Task Force Meeting

of

ASSEMBLY TASK FORCE ON FISCAL RESPONSIBILITY

Testimony from George Zoffinger, President and CEO of the New Jersey Sports and Exposition Authority, concerning the Authority's current and future financial outlook

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: June 12, 2002
10:00 a.m.

MEMBERS OF TASK FORCE PRESENT:

Assemblyman Joseph J. Roberts Jr., Chair
Assemblyman John J. Burzichelli
Assemblyman Joseph Cryan
Assemblyman Jerry Green
Assemblywoman Nellie Pou
Assemblyman Paul A. Sarlo
Assemblyman Michael J. Doherty
Assemblyman Guy R. Gregg

ALSO PRESENT:

Alan R. Kooney
Office of Legislative Services
Task Force Aide

Mary Messenger-Gault
Andrew Hendry
John Leyman
Assembly Majority
Task Force Aides

Haskell Berman
Assembly Republican
Task Force Aide

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ASSEMBLYMAN JOSEPH J. ROBERTS Jr. (Chairman): Ladies and gentlemen, if you could grab a seat, we're going to get started.

It is my pleasure to welcome you here, and I would note that the proper notice of this inaugural meeting of the Assembly Task Force on Fiscal Responsibility has been provided. And I would note, for the information of the members, that the meeting is being broadcast on the Internet, as is standard practice with respect to committee meetings, and it is also being recorded for our own internal use and purposes.

I would ask Mr. Kooney to begin by calling the roll, please.

MR. KOONEY (Task Force Aide): Assemblyman Burzichelli.

ASSEMBLYMAN BURZICHELLI: Present.

MR. KOONEY: Assemblyman Cryan, substituting.

ASSEMBLYMAN CRYAN: Here.

MR. KOONEY: Assemblyman Green. (no response)

Assemblywoman Pou, substituting.

ASSEMBLYWOMAN POU: Here.

MR. KOONEY: Assemblyman Sarlo.

ASSEMBLYMAN SARLO: Here.

MR. KOONEY: Assemblyman D'Amato. (no response)

Assemblyman Doherty.

ASSEMBLYMAN DOHERTY: Here.

MR. KOONEY: Assemblyman Gregg.

ASSEMBLYMAN GREGG: Here.

MR. KOONEY: Chairman Roberts.

ASSEMBLYMAN ROBERTS: Here.

Let me note that Assemblyman Green is en route. He's detained in traffic. And Assemblyman D'Amato unexpectedly had an obligation in court today in his professional capacity. But I know they will be participating in this process as we go forward.

Let me begin, as I said, by welcoming everyone here today to this inaugural meeting. When Speaker Albio Sires created this panel last month, at the urging of the 17 freshman members of the Assembly majority caucus, he gave us our charge, which would be to analyze the State's current fiscal crisis and to be in a position to provide answers so that, particularly, the new members who are confronting this dilemma would have the ability to go back to their districts and provide those answers.

The Speaker has asked, in fact, instructed that this Task Force engage in fact-finding, not witch-hunting. In creating this panel, he asked that the Task Force conduct a more comprehensive examination of the State's fiscal affairs than can properly be prepared by the Legislature's conventional budget review process.

The Budget Committee is responsible, as you know, for constructing the State's spending plan. This panel is charged with investigating the propriety of prior budgets, prior spending practices, and prior revenue estimates.

Moreover, the Task Force intends to conduct its work in a manner that is the least disruptive to the budget process and the people who are engaged in that work.

My expectation is that this Task Force will meet approximately once a month through the summer and the fall. And there's been some suggestion that we should have begun this examination with the State Treasurer or with others who are intimately involved in the budget process. It is my judgement that that would be particularly disruptive and inappropriate right now.

The Treasurer and the individuals in OMB, the OLS individuals who are involved in budget preparation, are truly in the eye of the storm right now. And it's not appropriate to take them away from their responsibilities to be a part of this process. But rest assured, they will be coming before this committee and will be meeting with us.

At the end of this process, the Speaker has requested that we produce a report which will prove constructive for this Legislature and for all future Legislatures. Our goal was to take a hard look at how we got into this quagmire of a multibillion dollar deficit, which we are currently facing.

In appointing me as Chairman of this panel, the Speaker gave instructions to examine four major areas of fiscal processes in this State: first, the management and operation of independent authorities, which traditionally have received little scrutiny; secondly, the waste and mismanagement within State agencies, including spending practices by independent authorities; thirdly, the process of projecting State revenues, the possibility that State officials knew revenue projections were unrealistic at the time that they were made, and whether the forecasting process needs to be reformed; and lastly, the growing budget deficit, including new spending without identified revenue sources in future years and annual programmed increases in programs.

When the Speaker asked me to head up this project, I had hoped it would be an enlightening and rewarding process with limited partisan wrangling. I was troubled a little bit, I must say, that the Minority Leader sent out a press release yesterday which decried the activities of this Task Force and suggested that it was a process that would focus on the Newark arena and that it was really not a legitimate effort.

We didn't, until yesterday, receive the names of the Republican members who would be participating, but I welcome them. They're distinguished members of the Assembly, and I look forward to working with them.

There was a question raised that I need to respond to, because it was made public yesterday, that the ratio of membership on this panel is somehow out of sync with six Democrats and three Republicans. I know where the Minority Leader is coming from, because I was once the ranking Democrat on the Assembly Appropriations Committee, dealing with major budget decisions, that had a ratio of nine Republicans and four Democrats.

The Minority Leader himself knows about chairing a panel such as this. In the 207th Legislature, he served as Chairman of the Policy and Rules Committee that had a ratio of eight Republicans to three Democrats. I wonder why he didn't raise those questions then, the questions that he's raising today.

But clearly, we're going to be judged by the quality of our work and the degree to which we give every member on this committee an opportunity to have a voice. That's something that the Speaker is committed to, and that's something that I'm committed to, as well.

As I said, the suggestion that today's Task Force meeting is about the Newark arena is absolutely erroneous. I am the one who invited George

Zoffinger to be here today. And my motivations, frankly, had nothing to do with the Newark arena.

Mr. Zoffinger is here today because he has taken the reins of an agency that increasingly relies on the State budget to meet its ends. The Sports and Exposition Authority is, frankly, a not-so-independent authority. It currently receives more than $10 million in State funds to stay in operation.

This agency struck me as a good place to start. How did an agency that used to be a money maker turn into a money loser. There are many aspects of the Sports and Exposition Authority which I want to explore. But before we begin asking questions, and each member of the committee will certainly have the opportunity to explore any questions they would like, I would like to welcome George Zoffinger here and give him the opportunity to make an opening statement.

Mr. Zoffinger, good morning.

G E O R G E Z O F F I N G E R: Thank you very much, Mr. Chairman.

I hope I'm using this mike right. (referring to PA microphone)

ASSEMBLYMAN ROBERTS: Just press the red button. That will get you started there.

MR. ZOFFINGER: Is that it?

ASSEMBLYMAN ROBERTS: You got it.

MR. ZOFFINGER: Okay, great.

Thank you very much, Mr. Chairman.

I can tell you, on behalf of the employees and the board of the Sports Authority, I'm honored to be the first person to speak before this committee.

Governor Jim McGreevey has given us a mandate at the Sports Authority. That mandate, which he's made very clear, is to reduce wasteful spending and thereby reduce the amount of money that the taxpayers need to subsidize the operations of the Sports Authority.

We have immediately taken the steps necessary to reduce the operating subsidy, which you mentioned in the opening remarks, which are an outstanding $11 million on an operating basis, and up to $50 million to service the $1 billion in debt that the Sports Authority has incurred.

The way that we've gone about that process is to look at every aspect of the business and clearly identify the public benefit of being in the sports business, and set forth the goal of exiting the business if there is no public benefit.

When I agreed to take the task in early March, it was with the clear understanding of the Governor's goals. What I found has surprised me as a businessman, and I think, as we get into it today, will surprise each of you, also.

We have the only stadium in the country that has two NFL pro football teams. We have an arena that has a Stanley Cup champion and now a final -- NBA finals basketball franchise. It's one of the best concert venues in the northeast -- highly in demand. We have a racetrack that is the number one harness race track in the world. We have Monmouth Park, which is one of the jewels of New Jersey and is one of the best thoroughbred tracks in the country.

As astounding as all of those accomplishments are, it's even more astounding that we actually lose money in this enterprise. Last year, the State operating subsidy to the Authority -- this is on the operating side -- was the figure that I mentioned, $11 million. The State subsidy for debt was close to

$50 million. So here we have probably the best assets of any sports and entertainment venue in the country, and we lose money. As a businessman, I find that outrageous, and I find it totally unacceptable.

Waste at the Authority takes on many forms. I'm willing today to candidly speak to each one of you and answer your questions with regard to specific items that I found in just the two months that I've been the CEO of the Authority.

Some of them are small, and some of them are extremely large in terms of dollar terms. But they're all part of a management culture that was not competitively driven, that had little accountability, and that, frankly, needs to be changed. And I think that the findings of this committee can go a long way towards making clear that it needs to be changed.

The problems permeate the entire organization. We've planned poorly. We've bid poorly. We've managed poorly. We've accounted poorly, strategized poorly, and, worst of all, we've operated poorly.

But I can sense a change. The people who work at the Authority also sense a change. And I think that there will be significant changes, which I'd like to also speak about today, not only where we've been, but where we might be going.

I know that the Governor is committed to this change. And I've committed to him to carry out his mandate.

I'd be pleased to answer specific questions, as candidly as I can, with regard to what we've found.

Thank you.

ASSEMBLYMAN ROBERTS: Mr. Zoffinger, thank you very much.

As I said at the outset, one of the reasons that we've asked you to be with us today, and one of the reasons that the Speaker put this in the charge of this Task Force is that the Budget and Appropriations Committee, which some of us know very, very well -- perhaps too well -- is a process that has not really had the level of scrutiny that it needs with respect to the independent authorities. And when you have something that calls itself independent but this year is relying on the taxpayers, on an operating basis alone, for $11 million, that's certainly something that needs to be scrutinized.

There are others that will be before this Task Force, as well, be they the Turnpike or the Highway Authority or the South Jersey Transportation Authority or the Port Authority, because we want to be broad and fair in our focus.

Mr. Zoffinger, I'd just like to ask you a couple of questions, and I will be then followed by Assemblyman Sarlo and then Assemblyman Gregg. And we will go back and forth so that each member has the opportunity to spend perhaps 10 minutes to start with questions that they might have.

