

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, March 1, 2011

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, March 1, 2011. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, CA, 95815.

CARF Live Racing Committee members attending: John Alkire, Norb Bartosik, Rick Pickering and Stuart Titus. Joining by conference call: Janet Covello and Mike Paluszak.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Louie Brown, Raechelle Gibbons, Rebecca Desmond, Troy West, Lisa Drury, Dave Elliott and Richard Lewis. Joining by conference call: Vince Agnifili, Kate Phariss and Cindy Olsen.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board & Live Racing Committee meetings will be scheduled for April 5, 2010 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Racing Dates for 2012 and Beyond. Mr. Korby reported that in prior discussions, the Live Racing Committee had expressed a general desire to implement a 2012 racing calendar similar to the calendar adopted in 2011, with the exception of Stockton moving their two week meet to late September.

Mr. Pickering indicated that he would entertain the idea of running the extra week, or weekend, in June left vacant by Stockton, but his management team would need to run a cost analysis before making a commitment. Pleasanton is solidly committed to running their traditional three weeks in 2012.

Mr. Bartosik reported that, as in prior years, Cal Expo wishes to conduct three weeks of racing in the event that Pleasanton or Santa Rosa are willing to shift one of their meets.

Richard Lewis, on behalf of Santa Rosa, stated that the Fair is satisfied with the three-week racing calendar as presented and that Santa Rosa would like to help Cal Expo in any way they can. Mr. Korby asked if Santa Rosa would be amenable to conducting a race meet with an opening weekend followed by two weeks of racing. Mr. Lewis indicated that the 2011 race meet will be critical in determining the viability of a three week fair/race meet.

Mr. Titus stated that in order for Ferndale to survive, given the backdrop of the state budget and impact of fair funding, the meet must have a minimum of five days of unoverlapped racing. Mr. Titus stated that without supplemental purses, Ferndale would not be able to conduct a viable racing program while running concurrently with another organization in the North. The Humboldt County Fair is willing to consider moving the fair a week later in the calendar if that will help create a non-overlap situation.

Ms. Covello stated that in 2012, the San Joaquin Fair will move to September and will request two weeks of racing in the calendar slot prior to the Big Fresno Fair meet.

Mr. Alkire stated that Fresno will continue to occupy their traditional October dates, with a willingness to make necessary accommodations as required in these challenging times.

Mr. Pickering asked if it would be possible for the CHRB to conduct Fair racing application hearings one month earlier than the current schedule, which would allow more cohesion in the Fair's marketing, advertising and sales departments. Mr. Korby responded that the CHRB would most likely grant a request for an earlier hearing, the issue would be in generating accurate purse projections and securing horsemen's agreements. Mr. Pickering also requested that the CHRB be informed as to the extent of the impact that last minutes closures in Southern California create for Fair venues, which face challenges that are operationally unique from Golden Gate Fields.

Mr. Korby presented a hypothetical calendar, included in the racing packet, as a talking point for discussing what a California racing calendar might look like if and when Hollywood Park and/or Golden Gate Fields cease to operate as racing facilities. The hypothetical calendar is essentially a return to the model of a statewide schedule that was used 30-40 years ago.

The hypothetical calendar emphasizes shorter duration meets, maintains traditional dates for California's flagship racing venues, correlates realistically to the statewide pool of available horses and would result in a more attractive and competitive racing product. Under this scenario, the satellite network would continue to operate year-round.

The Committee recommended Mr. Korby move forward in industry discussions with this calendar.

Agenda Item 4 – Report, Discussion and Action, if any, on Recommendations for Funding Allocations from CDFA Divisions of Fairs and Expositions. Mr. Korby introduced the three part document titled "California Authority of Racing Fairs Allocation Recommendations to CDFA Division of Fairs and Expositions – DRAFT February 27, 2011." Mr. Korby reported that the document resulted from extensive planning and negotiations with F&E staff regarding the use of the funds recalled from CARF and how those funds can be reallocated at one time, in a manner that is consistent with their original purpose. This item will also be discussed as part of the CARF Board meeting.

The first page of the document outlines \$5.85 million in funding currently available from CDFA to CARF members. The four project categories are: 1) Funding Support for Satellite Facilities (\$2.55 million), 2) Track Safety and Maintenance (\$800,000), 3) Capital Improvement Projects for Live Racing Facilities (\$2.2 million), and 4) Special Circumstances (\$300,000).

