



a California joint powers agency

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NOTICE
CALIFORNIA AUTHORITY OF RACING FAIRS
LIVE RACING COMMITTEE MEETING
JOHN ALKIRE, CHAIR
11:00 A.M., TUESDAY, DECEMBER 8, 2009

Notice is hereby given that a teleconference meeting of the Live Racing Committee will commence at 11:00 A.M., Tuesday, December 8, 2009. The meeting will be held at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California 95815.

CARF Live Racing Committee Meeting
Toll Free Dial In Number: (800) 791-2345
Participant Code: 62745 #

The Public and members of the Live Racing Committee may participate from the following locations:

Alameda County Fair
4501 Pleasanton Ave.
Pleasanton, CA 94566

Humboldt County Fair
1250 5th Street
Ferndale, CA 95536

Solano County Fair
900 Fairgrounds Drive
Vallejo, CA 94589

The Big Fresno Fair
1121 S. Chance Avenue
Fresno, CA 93702

San Joaquin Fair
1658 S. Airport Way
Stockton, CA 95206

Sonoma County Fair
1350 Bennett Valley Road
Santa Rosa, CA 95404

California State Fair
1600 Exposition Blvd.
Sacramento, CA 95815

San Mateo County Fair
2495 South Delaware Street
San Mateo, CA 94403



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AGENDA
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11:00 A.M., TUESDAY, DECEMBER 8, 2009

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AGENDA

- I. Date and Time of Next Meeting.
- II. Approval of Minutes.
- III. Preliminary report on out-of-state recruitment for 2009.
- IV. Update on Magna GGF Auction.
- V. Discussion and action on provision of replacement revenues for Solano County Fair as it ends conduct of live horse racing.
- VI. Report on negotiations with Thoroughbred Owners of California on consolidation of Fair purses for 2008 and for 2009.
- VII. Report on CHRB audit of 2008 and 2009 purse overpayments and underpayments at Fairs.
- VIII. Discussion and action on consolidation of purses at Fairs for 2009 and 2010.
- IX. Discussion and action on combined Fair meetings for 2010 and beyond.
- X. Discussion and action on racing dates for 2010 and beyond.
- XI. Executive Director's Report.

CALIFORNIA AUTHORITY OF RACING FAIRS

Live Racing Committee

Wednesday, November 4, 2009

Minutes

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 5:30 P.M., Wednesday, November 4, 2009. The meeting was conducted at the CARF Conference Room, 1776 Tribute Road, Sacramento, CA, 95815.

Live Racing Committee members attending: John Alkire, Norb Bartosik, Debbie Cook, Mike Paluszak, Rick Pickering, Tawny Tesconi and Stuart Titus.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Mike Treacy and Richard Lewis.

Agenda Item 1 – Date and Time of Next Meeting. The next CARF Board & Live Racing Committee meeting will be held Wednesday, December 8, 2009 in Sacramento, time to be determined.

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

Agenda Item 3 – Discussion and Action on Recommendation for a Single Combined Fair Horse Racing Meeting for Northern California Racing Fairs in 2010 and Beyond. Mr. Korby reported that he will seek legal counsel concerning cross liability responsibility for a combined Fair race meet. Language ensuring each Fair will accept sole responsibility for incidents occurring on its own Fairgrounds will become part of the combined Fair meet agreement. An exception to excluding joint responsibility will apply to the catastrophic insurance provided through CARF. The step of creating this language is critical, but not complicated.

Ms. Tesconi requested to receive the language as soon as it is drafted to share with her Fair Board.

Agenda Item 4 – Discussion and Action on Recommendation for a Single Consolidated Purse Program for Entire Northern California Fair Racing Circuit. Mr. Korby circulated a one-sheet agreement with signature lines for establishing a consolidation of administration and distribution of purses. This agreement will allow for the consolidation of purse overpayments and underpayments for all Fair race meets. The agreement, as it is written, begins June 17, 2009 and requires written notice to withdraw by February 15 of the year in question.

Mr. Pickering moved to approve the agreement to consolidate the administration and distribution of purses with a 180-day opt-out period. Mr. Bartosik seconded for discussion purposes.

Mr. Titus asked if commissions have been determined from the CARF I and II meets at Golden Gate Fields. Mr. Korby stated that expenses are still being reconciled with Golden Gate Fields. Mr. Bartosik expressed concern regarding the management of purses at both meets and the ensuing overpayments.