I'd like to amplify the issue of the operating deficit. It's $11 million now. I know that in the mid '90s -- '94 for example -- there wasn't an operating deficit at all.

Beyond the $11 million, what-- Tell me a little bit about the size of the deficit -- you said $50 million -- when one looks at the debt service and so on. How does that contrast with what the situation at the Authority was in the mid '90s?

MR. ZOFFINGER: Well, in the mid '90s, we had, far more advantageous to the Authority, leases with the two major franchises at the arena. We also had higher rent revenues from both the Giants and the Jets. And we had a more robust concert schedule.

The contrast is pretty startling, actually, because at the end of the day, what has happened at the agency is that because nobody's really been paying much attention to it from an oversight standpoint, the deals that have been made over the years have really not been advantageous to the Authority. As a matter of fact, they've begun to cost us real money. And I can get into the specifics in terms of some of those transactions.

But suffice it to say that as different things needed to be done around the state like the Atlantic City Convention Center, like Rutgers Stadium, like the Camden Aquarium, and other things, the Authority was used, and the amount of debt on the Authority's books rose significantly.

A good portion of those debts are met by State contract bonds, but at the same time this was happening, the overall management culture at the Authority can only be characterized as lax. And there wasn't as much focus, in terms of functionality of the organization, in terms of looking at it at from a competitive standpoint, and also an entrepreneurial standpoint that needs to be reintroduced here if we're going to do anything about reducing this deficit.

Now, one of the goals that I've set -- and it's going to be a little confusing because we talk about our fiscal year. It's a calendar fiscal year. The State is on, obviously, a June fiscal year. So I'll try to explain it in terms of where I think we can go.

The Governor, in his budget message this year and in the budget that you will be considering, reduced the operating subsidy from $11 million to $5 million. That, right away, gave us a mandate to reduce our costs in our calendar year 2002. We will be taking the steps, and I'll get into that later on in my testimony, I'm sure. We'll be taking the steps to aggressively do that by looking at every function that the Authority is engaged in, every business that the Authority is engaged in, and making dramatic changes in terms of how we manage that business.

But the overall situation has really been exasperated by a culture. It's a culture of nonaccountability, one where nobody was held accountable, and therefore, the costs got way out of line for the kind of business that we have, and the revenue didn't keep pace, and we have the resulting deficit.

In our calendar year 2002, we will do what is necessary to meet the Governor's mandate and bring that operating subsidy from the State down to $5 million, I hope, with the aggressive steps that we will take in terms of managing this business. And it's our firm goal that by the year 2003 -- our calendar year 2003 -- that that operating subsidy will be zero. And I'll get into some of those things, if you'd like me to, later.

ASSEMBLYMAN ROBERTS: Sure.

You're clearly moving in the right direction. And it is a tragic situation that a facility with the assets and with the population base that we have and with the team assets that we have has gone from being something of which we have been able to be very, very proud of and make money, to something that we're very proud of but loses money.

Help me understand the-- And I'll leave some of the specific questions to some of the other members of the committee, but help me understand the various subpieces of what you have with respect to the-- If we have an $11 million operating loss, how do we do -- with respect to the stadium, the arena, the race track, the convention centers individually?

MR. ZOFFINGER: Let's talk about the individual businesses. I think that's the question.

First of all, the business has always been driven by the harness track and the racing revenue. And in the days when racing didn't have competition from casinos and from other forms of gambling, lotteries, etc., the cash flow from -- the free cash flow from the race track was sufficient to basically make everything else very good. At its peak, the free cash flow from the race tracks was probably in the neighborhood of $40 million. At that point, the State actually was getting checks from the authority up to -- I think at its peak -- around $10 million a year.

The racing business, for the reasons that I indicated, has declined. And at the same time, we have been expanding the kinds of things that the Authority has been responsible for. The race business today has a free cash flow of approximately $20 million. And we expect that with some of the successes that we've had this year, that we'll meet that figure. That's our budgeted figure. We will meet that figure this year. We had very good success with the three major races, the Kentucky Derby, the Preakness, and the Belmont Stakes. And we're looking forward to a very successful Haskell, which is the New Jersey race, in August.

The stadium has free cash flow -- and when I talk about free cash flow, it's all with only direct expenses before overhead -- and I'll get to the overhead in a second -- but the free cash flow of about $12 million. That is primarily the result of the two leases for the Giants and the Jets and the concerts that we have there. For example, we have the Rolling Stones coming on the 28th of September, which is a sold-out show, and we make a pretty significant profit on it.

The other business is the arena business. The arena business actually was a very good business prior to the renegotiation of the Nets' and Devils' leases in 1996. But today, on a cash flow basis, the arena loses about $4.5 million to $5 million.

If you throw in the Atlantic City Convention Center and the Wildwood Convention Center, which is newly opened, their budget projections this year are losses of about $9 million. So those are the factors that come into play.

And then we have overhead. And frankly, overhead has gotten fairly onerous in terms of supporting these businesses. And that's the one area that I've looked at very closely and will be dealing with very directly in our reorganization, which we expect to do within the next 30 days.

That gives you an idea of what the different components of that number are. And it all results in an $11 million operating loss.

ASSEMBLYMAN ROBERTS: I appreciate that. I think it's important to have that overview and have a sense of the magnitude of the various subparts of the overall business.

Before I call on Assemblyman Sarlo, let me note that Speaker Sires has taken some time away from his very busy day to join us. I appreciate that.

Speaker, thank you for giving us this additional work to do. We appreciate that very much, as well.

At this time, let me call on Assemblyman Sarlo.

ASSEMBLYMAN SARLO: Thank you, Mr. Chairman.

Thank you, Commissioner for being here this morning.

Through the Chairman, you had mentioned that about $4.5 million to $5 million could be attributed to the lease arrangements with the Nets and Devils -- an operating loss.

Let's focus in, for a moment, on the Devils. I read different reports and different newspapers articles, and they say every time we drop a puck, we lose about $80,000 a game. That $4.5 million to $5 million per year. Has that been consistent every year since the lease arrangements were struck back in 1995-'96?

MR. ZOFFINGER: Let me go into that, because it's really relevant to a lot of different things as it regards the Authority. I'm going to try to be as candid as possible here, and let people understand the kind of issues that face the Authority in dealing with this.

In 1995, the Devils had just come off of a Stanley Cup championship. If you remember, they were threatening to move to Nashville -- out of the New Jersey metropolitan area. They were going to move to Nashville.

At that time -- and this is something that I fail to completely understand, frankly -- but at that time, there were negotiations, which did not involve, directly, the Authority's officers or board. As a matter of fact, John Whitman, the Governor's husband, was given the charge of negotiating, with John McMullen, his friend, with regard to the lease that the Devils had in our arena.

The result was that an agreement was reached whereby the Devils were guaranteed, above any of their profit and loss, a guaranteed payment of revenue from the Authority. That guaranteed payment of revenue was, when it was initially struck, around $3 million and was increased this year to $5.2 million.

As a result of that, the Authority loses $80,000 for -- if you're just -- to segment the regular season-- We would lose $80,000 per game on every Devils regular season game because of the lease arrangement whereby we have costs, the ushers, the admissions attendants, the parking attendants, and the split of the revenue, which was highly in favor of the Devils. That arrangement was even further exacerbated, I think, in terms of being outrageous by the fact that the Devils then took that stream of payments and went to a bank and discounted that stream of payments so that they took the cash from our future payments through 2008 and basically put it in their pockets. And we, today, write a check every month for $268,561.24 to Société Generale, a French Bank, to meet that obligation.

I guess the way that I look at it is a couple of things. I asked the board, I asked the officers of the Authority, "Well, didn't you see this was a bad deal for the Authority?" Everybody said, "Yes." I said, "Well, why didn't you stop it?" Everybody said, "We were told it had to be done this way." So it's a question of no accountability. It's a question of nobody-- They get paid good amounts of money -- we don't pay people at the Authority cheaply -- and the end result being that we end up with a loss.

What compounds it, Assemblyman, is that then, the Devils-- I mean, the Nets saw what a great deal the Devils got, and they renegotiated their deal so that we end up losing $31,000 per game on the Nets. So, if you add this up, we have our two major tenants, where we lose significant amounts of money. We make up some of that money by having a great concert venue, but at the end of the day, we end up with a losing situation for the arena that is probably one of the most outrageous deals I've seen since I've been there.

ASSEMBLYMAN SARLO: You mentioned that it jumps up this year in 2002 to $5.2 million.

MR. ZOFFINGER: Right. But it's all been discounted. We just pay our 268--

ASSEMBLYMAN SARLO: Pay our 268--

MR. ZOFFINGER: It's $268,561.24.

ASSEMBLYMAN SARLO: And that's just for the Devils.

MR. ZOFFINGER: Yes, that's just for the Devils.

ASSEMBLYMAN SARLO: You had mentioned that the lease arrangements for the Devils -- just focusing on the Devils for a minute -- through the Chairman, of course -- back in 1995, were negotiated between John Whitman and the owner of the Devils organization.

In your estimation, and in your experience as a business leader here in the State of New Jersey, is that something you think is a standard practice or a good practice? I mean, wouldn't it make sense to have a committee of the members of the Sports Authority, the CEO of the Sports Authority, somebody from Treasury, potentially negotiating that?

MR. ZOFFINGER: Absolutely. And I can tell you the way it is done today.

First of all, I mentioned, in my opening remarks, the cultural issues. Any good manager of any business makes sure that he gets truthful and full feedback from the people who are responsible for managing the various aspects of that business. If you don't do that, you're foolish.

One of the things that I've insisted upon at the Authority is that if somebody disagrees, they are not only encouraged but required to speak up, to tell us, "This doesn't make sense." If we would have done that in 1996, I think we would have had an entirely different attitude with regard to the management of this arena.

And I think it has an even more profound effect on management in that when somebody is just told this is the way it is -- and these are people that are paid good money, these are people that have responsible positions-- When they're told that's the way it is, they end up being frustrated and feeling that anything they do doesn't really matter.

I think that's more the telling issue. Even though this was a bad business deal for the State, it was even worse for the culture and management of the Authority in terms of people feeling as if their opinions matter -- professionals feeling that their opinions mattered.

ASSEMBLYMAN SARLO: So it's safe to say that that arrangement then was negotiated without any input from any of the people who are intimate with the day-to-day operation of running a Devils game.