The second part of the document is a “modeling template” spreadsheet outlining in detail how those funds would be distributed by program based on a handle-driven formula.

The third part of the document is the result of collaborative work between F&E and CARF accounting staff which summarizes the funds available for redistribution.

Ms. Desmond introduced Troy West, Asset Management Coordinator for the CDFA Division of Fairs and Expositions, who will be signing the agreements with Fairs when the funding distributions process is implemented.

Ms. Desmond reported that the \$5.85 million is currently housed at F&E and available for distribution. F&E would like the money dispersed by June 30, 2011. For the most part, these monies originated as license fees. Since F&E does not have a contract with CARF, F&E can only disperse these funds directly to individual Fairs.

Mr. Korby and Ms. Desmond stated that the recommendation before the Committee is a potential framework for the monetary amounts that will be distributed to each Fair, and does not include the mechanism for requesting and distributing the funds. The intent of CARF & F&E is to capture the money, use it well and distribute it to Fairs before it is absorbed by the state. Fairs are encouraged to be thinking about potential projects that would make the racing facility safer, more attractive and more up-to-date, whether simulcast or live. For live racing capital improvements, part of the criteria was to invest in Fairs that were likely to continue racing into the future.

Mr. Korby stated that by using a handle-driven formula, San Mateo County Fair will receive a large portion of the monies available. Mr. Korby and Ms. Desmond recommend that San Mateo County Fair be required to apply their allocation to the loan owed to CARF for the development/construction of their satellite wagering facility.

Mr. Korby clarified that the monies from this allocation for the purposes of equipment replacement would be held in deposit in a new trust account at CARF and will be managed in the same manner as the existing Equipment Replacement Fund. Unlike the existing Equipment Replacement Fund, any money from this allocation will be redistributed to member fairs in the event that an individual Fair ceases to operate a satellite wagering facility or ceases to be a CARF member.

Ms. Covello stated that she had not received the proposal via e-mail and asked to confirm that Stockton was not allocated live racing capital improvement monies based on the verbal recap given by Mr. Korby. Mr. Korby confirmed that Stockton did not receive an allocation from the capital improvements portion of the “modeling template”, but did receive an allocation under the category

“special circumstances.” Mr. Korby instructed staff to immediately e-mail the document to Ms. Covello so that she could review the document before the meeting was adjourned.

Mr. Titus questioned why Humboldt County Fair was not included in the detailed allocation spreadsheet for live racing facilities. Mr. Titus stated that he was very concerned about the lack of funding for Ferndale and stated that it would be a self-fulfilling prophecy for closure if the Fair does not continue to receive funds to make facility upgrades. Mr. Titus asked the Committee for a reconsideration of the proposal as presented. Mr. Titus stated that if the Committee supported the existing proposal, he would request the CARF Board to reconsider the CARF Live Racing Committee recommendation during the Board meeting.

Mr. Pickering stated that the estimate for a 40”x40” kitchen structure at Pleasanton, needed for horsemen living in the trailer park, was in excess of \$700,000. This example illustrates the capital improvement costs required for facilities that are committed to horse racing and the need to prioritize which facilities will make the best investment.

Mr. Korby verbally confirmed that Ms. Covello received the proposal via e-mail and stated that the recommended allocation of \$100,000 for Stockton was intended to help Stockton either cease racing and secure the racing facility or make such improvements as they think will help them continue racing. Mr. Korby stated that the allocation for Solano County Fair was intended to secure the unused racing grandstand and to honor a prior agreement between CARF, the Alameda County Fair and the Solano County Fair to revert capital improvement funds from Pleasanton to the Vallejo satellite wagering facility.

Ms. Desmond stated that if the assumption was that Ferndale will cease racing, funds should also be allocated to Ferndale to secure the racing facility.

Ms. Covello stated that even though racing at Stockton has been reduced to one week, the Fair will be seeking two weeks of racing when they move into the late-September 2012 calendar slot. Mr. Alkire suggested that Stockton consider reimbursement of the tree project as a suitable use of the funds. Mr. Korby clarified that the even though the CARF Live Racing Committee is in full support of Stockton racing for two weeks in September, all dates are ultimately granted by the California Horse Racing Board.

