

a California joint powers agency

1776 Tribute Road, Suite 205 Sacramento, CA 95815 Office: 916.927.7223 Fax: 916.263.3341 www.calfairs.com

AGENDA CALIFORNIA AUTHORITY OF RACING FAIRS BOARD OF DIRECTORS MEETING JOHN ALKIRE, CHAIR 1:00 P.M., TUESDAY, JUNE 7, 2016

Notice is hereby given that a meeting of the California Authority of Racing Fairs Board of Directors will commence at 1:00p.m., Tuesday, June 7, 2016. The meeting will be held in Sacramento. 1776 Tribute Road, Conference Room, Sacramento, CA 95815.

AGENDA

- I. Date, time and location of next meeting: October 11, 2016 at The Big Fresno Fair.
- II. Public Comment.
- III. Approval of minutes.
- IV. Report, discussion and action, if any, on 2016 Legislative Program.
- V. Discussion and action, if any, on Racing Dates for 2017 and beyond.
- VI. Financials.
- VII. Executive Director's Report.
- VIII. Closed Session (Personnel: Executive Director.)



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NOTICE CALIFORNIA AUTHORITY OF RACING FAIRS BOARD OF DIRECTORS MEETING JOHN ALKIRE, CHAIR 1:00 P.M., TUESDAY, JUNE 7, 2016

Notice is hereby given that a meeting of the California Authority of Racing Fairs Board of Directors will commence at 1:00 p.m., Tuesday, June 7, 2016. The meeting will be held in Sacramento. 1776 Tribute Road, Conference Room, Sacramento, CA 95815.

Closed session will not be available via teleconference. Public and members of the California Authority of Racing Fairs Board of Directors may also participate from the following locations:

Alameda County Fair 4501 Pleasanton Ave. Pleasanton, CA 94566

Antelope Valley Fair 2551 West Ave. H, Suite 102 Lancaster, CA 93536

The Big Fresno Fair 1121 S. Chance Avenue Fresno, CA 93702 California State Fair 1600 Exposition Blvd. Sacramento, CA 95815

Monterey County Fair 2004 Fairground Road Monterey, CA 93940

San Mateo County Fair 2495 So. Delaware Street San Mateo, CA 94403

CALIFORNIA AUTHORITY OF RACING FAIRS Board of Directors Tuesday, May 3, 2016

MINUTES

A meeting of the California Authority of Racing Fairs (CARF) Board of Directors was held at 1:00 P.M., Tuesday, May 3, 2016. The meeting was hosted at the CARF Board Room, 1776 Tribute Road, Sacramento, California.

CARF Board Directors attending: John Alkire, Richard Conway, Jerome Hoban, Dan Jacobs and Rick Pickering. Joining by conference call: Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Juliana Gomes, Raechelle Gibbons, Ann Grottveit, Jeanne Wasserman, John Quiroz, Tom Martinez and Allen Aldrich.

Agenda Item 10 - Closed Session (Personnel: Executive Director). Mr. Alkire stated that the CARF Board would break into closed session prior to the public portion of the meeting.

Report on Closed Session. Mr. Alkire reported that no action was taken in closed session, however direction was given from the Board to the Chairman and legal counsel.

Agenda Item 1 – Date, Time and Location of Next Meeting: June 7, 2016. The next CARF Board of Directors meeting is scheduled for June 7, 2016 in Sacramento.

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Approval of Minutes. Mr. Conway moved to approve the meeting minutes as presented. Mr. Hoban seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on 2016 Legislative Program. Mr. Korby reported that the CARF bills are moving though the legislative process without opposition.

Mr. Korby reported that Assemblymember Gray's Internet poker bill, AB 2863, was was heard in policy committee last week and passed unanimously through the Assembly Governmental Organizational (G.O.) Committee on a 19-0 vote despite not having full support of the tribal community. The bill has now moved to the Appropriations Committee and will be heard as part of the suspense calendar. Just as things were looking hopeful for Internet poker,

U.S. Senator Dianne Feinstein issued a letter in opposition of the bill, which represents an example of the political challenges facing Internet poker.

Agenda Item 5 - Report on Reimbursement of Tote Installation Construction Costs.

Mr. Korby reported that an arrangement was worked out with NCOTWInc. to develop a partial installation cost reimbursement formula for Northern California satellites. A check will be sent to CARF and then disbursed back to satellites based on the number of windows at each location. CARF is going to match that allocation with facility improvement funds held at the agency. The total contribution from NCOTWInc. is \$30,000 which includes Golden Gate Fields and fair satellites. The portion allocated to satellites will be approximately \$22,000 and will be matched by CARF.

Agenda Item 6 – Report on CARF Conference and Annual Meeting. Mr. Korby stated that many of those in attendance at today's meeting were also able to attend the CARF Membership Conference April 11-12, 2016 in San Mateo. Mr. Korby stated that all reports back from the conference were positive.

Ms. Haviland reported that there were 39 attendees and thanked everyone who participated, especially the San Mateo Event Center staff for hosting the event. Mr. Hoban congratulated staff for a conducting a successful conference and expressed the hope that attendance would grow in the future and staff would continue to develop topics to educate and assist satellites. Mr. Alkire suggested another conference be conducted in 2017 in Southern California and thanked staff for their efforts.

Agenda Item 7 - Resolution of Appreciation to San Joaquin County Fair. Mr. Korby suggested that the CARF Board formally thank the San Joaquin County Fair Board for their collaboration and efforts to transfer race dates to the Alameda County Fair. Mr. Korby stated that he drafted a letter and asked the Board to take formal action and sign the document as it is circulated. Mr. Hoban thanked Mr. Korby and stated that his Board will take similar action.

