As noted above, the membership of IAFF Local 198 consists of uniformed personnel employed by the Atlantic City Fire Department. The Atlantic City Fire Department currently maintains a department consisting of approximately 225 uniformed personnel.

20. The geography of City of Atlantic City consists of numerous high-rise buildings, including but not limited to large hotels and apartment buildings. In order to successfully put out a fire emergency in one of these high-rise buildings, a crew of 43 is typically required by industry standards.

21. On May 13, 2016, the Council of the City of Atlantic City ratified a collective negotiations agreement with IAFF Local 198 covering the period from January 1, 2015 to December 31, 2017. A copy of the collective negotiations agreement ("CNA") is attached hereto as **Exhibit 1**.

22. This new CNA replaces the previously existing contract, which was covered the period from January 1, 2012 to December 31, 2014.

23. At the time the current contract was executed in May 2016, the parties had full knowledge of the significant financial difficulties faced by the City of Atlantic City during the preceding several years.

24. On May 27, 2016, only two weeks after IAFF Local 198 and the City of Atlantic City ratified the new CNA, N.J. Rev. Stat. § 52:27BBBB-1, *et seq.* (herein after the "Municipal Stabilization and Recovery Act" or "MSRA") became effective.

25. Pursuant to MSRA, a "municipality in need of stabilization and recovery" is one that "(1) has experienced a decrease of more than 50 percent in its total assessed non-equalized property values during the five-year period terminating at the end of the tax year immediately preceding the enactment of P.L.2016, c.4 (C.52:27BBBB-1 *et al.*), as determined by the director; and (2) has experienced an increase in outstanding debt exceeding 50 percent during the immediately preceding five-year period, as determined by the director, and upon the recommendation of the director finding that the municipality is experiencing fiscal distress, the commissioner makes the final determination of whether the municipality should

appropriately be subject to the provisions of P.L.2016, c.4 (C.52:27BBBB-1 *et al.*).” N.J. Rev. Stat. § 52:27BBBB-3.

26. Once a municipality is deemed in need of stabilization and recovery, the governing body of that municipality must prepare and adopt a five-year recovery plan. N.J. Rev. Stat. § 52:27BBBB-4(b), which is reviewed by the Commissioner of Community Affairs, who shall determine “whether the recovery plan is likely or is not likely to achieve financial stability for the municipality.” *Id.* at § 52:27BBBB-4(c). If the Commissioner determines that the plan is not likely to achieve financial stability for the municipality, “the municipality shall be immediately subject to the requirements and provisions of sections 5 through 11, 14, 16, and 17 of P.L.2016, c.4 for as long as the municipality is deemed a municipality in need of stabilization and recovery.” *Id.*

27. Section 52:27BBBB-5(a)(1) provides that “the Local Finance Board may, in its exclusive discretion at any time during which the municipality is deemed a municipality in need of stabilization and recovery, assume and reallocate to, and vest exclusively in the director any of the functions, powers, privileges, and immunities of the governing body of that municipality set forth in any statute, regulation, ordinance, resolution, charter, or contract to which the municipality is a party that are, or may be, substantially related to the fiscal

condition or financial rehabilitation and recovery of that municipality." *Id.* at § 52:27BBBB-5(a)(2).

28. The MSRA does not invalidate any existing labor contracts which remain in effect throughout the municipality's designation as one "in need of stabilization and recovery."

29. A "municipality in need of stabilization and recovery" technically remains a party to any existing labor contracts, despite the fact that the MSRA authorizes the Director and the Designee to act on behalf of the municipality with regards to such contracts. N.J. Rev. Stat. § 52:27BBBB-5(a)(2).

30. Less than two weeks after the MSRA went into effect, on June 6, 2016, the Director of New Jersey's Department of Community Affairs' Division of Local Government Services, defendant Timothy Cunningham, notified Mayor Don Guardian and City Clerk Rhonda Williams that the City of Atlantic City had been named a "municipality in need of stabilization and recovery" pursuant to the MSRA.

31. As required by the MSRA, the City of Atlantic City submitted its five-year recovery plan on October 25, 2016. A copy of the City's plan is attached hereto as **Exhibit 2**.

32. Defendant City's recovery plan acknowledged the existing contract between IAFF Local 198 and the City. Importantly, the recovery plan specifically recognized the sacrifices IAFF Local 198 members already made to help stabilize

the City's finances as a part of the parties' contract negotiations. Exhibit 2 (5-Year Recovery Plan) at 62.

33. Defendant Charles Richman, Commissioner of the New Jersey Department of Community Affairs, determined the City's recovery plan was unlikely to achieve financial stability on November 1, 2016.

34. On November 13, 2016, defendant Cunningham appointed defendant Jeffrey S. Chiesa, former U.S. Senator, former attorney general of New Jersey and former chief counsel to Gov. Chris Christie, as his Designee to oversee Atlantic City's fiscal recovery.

35. Pursuant to N.J. Rev. Stat. § 52:27BBBB-7, the Director of Local Government Services may delegate to a designee "any power granted to the Director" under MSRA.

36. The City of Atlantic City remains a party to the existing CNA, despite the City's classification as a "municipality in need of stabilization and recovery." However, the MSRA authorizes defendants Timothy Cunningham and Jeffrey Chiesa to step into the shoes of the City of Atlantic City with regards to the CNA and actions taken pursuant to the MSRA.

37. The Department of Community Affairs, by and through its representatives, requested a series of meetings with IAFF Local 198 which were held on December 19, 2016, December 29, 2016, and January 9, 2017.

38. Defendant Chiesa's subordinates met with IAFF Local 198 officials on December 19, 2016, to notify them that the Designee, defendant Jeffrey Chiesa, planned to take actions that would affect their CNA with the City of Atlantic City. However, at that time, defendant Chiesa's subordinates did not provide any specific information as to the actions the Designee intended to take.

39. N.J. Rev. Stat. § 52:27BBBB-5(a)(3) permits the Director of Local Government Services, or his designee, to take certain actions that will "help stabilize the finances ... or assist in the financial rehabilitation and recovery of the municipality in need of stabilization and recovery." Section 52:27BBBB-5(a)(3)(g) provides that Director may modify, amend, or terminate collective bargaining agreements (except those relating to school districts) so long as those modifications or alterations are "reasonable and directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the municipality in need of stabilization and recovery."

40. During a meeting on December 29, 2016, defendant Chiesa's subordinates verbally notified IAFF Local 198 officials that, effective February 1, 2017, the Designee intended to dramatically alter their terms and conditions of employment,

including their CNA and the terms and conditions negotiated and agreed-upon therein.

41. Those alterations, later confirmed in writing by the Designee's attorney on January 4, 2017, (attached hereto as **Exhibit 3**), include:

a. Implementation of a new salary guides for all employees, both present and new hires, effective February 1, 2017.

b. Freezing longevity pay at its current rate for all current employees with no further advancement, effective February 1, 2017;

c. Eliminating longevity pay for all employees hired after January 1, 2013.

d. Providing all current employees and new hires with the New Jersey Direct 15/25 Plan in the State Health Benefits Plan, effective February 1, 2017;

e. Eliminating all plan options that are more expensive than the New Jersey Direct 15/25 Plan for employees and future retirees, effective February 1, 2017.

f. Eliminating Educational Incentive Pay in its entirety for all employees, effective February 1, 2017.

g. Eliminating Terminal Leave in its entirety for all employees, effective February 1, 2017.

h. Establishing a new work schedule where all firefighters and superior officers will work one (1) twenty-four (24)-hour shift on followed by two (2) days off, effective February 1, 2017.

i. Changing the overtime calculus so that officers only receive overtime after they have worked in excess of one hundred six (106) hours over a fourteen (14)-day work cycle in accordance with Section 207(k) of the Fair Labor Standards Act and 29 C.F.R. Part 553.230, effective February 1, 2017.

j. Changing the overtime calculus so that all paid time off, including but not limited to sickleave, vacation leave, and personal leave shall not count as hours worked for overtime purposes in accordance with the Fair Labor Standards Act, 29 U.S.C. § 207(e) and 29 C.F.R. Part 778, effective February 1, 2017.

k. Revising CNA Article 16 (Leaves) to include the statutory language for workers' compensation payments based upon seventy percent (70%) of weekly wages in accordance with N.J. Rev. Stat. § 34:15-12c, effective February 1, 2017.

42. The Designee, through his subordinates, later notified IAFF Local 198 that he intended to make additional changes on top of those discussed in writing.

43. On January 6, 2017, the Designee's subordinates verbally notified IAFF Local 198 that, in addition to the changes detailed above, he planned to eliminate 100 positions from the City of Atlantic City Fire Department in 2017 and that he was not bound by

the New Jersey statute mandating that employees be terminated in inverse order of appointment. This was later confirmed during a meeting on January 9, 2017.

44. The elimination of 100 positions from the Department's fire fighting force represents a fifty-five (55%) reduction from the Department's current staffing level of 225 fire department employees.

45. Despite inquiries by IAFF Local 198, no information was provided as to the methods, criteria, standards, or models which will be utilized in implementing the proposed changes to wages and working conditions.

46. A copy of the new salary scale is attached hereto as **Exhibit 4**. The salary chart includes the position of Lieutenant, which does not presently exist within the fire department. Compare Exhibit 1 (CNA) at 42-43, with Exhibit 4 (Revised Salary Scale). The Designee has not described the duties of the new Lieutenant position, nor identified those employees who will be assigned to that position.

47. IAFF Local 198 determined these changes will result in an hourly base wage decrease of approximately twenty-five percent (25%) for members of its bargaining unit.

48. Bargaining unit employees presently work an average of 2,184 hours annually on a four-platoon system. Exhibit 1 (CNA) at 18-20. Each employee works two ten-hour days (from 8:00 a.m. to

6:00 p.m.), followed by two fourteen-hour nights (6:00 p.m. to 8:00 a.m.), and followed by four consecutive days off. *Id.* at 18. As a result, IAFF Local 198 members work an average of 42 hours per week pursuant to their present contract. *Id.* at 19. They earn overtime at one and one-half times their regular rate for all work beyond their weekly average. *Id.* at 19-20.

49. The Designee's proposed system will institute a three-platoon system and result in bargaining unit employees working an additional *seven hundred and twenty-eight* (728) hours per year, for an average of fifty-six (56) hours per week or 2,912 hours annually. This represents an increase in contractual work time of approximately thirty-five percent (35%). See Exhibits 3 (Designee Memorandum), 4 (Revised Salary Scale).

50. Presently, the most experienced fire fighters in the bargaining unit represented by IAFF Local 198 may earn a base salary of \$94,689. Exhibit 1 (CNA) at 40-45. However, the maximum base salary available to senior fire fighters pursuant to the Designee's salary chart is \$85,000. Exhibit 4 (Revised Salary Scale).

51. Pursuant to the parties' CNA, certain bargaining unit employees receive a longevity payment of up to ten percent (10%) of their annual base salaries in the pay period following their anniversary date of employment. Exhibit 1 (CNA) at 47. Certain employees also receive an educational incentive of up to ten

percent (10%) of their annual base salaries. *Id.* at 53-58. However, as noted above, the defendants have notified IAFF Local 198 of their intent to freeze longevity pay for existing employees as of February 1, 2017, and eliminate longevity pay altogether for employees hired after January 1, 2013, in violation of the CNA.

COUNT I

Contract Clause of the New Jersey Constitution

(Article VII, Section 3)

52. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

53. Article VII, Section 3 of the New Jersey Constitution provides: "The Legislature shall not pass any bill of attainder, ex post facto law, or law impairing the obligation of contracts, or depriving a party of any remedy for enforcing a contract which existed when the contract was made."

54. By its plain language, MSRA substantially impairs the contract rights of IAFF Local 198 and the bargaining unit it represents by allowing the Director and Designee to intervene and unilaterally implement changes to IAFF Local 198's existing contract. Accordingly, it contravenes the Contract Clause of the New Jersey Constitution, and should be declared unconstitutional and its operations enjoined.

COUNT II

Due Process and Equal Protection Clauses of the New Jersey
Constitution

(Article I, Section 1)

55. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

56. The New Jersey Constitution, Article I, Section 1, provides: "All persons are by nature free and independent, and have certain natural and unalienable rights, among which are those of enjoying and defending life and liberty, of acquiring, possessing, and protecting property, and of pursuing and obtaining safety and happiness." This provision protects the values encompassed by the principles of due process and equal protection.

57. MSRA, in substantially impairing the contract rights of the uniformed fire department employees represented by Plaintiff IAFF Local 198, contravenes the due process and equal protection provisions of the New Jersey Constitution, Article I, Section 1, and the New Jersey Civil Service Act (N.J. Rev. Stat. § 10:6-1 *et seq.*), and should be declared unconstitutional and its operations enjoined.

58. MSRA, in permitting the substantial impairment of the contract rights of the fire department employees represented by Plaintiff IAFF Local 198, but not other contracts such as bonds, notes, indentures, or other similar financial instruments,

contravenes the due process and equal protection provisions of the New Jersey Constitution, Article I, Section 1, and the New Jersey Civil Service Act (N.J. Rev. Stat. § 10:6-1 et seq.), and should be declared unconstitutional and its operations enjoined.

COUNT III

Takings Clause of the New Jersey Constitution

(Article I, Section 20)

59. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

60. The New Jersey Constitution, Article I, Section 20, provides: "Private property shall not be taken for public use without just compensation. Individuals or private corporations shall not be authorized to take private property for public use without just compensation first made to the owners."

61. Public employees in New Jersey have a property interest in their continued employment, and in wage and other benefits that are guaranteed by a collective negotiations agreement.

62. Seniority in employment, where it arises either by statute or by contract, is a recognized property right in the state of New Jersey.

63. One of the authorities MSRA grants to the director and the designee is to "unilaterally abolish[] any nonelected positions in the municipality in need of stabilization and recovery at any time. All of the functions, powers, and duties of abolished

positions shall be exercised or delegated by the director; provided however, that the provisions of Title 11A, Civil Service, shall not apply to any employment action under this paragraph." N.J. Rev. Stat. § 52:27BBBB-5(a)(3)(k). MSRA gives the director this authority, "Notwithstanding the provisions of any law, rule, regulation, or contract to the contrary." N.J. Rev. Stat. § 52:27BBBB-5(a)(3).

64. MSRA, in substantially impairing the contract rights of fire department employees represented by IAFF Local 198 and in allowing defendants Cunningham and Chiesa to unilaterally fire and lay off 100 civil service employees, contravenes the Takings Clause of the New Jersey Constitution, Article I, Section 20, and should be declared unconstitutional and its operations enjoined.

COUNT IV

Collective Negotiation Clause of the New Jersey Constitution

(Article I, Section 19)

65. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

66. The New Jersey Constitution, Article I, Section 20, also known as the "Collective Negotiations Clause," provides: "Persons in public employment shall have the right to organize, present to and make known to the State, or any of its political subdivisions or agencies, their grievances and proposals through representatives of their own choosing."

67. IAFF Local 198 has exercised its rights pursuant to the New Jersey Constitution by collectively negotiating with the City of Atlantic City and memorializing these negotiations in a valid, written contract.

68. MSRA, in substantially impairing the contract rights of fire department employees represented by IAFF Local 198, contravenes the Collective Negotiations Clause of the New Jersey Constitution, Article I, Section 19, and should be declared unconstitutional and its operations enjoined.

COUNT V

**Civil Service Appointment Clause of the New Jersey Constitution
(Article VII, Section 1, Paragraph 2)**

69. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

70. The New Jersey Constitution, Article VII, Section 1, Paragraph 2, provides: "Appointments and promotions in the civil service of the State, and of such political subdivisions as may be provided by law, shall be made according to merit and fitness to be ascertained, as far as practicable, by examination, which, as far as practicable, shall be competitive; except that preference in appointments by reason of active service in any branch of the military or naval forces of the United States in time of war may be provided by law."

71. New Jersey's civil service system is created pursuant to the Civil Service Appointment Clause of the New Jersey Constitution. Among other things, the civil service regulations require that "[p]ermanent employees in the service of the State or a political subdivision shall be laid off in inverse order of seniority." N.J. Rev. Stat. § 11A:8-1(b).

72. The Designee, by implementing a new position and determining to lay off 100 employees on of February 1, 2017 without regard to the civil service regulations, contravenes the Civil Service Appointment Clause of the New Jersey Constitution, and this action should be declared unconstitutional and enjoined.

COUNT VI

Violation of MSRA

73. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

74. New Jersey Statute § 52:27BBBB-5(a)(3)(g) permits the Director, or Designee, to modify, amend, or terminate collective bargaining agreements (except those relating to school districts) so long as those modifications or alterations are "reasonable **and** directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the municipality in need of stabilization and recovery." (emphasis added).

75. The modifications and alterations imposed upon the fire department are neither reasonable nor directly related to

stabilizing the finances of the City or Atlantic City, or assisting with the financial rehabilitation and recovery of the City of Atlantic City.

76. The Director and Designee, by implementing the changes described above, violate MSRA, and this action should be enjoined.

COUNT VII

Breach of Contract Claims

77. Plaintiffs hereby incorporates by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

78. Plaintiff IAFF Local 198 and Defendant City of Atlantic City are parties to a valid contract with a term of January 1, 2015 to December 31, 2017. The contract was ratified on May 13, 2016, prior to the implementation of the MSRA.

79. The changes proposed by the Director and his Designee substantially alter or modify that contract, and constitute a breach thereof, and this action should be enjoined.

COUNT VIII

Violation of Title 40A of the New Jersey Statutes

80. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein

81. N.J. Rev. Stat. § 40A:14-52 provides "In any municipality, the governing body, by ordinance, may adopt a schedule of hours of actual duty for the paid officers and members of the fire department and force, to average for each 42

hours per week in any 8-week cycle, except in cases of emergency the official in charge shall have authority to retain on duty any member or officer during the emergency, but in any such case and within 12 months thereafter such member or officer shall be given compensatory time off for all hours worked in excess of the said average, so served by him during the emergency."

