

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors Meeting

Tuesday, December 8, 2009

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, December 8, 2009. The meeting was conducted at the CARF Conference Room, 1776 Tribute Road, Suite 205, Sacramento, CA, 95815.

CARF Board Directors attending: John Alkire, Norb Bartosik, Mike Paluszak and Rick Pickering. Joining by conference call: Vince Agnifili, Dan Jacobs and Kelly Violini.

Staff and Guests attending: Chris Korby, Heather Haviland, Amelia White, Tom Doutrich, Rick Wood, Raechelle Gibbons, Kevin Wong, Mike Treacy, Louie Brown, Debbie Cook, Stuart Titus, Cindy Olsen, Dave Mogni and Ken Alstott. Joining by conference call: Larry Swartzlander, Tawny Tesconi and Chris Carpenter.

Agenda Item 1 – Date and Time of Next Meeting. The next CARF Board & Live Racing Committee meeting will be scheduled for Tuesday, February 2, 2010 in Sacramento, time and meeting location to be determined.

Agenda Item 2 – Approval of Minutes. Mr. Pickering moved to approve the meeting minutes as presented. Mr. Bartosik seconded, unanimously approved.

Agenda Item 3 – Presentation of, and Action on, Agency Audit Report by Gilbert and Associates. Mr. Wong presented the results of the CARF audit for the year ended December 31, 2008. The bulk of the audit work was done in May/June 2009 with wrap up in October/November 2009. Mr. Wong reviewed the CARF financial statements and recapped highlights from the management discussion and analysis letter.

Mr. Wong reported that CARF management was cooperative and well prepared throughout the audit process. Gilbert & Associates recommends implementing a journal entry review process so that journal entries are not initiated and approved by one person. CARF staff is in the process of delegating that duty. As in prior years, control deficiencies exist in two areas: a lack of sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW) and a lack of checks/balances regarding paymaster duties, specifically a second signature on issued checks, which would provide stronger internal control during live racing.

Mr. Pickering moved to accept the 2008 CARF Audit Report as presented. Mr. Paluszak seconded, unanimously approved.

Agenda Item 4 – Discussion and Action on 2010 Agency Budget. Mr. Korby presented the 2010 CARF agency budget provided in the meeting packet. The budget is offered in the same format as the 2009 CARF agency income statement, a breakdown of which is also included in the meeting packet.

Ms. Gibbons brought to the attention of the group the one-time \$758,211 expense entry for California post retirement benefits per GASB 45 (the requirement to calculate and establish a reserve for the exposure of post-retirement benefits). CARF has been saving to meet compliance with GASB 45 since 2003 and the CARF Board voted in May to designate CalPers as the third-party trustee to administer the funds.

Mr. Wood reported that the CARF Finance Committee met yesterday and will be meeting monthly, prior to each CARF Board meeting. The Finance Committee will provide direction regarding the format of documents included in future meeting packets. Mr. Jacobs invited Mr. Treacy and all interested CARF members to participate in the Finance Committee calls.

Mr. Korby reported that with the closure of two Fair satellite wagering facilities and the addition of the San Mateo satellite, the revenue line item for membership dues will not increase, but three Fairs will be adjusted to a new membership tier. The last time the Fairs were distributed by tier, 2004 handle was used to assign dues. When dues were assigned using 2009 figures, three Fairs experienced a significant shift in handle and thereby moved into a new tier level.

Mr. Bartosik moved to review the proposed 2010 tier adjustments at the next Finance Committee meeting and establish a procedure for updating the tier placement annually. Mr. Jacobs seconded, unanimously approved.

Mr. Pickering moved to approve the 2010 CARF agency budget as presented. Mr. Agnifili seconded, unanimously approved.

Agenda Item 5 – Financial. Mr. Jacobs reported that the CARF agency budget will be reviewed by the Finance Committee in April for adjustments.

Mr. Alkire asked Ms. Tesconi to sit on the CARF Finance Committee and reported that he appreciated Ms. Tesconi taking time earlier in the week to meet with staff.

Agenda Item 6 – Report by Legislative Advocate. Mr. Brown reported that the legislature is currently in recess and will return Jan. 4, 2010. Mr. Brown expects the Capitol will be mired in budget discussion with the Governor’s Office anticipating a \$21 billion deficit. The Department of Food and Agriculture is expected to submit a reduced budget, thereby decreasing Fair funding. The decrease is not expected to be significant.

The deadline to submit legislation is the end of February. CARF bill AB 735 (Hill), to increase satellite commissions, is in the Senate G.O. Committee and language has been submitted to legislative counsel for the purpose of creating a spot bill to set up a governing structure for CHRIMS.

Mr. Alstott asked if AB 246 (Price), which authorizes an increase in quarter horse and harness associations’ commissions to satellite wagering facilities, is still scheduled to be implemented Dec. 26, 2009. Mr. Bartosik stated that he is waiting to hear from Los Alamitos.

Agenda Item 7 – Notice of Executive Director Evaluation. Mr. Alkire stated that an Executive Director evaluation form was sent to CARF Board members. Mr. Alkire asked that the completed form be returned to him no later than Jan. 15, 2010 so he can review the submissions and schedule a time to meet with Mr. Korby.

Agenda Item 8 – Executive Director’s Report. Mr. Korby reported that Bay Meadows Land Company has initiated legal proceedings to secure payment of ADW location fees applicable to Bay Meadows for the calendar year following the facility’s closure. The CARF Board might consider a counterclaim. Mr. Bartosik asked that the item be placed on a future agenda for discussion and action.

Mr. Korby reported on a legal matter stemming from an incident in which a horse was injured during pre-race testing at the San Joaquin County Fair. CHRB attempted to direct payment from CARF for related medical and layup expenses. Mr. Korby declined payment and the CHRB has since determined they do not have authority to pursue the claim. A prominent attorney in the racing industry has since established representation for the trainer. Ms. Cook reported that CFSA has taken over the claim on behalf of Stockton and has engaged legal counsel from Kahn, Soares & Conway, LLP. At the moment there is no active claim on the matter.

Respectfully submitted,

Heather Haviland