

## CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Tuesday, April 1, 2008

### Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, April 1, 2008. The meeting was conducted at the Kahn, Soares & Conway Conference Room located at 1415 L Street, Suite 400, Sacramento, California, 95814.

Live Racing Committee members attending: John Alkire, Joe Barkett, Rick Pickering and Forrest White. Joining by conference call: Chris Carpenter, Tawny Tesconi and Stuart Titus.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Louie Brown, Mike Treacy, Renee Glass, Sue Andrus and David Binum. Joining by conference call: Kate Phariss.

**Agenda Item 1 – Determination of Date, Time and Location of Next Meetings through June 2008.** The next CARF Board & Live Racing Committee meetings are tentatively scheduled for Tuesday, May 6, 2008 at 2:00 p.m. and Tuesday, June 3, 2008 in Sacramento.

**Agenda Item 2 – Approval of Minutes from February 5, 2008.** Mr. Pickering moved to approve the meeting minutes with grammatical changes. Mr. Alkire seconded. Mr. Alkire, Mr. Barkett, Mr. Carpenter, Mr. Pickering, Ms. Tesconi and Mr. Titus approved. Mr. White abstained.

**Agenda Item 3 – Discussion and Action, if any, Legislative Matters.** Mr. Brown reported he had just finished with the morning session of committee hearings, the issue of the morning being the Cow Palace bill, which ended up being held in committee. The bill does have an urgency clause. Mr. Brown reported that Stephen Chambers did an excellent job of explaining how the money has always been racing/Fair money and the intention to sell the property to pay off State debt is unacceptable to Fairs.

Mr. Brown stated that horse racing legislation will start to move next week. The Rules Committee required that the language in AB 2258 (Evans) be amended to change the wording “all monies” to “license fees.” The intent is to clarify how that money is prioritized.

Mr. Korby advised the group that AB 813 (Portantino) allows harness racing to use the night promotional fund for purposes other than promotion. The harness racing financial situation is tenuous and the harness association may need to use that money to pay their unmet obligations. Mr. Korby advised the group to be cautious about spending money to promote the night signal if they expect to be reimbursed through the night promotional fund.

Mr. Pickering reported that Eric Johnson, Staff to the Senate Governmental Organization (GO) Committee, called together a meeting to talk about horse racing, specifically Pleasanton and the Los Angeles County Fair. Those attending the meeting were Louie Brown (CARF), Rod Blonien (lobbyist for Pleasanton) Rick Pickering, John Latimer (lobbyist for TOC) and Drew Couto (TOC). Mr. Johnson expressed that Assembly Member Alberto Torrico wanted to see the

group develop solutions with funding or debt services mechanisms that could be put in legislation to serve Pleasanton and set a model for the L.A. County Fair. Assembly Member Torrico firmly believes that everyone needs to be at the table and everyone at the table needs to be willing to give. The group talked about maxing out the formula for the Vanning & Stabling Fund to provide more money for Pleasanton and the possibility of increasing takeout. The group will meet again in the next week to put on paper a funding formula that provides solutions for the future of racing.

Mr. Treacy reported that he met with Kirk Breed and discussed that the CHRB would make collecting the shortfall a priority and that future shortfalls (until a permanent solution is reached) should be shared proportionally. At the same time, Mr. Treacy reported that Mr. Breed felt the legislation that leaves the CHRB out of the first \$30 million might prove problematic. Mr. Brown stated that Mr. Breed might not have the most current bill language.

**Agenda Item 4 – Discussion and Action, if any, on CDFA Funding for CARF Programs in FY 2008-2009.** Mr. Korby reported that the Finance Committee met with F&E in what has been a sequence of very productive meetings. The Committee and F&E have reached an agreement in principle for F&E to fund CARF programs at a level of \$2.6 million, pending a concrete proposal as to how the programs will be implemented.

Part of that proposal involves a restructuring of the Equipment Replacement Fund. The annual budget will now be based on the equipment life cycles of existing inventory. CARF is in the process of developing an extensive database to calculate the inventory, depreciation and useful life. Mr. Barkett stated that Mr. Treacy was very much in favor of this approach.

Conversations between the Finance Committee and F&E Staff revealed that there is a gap in the dollar amount requested in Fair proposals, producing unallocated funds in the range of \$5 million. CARF inquired as to the availability of that money and how to apply for it. CARF was encouraged to send a letter asking for specific applications for that money. Mr. Korby is in the process of drafting that letter. Mr. White noted that F&E could have a shortfall which could affect the balance of unallocated funds.

Mr. Barkett added that he, Mr. Alkire and Mr. Pickering attended the F&E meeting and the commitment for the \$2.6 million for CARF program from Mr. Treacy was very solid.

Mr. Korby reported, for informational purposes, that he sent Mr. Treacy a list of suggestions on how the Division can go about recouping some of the shortfall. It seems no action has been taken since the distribution of the first letter more than a year ago.

