
Committee Meeting

of

SENATE LEGISLATIVE OVERSIGHT COMMITTEE

"Testimony from invited guests regarding the history, mission, and vision for the New Jersey Sports and Exposition Authority and the New Jersey Meadowlands Sports Complex"

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: March 3, 2010
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Barbara Buono, Chair
Senator Teresa M. Ruiz, Vice Chair
Senator Sandra B. Cunningham
Senator Paul A. Sarlo
Senator Thomas H. Kean Jr.



ALSO PRESENT:

Carrie Anne Calvo-Hahn
Office of Legislative Services
Committee Aide

Jason Redd
Senate Majority
Committee Aide

Frank Dominguez
Senate Republican
Committee Aide

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SENATOR BARBARA BUONO (Chair): Good morning, everyone. I'm Senator Barbara Buono; I'm the Chair of the Senate Legislative Oversight Committee.

I normally don't do a roll call, but since this is the first meeting, we will do that. And I'd also like to introduce Senator Ruiz, Teresa Ruiz, who is the Vice Chair.

If you would call the roll. Senator Kean will be here -- he's a little bit delayed. We do expect him.

MS. CALVO-HAHN (Committee Aide): Thank you. Senator Kean will be here shortly.

Senator Sarlo.

SENATOR SARLO: Here.

MS. CALVO-HAHN: Senator Cunningham.

SENATOR CUNNINGHAM: Here.

MS. CALVO-HAHN: Senator Ruiz.

SENATOR RUIZ: Here.

MS. CALVO-HAHN: Senator Buono.

SENATOR BUONO: Here.

MS. CALVO-HAHN: Thank you.

SENATOR BUONO: Thank you.

I would just like to begin by setting the tone -- setting the stage for this hearing. I'd like to thank everyone, first of all, who assisted the Committee with preparations for today's hearing. In particular, I would like to thank the staff, Linda Schwimmer, Jason Redd, Carrie Calvo-Hahn, David Rosen, Frank Haines; and, of course, all of the witnesses, both interested parties with a great deal of institutional knowledge, as well as

some world-class experts that we will hear from, later on, on urban planning and land use.

My interest in the Sports and Exposition Authority really began when I was Chair of the Senate Budget -- sorry, I'm in the Budget room, and, sorry, Senator Sarlo, I know I'm not Chair anymore -- of the Senate Wagering, Tourism, and Historic Preservation Committee a number of years back. And it was in that capacity that I gained some insight into the workings, and the purpose, and the origin of the Sports and Exposition Authority and its impact on the state as a whole.

But before we get to the panelists, as I said, I wanted to set the stage for our discussion by detailing the changing dynamics surrounding the Authority since its inception.

When the Legislature adopted the New Jersey Sports and Exposition Authority law in 1971, the agency was tasked with the specific mission of overseeing the construction, operation, and maintenance of the Sports Complex in the Hackensack Meadowlands. At the time, it was meant to be -- the Authority was meant to be a financially self-sustaining public -- and I emphasize public -- entity with the power to issue bonds, or notes, to finance the costs of construction. And the key to the Authority's financial operation was the establishment, at the time, of a horseracing track. The revenues from the track, as I'm sure the audience members are aware, as well from the total Complex, its construction, were meant to be used for the operation and maintenance expenses of the track, the entire Complex, and the payment of interest and principal on the bonds or notes, and certain payments to municipalities whose land was acquired for the Complex. Additionally, the legislation stated that any balance remaining

was to be deposited into the State's General Fund, and 40 percent of that was appropriated to the Meadowlands Commission. At the time, the supporters of the Complex, at its inception, believed that its completion would make New Jersey the Sports Capital of the World, and, indeed, it was a great success for a time. But since 1993, the Sports Authority has actually cost the State dollars.

Which leads me to the key question that this Committee will be discussing: What should be done with the NJSEA and its assets? The viability of many of these sites that the Authority oversees is now being called into question, as we all know from news reports and discussions online and in the media. With the new Giants and Jets stadium opening this fall, the teams will be paying the Sports Authority less than half of what they once did annually. And we will get more into detail on the franchise agreement, because it does have implications on our State budget going forward. The Meadowlands Racetrack is a shell of its former self; it operates in the red -- as does Monmouth Park -- losing a combined \$21 million annually. And we will discuss that, and we know that there are offsets to that as well, which we will go into in detail.

The viability of the IZOD Center is threatened by other local competition and, of course, the fate of Xanadu is still unclear.

An agency that once funded the construction of major Sports and Exposition venues around the state, operated with a healthy surplus, now carries hundreds of millions of dollars in outstanding debt. Some may question some of the choices that have been made in the past, many of which came from outside the Sports Authority management. That, coupled with increased competition in gaming, diversion from the original mission,

and changing economic times, have left the Authority in a precarious financial situation. In any economic situation, in any economic climate, this would warrant action. But when you couple that with the international global recession that has had disastrous effects on our State's finances, this situation demands our attention now.

We can no longer afford to operate precariously without a sound blueprint for the future. To that end, we are fortunate to have Dennis Robinson, the CEO of the Sports Authority, who I met with at length yesterday or the day before, and he will discuss their current economic status and their future plans.

Our guests also include representatives of the local communities surrounding the New Jersey Sports Authority sites, and our last panel will include a number of planning experts -- we call this the *vision panel* -- who will examine the potential future of the Authority's assets and how to best reposition them. These members will discuss the characteristics of the Authority's assets and help identify and discuss today the highest and best use for the state.

And then, after each panel concludes, I invite members, Committee members, to ask questions.

So without further ado, I'd like to begin by asking Robert Ceberio, Executive Director of the New Jersey Meadowlands Commission, to come up to the microphone and testify to the Committee.

Hi, how are you?

ROBERT R. CEBERIO: Good morning, Senator.

SENATOR BUONO: You are a wealth of institutional knowledge, and we're eagerly anticipating your remarks today.

MR. CEBERIO: Senator, you know you're around a long time in government when they ask you to testify on historical perspectives, so I guess I've been around for awhile. (laughter)

I've had the pleasure--

SENATOR BUONO: Can you press-- The red light has to be-- That's it.

MR. CEBERIO: We got it? Okay. Thank you.

I've had the pleasure and the honor of either living or working in the Meadowlands or surrounding communities for the last 46 years of my 56-year life. As a boy growing up in North Arlington, the one thing I can tell you, prior to 1968, was when you went to look at the Meadowlands, you looked at it as an industrial wasteland: 51 landfills, consisting of almost 2,000 acres of almost 10 percent of the entire Meadowlands District, was collecting garbage from New York and a good part of many other areas of New Jersey. Common underground fires, dumping of chemicals and industrial wastes. The river was, in fact -- the Hackensack River was indeed a discharge point for raw sewage; heavy metals being dumped in, chemicals, and power plants taking in water and discharging hotter water.

But fortunately, fortunately, there were visionaries who didn't share what was happening in the Meadowlands: Governor Richard Hughes, Farleigh Dickinson Jr., Richard DeCort, Frank Orini (phonetic spelling) had a different vision. They saw the fact that this strategic location, no more than eight miles outside of Times Square, New York, had the ability to be developed into an economic engine for northern New Jersey and, in fact,

not only as an economic engine, but at the same time, clean up the environment that was being slowly killed off and degraded.

In 1968, the Legislature passed the Hackensack-Meadowlands Reclamation and Development Act. This legislation-- If you look at the tools and documents for land-use planning within this document today, it probably could never have been ever passed during these times, considering the authorities and powers that were taken away from some of our municipalities; and we all know how strong home rule is in the State of New Jersey. This legislation is your typical urban renewal legislation, which has an infinite amount of powers of development, redevelopment, bonding, financing, and leasing, for the purposes of development.

Governor Hughes signed the bill January 13, 1969. And it should be noted that the Meadowlands Commission, its existence, its creation, was prior to the U.S. EPA coming on as an agency; the State New Jersey DEP being an agency; even before the national Environmental Policy Act came into play in 1970 -- Clean Water Act, Clean Air Act, and many, many other environmental legislations. So we were there first.

Now, let me just give you an idea-- I brought some maps with us today, and I know I distributed to members of the Committee smaller maps -- just to give you an idea of what this 20,000-acre, 31-square miles looks like. Just to give you some -- for those that may be from the area, but maybe you know something of the area -- very simply, our boundaries are Route 46, near Teterboro Airport, where we don't have planes shooting across it; Tonelle Avenue, Route 1 and 9, on the eastern boundary; Pulaski Skyway as the southern boundary; and the old Harrison-Kingsley line, or running parallel to that is Route 17.

The legislation basically takes control -- land-use control away from parts of 10 communities in Bergen; and four communities in Hudson, including the City of Jersey City. The Commission consists of seven individuals, four who must be members of the communities within those 14 towns, and two members -- one from Bergen and one from Hudson County; and the Chair is the Commissioner of the Department of Community Affairs. Specifically, if you look at the legislation, we were given three mandates, and sometimes when you look at the mandates it seems schizophrenic: economic development, solid waste management, and protecting and enhancing the environment, all at the same time. But, somehow, over the last 40 years, we've made it work.

Just to give you an idea: Under our statute, the Meadowlands Commission is the zoning board and the planning board for those parts of those communities. In 1970, a Master Plan -- I'm sorry, 1972 -- a Master Plan was created for the area, along with a series of land-use regulations, as to how things could be developed and in what specific locations. And you have, in that color map, the existing Master Plan map that was redone in 2004. One unique feature of this legislation is an item called "Intermunicipal Tax Sharing." One, it's a very interesting financial tool for the purposes of eliminating ratable chases within the core area of those 14 towns, but also allows us to plan for open space areas, and, if we develop or redevelop parkland, open spaces, and a municipality loses out on the ratables, they receive compensation from the growth centers. In essence, it's a very complex, challenging -- at times, legally -- program, but it has been very effective and upheld by the New Jersey Supreme Court.

Now in 1971, when the Sports Authority was created, the 750 acres that you see in that purple color right there, which we have in the plan, was carved out of our jurisdiction. The Meadowlands Commission has no zoning jurisdiction over the Sports Complex. I will tell you how we do intersect in several areas: first, the Commissioner of the Department of Community Affairs sits as an ex-officio member of the Sports Complex. Two, there are provisions within the statute that requires an advisory by the Sports Complex to tell us what they're doing -- and it's only an advisory process. Three, when the Sports Complex was first created, many of the environmental groups, at that time, and home-rule folks filed suit that went up to the Supreme Court. And within that Supreme Court case came out a process called the Hearing Officer's Process. And what the courts stated -- what we, the Meadowlands Commission, would do, and what DEP would do, is act as hearing officers to review the environmental impact statement of any development that occurred on the Sports Complex site, and to provide a series of recommendations as to how best mitigate any impacts to the local ecology.

That process has been used several times, including the construction of the racetrack and stadium, as one hearing officer's process; the second one was the arena; the third one was the Xanadu site. And we even had a hearing officer's process as related to the rail station and the rail line going into the site.

As you said, Senator, there were also provisions in the Sports Authority Act that said that the Commission would receive the amount of a net profit -- definition of net profit, which somehow we never got really what the definition of net profit was -- from the Sports Authority. The

Meadowlands Commission statute does not have any provisions regarding financing of its operations. As a matter of fact, the first 10 years of our existence we worked off borrowing money from the State Treasurer; and when we received our first check from the Sports Authority that first year, we paid the Treasury off, with interest, for those 10 years. I think we received one more payment, and at that time Treasurer Biederman indicated -- came to us and said, "You're no longer going to get the money from the Sports Complex; they need to make sure that their maintenance reserve accounts and their surpluses are used specifically for that particular site." That's when we entered (*sic*) up going on State approps up until 1992. And the best thing that ever happened to my agency was getting off State appropriations, and we haven't been on state appropriations since 1992. And, fortunately for us, unless we work our business very well, we create our own financial wherewithal to do the mandates that we've received.

There is no question that both the Sports Authority and the Meadowlands Commission, as you pointed out, went through what I'll call it's *golden economic development period* from the time it opened (indiscernible) the Sports Authority, and our development of a lot of the Hartz Mountain development, to about the early 1990s. It was a basic mirror of how Governor Hughes' vision of this economic engine did, in fact -- was working, and was working quite well. I had the privilege, among many other things that I've done in my life, to work at the racetrack. I worked in the Legislature during the day, and at night I worked at the racetrack, for almost five or six years. And as you pointed out--

SENATOR BUONO: Wouldn't be able to do that now.
(laughter)

MR. CEBERIO: No, no. But you know, the Legislature in those days paid their aides \$5,000 a year. (laughter) So those were the days where there was 30,000, 40,000 people on a Saturday night at the racetrack, and almost \$3 million worth of handle. So we moved very, very well.

There had been a lot of discussions at the Sports Authority in the late 1980s and the early 1990s about looking at some of the land uses at the site, in some of the consultation that occurred with the Meadowlands Commission. We looked about changing our Master Plan during that time period, but that hit a buzz saw as it related to the environmental community, as it related to some of our municipalities, and to the development community that felt that there should have been more development at that site. It was almost 14 years later that we changed our Master Plan to the 2004 Master Plan that is now in existence. That Master Plan takes into consideration -- I will say this, and here's the intersection, again, with the Sports Authority: What we did in order to sell this Master Plan is, we took all the impacts from the Master Plan and plugged it into all of our models, including a fiscal impact statement that was prepared for us by the Bloustein School. We felt, for land-use purposes, that a fiscal impact statement was important to our communities to show them that this new approach of no wetlands fill and use of redevelopment can get them the economic gain that they were looking for; looking at traffic analysis; and, with Senator Sarlo's help, passing legislation that created a transportation planning district, which gave us more authorities. So we integrated all our

studies with the Sports Complex then, but again, in fact, we still do not have any jurisdiction except for the items that I pointed out to you.

The one big challenge I think that we did see, in fact, towards the end, was the Mills Project, that was supposed to be built on a wetlands site in Carlstadt, New Jersey; which caused a significant amount of controversy, which ultimately was shifted over to the Sports Complex when the Sports Complex opened up a redevelopment process of their site. And they received a significant amount -- well, I think five proposals -- anything from a NASCAR track, to a convention center, to moving the Mills out of the wetlands and into an uplands site. And the availability of the uplands site pretty much was a key component of the decision by the Army Corps of Engineers -- that has control over the Clean Water Act in the Meadowlands District for permitting -- that, in fact, it would be a better site on an uplands site. And therefore, when the Sports Authority reviewed the Complex taking on a venue like a Mills, that it was put on that site and they were awarded the lease for that site.

I will tell you that in the event that any part of the-- Under our regulations, any part of the Sports Complex which may go into private ownership -- the actual ground where the Sports Authority would move itself as an owner of a particular section -- that is the only provision that we have in our regulations that then puts that particular piece of property under the zoning jurisdiction of the New Jersey Meadowlands Commission. In the case of the Mills and in the case of the Giants, the Sports Authority is still property owners, and, in fact, are leasing the site. So therefore the exemption still exists, even with leases as the one I've just mentioned.

Now, in conclusion, I will say this to you, Senator: You probably -- I'm speaking to the choir -- this is probably the most valuable piece of property in the Meadowlands area. It has, from a land-use perspective, it has all the assets you can ever want, in terms of road access -- matter of fact, improved road access, as we speak; it now has a rail facility; it has the infrastructure in place in terms of water and sewer, which is a big issue. As a matter of fact, one of the things -- and part of, sometimes, the friction between the Meadowlands Commission and what the Sports Authority does is, while they are in charge of their 750, we, the Meadowlands Commission, are in charge of the 20,000-acre site. So we have to make sure that all the capacity is not taken up by just one particular entity. That economic development over a 20,000-acre site has to be-- We have to be vigilant that we have the sewer lines in so that everyone can share in economic growth.

Other than that, we, as a staff, are now monitoring what's happening at the Sports Authority. We have offered our assistance wherever necessary, in terms of if they ever need it. My staff is completely -- a staff of 122 people -- I have all kinds of civil engineers; I have transportation engineers; we have wetlands specialists; we have planners on our board. So if there's anything that they would want us to do or ask us to do -- and they have -- we would be ready to assist them on that site.

One thing, on a personal note, you know I think -- just in like, concluding -- I think, as I said, this is a very valuable piece of property. If you were a developer, you would want to get your hands on this particular site. I think the viability of the Sports Complex as a destination area can, in fact, happen. The big hurdle, obviously, with the Xanadu project.

Hopefully there are some people out there interested -- that might be interested in taking over it. The whole concept of Xanadu was a phrase coined by Mills called *shoppertainment*. It's just not a mall; there are many different activities that were suggested and built into that site, so that people can, a la Mall of America, come and spend a time here. With the new stadium -- which I also have to point out that, under that hearing officer's process that we conducted on the stadium, they have requested another 500,000 square feet of retail and accessory use to the stadium, and commercial use. So that has to be taken into consideration as well.

But we were very pleased to see that the IZOD is now still going to be open as it related to family shows and concerts, which I think is a good venue for them; and that the Prudential Center is, in fact, going to be involved with a lot more of the sports venues. Because what I have seen in the past is, some of the contracts that were given to the teams that were at the IZOD Center -- it did cost the Sports Authority a significant amount of money to keep those teams there; where, in fact, shows and entertainment can be a good shot in the arm, financially, because it opens up more dates for family shows and so forth.

So that gives you a very quick 40-year review of the Sports Complex, and the Meadowlands Commission's efforts within this particular area.

SENATOR BUONO: Thank you very much.

I had a few questions based on some of your testimony, but I just wanted to start out by underscoring how innovative this concept was -- you did touch on that, the fact that we created this model -- regional land-use planning, economic development entity -- that really ran afoul of the

very sacred, almost, belief in New Jersey of home rule. And so you took 14 municipalities and you took their land-use control away from them, right?

MR. CEBERIO: Yes, that's true.

SENATOR BUONO: There was a lot of objection at the time, and I think that it's important to note that.

MR. CEBERIO: Senator, we in the Meadowlands, in the early years, probably have made a tremendous amount of money for a lot of attorneys. (laughter) Some of our cases -- the tax-sharing case, the constitutionality of the Act itself, the ability of moving tax dollars between communities -- have all gone through Supreme Court. One thing that has made the difference, I think, with this whole idea of home rule is the fact that we have made a significant change in our outlook and approach -- that we, in fact, look at the municipalities -- the mayors, the council, the freeholders -- as customers. That when we change regulations, we sit with the development community, we sit with the environmental community, and we sit with every mayor and council. That has been the key to our success over the last couple of years, where the process that we tried to do in 1986 fell into disaster where-- And then we have now the full support of all our mayors. What we've also done is provide them a tremendous amount of services to try and offset property taxes as a result of some of the development. So we've given them grants over the last five or six years; we helped them doing solar projects these last couple of years; and we also provide services like -- that their DPWs can't afford these pieces of equipment, that we give them 24/7 service.

SENATOR BUONO: And some of those solar projects that you had mentioned-- Is that one of the ways that you are self-sustaining? You generate revenues from-- Can you elaborate a little bit more on that?

MR. CEBERIO: Senator, one of the best things that was occurring -- I'm starting to feel like Tony Soprano in some respects -- but solid waste was a good business to be in. (laughter). And what happened is that we had significant revenues generated from our solid waste operations. And we became not only self-sufficient, but we were able to take those revenues and buy almost 3,000 acres of wetlands. We are doing flood control projects, so forth and so on. Solid waste business has diminished quite a bit with this economic time. The Commission is in the throes of changing its business model, where we see solar opportunities and the selling of this solar removal energy credit, or SRECs, as an opportunity as another stream of cash coming into the Commission to support us. So solar is one objective that we have that we will be looking to generate revenue, and we're actually looking at other possibilities. Because in the economic market, if we don't change our economic model, our business model constantly. We're going to fall behind. And I'm even proud to say that we have no debt. We pay all our projects in cash.

SENATOR BUONO: You are a treasure. (laughter)

I did want to talk a little bit more-- You kind of glossed over the nexus between the Commission and the Sports Authority. Now, I read Cliff Goldman's dissertation--

MR. CEBERIO: Yes.

SENATOR BUONO: --because I was referred to it by somebody when I was talking about the Commission and the Authority. As

you all know, Cliff Goldman was Treasurer under Governor Hughes; he was the first ED of your Commission.

MR. CEBERIO: Yes.

SENATOR BUONO: And he-- I just want to read something that he said, and then ask for your reaction. He said that "Under Governor Cahill, who followed Governor Hughes, the fundamental character of the Commission changed. Its comprehensive plan became constrained by its dependency on the State, and therefore became a statement of intentions rather than a plan of action as originally intended. The Commission's main opportunity to use its development powers and to generate its own revenues was lost when the Administration, the Cahill Administration, decided to create a separate Authority -- the Sports Authority, in this case -- to build a Sports Complex in the Meadowlands. In fact, at the time the State Treasurer first presented the idea, the thought was that the Meadowlands Commission would develop the Complex."

So what happened? Can you shed some light on what happened there?

MR. CEBERIO: I think the situation that you had was one that had more to do with financing, where Governor Cahill found himself not being able to get the banks in New York. That, in fact, you had to create another entity that had the bond capacity other than the Sports Complex.

SENATOR BUONO: And they could have done that for the Commission; they could have done that.