82. N.J. Rev. Stat. § 40A-49 provides, in part, that "[t]he governing body of any municipality, by ordinance, may adopt a schedule of hours of actual duty for the members and officers of a paid or part-paid fire department and force based upon an average of 56 hours per week in any 6-week cycle, but in cases of emergency the officials in charge shall have authority to retain any uniformed member or officer on duty during the period of the emergency, and in any such case and within 12 months thereafter such member or officer shall be given hours off from the average of 56 hours per week in any 6-week cycle to compensate him for the extra hours served by him during such emergency. Any such ordinance shall be inoperative unless and until it shall be submitted to and adopted by the legal voters of the municipality at a primary or general election or an election held for such purpose."

83. By proposing to implement unilateral changes to the schedules of the fire fighters of Atlantic City, represented by IAFF Local 198, among other things, the actions of the Director

and Designee are inconsistent with and violate Title 40A of the New Jersey Statutes, and should be enjoined.

COUNT IX

Violation of Title 2C of the New Jersey Statutes

84. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

85. N.J. Rev. Stat. § 2C:40A-2 states that it is a disorderly persons offense if the employer "(1) fails to pay wages when due; or (2) fails to pay compensation or benefits within 30 days after due."

86. The changes proposed by the Director and his Designee violate this provision, and must be enjoined.

COUNT X

Title 10 of the New Jersey Statutes (New Jersey Civil Rights Act)

87. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

88. Defendants' actions as alleged under Counts I through IV of this Complaint constitute violations of the New Jersey Civil Rights Act, N.J. Rev. Stat. § 10:6-1, et seq., as they involve violations of the New Jersey Constitution, and defendants' actions must be enjoined. N.J. Rev. Stat. § 10:6-2(c).

COUNT XI

Contract Clause of the U.S. Constitution

89. Plaintiffs hereby incorporates by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

90. The Contract Clause of the United States Constitution, Article I, Section 10, Clause 1, prohibits states from passing any law impairing the obligation of contracts.

91. The MSRA operates as a substantial impairment of the contractual relationship between IAFF Local 198 and the City of Atlantic City, as it allows the Director and Designee to substantially and unilaterally alter the contractual relationship between the parties. The Director, and Designee, by and through their actions pursuant to the MSRA, intend to unilaterally modify the existing, valid contract and the rights guaranteed thereunder, and their actions must be enjoined.

COUNT XII

First and Fourteenth Amendments to the U.S. Constitution

(Freedom of Association)

92. Plaintiffs hereby incorporate by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

93. The First and Fourteenth Amendments to the U.S. Constitution, pursuant to 42 U.S.C. § 1983, guarantee to the fire fighters of Atlantic City the right to associate with a union.

94. By substantially impairing the rights of IAFF Local 198, the actions of the Commissioner, Director, and Designee will deter employees of Atlantic City from exercising their Constitutional right to freely associate with IAFF Local 198. As the actions of Commissioner, Director, and Designee will deprive Plaintiffs of their rights under the First and Fourteenth Amendments, they must be enjoined.

COUNT XIII

Declaratory Judgement

95. Plaintiffs hereby incorporates by reference paragraphs 1 through XX of the Complaint as if fully set forth herein.

96. Pursuant to the New Jersey Declaratory Judgment Law, N.J. Stat. § 2A:16-50 *et seq.*, plaintiffs is entitled to a declaratory judgment that the New Jersey Constitution and MSRA itself prohibit implementation of the Director and the Designee's proposals.

PRAYER FOR RELIEF

97. WHEREFORE, Plaintiffs pray this Honorable Court:

a. Find and declare that, as applied to Plaintiffs, MSRA contravenes the Due Process and Equal Protection, Contracts, Takings, Collective Negotiation, and Civil Service provisions of the New Jersey Constitution;

b. Find and declare that, as applied to Plaintiffs, MSRA contravenes New Jersey law, specifically Title 40A, Title 2C, and Title 10 of the New Jersey Statutes;

c. Find and declare that, as applied to Plaintiffs, MSRA contravenes the Contracts Clause and the First and Fourteenth Amendments of the United States Constitution;

d. Find and declare that the Designee's proposals cannot be implemented as to employees covered by the CNA between IAFF Local 198 and the City of Atlantic City;

e. Issue equitable relief including, but not limited to, a permanent injunction prohibiting the Defendants from relying upon or applying the provisions of MSRA to fire department employees, and to restore and make whole all benefits diminished by application thereof;

f. Award Plaintiffs the costs of the suit, including but not limited to attorneys' fees and costs pursuant to N.J. Rev. Stat. § 10-6:2(f); and

g. Award such other and further relief as the Court deems necessary and proper.

Respectfully Submitted
LOCCKE CORREIA & BUKOSKY

By:

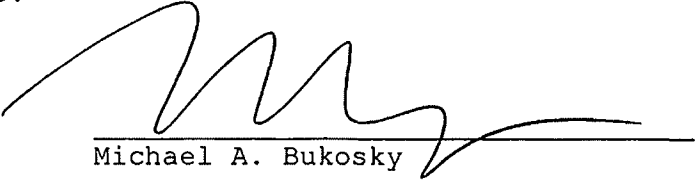

Michael A. Bukosky, Esq.

Dated: January 30, 2017

CERTIFICATION PURSUANT TO RULE 4:5-1(b)(2)

I, Michael A. Bukosky, an attorney for the above-named Plaintiffs, do hereby certify that the matter in controversy in the above dispute is not the subject of any other action pending in any other court or of a pending arbitration or other proceeding. I am not aware of any party which could be joined in this action other than the New Jersey State Senate and the New Jersey State General Assembly. No other action or arbitration is contemplated at this time.

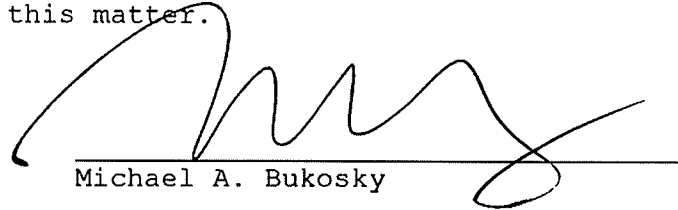
Dated: January 30, 2017


Michael A. Bukosky

DESIGNATION OF TRIAL COUNSEL

Michael A. Bukosky, Esq., is hereby designated as trial counsel for Plaintiffs in this matter.

Dated: January 30, 2017



Michael A. Bukosky

VERIFICATION OF COMPLAINT

I, William DiLorenzo, of full age, certify as follows:

1. I am the President of IAFF Local 198, a Plaintiff in this action, and I am fully familiar with the facts set forth above.

2. I am also a Plaintiff in this action.

3. I have read the contents of the Verified Complaint and I hereby verify that the allegations contained therein are true to the best of my knowledge and belief.

I certify that the forgoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Dated: January 30, 2017



William DiLorenzo
President, IAFF Local 198

Exhibit 1

COLLECTIVE NEGOTIATIONS AGREEMENT

BETWEEN

CITY OF ATLANTIC CITY

AND

ATLANTIC CITY PROFESSIONAL FIRE FIGHTERS
IAFF LOCAL 198

EFFECTIVE

JANUARY 1, 2015 THROUGH DECEMBER 31, 2017

Matthew J. Giacobbe, Esq.
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Exhibit 1

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ARTICLE 1

PURPOSE

This Agreement is entered into pursuant to the provisions of the New Jersey Employer-Employee Relations Act, N.J.S.A. 34:13A-1 et seq. to promote and ensure harmonious relations, cooperation and understanding between the City and the employees; to provide for the resolution of legitimate grievances; all in order that the public service shall be expedited and effectuated in the best interests of the people of Atlantic City and its employees and the City.

ARTICLE 2

INTERPRETATION

A. It is the intention of the parties that this Agreement be construed in harmony with the rules and regulations of the Civil Service Commission, Chapter 303 of the Laws of 1968, the Statutes of the State of New Jersey, and the Ordinances of the City of Atlantic City, and the rules and regulations of the Fire Department of the City of Atlantic City.

B. The City recognizes the International Association of Fire Fighters, Local 198, as the exclusive negotiating agent and representative for all uniformed fire department personnel, excluding all other employees employed by the City.

C. The City agrees that the Union has the right to negotiate as to rates of pay, hours of work, fringe benefits, working conditions, safety procedures for adjustment of disputes and grievances and all other related matters.

D. The parties will incorporate and modify this collective negotiations agreement to comply with any final rulings, orders or settlement agreements issued by the Public Employment Relations Commission or the courts in the

Exhibit 1

matter of the Clarification of Unit Petition filed with PERC in Docket No. CU-2015-004.

E. The terms of the Consent Order and related Settlement Agreement dated December 3, 2015, entitled Atlantic City Professional Firefighters IAFF Local 198 v. City of Atlantic City under Docket Number ATL-L-1922-14 is incorporated by reference into this Agreement.

F. The parties agree to abide by the ruling of the Appellate Division of the Superior Court of New Jersey in the case entitled City of Atlantic City v. Atlantic City Professional Firefighters IAFF Local 198, Docket No. A-3817-14, PERC Docket No. SN-2015-051, regarding all **relevant** terms in this Agreement.

ARTICLE 3

GRIEVANCE PROCEDURE

A. Definition: A grievance is any dispute between the parties concerning the application of interpretation of this Agreement or any complaint by an employee as to any action or non-action taken towards him/her, which violates any right arising out of his/her employment. The City shall not discipline any employee without just cause.

B. Procedure:

STEP 1 - Filing Requirement. A grievance must be filed with the Union and a copy of same provided to the Chief of the Department within thirty (30) days of its occurrence or the time when the aggrieved should have known about it, or it shall be deemed abandoned. All grievances shall be in writing, as shall all responses to them by the City.

STEP 2 - Review by Union Grievance Committee. The Union Grievance Committee shall screen and study all grievances within thirty (30) days of their receipt to determine whether same has or lacks merit. Such processing of grievances shall take place without discrimination and irrespective of membership or affiliation with the Union. Upon finding merit, the Union Grievance Committee shall present written confirmation of such determination to the

Exhibit 1

Chief of the Department, with the request that the Chief of the Department investigate and resolve same.

STEP 3 - Review by the Fire Chief. The Chief of the Department shall have no duty to investigate and resolve any grievance until the aforesaid confirmation and request is made by the Union Grievance Committee. Upon receiving same, the Chief of the Department shall have fifteen (15) days within which to answer the grievance.

STEP 4 - Review by the Mayor. In the event the parties are unable to resolve the grievance at the Third Step, either party may, within fifteen (15) days, refer the matter to the Mayor for his investigation and resolution. The Mayor may designate an individual in his stead to hear and resolve grievances presented. The Union shall be provided timely notification of such individual's identity by the Mayor. The Mayor, or his designee, shall have fifteen (15) days within which to answer the grievance after his receipt of grievance referral.

STEP 5 - Arbitration. In the event the grievance is not resolved at the Fourth Step, either party may, after fifteen (15) days, refer the matter to impartial arbitration. Any party wishing to move the grievance to arbitration shall notify the Public Employment Relations Commission (P.E.R.C.) that it is moving a grievance to

Exhibit 1

arbitration and request that a list of arbitrators be furnished to the City and the Union. If the City and the Union cannot mutually arrive at a satisfactory arbitrator within thirty (30) days after receipt of the list from P.E.R.C., the Commission shall select an arbitrator. The arbitrator shall hear the matter on the evidence and within the meaning of this Agreement and such rules and regulations as may be in effect by the Civil Service Commission, or by the State of New Jersey, which might be pertinent, and shall render his/her award in writing, which shall be final and binding. The cost of the arbitrator's fee shall be shared by the City and the Union. Any steward or officer of the Union required in the grievance procedure to settle disputes on any arbitration shall be released from work without loss of pay for such purpose and any witness reasonably required shall be made available during working hours without loss of pay for the purpose of disposing of any grievance or arbitration matter. The arbitrator shall not be empowered to add or to subtract from this Agreement or render any decision in conflict with this Agreement.

C. Time Limitations. Time extensions may be mutually agreed to by the City and the Union.

ARTICLE 4

DUES CHECK-OFF

A. The City shall deduct dues and initiation fees from the wages of all personnel covered by this Agreement who have filed with the City, a proper dues deduction authorization card, as required by the laws of the State of New Jersey. The Union shall advise the City of the fixed and standard dues and initiation fees of its members and the payments shall be made on or before the first payday of each month.

B. 1. Employees covered by the Agency Shop Law, N.J.S.A. 34:13A-5.5, Chapter 77, P.L. of 1979, are covered by the following clause:

The representation fee in lieu of dues shall be an amount equivalent to regular membership dues, initiation fees and assessments charged by the majority representative of its own members less the cost of benefits financed through the dues, fees and assessments available to benefiting only its members, but in no event shall such fees exceed eighty-five percent (85%) of the regular membership dues, fees and assessments.

2. The City shall deduct said representation fees from employees covered by the Agency Shop Law.

C. 1. Payroll deductions, with respect to the Union dues and/or fees, shall be at no cost to either the employee or the Union.

Exhibit 1

2. Any payroll deduction shall be taken at no cost to the employee or supplier to benefits. The Credit Union check shall be made available on paydays prior to twelve hundred (1200) hours. In addition, the dues payroll deduction check for the Atlantic City Fire Fighters Union shall be made available on paydays prior to twelve hundred (1200) hours.

D. The Union agrees to indemnify, defend, hold and save the City harmless from any cause of action, demand, claim, suit, loss, damages or any other liability that shall arise out of or by reason of action taken under this clause.

Exhibit 1

ARTICLE 5

EMPLOYEE REPRESENTATION

The Union must notify the City as to the names of stewards and accredited representatives. No more than one steward and alternate is to be designated for each facility. I.A.F.F. representatives not employed by the City will not be permitted to visit with employees during working hours at their work stations for the purposes of discussing I.A.F.F. representation matters, without notifying the head of the Department.

Exhibit 1

ARTICLE 6

NON-DISCRIMINATION

The City and the Union both recognize that there shall be no discrimination by reason of age, sex, creed, or racial origin as far as employment is concerned, or as far as any opportunity for improvement of jobs. The City further agrees that it will not interfere with or discriminate against any employee because of membership in, or legitimate activity on behalf of the Union, nor will the City encourage membership in any other organization or Union, or do anything to interfere with the exclusive representation of the Union in the appropriate bargaining unit.

Exhibit 1

ARTICLE 7

MANAGEMENT RIGHTS

It is the right of the City to determine the standards of service to be offered by its agencies; determine the standards of selection for hiring, promotion, and assignments, and to determine when and if such actions will be taken; to assign and direct its employees; take disciplinary action; relieve its employees from duty for any other legitimate reason; maintain the efficiency of its operations; determine the methods, means and personnel by which its operations are to be conducted; determine the content of job classifications; schedule the hours of work; take all necessary actions to carry out its mission in daily activities and in emergencies; and, exercise complete control and discretion over its organization and the technology of performing its work. The practical impact of the decisions on the above matters are subject to the grievance procedure. Nothing in this Article shall alter or relieve the City of any of its obligations undertaken in this Agreement.

Exhibit 1

ARTICLE 8

DUTIES OF OFFICERS

The parties agree that the Chief of the Fire Department and all other officers shall exercise their supervisory duties faithfully, irrespective of the fact that they are covered by the Agreement, and they shall be objective in their feelings with all personnel subordinate to them, irrespective of affiliation with the Union.

Exhibit 1

ARTICLE 9

SAVINGS CLAUSE

In the event that any provision of this Agreement shall be finally determined to be in violation of any applicable Civil Service law or regulation, such determination shall not impair the validity and enforceability of the remaining other provisions of this Agreement.

Exhibit 1

ARTICLE 10

STRIKES

The Union assures and pledges to the City that its goals and purposes are such as to condone no strikes by public employees, nor work stoppages, slowdowns, or any other such method which would interfere with the service to the public or violate the Constitution and laws of the State of New Jersey; and, the Union will not support anyone acting contrary to this provision.

Exhibit 1

ARTICLE 11

BULLETIN BOARDS

A. The City shall permit use of bulletin boards, located in the respective facilities by the Union, for the purpose of posting notices concerning Local 198 business and activities.

B. All such notices shall be signed by the President or other authorized officer of the Local.

ARTICLE 12

UNION RELEASE TIME

A. The President, Vice-President, Secretary/State Delegate, Treasurer, Sergeant At Arms and officers of the State Association and members of the State Association Committees, shall receive relief from duty with full pay to conduct contract and grievance negotiations, attend regular monthly meetings, attend conventions of the I.A.F.F., attend conventions of the State Association of Firefighters and AFL-CIO, and seminars involving Union business. Any bargaining unit member who is released for these reasons will not be assigned a shift the day or night of the event triggering the union release time.

B. The member requesting relief must send to the Chief, form 56 at least twenty-four (24) hours in advance of the time requested, stating the matter and location of the business.

C. Administrative review may be made by the Chief on request by the Union President for time for Union business, without cost to the City.

D. Firefighters attending conventions and seminars pursuant to this Article must provide proof of attendance acceptable to the Chief.

Exhibit 1

E. In addition to the Union Release Time set forth in this Article, the Union President with the approval by the Chief, may use personal/vacation time, one day at a time, for Union business.

F. The Union President shall be granted fifteen (15) hours of release time from duty per week with pay in which to conduct Union Business.

G. The Local President and the Local Vice President shall both be supplied with new radios, new batteries, extra batteries, and charger by the City.

ARTICLE 13

WORK SCHEDULE

A. Each platoon shall work the following schedule: Two (2) days of duty, ten (10) hours each day (8:00 am - 6:00 pm), immediately followed by two (2) nights of duty, fourteen (14) hours each night (6:00 pm - 8:00 am), immediately followed by four (4) consecutive days off.

