

**NYS Thoroughbred Breeding and Development Fund
Budget to Actual worksheet 2015**

	Q1	% of rev	Q2	% of rev	Q3	% of rev	Q4	% of rev	Budget Totals	% of rev	\$ change	% change
Revenue												
Budget	4,979,303		5,591,470		6,263,520		5,059,991		21,894,284		137,634	0.63%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	4,949,937		5,580,814		6,142,804		5,083,094		21,756,650			
Expense - Breeder Awards (max 65%)												
Budget	1,710,000	34.3%	3,110,000	55.6%	4,200,000	67.1%	3,500,000	69.2%	12,520,000	57.2%	166,323	1.35%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	1,617,235	32.7%	3,091,578	55.4%	4,186,861	68.2%	3,458,002	68.0%	12,353,677	56.8%		
Expense - Stallion Awards (max 20%)												
Budget	410,000	8.2%	765,000	13.7%	1,050,000	16.8%	885,000	17.5%	3,110,000	14.2%	25,116	0.81%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	377,530	7.6%	768,418	13.8%	1,049,512	17.1%	889,425	17.5%	3,084,884	14.2%		
Expense - Owner Awards (max 40%)												
Budget	219,000	4.4%	525,000	9.4%	655,000	10.5%	685,000	13.5%	2,084,000	9.5%	(39,553)	-1.86%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	211,500	4.3%	508,927	9.1%	686,848	11.2%	716,278	14.1%	2,123,553	9.8%		
Expense - Administration (max 5%)												
Budget	220,579	4.4%	214,536	3.8%	212,736	3.4%	216,286	4.3%	864,136	3.9%	141,292	19.55%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	169,216	3.4%	162,608	2.9%	189,328	3.1%	201,692	4.0%	722,844	3.3%		
Expense - Promotion (max 6%)												
Budget	240,411	4.8%	308,000	5.5%	362,000	5.8%	341,215	6.7%	1,251,625	5.7%	188,718	17.75%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	193,645	3.9%	235,894	4.2%	319,753	5.2%	313,616	6.2%	1,062,907	4.9%		
Expense - H. Zweig Memorial Fund												
Budget	99,586	2.0%	111,829	2.0%	125,270	2.0%	101,200	2.0%	437,886	2.0%	2,753	0.63%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	98,999	2.0%	111,616	2.0%	122,856	2.0%	101,662	2.0%	435,133	2.0%		
Expense - FL breakage												
Budget	21,113	0.4%	37,725	0.7%	41,175	0.7%	26,625	0.5%	126,638	0.6%	(3,749)	-2.88%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	22,664	0.5%	38,625	0.7%	42,879	0.7%	26,219	0.5%	130,387	0.6%		
Expense - Purse Enrichment												
Budget	375,000	7.5%	375,000	6.7%	375,000	6.0%	375,000	7.4%	1,500,000	6.9%	-	0.00%
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	375,000	7.6%	375,000	6.7%	375,000	6.1%	375,000	7.4%	1,500,000	6.9%		
Operating Income												
Budget	1,683,614	33.8%	144,380	2.6%	(757,661)	-12.1%	(1,070,334)	-21.2%	0			
Actual	-		-		-		-		-			
Prior year (1/14-5/14act)(6/14-12/14bud)	1,884,149	38.1%	288,148	5.2%	(830,233)	-13.5%	(998,799)	-19.6%	343,265			

NYS Thoroughbred Breeding and Development Fund Corporation

2015 Budget Proposal

The following is presented as the 2015 budget as determined by the Fund's Audit Committee and management. Additional detail is available and will be provided upon request.