MR. CEBERIO: We could have done that. So--

SENATOR BUONO: I mean, you were really rendered ineffective, in a way, because you know, you were independent in name, but dependent on the State budget, as you had said, for everything: legal services, planning, development--

MR. CEBERIO: Yes, which Mr. Hughes was absolutely correct -- that one of the crippling effects on the Commission over that first 20 years was our lack of a source of revenue. And we understood that we needed, after they cut the State appropriations, that we needed to-- And we've done that. We've done that significantly. As a matter of fact, in some ways we did it too well, because what we did was collect \$142 million for closure -- post-closure of the landfills we operated, and that money was taken away when there was a budget shortfall. So in essence, the State owns our landfills right now.

SENATOR BUONO: But I think it's interesting, because when you were created, you were intended to be outside of politics -- your Commission. Do you think that that has succeeded?

MR. CEBERIO: That has held true to this day.

SENATOR BUONO: To what do you attribute that, if you can isolate any reason?

MR. CEBERIO: Senator, it's a common vision that it doesn't matter what town you're from, you're looking at it from a regional perspective; that your vote is dependent on not one town, but 14.

SENATOR BUONO: Yes.

MR. CEBERIO: And I could tell you, I've served -- this is my ninth Governor -- and I could tell you decisions have never been made at the Meadowlands Commission based on Democrat or Republican.

Whether you are a Democratic mayor, under a Republican governor or a Republican governor, Democratic mayor (*sic*) -- all mayors have been treated equally. and with a tremendous amount of respect, and listened to. And I think that has been the key. I can tell you that I have never received a call from anyone about any votes on any issue.

SENATOR BUONO: So maybe the lesson to be learned from this is it's more important to have gubernatorial support than political independence, in terms of being able to be able to accomplish your original mission. It seems as though you have been-- For all of the good you've done, it seems to me, from what I read, that you have been constrained from fulfilling your original mission, and much of what you do is more regulatory in nature than being an economic engine.

MR. CEBERIO: Which, at this particular point in time, we're also recognizing that as an economic engine-- And this is something else that we just started -- is green business, green technologies, where we've actually created a green business accelerator, which we have 14 companies in there right now. We believe, Senator, that you have to almost seize the moment as to what the economic potentials are. The other thing that we've also believed in -- and we've changed the philosophy -- is the fact that economic development is just not brick and mortar. It has all to do with job training, having the right workforce, and keeping what you have -- trying to attract new, but making sure that that infrastructure of employees and personnel is there.

SENATOR BUONO: How many people do you have working for you? You said 122, or is that just planners and--

MR. CEBERIO: That's everybody; 122.

SENATOR BUONO: That's everybody; okay. And you had mentioned that, in the past -- or that you have offered your planners and engineers services to the Sports Authority to collaborate with them, and have some sort of meaningful dialogue, say to coordinate-- I mean, you each have your own Master Plan, separate Master Plan--

MR. CEBERIO: Yes.

SENATOR BUONO: Is there any coordination between them? Do you plan--

MR. CEBERIO: I will tell you that-- I think one of the stumbling blocks that we've seen, where the Sports Authority doesn't utilize us -- maybe a little bit more on major projects -- is the fact that my agency is one of two hearing officers on the process. So I think some of the legal folks are thinking that if you get too much involved, how are you going to have-- How can you be a hearing officer on a project that you might be deeply involved in planning? I will say this, though: Having seen the hearing officers' process, and being a hearing officer on many occasions, I don't believe the process works anymore, to be honest with you. And I believe that primarily because the hearing officers' process was done during a period of time -- or created during a period of time where there was very little environmental regulations. There is no reason for us to look at an EIS when today you have the DEP and all their regulations, or the Army Corps and their regulations, looking at the same things. So if that has been a stumbling block of us helping them more, I would suggest to you that the hearing officers' process really doesn't work anymore.

SENATOR BUONO: Hmm.

MR. CEBERIO: Because they are only a series of recommendations, and it's up to the Sports Authority whether they want to accept it or not.

SENATOR BUONO: Okay; thank you very much.

Senator Cunningham has some questions.

SENATOR CUNNINGHAM: Good morning.

MR. CEBERIO: Good morning.

SENATOR CUNNINGHAM: You know, anyone riding up or down Route 3 has to ask the same question every day: What is Xanadu? It certainly stands out, and I don't know if it stands out for the right reason. Was it designed to look like a pile of steel, or a container building on purpose, or--

MR. CEBERIO: Senator, as a hearing officer I can suggest to you that the designs that we saw as hearing officers did not have those colors.

SENATOR CUNNINGHAM: Okay.

The other thing-- What happened with Xanadu? I mean, could you just-- You briefly talked about it, but could you just give me a little bit more information on what went wrong with this project, and what your vision is for it in the future?

MR. CEBERIO: Well, from -- again from the hearing officers perspective -- and I'm not in the details, as the folks from the Sports Authority are involved -- but they were delayed I don't know how many years as a result of the litigation that occurred between one of the prospective bidders on the site, which held them up almost two years, maybe three years. Which meant that when they were ready to come out of

that process, the economy started going down. And as a result, I think that the leases from the people who were there-- A lot of people pulled out; some of those companies went bankrupt. So they just were delayed; they lost their economic cycle. And we ended up with one of the worst depressions, and banks failing, and a lot of the people who supported the financing behind that backing -- some of them failed. So some of the monies to finish the site were gone.

I believe that Xanadu -- if completed, when completed -- can add that piece to the Sports Complex site that Jim Kirkos -- and I -- from the Chamber of Commerce, have been working over the last five years on this vision of creating a convention and visitors bureau, and I'm sure he's going to discuss it. You have that component in place, and you have the new stadium in place, and a couple of -- and the IZOD. You can actually create a destination for a couple of days. We are blessed being so close to Manhattan, where our hotel rates are a fraction of what they are in Manhattan, so a lot of people stay on the Jersey side of the Hudson River; and it's incumbent upon us to pull them in and keep them there. So I believe-- I still have some hope for the Xanadu project. I believe, in this respect, that it can bring the Complex back to some extent, and tie that in with convention or visitors' bureau dynamic. Because, I'll tell you, we are getting a tremendous amount of people now in the Meadowlands. I refer to this-- I give you picture of 1969 and 1968, of the smells and the burning and everything else. I now refer to it: This is not your father's Meadowlands anymore. I mean, people are on that river with ski jets and everything else. That river has come back like you can't believe. The fish that are in there -- striped bass. Kids are fishing in that river. It's catch and

release, but they're fishing in that river. Just to show you in that short 40-year period: You have some of the old timers who won't let go of the crabs, and still eat them, and they can tell you that they're 90 years old, and "look at me. So what, there's some mercury in there." (laughter)

SENATOR SARLO: You're giving us too much information, Bob.

SENATOR BUONO: Yes. (laughter)

SENATOR SARLO: We don't want to know what their ailments are at 90. (laughter)

MR. CEBERIO: Just don't eat the blue claw crabs in New York; they might be one of ours.

SENATOR CUNNINGHAM: All right, thank you.

MR. CEBERIO: You're welcome.

SENATOR BUONO: Thank you, Senator Cunningham.
Senator Sarlo.

SENATOR SARLO: Thank you, Madam Chair.

Just three quick questions, and perhaps this question should be posed to Mr. Robinson, and not to you: On the Xanadu project -- and I think it will help the Committee also just to fully understand -- from what we've read in reports, about \$1.5 billion has been put into the infrastructure, and the shell of the building, and the common areas. The balance of the money -- the other \$500 million that's needed for financing would come through potential tenants for the fit-out, which is a project labor agreement, all union -- so it's an expensive fit-out. Unfortunately, in today's market and in the difficulty of banks loaning the money, potential tenants are unable to get a line of credit for the fit-out. So essentially what

the master developer and the folks who are behind the financing are trying to do is provide the \$500 million for the fit-out and, instead of the tenants paying for the fit-out, they would pay for the fit-out; and then the fit-out costs would be passed on to them through the rent. So that's really, I think, for the people out there who don't understand it -- that really is the shortfall. Am I correct in saying that?

MR. CEBERIO: That is absolutely correct, because if you go into the building today, the main areas and the concourses are all done. The only thing that needs to be fitted out and sized are, in fact, the store fronts.

SENATOR SARLO: And in a good market, the "retail components, entertainment components" would be able to get their own lines of credit, and they wouldn't need the master developer to get those lines of credit.

MR. CEBERIO: That's correct.

SENATOR SARLO: Okay.

Next, with regards to-- We talk a lot about what has worked at the Meadowlands Commission, and I have to say this publicly to the people who are here: Bob Ceberio has really been a gem for us. This is not as easy as he's making it sound -- 14 towns, 14 mayors from different political parties, most of them in my Legislative District -- it, at times, is a nightmare. But you were making it sound much easier than it really is. And you have done a tremendous job in keeping everybody focused on what the mission of the Meadowlands Commission is, and I just have to say that.

MR. CEBERIO: Thank you, Senator.

SENATOR SARLO: And to survive through various Republican and Democratic governors is truly a testament to you.

MR. CEBERIO: I just want you to know that I am really 26; it's a hard job.

SENETAOR SARLO: You're 26.

One thing I'm concerned about that perhaps is not working, and we're getting-- I hear it from Senator Sacco, I hear it from Senator Cunningham, I hear it from the various senators -- is the sharing of dollars. There's \$4.2 million -- I think it's up to \$6 million -- that certain towns have to pay in, and the other towns are receivers. That has always caused a little bit of concern, especially for Senator Sacco and a couple of his towns. Is that working, or is that something we could work with the Treasurer to try to fix that, collectively, going forward?

MR. CEBERIO: We have been trying, with the Bloustein School. I think we've come forward with three reports over the last 10 years. Some of the recommendations on the payments-- Basically, I'll refer to them as putting in shock absorbers for some of the municipalities, where we have averaged out impact so that in this town it may be having to pay \$1 million, but because of tax appeals, next year has to pay \$2 million. So we're using a moving average. In addition to that, the Meadowlands Commission, through its own financing, has offset some of the payments that have to be made from the growth areas. There are some, within the context of the last report-- I will tell you the report -- the last report from Bloustein could never pass this Legislature or be approved by the Governor, which called for surcharges on the Sports Complex and tickets, so that the payers don't have to pay and the receivers would continue to receive the

money. So that issue, I think, is dead, at least that proposal. There might be other provisions in there that need to be tweaked, and maybe we can sit down and discuss what needs to be fixed.

SENATOR SARLO: Final question, and I think Senator Buono alluded to some of the issues and concerns that everybody has. In the State, in the region, it's difficult economic times. The horseracing industry is suffering; the entertainment world, as a whole, is suffering across the country. Regardless of what ultimately happens there, or what the future is, you had mentioned that this is one of the most valuable pieces of real estate in the Meadowlands area. I'm going to correct you, because from what I read, and have heard, and read the lawsuits from Hartz Mountain -- this is probably one of the most valuable pieces of real estate in the entire Northeast. Am I correct in saying that -- in this part of the country?

MR. CEBERIO: Well, I didn't want to inflate the price, in case somebody, you know, wants to develop it. (laughter) Yes, it is.

SENATOR SARLO: Regardless of what-- We can not lose sight, as stakeholders here in the State of New Jersey, that regardless of what happens in the future, we are talking about probably one of the most prime, valuable pieces of real estate we have in the northeast part of this country.

MR. CEBERIO: Senator, as I pointed out: You are eight miles from Times Square, New York. You have a rail line now going into that site which can take you to Midtown in 15-20 minutes. You have the eastern spur, you have the western spur of the Turnpike; 3, 46 -- that's a developer's dream to have that kind of infrastructure within a site, and that is exactly what gives it value.

SENATOR SARLO: Thank you.

SENATOR BUONO: Thank you. And I just had one, and then we have to move on. I know that there are a lot of people who want to speak and leave, so there are very important people here. But I did just want to understand-- And I know we tried to talk a little bit about how the formula -- the revenue sharing formula -- works.

MR. CEBERIO: Yes.

SENATOR BUONO: And you said it's extremely complex. But in the context of the stadium deal, where the teams had been paying a pilot of about \$6 million, and now, under the stadium deal -- and I know that's-- I just want to understand how they interplay with one another. Now, under the new stadium deal, they're paying \$1.3 million. How does that impact on the revenue that is distributed, and does that -- how does it work? How is the revenue distributed? For example, to East Rutherford, they get \$6 million now. Does that -- does that revenue come through you, and then do you distribute it? How does that work?

MR. CEBERIO: The tax-sharing formula is such that the Meadowlands-- Each town collects their own money.

SENATOR BUONO: Okay.

MR. CEBERIO: The formula is calculated, and it's sent to local Government Services, and a bill is sent to be paid on a quarterly basis: either you're going to have to pay X dollars on a quarterly basis, or you're going to be receiving this amount. And that's how municipalities will set up their budgets.

SENATOR BUONO: And it is sent to you?

MR. CEBERIO: So we are just a clearinghouse. The money comes in, and it goes back out. We make no revenue from that operation at all.

SENATOR BUONO: Okay.

MR. CEBERIO: Any pilot is calculated to go into the tax-sharing formula.

SENATOR BUONO: So it offsets what they would otherwise--

MR. CEBERIO: So what happens is, is that we take those dollars and we handle it as if East Rutherford is receiving \$6 million in tax revenue. So we list it as an asset, and that number then is plugged into the formula and could be distributed out to other municipalities. So any pilot, anywhere in the Meadowlands District, and, in particular, the biggest one being at Sports Complex, is calculated into municipal tax-sharing formula.

SENATOR BUONO: So if -- and I just use East Rutherford as an example, because I happen to know that they get \$6 million -- they will continue to get that \$6 million even though the pilot that the teams are paying has been significantly reduced from about \$6 million to \$1.3 million. How will that impact on--

MR. CEBERIO: Senator, the way I understood it is that it's staying at \$6 million; that, in fact, the discussions between the Mayor and the Sports Complex -- and maybe Mr. Robinson can address this better, because he's directly involved with the negotiation -- is that East Rutherford believes it should be getting more than \$6 million, because now the stadium is privately owned. That, in essence, should almost be treated as a complete ratable, and not a pilot.

SENATOR BUONO: Even though the agreement says that it isn't.

MR. CEBERIO: Correct.

SENATOR BUONO: That it doesn't have any property tax; okay. Okay, I think I understand. Thank you.

Anyone else? (no response)

Thank you so much; you've been very, very helpful.

MR. CEBERIO: Thank you.

SENATOR BUONO: Our next-- David Rosen and Frank Haines. David, as we all know, is the Legislative Budget and Finance Officer with the Office of Legislative Services. Frank Haines is the Assistant Legislative Budget and Finance Officer. And members of the Committee should have received about a four- or five-page report along with charts, from Frank and David, to go along with their testimony.

Gentlemen.

DAVID J. ROSEN: Good morning.

SENATOR BUONO: Good morning.

MR. ROSEN: Thank you for inviting us to assist the Committee in this effort that you're undergoing.

Our focus is, I think, a limited one, only part of what you're looking at today, and that is to answer the question as to what are the direct linkages between the Sports Authority and the State budget, and to put that into historical perspective. We've tried to pull together some information to help make that clear.

Having said that, I'm now going to pass the baton to my colleague, Frank Haines, who's done most of the work on this, and who is

going to explain the materials that you have in your packet. You have a series of figures that Frank put together I think that presents this picture fairly clearly.

FRANK W. HAINES III: Thank you, David.

Madam Chair, Senators, good morning. The linkage, the formal linkage, between Sports Authority finances and the State budget started in 1973. The original Sports Authority authorizing legislation at that time was amended such that the Sports Authority debt would become a moral obligation of the State of New Jersey. The text of that amendment provided for State appropriations to fully fund a mandatory debt-service reserve fund held by the Authority at a level to equal the maximum annual debt service on Authority bonds. So that's our first time when we linked State budget to Authority budget.

In 1978, after the Authority had issued about \$317 million in revenue bonds to finance the Sports Complex project, legislation was approved and submitted to the voters that provided a State unconditional guarantee of Sports Authority bonds, up to that \$317 million amount, bonds that would be issued to refinance the original outstanding indebtedness.

SENATOR BUONO: What year is that?

MR. HAINES: 1978.

SENATOR BUONO: Okay. So just to -- because this is a little complicated, and we want to make sure we understand as we go along -- so just go through that one more time. They were contract bonds that had to be put before the voters?

MR. HAINES: The original statute for an unconditional guarantee was a statutory guarantee, and didn't, therefore, carry the full faith and credit of the State of New Jersey behind it, and therefore was couched as a moral obligation, okay? But subsequent to that, a bond issue was put before -- a question, in effect, a bond issue -- was put before the voters that would go beyond a moral obligation and create an unconditional guarantee on the part of the State, specific to certain bonds -- specific to a maximum \$317 million of bonds issued to refinance the Authority's original indebtedness for the Sports Complex. That referendum passed, and I would paraphrase from the legislative findings that were part of the Act, at that time, that refinancing with State-guaranteed bonds could result in a substantial interest costs savings, and that statement estimated that funds of the Authority would then be paid into the General State Fund on a substantially increased basis. And, at that point, there really hadn't been any transfer to the General Fund.

SENATOR BUONO: And less of a cost because the interest rate would have been lower, because it was less of a risk, because the State backed them.

MR. HAINES: Yes, that's correct.

As I said, the voters approved that guarantee, refunding bonds were issued, and in 1979 a transfer of Sports Authority revenues to the State budget began. And I would call your attention now to Figure 1 in the packet that we've provided to you, showing that in State Fiscal Year 1979, the State realized about \$19.8 million in payments from the Sports Authority; and shows the subsequent years when the Sports Authority

payments were received, in declining amounts, through 1984. Those payments totaled about \$57 million over that time period.

SENATOR BUONO: Can I stop you one more time, just to make sure I understand? So those revenues that came from the Sports Authority to the State Treasury-- This does not include revenue from taxes paid, for example: income, sales, anything?

MR. HAINES: That's correct, Senator. This is purely a transfer of Sports Authority resources to the State. It does not incorporate any other--

SENATOR BUONO: Okay.

MR. HAINES: --economic impact of the Authority.

After 1984, where this chart ends, the budget shows no revenues received from the Sports Authority, and for about the next decade little trace of interchange of funds between the Authority and the State -- with the exception of some State Capital appropriations that were made to construct the State Aquarium in Camden that went to the Sports Authority, but then went on ahead for the construction of that facility.

The next pivotal point in State-Sports Authority fiscal relations came in 1992, with the enactment of legislation that I would say had three major effects: first, that legislation granted the Sports Authority and the Treasurer powers to issue State contract bonds. And that power would serve to restructure the Authority's outstanding debt for debt service savings. That power would serve to pay for major repairs and improvements at Sports Authority facilities. The Act also allowed the Sports Authority to get into the convention center business -- outside the

Meadowlands District, specifically in Atlantic City -- to acquire and renovate and reconstruct the existing Atlantic City Convention Center.

SENATOR BUONO: So to your knowledge, was the purpose of issuing those contract bonds and restructuring to pay for these capital projects?

MR. HAINES: Yes, yes.

SENATOR BUONO: Okay. That's why it was done?

MR. HAINES: Not only to allow the Sports Authority to refinance existing debt for debt service savings, to improve its revenue profile; but also to provide State contract bond assistance to the Authority for its facilities, to embark on the Convention Center upgrades in Atlantic City, and third to authorize the Authority to finance sports facility projects at Rutgers University and other institutions of higher education -- and that also to be financed through State contract bonds.

SENATOR BUONO: So this would represent -- or would it -- would this represent the first time that the Sports Authority went somewhat further afield from its original capital investment, in other parts of the state?

MR. HAINES: Yes, other than the acquisition of Monmouth Track, which you could argue was perfectly within its profile of being involved in the horseracing industry; yes, that's correct.

SENATOR BUONO: Okay.

MR. ROSEN: Let me just-- I think there are two things that go on in this 1992 Act which is really, really pivotal, as Frank said: one, is that the State is now getting directly involved in picking up costs associated with the Sports Authority Meadowlands activity; that the state is now

becoming the payer of this debt for refinancing the existing Sports Authority debt and for the enhancements they are trying to do at the Meadowlands. The same legislation-- And I don't know that the other parts of this legislation were things that the Sports Authority was advocating, so much as what the Legislature added to the process, as part of agreeing to financing of these projects in the Meadowlands, was the inclusion of the other projects that Frank has enumerated in Atlantic City, in Rutgers, and elsewhere.

SENATOR BUONO: And Seton Hall, I think, too, right?

MR. ROSEN: Yes, that's correct; although it's not mentioned in the bill, but that's where the money went.

So I think there are two things: One, is the State is now becoming the financier of capital projects in the Meadowlands. And also -- and perhaps as the *quid pro quo* for doing that, is they are now expanding the Meadowlands mission to do these other projects that are also of interest to various folks around the state.

SENATOR BUONO: Can't say *quid pro quo* lightly. (laughter)

Okay; thank you. Put it in its proper context; thank you, David.

