



# Franchise Oversight Board

## MINUTES

Franchise Oversight Board Meeting  
December 1, 2014  
Conference Room 131, State Capitol, Albany, New York

**I. The meeting was called to order at 1:04 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)**

**Joseph Rabito, Member**

James Towne, Jr. (participated via phone, not included for quorum or voting purposes)

Board staff in attendance:

Steven Lowenstein

Ali Chaudhry

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)

Joseph Lambert, Senior Vice President and General Counsel  
(participated via videoconference)

Public in attendance:

Elizabeth Boody

Jimmy Vielkind

**II. APPROVAL OF BOARD MEETING MINUTES FOR September 15, 2014**

*APPROVED: 4-0*

### **III. FINANCIAL REVIEWS**

#### **A. 2014 Third Quarter Financial Results**

Ms. Stover stated that NYRA earned operating income of \$16.5 million before VLT income in the third quarter of 2014, an increase of \$5.4 million versus the same quarter last year. During the quarter, NYRA generated \$890.5 million in handle, 2% lower than the prior year. Revenue increased based on higher admission and increased simulcast rates. Expenses decrease as a result of reduced labor, consulting, outside services and temporary labor costs.

Mr. Williams inquired about the status of the GBE integration. Mr. Kay responded that the hardware had been put in place and NYRA was working on implementing the new software. NYRA is anticipating that the new software would be ready for testing in January with a launch shortly thereafter.

Mr. Towne asked if the projected saving from closing Aqueduct for training during non-racing periods factored in the cost of transportation. Ms. Stover replied that it did.

Mr. Newman asked if NYRA had attendance figures based on people at the track rather than tickets sold. Mr. Kay that they were trying to track attendance like most other sports franchises did and that the focus should be on revenue rather than attendance. He added that food and beverage sales were up 10 to 11 percent along with the increased attendance.

Mr. Williams asked about a cap on the number of season passes that were available for sale. Mr. Kay responded that the cap on sales applied only to clubhouse passes, and that was done to assure that the clubhouse was not overcrowded on major race dates. NYRA will re-evaluate the policy in the future. He added that the affiliation with Stewart's Shops to sell season passes had been very successful partnership.

Mr. Williams stated that NYRA had indicated in the past that the New York medication rules had reduced field size at NYRA. Mr. Kay replied that that may have been a contributor to reduced field size in the past, and there were other factors that were preventing field sizes from increasing. He also stated that other tracks were responding to the reduced foal crops by reducing the number of race dates per week and shortening meets.

Mr. Towne asked if NYRA would change how they operated if there were not statutory requirements on race dates. Mr. Kay replied that they would and that they were working with the New York Horsemen and the Gaming Commission to reduce the number of days raced at Aqueduct. Mr. Newman asked if NYRA had sought legislative changes. Mr. Kay replied that they had not yet, but he has had conversations with the respective Committee Chairs.

Mr. Towne asked if there had been reduced demand for stalls or day shippers. Mr. Kay responded that there was not a decline in demand for stall but the number of shippers are down from levels they were at in 2011 and 2012.

Mr. Newman asked at what level the pension plans were funded and if non-union employees had a pension. Ms. Stover replied that the pension for non-union was

frozen in 2009 and non-union employees no longer participate in a pension. She also stated that the pensions were fully funded on a GASB basis but not on a FASB basis.

Mr. Newman asked if NYRA could provide a schedule of capital projects and how actual costs compare to budgets, and if NYRA could provide an Balance sheet that compared between the same quarter of each year. NYRA responded that they could provide that data.

#### **IV. BUDGET REVIEWS**

##### **A. 2015 OPERATING BUDGET**

Ms. Stover provided an overview of NYRA's 2015 Operating Budget. Ms. Stover stated that the budget projects a \$2.1 million operating profit exclusive of vlt funds. The profit is achieved through strategic initiatives which include the launch of improvements to the ADW and customer relationship management platforms, increased sponsorship revenue, and continued development of big race days. NYRA plans on reducing costs through closing Aqueduct for training the during a 5 months of non-live racing, reduced phone costs, and examining closing Belmont Cafe on dark days. Mr. Williams ask if the closure of Aqueduct for training was going to be acceptable to the horsemen. Mr. Kay responded that with the addition of approximately 250 stalls at Belmont that the closure would be achievable.

Ms. Stove continued that total handle was projected to decrease by 3 percent as a result of one fewer race days and headwinds facing the industry. NYRA is making strategic changes to the race calendar to focus on big race days to combat the decline.

Mr. Williams asked about the status of a plan to access the New York City market. Mr. Kay responded that it's a work in progress and that they are looking into a way to provide self-service betting machines. Mr. Williams asked about the budget legal expense regarding the re-organization. Mr. Kay responded that it was a conservative number because he did not know if all the work could be done in-house. Mr. Williams asked if NYRA was seeking professional services to address the Federal tax liability. Mr. Kay responded that they had engaged KMPG to provide guidance.

