

PUBLIC HEARING

before

ASSEMBLY INDEPENDENT AUTHORITIES AND COMMISSIONS SUBCOMMITTEE
on

SALE OF MONMOUTH PARK RACETRACK

Held:
May 21, 1985
Oceanport Municipal Building
Oceanport, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Dennis L. Riley, Chairman
Assemblyman William E. Flynn

ALSO PRESENT:

Wayne Bockelman
Office of Legislative Services
Aide, Assembly Independent Authorities and Commissions Subcommittee

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ASSEMBLYMAN DENNIS L. RILEY (Chairman): I am sorry for the delay. Guy Muziani called and informed me that he has a personal problem this morning.

Dr. Bockelman, a excellent member of OLS, is here with us. Some of us come from South Jersey, Wayne, and I think I have been on every road in Monmouth County this morning that starts with a five or a three.

I would just like to give you a basic overview before we call our first witness today. As everyone knows, in the beginning of April the announcement was made that the Sports Authority was going to purchase Monmouth Racetrack. Coincidentally, I think I have been on every side of that racetrack this morning.

In any case, as a result of that, a bill was introduced which formed a special subcommittee to look into the purchase of Monmouth Racetrack by the Sports Authority, for several reasons. In December, a very hurried bill was passed, supposedly for baseball. We are going to look into the question of whether that was really a "baseball bill," as it was sold, or whether it was an item to facilitate the purchase, by the Authority, of Monmouth Racetrack.

Second, we are going to look into the question of whether we should allow the Legislature — as we have in this legislation, S-3000 — to push aside the private sector when there is a private buyer, and favor public sector purchasing of a facility. There is a philosophical and a legal question as to whether that should be allowed.

Third, another issue has arisen, mainly on the part of some of the local legislators and citizens: Whether the legislation itself protects the local taxpayers. With a public entity taking over the track, there is a possibility, down the road, that the tax exemption could easily be waylaid, just as easily as it was established. There is also a question of whether or not protections are there for the people in Oceanport, Monmouth County, etc.

We are going to take the witnesses out of order this morning.

I'm sorry, I forgot to introduce the other member of the Subcommittee, Assemblyman William Flynn, from Monmouth County. I believe his district takes in parts of Monmouth and Middlesex Counties.

I am Dennis Riley, and I am from Camden County. I represent parts of Camden, Gloucester, and Atlantic Counties.

Our first witness today will be Assemblyman Villane.

ASSEMBLYMAN ANTHONY M. VILLANE, JR.: Thank you very much, Mr. Chairman. I want to thank Senator Pallone for allowing me to speak first. I had to change my patients' appointments around this morning, and my nurses said that if I was not back by eleven o'clock, they were going to come here and get me. I really have to get back, and I appreciate the consideration you have given to me.

I want to welcome you to Monmouth County, and particularly to District 11. This is probably one of the finest little towns along the coast. Our waterway is close by, and you picked a good day to come to Oceanport. This town, little by nature, has 6,136 people living in it. We represent about 3.1 square miles. The racetrack represents almost 450 acres. We are quite concerned, in a lot of ways, about the racetrack.

You ought to know, historically, a little bit about racing in New Jersey, and maybe racing in Monmouth County — particularly racing in Oceanport. This is very important to us.

The racetrack was originally started in about 1870. At that time, it was not at its present location; it was on the border of Oceanport and Eatontown. When it first opened, it had five racing days. It continued like that until 1877, when it had a grand total of 25 racing days.

The subject of racing days, the effect they have on the municipality, and the viability of the racetrack will come up today. It is interesting to note that the present property, where the racetrack stands, was originally 647 acres, and it was bought for \$100 thousand by an association.

Oddly enough, the fact that racing occurs in New Jersey stems from a piece of legislation which was written in 1865. That legislation allowed for things to be built.

It is interesting to note, as legislators, what we did in 1865. The company had been incorporated under a legislative act in 1865 which was to encourage agriculture, horticulture, mechanical

manufacturing, scientific arts, and the production of blooded stock. Under that terminology in the legislation, we figured out somehow that this would allow for racing. Hence, the racetrack was born. This is not unlike pieces of legislation we see presently, 130 years later.

Assemblyman, I think it would be interesting if you saw this. We are very proud of Monmouth Park; it is one of the most beautiful tracks in America. In particular, I think it is one of the most beautiful tracks in New Jersey.

This is a picture of the original -- well, not the original track, but the track that was built in 1877. It was classically Victorian. It had the largest grandstand in the world. It had 1,000 feet of covered grandstand with an overhang unsupported by pillars, which allowed for the free movement of the people who attended the races.

In the history of the racetrack, it was one of the first racetracks anywhere in the world where women were permitted to bet. So, we were rather progressive at that point.

We have always been concerned about some things. It is a tremendous tourist attraction. It gives us a great number of green acres in the area. It provides jobs for a lot of people, particularly local people who work at the racetrack full-time. Some people are part-time and some are seasonal. There are a great number of jobs for senior citizens.

We had a meeting here last Thursday, Mr. Chairman, and at that meeting the public's concern was voiced. The concern of the public is not new or recent; it even predates the piece of legislation you are investigating today.

The Mayor and Council have always been concerned about the sale of the racetrack, particularly if the State bought it. That prompted the two bills written in 1983. The aide to this Committee was the framer of those bills, on my behalf. I wrote two bills that would provide a lesser takeout, Mr. Chairman, to allow Monmouth Park's status as a viable business.

In the very beginning, we originally took 8% of the handle from Monmouth Park. That was years ago. Through the years, we reduced

that to allow for the survival of a private business on a more financially sound basis.

The first bill we wrote was one which provided for one-half of 1% takeout for all the private tracks. That bill passed in 1984.

In 1983, we wrote another bill which seemed to be a rather untimely bill because it said that in the event the State ever took over Monmouth Park, the municipality would be held harmless for any loss of revenue. The language of the bill was taken out and put in the piece of legislation you are investigating today.

I would like to get into that later on, but I want to tell you we have always been concerned that, number one, there will always be a racetrack, and, number two, in the event anyone took over the racetrack, this municipality and the surrounding municipalities would not suffer a loss of revenue.

At the hearing held the other night, people from this borough came to talk to their Mayor, Council, and State legislators. They voiced several concerns, 10 of which I have listed, and 10 of which I think you should ask the people who are involved in buying the racetrack.

The first question is: Will Oceanport lose any money as a result of the sale of the racetrack? That is a kind of up-front question which needs to be addressed.

ASSEMBLYMAN FLYNN: Do you have those questions in written form so we can ask them, or should we write them down now?

ASSEMBLYMAN VILLANE: I will have them written by the legislative aide to the Committee. I think they are important questions for you to ask.

Will the municipality, Oceanport, and the surrounding municipalities suffer a loss of revenue because of the loss of the head tax, a five-cent per person admission tax that has traditionally been collected since 1977? That allowed municipalities to make application to the Racing Commission to divvy up a pot of money, set aside by legislation to defray the costs incurred by the municipalities as a result of the racetrack being here.

I have taken the liberty of writing to Bob Mulcahy, from the Sports and Exposition Authority, asking if they would, by letter of intent, commit to that because it is not covered in the legislation.

I was advised by people in the field of law that we are not allowed to assess additional taxes for a public authority because of the jeopardy we might place the bonds in. It is all kind of "legalese" to me. All I would like to know from the Racing Commission, not from the Sports and Exposition Authority, is if they are going to abide by the verbal agreement they made some time ago that they would hold these towns harmless.

The third thing I think you ought to ask is, will Oceanport suffer if, indeed, the Racing Commission runs fewer racing days at Monmouth Park? People in the audience the other night said, "Fine, if we have 100 days now and you reduce it to 60 in 1986, will that, indeed, be a justification for the Racing Commission or the Sports Authority to pay less money in taxes?" I think there is an obvious answer to that, but I would like them to go on record as to what their opinion about that is.

Number four is, do the residents have to worry about construction of enterprises, buildings, or businesses on the property surrounding the plant at Monmouth Park? There are some 300-odd acres of peripheral land around that racetrack which the people of this borough are quite concerned about. Will they be building high-rise motels? Will they be building auditoriums? Will they be building exposition-type things, or other things that don't conform to local zoning?

ASSEMBLYMAN RILEY: Have you seen the agreement, Doc?

ASSEMBLYMAN VILLANE: No. The residents want to know what the State intends to do with the excess acreage. There has been a great deal of talk, and I am sure Mr. Mulcahy will clear that up for the public today. This is a question the people would like a straightforward answer to, if they can give you that answer now. Do they intend to sell the acreage? Do they intend to develop the acreage? Will the borough be in control of zoning on the sold-off acreage? I think this has to be addressed by the people on this Subcommittee, or by the people who intend to buy the racetrack.

Will the State keep their promises about being good neighbors and work with the boroughs and State officials? We would like to know that up-front, and we would like to hear it from people high up, such as Mr. Mulcahy. I have known Mr. Mulcahy for many years and he is a man of his word.

People at the meeting the other night expressed concern, and I told them I thought the State would be a good neighbor and that if they wanted to have a racetrack, perhaps the surest way to have it would be to have the State own it. That would guarantee, through difficult times and affluent times, that there would be a racetrack here.

Somebody asked me, "Well, what is there to make them keep their agreements? Can another Legislature, somewhere down the road, change the rules of the game? We are held harmless from the loss of school and county taxes, and, hopefully, the head tax. What is there that will make another Legislature abide by the agreement we presently have?" That is a question I think we have to ask of both the Legislature and the Sports Authority.

One of the other questions involved a concern about the number of racing days: "Has the Sports Authority bargained away the number of racing days at Monmouth Park in trade for something else?" The people of the Borough of Oceanport and the surrounding municipalities would like to know the answer to that too.

In conclusion, I would just like to say that Monmouth Park, historically, has been very important to Monmouth County. I think, economically, it is very important to this region of the State, and to this particular borough. It pays a good deal of the taxes of this town, and it doesn't require a whole lot of services. So, it is a very important part of the tax base.

I think racing is important. I think the racetrack belongs here. I am not particularly concerned with who owns it, personally. What I am concerned about is that they remain good neighbors, and that they carry their share of the financial burden for this county and this municipality.

With that, Mr. Chairman, I want to tell you that I sincerely appreciate you allowing me to speak first so I can go back to serving my patients. Thank you.

ASSEMBLYMAN RILEY: Doctor Villane, I have two questions. You mentioned the green acres several times. Inadvertently today, I think I saw what you were referring to, since I came around the Park from every single direction. The agreement calls for 300 acres in surplus realty. To me, it is a gorgeous facility now. I am also very prejudiced towards another gorgeous facility in Camden County right now. Once again, I now understand the viability of a racetrack and the influence it can have on a community.

Do you consider the 300 acres around the Park surplus realty?

ASSEMBLYMAN VILLANE: If you were to take a ride around the property-- We have done surveys of this racetrack as far back as when Brendan Byrne was Governor. Brendan Byrne once called me into his office and said, "Doctor Villane, is Monmouth Park a good thing for the State to be involved in?" I told the Governor at that time that if it meant the difference between having racing and not having racing, then I thought maybe the State could be involved in it.

He wanted to know about the acreage, the same question you are now asking. I said that the property around Monmouth Park, owned by the Association, was probably almost worth the price they were asking for the racetrack, and this was in 1978 or 1979. At that time, it was worth around \$30 million.

There is a tremendous amount of property around the racetrack. They need a lot of it for parking. They do not need a lot of the property they have kind of stocked, or stored away. They don't use all of the property, but there is surplus property surrounding the actual racing plant. I do not know the number of acres involved.

ASSEMBLYMAN RILEY: You mentioned the beauty of the green acres. Do you think if 300 acres were lopped off from the property you would be--

ASSEMBLYMAN VILLANE: Well, this municipality is really very famous for good zoning. If you ride around this town, you will see that it has been zoned for light industry, and is somewhat commercial. There are little malls and little shopping centers.

The Mayor and the Council of this town, traditionally and bipartisanly, have provided good zoning. I think that same good zoning will follow over into any additional changes, whether there is a sale of the property or not.

We have benefited, for many years, from a very large tract of land owned by a very small group of people who didn't develop it and who didn't require many services. So, the town of Oceanport has been lucky in that respect.

ASSEMBLYMAN RILEY: You were talking earlier about changes and protections from the Sports Authority. You said the word of Mr. Mulachy was very good. Do you believe it would be better to have legislative protection, through a bill, for the people of Monmouth County?

ASSEMBLYMAN VILLANE: Oh, I think it is our responsibility, legislatively, to guarantee to our constituents that we do the things we promise to do. One thing, particularly, that is not covered in the bill is the head tax. True, it was only \$10,900 last year. That is because there were not a lot of paid admissions at Monmouth Park. They gave away tens of thousands of passes in the form of coupons in weeklies and daily newspapers. They wanted to boost their attendance in an attempt to get a better handle.

A head tax is a tax which provides local municipalities with the option of making application to the Racing Commission to defray costs incurred by them as a result of Monmouth Park being open.

The number of days it should be open is up for argument. I don't know whether people want 120 days, or whether they want 60 days. As you can tell, historically we have gone from five days to 105 days. That is something you are going to have to decide.

One interesting thing to note in the history of the track, Mr. Chairman — and you would be interested in this — is, when they first built the original track, in 1877, it says hundreds of men worked feverishly, night and day, to complete the racetrack for opening day. I think you saw that happen in your town.

ASSEMBLYMAN RILEY: It was 24 hours a day for a while, I think.

ASSEMBLYMAN VILLANE: History repeats itself.

ASSEMBLYMAN FLYNN: I would like to ask one last question. Do you have a feel for whether or not the people want to develop those 300 acres? You stated they want to know what is going to happen to them, but what feeling do you get regarding whether or not they want to develop those 300 acres?

ASSEMBLYMAN VILLANE: I once had a piece of property in Eatontown and I wanted to build a house on it. The neighbors objected to the Mayor and the Council because they felt that piece of property, which I owned, ought to remain a park. I don't know whether or not that brings home a point.

I think people understand that when someone owns a piece of land, whether it be publicly owned or privately owned, as long as the municipality has control over zoning, I don't think they can put aside those lands unless they are willing to defray the cost of operations which result from depriving the owner of the use of that land.

ASSEMBLYMAN RILEY: Doesn't S-3000 supersede local zoning, Doctor?

ASSEMBLYMAN VILLANE: S-3000 does.

ASSEMBLYMAN RILEY: That's the problem.

ASSEMBLYMAN VILLANE: It is also that way in the Meadowlands. You know, whether or not one thinks the viability of the racetrack, owned and operated by the State, is worth it, is a judgment call.

One question you ought to develop with the Authority involves the kinds of things the Authority intends to build. You know, nothing was allowed in that bill because it was kind of a broad, overall bill.

ASSEMBLYMAN RILEY: A shotgun bill.

ASSEMBLYMAN VILLANE: There is another thing that I think you ought to develop with the Authority. At the Meadowlands, proposed construction and enterprises -- such as a hotel, an auditorium, or an exposition center -- have to be reviewed by the Meadowlands Commission. Think about that. That's what they do at the Meadowlands. Maybe that would be the guarantee we would like to see developed at Monmouth Park. Maybe what we ought to have is a Monmouth Park Commission to review construction, usage of the surplus lands, or

whatever. But, there should be another body to review the intent of the Sports and Exposition Authority. I think that would be a good piece of legislation. It would be one which would establish an authority to act as a sounding board and a review board.

ASSEMBLYMAN FLYNN: You said that one of the ways to guarantee that it will remain a track is if it stays in State hands, as opposed to private hands. What do you think of having private hands back in Monmouth, or even private hands in the Meadowlands? There has been some talk about having the whole Sports Authority become privatized?

ASSEMBLYMAN VILLANE: I read that in the newspaper. Let me tell you that at Monmouth Park -- and I am very familiar with the racetrack; I know the people who own it and I have met with the presidents and directors -- there were times when they threatened to close the racetrack, and they threatened to close it because they had lean times. A \$44- or \$45-million plant was throwing off a \$100 thousand profit. They almost never paid a dividend to their stockholders, and, on occasion, they threatened to close the Park.

You see, that is the one thing about government running something like that. I know it goes against the grain of a lot of people, but it ensures that the facility will remain in operation, if you think that is important, through thick and thin times. I think you know that through government we sometimes subsidize things in order to help them get going, as we did in Cherry Hill. I sat on the Committee which wrote the legislation that provided 200 racing days and low-interest loans for Cherry Hill.

Government provision brought that racetrack back to life. We did it through legislative acts. To now come around and say that everything ought to be owned by the public and that we will sink or swim according to economic times, I think, is something you should consider.

ASSEMBLYMAN RILEY: Well, Doctor, as a matter of history, I think I was also a member of that committee.

ASSEMBLYMAN VILLANE: You and I served on the same committee. We argued about different things. I thought you were giving the State away, and you were right.

ASSEMBLYMAN RILEY: That's right. At the time, of course, that was in my area.

Of course, we had a disaster at Garden State. In the Meadowlands we had a situation where we had an area which needed development; it was practically useless. Here, we have a viable track which reports profits. I think it was only \$364 thousand.

ASSEMBLYMAN VILLANE: That was last year. It was less the year before.

ASSEMBLYMAN RILEY: But, in any case, it was a viable track and it had a private entrepreneur who wanted to buy it. From a philosophical standpoint, do you think that in a situation where there is a private entrepreneur, the State, or some branch of the State, should come in and purchase something when that private entrepreneur is ready to make it a private venture?

ASSEMBLYMAN VILLANE: That is a good question. The result, for this municipality and for Monmouth County, is that because there was more than one bidder for the racetrack, the value of the racetrack has gone up and we will assess them more money next year. It is going to end up being helpful to the taxpayers in this county and in this municipality.

We made that track viable enough to have bidders. We did it through a piece of legislation which allowed for a lesser handle takeout. If we had, as we had some years ago, a 4-1/2% takeout, or an 8% takeout, that track would be bankrupt, and no one would want to buy it. So, legislatively, the State made that track into something which people are interested in at this time.

ASSEMBLYMAN RILEY: Of late, all tracks have had massive reductions. We started the ball with the Meadowlands, obviously.

ASSEMBLYMAN VILLANE: I think the Meadowlands -- and I just inject this as a matter of fact -- has done more than develop a swampland from dredged materials; it has done a whole lot more. It has created tremendous pride in the State of New Jersey by bringing the Giants there, by bringing the Jets there, and by bringing in horse racing. It has done a lot for New Jersey, more than just having the physical plant of the Meadowlands and the Sports Authority.

You know, in the State of New Jersey, the better the State looks in the eyes of the public, the more people come to, and bring jobs to New Jersey. More businesses come in, and I think that is another added feature.

This track, although it may only be used one-third of the time, does a lot for the area.

ASSEMBLYMAN RILEY: Thank you.

ASSEMBLYMAN VILLANE: Thank you very much.

ASSEMBLYMAN RILEY: Senator Pallone?

SENATOR FRANK PALLONE, JR.: Thank you very much, Assemblyman. I appreciate your having this Subcommittee hearing today. I am also glad to see Assemblyman Flynn, one of our Monmouth County legislators, here as well.

I am going to start off by answering one of your questions, which was, "Do you think it is a good idea, when you have an existing racetrack and you have an existing private buyer who is willing to buy it, for a State agency" -- in this case the Sports Authority -- "purchase the track and take it over?" My answer to that is a simple no, I don't think it is a good idea. I think it is a mistake. Frankly, I very firmly believe that the State should not have gotten involved, through the Sports Authority, in the purchase and operation of Monmouth Park. I think many of the questions we are going to raise today -- they have already been raised by Doctor Villane, and I will be raising them -- stem from that very fact.

A lot of the problems we are going to have, or that we perceive as possibly having -- hopefully, we won't have them -- on the State level, in terms of the State's responsibility, and certain problems on the local level, in terms of what is going to happen to Oceanport and the surrounding towns, all stem from the fact that we have the Sports Authority, a government entity, purchasing the track. We didn't need those problems, and frankly, at this stage I certainly hope for the best, but I do not see any inherent advantage to having the Sports Authority, as opposed to a private concern, purchase and operate Monmouth Park.

You probably realize that I am a little mad about the whole issue, and about the legislation that originally prompted this. I did not support the legislation. Frankly, I don't know whether the two of you did or not, so I really can't--

ASSEMBLYMAN RILEY: For the purpose of the record, the two of us voted no.

SENATOR PALLONE: Okay. Well, I am very glad to hear that. I didn't know.

My main concern is the one I already expressed: I do not feel that the Sports Authority or the State should get involved. Even more important, at the time, I was concerned about the way the legislation was drawn, and the haste used in doing so. I know there was an opportunity for it to go before a committee. Apparently, there was a public hearing on the issue. However, it was quite clear to me the night it was discussed in the Legislature, that most of the legislators were not really aware of all the particulars.