Mr. Pickering amended his motion to approve the agreement to consolidate the administration and distribution of purses to include the requirement that a Fair wishing to withdraw from the program provide written notice of intent to cease participation by February 15 of the year they decide to disaffiliate. Mr. Bartosik seconded, unanimously approved.

Agenda Item 5 – Discussion and Action on Recommendation of a Plan for Providing for Replacement Revenues for those Fairs which Agree to Reduce Racing Dates or End Their Live Racing Program All Together. Mr. Korby stated that the CARF Board needs to determine the method, if any, of replacing revenue for Fairs reducing or eliminating live racing, explore funding sources for revenue replacement and establish an agreement amongst members for underwriting the costs of providing replacement revenues.

Potential funding sources include securing from F&E the remaining 1 percent license fees generated at live racing fairs (estimated to be \$400,000 to \$500,000 yearly), using part of the racing industry license fee recapture that will be paid back to F&E by private associations and using revenue from the Fairs that remain in racing and assume the additional racing dates.

F&E has agreed to allow the 1 percent license fees generated from live racing Fairs to be repurposed for creating replacement revenues to Fairs reducing or ending live racing with the stipulation that full documentation and accounting be approved to F&E prior to implementation. F&E will not be able to provide any funds from prior license fees owed by the private associations as those funds have already been earmarked.

Mr. Paluszak has been asked to provide documentation and calculations regarding net revenues generated from racing at the Solano County Fair in prior years as a starting figure for discussion. Mr. Paluszak and his staff are working on those figures and the preliminary amounts seem to be in line with figures that the group has discussed in the past.

Ms. Tesconi stated that the Fair industry is not behind the push to transition some Fairs out of racing. She asked if horsemen's groups, which insist these changes are necessary, have been

approached to help fund the conversion. Ms. Tesconi also commented that it is hard to make a commitment without knowing exactly which parties will ultimately assume responsibility for providing replacement revenues. The Fair assuming additional racing dates is not guaranteed a specific net profit by racing more, but will have to make a commitment to guarantee a figure to a Fair no longer in racing.

Mr. Alkire stressed that current challenges in the racing industry will presumably result in fewer players which necessitates, now more than ever, that Fairs consolidate and work together to create the best possible racing product. These conversations are difficult, but they mark immense progress by this group and can provide great opportunity for the future.

In summation, Mr. Paluszak will provide net revenue figures for Solano County Fair live racing and the sub-committee appointed to discuss this issue will meet again and form a recommendation (sub-committee consists of Mr. Bartosik, Mr. Paluszak and Ms. Tesconi).

Agenda Item 6 – Discussion and Action on Recommendation on Racing Dates for 2010 and Beyond. Mr. Korby asked each of the Fair Managers to provide an update on their preferred 2010 racing dates.

Stockton – The San Joaquin County Fair Board met with CARF Chairman/Staff and representatives of TOC, CTT and GGF to discuss the industry landscape and the circumstances at Stockton. Ms. Cook stated that her Fair Board informally supports five days of racing with a five day Fair and desires a three-year commitment from the industry. Ms. Cook stressed that it is critical future dates be established earlier so that the Fair can be promoted properly. Mr. Bartosik suggested that Stockton strongly consider an 11-week Harness meet after the Thoroughbred meet. Dates: June 16-20, 2009 (5 days).

Pleasanton – The ideal scenario for Pleasanton racing dates would have been June 30 – July 18, 2009, but to accommodate Cal Expo and Stockton, Mr. Pickering is willing to open a week earlier and end July 11, 2009. Dates: June 23 – July 11, 2009 (15 days).

Sacramento - The Sacramento County Fair will move into the slot previously occupied by the Solano County Fair. Mr. Bartosik reported that Cal Expo is available to undertake racing dates in August to keep racing in the Fair block at Fairground tracks. Mr. Bartosik stated that Mr. Harris has informally expressed a desire for Cal Expo to run in its tradition Labor Day dates in addition to the July dates. Mr. Bartosik asked for a written request from the CHRB. Dates: July 14 – July 25, 2009 (10 days).

Sonoma County Fair – Ms. Tesconi requested three weeks of racing at Santa Rosa. Her Fair Board is willing to provide a carnival, special Grandstand entertainment and wine tasting for the third week. Dates: July 28 – August 15, 2009 (15 days).

