

**ORANGE COUNTY ECONOMIC DEVELOPMENT GAMING COMMITTEE
MINUTES**

**TUESDAY, FEBRUARY 23, 2021
2:15 P.M.**

PRESENT: Kathy Stegenga, Chairwoman
Michael Amo, Katie Bonelli, Kevin W. Hines, John S. Vero

ALSO

PRESENT: Leigh J. Benton, Legislator
Barry Cheney, Legislator
Thomas Faggione, Legislator
Joseph Minuta, Legislator
Laurie Tautel, Legislator
Peter Tuohy, Legislator
Betsy N. Abraham, Legislative Counsel
J. Daniel Bloomer, Director of Operations
Karin Hablow, Commissioner of Finance
Kerry Gallagher, Deputy Commissioner of Finance
Deborah Slesinski, Budget Director
Deanna Crawford, Budget Analyst
Gretchen Riordan, Budget Analyst
Donald Groth, President/CEO, Catskill Regional Off-Tracking Betting Corp.

Chairwoman Stegenga opened the meeting at 2:18 p.m. and asked everyone to stand for the Pledge of Allegiance. All committee members were present with the exception of Legislators Kulisek, Lujan and O'Donnell who were absent.

Ms. Stegenga explained that the purpose of the meeting was to bring everyone up to date since there was not a meeting in over a year.

Ms. Slesinski provided a budget update and referred to the "Gaming Revenue" handout she provided. She corrected the total for the budget on OTB stating that it is \$2,760,000 and pointed out an error because two columns were totaled together and apologized for the mistake. They have been budgeting OTB funds since about 2009 to 2019. The money as you can see from 2012 to 2018 diminished and in 2019, they stopped getting funding. For the year 2020 they did not budget any money for OTB revenue. In regard to casino revenue, they started to budget \$2.5 million in 2018 and it was a slow start. The auditors thought that they were on target for the \$2.5 million this year until the pandemic. They receive about four payments a year for the casino money. Over this past year they only received three payments because one quarter the casino was shuttered completely. Out of the \$7.5 million that they budgeted from 2018 through 2020, they came in with a little less than \$6.1 million.

Mr. Amo asked if there was a projection and if they expect things to turn around.

Ms. Slesinski responded that on the budget side of things, they base their projections on past performance. In 2020 they saw that they had \$2 million which was an increase so that is how they determined that amount. They kept it flat at \$2.5 million for the last three years.

Ms. Bonelli mentioned that for the year 2020 the casino revenue shows \$872,539. She asked if they anticipated another payment.

Ms. Slesinski responded that it included three payments. It was the second quarter payment that they did not receive for the year 2020 due to the shutdown. It was a total of three payments which totaled \$872,539.

Ms. Tautel asked why they no longer receive OTB revenue.

Ms. Slesinski explained that it was her understanding that the OTB services dried up.

Mr. Minuta explained that to his knowledge, the funds from OTB dried up because they were upside down financially. He asked if they anticipate the funding to come from Resorts World to the new VLT slots in the Town of Newburgh.

Ms. Slesinski responded that they did not take that into consideration for the 2021 budget.

Ms. Hablow provided a financial update and pointed out that she did not have too much more to add because she and Ms. Slesinski did work together on the "Gaming Revenue" handout. She pointed out that the 2016 casino revenue column, the \$1.87 million was a one-time licensing fee revenue. She agreed with Ms. Slesinski as to how they budgeted the way they did. She clarified the breakdown of the \$872,539 and explained that they received approximately \$404,000 on April 1, 2020 which represented revenues from October to December of 2019. They also received \$109,000 on October 1, 2020 which represented revenues from the casino from March to June of 2020. The third payment was received in the amount of \$359,000 on December 31, 2020 which was revenues from July to December 2020. They will likely receive another payment probably in March or April of 2021.

Mr. Benton asked what projections were anticipated with the VLTs in Newburgh.

Mr. Groth responded that the Catskill OTB wanted to acquire the Newburgh Mall to put in VLTs. Now the casino will be utilizing the space with VLTs. He was not sure how to respond to Mr. Benton's question until a plan is presented.

Mr. Benton thought that since it went before the town planning board, he thought they may have received something from the state.