Mr. Hoban moved to present a resolution of appreciation to the San Joaquin County Fair. Mr. Conway seconded, unanimously approved.

Agenda Item 8 – Financials. Ms. Gibbons reported that the 2015 CARF audit is scheduled to begin May 23, 2016.

Agenda Item 9 – Executive Director's Report. Mr. Korby reported that Balmoral Park in Illinois has declared bankruptcy and materials pertaining to that action have been handed off to legal counsel to review on behalf of all CARF-member fairs. If individual locations received any materials pertaining to the proceedings they should file them in a safe location, but no action is required unless notified by CARF staff.

Respectfully submitted, Heather Haviland

CA Authority of Racing Fairs 5/27/2016

AB 1355 (**Gray** D) Gaming: Tribal Nation Grant Fund.

Current Text: Introduced: 2/27/2015 pdf html

Introduced: 2/27/2015

Status: 1/28/2016-Referred to Com. on G.O.

Desk Policy Fiscal Floor	Desk Policy Fig	scal Floor	Conf.	Envalled	Votood	Chantored
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Summary: Would specify that the Tribal Nation Grant Fund reflects a vision of facilitating the development of tribal institutions and improving the quality of life of tribal people throughout the state. This bill contains other existing laws.

Organization Position Priority Assigned Subject

CARF Watch

AB 1573 (**Gray** D) Gambling: sports wagering.

Current Text: Introduced: 1/4/2016 pdf html

Introduced: 1/4/2016

Status: 2/1/2016-Referred to Com. on G.O.

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Summary: Would enact the California Interactive Sports Wagering Consumer Protection Act, which would authorize the owner or operator of a card room that holds a state gambling license, a racing association or racing fair with a current license, or a federally recognized California Indian tribe that operates a gaming facility pursuant to a facility license issued in accordance with a tribal gaming ordinance, to accept and facilitate wagering on a sports event, as defined, by any legal system or method of wagering, including, but not limited to, exchange wagering, parlays, over-under, moneyline, and straight bets, by applying to the Department of Justice for a license and authorization to conduct sports wagering, as defined.

Organization Position Priority Assigned Subject

CARF Watch

AB 1729 (Waldron R) Gaming Policy Advisory Committee.

Current Text: Amended: 3/15/2016 pdf html

Introduced: 1/28/2016

Status: 4/22/2016-Failed Deadline pursuant to Joint Rule 61(b)(5). (Last location was A. G.O. on

3/16/2016)

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Summary: Current law requires the California Gambling Control Commission to establish a 10-member Gaming Policy Advisory Committee for the purpose of discussing matters of controlled gambling regulatory policy and other relevant gambling-related issues. The committee is composed of representatives of controlled gambling licensees and members of the general public in equal numbers. This bill would increase the membership of the committee from 10 to 12 members.

Organization Position Priority Assigned Subject

CARF Watch

AB 1786 (Cooley D) Horse racing: the California Standardbred Sires Stakes Program.

Current Text: Introduced: 2/4/2016 pdf html

Introduced: 2/4/2016

Status: 5/5/2016-Referred to Com. on G.O.

Desk Policy Fiscal Floor	Desk Policy Fiscal Floor	Conf.	Enrolled	Votood	Chantored	l
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Summary: The Horse Racing Law establishes the California Standardbred Sires Stakes Program for standardbred horses bred in California, and provides that an offspring of a registered California standardbred stallion standing in California during an entire breeding season is eligible to race in the program. This bill would expand eligibility to race in the program to include the offspring of registered standardbred stallions standing in Iowa, Wisconsin, Minnesota, Michigan, or Maine, or the Province of Alberta, Canada. This bill contains other related provisions and other current laws.

Organization Position Priority Assigned Subject

CARF Watch

AB 1890 (Dodd D) Discrimination: equal pay: state contracting.

Current Text: Introduced: 2/11/2016 pdf html

Introduced: 2/11/2016

Status: 4/13/2016-In committee: Set, first hearing. Referred to suspense file.

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Summary: Would enact the Equal Pay for Equal Work Act of 2016. The bill would require an employer with 100 or more employees in the state and a contract with the state of 30 days or more to submit a description of its nondiscrimination program to the Department of Fair Employment and Housing and to submit periodic reports, no more than annually, on a schedule to be determined by the department, of its compliance with that program. The bill would authorize the department to require approval and certification of the program.

Organization Position Priority Assigned Subject

CARF Watch

AB 2011 (Cooper D) Horse racing: thoroughbred racing: northern zone: auxiliary offsite stabling, training,

and vanning.

Current Text: Introduced: 2/16/2016 pdf html

Introduced: 2/16/2016

Status: 5/5/2016-Referred to Com. on G.O.

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Summary: The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead be distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses. This bill would increase the amount that is required to be deducted to an amount not to exceed 2%.

OrganizationPositionPriorityAssignedSubjectCARFSponsorLouie

AB 2102 (Hernández, Roger D) Tribal gaming: Indian Gaming Local Community Benefit Committee.

Current Text: Amended: 3/15/2016 pdf html

Introduced: 2/17/2016

Status: 5/26/2016-Referred to Com. on G.O.

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Summary: Would require each Indian Gaming Local Community Benefit Committee to adopt and approve a Conflict of Interest Code pursuant to specified provisions. The bill would require any existing Conflict of Interest Code to be reviewed and amended as necessary to bring it into compliance with these requirements. By increasing the duties of local government entities, this bill would impose a state-mandated local program.

Organization Position Priority Assigned SubjectCARF Watch

AB 2218 (Burke D) Gambling: licenses.