In particular, my concern about Oceanport, and what it was going to mean to the town, was addressed to some extent because we did press that point. However, I think this was addressed without a complete review of exactly what those implications were going to be.

I have to say that I have tried to stay away from chastising or criticizing the people involved in passing and voting for the legislation. You know, a lot of the questions that are being asked now should really have been asked that night. We want answers to questions, but those answers should have been forthcoming before we voted on the legislation. We shouldn't really be sitting here before ourselves, in a sense -- in this case we are here before two people who voted against the bill -- and asking to now, at this late stage in the game, come up with answers to the problems we perceived. Those problems were perceived at the time, and they should have been ironed out before the legislation was voted on and passed.

Now, I want to briefly go through a few things. I want to start out initially with the larger concern for the State of New Jersey. I think that a lot of concerns and questions were stated in an editorial that appeared in The Asbury Park Press on Sunday, April 14th

of this year. I am just going to highlight a few of those because I want them to be part of the record. If you want to, you can then take this editorial and put it into the record.

One of the questions asked was: "Why did Monmouth Park's stockholders agree to a lesser offer with some contingencies rather than the higher offer made by Bob Brennan, who was a developer?" It then says, "Perhaps it was because the Authority offered to pay for the stock with tax-exempt bonds. But, if these bonds are turned over directly to Monmouth Park stockholders, how will the interest rate be determined, and what does this mean for the taxpayers of New Jersey? In effect, are they underwriting the deal for the purchase of the track? If the Sports Authority must sell bonds to pay cash for stockholders who don't want the tax-exempts, how will that sale affect the Authority's bond rating?"

"In any event, how will the Authority's bond rating be affected? If the rating goes down, the interest rate at which it must borrow goes up. Will the taxpayers of New Jersey suffer if the Authority's financial condition worsens?" I think that probably is the most crucial question from the point of view of the State of New Jersey.

"Would the dwindling revenues the Authority turns over to the State, which guarantee the bonds for the development of the Meadowlands Sports Complex in East Rutherford, be further diminished? Can the Sports Authority operate the track at a profit level that will pay for advertising these bonds? Is there anything explicit or implicit in the agreement that relates to the movement of the professional football Jets from New York to the Meadowlands last year? Was there any deception on the part of State officials in ramming through the law that allowed the Sports Authority to expand its empire?"

"The law was sold as a means to lure professional baseball to the State, but so far the racetrack acquisition has been on the front burner. Talk of a baseball team moving here has been noticeably absent of late."

I think you know that on the evening we were discussing some of these things in the Legislature, we were concerned and we were told

-- at least I remember being told very explicitly -- that Monmouth Park was going to be purchased; the Sports Authority was interested in purchasing Monmouth Park in order to underwrite the cost of building a baseball stadium. I felt very strongly at that time that it did not make any sense. Frankly, the income that came in from Monmouth Park in the last few years was minimal, if any, in terms of any kind of profit. I think they always made a profit, but it was a very minimal amount.

How that income was going to be used in order to underwrite or finance a baseball stadium, to me, seemed ridiculous. From the beginning, I didn't understand how talk about that was being legitimately expressed as a concern.

These questions still remain. I think some of these questions have been raised, but most of them have not been. So, I guess what I will do is simply leave this editorial, and you can include it in the record.

One development has occurred. You know, I could go on for a long time but I don't want to because I know a lot of people wish to speak today. However, there are a few more things I have to mention.

Obviously, our main concern -- or one of our main concerns -- is that the track remains a viable entity and that it continues to operate. Obviously, in order for it to do that, it is going to have to operate profitably.

There has been talk recently that we may be losing more racing days at Monmouth Park. We are very concerned that Monmouth Park gets the proper amount of racing days. I know this year the track is going to be opening, I believe it is May 24th, or certainly this weekend. But, there is talk that next year we may not open until mid-June.

I frankly think that the loss of racing days at Monmouth Park is definitely detrimental to the area. In my opinion, the more racing days we have, the more it is going to help the local economy and that is going to mean Monmouth Park will continue to be a viable entity.

So, in my opinion, this development that we may be opening in mid-June is a very serious thing, and I would like the Committee, the Sports Authority, and the Racing Commission to, if at all possible, address that. In the past, we have had significantly more days and I don't want to see the number of racing days significantly reduced.

The other thing I wanted to get into in the legislation is the admissions tax and local zoning. We can talk all we want about what the Sports Authority wants to do and what they intend to do, but the bottom line to me, as a legislator, is what does the legislation say? The legislation is very explicit in that it gives the Sports Authority broad authority to do a number of things. I can sit here and I can go through the bill. I know you have seen it many times, so I don't want to read it. But, the bottom line is, it is clear that, in conjunction with a racing meet, they can put up a hotel; they can put up a restaurant facility; and, they can put a baseball stadium here. Now, maybe I would like to see that. As far as I can see, they have broad authority to anything: Entertainment events, sporting events, expositions, a convention hall, or the works. There is absolutely no question that they have the authority under that legislation to do all those things. Whether they intend to do them or not, we, as legislators, have the responsibility to do what the legislation says, and that is what it says.

Number two, it very clearly says they have the authority to ride roughshod over any local zoning ordinances. We can sit here and say it is very nice if they decide to sell a certain part of the track, or the land, because it will then go back into private hands. They seem to be indicating that that's what they want to do. But, there is no guarantee of that. They could clearly develop those acres, if they wanted to, for the type of auxiliary services that are set forth in the bill, and that would include hotels, lodging facilities, restaurants, exhibition, and everything else.

I am not necessarily saying that those things are good or bad; but, we have to understand that those things are within the ability of the Sports Authority.

Last, there is the question of the admissions tax. Frankly, I feel that under the legislation the track is obliged to pay the admissions tax. I don't really think that is a big deal, and we have probably made too much of it because it doesn't amount to that much money. It only amounted -- I think Assemblyman Villane said this before -- to about \$10 thousand last year, and that was between four towns. However, the bottom line is, that evening we, in inserting the clause in the bill which said that the Sports Authority was going to have to pay all municipal, school board, and county taxes, plus all local franchise and parking fees, etc., were attempting to guarantee that Oceanport, in particular, and the other towns, would be kept whole, and the same type of taxes -- municipal taxes, parking fees, etc. -- that were being paid before by a private concern would have to be paid by the Sports Authority.

I know a commitment was made that night by the gentlemen who were in charge of the Sports Authority: They did not intend to treat the local towns any differently than they would be treated if the track was purchased by a private concern.

So, my feeling is that the commitment was made that night: We were going to keep Oceanport whole as far as any income that was coming into it was concerned. Therefore, I believe the legislation, particularly that clause, does provide for them to collect the admissions tax and disburse it in the same way it was previously disbursed.

However, if it is the position of the Sports Authority -- and they haven't taken a position on this -- that they don't have to pay the tax, then I think it is necessary -- and I have already requested OLS to do so -- to prepare legislation that would change the bill so that they would specifically have to pay the admissions tax.

I would also like to see the legislation changed so that they will come under the local zoning ordinances. I know mention was made here today of some kind of commission, similar to the Meadowlands Commission, that would overview, or review, what type of development takes place.

In my opinion, that is not satisfactory. I believe the bill should be amended to specifically say that the local zoning ordinances hold sway. This is an existing track. This land has been there for a long time. There is no reason why Oceanport should not have control over what takes place. I don't want to see it done by a commission that may take in State officials, county officials, etc. This should be done the way everything else is done, just as if it were in private hands.

I know a lot of what I am saying is probably spilled milk because we passed the legislation. As far as I can see, the purchase, and everything else, is practically completed. I know it seems like it is almost the 11th hour now for us to be discussing these things, but I am glad you came here because I think you kind of share similar concerns with me. I think we need to make some legislative changes.

I guess, finally, my last statement is that I hope, regardless of what the legislation says, that the Sports Authority seeks to meet with local officials, abides by local ordinances, pays the admissions tax, and does nothing, in any way, to disrupt the operations of Monmouth Park as we have had them in the past.

They seem to have made that commitment to me and to others; therefore, things look pretty good, but it is always better to have guarantees rather than to rely on what people say. As you know, things can change, particularly when we are dealing with gambling, a racetrack, or sports in general. We don't know from one day to the next how much money is being taken in or what the profit is going to be.

ASSEMBLYMAN RILEY: Thank you, Senator.

ASSEMBLYMAN FLYNN: One question. To your knowledge, has anybody done a study on the ripple effect to the economy of racing days -- for example, restaurants, motels, and all that?

SENATOR PALLONE: I don't have any statistics in front of me. They may be available. I just know, from having lived in Long Branch, which is adjacent to the track -- I think some of the track property may even be in Long Branch, although most of it is in Oceanport -- that there is no question about it; when Monmouth Park is

open we do better. Local restaurants and local establishments -- rooming houses, hotels, etc. -- do better.

In fact, I should also mention the one thing I didn't get into, and that is simulcasting. The same thing holds true for simulcasting. During the period of time when we had simulcasting at Monmouth Park, it was also a shot in the arm, in my opinion, for our local tourism industry and business in general.

Obviously, simulcasting is going to be very important to us. We would like to make sure that is passed and that we have it at Monmouth Park because, otherwise, I don't see how the track can possibly be profitable if you limit the number of racing days and you do not have simulcasting; you are probably going to have to close the door.

To answer your question, in my experience, all of that helps.

ASSEMBLYMAN RILEY: Just briefly, with regard to the simulcasting remark you just made, a representative of the Attorney General will be here later. I have a few questions to ask of the Attorney General regarding that, and the efficacy of what they did, especially in light of the revenue gained from simulcasting which, very frankly, made Monmouth viable, made a profit for the Meadowlands, and was something upon which the projected profit figures for Garden State were based. It made Freehold viable, and it kept Atlantic City from bankruptcy, so I think it is very important.

SENATOR PALLONE: Just to add one more thing, from what I saw in terms of simulcasting this year, it could probably even be expanded and made more profitable in the future because in the first year, at least, I did not see a great effort made to advertise and promote it. I think if it was promoted more at Monmouth Park, we would see greatly expanded activity.

ASSEMBLYMAN RILEY: Well, it has been expanded, in spite of everything. I don't think it is a very well-known fact that simulcasting is still occurring in the State of New Jersey, simulcasting, not only for us in New Jersey, but for tracks throughout the country and, in fact, throughout the world, from our tracks, which seems to be a rather contradictory position.

As far as the night we passed the legislation in haste, Senator, I think we all recall that was done because within two weeks there was supposed to be an agreement signed with either the Pirates or the Giants for a baseball team here in New Jersey. So, needless to say, we will inquire into where the agreement with the Giants or the Pirates is.

Regarding your two major areas of concern, the Committee does have the agreements. I think maybe it would be beneficial for you to review them. I don't know why you don't have them.

One of those agreements concerns your apprehension regarding less than 100 racing days at Monmouth. The agreement between the Sports Authority and ITB specifically calls for no more than 86 days of racing. So, your concern is well-founded; and, your concern regarding the area surrounding the Monmouth Jockey Club and the land is again well-founded.

As I indicated earlier, they refer to the 300 acres as surplus land — surplus realty — and then they indicate in the agreement between the principal stockholder and the Sports Authority that it will be sold at public auction. I think that contingency would be dependent upon the legislation, not upon local zoning. So, I think your concern regarding that is well-founded and we will take that into consideration also.

SENATOR PALLONE: You know, one thing, just as a last comment — and I am saying this to you as one who is from South Jersey — in the Legislature we often hear about North Jersey versus South Jersey. I know that South Jersey legislators oftentimes make an effort to guarantee that they get certain positions on committees, or commissions, or whatever, and that certain projects are done in South Jersey. However, I think you should realize that oftentimes we, in Central Jersey, kind of feel caught in the middle. We feel there is a North Jersey and a South Jersey contingency, but where is the Central Jersey contingency?

I think the purchase of Monmouth Park is an example of this. This has really kind of homed in on that problem for us. We are concerned. You know, there is a Sports Authority in the North, and

there is Garden State, Atlantic City, or whatever, in the South. When are we going to be guaranteed a kind of in-between position?

I think of particular concern is the number of racing days. We don't want to end up being just a small, secondary facility, while at the same time, Garden State or the Meadowlands get the prime racing days and the prime times.

So, keep that in mind. It is no reflection on you in any way. I appreciate your coming down here.

ASSEMBLYMAN RILEY: I think regarding racing, Central and South Jersey should have a similar interest.

SENATOR PALLONE: Thank you.

ASSEMBLYMAN RILEY: Thank you.

Freeholder Director Lynch?

FREEHOLDER THOMAS J. LYNCH, JR.: This is a prepared statement that I would like to expound on.

I want to thank you, Mr. Chairman, for coming to Monmouth County and I want to welcome you to the county. My name is Thomas J. Lynch, Jr. I am the Director of the Monmouth County Board of Chosen Freeholders.

ASSEMBLYMAN RILEY: I like your name already.

FREEHOLDER LYNCH: I am also a Second Vice President of the New Jersey Association of Counties and Cochairman of the New Jersey Association of Counties' Legislative Committee.

It is my understanding that the New Jersey Sports and Exposition Authority plans to purchase Monmouth Park, using the proceeds from the sale of some of the land owned by the park in order to help finance the purchase.

It is difficult to address the finer points of the Authority's proposal, since these points have not, to my knowledge, been made public.

As the Director of the county's governing body, however, and a longtime resident of the county, I am very familiar with the role played by Monmouth Park in this community and in the county. I can speak with confidence on behalf of many of the people of the county with regard to the future of this track and the property that surrounds it.

ASSEMBLYMAN RILEY: Would you please try to speak up a little?

FREEHOLDER LYNCH: Okay. I am having a little difficulty because I am going through dental work right now.

ASSEMBLYMAN RILEY: Doc Villane?

FREEHOLDER LYNCH: He's gone. Incidentally, these are points I would have been willing and eager to make when the enabling legislation was introduced in December, had it been made clear that the legislation was, in fact, aimed at the acquisition of Monmouth Park. I wish that those responsible for the provision of payments to the host community in lieu of taxes had also built into the legislation provisions to guarantee the Park's continued existence and to protect the quality of life in the surrounding communities.

Of course, it is vital that Oceanport not suffer a financial loss. However -- and I cannot emphasize this strongly enough for the people of Monmouth County -- quality of life issues are equally important as financial ones are. I am sure no resident of Oceanport, Long Branch, Little Silver, or Eatontown is willing to obtain lower taxes at the expense of gridlock, and Route 36, at rush hour or in track season, does approach a gridlock condition.

At the same time, Monmouth Park, as it now exists, is a tremendous asset to the county and the community. Last year, tourism was a \$9 billion business in the State of New Jersey, and Monmouth County represented a substantial percentage of that amount.

I do not think it is exaggerating to say that Monmouth Park is central to the tourism industry of this area. Nothing would please or benefit us more than to have the Park run well and profitably, while respecting the needs and the rights of those who call this area home. Nothing would hurt our resort industry more, in a single blow, than to have Monmouth Park go out of existence.

One word on a matter which directly relates to county government: There is, on the drawing board, a plan for the extension of Oceanport Avenue in a southeasterly direction. The proposed road extension bisects what is now the western parking lot of the racetrack. You can see, on the second poster up there (indicating) that is the stub road in the center.

I believe that the responsibility for the completion of this road should now rest with the Authority, and I have directed that the county do no more work on that project. The cost is now up to about \$1,800,000, and I don't think the taxpayers of Monmouth County should be burdened with the expense of building this road to, in fact, enable the Authority to develop properties that would allow them to pay interest on tax-exempt bonds. This is a deep philosophical question to me. I think the people who own the road should pay for it.

Since the details of the acquisition, sale of property, and plans for future development, have not been spelled out, the most we can ask is that all future steps be taken in close cooperation with the officials of any and all municipalities affected by the Authority's plans, and that the recommendations and requests of these municipalities be given every consideration.

In conclusion, the Meadowlands is good in its place, but I sincerely hope the Authority will realize we don't want another Meadowlands here. Our county is not the place for a vast sports complex. Before you leave Monmouth County, I hope you will spend some time in the area, driving around Oceanport.

ASSEMBLYMAN RILEY: I did that prior to the start of the hearing.

FREEHOLDER LYNCH: Good. I am going to see that you get a map of Monmouth County, Assemblyman. Okay?

When you make your recommendations, remember that Monmouth Park is as different from the Meadowlands as Oceanport is from Hackensack.

I want to thank you, sincerely, for this opportunity to be heard. The county stands ready to cooperate with the State in this venture. Again, I do not want the taxpayers to be spending \$1,800,000 on a road that will benefit tax-exempt bonds.

ASSEMBLYMAN RILEY: Thank you, Freeholder.

FREEHOLDER LYNCH: Thank you.

ASSEMBLYMAN FLYNN: I have one question. There are a couple of possibilities. Maybe there are two or three possibilities for getting input from the local community. One would be to strictly

follow the local zoning. The second would be a regional authority, composed of local, county, and State officials. The third option would be some kind of an authority, composed of just the communities -- say, within a 10-mile radius -- that are affected. Do you have any thoughts on that? If you do not have an immediate response, perhaps you can reflect on it and give us some kind of a position, taken by the Board of Freeholders, with respect to how we should oversee the Authority's work.

Frankly, I think there should be some overseeing. I don't think the legislation calls for it, and I think that is a mistake. How to best do it is, I think, very important, and it may be the kind of recommendation this Committee would want to make.

So, I would ask you to have your Board of Freeholders review the type of overseeing vehicle they feel would be best.

FREEHOLDER LYNCH: I would want to discuss that with the Board of Freeholders.

I might also say that I am sure our Department of Economic Development and the Planning Board does, in fact, have figures on the ripple effect, if you will, on the economy. I will get them for you. Okay?

ASSEMBLYMAN FLYNN: I would like to know that because we are talking, with disagreement, of 86 days without simulcasting. Of course, for every day lost, we want to know what kind of money the whole area -- Long Branch, Longport, Eatontown, Sea Bright, and all the surrounding areas -- is going to lose by the loss of those days.

FREEHOLDER LYNCH: We can do that. I will direct the Planning Board of do that.

ASSEMBLYMAN FLYNN: Thank you.

FREEHOLDER LYNCH: Thank you very much.

ASSEMBLYMAN RILEY: Thank you.

Assemblyman Palaia?

ASSEMBLYMAN JOSEPH A. PALAIA: Thank you, Dennis.

ASSEMBLYMAN RILEY: Apparently a question was raised before you come up to speak. We have two more witnesses and then we are going to have a break because apparently some private citizens would also

like to speak. They have to come up front and sign up with Dr. Bockleman. If they sign in, we will get to them.

ASSEMBLYMAN PALAIA: It is nice to see you, Mr. Chairman. I would also like to welcome you here. You know, there is nothing more important than bringing government to the people. Your Subcommittee has done this, and I think that is very nice, Denny. We appreciate it down here. We feel we have God's little acre down here too, as you have in your district, I am sure.

ASSEMBLYMAN RILEY: It sounds very funny for me to hear somebody call up here "down here," but that's great.

ASSEMBLYMAN PALAIA: Way up here.

ASSEMBLYMAN RILEY: Only part-way up here.

ASSEMBLYMAN PALAIA: Yes, I know.

Let me just say a few things without being redundant of what the Doctor and Senator Pallone said because my concerns are basically the same. Obviously, zoning is extremely important. I think the restrictions in the covenant, of not including the local municipality, are unfair. It must be included.

One thing I have found in government, especially local government, is you should not change the character of a community. Planned growth is probably the most important thing we could ever do in local government. I think the local government here in Oceanport won't mind some growth. The point is, if growth is planned properly, with input coming from the local municipality, I don't think there is anything more important.

Their character here has been established over years and years, and to change it in any form would be a disservice to the people of Oceanport. That concerns me greatly.

Another point that was raised the other night by a constituent here in Oceanport had to do with the tax-free bonds. I know Senator Pallone raised that question, and Doc did too, in the 10 things he listed.

In talking to Mr. Mulcahy -- and he will answer for himself -- taxpayers' money is not included in those tax-free bonds. I am not privy, Assemblyman Riley, to any agreement. I didn't see it, and I am

not privy to it. I would like to have Mr. Mulcahy expound on the agreement, although he told me what it was. I would like to hear him expound on it so we can answer the questions of the people in Oceanport who raised them last week when the three of us were here.

