

**CASINO REINVESTMENT DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1992 AND 1991**

11. DONATED OBLIGATIONS

Certain licensees have petitioned to donate obligations to CRDA and NJDA in lieu of purchasing bonds. CRDA and NJDA accepted the donations in accordance with N.J.S.A. 5:12-177 and granted credit against the present or future obligation to purchase bonds. During 1992, Showboat donated a total of \$10 million to fund the Delaware Avenue Widening project, Chelsea/Westside Loan program and Atlantic City Youth Build program. As negotiated, Showboat provided the funding on a dollar for dollar obligation credit basis without receiving the usual donation credit of \$0.51 for \$1.00 of donation. CRDA committed donations received to the implementation of the Northeast Inlet Redevelopment Plan and the Land Banking Program. Cumulative current and prior donated amounts and the amount of credit to be applied against future obligations as of December 31, 1992 are as follows:

| | <u>Donated Amounts</u> | <u>Future Credit</u> |
|---------------------------------|----------------------------|--------------------------|
| Atlantic City: | | |
| Atlantis | \$ 5,545,803 | |
| Bally's Grand & Park Place | 22,713,156 | |
| Claridge | 6,658,968 | |
| Resorts | 12,048,465 | |
| Sands | 9,643,666 | |
| Showboat | 10,000,000 | |
| Trump Castle, Plaza & Taj Mahal | 21,559,775 | |
| South Jersey: | | |
| Caesar's | 1,324,503 | |
| Harrah's | 1,092,700 | |
| Sands | 839,796 | |
| Trump Castle & Plaza | 880,000 | \$ 106,278 |
| North Jersey: | | |
| Caesar's | 1,000,000 | 390,462 |
| NJDA: | | |
| Atlantis | 216,985 | |
| Bally's Grand | 854,875 | 299,302 |
| Bally's Park Place | 912,594 | 274,913 |
| Caesar's | 755,800 | 229,476 |
| Claridge | 429,358 | 89,614 |
| Harrah's | 907,667 | 263,708 |
| Sands | 649,751 | 110,125 |
| Showboat | 235,789 | |
| Trump Castle | <u>524,703</u> | <u>118,788</u> |
| TOTAL | <u>\$98,794,354</u> | <u>\$1,882,666</u> |

12. DIRECTORS AND OFFICERS LIABILITY INSURANCE

On August 8, 1986, CRDA approved the establishment of a \$1,000,000 Indemnification Fund. In the event any amount of the Indemnification Fund is used for purposes for which it has been established, CRDA will replenish that amount from operating revenue but not more than \$250,000 per year. At December 31, 1992 and 1991, \$1,000,000 has been reserved in the Operating Fund.

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13. LAND BANKING AND REAL ESTATE

- A. Within the Operating Fund through its Land Banking Program, CRDA has authorized the acquisition of land within the Northeast Inlet section of Atlantic City to facilitate the implementation of the Northeast Inlet Redevelopment Plan. CRDA has a balance of \$3,349,870 as of December 31, 1992 and \$2,346,200 as of December 31, 1991 of real estate held for resale to developers of future CRDA approved projects. CRDA had reserved \$9 million of its operating fund's unrestricted fund equity for such purpose. The amount available within reserved fund equity for land acquisition upon authorization by CRDA as of December 31, 1992 is \$5,498,215.
- B. As of December 31, 1992 and 1991, CRDA has escrowed funds totaling \$75,206 for the purchase of land in the Northeast Inlet section of Atlantic City. CRDA expects to complete the transactions and receive title to the land.
- C. CRDA established the Land Banking Program and New Hampshire and Delaware Avenue Widening Projects in the Development Fund which are both funded by previously donated obligations. The Land Banking Program operates similarly to the program described in the Operating Fund. The New Hampshire Avenue Widening Project entails the purchase of land along New Hampshire Avenue in Atlantic City in order to widen the road as directed by the Northeast Inlet Redevelopment Plan. The Delaware Avenue Widening Project entails the purchase of land and the funding of construction costs to widen the roadway. The Atlantic City Improvement Authority (ACIA) is providing construction management services for the project. CRDA, which has reserved \$8,000,000 for this project, will provide funds to the ACIA for budgeted expenses. Land acquisition costs are capitalized by CRDA and construction costs are expensed as program costs. As of December 31, 1992 and 1991, approximately \$10.0 million and \$9.2 million, respectively in real estate has been purchased by the Development Fund for the above noted projects and program.