Current Text: Introduced: 2/18/2016 pdf html

Introduced: 2/18/2016

Status: 4/28/2016-Referred to Com. on G.O.

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Summary: Current law requires every person who is required to hold a state license to obtain the license prior to engaging in the activity or occupying the position with respect to which the license is required, except as specified. Current law also requires every person who, by order of the commission, is required to apply for a gambling license or a finding of suitability to file an application within 45 calendar days after receipt of the order. This bill would instead require the application described above to be filed within 60 calendar days after receipt of an order of the commission.

Organization	Position	Priority	Assigned	Subject
CARF	Watch			

AB 2226 (Bigelow R) Horse racing: satellite wagering facilities: fairs.

Current Text: Introduced: 2/18/2016 pdf html

Introduced: 2/18/2016

Status: 5/26/2016-Referred to Com. on G.O.

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Summary: Would authorize a fair to contract with 2 or more fairs that are licensed to conduct thoroughbred meetings within the northern zone for the operation and management of a satellite wagering facility.

Organization Position Priority Assigned Subject

CARF Sponsor Louie

AB 2287 (Wilk R) Horse racing: satellite wagering: out-of-country thoroughbred races.

Current Text: Amended: 3/17/2016 pdf html

Introduced: 2/18/2016

Status: 5/19/2016-Referred to Com. on G.O.

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Summary: Would authorize a thoroughbred racing association or fair to accept wagers on out-of-country races up to 6:30 p.m., Pacific standard time, on the first Saturday in November, without the consent of the harness or quarter horse racing association that is then conducting a live racing meeting.

Organization Position Priority Assigned Subject

CARF Watch

AB 2543 (Gordon D) State buildings: efficiency.

Current Text: Introduced: 2/19/2016 pdf html

Introduced: 2/19/2016

Status: 5/18/2016-In committee: Set, first hearing. Referred to APPR. suspense file.

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Summary: Would require the State Energy Resources Conservation and Development Commission, in consultation with the Department of General Services, to develop a plan to exploit cost-effective energy efficiency and water conservation measures in state facilities. This bill would require the department, in consultation with the commission, to submit recommendations on energy efficiency and water conservation goals to the Governor and the Legislature. This bill would require the department, in consultation with the commission, to make these recommendations no later than January 1, 2018.

Organization Position Priority Assigned Subject

CARF Watch

AB 2619 (Gray D) Horse racing: quarter horse races.

Current Text: Introduced: 2/19/2016 pdf html

Introduced: 2/19/2016

Status: 5/5/2016-Referred to Com. on G.O.

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Summary: Would authorize the California Horse Racing Board to authorize a licensed quarter horse racing association that is conducting a live racing meeting in this state to accept wagers on a quarter horse stakes race with a purse equal to or greater than \$100,000. The bill would also make nonsubstantive changes.

OrganizationPositionPriorityAssignedSubjectCARFWatch

AB 2808 (Gipson D) Horse racing: exchange wagering: operative extension.

Current Text: Amended: 4/13/2016 pdf html

Introduced: 2/19/2016

Status: 4/27/2016-In committee: Set, first hearing. Referred to APPR. suspense file.

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Summary: Current law requires any racing association or racing fair receiving distributions from any exchange provider's exchange revenues to distribute a portion of that revenue to the official registering agency in a specified manner. Current law makes these exchange wagering provisions inoperative on May 1, 2016, and repeals them on January 1, 2017. Violations of the Horse Racing Law

are generally misdemeanors. This bill would extend those inoperative and repeal dates to May 1, 2020, and January 1, 2021, respectively. The bill, by extending these requirements, the violation of which is a crime, would impose a state-mandated local program.

Organization Position Priority Assigned Subject

CARF Watch

AB 2863 (Gray D) Gambling: Internet poker.

Current Text: Amended: 4/20/2016 pdf html

Introduced: 2/19/2016

Status: 5/18/2016-In committee: Set, first hearing. Hearing canceled at the request of author.

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Summary: Would be known as the Internet Poker Consumer Protection Act of 2016 and establish a framework to authorize intrastate Internet poker, as specified. The bill would authorize eligible entities to apply for a 7-year license to operate an authorized poker Web site offering the play of authorized Internet poker games to registered players within California, as specified. The bill would require that the license be automatically renewed every 7 years upon application, as specified.

Organization Position Priority Assigned Subject

CARF Support

Notes 1: 4/21/16 Coalition letter sent to A/ Gray; A/ Governmental Organization Cmte

AB 2914 (Committee on Governmental Organization) Gaming: Indian Gaming Revenue Sharing Trust

Fund.

Current Text: Introduced: 3/17/2016 pdf html

Introduced: 3/17/2016

Status: 5/19/2016-Referred to Com. on G.O.

Desk Policy Fiscal Floor	Desk Policy	Fiscal Floor	Conf.	Envalled	Votood	Chantored
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Summary: Current law establishes the Indian Gaming Revenue Sharing Trust Fund within the State Treasury for the receipt and deposit of moneys derived from gaming device license fees that are received from tribes pursuant to the terms of tribal-state gaming compacts for the purpose of making distributions to noncompact tribes. Current law provides that moneys in that fund are available to the California Gambling Control Commission, upon appropriation by the Legislature, for the purpose of making those distributions in accordance with plans specified in tribal-state gaming compacts. This bill would clarify that the purpose of the fund is for making distributions to eligible recipient Indian tribes.

Organization Position Priority Assigned Subject

CARF Watch

AB 2915 (Committee on Governmental Organization) Tribal gaming.

Current Text: Introduced: 3/17/2016 pdf html

Introduced: 3/17/2016

Status: 5/19/2016-Referred to Com. on G.O.