MR. ZOFFINGER: I have asked managers specifically and on point whether or not they had input into the deal, and they said that they did not.

ASSEMBLYMAN SARLO: This may be a difficult question, but, through the Chairman -- we talked about 1995. Is there a way to compare what our operating loss may have been before 1995, after this new lease agreement was put into place?

MR. ZOFFINGER: Well, there's two ways to look at that. One would be if the Devils did move to Nashville, which I never believed would have happened, because the media market that we have here is much too valuable.

But let's take that scenario. We would still, today, probably have the opportunity to have a minor league hockey team, and we would have -- we would not have the obligation of the 268 every month. So I think it is safe to say that had they moved, we would not have the deficit and the burden on the taxpayers. Had a better deal been negotiated so that we didn't lose money, it would have been an even better situation. But it's a little difficult to say whether or not they would have left this media market. I kind of believe that the media market is important to them.

ASSEMBLYMAN SARLO: One final question, through the Chairman.

In your new position, are we developing a process now to address these shortfalls and inefficiencies that have resulted from this Devils loss? I mean, what can be done to offset this Devils' lease arrangement, from the operating expense?

MR. ZOFFINGER: Unfortunately, we're stuck with it until 2008. That's the travesty of this -- is that we're stuck with a bad business deal. And now that it's compounded by -- it's a bad business deal in a place that they don't even want to be anymore. So it's just a bad deal for the taxpayers and for the State all the way around, I think.

ASSEMBLYMAN SARLO: Thank you, Commissioner.

No further questions, Mr. Chairman.

ASSEMBLYMAN ROBERTS: Assemblyman, thank you very much.

Assemblyman Gregg.

ASSEMBLYMAN GREGG: Thank you, Mr. Chairman, and thank you for your gracious opening.

I will just take a minute to welcome Mr. Zoffinger, as well as be a happy participant with the minority side in this Task Force. I'm looking forward to not having it be a witch-hunt and, quite frankly, be an information-hunt. So, I hope that our three members will be able to put up a good amount of information and questioning to the committee, as well.

Mr. Zoffinger, we're showing, as you said, an $11 million operating shortfall for this year. What was it in 1990?

MR. ZOFFINGER: Well, in 1990--

ASSEMBLYMAN GREGG: Or in that neighborhood.

MR. ZOFFINGER: --you would have no operating subsidy of the Authority because there was a -- if my recollection is right about the law at the time -- that the Authority was self-sufficient at that time.

ASSEMBLYMAN GREGG: And if you were to look at the entities that were there in 1990-- I think it was your testimony that for the most part, even to today, that the horse racing segment of the Sports Authority was the engine that moved the Authority and covered many of its, shall we say, gray spots.

MR. ZOFFINGER: That's correct.

ASSEMBLYMAN GREGG: And it's my understanding, after the years I've spent on Budget and Appropriations with the Chairman, that the horse racing part of the revenue has been diminishing for more than a decade.

MR. ZOFFINGER: Because of the competition with casino gambling and the lottery, that's correct.

ASSEMBLYMAN GREGG: Through the Chair, that does seem to be one of the arguments brought forth, but also in, again, the years that I've spent listening to testimony, quite frankly, the horse racing industry, in general, has not been as popular with the new generation of people who are growing. Historically, the other methods of entertainment have begun to take their toll on it, whether it be in Georgia or Pennsylvania, or whether it be here.

MR. ZOFFINGER: That's correct.

ASSEMBLYMAN GREGG: So that's an issue that we're going to fight, regardless of our ability to compete with off-track betting and other competition removers that we've tried.

MR. ZOFFINGER: Can I address one aspect of that, Guy?

ASSEMBLYMAN GREGG: Sure.

MR. ZOFFINGER: Assemblyman, I'm sorry.

ASSEMBLYMAN GREGG: Guy is fine.

MR. ZOFFINGER: One of the things that I've found in these couple of months is that the statements you've made are absolutely correct. But there's almost been kind of a reluctance to fight that trend. There's no question it is a trend. I mean, the demographics of the people who have been going to race tracks over the years has -- the trend has -- that people that are race fans are getting older and that there is not as much enthusiasm among younger people for horse racing.

One of the things that struck me when I was there -- when I first got there was, if you go, for example, to Pegasus today -- and Pegasus, in it's day, was a place you couldn't even get a reservation at -- if you go to it today, it is the same facility that Sonny Werblin built in the '70s.

There's been no effort to try to change the way that we appeal to customers. There's been no attempt to reach out to change the demographics in terms of the kind of people we could attract there as an entertainment venue. I think that's one of the real shortcomings of the Authority, in general. As you see a business declining-- I've run a number of businesses, and when you see a segment of your business declining, you make one of two choices. You either get out of the business or you make changes that are necessary to make yourself more competitive.

And I think that's what happened here is that we never made an attempt, Assemblyman, to try to build the other part of the business. We're going to try to change that. We're going to try to spruce the place up a little bit if we can. But the other side of that is that over the last three years, and this is one of the outrages that's on my outrage list in my office-- Over the last three years, the capital reserve for the Authority has gone from $30 million to $9 million. So what has happened is that there's been no savings put into the capital reserve to make improvements that are necessary to appeal to customers.

So, the whole way that the business has been managed has been one of just let it go along, let it go along, not do what you can because it's your business to change it.

I'm sorry to get off on that tangent, but I think it's very significant. And I think that your committee can do a lot toward making people cognizant of the fact that in a changing environment, you can't remain stagnant and still expect to be successful.

ASSEMBLYMAN GREGG: I don't think too many people can disagree with that comment. Government is a little different than business. I've spent the last eight years realizing some of those differences. (laughter)

MR. ZOFFINGER: I've spent the last two months realizing that.

ASSEMBLYMAN GREGG: And I can tell you one of those differences is we just can't close and walk away from things. And, unfortunately, unless we completely privatize something which, in many cases, is a good idea -- and completely privatize it and remove government completely from it and allow them to make those determinations, perhaps -- then you can get some of the freedom and exploration and creativity that we can't bring to the table when we have to continue.

But on a more specific question, do you know what the debt service was for the Authority in 1990, about a decade ago? Today, we know it's $50 million. I'm trying to get a feeling of what it might have been then.

MR. ZOFFINGER: You know, I know that there was no State direct appropriation, because before 1990, if you recall, the Authority was self-sufficient, and we had revenue bonds. We didn't have the State contract bonds that we have today.

ASSEMBLYMAN GREGG: So, specifically, you would be saying then on the budget there would be no line item in 1990 for debt service.

MR. ZOFFINGER: You know, I tell you-- I don't know that that's the case.

ASSEMBLYMAN GREGG: And I'm not trying to walk you into a question that you can't answer.

MR. ZOFFINGER: I really don't know what it was in 1990.

ASSEMBLYMAN GREGG: But smaller, much smaller.

MR. ZOFFINGER: Much smaller.

ASSEMBLYMAN GREGG: Now, since 1990, or even before that, the Sports Authority is doing more than just the stadium and race track.

MR. ZOFFINGER: That's correct.

ASSEMBLYMAN GREGG: I think that's something that the public is never really made aware of. What other things does the Authority manage?

MR. ZOFFINGER: I mentioned in my opening remarks about the Atlantic City Convention Center, Boardwalk Hall, the Wildwood Convention Center, which just opened. There was a role in the Camden Aquarium, although we don't manage that today.

But the board today has veto power over the minutes of the Atlantic City Convention Center and the Boardwalk Hall and Wildwood Convention Center.

ASSEMBLYMAN GREGG: Do we have some interest in Rutgers, as well?

MR. ZOFFINGER: I think in 1991 or so, or 1992, something in that range, Rutgers stadium expansion bonds were done through the Sports Authority.

ASSEMBLYMAN GREGG: The reason I bring that up is, I believe -- and I'm going to ask you how you feel -- that one of the problems with the Sports Authority is that we asked it to do too many things. And today, we are focusing on its targets of revenue, which are not the Atlantic City Convention Center, is not the aquarium, is not Wildwood -- that we are looking at the two really revenue centers, which tend to be the sports teams and the race track and the collateral business of the concerts. And we have burdened them with other entities that are kind of taking us away from the real target, which is, should we be managing all of these entities.

MR. ZOFFINGER: Well, the answer is that it has done that. But I guess my perspective is that we still have the problem of how we manage the business overall. Those are now segments of the business that require our time and effort and our management. But at the same time, there are so many other things, in terms of the waste that takes place, that it almost becomes an extension of what is a poor culture.

So, I guess the answer to your question is that we do a lot of things today that are outside of just the stadium, arena, and race track. And maybe somebody wants to take a look at whether or not we're the best people to be able to do that. But I think the other side of it is that we can't really exert any management control over those other authorities unless we have our own house in order.

I think what has hurt us has been the fact that we have a reputation that has been garnered over this last couple of years of being a place that wastes a lot of money. And that has reflected itself in our oversight of those other entities.

ASSEMBLYMAN GREGG: Through the Chair, would you have built those entities? Would you have built the aquarium?

MR. ZOFFINGER: Would I have built the aquarium?

ASSEMBLYMAN GREGG: Would you have done the Atlantic City Convention Center? Would you have done the Wildwood Convention Center and burdened the State with that debt? Are those good things to have for the citizens?

MR. ZOFFINGER: Well, I think-- In the case of Atlantic City, I think that the Convention Center is generating a significant amount of revenue for the city. I think that the Boardwalk Hall, in its renovated form, has some very good opportunities to build a lot of -- the concert business and the show business and even the boxing business. We just had a boxing match there on June 2.

So I think each one of those individual things-- The Wildwood Convention Center, people are very optimistic about the impact that that will have on the three Wildwood communities in Cape May.

So, I think that the government has a role and needs a vehicle to promote economic development. So, I think that it does have a role. I guess my reservation would be that I'm a business guy, and I basically like to make money in everything I do. In terms of convention centers, they don't usually make money. So, could they be operated more efficiently? I think that we've seen that we all could operate a little more efficiently and, therefore, reduce the burden.

I don't know that that answers the question.

ASSEMBLYMAN GREGG: Through the Chair, I agree with you. I think that the issue needs to be brought up. This is a complex authority. And to just focus on two teams and two contracts without looking at all the other things we've done with, certainly, bipartisan support across the years -- that it would be hard just to disassemble it quickly.

I'm sure I'll have some more questions, but I do want to be respectful to the other members and stay within the guidelines.

