



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

## **MINUTES**

Franchise Oversight Board Meeting  
August 14, 2012  
Conference Room 131, State Capitol, Albany, New York

### **I. The meeting was called to order at 1:29 PM by the Chair, Mr. Megna.**

#### **Members Present:**

**Robert Megna, Chair**

**John Crotty, Member**

**Robert Williams, Member**

**Richard Aurelio, 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

Mark Massaroni

Brad Allen

Rich Geist

Morris Peters

#### Public in attendance:

Bill Crowell

David Lombardo

Betty Flood

John Svare

Chairperson Megna introduced Robert Williams as a new Member of the Board and thanked former Member Medenica for his service to the Board.

### **II. APPROVAL OF BOARD MEETING MINUTES FOR June 26, 2012**

*ON A MOTION BY: Mr. Newman*

*SECONDED BY: Mr. Aurelio*

*APPROVED: 5-0*

### **III. CONSIDERATION OF RESOLUTION 12-02 – PROVIDING AUTHORIZATION FOR THE NEW YORK RACING ASSOCIATION TO ENTER INTO A CONTACT WITH KPMG FOR AUDITING SERVICES**

Ms. Stover presented NYRA's selection of KPMG as NYRA's external auditor. Ms. Stover explained that NYRA had receive a number of bids and that KPMG is a big four accounting firm with strong industry experience, provided a strong audit and tax approach, and will provide quarterly reviews. Mr. Newman commented that bids were received from a number of high quality firms and asked what fee NYRA paid for audit services in the prior year. Ms. Stover responded the KPMG's fee will be about \$800,000 and UHY's fee was about \$850,000, and that they will receive more services from KPMG than they received from UHY.

*ON A MOTION BY: Mr. Aurelion  
SECONDED BY: Mr. Newman  
APPROVED: 4-0 (Mr. Megna abstained)*

### **IV. DISCUSSION OF NYRA'S SECOND QUARTER 2012 FINANCIAL RESULTS**

Ms. Stover presented NYRA's second quarter financial results. NYRA earned \$50.2 million in net revenue, \$38.4 million excluding VLT revenue with 39.5 million in operating expenses. The Belmont spring meet generated \$634.2 million in handle, a 9 percent increase from last year. The Belmont Stakes accounted for \$99.5 million of that handle. For the quarter, handle was \$646.2 million, up 11 percent. On-track attendance was 342,000, a 2 percent increase. Average field size increased to 8.1 horses per race from 7.3. NYRA stated that the quality of races has increased, as the number of claiming races fell and the number of maiden races increased as compared to last year.

Mr. Newman and Mr. Megna asked questions about NYRA's international simulcast contracts. NYRA stated that increase their opportunities in the international market. Mr. Crotty stated that he believes that NYRA's undercharges for its signal and asked if NYRA was doing anything to change that. Ms. McClain responded that NYRA was trying to increase the price over time. Members and NYRA had a discussion of the OTB's finances and the impact on NYRA. Mr. Newman asked questions about NYRA's benefit expenses. NYRA explained that health insurance and 401K expenses are operating expenses and pension and retiree health insurance expenses are non-operating expense. The increase in retiree healthcare costs is attributable to growth in medical inflation, increase in eligible retirees, and interest rates. NYRA mentioned that they make actuarial changes in pension costs once a year, and those and negotiated changes are not accounted for in the numbers for the quarter. NYRA also mentioned that they incurred higher legal costs due to the take-out investigation, higher consulting fees due to the racehorse health and safety study.

Mr. Newman stated that he does not believe will not achieve a great quarter until they no longer need any VLT revenue. Mr. Crotty asked about the impact of reduced foal crop size on NYRA. Mr. McClain responded that she had not focused on that yet but believed that NYRA was in a strong position to compete for horse population.

## **V. DISCUSSION OF THE SARATOGA MEET TO DATE**

Ms. McClain stated that through the first 16 days, NYRA had experienced single digit increases in on-track handle and high single digit increases in all source handle. Achieving that targeted increase in field size was made more difficult do to self-imposed limits on juvenile races, but excluding those races they have experienced increases in field size and handle per race.

## **VI. DISCUSSION OF NYRA'S STRATEGIC PLAN**

NYRA presented an overview of its strategic plan "Revitalizing the Fan Experience." Ms. McClain provided a comparison of NYRA's wagering and racing operations to the industry as a whole, descriptions of the scale of operations of the facilities, comparison of NYRA's schedule to other major tracks, and comparison statistics on NYRA's attendance. Mr. Workman described some case studies of customer service and initiatives in the sports world.

Mr. Aurelio commented that Aqueduct is an uninviting environment and that nothing seems to have been done about that despite many previous promises, and asked if there are any plans to address that. Ms. McClain responded they are making small improvements including painting, installing new carpeting, and fixing bathrooms.

Mr. Newman commented that he did not think that any could describe that the racetracks were a great experience. Mr. Aurelio commented that the racing experience is becoming more boring, too slow-paced and confusing and no longer relevant to a new generation. He further commented that there have been no attempts to try innovations and implement any of the recommendations of the MacKenzie report, as promised, and also noted that since the sport is no longer the only legalized gambling in town, the brand of the sport must change from solely gambling to include entertainment as the more dominant attraction, along with a new TV model. Mr. Newman added that they should look at minor league baseball where they provide entertainment between innings.

NYRA responded that looking to address these issues but these changes don't happen overnight. NYRA has gotten back on TV through the Summer at Saratoga series on NBC. NYRA is investing in its television operations to better direct and produce a show and provide additional camera angles. NYRA emphasized that changes need to be made gradually not to offend the loyal race fan base. NYRA also stated that they are working on an integrated technology platform to provide better service to patrons. Mr. Megna stated that horse owners are involved in other sports and asked if there is a way build on those relationships. Mr. Workman stated NYRA is discussion that strategy.

## **VII. NEW BUSINESS/OLD BUSINESS**

None.

## **VIII. CHAIR'S REPORT**

The Chair announced that the next meeting of the Board was preliminarily scheduled to be held around October 16, 2012. The Chair stated that the Secretary would work with the Members to set the date of the next meeting.

## **IX. The Chair adjourned the meeting at 3:32 PM.**

DRAFT