Ferndale – Mr. Titus stated that he is open to running overlapped with Santa Rosa with help from supplemental purses to offer higher purses to cheap Thoroughbreds and with close coordination from the racing secretary in managing low-level Thoroughbreds and the Emerging Breed population. Mr. Doutrich added that Ferndale had more than 100 starts from out-of-state horses in 2009 will recruit aggressively in 2010. Mr. Titus requested 9 days of racing. Dates: August 12-22, 2009 (9 days concurrent with Santa Rosa and CARF at Pleasanton).

Pleasanton in August – Mr. Pickering stated that the Alameda Fair Board's position is that the track is open and ready for business for the weeks that make financial sense. A plus is that the August dates would coincide with two large events at the Fairgrounds, Goodguys Car Show and Scottish Highland Games. Dates: August 18 – September 6, 2009 (15 days combined Fair meeting, managed by CARF, with a potential reduction in the number of days run each week).

September Dates – There was no interest from Fairs for dates after Labor Day, but it is doubtful that Golden Gate Fields would accept the September dates without Labor Day week. Fairs would like to receive written agreement that Golden Gate Fields will not establish a precedent for running during the Fair block if allowed to run in September in 2010 (Fair Block is considered mid-June through mid-October). Fairs are currently not willing to release Labor Day week.

Fresno – Mr. Alkire reported that the Fresno Fair would like to race its tradition dates with the second Wednesday as a simulcast-only day. Dates: October 6 – 17, 2009 (10 days with Columbus Day Monday).

Vallejo – Mr. Paluszak stated that the Solano County Fair is in a very difficult situation. The Fair has a Plan A and Plan B for Fair dates, but is not able to discuss either at this time. The Fair might also be in the process of changing its classification. Mr. Paluszak has a high degree of faith in the people he is negotiating with, but is not able to commit to any plan without further detail.

Ms. Tesconi moved to approve the calendar as articulated and as shown in the meeting packet. Mr. Titus seconded. John Alkire, Norb Bartosik, Debbie Cook, Rick Pickering, Tawny Tesconi voted to approve. Mr. Paluszak abstained.

Agenda Item 7 – Executive Director's Report. No news to report at this time.

Respectfully submitted,

Heather Haviland

2009 THOROUGHBRED RECRUITMENT

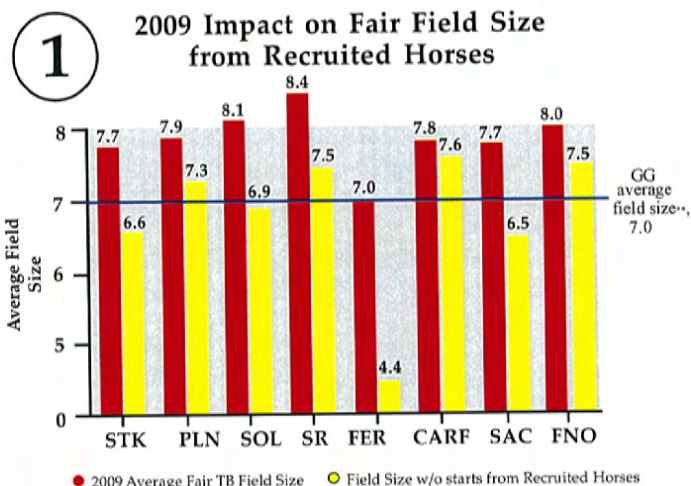
Results of CARF Program to Increase Field Size

The Fair Out-of-State Recruitment Program, administered by the California Authority of Racing Fairs, pays \$300 to every horse that travels 600 or more miles to start on the Northern California Fair Circuit plus an additional \$150 for its second Fair start (\$450 total). A runner making its first start at Ferndale receives \$150, with another \$300 bonus when the horse starts again at another Fair facility.

