

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors & Live Racing Committee
Concurrent Meeting
Thursday, February 7, 2019

MINUTES

A concurrent meeting of the California Authority of Racing Fairs (CARF) Board of Directors and Live Racing Committee was held at 11:00 A.M., Thursday, February 7, 2019. The meeting was conducted at the CARF Conference Room, 1776 Tribute Road, Sacramento, CA, 95815.

CARF Board Directors attending: Richard Conway and Rick Pickering. Joining by conference call: John Alkire, Geoff Hinds, Dana Stoehr and Kelly Violini.

CARF Live Racing Committee attending: Richard Conway and Rick Pickering. Joining by conference call: John Alkire.

Staff and Guests attending: Larry Swartzlander, Tom Doutrich, Juliana Gomes, Vicki Layne, Raechelle Gibbons, Ann Grottveit, John Quiroz, Tom Martinez, Jeanne Wasserman, Lucky Kalanges and Allen Aldrich. Joining by conference call: Louie Brown, Cody Boyles, Lauri King, Jason Amelio, Lisa Hindley and Caroline Titus.

Agenda Item 1 – Closed Session: Public Employee Performance Evaluation – Executive Director. Ms. Grottveit reported that the Board engaged in discussion, formed a recommendation and approved a compensation package for the Executive Director. No further action was taken.

Agenda Item 2 – Date, Time and Location of Next Meeting: March 5, 2019 in Sacramento. The next CARF Board of Directors and Live Racing Committee meeting will be held at 11:00 A.M. on March 5, 2019 in Sacramento.

Agenda Item 3 – Public Comment. None.

Agenda Item 4 – Approval of Minutes. {ACTION} Mr. Conway moved to approve the November 6, 2018 and December 11, 2018 CARF Board of Directors & Live Racing Committee concurrent meeting minutes as presented. Mr. Pickering seconded, unanimously approved.

Agenda Item 5 – Report, Discussion and Action, if any, on 2019 Legislation Program. Mr. Brown reported that the legislature reconvened on January 7 and is currently in the bill introduction phase of the session with Friday, February 22 being the final bill submission deadline. At this time there have been no bills introduced pertaining to horse racing. Legislative staff is actively seeking an author for CARF's Northern California racing sustainability bill.

Mr. Brown reported that Governor Newsom submitted his 2019-20 "California for All" budget proposal to the legislature in early January. The budget includes continuing appropriation for the Department of Food and Agriculture (CDFA) and Fairs & Expositions (F&E) and approximately \$7 million in deferred maintenance to fairs. AB 1499 figures will be included in the May revised budget.

Mr. Brown stated that at this time, no bills have been introduced involving sports wagering. Horse Racing United (HRU) is attempting to reform with the purpose of developing economic studies in an effort to formulate a package of what horse racing's involvement in sports wagering would entail.

Mr. Pickering reported that Thoroughbred Owners of California (TOC) and Del Mar Thoroughbred Club (DMTC) have retained a new lobbyist that will represent both organizations.

Agenda Item 6 – Report, Discussion and Action, if any, on 2019 Racing Operations.

Jumbotron Contract: Mr. Swartzlander reported that he approached six companies to request bids to provide a High-Definition (HD) Jumbotron screen for the 2019 racing circuit. The specs for bid required the screen be a minimum size of 16.8' x 30' with the ability to elevate 8' off of the ground. One company was able to provide a screen that met the requirements.

CARF staff also received a proposal from our current screen provider Pegasus Communications. The proposal recommended that the existing Jumbotron be upgraded to HD and included in a new five-year Television and Simulcast Contract at the existing day rate. This proposal is approximately \$10,000 less than the received bid with no additional cost for signage and advertising.

CARF staff recommends the Board approve the Pegasus proposal as presented.

{**ACTION**} Mr. Pickering moved to approve a new five-year Pegasus Communications Television Production and Simulcast contract expiring April 2024 with the understanding that the day rate and services stay the same as the existing contract with a HD upgrade to the equipment. Mr. Conway seconded, unanimously approved.

Consolidated Purse Fund: Mr. Swartzlander reported that final figures have been tallied and the 2019 racing circuit concluded with a \$27,000 purse underpayment. Mr. Swartzlander recommended that the Board take action to withhold purse shortfalls from Fair commissions for the fiscal responsibility of the agency similar to Board action taken in February and March 2018 (Handout 3).

{ACTION} Mr. Pickering moved to accept Mr. Swartzlander's proposal. Ms. Violini seconded, unanimously approved.

Mr. Pickering noted that all action taken thus far under Agenda Item 6 is funded exclusively by the Live Racing Fairs and that no portion is expensed to satellite facilities.

Horse Racing United (HRU): Mr. Swartzlander reported that in 2013 the racing entities in California formed Horse Racing United, LLC to focus industry legislation efforts related to Internet poker. Josh Rubinstein of DMTC has circulated a letter requesting \$15,000 from DMTC, The Stronach Group (TSG), TOC, California Thoroughbred Breeders' Association (CTBA) and CARF for the purpose of funding a financial impact study on sports wagering in California.

