



# Franchise Oversight Board

## MINUTES

Board Meeting  
December 2, 2015

State Capitol Building, Room 131  
Albany, New York

### I. Call to Order/Quorum Establishment

The meeting was called to order at 3:20 p.m. by the Chair, Mr. Williams. Establishment of a quorum was noted.

Members Present:

Robert Williams, Chair  
Steven Newman, Member (participated via bilateral videoconference)  
Joseph Rabito, Member  
Jim Towne, Member

Board staff in attendance:

Steven Lowenstein, Secretary and Administrative Officer  
Kendra Rubin, Counsel

NYRA staff in attendance (participated via bilateral videoconference):

Christopher Kay, President and Chief Operating Officer  
Susanne Stover, Senior Vice President and Chief Financial Officer  
Joseph Lambert, Senior Vice President and General Counsel  
Glen Kozak, Vice President of Facilities & Racing Surfaces  
John Durso, Director of Communications

Public in attendance:

David Grening, Daily Racing Form  
David Lombardo, New York StateWatch  
Rich Karlin, Timesunion

## **II. Consideration of Board Minutes, Meeting of April 27, 2015**

*ACCEPTED: 4-0*

## **III. Financial Reviews**

### **A. 2015 Second Quarter Financial Results**

The Board decided not to conduct any discussion of 2015 second quarter financial results.

### **B. 2015 Third Quarter Financial Results**

Ms. Stover provided an overview of NYRA's 2015 third quarter financial results. NYRA earned \$20.5 million of operating income from racing operations, \$4 million higher than the prior year. Net revenue was \$3.7 million higher than budgeted, offset by \$2.4 million in higher operating expenses. Non-operating expenses were \$14.8 million, \$2.1 million higher than budgeted.

Year-to-date, NYRA NYRA earned \$14.4 million of operating income from racing operations, \$2.7 million higher than the prior year. Higher revenue was realized due to Belmont Stakes day and the success of the Saratoga meet, offset by the impact of extreme weather over the winter. Increased expenses were incurred to support the Belmont Stakes and Saratoga meet, along with higher costs associated with keeping the Aqueduct training facility open.

Mr. Newman asked why the Saratoga meet had been so successful. Mr. Kay replied it was a combination of good weather which resulted in fewer races being taken off the turf, increased marketing efforts, and the expanded use of season passes.

Mr. Williams asked about the increase in export handle. Ms. Stover replied that it was due to NYRA's efforts to have the best racing product. Mr. Kay added that NYRA had TVG on site during the Saratoga meet, and he believes that help drive increased handle.

Mr. Towne asked if NYRA was satisfied with its pricing for its export handle. Mr. Kay responded that he had been working to increase that price and would like to see it continue to increase.

## **IV. Budget Review**

### **C. 2016 Proposed Operating Budget**

Ms. Stover provided an overview of NYRA's 2016 proposed operating budget. She stated that NYRA will continue to examine each area of its business and have a disciplined focus on cost reductions. NYRA has budgeted a profit from racing operations of \$2.3 million in 2016. NYRA used a conservative approach in preparing the 2016 budget, relying on historical data and adjusting for unusual results observed in 2016 due to the Triple Crown and record breaking Saratoga meet.

Mr. Williams asked about the level of confidence NYRA had in the ability to close the Aqueduct training center during non-racing periods. Mr. Kay stated that the issues that had led to the training facility remaining open in 2015 had been addressed.

Mr. Newman asked if the Triple Crown had a subsequent increase in handle. Mr. Kay responded that he believed it had a beneficial impact on the industry but could not identify specific increases in handle. Mr. Newman asked about potential increases in union cost. Mr. Kay responded that nine union contracts would expire during 2016, but they were not yet in negotiations.

Mr. Newman asked if there was any quantitative measurement of the value of the increased purses. Ms. Stover stated that there have been independent studies of the economic impact of the racing industry.

Mr. Newman asked if fantasy sports had any impact on NYRA. Ms. Stover responded that they had not seen any correlation. Mr. Newman asked about NYRA's New York City strategy. Mr. Kay responded that they were still working on a strategy that would place tablets in sports bars and restaurants to allow customers to wager on a NYRA Rewards account.

Mr. Williams asked about the winter closure of PARX. Ms. Stover responded that they were looking at ways to attract those horses to Aqueduct and Mr. Kay added that they were looking at defraying the shipping costs.

Mr. Williams asked about the increase in program price. Ms. Stover responded that the price of the programs had not been increased in years and that the proposed increase would bring NYRA to market prices.