ASSEMBLYMAN ROBERTS: Assemblyman, thank you.

Let me just note for the record, so that my understanding is correct, the Authority no longer has any role at all with respect to the State Aquarium in Camden, is that correct?

MR. ZOFFINGER: Yes, that's correct.

ASSEMBLYMAN ROBERTS: Okay. To respond to Assemblyman Gregg's issue-- As someone who represents that area, I have some serious issues, which I want to raise at some point during this process -- not today -- with respect to the aquarium. I think that there are some management issues there that adversely impact on the State budget, but they don't relate to the Sports Authority in any fashion.

To just add an additional comment to the Assemblyman's point, it is difficult to assess the contribution made by a convention center because they clearly have been-- The benefits that they provide are lots of indirect benefits that are difficult to measure.

But his point is on target that because of the ability of the Sports Authority to be used as a vehicle, it has done a number of things and has a diverse presence throughout the state for sure.

Next is Assemblyman Burzichelli.

ASSEMBLYMAN BURZICHELLI: Thank you, Mr. Chairman.

Good morning to our guest. Mr. Zoffinger, thank you very much for being with us.

Through the Chair, a couple of questions, hopefully, to help advance this discussion. In listening to this point and to my distinguished colleague, Assemblyman Gregg, who makes a point about the overall operations and the convention centers and those issues that aren't big revenue generating points -- -- they were never intended to be. I think it becomes even clearer that the lease arrangements and the way this Authority is operated becomes so very critical, and what you have so clearly said about bad business and bad management decisions, because if we're not clear in doing the best we can in good business sense related to the arena, related to the stadium, then those other good things the Authority is involved with trying to do as economic engines in Atlantic City or Wildwood, stand less of a chance.

So, I'd like to go back, if we may. I know you touched on it. You may have answered it just in passing. But I'd like to go back to the Nets. Not only are the Nets, of course, struggling with the Lakers, which is very clear and obvious as to why that is the case, in what we hope is a fair contest, we're struggling with their lease and their relationship with the people in New Jersey.

Accounts that I've seen in passing -- going back in 1998 where the Nets renegotiated their agreement and license, which, apparently, are now resulting in the Authority losing money on each Nets game-- You've touched on that. And can you again clarify for us what the people in New Jersey invest each time the Nets play?

MR. ZOFFINGER: Yes. The Nets situation, which was basically negotiated after the Devils had gotten the rent concessions that they had, basically put us in a position whereby our rent, on each game, doesn't cover our expenses in each game. And the reason is because we have a certain amount of fixed expenses that are required to open the building. And the lease terms that were negotiated didn't cover that cost. The calculation that we've done is that in each regular season game-- It's actually until-- It's each game until the total revenue of the Nets reaches $30 million. It results in a $31,000 loss per game on each Nets game played.

Now, with the Nets's success this year, I'm very happy to inform the committee that during the Celtics series, we actually reached the $30 million in revenue, and the Authority picks up a bonus, in terms of the payment under the lease, and also increases the lease as a percentage of the revenue -- ticket revenue to 5 percent from 2 percent.

So, with the games that they've been playing since the last Celtic game and the two Lakers games, Sunday and tonight, plus Friday's Lakers game, we make about $40,000 per game because we've hit the $30 million revenue figure, plus we get a larger percentage of the concessions and the parking.

Now, the lease with the Nets, I would put into the same category, although not quite as outrageous as the Devils, in that there was, in my opinion, no reason that we would have to make the concessions that we made and lose money on the games. We should, at least, make money -- make a small amount of money or break even when we go into these long-term leases. And again, it's a team that we gave the lease concession to and doesn't even want to be at the stadium -- at the arena.

I would classify that as not as bad a business deal, but still, one where the State taxpayers subsidize the wealthy team owners to the tune of $31,000 per game.

ASSEMBLYMAN BURZICHELLI: And if I may follow -- continuing through the Chair-- So, in this case -- in this relationship, the only opportunity we, meaning the State of New Jersey, has had to profit from that relationship is with the Nets going very deep into a play-off series, which we know from their history, is less likely to happen.

MR. ZOFFINGER: We started making money on the last Celtics game, I think it was.

ASSEMBLYMAN BURZICHELLI: If we can move across the street to the Meadowlands Stadium for some discussion there. Of course, we have two teams. You mentioned that. I understand one of those teams -- the AFL team, the Jets, are disputing their rent obligations.

Maybe you can help us with discussion on how that can be. And does that have anything to do-- I'll tie a second portion of the question in early because you may want to roll them together. Does it have anything to do with what has been published about one of the teams having special preference in their lease contract? Is one affecting the other?

MR. ZOFFINGER: Our best tenant in the entire facility is the Giants. The Giants came here back in whenever it was.

ASSEMBLYMAN GREGG: Make that for the record. (laughter)

MR. ZOFFINGER: It was a long time ago.

The State of New Jersey really built the Sports Authority on the fact that the Giants were going to be our long-term and number one tenant. And they are our best tenant.

When the Jets vacated Shea Stadium and came over to Giants Stadium, there were clauses that are in both of the licensing arrangements. It's almost like an internation treaty because it's actually called the Most Favored Nations Clause.

The clause has to do with the fact that the one tenant cannot get anything that the other tenant doesn't get an equal value for. It has caused so much aggravation and dispute and lack of clarity, in terms of the leases for both of the teams, that it is tremendously onerous on the Authority.

For example, if I spend $1000 on the locker room for the Giants, the Jets come running, saying, "You've got to spend $1000 for something for me." It almost gets to be that ludicrous.

The result is that when Mr. Hess sold the Jets to Woody Johnson, there was a clause that because Mr. Hess was a good friend of the State of New Jersey and was very grateful for the fact that Giants Stadium was available for the Jets to play in-- There was the Most Favored Nations Clause in both the things, but the Jets recently have made a claim that when the Authority renegotiated the Giants lease and extended it to 2026 -- it was a 10-year extension -- and gave a rent concession to the Giants -- that the Jets were entitled to a rent concession, even though they would not extend their lease.

So, it became a disputed item. And when I arrived, on March 23, at the Authority, I found out, I think within a week, that the Jets just didn't pay the rent. I basically took the attitude that if they weren't going to pay the rent, they weren't going to use our stadium.

Nobody had previously dealt with things in a direct manner like that. The people that worked at the Authority were reticent to cause a confrontation. But at the end of the day, I believe that the Jets would be entitled to the rent concession if they reupped the lease for 10 years.

The Jets are, today, hoping that New York will build a stadium as part of the 2012 Olympic bid, and therefore, are not willing to extend their lease, but they still want a 5-percent-of-revenue reduction in their rent. I don't think that's fair to us or to the people in New Jersey. And not only that, they want it retroactively back to when Mr. Hess owned the team.

It points to a more significant issue. And that issue is that at what point has a person that's running a business -- that is a landlord in a stadium-- At what point do you just stop bending over and--

ASSEMBLYMAN GREGG: Be careful. (laughter)

MR. ZOFFINGER: Yes, I've got to be careful.

Thank you, very much, Mr. Guy. (*sic*)

But, at what point do you--

ASSEMBLYMAN BURZICHELLI: We were hanging on your answer, by the way.

MR. ZOFFINGER: Poor choice of words.

But at what point do you say we just can't do this anymore, that we have an obligation to be true landlords? So, we have since received a payment from the Jets for part of the rent and are continuing to fight over whether or not they deserve a retroactive rent concession. I don't believe that they do. And I'm going to be strong on behalf of the Authority, with good support, by the way, from our management and our board, to not allow that to--

But what it points to is the cultural issue that I spoke about before. The fact is that we need to run this place more like a business and not like a State subsidy organization. And that's where, I think, the lesson to be learned in this is.

ASSEMBLYMAN BURZICHELLI: Mr. Chairman, if I may -- another question -- and try to be short and to the point.

Before I move on with the other question, Mr. Zoffinger, can you-- Is there a disputed amount -- is there a present amount hanging that you would consider to be to our advantage, to be disputed with regards to that arrangement with the Jets and the question about their reduction in rent? Is there a number floating?

MR. ZOFFINGER: I don't think it's necessarily a number, Assemblyman. I think it's more a question of what's right for the taxpayers. If the Jets will renew for 10 years, we will give them the same concession as the Giants.

ASSEMBLYMAN BURZICHELLI: And if they choose not to renew, or if those negotiations go no further, is there-- Are there outstanding receivables from these professional teams? Would that be considered an outstanding receivable?

MR. ZOFFINGER: That's even an expanded story.

ASSEMBLYMAN BURZICHELLI: Well, I think-- Would you like to touch on it?

MR. ZOFFINGER: If you don't mind, I wouldn't mind getting into it because it's another thing that's on my outrage list in the office.

ASSEMBLYMAN BURZICHELLI: If it's okay with the Chair, I'd like to roll that into this question.

MR. ZOFFINGER: It may be hard for people here to understand the fact that -- because it was very difficult for me to understand the fact that we have items on our books at the Authority that date prior to 1998. We have, today, issues with our two major tenants that have just never been dealt with since 1998. And it's significant amounts of money.

One of the things that we have done is to be very emphatic that we cannot have accounting that carries receivables for that long, and that if things are not dealt with, we have to know why, and on what basis, we would carry them.

Most of the receivables have to do with what are some very convoluted and complicated transactions that have to do with, believe it or not, a simple thing like signs. There are disputes that go on for long periods of time over where the revenue splits are for the signage in the arena -- in the stadium.

In the case that we're just in the process of settling, we had items that total up to $3 million. It was actually $2.9 million -- $2.9 million of things we were carrying in our books, some of which was prior to 1998, that had never been settled.

We're working extremely hard to get those settled and get that stuff behind us. And I can make a commitment that this kind of thing will never happen again. It's just bad policy and bad management.

ASSEMBLYMAN BURZICHELLI: I'd like to, again, through the Chair, along the lines of culture-- We read, and have discussion, that apparently more than 50 percent of all the combined tickets that are available through the Authority for the Devils, the Nets, the Jets, and the Giants games were either unused or given away in 2001. I'm curious. Is there a loss revenue figure that can be associated with that policy?

MR. ZOFFINGER: Yes. I mean, that's the number one thing on my outrage list in the office, because I found it out when I first got there because, frankly, managers in the Authority were running to tell me about some of the obvious things that were not dealt with.