Mr. Swartzlander recommended that CARF participate in the study and allocate \$15,000 from the Live Racing Augmentation Fund for the fair's portion. Mr. Pickering asked Mr. Quiroz if CDFA F&E would be willing to split the \$15,000 expense since sports wagering would conceivably benefit all fairs, not just CARF-member fairs. Mr. Hinds recommended Mr. Swartzlander approach CFA/WFA to pool resources for the benefit of all California fairs.

The Board directed Mr. Swartzlander to express the CARF Board's support in moving forward with HRU and report back with additional details.

Race Track Safety & Maintenance: Mr. Swartzlander reported that a recent article ran in the Los Angeles Times quoting Steve Wood, CARF's track superintendent, crediting the fairs for producing zero fatalities during racing or training in more than 2,000 starts. The article stated this statistic should be considered when TSG tries to "grab fair dates" and move them to Golden Gate Fields.

Mr. Swartzlander requested the Board approve a one-year \$15,000 bonus to Trackmaster, Inc. based on the past two years of racing with no fatalities occurring on CARF fair surfaces. Mr. Pickering recommended that any potential increase be written into the next contract or added as an addendum to the existing contract.

{ACTION} Mr. Conway moved to amend the Trackmaster, Inc. contract to provide a bonus in 2019 based on 2018 racing surface performance. Mr. Pickering seconded for discussion. Mr. Pickering stated that he felt the bonus was well earned but expressed concern regarding increasing live racing expenses. Unanimously approved.

1% Take-Out to Fund Fair Racing Improvements: Mr. Swartzlander stated that in 2008, CARF staff went before the CHRB Board to ask for authorization to increase fair live racing takeout 1% for facility improvements, as allowed by 2007 bill AB 765 (Evans). The CHRB Board was not receptive to the proposal and requested more detailed information on how the money would be spent and the agenda item was delayed to the next CHRB meeting. At the following

meeting, the CHRB Board was once again reluctant to approve to activate the bill and CARF agreed to no longer seek approval on AB 765 and work with the industry to develop comprehensive year-round statewide legislation. At that time, when the larger industry bill failed, the CHRB Executive Director suggested the Fairs reapply for approval.

Mr. Swartzlander requested to revisit activating the 1% increase currently allowed in legislation by initiating discussions with industry principals. The Board supported the request for preliminary discussions.

F&E “Gray Area” Funds: Mr. Swartzlander asked Mr. Quiroz about the status of the license fees distributed to F&E that are wagered in Southern California on Fair live races. Mr. Quiroz stated that “we are a lot closer to getting an agreement in place.” Mr. Swartzlander and Mr. Quiroz will continue to work to secure those funds for CARF’s Race Track Safety & Maintenance Program.

Ms. Stoehr left the conference call.

Humboldt County Fair Replacement Revenues: Mr. Swartzlander reported that in 2018 the California Horse Racing Board (CHRB) granted a week of unoverlapped racing to Humboldt County Fair. That week of unoverlapped racing was rescinded in 2019 as part of an overall package that secured an optimal block of dates for CARF fairs, a \$200,000 purse supplement from TOC and a reduced auxiliary stabling expense to Golden Gate Fields.

Mr. Swartzlander presented a proposal (Handout 2) to provide replacement revenue to Humboldt County Fair as compensation for commissions lost due to the elimination of their host status. The group discussed the figures presented in the proposal.

{**ACTION**} Mr. Pickering moved to approve the \$38,002 purse overpayment adjustment as presented in Handout 2 provided this action does not impact the amount being paid by the other live racing fairs. Mr. Hinds seconded, unanimously approved.

Agenda Item 7 – Financials. Mr. Alkire stated that financials are included in the meeting packet and that Ms. Gibbons is available for questions. Ms. Gibbons provided a brief review of the financials. No questions.

Agenda Item 8 – Executive Director’s Report. Mr. Swartzlander reported on the following:

- California Thoroughbred Business League (CTBL) will be addressing the trainer’s insurance procedures/compensation problems that occurred during the 2018 Humboldt County Fair meet.
- CARF staff will be making a strong effort to utilize the AmTote wagering app this year. The major challenge in implementing the app in the past has been the lack of a

secure WiFi signal to support the app. This signal must be provided by each fair in order to launch the app in the racing grandstands.

- CARF staff will be requesting approval for funding a three-person team to assist with transitioning bettors from the teller lines to self-service machines/app to reduce wagering lines and shut outs
- Golden Gate Fields has raised their purses and Mr. Doutrich will be considering options to bring before the Board to ensure fairs remain competitive.
- Mr. Swartzlander met with Becky Bartling and three members of the Sonoma County Fair Board during the Western Fairs Convention to discuss CARF's plans for fair racing moving into the future.

Respectfully submitted,
Heather Haviland