



State of New York
Franchise Oversight Board
State Capitol
Albany, NY 12224

MINUTES

Franchise Oversight Board Meeting
June 26, 2012
Conference Room 131, State Capitol, Albany, New York

I. The meeting was called to order at 1:37 PM by the Chair, Mr. Megna.

Members Present:

Robert Megna, Chair

Gordon Medenica, Member

Richard Aurelio, Member (participated via videoconference)

John Crotty, Member (participated via videoconference)

Steven Newman, Member (participated via videoconference)

New York Racing Association Staff in attendance:

Ellen McClain, President and Chief Operating Officer

Ken Handal, Acting General Counsel

Susanne Stover, Senior Vice President and Chief Financial Officer

Rodnell Workman, Vice President and Chief Marketing Officer

Board, Executive Chamber, and Budget Division Staff in attendance:

Steven Lowenstein

Brad Allen

Mark Massaroni

Public in attendance:

Member of Assembly Pretlow

Betty Flood

Natisha Alexander

David Lombardo

Bill Crowell

Jim Odatto

Erin Defantis

John Svare

II. APPROVAL OF BOARD MEETING MINUTES FOR April 17, 2012

ON A MOTION BY: Mr. Medenica

SECONDED BY: Mr. Newman

APPROVED: 5-0

III. CONSIDERATION AND APPROVAL OF RESOLUTION 12-01 – DELEGATING AUTHORITY TO THE SECRETARY TO NEGOTIATE AND ENTER INTO AGREEMENTS WITH THE STATE OFFICE OF FIRE PREVENTION AND CONTROL AND NYRA RELATED TO PROVIDING FIRE INSPECTION SERVICES ON THE BOARD’S BEHALF TO NYRA AT THE RACETRACK PROPERTIES

Mr. Lowenstein provided an explanation of Board Resolution 12-01, which delegated authority to the Secretary to enter into an agreement with the State Office of Fire Prevention and Control and NYRA to ensure that State Fire conduct fire inspections and other related services at the tracks and creates a reimbursement mechanism for payment by NYRA. This resolution was modeled after a 2010 resolution authorizing an agreement between the Board, NYRA, and the Office of General Services for permitting services.

ON A MOTION BY: Mr. Medenica

SECONDED BY: Mr. Crotty

APPROVED: 5-0

IV. DISCUSSION OF THE NYRA REORGANIZATION BOARD LEGISLATION

Mr. Lowenstein provided an overview of the recently passed legislation creating the new NYRA Reorganization Board. The new Board will have seventeen members; eight appointed by the Governor, two each by the Assembly Speaker and Senate Majority Leader, and five elected by the class A members of the current NYRA Board. The new Board will remain in place for three years, and will recommend a new governing structure within 180 days of the end of that period. The new Board takes effect as soon as a majority of the governmental appointments to the Board are made.

Members asked questions regarding the role of the Franchise Oversight Board under the new NYRA governing structure and about who is in charge at NYRA in the interim. Mr. Megna explained that the FOB’s oversight role remains unchanged under this legislation and Ms. McClain stated that the current NYRA Board remains in charge until the Reorganization Board takes over and that she, as President of NYRA, was running the business.

V. DISCUSSION OF NYRA’S 2012 AQUEDUCT WINTER MEET AND THE 2012 BELMONT STAKES

Ms. McClain provided an update on handle from the 2012 Aqueduct winter meet. She stated that over 78 days, NYRA’s handle was \$613 million, with daily average handle up almost 14 percent from last year. NYRA came close to achieving the projected half a horse increase in field size during the meet.

Ms. McClain further stated that the Belmont meet was off to a good start, generating \$445 million in handle over the first 37 days. Belmont Stakes day saw attendance of almost 86 thousand at the track and generated handle of about \$100 million.

Mr. Newman and Mr Crotty asked questions about whether the increased handle was generated by increased field size or better weather. Mr. Megna asked a question about whether the elevated numbers of equine fatalities were continuing to occur. Ms. McClain responded that they had returned to a normal level.