Assemblyman Flynn raised the question, "Does it help a local area, around here, with its economy?" Bill, I will just tell you one thing. I was having dinner in a restaurant in Long Branch last night, a little linguini with red clam sauce -- out of this world -- and I was talking to the waitresses and the owner who were there. On Friday, when Monmouth Park opens, there will be three additional waitresses, an assistant cook, and another bartender. That is five people in a small restaurant -- five people. Five additional jobs will be created because of Monmouth Park. I mean, that tells you something, and I am sure, Assemblyman, you can multiply that hundreds and hundreds of times over. That was one little restaurant where they are going to have an additional five people working because Monmouth Park is here.

Another thing that gravely concerns all of us here is the racing dates. I know you people don't set racing dates; that comes from the Racing Commission.

ASSEMBLYMAN RILEY: It is in the legislation in this case, Joe. The baseball bill changed it to 86 days.

ASSEMBLYMAN PALAIA: They changed it to 86 days? I would look for some relief, Mr. Chairman, from that restriction. I really believe that part of the bill, restricting the dates we can have at Monmouth, is really not in the best interest of the economy of the shore area, which needs just as much upgrading as the economy in any other part of the State or country.

I am vaguely familiar with that part of it, Mr. Chairman. If that is so, the 86 racing days--

ASSEMBLYMAN FLYNN: (interrupting) It says, "Not less than a certain amount allocated in the previous year." It does not specifically say 86.

ASSEMBLYMAN PALAIA: Okay. I didn't think it said 86

ASSEMBLYMAN FLYNN: It makes reference to the previous year.

ASSEMBLYMAN PALAIA: Yes. Well, reference to the previous year would be this year, when we are starting on May 24th and going to August 31st. Does it have a number in there?

ASSEMBLYMAN FLYNN: It says May 24th to August 31st.

ASSEMBLYMAN PALAIA: Now.

ASSEMBLYMAN FLYNN: That is 86 days.

ASSEMBLYMAN PALAIA: Right. Okay. I would not look for any less than the 86 days. I think, actually, 86 days is a good meet here. Anything prior to May 24th has a--

ASSEMBLYMAN RILEY: (interrupting) The legislation limits it to the prior year.

ASSEMBLYMAN PALAIA: Meaning this year, Dennis.

ASSEMBLYMAN RILEY: As of December 13, 1984, which is 86 days, according to the Racing Commission. Obviously, it is quite clear that somebody knew exactly what was going on because that means 86 days.

ASSEMBLYMAN PALAIA: Okay. You have to understand the rumor mill has been rampant around here, not only regarding zoning but the rumor mill says that next year Monmouth Park won't open until June 14th, cutting back considerably from June 14th to the end of August. That would be disastrous for the people in this area and for the horsemen too.

Let me just say this, and then I will wrap up quickly.

ASSEMBLYMAN FLYNN: Incidentally, that is in the agreement between ITP and the Sports Authority. It says with simulcasting -- if we have simulcasting -- it will run from June 14th through the Saturday before Labor Day.

ASSEMBLYMAN PALAIA: Yes. I would be opposed to that section of the agreement, and I would look for some relief from the Racing Commission or from somebody else. I think that is very important.

Let me just say this: In all due respect to Garden State, there is life after the Garden State and the Meadowlands. Believe me, there is life after that. Monmouth Park, for years, carried the burden of thoroughbred racing in the State of New Jersey. It is truly a jewel of thoroughbred racing, not only in the State of New Jersey but in the

entire country. You cannot go anywhere in this country and see a more beautiful track, or a better organized and planned track than Monmouth Park. It is probably one of the cleanest tracks anywhere.

I say we cannot just turn that track aside and say, "You are now going to become a second-rate track because we have two beautiful edifices, one in the North and one in the South. We cannot do that. It is a jewel that stands as high and tall as the other two well-operated tracks. I say that sincerely because Monmouth Park is truly a beautiful track.

I would say your hearing here is a good thing because it is going to answer a lot of questions people have. I think it is to your credit that you are having this hearing. Sometimes people say, "It is just a smoke screen for this or that," but let me tell you something: Let's go on record. I voted for that bill. I voted for it, and I am still proud of my vote to bring that track under State control. I saw nothing wrong with that. If you will pardon the expression, the Meadowlands does have an excellent track record already. They have proven themselves in the field, as has Mr. Brennan. I have no qualms with Mr. Brennan. I don't even know the gentleman; I just know of him. He has a good track record also.

So, are we going to lose? No. We won't lose in Monmouth Park. I can't see that happening. I will say there are portions of the bill that need to be looked at. I think this Subcommittee will be doing that. I know Mr. Mulcahy and his people are here, and we will be getting a lot of those answers now.

Thank you, Mr. Chairman and Assemblyman Flynn.

ASSEMBLYMAN RILEY: Thank you, Joe. Very briefly--

ASSEMBLYMAN PALAIA: (interrupting) Well, you know me, right to the point.

ASSEMBLYMAN RILEY: As far as the thing between Garden State and the Meadowlands is concerned, I was the sponsor of simulcasting and it was not meant for Garden State or the Meadowlands; it was meant for the smaller tracks.

ASSEMBLYMAN PALAIA: Of course. Atlantic City couldn't survive without it.

ASSEMBLYMAN RILEY: You indicated just now that you voted for the bill -- obviously, we know that -- to bring the track under State control. At the time, Joe, did you think that was what you were voting for, to bring the track under State control, or did you think you were bringing a baseball team to New Jersey?

ASSEMBLYMAN PALAIA: I thought that was part of the whole package. To say that we didn't know the State was interested in the track, would certainly be naive on the part of anyone who sits in the Assembly or the Senate. We weren't that naive that we did not know it.

Our basic idea that day, as you know, was to bring the baseball team to New Jersey. That was one of the things we were most concerned with at that time.

Was it in the back of our mind? Most certainly. To say that I wasn't even thinking about it, nor was anyone else, would be incorrect. Whether I think they can do a good job or not, there is no question in my mind; they will do a good job.

If you recall, Mr. Chairman -- and, Assemblyman Flynn, you were there also -- it was six o'clock in the morning when we passed the income tax and the sales tax. Maybe all the portions of those bills weren't exactly in place, but here we are some years later and I don't think the State is any the worse for what has been done up to this point with those two bills.

I don't think, if the proper amendments are made to this bill and the proper commitments are given from the Sports and Exposition Authority, that this bill would turn out to be bad either. I am not one of the doom and gloom boys. I am more of an upbeat, optimistic-type person. I think Monmouth Park will not only survive, but will grow because of our involvement in this.

ASSEMBLYMAN RILEY: Thank you.

Mayor Cavanaugh?

MAYOR THOMAS CAVANAUGH, JR.: I was going to say I would like to welcome Assemblyman Flynn down to the southern end of the county. It doesn't seem like 15 years ago, Dennis, since we sat in the Attorney General's office talking about a mild interest in politics on the part of both of us. Apparently, we have discharged that interest, to some degree.

I am here today with the privilege and pleasure of addressing this Subcommittee on behalf of the governing body and residents of the Borough of Oceanport which, as we all know, is the host municipality for Monmouth Park.

As Doc Villane pointed out to you, it is a rather small borough of approximately 6,000 people, and it is primarily a residential town.

I think we are clearly the most deeply and intimately affected entity involved in the transfer of Monmouth Park; yet, despite that fact, this municipality and the local governing body had no involvement, nor any role whatsoever, in the process resulting in the transfer.

My purpose in appearing here today is to underscore my belief that it is a legislative responsibility to monitor this situation and to determine that there will be no adverse impact, either economically or in the quality of life in Oceanport.

The New Jersey Sports and Exposition Authority was created by the Legislature in 1971. There was no authority given in that legislation to acquire Monmouth Park. We are now discussing the baseball bill that you have referred to several times, which as passed in 1984, and one of the sections in that bill gave the Sports Authority the ability to acquire and run Monmouth Park.

Therefore, I would submit to you that the present situation we find ourselves in is one created by the Legislature, expanded by the Legislature, and it must be controlled by the Legislature on a continuing basis. I believe it is your responsibility to guarantee to Oceanport and all the other municipalities in Monmouth County that may be affected, that they will suffer no deleterious effect from the chain of events the Legislature set in motion.

When the baseball bill was adopted in December, Assemblyman Karcher was quoted as saying that this bill would further enable us to be masters of our own fate. We are only seeking that same ability from the Legislature.

The Governor was quoted as saying, "New Jersey is on a roll. This bill helps us to continue on that roll." I think it is imperative

that you make sure the roll does not prejudice or burden the people of Oceanport or the people of Monmouth County in order to benefit other portions of the State. If the protections we need are not in the legislation now, then they ought to be included in the legislation.

There are several specific examples of the concerns of my constituents. Initially, and obviously, there is an economic concern. The bill says, in its salient part, as I read it: "Notwithstanding any law to the contrary, the acquisition of any existing racetrack facility in or licensed by the State of New Jersey shall be permitted on the condition that payments equivalent to all municipal school board and county taxes due to each entity shall be paid by the Authority to the extent, and in accordance with, the same payment schedule as taxes would have been paid each year, as though the racetrack facility remained in private ownership.

"In addition, the Authority shall be responsible for paying all existing local franchise fees, license and parking tax fees in effect at the time of acquisition."

To quote Sam Erwin, I may be just a country lawyer but it seems to me that the clear legislative intent of that language is that this borough and the County of Monmouth should suffer no loss — underline loss — in revenues in connection with this transfer. I read that as a total and complete indication of financial indemnification, and I submit to you, gentlemen, that the Legislature must enforce that philosophy in the way it is expressed in the bill.

ASSEMBLYMAN FLYNN: Have you had any indication that that will not be honored?

MAYOR CAVANAUGH: So far, my relationship with the Sports Authority has not lent itself to any problem with that interpretation, nor have our discussions evidenced any intentions to move backward from that situation.

I have heard some speakers talk about the head tax. That is an issue which, in fairness, Mr. Mulcahy and I have not had an opportunity to address in detail. I believe he and I will benefit from discussing some of the nuances of that.

ASSEMBLYMAN RILEY: I suspect the issue will come up today.

ASSEMBLYMAN FLYNN: It sounds like the intent was to continue to collect the head tax.

MAYOR CAVANAUGH: In my opinion, the philosophy of the bill was, "as if a private taxpayer maintained ownership." I have approached our discussions in that fashion. That is how I read the legislation, and until the body that drafted it tells me I am incorrect, I don't intend to move from that interpretation.

ASSEMBLYMAN RILEY: You ought to call the Governor's office.

ASSEMBLYMAN FLYNN: That paragraph was drawn by legislators though; that was an add-on to the legislation.

MAYOR CAVANAUGH: That came as a result of partial negotiations I had with some of the legislators regarding some of the concerns which bring us all here today.

ASSEMBLYMAN FLYNN: That meaning is very clear. It was the head tax and everything else.

ASSEMBLYMAN RILEY: Well, it doesn't restrict them.

ASSEMBLYMAN FLYNN: That's why I want to find out what their position is. If their position is to the contrary, then maybe we will have to put a proviso in there and clarify it.

MAYOR CAVANAUGH: I would also indicate to you that the concerns of my constituents are not limited solely to economics. There is a quality of life question which has already been broached by several of the speakers this morning.

We believe that the racing schedule and the timing of the race program should not be altered from the current historical development Monmouth Park has always displayed. We have been proud of the high quality of the racing -- an afternoon tradition of racing that we have established here in Monmouth County -- and we believe that it should continue. Any alteration in that schedule must have little or no impact on the lives and schedules of the people of this town in order for it to be satisfactory.

Insofar as the development of the land is concerned, it is our understanding that the Authority wishes to develop some of the land that it now describes as surplus land. I believe the Council is not opposed to the development of some of that land in an economically

sound fashion. What we want, what we will insist on, and what we will come to you for, if necessary, is the non-invasive use or sale of the acreage we are discussing. The development should not materially change the character of this community, and we should not be compelled to endure a situation which endangers the planned, systematic growth of this borough, which has been developed over many years.

ASSEMBLYMAN FLYNN: Would you be willing to have some sort of regional development commission oversee that?

MAYOR CAVANAUGH: My reaction to that would be that I would have some trepidation, without speaking to the Council, about making any kind of a commitment. However, after I spoke to the Council, and during that time, I think we would have to consider-- We feel that Oceanport has always done a good job of determining how we should zone our town. I am not quick to embrace a suggestion that would pass that responsibility on to people other than those of us who live here.

ASSEMBLYMAN RILEY: It has already been done, Tom. What we are now saying is, something--

MAYOR CAVANAUGH: (interrupting) I am not sure, Dennis, if that would be better or worse, in the sense that we would have another tier implanted.

I heard Assemblyman Flynn say something before about correcting the legislation -- and I think Senator Pallone also referred to this -- to provide for adherence to local zoning regulations. Certainly, that is the optimum suggestion we would offer to you.

ASSEMBLYMAN FLYNN: That is the optimum, but I would be concerned that the other surrounding communities have some input also. That is why I am thinking more in terms or regional. Certainly, Eatontown will be impacted. Whatever you do here in Oceanport, there is going to be an impact on its traffic and infrastructure. Long Branch will also be impacted.

So, I am thinking more in terms of the immediate communities that are affected by development. I would like to hear from our Council on that issue.

MAYOR CAVANAUGH: I think that is a concept which is worth discussing. I also think that we would have to point out to you that

however anyone else is impacted, the weight of the impact will be substantially greater in this Borough than it will be anywhere else. The usage of the land, and the effect of that land on our residents is going to be substantially greater than it will be anyplace else.

ASSEMBLYMAN FLYNN: Maybe we would have to have a weighted representation. The immediate problem that comes to mind is the present Mount Laurel litigation, where communities are fighting each other because one community puts all of their Mount Laurel housing on the border of another community; so, the rateables are in the one community, but the impact is in another community. I think we have to address that problem in the Mount Laurel litigation, and I would also like to address it here.

MAYOR CAVANAUGH: That is a concept I would be happy to discuss with the Council. It bears discussion, and we might have to think about it.

I would like to point out to the Committee that in 1979, and again in 1983, orally, the governing body of this Borough passed a resolution opposing the takeover by the State of Monmouth Park. The basis for this was the philosophical feeling that it would be better handled by private enterprise.

The decision in that regard has been made for us by the Legislature and the Governor. I am somewhat curious as to why some of the questions I hear being raised today were not addressed and answered at the time this decision was made.

However, as Assemblyman Pallaia pointed out, "better now than not at all." I think the Council and the Borough of Oceanport has to be pragmatic. We have accepted the fact that the Legislature has, in fact, created a situation which we have to deal with. I have had some discussions with Mr. Mulcahy and Mr. Hanson and I must say they have been amiable. I am encouraged by the fact that they have represented to me a desire to work with us, and not to overpower us by the way the situation develops. I am hopeful that relationship will continue and that we will be able to work out all the major issues in question.

However — and I want to underscore this again — I believe it would be an abdication of legislative responsibility to get out of

the picture that has now been created. We will continue to look to Trenton for support and assistance, and we will not hesitate to publicly demand protection if our concerns are threatened and cannot be resolved.

The bill says, "As though the racetrack remains in private ownership." We believe that philosophy should permeate the entire bill. We will approach our discussions based on this premise and we will look to you to ensure that philosophy is adhered to over the years.

I thank you, gentlemen, for coming down here. Of course, I am available to answer questions if you would like to ask me any.

ASSEMBLYMAN FLYNN: I have asked the questions I wanted answered, and I would be happy to hear from your Council and you.

MAYOR CAVANAUGH: I did hear one question before that I might want to touch on very quickly, and that regards the development of all the acreage. I think Dennis said something about that. We would certainly hope, and we are in the process now of developing a plan by which to approach this, that the residential nature and the green environment we have created here will be maintained; that there will be no wholesale development of all available property.

ASSEMBLYMAN RILEY: Have you seen the agreement, Tom?

MAYOR CAVANAUGH: I have read portions of it in the newspaper. I have not seen the document in and of itself.

ASSEMBLYMAN RILEY: I suggest that maybe you should look into that agreement, particularly regarding the sale of the 300 acres. I suspect that may be of great interest to you.

MAYOR CAVANAUGH: My position in that regard, so far, is that Mr. Mulcahy is here. We have discussed it. Once again, since the sale is not even finalized, we have had no specific discussions, but it has been inferred, in his responses to me, that the Authority is willing to sit down and talk to us about how the land is going to be developed and integrated -- the sales, etc. -- and I assume that commitment will be honored. I look forward to it. I would, of course, welcome the legislative amendments you spoke about, which would make it mandatory for us to have that kind of control.

ASSEMBLYMAN FLYNN: What is your present zoning on those 300 acres?

MAYOR CAVANAUGH: It is not zoned residential in any section. It is industrial, light industrial/commercial, in all portions at this point in time. So, there is no apparent residential impact, although we have already asked the Planning Board and our Economic Development Committee to appoint subcommittees to consider whether or not the Master Plan, as presently developed, is still apropos, or whether we should consider amending certain section of the Plan. Of course, that is all in the planning stage. We only found out about this sale the day it was released to the newspapers, so we haven't had a great deal of time to plan.

ASSEMBLYMAN RILEY: Thank you, Mayor.

MAYOR CAVANAUGH: Thank you very much.

ASSEMBLYMAN RILEY: We will now take a five-minute break.

If anyone else would like to testify -- of course, we have a lot of other people on the witness list who wish to testify -- please come up during the break and tell Dr. Bockelman.

(Five Minute Recess)

AFTER RECESS:

ASSEMBLYMAN RILEY: Will everyone please come back into the room?

Our next witness will be Robert Campanelli, representing Attorney General Kimmelman.

Much to my dismay, the Subcommittee received a letter from the Monmouth Park Jockey Club indicating they would not have anyone present today. This was in a letter to me, dated yesterday. They declined to participate in the Subcommittee hearing; therefore, there will be no one here from the Monmouth Park Jockey Club today.

Please proceed, Mr. Deputy Attorney General.

ROBERT CAMPANELLI: I am Bob Campanelli from the Attorney General's office. I am only here to say that the Attorney General's office has no position on this particular sale. In fact, the General abstained from voting on this particular issue.

ASSEMBLYMAN RILEY: He abstained from voting on the agreement?

MR. CAMPANELLI: Yes.

ASSEMBLYMAN RILEY: Okay. Obviously, simulcasting has come up quite a few times already. I believe it will come up again quite a few times. Now, the Attorney General sits on the Sports Authority, is that correct?

MR. CAMPANELLI: That's correct.

ASSEMBLYMAN RILEY: He also sits on the Racing Commission, is that correct?

MR. CAMPANELLI: I'm not aware--

ASSEMBLYMAN RILEY: His is on the stationery; I presume he sits on it.

MR. CAMPANELLI: No, he doesn't sit on it.

ASSEMBLYMAN RILEY: He does not? Okay. He is the attorney for the Racing Commission, I guess, and that is why his name is on the stationery.

Simulcasting, obviously, was responsible for the major dollar figures at Monmouth Park. Obviously, simulcasting is no longer effective because of the Attorney General's action. Apparently, he did that on his own. In the appeal, the Legislature, the Racing Commission, and the Governor all said yes, and the Attorney General decided to say no.

From a professional standpoint, a personal standpoint, or a legal standpoint, do you believe that the--

MR. CAMPANELLI: (interrupting) I would first like to preface this with the statement that I am not a lawyer; therefore, I cannot comment on it.

ASSEMBLYMAN RILEY: You are not a lawyer?

MR. CAMPANELLI: I am not a lawyer, so I cannot comment on it in any legal manner. In fact--

ASSEMBLYMAN RILEY: (interrupting) Oh, okay. Then I guess my question would be better directed to the Attorney General himself.

MR. CAMPANELLI: Yes.

ASSEMBLYMAN RILEY: It regards the efficacy of appealing something when your client has another position. You could not really comment on that.

MR. CAMPANELLI: No.

ASSEMBLYMAN RILEY: Okay. The Attorney General's office has no opinion regarding this sale at all?

MR. CAMPANELLI: No, it has taken no position at all.

ASSEMBLYMAN RILEY: It tends to abstain from all votes with regard to—

MR. CAMPANELLI: (interrupting) Well, I cannot vouch for the future action of the Attorney General; I can only comment on the action that was taken with regard to this issue.

ASSEMBLYMAN RILEY: Which was an abstention just in regard to the agreement itself?

MR. CAMPANELLI: Yes.

ASSEMBLYMAN RILEY: Did the Attorney General participate in any of the negotiations that you know of? Or, did anyone from the Attorney General's office participate in any of the negotiations leading up to this agreement?

MR. CAMPANELLI: I am not aware of that at all, sir.

ASSEMBLYMAN RILEY: Could you find out if that took place?

MR. CAMPANELLI: Yes.