B. With respect only to personnel assigned to staff, the following memorializes past practice, which the parties intend to continue:

1. Staff personnel shall work four (4) days of duty, ten (10) hours each day, from 0800 to 1800 hours.

2. Staff personnel shall work four (4) or five (5) days, Monday through Friday.

3. A member of the staff shall be assigned one (1) day off during the five (5) day work week. The day off shall be determined by the member's platoon commander.

4. Celebrated holidays which fall during the five (5) working days of staff shall automatically be the assigned day off for every member assigned to staff functions.

ARTICLE 14

OVERTIME PAY

A. Overtime shall consist of all hours worked in excess of the average forty-two (42) hours of work in any one (1) week, based on the cycle providing three hundred thirty-six (336) hours for eight (8) weeks.

B. 1. Overtime shall be computed at the rate of one and one-half (1-1/2) times the normal rate and including educational and longevity increments, computed on a forty-two (42) hour work week.

2. All overtime payable in monies will be paid during the appropriate pay period.

C. Rotation of overtime assignments shall be in compliance with existing department orders. The Union shall have access to the records of overtime so that there is a fair distribution of assignments.

D. When a firefighter is called back to duty, he/she shall receive a minimum of four (4) hours overtime pay, computed as follows:

1. For a general alarm or emergency, at the prevailing rate.

2. For other such order or assignment, on the basis of the applicable normal work week.

Exhibit 1

E. Emergency Recall of Holdover: If an employee works through his/her normal shift change, either through previous emergency recall or through an emergency holdover, he/she will only be compensated on an hour for hour basis. This compensation will be paid at the rate of time and one-half (1-1/2) per hour.

F. The City will comply with the Fair Labor Standards Act.

G. In addition, the City shall send a report detailing the use of overtime for the entire Department to the Union on a quarterly basis.

ARTICLE 15

CLOTHING ALLOWANCE

A. The City shall, upon hire, issue to all new personnel all required uniforms and wet goods in lieu of Eight Hundred Fifty Dollars (\$850.00) to all new personnel within thirty (30) days after a class has graduated from the academy.

B. Apprentice Firefighters beginning with year two (2) of employment through year six (6) shall receive a Four Hundred Fifty Dollar (\$450.00) clothing allowance. Firefighters beginning with year seven (7) of employment and thereafter shall receive a Two Hundred Seventy-Five Dollar (\$275.00) clothing allowance. Fire Captains, Fire Inspectors, Maintenance Repair Personnel, Custodians and Air Mask Technicians shall receive a One Hundred Dollar (\$100.00) clothing allowance. Battalion Chiefs, Assistant Chief Fire Inspector, Deputy Chiefs and the Fire Official shall receive no clothing allowance.

C. The City shall be responsible for changes in uniforms and wet goods, and for replacing all wet goods damaged, destroyed or contaminated in the line of duty. Employees shall be responsible for all other items.

Exhibit 1

ARTICLE 16

LEAVES

A. Union Business:

In addition to the local president, leave from duty with full appropriate pay shall be granted to two (2) members of the Local's Negotiating Committee who attend meeting between the City and the Union for the purpose of negotiating the terms of the contract, provided the employee is scheduled for duty at the time of the meeting. Any bargaining unit member who is released for these reasons will not be assigned a shift the day or night of the meeting.

B. Sick Leave

1. For employees hired prior to January 1, 1996, sick leave shall be allowed to one hundred forty (140) working hours per year, to be cumulative from year to year. In no event shall any employee enter the present contract with less than ten (10) working hours credited to each month of service, or one hundred forty (140) working hours at the beginning of each contract period.

2. "Sick leave" is hereby defined to mean an absence from the post of duty by a bargaining unit member, due to illness, accident, injury, disability, and/or exposure to contagious disease or the necessity to attend

Exhibit 1

to and care for an ill member of his or her immediate family. The term "immediate family" for the purpose of this Article shall include the following; a) spouse; b) parent; c) step-parent; d) child; e) step-child; f) foster child; and g) any other relative residing in the bargaining unit member's household.

3. For all employees hired after January 1, 1996, sick leave can only be accumulated one hundred (100) hours per year, to be cumulative from year to year.

C. Illness and Injury:

1. In the event that an employee suffers an illness or injury in the line of duty, in the course of employment, or as a result of his/her employment, he/she shall be compensated at full pay for a period not to exceed one (1) year.

2. In the event that any illness or injury sustained by an employee is not service connected, said employee shall have his/her injury or illness reviewed by the Medical Review Board for the purpose of determining whether or not such occurrence is of a major nature, thereby rendering the employee eligible for additional sick leave compensation in excess of the yearly one hundred forty (140) hours, or accumulate sick leave which he/she may have exhausted. However, in no event shall any

Exhibit 1

firefighter who shall have attained the commencement of his/her fourth year of employment not be compensated if he/she is sick or injured and requires convalescence, notwithstanding the nature of the illness or injury or whether or not said employee has exhausted his/her yearly or cumulative sick time, subject to the provisions of N.J.S.A. 40A:14-137.

3. The Medical Review Board shall consist of the Mayor, or his/her designate, either of whom may act as chairperson; or his/her medical designate; the Union President or his/her designate; and one (1) superior officer selected by the Union or his/her designate. The Personnel Officer or his/her designate shall be an ex-officio, non-voting member of the Medical Review Board.

D. Each year the City or its designate shall make available to each member of the Fire Department a current record of sick and injured days taken and the accumulated balance, if any. This record shall be made available with the annual withholding statements. Notwithstanding the foregoing, and for the purposes of this section, sick leave shall be credited at the rate of ten (10) hours for each shift taken, regardless of the actual length of the specified shift.

Exhibit 1

E. Terminal Leave: Upon retirement, all employees shall be entitled to terminal leave with full pay and benefits as determined herein:

1. Salary increases as provided for in the Contract.

2. Medical benefits plan and group life insurance negotiated between the parties.

3. Pension paid while on terminal leave.

4. Dental, eyeglass and prescription plans paid while on terminal leave.

5. Sick and vacation days cannot be accumulated while on terminal leave.

6. If an employee works one (1) day in a calendar year, he/she shall receive all vacation and clothing maintenance monies.

F. Terminal Leave Options: An employee may opt to take sick leave as follows:

1. All employees hired prior to January 1, 2012 shall have the option to take their accumulated time up to one and one-half (1-1/2) years or three thousand two hundred seventy-six (3,276) hours on a bi-weekly basis.

2. Subject to the third paragraph of this section, the lump sum payment option shall be based on an individual's last hourly rate for all accumulated hours up

Exhibit 1

to three thousand two hundred seventy-six (3,276) hours. This payment must be made to the employee by the City no later than ninety (90) calendar days of application for the lump sum payment.

3. Terminal leave shall be amended to provide for a maximum monetary payment as follows:

(a) Employees hired in 1984 will receive a maximum of sixteen (16) months;

(b) Employees hired in 1985 will receive a maximum of fourteen (14) months;

(c) Employees hired between January 1, 1986 and October 15, 2006 will receive a maximum of twelve (12) months;

(d) Employees hired after October 16, 2006, but before January 1, 2012, shall have maximum accumulation time of six (6) months;

(e) *Employees hired after January 1, 2010 will receive a maximum payout cap of \$15,000.00;*

(f) All employees hired before 1984 will not be affected by the above changes.

Employees hired prior to January 1, 2010, will be permitted to cash out their sick leave earned prior to July 1, 2015, up to the maximums set forth in Article 16,

Exhibit 1

Section F.3. Sick leave earned after July 1, 2015 is not subject to terminal leave.

Employees hired after January 1, 2010, will be permitted to cash out their sick leave earned prior to July 1, 2015, up to a maximum as set forth in the contract, but in no event shall the amount be greater than \$15,000.

For employees hired after July 1, 2015, terminal leave is eliminated.

4. Employees must provide notice at least 60 days prior to the date they intend to take terminal leave.

5. Employees shall have an option of a one (1) or four (4) year pay-off of the terminal leave accrued monies. Employees who elect to receive the four (4) year pay-off plan shall receive his/her benefits in four (4) equal payments, with the last payment made on or before the fourth anniversary date of retirement. Provided that timely notice is given, this payment must be made to the employee by the City no later than ninety (90) calendar days of application for the lump sum payment. Subsequently, payment for years 2, 3 and 4 will be made on or before the anniversary date of retirement.

G. In the event of the death to a member of the Fire Department, the City shall pay all accumulated sick time up

Exhibit 1

to three thousand two hundred seventy-six (3,276) hours, all clothing allowance and all vacation days in full.¹

H. Injury leave shall be provided as per N.J.S.A. 40A:14-137.

I. Funeral Leave.

1. Up to five (5) work days, at the discretion of the employee, shall be granted in the event of the death of a member of the immediate family or domestic or civil union partner of a firefighter. Immediate family shall include spouse, mother, father, sister, brother, child, mother-in-law, father-in-law, grandparent, grandchild, step-mother, step-father, step-sibling and step-children. Up to three (3) working days, at the employee's discretion, shall be granted for any other related member of the employee's household. These days are to be taken from either the date of death on or from the date of the funeral back.

2. One (1) work day leave shall be granted for the death of any other blood relative and for the death of a brother-in-law, sister-in-law, cousin, and grandparents of firefighter's spouse. The day's leave shall be given for either the date of death or the funeral day.

Exhibit 1

3. No funeral leave (subsection 1 or 2 above) will be granted to any firefighter who is on an approved leave, other than funeral leave, while a death of any of the individuals specified herein occurs.

4. Travel time of two (2) work days maximum shall be granted to any member for an approved leave, as per subsection 1 and/or 2 above, who must travel more than two hundred fifty (250) miles round-trip to the funeral or viewing. For the purpose of this provision, two hundred fifty (250) miles will be calculated by means of vehicular travel utilizing MapQuest.com or Google Maps or a similar internet website mutually agreed upon by the parties.

J. Family and Medical Leave

The City will comply with its obligations under the Family Medical Leave Act, 29 U.S.C. 2601, et seq., the New Jersey Family Leave Act, N.J.S.A. 34:11B-1 et seq. and the New Jersey Paid Family Leave Act, N.J.S.A. 43:21-39-1 et seq.

Exhibit 1

ARTICLE 17

VACATIONS

A. 1. The following shall apply to all firefighters hired prior to January 1, 2012:

<u>Years</u>	<u>Vacation Days*</u>
1	12
2	12
3	12
4	16
5	20
6	24
7 through retirement	24

2. All employees hired on or after January 1, 2012 will have the following vacation benefit:

<u>Years</u>	<u>Vacation Days*</u>
Up to one (1) year of service	One (1) working day for each month of service
After one (1) year and up to ten (10) years of continuous service	12 working days
After ten (10) years and up to twenty (20) years of continuous service	15 working days
After twenty (20) years of continuous service	20 working days

All employees with less than twenty (20) years' service shall receive one (1) personal leave day per year. Employees with twenty (20) or more years of service will continue to receive four (4) personal leave days.

Exhibit 1

The parties agree to abide by Arbitrator Osborn's interpretation of this Article.

* One (1) vacation day is equivalent to a scheduled work shift.

3. No banking or payment of personal days may be made by an employee regardless of his/her hiring date after December 31, 1996.

B. 1.a. All captains, Fire Inspectors, Air Mask Technicians, and Maintenance Repair Personnel shall be entitled to twenty-eight (28) actual working days paid vacation and four (4) personal days.

1.b. All employees hired after January 1, 2012 and promoted to Captain shall be entitled to twenty (20) actual working days paid vacation and two (2) personal days;

1.c. Those employees hired prior to January 1, 2012, will receive vacation leave in accordance with the previous vacation schedule set forth above in Article 17(A) (1).

2.a. All Battalion Chiefs and Assistant Fire Inspectors shall be entitled to thirty-two (32) actual working days paid vacation and four (4) personal days.

Exhibit 1

2.b. All employees hired after January 1, 2012 and promoted to Battalion Chief shall be entitled to twenty-four (24) actual working days paid vacation and two (2) personal days;

2.c. Those employees hired prior to January 1, 2012, but promoted to Battalion Chief after January 1, 2012, will receive vacation leave in accordance with the previous vacation schedule set forth above in Article 17 (A) (1).

3.a. All Deputy Chiefs and the Fire Official shall be entitled to thirty-six (36) actual working days paid vacation and four (4) personal days.

3.b. All employees hired after January 1, 2012 and promoted to Deputy Chief shall be entitled to twenty-four (24) actual working days paid vacation and two (2) personal days;

3.c. Those employees hired prior to January 1, 2012, but promoted to Deputy Chief after January 1, 2012, will receive vacation leave in accordance with the previous vacation schedule set forth above in Article 17(A) (1).

C. Vacation shall be granted during the calendar year. Selection for vacation period shall be based on seniority and rank by shift at station house level. Captains shall select their vacation time first based upon

Exhibit 1

seniority and rank by shift; thereafter the journeyman shall select their vacation time based upon seniority and rank by shift.

D. It is the intent of this Article to assure personnel covered by this Agreement that they will receive the maximum amount of actual vacation days to which they are entitled. Days that are normally scheduled off that fall during the vacation period shall not be computed as part of the vacation days.

E. Fire personnel working in administrative positions shall be entitled to the number of vacation days based upon their rank and date of hire and multiplied by ten (10) hours per day.

ARTICLE 18

ACTING OUT OF TITLE

A. 1. Class A: Any out-of-title position due to retirement, extended illness, injury, death or military call-back of a minimum of ninety (90) calendar days, will be paid on a per diem rate of the out-of-title position and all Class A or provisional officers will receive all benefits of the out-of-title position. Once an officer is assigned out of title, and performs in that capacity for eight days, the officer shall be compensated at the higher rate of pay.

2. Regulations for Class A: In the event an employee is assigned to act out-of-title, he/she shall be selected from an existing promotional list of eligible employees. If no existing list is current, such employee shall be selected from the rank next preceding the vacated position. Assignment in Class A out-of-title shall be rotated on a cycle of ninety (90) working days, distributing such assignments equitably among the senior qualified personnel on the following basis:

Exhibit 1

(a) A roster of those eligible for higher rank assignments shall be maintained. A daily log shall be kept and shall be the responsibility of the personnel officer or his/her designate, indicating assignments to higher ranked positions. Each calendar quarter, it will be made available to the parties to this Agreement to ascertain whether there has been an equitable distribution of assignments. Adjustments shall be made in the next calendar quarter by making more assignments to those who served or had the opportunity to serve the least number of days for the preceding quarter.

(b) Firefighters offered assignments out-of-title may refuse them, but such refusal will be charged as time spent in a higher rank for purposes of determining equitable distribution of assignments.

(c) If there is an existing Civil Service list the higher rank, the number one person on the list shall be placed in the vacancy.

(d) In the event of a two-part promotional examination, in which an interim list is issued, only personnel on the interim list will be deemed "qualified" to act out-of-title in the higher position.

(e) In the event of refusal of assignment, the most junior eligible person must perform the higher ranked

Exhibit 1

assigned. All refusals shall be reported to and recorded by the Chief of his/her designate.

(f) The Fire Chief and the Mayor shall take steps to maintain promotional opportunities by obtaining, for Fire Department personnel periodic Civil Service Commission qualifying examinations for higher ranks and by declaring job vacancies as they occur.

B. 1. Class B: This position is any temporary out-of-title position caused by vacation, sickness, injury, military leave, funeral leave or emergency leave. Any person covered by this Agreement who is requested to accept the responsibilities and carry out the duties of position or rank above that which he/she normally holds, shall be paid at the rate for the position or rank while so acting.

2. Regulations for Class B:

(a) Any person who is assigned to the higher position will be paid for the days he/she worked in the higher position, excluding days off.

(b) The person assigned will be paid the difference in the hourly rate of the out-of-title position.

(c) Acting Captain will be performed by journeymen firefighters in the same company, if possible.

Exhibit 1

(d) Acting Battalion Chief will be performed by Captains on the same platoon.

(e) Acting Deputy Chief will be performed by Battalion Chiefs on the same platoon.

(f) In the event of a promotional list, only personnel on the list will act out-of-title in the higher position. In the event there is no individual on the list permanently assigned to a Company, pursuant to Civil Service Commission Regulations, personnel on the list will be reassigned to perform the acting out-of-title work. If there is no promotional list, then the acting out-of-title position will be performed by a journeyman assigned by seniority. At the company level, the acting out-of-title position will be rotated on a four (4) day working basis. In the event of a two-part promotional examination, in which an interim list is issued, only personnel on the interim list will be deemed "qualified" to act out-of-title in the higher position.

(g) All acting out-of-title assignments for Captain, Battalion Chief and Deputy Chief will be distributed on an "equitable basis." "Equitable basis" shall be interpreted to mean the number of days worked as opposed to the number of assignment in higher position.

Exhibit 1

C. The reason for the differential is that the responsibility assumed by the individual acting in the higher title is not adequately compensated. The reason for this is that they are being paid only for the days that they work and not per diem. An individual working in permanent rank on a per diem basis is receiving 1/365 days salary, because he/she is paid for his/her days off and vacation days. The individual acting out-of-title does not have the advantage of the per diem rate.

Exhibit 1

ARTICLE 19

HOLIDAYS

For purposes of this Agreement, Good Friday, Easter Sunday, Memorial Day, July Fourth, Labor Day, Columbus Day, Veteran's Day, Thanksgiving, Election Day, Christmas Day, New Year's Day, Washington's Birthday, Lincoln's Birthday and Dr. Martin Luther King's Birthday shall be acknowledged as holidays for any purpose which is expressly stated within this Agreement.

ARTICLE 20

PAY SCALE

A. 1. A firefighter who fails an apprenticeship test, either the first, second or third year apprenticeship tests, shall remain at the step that they were at until they pass the test.

2. A Committee shall be developed by the parties creating an Apprenticeship Test Committee consisting of representation selected by the Local and the City/Chief.

B. 1. If a First, Second or Third Year Apprentice passes the apprenticeship test the first time taken and the test is taken before his/her anniversary date, the salary rate change shall be effective on the employee's anniversary date.