VI. DISCUSSION OF NYRA'S NEW LABOR CONTRACTS

Ms. McClain stated that NYRA has 25 separate labor contracts, and recently reached an agreement with Local 3 for the maintenance workers and assistant starters, but the contract for the mutuel clerks was still open. There had been a threat of a strike by the maintenance workers and assistant starters prior to the Belmont Stakes.

Mr. Megna asked how the final agreement compared to NYRA's estimate of how NYRA thought they would end up, and Ms. McClain replied that they ended up in a better place based on the present value of the components. Mr. Newman asked what the outcome was as far as health insurance. Ms. McClain and Ms. Stover answered that NYRA achieved an increase in employee contributions and was able to move some employees from NYRA's plan to multi-employee plans for both pension and health insurance. Mr. Megna asked if NYRA could provide a brief summary of the agreement with a comparison to NYRA's assumptions. NYRA responded that they would provide that summary.

VII. DISCUSSION OF NYRA'S IMPLEMENTATION OF THE 2007 CAPITAL PLAN

Ms. Stover provided a brief presentation on NYRA's Capital Plan. The current five year plan started in 2008, and NYRA has only spent \$31.8 million of the \$201 million in the plan. The 2012 capital budget includes \$20.3 million and NYRA has spent \$2.2 million during the first quarter of 2012.

Mr. Newman asked if NYRA had a list of capital project priorities and a timeline for them. Ms. Stover responded that they were waiting for the new Board to develop that. Ms. McClain stated that the 2012 Budget was based on NYRA's current priorities but they haven't gotten to 2013 at this point. Mr. Newman also asked if NYRA had the resources to manage the capital budget and if NYRA could provide the status of capital spending at each meeting. Ms. McClain responded that she believed that NYRA had the resources to manage the current level of spending but would need to add resources in the future.

VIII. DISCUSSION OF NYRA'S MARKETING ACTIVITIES

Mr. Workman gave a presentation on how to further elevate NYRA as well as the sport of horse racing. He stated that in the short-term, NYRA has launched an integrated marketing campaign around the Belmont Stakes. He showed two TV spots that ran on network and cable TV leading up to the Belmont. Mr. Workman stated that a long-term campaign would focus on building the brand, making horse racing relevant on a national level and more common to the average consumer. He also said that there needs to be a greater focus on the fan experience, drawing people to the venue not only for racing but as a destination for entertainment, reaching families, women and younger fans.

Mr. Crotty asked if Mr. Workman could develop a series of criteria and baselines to evaluate the marketing effort. Mr. Newman asked if the focus is solely on increasing wagering or attracting customers that may not bet to come to the track. Ms. McClain responded that NYRA is focused on the fan experience and Mr. Workman added that first you have to get the customer to the track and provide a viable entertainment option, and then move them to wagering. Mr. Crotty and Mr. Aurelio stated that they believe the amount NYRA budgeted for marketing is very low and asked a number of questions regarding NYRA's marketing plans. Mr. Aurelio asked for a commitment from NYRA to provide a comprehensive marketing plan. Mr. Workman confirmed that NYRA would provide that plan.

IX. DISCUSSION OF SOLE SOURCE AND EMERGENCY PROCUREMENTS THROUGH JUNE 30, 2012

Ms. McClain presented a report on NYRA's first quarter sole source, single source and emergency procurement. Board Members raised questions about the number of media, communications, and political consultants NYRA contracts with and the services they provide, and requested a list of those consulting contracts. Ms. McClain agreed to provide that information.

X. NEW BUSINESS/OLD BUSINESS

Mr. Newman asked about materials provided on Tote and auditing contracts. Ms. McClain responded that they were provided to prepare the Members for decisions the Board would have to make at the next meeting.

XI. CHAIR'S REPORT

The Chair announced that the next meeting of the Board was preliminarily scheduled for and August 21, 2012. Mr. Newman stated that he had a conflict with that date. The Chair stated that the Secretary would work with the Members and NYRA to set the date of the next meeting. Mr. Aurelio asked about the status of the Annual Report and suggested that it include a recommendation that the level of VLT revenue used for purse enhancement be reviewed.

XII. The Chair adjourned the meeting at 3:13 PM.