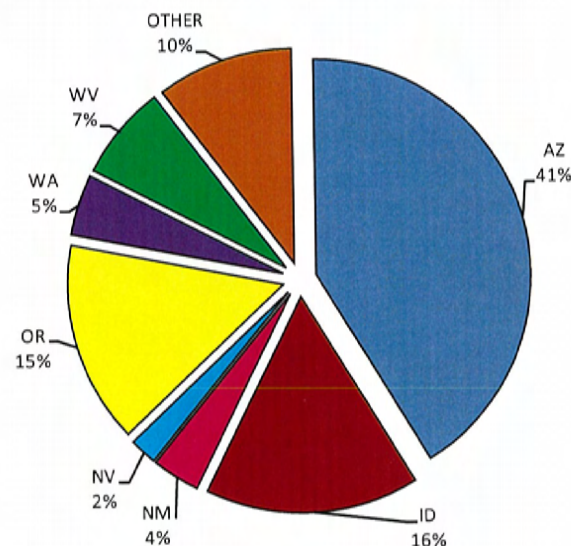
- **2009 Total Recruitment Costs - \$104,776.04***
 2009 Recruitment at Tracks - \$22,176.04
 2009 TB Relocation Fees Paid - \$73,600.00
 2009 Trainer Incentives - \$4,500
 Number of Horses Paid - 217
 Number of Starts - 588
 Percentage of Total Horse Population - 13%
- **Number of Starts by Recruited Horses, by Fair:**
 Stockton - 81
 Pleasanton - 82
 Vallejo - 51
 Santa Rosa - 74
 Ferndale - 111
 CARF at GGF - 43
 Sacramento - 104
 Fresno - 42
- **Number of Starts by State Recruited From:**
 Arizona - 243
 Idaho - 94
 Oregon - 89
 West Virginia - 42
 Washington - 27
 California (Fairplex) - 23
 New Mexico - 21
 Nevada - 12
 Other - 60
- **Leading Trainers of Recruited Horses (by starts):**
 Don Roberson
 Keith Bennett
 Justin Treasure
 Kelly Bainum
 Jason Homer
 W.R. Whitehouse
 Charles Hiatt

* Emerging Breed Relocation Fees - \$4,500, Does not Include CMC Reimbursement - \$25,000

** During Period 1/1/09-6/18/09



2 Where did out-of-state horses come from?



3 What does the Fair Circuit pay on average for each start by an out-of-state horse?

\$178 per starter

Increased field size is the single largest contributor to increasing ontrack and simulcast handle.

1. Statistics from CHRIMS Runners Report & CARF Out-of-State Starts.
2. Statistics from CARF Paymaster Reports & CFSA Relocation Costs.

Golden Gate Fields to go up for auction

Robert Selna, Chronicle Staff Writer

Tuesday, December 1, 2009



Golden Gate Fields, a 70-year-old horse racing track perched on prime East Bay waterfront, is scheduled to be placed on the auction block in February as part of an effort by the track's owner to reduce its debt.

Magna Entertainment Corp. of Aurora, Ontario, owns more racetracks in the United States than any other company, including hallowed locales such as Pimlico Race Course in Baltimore and Santa Anita Race Track in Arcadia (Los Angeles County).

In March, Magna filed for Chapter 11 bankruptcy in a Delaware federal court and agreed to sell most of its racetracks. The Golden Gate Fields auction is scheduled for Feb. 25 and will take place in New York or Delaware, according to Michael Wildish, the financial adviser to Magna.

The sale raises questions about what may come next for the property, which features sweeping bay views and produces a significant percentage of the city of Albany's tax revenues, but includes restrictions on what can be built there.

Residents in Albany, a city of 17,000, have resisted previous development proposals and in 1990 approved zoning laws that limit the land's uses to live horse racing, sports or water-related commercial development, restaurants, bars and open space. Hotels and housing, for instance, are forbidden. Any change to the zoning must be approved by voters.

A consulting firm retained by the city is at work on an in-depth community survey on residents' desires for the track property and is scheduled to present its findings in March.

"Some general themes are that everyone would like to see more open space, and the vast majority want to see the tax revenue retained at the same level," said Fern Tiger, whose firm is working with the city. "But most also do not necessarily want to see a racetrack there."

The 130-acre property on which the track now sits once was owned by the Peralta family and later included the Giant Powder Co.'s dynamite factory, which supplied explosives to gold miners. In 1939, the Golden Gate Turf Club built the track.

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In 1944, the space was occupied by the U.S. Navy and used as a site to repair amphibious vehicles and to house servicemen. The Navy returned the track to the turf club in 1947, and it has operated continuously since.

Sales, property and betting taxes imposed on the track produce more than \$1 million per year for Albany's general fund - about 7 percent of the city's total. Other taxes go to the city's school district.