Mr. Williams asked about NYRA's marketing budget. Mr. Kay responded that they had been working with the Saratoga Chamber of Commerce on television advertising and would be focusing on digital efforts. Mr. Towne asked about trans-border marketing efforts. Mr. Kay responded that they had been working with Woodbine Racetrack on some combined efforts.

Mr. Newman inquired about the funding status of NYRA's pensions. Ms. Stover replied that the pensions were well funded under GASB accounting standard. Mr. Newman asked about the change in the discount rate assumption. Ms. Stover confirmed that the quarter percent change resulted in a \$2 million expense.

#### **D. 2016 Proposed Capital Budget**

Ms. Stover stated that NYRA's 2016 capital budget totaled \$44.1 million.

Mr. Williams noted that there had been a recent OSC audit of NYRA's capital program and stated that he would be receptive to the receipt of a new, updated capital plan from NYRA.

Mr. Towne and Mr. Williams both asked if NYRA could provide better reporting on the progress of capital projects. Mr. Towne asked if the item for stall walls was maintenance or a capital improvement. Mr. Kay responded that they are capital improvements designed to improve function of the stalls and reduce future maintenance expenses.

Mr. Towne asked about a break-out of capital expenditures for housing between Belmont and Saratoga. Mr. Kazak replied that NYRA would be constructing new 47 room concrete block and plank dorm buildings at Belmont while at Saratoga there would be a continuation of the renovation of existing dorm space. Mr. Towne asked a series of questions regarding the condition of dorms in connection to their occupants and how those dorms are allocated. Mr. Kozak replied that security works with the occupants to limit damage and that the dorms are allocated to trainers.

Mr. Williams asked about the capital items for track surface. Mr. Kozak responded that they were for maintenance of the track cushion and to increase the size of the Belmont training track. Mr. Williams asked about food and beverage capital expenses. Mr. Kozak replied that they were for renovation of the kitchen in the backstretch of Belmont and to improve food options in the Belmont backyard. Mr. Kozak also noted the replacement of videoboard at the Saratoga backyard.

Mr. Williams asked about the item for starting gates. Mr. Kozak replied that NYRA was exploring options for replacing the current leased starting gates by purchasing gates that would be more economical in the long-run. Mr. Towne asked about the item for jockey room scales. Mr. Kazak replied that there was a need to upgrade the scales, wiring and software used to weigh the jockeys in and out.

Mr. Williams asked about the new escalator and elevator at Saratoga. Mr. Kozak replied that the escalator would replace the current escalator which has had reliability issues and the elevator is planned to improve mobility in the grandstand.

## **V. New Business**

Mr. Williams brought up NYRA's regulatory reporting submissions for review. There were no questions regarding NYRA's capital, export list or executive compensation reports. Mr. Williams noted that on the single, sole and emergency source contracting reports, there seemed to be a trend of firms being identified as single source on the basis of those firms winning prior bids and asked NYRA to further examine that issue.

Mr. Kozak presented a report to the Board on capital improvements made to the backstretch areas. The report included security improvements, construction and renovation of dorms, barn expansions, and track maintenance and improvements. Mr. Towne asked about the schedule for continued dorm renovations. Mr. Kozak responded they would continue renovating 3 to 5 dorms per year until all were complete. Mr. Rabito requested a per square foot cost analysis for the new dorms at Belmont. Mr. Kozak said he would get that information.

Mr. Lambert presented a presentation on NYRA's view of its satisfaction of the performance requirements as outlined in the Franchise Agreement. The report was for the two year period since the Board's report on the 2008-2012 review period. Mr. Towne noted that during the summer, Ms. Gavey and himself asked for information on stall applications and were still waiting for a response. Mr. Kay responded that they would provide that information. Mr. Williams asked about a reexamination of synthetic surfaces. Mr. Kozak responded that they continue to do research and that they would be installing a Tapeta surface in one of the jogging barns. Mr. Newman and Mr. Williams noted that the Board had not been provided backup information that was referenced in the report. Mr. Lambert replied that they would supply that information.

Mr. Towne commented on a recent appointment to the NYRA Board and inquired if any State officials had inquired of needs of the NYRA Board before making any appointments. Mr. Kay responded that they had not.

## **VI. Old Business**

Mr. Williams updated the Board on the status of the Generic Environmental Impact Statement for the Saratoga redevelopment project.

## **VII. Report of the Chair**

None.

## **VIII. Adjournment**

The meeting was adjourned at 5:34 PM.