ASSEMBLYMAN RILEY: Obviously, there were considerable negotiations leading up to this. The question of whether or not the Attorney General's office was involved in the negotiations come up. I am more than curious to know whether or not it was involved and if the Attorney General abstained at the time and did not participate in the negotiations. Obviously, these questions would be better directed to the Attorney General himself. Thank you.

Robert Mulcahy, please?

ROBERT MULCAHY: Good morning, gentlemen.

ASSEMBLYMAN RILEY: Good morning. Do you have any opening statement, Mr. Mulcahy?

MR. MULCAHY: No, other than the fact, Assemblyman, that I appreciate the opportunity to be here. There are certain parts of this sale that have not been completed, including the merger agreement. Obviously, our attorneys have instructed me not to talk about those aspects of it because it is premature and inappropriate, but I would be delighted to be cooperative, as we have always been with legislative committees.

ASSEMBLYMAN FLYNN: You have heard a lot of the concerns of local people, a Freeholder, etc. Maybe you can address yourself, as far as you can go, to how you foresee the development of those 300 acres, and what you would be willing to accept by way of local and county input.

MR. MULCAHY: Well, I think there was a mistaken impression earlier today that in the Meadowlands district we are subject to the Hackensack Meadowlands Commission. That is not true.

ASSEMBLYMAN FLYNN: That's wrong?

MR. MULCAHY: That's correct; that's wrong. I think the Mayor expressed concerns about umbrella kinds of authorities. We have indicated, at every step of the way, that we intend to work with the municipality, just as we always have. It is difficult to say that we are going to do this, that, or the other thing when we haven't completed the purchase, nor have we made decisions on those kinds of things. We have indicated to the Mayor and Council that we would certainly expect to sit down and work these things through with them, and that we intend to be a good neighbor. I certainly think that we expect to do that.

ASSEMBLYMAN FLYNN: Do you think that you are likely to develop the 300 acres yourself, with facilities, or would you be more inclined to sell it to private entrepreneurs and let them develop it?

MR. MULCAHY: It is unlikely that we would develop it ourselves.

ASSEMBLYMAN FLYNN: All right.

MR. MULCAHY: But, we would not expect to.

I think there is one other mistaken impression. There might also be others, but one is related to zoning on the hotel issue. The

hotel issue, if you look at the legislation, specifically relates to contiguous property at the existing site in East Rutherford.

ASSEMBLYMAN FLYNN: So, hotels elsewhere, including this place, would not be--

MR. MULCAHY: (interrupting) That's correct.

ASSEMBLYMAN FLYNN: Would it be your understanding of the legislation that if you did sell the land to private owners, they would then be subject to local zoning?

MR. MULCAHY: Of course.

ASSEMBLYMAN FLYNN: All right. So, that could dispel some of the, as you said, misconceptions people have?

MR. MULCAHY: Yes.

ASSEMBLYMAN FLYNN: It is only if the Authority itself develops the projects that you would not, by law, be subject to local zoning?

MR. MULCAHY: I suspect that if we were to develop anything ourselves, it would come about as a result of some kind of formal agreement with the municipality, which would spell out any economic arrangements similar to the way we have it in other places.

I might point out for the record what the Sports Authority has achieved in this State and in this county. We are now generally recognized as the number one sports and entertainment facility in this country. I think our record is beyond reproach. We have given some \$60 million in surplus payments to the State and another \$50 to \$60 million in direct and indirect tax payments to the State. We have never used a dime of taxpayers' money.

We operate as a private sector business, in effect, because we have to pay our own debt service. We sell our own bonds. We receive ratings on Wall Street. We have to compete every day with the New York Racing Association, with Madison Square Garden, with the Spectrum, and with everything else.

I also think one of the things that has happened as a result of this bill-- Even before this bill, if various legislators made a request, we helped them with various projects elsewhere in the State. I think we announced last month that we would be helpful in the

redevelopment of the Camden waterfront. That came as a request from the Mayor of Camden.

A statement was made that the record the Sports Authority has achieved, its method of management, and its record as a manager, all indicate that if it were to be involved in this Camden project, it would give credibility to it. I think that is the greatest testimony we could have.

Based on that, the project went ahead. Campbell Soup and RCA made commitments to relocate and rebuild their corporate headquarters there. We had requests, even before this bill, to be involved in other projects around the State, and I think all of those things reflect that we are not a North Jersey Authority specifically, but an authority of the entire State of New Jersey. Certainly, we consider ourselves to be that, and we want to continue that way.

ASSEMBLYMAN FLYNN: One of the other fears expressed was that the character of racing could change. In particular, I guess there is a concern about night racing. What are the Authority's thoughts on night racing at Monmouth?

MR. MULCAHY: Assemblyman, we have made no judgments on those issues. Certainly, anything that might be done -- and we have not talked specifically about night racing -- would be done on an experimental basis because until we do some of those things, no one can make judgments.

I would like to reiterate that whatever we do, it will certainly be done in consultation with the municipality of Oceanport. You know, I spent 11 years as a mayor and councilman in a municipality in Morris County that was similar to Oceanport. We went through a period of growth. One of the things I particularly stood for was the character of the community. We were able to experience that growth and retain the character. That is an example you can look at. My record is there for everyone to see.

My point is that I am sensitive to the feelings and concerns of a small town and local government.

ASSEMBLYMAN FLYNN: I think you heard the Mayor say that during the discussions on this bill, and I guess the negotiations in

connection with the purchase of this track, there has not been much input sought from the local community. I guess their fears are that no input was sought along those lines up to this point, so what guarantee, or reason, do they have to think they will have any input later on. How would you allay those fears?

MR. MULCAHY: I think that is an unfair question to address to me, since I didn't pass the bill; the Legislature did.

ASSEMBLYMAN FLYNN: Well, I think you had strong input.

ASSEMBLYMAN RILEY: You strongly lobbied for it, if I am not mistaken.

MR. MULCAHY: Well, obviously, we are going to lobby for a bill, but that doesn't mean it is my responsibility to do those things. I think it is unfair to place that burden on me. I will say this: Despite all the statements made here, there were discussions with the leadership of both parties before this bill went in.

ASSEMBLYMAN FLYNN: That is one of the problems. It was done with only the leaders and not with the soldiers.

MR. MULCAHY: Assemblyman, I don't control the leadership in the Legislature; it would be inappropriate for me to do that. I would not want to comment on how they decide to conduct their business. I think we have both seen enough legislation enacted over the last 10 years to understand the process.

ASSEMBLYMAN FLYNN: One of the reasons both Assemblyman Riley and I did not support the bill was not because it did not contain some good things, but we did not like the way it was done. It was done so quickly, that the questions we wanted to ask were not answered. That is the kind of thing we are trying to get at now, after the fact.

I am not in any way trying to demean what you did. You have done a good job on the Sports Authority. What I am trying to say is, the local community -- the one that is most affected -- says that no one consulted them; no one talked to them. All right, that is over with now. I want some kind of assurance that they will be talked to, in a very serious vein, and not just given lip service.

MR. MULCAHY: I think--

ASSEMBLYMAN FLYNN: (interrupting) Maybe that is rhetorical at this point. Maybe you can't answer that.

MR. MULCAHY: I think I have indicated what my position on that is.

ASSEMBLYMAN FLYNN: Would you be willing to have, and support, legislation that would, in writing, give the local community -- and when I say the local community, I mean the surrounding communities -- some input into the process?

MR. MULCAHY: I am not going to sit here and commit to anything. First of all, there are no specific proposals. I think once you start to say that other municipalities are going to have input into what the Borough of Oceanport does, you are then giving away their prerogatives.

ASSEMBLYMAN FLYNN: Yes, but traffic and all the other--

MR. MULCAHY: (interrupting) But, who has to deal with the problems now? Oceanport.

ASSEMBLYMAN FLYNN: Well, Oceanport, but it goes into the other communities as well.

MR. MULCAHY: I understand that; however, ultimately, Oceanport is the one that is here.

ASSEMBLYMAN FLYNN: Would you be willing to have legislation giving Oceanport that kind of authority?

MR. MULCAHY: I have not seen the legislation, and I am not going to sit here and speculate on it.

ASSEMBLYMAN FLYNN: Well, in all fairness, we had to vote on something we didn't see either. That baseball bill was a 20-page bill, and it was thrown at us almost overnight.

MR. MULCAHY: Assemblyman, I might remind you that there was a committee hearing at which we sat all day listening to the questions everyone had to raise. We indicated that we were willing to answer any questions, and I think it is unfair to sit here and throw those kinds of things at me.

ASSEMBLYMAN FLYNN: Well, because your answer--

ASSEMBLYMAN RILEY: (interrupting) That was not the same committee. That was the Independent Authorities Committee, of which this is a Subcommittee. If you recall, I think only two of us had a copy of the bill at the time of the hearing. So, I don't think that is necessarily true.

MR. MULCAHY: Except that I think it is unfair for you to sit here and throw these things out as if I was the one responsible for not giving you a bill. I mean, I'm not running the Legislature.

ASSEMBLYMAN RILEY: No. I think it was a joint effort. We are not saying "you," Mr. Mulcahy.

ASSEMBLYMAN FLYNN: All I am looking for is some kind of conceptual commitment that you are willing to have local input into legislation they think they need, and that I think they justly deserve.

Obviously, you haven't seen the specific wording; therefore, I could never hold you to it, but I want some kind of a feeling from you that you are not opposed to having local input.

MR. MULCAHY: I stood here and said publicly exactly what I told the Mayor and at least one Councilman who came to me. We committed to consult and work with the municipality. That is what we have done, and that is what I have committed to do.

ASSEMBLYMAN RILEY: I have a few questions regarding the baseball bill -- the supposed baseball bill. Would it be fair to categorize the Sports Authority as taking this as a mandate to buy Monmouth Park?

MR. MULCAHY: Take what as a mandate?

ASSEMBLYMAN RILEY: The baseball bill, S-300.

MR. MULCAHY: The passage of S-300 was not a mandate to buy Monmouth Park. I think if you look at the newspaper clippings over the last two years -- or close to two years -- you will see reports of discussions among the Sports Authority, as well as ITB, and Monmouth Park that go back prior to the time the bill was passed. I think it is unfair to say it was a mandate.

ASSEMBLYMAN RILEY: Mr. Hanson, the Chairman of the Authority, on your stationery, said that, "Public policy was reinforced by the Legislature, overwhelmingly passed, and signed into law by Governor Kean last December. There is a disagreement as to the issue private versus public-sector in the area of racing. My own viewpoint, as a public policy, was established when the Sports Authority was created in 1971, and that public policy was reinforced by the Legislature regarding the baseball bill." Doesn't that sound to you

as if Mr. Hanson was saying they took it as a mandate to buy Monmouth Park?

MR. MULCAHY: Absolutely not. I think all Mr. Hanson said, and all I have said, is that when the Legislature decided, in 1971, to take a racing license that had been set aside for the private sector and give it to the Sports Authority and put the Sports Authority in business as a separate authority, in effect they said, "Go out and compete." To think anything else is a wrong assumption. I think that was when the issue was initially decided, and whether it was right or wrong, that was the time for the debate.

ASSEMBLYMAN RILEY: Were there any negotiations, that you know of, between the Sports Authority and Monmouth Park, or anyone from Monmouth Park, before or around December 13, 1984?

MR. MULCAHY: Prior to that, yes. When you say negotiations, let's characterize them as discussions about the potential for buying.

ASSEMBLYMAN RILEY: Had the basics of the agreement or the concept that the Sports Authority would buy Monmouth Park been worked out before the legislation was passed?

MR. MULCAHY: No.

ASSEMBLYMAN RILEY: Did you attend, or were you aware of a meeting, held on March 19, 1985, between Mr. Hanson and Mr. Brennan?

MR. MULCAHY: First of all, there are a number of meetings and discussions between the Sports Authority and other parties involved in our business. We have always made it a practice not to discuss things, unless they are public meetings. I think people have a right to feel that the meetings they have with us regarding business are held in confidence, so I am not going to comment on that.

ASSEMBLYMAN RILEY: Mr. Brennan has stated publicly that there was a meeting on March 19, 1985. Now, obviously, he is a private citizen, not a public official nor a public employee. He has already indicated that there was a meeting held on March 19, 1985. So, I think for a government official to declare secrecy regarding a meeting of that sort is ludicrous. As far as you know, Mr. Mulcahy, was there such a meeting?

MR. MULCAHY: Assemblyman, Mr. Brennan is free to comment in any way he wishes to. We conduct our business in a certain way, and that is all I am going to say.

ASSEMBLYMAN RILEY: The Sports Authority's meetings, such as that one, are private and they are not to be disclosed to the Legislature or to the public, is that what you are saying?

MR. MULCAHY: We have meetings all the time about things that affect the Sports Complex. We are in competition every day. We are in competition with the Garden, with the Spectrum, and with a variety of racing interests that affect the Sports Authority and our responsibility to our bondholders. We have to do what we think is best to accomplish a bottom line, just as any other business does. We have made this a policy in the process of doing that because a variety of negotiations go on.

Obviously, any conclusions we reach are made public; they have to be made public. Minutes are kept and they are signed by the Governor.

ASSEMBLYMAN RILEY: Well, this is something that is now a fait accompli. Very frankly, it was authorized by a bill which was ramroded through the Legislature, based upon statements made. This Subcommittee is trying to find out whether the Legislature was hoodwinked, or whether this entire matter was a sham.

If there were meetings, I think the Legislature and the people of the State of New Jersey should be entitled to know something about them, particularly when Mr. Brennan has made statements as a result of those meetings. I think the people of New Jersey and the people of Monmouth County should know whether they occurred or not, and if they did occur, they have a right to know what was said. You disagree, obviously.

MR. MULCAHY: Obviously. May I comment, please?

ASSEMBLYMAN RILEY: Yes.

MR. MULCAHY: I continue to sit here and listen to you talk about a sham, ramroded, and hoodwinked. I deny all those things because I think they are untrue. I haven't heard anything said here today which indicates they are true.

ASSEMBLYMAN RILEY: Well, we are obviously now into a situation where a bill was introduced on December 6th and it was signed into law on December 18th. It was a rather massive bill which allowed this.

Quite frankly, I have been around for a few years, and Bill Flynn has been around for a few years. I would say, without any question, that this was the most comprehensive piece of legislation I have ever seen, as far as sweeping legislation is concerned. In fact, I said on the floor -- and it was quoted in an AP article -- that it was by far the most sweeping piece of legislation I had ever seen. I said that in December, so I am not saying anything today that I didn't say at that time.

MR. MULCAHY: Whether or not it is the most sweeping, I think, is a matter of definition. There have been other bills passed -- and both of us have been around long enough to know and understand that there have been other bills -- which have been far more sweeping.

ASSEMBLYMAN RILEY: In 13 days?

MR. MULCAHY: In quicker time.

ASSEMBLYMAN RILEY: Your memory is better than mine.

In any case, Mr. Brennan has made several public statements. Obviously, Mr. Brennan was also negotiating with Monmouth Park. Apparently -- according to the articles in the newspaper and according to the statements made by Mr. Brennan -- he, in fact, offered a higher price for the Park than did the Sports Authority.

As a basic philosophical question, do you believe that if we can attract a private entrepreneur with independent capital -- private capital for an independent venture -- who would pay the same, or, in this case, a greater amount, the public sector should come in and supersede this by saying, "No, we are going to do it?" Does the Sports Authority believe that they should be able to do that, as they have in this situation?

MR. MULCAHY: First of all, I don't think this is an answer that should necessarily come from the Sports Authority. We made an offer. They made an offer. The directors of Monmouth Park have a responsibility, under the law, to do what they think is in the best

interest of Monmouth Park. They are the ones who have to exercise that responsibility, not us.

Obviously, there are things that boards of directors take into consideration; they have to do this with a variety of economic issues. They are the ones who had to make the decision. We did not make it for them, and I am not going to reflect upon why they may have made this decision. I do not think those issues can be properly answered by us. We are not running Monmouth Park.

ASSEMBLYMAN RILEY: In your position as Executive Director, do you think that the Sports Authority should be put in a position where they have to compete with a private entrepreneur under the circumstances we are discussing today?

MR. MULCAHY: Assemblyman, I think that question was answered in 1971 when we were put in business, essentially to operate as any other private business does. I think that was reinforced when the Legislature passed the bill in December of 1984.

I think you should look at the history of Garden State Park and the kinds of governmental relief it received when it started: The EDA loan, the guarantee of 100 racing days in the spring, and the tax abatement. You may or may not be aware of the fact that the one-half of 1%, and the manner in which they pay that, is an even greater benefit than the Sports Authority enjoys.

ASSEMBLYMAN RILEY: That was my bill.

MR. MULCAHY: I think when we talk about these things, we have to look at the whole perspective and all the items, and not just focus on one aspect of it.

ASSEMBLYMAN RILEY: Okay. You mentioned Garden State. At the time of the fire at Garden State, and the ensuing study, isn't it a fact that the Sports Authority did a feasibility study regarding the economics of Garden State?

MR. MULCAHY: Absolutely.

ASSEMBLYMAN RILEY: What was the result of that feasibility study?

MR. MULCAHY: There were two feasibility studies done, one in 1978, before I was there, and one in 1980. Those feasibility studies

were predicated upon 100% bond financing and debt service repayment. Under those schemes, the pro forma statements were marginal, and that is why the Sports Authority did not go ahead with it.

ASSEMBLYMAN RILEY: The Sports Authority found it was not feasible economically, is that correct?

MR. MULCAHY: The Sports Authority found that it was marginal, and at that time we determined not to go ahead with it.

ASSEMBLYMAN RILEY: Did you prepare an economic feasibility study regarding the purchase of Monmouth?

MR. MULCAHY: We have done our own feasibility projections on Monmouth, and I think it is fair to say there were other issues involved at Monmouth.

You know, when the Sports Authority was created and we put together this \$450 million investment -- 75% of which is paid for by racing; that's 75% of our net revenues -- we had a responsibility to those bondholders and to the State of New Jersey to protect that investment. When you talk about protection of that investment, you have to look at both the standard-bred industry and the thoroughbred industry and one of the considerations of the Authority was to look at the thoroughbred industry and the positioning our thoroughbred meet was being placed in in the fall. It became a consideration, in our judgment, as to what we would do to protect our interest. That was a legitimate consideration.

ASSEMBLYMAN RILEY: Back to the question. Was there a full feasibility study prepared? I saw one when Garden State was being studied. In fact, the word you used before, "marginal," rang a bell. Was there a full study prepared and, if so, is it available?

MR. MULCAHY: We have not done a feasibility study on Monmouth Park to the degree you are talking about, with an outside consultant, but we have done our own feasibility projections, which we are pretty good at now because we have been in the racing business long enough.

ASSEMBLYMAN RILEY: You used an outside consultant for Garden State.

MR. MULCAHY: We had a different situation there. At that point, Garden State was not in existence. It burned down.

With Monmouth Park, we have a reality because we have the actual numbers to look at.

ASSEMBLYMAN RILEY: I believe the number for 1983 — which was the last number I saw — was \$324,000.

MR. MULCAHY: Understand, the manner in which accounting is done in the private sector as opposed to the public sector is different. Obviously, we are not going to buy something if we do not think we can make money on it.

ASSEMBLYMAN RILEY: You are saying that the number will be substantially greater if the Sports Authority takes over? It will not be \$324,000, especially in light of the fact that the Attorney General has eliminated simulcasting?

MR. MULCAHY: We project that we can make money without simulcasting. Obviously, we are not going to buy the track if we can't make money.

Reality can always be different; however, if we didn't project that we could make money, we would not have bought the track, nor would we have attempted to buy it.

ASSEMBLYMAN RILEY: Maybe I am wrong, but it always seems to me that when government does things it costs more.

If Monmouth, as a private enterprise, makes \$324,000 and you are still going to pay taxes to the local community as if you were a private entrepreneur, where would the differences be, as you describe them — such as accounting differences — between the \$324,000 and another figure?

MR. MULCAHY: First of all, if the sale is completed, at that time we would obviously be delighted to come back and go over the specifics of the purchase.

However, beyond all that, I will just bring up two items. One is depreciation. That is the tax advantage taken by a private sector business. I think, in the case of Monmouth Park, that is some \$600 or \$700 thousand. The corporate taxes they pay are another item. Right there, that is an item in excess of \$1 million.

ASSEMBLYMAN RILEY: And, that is where you project an economic advantage?

MR. MULCAHY: Those are specifics which refer to levels of what would happen if the debt service wasn't paid over the first five years.

ASSEMBLYMAN RILEY: Have you ever heard anyone in the Sports Authority say that the reason for the purchase of Monmouth Park was to block ITB from purchasing it?

MR. MULCAHY: I think I said before that when we look at our own racing program, we have to make an effort to protect the investments we have. We would be poor businessmen if we didn't attempt to protect our investments.