While the parking lot and grandstand at Golden Gate Fields appears to be sparsely attended even on big race days, there is no shortage of gambling related to the races. Nearly 85 percent of wagering now takes place on the Internet or at off-track betting locations, said track General Manager Robert Hartman.

The development potential for the 130-acre waterfront facility has inspired multiple building plans over the past few decades.

In the 1980s, several development scenarios proposed by Santa Fe Pacific Realty Corp. were shot down by community opposition. The property has since changed hands twice. In 1999, it was sold to Magna, which was founded by Canadian auto parts entrepreneur Frank Stronach.

Since 2002, Magna has floated two development plans for the track, one for a retail and hotel project, and later a second proposal featuring retail and apartment buildings. Each plan faced community opposition and did not go forward.

While residents are aware of the tax dividends generated by the track, many favor more parkland and open space. In 1996, the city of Albany created the nearby Albany Waterfront Trail. And in 2002, a much bigger, Eastshore State Park was established - extending 8.5 miles from Oakland to Richmond.

E-mail Robert Selna at rselna@sfchronicle.com.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/12/01/BUAN1ARFS5.DTL>

This article appeared on page **D - 1** of the San Francisco Chronicle

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CONSOLIDATION OF RACING DATES AND REPLACEMENT REVENUES FOR SOLANO COUNTY FAIR

BACKGROUND

- Maintaining safe and attractive Fair racing facilities at Solano County Fair (SCF) some of which are over sixty years old, is increasingly difficult on the declining revenues from two weeks of racing.
- Consolidation of Fair racing dates into fewer venues operating as a combined Fair horse racing meeting could strengthen the Fair racing circuit and the racing industry generally in Northern California.
- The racing industry in Northern California has expressed its desire to consolidate racing dates conducted as SCF into meetings run at other Fair venues.
- Fairs reducing or ending their racing program will require replacement revenues for those lost by changes to their racing schedule.

AGREEMENTS

- Fairs conducting racing in Northern California agree to operate as a continuous combined meeting which will include the dates traditionally conducted at SCF.
- Traditional Solano County Fair racing dates will be consolidated into a combined Fair horse racing meeting conducted at other Northern California Fair venues.
- CARF member Fairs which conduct racing in Northern California acknowledge that Solano County Fair is reliant on revenues from the conduct of horse racing and agree to provide a package of replacement revenues which will be available to SCF for a period of up to seven years, available on declining percentages as follows: 50% of final year's commission revenue for *two years*, then 40% for *two years*, then 30% for *two years* and 20% in the *final year*, adjusted by the percentage of year-over-year parimutuel handle increases or declines as noted below.
- Since it will continue to have a stake in the conduct of horse racing at Fairs, SCF will remain a voting member of the CARF Racing Committee until the payment of replacement revenues ends.
- SCF agrees that the necessity for replacement revenues will diminish or end if it finds new revenue sources (e.g. real estate development, motor racing, etc.) from the use of its property heretofore used for horse racing. In the event that the property is used for new or alternate revenue-generating activities, the replacement revenues available from CARF will be reduced by the amount of the new or alternate revenues.
- Replacement revenues will be adjusted by a percentage amount each year based on year-over-year percentage increases or declines in average daily handle at Northern California Fairs.

**CONSOLIDATION OF RACING DATES
AND
REPLACEMENT REVENUES FOR SOLANO COUNTY FAIR**

FORMULA FOR CALCULATION OF REPLACEMENT REVENUES

- Solano County Fair (SCF) generated a baseline average of \$1,240,211 in parimutuel commissions for the years 2007, 2008 and 2009.
- CARF member Fairs which conduct racing in Northern California agree to provide a package of replacement revenues which will be available to SCF for a period of up to seven years, available on declining percentages as follows: 50% of final year's commission revenue for two years, then 40% for two years, then 30% for two years and 20% in the final year, adjusted by year-over-year parimutuel handle increases or declines.
- National parimutuel wagering trends indicate a year-over-year decline at or near 15% at this time.
- Average annual commissions of \$1,240,211 multiplied by a factor of -15% yields a projected estimated commission of \$1,054,179 for 2010.
- Fifty percent of \$1,054,179 yields a replacement revenue figure of **\$527,090** for 2010.
- Replacement revenues available in future years will be calculated on the seven-year formula above against a baseline of \$1,240,211, adjusted annually by parimutuel handle increases/declines.

