

**Monthly Meeting of the
Prairie Meadows Board of Directors
February 7, 2018
2:00 p.m.**

The Monthly Meeting of the Prairie Meadows Board of Directors was called to order by Mr. Rasmussen in the James Rasmussen Board Room at Prairie Meadows in Altoona, Iowa at 2:00 p.m.

Roll Call.

Dennis Albaugh - absent

Bob Chittenden – after Roll Call

Mark Cooper

Michael Gartner

E. J. Giovannetti

Lisa Moody-Tunks - absent

Gerry Neugent

Suku Radia

Kurt Rasmussen

Paul Rogness

Mary Simon

Karen Novak Swalwell

Martha Willits

John Irving – after Roll Call

Gene Meyer

Also in attendance were:

Gary Palmer, President/CEO

Ann Atkin, Senior Vice President/COO

Brad Rhines, Senior Vice President/CSO

Tom Flynn, Legal Counsel

Nancy Winget, Its Recording Secretary

Members of the Press, Public, and Staff

Approval of the Minutes. A motion was made by Mr. Cooper to approve the Minutes of the monthly meeting of the Prairie Meadows Board of Directors held on December 20, 2017 as written. The motion was seconded by Mr. Gartner and passed on a voice vote.

Public Comment. None

Lobbyist Report. Troy Skinner reviewed the February 2018 Legislative Update; February 16 is the first funnel date; 14 retirements have been announced and he expects more; there are three gaming bills; 1). Horse Bill – most of the items are noncontroversial, the bill pertains to drug testing and casinos within 35 miles of Prairie Meadows would have to contribute to purses – there’s not a lot of opposition, the bill is in the Senate State Government Committee today; 2). Fantasy Bill – there’s no movement yet and he believes this bill will have to be tied to the Sports Betting bill – both bills are exempt from the funnel; 3). Sports Betting – there are several versions of this bill, the NBA attended the session this morning and is opposed to the bill, but if it is passed, it wants a 1% fee, he expects to see other leagues and colleges to get involved.

Financials. Elaine Castelline, Vice President of Finance/CFO and Brad Rhines, Senior Vice President/CSO.

Ms. Castelline said PM had a great year and the presentation will be a bit different today as we want to show the team’s accomplishments:

Performance Goals December 2017 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+3.9% (4.1% over 2016)
Total Revenue	+3.6%
Net Revenue	+3.6% (4.2% over 2016)
Operating Expenses	Below plan 2.6%

Mr. Rhines said 2017 had the third best casino revenue year in history; the 4th quarter was the largest ever at \$49 million, it's usually the 1st and 2nd quarters that are the best; 2016 quarters = \$39 million; since 2015, PM is up \$12.1 million in Casino Revenue

Slot Department. Mr. Rhines said we've had a 2.5% average growth since 2015; Information Technology provides assistance in getting the information needed to review how machines are doing; the increase was due to monitoring the reports, changing machines around, installing new lease machines, and adding new machines, the aisles were widened, and we created theme areas.

Table Games Department. Mr. Rhines said the Executive Committee asked why the department was doing so well – it's due to the leadership of Eddie Llambias, Ann Atkin, and Gary Palmer, and studying the reports and making decisions; Blackjack hold was up 3% over its lifetime average; we added side bets, which hold more; Poker was moved to the 2nd floor and is open 24/7.

Racing Handle. Ms. Castelline said Handle is the bets placed on races; 2017 had the highest handle since 2010; at the Racing Symposium in Tucson, it was reported that the Racing industry is flat – PM had an increase of 1.3% over 2016; Simulcast and Live Handle totaled \$36.8 million; some of the new things that contributed to the increase were the new Jackpot Pick 5 bet which added interest and we had some jackpots of over \$100,000, Weiner Dog Races, and the Racing Club – the club had 97 members in 2017 and 87 have already signed up for 2018. Mr. Rhines said we look for ways to bring more to the bottom line; Racing is below plan, but is up from 2016; there's excitement about the new opportunities; the new Assistant Director will help Mr. Heldt with the program.

Hospitality. Ms. Castelline said the department is doing a great job due to consistent marketing efforts, focusing on the guest, and controlling food costs. The hotel had a 72.8% occupancy rate and the Des Moines area had a 59.7% occupancy rate, even though 300 rooms were added in Altoona. Mr. Rhines said 90¢ of every \$1.00 comes from Slots, but the ancillary departments are equally important – with a full hotel/Events Center, guests go to the casino floor and eat at the outlets; we will focus on new amenities for the 34-54 age demographic.

Marketing. Mr. Rhines said this is the advertising/branding side; we saw an opposite result from the normal – Marketing expenses were down and revenue was up; Polly Loneman and her team did an excellent job targeting specific guests.

2017 Expense Highlights – Revenue per Full Time Employee. Mr. Rhines said PM has become more efficient doing more with less employees and staffing to business needs. Ms. Castelline said even attendance increased; we also had a favorable insurance savings of \$1.1 million (\$400,000 better than 2016), new technology helped save on time and labor – we have a new inventory system and Kipsu in the hotel – a system where employees can text message guests to say welcome and provide assistance with any issues. Mr. Rhines said in 2017, for every \$1.00 earned above 2016, 75¢ flowed to the bottom line. Ms. Castelline said we also experienced savings in Salaries and Wages by hiring more part-time employees and allowing flex time; we focused on staffing to business needs; the remodeling of areas helped staff work more efficiently.