ASSEMBLYMAN RILEY: Does that mean, therefore, that one intent was to block ITB?

MR. MULCAHY: Not specifically to block ITB, but to prevent the Sports Authority's thoroughbred meet from being pushed into a corner and isolated.

ASSEMBLYMAN RILEY: Can you elaborate on that? Does that mean you were afraid of ITB more or less controlling the circuit, the year-round circuit?

MR. MULCAHY: I think there was every concern. That was not expressed by me; it was expressed by horsemen's groups and by everyone else who appeared at public hearings over the past several months.

ASSEMBLYMAN RILEY: If the Legislature enacted something to stop that from occurring and to make it, for instance, a criminal offense to in any way try to mandate that someone could only participate in a tri-track type of an operation, do you think that would be a good idea, a bad idea, or no idea at all?

MR. MULCAHY: I don't think you can mandate that. If you look at the things that are said publicly in New York by the Director of Racing, Lenny Hale, about horses coming to New Jersey and the inability of their owners to get stall space when they go back, you will see that there are very subtle things that can be done in the industry to protect investments. I am not sure you will ever get anyone to say they were specifically told to do this, that, or the other thing. New York happens to have been blatant about what they said because they were upset about New Jersey and the prominence we have achieved.

MR. MULCAHY: Well, it is part of it. You asked me a question about how these things are different and I responded to that.

ASSEMBLYMAN RILEY: Okay. You indicated that you wouldn't discuss Mr. Hanson. Mr. Brennan has been quoted in the newspapers as indicating that he was told the ITB would not be allowed to purchase Monmouth, and that the "The Sports Authority was the anointed one." Have you ever heard discussions by anyone from Monmouth or the Sports Authority which indicated such an attitude?

MR. MULCAHY: No. I wish we had been anointed; it would have made the whole process much easier.

ASSEMBLYMAN RILEY: You were never party to any meetings where that was said?

MR. MULCAHY: To anoint us? Absolutely not.

ASSEMBLYMAN RILEY: I am saying that ITB would not be allowed to purchase it.

MR. MULCAHY: I don't understand what you mean by that. Are you assuming we could prevent them from buying?

ASSEMBLYMAN RILEY: That someone could prevent them from buying.

MR. MULCAHY: I don't understand.

ASSEMBLYMAN RILEY: You were not party to any conversations where something like that was said?

MR. MULCAHY: Absolutely not.

ASSEMBLYMAN RILEY: The sale was announced on the 12th of April, I believe.

MR. MULCAHY: I think that is the correct date.

ASSEMBLYMAN RILEY: At least in principle, when was the sale agreed to?

MR. MULCAHY: I believe that the 12th of April was a Wednesday. The announcement was made following action by the Board of Directors of Monmouth. Initially, that announcement came from Monmouth Park, not us. They were the ones who had to make the determinations and take a position on the various proposals that had been made -- or offers that had been made.

ASSEMBLYMAN RILEY: Were there any ongoing discussions in December of 1984, when we passed the baseball bill?

MR. MULCAHY: In December of 1984, I believe the issue was dead. It was not active at that point.

ASSEMBLYMAN RILEY: Yet, the Sports Authority was actively lobbying for the bill in December of 1984. If it was dead, why would you have been lobbying for the bill?

MR. MULCAHY: Assemblyman, first of all, one of the reasons the Sports Authority has been a success is because it has had a record of planning ahead. Certainly, it is part of my responsibility, as Chief Executive Officer, to attempt to look ahead and project where we are going to be in three or five years, and what we will do in order to protect ourselves.

There are a variety of issues that affect us. Racing is one of them. Racing has to affect us because it represents so much of our bottom line. It has been part of our success story. We have been able to rejuvenate the industry in this State.

Second, there are issues with franchises down the road that we feel we have to deal with in order to protect the interests of the Sports Authority.

When we sit down to project a bill, and the kinds of things we are going to face over the next several years, we attempt to cover those things. That is only good planning, and that is all we attempted to do with this bill.

ASSEMBLYMAN RILEY: With regard to the merger agreement, it is dated April 11, 1984.

MR. MULCAHY: Is that the letter of intent?

ASSEMBLYMAN RILEY: Yes. It is the principal stockholders' agreement. There is no name on this. Is this from Mr. Hess?

MR. MULCAHY: I believe that is— There is more than one principal stockholder, but in this case, I think you are talking about Mr. Hess.

ASSEMBLYMAN RILEY: His name is not mentioned here.

MR. MULCAHY: I think somewhere in one of those papers there is a recitation of the principal stockholders.

ASSEMBLYMAN RILEY: It says "principal stockholders," but who is involved is not mentioned.

I believe Mr. Hess owns over 30% of Monmouth, is that correct, as far as you know?

MR. MULCAHY: Yes.

ASSEMBLYMAN RILEY: I believe he is also the principal owner of the New York Jets, is that correct?

MR. MULCAHY: That's correct.

ASSEMBLYMAN RILEY: The New York Jets is a tenant of the Sports Authority, is that correct?

MR. MULCAHY: That's correct.

ASSEMBLYMAN RILEY: Were you at all involved in the negotiations for the lease regarding the New York Jets?

MR. MULCAHY: Absolutely.

ASSEMBLYMAN RILEY: Was there anything brought up at any time regarding the New York Jets? In the New York Jets' negotiations for their lease, was there anything mentioned regarding Monmouth Park or the purchase of Monmouth Park?

MR. MULCAHY: There was never any connection between the two issues. We were very strong about that; Mr. Hess was very strong about that. One is independent of the other.

ASSEMBLYMAN RILEY: There were no discussions? There were no simultaneous discussions about Monmouth Park at the time?

MR. MULCAHY: One had nothing to do with the other, and the discussions were not intermingled.

ASSEMBLYMAN RILEY: Regarding the area around the Park, the letter of intent refers to 300 acres. What is the Sports Authority's position and/or intent, if you know, regarding the sale -- which appears to be mandatory in this -- at public auction, of those 300 acres? What specifically are they referring to?

MR. MULCAHY: You would have to look at a map. I think it was described by either the Mayor or one of the Assemblymen who talked about the unused area.

I can't tell you what our intent is because we haven't reached any conclusions. I stand on the statement I made concerning our discussions with the Mayor. I can't say any more about it.

ASSEMBLYMAN RILEY: This mentions, very specifically, 300 acres, \$50 thousand, \$6 million, etc. You don't know what that is?

MR. MULCAHY: Those are specifics which refer to levels of what would happen if the debt service wasn't paid over the first five years.

ASSEMBLYMAN RILEY: Have you ever heard anyone in the Sports Authority say that the reason for the purchase of Monmouth Park was to block ITB from purchasing it?

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ASSEMBLYMAN RILEY: If the Legislature enacted something to stop that from occurring and to make it, for instance, a criminal offense to in any way try to mandate that someone could only participate in a tri-track type of an operation, do you think that would be a good idea, a bad idea, or no idea at all?

MR. MULCAHY: I don't think you can mandate that. If you look at the things that are said publicly in New York by the Director of Racing, Lenny Hale, about horses coming to New Jersey and the inability of their owners to get stall space when they go back, you will see that there are very subtle things that can be done in the industry to protect investments. I am not sure you will ever get anyone to say they were specifically told to do this, that, or the other thing. New York happens to have been blatant about what they said because they were upset about New Jersey and the prominence we have achieved.

I think one thing we have to do is focus in on the positive things that have happened, even since the letter of intent was signed. Conclusions, judgments, and cooperation have been put together by the thoroughbred racing interests in this State, in particular. A Council on Racing has been formed among the racetracks in the State. A New Jersey challenge that will put together the Jersey Derby, the Haskell at Monmouth, and the Pegasus at the Meadowlands, has already been announced in an effort to strengthen an interest in racing in New Jersey.

There have been committees formed to talk about additional races as part of a total program which will award bonuses to trainers. There are all kinds of things to give New Jersey racing a positive identity and an ability to compete.

I think this is historic. If you look at racing around the country, in other states-- New York is fighting; Florida is fighting; and even California is having its differences. One of the things that has happened in New Jersey as a result of all this is that for the first time in a long time the industry is achieving some kind of cooperative spirit.

ASSEMBLYMAN RILEY: I believe the positive impacts you are referring to are mainly due to an agreement between the Sports Authority and ITB.

MR. MULCAHY: That's correct.

ASSEMBLYMAN RILEY: Which occurred after the sale was announced.

MR. MULCAHY: That's correct.

ASSEMBLYMAN RILEY: From reading between the lines, I guess it would be fair to say that the Sports Authority made a positive move to stop ITB from buying Monmouth.

MR. MULCAHY: No, the Sports Authority made an effort to purchase Monmouth Park itself.

ASSEMBLYMAN RILEY: But, that was definitely an incentive, from what you have already said, because you wanted to make sure that a purchase did not occur, is that correct?

MR. MULCAHY: Within the considerations I mentioned before -- and I think they were legitimate business considerations -- one thing you do is protect yourself. I would be remiss in my responsibility as a CEO if I didn't take that into account and make those kinds of recommendations to the board.

ASSEMBLYMAN RILEY: Mr. Hanson said that the Sports Authority knew that the purchase of Monmouth was not economically feasible. Do you agree with that?

MR. MULCAHY: No. If I did, we wouldn't be purchasing it.

ASSEMBLYMAN FLYNN: What is a ball park figure for the purchase price?

MR. MULCAHY: Depending on an election on the part of the stockholders as to whether they are going to take bonds or stock, it is somewhere between \$40 and \$45 million. It is probably \$43 million.

ASSEMBLYMAN FLYNN: If you had to pay, say, 8% or 9% on that--

MR. MULCAHY: (interrupting) Nobody would buy it.

ASSEMBLYMAN FLYNN: What I am saying is, how will you be able to generate the kind of revenue needed just from operating the track?

MR. MULCAHY: Assemblyman, no one would buy it. One would have to look at the other aspects of racing in the State to make a determination as to whether or not it is an industry that is worth promoting. We are talking about 33,000 people involved in racing in this State, from the farms on up. It is a major industry in this State. It is growing. Hopefully, it is going to grow larger as the thoroughbred industry and the standard-bred industry expand.

One of the things that has happened as a result of the Sports Authority is that the standard-bred industry in the State has started its own farms and its own breeding. In fact, we have become the leader in standard-bred racing in the country.

One of our concerns is that all the other interests in standard-bred racing seem to be declining. But, we have become strong; we have created incentives; and, I think we are going to get stronger with Garden State running 100 days of standard-bred racing in the fall.

ASSEMBLYMAN FLYNN: What I am driving at is -- to follow Assemblyman Riley's point -- that, economically, just owning and operating the track wouldn't be feasible. Is that fair to say?

MR. MULCAHY: No. I think that is based on the assumptions under which you own it, or the laws under which you own it.

ASSEMBLYMAN FLYNN: Based on the maximum revenue you could get, given the fact that you have a better tax structure than a private owner does--

MR. MULCAHY: (interrupting) Oh, wait a minute. We have the same tax structure, insofar as the State is concerned.

ASSEMBLYMAN FLYNN: No, you don't pay income tax.

MR. MULCAHY: Well, that is a different issue. We don't always know if the private owner is going to pay income tax either. It depends on how they put together their corporate structure.

ASSEMBLYMAN RILEY: What are those two things you have to do? Die and pay taxes?

ASSEMBLYMAN FLYNN: Anyway, you have an inherent advantage because you don't have to pay Federal income tax and other things.

Given the best you can achieve with all those inherent advantages, I think it is fair to say -- and you pretty much agreed -- that you wouldn't necessarily be buying it to make a profit because the profit wouldn't be there. Isn't that what you were saying?

MR. MULCAHY: Assemblyman, we are buying it to make a profit; I thought I made that clear.

ASSEMBLYMAN FLYNN: Well, I am not convinced you are buying it to make a profit. I think you are doing it to preserve your position in the racing industry.

MR. MULCAHY: That is one aspect of it.

ASSEMBLYMAN FLYNN: That is a good position; I am not disagreeing with it. My only concern with that position is -- and, basically, all the speakers who spoke earlier are concerned about this -- that Monmouth Racetrack remains a first-rate, competitive racetrack, and that it not be considered a satellite, a farm, or whatever. I want it to stay a first-rate racetrack. If the profit margin is not there, I am concerned that you might do something with the current way it is

operated because you are not really buying it to make that big a profit. It is not a "cash cow," let's put it that way.

MR. MULCAHY: Assemblyman, we do a lot of things at the Sports Complex that may not necessarily produce a profit. You can look at those events, and I will be happy to sit down and talk to you about them. We do these things because they are the responsibility of the kind of operation we are.

I think all you have to do is look at the manner in which we run things at the Sports Authority. I think it is wrong for you to sit here and think that we would let something like that happen.

Obviously, Monmouth is a jewel. You know, everybody sits here and makes these statements about how great Monmouth is. If we didn't think Monmouth was great, we wouldn't be interested in it. I think it is wrong to assume the kinds of things you are saying, having looked at the record we have established over the last 10 years.

ASSEMBLYMAN FLYNN: We just want to make sure that one of your goals is to continue to run it as the first-class operation it has been in the past. That is our goal.

MR. MULCAHY: I am not aware of anything we have done that is not first-class. Our record is nationwide.

When you do a poll, as the Eagleton Institute did-- They determined that the single greatest factor in the turnaround of the image of the State -- with people thinking positive about this State -- was the role the Sports Authority has played. I think that speaks, eloquently, for itself.

ASSEMBLYMAN FLYNN: We are not putting the Sports Authority on trial.

MR. MULCAHY: No, but I sense, from the way some of these questions are asked, that you were impugning our motives.

ASSEMBLYMAN FLYNN: No, I just want to make sure that your motive is to continue the operation of this track. As a Sports Authority, you said you are a businessman; you are a CEO; you have to look at profit and loss; you have to look at a lot of things that perhaps someone at the local level of government doesn't have to look at. If you find something is continually running in the red, you may have to make changes in that structure.

We are just concerned that we will continue to have Monmouth not just because of the profit and loss the track shows, but because of the ripple effect: The five jobs in one Long Branch restaurant; the five jobs in another restaurant; and, the tremendous amount of revenue it brings into the economy of Monmouth County. That is what we are concerned about. We don't want to see that lost, that's all. We just want some sense that you do have that commitment, and that this is going to continue to be a track that will be a jewel and not a sort of satellite facility. That is the only commitment we are looking for in Monmouth County.

MR. MULCAHY: I make that statement unequivocally.

ASSEMBLYMAN FLYNN: Thank you.

ASSEMBLYMAN RILEY: As far as the 86 race days are concerned, is that an accurate figure?

MR. MULCAHY: Assemblyman, that is accurate. As you recall, you were one of the sponsors of that amendment in the bill back in December. It was an amendment that both you, Garden State, and Mr. Brennan requested long before anyone knew who was going to purchase Monmouth Park.

ASSEMBLYMAN RILEY: The 86 number wasn't in there.

MR. MULCAHY: Well, the language that directly related to the number of days allocated by the Racing Commission at that point was calculated to be 86. I remember the Legislature, during the debate, spoke to the issue that it was 86 days.

I also think, when we are talking about the mandated days and the reduction of days, we should look at the legislation that authorized Garden State Park. When the legislation indicated that Garden State would be guaranteed 100 days, they, in effect, sealed, within general parameters, what the circuit for thoroughbred racing was going to be. Once you put 100 days on the first end of a meet, and you talked about a level of racing that was the same, or generally the same, between Garden State, Monmouth, and the Meadowlands -- because that was the whole theory of the concept you created, a circuit -- you already arbitrarily limited the number of days Monmouth Park could run.

I think that ought to be made very clear in the record. This is not something we did to deliberately restrain the number of days that affect Monmouth Park; this was done by the Legislature, quite beyond the purview of the Racing Commission, which generally allocates the days.

ASSEMBLYMAN RILEY: Speaking about the whole purview of the amendments to the bill, I remember you coming in. We had a meeting of the delegation and I believe you, Mr. Brennan, and the Governor's attorney were at that meeting. My recollection of that meeting is that its major emphasis was on baseball. It was called the baseball bill. Is that your recollection?

MR. MULCAHY: I'm not sure. Was that the Committee hearing held upstairs? I was not there.

ASSEMBLYMAN RILEY: It was held earlier, downstairs, when we had all the legislators from South Jersey together in the majority lounge.

MR. MULCAHY: No, I was not there.

ASSEMBLYMAN RILEY: I thought you were there. At that time, it was sold to us-- Again, we are not trying to impugn you or the Authority; we are trying to find out what happened, in retrospect, when some of these things occurred. We were told that there were ongoing negotiations on the part of the Sports Authority, in December, for two baseball teams. Specifically mentioned were the Pittsburgh Pirates and the Cleveland Indians. Were there such negotiations?

MR. MULCAHY: First of all, I was not in the room, so I did not make that statement, but I will make this statement to you: First of all, if you look at what has transpired in baseball within the last six months, it is obvious that baseball is in a state of turmoil. There has been well-documented evidence that several of the teams are having financial difficulties.

ASSEMBLYMAN RILEY: I believe all but two reported a loss, is that correct?

MR. MULCAHY: No, I think there was a greater number than that making a profit, but it doesn't matter. It was clear to us because, number one, we had an interest in baseball. Number two,

understand that when you are going to exercise an interest depends upon events that are taking place in that particular sport, and we had to get active very quickly.

We made the determination that to build a baseball stadium on our current site was probably not a good idea because the management of people within the framework of that complex by having three facilities operate at night, would not work. We would turn our patrons off. One of the strong points of the Authority operation has been the manner in which we have taken care of our patrons. We reached the conclusion that we had to build a baseball stadium, and if we were going to build it, we had to do it somewhere else.

Once we reached that conclusion, it was very difficult to deal with people without the authority to go forth and do it. I think that was the point we made to the Legislature at that time: We could not be a real player in the game unless we had the clout that went with the authority to do it. We represented that honestly.

Secondly, at that time there appeared to us to be a window of opportunity to purchase a baseball team. Within two weeks of the time the bill was passed, there were discussions and an option offer was made on a major league team. This did not result in the completion of those negotiations at that time. However, those discussions are ongoing. There are several teams that have evidenced an interest, and we can only negotiate so far. One side cannot necessarily bring negotiations to fruition.

However, I represent to you that within a very short period of time after that bill was passed, there was a legitimate option offer made.

ASSEMBLYMAN RILEY: To a baseball team?

MR. MULCAHY: To a major league baseball team.

ASSEMBLYMAN RILEY: Which team was that?

MR. MULCAHY: We have never made that information a part of our public process; we can't. We never did it when we were negotiating with NFL teams. Once people believe they are in negotiation, if we start to talk about the negotiation, we do not have one. That is a fact of life.

You asked me a question, and you have to take me to be an honorable man, and know that my response is honorable.

ASSEMBLYMAN RILEY: So, you are saying that at the time we rushed to judgment--

MR. MULCAHY: At the time we passed the bill, we believed there was a window of opportunity. We subsequently followed that up with an option offer that was not completed.

ASSEMBLYMAN RILEY: So, there were negotiations going on prior to December 13th?

MR. MULCAHY: Well, I won't say they were going on. It became clear to us that there were opportunities for these discussions to go on, and we had to be in a position to be a player.

ASSEMBLYMAN RILEY: We were told there were negotiations. As a Committee, we were told there were negotiations.

MR. MULCAHY: It is a question of how you define negotiations. Were there discussions? Yes. There have been discussions about baseball for the last two years. Whether we had actual negotiations or discussions, I think, is a question of semantics. I prefer to characterize those things as discussions until we can really, legitimately, talk about specifics.

ASSEMBLYMAN RILEY: I will change semantics to words. Were there any meetings held between the Sports Authority and owners of professional baseball teams, prior to December 13th, with regard to a baseball team coming to New Jersey?

MR. MULCAHY: Yes.

ASSEMBLYMAN RILEY: In December, 1984 -- before the 13th -- there were such meetings?

MR. MULCAHY: Yes.

ASSEMBLYMAN RILEY: And those meetings continued?

MR. MULCAHY: Yes.

ASSEMBLYMAN RILEY: You said there was one rejection. Are there any other teams considering New Jersey today?

MR. MULCAHY: I am not going to go any further other than to say there were active discussions going on. I am not even going to characterize anything as a rejection; it just did not come to fruition. It may crop up again.

ASSEMBLYMAN RILEY: This Subcommittee has checked with several teams. It has not found--

MR. MULCAHY: (interrupting) Assemblyman, do you think that anyone who is currently negotiating is going to tell their local constituency that they are going to move? They would have to be out of their minds; they would never do that.

ASSEMBLYMAN RILEY: I presume the answer to that would be no.