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Summary: Current federal law, the Indian Gaming Regulatory Act of 1988, provides for the negotiation and execution of tribal-state gaming compacts for the purpose of authorizing certain types of gaming on Indian lands within a state. The California Constitution authorizes the Governor to negotiate and conclude compacts, subject to ratification by the Legislature. This bill would reorganize, and make technical, nonsubstantive changes to, these provisions. This bill contains other current laws.

Organization Position Priority Assigned SubjectCARF Watch

SB 905 (Bates R) Alcoholic beverage control: club licenses.

Current Text: Amended: 4/7/2016 pdf html

Introduced: 1/25/2016

Status: 5/9/2016-Referred to Com. on G.O.

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Summary: Current law authorizes the holder of a club license to exercise the rights of a on-sale general licensee, but limits sale and service of alcoholic beverages to members of the club and their guests. Current law defines different clubs in this context. This bill would define a club, for the purposes described above, to also include a nonprofit umbrella organization established to provide a central meeting location, resources, and services for veterans, including those on active duty, and that owns or leases, operates, and maintains a facility for these purposes.

Organization Position Priority Assigned Subject

CARF Watch

SB 1019 (Berryhill R) Indian gaming compacts.

Current Text: Introduced: 2/11/2016 pdf html

Introduced: 2/11/2016

Status: 5/6/2016-Failed Deadline pursuant to Joint Rule 61(b)(6). (Last location was RLS. on

2/25/2016)

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Summary: Current law expressly ratifies specified tribal-state gaming compacts entered in accordance with the federal Indian Gaming Regulatory Act of 1988. Current law further sets forth the procedures by which a materially identical compact entered into between the State of California and any other federally recognized Indian tribe may be ratified. This bill would make technical, nonsubstantive changes to those provisions.

Organization Position Priority Assigned Subject

CARF Watch

SB 1240 (Hall D) Horse racing: thoroughbred racing: northern, central, and southern zones: auxiliary offsite stabling, training, and vanning.

Current Text: Amended: 4/5/2016 pdf html

Introduced: 2/18/2016

Status: 5/12/2016-Referred to Com. on G.O.

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Summary: The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern, central, or southern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds to be distributed to an organization formed to represent thoroughbred horsemen and horsewomen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls. This bill would increase the amount that is required to be deducted to an amount not to exceed 2% in the northern, central, and southern zones, and would provide that this amount in the northern zone, if adjusted by the board, may be a different percentage of the handle for different associations and fairs, but only if all the associations and fairs agree to the differing percentages.

OrganizationPositionPriorityAssignedSubjectCARFWatch

SB 1313 (Hall D) Gambling: California Gambling Control Commission.

Current Text: Introduced: 2/19/2016 pdf html

Introduced: 2/19/2016

Status: 5/9/2016-Referred to Com. on G.O.

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Summary: The Gambling Control Act specifies that a majority of the appointed members of the California Gambling Control Commission is a quorum and that the concurring vote of 3 members of the commission is required for any official action of the commission or for the exercise of any of the commission's duties, powers, or functions. Current law requires that a public record of every vote of the commission be maintained at its principal office. This bill would additionally require that a public record of every vote of the commission be posted on the commission's Internet Web site no later than 48 hours after the vote is taken.

Organization Position Priority Assigned Subject

CARF Watch

Total Measures: 20 Total Tracking Forms: 20

DRAFT A - 2017 PROPOSED NORTHERN CALIFORNIA RACING DATES CALENDAR - DRAFT A

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RACE DAYS	
Pleasanton	12
Cal Expo	11
Santa Rosa	11
Humboldt	7
Oak Tree/CARF (Pleasanton Fall)	8
Stockton (Pleasanton Fall)	8
Fresno	9

	DRAFT: May 31,	2016
CARF MEET	S	55
SANTA ROS	Α	11
TOTAL FAIR	DAYS	66

SIMULCAST-ONLY DAYS	21
TOTAL NORTHERN CALIFORNIA FAIR DAYS	66

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CALIFORNIA AUTHORITY OF RACING FAIRS BALANCE SHEET March 31, 2016

ASSETS

ASSETS		
	CURRENT YTD	PRIOR YTD
Current Assets	03/31/16	03/31/15
CASH - LAIF & INVESTMENTS	1,720,472	1,920,317
CASH - OPERATING/MM	373,975	546,010
CASH - TRUST & TOC	139,984	24,730
MARKETABLE SECURITIES	1,013,658	1,200,296
A/R - DUES	34,872	34,228
A/R - PROGRAMS	20,991	60,462
A/R - RACING FAIRS & SETTLEMNT	172,636	214,343
A/R - OTHER A/R	16,517	49,499
PREPAIDS/DEPOSITS	37,079	51,146
OPEB ASSETS	125,122	125,122
Total Current Assets	3,655,306	4,226,152
Fixed Assets		
AUTOMOBILE	10,783	24,875
FURNITURE & EQUIPMENT	0	0
COMPUTER HARDWARE/SOFTWARE	3,425	2,080
TRACK EQUIPMENT	0	0
Total Fixed Assets (Net of Depr.)	14,209	26,955
TOTAL ASSETS	3,669,514	4,253,107
LIABILITIES & NET ASSETS		
G (1,145)		
Current Liabilities	6 700	100 000
A/P & WITHHOLDINGS	6,702	198,689
COMPENSATED LEAVE ACCRUALS	142,040	117,821
A/P - PROGRAM ROYALTIES TO HOST	27,086	44,734
RACING DISTRIBUTIONS	284,877	172,090
PURSES	129,741	256,723
TRACK SAFETY/MAINT.	(231,002)	(22,957)
HORSEMENS RECRUITMENT PROGRAMS	14,407	13,716
LOU-5 - SYMPOSIUM	3,647	3,805
REV GEN PROJECT FUNDS	442,378	458,894
AUGMENTATION FUNDS	642,644	619,258
Total Current Liabilities	1,462,520	1,862,774
Non-Current Liabilities		
CHANGE FUND	1,014,000	1,014,000
FAIRS - EQUIP REPLACEMENT FUNDS	668,485	859,999
Total Non-Current Liabilities	1,682,485	1,873,999
momat v v v prv vmvvg	2117.007	2 = 2 < = = 2
TOTAL LIABILITIES	3,145,005	3,736,773
Net Assets	574 470	554.770
FUND EQUITY	574,172	554,770
F&E Net Assets	0	0
NET INCOME/LOSS	(49,662)	(38,437)
Total Net Assets	524,509	516,334
TOTAL LIADILIPIES & NEW ASSETS	2 ((0 514	4 252 105
TOTAL LIABILITIES & NET ASSETS	3,669,514	4,253,107