Mr. Minuta advised Mr. Benton that drawings and renderings were presented to the town board the other night.

Mr. Amo mentioned that they should look at the VLTs at Resorts World in Queens and look at how they made projections. Newburgh is not Queens, but they might be able to get an idea. Maybe they should send a request in writing to them.

Mr. Minuta shared what was presented to the planning board, which was \$32 million project cost, 90,000 square feet, 65-year lease, 200 to 225 full-time jobs, 200 construction jobs and an estimated \$65 million in annual state education statutory payments.

Mr. Amo stated that if they can find out what the Queens Resorts World did in the first year maybe they could get an idea on a projected amount.

Mr. Minuta added that during the presentation they were predicting \$3 million annual benefit to the community.

Mr. Benton commented that he would hate to see the people who cannot afford to gamble walking from the City of Newburgh to the Newburgh Mall, despite what other politicians said. He has a problem with that.

Mr. Groth provided an update on the Catskill Regional Off-Track betting Commission. He stated that the Catskill OTB began in 1976 and the county received generous monies through OTB over the years depending on events. In 2006 the state opted for racinos which is when you go to a racetrack and they have the VLTs which cut drastically into the OTB revenues. He wrote several letters to the Chairman of the Orange County Legislature and other counties on how this was devastating the OTB revenues. In 2016 or 2017 he wrote stating that unless they get some help from the New York State Legislature, they will not be able to provide revenues anymore. They need a distribution system and OTB is the only force that has that in New York State. He has been requesting the Legislature to designate OTB as the place to have sports betting. With the pause issued by the Governor, they have not taken any bet from any of their branches for over a year. They have online betting at interbets.com but most customers like to place bets with other customers, seeking input. You can only go to a racetrack if there are very few people due to the crowds and you need to wear a mask. Two years ago, there was a Bill when Resorts World closed Monticello Raceway to give all the authority to Catskill OTB which would allow them to generate a VLT facility that would bring big money to Orange County Government, instead at the last minute the Governor gave it all back to Resorts World. The Catskill OTB could benefit from VLTs and so could the counties.

Ms. Stegenga asked what the current revenue was for the Catskill OTB.

Mr. Groth responded that there was no revenue because they were presently not open. They do take bets through the internet; it does produce enough to generate a profit. If they had additional products like the VLTs and the sports betting, they would be back in business. There is nothing in the year 2020 for Orange County.

Mr. Amo stated that it was difficult to go anywhere and bet since Covid-19. The Advance Deposit Wagering (ADW) is up since last year. How is it that all the other OTBs in the country are increasing but Catskill OTB is not.

Mr. Groth replied that they were not open.

Mr. Amo mentioned that the ADW are open. He has not been to a racetrack in a year and a half because it is not open. You cannot go anywhere so if you want to bet you need to do ADW online. They are up \$2.5 million from 2019 across the country. He asked why is it that Catskill ADW is not following the same pattern.

Mr. Groth explained that the two big ADWs televised racing and have a national audience. They give rewards to the customers which attracts customers to their ADWs websites.

Mr. Amo asked if Catskill OTB had a rewards program.

Mr. Groth responded yes, they do but it fails in comparison.

Mr. Hines asked how many OTBs were left in Orange County pre-pandemic.

Mr. Groth responded that there was one in Newburgh, Middletown, Monroe, Delancey's in Goshen and Greenwood Lake.

Mr. Hines asked if they planned to expand into bar and restaurant venues like Delancey's. It seems to be more successful.

Mr. Groth responded that it is successful, but you cannot run all of the equipment and other parts to make it work with all the laws that were passed and expect to make a profit.

Mr. Hines asked if it would be better to have less than more.

Mr. Groth responded that he was not sure what other businesses he could compare it to but if you want the business but lose money, you cannot expand.

Mr. Hines commented that it sounded as if Mr. Groth was suggesting that they shut down.

Mr. Groth stressed that he was not recommending it, they are fighting strong to keep it going, all they need are the same VLTs that everyone else has. Suffolk County has 1,000 VLTs. The average is \$200 in the industry, but Suffolk VLT facilities make \$600 per person. They put three racinos in the Catskill region and now there are possibly two additional casinos, maybe a third if MGM gets a casino in Yonkers.