Ms. Garvey asked if NYRA had factored in the impact of commercial casino gaming in there VLT projections. Mr. Kay responded that they did not since it was unknown were they would be sited and when they would start operating. He added that he did not believe that there would be a 2015 impact.

Mr. Towne asked if NYRA had considered a tiered system for charging for stalls based on the frequency horses are raced. Mr. Kay responded that it was a good suggestion and they would look into it.

Ms. Garvey ask about the aggressive handle projections for marque race days. Mr. Kay responded that he believed that the efforts to make Belmont Stakes day into a big day regardless of the triple crown potential was successful as all grandstand and clubhouse seats were sold prior to knowing if a triple crown would be on the line in 2014 and that the handle on the other races other than the Belmont Stakes was very

strong last year. He believes that the Stars & Stripes day will be more successful this year with an entire year to plan. He also stated that plans to model the Travers Stakes day after the Belmont Stakes day with an enhanced race card would result in increased handle.

Mr. Williams stated that he believed that prior year budgets had included a liquidity analysis that was absent in the current budget submission. Ms. Stover replied that NYRA could provide that analysis.

Mr. Newman asked about the presentation of fringe benefits included in operating expenses and pension and retirement benefits as non-operating expenses. Ms. Stover replied that operating expenses typically only include costs related to day-to-day operations which include health insurance but would not include retirement benefits.

Mr. Newman asked about the decline in the OTB's handle. Mr. Kay speculated that it may be due to the shift from brick and mortar wagers to account wagering, but added that Mr. Newman would have to ask the OTBs about their business.

Mr. Newman asked about the potential impact if New Jersey moved ahead with sports wagering. Mr. Kay responded that he did not know how it would play out legally but thought there would be an impact, especially to Resorts World, if it moved forward.

Mr. Newman asked about strategic hires. Mr. Kay responded that they were looking at hires to support the customer relationship and technology platforms. Mr. Newman asked about workman's comp costs. Ms. Stover replied that NYRA had done significant work to bring down their rating, but it took time for those savings to materialize.

Ms. Garvey asked if NYRA was aware of a letter sent by the Long Island Association to the Governor recommending \$50 million in transit and roadway improvements around Belmont Park. Mr. Kay responded that he was not aware of that.

## **B. 2015 CAPITAL BUDGET**

Ms. Stover stated that NYRA planned on investing \$36.2 million in capital improvements in 2015. These improvements include enhancements to the guest experience, upgrades in the barn area, and projects to increase NYRA's operating efficiency. \$8.3 million in budgeted projects from 2014 will be carried into 2015, including construction of a new dorm at Belmont and the design and permitting of a new At The Rail building at Saratoga.

Mr. Williams asked about the capital expenditure for security cameras. Mr. Kay responded that NYRA was working with experts to develop a plan that would provide more security at gates and would place cameras at strategic locations in the to provide better identification of the whereabouts of third parties on the property.

## **V. NEW BUSINESS**

Mr. Williams asked a question the export list regarding decreased handle from Delmar and Nevada. Mr. Kay responded that a number of significant wagerers who usually attended the Delmar meet and wagered on NYRA were not present this year.

Ms. Garvey and Mr. Newman asked questions regarding NYRA's procurement reports. Ms. Garvey asked for an explanation between the difference in the contracts for services from The Jockey Club Media Ventures and Wasserman. Mr. Kay replied that NYRA paid the Jockey Club for promotional costs in exchange for the Jockey Club picking up production costs for certain national broadcasts.

Mr. Newman asked about the contract for Larry Collmus as the NYRA race caller and the total amount NYRA spent for race callers. Mr. Kay responded that the amount listed for the contract was the multi-year cost. He added that he did not have that estimate but stated it was lower than what was paid with the prior race caller. Mr. Kay express his concern about discussing salaries in public. Mr. Newman inquired if that could be discussed in executive session and Mr. Williams ask the counsels to look into it.

## **VI. OLD BUSINESS**

Mr. Williams reported that NYRA submitted documentation that evidenced considerations regarding the award of performance bonuses to the NYRA president which was sought at the prior meeting of the Board.

## **VII. CHAIR'S REPORT**

Mr. Williams noted that NYRA's auditor, KPMG, had agreed to attend a meeting of the Board. He added that staff had suggested that it would be most appropriate for that meeting to be when NYRA's audit financial statements were next presented. He also noted that NYRA had submitted a draft stall policy which would be circulated to Members and that he would be reaching out to Members for feedback.

## **VIII. The meeting was adjourned at 2:24 PM.**