2. If the First, Second or Third Year Apprentice passes the apprenticeship test the first time taken and the test is taken after his/her anniversary date, the salary rate change shall be effective retroactive to the employee's anniversary date.

3. If the First, Second or Third Year Apprentice fails the test and he/she retakes the examination and passes it, the salary rate change will not

Exhibit 1

become effective until the employee's next anniversary date.

4. Firefighters on military leave shall be entitled to take the apprenticeship examination upon their return to work, at the request of the firefighter shall receive the higher salary rate retroactive to the date of his/her return to work.

C. Firefighters who are entitled to step increases will move down one (1) step on the guide on the anniversary date of their employment (i.e. move to the next highest level of pay).

D. 1. **Effective January 1, 2015**, the salary for all bargaining unit members hired prior to January 1, 2012, inclusive of holiday pay, shall be as follows:

<u>Title</u>	<u>Salary</u>
Apprentice I	\$ 57,309
Apprentice II	\$ 59,569
Apprentice III	\$ 61,834
Journeyman I	\$ 68,432
Journeyman II	\$ 75,029
Journeyman III	\$ 81,627
Sr. Journeyman	\$ 92,689
Fire Captain	\$105,594
Fire Inspector	\$105,594

Exhibit 1

Maintenance Repairs	\$105,594
Custodian	\$105,594
Air Mask Technician	\$105,594
Battalion Chief	\$120,445
Asst. Chief Fire Inspector	\$120,445
Deputy Chief	\$137,690
Chief Fire Prevention	\$137,690

2. Effective July 1, 2016, and for the duration of the contract, the salary for all bargaining unit members hired prior to January 1, 2012, inclusive of holiday pay, shall be as follows:

<u>Title</u>	<u>Salary</u>
Apprentice I	\$ 57,309
Apprentice II	\$ 59,569
Apprentice III	\$ 61,834
Journeyman I	\$ 68,432
Journeyman II	\$ 75,029
Journeyman III	\$ 81,627
Sr. Journeyman	\$ 93,689
Fire Captain	\$106,594
Fire Inspector	\$106,594
Maintenance Repairs	\$106,594
Custodian	\$106,594
Air Mask Technician	\$106,594

Exhibit 1

Battalion Chief	\$121,445
Asst. Chief Fire Inspector	\$121,445
Deputy Chief	\$138,690
Chief Fire Prevention	\$138,690

3. Effective January 1, 2015, the salaries for all bargaining unit members hired on or after January 1, 2012, inclusive of holiday pay, shall be as follows:

<u>Title</u>	<u>Salary</u>
Apprentice I	\$ 45,000
Apprentice II	\$ 48,000
Apprentice III	\$ 51,000
Apprentice IV	\$ 54,000
Apprentice V	\$ 57,000
Journeyman I	\$ 60,000
Journeyman II	\$ 63,000
Journeyman III	\$ 66,000
Journeyman IV	\$ 69,000
Journeyman V	\$ 72,000
Sr. Journeyman	\$ 80,000
Fire Captain	\$ 95,000
Fire Inspector	\$ 95,000
Maintenance Repairs	\$ 95,000
Custodian	\$ 95,000
Air Mask Technician	\$ 95,000

Exhibit 1

Battalion Chief	\$110,000
Asst. Chief Fire Inspector	\$110,000
Deputy Chief	\$125,000
Chief Fire Prevention	\$125,000

4. Effective July 1, 2016, the salaries for all bargaining unit members hired on or after January 1, 2012, inclusive of holiday pay, shall be as follows:

<u>Title</u>	<u>Salary</u>
Apprentice I	\$ 45,000
Apprentice II	\$ 48,000
Apprentice III	\$ 51,000
Apprentice IV	\$ 54,000
Apprentice V	\$ 57,000
Journeyman I	\$ 60,000
Journeyman II	\$ 63,000
Journeyman III	\$ 66,000
Journeyman IV	\$ 69,000
Journeyman V	\$ 72,000
Sr. Journeyman	\$ 81,000
Fire Captain	\$ 96,000
Fire Inspector	\$ 96,000
Maintenance Repairs	\$ 96,000
Custodian	\$ 96,000
Air Mask Technician	\$ 96,000

Exhibit 1

Battalion Chief	\$111,000
Asst. Chief Fire Inspector	\$111,000
Deputy Chief	\$126,000
Chief Fire Prevention	\$126,000

5. Increment payments will be made to eligible employees on their anniversary date for the duration of the contract.

6. The two-tiered salary guides as set forth above will continue for 2015.

7. On July 1, 2016, unit employees in the Senior Journeyman title and above will receive a one-time salary increase of \$1,000, as set forth in Article 20 Sections (D)(2) and (D)(4) above.

8. All pay increases as outlined herein will be paid retroactively.

9. All current employees hired prior to January 1, 2012 will continue to receive the previous pay rates set forth in Article 20(D)(1) and (D)(2). Furthermore, those employees hired prior to January, 2012, but promoted after January 1, 2012, will receive pay in accordance with the previous pay rates set forth in Article 20(D)(1) and (D)(2) above.

Exhibit 1

ARTICLE 21

CONTINUATION OF BENEFITS NOT COVERED IN THIS AGREEMENT

All provisions of the January 1, 2012 through December 31, 2014 collective negotiations agreement which are not modified by the Interest Arbitration Award dated June 4, 2015 are to be carried forward and included in the new contract with changes in the date where appropriate.

Exhibit 1

ARTICLE 22

LONGEVITY

A. The payment for longevity shall commence on the employee's anniversary date of employment. Actual payments shall be made in the ensuing pay period following the anniversary date of employment.

1. For all employees hired before January 1, 2012, longevity payments will be frozen at the rates received by eligible employees as of December 31, 2014 for the duration of the contract.

<u>Years of Service</u>	<u>Payment</u>
5 years.....	2%
10 years.....	4%
15 years.....	6%
20 years.....	10%

2. For employees hired on or after January 1, 2012, the longevity benefit is eliminated.

Exhibit 1

ARTICLE 23

TRANSFERS AND ASSIGNMENTS

A. Definitions:

1. Senior Firefighter - excess of fifteen (15) years of service
2. Journeyman Firefighter - less than fifteen (15), but more than three (3) years of service
3. Apprentice Firefighter - one (1), two (2) or three (3) years of service.

B. Apprentice firefighters shall be rotated to meet the requirements of the Fire Department's training program.

C. Transfers will not be utilized to punish or discriminate against any personnel.

D. Captains with less than one (1) year in grade shall be subject to training assignments which shall occur within a reasonable period after placement into rank of Captain.

E. Personnel may transfer by mutual agreement with personnel of equal rank and seniority with approval of the Platoon Commander and the Fire Chief.

F. All personnel may request a transfer by opening his/her assignment to bids by other personnel of equal rank and seniority, with the approval of the Platoon Commander

Exhibit 1

and the Fire Chief. The individual's new assignment would be determined by the vacancy created by the successful bidder to his/her position.

G. Mutual transfer and initiated transfers shall be limited to one (1) per year.

H. Posting Procedure and Selection Criteria:

1. The City shall immediately post notices on the bulletin boards in all fire stations and via electronic mail to all bargaining unit members setting forth the classification, job duties and requirements, hours and days of work, starting time and wage rate of the job to be filled permanently. Employees desiring to apply for the job shall make application to the Chief of the Department setting forth their qualifications, seniority, etc. Copies of these applications and of the notices are to be filed with the Secretary of the Union. Notices shall remain posted for ten (10) days. Employees who do not make application within the period of the posting shall have no right to consideration for the job, with the exception that employees are not at work during the entire posting period and who have sufficient qualifications and seniority shall be considered as filing an application for the job.

2. In filling vacancies by promotion or transfer, where ability and other qualifications are equal,

Exhibit 1

seniority within the Fire Department shall control. The term "ability and other qualification" used herein shall include observing the rules and regulations of the Fire Department.

3. Employees who are placed into vacancy or new positions by process of their submitting a bid under the provisions of Section J. above, shall not be entitled to or assured of vacation preference previously submitted and/or authorized, although the Chief of the Department shall attempt to accommodate the employees' vacation preference if, and whenever, possible.

4. The Fire Chief may deny placement of an applicant possessing ability and other qualifications to the vacant or new position, should the Chief of the Department determine, that such individual is needed more in the position already assigned.

ARTICLE 24

HEALTH AND SAFETY

A. The general safety and health for members of the Atlantic City Fire Department is the responsibility of the Chief of the Department. The Joint Labor/Management Safety and Health Advisory Committee shall have the responsibility for making recommendations on safety and health matters impacting members of the Atlantic City Fire Department. The Committee shall meet at the call of the Chairman, or upon majority vote of its members, but at least quarterly.

B. The Committee shall be comprised of the Fire Chief acting as Ex Officio Chairman, a designee of the Chief of the Department; the President of the Union; a designee selected by the President of the Union and the City's Risk Manager.

C. Committee action shall be taken upon the majority vote of the members with the Chairman casting the deciding vote in the event of a tie.

D. Unresolved safety and health issues after recommendations by the Committee shall be subject to the grievance procedure.

E. Both parties agree that the Union and/or Union Safety Committee can make nonbinding recommendations to the

Exhibit 1

Chief of the Fire Department to set safety manning standards for (fire) engines and trucks.

Exhibit 1

ARTICLE 25

EDUCATION

A. The City and the Union agree that the amounts and quality of an employee's education often determine the value of his/her contribution to his/her department and his/her community, and the degree of proficiency with which he/she performs his/her duties.

B. To provide an incentive and encourage members of the Department to achieve the advantage of advanced education, the City shall conform to the rules and regulations of the New Jersey Civil Service Commission concerning this provision.

1. Effective immediately, the current value of all employees' educational incentive pay shall be frozen for the duration of this contract. Those employees who currently have such benefit in the form of a percentage pay will be frozen at their current dollar amount for this benefit. The percentage of base pay that an employee earns for his or her current degree will not increase, even if base pay increases or additional degrees are earned. Additionally, employees who have educational incentive pay in dollar amounts will also have their educational incentive pay frozen at the current dollar amount even if additional degrees are earned.

Exhibit 1

C. 1. Fire Science or related training and educational achievements are considered an important factor in the professional development of the firefighter. Achievements in these areas shall be acknowledged with special salary increments, which shall apply to employees hired before January 1, 2012 based upon the following scale:

(a) Upon the completion of fifteen (15) credit hours, of which three (3) credits must be in professionalism courses, and/or job related training, the firefighter shall receive a two percent (2%) increment of his/her base salary.

(b) Upon the completion of thirty (30) credit hours, of which six (6) credits must be in professionalism courses, and/or job related training, the firefighter will receive a three percent (3%) increment in his/her base salary.

(c) Upon completion of forty-five (45) credit hours, of which nine (9) credits must be in professionalism courses, and/or job related training, the firefighter shall receive a four percent (4%) increment of his/her based salary.

(d) Upon completion of an Associate's Degree or sixty four (64) credit hours, of which twelve (12) credits

Exhibit 1

must be in professionalism courses, and/or job related training, the firefighter shall receive a six percent (6%) increment of his/her base salary.

(e) Upon completion of seventy-nine (79) credit hours, of which (15) credits must be in professionalism courses, and/or job related training, the firefighter shall receive a seven percent (7%) increment of his/her base salary.

(f) Upon completion of one hundred (100) credit hours, of which eighteen (18) credits must be in professionalism courses, and/or job related training, the firefighter shall receive an eight percent (8%) increment of his/her base salary.

(g) Upon completion of a Bachelor's Degree or one hundred twenty eight (128) credit hours, of which twenty-four (24) credits must be in professionalism courses, and/or job related training, the firefighter shall receive a nine (9%) increment of his/her base salary.

(h) Upon completion of a Master's Degree or one hundred seventy-five (175) credit hours, of which twenty-four (24) credits must be in professionalism courses, and/or job related training, the firefighter shall receive a ten percent (10%) increment of his/her base salary.

Exhibit 1

2. Those employees hired prior to January 1, 2012, but not receiving an educational incentive prior to January 1, 2012, will remain eligible to receive the educational incentive under the schedule set forth above in Article 25(C)(1).

3. All employees hired after January 1, 2012 that receive Fire Science or related training and educational achievements as set forth believe shall be acknowledged with special salary increments, based upon the following "new" schedule scale:

(a) Upon the completion of an Associate's Degree or sixty-four (64) credits, of which fifteen (15) credits must be in professionalism (job related) courses and/or job related training, the employee shall receive a \$2,500.00 additional increment on his/her base salary.

(b) Upon the completion of a Bachelor's Degree or one hundred and twenty-eight (128) credits, of which thirty (30) credits must be in professionalism (job related) courses and/or job related training, the employee shall receive a \$1,000.00 additional increment on his/her base salary.

(c) Upon the completion of a Master's Degree or one hundred and seventy-five (175) credits, of which thirty-six (36) credits must be in professionalism (job related)

Exhibit 1

courses and/or job related training, the employee shall receive a \$1,000.00 additional increment on his/her base salary.

4. All non-fire related courses mandated by an institution as a requisite for a Fire Science degree shall be eligible for educational increments. Adjudication of these payments shall be subject to the approval of the Education Committee.

5. Other specialized training, such as seminars or special courses, can be used with college credits as a basis for increment. The general guidelines are that the total hours spent in the approved special programs will provide credit equal to hours spent in the classroom at the following rate: three (3) college credits=forty (40) hours related training.

6. Professionalism courses and/or job related training shall be interpreted to mean the following: All Fire Science courses taught at an accredited Fire Science institution, and fire related courses.

7. Job related training shall be given for the following:

- (a) One (1) Math course
- (b) One (1) Science course
- (c) One (1) Construction course

Exhibit 1

(d) One (1) Management course

(e) One (1) water course related to fire services

D. Applications for training or educational incentives shall be made to the designated personnel officer, and review and final approval shall be with the consent of the Education Committee in February and July of the calendar year. Percentage increments become effective February 1st and July 1st of the year the submissions are filed, regardless of the date/s of approval.

ARTICLE 26

PERSONNEL COMMITTEE

A. For the purpose of this Agreement, a Personnel Committee shall be created, consisting of the Mayor or his/her designate, who shall act as Chairman; the Chief of the Department of his/her designate; the President of Local 198 or his/her designate; and, one superior officer assigned by the Union or his/her designate. The Personnel Officer or his/her designate shall be an ex-officio non-voting member of the Committee.

B. The Personnel Committee, in addition to other duties provided within the Agreement shall determine:

1. The amount of sick leave for each firefighter accumulated up to and including the present Contract.

2. Whether or not an employee is eligible for an incentive pay increase as a result of any special training and/or college credits.

3. Whether or not a particular employee is suited for special training available to the members of the Atlantic City Fire Department.

ARTICLE 27

TEMPORARY ASSIGNMENT

A temporary assignment shall be defined in accordance with the Civil Service Commission rules and regulations.

ARTICLE 28

EXCHANGING TIME

A firefighter has the option to exchange time of shifts with a fellow firefighter no more than two hundred sixteen (216) hours in any single calendar year, taken in four (4) hour minimums, with prior approval of his/her superior officers. Additional hours may be approved at the City's discretion. Under no circumstances shall the use of this option create any additional cost, through overtime or otherwise, to the City.

Exhibit 1

ARTICLE 29

NEW EMPLOYEES

All new employees hired by the Atlantic City Fire Department, City of Atlantic City, shall be on an existing Civil Service Commission Employment List.

ARTICLE 30

SUSPENSIONS AND FINES

A. All suspensions and fines assigned to Atlantic City Firefighters shall be dispensed in accordance with the rules and regulations of the Civil Service Commission.

B. In any case where a member is relieved from duty and suspended by a superior officer, that member shall be so informed and be furnished with a copy of charges to be filed against him/her no longer than twenty-four (24) hours after the Fire Chief or his or her designee has knowledge that the incident has occurred, outside of Saturdays, Sundays and legal holidays. The member shall have the right to be represented in the form of counsel at his/her own expense or by a designated representative of the Union. The above limits can be extended by mutual consent.

C. All members must be granted a hearing before the Fire Chief or his/her designee on any charge that costs the member in suspension or fine.

D. A suspension or fine shall be calculated at a rate equal to a per diem of the member's base wage.

ARTICLE 31

HEALTH BENEFITS

A. The City agrees to continue to provide health benefits under the New Jersey State Health Benefits Plan at the City's expense less premium contributions by employees in accordance with Chapter 78, P.L. 2011. The City agrees that the health benefits provider may only be changed if the benefits remain equal to or better than the existing coverage and the City provides ninety (90) days advance notice to the Union. Effective January 1, 2016, the co-payment for generic drugs shall be increased to \$15.00 per prescription and the co-payment for non-generic drugs shall be increased to \$35.00 per prescription.

1. Dependent children to age twenty-six (26), not married.

2. The health insurance coverage shall provide for a mandatory second opinion.

3. All members of the bargaining Unit who retire on or after January 1, 1987 will receive a maximum of \$35.00 for month for dental and eyeglass costs. The retiree will only be permitted to apply this benefit to the actual costs incurred for any dental and eyeglass expenses.

4. All members of the bargaining unit who retire on or after January 1, 1991 and before December 31, 1999, will

Exhibit 1

receive \$1,000.00 annually to apply to actual costs incurred by the retiree for any dental and eyeglass expenses. Retirees having chosen the \$1,500.00 per annum for seven (7) years have no other option.

11. All firefighters who qualify for insurance under this Article who have gone off coverage as set forth above and do not return to coverage shall be eligible for \$35.00 per month.

12. Any member who retires will receive a maximum of \$35.00 per month for dental and eyeglass costs. The retiree will only be permitted to apply this benefit to the actual costs incurred for any dental and eyeglass expenses. Those covered employees who retired on or after January 1, 1991 shall be subject to the condition that, should they qualify for substantially equivalent coverage through another job or a spouse, they shall not be eligible while such coverage is available.