Mr. Hines stated that the last time they met Mr. Groth mentioned an account that had an excess of \$12 million that was supposed to be for facility construction. He asked if he was using that money to operate.

Mr. Groth responded that they were not using any of that money. It was another issue that they wrote a letter about to the county and state legislature to help them get that money to use to reopen the business and compensate counties and other statutory obligations. The governor typically vetoed those bills that the state legislature helped them with. He was going to change the rules to make it okay for OTB to operate but that did not happen.

Mr. Hines asked how much was in the account.

Mr. Groth replied that there was more than \$10 million, less than \$11 million. He was unsure of the exact amount.

Mr. Hines further asked if it was the state of New York's money, the group of counties' money.

Mr. Groth stated that the money belongs to the Catskill Off-Track Betting Corporation. They can shut down and then distribute that money to the counties which is an idea. Why do that when they can use the money to expand the business and generate more money for the county.

Mr. Hines stated that he previously asked about expanding the business into bars and restaurants and Mr. Groth responded that it was not feasible. They need to create more revenue, or they shut down. If it is not profitable to expand and create more revenue, you have a plan b.

Mr. Groth responded that Mr. Hines was correct, but the state will not let them do that.

Mr. Hines asked if they were able to open in bars and restaurants when the pandemic is over, would that be good for him or bad.

Mr. Groth replied that he was not sure what the situation would be at that time but as of now there is a lot of competition. There are more products, the VLTs is what has helped everyone, and they should be entitled to that same help.

Mr. Hines noted that it appeared the governor was giving the VLTs to the casinos so that was not an option. He felt they should focus on the finances that the Catskill OTB is responsible for. They need to either expand to provide more opportunity for people to play or go out of business.

Mr. Groth shared that they have been saying it for years, they need to grow, or they need to go.

Mr. Hines asked that once the pandemic is over can he make the Catskill OTB profitable by opening more facilities or will it lose more money.

Mr. Groth explained that it will lose more money if they only have horseracing to bet on.

Mr. Vero stated that the reality of this is that if Mr. Groth is relying on the governor's office to help, you will be disappointed. The governor is working on way to generate more revenue for the state that he could not balance a budget with, prior to the pandemic. The governor is looking at marijuana as an industry. If the governor puts three more casinos into New York City, it only hurts them and the upstate casinos. It is a is a short-term fix that will affect everyone. The governor is only looking to gain revenue for the state of New York because they are not fiscally responsible. The Newburgh VLTs will help them a little bit, but they need to have the VLTs in other places.

Ms. Stegenga acknowledged James Townsend who passed away in December 2020. He was their appointee for the Catskill Regional Off-Track Betting Corp. They will be following up and having a discussion to see who is interested and who is suitable for that appointment. She acknowledged Mr. Townsend's many years of service and for all he did. She asked Mr. Groth what the requirements were for a candidate to fill the vacancy on the board.

Mr. Groth responded that there are only two requirements and they are that you are a resident of the county and you cannot be a member of the county legislature.

Ms. Stegenga asked how often they meet, and Mr. Groth replied that he would get back to her on that.

Ms. Stegenga asked what the current operating budget was for the Catskill OTB, pre-pandemic.

Mr. Groth responded that with all the stores closed and a small amount of money available from the internet wagering, and they have an obligation to pay the employees, insurance and retirement, etc. and he was not sure how much longer they can do that. They need to pay their bills and distribute money to the counties. Last year's budget was based on the belief that they would be operating, but then they shut down so there was no income. There has been no assistance and there are many things that they need to pay. They are down to bare bones and expect to either grow or go. This is why he has appealed to the committee and the Legislature to support them because they could provide good revenue to sports betting and VLTs but without them he did not know where the income would come from because no one is betting on horse racing.

Mr. Amo asked what budget was planned for January 2020 for the OTB Corporation to run through December 2020. That is the question that Chairwoman Stegenga is asking.

Mr. Groth replied that he believed it was \$9 million.

Ms. Stegenga thanked Mr. Groth for his time and information.

On the motion of Mr. Amo, seconded by Mr. Vero, the meeting adjourned at 3:06 p.m.