MR. HAINES: Thanks, David. Very briefly, I'm going to focus on the significance of the difference between revenue bonds and state contract bonds. Again, the Sports Authority had issued bonds in the credit markets that, in part, were supported solely by the revenues that the Sports Authority was able to generate -- and that changed a little bit over time -- but revenue bonds were still part of their profile. State contract bonds are, in essence, bonds with State appropriations behind them -- not the full faith

and credit of the State of New Jersey. But the agreement between the Authority -- or the Authority as the issuer of those bonds and the Treasurer --that appropriations, if made by the Legislature to finance the debt service on these bonds, would be paid over promptly and correctly by the Treasurer for that reason, and for no other reason. And revenues of the facilities that those bonds might finance are not involved in the pledge to redeem those bonds.

SENATOR BUONO: So this -- just to make sure we all understand the impact of the 1992 legislation -- it was a major departure from how the Sports Authority financed their capital projects, in that the State-- Well, two ways: *a)* the State, most importantly, was on the hook then, where they hadn't been before, for paying the debt. And *b)* it expanded the projects well beyond the original mission of the Sports Authority to other areas of the state and-- Is that accurate?

MR. HAINES: Yes, Senator, remember that there was a State backing of certain bonds in the Sports Authority prior to that time. But the backing, the unconditional backing that the voters approved in 1978 was limited-- Only the bonds that refinanced, let's say, the original investment--

SENATOR BUONO: I see.

MR. HAINES: --in the Sports Complex. And if the Sports Complex needed to upgrade the arena, expand the stadium, whatever -- reinvest in the racetrack to keep it in good working order -- those things weren't covered by the original unconditional guarantee.

SENATOR BUONO: And so the 1992 departure from past practices was not a ballot question. It was passed by legislation only.

MR. HAINES: That's correct. And that's why they're State contract/appropriations bonds, and not general obligation bonds of the State.

SENATOR BUONO: But regardless, the State is on the hook either way, correct?

MR. HAINES: The State has faithfully appropriated the amount of money required to pay the debt service on those bonds, yes.

SENATOR BUONO: All right, thanks.

MR. HAINES: So exercising those new powers, the Sports Authority embarked on several bond financings and refinancings in 1992 and 1993. They actually did sell some revenue-backed bonds at that time, but most of the bonds that were sold were State contract bonds. And as a consequence, appropriations from the State budget to the Sports Authority to pay debt service commenced in Fiscal Year 1993 and, in fact, have been an element of each State budget in every year thereafter. I would call your attention now to Figure 2 and Figure 3 in your packet. Figure 2 is a graphical representation of the bonding activity of the Sports and Exposition Authority, to the extent that that bonding activity resulted in outstanding indebtedness at the close of each of its fiscal years. And I've graphed the history here of revenue-backed bonds and State contract bonds. You can see that from 1976 through 1992 the only types of Sports Authority bonds were revenue-backed bonds; remembering that there are -- some of those bonds did have the State's pledge behind it. Beginning after 1992, with the light shaded part of the bar, in each year State contract debt becomes part of the outstanding indebtedness and, in fact, the size of that bar -- the dollar value of State contract debt begins to grow from that time

and to become the -- from about a half-share of total outstanding indebtedness, to two-thirds and up of the outstanding indebtedness of the Authority. And Figure 3 shows the dollar values of that outstanding debt, and again shows the same thing: that contract bonds outstanding commenced at the end of 1992, about \$450 million or about half, just under half, of the total outstanding indebtedness of the Authority. At the close of Calendar Year 2008, State contract bonds outstanding are about \$700 million, and about 84 percent of outstanding Authority indebtedness at that time.

The impact on the State budget of providing debt service support to the Authority is shown in Figures 4 and 5 of your packet. Figure 4 is, again, a graphical representation of annual State appropriations to the Sports Authority beginning in 1993, going through the current Fiscal Year 2010. The dollar values of that graphical representation are in Figure 5, and you can see a steady -- largely steady -- and certainly significant growth in the size of those State appropriations, starting at about \$13 million in 1993 and ultimately growing to that \$82 million in this current Fiscal Year.

There are a couple of years on that chart that show that the budget actually provided operating aid to the Authority as well as debt service aid, but that's more the exception than the rule over this time period, so that data are there before you.

To look ahead, I would ask that you refer to Figure 6, showing again the outstanding amount of contract bond indebtedness. We have a slightly different period of ending here, but at \$671 million June 30, 2009, with debt service requirements on those outstanding bonds extending through Fiscal Year 2025, peaking at around \$90 million or so and then

gradually declining to about \$20 million or \$30 million before those bonds would finally be redeemed absent any changes to restructure, or to advance refund--

SENATOR BUONO: So even though that -- on Figure 6 -- even though that shows that the debt service will-- We're paying down the principal, so we're going to have less interest, so that's why the debt service payments are going down. But the chart before, it indicates the State expenditures will be increasing. Does that chart -- chart 5 -- include operating and debt? I'm trying to figure out why one goes in--

MR. HAINES: Figure 5 does capture the State expenditures for whichever purpose -- operating--

SENATOR BUONO: Okay.

MR. HAINES: --assistance and debt service.

SENATOR BUONO: All right.

MR. HAINES: In the most recent years, I'm not aware that there's any explicit operating assistance going to the Authority. I believe that this is all debt service appropriations. The fact that the State fiscal year appropriation and the calendar year representation on previous pages might be a little bit off is because we're on different fiscal years. But again, those debt service or other expenditures from the State to the Authority have significantly grown since 1993. They're pretty much at their peak based on only outstanding indebtedness and the retirement of State contract bonds, going forward. So they'll peak for the next couple of fiscal years at about \$90 million. And, again, as Figure 6 shows, if State budget expenditures do nothing other than pay off contract bonds, this is the debt

service schedule, in Figure 6, that will generate State appropriations for that purpose.

SENATOR BUONO: Okay. So it seems as though the 1992 legislation set in motion, if you will, a downhill trajectory in terms of the fiscal stability or the impact that -- in terms of the negative impact this had on the State. How do we dig our way out of this? I mean, is there-- The options are limited: either you pay off the debt, you sell assets, or you start generating more revenue from the assets that you have.

MR. HAINES: That's basically your three-legged stool for this kind of thing, yes. Again, if nothing happens at all, and no further contract bonds are issued, the State will pay decreasing amounts of money after 2025 to retire that outstanding debt.

SENATOR BUONO: For debt service only?

MR. HAINES: For debt service only.

SENATOR BUONO: Right; okay.

MR. ROSEN: Again, underscore-- I mean, the reason that the 1992 legislation was adopted was because the Sports Authority had gotten to a point at which its revenues were insufficient to cover these capital needs, and they turned to the State for those. I mean, prior to that point, the capital needs were being essentially met by the revenues of the Sports Authority. So that was, I guess, the crossover point from the State's perspective as well.

SENATOR BUONO: And is that a result of declining revenues from -- not horseracing, at that point yet, correct?

MR. HAINES: Yes.

SENATOR BUONO: Or do you not want to speak to that?

MR. ROSEN: I'm not sure we've looked enough at their internal to know that. It would be something you could ask the Sports Authority folks.

SENATOR BUONO: And then the other half of that question is, or as a result of expanding the capital expenditures-- I mean, they expanded projects into other areas of the State where they hadn't ventured prior to 1992 either. So I assume that contributed to it.

MR. ROSEN: Well, that certainly contributes to the magnitude of what the State has contributed since then. The fact that the State is contributing would have happened anyway, because--

SENATOR BUONO: Right, I understand.

MR. ROSEN: --of the way the Sports Authority was. But the size of that debt is obviously affected by the projects outside of the Meadowlands that were added in 1992.

SENATOR BUONO: But it would have happened anyway, is what you're saying, even if they hadn't expanded.

MR. ROSEN: Even if they hadn't added the extra projects--

SENATOR BUONO: Okay.

MR. ROSEN: --outside, yes.

SENATOR BUONO: Thank you.

Anyone on the Committee? (no response)

Thank you very much. Oh, okay, Senator Ruiz has a question.

SENATOR RUIZ: Madam Chairman, thank you.

Thank you for your presentation. I just have a question, and I don't know if you can really answer this. In 1992, when they went, via legislation, to come to the State for the fiscal responsibility, the EDA, I

believe, was open. Would you have any kind of opinion as to why they wouldn't have gone through the Development Authority for this type of financing and fiscal support as opposed to coming to the State?

MR. ROSEN: I'll take a shot at that. I mean, I did actually work on that bill. There are advantages to having been here for a long time. But I don't recall EDA coming up. And I think the principal reason here was the EDA can't print its own money. I mean, EDA's projects are financed by some mechanism, and the preference in 1992, or the necessity in the eyes of the people making the decisions, was for the State Treasury to back this. So, I mean, you could have had the money flow through EDA, but you'd still need contract bonds, essentially, a contract by the Treasurer - - between the Treasurer and some entity -- that the money would be annually furnished. And the decision was to go directly through the Sports Authority.

SENATOR RUIZ: And I apologize if I kind of got lost in the numbers. So as of today, according to your figures, how much outstanding debt exists?

MR. HAINES: As of December 31, 2008, which is the last date we have from Sports Authority financial statements, total indebtedness of the Sports Authority is \$830.2 million. Again, that's a look-back in time. About \$700 million of that is contract bonds. The remainder of that is Sports Authority bonds, principally in the form of Convention Center debt, backed by luxury tax revenues.

SENATOR RUIZ: Thank you very much.

I'm going to call the next panel up; thank you David and Frank for your presentation.

NJSEA's current economic status and future plans in perspective. And that presentation will be made by Dennis Robinson, President and CEO. If you'll come before the--

SENATOR CUNNINGHAM: Yes, he's coming.

SENATOR RUIZ: Thank you.

SENATOR BUONO: I'd also like to welcome Senator Tom Kean Jr.; I know he just walked in.

And, welcome, Dennis. Good to see you again.

DENNIS R. ROBINSON: It's nice seeing you. Am I on?

Thank you. First, let me clear the air on an issue: Much to the chagrin of some, the rumor is not true that I've become the Athletic Director at Georgetown; so just to clear the air there. I know there may be a lot of joyous Hoya fans, but that's not actually the case. So I just wanted to make that clear.

First and foremost I want to thank the Chair, Senator Buono, for this opportunity to address your Committee. A number of members of your Committee, including Senator Sarlo and Senator Kyrillos, are very familiar with the challenges facing the Authority. We are certainly pleased with your interest in the future of the sports, racing, and entertainment industries, as the assets of the NJSEA are very vital to the State's quality of life, economic well being, and State revenues for the matter to be left to glib editorials.

The Meadowlands Sports Complex is, arguably, the state's most positive, well-known, worldwide brand. Over the years, it has been heralded by many as the one visionary State project that instills a sense of pride in its citizens and gave the state a sense of self, rather than its reputation as a

New York City or Philadelphia afterthought. The Sports Complex was an immediate international success, and continues, to this day, to outperform its peers on an annual basis. In fact, the Meadowlands Sports Complex is still home to the world's most popular harness track; the number one-ranked stadium in the world; and the IZOD Center, which ranked number four in sales in the last decade among large arenas in North America by *Billboard* magazine, a well-respected industry publication. And I want to say that those rankings are based upon hard metrics, not a popularity contest.

Most importantly, while serious revenue challenges face the Sports Authority due to a series of State policy decisions, nonetheless, core businesses of the Authority are generating returns to the State Treasury. It's critical when focusing on the fiscal situation to look at the entire statewide picture, and not necessarily the bottom line of any one facility, or one industry, or one part of the state.

Unfortunately, the current financial structure in place since the early 1970s can no longer support the financial operating capital and contractual requirements of the Authority, due to those policy decisions and changing business conditions. These issues have existed for years. In fact, when I began my initial employment -- my first round with the Authority back in 1990 -- we were dealing with this very issue. That was over 20 years ago, and I think the gentleman prior to my sitting here gave a pretty succinct review of what took place. I will make some clarifications, however.

When you take the declining racing revenues, due to the proliferation of gaming options in the state and the region, many of which are on our borders, and combine it with the State's decision to approve the

finance of the new stadium -- the private financing of the new stadium, which will impact our bottom line in 2010 by over \$15 million -- it's clear we have some important decisions in front of us. Toward that end, we are working closely with the Governor's Advisory Commission on Sports, Entertainment, and Gaming (*sic*) to address short- and long-term solutions. I can't tell you how happy we are that these issues are being looked at on a strategic, statewide basis as to what is in the best interest of the entire state.

In this whole debate, we collectively need to continuously ask three questions, in my mind: What is in the best interest of the State? What is the right thing to do? And how can we, as a State, work together to compromise, to in fact make the right policy decision?

As we just noted, the current financial dilemma was long in the making, and has been an issue of concern to the Authority's management team, its board members, and administration since the late 1980s as racetrack revenues began declining immediately after the opening of the racetrack in 1976. Senator, you asked that question -- racetrack revenues couldn't have been declining then, could they? The fact of the matter is, in real dollars, racetrack revenues have been declining since 1977, the first full year of operations of the racetrack, on a declining basis. In fact, in 1977, which is the first full year the track operated -- of course, it opened in the fall of 1976 along with the stadium -- but in 1977, the racing industry in New Jersey -- which included a racetrack in Atlantic City, Garden State, Freehold, Monmouth and the Meadowlands -- had an 81 percent market share of legalized gambling in the State of New Jersey. It virtually had a monopoly on legalized gaming, and that's why it was an initial brilliant strategy. And how do you finance, you know, a sports complex as a

development project, and bring professional sports and entertainment to New Jersey without taxpayer monies? Well, let's give a license to conduct legalized gaming in North Jersey. And sure enough, the Sports Complex was created on the back of racehorses; it's that simple. However, in real dollars, that revenue has been declining since 1977. In 1978 the first casino opened, and it's been downhill, on a real basis, since then. In fact, the operating margins for the Sports Authority were 56 percent. Now I don't know how many of you are in the business world, but if you have operating margins of 56 percent, you're producing some big time revenue. That big time revenue is necessary because of the capital structure. It was a highly leveraged capital structure which required high cash flow business to support it, plain and simple.

All of a sudden that high cash-flow revenue stream starts to decline, you have those high-fixed debt service costs, and you've got yourself a problem, right? That problem has been in the making since 1977 -- don't make any mistake about that, okay? And this was inevitable. So you say, "What happened?" Well, when you take an industry that competes in the gaming world that's subject to the competitive forces that exist within a certain industry market, and then you make policy decisions whereby you add to that competition, then you kind of have this yin and yang thing, in terms of its impact on one line of business for the benefit of another line of business. And so that revenue is declining. The market share today for racing in New Jersey is less than 2 percent. So we've gone from 81 percent market share and a 56 percent operating margin, to a less than a 2 percent market share and actually a negative margin now, because

overall racing loses money. And I'll go on and explain the competitive forces at work here within the gaming industry as a whole.

Again, as I said, this steady decline of monopoly-like profits is due to gaming competition from in state and out of state; and this increased competition for the gaming dollar again put the Authority on its path over 30 years ago.

Let's take a quick look now at how the gaming industry has evolved, and I'm going to sort of-- I'm not going to go back to 1970. I'm going to give a little history lesson here, sort of Gaming Economics 101 -- but I'm only going to go back to 1990, because in 1990 casino gaming in New Jersey still had sort of a monopoly -- there was very little external competition. So I'm going to put a couple of boards up, and I think this will illustrate not only-- And I'm sharing this not to advocate a solution; that I'm not going to do today. That's a policy decision that's above my pay grade, that's really up to the Legislature and certainly the Governor to decide how we're going to tackle this problem. But I think what it's going to show is exactly what racing is being confronted with within the region from a competitive standpoint; and it is certainly going to point out the competition relative to the gaming industry, which is very important to the State of New Jersey as well. So John, if you would put the boards up.

If you take a look at this board, okay, what we've done is we've isolated a five-state region, okay? Which is -- the reason I decided to go in this direction was simply because, when we compete in the racing industry for horses, horse stock, for purses and so forth, we're really competing primarily within a five-state region. This is the New Jersey gaming industry in 1990, and basically what you see is casino gaming in Atlantic City. And

in 1990, the gaming industry in the United States, for that matter, was primarily a bi-coastal business: it was a Vegas and Atlantic City. So you could go either place. And virtually it was a monopoly on casino gaming in the marketplace at the time.

So then we're going to fast forward 10 years, okay? We're going to look at the year 2000 and see what's happening in this region now, okay, from a gaming standpoint. And remember, this proliferation of gaming has really caused the decline of the racing industry and the monopoly like cash flow that was needed to support the high debt services Sports Complex. So here we are in 2009 and what do we begin to see? We begin to see the regionalization of the gaming industry, okay? Just the beginning of the regionalization of the gaming industry. You have the racinos opened in Delaware; you've got some Indian gaming in New York State and Connecticut. And so you begin to see the regionalization of this industry, okay?

Now we're going to fast forward to 2009, okay? And what do we see. We've gone from, in basically 20 years, we've gone from a bi-coastal monopoly-like industry in 1990, to a regional industry in 2000, to what I would consider to be a localized gaming market in 2009. And so when you look at the reasons for the declining revenues at racing and, in fact, the declining market share in Atlantic City, this is the reason for it. There are, I believe, something like 37 competing casino-type racino destinations in 2009. Now you say, "Well, how the heck did that happen so quickly?" Well, in Pennsylvania, which has really had a tremendous impact both in the racing industry -- particularly with their new purse structure -- and greeting industry and so forth, but also in casino gaming, they basically took

existing gaming locations, i.e. racetracks, and re-purposed them. They re-purposed the existing gaming infrastructure to be able to really impact the gaming industry in New Jersey. And I say the gaming industry because, as far as I'm concerned, whether it's the lottery, or the casino industry, or the racing industry, we're all in the same business, okay? We just happen to have different product lines. But we're all in the gaming business, and it's impacted all of us in a negative sense.

So you'd say, "Okay" -- you know, somebody would say, "Gee whiz, what's happening? This is just a shuffling of the dollars on the board. There's really no real growth, we're just exchanging dollars." Well, the fact of the matter is, if you look at this compounded annual growth rate of the gaming industry since 1990, I tell you what -- I'll take this business any day. A compounded annual growth rate of almost 7 percent per year since 1990 in the five-state region. So what does that tell you? That tells you that it's not simply a shifting of the dollars on the chessboard. We're talking about meeting primary demand for the gaming product. There's real growth here, because if it was just a matter of shifting the dollars on the board, you'd have a flat line, right? Right now, you've seen a tremendous growth. And so the fact of the matter is, the market is meeting the demand for localized gaming -- that's what that chart says. And, of course, with Philadelphia table games, and also what's going in Aqueduct, that growth curve is going to continue. So then you'd say, "Well, what happened to the gaming market share in the five-state region?" The last board I'll show, and then I'll move on, is basically what's happened to Atlantic City's gaming market share over this period of time: and it's gone from, in essence, 100 percent market share to less than 50 percent over a very short period of time, okay?

So I point this out because we're talking about competing in a very complex, highly competitive gaming industry in the State of New Jersey that's impacted both health and welfare of the casinos industry, and certainly has impacted the health and welfare of the racing industry in the State of New Jersey.

So I think that will give you a little sense of, if people want to know why we are where we are, and if you want to know why the debt service or State contract bonds have increased, all you have to do is look at that chart and you have your answer.

So thanks. John, you can grab those now, if you will.

SENATOR KEAN: If I may.

MR. ROBINSON: Sure.

SENATOR KEAN: I'm sorry, Madam Chair.

On these two charts, where are the real dollars, though? You're talking -- down the left-hand chart we've got the growth of the overall industry, and you're talking about percentage change from 1990 at 100 down to just shy of 50 percent in 2008--

MR. ROBINSON: Yes, I can tell you--

SENATOR KEAN: --percentage of share. But I don't see in the five-state region, what's the overall amount over from a 1990 to a 2008 number over that exact same period of time?

MR. ROBINSON: Well, I don't have it off the top-- I do have it; I do not have it with me, Senator. However, I will tell you that obviously the total dollar value has grown exponentially simply by the compounding growth rate of where we were in 1990 to where we are today. I will tell you, unfortunately, Atlantic City's win has declined. I think it's been reported

by the Casino Control Commission, I think it peaked over \$5 billion, and now it's less than \$4 billion.

SENATOR KEAN: If I may, through the Chair-- I think it's very important-- I mean that 100 percent is a shifting number in real life, because it's off a different base, off of a different focus. If we can get-- Through the Chair, if I may request--

SENATOR BUONO: Sure.

SENATOR KEAN: --hard numbers--

MR. ROBINSON: Sure.

SENATOR KEAN: --to back up both of these charts, so we can have a real-time annualized basis on both aspects, as well as-- And second question is, why wasn't Maryland included in these charts going back to 2002 (indiscernible) 1990?

MR. ROBINSON: I just elected the five states. It wasn't any particular strategic reason. It probably should have included it.

SENATOR KEAN: If we include Maryland in that analysis, because the drive-time focus is I think a similar issue. If we include Connecticut, we should also include Maryland within the focus of the chart.

MR. ROBINSON: Sure.

SENATOR BUONO: So if you could provide that through the Chair, and then I'll distribute it. Thank you.

MR. ROBINSON: Sure; be glad to.

SENATOR KEAN: Thank you, Madame Chair; I'm sorry to interrupt.