FUNDING SOURCES

- The California Department of Food and Agriculture Division of Fairs and Expositions (F&E) has indicated conditional approval to use the 1% license fees paid by racing Fairs to F&E for payment of replacements revenues. In 2009 these license fees are estimated at \$490,000; CARF projects \$300,000 in revenue from these license fees in 2010.
- CARF member Fairs which conduct live racing agree that [xx%] will be paid from net commissions generated at combined Fair meetings conducted at Fair venues during non-traditional Fair dates.
- CARF member Fairs which conduct live racing agree that the balance of replacement revenues paid to SCF, after payment from 1% license fees and from revenues generated at non-traditional Fair dates, will be paid by an pro-rata assessment from the Fairs that continue to conduct live racing.

CONSOLIDATED PURSE PROGRAM AT FAIRS

Benefits and Considerations

- Consolidating purses at Fairs allows for a better-managed, more balanced overall racing program through the summer circuit in Northern California.
- Racing Secretary Tom Doutrich: "A consolidated purse program will help me maintain momentum in our program through the summer. Over time, this will help our recruitment program attract more and better horses for a stronger overall program."
- It's no longer realistic to expect that we can accurately project purse generation for two-week meets, months in advance. Consolidating purses represents a prudent move in time of economic uncertainty.
- Separate purses for each Fair makes it virtually impossible to adjust purses in the course of a single two-week meet. As a consequence, we are forced to commit to purses months in advance without the flexibility to adjust once racing begins. As we have seen over the last few years, this can create a pattern of large overpayments and/or underpayments within the same year, a situation which benefits neither Fairs nor Owners.
- Consolidated purse program spreads the risk and obligation for purses over multiple Fairs, thereby stabilizing distribution of purses through the entire circuit.
- Multiple purse programs, i.e., one per Fair, make it more difficult to manage a consistent racing program through the Fair circuit.
- B&P Section 19542 of Horse Racing Law already allows a joint powers authority to administer and distribute purses for Fairs that conduct live horse racing meetings in the northern zone.
- Racing Fairs have already taken the most significant step toward consolidation when they agreed on a common purse structure in 2006. Two years ago CARF hired a single Racing Secretary. A consolidated purse program is the next step in this progression of improving management of our racing program.

PROPOSAL

CALIFORNIA RACING FAIRS *A NEW MODEL FOR THE FUTURE*

CONSIDERATIONS • BENEFITS • IMPLEMENTATION SCENARIOS

CHRISTOPHER KORBY
EXECUTIVE DIRECTOR
CALIFORNIA AUTHORITY OF RACING FAIRS

OCTOBER 2009

CALIFORNIA RACING FAIRS: A NEW MODEL FOR THE FUTURE

CONCEPT AND SUMMARY

The horse racing industry in California is undergoing profound changes. As a consequence, Fairs in the racing industry must consider significant structural changes in order to strengthen and preserve the racing industry and in order to more effectively manage their interests in horse racing. Therefore, we propose that those members of the California Authority of Racing Fairs which conduct live racing agree to re-structure certain aspects of their racing operations and revenue distributions consistent with the goals noted below. This new structure will be modeled on that of a sports league, in which the members engage in the conduct of a common activity and organize themselves to protect and improve their mutual interests in a manner that benefits all members and the racing industry as a whole.

GOALS

- Strengthen Northern California Summer racing through a re-structured racing program which combines and consolidates Fair racing dates June through October into a calendar featuring: 1) an appropriate number of racing dates based on optimal Fair dates and available horse population; 2) racing opportunities for all classifications of Thoroughbreds; and 3) carefully managed program for emerging breeds.
- Attract/retain owners, trainers and horses for NorCal racing June-October.
- Optimize racing program through 1) carefully structured purse/stakes schedule and 2) consolidated management of purse program through entire circuit.
- Optimize racing revenue to Fairs; provide investment capital for facility improvements.
- Provide for orderly consolidation of racing dates in a manner that assures continued revenues to Fairs which agree to reduce live racing dates or end their live racing program all together.