California Authority of Racing Fairs Agency Income Statement March 31, 2016

	2014 Year End	2015 Year End	2014 Jan-Mar	2015 Jan-Mar	2016 Jan-Mar	2016 Annual	2016 Budget	2016 % Budget
	Actual	Actual	YTD	YTD	YTD	Budget	Variance	
Revenue:								•
Other Revenue/OPEB trust Reimb	78,208	32,322	60,075	9,058	0	32,000	(32,000)	0%
Interest Income	8,229	6,600	2,951	5,512	3,528	2,500	1,028	141%
Member Dues	234,370	220,215	58,592	69,387	49,716	213,258	(163,542)	23%
CARF South Prog Admin Fee	14,608	11,326	3,778	3,267	2,249	13,125	(10,876)	17%
CARF Live Racing Agency Allocation	157,410	252,551	0	225	0	299,797	(299,797)	0%
Total Revenue	499,459	523,401	132,020	87,835	55,493	560,680	(505,187)	10%
Expenses:								
Salaries	176,783	189,016	39,702	44,045	36,533	184,717	148,184	20%
Employee Benefits	20,619	19,572	5,209	5,323	5,297	21,904	16,607	24%
Post Retirement Benefits	41,671	32,251	9,044	9,048	7,388	30,500	23,112	24%
Payroll Taxes	18,223	18,929	5,307	4,157	5,228	24,272	19,044	22%
Accounting Costs	16,250	17,063	4,063	4,104	4,068	17,500	13,432	23%
Advertising Expense	0	0	0	0	0	0	0	0%
Audit Services	6,775	6,775	0	0	0	6,775	6,775	0%
Automobile Expense	1,267	5,715	10	1,368	0	5,000	5,000	0%
Contracted Services	4,222	1,130	726	30	30	6,000	5,970	1%
Depreciation	19,135	18,137	4,841	4,621	1,686	10,000	8,314	17%
Dues & Subscriptions	2,367	1,313	1,122	1,131	1,206	2,500	1,294	48%
Insurance Expense	50,883	46,224	12,828	12,632	11,948	50,000	38,052	24%
Legal Expenses	62,286	19,949	12,805	8,436	2,300	35,000	32,700	7%
Legislative Expenses	45,479	45,596	7,700	11,398	11,319	45,000	33,681	25%
Meetings Expense	1,360	2,495	564	1,154	1,109	3,000	1,891	37%
Misc. (Ag Day Sponsor)	499	835	77	(13)	59	1,000	941	6%
Rent - Northern Print Shop	0	0	0	0	0	0	0	0%
Office Supplies	24,405	19,878	5,988	5,809	4,484	25,000	20,516	18%
Postage & Shipping	3,161	1,175	678	177	696	3,000	2,304	23%
Rent (Tribute Road)	35,770	35,770	8,942	8,942	8,942	35,770	26,828	25%
Repairs & Maintenance	0	0	0	0	0	500	500	0%
Telephone Expense	8,375	8,718	1,998	2,214	1,932	10,000	8,068	19%
Training	369	604	0	0	302	1,000	698	30%
Travel Expense	18,609	13,662	3,063	1,445	2,790	18,000	15,210	15%
Total Expenses	558,508	504,808	124,667	126,020	107,320	536,439	429,119	20%
Agency Income (Loss)	(59,049)	18,593	7,353	(38,185)	(51,826)	24,242	(76,068)	
Southern Prog Income (Loss)	2,461	1,470	830	566	2,164	1,875	(21,463)	
Total Bal Sheet Net Income (Loss)	(56,589)	20,063	8,182	(37,618)	(49,663)	26,117	(97,531)	



California Authority of Racing Fairs Southern Region Income Statement March 31, 2016