13. Unit employees shall be provided retiree benefits to correspond with Ordinance No. 85 that was adopted by the Council of the City of Atlantic City on August 11, 2004 and approved by the Mayor on August 13, 2004 with the modification that those eligible for this benefit shall be firefighters who retired after January 1, 2003.

B. Dental - Basic Benefits

1. One hundred percent (100%) basic services.
2. One hundred percent (100%) periodontic services.
3. Seventy-five percent (75%) prosthodontia services.
4. Effective as soon as practicable, active employees shall pay a \$50.00 annual deductible for covered services.

C. Retiree Health Services

Bargaining unit members shall receive retiree health benefits to correspond with Ordinance No. 85 that was adopted by the Council of the City of Atlantic City on August 11, 2004 and was approved by the Mayor on August 13, 2004 with the following modification: Those eligible for this benefit shall be firefighters who retired after January 1, 2003. Implementation and payment of the program by the City for eligible firefighters shall commence on January 1, 2007.

For employees hired after July 1, 2015, retirees shall receive medical health coverage upon completion of twenty-five (25) years of service with the City, and such service shall be in good standing with the Police and Fire Retirement System.

ARTICLE 32

PHYSICAL FITNESS EQUIPMENT

The City will make physical fitness equipment available to the firefighters, with equipment being located in one or more firehouses and with all unit members having reasonable access to the equipment.

Exhibit 1

ARTICLE 33

FIREHOUSE EQUIPMENT

All firehouses will be equipped with a commercial quality stove; a commercial quality refrigerator; a commercial quality sink; furniture for the stations; and first aid kits. The City shall not only purchase, but also install (or, in the alternative, arrange for installation of) all the above items. The specifications are to be mutually agreed upon by the Chief of the Fire Department and the Local 198 Health and Safety Committee.

ARTICLE 34

GRANT COMMITTEE

In light of the financial situation in the City, a Grant Committee shall be established to consider all grant opportunities. The Grant Committee shall consist of the Mayor or his/her designee, the Union President or his/her designee, and the Fire Chief or his/her designee. Any grant approved by the Grant Committee shall be submitted to City Council.

ARTICLE 35


DURATION OF CONTRACT

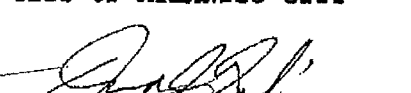
This Agreement shall be effective as of the first day of January 2015 and shall remain in full force and effect through December 31, 2017. It shall automatically be renewed from year to year thereafter, unless either party shall notify the other, in writing, one hundred twenty (120) calendar days prior to the termination date, that it desires to modify the Agreement. In the event that such notice is given, negotiations shall begin no later than ninety (90) calendar days prior to the termination date. This Agreement shall remain in full force and effect during the period of negotiations.

Exhibit 1

ATTEST:

CITY OF ATLANTIC CITY


Rhonda Williams,
City Clerk


Donald A. Guardian, Mayor


Date: 3/19/16

Date: 3/28/16

ATTEST:

I.A.F.F. Local 198



Secretary/State Delegate


William DiLorenzo,
President, IAFF Local 198

Date: 3/21/16

Date: 3/20/16

Date: 3/21/16


Mark Belland, Esq.
O'Brien, Belland &
Bushinsky, LLC

The within Agreement approved as to form and execution

Date: 5/12/16

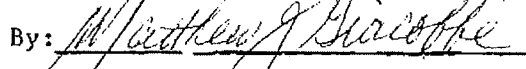
By: 
Matthew J. Giacobbe

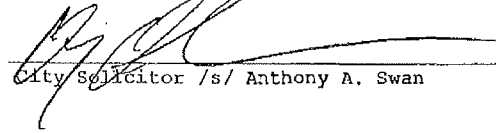
Exhibit 1

Resolution of the City of Atlantic City

No. 227

Approved as to Form and Legality on Basis of Facts Set Forth

Factual contents certified to by


 City Solicitor /s/ Anthony A. Swan

Business Administrator /s/ Jason Holt, Esq.

Prepared by City Solicitor's Office

Council Member SHABAZZ & SMALL presents the following Resolution:

Resolution Approving the Collective Negotiations Agreement between the City of Atlantic City and Atlantic City Professional Fire Fighters IAFF Local 198

WHEREAS, the City of Atlantic City has been involved in collective bargaining with the Atlantic City Firefighters, Local #198, I.A.F.F; and

WHEREAS, an agreement between the parties has been reached;

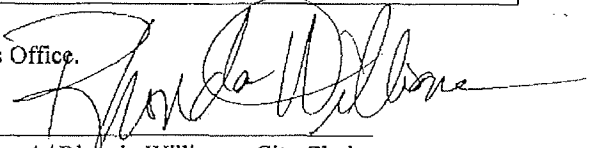
NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Atlantic City that the Mayor is hereby authorized to execute and the City Clerk to attest said **COLLECTIVE BARGAINING AGREEMENT** between the City and the **ATLANTIC CITY INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS**, Local #198, covering the period from JANUARY 1, 2015 through DECEMBER 31, 2017.

tc May 13, 2016 3:22 PM

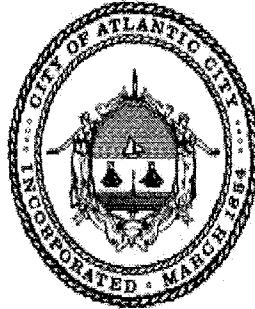
DO NOT USE SPACE BELOW THIS LINE													
RECORD OF COUNCIL VOTE ON FINAL PASSAGE													
COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	MOT.	SEC.	COUNCIL MEMBER	AYE	NAY	N.V.	A.B.	MOT.	SEC.
CHENG	/						MARSH	/					X
DELGADO	/						RANDOLPH	/					
GILLIAM				/			SHABAZZ	/				/	
KURTZ	/						TIBBITT				/		
								SMALL, PRESIDENT	/				
X-Indicates Vote NV-Not Voting AB-Absent MOT-Motion SEC-Second													

This is a Certified True copy of the Original Resolution on file in the City Clerk's Office.

DATE OF ADOPTION: MAY 18, 2016


 /s/ Rhonda Williams, City Clerk

City of Atlantic City, NJ



Five-Year Recovery Plan

Submitted to the State of New Jersey
Department of Community Affairs

October 25, 2016

Exhibit 2

City of Atlantic City

Donald A. Guardian, Mayor

City Council

Marty Small, Sr., President

Aaron Randolph	William Marsh
Kaleem Shabazz	Jesse O. Kurtz
Cheun "Jimmy" Cheng	George Tibbitt
Frank Gillam, Jr.	Moisse Delgado

Jason Holt, Esq.
Business Administrator

Anthony A. Swan, Esq.
City Solicitor

Chris Filiciello
Mayor's Chief of Staff

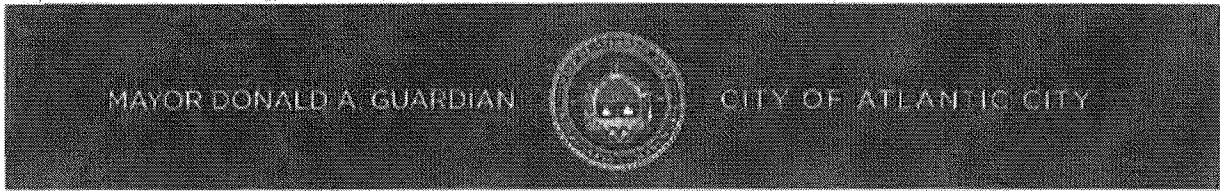
Recovery Plan Advisors:

PFM Group Consulting, LLC

NW Financial Group, LLC
Financial Advisors

McManimon, Scotland & Baumann, LLC
Bond Counsel

Exhibit 2



Charles A. Richman, Commissioner
Dept. of Community Affairs
101 S. Broad St.
P.O. Box 800
Trenton, NJ 08625-0800

Dear Commissioner Richman,

Since being sworn in as Mayor of Atlantic City on January 1, 2014, we have faced extraordinary challenges arising out of the precipitous decline in the casino industry. The resulting unprecedented deterioration in our tax base has left behind sharply reduced annual revenues and catastrophic tax appeal liabilities. However, with great challenges come great opportunities. This is why I am optimistic as I join with our City Council to present the *Atlantic City Recovery Plan* - our template for Atlantic City's renaissance that will restore pride to our residents and community.

The preparation of our Recovery Plan has been a collaborative effort that would not have happened without Council President Marty Small's leadership on City Council and the significant contributions of his City Council colleagues. Its preparation also involved countless meetings, conferences and discussions by and among State legislators, County representatives, community advocates, our local utilities authority and members of the business community among others. Through this process, and with the assistance of our dedicated staff, we have produced a thorough, comprehensive, professional and critical analysis of the City's current financial difficulties. Working from this foundation, we then set out specific budgetary and debt solutions, some of which are bold and transformational, but all of which are practical and achievable. The Recovery Plan involves real and significant cuts in personnel and ongoing costs. It makes appropriate use of assets and debt capacity to finally resolve all of the looming obligations that have threatened our financial viability. It does not push solutions artificially and disproportionately into the future, but instead provides a long-term perspective to develop a sustainable path forward. Importantly, it takes full advantage of the opportunities given to us by the executive and legislative branches of our great State.

In developing our plan, we also reviewed all of our budgetary and debt considerations and the various options identified in past analysis, many of which we have already implemented or have underway. Prepared with the support of independent and experienced professionals, the report makes no excuses for our financial condition, but does explain both the causes that are of the City's own making and those that involve unique economic circumstances largely beyond our control.

In preparing this Plan we were always guided by its importance to those we serve. We know that getting this right affects the 40,000 people who reside in Atlantic City as well as the nearly 40,000 commuters, over 25 million annual visitors, and all New Jersey taxpayers who benefit from our City's role as an economic engine for the State.

In this critical context, the City Council and I ask you to approve and embrace our Recovery Plan as the way to bring Atlantic City renewed financial and economic stability. With your support, we will finally put into place the platform of financial and operational stability that allows us to realize our full potential - moving us beyond the casino-centric model of past decades to become a thriving community with a diverse economy and vibrant neighborhoods for years and generations to come.

Sincerely,


Donald A. Guardian
Mayor

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I. Executive Summary

Exhibit 2

Executive Summary

Atlantic City's fiscal challenges are severe, with "junk bond" credit ratings, recurring budget deficits, and large-scale, outstanding tax appeal and deferred payment liabilities. Nonetheless, with the significant change and partnership outlined in this Recovery Plan, these challenges can be resolved – creating an environment of growth and resurgence for City residents, businesses, visitors, and all New Jersey taxpayers who benefit from Atlantic City's continued health as a major economic engine.

While there have been multiple contributing factors to the City's current deficits, a fundamental shift in the East Coast gaming industry has been the primary precipitant of the ongoing budget crisis:

- Since 2010, as more states along the East Coast have legalized gaming, multiple Atlantic City casinos closed and the City lost over two-thirds of its assessed value – declining from \$20.5 billion to \$6.5 billion.
- In turn, property tax revenues – the City's single largest revenue source – fell from \$182.1 million in 2010 to an estimated \$117.0 million in 2016 despite tax rate increases, creating ongoing operating budget shortfalls.
- As property values declined faster than new assessments could keep up, the City also faced a series of extraordinary tax appeals creating over \$500 million in one-time debt. Although many of these liabilities have now been paid or financed, a significant share remains unresolved.

To address this unprecedented economic disruption, the State enacted the May 2016 Municipal Stabilization and Recovery Act and Casino Property Tax Stabilization Act, which not only set forth the requirements for this Recovery Plan, but also realigned, increased, and stabilized key revenue streams.

In parallel to this support, the City has also advanced significant local actions, including:

- Reducing full-time headcount from 1,323 to 965 since late 2013, including the consolidation of multiple departmental leadership positions.
- Cutting the fleet by more than 120 vehicles, auctioning over \$7 million of surplus real estate, and implementing technology and efficiency initiatives to lower operating costs.
- Reaching a shared services agreement with Atlantic County to transfer health-related and senior services, and bidding out ten services in 2015 and 2016 to date, testing the market for the most cost-effective means to deliver services.
- Enacting fee increases for Licensing and Inspections, Fire Safety, and other activities, and contracting to modernize parking meter operations.
- Saving \$1.1 million annually from prescription and dental benefit redesign.
- Reducing pay levels for future firefighters and containing current costs through binding arbitration, and negotiating a supplemental firefighter agreement to lower medical costs.
- Negotiating new labor agreements with Police Superiors and the IBEW including three-year wage freezes, cuts to longevity and education pay, more affordable health coverage, and reduced paid leave and overtime.

Nonetheless, without further corrective action, this Recovery Plan forecasts remaining operating budget deficits growing annually, with additional exposure to over \$250 million in unfunded, one-time liabilities.

Consistent with the goals of the State Acts, this Recovery Plan outlines Atlantic City's blueprint to close this remaining gap, resolve these liabilities, and position for sustainable fiscal health and resurgence.

Exhibit 2

Executive Summary

Cutting Spending:

- Eliminating another 100 full-time positions – totaling 458 since late 2013, including nearly half of the civilian workforce – through an Early Retirement Incentive (ERI) and efficiency strategies such as competitive contracting and shared services.
- Reducing non-personnel costs by at least 10% through initiatives such as energy-saving streetlight and facility retrofits and telephone system changeover.

Stabilizing Revenues:

This Plan does not call for a further State “bailout” or increased municipal aid beyond current levels and the resources provided under the Stabilization Act. To the contrary, this Plan sets forth a strategy for decreasing State aid year by year. At the same time, this Plan does not propose further local tax rate increases, recognizing that existing local tax burdens are a significant obstacle to private investment by households and businesses alike. Municipal tax increases of nearly 86% since 2010 have already left Atlantic City with effective 2015 tax rates well above the New Jersey statewide average. Instead, revenue enhancement initiatives include:

- Parking meter modernization, already in place through a new private contract, and improved cost recovery through updated fees and fines, most already enacted into law.
- A \$1.4 million annual payment in lieu of taxes from Stockton University once its new campus opens, projected for 2018-2019, and pursuit of additional nonprofit contributions.

Resolving Liabilities:

- Most of the Bader Field property, 142 acres of City-owned Bayfront property will be sold to the Atlantic City Municipal Utilities Authority (ACMUA), generating \$110 million to help address the large, legacy liabilities now clouding the City's fiscal future.
- The balance of the City's liabilities will be financed through a new tax appeal financing to enable reasonable settlement of outstanding liabilities and cost-effective repayment over time.

This Atlantic City Recovery Plan builds on past State and civic reports to pull together the first comprehensive strategy to achieve financial stability. While no realistic plan can avoid some sacrifice, fully address every concern, or bring transformation overnight, this is Atlantic City's plan to balance its budget on a recurring basis, address 100% of its long-term liabilities, and provide for modest reserves while investing in the future.

It all fits together, and it works:

- Spending cuts and reforms bring the annual budget under control.
- Bader Field proceeds reduce the extraordinary tax appeal liabilities down to a manageable level.
- The new budget has room to pay off the remaining unfunded liabilities to provide a clean fiscal slate, like a homeowner would pay off a mortgage, at a level the City can afford – while also funding prudent reserves and much needed ongoing capital investment.
- Atlantic City will be financially stable again, providing a platform for economic resurgence.

With continued partnership from the State, County, and region, Atlantic City can now move forward to resolve its immediate fiscal crisis, and – most importantly – to become an increasingly vibrant place to visit, work, and live for the months, years, and generations to come.

Exhibit 2

Executive Summary

The City of Atlantic City
Five-Year Projection

OPERATING BUDGET						
Baseline Projection - Prior to Corrective Action						
	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Operating Revenues						
Property Tax and Casino PILOT (Municipal Share)	120,637,659	111,651,889	111,786,981	112,970,815	114,178,325	115,409,986
ACA Funds - Temporary Diversion	30,000,000	15,000,000	10,000,000	5,000,000	5,000,000	5,000,000
Casino Investment Alternative Tax (IAT)	13,000,000	23,852,819	24,708,449	31,294,479	30,055,998	29,081,347
CMPTRA Aid / Energy Tax Receipts	26,260,714	26,260,714	26,260,714	26,260,714	26,260,714	26,260,714
Transitional Aid	26,200,000	26,200,000	22,300,000	19,000,000	16,200,000	13,800,000
Local / Other Revenues	19,687,201	13,822,601	14,021,095	14,232,684	14,458,369	14,700,150
Total Revenues¹	\$235,785,774	\$216,580,023	\$209,077,239	\$208,758,692	\$206,153,406	\$204,252,197
Operating Expenditures						
Personnel Costs	143,889,087	146,793,444	148,571,955	149,430,646	153,108,612	154,775,024
Operating / Non-Personnel Expenses	26,858,969	27,375,821	27,968,239	28,569,446	29,185,723	29,815,352
Debt Service	38,664,442	26,443,287	24,697,918	27,362,955	25,916,798	24,942,147
Other Expenses	26,372,276	11,673,581	10,701,362	9,829,699	7,058,603	6,888,085
Contribution to Budget Stabilization Reserve	0	4,000,000	3,000,000	3,000,000	2,000,000	0
Total Expenditures¹	\$235,785,774	\$218,286,134	\$214,937,473	\$216,192,746	\$217,269,735	\$216,420,608
Operating Surplus/(Deficit)	\$0	(\$1,698,111)	(\$5,860,234)	(\$9,434,054)	(\$11,116,329)	(\$12,168,411)
<i>Note: Operating deficits shown do not include payments toward unfunded liabilities and would be substantially greater accounting for these obligations.</i>						
Initiatives to Close the Operating Gap						
Revenue Initiatives	0	1,215,000	1,240,000	2,723,577	2,804,371	2,840,355
Expenditure Reduction	0	4,851,293	8,827,617	11,091,297	12,511,534	13,508,122
Total Initiative Impact	\$0	\$6,066,293	\$10,067,617	\$13,814,874	\$15,315,905	\$16,348,481
Plan Projection - After Corrective Action - Before Addressing Liabilities						
Operating Revenues	235,785,774	217,803,023	210,317,239	211,482,269	208,957,777	207,092,556
Operating Expenditures	235,785,774	213,434,840	206,109,856	207,101,450	204,758,201	202,912,487
Operating Surplus/(Deficit)	\$0	\$4,368,182	\$4,207,383	\$4,380,819	\$4,199,576	\$4,180,069
EXTRAORDINARY LIABILITIES						
Liabilities						
Tax Appeal (Borgata)	\$103,000,000					
Tax Appeal (MGM)	\$39,000,000					
Reserve for Tax Appeals / Other One-Time Costs	\$36,750,000					
State Deferral Repayment	\$43,250,000					
Total Extraordinary Liabilities	\$215,000,000					
Liability Pay Down and Restructuring						
Proceeds from Bader Field						\$110,000,000
New Financing						\$105,000,000
Total Liability Restructuring						\$215,000,000
	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Cost of New Financing	\$0	\$4,139,200	\$4,139,200	\$4,139,200	\$4,139,200	\$4,139,200
OVERALL RECOVERY PLAN RESULTS						
Liabilities:	100% addressed					
Budget Stabilization Reserve:	\$12 million					
Reserves for Tax Appeals / Other One-Time Costs:	\$15 million in operating budget; additional \$35+ million from Bader Field sale					
Operating Budget:	100% balanced					
	2016 Projected	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Surplus/(Deficit) Net of Liability Financing	\$0	\$228,982	\$68,183	\$241,619	\$68,376	\$40,869
"BELOW THE LINE" INITIATIVES						
Potential Sources						
Asset Sales	6,000,000					
State Reimbursement of ERI Pension Increment	3,500,000 ²					
Total Potential Sources	\$9,500,000					
Potential Uses						
Productivity Bank Capitalization						6,000,000
Additional Capital Investments ³						3,500,000
Total Potential Uses						\$9,500,000

¹ For details of grant revenues and expenditures that are excluded in this summary, please refer to the Fiscal Gap chapter.