MR. ROBINSON: Oh, no, thanks. That was a good question.

Let me go on here. Over the years, with the support and direction of various administrations, the Authority has taken many steps to stem the financial tide, from implementing simulcasting in the early 1990s -- and let me explain a little bit about that. You know, back in the heyday of the Sports Complex, racing would operate five days a week, from 7 p.m. to 11 p.m. Today, to generate the same revenue streams, we have to operate from 11 a.m. to about 11 p.m., six and seven days a week, okay? So obviously your operating costs to generate the same dollars is substantially higher over time. We significantly increased stadium revenues. We obviously refinanced debt on numerous occasions. We utilized State contract bond financing, expending reserve funds to actual State appropriation. The last State appropriation that took place, in fact, took place in 2002.

During this period, the Authority has continued to cut costs dramatically, reducing total labor costs over the last seven years -- it's actually less now than it was seven years ago, despite increases in union wages -- to reducing full-time salaried staff from 280 in 2002 to 176 today, which is a 37 percent decrease in our staff. And we've decreased our staff some 17 percent since 2007. We did this while also opening two profitable lines of business: an off-track wagering facility in Woodbridge and online account wagering, that's also profitable. And we've been able to do this and still meet the core objectives while adding these two new profitable lines of business.

As you know, the Authority will exist at both ends of the financial spectrum. On one side, the Sports Authority will set a new standard for direct and, I said, indirect revenue generated for the State from

its facilities, events, and statewide economic development efforts. The recently privately financed renaissance of the Sports Complex, upon the opening of Xanadu entertainment and retail complex and the new stadium, will potentially generate over \$100 million a year in new tax revenue, create thousands of jobs for New Jersey families, and bring hundreds of world-class events. In concurring, it leaves the Sports Authority to soften an unsustainable financial position.

So what's at stake? If New Jersey has an internationally known brand, it's the Meadowlands. For sports fans, the Complex is an icon that represents the only site to two National Football league franchises; the site of a litany of great soccer, college, sporting events at Giants Stadium, the IZOD Center, and the track. For those who seek concert and family entertainment, Giants Stadium and IZOD consistently outrank their peers nationally and internationally with the best in family entertainment.

And I want to point out the issue with the brand, too. You know, we operate -- we try to operate the Sports Complex and the Authority like a real business. And in a retail business, brand is everything. Protecting the brand is everything, whether you're Nike, or Coca-Cola, or the National Football League -- or Madison Square Garden, for that matter -- the brand is everything. And I don't want to lose sight of the power of that brand, okay, for the benefit of New Jersey. You know, you can go to Sweden and you want to talk harness racing -- people know the Meadowlands. You go to Italy on a trip, and you want to talk international soccer? They talk about the Meadowlands. You want to talk about major college football games? They talk about the Meadowlands. College basketball -- the Meadowlands; and so forth.

It's also important, I think, to look at the future development in the Sports Complex with how you protect that brand and what's compatible with that brand, not unlike when you develop a Disney World. The Meadowlands and Monmouth Park are still considered two of the top racetrack operations in the country, and the operations are the lynchpin of the State's billion-dollar equine industry that supports over 10,000 jobs, 178,000 acres of open space, and a \$4 billion industry. Clearly, the quality of life in the state is better with the attractions of the Sports Complex and facilities around the state. By way of example -- and I think it's important to keep in mind: In 2007, the Authority hosted the Breeders Cup in Monmouth Park, considered the most important weekend in thoroughbred racing in the world. The cost to host such events is astronomical, and it's increasing. And while the Sports Authority actually lost \$2 million on an operating basis on the Breeders Cup in 2007, the State of New Jersey made an estimated \$16 million. So while the NJSEA lost money on the event, the State was a huge beneficiary. The question before us: if we had the same opportunity to host this event again, should we do it if the NJSEA, a State entity, loses money? If we were a private entity, and we were not given public resources to host such an event, you can be sure it wouldn't be held in New Jersey and the State would have foregone the revenue. So it is perhaps in this light that we need to evaluate the horseracing industry and our operations in general. For example, in Texas, when the racetrack in Dallas hosted the Breeders Cup, they actually went to the state and said, "State, it's going to cost us X dollars, and we can't afford to lose money. Do you want this event in the State to generate tax dollars, and economic impact, and tourism, and so forth, or do you want us to forego it? It's your

choice.” The state made its choice to support it, the event went on, and the state was the beneficiary and much better off.

Currently, the racing business is operating at a combined loss of approximately \$10 million annually, excluding capital replacement. Now, this \$19 million loss on track is offset by the profitable Woodbridge off-track wagering facility and the profitable account wagering business. These losses have been absorbed by the Authority since 2007 through the utilization of Xanadu prepaid rent, and these funds are no longer available going forward. Racing, as currently configured, can no longer compete in the modern gaming marketplace as a result of legislative constraints preventing the diversification of our gaming law rights. Now, I want to expound on this a little bit. What do you mean by the diversification of our gaming law rights? The bottom line is this -- I’m going to use two examples: I’m going to use Coca-Cola and I’m going to use IBM, and I’m going to start with IBM. IBM, when I was a kid growing up in the 1950s and the 1960s, was basically a mainframe computer company, right? Remember that, when mainframes were as big as this room?

SENATOR RUIZ: I was too young, I don’t remember.

MR. ROBINSON: What, you don’t remember that?

SENATOR BUONO: She wasn’t born.

MR. ROBINSON: This I know; I’m dating myself, but anyway--

They were a mainframe computer company. If they were legislatively restrained or not allowed to diversify and morph their business from a mainframe company to a technological services company, IBM would have been out of business, okay? Racing has not been allowed to

actually change its business model to compete in the gaming marketplace. The same thing is true for Coca-Cola. If Coca-Cola was only in the cola business, rather than in the beverage business -- and I make that analogy: If you're in the gaming business, you're in the gaming business. If you're in the beverage business, you're in the beverage business. And if you could only sell Coke, you couldn't sell Fanta, and you couldn't sell Minute Maid, and you couldn't sell Powerade, root beer, or whatever -- water, Dasani water, etc. -- you lose all the efficiencies in terms of marketing, manufacturing, distribution, advertising, and now you're competing in the cola business, where you should be competing in the beverage business.

And unfortunately, racing today is competing as manufacturers of mainframe computers or one line of soft drink.

Racing, as we've pointed out, has been at a crossroads for a long time, and I think it's important to really think about the impact that racing has in the State -- \$4 billion industry, \$1 billion a year of economic impact, supports 10,000 jobs, and fully one-fifth of the state's agricultural acreage. In addition, the East Rutherford, Meadowlands, and Oceanport Monmouth regional economies rely heavily on the economic impacts, including, but not limited to, pilot payments. We pay \$6 million a year in pilot at East Rutherford, and almost \$42 million a year at Monmouth Park. And I want to point out -- this is an important distinction as well -- there's virtually, and maybe not any, public assembly facility in this state, and perhaps the country, including Madison Square Garden, that pays either property tax or pilot, okay? We are the only, only -- to the best of my knowledge, except for a small restaurant, perhaps, at the PNC Arts Center -- that actually pays

some form of property or pilot, okay? And listen, you know what? We're happy to do so. We're happy to do so. But I wanted to point out that fact.

But the impact on property tax payments and jobs, spending into local businesses by racing customers, horsemen, employees -- these areas would sustain a devastating blow should the tracks discontinue operations. The racing industry throughout the country is struggling with the changing environment, which we illustrated. For years, the sport has advocated a new business model for racing in the state, and its own financial structure for that matter, due to the expansion of alternative forms of gaming both in state and out-of-state. To offset the racing industry's decline in late 2007, the Authority opened its first luxury off-track wagering facility -- Favorites at Woodbridge makes about \$45 million a year, as well as account wagering which produced about \$44 million of operating income per year. And we're building our second flagship OTW in Bayonne, and internet account wagering is growing as well. Operationally, the Meadowlands and Monmouth Park outperformed their industry on a national level. Monmouth actually saw 6 percent attendance growth despite the sagging economy; 2008 saw record attendance and handle at the Meadowlands Thoroughbred Meet; and obviously the Haskell Invitational at Monmouth Park -- we did over 37,000 people for Rachel Alexandra. And had we not had a hurricane that day, we would have broken a track record of over 50,000 people to watch the filly win the Haskell Invitational.

Today, and recently, we have taken one of the most dramatic and farsighted steps in thoroughbred racing in the country in decades. We have agreed, in principle, with the horsemen -- both the standard bred

horsemen as well as the thoroughbred horsemen -- to run a 50-day core summer meet at Monmouth Park with the highest purses in the nation, which we believe will attract the finest horses and stables in our history; dramatically increase handle, and interest, and attendance; and perhaps, more importantly, tourism. It is certainly an experiment that is worth trying.

The new stadium, when placed-- I want to talk a little about the new stadium. When you take the new stadium at 100 percent privately financed, \$1.6 billion, and you put that in a national context-- You know, I've got a background in professional sports, so I went to eight years of owners' meetings and I hear what's going on with leases, and new buildings, and who's moving where, and whatever it is. And I can tell you, the last 11 stadium deals, according to a good colleague of mine who's in the sports investing banking business, said that the last 11 stadium deals involve 54 percent public-financed facility -- 54 percent, including over \$300 million in Dallas; there's a new arena going up in Orlando that's being 100 percent paid on the public; there was going to be a \$200 million expansion to Dolphin Stadium, utilizing additional tax revenues. So the use of taxpayer dollars and public funds to fund these facilities across this country is not an unusual situation. However, the fact that the new stadium reduces our revenue by over \$15 million in 2010 puts additional pressure on our finances, as you might imagine. The Sports Authority's engineering of the Jets move from Long Island to Florheim Park is an enormous financial win for the state, where they moved their whole operation and payroll to New Jersey. And the new stadium and practice operations will generate over \$66

million of annual state revenues -- and the fact that now we're really home to two pro football teams.

On a positive note, due to the Authority's track record in management operating expertise, the Sports Authority was awarded a five-year contract by New Meadowlands Stadium, which is basically a joint venture of the teams to provide game-day staffing and event marketing services, in addition to security, emergency management, fire, and medical services. This arrangement gave the New Meadowlands Stadium an opportunity to leverage existing NJSEA infrastructure, expertise, and allow their employees to work at the new stadium in addition to the 150 events at the IZOD Center. It's a win-win for both the Sports Authority and New Meadowlands Stadium.

Lastly, I want to talk a little bit about the renaissance of the Sports Complex. Right now, we're in the finishing end of \$4 billion of private investment at the Sports Complex -- \$4 billion. So when people say, "Well, what's the Master Plan?" There is a Master Plan -- it was the creation of the new stadium, it was the implementation of the rail link, it was the Xanadu Sports and Entertainment Center. And you know, right now we're putting Humpty Dumpty back together again. The question we have is not so much what the Master Plan of the Sports Authority is, it's what is the future of the racetrack at the Meadowlands.

Again, you all talked about the value of the rail link that opens up the Sports Complex to the entire northeast corridor, takes thousands of cars off the road, reduces energy consumption and pollution. Let me tell you a little bit about the results of the rail link: On an average Sunday, we did over 6,000 rail riders for an average football game. And considering the

tailgate culture for both teams, 6,000 people on the rail is pretty high. For the Springsteen concerts, we did 14,000 in a night, and for the two U2 concerts we did over 21,000. So the future is bright for that investment.

Obviously, you know, we're hoping that -- and look forward to Xanadu opening up. There was over \$100 million of sales tax generated just on the construction alone of Xanadu and the new stadium. And again, the IZOD Center and Giants Stadium were the top-grossing facilities of the decade.

I guess what I'll do, lastly, I just want to address a couple of things about our non-sports Complex business. Back in the 1990s, we talked about -- the Sports Authority was asked to become involved in finance, through the request of the various administrations, to build an aquarium and finance an aquarium in Camden. That was completed. We were asked to finance, and construct, and create the operation of the Atlantic City Convention Center -- a \$266 million project. We did that on time and on budget. We renovated the beautiful historic Boardwalk Hall -- \$100 million renovation. It was our vision that wanted to diversify the entertainment product mix in Atlantic City, from just sort of -- move it outside the walls of the casino. It's turned out to be the highest grossing facility of its size in the country. We were asked to finance and help construct the Rutgers Stadium, which was the first sort of step in Rutgers' growth as an elite football program in this country. We were asked to finance, and build, and help operate the Wildwood Convention Center, which has been a tremendous impact on Wildwood. Of course, all of the projects were done with State contract bonds, and that is the case. And yes, the State is on the hook for those bonds, but we were asked to do it, we did

it, we did it on time, and we did it well. And we're very proud of our work there.

I'll open it up-- Lastly, we look forward to working with your Committee, Senator, the Legislature, the Christie Administration, and the Governor's Advisory Commission to identify solutions to the racing industry, the gaming industry, and certainly the Sports Complex's financial challenges.

Thank you very much.

SENATOR BUONO: Thank you very much.

I just wanted to start out with, I guess you'd say the global question here, and then go into some details. In order to understand what the State stands to gain, we really need to know what we're losing. And this year, we're losing \$38 million -- we know that because of the continued existence of the Sports Authority. It's run up a debt, according to David Rosen and Frank Haines, that has become a State responsibility since 1992. So we have a growing responsibility to shoulder the debt. In the Governor's transition report, and I quote -- they state: "With a horseracing industry losing tens of millions of dollars, the Devils gone, the Nets leaving, and a poor deal with the Jets and Giants with their new stadium, the entire mission and future of the NJSEA must be entirely rethought and not simply tweaked."

And we had this discussion when we met. I think that, in view of that, we have to seriously question whose interest we're serving by continuing to have the taxpayers subsidize an entity which may have outlived its original mission. Horseracing, as you said, used to be the cash cow. And assuming, just assuming -- that's a big assumption -- that we

could restructure the debt and sell off enough assets, generate enough revenue to have the Sports Authority at least revenue neutral: Is there a role for the Sports Authority to continue to play, and what would your model be for going forward? I know you said you don't want-- But it's in general terms, given that there will not be a sports franchise in the area that will be generating revenue for the Sports Authority.

MR. ROBINSON: Well, first of all, I think you have to look back on-- Well, first of all, these facilities, whether it's in-state or out-of-state -- and we're not just talking Sports Authority facilities, we're talking facilities all over the state -- none of them are really designed to or built to, or even do, produce an operating profit, okay? I mean, whether we like it or not, and if you're a landlord to a professional sports franchise these days, most of them are getting very good sweetheart deals to locate their teams within certain states and municipalities, and there's tremendous competition for that. As far as, you know -- and everyone recognized when the Sports Authority was created that they need an ancillary revenue stream, and that was racing -- to build, to finance, operate these facilities. It turns out, again, all these decisions that are putting us in this financial situation we find ourselves in were basically policy decisions that were made by the State.

SENATOR BUONO: And I want to emphasize that. We're certainly not blaming you, the management of the Sports Authority, for decisions that were not yours.

MR. ROBINSON: Here's how I envision it, going down. Again, one of the things I'm not-- I'm not advocating and can't advocate for the expansion of gaming in this state -- that's the Legislature's and the

Governor's decision. Plus the purse enhancement provision that we're under right now prevents me from doing so. So I'm not going to talk about that. All I talked about is the challenges at that time dealing with competing in a complex industry with one game of chance, and not being able to really compete in the gaming industry of today; and I'll leave it at that. Certainly, from the IZOD Center's point of view, we did squeak out a \$1 million dollar profit last year -- operating profit. This year is about a half a million dollars. Again, the future of off-track wagering facilities are very, very profitable and we're building another one. We were unfortunately turned down in two additional locations over the last year and a half. We continue to expand that business. We have a profitable relationship with the stadium as a service provider. So I do think there's a long-term future of the Sports Authority. And again, there's a lot of complexities to the State's contractual obligations and the Authority's contractual obligations to both the new Meadowlands Stadium, as well as (indiscernible) capital in the Xanadu project.

SENATOR BUONO: Thank you. Gee, I don't know where to go from here -- you raised some other issues. I'm just going to--

MR. ROBINSON: Can I talk a little bit more--

SENATOR BUONO: Let me-- I'm sure you'll have an opportunity to touch on everything. I think to really understand what's happened to the Sports Authority -- and you alluded to this -- you have to understand the lease agreements and the franchise agreements.

MR. ROBINSON: Yes.

SENATOR BUONO: They're, in large measure, what enable you to turn profit. And in the Governor's transition report, they concluded

that the new Giants/Jets Stadium will not be a financial contributor for the NJSEA over time; it will be a drain. We know that, for example -- and I think you may have stated this under the new lease agreement -- the Sports Authority is going to receive \$5 million annually in ground lease from the two teams; an additional \$1.3 million annually in pilot payment. Where, under the previous agreement with the Giants and Jets, the Sports Authority received \$420 million annually in net income from the stadium, and approximately \$6 million annually in the pilot payments. Additionally-- And I was looking over the franchise agreement -- it's extremely comprehensive -- but it talks-- I mean, there's some real gems in there. If there's any new local property tax, or use taxes, or tax changes that come into effect, Sports Authority will pay 100 percent. If there's any new rebate on taxes, the tenant gets it. If New Jersey creates any new sales or ticket taxes that are targeted at the stadium, like luxury boxes, the amount of the tax will come off the tenants' payments to the Authority. And I know-- Maybe I just don't get it. But you had said-- And I mean that seriously, because you said, "Well, but, given all that, what do we have to show for it? We have (indiscernible). We have two professional football teams." I just don't get it. This is something-- Maybe it's just something about our value-- To me, it says something about our values and priorities that we're willing to have these so-called sweetheart deals at any costs to the taxpayers. And I submit to you, if the taxpayers knew about this franchise deal they would not support that in exchange for what we got.

MR. ROBINSON: Well, I think they're, you know-- First of all, I wasn't here when the deal was struck.

SENATOR BUONO: I know that--

MR. ROBINSON: Which is neither here nor there, actually. I think you've got to look-- Again, you've got to look at the broad-- There are two sides to the story: one is there's virtually -- one side to the story is, there's virtually no other stadium in the country that is being built 100 percent privately. There was a baseball stadium in San Francisco and maybe one other, and I can't remember which one that is. This baseball stadium in Washington, D.C., was \$500 million completely taxpayer, and so on, and I gave some other examples. The teams have stepped up to the plate to say, 'We're going to finance-- Unlike our colleagues around the league, we're going to finance \$1.6 billion. That's one side. The other side is, the Sports Authority went from having \$20 million net income this year -- which, by the way, was our fourth highest net income in the 34-year history of the stadium, this year--

SENATOR BUONO: But that's all part of the same equation. You can't view those in isolation.

MR. ROBINSON: But the State -- the estimated benefit to the State with all the player payroll, executive payrolls -- is something in the order and magnitude of \$66 million a year. Now, that's the give-and-take here, you know? How you weigh the pros and cons of that decision-- Again, there was a \$1.6 billion stadium; it probably produced \$50 million to \$60 million in just sales tax revenue on the construction alone, never mind the fact that they're going to increase staffing in the new stadium by a third, just because of its size, so there's going to be more payroll taxes, and so forth. I'm not justifying it; I'm just giving you the other side of the equation.

SENATOR BUONO: So given all that you just said, would you characterize this as a sweetheart deal for the franchises?

MR. ROBINSON: No, not when you compare it to what's going on in the industry as a whole -- the sports industry as a whole.

SENATOR BUONO: Therein lies the problem -- we differ on that. That's a major point of contention; but to have to--

MR. ROBINSON: Well, again, you know, like I said, I spent eight years in professional sports, you know, hearing what kind of deals are out there, and what kind of competition there is for franchises around the country, and who's moving from here to there and relocating and getting new stadiums and arenas, so certainly my perspective is a little different. However, obviously, I'm not happy with the fact that it put the Sports Authority in a really difficult financial position that I'm trying to grapple with right now.

SENATOR BUONO: Right.

MR. ROBINSON: That part, I'll tell you, it doesn't make me happy.

SENATOR BUONO: I mean, the whole purpose of this hearing was not to cast blame or point fingers.

MR. ROBINSON: I agree.

SENATOR BUONO: But the purpose of the hearing is to view the Sports Authority through the lens of finance--

MR. ROBINSON: Sure.

SENATOR BUONO: --to figure out what it cost to run a different entity, what the budget is, what goes in and goes out, the history of subsidies. And, unfortunately, neither do we have a 2010, nor the 2009,

operating budget -- neither of those were made available to us. And I need to know why, because you're also asking for a \$30 million -- I think it's an operating subsidy, correct?

MR. ROBINSON: I'll tell you where we are. The 2009 year-end financials are actually posted online currently, about a week ago. So if you want to see them, they're there.

SENATOR BUONO: We checked; they're not. Maybe as of today, but we've been checking.

MR. ROBINSON: No? All right, well, I just talked to our CFO to make sure that they were posted.

SENATOR BUONO: 2008 is online; in fact I have some questions about 2008, because that's all I have.

MR. ROBINSON: Okay; well, I'll double check. Anyway, we are waiting for the auditors to finish their audit. As far as the 2010 budget is concerned, you know, we're required to present the budget to the Treasurer--

SENATOR BUONO: Right.

MR. ROBINSON: --in advance of bringing it to our board, and it's currently under review by the Treasurer.