	2014	2015	2014	2015	2016	2016	2016	2016
	Year End	Year End	Jan-Mar	Jan-Mar	Jan-Mar	Annual	Budget	% Budget
	Actual	Actual	YTD	YTD	YTD	Budget	Variance	
Program Revenue:								
Program Sales	195,769	152,647	51,348	45,187	29,988	175,000	(145,012)	17%
Other Revenue	0	0	0	0	0	0	0	0%
Royalties/Fees Due Host	(178,700)	(139,851)	(46,741)	(41,354)	(25,575)	(160,000)	134,425	16%
Total Revenue	17,069	12,796	4,608	3,833	4,413	15,000	(10,587)	29%
Expenses:								
Legal Expenses	0	0	0	0	0	0	0	0%
Meetings Expense	0	0	0	0	0	0	0	0%
Misc Exp.(Storage)	0	0	0	0	0	0	0	0%
Office Supplies	0	0	0	0	0	0	0	0%
Paper Expense	0	0	0	0	0	0	0	0%
Postage & Shipping	0	0	0	0	0	0	0	0%
Printing Supplies	0	0	0	0	0	0	0	0%
Rent & Utility Expenses	0	0	0	0	0	0	0	0%
Repairs & Maintenance	0	0	0	0	0	0	0	0%
Telephone Expense	0	0	0	0	0	0	0	0%
Travel Expense	0	0	0	0	0	0	0	0%
Total Expenses	0	0	0	0	0	0	0	0%
Operating Income (Loss)	17,069	12,796	4,608	3,833	4,413	15,000	(10,587)	29%
CARF Admin Fee Rebate	14,608	11,326	3,778	3,267	2,249	13,125	10,876	17%
Income (Loss)	2,461	1,470	830	566	2,164	1,875	(21,463)	115%



California Authority of Racing Fairs Revenues Generated and Paid through CARF Race Recap Report

2016 Race Meet	Pleasanton	Sacramento	Humboldt	Stockton	Fresno	Total
Tote Handle ADW Handle All Handle Total						
REVENUE: Takeout Programs Summarized Revenues ADW (California & Exports)						
Total <u>EXPENSES:</u>						
Total Track Expenses	0	0	0	0	0	0
Revenues Generated and Paid through CARF Total Purses Revenue						
Total Track Commissions Revenue						
TOTAL PURSES/FAIR COMMISSIONS	0	0	0	0	0	0



California Authority of Racing Fairs Live Racing Income Statement March 31, 2016

			:11 51, 2010					
	2013=43 days	2014=40 days	2015=44 days		2016=43 days			
	2014	2015	2014	2015	2016	2016	2016	2016
	Year End	Year End	Jan-Mar	Jan-Mar	Jan-Mar	Annual	Budget	% Budget
	Actual	Actual	YTD	YTD	YTD	Budget	Variance	, v Dauger
Revenues:	- Tiettui	rictuur	110	112	112	Duager	variance	
110 / 01111050								
Reimb. From Live Racing Fairs	1,048,080	1,220,743	125,115	136,459	156,814	1,356,965	(1,200,151)	12%
Operating Expenses:								
Salaries	348,075	384,535	70,591	76,449	80,448	392,511	312,063	20%
Employee Benefits	44,137	46,576	10,416	11,609	12,435	48,907	36,472	25%
Payroll Taxes	35,988	46,576	9,190	10,050	13,463	53,262	39,799	25%
Accounting Costs	48,761	48,750	12,193	12,188	12,188	48,750	36,563	25%
Audit Services	20,325	20,325	0	0	0	20,325	20,325	0%
Automobile Expense	2,718	1,502	811	179	1,289	2,000	711	64%
Dues & Subscriptions, NTRA	0	0	0	0	0	0	0	0%
Insurance Expense	0	0	0	0	0	0	0	0%
Legal Expenses	0	0	0	0	0	5,000	5,000	0%
Meetings Expense	242	622	60	406	530	2,000	1,470	26%
Misc. Exp (Storage,Bank fee)	12	0	0	0	0	0	0	0%
Telephone Expense	4,982	6,183	947	1,717	642	6,500	5,858	10%
Travel Expense	34,423	39,189	1,756	1,479	2,919	40,000	37,081	7%
Sub-Totals	539,664	594,258	105,963	114,076	123,915	619,255	495,340	20%
D								
Racing Support Services:	22.207	20.200	0	0	0	20.460	20.460	00/
Announcer	33,387	30,200	0	0	0	39,460	39,460	0%
Condition Bk/Program Cover	26,560	15,505	0	169	180	17,000	16,820	1%
Racing Operations Support	65,326	80,804	2,064	1,557	1,418	80,000	78,582	2%
TC02 Testing	7,040	12,698	0	0	0	12,000	12,000	0%
Marketing/Web Devel	236	120	30	30	30	1,000	970	3%
Network Management	0	0	0	0	0	0	0	0%
Paymaster Operations	6,285	5,163	2,060	1,429	514	6,500	5,986	8%
Program Production	145,411	164,907	1,830	2,272	2,554	170,000	167,446	2%
Racing Office System	28,969	29,822	1,245	1,241	515	30,000	29,485	2%
Recruitment	1,562	4,977	0	0	0	15,000	15,000	0%
Jumbo Screen	68,850	96,900	0	0	0	100,000	100,000	0%
Supplies	12,573	17,752	265	245	486	15,000	14,514	3%
Tattooing	10,867	18,101	4,658	5,871	3,132	20,000	16,868	16%
Timing/Clocker	13,120	13,162	0	0	0	18,185	18,185	0%
Transportation	1,250	2,740	0	0	0	3,500	3,500	0%
TV Production/Simulcast	64,040	71,456	6,250	10,000	10,000	75,000	65,000	13%
RTM ALLOCATION (TRANS.&MAINT)	73,689	131,165	0	0	2,220	146,500	144,280	2%
RTM PRIOR YEAR LOAN	0	0	0	0	0	56,165	56,165	0%
RTM SUPPORT COSTS	47,553	46,286	0	0	11,850	47,400	35,550	25%
Sub-Totals	606,718	741,759	18,402	22,814	32,899	852,710	819,811	4%
Total Gross Expenses	1,146,381	1,336,017	124,364	136,890	156,814	1,471,965	1,315,151	11%
Tom O1055 Eapthses	1,140,361	1,330,017	124,304	150,090	130,014	1,771,903	1,313,131	11/0
Augmentation LRF	73,689	75,000	0	0	0	75,000	(75,000)	0%
NCOTWINC Reimbursement	25,000	40,000	0	0	0	40,000	(40,000)	0%
	•					-	,	
Total Net Expenses	1,047,692	1,221,017	124,364	136,890	156,814	1,356,964		