Mr. Bartosik moved that the presentation made by Mr. Korby and the document titled “California Authority of Racing Fairs Allocation Recommendations to CDFA Division of Fairs and Expositions – DRAFT February 27, 2011” be brought to the CARF Board of Directors for discussion. Mr. Paluszak seconded, unanimously approved.

AT 12:30 P.M. the CARF Live Racing Committee and CARF Board of Directors Meetings were combined on the CARF Board of Directors teleconference line.

Agenda Item 5 – Report, Discussion and Action, if any, on Legislative Program for 2011 and Beyond. Mr. Brown reported that the deadline to introduce bills was February 18, 2011. AB 270, carried by Assembly Member Henry Perea, is legislation that would eliminate the satellite supervisor position in the event that a public hearing has been conducted and the outcome of that hearing determined that the position is economically unfeasible for the Fair. SEIU supports the concept and concedes that eliminating one position is preferable to closing a satellite facility.

Staff is also tracking a mini-satellite spot bill to extend the length of the application process from two years to five years.

Mr. Brown stated that Internet poker is still a hot topic and the gaming industry is divided in its support of SB 40 (Correa) and SB 45 (Wright). Mr. Brown recommended that Fairs be proactive in establishing a position and making sure that the horse racing industry is involved in the revenue determining process.

Mr. Brown stated that Governor Brown has eliminated \$32 million of fair funding from the general fund. A proposal is being developed to allow the fair network to move away from general fund financing and into a self-generating revenue model through the retention of sales tax generated by the Fair network. A statewide JPA would be developed to oversee Fair functions, which would essentially move F&E out of CDFR and into a state JPA. Mr. Brown encouraged Fairs to plan for a reduction, if not an elimination, of funding from F&E.

Agenda Item 6 – Report, Discussion and Action, if any, on Negotiations with Horsemen’s Organizations for 2011 Purse Contracts. Combined with Agenda Item 7.

Agenda Item 7 – Report, Discussion and Action, if any, on 2011 Supplemental Purse Administration. Mr. Korby reported that staff has been preparing detailed projections for planning purposes and for the negotiations of horsemen’s agreements. Current projections and purse recommendations are included in the meeting packet. It is imperative that Fairs not end 2011 with an overpayment. Each live racing fair is currently at a \$0 purse account balance.

Mr. Swartzlander presented the supplemental purse structure provided in the meeting packet. The impact of SB 1072, which was 2010 legislation that added 2% to the takeout rate which then flowed directly into purses, has not been as significant as the industry anticipated. Mr. Swartzlander provided an overview of the draft 2011 stakes schedule and purse schedule. Projections are based on current Golden Gates Fields handle, which is down 5% in Northern California and down 15% out-of-state. The projections provided by Mr. Swartzlander, after supplemental purses are factored in, would result in \$0 overpayment and \$123,249 remaining in the supplemental purse fund.

Agenda Item 8 – Report, Discussion and Action, if any, on Out-of-State Recruitment Program. Mr. Swartzlander reported that he and Mr. Doutrich plan to visit Turf Paradise in Arizona, Portland Meadows in Oregon and Emerald Downs in Washington.

Agenda Item 9 – Report, Discussion and Action, if any, on Planning for the 2011 Fair Racing Circuit. Covered in prior agenda item.

Agenda Item 10 – Report, Discussion and Action, if any, on Drug and Alcohol Testing for Race-Track Employees. Mr. Korby reported on a meeting with Ken Walker, Director of Labor Relations at Federation of California Racing Associations Inc., regarding using an existing statewide program through Winner’s Foundation to conduct training for supervisory personnel to help identify employees that are potentially abusing drugs and alcohol.

Agenda Item 11 – Report on the Review of Racing Personnel Staffing Levels and Meeting with the Federation Director of Labor Relations. Mr. Korby reported that CARF staff also met with Mr. Walker to begin the process of conducting a detailed review of staffing levels, hiring policies and the union seniority lists of specific departments in an effort to consolidate or reduce staffing and therefore reduce operational expenses for Fairs.

Agenda Item 12 – Executive Director’s Report. Report moved to the CARF Board of Director’s meeting.

Respectfully submitted,
Heather Haviland