

**Monthly Meeting of the
Prairie Meadows Board of Directors
March 28, 2018
2:00 p.m.**

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

Roll Call.

Dennis Albaugh - absent
Mark Cooper
Michael Gartner
E. J. Giovannetti
Lisa Moody-Tunks
Gerry Neugent
Suku Radia
Kurt Rasmussen - absent

Bob Chittenden
Paul Rogness
Mary Simon
Karen Novak Swalwell
Martha Willits
John Irving
Gene Meyer - absent

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 February 7, 2018 as written. The motion was seconded by Mr. Rogness and passed on a voice vote.

Public Comment. None

Lobbyist Report. Troy Skinner reviewed the Legislative Update, March 2018: the second funnel concluded on March 18 and they are working toward adjournment as the per diem is done on April 17; policy committees have completed their work. There's new leadership: Senate Majority leader Bill Dix resigned and Senator Jack Whitver from Ankeny was elected to that role, and Senator Charles Schneider from WDM will serve as the Senate President – with the new leadership, Polk County has a good presence. The Sports Betting bill went through the State Government Committee and was amended, and then went to the Ways and Means Committee; the tax rate is 17%, but most legislators want a 22% excise tax; the bill has been stalled since last month and the tax rate is now 12%; the US Supreme Court may rule next week, and if there's no decision by the end of this session, the bill is done. Mr. Rogness said the clause that other casinos would contribute to horse purses was taken out of the bill – what was the amount? Jonathon Moss, Director of the IAHBPA, said it would have been the same rate as Prairie Meadows pays – a percentage of the gross revenue; Mr. Palmer said that was in the bill to keep other casinos out of a 35 mile radius of Prairie Meadows; Mr. Flynn said it would not have allowed new casinos within that radius.

Action Item – Acceptance of the Audit Report (recommendation from Audit Committee). Mr. Radia said the committee met earlier today with Deloitte, there were no adjustments to the audit, and the committee recommends, and he moves, to accept the audited finances. The motion was seconded by Mr. Cooper and unanimously passed on a voice vote.

Mr. Radia said the committee recommends, and he moves, to retain Deloitte for another three years. Mr. Gartner asked if this went out to bid and do we have a policy? Mr. Radia said we bid every five years and Deloitte does 80% of the casino-industry audits. Mr. Palmer said we have no set policy, but we do bid every few years. The motion was seconded by Mr. Gartner and unanimously passed on a voice vote.

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

Ms. Castelline said we're continuing the momentum from last year and the report will be for January and February 2018:

Performance Goals	
February 2018 Year-to-Date	
	Exceeds/Below Plan
Casino Revenue	+2.8%
Total Revenue	+3.6%
Net Revenue	+3.2%
Operating Expenses	Under plan 2.3%

Ms. Castelline reviewed the Total Revenue YTD February 2018: Casino \$31.4 million; F&B \$1.3 million; Pari-Mutuel \$0.3 million; Hospitality \$1.5 million; Other \$0.7 million; revenue is up \$1.2 million to budget YTD and up \$1.7 million to prior YTD; \$1.1 million went to the bottom line before community benefit.

Mr. Rhines said there were 15 weather days in February, but Slots YTD were up 3.4 % over 2017 and Table Games and Poker were up 20.8% over 2017, partially due to the new electronic table games and moving Poker to the 2nd floor.

Mr. Rhines reviewed 2018 Banquet Revenue – February was a record month and the best one ever, even with the weather; Banquets were up 12.7% to budget and up 8.5% over 2017. The regular casino guest came out in the bad weather, but the casual casino guest didn't; the non-gaming side of the business carried the revenue side; congratulations to Clay Willey and his team.

Ms. Castelline reviewed the 2018 YTD Hotel Revenue – Revenue was up \$682,000 to budget and \$5,000 short of 2017. Mr. Rhines said that's not a significant difference to us.