This will serve to memorialize agreement among the undersigned with respect to funding of the California Horse Racing Board, ("CHRB"). The undersigned hereby agree among themselves that each will make the following payments:

- 1. Section 19616.51 of the Business and Professions Code was amended by ABX4 12, and now stipulates:
- (a) Notwithstanding any other law, and in lieu of any license fee payable to the state prescribed for or referred to in Section 19491, 19491.5, 19596.3, 19601, 19601.2, 19602, 19603, 19604, 19605.25, 19605.35, 19605.45, 19605.6, 19605.7, 19605.71, 19606.5, 19606.6, 19610.8, 19611, 19612, 19614, 19616, 19616.1, 19616.2, or 19641, any association or fair that conducts a racing meeting shall only pay its proportional amount, as determined by the formula devised pursuant to paragraph (1), as a license fee to the state, to be deposited into the Horse Racing Fund, which is hereby established, to fund the board and the equine drug testing program as follows:
- (1) All racing associations and fairs including all breeds of racing shall participate in the funding of the board in accordance with a formula devised by the board in consultation with the industry.

For the 2016-2017 fiscal year, the CHRB's operating budget has been determined by the enactment of Section 19616.51 to be \$13,469,000 and such amount shall be subject to change in future fiscal years. The undersigned are responsible for the funding of the CHRB's annual operating budget by depositing the necessary funds in the California Horse Racing Fund. The amount to be so deposited by each of the undersigned shall be a percentage of the License Fee that would have otherwise been payable by the undersigned in the absence of the enactment of SB 16XX and for each fiscal year a determination shall be made as to the percentage necessary to generate the amount for the funding of the CHRB operating Budget. For the 2015-2016 fiscal year such percentage shall be 61%. Thus, during the 2016-2017 fiscal year, the undersigned shall each pay 61% of the License Fee that would have otherwise been payable by each if SB 16 XX had not been enacted.

The undersigned shall remit the respective amounts they owe no later than Friday for amounts generated during the prior week (Monday through Sunday) for wagers placed at brick and mortar sites within California. For amounts generated by wagering outside the State of California on races conducted in California ("export wagering") including wagers placed through ADW providers, the undersigned will remit the respective amounts they owe within ten business days of the receipt of host fees generated from export wagering.

It is recognized that a determination of true-up amounts will be necessary at the end of each fiscal year. Excesses and shortfalls in funding shall be determined after the end of the fiscal year. Should a shortfall occur, the payments required by the undersigned shall be determined by calculating the percentage of each entity's contribution to the total funding generated in the current fiscal year and then applying such percentage to the shortfall. The CHRB will notify the undersigned of their shortfall amounts, and the undersigned will remit payments within ten business days of such notification. Should an excess occur, an amount equaling the percentage of each association's contribution to the total funding generated in the current fiscal year shall be applied to the total excess generated in the current fiscal year, and that amount shall be returned to each association in the following fiscal year.

- 2. The CHRB is a third party beneficiary of the payments to be made by the undersigned pursuant to paragraph 1 hereof, therefore, the CHRB has a right to bring an action against any of the undersigned who fail to make the prescribed payments in paragraph 1 hereof. Payments to be made by the undersigned are the sole responsibility of that entity; therefore, there is no joint and several liability among the undersigned for the failure of anyone to make the prescribed payments.
- 3. This Agreement may be signed in counterparts.
- 4. California Horse Racing Industry Organizations which have agreed to participate in the funding described above include: California Authority of Racing Fairs, Del Mar Thoroughbred Club, Los Angeles County Fair Association, Los Alamitos Racing Association, Los Alamitos Quarter Horse Racing Association, Los Angeles Turf Club, Pacific Racing Association, Sonoma County Fair, Watchandwager.com LLC, California Harness Horsemen's Association, California Thoroughbred Breeders Association, Pacific Coast Quarter Horse Racing Association, and Thoroughbred Owners of California.

Agreement for CHRB Support -Fiscal Year 2016-2017

California Authority of Racing Fairs	Del Mar Thoroughbred Club
By hoteph tal	By
Los Alamitos Racing Association	Los Angeles County Fair Association
By	Ву
Los Alamitos Quarter Horse Racing Association	Los Angeles Turf Club
By	Ву
Pacific Racing Association	Sonoma County Fair
By	Ву
Watchandwager.com LLC	Thoroughbred Owners of California
By	Ву
California Harness Horsemen's Association	California Thoroughbred Breeders Association
By	Ву
Pacific Coast Quarter Horse Racing Association	
Ву	
Agreed and Accepted:	
By California Horse Racing Board	

CALIFORNIA HORSE RACING BOARD



Memo

Date:

June 1, 2016

To:

Nick Coukos; Scott Daruty; Joe Morris; Eric Sindler; Chris Korby; George Haines

George Krikorian, Greg Avioli

From:

Rick Baedeker

Subject:

20 Mile Reduction

All;

As a follow-up to our meetings and Nick's recent email proposal, please consider the following:

<u>Goal:</u> to add \$30 million (or more) to purses and commissions by adding more minisatellites while simultaneously providing a mechanism to modernize existing satellites for the benefit of current customers.

In order to achieve that goal the industry needs to 1) provide an incentive for existing satellites to reduce their 20 mile exclusivity circles and 2) as important: establish a plan for business development that will include sales people, marketing materials, and legal expertise to deal with local cities.