SENATOR BUONO: So the 2010 budget is on the Treasurer's desk, so we can ask the Treasurer for that or maybe do an OPRA, I don't know -- hopefully we won't have to do that.

MR. ROBINSON: Well, I-- Hopefully it will get released, and we'll simply get it posted up on our board, and take action on it and deal with it.

SENATOR BUONO: And could you submit to the Committee, through the Chair, the 2009 operating budget? We'd really like to have that to be able to have more of an informed discussion.

MR. ROBINSON: Sure.

SENATOR BUONO: But not having that right now, looking at your operating budget for 2008, which--

MR. ROBINSON: You should--

SENATOR BUONO: No, I'm just going to talk about general stuff; you don't have to have--

MR. ROBINSON: No, no, I'm just saying, you should have the 2009 operating budget because it was approved by the board last December. So why you don't have the budget, I don't know. I can tell you we exceeded our budget by about \$3.5 million, but you should have the budget.

SENATOR BUONO: What I'm talking about is the audited financials.

MR. ROBINSON: Oh, that's different, that's different. Audited financials are-- That's correct. You don't have those.

SENATOR BUONO: Okay. And it was just an eye-opener for me. It says at the bottom of the first page that it's "based on accounting principles that differ in some respects from accounting principles that are generally accepted in the United State of America," which I found sort of interesting. And some have accused -- not myself -- the Sports Authority of using some creative accounting techniques to mask some of their losses. But it just makes it-- I'll tell you, this is-- And I thought I knew how to read a budget. This is much more difficult to comprehend. In fact, it's

incomprehensible, compared to the State budget. And I do have some experience-- I may not have your experience in sports and entertainment, but I do have budget experience, and, you know, what it means-- It seems like you randomly allocate expenditures and revenues. I'm unable to figure out or extrapolate what the current operating budget is, or the current projections for 2010. I mean, we need to know what the current operations are in order to shed some light on how plausible your projections are. We don't have that.

MR. ROBINSON: Sure, well there are two things: There's the audited financial report, which are basically generally accepted accounting principles that merge the various entities that exist under the Sports Complex, which includes Atlantic City, Wildwood, and so forth. So when you look at gap accounting and you basically merge all the entities together, it's very difficult to identify the Sports Complex. However, in our annual operating budget that's approved by the State every year, and that is the year-end financials that are given to the State -- are very clear. And it's the same accounting principles -- it's basically bond resolution accounting. And they've been doing it the same way every year for 34 years.

SENATOR BUONO: Well, maybe we shouldn't do it that way. Because I have to tell you, I like to use every tool at my disposal to be able to delve into this and figure out how we got to the situation that we're in today. And it doesn't make any sense to me to rely on these accounting methods or whatever if it doesn't-- It's incomprehensible to the public, and you are a public entity.

MR. ROBINSON: I understand. And we submit these same financials to the public and the Board every year, and all I can tell you is

the way it has worked on a cash basis; I can tell you in 2008 we generated an excess profit, before distributions, of \$6.6 million. This is 2008 -- we had extraordinary income of \$20 million, which was the Xanadu money. We paid a pilot payment of taxes, \$72.2 million. We had a maintenance reserve budget, you know, capital budget of \$11.8 million; and we booked an extraordinary expense item, which was Workman's Compensation -- we netted out with a loss of \$3.3 million. So, I mean, that's how it works. It's really on a cash basis, and it's all there, and it's been reported the same way for 34 years.

SENATOR BUONO: Well I think-- Who makes that decision, as to whether it--

MR. ROBINSON: Well, for years we were required by bond resolution purposes, because the bond resolutions required debt service coverage when we had revenue-supported debt of whatever it is -- two times, three times; and that was how we were required to report our financials. And so, you know, rather-- We just don't have any revenue-supported debt any longer, but we still report the same way we have for 34 years.

SENATOR BUONO: But the objective of doing the audit-- I mean, as I said, you're a public entity -- is to inform and be accountable to the public.

MR. ROBINSON: Well--

SENATOR BUONO: This doesn't succeed at doing that.

MR. ROBINSON: Well, that's just the way the external auditors-- It's not, you know -- required us to present these results. We don't include depreciation expense in here because it's all done on a cash

basis, with the debt service, which basically was in lieu of depreciation expense. And since we're a non-taxable entity, there's no tax benefit for recording depreciation expenses in expense. So all I can tell you is it's been very consistent. The Treasurer has been on our Board for 34 years. We have a finance and audit committee. It's all there.

SENATOR BUONO: Well, for example, I know what you're saying, but if you go down and get into specifics, for example with Xanadu, okay? It's impossible to discern how you classify certain expenditures, non-cash as well as cash. Xanadu revenue from rent has been spent, or nearly spent, is my understanding. You show it accruing in equal amounts over 15 years. Why is that?

MR. ROBINSON: Well, that's -- again -- a gap accounting principle where you take any revenue with a contract and spread it over the life of the contract.

SENATOR BUONO: Okay, what about for IZOD, for example? You allocate only \$500,000 for overhead? But the overhead costs, actually, \$1.5 million when you include legal, financing, etc.

MR. ROBINSON: That I'm not sure what you're referring to.

SENATOR BUONO: Well, that was based on our conversation. You told me that. I wouldn't have known that. (laughter)

MR. ROBINSON: Well, no-- No, what we do here is, each of our profit centers -- whether it's the stadium, the racetrack, account wagering, the arena -- all of those make a net operating profit or loss, whatever the case may be. And that income or profit is used to offset any overhead, which is our overhead department. So I don't allocate any specific-- To me it would be just an allocation exercise, allocate any specific

overhead in our finance-- Well, one finance guy is working on this, and this person's working on racing -- it becomes a big allocation exercise. They make a contribution to that overhead and our capital needs.

SENATOR BUONO: Can we talk a little bit about the-- Just getting back to our budget, the State budget. You're asking us to subsidize you by another \$30 million in the upcoming fiscal year. Can you tell us, is that an operating subsidy? Is it some combination?

MR. ROBINSON: It's-- Let me explain to you part of the New Meadowlands Stadium agreement, if I might.

SENATOR BUONO: Okay. The 6.10 costs.

MR. ROBINSON: The 6.10 costs, okay? When this contract was negotiated, both the teams and the administration understood the -- I'm sure understood the impact it would have on our operating income. It was pretty obvious. The teams asked, and in essence required, and the State agreed, that the Sports Authority is contractually required to apply for 50 percent of the total project fiscal benefit beginning in 2010, to ensure that in essence the \$1.6 billion investment is protected so that the Authority could carry out its obligations under the lease, which include any environmental issues, roadway infrastructure, all of our electrical systems, 24/7 security, medical, etc., our whole wastewater program. You know, there's a lot that goes into maintaining 750 acres. And that was actually put in the lease and executed and approved by the State. So given that we were contractually required to make that application, I made that application both under the Corzine Administration and I made the same presentation to the Treasurer.

SENATOR BUONO: So the \$30 million is part of you invoking said clause 6.10 of the Stadium--

MR. ROBINSON: That is correct, and it would be both utilized for operations and capital.

SENATOR BUONO: Well, that's where I'm a little confused, because the Governor's Transition Report provides that 50 percent of what is estimated to be the economic benefit which would be returned to you would be 50 percent of \$34 million annually.

MR. ROBINSON: Okay, that's actually a wrong number. The amount is \$66.5 million, and for some reason, and I can't explain why, you know, that was the current stadium's-- I believe current fiscal benefit. And the new stadium is estimated at \$66.5 million per year.

SENATOR BUONO: All right, I'm not going to dominate. I know we're going to switch the next panel, so that we have the vision panel next. I know that some of the experts we have need to leave to do their own private business as well. So I'm going to turn it over to any other people -- Senator Cunningham, and then Senator Ruiz. And then Senator Sarlo.

SENATOR CUNNINGHAM: I just wanted to know-- Other than rent from Xanadu, what other revenues are you expecting to receive from that project?

MR. ROBINSON: From Xanadu?

SENATOR CUNNINGHAM: Yes, other than the rent.

MR. ROBINSON: None, directly. You know, the prepaid rent, I believe, goes for a 15-year period, and then, what I recall, a normal

annual rent would kick in, after the 15th year, which would be basically equivalent to the current rent.

SENATOR CUNNINGHAM: And that's it.

MR. ROBINSON: Yes.

SENATOR CUNNINGHAM: Okay. The IZOD Center has been doing pretty well, but is that also because the Nets were there?

MR. ROBINSON: No.

SENATOR CUNNINGHAM: What's going to happen now--

MR. ROBINSON: No.

SENATOR CUNNINGHAM: --that the Nets are leaving?

MR. ROBINSON: Again, there's not a lot of money in being a landlord to a professional sports team, unless you own and operate the building or control the building. Because then you can determine where money goes, you know? Does it go to the franchise, does it go to the building, how does it all work? You control, you get all the (indiscernible) revenue, etc. We made very, very little money, actual net income, on the Nets. It's great to have a professional team, it's great to have 41 dates, to have your people work, and so forth. But as far as the actual net income over 41 dates, it was really a very small amount. You know, we can replace that with less than a handful of other, more profitable events to make up for that income. So from a purely revenue standpoint, I think you'll see better returns in the short term.

SENATOR CUNNINGHAM: And how much money are you planning on putting into the IZOD to keep it?

MR. ROBINSON: Again, we do put a lot of money into it over the years. Every year there's a capital budget, whether it be replace all the

lighting, the sound systems, we've renovated the suites, we've renovated all the suite bathrooms. Last year, we just put a new suppression system in for health and safety. This year-- So, you know, we try to have a regular maintenance program to keep it on the cutting edge, technologically and so forth. So, you know, I mean, they're capital intensive facilities, they're used a lot, but I don't know if you've been to the IZOD Center recently--

SENATOR CUNNINGHAM: I have.

MR. ROBINSON: --but it's clean, it's bright, the floors shine, it's very efficient to operate. It's a one-concourse building, which is much less expensive to operate than a multi-concourse building. It's easy to get shows in and out. You know, it's very, very conducive to concerts and family shows.

SENATOR RUIZ: Thank you. I was going to start in a different direction, but I guess I'll follow up with some of Senator Cunningham's-- So she said the IZOD Center is doing pretty well. I want to know, based on revenue from the events, how much of that revenue is covering operating costs at that specific site?

MR. ROBINSON: Sure. Well actually 100 percent of all of the operating expenses from the IZOD Center are covered by revenue and, in fact, like I said, it produced close to a half a million dollars of net operating income last year, after expenses.

SENATOR RUIZ: So that entity by itself is self-sustaining?

MR. ROBINSON: Yes. Well, again, it's on an operating basis. You know, it did not include capital reinvestment in that number. So if you included that, it would probably post a small loss. We probably put in a million dollars or so last year.

SENATOR RUIZ: And do you think that facility by itself is in need of infrastructure improvement?

MR. ROBINSON: Again, we continue to invest in infrastructure. In fact, one of the things that we have when we negotiated our new deal with our concessionaires -- we have, in essence, a pot of money of about \$1.5 million to continue to upgrade our concession operations. So again, you're constantly making improvements and updates and, again, fire suppression, roof repairs -- you name it -- lighting and sound systems, seating, suites, restaurants, so forth. So it will continue to need the normal care and watering that we've given it all along.

SENATOR RUIZ: In your earlier remarks, you talked about the site as a whole, and the power of the brand. But as you kept going through the presentation, it almost seems that the power of the brand is not existent anymore, in the sense that the power of the brand for the site itself *does* exist, but the ownership of it is not existing anymore. For instance: We lost the Jets and the Giants. We talk about-- You mentioned soccer, but, I guess -- and I'm not a sports buff, I'm just a Yankee fan. (laughter)

MR. ROBINSON: That counts.

SENATOR RUIZ: When I look at the facility and the possibility of the use, and then I see the new Harrison soccer stadium, and you talk about soccer events being held here, what is the probability of hosting events when there's a brand new arena in Harrison that will have major league soccer and extend itself for other soccer venues?

MR. ROBINSON: Sure; I think just by virtue of the differentiation in size, that international -- large international soccer games that cannot be accommodated in Harrison will be played at the New

Meadowlands Stadium. In fact, they've already announced it -- an international game -- I can't remember exactly who's playing in it. So those large, world-class international soccer games will continue to play. Certainly an 80,000-seat stadium for a franchise that draws less than 10,000 people, on average, or whatever, is what the Red Bulls-- It really was not a great environment. And there's another World Cup bid out there to bring the World Cup back to the United States, and we're part of that bid.

SENATOR RUIZ: And for those other sports teams that would look to play at this venue: Who will accrue the revenue from those events?

MR. ROBINSON: Well, any sports events at the IZOD, we would; any sports events at the new stadium -- the New Meadowlands Stadium would do that. Now, remember, here's my viewpoint: At the end of the day, the average customer doesn't care who runs the place. What they care about is: can they get in, can they get out, do they have fun, is it safe, is it clean, do they love their teams, do they love their events? And the brand for them is the Meadowlands.

SENATOR RUIZ: I agree with you, but I think that the average taxpayer does care. And in light of that, I think that that's where the focus of this hearing was, is that everybody, including yourself, recognizes that there is a greater problem at stake, and I just-- Something about the paradigm changing. And even in your reports for gaming, you see it. And so it's almost time for the NJSEA to start talking about what can really get us off incurring debt and move us in the direction of creating revenue. Because 1973 was a number that was thrown out there-- I wasn't

born, but my great-grandchildren will be paying this debt that's been incurred.

MR. ROBINSON: Again, as far as the debt is concerned, just to clarify that. The debt service, there's about-- As of July 1, 2009, there's \$803 million of debt. Of that, 35 percent, or \$287 million, is Sports Complex debt. So I want to make that differentiation. Fifty-four percent of that debt is other projects, which includes, on the other hand: 10 percent is Monmouth; but \$348 million on Atlantic City; \$40 million on Wildwood; and another \$46 million regarding Rutgers.

SENATOR RUIZ: I don't want to break down the debt. I'm most interested in how does the Authority recreate itself to reinvigorate this engine as an economic, viable--

MR. ROBINSON: Right.

SENATOR BUONO: And that's what the next--

SENATOR RUIZ: Has discussion been made -- because I think the Chairwoman asked a question, and it wasn't really answered. I'm just-- Everybody wants this to work, obviously. It's at the benefit of every New Jersey resident. So what kind of things can--

MR. ROBINSON: Well, listen--

SENATOR RUIZ: And we can't just rely on Xanadu, obviously.

MR. ROBINSON: Oh, no, no. And I don't think anybody would plan on that. I mean, listen: There are-- Paul has a solution. (laughter)

SENATOR SARLO: I have the solution. (laughter)

MR. ROBINSON: We're working with the Governor's Commission -- Advisory Commission on just those issues. So hopefully the Commission will come back with a plan that the Legislature and the public will be happy with.

SENATOR BUONO: And the next panel -- the vision panel -- will address future uses, specifically. But Senator Sarlo, did you want to wait until then, or did you want speak now?

SENATOR SARLO: I do have a few questions, yes.

SENATOR BUONO: Okay.

SENATOR SARLO: And I do have the solution, Senator Ruiz, and it solves all of our problems at the Meadowlands. (laughter)

SENATOR RUIZ: Wow, that's great.

SENATOR SARLO: I don't think you could comment on it, but I will get to it in minute.

I just want to touch back on a few points that have actually been raised. With regards to the revenue that is generated from non-sports events -- non-professional sports events at the Meadowlands. You had just answered Senator Ruiz that they are pretty close to covering their operating costs, is that correct?

MR. ROBINSON: Yes.

SENATOR SARLO: So really what puts the Sports Authority in a difficult situation right now is covering debt-cost payments.

MR. ROBINSON: Well, it's two things, Senator. It's the lost stadium revenue that, in one year, it's hard to overcome. And it's really the declining racing revenue. Those are the two things. And so it's a combination -- those two things combined, which is why we have utilized

Xanadu prepaid rents to fill that hole over the last three years, really, since 2007. And it's very hard to overcome \$15 million or more in one year.

SENATOR SARLO: The debt-- You've mentioned -- and I was unaware of this, and I'm somebody who's been very involved with the Sports Authority, because it's right in my Legislative District. But the Boardwalk Hall, the Atlantic City Convention Center, the Aquarium, the Wildwood Convention Center, the Rutgers Stadium -- when I add these numbers up, we're talking close to \$500 million worth of debt service that various governors, both Republican and Democratic governors, had asked the Sports Authority to place on their books. Am I correct?

MR. ROBINSON: No question about it.

SENATOR SARLO: So a good chunk of change of that debt service that is out there is for facilities that were asked by Republican and Democratic governors?

MR. ROBINSON: Fifty-four percent of all the debt that you were just referring to is either non-Sports Complex or non-Monmouth Park debt.

SENATOR SARLO: Right. I actually-- You mentioned Orlando as being paid 100 percent by-- Backed by public money.

MR. ROBINSON: Right.

SENATOR SARLO: I actually have to correct here-- It's probably being paid by Senator Kean and I, because every time we go to Disney World we get hit. (laughter) We take our kids, we get hit with some ridiculous fee for somebody to move our luggage from point *A* to point *B*. So that's probably paying for it.

MR. ROBINSON: In fact, I think it is hotel/motel taxes, if I'm not mistaken.

SENATOR SARLO: But to lead into that: You talk a lot about sports landlords of professional sports facilities around the country. And I've had the opportunity recently, as my kids get older, to go to different baseball stadiums that are taxpayer-funded baseball stadiums -- beautiful stadiums. Are they being built to attract teams to these cities in hopes of generating economic development around the stadium, and that's why they're willing to pretty much operate at a no-profit-- They're willing to operate even at a marginal loss, because of the economic benefit of the region?

MR. ROBINSON: I think it's a combination of things. I think there's an image associated with being a major-league city, a big-time city; there's no question about that. I think it's certainly -- some of the downtown facilities were certainly not what I'd call necessarily the main cog in redevelopment, but certainly, over time, add to the redevelopment of the city. For example, Cleveland is a good example, and San Antonio is a good example: after many, many years of urban development, and urban renewal, added sports facilities almost as the icing on the cake, rather than as the beginning of it. You know, I don't think any one sports facility is going to turn around an urban center, necessarily, but part of a grand urban redevelopment scheme, as part of it; and certainly I would advocate the last piece of it. You know, they do certainly add a lot to tourism and bringing people downtown and creating a sense of place, and so forth.

SENATOR SARLO: The stadium deal has been talked about a lot here. And not to weigh in whether it was a good deal, bad deal, I

understand it was done to keep the teams here; it was done for economic development purposes; it was a billion dollar private-- One thing that I've always heard and read about, and I've never had the opportunity to ask you or anybody else is: I understood that the State of New Jersey, because of the agreements with the teams from years ago, was potentially on the hook, in court, for close to \$400 million for renovations if they did not go ahead with a new stadium deal.

MR. ROBINSON: There was a clause in the Giants' agreement that called for, I forget the phrase, like *first class facility*. There was no question that, over time, we'd have to put more money into the stadium. How much, I think, is debatable. Obviously, back in my first foray here we added substantial improvement to the stadium, with the new suites project, new lighting and sound systems, and so forth. There was going to need an additional, certainly, capital investment, whether it was \$400 million or so, it's hard to tell. I think there certainly would have been a debate as to what be considered first class and what wouldn't, but certainly there was a significant sum of money that would have had to be reinvested in a 34-year-old facility, no question about it.

SENATOR SARLO: The New Jersey Nets are moving over to the Prudential Center -- and I hope that works out very well for the Prudential Center, and I hope it's an economic benefit.

MR. ROBINSON: So do I.

SENATOR SARLO: But from the State's perspective, the Sports Authority's perspective -- there's no major loss in revenue from the Nets' leaving the Sports Authority, correct?

MR. ROBINSON: No.

SENATOR SARLO: There actually will be a potential benefit?

MR. ROBINSON: Yes, I look at it as a potential benefit. I mean, obviously, you know, part of the reason you can only schedule so many events in the building is you have date conflicts. And then you have playoff conflicts, and you don't even know, and you've got to hold the dates for playoffs. So we should have, certainly, considerably more available dates and tours. And promoters, they don't necessarily book their tours around whether a facility is available; they book it based upon when they want to book it. And if you're available, great; if you're not, they'll re-route it, many times.

SENATOR SARLO: I know that Senator Buono wants to get to the other folks. Just one final question, and it's: A lot has been made about this lawsuit -- the OPRA lawsuit -- from the *Star-Ledger*. Can you just share with the members of the Committee what that's about, so we have an understanding of that?

MR. ROBINSON: Sure. We were asked to provide all of our contracts with concert and event promoters. And we did, and we provided 98 redacted contracts. We provided those redacted contracts under the current law, an "exemption to OPRA," based on its 47.1 information which, if disclosed, would give an advantage to competitors or bidders, is an exception to the public disclosure laws. And, basically, what it is, is that if we would share all of our promoter contracts, which differ in some cases, and give it to all the competition, the likelihood of being able to maintain that margin that we have and the profitability of those events would be significantly at risk. And, again, we compete in the private sector, and it's very important. And our promoters and partners, again, those are our

proprietary documents and contracts. And so we simply utilized the current law to make that determination. I should say that under that, in fact during this period of time where we've been in a disagreement, that over seven, in essence, competitors in the industry, including the Nassau Coliseum, HSBC Center in Buffalo, and the Times Union Center in Albany--

SENATOR SARLO: Are they also publicly financed, or publicly--

MR. ROBINSON: Yes.