A portion of the land acquired through the New Hampshire Avenue and the Delaware Avenue Widening Projects will be dedicated (for a nominal sum) to the City of Atlantic City. Title transfers will result in cost of land sold expense in the Development Fund. The remaining land will be retained by CRDA for future development.

Within the Development Fund, the CRDA has purchased land and incurred related costs for the proposed Society Hill I Housing Project within the Northeast Inlet section of Atlantic City. If specified contractual provisions are met, the land will be sold to a developer (for a nominal sum). As in the above noted avenue widening projects, title transfers will result in cost of land sold expense in the development fund.

Fund equity, within the Development Fund, has been reserved as follows:

| | <u>1992</u> | <u>1991</u> |
|--|---------------------|--------------------|
| Real estate owned and related costs capitalized: | | |
| New Hampshire Avenue Widening Project | \$ 6,602,336 | \$5,866,710 |
| Delaware Avenue Widening Project | 27,516 | -- |
| Society Hill I Housing Project | 5,515,150 | 169,638 |
| | <u>\$12,145,002</u> | <u>\$6,036,348</u> |

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14. DEMOLITION PROGRAM

During 1991, CRDA established the Atlantic City Demolition Program. A total of \$6 million is to be lent to the City of Atlantic City to demolish vacant and abandoned structures. Funding will be provided by a \$3 million interest free loan from the Operating Fund and a \$3 million loan from Caesar's CRDA obligations. The loans are to be repaid by Atlantic City from general tax revenues. As of December 31, 1992 no amounts have been loaned under this program.

15. APMC TRAUMA CENTER

In 1991, CRDA committed a \$1,012,497 grant from its Operating Fund to the Atlantic City Medical Center for the construction of a trauma center. Sands has donated \$1,787,503 to CRDA for a total of \$2.8 million.

16. VERMONT PLAZA PROJECT

The Vermont Plaza Project consists of 165 high-rise and 36 low-rise apartment units financed by CRDA and other public entities. Commencing in 1991, the Vermont Plaza Project was unable to make its full semi-annual interest payment on the \$21 million CRDA bonds used to finance the project. The short-fall was caused solely by debt investments purchased with loan proceeds originally designed to assist in the debt service of the project. A portion of these debt investments have suspended interest payments due to a filing of corporate reorganization. In connection with the plan of reorganization, of the issuing corporation, debt investments are to be converted to equity securities.

CRDA anticipates that future revenues from the project will enable the principal and accrued interest to be paid in full. Based on partial payments made by the borrower and the market value of the investments, a valuation allowance of \$2,100,000 and \$3,230,000 has been recorded in 1992 and 1991, respectively, against the note receivable and bond payable in the Development Fund with the appropriate adjustments made to accrued loan interest income and bond interest expense.

17. PENSION

Effective June 1, 1990, all full-time employees and compensated board members of CRDA are required to participate in the New Jersey Public Employees' Retirement System (PERS), a cost-sharing, multiple employer, defined benefit plan administered by the State of New Jersey Division of Pensions. As of June 30, 1991, the date of the most current available information, total annual participating employee payroll covered by PERS was approximately \$6.4 billion of which CRDA's participating payroll represented approximately .01% (one hundredth of one percent).

The pension benefit obligation (a measure of the present value of pension benefits estimated to be payable in the future) for the PERS at June 30, 1991 was approximately \$13.7 billion. Assets available for benefits, at book value, were approximately \$9.2 billion leaving an unfunded pension benefit obligation of approximately \$4.5 billion. On June 30, 1992, Governor Florio signed into law Chapter 41, P.L. 1992, which provides for the revaluation of the various state-administered retirement systems. Revalued data is not currently available. The PERS is not able to make a separate measurement of assets and pension benefit obligation for CRDA or any other participating employer.

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18. FIDELITY BOND

CRDA has a \$100,000 Honesty Blanket Bond supplied by Pennsylvania National Mutual Casualty Insurance Company covering all of its employees.

19. BUDGETARY REQUIREMENTS

CRDA operates under a budget adopted by its Board. The annual operating budget is submitted by the last day of October of each year to the State Treasurer for approval.