Ms. Castelline reported on Hotel Occupancy:

		February 2018	February YTD
Prairie Meadows		81%	70%
Des Moines area		56.3%	50%
Competitive set		63.8%	56.2%
Three new hotels in Altoona (Holiday Inn Express, Hampton Inn, Fairfield Inn) and two new hotels in Ankeny		65%	n/a

Mr. Rhines – 2018 YTD State Casino Revenue statistics, year over year; we have a procedure process and strategy in place to drive business:

Prairie Meadows	+5.1%
State	-2.9%
State without Prairie Meadows	-4.1%
St. Louis and Kansas City market	-2%
Omaha and Council Bluffs market	-2.5%
Quad Cities	-6%

Ms. Castelline said the following Top February Performing Revenue Areas in the most recent four year period and the best in history are: Table Games; Poker; AJ’s Steakhouse, Café at the Meadows, Casino Bars, Hotel Bar, and Banquets. Mr. Rhines said revenue was flat in February, but the bars and F&B picked up the slack; February revenue was still the second best in four years.

Racing Update. Derron Heldt, Director of Racing, reported:

- March is a very busy month with the installation of a new tote system (United Tote) on March 7; United Tote has years of experience and was our provider eight years ago; part of the Clubhouse has been remodeled and we have new simulcast machines and 25 new tablets for the table holders to watch and wager; Accounting made a few changes in the reporting system and everyone seems to be happy; there will be savings in labor.
- March 21 – stall applications were due:
-

	2018 to date	2017
Stall applications	1,702	1,715
Trainers	86	87

- The barns can hold 1,350 horses and we’ll be calling the trainers to confirm they are coming and how many horses they’ll bring; the top 10 trainers are coming back, and two of the country’s top five trainers by wins are coming.
- March 30 – the barns open.

- April 2 – the Main Track opens.
- April 26 – Thoroughbred Racing starts.
- Prairie Meadows Racing Club – we currently have 95 members (93 last year); the trainer will be Kelly VonHemel, who was the trainer last year; we're getting the paperwork done to claim a horse in Oaklawn, hopefully by Racing, or we can claim a horse from Prairie Meadows.

Mr. Palmer said he, Ms. Atkin, Mr. Rhines, and Mr. Heldt visited Oaklawn last week to visit with management and the horseman and Mr. Heldt stayed for the Track Superintendents Conference where he entered PM in a drawing and we won a John Deere Gator.

Staff Report. Mr. Palmer introduced Michele Wilkie, Vice President of Human Resources, a twenty plus year employee. Ms. Wilkie reported:

- She's been employed at Prairie Meadows for 25 years and has had the opportunity to grow and develop her career as the company has grown.
- Leads a team of seven professionals comprised of two Generalists, a Training/Recruitment Specialist, a Recruiting and Training Manager, a Benefits Manager, a Loss and Prevention Manager, and an Administrative Assistant. Six of the eight HR employees started working for Prairie Meadows in a department other than Human Resources, and the variety of experiences in other departments gives the team a unique perspective through which it can serve the needs of Prairie Meadows employees.
- Human Resources is often known as the enforcers. HR is working hard to shift that focus to the many ways it can assist employees. HR gives guidance to employees at all levels of the organization regarding topics that range from how to log into our benefits website to how to deal with co-worker conflict.
- The number of employees HR serves fluctuates depending upon the time of year. Currently PM has approximately 1,240 employees, and that number will grow to around 1,400 in the next 45 days. Of the 1,240 employees, 840 are covered under one of our two collective bargaining agreements. The three unions PM has on property are AFSCME, Operating Engineers and the Machinists In 2017, staff negotiated 3-year contracts, and the next negotiations will take place in 2020. PM has a good working relationships with all of our business agents and stewards. If the need for mediation or arbitration arises, HR is responsible for the process, and to mitigate this need, PM has a Joint Labor Management Committee that meets three to four times a year with the goal of resolving minor problems before they become significant.
- PM offers exceptional health benefits, as well as dental, vision, accident, critical illness, term life insurance, supplemental life insurance, flexible spending accounts, health savings accounts and Long-term and Short-term disability. Additional benefits include paid time off, a wellness program, fitness membership reimbursement, access to a subsidized employee cafeteria, and an exceptional 401k plan. PM is always looking for opportunities to add to the benefit offerings and soon will be adding a financial wellness component.
- HR's goal is to make the workplace a productive and enjoyable environment for all of our employees and educating them is part of that process. To help them transition into our environment and ensure their success, employees attend orientation. This process helps

acclimate them to our policies as well as to our culture of JACKPOT Service. The departments then take the training a step further by educating them on their job specific responsibilities and taking company-wide concepts - like JACKPOT Service - and relating them to the employee's role within the organization.