The most outrageous, I think, is the fact that under the licensing agreements that we have with the Nets, we are required to purchase $750,000 worth of their tickets each year. We are also required to purchase, under the Devils agreement, some amount of tickets for their games. Plus, the Authority is the record holder of approximately $500,000 of Giants and Jets tickets.

I asked what happens to these tickets. And in 2001, we spent $1.5 million to purchase the tickets. We collected about $750,000 from the resale of those tickets. The other $880,000 was a direct expense of the Authority. Where those tickets went, nobody could tell me. They were either wasted or given away, but we never got the money for them. And it's a direct hit to our operating--

So, basically, about 8 percent, if I calculate $880,000 on $11 million, of operating loss has to do with wasted or given away tickets.

ASSEMBLYMAN BURZICHELLI: Through the Chair, that's got to be particularly disturbing.

MR. ZOFFINGER: It's the number one thing on my outrage list. I can tell you that, and I'm proud of this, every ticket to the Nets playoffs has been paid for, every ticket.

ASSEMBLYMAN BURZICHELLI: Before I conclude, again continuing through the Chair-- So, when you talk about this obligation of purchased tickets, that all goes back to the loss that we incur in each game. Does that all work to that factive?

MR. ZOFFINGER: That's correct.

ASSEMBLYMAN BURZICHELLI: Okay -- so I understand that better--

MR. ZOFFINGER: I was explained, Assemblyman -- it was part of the Calipari contract. I don't know where he is today. He's someplace else, I know that.

ASSEMBLYMAN BURZICHELLI: Very good.

I'd like to close, again through the Chair-- Maybe you can summarize -- I know at the conclusion you'll likely do a statement. But what stands out as a lesson, and is there a lesson to be learned as we have negotiated these contracts at these points based on the less than profitable experience we're having with the Devil's contract, as well as a contract with the Nets and the dispute with the Jets? Is there an overall lesson that we've learned? You talk about the culture at the Authority, not being businesslike. Maybe you'll take a moment with that.

MR. ZOFFINGER: I think, probably, there would be some people that would dispute this, but from my perspective, I think we should, in fact, not be subsidizing through these leases -- through these favorable leases -- the operations of teams that make millions and millions of dollars. I think that there is certainly a role for the government to play in terms of the ancillary business that comes from having the teams in New Jersey. But I think it is reasonable that we reached the time when we should be tough in our negotiations so that we don't subsidize the operations of the teams with favorable leases like this.

I know that that might not be agreed to by everybody, but that's my philosophy, and, frankly, as we negotiate these things going forward, we will be, as we should, very competitive-minded, but also very entrepreneurial-minded in dealing with it.

ASSEMBLYMAN BURZICHELLI: I thank you for your straight answers. Unfortunately, it appears we're locked into some of these leases. And I don't think that anybody can dispute the fact that the Meadowlands, sitting in the number one media market in the nation, maybe, arguably, the world for that matter -- that we should always be in the driver's seat and should have been in the driver's seat.

And as my colleague Assemblyman Gregg said with regards to the burdens to the Authority and its other roles, the management of these assets leaves no room for error. And for us not to be profitable in those areas, as this Task Force goes on, I think the conclusions we'll come to are going to mirror some of the things you said. We have to do better. We have to manage better because there's no room for error in these particular area of assets.

Thank you, Mr. Chairman.

ASSEMBLYMAN ROBERTS: Assemblyman, thank you.

Next is Assemblyman Doherty and then Assemblywoman Pou.

ASSEMBLYMAN DOHERTY: Thank you, Mr. Chairman.

Certainly, we're very appreciative to partake on this Assembly Task Force on Fiscal Responsibility.

I believe this is a very important issue. Property taxes in New Jersey, on our residents, are the highest in the nation. We have a $23 billion State budget. I think it's important to note our neighbor to the west, Pennsylvania, a state that has 4 million more people and is eight times larger, geographically, also has a $23 billion budget. It's important to compare how New Jersey is doing to our neighbors.

Certainly, it's a spending problem here in the State of New Jersey. When Governor Whitman was running for office back in the early '90s, she had a campaign pledge, which I wish she had kept, which was holding increases in State spending to the rate of inflation. Had Governor Whitman done that, right now we would have a $17 billion budget in the State of New Jersey, $6 billion less than we currently have at $23 billion. We wouldn't be in this $5 billion black hole that we're in right now.

I hope this Task Force would make the recommendation, moving forward, that all levels in the State of New Jersey -- at the State level, the county level, municipal level, and school districts -- have that as their goal, no questions asked, no increases greater than the rate of inflation. I think the math will prove it out that it will be much more favorable for the taxpayers.

Commissioner Zoffinger, thank you for coming here today. I appreciate your taking time out of your busy schedule.

I think it's important to note the success of some of these sports franchise owners. If you take a look at George Steinbrenner, he purchased the

New York Yankees in the early ’70s for $10 million. And the Boston Red Sox recently sold for $710 million. That’s a team that hasn’t won a World Series since 1918. So, I think we can all safely assume that the Yankees are at least worth three quarters of a billion dollars if not a billion dollars.

Here’s a gentleman who has turned a $10 million investment into a three quarter of a billion dollar operation. If he walks away right now, that’s the check that he would get. He also has a cable deal for $175 million, and that doesn’t include the advertising revenue that he gets from operating his YES cable network.

Obviously, you’ve described deals where you have the State making deals with shrewd businessmen such as Mr. Steinbrenner and Mr. Trump, where the State, after they shake on it, walks away with three fingers and loses money. We’re $1 billion in debt, $500 million coming directly from the Meadowlands, $500 million coming from these other convention centers. Why is the State in the sports business?

MR. ZOFFINGER: That’s exactly the question that the Governor has asked me to work on. The point that you’re making is pretty significant. I mean, we try to manage a business whereby we are only expected to subsidize, in essence, the operations of these teams. And I think two things have to happen. One, we have to change that attitude. And it gets back to the cultural issues that I talk about in terms of management. But we also have to stand up for ourselves and be respected.

What’s happened, in terms of these leases that we’ve been talking about, is that there hasn’t been a tremendous amount of respect for the people that have been in the position to negotiate these things because the team owners just figure they can walk all over us. So the point that you raise is a very good one.

And I think one of the things that I'm trying to do at the Authority is to empower people that work for the Authority and empower them in such a way that they meet their obligation, which we pay them good money for and to be stern and to be more entrepreneurial in terms of how we look at our business. But I didn't realize that those figures were exactly right on the Steinbrenner thing, but that's a hot steaming deal. We should be getting pieces of that, frankly.

By the way, at one point I've been informed by people at the Authority-- At one point, did you know that the State had media rights to the Nets? We gave it up.

There's just no businesslike thought that goes into these things. We're looked at as kind of being like a government agency -- that, you know-- Everybody knows the government is not going to be strong in dealing with this. So we have to change that.

ASSEMBLYMAN DOHERTY: Through Chairman Roberts, back in 1995, when John McMullen was considering moving the Devils to Nashville, he had a proposal to build a privately financed arena in Hoboken at no cost to the taxpayers. That seems like a very good deal for the taxpayers of New Jersey. They don't have to put any money up. They keep their team. What happened?

MR. ZOFFINGER: Honestly, I don't know. I have no idea. Sorry.

ASSEMBLYMAN DOHERTY: You mentioned that the Pegasus Restaurant--

MR. ZOFFINGER: I was running my bank at the time.

ASSEMBLYMAN DOHERTY: Excuse me?

MR. ZOFFINGER: I was running the bank at the time.

ASSEMBLYMAN DOHERTY: Okay. I happen to think that we should pursue an option like Mr. McMullen's. Maybe we should pull him back on the table, if he's still active. Maybe he can build an arena at no cost to the taxpayers -- a new arena if it's needed.

You mentioned that the Pegasus Restaurant at the Meadowlands Race Track has not been updated since 1976. Have you-- It seems that private enterprise would do a much better job. Have you considered having a private enterprise come in and run the Pegasus or come in and run the parking at the Meadowlands or some aspect -- bring in private industry because, obviously, they do it much more efficiently than State government. They have an incentive. They have a bottom line they have to meet or they're out of business.

MR. ZOFFINGER: That's a very good point. The answer is, yes. But I've got to tell you that the experience that the Authority has had in terms of privatizing some of those functions has not been, interestingly enough, very good. We privatized, I guess during the mid '90s -- mid to late '90s, they privatized all electromechanical functions and ended up taking it back inside towards the end of the '90s because it didn't work.

We, today-- We privatized all of our cleaning services. And it probably does save us some money, but it has another effect that I've been seeing since I've been there that is kind of like a -- not so much a direct effect, but one that has an effect on morale. One of the problems that we have with the old facilities like Pegasus, with the privatization of the cleaning services, is that nobody feels anymore as if they're part of an organization where what they do matters. It's a sad thing.

One of the things-- I held a meeting of all the employees when I first got there. I guess I was there about two weeks. They said it was the first time in 15 years that they remember seeing management ever meeting with all the employees. They said that people didn't really feel as if they were part--

The one comment that I got out-- I sent a survey to every employee and read every one of the ones that came back, and I got over 1000 of them. The one comment that kept coming up on more than a couple was, "This used to be a good place to work." It's kind of sad when you think about it. And I think a lot of it has to do with the fact that from a management standpoint, people see the waste.

I mean, when the Authority gave those bonuses, and you read about those, I'm sure-- When they gave those bonuses to the 25 top people after cutting the salaries of the parimutuel clerks by 12 percent, it just sends the wrong message. And nobody wants to be part of it. As a result, there's no feeling as if anything the people do will make a difference in the business. So, we have to get back to that. The only way you do it, Assemblyman, I think, is to put everybody on an even plain in terms of how they're treated.

I'll tell you, I've run a number of businesses that have been troubled businesses. And if you include people and make them part of the solution, versus always getting blamed for the problem, you're going to do a lot better. And I think that's the goal that I have in this Authority.

ASSEMBLYMAN DOHERTY: Through the Chairman, Commissioner Zoffinger, there's-- I've talked to some business leaders, and they've commented -- maybe you can let me know whether this is accurate information -- that there have been offers from private enterprises of up to $200 million to purchase the Meadowlands Arena in which they would take over the operation. They may do some further commercial development.

But it seems that we're losing money. We have this $1 billion in debt, and we're losing, I think, at the arena $10 million or $15 million a year. It would seem like a good deal to have a private group take over the operation. And actually, the State could walk away with $190 million check in their pocket.