AGREEMENTS

- All CARF live racing Fairs agree to operate as a **combined Fair meeting** (per Ag Code 4058) so as to allow flexibility in selection of venues and dates going into the future.
- All CARF live racing Fairs agree to **consolidate the purse program** through the entire circuit to allow for 1) better management of purses; 2) closer tracking of purses paid to purses generated; which leads to 3) reduction of risk to any individual Fair. Such consolidation is already provided for in statute.
- All CARF live racing Fairs agree to enter into agreement(s) to facilitate orderly consolidation of racing dates by providing for **replacement revenues** to Fairs which agree to reduce racing dates or end their live racing program all together.
- CARF will continue to request a block of racing dates June-October. Racing dates not directly associated with traditional Fair dates will be run as part of the combined Fair meeting and managed by CARF for mutual benefit of CARF's Live Racing Members and the racing industry in Northern California.

DRAFT

Oct 27, 2009

Revised November 14, 2009

CALIFORNIA RACING FAIRS: A NEW MODEL FOR THE FUTURE

CONSIDERATIONS • BENEFITS • IMPLEMENTATION SCENARIOS

A Combined Fair Meeting

- A combined Fair meeting strengthens Fairs' position for allocation of summer racing dates in Northern California.
- Allows Fairs to determine if, when and where Fair racing dates will be conducted during the summer. Allows flexibility and latitude as the racing landscape in California continues to evolve.
- Gives Fairs the flexibility to combine their traditional dates with other Fairs. "Insurance policy" to help preserve racing revenues for Fairs that may be challenged during the dates allocation or license application process.
- Allows for a platform on which to begin revenue-sharing or payment of replacement revenues, should participating Fairs elect to pursue that concept.
- Strengthens negotiating leverage in negotiations with horsemen, in management of purses and in formulating summer stakes program.
- Helps assure consistent management of racing program. Allows employment of the most capable available racing personnel.
- Allows Fairs to negotiate more consistent labor agreements applicable to entire meeting.
- A meeting lasting longer than two weeks will allow significant carry-overs to develop in the Pick Six bet, a very popular wager.
- Precedents have now been established with licensing of combined Fair meeting in 2007 (two Fairs) and again in 2009 (five Fairs + CARF). CARF has now been licensed as the entity authorized in Ag Code Section 4058, and may apply for the license to conduct the meeting. This has been confirmed by Legislative Counsel's opinion and, as of 2009, by precedent.
- A combined Fair meeting strengthens Fair racing in a time of transition and uncertainty.

CALIFORNIA RACING FAIRS: A NEW MODEL FOR THE FUTURE

CONSIDERATIONS • BENEFITS • IMPLEMENTATION SCENARIOS

Consolidated Purse Program

- Purses paid to horsemen represent one of the largest expenses to a Racing Fair and represents one of the largest potential risks in the event that purse generation is interrupted.
- Consolidating purses allows for a better-managed, more balanced overall racing program for all Fairs.
- Bomber: "A consolidated purse program will help me build momentum in our program through the summer. Over time, this will help our recruitment program attract more and better horses for a stronger overall program."
- In these changing economic times, it's no longer realistic to expect that we can accurately project purse generation for two-week meets, months in advance.
- Maintaining separate purses for each two week Fair meet increases risk to each individual Fair in the event of an occurrence that interrupts the normal racing schedule and purse generation. Consolidating purses represents a prudent move in time of economic uncertainty.
- Separate purses for each Fair makes it virtually impossible to adjust purses in the course of a single two-week meet. This means that we are forced to commit to purses months in advance without the flexibility to adjust once racing begins.
- Consolidated purse program spreads the risk and obligation for purses over multiple Fairs, thereby reducing the risk to any one Fair.
- Multiple purse programs, i.e., one per Fair, make it more difficult to negotiate a consistent racing program with horsemen's groups and to manage a consistent racing program through the Fair circuit.
- B&P Section 19542 of Horse Racing Law already allows a joint powers authority to administer and distribute purses for Fairs that conduct live horse racing meetings in the northern zone. The late Senator Ken Maddy was a proponent of Fairs consolidating purses.
- Racing Fairs have already taken the most significant step toward consolidation when they agreed on a common purse structure in 2006. Two years ago we hired a single Racing Secretary. A consolidated purse program is the next step in this progression of improving management of our racing program.
- Can be implemented immediately.
- Recommended by CARF management team.
- Gives Bomber a tool he needs to take our program to the next level.