- Educational opportunities are available to employees throughout their employment with PM - Leadership training, Culture of Excellence classes, external seminars, and a tuition assistance program.
- PM recently started its second year of Prairie Meadows University (PMU). The program is conducted through a partnership with the Robert D and Billie Ray Center at Drake University. The program focuses on building our team's leadership skills and ties into our company's succession planning efforts. In 2017, the focus was on the Manager and Assistant Director Level employees, and in 2018, the application process was opened to Supervisors and Specialists - the 2018 class has four Assistant Directors, ten Managers, two Supervisors and four Specialists. We are excited to have a variety of job classifications taking advantage of this opportunity. Orientation was conducted on February 19th and their first class at Drake was held on Monday. So far we have been receiving a lot of positive feedback. This group has the luxury of learning from their predecessors, so many of them have already begun the job shadowing process
- PM is also conducting an Executive PMU series that all Vice Presidents/Directors will attend. The first class was held on the 21st. In addition to experiencing the PMU curriculum first hand, they will be participating in teambuilding and job shadowing activities.
- The 2017 graduates recently completed an Optimal Performance Assessment that provided a 360-degree view of 10 aspects of their leadership skills and will be used by their department heads to chart continuing development opportunities.
- When our employees are growing and successful, our business is as well, so Human Resources is looking forward to a very successful 2018.

Mr. Gartner asked if PM provides a scholarship program and Ms. Wilkie said yes, it is offered through the Community Relations Department – two scholarships are awarded to an employee of PM or children of PM employees. Mr. Palmer said PM offers college tuition assistance and Ms. Wilkie said it's up to \$5,250 a year and several employees have taken advantage of this benefit – all employees are eligible as long as they are a full-time employees and have been employed for six months. Mr. Gartner asked if the tuition is considered taxable income and Ms. Castelline said yes.

Action Item – 2018 Bonus Criteria. Ms. Moody-Tunks said the Human Resources Committee met on Monday and reviewed the 2018 Annual Incentive Program – it is the same program used in 2017 with one adjustment – individual goals were added to the Assistant Manager and Manager Level to coincide with other management; the HR Committee recommends, and she moves, to approve the 2018 Annual Incentive Program. The motion was seconded by Mr. Giovannetti and passed unanimously on a voice vote.

Action Item – Additional Grant Allocation. Mr. Palmer said staff’s recommendation on the \$10,037,000 profit is:

Legacy and Community Betterment Grants (CB)	\$6,000,000
Clubhouse Remodel	\$1,100,000
Slot Machines	\$600,000
Capital Reserve	\$2,000,000
Cash for (from) current operations	\$337,000
	\$10,037,000

Mr. Palmer said the Board will determine the disbursement of the \$6 million for Grants; last year, the \$5 million was divided \$3 million for Legacy and \$2 million for CB. Mr. Neugent said the Grants Committee met on Monday and Mr. Cooper reported to the Executive Committee that the recommendation from the committee is \$3 million Legacy and \$3 million CB; the Finance Committee met on Monday and the consensus was \$4 million Legacy and \$2 million CB; the Board will discuss the allocation - \$6 million to give out is a terrific problem to argue about. Mr. Gartner favors \$4 million/\$2 million as Legacy makes a change in a community, culture, and attractiveness; PM and maybe Principal or a family foundation can award an anchor grant – there are few places that can provide that like PM does; there are other places that give mid-size grants; he doesn’t want to short CB, but this would allow PM to give out one or two more big ones. Ms. Moody-Tunks respects Mr. Gartner’s comments, but she’s on the CB grants side – these grants are the staple of social service organizations to provide for the needy; she likes the \$3 million/\$3 million split. Mr. Cooper said the Grants Committee received 27 Legacy requests for a total of \$11 million and he does agree with Mr. Gartner on the impact of Legacy grants; the committee received 388 CB requests of approximately \$10.2 million; he likes the \$3 million/\$3 million split and that is the unanimous recommendation by the Grants Committee. Ms. Willits is torn; last year we gave \$2 million in CB and if we gave \$2 million this year there is a consistency; there are incredible Legacy requests and they make a huge difference in the infrastructure; she likes the \$4 million/\$2 million split. Mr. Gartner asked if Legacy applicants can’t make a request for a while and Mr. Palmer said they can’t submit an application for four years. Mr. Irving said there were 388 CB requests from 324 different organizations and some submitted more than one application. Mr. Neugent asked for further discussion, questions, or a compromise. Mr. Cooper entertains a compromise on how to divide the \$1 million bump.