Revenues

Revenues in 2015 are projected to increase slightly over 2014 actual (through 5/31/14) and budget (6/1/14-12/31/14) totals. The increase is primarily due to an increase in ADW projections. As noted in the monthly financial reports, ADW is a new revenue source for the Fund in 2014, and we were conservative in our monthly projection of \$50K. We have revised our estimates upward for 2015 based on actual receipts and trends to date. In March 2015, our 10-year agreement with Finger Lakes on the calculation of VLT revenues will expire. Beginning April 1, 2015, the Fund will receive 1.25% of revenues in accordance with NYS Tax Law §1612(5)(l)2 instead of the expired agreement rates of between 1.46% and 1.61%. We anticipate that this change will result in a decrease of \$270K, or 13.4%, from 2014 Finger Lakes VLT revenues.

<u>Budget Item</u>	<u>2015 budget</u>	<u>\$ change from 2014</u>	<u>% change from 2014</u>	<u>% of total revenues</u>
<u>Revenues</u>				
VLT - RW	\$ 12,475,224	\$ 237,516	1.9%	57.0%
VLT - FL	1,745,346	(269,855)	-13.4%	8.0%
Handle	6,038,205	(59,194)	-1.0%	27.6%
ADW	965,759	250,000	34.9%	4.4%
Breakage	501,950	(14,084)	-2.7%	2.3%
Misc. (reg. & web)	167,800	(6,750)	-3.9%	0.8%
	\$ 21,894,284	\$ 137,634		

Awards

Projected award payments are also relatively consistent with 2014 actual and budget. Breeder and stallion awards have been budgeted to increase in 2015, while owner awards are expected to decrease slightly, resulting in a net increase in awards of approximately \$152K, or 1%.

	<u>2015 budget</u>	<u>% of awards</u>	<u>\$ change from 2014</u>	<u>% change from 2014</u>	<u>% of revenues</u>
Breeder	12,520,000	70.7%	166,323	1.3%	57.2%
Stallion	3,110,000	17.6%	25,116	0.8%	14.2%
Owner	2,084,000	11.8%	(39,553)	-1.9%	9.5%
	17,714,000	100.0%	151,886	0.9%	80.9%

In accordance with NY Racing, Pari-Mutuel Wagering and Breeding Law, the Fund is authorized to distribute up to 43% of revenues received to breeders of NY-breds finishing first, second, third and fourth in pari-mutuel races run in New York State. This percentage can be increased to between 50% and 65% by a two-thirds vote of the Board. The Board has established that awards are to be paid for

first-, second- and third-place finishes only. In addition, an annual vote has historically been made to allow for an increase in breeder awards to the maximum of 65%. The Board’s opinion has been that breeder awards are the best way for the Fund to meet its objective *“to promote by monetary incentives the responsible breeding of quality thoroughbred racehorses in keeping with the founding legislation to preserve New York’s irreplaceable farmland.”*

The following schedule shows the revenues earned and awards paid for each of the categories from 2010 through 2013. In addition, the rolling total projected for breeder awards as of May 2014 is 55.7%, and the budget projection for 2015 (as noted on the previous page) is 57.2%. Please note that Board approval will be required in order for the Fund to continue distributing breeder awards at the percentages budgeted.

<u>Eff. until</u>	<u>10/28/14</u>	<u>default</u>
Breeders	43 - 65%	43 - 50%
Stallions	15 - 20%	15 - 20%
Owners (open)	33 - 40%	33 - 40%

2/3 vote of board (7.3) needed to increase %

	2013	% of rev	2012	% of rev	2011	% of rev	2010	% of rev
Revenues	<u>19,435,552</u>		<u>16,666,331</u>		<u>10,928,041</u>		<u>11,381,537</u>	
Breeder awards	11,263,094	58.0%	9,535,435	57.2%	5,747,661	52.6%	6,646,168	58.4%
Stallion awards	2,789,603	14.4%	2,209,223	13.3%	1,665,089	15.2%	1,559,369	13.7%
Owner awards	1,791,964	9.2%	1,205,956	7.2%	1,152,286	10.5%	859,622	7.6%

Administration

For 2015, administration costs are projected to increase by \$141K, from 3.3% of revenue in 2014 to 3.9% in 2015. This increase is due primarily to an accrual of \$175K for GASB (Governmental Accounting Standards Board) 68. GASB 68 is a new accounting standard that will be in effect for the Fund’s 2015 financial reports, and requires employers that participate in cost-sharing plans to record a liability as employees earn their pension benefits. Per discussions with the NYS Retirement System, the liability will need to be determined by an actuarial and is not expected to be available until August 2015. Increases are also projected in other employee-related areas, but are offset by decreases in professional fees and the award system re-write, which will move from the preliminary project stage (activity expensed) to the application development stage (activity capitalized).