MR. ZOFFINGER: Well, I couldn't agree with you more. I mean, first of all, I don't know of any specific transaction that has been contemplated exactly as you just stated, but we're in the process of issuing an RFP, request for proposals, for the 107-acre site that the arena currently stands on, and have had, what I would classify as an extremely good interest given where we are in the process in the--

As with everything I've found in this Authority, there is, however, a but. There's always a gray area that becomes an issue. And the gray area with regard to the 107-acre site is that the Giants and Jets, under their lease agreements, have very specific rights with regard to what kind of uses the land can be put to and have very specific rights in terms of the number of parking spaces that need to be maintained at the facility. And a lot of the parking spaces that need to be maintained at the facility are in the arena site -- the 107 acres.

We're grappling with that issue, and we're doing it in what I think is a very forthright and progressive way. We're including the people who live and work in Bergen County in the process so that the current arena site which, today, does house a 26-year-old arena with probably a loss of more in the neighborhood of $5 million before overhead -- that, we think, could be an economic engine for that region.

The only way, however, that we can do that is by including the people that live and work in Bergen County in the process. And we're trying to do that. And then we'll see whether or not, in fact, the number of $200 million is the right number. I think that might be a little high. If we could sell it for $200 million, I think we might grab that pretty quick. But I think it does have value, and any revenue that we would generate would certainly, when combined with no longer having the loss, would be a very positive thing for the State.

ASSEMBLYMAN DOHERTY: Mr. Chairman, may I ask one more question?

ASSEMBLYMAN ROBERTS: Sure.

ASSEMBLYMAN DOHERTY: Thank you.

Commissioner, as I stated, we have this $1 billion debt, currently, from being in the sport business. New Jersey has a $1 billion debt.

The sports owners seem to make out very well. George Steinbrenner turns a $10 million investment into $750 million and a cable network that makes another $200 million a year. Obviously, the taxpayers don't share in the bounty that Mr. Steinbrenner and his fellow sports owners have made.

Clearly, being in the sports business is a bad deal for the State of New Jersey. And obviously I've been reading in the paper about this proposal then, in Newark, in which the taxpayers of New Jersey are going to be asked to pony up $165 million to fund an arena for Mr. Steinbrenner and his friends down in Newark, an arena that is now going to have-- My understanding is that the State gets revenues from the circus and concerts and alike. They actually make money. So now, my understanding of the deal is all that's going to be lumped in, and Mr. Steinbrenner's going to get that benefit, as well.

How can I tell my constituents that that's a good deal for the taxpayers of New Jersey, that they should put up this millions and millions of dollars to subsidize billion dollar sports team owners.

MR. ZOFFINGER: Well, you don't know me very well, but I can tell you that I'm not in any way, shape, or form in favor of subsidizing any wealthy team owners. If anything, it's just the opposite. Nobody ever built me a building to operate my business.

What I would ask you to do, with all due respect -- I would ask you to keep an open mind with regard to that and discuss it with me, which is not the topic that I'm here to discuss today. But I would be more than pleased to try to explain the transaction and the reasoning behind the transaction from an economic standpoint that, I think, could make very good sense for the State.

And I think if we do get the input of yourself and all of the people that I've reached out to have input into this transaction, I think you'll find that it can be a worthwhile transaction, both for the Bergen County portion, as well as for the Newark portion. And it would be a little bit easier for you to explain that to your constituents.

But I guess at the end of the day, what I really find as being the overriding point here is that we do have assets that should be worth something. If they were operated correctly and profitably, they would be worth more. And I think that as we begin this process of really managing these places in a professional manner and not having to consider too many political ramifications, you'll find that we will be able to enhance the value of these assets and make them more valuable. And then if the State does decide to get out of the business, we will get a much better price from the standpoint of a sale for the assets. And the State will be able to make a dent in that $1 billion worth of debt that we have.

It has been pointed out-- I don't mean to dwell on this point, but I kind of like to dwell on the economic side of things. But as has been pointed out-- You know, the arena, when it was built, was built for, I think, around $80 or $90 million. If you were to do an allocation of the debt today, it's probably doubled. It's a sad thing. I mean, when you think about it, how we ever got in a position where we have $160 million of allocated debt on a facility that only costs $80 million to build, is absurd. If we can get to the point where we manage these things better, they have more free cash flow that we can get a multiple of, I think we'd be better off.

And I'd love to talk to you about the other transaction whenever you have a chance.

ASSEMBLYMAN DOHERTY: Thank you, Commissioner.

Thank you, Chairman Roberts.

ASSEMBLYMAN ROBERTS: Assemblyman, thank you very much.

Next is Assemblywoman Pou, the Vice Chair of the Appropriations Committee.

ASSEMBLYWOMAN POU: Thank you, Mr. Chairman.

It’s still good morning, Commissioner. You’ve been on for an hour and 40 minutes, and you’re doing very well.

MR. ZOFFINGER: Time flies when you’re having fun, right?

ASSEMBLYWOMAN POU: I’d like to go back to a question -- or a response that you gave to Assemblyman Burzichelli. You’ve talked about signs. Maybe it’s just a different type of sign, but it’s one that I--

I understand that the Sports Authority had to pay a substantial amount of money to a California company for signs prepared for the New Jersey Lottery and the Department of Health and Senior Services.

Are we correct that you had to pay a west coast company for these State agency signs? And if that is true, I would be very interested in knowing how much this cost.

MR. ZOFFINGER: Yes, as astounding as that sounds, it’s true. I mean, we pay a commission to a company that’s located in Redondo Beach, in California. We pay a commission for them selling signage in our stadium -- our arena. One of the signs was the New Jersey Lottery sign. So how that came about, I have no idea. But we paid a total last year of $410,000 in commissions.

ASSEMBLYWOMAN POU: Last year?

MR. ZOFFINGER: Last year on signs that-- One State agency putting a sign in another State agency’s building--

ASSEMBLYWOMAN POU: Incredible.

MR. ZOFFINGER: It’s amazing.

But let me get to another thing that will even astound you more, I think, Assemblywoman. When you go to see a game -- when you go to the Nets game tonight, if you're lucky enough to have a ticket--

ASSEMBLYMAN GREGG: And paid for it.

MR. ZOFFINGER: What did you say?

ASSEMBLYWOMAN POU: And paid for it.

MR. ZOFFINGER: And paid for a ticket. Absolutely, Assemblywoman.

You say to your friends, "Where am I going?" I would virtually say that everybody here would say, "I'm going to the Meadowlands." We, last year, spent -- let me make sure I have the figure right -- $480,000 to change the name from the Meadowlands to NJSEA. I might have this logo some place around here. I didn't bring it. I don't have props. But, it's amazing.

And the interesting part is that everybody still refers to it at the Meadowlands. It's incredible.

Everybody refers to it as the Meadowlands. We spent how many years branding ourselves as the Meadowlands. We had football games, with the Giants championship games, with Meadowlands in the middle of it.

Today, we have banners that we paid for -- $480,000 worth of expense to change this name-- We have banners that say NJSEA. Most people don't know what it is. It's crazy.

Those are two of the things that I found that you sit back and you say, what were they thinking?

ASSEMBLYWOMAN POU: Mr. Chairman, I just have another question almost along those same lines. It's my understanding that each June a fair is held in the stadium parking lot, and that the contract for the fair was not competitively bid. It's also my understanding that allegations exist regarding the operations and financial returns to the Sports Authority. Can you discuss the amount the Sports Authority may have lost through this arrangement? And what steps will you take to rectify this?

MR. ZOFFINGER: The answer is that, in fact, the Meadowlands Fair, which is a fairly large fair in terms of its volume, which is held in the parking lot of Giants stadium every year--

Thank you. I must sound bad. (referring to proffered water)

ASSEMBLYWOMAN POU: You're doing fine, Commissioner. You're doing fine.

MR. ZOFFINGER: Since 1986, this fair has been operated by one vendor. There was never a competitively -- with regard to the operation of the fair. And I think everybody realized that it would be in our best interest at the State to at least see what could be garnered, in terms of increased revenue, by making this a competitive bid.

We're in the process of exactly doing that. We'll have a competitive bid. We just-- We had a competitve bid that was answered a couple of months ago. But we're in litigation with regard to some of the items that pertain to the fair under the previous -- under the current fair operator's arrangement.

But to give you an idea -- to answer your question directly, we presently take the percentage of ticket volume that amounts to roughly $500,000 a year. It's been fluctuating. It's down $400,000, I believe, last year. We had a competitive bid situation, and the competitive bids that we received were almost double that, and in one case, were over double that.

We have some issues with regard to some allegations that have been made because the fair business, apparently, is not the cleanest business in the world. (laughter) I'm trying to put it as nicely as possible. So there are all kinds of different things that fly back and forth. But I can tell you what my intent is. My intent is to have a very carefully structured competitive bid process that will be answered in July and, hopefully, award the contract for the fair for next year to a competitively bid -- with a guarantee portion that would roughly double our revenue from what it is today.

I'm committed to doing that. It's not an easy process. There's litigation involved. But I think we'll be able to double our revenue with regard to that.

ASSEMBLYWOMAN POU: That's great.

Speaking of revenue and doubling your revenue, I know that sometimes I have seen a flea market operated in your stadium parking lot on Saturdays. Do you collect any rental fees for this flea market?

MR. ZOFFINGER: Well, do we bill rental fees is one question. Do we collect is another question.

ASSEMBLYWOMAN POU: Well, let's talk about that.

MR. ZOFFINGER: That's another thing I found when I got to the Authority -- was that-- Again, the process by which we manage our financial books and records and the way we account for things has never been strongly delegated to one specific area.

What I mean by that is that if you had a sign vendor, for example, who was supposed to pay a sign bill, the people in the sign department were the ones that were supposed to follow through on it. If you had the fair, the people in the operations department followed through on it. Nobody had any overall direct responsibility, as the chief financial officer of the organization, to make sure that they were held accountable for those issues.

What we've done is I've empowered our CFO to not only be responsible and accountable, but if we have items, I now have one person that I go to, like any well-run company would do, that says, "What is the problem here? Where are we?"

In the case of the flea market, we had $500,000. Nobody ever collected it. So, I now have it on a payment program to collect the back rent as well as the future rent. And we're going to have to see how we make out.

But it's not an insignificant amount of money, Assemblywoman, it's a $500,000.

ASSEMBLYWOMAN POU: Oh, absolutely.