SENATOR SARLO: They're public facilities?

MR. ROBINSON: Blue Cross Arena, Live Nation, Madison Square Garden-- Every one of them that has been asked to provide it declined on the same competitive basis, so we're really-- Again, we try to run it like a private-sector business, try to make it as profitable as we can. And I can tell you one thing: If those deals were disclosed, we would not have it be close to being as profitable as we are. And I would say that promoters would decline actually coming to New Jersey, and certainly playing the IZOD Center, if that were the case.

SENATOR SARLO: Thank you. Since you can't answer my casino questions, I'll use that for your next panel.

SENATOR BUONO: Senator Kean, and then we have to wrap it up. We already lost Dean Hughes, so--

SENATOR KEAN: In the interest of time, then, Madam Chair, I will be brief, although I may have a follow-up question. So if you don't mind, either through the Chair, or directly, if I can have some specific follow-up questions on some of these issues, over time.

SENATOR BUONO: Sure.

SENATOR KEAN: One simple question: In 2014, is the 48th Super Bowl, that is going to be played between the New Jersey Jets and the New Jersey Giants, going to be played at the Meadowlands?

SENATOR BUONO: Yes or no? (laughter)

SENATOR KEAN: Yes or no?

MR. ROBINSON: I am very confident that the Super Bowl will be in New Jersey in 2014.

SENATOR KEAN: Are we doing everything, partnering in (indiscernible) to be make sure that the April deadline's being met?

MR. ROBINSON: Yes.

SENATOR KEAN: Thank you. Thank you, Madam Chair.

SENATOR BUONO: And just to wrap it up, you just pointed to-- And I think we can all agree on something, and that is that we all seem to recognize that it was governors -- past governors and Legislatures that really were the source of problems, and in increasing the debt and expanding the scope of the Sports Authority where it wasn't prudent. Does that not say something about the model -- and it doesn't reflect on you or any of the EDs -- but doesn't that then say something about the lack of political independence that the model of the Sports Authority has? I mean, would it not be better to have political independence from the Governor and the Legislature and to be able to generate your own revenues in order to accomplish your mission, similar to the Meadowlands Commission?

MR. ROBINSON: Certainly there are times when it would be much easier. On the other hand, you know, it's interesting. Other states and municipalities -- let's say building an Atlantic City Convention Center.

Convention centers are built across this country based on taxpayer dollars. And some use some mechanisms, some states use other mechanisms. Some use hotel/motel taxes, rent-a-car fees, etc. In this case, the State decided that they were going to use State contract funds to finance it. Is it any different? I don't know. So again, you know, you just have to make a judgment project by project, as to whether that was the right decision or not.

SENATOR BUONO: Well, thank you very much, and I really appreciate you taking time out to come. And I understand you won't be leaving us for another job?

MR. ROBINSON: No. That's correct. No, no. I'm going to hang in here.

SENATOR BUONO: Thank you.

Okay, we're going to move up the panel regarding the future of the New Jersey Sports Authority and its assets. Dean Hughes-- I know he had to leave for a meeting; hopefully he'll be back by the end of our meeting. But we do have with us -- very fortunate to have -- Linda Morgan. Linda Morgan is an urban planner working in the New York office of AECOM. She is testifying in her capacity, however, as a member of the Urban League Institute. She has participated in several ULI advisory service panels, and she'll briefly discuss ULI's advisory service panels, and how the Meadowlands Sports Complex, as a whole, could benefit from this type of third-party land-use assessment. She's been on the New Jersey Executive Committee of the Northern New Jersey ULI District Council for many years, and was most recently in charge of all programs. She will also discuss other ULI programs in New Jersey, and how ULI was able to bring

planning experts to the state, at minimal cost, to provide unbiased redevelopment and planning advice.

And now I'm going to just introduce everyone at once. You're welcome to come up now, or just come up after the conclusion of Ms. Morgan's testimony.

Michael Pollock is with us -- I know Michael from my days as the Chair of another Committee -- Managing Director of Spectrum Gaming, renowned expert on gaming issues. Michael oversees all economic studies performed by Spectrum Gaming Group, including broad-scale impact studies for country, state and local government; and feasibility studies for private-sector clients. I'm not going to continue, just for the interest of time, but there's a lot more that we can certainly say about Mr. Pollock's credentials.

And Steve Gabel, regarding renewable energy opportunities. Gabel Associates is an energy, environmental, and public utility consulting firm based in Highland Park. The firm brings regulatory, energy, environmental, and financial expertise and experience to its clients, which include utilities, energy users, generators, and regulatory agencies.

Okay, Ms. Morgan, if you would begin, we'd be very appreciative.

LINDA MORGAN: Okay, thank you very much. I appreciate the opportunity to come and speak before your Committee.

As it was said before, my name is Linda Morgan. I'm an urban planner. I am currently working with AECOM, which is a large engineering infrastructure, planning, and master planning firm.

SENATOR BUONO: You have to have your red light on.

MS. MORGAN: Sorry.

SENATOR BUONO: Okay.

MS. MORGAN: My name is Linda Morgan. I'm an urban planner working at AECOM in New York, which is a large infrastructure and master planning company. But I also am a volunteer with the Urban Land Institute, which is the ULI, Northern New Jersey District chapter. And I'm going to just briefly talk a little bit today about a program that the national Urban Land Institute runs out of their Washington, D.C., office, which are called advisory services panels.

ULI is a 35,000-member organization that, worldwide, consists of developers, architects, planners, people who are market analysts and such, that get together to share ideas and expertise on critical land-use problems that confront us in our states, as well as abroad.

They have annual conferences at ULI; they publish a series of magazines and books, and conduct research services, including advisory service panels. The areas that they tend to look at run the gamut from sustainability and climate change, to how we handle market changes in urban areas, to replacing infrastructure growing around transit stations, and dealing with how to finance complex projects.

The advisory services panels have been around, apparently, since the 1940s, which I didn't know until recently. These volunteer panels have dealt with 500 or more topics; about 20 panels per year are convened with volunteers that serve as-- They are members of the ULI, and they volunteer to come together and look at issues around the country and the world about land use conflicts or land use challenges, such as: How do we re-use our military bases? How do we develop around transit stations?

How do we handle workforce housing in our communities? And deal with other complex development questions.

The panels are convened for anywhere from one day to up to five, which is the larger standard, to give strategic advice in an unbiased way, because they are not comprised of people who are from New Jersey, in this case, or even New York. The panels are put together to focus on a specific issue that's presented to them, and they're chosen by ULI National from the 35,000 members, for their expertise in finance, let's say, or stadium development, or stadium authority reorganization. You have an opportunity locally to veto who might sit on these panels, but the idea is to give practitioners and experts the chance to look at your policy and land-use issues, and come up with very specific strategies and recommendations on how to address the problems at hand. It's not an exercise in planning, but rather something that your locality can build upon and try to find solutions.

I mentioned that the panels run anywhere from five days down to a day or a day-and-a-half. There are different costs. They look for a sponsor, such as the Meadowlands Commission has been a sponsor in the past; New Jersey Transit, or DOT, have sponsored these panels in our state. A five-day panel can cost about \$120,000, so it is an investment, I wanted you to know. But eight or nine members will come from ULI, convened specifically because of their expertise in the area, and they'll kind of descend upon the locale -- having been briefed in advance through briefing books and such about what the issues are -- and they will do a massive amount of interviews with experts who understand the specific nature of the problem at hand. And they will have many discussions amongst each other, work with the public, work with whatever bodies -- legislative or otherwise -- want

to weigh in to the issue, and kind of do a thought analysis and come up with very specific recommendations.

There are also panels that go for a shorter amount of time, and they cost a lot less. For a three-day panel, it's \$60,000; a day-and-a-half panel with two or three ULI experts runs about \$25,000. I just think it's always important to know what these things cost.

Panels -- I'm sorry; I'm going too fast here -- apparently take about two or more months to convene, because you need to both pick the experts from National Headquarters and give them ample time to review the background materials. If we were to do this, let's say, for the issue at hand here today, there's an awful lot of -- I'm sure there would be a lot of background material that they would need to absorb in advance. That said, I had talked to Debbie Lawler at the Meadowlands Commission who -- she and Bob Ceberio had had one of these advisory panels come to Secaucus to look at the issue of growing around the transit station -- how do you manage growth and plan for transit-oriented development. And she--

SENATOR BUONO: Is that the Convention Center issue that was-- I missed the first half of what you said, I'm sorry, with respect to that.

MS. MORGAN: There have been panels that have come in the past from ULI to New Jersey, one of which was around the issue of the Secaucus Transit Station -- transit-oriented design and planning for growth and redevelopment around that train station. Debbie Lawler from the Commission told me that it didn't take two months to get them up and running, because they were very well prepared with the background material.

What a sponsor would do, in this case, if you want a panel to come to the state, is to sign off on a contract with them. You would designate a key person to be a liaison to the panel; you would prepare the background book -- briefing book -- and the types of questions that you wanted the panel to answer; you would identify up to 150 stakeholders that they interview in groups of five at a time -- or 10 at a time; and plan for the briefing tour -- where they should go and talk to people, what kinds of bus tour maybe would they take to look at the specific location; and then you'd make sure there was a place for a final presentation to take place. The ULI, at their end from Washington, helps you define and refine questions, picks the people who will serve on the panel with veto power from the locality; and arranges all the hotel, and travel, and interviewing that goes on while the people are on the ground here. They prepare a draft report for the participants, a summarizing report, and do a final presentation that's open to the public.

There's a lot of information that National gave me, so I'm going to skip right to--

SENATOR BUONO: Well, I appreciate you telling us what you could offer; but if I could just possibly direct you to some specifics with respect to the Sports Complex and the Meadowlands.

MS. MORGAN: Sure.

SENATOR BUONO: The area that surrounds the Sports Complex is under the auspices of the Meadowlands Commission, but the Sports Complex is overseen by the Sports and Exposition Authority. Both of the entities have their own Master Plans. I don't know if you were here for the beginning--

MS. MORGAN: Yes, I've been here.

SENATOR BUONO: And so they're not seen to coordinate their planning as well as they should. Could you just explain the importance of coordinated planning, and how this could improve developing this area for its highest and best use?

MS. MORGAN: Having listened to the testimony this morning, I would say there's always a need for coordinated planning. We have many organizations in this region that's whole mission is to do that -- Regional Plan Association, New Jersey Future. There's been a real push in the growth management field to try to consolidate and coordinate planning on a regional basis. It appears to me that the history here is legislative; it's been established by law, and it would probably take some doing to change that. Not to say that shouldn't be the case, but there is expertise out there that could probably, through an organization like Urban Land Institute, look at models and case studies around the country, and if not globally, where this type of issue has come up and they've been able to save, make economic benefit from consolidation and/or a more regional approach. Without looking at it myself, specifically, I can't say.

SENATOR BUONO: Do you work in conjunction with, for example, the Bloustein Institute? Is that something you do?

MS. MORGAN: Well, we often partner on programs that we do together, on real estate forecasts. The New Jersey District Council is made up of volunteers, like myself, who are either from a development entity -- they work for developers, they're lawyers in land use, they're urban planners -- and we're strictly volunteer, trying to deal with public policy issues that affect land use policies. So we do work with the Bloustein

School, and groups like Regional Plan Association, to take on issues of everything like -- university investment in urban redevelopment is a recent panel; how we deal with affordable housing and COAH. We'll bring these programs to our stakeholders in New Jersey, maybe five a year that we do.

SENATOR BUONO: And then one last question, then we'll move on to Michael Pollock. In the past, a convention center with hotel and office facilities, as well as retail, was once considered as a possible use of the Meadowlands Sports Complex. Do you have any opinion on the viability of this option, and what alternatives or--

MS. MORGAN: I don't specifically, because I have not looked at it, myself. I think what you do is provide that kind of information to a panel or to others that have this expertise, and they would be able to look at it for financial feasibility and land use appropriateness. Sorry I don't have specific--

SENATOR BUONO: That's okay; I just thought I'd ask the question.

MS. MORGAN: And if you're interested, I have with me the five or so advisory service studies that were done in New Jersey in the last five years -- Jersey City, NJIT did a transportation study in four case study cities; Paterson looked at transit-oriented design, and also Secaucus and Mercer County. And so if you'd like, I can leave a copy of those.

SENATOR BUONO: Thank you, that would be wonderful. And I'll distribute it to the other members of the Committee.

MS. MORGAN: And the website information is up for you to look at too.

SENATOR BUONO: And we'll make it part of the record of the Committee as well.

MS. MORGAN: Thank you.

SENATOR BUONO: Thank you so much for coming and giving up of your precious time.

MS. MORGAN: Thank you.

SENATOR BUONO: Michael Pollock, come on up.

As I said, Michael is the Managing Director of Spectrum Gaming Group.

MICHAEL J. POLLOCK: Thank you, Chair Buono.

Members of the Committee, and staff, I have two members of my team with me, in case any questions come up that perhaps I won't be able to address.

With your indulgence, I can shorten my comments.

SENATOR BUONO: That would be great. Thank you.

I would stay, but I have a feeling we're going to lose more Committee members. (laughter)

MR. POLLOCK: As you indicated, Chair Buono, our company does work for government clients around the world. And they're looking, essentially, to learn from our experience in New Jersey and elsewhere.

And our experience in various states and nations around the world leads us to conclude that most governments adopt policies in a vacuum with little regard to how those policies regarding casinos, tourism, parimutuel wagering, and lotteries affect each other, and how those policies can have unanticipated cause and effect relationships with other policies, which might range from urban development to revenue generation.

So while we have performed studies and are doing studies on behalf of the Casino Association of New Jersey -- which is an industry trade group. And one area of particular focus over the years has been the potential impacts on Atlantic City from changes in State policy regarding the Meadowlands. In a very important sense, the New Jersey casino industry has a vital stake in any effort to identify and capture the highest and best use for the Meadowlands. If the Meadowlands is transformed into an economic engine for the State, that benefits the casino industry, which depends on northern and central New Jersey as their most important markets. But in another equally important sense, any policy that does not fully take into account the impact on Atlantic City, or that creates in-state competition for casinos, could create an economic train wreck that would be devastating to the casino industry in New Jersey, as well as to the overall economy.

Transforming the Meadowlands into a competitor of Atlantic City would create -- this is a critical point -- would create a very real, irreconcilable conflict between two State policies. Since 1976, when voters approved a referendum to legalize casinos in Atlantic City, the State's gaming policy has been the redevelopment of Atlantic City. And for more than three decades, it has worked precisely as planned. When Atlantic City grows, the State benefits in various ways.

So the State's interests, and Atlantic City's interests, and the gaming industry's interests have, to date, operated on parallel tracks. Creating a new competition in the Meadowlands creates, essentially, diverging interests. The State's share, by definition, of Meadowlands slot revenue -- based on the presumed tax rate -- would, under any scenario, be

significantly higher than its share of Atlantic City revenue. And to be precise, I'm talking about the tax on gross gaming revenue.

Now, this disparity means that the State Treasury would have a clear, abiding interest in maximizing gaming revenue at the Meadowlands where the tax rate would be significantly higher. The casino industry in Atlantic City, however, would have a clear interest in maximizing revenue at Atlantic City properties. And this is an irreconcilable conflict that pits region against region, State against city, and potentially legislator against legislator. And we could envision future conflicts as well. Because as we sit here today, most states that have added slots to their tracks -- a number of states -- certainly some of the states surrounding New Jersey -- are in the process of adding table games as well. So this conflict becomes potentially even more pronounced.

In a nutshell, creating in-state competition would hurt Atlantic City, which has already been harmed by the twin impacts of a recession and competition. Now, that-- If you look at Atlantic City today, you can see that problems are addressable, even though some adults have shifted some of their business to out-of-state properties. Many still find Atlantic City to be attractive, particularly properties that have invested in the quality and breath of their attractions -- which underscores what Atlantic City needs from New Jersey and what it offers, regardless of a recession and regardless of competition.

Atlantic City needs capital investment to continue on its evolution into a regional entertainment destination. The potential for competition at the Meadowlands threatens to undermined the investment climate in Atlantic City and add risk for any investor considering Atlantic

City. Risk translates into a higher cost of capital. And even the overhanging, perpetual threat of competition at the Meadowlands adds risk. That risk is already baked into the cost of capital for any Atlantic City property.

Essentially, the State should be concerned with altering the status quo, which sends out a message to investors that the rules in New Jersey are not fixed. And that factor is very real for in-state competition. It does not exist for the potential for expansion out of state.

So as we sit here today, our findings show that the interest of the Atlantic City region, the casino industry, and the State of New Jersey, as well as the interest of those who live and work in the Meadowlands region, are precisely parallel. Each benefits from the success of the other. And I respectfully suggest that one of the things that this Committee and, ultimately, the State needs to be concerned about is the potential impact from derailing those parallel interests.

Thank you.

SENATOR BUONO: I apologize, but (indiscernible) talking to Senator Cunningham. She has a funeral, unfortunately, she has to attend. So if I missed something, please forgive me.

But you had spoke in terms of gaming. And I know other -- I think Dennis Robinson and others have talked about gaming becoming a regional activity. Yet, New Jersey hasn't expanded slots, as you said, beyond Atlantic City so as not to cannibalize the market. But racetracks in surrounding states have added slots, and casinos have invested outside of New Jersey borders at racinos, and they continue to do so. So could you

discuss what the impact would be on Atlantic City if slots were added to New Jersey racetracks, given the new reality?

MR. POLLOCK: Absolutely.

I do want to point out that there are some critical differences between gaming expanding in Pennsylvania, Delaware, New York, elsewhere in that those expansions should have been and, in most cases, were anticipated. It's different when you have in-state--

If I may, I think, answer the first part of your question. There are three essential differences. The Meadowlands, essentially -- because of its location -- would cut off Atlantic City from clearly what we determine to be its most important markets in northern New Jersey, New York, and elsewhere. The other reason is that the capital markets would look at this as a very real change in plans and raise the cost of capital for Atlantic City operators. And the third is what I alluded to in my testimony -- is that you create irreconcilable conflicts of policy.

But the second part of your question is: What would the impacts be? We did a very detailed study in 2007. We just recently updated some of the findings. If there was a casino in the Meadowlands today, Atlantic City, we anticipate, would generate, on an annualized basis, just about \$4 billion of annual revenue. The Meadowlands would take somewhere between \$180 million to \$242 million of that. The funding for the Casino Revenue Fund -- 8 percent goes to seniors and so forth -- would decline between 13 and 18. The Casino Reinvestment Development Authority's funding would decline by \$2.2 million to \$3 million. Jobs would -- the number of direct jobs in Atlantic City -- people would be laid off -- somewhere between 1,600 and 2,130; the indirect jobs that would

decline as a result of that -- somewhere between 2,300 and roughly 3,000. Salaries and wages would decline by between \$42 million and \$57 million, indirectly by an additional \$81 million to \$108 million.

SENATOR BUONO: I just wanted to clarify something, because my staffer had said she wasn't-- I thought you were talking about a casino, not VLTs in the Meadowlands. Are you talking about a casino?

MR. POLLOCK: Well, it's a-- These are essentially-- We're assuming slots at this point, correct? (affirmative response) We're assuming slots, VLTs.

From the standpoint-- We think the terms are interchangeable, certainly from the standpoint of a player. They're synonymous.

SENATOR BUONO: But I'm intrigued. When you mentioned casinos-- Have you done any reports or any studies about the potential of an actual casino -- state-of-the-art casino, which could be run by an interest that is already in New Jersey? Have you done any studies on that?

MR. POLLOCK: Well, the answer is that there is not much of a distinction, from a practical standpoint, from a market standpoint, from the standpoint of going to -- whether it's a VLT or casino.

SENATOR BUONO: Oh, I think that's not -- and I know that you're the expert, but anybody I've heard -- the experts testify who are much more well-versed than me -- feel differently. In fact, the folks who invest in Atlantic City have spent millions, if not hundreds of millions of dollars of State money in taxpayer-funded projects to create a destination resort. So there is a big difference.

MR. POLLOCK: Well, understood. But the-- And we are certainly not envisioning -- and I don't think any of our models took into

account the prospect of a destination resort property similar to what you have in Atlantic City at the Meadowlands. What we've envisioned is -- essentially, a racino that accepts wagers in the form of slot machines potentially tables, but essentially slot machines. A destination, no. That's not what we envisioned.

But there was another part to your question.

SENATOR BUONO: That's okay. I think you answered it.

Senator Sarlo.

SENATOR SARLO: Thank you, Madam Chair.

Does your company work for casinos?

MR. POLLOCK: We mostly work for governments, but we certainly do research and analysis on behalf of--

SENATOR SARLO: So you've been paid by casinos in the past.

MR. POLLOCK: Yes, correct.

SENATOR SARLO: So you're not really an independent analyst of whether casinos are good to be -- is a good place for the Meadowlands, because you've been paid by casinos.