<u>Background:</u> Minisatellites were authorized in 2007. Regulations were completed in 2009. In the ensuing 6 years, only 10 minis have been opened statewide. However, in 2015 the handle from <u>just 8 minisatellites</u> (excluding Striders) in southern California equaled:

- 6% of total handle in California, including ADW;
- 9% of handle at all brick and mortar locations in CA, including tracks;
- 13% of handle at all CA satellites:
- 19% of handle at all satellites in the south;
- 48% of handle at all satellites in the north.

Also:

- The 8 minisatellites contributed nearly \$8.2 million net to purses and commissions in 2015.
- Other than ADW, only minisatellites offer an opportunity for growth.

If the revenue produced at the 8 minisatellites in southern California was replicated by just 50% at the maximum allowable 45 locations throughout the state, the net increase to purses and commissions would be more than \$30 million annually.

1010 Hurley Way, Suite 300, Sacramento, CA 95825 Phone: (916) 263-6000 FAX: (916) 263-6042

www.chrb.ca.gov

Page 2 June 1, 2016

Everyone agrees that this unique opportunity for growth should be aggressively pursued. Yet, to date, one or two people have been knocking on doors on an anecdotal, hit-and-miss basis. And there's plenty of other NCOTWinc and SCOTWinc business to keep the current staff occupied.

Given the hit to purses and commissions due to Workers Comp increases, it certainly makes sense to move cautiously, i.e., to do a pilot project. However:

- The proposal to award an existing satellite a ½% increase in commissions from its handle to be used solely for capex might not be a sufficient incentive, considering that business at the satellite would certainly be impacted to some degree. The existing satellite would need to compete with a new minisatellite, which will probably be part of a nice restaurant, that doesn't charge admission, offers a full menu vs. concession food and at a better price. Some might argue "survival of the fittest": if the satellite can't compete let it go out of business. But a satellite that refuses to reduce its circle will likely continue to exist for years. Its current customers are important to the game and we don't want to lose them. And, our goal is to reduce the circles while fixing-up the existing locations.
- Under the ½% capex proposal, the San Jose satellite would receive \$116,000 for capex based on its handle in 2015. But that would be offset by some loss of business. If it lost 10% of handle its commissions would be reduced by \$46,650. In addition, it would stand to lose 10% of its admissions and F&B revenues. If those revenues amounted to a net \$5 for every \$300 wagered, the loss would be \$38,900. As a result, the satellite would lose \$85,000 in net operating revenues in exchange for \$116,000 in capex improvements. Not a great incentive for reducing its circle.

Instead, consider the following proposal for existing satellites:

- Target 2-4 significant satellites. Likely candidates to choose from in the north are San Jose, Pleasanton, Vallejo, Santa Rosa and maybe Ventura in the south.
- Offer a participating satellite a one-time, upfront payment of perhaps \$25,000 for capex.
- The rest of the compensation will come from NEW money over 10 years. For the first five years that
 the mini is open, distribute 1.5% of its handle to the existing satellite that reduced its circle to make it
 happen. Half to capex as discussed, the other half to its bottom line.
- For the second 5 years reduce the award to 1%.

To be clear: these distributions would not come from the satellite's handle but rather from handle at the new minisatellite location. Using the San Jose example, rather than receiving ½% increase in commissions from its own handle for capex at \$116,000, it would receive 1.5% from the new minisatellite's handle. Based on business of \$10 million at the mini, SJ would receive \$75,000 for capex and \$75,000 for its bottom line. So the old satellite would be paid with new money, and if the handle from the mini is weak, so is the payment to the satellite. That way the industry doesn't get stuck with a bad deal. Also, the satellite would have an incentive for multiple minis within its reduced circle. And it doesn't cost the industry anything other than the upfront payment.

In addition, to further business development, consider this proposal:

- From <u>current and new</u> satellites earmark a distribution of ½% for business development. In 2015, this would have generated \$400,000 for salespersons, marketing materials and advertising and, maybe most important, legal expertise to deal with the cities.
- For NEW minisatellites, raise the city's share from .0033 to .0066. That would give the prospective city a reasonable incentive to facilitate these things. This may require a change in the statute.

Except for the small upfront payment and the business development part, this proposal is based on spending new money and it gives a satellite a meaningful incentive to reduce its circle.

As Nick suggested, let's meet again soon to discuss this and other proposals. We'll check everybody's availability over the next couple of weeks.

Calendar for year 2016 (United States)

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	September								
Su	Мо	Tu	We	Th	Fr	Sa			
				1	2	3			
4	5	6	7	8	9	10			
11	12	13	14	15	16	17			
18	19	20	21	22	23	24			
25	26	27	28	29	30				

	October								
Su	Мо	Mo Tu We Th Fr Sa							
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9	10	11	12	13	14	15			
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30	31								

	November							
Su	Mo Tu We Th Fr Sa							
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6	7	8	9	10	11	12		
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	December							
Su	Mo Tu We Th Fr Sa							
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Calendar for year 2017 (United States)

	January								
Su	Мо	Tu	We	Th	Fr	Sa			
1	2	3	4	5	6	7			
8	9	10	11	12	13	14			
15	16	17	18	19	20	21			
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29	30	31							

	February								
Su	Mo								
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	March								
Su	Мо	Tu	We	Th	Fr	Sa			
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	April							
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	May								
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June								
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July							
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30	31						

August								
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September							
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October								
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	November								
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26	27	28	29	30					

December								
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17	18	19	20	21	22	23		
24	25	26	27	28	29	30		
31								