ASSEMBLYMAN FLYNN: Which is going to come first, a firm agreement with a team or the start of a baseball stadium?

MR. MULCAHY: Assemblyman, we have been very forthright about that. We are not going to start a stadium without a team. So, if you see something developing regarding a stadium, you can assume the team won't be far behind.

ASSEMBLYMAN FLYNN: Okay. Sometimes they say it is a chicken and egg situation. The team won't come unless they know they have a stadium.

MR. MULCAHY: There is no question about that, but we have taken the posture that unless we have an agreement with a franchise, we will not go ahead with a stadium. That doesn't mean we won't look at sites for something else.

ASSEMBLYMAN FLYNN: Are you still looking at sites--

MR. MULCAHY: (interrupting) Absolutely.

ASSEMBLYMAN FLYNN: (continuing) --or have you narrowed it down?

MR. MULCAHY: Well, generally, we have a pretty good idea; people have offered us sites, and they generally conform to what our market surveys indicate are areas which are likely to be productive.

ASSEMBLYMAN FLYNN: Is it fair to say that it is not going to be in the Monmouth Park area?

MR. MULCAHY: It is fair to say it is not going to be in the Monmouth Park area, yes.

ASSEMBLYMAN FLYNN: That will allay some of the local people's fears about that.

ASSEMBLYMAN RILEY: How long does it take to build a baseball stadium?

MR. MULCAHY: Depending on whether you do a fast-track

construction operation, probably 18 months to two years.

ASSEMBLYMAN RILEY: If I read what you are saying correctly, it would take 18 months to two years to build a baseball field, if you do it quickly; and, you would not build one unless you had a team in your pocket.

MR. MULCAHY: That's correct. Let's not say in our pocket; let's talk about the fact that we would have an agreement.

ASSEMBLYMAN RILEY: In the meantime, you already stated that if it was let out by anyone in the area of the team's present home that the team was going to move, there would be a local uproar and an economic disaster for the team, as evidenced by the Philadelphia Eagles' situation. So, you presume you will be able to hide this agreement for two years?

MR. MULCAHY: No, I didn't say that. What I said was, until they reach an agreement, no one is going to talk about the fact that they are negotiating.

There are situations right now which are economic disasters because of just such an admission by their owners. I think it would depend on the negotiations and how the interim period was worked out.

ASSEMBLYMAN RILEY: But, for two years we will not have a baseball stadium in New Jersey.

MR. MULCAHY: No, but that doesn't mean we might not be able to construct a temporary facility which could house a team for that period of time.

ASSEMBLYMAN RILEY: A temporary facility to house a professional baseball team?

MR. MULCAHY: That's correct.

ASSEMBLYMAN RILEY: How long would it take to construct something that would house a professional baseball team?

MR. MULCAHY: Well, there are a variety of things that can be done, and I think you are as imaginative as I am; you can figure out how to do that. I am not going to sit here and talk about the kinds of things we have thought about because we want to use them when we negotiate.

ASSEMBLYMAN RILEY: A temporary facility for a professional baseball team?

MR. MULCAHY: Yes. Sure. There have been a lot of temporary facilities. You saw it with football. You saw it with other facilities they have played in. The Nets played at Rutgers Gymnasium for two years while the arena was being built.

ASSEMBLYMAN RILEY: Rutgers Gymnasium happened to have a capacity similar to that of a professional basketball team.

MR. MULCAHY: No, it was about one-half the size; it was 8500.

ASSEMBLYMAN RILEY: But, when we talk about a professional baseball team, we are not talking about that. That is not a temporary facility; that is an existing State-owned facility. I think we are comparing apples and oranges here.

MR. MULCAHY: No.

ASSEMBLYMAN RILEY: Well-- We will now get back to the basic philosophical question. Since the announcement was made that most baseball teams are losing money because of multi-million-dollar baseball contracts, do you think, philosophically, the State of New Jersey or any entity therein should be buying a baseball team?

MR. MULCAHY: We haven't necessarily said we were going to buy a team. Frankly, we would expect some private individual to buy. We have had several people come to us. We aren't looking to buy a team. We made that clear. One of the things we are interested in is related to the ability to keep existing franchises here. Sometimes we have to be in a middleman position in order to be able to step in, in a given situation, take it over, and then sell it.

For instance, Green Bay is a publicly owned franchise of the NFL.

ASSEMBLYMAN RILEY: But, Green Bay was built in the days--

MR. MULCAHY: (interrupting) I understand that, but that doesn't mean we--

ASSEMBLYMAN RILEY: (continuing) Again, we are talking about an economic situation.

MR. MULCAHY: But, that doesn't mean we can't be creative. One of the things I think everyone forgets is that the history of the Sports Authority has been marked by creative initiatives. I think we

have been successful because we have had the ability to create initiatives that are different.

In fact, our marketing concepts in racing have been copied all across the country. I think it is inappropriate to sit here and think we can't be creative with some of these things.

ASSEMBLYMAN RILEY: I will change this to a very specific question. Do you think the bill should be changed to prohibit the Sports Authority from purchasing and/or owning, and/or having an interest in, a team -- not a stadium, a team?

MR. MULCAHY: Absolutely not.

ASSEMBLYMAN RILEY: If you are opposed to such a thing, then you believe that some day, down the road, if, for instance, the Authority owned a team, there would be no uproar in the State if a toll collector made 'x' number of dollars, if the State of New Jersey was paying someone \$2 million? You think, philosophically, that is okay?

MR. MULCAHY: I think that if you look at what exists in the Sports Authority now, you will find franchises there; there is a racing program for which we pay \$1 million in races and \$2 million in purses. That is going to individuals. It is a question of the kind of business we are in.

I think to put that kind of an equation together is wrong. The purpose in having the ability to own a team is to be in a position to maximize our opportunity. Right now, we have achieved a status as the preeminent sports and entertainment address in this country. We intend to retain that status.

I think if you look around the country, at the kinds of things that are happening in other cities, we don't want to be in their position, and the one way we can avoid that is to be able to control our own destiny. That is all we are seeking to do here.

ASSEMBLYMAN RILEY: You say your own destiny, but isn't the background, the power, and the financial situation of the State of New Jersey also behind your destiny?

MR. MULCAHY: Assemblyman, when the Sports Authority was created in 1971, there were a lot of doom and gloom soothsayers who talked about all these kinds of things. I think our record has

indicated how we handled that responsibility. That is probably the best answer I can give you as to how we would handle them in the future. You can only judge us by our past record.

ASSEMBLYMAN RILEY: This is now a situation where you plan to own entities. Baseball teams are known entities. The Monmouth Park Jockey Club is a known entity. You have done a tremendous job from the ground up in building what you have built, but aren't you now going into different types of ventures which have been, almost exclusively, in the private sector?

MR. MULCAHY: I think it is unlikely that the kinds of things you are talking about are going to happen. I think what is more likely is the fact that we want to protect ourselves in the event we were successful in achieving franchise locations by preventing them from leaving. That is really what our concept is.

I don't want to hamstring our ability to operate in that area. I think those things have a tendency to take care of themselves. If we can generate a bottom line, we are okay; if we can't, we are not going to do it.

ASSEMBLYMAN FLYNN: There has been some publicity recently by those seeking to privatize the Sports Authority. Obviously, you are not in favor of that, but can you give us a reason why that would be a bad idea?

MR. MULCAHY: I think when the Sports Authority started, it came about as an effort to fill a vacuum that occurred in the racing industry, and in the sports industry, of this State. It also gave the State an ability to compete. I think we have achieved that.

Whenever someone is successful, there is a tendency, I think, to look at them and say, "We would like to have that, but by using a different method." I think the greatest tribute we could have had was when Mr. Brennan thought enough of our operation to employ 18 of our people at Garden State Park. Certainly, if we were incompetent, he would not have employed them.

I think the whole issue -- and I will go back to what I said before -- was settled in 1971, when we were put in business. If you look at both the tangible and intangible assets that the Sports

Authority has provided for the State of New Jersey, therein lies your answer.

ASSEMBLYMAN FLYNN: Well, assuming that someone came along and offered \$1 billion, for example -- which is probably what your complex is worth -- in order to put that into the private sector--

MR. MULCAHY: (interrupting) We have certainly done well in a 10-year period of time.

ASSEMBLYMAN FLYNN: Yes. Fantastic. I am just saying, suppose someone came along and offered that amount of money, what would be a reason to oppose that offer?

MR. MULCAHY: I think that would depend on what you are going to do with the money. Secondly, you are talking about a bunch of ifs that are not here, and also about how the money would then be dissipated. The Sports Authority is an ongoing asset to the State of New Jersey, its people, and its bondholders. You are talking about bondholders who have a stake here, not taxpayers.

ASSEMBLYMAN FLYNN: Well, the bonds would be paid off.

MR. MULCAHY: Absolutely.

ASSEMBLYMAN FLYNN: You would then have additional moneys going into the private sector which, of course, would be taxable at that point.

MR. MULCAHY: Depending on what kind of a deal was made. Everyone is out to make a deal which is advantageous to themselves. There has been no such deal presented, other than abstract comments -- in this case by someone who is upset because he did not win Monmouth Park.

ASSEMBLYMAN FLYNN: Yes. It may just be an off-the-wall remark. I don't know.

MR. MULCAHY: I think he also indicated this week that he is no longer interested in the Park.

ASSEMBLYMAN FLYNN: Maybe someone else will come along, make the same comment, and then perhaps back it up.

MR. MULCAHY: When someone comes forth and presents the money, we will then deal with the issue.

ASSEMBLYMAN FLYNN: Thank you.

ASSEMBLYMAN RILEY: Thank you, Mr. Mulcahy.

MR. MULCAHY: Thank you very much, gentlemen.

John Degnan?

JOHN DEGNAN: Mr. Chairman, I have a check with me for \$1 billion. (laughter) Maybe we can get Mr. Mulcahy back up here.

MR. MULCAHY: Thank you, John.

MR. DEGNAN: Mr. Chairman, I am John Degnan. I am Director and a member of the Executive Committee of International Thoroughbred Breeders. I am here representing that corporation and Mr. Brennan, in response to the invitation which was issued from this Subcommittee for someone from ITB to appear.

As you know, Mr. Chairman, Mr. Brennan spoke to you, and he made arrangements to be available on either of the first two dates this session had been scheduled to be held. However, he was unable to free himself up in order to be here today.

I am really here to respond to the Subcommittee's questions, but before doing that, with your permission, I would like to reiterate the position that Bob Brennan has personally articulated, and which represents a consensus of the Board of Directors of International Thoroughbred Breeders: There is no need for public involvement in the purchase of an ongoing private facility when there is a demonstrated capacity in the private sector to accomplish the objectives that are desirable for both the industry the facility is a part of, and for the overall interest of the State.

There wouldn't have been a Sports Authority in 1971 if the private sector had been capable of developing in the Meadowlands the same magnificent complex which this Sports Authority — on which I sat as a board member for three years — was able to develop.

I think there is a big difference between giving private businesses incentives to develop, such as your bill did with Garden State in terms of tax breaks and making Economic Development Authority financing available, and taking over ownership of a private facility.

The best analogy I can think of is that the Federal government gives accelerated depreciation to businesses to encourage them to increase their capital expenditure. But, when President Truman, in the early '50s, tried to take over the steel industry and

internationalize it through government ownership, there was an outcry from the public which, frankly, beat the President back.

We were surprised, in December, by the ease with which this bill passed the Legislature. This bill had the effect of nationalizing, through a quasi-governmental agency, a private industry. Mr. Chairman, you may well remember that we lobbied intensively against that bill.

One point which was mentioned today is of interest in those negotiations. That bill, as it was ultimately passed, restricted racing at Monmouth Park, whether ITB or the New Jersey Sports and Exposition Authority acquired it, to the same number of days they have in this racing year — and that turns out to be 86 days. That was an agreement which, essentially, from my recollection, was negotiated between the Sports Authority and Garden State in order to resolve opposition to the emergency that was being sought that night for passage of the bill.

It was then, with that agreement between the warring factions of the time, that you were approached, Assemblyman Riley, and asked if you would consider sponsoring an amendment as a way to resolve some of the differences we had on behalf of Garden State and its stockholders, and that you had on behalf of your constituents in that area. It was on that basis that the bill was amended.

Our position, with respect to the desirability or wisdom of government ownership of a private sector operation, such as Monmouth Park, has not changed a single bit. We lost our negotiated attempt to purchase the park, notwithstanding -- as you have said -- a higher offer than the Sports Authority made. Since then, in the interest of our stockholders, we have come to an agreement with the Sports and Exposition Authority, which I think is in the best interest of not only the stockholders but, frankly, the racing industry in the State of New Jersey.

I would be glad to answer any questions either of you may have.

ASSEMBLYMAN FLYNN: How high was your offer to buy Monmouth Park?

MR. DEGNAN: At the end of the day -- and I think this has been quoted publicly -- our offer was \$60 a share in cash, or seven shares of ITB stock in exchange for one share of Monmouth. ITB was trading at that time for \$10 per share; it would have been \$70. There were also various other alternatives offered during the day.

ASSEMBLYMAN FLYNN: What would the \$60 in cash amount to in total?

MR. DEGNAN: There were about 800,000 shares of stock outstanding -- a little over 800 -- although we would have bought less than the entire 100% at the outset. Assuming the entire outstanding shares at Monmouth Park were acquired, it would come to somewhere in excess of \$48 million.

ASSEMBLYMAN FLYNN: So, your \$48 million was not significantly higher than the State was paying?

MR. DEGNAN: It was \$4 or \$5 million higher. In my checkbook that is pretty--

ASSEMBLYMAN FLYNN: When you are talking in terms of \$48 million versus \$45 million, I don't think you are talking about a big difference.

ASSEMBLYMAN RILEY: Three million dollars isn't big?

ASSEMBLYMAN FLYNN: Not when you are talking about \$48 million; everything is relative.

The point I want to make is, there was some talk that the State was going to pay for it in tax-free bonds and you were going to pay for it in cash. Would that make a significant difference to the stockholders?

MR. DEGNAN: Well, we offered the option of a tax-free exchange -- totally tax free -- which would have been achieved, as I understand it -- I am not a tax expert -- through the exchange of Monmouth Park stock for ITB stock. That is a seven-for-one exchange, which would have been a \$70 value, not a \$60 value; and, \$70 at 800,000 shares comes to in excess of \$56 million, which gets you--

ASSEMBLYMAN FLYNN: (interrupting) Except, if I were a stockholder, I might be reluctant to do that because I would not know how good the ITB stock would be. In fact, last week it was seven and one-half.

MR. DEGNAN: Seven and five-eighths. Okay.

ASSEMBLYMAN FLYNN: Seven and five-eighths, so that might not have been such a good deal, in terms of just getting the stock.

MR. DEGNAN: That was after the stock had changed from being an over-the-counter listing to an American Stock Exchange listing. Nonetheless, there was a base guarantee in the deal, and if the stock fell below a certain price, ITB would have pledged, in cash, the difference between the stock value and the base price.

ASSEMBLYMAN FLYNN: In your opinion, did personalities play a role in why your higher offer was rejected?

MR. DEGNAN: I can't say that personalities played a role. I think the Board of Monmouth Park Jockey Club made a decision which it regarded as being in the best interest of its stockholders. I may differ with that, but that was a judgment they made.

ASSEMBLYMAN FLYNN: What additional factors that we haven't talked about would have made a Board of Directors, which has to be responsible to its stockholders, come to that decision?

MR. DEGNAN: In any deal of that complexity, there are lots of considerations: How quickly a deal can be closed; what assurances there are that the money would be made available; and, what tax implications there are with any deal. I can't sit here and say, I was privy to the deliberations of the Jockey Club Board, nor was I privy to what influenced them, but I am sure that considerations such as that came to bear.

ASSEMBLYMAN FLYNN: One of the functions of this Committee is to convince the public that everything was done aboveboard, and there were no side arrangements made. These questions are relevant. The public must at least have an assurance that this was not a tied-in, interrelated, deal with some other facet--

MR. DEGNAN: (interrupting) Well, I am obviously not the person who can give you that assurance.

ASSEMBLYMAN FLYNN: (continuing) --such as the Jets, or something like that, which has been bandied about. We don't know that.

MR. DEGNAN: I lost. I don't know whether-- I can't say, as a matter of personal knowledge, whether any agreement existed, nor if they were made.

ASSEMBLYMAN FLYNN: In line with Mr. Riley's earlier questions of Mr. Mulcahy -- that is, he didn't see how they, as a governmental agency, could operate Monmouth at a profit which would be commensurate with the investment -- wouldn't that question be doubly applicable to your operation, since you would be a private enterprise and, therefore, you would have to pay taxes?

MR. DEGNAN: No, I think to the contrary. It is easier for us, as a corporation, to justify that kind of purchase because we would have been using a substantial amount of equity capital. We had a substantial amount of the purchase price in the bank by virtue of the sale of a subsidiary of ITB that had just been completed just a few months prior to this negotiated settlement. We would not have had to go out on a debt service basis, borrow the money, and repay it. So, on an economic feasibility basis, in many ways it was easier for us -- I think, at least -- to justify buying Monmouth Park than it was for the Sports Authority to buy it.

I agree with Bob's assessment that each of us had an interest in protecting our racing investment -- the Sports Authority in the Meadowlands and ITB in Garden State. The concern on the part of the ownership of Monmouth Park regarding the impact on the racing circuit by either of us also existed between us. We were motivated by some of the same protective kinds of considerations that the Sports Authority was motivated by.

Ultimately, you have the Racing Commission in this State, which allocates the racing days, thus controlling the circuit. The Sports and Exposition Authority has been very successful in seeing that that is accomplished through the Racing Commission.

ASSEMBLYMAN FLYNN: Do you then agree that the economics of the situation were such that you were not buying the track to make money? You were buying the track to protect your position in the horse-racing market.

MR. DEGNAN: No, we believe we would have made money from the track. We had ideas -- marketing ideas -- about an approach to racing at the track which we think would have been exciting and would have enhanced the overall racing industry in this State, and we were

convinced we could make money. We might have been wrong, but we were convinced.

ASSEMBLYMAN RILEY: That is very similar to the Sports Authority, which said Garden State Park was not feasible. Now we have a magnificent edifice in Cherry Hill. I believe the same two entities were involved in that decision, and in this decision.

ASSEMBLYMAN FLYNN: The jury is still out on that one yet. I understand they are losing money.

MR. DEGNAN: No, I don't think--

ASSEMBLYMAN RILEY: (interrupting) Wait until Monday.

MR. DEGNAN: I don't think that is accurate.

ASSEMBLYMAN FLYNN: It is not accurate? It was in the paper last week that they were losing money.

MR. DEGNAN: On a consistent basis, or on a--

ASSEMBLYMAN FLYNN: (interrupting) The crowds are less than they thought, and the crowds are spending less than they thought. The crowds are spending about \$100 per person, and they had to project higher figures in order to make ends meet.

MR. DEGNAN: My current information is that we are not losing money.

ASSEMBLYMAN FLYNN: Okay.

ASSEMBLYMAN RILEY: Mr. Degnan, did you do any of the negotiating?

MR. DEGNAN: Yes, I did.

ASSEMBLYMAN RILEY: Yourself?

MR. DEGNAN: Yes.

ASSEMBLYMAN RILEY: Regarding the purchase of Monmouth?

MR. DEGNAN: Yes.

ASSEMBLYMAN RILEY: Was it brought up or said to you at any time, or were you privy to any discussions with anyone else, that ITB was not going to be allowed to purchase Monmouth Park Track?

MR. DEGNAN: No, not in so many words. I was not present at the meeting on March 19th. That is the meeting you asked Bob about. I gather that was a meeting simply between John Hanson and Bob Brennan. I was not privy to any direct conversations where that was discussed.

ASSEMBLYMAN RILEY: When did the negotiations between ITB and Monmouth Park Jockey Club start?

MR. DEGNAN: Frankly, I can't answer that. Bob Brennan had discussions with Monmouth Park, I believe, Assemblyman, before I even went on the ITB Board. So, that predated the final agreement by months, or maybe a year. We made previous offers, but they were not accepted.

ASSEMBLYMAN RILEY: Were negotiations still going on in December of 1984?

MR. DEGNAN: There were no negotiations, as such; there was an interest on our part, which was known by the Monmouth Park Jockey Club. It was certainly known to the racing industry in this State.

ASSEMBLYMAN RILEY: Did anyone from the Sports Authority or Monmouth Park indicate anything to you, at any time, which would lead you to believe they were going to do away with the Sports Authority's purchase of the track, and that they were going to use the "baseball bill" in order to purchase it out from under you?