Mr. Giovannetti moved \$2.5 million for CB and \$3.5 million for Legacy, the motion was seconded by Mr. Cooper, and unanimously passed on a voice vote. Mr. Neugent said this is a result of incredible work by staff, and the results produced enable us to fulfill giving out \$6 million on top of other commitments.

Action Item – Reserve Accounts. Mr. Neugent referred to the information provided earlier by Mr. Palmer, noting the Board just decided on the \$6 million Grant Allocation; staff’s recommendation for distribution of Grants and Capital Reserves is as follows:

Legacy and Community Betterment Grants (CB)	\$6,000,000
Clubhouse Remodel	\$1,100,000
Slot Machines	\$600,000
Capital Reserve	\$2,000,000
Cash for (from) current operations	\$337,000
	\$10,037,000

Mr. Gartner moved staff’s recommendation, the motion was seconded by Mr. Radia and unanimously passed on a voice vote.

President’s Report. Mr. Palmer reported:

- April 1 – Easter Buffet. Mr. Willey, VP of Hospitality, said, as of this morning, we have 1,600 reservations and we expect 3,000+ people.
- April 21 – 80’s Prom Party.
- April 22 – Frank Caliendo (comedian).
- April 26 – Thoroughbred Racing starts.
- IRS Update. Mr. Flynn said Mr. Owens is following up on our appeal and nothing is definite at this time – Mr. Owens remains hopeful that we will prevail.
- PM received the Iowa Lodging Association’s 2017 Property of the Year Award.
- Sports Betting Seminar was interesting and we have several leads.
- April 20 at 2:00 p.m., Mr. Radia will receive the ISU Distinguished Alumni Award.

Committee Reports.

- Finance. Mr. Neugent said he chaired the meeting for Ms. Willits; the committee reviewed the finances and PM is on track for a great March; the committee discussed the allocations just approved.
- Facilities. Mr. Giovannetti said the committee did not meet, but he has an update – the Events Center Phase I is virtually completed – a new mural was installed in the transition corridor and more artwork will arrive in April; Skinner Ballroom will be done in June, Bishop Ballroom will be done in July, with the whole project done in September; the project is on-budget. The Clubhouse East side remodel is on-schedule, on-budget, and scheduled to be completed by the second week of April – the areas remodeled were Prairie Rose Room, Champions, and Daily Double Derby; the West side remodel will start after Racing concludes.
- Audit. Mr. Radia said the Board approved the audit and it will be sent to the IRGC by March 30; the Board approved Deloitte as its auditor for another three years and the request will be presented to Polk County for ratification. There were no material or internal control weaknesses found in the audit – compliments to Ms. Castelline and staff; there will be two new components – reclassification on income and leases will be capitalized. Tony Guzman, Director of IT, gave the committee the GLI Audit Report; this audit is done every two years; we received a clean audit; there were a few items to address; a Cyber Security employee has been hired; the committee will receive a report annually.

- Human Resources. Ms. Moody-Tunks said the committee met on Monday and received an update on Prairie Meadows University and reviewed the 2018 Annual Incentive Program.
- Grants. Mr. Cooper said the committee met on March 21; we received 27 Legacy requests of \$11 million and 388 CB requests of \$10.2 million; some important dates: Legacy applications are with your Board packet, Legacy presentations are April 10, 11, 17 – please RSVP to Ms. Stewart, and the presentations will be recorded and sent to each Board member; Legacy scoring is due May 14; the Board will vote on Legacy applications on June 27; Grants Luncheon on July 20. Mr. Cooper thanked the committee members as this is one of the hardest working committees and it is a time commitment. Mr. Cooper also thanked staff and Ms. Stewart for the \$6 million to distribute to the community.

Other Business

- Service Award. Mr. Neugent presented a 20 year pin to Mr. Palmer (4-6-98) and noted this is one of the strengths of Prairie Meadows – the stability of staff.

Adjournment. Mr. Cooper moved to adjourn the meeting and the motion was seconded by Mr. Gartner. There being no further business, the meeting adjourned at 3:00 p.m.

Respectfully submitted,

Martha Willits, Its Secretary