Promotion

The Fund anticipates promotional expenditures in 2015 to increase by \$189K, or 17.75%. This represents an increase from a projected 4.9% in 2014 to 5.7% of 2015 projected revenues. Salary and employee benefits, of which 70% are allocated to administration expenses and 30% to promotional expenses, are projected to increase by \$91K from 2014, with GASB 68 accounting for the majority (\$75K) of the increase. The creation of the Ad Hoc Committee on Advertising in December 2013 has assisted the

Executive Director in redefining the promotional and advertising objectives of the Fund, and additional monies of approximately \$144K have been allocated to support these objectives. The increases noted above are offset by the decrease in professional fees and the award system re-write, as discussed in the Administration section of this document.

The following is a detail of projected Administration and promotional expenses for 2015:

	<u>Admin</u>	<u>Promo</u>
Salaries	304,915	130,678
Staff Benefits	343,821	147,352
Advertising-Promotional	-	542,215
NYTB contract	-	400,000
Professional & Legal Fees	71,400	4,800
Office Expenses	55,500	20,580
Computer Time Sharing-JCIS	33,600	-
Inspectors Exp	24,000	-
Insurance	16,500	-
Depreciation & Amortization	14,400	6,000
	<u>864,136</u>	<u>1,251,625</u>

H. Zweig Memorial Fund

In accordance with NY Racing, Pari-Mutuel Wagering and Breeding Law, the Fund is required to provide “an amount equal to two percent thereof [resources of fund] for the promotion of equine research through a fund of a land grant university within this state with a regents approved veterinary college facility.” As in the past, this percentage has been budgeted for the Harry M. Zweig Memorial Fund for Equine Research, in affiliation with Cornell College of Veterinary Medicine.

Finger Lakes Breakage

NY State law also requires that 75% of Fund revenues derived from in-state breakage shall be allocated to purses at a track operated by a corporation licensed under the provisions of NY State law. These payments are made to Finger Lakes Racetrack, and the 2015 decrease of 2.88% compared to 2014 is proportional to the decrease in breakage revenue, as noted on page 1 of this document.

Purse Enrichment

The newly formed Purse Enrichment Committee met with Finger Lakes representatives in February 2014 to discuss racing statistics, the current allocations of purse enrichments, and accountability of the current program. The Fund now receives weekly activity reports from Finger Lakes on the use of our contributions to purse payouts. This information is tested for accuracy and made available to the Purse Enrichment Committee for review and future decision-making on the benefits of the program. The 2015 budget maintains current levels for purse enrichment, but those levels may be increased if revenues exceed expectations.

A schedule of purse enrichment payouts since 2010 follows for informational purposes.

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Finger Lakes	900,000	900,000	920,068	1,090,000	492,000	575,000
NYRA	600,000	600,000	613,378	726,667	328,000	-
	1,500,000	1,500,000	1,533,446	1,816,667	820,000	575,000
\$ change	-	(33,446)	(283,221)	996,667	245,000	
% change	0.0%	-2.2%	-15.6%	121.5%	42.6%	

Summary

This budget has been prepared based on historical information and analytical review, in what the Audit Committee and management feels is a fiscally conservative manner. Anticipated fluctuations in activity have been accounted for and have been noted within this document. However, unknown factors may occur during the year that may result in budget adjustments and modifications necessary to assist the Fund in meeting its financial objectives.