



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

MINUTES

Franchise Oversight Board Meeting
December 2, 2013
Conference Room 131, State Capitol, Albany, New York

I. The meeting was called to order at 1:12 PM by the Chair, Mr. Williams. Establishment of a quorum was noted.

Members Present:

Robert Williams, Chair

Elizabeth Garvey, Member

Steven Newman, Member (participated via videoconference)

James Towne, Jr.

Board staff in attendance:

Steven Lowenstein

Bradley Allen

NYRA staff in attendance:

Christopher Kay, President and Chief Operating Officer
(participated via videoconference)

Susanne Stover, Senior Vice President and Chief Financial Officer
(participated via videoconference)

David O'Rourke, Vice President of Corporate Development
(participated via videoconference)

Pasquale Viscusi, Assistant General Counsel
(participated via videoconference)

Public in attendance:

Jennifer Best

Charles Kruzansky

Jim Odatto

John Svare

II. APPROVAL OF BOARD MEETING MINUTES FOR September 16, 2013

APPROVED: 4-0

III. DISCUSSION OF NYRA'S THIRD QUARTER 2013 FINANCIAL RESULTS

Ms. Stover provided an overview of NYRA's third quarter operating results. NYRA had an operating profit of \$11.1 million from racing operations, \$1.4 million lower than the prior year. Estimated attendance was down 4 percent due to lower attendance on opening and closing weekends at Saratoga and lower attendance on giveaway days. Total handle declined 8.3 percent due to lower on-track and New York OTB handle. Operating expenses increased by 5 percent due to increased labor and marketing costs, partially offset by lower legal expenses and an insurance settlement. NYRA spent \$4.9 million on capital improvements during the quarter.

Mr. Williams asked about the decline in attendance considering the efforts to promote the Saratoga 150. Mr. Kay replied it was partly due to the attendance figures on giveaway days and stated that NYRA needed to do a better job marketing out-of-region. Members asked questions on how attendance was calculated on these days. Mr. Kay stated that NYRA was working on ideas to improve the effectiveness of these promotions and to get more accurate attendance figures.

Mr. Williams asked about the status of MoneyGram and Longshots. Ms. Stover replied that MoneyGram was expected to be available by the end of 2013 and that there had been numerous construction delays with Longshots but it was anticipated to open by April 2014.

Mr. Newman asked if NYRA could provide a measure of handle divided by the number of customers. Ms. Stover responded that NYRA would. Mr. Newman asked what "customer relationship management" was. Mr. Kay responded that it is used to better know the customer based on prior buying habits.

IV. REVIEW AND RECOMMENDATIONS REGARDING NYRA'S 2014 OPERATING BUDGET

Mr. Kay provided an overview of NYRA's philosophy for the 2014 budget. He stated that NYRA needed to take a careful look at how they operated the business and do their best to create a budget that would reflect a break-even or slight profit for the operating side of the business. He added that they need to use VLT revenues to grow the business rather than subsidize operating deficits.

Ms. Stover provided an overview of the budget's financial projections. She stated that NYRA projects an operating profit of \$250,000 exclusive of VLT operating funds compared to a projected loss of \$10.5 million in 2013. NYRA has identified a number of strategic initiatives to grow revenue and cut expenses. NYRA plans to increase prices for admissions, box seats, and parking, increase the amount charged for simulcast signals, and increase sponsorship revenue. Plans to reduce costs include closing Aqueduct training center during non-racing months, reduce legal expenses, reduce phone wagering costs, reduce overall labor costs, and improve efficiencies throughout the organization. Including VLT operating revenue, NYRA projects an operating profit of \$23.7 million, which will be used to pay retiree benefits and income tax liability, resulting in a loss of \$1.8 million. The Capital budget for 2014 totals \$23.2 million,

which includes projects to improve that fan experience, improve the quality and life of backstretch workers, and improve the infrastructure of the tracks.

Mr. Williams asked about the size of the increase in admission charges. Mr. Kay responded that general admission would increase from \$3 to \$5 and clubhouse admission would increase from \$5 to \$8. Mr. Kay added that the new prices would be in-line with what other premier tracks charge. Mr. Williams asked if NYRA had studied what the potential impact of attendance would be from the increase. Mr. Kay responded that he did not believe there would be an impact. Mr. Williams asked if there would be an increase in box seat prices. Mr. Kay responded that box seat prices would increase between 10 and 20 percent. Mr. Newman asked if NYRA considered charging different rates based on the quality of races on a particular day. Mr. Kay responded that he did not think that would be a good approach at this time but NYRA may consider it in the future.

Mr. Williams asked when the new internet wagering platform would be operational. Mr. O'Rourke replied that NYRA hoped to have the back-end up prior to the triple crown and the front-end prior to Saratoga.

Mr. Williams asked if NYRA planned a reduction in race dates at Aqueduct in 2014 as they had requested in 2013. Mr. Viscusi and Mr. Kay responded that NYRA had made changes in the racing schedule that would allow them to run the full number of dates.

Ms. Garvey asked about issues with storm run-off on the Belmont backstretch. Mr. Kay responded that the problem was not caused by Belmont Park but rather a problem that Floral Park has.

Mr. Williams asked if NYRA had an agreement with the New York Thoroughbred Horsemen's Association to close the Aqueduct training center. Mr. Kay responded that they did not.

Mr. Newman asked about NYRA's marketing budget. Mr. Kay responded that NYRA needed to spend its marketing money more efficiently to drive attendance and handle.

Mr. Towne asked about programs to attract new owner. Mr. Kay responded that current programs needed improvement and that he would like to meet with Mr. Towne to further discuss the issue.

Mr. Williams asked about the possibility of a synthetic track at Belmont and the future of Aqueduct. Mr. Kay responded that NYRA intends to maintain Aqueduct as an operating track in the near term and they would continue to study a possible synthetic track for the Belmont infield.

V. NEW BUSINESS/OLD BUSINESS

Mr. Newman asked several questions regarding NYRA procurement reports. Ms. Stover provided explanations of contract provided within the reports.

V. CHAIR'S REPORT

Mr. Williams updated Board Members on the status of the performance standard evaluation and the process moving forward.

VII. The meeting was adjourned at 2:46 PM.