MR. DEGNAN: Without a doubt, one of the motivations of the Sports Authority in securing the passage of that legislation in December was to authorize their purchase of Monmouth Park. It was clear to us that this was an important objective of the Sports Authority at that time. I don't recall that it was actually said to me, but I think it was understood in all of our conversations.

ASSEMBLYMAN RILEY: In fact, I know you, Mr. Hanson, and Mr. Brennan were present at a meeting in the Assembly Majority Lounge -- I talked to Mr. Mulcahy about this, and I am not sure about that -- with the South Jersey Legislators, and it was brought up that the major intent of the bill was the purchase of Monmouth. I believe the need to amend the intent of the bill led to a screaming match. Is that accurate?

MR. DEGNAN: Yes, I think that is probably right. I don't know about the screaming match, but there were some raised voices. Mine may have been one of them.

ASSEMBLYMAN RILEY: I didn't think my memory was that bad.

You are, obviously, a former Attorney General of this State. As a basic principal -- and I don't mean as the Director of ITB or as a spokesperson for Robert Brennan -- do you feel that we are entering a new era in New Jersey because of the Sports Authority's purchase of an existing racetrack and/or buying a baseball team and bringing it to New Jersey? If so, do you think this is a good avenue for New Jersey to proceed on?

MR. DEGNAN: My personal judgment is that it is a mistake. An entity, such as the Sports Authority, was never meant to purchase and own a baseball team. I don't think that is the Sports Authority's intention, having listened to Bob Mulcahy here this morning.

I expressed a concern to you at a rather hectic hearing, as I did to a lot of people from the legislature who would listen to me that day, that the range of authority given to the Sports Authority by this bill was a classic example of an autonomous authority arrogating unto itself a broad array of power without a sufficiently high degree of oversight, either on the part of the Legislature or the Governor; that was a policy mistake.

I have enormous confidence in the management of the Sports Authority and the good faith of the current members of the Sports Authority Board. I do not suggest that there is any base, personal motive; I just think, as a matter of government policy, it is a mistake to vest that kind of uncontrolled discretion and power in a quasi-public agency.

ASSEMBLYMAN RILEY: During your negotiations with Monmouth Park was the sale of the extra acreage brought up? If ITB bought the track, would that--

MR. DEGNAN: (interrupting) That was never a part of our proposal for Monmouth Park, nor, to my recollection, was it a part of our intention, with respect to what we would do with the track when we acquired it.

ASSEMBLYMAN RILEY: So then, the sale of the 300 acres was obviously to satisfy bonds -- I think that was the statement made -- which would not have been done, as far as you know, if ITB had bought the track?

MR. DEGNAN: I can't say why the Sports Authority injected that into the deal. I can say that we had no intention at the time of chopping off that parcel of property and selling it.

ASSEMBLYMAN RILEY: I have no further questions, thank you.

MR. DEGNAN: Gentlemen, thank you very much.

ASSEMBLYMAN RILEY: Andrew Manning?

ANDREW MANNING: Thank you, sir. I am a Councilman in the Borough of Sea Bright, and I represent our Council and residents. We want to thank you for the opportunity to appear here.

On April 23rd, the Council passed a resolution opposing the purchase of Monmouth Park by the State. We did this for several reasons:

One, we had a philosophical opposition to State agency involvement, to the detriment of the private sector.

Assemblyman Villane, when he first testified, gave a brief history of Monmouth Park. Because the time is late, I would like to give you a brief history of Sea Bright and its dealings with the State of New Jersey over a long period of time.

In 1960, the State recommended -- and legislation was passed -- that the Borough of Sea Bright form, with the Boroughs of Oceanport, West Long Branch, and Monmouth Beach, a regional high school. The legislation was enacted, the four municipalities entered into an agreement, and Shore Regional High School came into existence. Although at the outset, this may not seem relevant to the issue at hand, I hope you will understand our deep concern about State involvement with Monmouth Park.

As a result of that legislation, and the forming of the Regional High School Board, it was determined -- and rightfully so -- that each municipality would pay taxes based on the number of students sent to the high school. That was fair and equitable.

Subsequently, in 1975, the New Jersey Education Act was passed and became law. The Borough of Sea Bright, with a population of less than 2,000 people, found itself in the very unenviable position of paying for its 49 students in a public high school, not based on the number of students it sent to that school, but based on its rateables.

Consequently, today we are paying in excess of \$12,000 per student, per year, to attend a public high school.

The reason I bring this up is, legislation was passed which establishing a Shore Regional District, in which four municipalities became involved. Legislation was later passed, changing the original legislation, and this had a serious impact on our tax base. This year, we will have to pay \$609 thousand to educate 49 students in a public high school.

In 1973, once again, the State of New Jersey entered Sea Bright and ordered that our grammar school be closed. After a lengthy discussion, Sea Bright once again lost to the sovereign State, and we found it necessary — and we are quite happy with it, by the way — to transport our children to the Borough of Oceanport. So, our grammar school children are educated in Oceanport, and we have no problem with that.

The only point I want to make is that, once again, we are paying \$171,000 a year to the Borough of Oceanport to educate our children in their school because of a State mandate.

In 1963, Route 36, which was then Ocean Avenue, a county road, was taken over by the State of New Jersey and it became part of the Route 36 continuation to the Parkway -- or, hopefully, to the Parkway at some later date. The implied agreement when the State of New Jersey took over Ocean Avenue and made it Route 36 was that the State would be responsible for the continuation of the repair and maintenance of our sea wall, the maintenance, repair, and installation of jetties, and, in much later years, beach replenishment and the prevention of beach erosion.

Obviously, the State, as far as Sea Bright is concerned, has been sadly lacking in their protection of that area. So, we are faced with this as a small town. We, in no way, have any gripe with the Monmouth Park Jockey Club. They have been a great neighbor, but, as Mr. Mulcahy said in his testimony, their first responsibility is to their bondholders. What we are concerned about in Sea Bright is the obvious haste with which this legislation was passed. We are concerned that at some later date some legislature, three, five, or seven years

from now because of the inability of the Sports Authority to meet their first obligation to the bondholders of Monmouth Park for that purchase, will seek tax relief. That will be to the detriment of Sea Bright because we are such an integral part of what goes on in the Borough of Oceanport.

That about concludes my testimony. We just want it to be on record that this is of major concern to us because of our school problems, our beach erosion problems, and the impact the purchase of the track by the State will have if, for whatever reason, they are unable to keep up the payment of the taxes that now exist.

One other point is the simulcasting issue, which is of great benefit to this entire area. We were personally wondering why the Governor, who supported this legislation, still had the Attorney General go from court to court until he was finally successful, after three bites out of the apple, in eliminating simulcasting.

ASSEMBLYMAN RILEY: Believe me, the Legislature had nothing to do with that. I was the sponsor of simulcasting, which was a phenomenal success. Quite frankly, the most successful track which had simulcasting was Monmouth Park. The Attorney General went off on a tangent by himself. As far as I am concerned, the Attorney General made a very basic tactical mistake.

The fellow who represented him today was not even an attorney. I intended to question him on that point. We are obviously getting into issues now that mesh together. I think if a person sits on the Racing Commission, sits on the Sports Authority, is an attorney for the Legislature, and the attorney for the Governor, and all of the aforementioned say don't do it, and he goes ahead as an attorney and does it, and he appeals again and again until he wins, that is not right.

Very frankly, if my client told me not to do something, I wouldn't do it. I personally think it would be unethical for me to do that to my one of my clients. Now, I know the Legislature didn't tell Mr. Kimmelman to go ahead. I presume the Racing Commission and the Sports Authority didn't tell him to go ahead because they were making money; they were trying to make an industry viable. As Mr. Mulcahy said, this industry was finally turning the corner with Garden State.

If Mr. Kimmelman did this on his own, shame on him. If he did it for the Governor -- obviously, I have no idea that he did -- then shame on the Governor. However, I do not know anything about that.

Believe me, we did not tell him to go ahead and do it.

COUNCILMAN MANNING: We share those sentiments with you, Assemblyman. I would like to leave this resolution with the Committee.

ASSEMBLYMAN RILEY: Thank you.

Bernard Dziedziz, please.

BERNARD DZIEDZIZ: Good afternoon, gentlemen. First of all, I would like to thank you for the opportunity to speak to you this morning -- or, I guess it is now afternoon.

My name is Bernard Dziedziz. I represent Laborers Local Number 472. We are a heavy and general construction local, out of Newark, New Jersey.

During the racing meet at Monmouth, we represent approximately 400 employees. They range from construction laborers to admissions, parking, security, firemen, and outrider personnel. We have been involved with Monmouth for better than 40 years. That is a long, long time. We have had a very, very good relationship with the Park.

Our main concern is the well-being of our employees. After saying that, I would like to say that since 1976, until right now, we have also represented 300 employees at the Sports Complex. We have always had a good relationship with the Meadowlands, and we intend to continue that relationship if they acquire the Monmouth Park Jockey Club.

That is all I have to say.

ASSEMBLYMAN FLYNN: Are you concerned about having safeguards which might be necessary to protect your people, or are you satisfied that the legislation has sufficient safeguards?

MR. DZIEDZIZ: Basically, we are satisfied with what it says now, insofar as our people are concerned. I am not sure about the other unions.

ASSEMBLYMAN FLYNN: Your people are satisfied as to their protection?

MR. DZIEDZIZ: As it stands now, yes.

ASSEMBLYMAN FLYNN: That's good. Thank you.

ASSEMBLYMAN RILEY: Thank you.

Robert Furlong? (no response) Dan DelTufo?

DANIEL DELTUFO: I would like to thank Assemblyman Riley for allowing me to speak today. My name is Daniel DelTufo. I live at 21 Berknel Circle in Oceanport. I am a resident and taxpayer of Oceanport, and I am also a large stockholder of Monmouth Park. I am a retired realtor.

I feel it is unfair for the State to be in competition with private enterprise. It is unfair to own more than one racetrack.

In the '60s, the State of New Jersey would not allow Monmouth Park to buy Freehold Racetrack. Now, the State is allowing the Sports Authority to come in and buy another track. If it wasn't fair for Monmouth Park in the '60s, why should it be fair today for the State to do this?

The State of New Jersey has discriminated against private racetracks since the Sports Authority got into racing. In 1978, a hearing was held regarding the takeover of Garden State Racetrack by the Sports Authority. A feasibility study, made by the Sports Authority at a cost of around \$100 thousand, which is the taxpayers money, found it nonprofitable. The estimated cost of Garden State at that time was \$35 million.

In January, 1978, David Wilentz, an Attorney representing Monmouth Park, appeared before an Assembly Committee hearing, which was held in Trenton, and opposed the takeover of Garden State Racetrack by the Sports Authority. I was also present and I spoke at that hearing in opposition to the Sports Authority taking over Garden State.

The public has been misled regarding the great profit from the Meadowlands Racing and Sports Authority. In 1975, the State got \$15 million from Monmouth Park. In 1979, a year later, the Meadowlands opened — \$6 million, a drop of \$9 million. In 1984, there was a great deal less because the track was allowed an even greater takeout. I could not get the figures on this because Monmouth Park has not delivered a financial report to the stockholders, which we normally get in April. For some reason, Monmouth Park has delayed the annual report

to the stockholders. They have also delayed the regular stockholders' meeting, which has been held every year, for the past 30 years, I believe, on the second Wednesday in May.

In 1979, Governor Byrne stated: "Revenue from racetracks dropped \$35 million, to \$18 million," since he first became Governor. Isn't this due to the State of New Jersey getting into racing and competition with private enterprise?

Also, I would like to state that when the Sports Authority was started in 1971, sometime after that Monmouth Park went to court over the building of a racetrack by the Sports Authority. Of course, Monmouth Park lost that decision, but it was by a close vote of four to three, which was not appealed at that time.

In 1984, Monmouth Park paid a State Corporation Tax of \$232,863.; it paid a use tax of \$11,254; and, it paid a sales tax of \$282,000, for a total of \$526,000. The State would lose the income tax from stockholders' capital gains of from one-half to one million dollars. That is money that the stockholders who take the bonds would normally pay on their income tax. This, of course, is why this whole deal is being made: To save the person in the high-income bracket a great deal of money.

I believe that Leon Hess will save approximately \$300 thousand in just income tax alone on this deal.

In 1982, Rutgers University Graduate School of Management made a report on the horse-racing industry, called "The Rutgers Report." Their report showed declining attendance, rising cost of operation, increased competition from other states, competition for the gambling dollar from the casino industry and lotteries; in addition, there is now competition from Garden State. How can the Sports Authority make money?

The only savings the Sports Authority would have from Monmouth Park is in income taxes. In 1983, Monmouth Park paid \$221 thousand in income taxes. Income, before taxes, was \$668,582. Income from interest and rents -- now, remember, that Monmouth Park sold a piece of property and they have had excess money, which was in certificates -- totaled \$607,000. The total income from racing was

\$60,589. How could the Sports Authority pay interest on over \$50 million in bonds? Interest, at 7%, would be \$3-1/2 million, a loss of \$3 million a year. It is just impossible for a profit to be made.

Now, the Sports Authority has made a study at Monmouth Park. Last year, they had an outside accounting firm go in and do a study. I am sure that if anyone just looks at the financial statement of Monmouth Park, he will see there is no possibility to make money under the present setup.

ASSEMBLYMAN FLYNN: If they sell off that 300 acres and put the money into interest-bearing accounts, would that be sufficient to pay their bond revenues?

MR. DeLTUFO: No. If they sell off 300 acres at \$50 thousand an acre, they would have what? — \$15 million.

ASSEMBLYMAN FLYNN: So, you put the \$15 million in a 10% instrument somehow.

MR. DeLTUFO: All right. They would still have a balance of \$35 million.

ASSEMBLYMAN FLYNN: So, they can't do it with that either. Is that the figure, \$50 thousand an acre? Is that what they are talking about?

MR. DeLTUFO: Well, Monmouth Park feels that the acreage is only worth \$25 thousand. I feel differently. I am a retired realtor. I feel that the land value is there, and I feel that value will increase. There is no reason for Monmouth Park to sell this track.

ASSEMBLYMAN FLYNN: You say you are a fairly large stockholder in Monmouth Park?

MR. DeLTUFO: I am a large stockholder, yes. I own more stock than six of the directors at the track own.

ASSEMBLYMAN FLYNN: Are you looking to sell to ITB or are you looking to just continue at the present status quo?

MR. DeLTUFO: I feel if the track is to be sold, it should be sold on the public market, the same way we sell a piece of real estate.

ASSEMBLYMAN FLYNN: To the highest bidder?

MR. DeLTUFO: Advertise that it is for sale. If this property was advertised in the Wall Street Journal, I guarantee that they would get over 100 responses from large corporations.

ASSEMBLYMAN FLYNN: Why do you think the majority of the stockholders, in interest at least--

MR. DeLTUFO: (interrupting) It not the majority of the stockholders.

ASSEMBLYMAN FLYNN: The majority of the stock, let's put it that way.

MR. DeLTUFO: It is not even a majority of the stock. There is a manipulation of stock in the treasury and the stock that can possibly be issued. There are only roughly 800,000 shares. Monmouth Park owns something like 12,000 of those shares, I think. That is in the treasury. They are authorized 100,000 shares. There is some type of manipulation and the Sports Authority is going to get the extra shares. I just do not know how it is going to be done. I haven't seen their letter of intent, nor what is actually going on.

I, as a stockholder, cannot get any information.

ASSEMBLYMAN FLYNN: Why do you suppose that those who apparently have the controlling interest in the stock want to sell for a lower price? Why do you suppose that is the case?

MR. DeLTUFO: I personally believe this is a deal that has been in the works for approximately two years. This was even before Mr. Hess got into football up in the Sports Authority.

A few years ago, Mr. Trumas submitted a report to the stockholders, recommending the same deal you have going on now. At that time, I spoke out against it. I said to the directors at that meeting, "How can you want to sell the track to the State of New Jersey when you opposed the takeover of the Garden State Racetrack?" They denied that they were present. They denied that they ever did this. Dave Wilentz denied the statement.

This statement was publicized in the Asbury Park Press in 1978. I sat with Dave at that hearing in Trenton, and I spoke the following day, so I knew what I was talking about. You can also check the records. Monmouth Park did bring suit against the Sports Authority regarding the opening of the Meadowlands.

ASSEMBLYMAN FLYNN: Do other minority stockholders feel the same way you do? Have you talked to them?

MR. Deltufo: I haven't talked to them. They have not held the regularly scheduled meeting. For some reason, they are delaying the meeting. They have delayed the annual report to the stockholders.

ASSEMBLYMAN FLYNN: Is it possible they want to hold the meeting after they have a negotiated contract, so they can put it to the full body?

MR. Deltufo: Well, I personally feel that they are trying to get everything more or less tied up; they will then just go ahead and do it. They did this with the sale of the Interdata Building some years back. The stockholders were not aware of this.

You see, at Monmouth Park there is nothing but a club for the members. Anything that has ever been done at Monmouth Park has only been done for the directors or their families. The bank was built for the directors. The Interdata Building was originally built for Haskell's son. There was never any other expansion there.

Now you have something that will benefit of the large stockholder because he will have the biggest gain from the tax-free bond. There is no gain for the small stockholder. I, myself, would be better off taking \$58 per share in cash and going out and buying the bonds. The only thing I would accomplish by taking bonds would be to defer my tax. Instead of paying it now, I would pay it 20 or 30 years from now — or my estate would pay for it.

ASSEMBLYMAN FLYNN: Has there been any talk amongst the minority stockholders of bringing a minority stockholder suit against the company?

MR. Deltufo: I have only talked to one or two who are willing to join me in a stockholders' suit. I had intended to join Mr. Brennan in his lawsuit. I supplied certain information to his law office, and I was later told that he was withdrawing his suit. To me, that was a surprise. I don't know whether pressure was put on Mr. Brennan to get out of it, nor what type of a deal was made. But, if he was given extra racing days, to me that is no better than a payoff in cash. You are paying somebody off in order to get them to stop a

suit. That lawsuit should have gone on. He was the highest bidder and the property should have been sold to Mr. Brennan; his price was higher than the Sports Authority's price was.

The directors of Monmouth Park do have an obligation to the stockholders, but they never look out for the stockholders. For them, the obligation is to seek the highest price. I have talked with Mr. Wardell on other occasions and I explained to him that if he really wanted to sell the track -- and, every time I talked with them, they said they didn't want to sell the track -- he should advertise it in the Wall Street Journal.

I had stock in Shenandoah Corporation in West Virginia. When they wanted to sell, they sold that track to an outside corporation from another state. It was only a small racetrack, but it was very successful. The same thing can be done here. If the directors of Monmouth Park feel that they can't run the track and make money, then they should put it up for sale. But, it should be done in the proper manner so the highest price is paid for it.

Now, we can get a large corporation to come in here that might not be interested in making money. They may just want the advertisement of owning this track.

ASSEMBLYMAN FLYNN: Of course, a large corporation could come in and dismantle the track and sell the whole thing off, and that may not necessarily be in the best interest of the State. It could go either way.

MR. DeLUFO: Yes, but the State could always step in. They could pass some type of law to protect the track by saying there would always be a racetrack. The thing is, there is nothing to stop the Sports Authority from dismantling the track. They are already talking about dismantling it. They are going to sell 300 acres.

ASSEMBLYMAN FLYNN: That's true. That is one of the reasons way I asked--

MR. DeLUFO: (interrupting) That is the first thing they spoke of.

ASSEMBLYMAN FLYNN: That was one of the reason why I asked Mr. Mulcahy the question as to whether they had a firm commitment to

continue this as a first-class racetrack. I am very concerned. I did get that commitment from Mr. Mulcahy at least. Of course, he is not going to be there forever but--

MR. DeLTUFO: One of the things I would also like to see also is a guarantee that there will be no stadium built here.

ASSEMBLYMAN FLYNN: I don't think they are going to do that. That would not be feasible.

MR. DeLTUFO: I would like to have a guarantee. My personal feeling is that maybe Mr. Hess wants to come here with a stadium. Maybe this is where the deal has been made.

ASSEMBLYMAN FLYNN: There is no indication of that.

MR. DeLTUFO: No, there is no indication, but it is logical. What is it going to cost the Meadowlands to buy land? What is it going to cost them to build a stadium on land up north?

ASSEMBLYMAN FLYNN: I think it is going to wind up in Hudson County myself.

ASSEMBLYMAN RILEY: I think it is never going to wind up anywhere.

ASSEMBLYMAN FLYNN: Okay. I have no further questions.

MR. DeLTUFO: Well, there is more on this. We condemn foreign countries for taking over American businesses; yet, New Jersey is doing just that. We are building a socialist state. Socialism is a theory that land, industries, and goods should be owned, managed, and distributed by government, representing the people. There is a consistent aim to put these ideas into practical application.