MR. POLLOCK: We do have a history, however, of-- And we're very proud of this. In any study we do, there's no predetermined outcome. And we have studies that are in the public domain that demonstrate, whether public or private, our findings are not necessarily those that our clients wanted to hear. And I think that's an important point to make.

SENATOR SARLO: That's an important point. But you have been paid for-- Casinos have paid for your-- You've conducted studies on their behalf.

MR. POLLOCK: Correct.

SENATOR SARLO: The question is -- and I just want to follow up on Senator Buono, because I think she made a very good point there -- is: We're not talking-- What we're talking about-- What we heard before from Dennis Robinson and others -- we have a horse racing industry that is failing. Perhaps we can consolidate the operations at Monmouth Racetrack. We have debt service over years of debt service that has been put in place. We have arenas that perhaps -- could argue are competing against each other. Wouldn't a casino at the Meadowlands make the most sense to deal with the debt service, to deal with the horse racing industry that is failing? Because I believe -- and I've seen the chart before with all the beautiful stars up there -- there is a finite amount of gaming revenue from the State of New Jersey. And I'm telling you, New Jersey is getting their butts kicked right now in losing that gaming revenue to other states. Pennsylvania and New York are kicking our butts on it, because we're not capturing that revenue. And the unfortunate part is, the casinos themselves are operating just over our state borders. It's kind of hypocritical that they're opening up just outside of our state borders, taking revenue from the State of New Jersey -- and taking it outside of New Jersey. We could solve a whole host of problems here if we would just get to the point that a casino at the Meadowlands would solve a lot of these problems and provide enough money in revenue to inject back into the economy of Atlantic City. How could you not agree with that?

MR. POLLOCK: Well, it's a fundamental question that we have looked at. And there are essential, critical differences between a casino outside the state versus one inside, in the sense that, for example, Harrah's does operate a casino right over the New Jersey line in Chester. And the existence of that casino over the state line actually inures to the benefit of their Atlantic City property, in the sense that the tax rate is significantly lower here, they're able to build a destination, so that the people can play at one casino and earn points to then come to Atlantic City.

That model is not possible with the Meadowlands, largely because of the points that were raised earlier. When an out-of-state casino or racino exists, you do not have that conflict in New Jersey policy. In other words, a casino at the Meadowlands creates competition, in-state, that, in my view -- and our research would show -- is irreconcilable. You still have those parallel interests when you have casinos outside of New Jersey.

It's interesting, and it's a very important point. When Pennsylvania allocated its licenses -- the ones that it was able to in a competitive process -- Harrah's was not part of that, because they had -- it was a racetrack, and they had to award a licenser. But when they awarded the competitive bids to operators, they actually made it a conscience decision, on the record, they were not going to award it to a company with operations in Atlantic City for that fundamental reason -- that it would create the situation where you identify players in your high-tax markets and then bring them into your low-tax markets where you can cultivate them. That process requires capital investment in Atlantic City to build destinations.

SENATOR SARLO: Every member of this Committee is a member of the Senate Budget and Appropriations: Senator Buono being the former Chair, I'm the current Chair. We are concerned about revenues, and to balance our budget, and to make sure we can pay for education funding to help our most vulnerable citizens. Do you believe that we are losing gaming revenue to other states right now, as a whole? The State of New Jersey: Are we losing gaming revenue to other states?

MR. POLLOCK: Absolutely.

SENATOR SARLO: How do we get it back in New Jersey?

MR. POLLOCK: Well, that's a great question, and it's a fundamental question. Because if you look at-- The way you get that back is by building a destination in Atlantic City that has capital investment in it to create something other than a basic casino. Because the critical point is that for most of its history, the Atlantic City casino industry derived its revenue because it was the most convenient place to gamble. It hasn't been that way for years. And it needs capital investment to transform itself.

Can it work? Yes, and the best example would be Las Vegas, which, even today, depends on California as its principal feeder market. About 45 percent of its visitors come from California. California has a \$7 billion casino industry. The large operators in Las Vegas recognize, correctly, that they can't exist because they're the most convenient place to gamble. Las Vegas is not the most convenient place to gamble for anyone who lives outside of Las Vegas. They had to transform their business model.

Atlantic City essentially has to do the same thing. The problem is that--

SENATOR SARLO: How do you do that? How do you transform that business model?

MR. POLLOCK: It's capital investment, pure and simple. With the exception of the Borgata or the exception of a few properties that have been able in recent years to invest in their properties to create -- add additional attractions, go after a broader array of adults -- broader demographic, affluent adults, Convention Center visitors, a number of markets that otherwise would not come to Atlantic City -- it really comes down to capital investment.

SENATOR SARLO: We want Atlantic City to succeed. We've made a significant investment. We want it to succeed. But it's a little concerning that-- We need it to succeed. It's an important part of our economy here in the State of New Jersey. But it's a little concerning that the same facility operators and owners won't think twice about opening up shop just outside our state borders and not reinvesting those revenues back into the city of Atlantic City.

MR. POLLOCK: Well, it's interesting because-- Well, I would argue that if I -- and we have said this to operators -- "If you have a property in Atlantic City, the best thing you can do to grow your revenues in Atlantic City, and actually do well in other states, is to build properties in other states -- that you create this hub-and-spoke business model."

You can't get the capital investment-- You're asking the right questions. There's no question about it. You can't get the investment unless--

SENATOR SARLO: I'm not getting the answers.

MR. POLLOCK: Right. You can't get the investment in Atlantic City if the risk is too high to get the capital to build those attractions. That's the one fundamental point.

And the other fundamental point is that you would have the conflict between State policies that does not now exist and would not exist with gaming in other states.

SENATOR SARLO: If we were to put a question on the ballot -- my last question. If we were to put a question on the ballot: Do we want to provide additional gaming opportunities in the State of New Jersey -- perhaps at the Meadowlands, perhaps the City of Newark, perhaps the City of Jersey City on the waterfront -- I'm not just saying the Meadowlands -- would it pass?

MR. POLLOCK: You're asking me for a political prognostication. I would suggest that--

SENATOR SARLO: Perhaps we want to build one in Newark, one in Jersey City, and one at the Meadowlands.

MR. POLLOCK: Well, you know, it's interesting. The 1974 referendum would have let casinos anywhere in the state, and that went down two to one. Today I don't know. I don't think the public would have considered some of the issues we've looked at. So I don't know.

SENATOR SARLO: Okay. Thank you.

SENATOR BUONO: Thank you.

Anyone else? (no response)

Thank you very much, Mr. Pollock and your support group.

MR. POLLOCK: Thank you.

Steve Gabel.

And, Steve, you brought someone with--

S T E V E N G A B E L: No.

SENATOR BUONO: Oh, okay.

Congratulations, by the way.

MR. GABEL: Thank you, Senator and Senators, for inviting me here today.

I'll be brief. I really just want to touch on some energy-related issues as they apply to the Sports and Exposition Authority. Obviously, it's a little bit off-track from the other issues that we've been addressing, but I think there are some opportunities here to either realize additional revenues, reduce costs, as well as address some of the State's environmental goals in terms of reducing greenhouse gases.

SENATOR BUONO: And if you could, if it's possible, when you're speaking, could you also incorporate your thoughts or feelings about how -- the approach that the Meadowlands Commission is taking in that regard?

MR. GABEL: Absolutely.

SENATOR BUONO: Because they have explored those options, right?

MR. GABEL: Yes.

SENATOR BUONO: Okay.

MR. GABEL: Absolutely.

Essentially, under today's energy policies -- both international, national, and State energy policies -- there's a host of opportunities out there for the SEA or others to realize additional economic benefits. That runs the gambit from renewable development, solar, wind. For the

Meadowlands Commission, that also includes landfill gas projects; the implementation of energy management strategies, which would go to being more efficient; or implementing advanced technologies.

For the purposes of what you're thinking about in this Committee, I think it's important to realize that all of these are long-term commitments. So to the extent there are questions out there as to the future of the SEA, that gets into questions. These are all capital investments that are big on capital. Some of them use no fuel. A solar project is a no-fuel project with minimal operating costs. So in doing those projects, you're laying a lot of money out in the front end for benefits that accrue over the life of the project. Anyone who is going to lay the financing down for this -- and that's whether it's the public sector putting money down or the private sector -- is going to want to know that the party paying the dollars -- in this case the SEA -- is going to be there over the long haul. So any of these questions about energy automatically get intertwined into all the other questions you've been addressing today. To make a good energy policy in the Sports and Exposition Authority, you need to tie that fact to a long-term, stable plan for the overall Authority to make it work.

The Meadowlands Commission, in fact, has embarked on exactly that type of plan. And if you look around the district, particularly on properties that the Meadowlands Commission itself owns or controls, they have a host of projects going on right now, from landfill gas, to solar projects, to wind evaluations, and so on down the line. The value proposition for those projects, as with projects at the Sports and Exposition Authority, is really around four things that can be mined and create value for the State and for the SEA. That's obviously the value of the energy.

New Jersey's electric rates are fairly high -- anywhere from \$0.10 to \$0.15 a kilowatt hour can be saved by getting into these technologies. New Jersey's own policies to create what's called a *REC*, R-E-C, renewable energy certificate, creates value. And the Federal government creates two big sources of value. One is a 30 percent tax credit which, right now, comes -- at least for this calendar year -- in the form of a cash grant to the applicant; and Federal accelerated depreciation, which also -- I won't go into details -- creates a lot of project value. You package these four things together, and you have a project that can either create value for the SEA or whoever is implementing it. That value can show up in any number of ways. You can do the project yourself and mine all those benefits yourself. You can bring a third party, private vendor in to give you a lower energy price, or to pay lease payments. The Meadowlands Commission has looked at both of those and is implementing projects that will realize both of those types of benefits.

So, of course, you have, for a public entity -- they are not a tax-paying entity. So to realize some of these Federal benefits, which come in the form of tax benefits, you need to engage a third party to realize those benefits. Thirty percent is a big piece of a project. And it's hard not to try and develop a project that could realize those benefits. I'm not going to go into detail.

SENATOR BUONO: You wonder what-- If all those incentives are out there, it kind of surprises me that the Sports Authority hasn't been approached by any-- I mean, would you even know if they have been approached?

MR. GABEL: I know that they've looked at-- Well, first of all, with energy efficiency and power procurement, I know that the Sports and Exposition Authority has done an active job of realizing benefits in both of those areas.

With respect to renewables -- as I talked about the longer term commitment -- is something that either a vendor is uncertain about with respect to the SEA, or the SEA itself might be unwilling-- Because any vendor is going to protect itself. They're going to put somewhere in their contract a provision that says, "If you cut me off in three years, or five years, or seven years, you need to make me whole." And that tends to be the poison pill for someone who wants to get into that.

There is wind capability. I haven't looked at it specifically on this property. But there are a host of technologies, and tax benefits, and other benefits that can improve in that.

In general, I think there is a lot to be done here -- again, after the stability that I talked about, from a financing standpoint, can be addressed. There is a lot to be done here in terms of renewable projects, as well as looking at energy efficiency, as well as questions of assessments preconstruction to make sure the projects are truly addressing carbon footprint issues and alike.

So that's the short version, Senator. I'd be happy to answer any questions you have.

SENATOR BUONO: Thank you very much.

I have -- other than what I've already asked -- I think not.

Thank you for your patience. My best to Meryl.

MR. GABEL: Will do.

SENATOR BUONO: Next -- and I know you've waited very patiently -- our last panel -- very important panel, which would address community concerns and issues. You can all come up together if you'd like: the Honorable Michael Mahon, Mayor of Oceanport; and Tom Gagliano, former Senator. I think they wanted to come up together. And then we also have Jim Kirkos, CEO of the Meadowlands Regional Chamber of Commerce; and Kevin O'Brien, President of Local 632, International Alliance of Theatrical State Employees.

Mayor (*sic*).

F O R M E R S E N A T O R S . T H O M A S G A G L I A N O :
I'll move over a little bit.

Good afternoon, Senator.

Thank you very much for the opportunity to be here.

Many years ago I represented the central portion of Monmouth County in the State Senate. It was variously known as District 11, and then District 12.

I started my politics in the Borough of Oceanport, and I've been very concerned about Oceanport over the years.

There are two things I'd like to bring to the attention of the Committee. The first thing, of course, is the viability of Monmouth Park. We believe Monmouth Park is a gem. We do understand that racing has had its difficulties and is continuing to have those difficulties. So whatever the panel can do to help Monmouth Park continue and to grow and expand, we'd love to see it. We understand that there will be changes in the racing programs for the summer, and we pretty much endorse that.

The second thing I just wanted to mention is Fort Monmouth. Under the Base Closing Act of the Federal government, Fort Monmouth will be closed in September of 2011, which is not very far away. Fort Monmouth now employs almost 5,000 people in various categories, including scientific, and technological, and communications, and that sort of thing.

In addition, there are many companies and organizations that do business with Fort Monmouth, maybe to the tune of another 3,000 to 5,000 people. So we are facing, in central Monmouth County, a real problem over the next couple of years.

So getting back to Monmouth Park, we hope that the Legislature will do everything possible to continue to support Monmouth Park and, in a sense of course, the Sports and Exposition Authority, because we are owned by that.

I was involved in the beginning of the transaction, shall we say, when the State of New Jersey came to us and said, "We'd like to buy Monmouth Park." I said yes, I would support it. I thought it was a great idea, because they wanted to continue the circuit of racing in New Jersey, and they thought Monmouth Park was a good part of it, and they were right. I said, "As long as taxes are paid, it's a wonderful thing." The legislation was passed, and Oceanport continues to get paid taxes, which I think is very important.

And with me this morning is the Mayor of Oceanport, who is doing a fine job. He created a task force to help both Monmouth Park and Fort Monmouth folks, and he asked me to be a part of it. So I'm here. It's wonderful to be here. I heard so much history today, which I guess -- some

of which I was a part of. And it just proves to me how important it is that you (indiscernible) going into this. It really is. Because I don't think there's been an opportunity like this in a long time. So I congratulate you for that.

Here's the Mayor.

SENATOR BUONO: You have no idea how much I appreciate that. I took a lot of heat for holding this Committee meeting. (laughter)

When did you serve in the Senate?

SENATOR GAGLIANO: I was elected first in 1977, and I served until 1989.

SENATOR BUONO: So who were the governors then?

SENATOR GAGLIANO: I served under Governors Byrne and Kean.

SENATOR BUONO: Byrne and Kean.

SENATOR GAGLIANO: Yes.

SENATOR BUONO: Thank you for coming.

SENATOR GAGLIANO: Thank you.

SENATOR BUONO: Mayor, if you would.

M A Y O R M I C H A E L J. M A H O N: Thank you, Senator Buono, members of the Committee.

Oceanport has been home to Monmouth Park since 1870. Monmouth Park 1 and 2 were located on what became the main post of Fort Monmouth. The Monmouth Park we know today began as the old Rufus West Farm, later called Elkwood Park -- a single, short meeting was conducted in 1893. An act of the Legislature in 1894 prohibited gaming in general, and horse racing laid dormant for the next 50 years. It wasn't until

1946 that the new Monmouth Park Racetrack opened at the earlier site of Elkwood Park, where we know it today.

The Sports and Exposition Authority was created by an act of the Legislature in 1971. And in '85, the Authority reached an agreement to purchase Monmouth Park for \$45 million. Monmouth joined the Meadowlands, already owned by the Authority and built some eight years earlier at a cost of \$100 million. Today's Monmouth Park is valued at more than \$90 million.

Our remarks here today will focus on three main points: understanding the projected deficit of \$22 million by the Meadowlands Racetrack and Monmouth Park in 2010; focus on the possible by discussing a reduced racing schedule with higher purses; and finally, a vision for Monmouth Park's future in a continued partnership with the Borough of Oceanport.

Understanding the projected deficit: We must begin by restating the loss predicted for horse racing in 2010. Current law allows for the establishment of 15 off-track wagering facilities around the state. Licenses currently held by the Authority account for nine facilities, but only one located in Woodbridge has been built. Still, this facility accounts for \$9 million in profits not credited to horse racing.

The projected deficit must take into consideration another predator. Of the \$22 million in projected losses in on-track business, \$6 million is a charge back for the New Jersey Racing Commission. The cost for this State Commission was shifted from the regular State budget -- in large measure to the racetracks -- under a prior administration. Today, this shift accounts for \$6 million of the projected loss in horse racing.

With these two amounts included, the predicted loss is only \$7 million. With the hoped-for addition of the Bayonne off-track wagering in the coming year, and a third location in the works, horse racing for the Authority will be profitable.

The Oceanport/Monmouth Park partnership has existed for decades. Monmouth Park and Oceanport share a special relationship. We can take a look back to 1961, when the Monmouth Park Jockey Club deeded six acres to the Borough, where the Borough Hall, public works garage, and fire station were later built.

Most recently, the Borough of Oceanport supported a \$23.2 million loan for construction of a stormwater management project at the track. This loan is a combination of bonds sold by the Borough to the New Jersey Environmental Infrastructure Trust and secured by the full faith and credit of the Borough.

Through a special assessment agreement between the Authority and Oceanport, the loan will be repaid over 20 years. This arrangement was arrived at after several well-attended public hearings, project meetings, and presentations, leading to unanimous public support for the project. The project seeks to end contaminated runoff into nearby Branchport Creek from the track and stable area.

As you can see, the Borough views Monmouth Park as a partner and vital to our mutual success. And I'd like to especially mention Dennis Robinson for his leadership on this issue. At every opportunity, Oceanport has supported efforts by Monmouth Park to expand their entertainment offerings. Be it the Warped Tour, the Jersey Shore Jazz Festival, or perhaps a twilight concert series, community for Monmouth Park is strong. For its

part, the Authority has long-supported local nonprofits. The 2007 Breeders Cup Fan Fest was filled with community events such as the sailing regatta and polo match, to name a few, all to support local nonprofits.

We've discussed the local importance of Monmouth Park Racetrack, but it can't go without mentioning the value of horse racing in our county and around the state. Monmouth County has more than 27,000 acres dedicated to equine uses and almost 5,000 in farmland preservation. Only Hunterdon County has more acres at 29,000. Employment generated is nearly 13,000 jobs. It's easy to see why the horse is New Jersey's State Animal.

Next, we need to focus on the possible for success in racing. The 50/50-- As alluded to earlier by Dennis Robinson, Monmouth Park's thoroughbred schedule would be cut nearly in half, but its purse structure would be tripled to an industry-leading \$1 million a day under a plan to save the State's ailing horse racing industry. A duel meet format begins with 50 days focused on quality racing and attractive purses, followed by a fall meet of 21 days with at least \$250,000 in daily purses all conducted at Monmouth Park Racetrack.

The duel meet format seeks to provide a balanced number of racing days and opportunities for the horsemen to compete for purses and improve their stables. At the same time, the 50 days and \$50 million will improve the quality of each race, increase the on-track handle, and improve payouts. In addition to eliminating two days of operating costs, this plan will leave the Meadowlands for harness racing, and the Sports Authority would see a major savings by not having to convert the Meadowlands

Racetrack from a surface for thoroughbreds to one for harness racing, as it does each year.

The harness racing industry would benefit by being able to choose better late fall dates at the Meadowlands because of the absence of thoroughbred racing. We believe it will also allow for the highest and best use of the Meadowlands Racetrack facility by the Authority.

Amending the thoroughbred racing schedule would require legislative approval since, under the law, the Authority, which runs the Meadowlands and Monmouth Park, must race 141 days a year. This is a question which may be considered by this Committee and the full Legislature in the coming weeks, and, hopefully, enjoys your full support.

No discussion on the sustainability of horse racing in New Jersey is complete without mentioning competition from neighboring states. At every border, we are surrounded by gaming opportunities. In many cases, these gaming outlets are more convenient than a trip to Atlantic City and certainly less expensive for traveling when distance is a factor.

There are currently 10 locations along our borders, with another two destinations planned. These gaming destinations are a direct threat to Atlantic City and the casino industry in New Jersey. As a State, we can choose to compete by offering gaming destinations of our own outside of Atlantic City or watch as profits continue to drop.

This problem is as much a horse racing as it is a casino problem. Introducing slots or video lottery terminals outside of Atlantic City may be the answer for both the casinos and the racetracks. The casino industry's sole argument against slots at racetracks in New Jersey is based on the assumption that slots at the tracks would hurt them, through a loss in their

slot revenue. This position would be very difficult for them to support with facts and something that should be the focus of your investigation. The \$30 million the casinos presently use to underwrite the purses and block slots at racetracks could be better spent promoting Atlantic City and investing in a franchise agreement with the Authority to install and operate slots and VLTs at the Meadowlands.

The Authority, the casinos, and horse racing would all benefit from the resulting synergy such a partnership would create, opening new markets to the casinos and attracting the convenience player once again to New Jersey gaming. Slots at New Jersey tracks can draw back the dollars lost to other states' racetracks. Give the convenience gamer another choice. Why cross the border when you can play slots and ponies in New Jersey, and go to Atlantic City? We'll have both.

Looking forward, we have a vision for Monmouth Park. Monmouth Park is an underutilized facility and can easily support multiple uses as an entertainment destination. These alternate and compatible uses should be geared to maximize the facility in and out of season. This is true in the current format or in the possible 71 racing days. In either case, the facility is capable of supporting a variety of uses within its current configuration or with minor alterations to accommodate other uses. Exposition or conference space can easily be carved from within the current facility. Minor additions would allow for performance venues, night clubs, retail or restaurant uses. All of this is possible through public and private partnerships, and they hold the key to these opportunities.