Well, considering the fact that the flea market is run on State property, what have we done to ensure that we are collecting our sales taxes or that the sales taxes are being properly collected?

MR. ZOFFINGER: I will have to get back to you on that one, because I don't know the answer to the question. I'm assuming that we have controls, but I will check it out.

ASSEMBLYWOMAN POU: Okay.

MR. ZOFFINGER: Sorry.

By the way, heres the NJSEA logo. I have one I can pass around. But this is what we put on the banners.

ASSEMBLYWOMAN POU: You'll need a couple more of those to go around.

Thank you, Commissioner.

Thank you, Mr. Chairman, for affording me the opportunity as sitting in as a substitute. This has been quite a learning experience for me, and I've been quite interested in the many -- the information and the responses that's been given by the Commissioner. I thank you.

ASSEMBLYMAN ROBERTS: Assemblywoman, thank you for taking time to be with us today.

Last, but not least, is Assemblyman Cryan.

ASSEMBLYMAN CRYAN: It may be least.

MR. ZOFFINGER: I wouldn't say that.

ASSEMBLYMAN CRYAN: Thank you, and still good morning.

One of the things I'd love to read and see is your outrage list in its entirety. (laughter)

MR. ZOFFINGER: It's in my office. Anybody that comes to my office sees it. It's right there. I think it actually makes some of the people that work there cringe when they see their items on it.

ASSEMBLYMAN CRYAN: I imagine they would.

One of the things I've learned as a member of the Budget Committee is it's nice to hear -- when we hear Commissioners talk -- about making money, because one thing I've learned of the State of New Jersey on the Budget Committee is we need the money. And I appreciate that. And I appreciate your management directive of changing the philosophy.

The questions I'm going to ask are going to stay on this management-type issue. I'm going to ask you about some of the decisions that have been made and what they mean in terms of a cost impact to the State based on that view.

I'm a TV watcher of the Meadowlands more so than a spectator, per se, as a payer. And one of the things I've noticed over time is the amount of different fields that are turfs or whatever term you use -- playing surfaces in the stadiums -- AstroTurf or some other type of turf grass, which I know has a maintenance cost involved.

Flipping through some numbers, trying to prepare for this, it looks like we've spent in excess of $5 million, along with some maintenance fees, in terms of changing the playing surfaces that were on. Would you help me with that, elaborate that for me, who made those types of decisions, what the thought process was, and maybe where we're going?

MR. ZOFFINGER: Yes. It's also an item that I've had to deal with as recently as last week.

In terms of history, I think many of you know I was involved with the 1994 World Cup. And one of the things that the World Cup did was put grass into the stadium. It showed at the time that, in fact, it could be done.

Between the MetroStars wanting to play on grass, as well as the Giants and Jets and the NFL Players Association wanting to play on grass-- Back in '97-'98, they started to take a look at whether or not it was physically possible and what it would cost to have grass at Giants Stadium.

Where it gets a little confusing is that in 1997, the Authority purchased a new AstroTurf field at a cost of about $1.3 million. The AstroTurf field was actually damaged. And in 1998, the Agency had an insurance claim and go -- in essence, a new AstroTurf field put in.

As incredible as this sounds, in 2000-- By the way, the AstroTurf field had a 10-year life -- 1998. In 2000, the decision was made, in conjunction with the MetroStars, the Giants, and the Jets to put in a grass field. The cost was something in the neighborhood of $4 million for a grass field. In the Authority's wisdom, or lack of wisdom, they put the grass field over the top of the AstroTurf without taking the AstroTurf off and, in essence, ruined the AstroTurf. So, now we're committed to grass. And the grass costs about $1 million a year to maintain -- a little bit less than that to maintain.

The horrific part of the transaction was that when the grass field was contemplated, it was agreed between the Giants, Jets, and the MetroStars, they would foot 25 percent of the cost. So the $4 million cost of the grass field was supposed to be split four ways.

When Woody Johnson purchased the Jets -- or just before that, I guess it was -- I think Leon Hess still owned the Jets -- the Jets said, "Well, we don't want to pay the $1 million for the field." So the Giants never paid the $1 million for the field. The long and short of it is, the Authority paid for the whole thing. So we covered an AstroTurf field, which would cost us $1.3 million-- We put grass over it, ruined the AstroTurf field, and ended up with a grass field that cost us $4 million. And we've never gotten the money back from the participants. And today, the MetroStars contribute about $150,000 a year in maintenance, and we do the rest. It's crazy.

ASSEMBLYMAN CRYAN: It is crazy. But who makes the call on that. You talked to us about a cultural change and the fact that you were willing to stand up to the Jets and-- How does that happen?

MR. ZOFFINGER: Okay. I'll tell you who makes the call in the future -- me. And I expect to be held accountable for decisions that are made with regard to any of these leases or any of the operating things. Ultimately, it's my responsibility.

But, in the process, any good manager will delegate responsibility and empower people to make decisions in an organization. This is a big organization. And the issue really is that as this waste is taking place -- and I asked, "How did that decision get made." Everybody just goes like this. (indicating) Somebody else made the decision.

In the past, there hasn't been accountability. Things like this happen, and then everybody just kind of scratches their head and says, I don't know how it happened, but it happened. In the future, I can give you this commitment -- if there is an issue, I would expect that somebody will ask me directly how that decision was made, and I will have an answer as to how the decision was made. Maybe they aren't going to be the right answers in terms of whether or not it was the smart thing to do, but I can tell you this, I think my son -- I shouldn't disparage my son too much -- but I think he could have made a decision, at 12 years old, as to whether or not you should cover up a $1.3 million AstroTurf field with the grass field without taking the AstroTurf up at least.

ASSEMBLYMAN CRYAN: And not collect at least $3 million in payment for it--

MR. ZOFFINGER: And not collecting the money.

ASSEMBLYMAN CRYAN: --when the State of New Jersey is providing an $11 million subsidy.

Let me switch to a different line of questioning.

The Winner's Club -- the restaurants -- couple of restaurant guys here on the committee -- about $11 million put into the renovation of the Winner's Club.

MR. ZOFFINGER: It's $10.9 million.

ASSEMBLYMAN CRYAN: Okay, $10.9 million. Accept $11 million for ease of math.

Help me. I'm sure you're a cost-benefit guy. You put money in. You look to see if it comes back. Are we doing cost-benefit there? Are we earning our keep? Is it coming back?

MR. ZOFFINGER: I've asked to see the documentation on projected internal rates and return on investments. In most cases, they just weren't done. I mean, the CFO has been a great help to me in terms of ferreting out a lot of this waste and mismanagement. He's the first to admit it never was looked at in that fashion.

If you take Winner's Club as an example -- and I know Assemblyman Guy can appreciate the fact that an $11 million investment in a restaurant that would be open maybe 150 days a year is not going to pay off very quickly unless you sell an awful lot of food.

And in the case of -- when there's -- I should add even more is that we subcontract out our food. So we only get 40 percent of whatever the volume is on that. They get the 60 percent. So if you were to do this in terms of any kind of return, you'll find out that we could probably have this arena around for 100 years and never get our money back.

The part that's most outrageous is that we -- part of that $10.9 million cost was for plasma TVs throughout the facility. We don't even use the technology, but they look nice -- $6000 each.

ASSEMBLYMAN CRYAN: We don't use the technology?

MR. ZOFFINGER: No, we don't have digital TV in that facility. And it's $6000 each -- each one of the TVs -- all over the place -- $6000 per TV. And this was all done at a period when the teams didn't want to be there any more. Again, I've got to ask, what were people thinking?

ASSEMBLYMAN CRYAN: Sounds like the Winners' Club is the losers club for the taxpayers of New Jersey.

I want to switch over a little bit and focus in, again, on -- staying on this idea of management issues and cost benefits and so on.

I know you hire outside folks for input in certain areas. But in particular, talk to me-- One of the areas of concern we've seen in the Budget Committee and in every agency and every municipality and every government agency -- is going through the problem with insurance.

You folks, I believe, have some in-house folks that maybe can do this (indiscernible)

MR. ZOFFINGER: You should be aware of the issue of insurance, which is the same as you'll probably be facing yourselves in any businesses that you have. Since 9-11, we have had a significant increase in our insurance costs, both in terms of the liability and in terms of property and casualty.

We have, at the Authority, good, solid people who are well-trained in both the bidding process -- and we just completed a bid and awarded a bid last week for our property insurance. But I found-- One of the things I found is, no matter where we have capability, we also seem to have had people that were consultants advising our people on things. One of the things that I said, and I asked this question of every person where I see a consulting arrangement, "If we have to hire the consultant, why do we need you?" And you'd be surprised how quickly the answer is that we don't need the consultants.

In the case of the insurance, we're paying $120,000 a year for an insurance consultant, which we've eliminated. We have sign consultants. We have sports consultants. We have media consultants. I can tell you that in each case, the same question is going to be asked or is asked, and that is, "Why do we have you?" In most cases, we'll find that we don't need these consultants, and we'll cut back on them significantly.

ASSEMBLYMAN CRYAN: So you're moving towards this era of management and justification of cost expenditures and so on.

MR. ZOFFINGER: Yes.

ASSEMBLYMAN CRYAN: That would pretty much be your message.

Then you need to help me with one other thing. I don't know if it's on your outrage list, but I certainly heard about it at the time that it happened, which is in 2000, and you touched upon it today. That's this idea of bonuses and salary increases being handed out to the top management level.

To Assemblyman Doherty's comments earlier, you touched upon the fact that we actually reduced the salary and took a cut in the parimutuel clerks and so on. How? How did we do it? What happened? How can we possibly-- How can anybody possibly justify, in any market, handing out -- I suppose -- unless you're the corporate guys these days-- How can we justify, and what ideas do you see for potential corruption in the future?

MR. ZOFFINGER: The fact that it was done in the way that it was done, I don't think was right. But notwithstanding that, what I'd really like to more address, if it's permissible, is what my philosophy will be in terms of motivating and rewarding employees.

The biggest problem that we had at the Authority was this sense of elitism that was present, in that people thought that if you were politically connected and you were a big shot, therefore, you got treated well. Whereas, if you were the person that took the tickets or the person that ushered people to their seats or you were the parimutuel clerks, you were not -- you didn't receive the respect that is necessary.

What I said at the very beginning of my tenure there was that the people who directly deal with our customers are the most important. I learned this in the banking business. For all of the changes that we can make in the banking business, the person that was the most important to the customer was the bank teller. And the bank teller was the person that had direct contact with our customer, was the person that the customer relied on in terms of its image of the bank.