Operating Expenses. 26.1% of revenue was spent on operating expenses in 2016 and that dropped to 25.3% spent in 2017; some of the efficiencies include changing the parking lot and interior lighting to LED lighting to reduce consumption of electricity, doing more printing in-house, and rebidding contracts to get the best price, product, and service. Mr. Rhines said all departments worked together to make this happen.

Community Betterment. Ms. Castelline said the budget was \$14.6 million and we will be able to give out \$15.2 million – that’s \$600,000 better than plan.

Mr. Cooper asked how the hotel compared with other hotels in Altoona and Ms. Castelline said the hotels are relatively new and there’s no information yet – we should have this information in a few months and it will be included in the monthly presentation. Mr. Rasmussen said this is the opportunity to give all a round of applause for the wonderful performance.

Staff Report. Mr. Rhines showed a video of the 2017 highlights (Kentucky Derby Hat contest, Weiner Dog races, Camel, Ostrich, Zebra races, fireworks, number of tickets sold for concerts, revenue on Valentine’s Day, Easter, Thanksgiving, Christmas, Racing Club, etc.); congratulations to the team and its leaders for the great work and success of the property.

Action Item - 2017 Bonus Disbursement. Ms. Willits said in March 2017, the Board approved the 2017 goals, based on the financial performance; in December 2017, the Board approved the Bonus Resolution of \$2.060 million for tax reporting purposes; today the Board will vote on the actual payout of \$1.9 million – staff hit all the matrix and based on the tiers, they are over the performance goals and are at the 117% level; the bonus is for eligible, non-bargaining employees and will be paid in 2018. Ms. Willits moved to approve the 2017 Bonus Disbursement, the motion was seconded by Mr. Neugent, and unanimously passed on a voice vote.

President’s Report. Mr. Palmer reported:

- February 14 is Valentine’s Day – there will be specials in TCB and AJ’s.
- The REO concert was cancelled due to health issues and it has been rescheduled for October 13.
- FYI for new members: the Marketing promotions in your packet are for your information only, Board members are not eligible to participate in promotions.

- March 5 – Drake University Sports Betting Seminar – it will be held at Prairie Meadows from 11:30 a.m. – 4:30 p.m.; PM will pay the registration fee for any Board member who'd like to attend – please contact Nancy and she'll get you registered; we will resend the information to the Board.
- Next Board Meeting is March 28.
- Grants application deadline is February 16.

Other.

- IRS Update. Mr. Flynn reported that Marcus Owens had a teleconference with Mrs. Nguyen, the IRS Appeals Agent, and her plan is to reverse the Revenue Agent's decision; she asked for clarification on the election of the At-Large Board members and he sent a reply citing Code 99F.6 regarding membership, Board Openings are published in the newspaper, the five At-Large members review applicants and make a recommendation to the Board for approval, and the Board votes on the recommendation(s); if this is reversed, it will be a savings of \$350,000/year from 2012 on.

Committee Reports.

- Finance. Ms. Willits said the committee met on Monday and discussed the items covered today.
- Facilities. Mr. Giovannetti said the committee met via conference call on Monday. Phase 1 of the Events Center is completed except for the restrooms – they will open next week; there will be a five month break and then work will begin in the Skinner Ballroom in June and in the Bishop Ballroom in July – the project will be completed by mid-September; the project has a \$6 million budget and is currently on budget. Clubhouse Remodel – the project was sent out to bid to five companies and Weitz had the lowest bid by \$140,000 and was awarded the contract; it is mostly cosmetic changes; the East half will be done by Live Racing, there will a break, and the West half will be done after Live Racing. The committee reviewed the 10 Year Capital Plan – the focus will be on the next few years. A MEPS Study was done by Shive-Hattery; kudos to the maintenance staff for keeping the property in good condition; the recommendations were prioritized; staff will keep the committee updated on the progress of the recommendations.
- Grants. Mr. Cooper said the committee did not meet, but a meeting has been scheduled.

Closed Session – Performance Evaluation (Bonus and Salary), Iowa Code 21.5(1)i for Gary Palmer. Mr. Neugent moved to go into a Closed Session pursuant to Iowa Code Section 21.5(1)i to evaluate the 2017 performance and bonus for Mr. Palmer. Mr. Palmer requested a Closed Session to discuss his performance and bonus. The motion was seconded by Mr. Cooper and unanimously passed on a voice vote.

The Board went into Closed Session at 2:40 p.m.

Open Session. Mr. Gartner moved to go back to an Open Session at 3:10 p.m., the motion was seconded by Mr. Radia, and unanimously passed on a voice vote.

Action Item – Performance Evaluation (Bonus and Salary) for Gary Palmer. Mr. Neugent moved the 2017 bonus be 42% of Mr. Palmer’s base salary, and a salary increase of 3.5% over 2017. The motion was seconded by Mr. Gartner and passed on a Roll Call Vote, with Mr. Cooper voting no.

Adjournment. Mr. Cooper moved to adjourn the meeting, the motion was seconded by Mr. Neugent, and passed on a voice vote. There being no further business, the meeting adjourned at 3:15 p.m.

Respectfully submitted,

Martha Willits, Its Secretary