In addition, Monmouth Park might be able to support expanded stabling through winterization. A training facility located nearby

-- perhaps at Fort Monmouth -- would permit trainers and owners to ready horses for the new racing calendar and fill those 12 races daily with quality horses from opening day to closing day. Twilight racing offers another option for beach goers and the traditional Friday exodus to the Jersey Shore, with post times that won't compete with the sand or sun.

In conclusion, let me restate the three main points. Understanding the projected deficit: Off-track wagering is a success story and should be repeated with additional locations quickly. Focus on the possible: The 50/50 model, as you heard earlier -- 50 days of racing for \$50 million in purses is a plan for success. The Legislature may be asked to consider a plan that doesn't count the days but emphasizes making the days count. A vision for Monmouth Park: public-private partnerships to expand uses and maximize the facility. Make it a profit center for the Authority.

The Borough of Oceanport recently assembled the Monmouth Park Task Force. This group consists of elected officials, past and present; local horsemen; business leaders; and residents. It is with their assistance that we present testimony before this Committee. The Monmouth Park Task Force will continue to offer advice and support those efforts underway by the Oversight Committee and the Governor's Gaming, Sports, and Entertainment Advisory Committee.

The underlying benefit to the State that must be considered by this Committee as part of its research is the benefit of jobs and open space throughout our state, owed in large measure to horse racing and the equine industry. Monmouth Park Racetrack directly and indirectly employs 3,000 people. These include building trades, horsemen, and a variety of other positions. Each of these jobs contributes to the local economy by

patronizing businesses, from barber shops to hotels in surrounding communities. Each pays their share of income taxes and contributes to the State's revenue.

Only four of New Jersey's 21 counties are without a preserved horse farm supporting the equine industry. The Rutgers Equine Science Center reports of 2007 and 2009 related to the equine industry contain data related to the economic impact across the state. These are important resources for this Committee.

An act of the Legislature passed in 1894 prohibited gambling in general and caused the closure of the original Monmouth Park. As a result, racing lay dormant for more than 50 years. Coincidentally, an act of the Legislature in March of 2010 may hold the key once again to the survival of horse racing in New Jersey.

We hope these contributions from the Oceanport Task Force have informed and influenced your perspective on this important issue. And we thank you for the opportunity to speak.

SENATOR BUONO: Thank you, Mayor.

So I take it that you support the discussion about the proposal to reduce the number of racing days at Monmouth and to eliminate thoroughbred racing at the Meadowlands. You support that?

MAYOR MAHON: Yes, we do.

And in a referendum you referred to -- I think most voters would vote yes.

SENATOR BUONO: Okay.

Anyone?

Senator Sarlo.

SENATOR SARLO: Mayor, thank you.

Consolidation of the racing into Monmouth Park -- does that work? Would Oceanport and the surrounding areas be able to handle that if we were to consolidate all the racing operations there?

MAYOR MAHON: We think absolutely.

SENATOR SARLO: Okay.

MAYOR MAHON: Absolutely. One of the things that we do at Monmouth Park already -- Monmouth Park provides the stabling for the majority of the horses that are run at the Meadowlands -- the thoroughbred meet.

SENATOR SARLO: The thoroughbreds.

MAYOR MAHON: Yes, we stable up to December 5 each year, and the horses are transported on a daily basis.

SENATOR SARLO: Thank you, Mayor. Good luck to you.

MAYOR MAHON: Thank you.

SENATOR BUONO: Anyone else? (no response)

Thank you very much.

Senator, I appreciate you coming and contributing.

MAYOR MAHON: Thank you.

SENATOR GAGLIANO: I appreciate it.

SENATOR BUONO: Last, but certainly not least, Jim Kirkos, CEO, Meadowlands Regional Chamber of Commerce.

Welcome and, again, thank you for your patience.

Oh, no, we actually have Kevin O'Brien.

I'm sorry, Kevin.

Why don't you just come together? And which ever one of you goes first-- The red light has to be on for whoever is speaking, but only one, because otherwise it gets distorted. (referring to PA microphone)

J I M K I R K O S: You're not going to turn the lights out on us, are you? (laughter)

SENATOR BUONO: No, I will just shut off your mike. (laughter)

MR. KIRKOS: Madam Chair, Madam Vice Chair, Senators, thank you very much for allowing myself to come testify today.

I, like Bob Ceberio who testified earlier, am a Lyndhurst resident of 45 years; a business owner in the Meadowlands for 23 years; and for the past seven years I've served as the Chief Executive of the Meadowlands Regional Chamber. So this Committee can see I have a long history in the Meadowlands. And I believe I have a clear experience perspective about the Meadowlands Sports Complex.

I'm here today representing over 800 companies: mom and pop shops on Park Avenue in Rutherford and Ridge Road in Lyndhurst; to major corporations like Ernst & Young, and Panasonic, and Goya Foods, and Hartz Mountain, and alike. That includes tens of thousands of employees and their families whose livelihoods depend on the success of the businesses in the Meadowlands. So today's discussion about the NJSEA and the Meadowlands Sports Complex is extremely important to us.

I must admit that I was very concerned about the motive for these hearings, initially. I am bullied by conversations -- and have been given some confidence from conversations from your staff. And I believe I have shared some information of the people I represent. Recently we

established what's called the Meadowlands 20/40 Council. And that is what we believe is an economic development think tank comprised of senior executives across all industries, across all sized businesses. And these are the folks who help us craft our public affairs message. But, more importantly, those are the people we're representing here today.

We've witnessed quite a bit of misinformation being actively distributed about the Complex, its various components, and the NJSEA itself. We've watched special interests from other parts -- other regions and other parts of the state fund and actively coordinate targeted campaigns that serve to further that misinformation. Unfortunately, we've watched the public dialogue subsequently disintegrate into knee-jerk suggestions for solutions that do not serve the public interest or the collective statewide interest, let alone the interests of those currently involved in the economic base of the Meadowlands.

But as I said, I'm convinced that an open dialogue can only produce a better understanding of the facts. Facts that--

SENATOR BUONO: Only the best intentions. We have no ulterior motive. I'm glad that you feel that way. Thank you for saying that.

MR. KIRKOS: I do. We're much past that.

Facts that illustrate that the economic growth of the Meadowlands region and the Sports Complex is an important factor in the economic growth of the state; facts that prove that the success of the Sports Complex does not mean the detriment of the economic opportunities in Atlantic City; and facts that prove that the success of the IZOD Center need not be thrown away to support the interests of the Newark Arena.

I will now share some of the reasons why I believe the way I do.

The Meadowlands Sports Complex has been the epicenter and nucleus that has driven investment, property values, economic development, and job growth for the entire region for 30-plus years. Event-day activity at the new stadium, the IZOD Center, and the Racetrack fills thousands of hotel rooms, restaurants, retail stores, not to mention all of the support services that add greatly to the overall economic impact, especially with small business, right into all of the local communities. Meadowlands Xanadu, when opened, will take all of these positive impacts to a whole new level.

Throughout the years, the NJSEA has been extremely successful in establishing a worldwide brand, as was discussed before, and that should be capitalized upon given the recognizable sense of place that is provided by such a brand.

You know, I believe one of our previous gentlemen giving testimony talked about the power of that brand. When I travel around the country for Chamber events and/or CVB -- and I meet with CVB colleagues across the United States -- when I say I'm from the Meadowlands, they know exactly where I work. So the power of that brand has untold benefits.

A destination-related economy, driven by tourism to the Meadowlands, can be a sustaining economic tool creating thousands of jobs and needed tax revenue. But during the past 30 years, many administrations in Trenton have siphoned off the surplus funds and utilized staff from the NJSEA for other statewide initiatives, and have intervened politically in franchise negotiations that have left the NJSEA powerless at times to advance its own business. So it disturbs me greatly when I read editorials on the Authority's inability to sustain itself. Quite frankly, these

editorials are very disingenuous and are aimed at the NJSEA's demise. We all know there are forces among us who will stop at nothing to promote the failure of the NJSEA and components of the Sports Complex, like the IZOD Center. This Committee must see through this and take into account the best practices and the bad political decisions as a root for some of the current financial status of the Authority.

The Meadowlands Regional Chamber's experience with the NJSEA -- very much like that of the New Jersey Meadowlands Commission -- has been open and collaborative on many fronts. We find the Authority to be extremely sensitive to the economic impact that it has on the Complex and area businesses. We see no example of political patronage. But instead, we experience a very dedicated staff who work long hours. In fact, a few Sundays ago you could find senior vice presidents at the Authority manning shovels, clearing the snow out of the Stadium so that the game could go on, on time. And I might also add that on that particular Sunday, out of seven markets around the country that were affected by that snowstorm, there was only one NFL football game that went off on time, and that was at Meadowlands Stadium.

The real issue here today is whether the State has the patience and confidence to use the NJSEA as its vehicle to resolve the problems or find some other mechanism. At this time, we cannot suggest another process. No matter what its flaws, the consistent fleecing of the agency for other State initiatives is the root of its problems, not its performance.

But let's separate the political from the economic. I'm here mainly to advocate for jobs and economic development that will enhance revenues to our state and help us grow out of our fiscal dilemma. The

NJSEA operating the Meadowlands Sports Complex has earned our respect for what it does for our region and for the State generally. And as an aside, typically business associations like ours are not the biggest fans of government agencies. But we happen to be very proud of both the Sports Authority in our area and the New Jersey Meadowlands Commission.

The simple fact is that for the money the State loses on its racing program, the economic impact of losing racing in New Jersey is much worse. The truth is that the IZOD Center contributes to its bond payments, an obligation the State cannot escape by closing that facility. And the NJSEA has a business plan in place to make it a net contributor to the State before we consider the \$20 million a year in income and sales tax revenues it throws off. The truth is, the deal on the new stadium has caused considerable financial pain to the SEA despite repeated early warnings. And finally, we have a \$2 billion building called Xanadu that will no doubt be a super regional attraction, but it remains unopened due to dynamics in the economy. And yet, each of these facts somehow come back to my office in the form of closure threats from public officials mostly motivated through regional interests.

Here are my simple truths: Every state that borders New Jersey has saved its horse racing industry with gaming, and if we do not run toward a casino gaming solution, we will lose ours completely. Those in Atlantic City most fervently arguing the health of their franchise know, intellectually, that one thing has nothing to do with the other. And if it did, they would have not opened casinos in Pennsylvania, 100 miles closer to Atlantic City than the Meadowlands. Atlantic City should be our

partner, not our opponent, in broadening gaming policy and offerings in the state.

The IZOD Center remaining open and competing with the Prudential Center is in the State's best interest in many ways, predominantly in total event day count, jobs, and overall economic activity. But let's not forget one thing: The State owns the IZOD Center. So we owe it to ourselves to make it work.

So if this Committee is questioning whether the State should get out of the sports and entertainment business, let's get the answers to some questions, because we owe it to the people of New Jersey to examine all the options. How much could you sell the IZOD Center for to a private investor? Do you know the potential value of a full gaming license or a racino license in the Meadowlands? There are those among my committee that believe a gaming license could fetch close to a billion dollars. How much will that license change if you impose the requirement that a regional convention center be placed on the site as well?

Senators, in closing, the Meadowlands Sports Complex is and must remain a great economic engine, not only for the Meadowlands, but for all of New Jersey. We must have the courage to dream about what the possibilities are and act on them, because that is what those before us did with their vision. Indecision is no longer an option. Your review and analysis of the Sports Complex should be based on business principles not politics. But you should be cognizant of the past political ramifications. Your review of the finances and operations of the SEA should take into account all aspects of the testimony you heard today. And in doing so, I trust that good business decisions can be made in the future.

Thank you for having me.

SENATOR BUONO: Excellent testimony.

Thank you very much.

Anyone at this point? (no response)

Okay, we can move on to our final speaker.

KEVIN M. O'BRIEN: Madam Chairwoman and distinguished members of the Legislative Oversight Committee, thank you for having me.

I'm Kevin O'Brien, President of Local 632 IATSE, representing the theatrical stagehands at the Meadowlands Complex. We are the behind-the-scenes artists and technicians who construct and execute the theatrical shows, concerts, ice shows, and circuses, as well as half-time performances at sporting events. I am, in fact, addressing this Committee from the standpoint of a working president, meaning, in addition to being a union official, I'm a theatrical rigger employed at various times by the NJSEA.

And if you want to know what a theatrical rigger is, on the last page of my testimony I have a picture there of the Madonna rehearsal we teched. Those strings that go up to the ceiling-- Those aren't strings, they're aircraft cable. That holds hundreds of thousands of pounds above the performers' heads. And that's what I do for a living. I am a rigger.

While our Union agrees that there are concerns with regard to ensuring the Sports Authority's financial stability, we also believe that there are viable solutions which must be considered and implemented to bolster the financial sustainability of the NJSEA product mix, one of which we understand is being considered as a means to draw bigger fields and higher-quality horses to Monmouth Park during its spring/summer meet. This, in

turn, would generate enough revenue to offset an approximately \$11 million net racing loss this year.

However, we just as strongly disagree with the purported theory that the viability of the IZOD Center is threatened by other local competition. The IZOD Center can and should be the entertainment jewel of a revitalized Xanadu project. As a union official who has dealt with many concert promoters and tour managers -- they will attest to the fact that the IZOD Center is one of the most efficient in the world with which to load into, perform, and load out a show. This speaks volumes about the physical plant as well as the NJSEA workforce. Speaking not merely of our stagehands, indeed the entire Meadowlands staff interacts seamlessly -- be it the paramedics, the security guards, laborers, electricians, building engineers, food services, guest services -- to give the paying public a safe, enjoyable experience no matter who the performing artist or act.

The domination of the IZOD Center is featured in publications which many in our industry consider to be the show business bibles. According to *Billboard* magazine, the IZOD Center ranked fourth nationally and sixth worldwide during the past decade, attracting over 7 million patrons who spent over \$300 million on concerts and family shows. *Venues Today* magazine released their 2009 rankings, showing that the IZOD Center continued its tradition of strong showings, ranking seventh in the United States and twelfth worldwide.

The NJSEA has taken the necessary actions to make the IZOD Center even more viable to concert promoters in that its management team, its Board of Commissioners, and all unions at the Meadowlands Complex take a no-nonsense approach to business. During recent contract

negotiations, Local 632 IATSE had agreed to forego compensation for the Austrian drape system until such time it had proven feasible. This is the drape system that encompasses the (indiscernible) and cuts down into a half-house with curtains.

To make the IZOD Center even more competitive, our members also waived their rights to recording fees in exchange for a nominal wage increase. And I do want this Committee to know that I stand up in front of the union every month. And I know what it's like to stand up there and convince members that a change in the contract is going to be worthwhile if it will produce more income. And that change in that contract, even though it wasn't politically popular at the time-- We got it through to make sure that management knew that we were serious about bringing extra work into the building.

This has made it more attractive for performing artists and acts such as the WWE to film, tape, rehearse, or broadcast at the Meadowlands Complex. Governor Christie's Transition Team on Gaming, Sports, and Entertainment noted in its report that in 2009, the IZOD Center had been used for rehearsals due to the dates opened up by the departure of the New Jersey Devils. In 2008, Madonna used the IZOD Center as the rehearsal hall for her world tour. And in 2007, both Bruce Springsteen and Marc Anthony/Jennifer Lopez used the building in the same way.

Local 632 IATSE is a progressive union whose officers think outside of the box. When the New Jersey Nets requested spotlight operators during home games, we acquiesced only to discover that basketball management was precluded from executing a collective bargaining agreement with us. Heeding our industry maxim, *the show must*

go on, we agreed to payroll the spotlight operators under the auspices of Local 642 Productions. This is a subsidiary which our union established to make it more economical for our 501(c)(3) employers, such as the Morristown Community Theatre, the Bergen Performing Arts Center, and the New Jersey Ballet, to pay their workforce.

Governor Christie's Gaming, Sports, and Entertainment transition report notes that in the past 26 months, two major arenas operating in the state have driven an increase of 222 events. That's a 58 percent increase over what would have been the historic norm. This substantial increase in events has indeed supported hundreds of jobs in ancillary businesses, increased the entertainment options for our people, and it has increased the State sales and income tax revenue, as well as increasing overall economic activity within the state.

From the State's perspective, two arenas can't have any other effect but being an incontrovertible success. It must be underscored that this has resulted in additional employment for residents of our great state, especially in these trying economic times. A prime example of this occurred last spring when the IZOD Center presented a concert by the Dave Matthews Band on the very same evening that the Devils were at the Prudential Center hosting their very first playoff game against the Carolina Hurricanes. In another instance last summer, 120 stagehands worked a Jonas Brothers concert at the IZOD Center, while 80 more stagehands simultaneously worked Cirque de Soleil at the Prudential Center. Consider that possibly hundreds of families were able to make their mortgage payments that month because both venues were operational on those two nights.

Local 632 IATSE theatrical stagehands from the Meadowlands Sports Complex took the time and effort to assist the residents of Newark in opening the Prudential Center with its first series of concerts. In fact, I shared the honor -- not the task, the honor -- with another Meadowlands rigger, James Mullen, to hang the very first rigging points for the inaugural Bon Jovi concert at Prudential. In turn, these same Prudential Center stagehands have been working at the Meadowlands, thanks to a newly formed cooperation between IATSE's Local 632 and IATSE Local 21 in Newark. Now, you talk about global-- Those same people from Local 21 were asked recently, when we had a 45-man call at Morristown Community Theatre to load "Hairspray" in. We had to call the Local 21 business agent to get an additional 20 stagehands. That's something positive. That's something that was unheard of two, three, four years ago.

One can't help but to realize how many more families have put food on their tables or have paid their heating bills simply because there's additional employment being generated by two venues operating in northern New Jersey, or how many small businesses are still thriving due to the dates being generated by two venues. And I'm going to be the first one to admit I brought a copy of the *Herald* that was -- I think it was published last September. And in it, it speaks to Doug Palsi, the owner of one of the restaurants. And Doug is a member of our Chamber of Commerce. I eat at his restaurant constantly when I'm at the Meadowlands. At the same time, I eat at Iberia Peninsula Restaurant in the Ironbound when I'm working at the Newark arena. So it works both ways. Here we have a positive synergy that's incredible if you stop and think about it. That's what's positive about this.

So, finally, as Governor Christie's transition team implies, it's within the realm of several venues in our state, including Giant's Stadium, Prudential Center, PNC Arts Center, IZOD, and Boardwalk Hall to cross-book, cross-market, or even do joint ventures. And who knows, a successful business model may emerge from this if we consider it strongly enough.

I thank you very much. This Committee has been very insightful. I've been listening all morning and all afternoon. And I appreciate the time to address this panel.

SENATOR BUONO: Any comments from the remaining members? (no response)

Thank you, gentlemen. I really do appreciate you, Kevin and Jim, for coming and hearing the testimony.

MR. O'BRIEN: Thank you.

MR. KIRKOS: Thank you.

SENATOR BUONO: And while I'm on the subject, I'd like to thank all of today's speakers for the valuable input that they gave to this Committee. This hearing was transcribed, and we'll make sure that it's available to the public on the legislative Web site. And in addition, I will provide a copy of the transcript to the Governor's Commission on the Sports Authority and gaming in New Jersey. And I have spoken on several occasions with Jon Hanson, and certainly look forward to working with them on this issue and to potentially sponsor legislation to reorganize the regulatory body overseeing the Sports Authority -- Sports Complex assets, I should say.

And although we heard a lot about the Sports Authority incurring a tremendous amount of debt today, we have to recognize that it

sits on some of the most valuable land in the State of New Jersey. And we need to put it to good use.

To that end, I will continue to work with my colleagues -- see, Senator Sarlo, this was a good idea (laughter) -- and many of our panelists, such as the Urban Land Institute, the Bloustein School, to ensure that we make the right decisions going forward for the best and highest use for this very valuable property.

I did want to make one other comment, though, since we did not have the raw data to discuss the Sports Authority's budget. What I've done is, I've spoken to the auditor, Steve Eells. And he is going to help me and the Committee members, if they so desire, to comb through the budget so that we understand their current operating budget and what their projections are for going forward, and whether or not they can be supported by the assumptions.

So, finally, I invite others -- whoever couldn't make the Committee hearing today -- to submit written testimony on the topic to this Committee, and we will certainly consider it.

Thank you so much.

Senator Sarlo.

SENATOR SARLO: Senator Buono, I just want to thank you for giving various folks an opportunity to be heard today. I know you invited a lot of other folks who couldn't make it. And I want to thank you for having a fair, balanced hearing.

I've always had concerns because, unfortunately, there are so many geographical wars in our gaming and entertainment industry. And I think if we all get beyond the regional wars -- whether it's Atlantic City,

whether it's Jersey City, whether it's Newark, whether it's the Meadowlands -- at the end of the day, we need as many revenues as possible here in the State of New Jersey. And I think, hopefully, we've touched upon that today.

Thank you.

SENATOR BUONO: Thank you. I appreciate that.

This meeting is adjourned.

(MEETING CONCLUDED)