



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

MINUTES

Franchise Oversight Board Meeting
January 18, 2013
Conference Room 131, State Capitol, Albany, New York

**I. The meeting was called to order at 1:14 PM by the Chair, Mr. Williams.
Establishment of a quorum was noted.**

Members Present:

Robert Williams, Chair
Richard Aurelio, Member
(participated via videoconference)
John Crotty, Member
(participated via videoconference)
Steven Newman, Member
(participated via videoconference)

Board Staff in attendance:

Steven Lowenstein
Bradley Allen

NYRA Staff in attendance:

Ellen McClain, President and Chief Operating Officer
(participated via videoconference)
Kenneth Handal, Acting General Counsel and Chief Ethics and Compliance Officer
(participated via videoconference)
Susanne Stover, Senior Vice President and Chief Financial Officer
(participated via videoconference)

Public in attendance:

Dan Hallenbeck
Danielle Schittino
John Svare

II. APPROVAL OF BOARD MEETING MINUTES FOR November 26, 2012

ON A MOTION BY: Mr. Crotty

SECONDED BY: Mr. Aurelio

APPROVED: 4-0

Mr. Newman asked that the following clarifications be added to the minutes: That NYRA agreed to provide a comparison of actual versus budgeted capital spending; that it was agreed that the Racing and Wagering Board would provide a report on the financial conditions; and that NYRA did not provide a response to a question on the pricing of NYRA signal. The minutes were approved with these amendments.

III. REVIEW AND RECOMMENDATIONS REGARDING NYRA'S 2012 OPERATING BUDGET

Ms. Stover provided an overview of NYRA's 2013 operating budget. NYRA projects a loss of \$840,000 from racing operations compared to a loss of \$5.1 million in 2012. NYRA anticipates a negative impact of the new Clenbuterol rules of \$2.4 million due to decrease in shipping. Board Members questioned NYRA's assumptions about the impact of the rule.

Mr. Williams noted that NYRA's spending in 2012 was a little over \$7 million more than anticipated in its 2012 budget and inquired as to what NYRA was doing to contain costs. Ms. Stover responded that the spending was due to a number of factors, including unusual legal expenses, Suffolk OTB's bankruptcy, a sales tax audit, a costs associated with increased handle.

Mr. Newman stated that, to him, the measure of success for NYRA will be when VLT revenue is no longer needed to subsidize the racing operations and that the budget shows that NYRA is becoming more dependent on VLT revenue rather than more independent. Ms. McClain responded NYRA needs to make investments in the facilities and improving the fan experience and that it will take some time to turn around the business.

Mr. Williams and Mr. Aurelio asked about references to Global Betting Exchange in the budget. Ms. McClain responded that there has been an internal management focus on deploying technology to not only support NYRA's betting platform but also bring modern customer relationship management software. Ms. McClain stated that they were not getting too specific because they have not signed a contract for the technology. Ms. McClain later stated that the technology will be a big leap forward and that it will be transformative and will result in a significant increase in handle. She added that management hopes to receive approval from its Board to move forward and that it could be in place by the fall.

Mr. Williams also asked about references to Moneygram. Ms. McClain responded that the use of Moneygram would provide customers with an easier way to fund their accounts and bet through NYRA Rewards. Ms. Stover added that the fee would be around \$3.50 per transaction.

Mr. Aurelio ask questions regarding NYRA's marketing plan and noted that he views NYRA's efforts as boiler plate marketing without any new concepts. Ms. McClain responded that NYRA was working on a plan that would reintroduce the local community to Belmont and Ms. Stover added that there is a comprehensive marketing plan that NYRA's Chief Marketing Officer would present to the Board at a later date.

Mr. Williams asked about the status of the shared services agreement with Genting. Ms. McClain responded that they are having conversations with Genting and that most issues are being worked out. She also stated that NYRA has made the decision to bring cleaning services back in house and issues remain regarding the construction of Longshots.

Mr. Aurelio raised question regarding NYRA plans to make improvements at Aqueduct. Ms. McClain replied that NYRA would not be doing a wholesale renovation of the outside and the inside all at once, but have made the improvements that they thought they can afford. These included improvements to the second floor. NYRA plans to continue to make improvements on an incremental basis.

Mr. Williams asked about the decision by NYRA to install Trakus at the tracks. Ms. Stover replied that the intent was to improve the customer experience but NYRA also needed the technology to compete with other major tracks that currently employ the technology.

Mr. Aurelio inquired about the status of NYRA's plans to place off-track betting sites at sports bars in New York City. Ms. McClain responded that it remains a pending issue, but more urgent issues needed to be addressed first. Ms. McClain noted that it may be difficult to implement and that more work was needed.

Mr. Crotty and Mr. Aurelio both made statements that they believe that the current distributions of VLT revenue to purse enhancement should be reviewed and that a better use for a portion of that money would be for marketing.

Mr. Williams asked how charitable contributions are vetted. Ms. McClain responded that NYRA management makes decisions on charitable contributions and the NYRA Board could review as part of the Budget process, and that charitable contributions are generally made to organizations related to the horse racing industry.

Board Members and NYRA discussed increases in wage and benefit expenses contained in the budget, legal expenses incurred in 2012, Federal tax implications, and pension costs.

Members asked several questions regarding capital expenditures in 2012. NYRA provided some details on planed capital expenditures including new video boards and renovations to the first floor at Aqueduct, dorm upgrades, a viewing stand at the Oklahoma training track, and HDTV video equipment. Board Members and NYRA discussed NYRA's plan to begin Hi-Definition video production of races, the moving of the New York City cable channel on Time-Warner's system, and the possibility of upgrading that channel to Hi-Def.

Mr. Crotty asked a series of questions regarding NYRA's pricing of its simulcast signal and stated that he believes that NYRA should get a better price for that signal. Ms. McClain responded that NYRA has to do more work on the pricing structure and that a lot of analysis needs to be done.

IV. NEW BUSINESS/OLD BUSINESS

Mr. Aurelio inquired about the recent equine fatalities at Aqueduct and the status of the Equine Health and Safety Task Force. Ms. McClain responded that NYRA put out a press release yesterday that NYRA would create a position of Equine Veterinary Medical Director, would facilitate necropsies for horses euthanized at the track, and the NYRA Board would consider a reduction in the number of race dates at its next meeting. Ms. McClain stated that it was the belief of management that NYRA was currently offering too many races relative to the horse population, and that may be a contributing risk factor to the number of injuries.

V. CHAIR'S REPORT

Mr. Williams noted that the next Board meeting is anticipated to be in March. The Secretary will work with Members and NYRA to set a final date.

VI. The meeting was adjourned at 3:48 PM.

ON A MOTION BY: Mr. Aurelio

SECONDED BY: Mr. Newman

APPROVED: 4-0