And in this case, it's no different. Most of our customers who come to the Meadowlands -- and if we want to have repeat customers and we want to have people that think it's a good place to come, we need to have people who will make the experience for our customer a good one. You're not going to do that if they think that the big shots get bonuses, that the big shots get cars, that the big shots--

I mean, I found out last week, and it's extraordinary to me, that we had employees at the Sports Authority, senior managers, who had a key to our gas pumps and would fill their personal cars with gas. That's an outrage. They had dinners at Pegasus where, every night, they would go up there and have dinner, including alcohol and whatever.

The philosophy I have is that we've got to have an organization that is inclusive and that doesn't have an elitist attitude. And if there's one thing that I will make sure that we do is to respect the people that are working at the Authority and to try to turn around this issue of this used to be a good place to work into it is a good place to work. You can't run an organization and have this ill feeling between the people who are working there.

ASSEMBLYMAN CRYAN: Incredible, free food and free gas.

MR. ZOFFINGER: Oh, yes. Pegasus was like a regular thing. Not anymore. We've stopped it. I'm working on golf outings now.

ASSEMBLYMAN CRYAN: You've shared your management philosophy and you've talked about some specifics, food and gas being just a couple of the more outrageous ones that kind of stand up. But one last question and a brief follow-up.

Are there any other specifics steps that you want to share with this committee in terms of administrative expenses, where you stand, ideas where they can possibly be streamlined or whatever it takes in terms of your reputation as the kind of guy who comes in and faces a troubled business -- what areas you've seen.

MR. ZOFFINGER: The one thing that is paramount is the fact that I've received extremely good support from the Governor and from people on his staff. We are undertaking an extensive review of the structure of the organization, as well as the functionality of the organization.

I've been blessed with the fact that I've got a number of friends who have run major corporations, who have donated some of their time, including the former chairman of First Fidelity, the former president of First Union, the former head of Franklin Mutual Series Fund -- the chairman -- to the head of public affairs at Blue Cross Blue Shield, just to name a few, who have come and formed a group of advisors that have looked at every aspect of the organization. And I can tip off area after area where we will either enhance our revenue or decrease our cost because we've taken this extensive review.

I've taken that review and folded it into a group of senior managers, whereby we will make recommendations to restructure the organization so that it is more functional, has more direct accountability by function, and is easier to track in terms of whether it's being responsive to the marketplace. If we can do that, I think that we will go a long way toward wiping out this deficit by -- my goal is by our calendar year 2003. I'm hoping to have, through the elimination of waste, the restructuring of functions, and complete accountability -- I'm hoping to have this Authority on an operating -- profitably operating basis going into calendar year 2004. So by year 2003, I hope to have the entire deficit of $11 million -- operating deficit of $11 million removed. If we can do that, I think that that will encourage employees to feel as if they're part of a successful organization and will feed upon itself to build the revenue.

I'm committed to doing that. It's a goal. It's a very extensive goal -- I realize that -- and a stretch goal, but I think we can do it. And I'm pleased to say that I've got good support from the Governor's Office and from the Governor himself in terms of trying to help me with that.

ASSEMBLYMAN CRYAN: A commitment and goal in government, it's refreshing, and I appreciate your candor.

As I mentioned, we didn't get an opportunity to hear from you folks in the Sports Authority in the Budget Committee. It's so refreshing to hear from you today. I appreciate your time -- look forward to it.

And I can only close with one other comment, which I'm sure you share, and that's the Nets in seven. (laughter)

MR. ZOFFINGER: Nets in seven.

ASSEMBLYMAN CRYAN: Thank you.

MR. ZOFFINGER: Nets in seven. See, the way I look at it, we make $40,000 a game, so--

ASSEMBLYMAN SARLO: We're doing good now.

ASSEMBLYMAN ROBERTS: Okay. Thank you very much.

Assemblyman Gregg.

ASSEMBLYMAN GREGG: Thank you, Mr. Chair. I'm trying to figure out whether the Nets in seven or you getting out of debt is going to happen faster. (laughter) I think I go with you, George. (laughter)

Thank you, Mr. Chairman. Thank you for the opportunity just to make some closing remarks.

George, and I'll call you George -- you and I have known each other for a long time. I think the only thing that separates us is an elephant and a donkey. I think we have very similar views. And I'd like to compliment you. This is supposed to be a bipartisan committee. I'm not going to waste any time in talking about how we got here. Lead, follow, or get out of the way should be the way we run our government in New Jersey. And I think you moving forward to correcting these problems that have been stated today is important.

I don't want to diminish them, but I think it needs to be noted that finding $10 million over three years is not necessarily all we need to do for the citizens of the State of New Jersey. I would never diminish the value of $1 million, but it is a very small piece of the issues we have to deal with, and I think if all of them can be dealt with with the candor and aggressiveness that you've brought to the committee today, then we will be able to move forward with that.

I remember when I came to the Legislature with a large degree of experience in hamburger flipping, but not too much in bureaucracy, one of the first questions I had to ask was what is an independent authority, what is in but not of. Some of the questions I learned as a freshman on the Budget and Appropriations Committee--

I think, today, you have kind of explained in a more easy way, really, what that is, which is what government really shouldn't be doing. I think you have given a very articulate argument to get us out of the sports business. And I know probably folks on the other side of the aisle and maybe folks out in the audience are not sure that's what you wanted to say, and maybe someone in the office above us didn't want to hear that.

Quite frankly, when you talk about $11 million to build a restaurant, which is ridiculous, when you talk about any of these other issues and how you build football fields -- whether you put AstroTurf on top of turf or turf on top of AstroTurf-- These are not things that bureaucrats do very well.

Quite frankly, it's what football teams do well. And it's what baseball teams do well.

I think that this meeting may be the first beginning of understanding that we shouldn't be here. We shouldn't be in the sports business. We should be providing a skyline for these people. We should be providing opportunities and infrastructure support for them.

Quite frankly, the devil is in the details, and the devil is in the Devils. In these contracts that have been written, no one is going to argue that they weren't the best contracts that could have been written. But unfortunately, I'm a businessman like you are, and you've been there, and I've been there -- that I don't write contracts like I did in 1985 because I'm still wearing those scars.

I learned. And just like we have learned as a State, and you've learned as a businessperson, there's a point when you learn that that's not what I want to do anymore. And I think this is going to add a very good framework and a base for looking at what should happen if we do anything with our sports teams. I agree with you completely, George, that the Devils and the Nets aren't going anywhere. And if they do, no one's going to hear from them again because this is where they want to play. And if they want to go across the river, let them go across the river for a couple of years. They'll come back, just like the White Owl commercial. Ultimately, we have to take that attitude in our negotiations, and we have to be tough. And, quite frankly, the more limited role our State plays in these sports teams, the better we will serve our citizens.

Quite frankly, we don't know how to run restaurants. We don't know how to negotiate contracts. We don't know what the long-term parameters are. We shouldn't be taking risks on whether a team wins or doesn't win. That's not our job. We can't pick the players.

Quite frankly, I think you've articulated a wonderful, wonderful picture of why we should stay as far away as we can as far as other than providing a home, an opportunity, and a place to allow these very, very -- as you so stated -- affluent sports owners, who are very good contract writers, to write them with their own subsidiaries. Let them find the restaurants, let them find the sign companies. Let them find all of the things that have been abused. Let them rent it to the flea market people, and let them deal with the whole picture, and let the State of New Jersey's taxpayers just be winners.

So I hope, as we move forward with that debate, that this becomes a meaningful start for ensuring that we do keep our teams here because we've got the best place. But we don't have to sell the ranch. We sold the ranch a few years ago, and it's obvious that those contracts were horrible. Let us not look at yesterday, build upon that, and fail again.

Thank you very much, Mr. Chairman.

ASSEMBLYMAN ROBERTS: Assemblyman, thank you very much.

Let me note, for the record, that a truly dedicated member of the Legislature, Assemblyman Jerry Green, who's been in traffic for four hours, still found the time to join us.

Assemblyman, we will certainly provide you with all the--

ASSEMBLYMAN GREGG: You got the best part.

ASSEMBLYMAN ROBERTS: --summary of everything that was covered today.

ASSEMBLYMAN GREEN: I appreciate it. I'm hoping that George can do something about Route 1. (laughter)

ASSEMBLYMAN ROBERTS: That will be the test of whether he really is a miracle worker.

Let me just conclude by thanking you for being with us today.

To add to Assemblyman Gregg's observation, there isn't anything independent about an authority that we need to bail out on a regular basis. All of us are dealing with the budget through the Budget and Appropriations Committee, as members of the Legislature, and it is nothing short of infuriating to have to ask the people of this state to endure such pain at a time when we look at the historical record of the Sports Authority and see how much money and how many opportunities were squandered.

In many ways, your hands are tied as a result of some of the decisions that have been made by your predecessors. But in some ways, you're beginning to right the ship. And that's to your great credit. And we're very, very happy that you're there.

One thing that's clear to me, and one of the consequences of this whole process will be that we will make some recommendations to the Speaker and to our colleagues in the General Assembly.

But one thing that's clear is that the independent authorities need to be a part of the budget process to a greater extent. And that will, I'm sure, be one of the things that we will be recommending to the Speaker.

Mr. Zoffinger, on behalf of this committee, I'd like to ask you, if you could by September 30, to provide us with an update in terms of some of the business-like reforms that you're implementing so that we know that we're moving in the right direction, and we know that next year is going to be better than this year.

This committee, as I said at the outset, will have a couple of meetings during the summer that we'll, I promise you, try to schedule in a way that don't disrupt your--

ASSEMBLYMAN GREGG: At the shore. (laughter)

ASSEMBLYMAN ROBERTS: At the shore or somewhere -- nice Irish pub somewhere -- but in some sort of convenient locale.

ASSEMBLYMAN GREGG: Chester.

ASSEMBLYMAN ROBERTS: That's right.

No commercials. (laughter)

And I would appreciate your input about what dates are good for you and not good for you and what you think ought to be the next couple of things that we look at as we continue our work.

But I very much appreciate you taking the time to be here and to join us and to commit to work together in this process.

Mr. Zoffinger, thank you for being with us today.

MR. ZOFFINGER: Thank you, Mr. Chairman.

ASSEMBLYMAN ROBERTS: We are adjourned.

Thank you.

MEETING CONCLUDED