² Preliminary estimate; pending state actuary actuarial analysis to retire and determine final obligation.

³ Capital Investments include important pay-as-you-go expenditures not funded in the primary Recovery Plan, including fire apparatus, public safety, radio communications improvements, blight reduction, and additional infrastructure repairs and improvements.

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II. Introduction

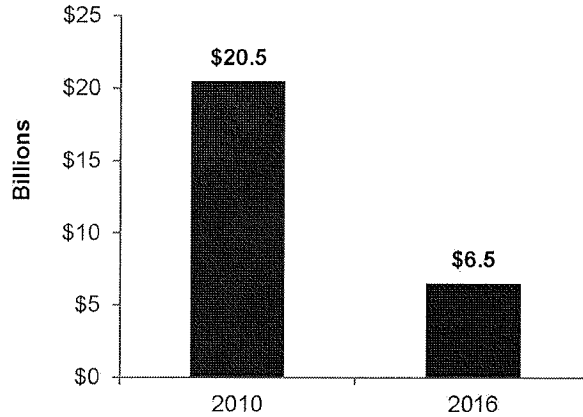
Exhibit 2

Introduction

Atlantic City's Fiscal Challenge

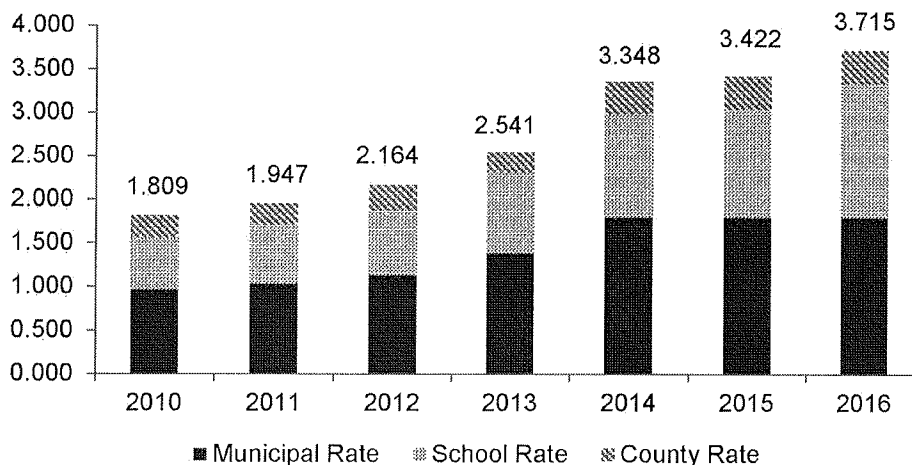
While many factors have played a role in the City's current financial crisis, a fundamental shift in the East Coast gaming industry has been the major driver. From 2010 to 2016, as Pennsylvania, Maryland, New York, and Delaware authorized and expanded legalized gaming, Atlantic City's total real estate values declined from \$20.5 billion to just \$6.5 billion. In just over half a decade, the City lost more than two-thirds of its primary tax base.

Atlantic City Taxable Assessed Values, 2010 and 2016



In turn, property tax revenues – the City's single largest revenue source – fell from \$182.1 million in 2010 to an estimated \$117.0 million in 2016 – despite 22.3% and 29.6% rate increases in 2013 and 2014, respectively, that left Atlantic City with equalized tax rates (including schools and county taxes) more than 30% above the New Jersey statewide average as of 2015. Including additional increases to School District and County rates, the total property tax rate for Atlantic City more than doubled since the start of the decade – even as the revenues generated have continued to fall.

Atlantic City Tax Rates



To address this unprecedented disruption, the State enacted the Casino Property Tax Stabilization Act and Municipal Stabilization and Recovery Act in May 2016, which, viewed in tandem, not only set forth

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Introduction

the requirements for this Recovery Plan, but also increased and stabilized key municipal revenue streams, including:

- Atlantic City Alliance (ACA) Funds: Beginning in 2015, casino contributions that previously funded ACA marketing activities are now diverted to the City for an eight-year period. The legislation provides a phased schedule with payments of \$30 million annually in 2015 and 2016 (with both still pending transmittal by the State), \$15 million in 2017, \$10 million 2018, and \$5 million annually from 2019 through 2023.
- Casino Investment Alternative Tax (IAT): Beginning in 2016, receipts from the IAT will also be directed to the City to help pay down debt. Under current law, casinos have been required to pay an IAT of 1.25% of gross gaming revenues and 2.5% of internet gaming revenues to the Casino Reinvestment Development Authority (CRDA) for investment and community development. The legislation reallocates these tax receipts to the City after excluding any debt service and contractually obligated payments by the CRDA. The City budgeted \$13 million in IAT revenues for 2016, and actual receipts are projected to be even higher.
- Casino Payment In Lieu of Taxes (PILOT): Beginning in 2017, property tax revenues from casino gaming properties will be replaced by PILOT payments, totaling \$120 million in the first year, although a portion will be remitted to the County and the School District.
- In addition, the State also renewed annual Consolidated Municipal Property Tax Relief Act (CMPTRA) payments to the City beginning in 2015, the first year for the City to receive such aid since 2007. CMPTRA aid is a statewide program created in 1996 that consolidated 14 separate revenue streams to help offset municipalities' need for property tax revenue.¹ Further, Atlantic City also entered the State's Transitional Aid (TA) program for fiscally challenged local governments beginning in 2014, with \$13 million provided in each of 2014 and 2015, and \$22.6 million for 2016.

This State revenue infusion and realignment reflects two realities of the City's current position:

- First, Atlantic City's exclusive East Coast gaming "franchise" no longer exists, and the fiscal framework used during that prior period is no longer viable. When gaming revenues and assessed valuations were strong, the City did not require the level of CMPTRA support received by most New Jersey cities – despite the high cost burdens of serving a much larger number of commuters and visitors than other similarly sized communities. Now, however, CMPTRA revenue support is essential for structural balance, and targeted revenue streams such as the IATs and the Casino PILOT are required to support the additional casino-related service demands that remain.
- At the same time, the extraordinarily abrupt decline in the City's tax base left behind a legacy of hundreds of millions of dollars in tax appeal liabilities, and has required a series of operational transitions that cannot be implemented overnight without disrupting core municipal services. As a result, transitional support through the TA program and the ACA fund reallocations is also critical.

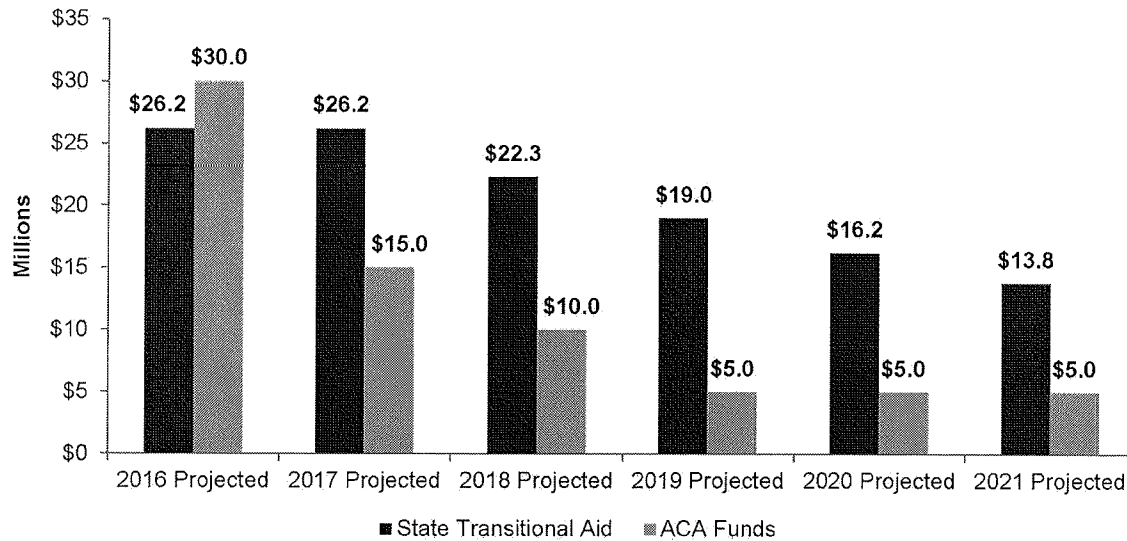
¹ The 14 separate state aid programs prior to 1996 include business personal property tax replacement aid, municipal revitalization aid, supplemental municipal property tax relief, and urban aid.

Exhibit 2

Introduction

Nonetheless, this Plan does not call for a new State “bailout” or increased municipal aid beyond the levels now provided. To the contrary, this Plan sets forth a strategy for decreasing the transitional component of State aid over time consistent with the goals of the TA program and the Municipal Stabilization and Recovery Act, while maintaining CMPTRA aid and Energy Tax Receipts at flat levels across the full five-year period of the Plan. In 2017, to ensure financial stability during the first year of this Recovery Plan when ACA Funds are slated to decline by \$15 million, TA is assumed to remain flat at 2016 awarded levels. In subsequent years, even as ACA funds continue to decline, TA phases down by 15% annually. As a result, the 2016 total State transitional support of \$56.2 million is slated to drop to just \$18.8 million at the end of the five-year period.

Recovery Plan Projection of State Transitional Aid and ACA Funds, 2016 to 2021²



In parallel to this essential State support and revenue realignment, the City has also undertaken significant local actions to adjust to its new fiscal position – including a reduction in full-time headcount by over 350 positions since 2013, the tax increases already noted, and multiple other cost recovery and savings actions as highlighted in the table that follows.

² The City requested \$37.0 million in transitional aid in its 2016 introduced budget. The final 2016 transitional aid amount has not been released and may potentially be lower than the requested \$37.0 million.

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Introduction

Atlantic City Local Deficit Reduction Actions – Completed to Date (Partial List)
Eliminated more than one-quarter of full-time City positions since 2013, from 1,323 to 965
Competitively bid out ten functions to date to test the market for the most cost-effective means of service delivery, with parking metering already under a new contract, negotiations underway to contract for payroll services, and bids for Sanitation and Recycling now under evaluation
Established a mortgage foreclosure registration shared services program with the Atlantic County Improvement Authority
Reached agreement to transfer multiple health functions to Atlantic County starting in 2017
Reduced health clinic costs through vendor replacement
Saved \$1.1 million annually by restructuring Citywide employee prescription and dental benefits
Obtained a Firefighter labor arbitration award with significant cost containment, including longevity and education pay freezes/elimination, a new salary scale, and multiple years with no wage increases
Negotiated new Police Superiors and International Brotherhood of Electrical Workers (IBEW) agreements with three-year wage freezes, premium and overtime pay savings, more affordable health coverage, and reduced paid leave
Increased Licenses and Inspections, Fire Department, Parking, and other departmental fees in 2016
Eliminated multiple senior positions through consolidated duties (Public Safety Director, Health Director, Health Officer, Emergency Management Director and Assistant Director)
Reduced the City fleet by over 100 vehicles and eliminated positions by expanding an existing fleet maintenance contract
Auctioned multiple City properties to expand the tax rolls, generating \$7.1 million in sales
Auctioned miscellaneous surplus chattel property (office furniture, scrap metal, etc.)
Expanded tax collection from foreclosed and abandoned properties
Consolidated operations in City Hall to eliminate leased space
Eliminated City Council take-home cars, Council aides, and health benefits for new members, while the Mayor receives a salary \$38,400 below the level authorized at the time of inauguration
Deployed new technology and equipment to improve code inspections, reduce inventory, lower ammunition costs, and allow for online tax payment
Launched a cost savings conversion of the municipal telephone system to Voice Over Internet Protocol (VoIP) technology
Contracted for use of high technology pothole repair equipment that has improved road conditions and reduced Public Works staffing needs

Despite all of these significant State and City actions to date and more, however, the impact of the tax base erosion and legacy of tax appeal debts remains severe.

In the operating budget, prior to further corrective action, this Recovery Plan forecasts a net shortfall of \$1.7 million in 2017 that grows each year to \$12.2 million by 2021 – even before factoring in Borgata tax settlements, MGM tax settlements, and additional unresolved liabilities for ongoing tax appeals.

Exhibit 2

Introduction

General Fund Baseline Projection, 2017-2021 (\$)

	2017 Projected	2018 Projected	2019 Projected	2020 Projected	2021 Projected
Operating Revenues	221,056,339	219,845,846	219,694,936	217,418,496	215,862,362
Operating Expenditures	222,754,450	225,706,080	229,128,991	228,534,825	228,030,773
Operating Surplus/(Deficit)	(1,698,111)	(5,860,234)	(9,434,054)	(11,116,329)	(12,168,411)

In addition, the above gap projections do not include multiple, large-scale liabilities yet to be resolved:

- 2011-2015 Borgata claims, still under Tax Court appeal by the City, which adds further one-time exposure of \$150 million or more if not resolved timely.
- Settled claims with MGM, with unpaid balances of \$33 million.
- Obligations to the State for deferred contributions for employee health and pension benefits, now approximately \$43.25 million with interest compounding.
- Pending tax appeals in varying stages of the process, with further exposure in the tens of millions of dollars.

In total, the City faces well over \$200 million in such additional liabilities, and potentially much more as litigation continues and interest charges mount, absent timely and effective resolution.

Plan to Close the Gap

Consistent with the goals of the Municipal Stabilization and Recovery Act, this Recovery Plan outlines the City's blueprint to close this remaining gap, address these liabilities, and position the City for sustainable fiscal health with a focus on Cutting Spending, Stabilizing Revenues, and Resolving Liabilities.

Cutting Spending

Building on the steps already taken to realign City spending with the new realities of the City's revenues, this Plan incorporates significant further local actions to reduce operating costs, including further headcount cuts of another 100 positions, bringing the City's full-time workforce to 865 or below in 2017 – down more than one-third (458 positions) from just four years earlier.

To achieve headcount reduction while preserving core municipal services and minimizing the disruptive effect of layoffs on City workers, their families, and service delivery, this Recovery Plan relies on a broad set of strategies:

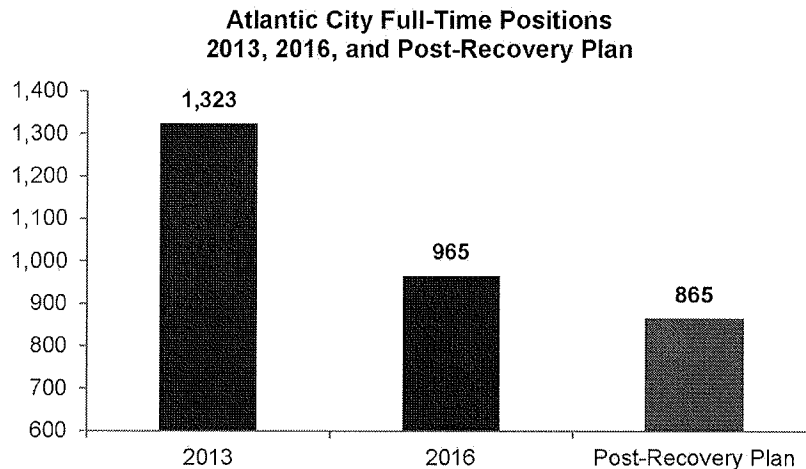
- Transferring a majority of the City's health and senior services to Atlantic County. An agreement to shift senior transportation, home meal delivery, and health clinic functions to the County has been negotiated, and approved by City Council. This will eliminate the need for 24 City positions.
- Competitively contracting for functions where the private sector can potentially deliver quality services more cost-effectively. Already in 2015 and 2016, requests for proposals have been issued for ten City services. Parking meter operations are already under contract, eliminating the need for an in-house Paint and Sign Shop while also increasing revenues, and negotiations

Exhibit 2

Introduction

are underway to contract for payroll processing. Bids for Sanitation and Recycling were received October 18, 2016 and are now under evaluation.

