

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, October 4, 2011

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, October 4, 2011, via teleconference.

CARF Board Members joining by conference call: John Alkire, Norb Bartosik, Dan Jacobs, Mike Paluszak, Rick Pickering and Kelly Violini.

Staff and Guests joining by conference call: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Rick Wood, Raechelle Gibbons, Rebecca Desmond, Tom Sawyer, Kevin Wong, Jaime Matthews and Louie Brown.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board of Directors meeting will be scheduled for first week of November, time and location to be determined.

Agenda Item 2 – Approval of Minutes. Mr. Pickering approved the minutes as presented. Mr. Jacobs second, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Audit by Gilbert and Associates. Mr. Wong presented the results of the CARF audit for year ended December 31, 2010 and 2009. The majority of the audit work was completed in May 2011 and the report was finalized and distributed in August 2011. 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. 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) providers 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. Wong acknowledges that due to the nature of the operations, a complete segregation of duties is not practical.

Mr. Wong went on to discuss the financials in detail as presented in the Financial Statements with Independent Auditor's Report provided in the meeting packet.

Mr. Jacobs moved to accept the 2010 CARF Audit Report as presented. Mr. Pickering seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on Legislative Program for 2011 and 2012. Mr. Brown reported that the 2011 legislative session recessed in September and the Governor has until October 9, 2011 to finish acting on the bills that were passed.

AB 270, the CARF sponsored bill carried by Assembly Member Henry Perea, which provides relief in staffing requirements for satellites handling less than \$10 million a year, was signed by the Governor and will be implemented January 1, 2012.

Mr. Brown stated that staff will begin the process of developing a legislative strategy for 2012 in time for the new bill introduction deadline at the end of February 2012. Mr. Brown expects the legislature will be preoccupied with budget negotiation since the state's revenue generation is not meeting expectations. Last year's budget specified automatic triggers to cut existing programs if specific revenue benchmarks are not met.

Mr. Korby stated that a plan for a CARF's 2012 legislative program will be brought before the Board in the upcoming months.

Agenda Item 5 – Report, Discussion and Action, if any, on CDEFA Fairs Funding and Restructuring Fair Governance. Mr. Brown reported that Secretary Ross's Consortium on Fairs continues to meet, primarily to hear reports from the two working groups (Emergency Support/Governance).

Mr. Brown and Mr. Korby are actively engaged in the Secretary's Working Group on Restructuring Fairs Governance. The group is working on a brief white paper, which at the Secretary's request, will provide a simple and straightforward solution that allows for flexibility at the community level. The goal of this group is to transition Fairs from District Agriculture Associations to local entities through an alternative governance option that will maximize the retention and growth of fairgrounds and state employees. The strongest option for restructuring thus far is the concept of an Agricultural Fair Model that will transition DAAs to a structure similar to a Citrus Fruit Fair. The benefits of this model include transitioning to a non-profit structure, operating as a public entity, self-appointing boards, exclusion from local zoning/ordinances, eligibility for CALPERS benefits, etc. The working group has been working closely with SCIU to develop a solution that they will support.

The Secretary's deadline for recommendations to the Governor on Fair re-structuring is November 15, 2011.

Ms. Desmond reported that the Emergency Support Working Group distributed draft criteria for Fairs to consider *should* funding become available. Ms. Desmond clarified that funding has not been secured, but that Fairs should be prepared to meet the criteria if funding is made available. The working group is also outlining the importance of state owned property and fair community events.

Agenda Item 6 – Report on Progress of Working Group on Allocation of CARF Dues. Mr. Korby reported that the working group continues to discuss potential changes to the CARF dues structure and how those changes will impact the 2012 CARF budget.

Agenda Item 7 – Report, Discussion and Action, if any, on Status of Mini-SWF Projects. Mr. Korby reported that the Salinas mini-satellite project is on-hold due to the card club's temporary license status. The CHRB will require a permanent resolution of the license status before they will accept the mini-satellite application. Mr. Violini reported that the card club operators expect to receive permanent licensing after a background check is complete.

Mr. Korby reported that he met representatives of the Humboldt County Fair and Cher-Ae Heights Casino to discuss installing a mini-satellite wagering facility in Trinidad. The relationship is promising but will create new licensing complexities since the Fair will be entering into a contractual relationship with a tribal entity.

Agenda Item 8 – Financials. Mr. Korby reported that current financials are included in the meeting packet.

Agenda Item 9 – Executive Director's Report. Mr. Korby reported that the Santa Barbara County Fair in Santa Maria has closed the satellite wagering facility located on the fairgrounds. SCOTWinc. will be operating a mini-satellite at the Original Roadhouse Grill in Santa Maria.

Mr. Korby reported that Robert Hartman has left his position at Golden Gate Fields and has accepted a position of CEO of the American Contract Bridge League. Joe Morris, formerly of the NTRA, is now Interim General Manager at Golden Gate Fields.

Respectfully submitted,
Heather Haviland