The State has railroads; it has buses; it has sports; it has entertainment; it is in real estate; it is in gambling; and it also has the Port Authority, which is in competition with private enterprise. Why don't the Sports Authority go in and build a casino in Atlantic City? That is where the money is.

ASSEMBLYMAN RILEY: Don't give them more ideas.

MR. DeLTUFO: It is time New Jersey lets private enterprise operate, which will generate more money for the State. If New Jersey wants to do something for the people, it should build much-needed nursing homes and medical facilities for senior citizens who have no

place to go. They should build apartments and housing units and help the young and the old have a place to live.

New Jersey has one of the largest housing shortages in the whole country. The future of housing is very bad in this State. If you go up to North Jersey, people pay bonuses of \$1,000 to get an apartment. It is gradually getting worse, and within the next five years, you will see it get even greater.

The admission tax was imposed to help adjoining towns compensate for extra traffic and cleaning up. This is being defeated by the track giving away free admissions. Last year, the tax was \$10,541. The track should pay for the attendance; they should pay for the amount of people who come into the area. That determines how much expense there is going to be. If they paid on the attendance, the tax would have been approximately \$50 thousand. This year and next year, there is going to be a need for police here because of the road construction. There is road construction up here and next year we are going to have the Eatontown Circle developed, which is going to make traffic very bad in this area. The road here, especially during the racing season, is going to be in need of extra police in order to keep traffic flowing.

I personally believe there should be a full investigation by a Grand Jury into the sale of Monmouth Park to the Sports Authority. Was there a deal made, or was pressure put on Mr. Brennan? Was there a deal made with Mr. Hess?

There was a report in the Asbury Park Press in November, 1979, by the track auditor: "...put in to lower the price of the stock, as no mention was made of the sale of the Interdata property, which was sold to Perk and Elmer Corporation." At that time, the article was about Monmouth Park not paying the dividends and not making money.

When the Interdata property was sold, there was a \$3 million profit. So, there was nothing financially wrong with Monmouth Park in 1979. The price of the stock dropped from \$18 a share to \$10.

Also, the track property is assessed for approximately \$42 million. They just got a reduction of approximately \$2 million. It

was assessed for \$44 million before. Fixtures, equipment, and automotive equipment at the track is valued at over \$5 million. Cash investments, 1983 — that is in money and certificates — was \$5 million.

I don't have a statement for 1984, so I can't tell you how much cash they have on hand. That is a value of over \$52 million, not counting the value of the franchise itself.

Keystone Racetrack sold for \$37 million, or above, to Mr. Brennan. It does not compare to Monmouth Park. Garden State Racetrack sold for over \$15 million, with a lot less land, and a burned out grandstand and clubhouse. That is why I don't understand why the directors, who have something that is definitely worth over \$50 million, without a franchise, want to sell this for \$40 to \$44 million. There is definitely something wrong. That is why I believe there should be an investigation by a Grand Jury.

It is pretty hard for Assemblymen or Senators to get into this because most of the Assemblymen and Senators are getting free passes from Monmouth Park, which have a value of about \$400. That is another thing I am opposed to. I wrote to the New Jersey Racing Commission about this. Even the Racing Commission cannot act today because they are getting free passes, not only for themselves but for friends and other people.

If you have any questions, I will be glad to answer them.

ASSEMBLYMAN FLYNN: I think most of what you are addressing and saying is the kind of thing you are going to have to address at your stockholders meeting. From our standpoint, if the State and the Sports Authority is getting a great buy, then we have to be happy. If we are buying for \$44 million what you say is worth \$52 million, then I guess we have to be happy at the State level.

You have to argue, basically, with your own stockholders as to why they are doing this. We do not have any jurisdiction over that.

MR. DeLUFO: But, you have to be concerned with the amount of money they are going to lose. The figures are there.

ASSEMBLYMAN FLYNN: Oh, we are concerned about that. We think they are paying too much. You say it is worth \$52 million; I think it is worth less.

ASSEMBLYMAN RILEY: There is no mortgage on the property right now. We are talking about \$45 million in bonds. Some of us question how this is economical. It just doesn't seem to make dollar sense.

ASSEMBLYMAN FLYNN: Not as a track. It may be good as a land investment, but not as a track.

MR. DeLTUFO: The investment there is the land. My investment was made for the real estate. My investment was not made in racing itself. Eventually, that land is probably going to be worth \$100 million. Within the next 10 years, I would say this land is going to be worth \$100 million.

ASSEMBLYMAN FLYNN: From that standpoint, maybe it is better that the State own and run it because the State is less likely to sell it off than a big corporation is. A big corporation may come in and see the only way they are going to get their money out of it is to sell it all off; whereas, if the State owns it, it may continue to operate it even though it is operating at a loss or on a less-than-profitable basis because the State has an overall interest in racing. So, from that standpoint, maybe it is a good idea if the State buys it.

MR. DeLTUFO: Not if they lose \$3 million a year; that is the taxpayers' money they are losing.

ASSEMBLYMAN FLYNN: The State is subsidizing it for other reasons. As Mr. Mulcahy said, it is to keep their position in the racing industry.

MR. DeLTUFO: Is that the position here, or is it to keep Mr. Brennan out?

ASSEMBLYMAN FLYNN: Well, that probably-- One seems to go hand-in-hand with the other.

MR. DeLTUFO: I know for a fact that one of the directors did not want Mr. Brennan to have this track.

ASSEMBLYMAN FLYNN: Mr. Mulcahy was candid enough to say that was a factor. They have to keep their competitive advantage. Perhaps we have a turf battle here between Mr. Brennan and the Sports Authority as to who is going to have the turf in New Jersey.

MR. DeLTUFO: Do you feel if an outside concern came in here that it would be a disadvantage to the Sports Authority?

ASSEMBLYMAN RILEY: No, I don't.

MR. DelTUFO: You should go back to what they did in 1960, when the State would not allow Monmouth Park to buy Freehold. They should not allow anyone else to have two tracks. Let an outsider come in.

ASSEMBLYMAN FLYNN: Maybe that might have been a good idea too, to ban Brennan from buying it. I don't know. That would be just like not allowing someone to have more than a certain number of liquor stores.

MR. DelTUFO: Right.

ASSEMBLYMAN FLYNN: That is the same reasoning.

MR. DelTUFO: Eventually Atlantic City Racetrack will probably be sold.

ASSEMBLYMAN RILEY: That is very possible. Thank you, Mr. DelTufo.

Allen Snyder?

ALAN SCHNEIDER: I am Allen Schneider. I first set foot in Oceanport in 1936. I first became a property owner in 1961, and I became a resident in 1962. Nineteen thirty-six is 49 years ago. I do not have a prepared statement; I just have some comments that I would like to make. I apologize if they seem to be disjointed.

First, as you may have noticed, my name is there, but I speak as a citizen and not as a Councilman or a member of the Planning Board, on which I also serve in the Borough of Oceanport.

I feel grossly upset, and I am sure you must feel demeaned that the Monmouth Park Jockey Club has not seen fit to send Messrs. Schley, Lennox, and Hess, as you requested, nor to make available the Bear Sterns Report. I would strongly urge you to continue this hearing another time when those men are summoned to appear to give their testimony.

I was fine until after the adjournment. You mentioned that they would not appear, and I just started to-- My adrenaline started to flow. You must feel demeaned. If you don't, I would be surprised.

ASSEMBLYMAN RILEY: We are not happy.

MR. SCHNEIDER: You are not happy. I am not here to debate whether or not the track should be sold to ITB or to the Sports Authority. I learned an old expression back in my days as a warden, and that is caveat emptor: Let the buyer beware. I think Monmouth Park, as an entity, has the right to sell to whomever it wishes.

As a businessman, I have traveled throughout New Jersey, throughout the United States, and, most recently, throughout the world. Many times, people ask me where I live. If I tell them I live in Oceanport, or, maybe, if I first tell them I live in New Jersey and then Oceanport, they may not know where that is, but if it is within the country and I say Monmouth Park, they say, "Oh, yes." Then they know where Oceanport is. Monmouth Park is a great part of Oceanport.

Usually, when I discuss Monmouth Park with a person, we get around to what the benefits might be to having Monmouth Park in one's home town. I think there are great benefits. There are certainly detriments as well. I think, besides the obvious economic benefits, there is a very subtle benefit that has been in existence since the racetrack started its operation after the war. That subtle benefit is the fact that Monmouth Park has owned these 300 acres that would allegedly be sold off. I think the fact that the track owned this acreage stifled the growth and controlled the growth of Oceanport. Now, all of a sudden, the biggest event since 1920, when Oceanport was incorporated, is about to occur.

I think that the disposition of this land, if the sale is to happen, must be done in a very orderly and controlled manner -- very orderly and very controlled. I would hate to see it sold off all at once. One can imagine, as a member of the Planning Board and also as a building inspector, the chaos that would be created here. Even if it is to the detriment of the Sports Authority to sell it off slowly, in the long run they will get more money for it, I am sure.

I think that covers my comments. I would, once more, urge you to summons the principal characters who are not here. Everyone else has appeared, except one side of the cast.

ASSEMBLYMAN RILEY: A very, very needed side.

MR. SCHNEIDER: Very needed.

ASSEMBLYMAN RILEY: Councilman Snyder, would you object -- as long as Oceanport was included and was a vital part of this -- to a regional-type authority overseeing the possible sale, or do you think it would be better to have legislation, since the Authority has acquired something, which would not allow them to sell off the land?

MR. SCHNEIDER: I would love to see them not sell it off. Perhaps I am a conservative person, but I think that is one of the greatest benefits Oceanport has, this vacant and unused land. I realize the economics of the Sport Authority's--

ASSEMBLYMAN FLYNN: (interrupting) Is that a common feeling among the other Councilmen, or is that just your feeling?

MR. SCHNEIDER: I can only speaking for myself, and I said I am really here speaking as a citizen and not as a Councilman. I think our Mayor covered the subject well.

ASSEMBLYMAN RILEY: If the Mayor and the Council could convey a resolution to this Subcommittee, in the very near future -- hopefully, before June 18th -- we would love to see it.

ASSEMBLYMAN FLYNN: Thank you.

ASSEMBLYMAN RILEY: Thank you very much.

MR. SNYDER: Thank you.

ASSEMBLYMAN RILEY: Bill Fromer, please.

WILLIAM FROMER: I didn't intend to speak, but while I was here, I had second thoughts. I am a pari-mutuel clerk. I am a charter member and organizer of Local 137, Sports Arena Employees.

Last week we negotiated -- I was on the team - a three-year contract, ostensibly with Monmouth Park; however, during those negotiations it became apparent that the Sports Authority was calling the shots. They sat in and gradually took over the proceedings, as the opposition. We had very difficult negotiations because we really didn't know who we were dealing with. We took most of the time cementing our position, insofar as seniority goes, for our members.

We were fearful that a Sports Authority takeover would erode our position as far as our membership was concerned, and that they would come in and displace people who have been there 25, 30, or 40 years, as I have been. They want to take over more key positions. We fought them to a standstill to retain our status quo.

I am not particularly happy with the Sports Authority acquisition, or proposed acquisition, from the point of view of morale. I worked at the Meadowlands when it first opened. I worked on the committees which built the Meadowlands -- the Sports Authority Racetrack. After I worked there, I felt that, for me, it was a mistake. I left, and went to Garden State Park. I was there the day it burned, unfortunately. I never returned to the Meadowlands. As a matter of fact, I couldn't return to the Meadowlands because they imposed restrictions that no other racetrack has imposed.

This is indicative of why I, as an individual, have reasoned that I do not want the Sports Authority to dictate the policies of employment at Monmouth Park. However, we have to live with it.

We had to negotiate, and we put in place a three-year contract, so that even if the Sports Authority took over, they would have to live with us for the three years; they would have to keep things intact.

I am distressed with the amount of racing days at Monmouth. Eighty-six racing days may seem a bit much to you, or they may seem adequate to others, but to our union, our welfare, and our medical benefits, they are disastrous. We need 110 days to keep people in their present positions. Anything less means a very difficult period for most of our people. In order for them to come up with extra amounts of money, if they can't make the pension allotment, they need more time. One hundred and ten days was our minimum, and we lost that.

The \$324,000 profit that Monmouth Park experienced was, to a great extent, due to the simulcasting that took place in the latter part of the year.

As a taxpayer, I wrote a newspaper article, which was printed in local papers -- and possibly in other papers. I would like to put this into the record. It is entitled, "Opposition to Track Sale."

To the Editor: "Speaking as a 40-year veteran of the New Jersey racing circuit, I wish to voice my personal protest against the impending acquisition of Monmouth Park by the Meadowlands Sports and Exposition Authority. Acquiring a faltering Monmouth Park at this point can only further erode the diminishing surplus of the Meadowlands

Racetrack. This surplus belongs to the people and Treasury of New Jersey.

"The Authority knows full well that without simulcasting, Monmouth Park, entrapped in the cocoon of competition from the casinos and surrounding racetracks, cannot maintain the profit structure of the past.

"Paradoxically, Sports Authority Board Member, Attorney General Kimmelman, through his persistent challenges and appeals, aborted simulcasting in New Jersey. The many hundreds of people he placed on the unemployment lines might wonder why that same zeal that obliterated simulcasting is dormant in the Monmouth Park deal.

"It would seem far more financially prudent to await the outcome of the November referendum on simulcasting before embarking on a venture that could deplete moneys traditionally returned to the taxpayers of New Jersey."

I suppose that would complete my feelings on the matter, as a citizen and as a member of the New Jersey Pari-Mutuel Sports Arena, Local 137.

I would like to make one more comment. It is rather naive. As long as Mr. Mulcahy is here, I just wondered why, if he is looking for a larger profit structure for the Meadowlands, he doesn't keep that facility as a complete standard-bred track and allow the thoroughbred circuit to race between here and Garden State, then he wouldn't have to break this track down. The standard-breds, traditionally, are making more money for the Meadowlands, and he wouldn't have to worry about the thoroughbreds.

Thank you for your patience.

ASSEMBLYMAN RILEY: I believe the law in New Jersey today is that you can't have one track running at the same time another track is running. As someone who has been around tracks for years, do you think there would really be that much competition, for instance, if Garden State State and Monmouth were open at the same time?

MR. FROMER: All competitive facets, whether they are casinos, lotteries, or racetracks, erode some of the money; there is no doubt in my mind about that. The Liberty Bell Racetrack opened a

couple of Saturdays ago and ran against Freehold. Immediately, there was a 300 or 400 depletion in attendance. Everything is interrelated. There is cause and effect there between the various facilities.

Of course, the casinos knocked us out to begin with. Atlantic City ceased to be an entity once the casinos were in place. Bob Levy is just carrying that place on his personal pocket.

ASSEMBLYMAN RILEY: Thank you very much.

MR. FROMER: You're welcome.

ASSEMBLYMAN RILEY: Stanley Yates. Stanley is the last witness I have listed. If there is anybody else who wishes to testify, please come up and give us your name.

STANLEY YATES: Welcome to Nevada, East. My name is Stanley Yates. I live at 15 Sea Girt Avenue.

Most of my questions have been answered, but there are a couple I would like to ask anyhow. I will give you the name of the team they negotiated with; it is the Oakland A's. That was in the Daily News about a month ago.

ASSEMBLYMAN RILEY: But, they rejected it. I also saw that. They rejected the New Jersey idea. That's why I was asking specific questions. The Legislature was told — we were told — the Pirates and the Giants. Then I noticed the things about the Oakland A's. The Oakland A's said n'est-ce pas s'il vous plait, I believe.

MR. YATES: Most of my questions emanate from what I read in the newspapers. Just like the Mayor, we don't have any inside information in this town, so we have to go by the newspapers. I think the newspapers would do us a service— I understand Monmouth Park had 400 stockholders in 1983, when this was initiated; there are now 1600. I think if they published the names of the 1200 people who are on the gravy train, it would clear up a lot of questions.

Senator Gagliano, on April 13th, made a statement saying that perhaps a hotel would be a good idea for Monmouth Park. I worry about a hotel when it comes from a State Senator. He doesn't represent this District; he represents District 12, but he was making a statement about a hotel. If it is a Hilton Hotel, the Casino Control Commission turned them down because they have mob control. If it is a Lowes

Hotel, they are involved with a cable company which Senator Gagliano owns stock in. If it is a Marriott Hotel, Marie Muhler is involved with Marriott; they backed her in a drive against Congressman Howard.

Doc Villane didn't make any statements, to his credit, on the 13th. Frank Pallone wasn't approached, so he didn't make any statements. Joe Palaia said night racing would be a good idea. We are getting a lot of input from a lot of politicians.

My next question is addressed to the Sports Authority. They said they would have to protect their investments on bonds at all costs. Those 300 acres would have to be sold in order to raise part of the money to pay for the bonds. Are we going to get hotels? Are we going to get jai alai, or is Long Branch going to get jai alai? We just don't know what is going to happen in this area, and it is all tied together.

ASSEMBLYMAN FLYNN: Well, in order to get jai alai, there would have to be a referendum. It couldn't just--

MR. YATES: (interrupting) Well then, there will be a referendum on jai alai coming up in the legislation. That will be on the ballot soon.

ASSEMBLYMAN FLYNN: That has been knocked down already.

MR. YATES: Yes. That will be on the ballot soon. That is part of the whole package we are getting in this area. We are getting impacted tremendously.

That's about all I have to say, except maybe the FCC ought to look into the stock deals.

ASSEMBLYMAN RILEY: Thank you very much. Assemblyman?

ASSEMBLYMAN FLYNN: This concludes today's session. I think we are probably going to have another session in Trenton, at which time I believe the Chairman is going to strongly urge the people who weren't here today to participate so we can get a full evaluation of what is going on; the Subcommittee can then make a full report.

At this point, I don't think we should make too many comments because we don't have all the facts yet.

ASSEMBLYMAN RILEY: Thank you, Assemblyman Flynn. I agree. I concur. I think we might have raised more questions today than we

had answered. However, there are notable people missing. I agree with Councilman Snyder. I think it is an outrage that the Monmouth Park Jockey Club would not make their background public, particularly in light of many of the articles that have been in the paper. I think the air should be cleared in the State of New Jersey.

As long as there are innuendos and insinuations in the paper that there may have been some other deals made, I think we ought to tear this up, and I intend to encourage that. I am going to meet with Assemblyman Flynn and Assemblyman Muziani with regard to pursuing an additional meeting, with subpoena power if necessary. I think the people from the Monmouth Park Jockey Club have, if not a legal obligation, a moral obligation to appear before this Subcommittee — especially if the money of the State of New Jersey is involved in this — particularly Mr. Hess, who is a lessee of the State of New Jersey through the Sports Authority.

I think Mr. Hanson, from the Sports Authority, should be here. Mr. Hanson and the Sports Authority should not hide under any kind of a cloak. I think things should be— I thought we were operating in the days of the open meeting -- under the Sunshine Law. I think everybody ought to adhere to that.

Obviously, Mr. Brennan wanted to appear previously, but he was restricted today. I would like to hear Mr. Brennan describe some of the meetings with Mr. Hanson. I think there are areas we have to go into because many of us in the Legislature feel that we may have rushed to judgment on this. We were warned at the time, and some of us raised the question that this was not a baseball bill at all, but a racing bill, which, obviously, is the case.

I'd be even more curious now to know whether we have had any more negotiations with baseball teams, or whether the ground has been broken. I suspect there are none.

I think the intent of the legislation was not baseball-related at all, as I said at the time. Therefore, I think many people did an injustice to us in the Legislature, and to the people in the State of New Jersey, by compelling and urging us on under the guise of, "Well, we can't tell you what's going on. Negotiations

are all secret. We can't tell you what's going on because it is all hush-hush, but within two weeks you will know." Five or six months, almost to the date, we still know nothing, and the numbers, very frankly, do not make sense to me when they talk about \$324 thousand. Even after depreciation is eliminated, \$45 million in bonds take substantial dollars to retire, that, versus the fact that the Park has no mortgage on it today.

So, I think the economic feasibility of this purchase should be studied. Whether it should ever be allowed, either now or in the future, should be considered by this Subcommittee because I think the precedent is not good.

Obviously, the Sports Authority has done a very good job, but maybe now they are biting off more than they can chew. It is the constitutional duty, and it is the duty of our office as Legislators, as well as the duty of the Governor, to look into things.

I will never forget, as long as I live, one statement that was made by one member of the Committee. There was a three-to-two vote to release the bill and the statement made was: "Well, if the Governor agrees to it, the Speaker agrees to it, and the President of the Senate agrees to it, it must be okay." That, to me, is blind following, which, historically, has led to trouble. I am hoping that is not the case, but I think we have to study it further.

Until that time, we will recess this meeting of the Subcommittee.

(HEARING CONCLUDED)



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