- An Early Retirement Incentive (ERI) has been offered, consistent with the goals of the Municipal Stabilization and Recovery Act, to accelerate general reductions in City headcount without the disruption of layoffs and also to replace higher cost public safety incumbents with new hires on a reduced salary tier. Based on the initial, strong response from eligible employees, the City projects to eliminate 52 civilian positions through this initiative, with public safety impacts pending further refinement of the incentive.



In evaluating the impact of these headcount reductions and the resulting staffing levels, it is important to take into account Atlantic City's unique service demands as an international gaming hub and destination resort. As a result of the City's extraordinarily high levels of visitation and commuting – as well as some of the particular impacts of gaming, nightlife, and high-rise hotels on police and firefighting responsibilities – there is strong consensus that residential population alone is an insufficient measure of the true population served. For example:

- Research by the State of New Jersey Department of Labor and Workforce Development has found that *“Daytime population is a better indicator of a locality's economic and social activities than resident population, and daytime population estimates are essential for evaluating business development, gauging transportation and infrastructure needs, planning emergency evacuation, and other needs.”*³
- A U.S. General Accounting Office report in 2000 incorporated commuter and visitor counts as the appropriate way to analyze crime rates in Atlantic City due to the large influx of people into the community.
- A 2015 paper by the Rutgers University Bloustein Local Government Research Center established that the municipal cost of services per capita in Shore resort communities may be as much as 3.5 times higher than the state average.

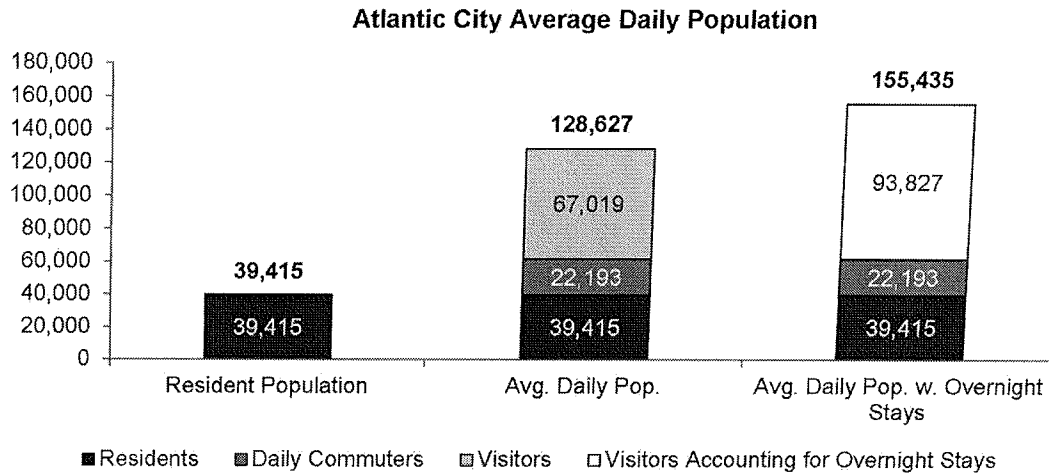
³ “Commuter-Adjusted Daytime Population Estimates for NJ,” New Jersey Department of Labor and Workforce Development, Office of Research and Information, NJ Labor Market Views Issue #28 (June 17, 2014).

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Introduction

As one illustration of how these factors can expand the City's service population, a methodology developed over 30 years ago, at what is now the South Jersey Transportation Authority (SJTA), has long been accepted as a thoughtful approach for estimating Atlantic City's average daily population. This methodology incorporates all available information on vehicle, bus, rail, and air traffic counts into Atlantic City, and translates vehicular traffic into daily visit-trips based on extensive past field surveys. This methodology provides a daily population figure that is inclusive of residents, commuters and visitors, without double-counting any segment.⁴

This methodology yields an average daily population of 128,627, factoring in residential, non-resident commuters, and visitors. When length of stay is incorporated into the methodology based on Atlantic City-specific figures used by the hotel industry – recognizing that some of the visitors entering the City daily will stay for more than one day before leaving – the average daily visitor population estimate increases to 155,435.



On a comparative basis, other municipalities would also have varying degrees of additional visitation distinct from their resident populations, and detailed visitor trip counts and field survey data are not available for New Jersey's non-resort urban communities. At the same time, both Census Bureau commuter data and hotel room counts as an indicator of overnight visitation clearly demonstrate that such service pressures are particularly high in Atlantic City.

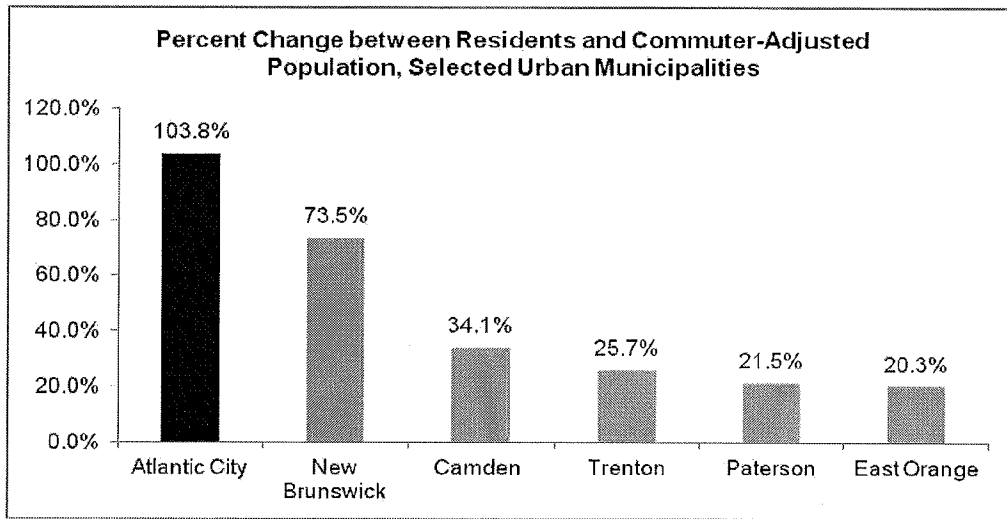
Among the following New Jersey urban municipalities, for example, Atlantic City has by far the highest increase in daytime population due to commuters reported in the most recent available⁵ Census data.

⁴ Methodology and analysis provided by Anthony Marino, Retired Adjunct Professor Richard Stockton University, Retired Executive South Jersey Transportation Authority. To calculate Atlantic City's average daily population, this methodology first determines how many non-residents commute to the City for work. This total number is then adjusted to derive a daily peak population number by multiplying the number of non-resident commuters by 4/7. In 2015, this calculation equated to 22,193 non-resident commuters. The ratio of 4/7 accounts for an increase in part-time workers (previously used 5/7 to account for a 5 day workweek). The non-resident commuter figure is next added to the number of daily visit-trips. The average number of daily visit-trips to Atlantic City, derived from SJTA figures, was 67,019 for 2015. The SJTA figures account for visit-trips to the City by car, casino bus, NJ Transit bus, air and rail. To accurately gauge the number of vehicles that carried visitors, the SJTA surveyed over 30,000 passenger vehicles. For non-casino air, bus and rail the figures assume that 1 in 5 passengers were non-resident visitors to Atlantic City.

⁵ The most recent Census data is from 2014, and does not reflect any subsequent economic changes.

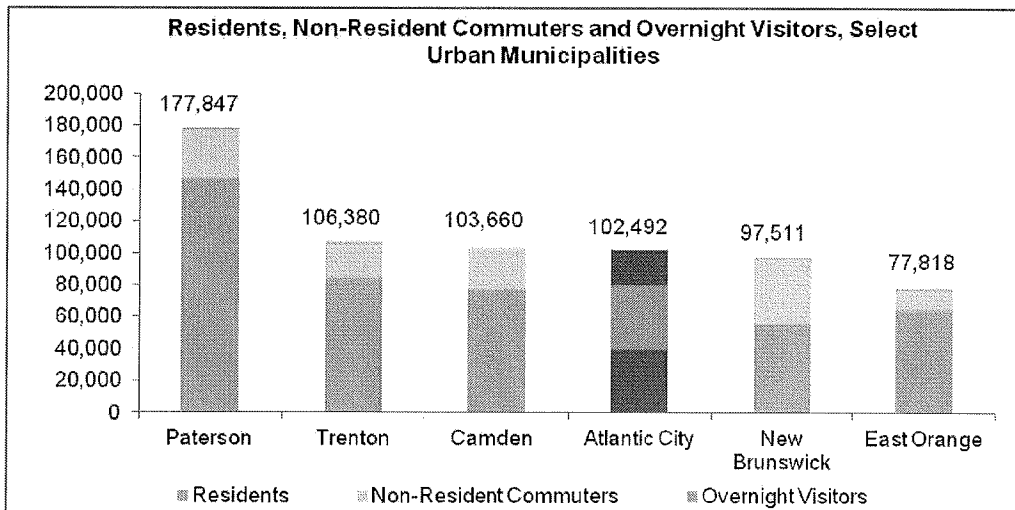
Exhibit 2

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Source: Census on the Map Report (2014).

When overnight hotel visitors are further taken into account, Atlantic City’s adjusted population becomes equivalent to New Jersey urban centers with resident populations above 100,000.⁶ As may be noted, **the following comparative figures significantly understate the full level of service pressure in Atlantic City because daytime visitors are not included**, resulting in a lower total service population more than 25,000-50,000 people below the level estimated under the Average Daily Population methodology. In addition, non-hotel overnight stays (i.e. “Air BNB”) are also excluded.



Sources: Census on the Map Data (2014); American Community Survey (2014); STR Hotel Census Database (July 2016).

⁶ Overnight hotel visitors is a calculated value, based on the number of available hotel rooms, occupancy rates, and an assumed 1.57 visitors per home room. STR hotel room census provided the number of hotel rooms in Atlantic City and Comparable Cities. For this analysis, it is assumed that rooms carry an average of 1.57 people, based upon lodging industry trends that about 57% of rooms stays have 2 people (157 people/100 rooms). We acknowledge that this may discount the number of travelers with children. Occupancy rates for Atlantic City were obtained from the Division of Gaming Revenue’s 2015 4th quarter Financial and Statistical Summary, while all other occupancy rates were obtained from CBRE Hotels’ report on national Occupancy rates.

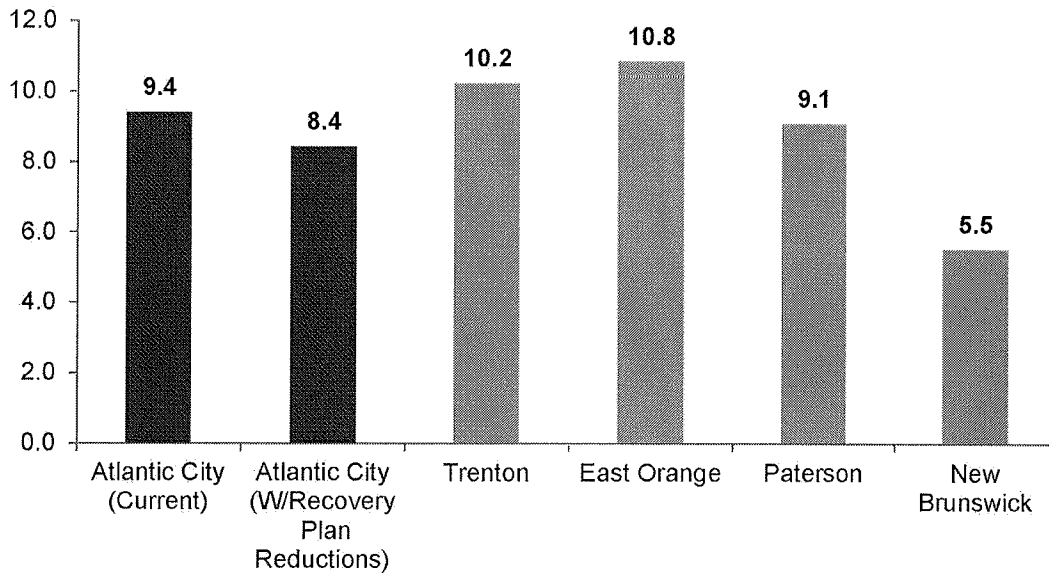
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Again, this significantly understated methodology is used for comparative purposes only, because visitor trip counts are not available statewide. While each of these urban municipalities will further have varying degrees of additional visitation distinct from their overnight hotel visitors (e.g. for Camden’s waterfront attractions, or Trenton’s capitol complex and sporting venues), Atlantic City almost certainly has higher service pressures than these other cities from such visitation – not factored into in the figures used for city-to-city benchmarking.

With this significant caveat – when only taking residents, commuters, and overnight hotel visitors into account – Atlantic City’s ratio of municipal headcount to its service population is already well within the mainstream among New Jersey cities, as shown below. When staffing levels are further reduced by another 100 positions, Atlantic City will have among the lowest staffing ratios in the group – below East Orange, Trenton, and Paterson.

2016 Budgeted Full-Time Employees, Urban Municipalities

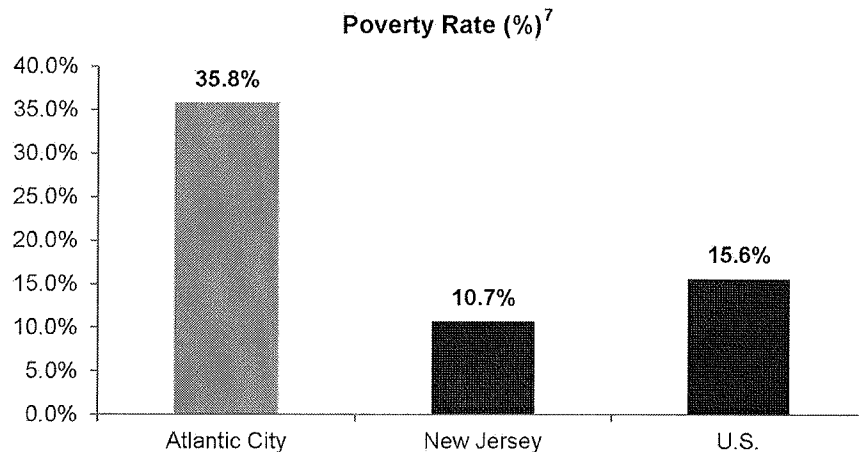


Note: The City of Camden is excluded from the chart above because Camden’s police services are provided by Camden County, thereby resulting in a significantly lower, but potentially misleading result (5.2). Similarly, while New Brunswick is included above, it may be noted that Rutgers University provides significant supplemental resources to that community, including a police force with an additional 69 officers.

Of course, factors beyond service population can also impact staffing requirements – ranging from the impacts on crime of 24/7 gaming and nightlife activity, to the fire suppression demands of multiple high-rise structures. Among such other relevant factors, it may also be noted that Atlantic City’s residential population experiences high concentrations of poverty and unemployment – far above New Jersey statewide and U.S. averages.

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Given all of these considerations, the significant Atlantic City headcount reduction already achieved – along with the 100 additional cuts included in this Recovery Plan – will require creative new management approaches. As further detailed in the "Plan to Close the Gap" section of this Plan, additional shared services initiatives, competitive contracting, improved equipment and technology, and redesigned work schedules and processes will all be important for ensuring that City government is not only smaller, but also working smarter.

To help fulfill this important goal, this Recovery Plan also includes two strategic approaches to encourage increased cost-effectiveness and efficiency:

- A Productivity Bank will be established to finance new initiatives with documented return on investment (ROI) potential, such as new technology and equipment that can automate existing activities.
- A volunteer Private Sector Task Force will be recruited from the regional business and nonprofit community to provide expert advisory services in areas of common activity, such as Facilities, Fleet Management, Risk Management, and Information Technology.

Through these new measures, along with significant actions already underway, the City can complement its staffing reductions with parallel cuts in non-personnel cost categories – with savings targeted of at least 10% over the next two years. In these categories, initiatives being undertaken by the City to date include:

- **Fleet reduction:** The City has already reduced its fleet by 121 vehicles (over 20%) since 2015, and further review is ongoing. This is projected to drive significant savings in fuel costs and the City's expiring contract for outsourced vehicle maintenance.
- **Telephone system upgrades:** Conversion to VoIP is under contract, underway, and projected to reduce phone system costs by over 40% while improving functionality.

⁷ 2010-2014 American Community Survey Five-Year Estimates, poverty rate for all people.

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- **Kelly Act Payment Competition:** These City payments for private apartment trash collection are also being put out for a comprehensive bid, with responses received October 18, 2016 and now under active evaluation.
- **Professional Services Review:** The City is committed to reducing overall professional services contracting by at least the 10% targeted level.
- **Space Consolidation:** With headcount reduction to date, the City has already been able to consolidate offices in City Hall to reduce the need for outside leased space.
- **Energy Efficiency:** The City has engaged a professional energy consulting team, with a comprehensive energy savings plan now under final engineering review. Savings are anticipated from utility rebates, lower energy, maintenance, and boiler costs, and conversion of 3,283 City-owned streetlights to LED technology.
- **Street Lighting Conversion:** In a parallel, but separate project, the City is also actively pursuing LED conversion of the 6,000 street lights owned by Atlantic City Electric, for which the City has already received a \$2 million grant from the Board of Public Utilities and applied for a \$5 million EDA loan.
- **Information Technology:** With headcount reduction, the City can reduce the number of printers and copiers, and is exploring additional information technology efficiencies.
- **General Materials, Supplies, and Equipment:** The City recently established an on-line “virtual stockroom” to cut inventory costs, developed an initiative to reduce police ammunition costs, and has lower overall needs due to headcount reduction.

Individually, these opportunities hold the potential to exceed the overall savings target. By aggregating the implementation risks associated with these various actions, the overall target is highly achievable and likely conservative.