**Agenda Item 5 – Discussion and Action, if any, on Implementation of AB 765, Providing for an additional 1% Take-Out to Fund Fair Racing Facility Improvements.** Mr. Korby requested the Board formally take action allowing CARF to go before the CHRB Board and ask for authorization to increase takeout 1% for facility improvements, as allowed by AB 765 (Evans). Mr. White expressed concern as to where the money would be set aside and if it might become commingled with the \$40 million F&E Fund. Mr. Brown agreed that AB 765 (Evans) was not specific, but that the language in AB 2258 (Evans) would clean up existing language by stating that the first \$30 million in *license fees* would go to F&E and the following \$10 million would go to the CHRB. Mr. Barkett asked Mr. Brown if there would be a perceived

hit to the state general fund since it is anticipated that the CHRB will exceed its \$10 million allocation. Mr. Brown replied that any additional funds required by the CHRB would become the responsibility of the racing industry/associations.

Mr. White moved to authorize CARF Staff to go before the CHRB Board to request an increase in Fair takeout of 1% per AB 765 (Evans), with the understanding that the money be placed in a separate stand-alone fund to be used for improvements at Fair racing facilities. All racing Fairs agreed by approving the motion to sign the written request. Mr. Alkire seconded, unanimously approved.

**Agenda Item 6 – Discussion and Action, if any, on Northern California Racing Calendar 2009 and Beyond.** Mr. Korby reported that there will be a meeting at Pleasanton on April 17, 2008 at 10:00 a.m. to discuss the racing calendar for the next year and beyond. All Northern California stakeholders are invited and encouraged to participate. The meeting will begin with a backstretch tour, at the request of TOC principals, and then the group will meet at approximately 11:00 a.m. in the Pleasanton Board Room. Mr. Korby reiterated that the level of cooperation between MAGNA/Golden Gate Fields, TOC and CARF has been exceptional.

Mr. Korby also reported on a dinner meeting that he, Mr. Alkire, Mr. Barkett and Mr. Brown had with TOC Board Members and their lobbyist after the last CHRB meeting at Bay Meadows. The intent of the meeting was to talk about how CARF and the TOC can work together in the future. Some specifics regarding the racing calendar were discussed, such as the Fair dates being viewed as a block of dates to be run as the Fairs deemed most productive. There was talk about a three year transition period to ready Pleasanton for expanded racing. The TOC was agreeable to CARF's initial proposals and the tone of the meeting was very positive.

Mr. Alkire complimented Mr. Korby on being very well prepared and articulate on all subjects during the dinner. Never once was a topic presented that Mr. Korby didn't have a concrete response to. Mr. Alkire also noted that the TOC was very eager to meet again, which was a compliment to the organization and content of the dinner.

Mr. Barkett expressed that it would be beneficial to have very solid commitments from the principal parties in the three year transition plan, specifically holding the dates for Pleasanton that will be run at Golden Gate Fields in the next three years. Once Golden Gate Fields experiences the increased revenue from additional racing dates, it is possible they will become vested in retaining those dates. Mr. Barkett also noted that the TOC strongly feels that the number of race dates in Northern California needs to be reduced.

**Agenda Item 7 – Update on Racing Secretary Position (Informational).** Mr. Swartzlander reported that all Fairs, including CalExpo, wish to hire Tom Doutrich as their Racing Secretary in 2008. This will be the first time that the Northern California Fair Circuit will operate under the same Racing Secretary.

**Agenda Item 8 – Update, Discussion and Action, on Racing Service Contracts.** Mr. Korby distributed a list of specific areas that CARF manages on behalf of live racing Fairs. CARF Staff is working on developing a list of individual contracts. The auditor contract is expiring and is being put out to bid, negotiations have begun with the starting gate provider and Pegasus Communications is in the process of submitting an extension.

Mr. Korby suggested that the group consider having CARF contract on behalf of all Fairs in regards to the track photographer, with preference being given to Vassar Photography who is currently setting the standard of excellence in Northern California.

**Agenda Item 9 – Review, Discussion and Action, if any, on Horsemen’s Agreements.**

Mr. Korby updated the group that the Mule Agreement has been signed and CARF will be meeting with the TOC on April 2, 2008. Mr. Korby asked Renee Glass (ARAC representative) and Sue Andrus (Mule owner) to introduce themselves and welcomed them to the meeting.

**Agenda Item 10 – Horse Recruitment Program.** Mr. Swartzlander reported that his recruitment trip with Mr. Titus to Oregon was very successful. Upwards of 150 horsemen attended the reception. Mr. Swartzlander feels the changes in the 2008 calendar will provide some out-of-state horsemen with a great transition from their home tracks to the Fairs and that the sequence of racing at Ferndale, Sacramento, Stockton and Fresno will keep horsemen in Northern California for the entire Fair Circuit. Mr. Korby reported that joining our recruitment efforts with Golden Gate Fields might present Fairs with the opportunity to offer a more attractive incentive to out-of-state horsemen.

**Agenda Item 11 – Executive Director’s Report.** Mr. Korby distributed an article pertaining to the restructuring of MAGNA Entertainment Company (MEC), which will spin off from MAGNA International and MAGNA Development.

Mr. Korby reported that he and Mr. Carpenter presented the San Mateo Satellite Wagering Facility drawings and timeline to the CHRB Board at the last meeting. Mr. Korby reported that the project is still on time and is progressing on schedule. Mr. Carpenter stated that the San Mateo property will be open to the contractor on Saturdays and Sundays to help facilitate an August opening.

Respectfully submitted,  
Heather Haviland, Meeting Secretary