Finally, as a further component of expenditure reduction, the City will continue to renegotiate union labor agreements and manage non-represented employee compensation to contain its costs per employee. In 2016, the City is already saving \$1.1 million from restructuring prescription drug and dental benefits. Further, following significant benefit reforms under Statewide Chapter 78 legislation, the City’s newest Firefighter arbitration award provides for multiple years with no wage increases, lower salary tiers for future hires, a freeze on longevity pay with elimination for future hires, paid leave reductions, and multiple other cost savings provisions.

Subsequently, in October 2016, the International Association of Firefighters (IAFF) reached a supplemental agreement with the City to shift into a more affordable medical plan. Also in October 2016, the City reached agreement with Police Superiors and the IBEW bargaining units that included the same medical savings, and City Council adopted an ordinance to implement parallel changes for non-union workers. In addition, the new Police Superior and IBEW settlements include three-year wage freezes, premium pay and overtime reductions, and restructured paid leave and terminal pay. Similar reforms are under negotiation with the remainder of the City’s municipal employee unions.

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Overall, these steps are designed to reduce the City’s annual spending to a level sustainable within projected, recurring revenues – delivering service levels consistent with benchmark communities when accounting conservatively for the demands associated with Atlantic City’s high levels of commuters, visitors, and associated calls for police, fire, and other municipal response.

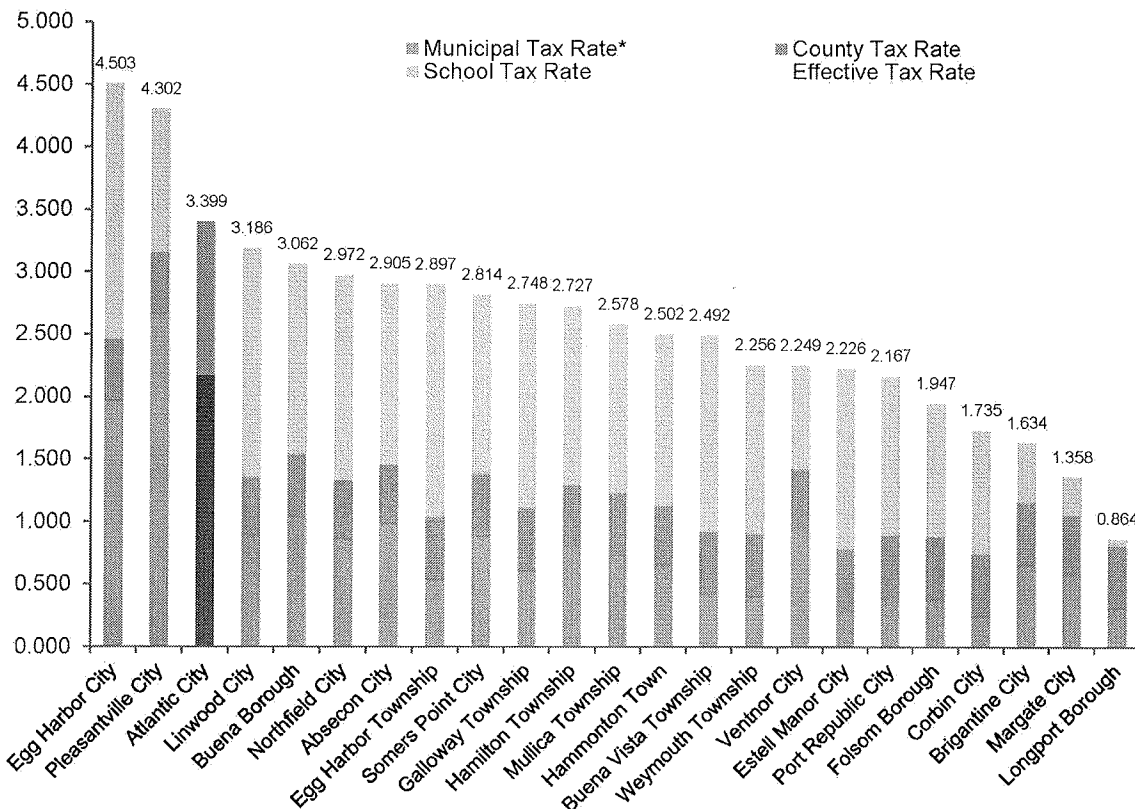
Stabilizing Revenues:

As noted previously, this Recovery Plan incorporates the important State assistance provided under the Stabilization Act and contemporaneous state-level funding decisions, but does not call for increased municipal aid beyond the levels now provided. To the contrary, this Plan sets forth a strategy for decreasing State aid over time and building financial independence.

In addition, this Recovery Plan also rejects further local property tax hikes that would compound the existing burdens already among the highest in New Jersey following increases that more than doubled Atlantic City's total rate (municipal, County, and School District) since just 2010.

As of 2015, Atlantic City's combined municipal, County, and School District effective tax rate ranked 3rd highest among the 23 local governments in Atlantic County.

Breakout of Effective Tax Rate, Atlantic County: 2015



Source: State of New Jersey Department of the Treasury.

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These high taxes, combined with Atlantic City's comparatively low income and employment levels, indicate that additional increases would significantly burden the local community, risk increased foreclosures on homeowners, and place the City at a comparative disadvantage in attracting the new residential and non-casino commercial activity needed to diversify and grow the economy.

As the same time, any organization requires steady and sufficient income to maintain operations and address inflationary cost pressures. Accordingly, to ensure stable and appropriate revenues, this Recovery Plan includes:

- Parking system modernization, already well underway through a new private contract, to optimize on-street parking revenues.
- Improved cost recovery through updated fees and fines for fire safety, construction, and other local activities, a majority of which have already been enacted into law.
- New, voluntary contributions from tax-exempt institutions, including \$1.4 million annually from Stockton University once its new campus opens, projected for 2018-2019, with additional contributions being pursued from a major healthcare nonprofit.

Resolving Liabilities

In addition to achieving structural and sustainable budget balance, this Recovery Plan also incorporates creative and cost-effective strategies to fully resolve large, outstanding, one-time liabilities and provide a clean financial slate going forward.

Beyond routine and recurring obligations, Atlantic City now faces the following extraordinary liabilities largely driven by the abrupt decline of casino gaming:

- **Borgata Hotel & Casino Tax Appeal:** With estimates of the potential remaining exposure ranging over \$150 million, the City believes that settlement in full can be achieved in exchange for timely repayment in early 2017 for approximately \$103 million.
- **MGM Tax Appeal Settlement:** The City also has a fixed settlement agreement with approximately \$33 million outstanding.
- **Deferred State of New Jersey Benefit Contributions:** In 2015, the City was allowed to defer its payments to the State for its annual employee pension and health benefits obligations. With interest, this initial obligation will have grown to just over \$43 million as of March 2017.
- **Pending Casino-Related Appeals:** The City also faces additional unresolved large tax appeals involving other casinos-related properties. Although the City believes it has a strong position in the pending appeals process, it is nonetheless prudent to establish a reserve to guard against such potential liabilities in the aggregate. City analysis indicates that a \$30-35 million reserve would provide such a safeguard, with any funds not needed to be available for pay-as-you-go capital investment and other one-time costs.

In total, these major liabilities well exceed \$200 million, and could reach far higher if litigation continues and interest charges continue to compound.

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To address these liabilities, the City will sell a majority of the Bader Field property, 142 acres of municipally owned Bayfront property, to the Atlantic City Municipal Utilities Authority (ACMUA) for \$110 million. This will enable the City to resolve more than half of its unfunded obligations now clouding its fiscal future.

At the same time, Bader Field will be retained in public use where it can be available for environmental and community activities over the years just ahead, while planning for longer-term redevelopment also advances. Under an agreement unanimously approved by the ACMUA Board of Commissioners and preliminarily authorized on first reading by City Council on October 19, 2016, the City will also share in the upside of future redevelopment revenues for this prime real estate as Atlantic City recovers economically and property values increase over time.

While financing this purchase may impact commercial utility rates in the near-term, longer-term redevelopment value can mitigate future ACMUA rate pressure. In addition, current ACMUA rates are comparatively low, rate design can minimize the further impact on residential customers, and any necessary increases would be expected to be equivalent to or lower than the increases required if an external buyer were to acquire and need to the MUA and finance the purchase price.

In concert with this step, the City will finance its remaining extraordinary liabilities with a \$105 million tax appeal financing that takes advantage of the current, historically low-interest rate environment on a tax-exempt basis. With the savings generated under this Recovery Plan in the operating budget, the resulting debt service costs will be manageable, and there will also be sufficient capacity to fund a much needed capital investment program.

Pending Extraordinary Liabilities	
Borgata Tax Appeal	\$ 103,000,000
MGM Tax Appeal Settlement	\$ 33,000,000
Reserve for Tax Appeals / Other One-Time Costs	\$ 35,750,000
<u>Repayment of Deferred State Benefit Contributions</u>	<u>\$ 43,250,000</u>
Total Extraordinary Liabilities	\$ 215,000,000
Total Bader Field Proceeds	\$ 110,000,000
Remaining Extraordinary Liabilities to be Financed	\$ 105,000,000

Economic and Community Development

To build on the financial and operational stability this Recovery Plan is designed to achieve, the Plan further outlines a comprehensive economic and community development strategy with identified priority investments for neighborhood revitalization, attraction of a more diversified economic base, and enhanced regional and interagency coordination.

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1. **Creating an Environment Positive for Economic and Community Development.** First and foremost, the City of Atlantic City must stabilize its finances – ensuring the sustained capacity to provide safe and clean streets, predictable, more competitive tax rates, and a business-friendly environment.

2. **Diversifying the Economic Base.** Atlantic City has an internationally recognized brand for tourism and entertainment, and gaming remains a key component of this strength. While several casinos have closed, many of the remaining facilities are now investing heavily in renovating hotel rooms, meeting space, and other non-gaming amenities. At the same time, the City's family-oriented events and attractions, beach and bay recreation, conventions and conferences, concerts, retail, dining, second home market, and other non-gaming activity have been successfully expanding, representing important opportunities for growth.

"I'm telling you to buy here... Over the years, the city has just lacked a plan. There hasn't been a plan here for years. That is starting to happen now."

- Developer Bart Blatstein, speaking to a meeting of the International Council of Shopping Centers, "Bart Blatstein says Atlantic City's future is bright," Press of Atlantic City (September 14, 2016).

3. **Strengthening Residential Neighborhoods.** Stable taxes and a safe environment are no less important for family and individual decisions about where to live and invest. Similarly, quality of life issues such as blight elimination and increased homeownership are vital for healthy neighborhoods.

4. **Enhancing Economic Development Tools.** To kickstart revitalization, five enhancements to build on successful State-City partnerships are proposed that would spark accelerated private investment:

- a. Expand the State's existing partnership through the Garden State Growth Zone program and involve the regional business community to develop an expanded package of incentives for Grow NJ in Atlantic City – many consistent with those already now supporting successful reinvestment in the City of Camden.
- b. Qualify Atlantic City for Neighborhood Revitalization tax credits and pursue new urban enterprise incentives.
- c. Enact the Atlantic City Growth Tax Credit program (A462/S99) to help spur non-rental housing development to increase homeownership and strengthen the residential tax base.
- d. Invest in Route 40/322 Improvements to enhance access to the Stockton University-South Jersey Gas - Gateway redevelopment and neighboring, underdeveloped areas of the City.
- e. Authorize a tax differential or development surcharge for vacant land, providing a greater incentive for redevelopment, and recovering more of the hidden costs of blight and abandonment.

5. **Focusing on High-Impact Redevelopment Zones and Projects.** Atlantic City has multiple, high-potential districts and projects primed to attract significant investment. Already, the Stockton University – South Jersey Gas – Gateway project is getting underway, with game-changing potential. Going forward, major opportunities include the Lighthouse District (Southeast Inlet), Midtown beach block, and the historic Ducktown district. In addition, private management of waterfront Gardner's Basin –

"We believe that Atlantic City is going through a renaissance, and we have every intention of being an anchor part of that renaissance"

- Dr. Harvey Kesselman, President, Stockton University, NJ Spotlight, "Construction Slated to Begin on Stockton's 'Island Campus' in Atlantic City," June 24, 2016.

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for which bids have just been received – holds promise to renew both that underused asset and the area that surrounds it.

6. **Coordinating in a Common Direction.** Finally, to maximize all of this extraordinary potential, strong State, County, and City coordination is key. Atlantic City economic and community development involves a diverse range of public agencies and private industry groups. With new forums for increased coordination, such activity can be better aligned so that the whole is greater, not lesser, than the sum of the parts with these important efforts.

Renewed economic vitality is not only important for local residents, commuters, and visitors, but it is also of direct concern for the State. Direct State of New Jersey casino revenue totaled \$211.5 million in SFY15 from Total Gaming Taxes on casino gross revenues, Parking Fees (\$.50 of each \$3.00), Hotel Room Fees (\$2.00 of each \$3.00), Taxes on Multi-Casino Progressive Slot Machine Revenue, Expired Gaming-Related Obligations (25% of expired obligations), Forfeited winnings, Tax on Casino Comps, and Net Income Tax. Further, a 2010 Rutgers University Bloustein Local Government Research Center estimated that casino activity also generates significant indirect state tax receipts beyond the revenue streams cited above, based on income tax withheld on casino employees, sales and accommodation taxable activity at the casinos, economic activity from vendor, tourism, and economic multiplier effect spending, and other State tax sources. Updating these Rutgers estimates proportionately to reflect the current casino employment base compared to the base at the time of the study, State of New Jersey indirect tax receipts would be approximately \$122 million in tax collections in addition to the \$211.5 million in Casino Revenue Fund revenues.

In total, New Jersey State tax receipts from Atlantic City's gaming industry alone are estimated at over \$330 million, far in excess of municipal aid to the City.

Next Steps

Through this Recovery Plan as outlined above and detailed in the sections that follow, Atlantic City will be positioned both to balance its budget on a sustainable basis and to clear away its major long-term liabilities. At the same time, these stabilized finances will support restructured core services – safer and cleaner streets – without additional tax hikes. In turn, this local government stability can foster an environment attractive to private investment, increasing homeownership, and economic growth in a community that is already a significant net contributor to the State of New Jersey economy and tax base.

The work encompassed by this Recovery Plan will not be easy, and it requires continued partnership with the State of New Jersey, Atlantic County, regional neighbors, business and community groups, and individual residents, businesses, and visitors. But with that support and collaboration, Atlantic City is now poised to turn the corner and to thrive again. The opportunities ahead are bright if we work together to seize them.

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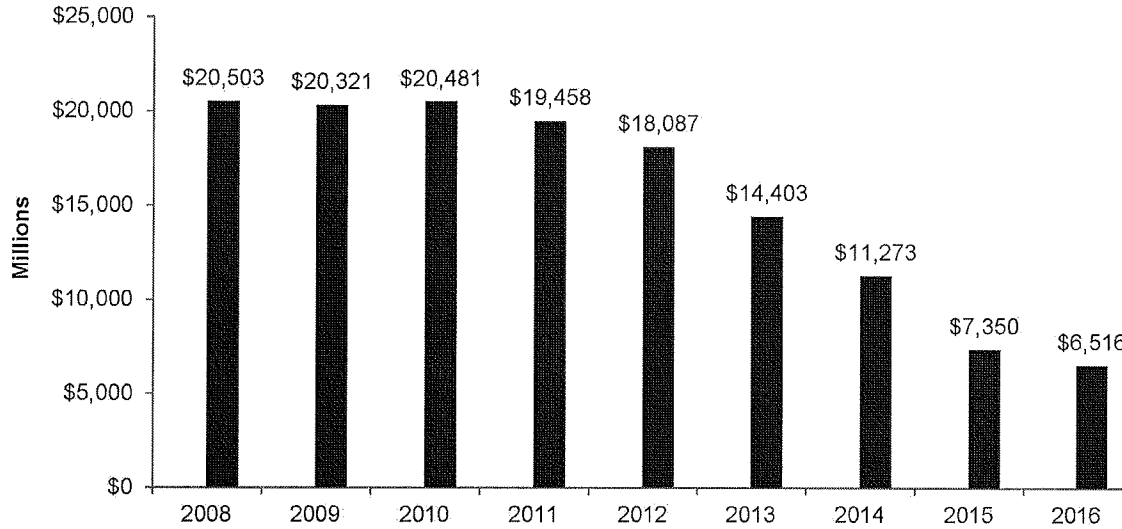
III. Fiscal Gap

Fiscal Gap

Atlantic City's Fiscal Challenges

While there have been multiple contributors to Atlantic City's current budget challenges, the rapid and extraordinary decline of the City's real estate tax base since 2010 has been the primary driver of the ongoing fiscal crisis. As of 2016, total property in Atlantic City is assessed at less than one-third of its value at the start of the decade.

Atlantic City Taxable Assessed Value¹



As further detailed later in this section of the Recovery Plan, this unprecedented decline severely eroded annual real estate tax receipts – the City's single largest source of recurring revenues – and left behind a daunting legacy of debt associated with property tax appeals when reassessments did not keep pace with this drop. As of the end of 2015, the City had already issued \$227.7 million in tax appeal refunding bonds and applied \$106.5 million in cumulative real estate tax credits as a result of tax appeal settlements – with hundreds of millions of dollars in additional settlements and claims still yet to be paid or resolved.

This tax base erosion has been driven by the decline of Atlantic City's gaming industry, which correlates closely with the introduction and subsequent expansion of legal gaming in Pennsylvania, New York, and other states across the Mid-Atlantic, compounded for much of the decade by the effects of the Great Recession. The legalization of table games in Pennsylvania in 2010 led to annual revenue increases in that neighboring state of over 20% in 2010 and 2011. By 2012, commercial gaming revenue in Pennsylvania exceeded the take in New Jersey for the first time, and has remained higher since. Gaming revenues in New York have also steadily increased, with the introduction of full-scale casinos following a 2012 constitutional amendment. Finally, expanded gaming in nearby Maryland has further cut into Atlantic City's capacity to attract customers from the regional population centers that formerly provided much of its traffic.

¹ 2008 – 2015 New Jersey Division of Taxation Abstract of Ratables; 2016 Budget.