DRAFT

Oct 27, 2009

Revised November 14, 2009

CALIFORNIA RACING FAIRS: A NEW MODEL FOR THE FUTURE

CONSIDERATIONS • BENEFITS • IMPLEMENTATION SCENARIOS

Replacement Revenues

- Maintaining safe and attractive Fair racing facilities, some of which are over sixty years old, is increasingly difficult on the declining revenues from two weeks of racing.
- Consolidation of Fair racing dates into fewer venues could strengthen the Fair racing circuit and the racing industry generally in Northern California.
- Fairs reducing or ending their racing program will require replacement revenues for those lost by changes to their racing schedule. There must be a plan to provide these replacement revenues.
- Plan will require agreement on 1) amounts of replacement revenues to be paid; 2) duration of payments; and 3) formula for sharing/underwriting the cost of providing replacement revenues.
- Several prospective scenarios for revenue transfer:
 - Replacement revenue is paid by Fairs to which dates are transferred.
EXAMPLE: Vallejo and Pleasanton shared revenues in 2009; payment flowed from Pleasanton to Vallejo through CARF.
 - Replacement revenue is paid on a shared basis by all Fairs remaining in live racing (per Tawny's idea) on the basis that those Fairs will benefit by consolidation of dates.
 - Replacement revenues are paid from license fee revenues still paid by Racing Fairs to F&E.
 - Replacement revenue is paid from moneys generated by CARF meetings run between established Fair racing dates, such as the CARF meetings at GGF in 2009.
 - Combinations of above.

CALIFORNIA RACING FAIRS: A NEW MODEL FOR THE FUTURE

CONSIDERATIONS • BENEFITS • IMPLEMENTATION SCENARIOS

Replacement Revenues: Prospective Implementation Scenarios

- Starting point for discussions:
 - All parties agree to a plan for funding replacement revenues to those Fairs reducing or ending their racing program.
 - Establish reasonable assurances and guarantees for all parties.
 - Replacement revenues will be calculated on [*weekly/daily*] basis.
 - Replacement revenues will be calculated and paid on basis of commissions generated, not net revenues.
 - A Fair which reduces racing dates receives 50% of final year's commission revenue for two years, then 40% for two years, then 30% for two years and 20% in the final year. Payments are calculated on [*weekly/daily*] basis.
 - Cost of replacement revenues are underwritten by remaining Fairs and shared by an agreed-upon plan funded from the following sources:
 1. Fairs to which dates are transferred pay Fairs which reduce dates
 2. Costs are shared amongst all Fairs remaining in live racing according to agreed-upon formula
 3. Replacement revenues are paid from license fees still paid by Racing Fairs to F&E
 4. Revenue generated by CARF meetings run between established Fair racing dates, such as the CARF meetings at GGF in 2009.
 5. Combinations of above
 - Replacement revenues are adjusted each year to an agreed-upon index to account for handle increases or declines year-over-year
 - CARF will establish holding account for acceptance and transfer of funds used for these purposes.

CALIFORNIA RACING FAIRS: A NEW MODEL FOR THE FUTURE

CONSIDERATIONS • BENEFITS • IMPLEMENTATION SCENARIOS

Consolidation of Racing Dates and Replacement Revenues:

Solano County Fair

BACKGROUND

- Maintaining safe and attractive Fair racing facilities at Solano County Fair (SCF) some of which are over sixty years old, is increasingly difficult on the declining revenues from two weeks of racing.
- Consolidation of Fair racing dates into fewer venues operating as a combined Fair horse racing meeting could strengthen the Fair racing circuit and the racing industry generally in Northern California.
- The racing industry in Northern California has expressed its desire to consolidate racing dates conducted as SCF into meetings run at other Fair venues.
- Fairs reducing or ending their racing program will require replacement revenues for those lost by changes to their racing schedule.

ASSUMPTIONS

- Traditional Solano County Fair racing dates will be consolidated into racing conducted at other Northern California Fair venues.
- Fairs conducting racing in Northern California agree to operate as a continuous combined meeting which will include the dates traditionally conducted at SCF.
- CARF member Fairs which conduct racing in Northern California acknowledge that Solano County Fair is reliant on revenues from the conduct of horse racing and agree to provide a package of replacement revenues which will be available to SCF for a period of up to seven years, available on declining percentages as follows: 50% of final year's commission revenue for *two years*, then 40% for *two years*, then 30% for *two years* and 20% in the final year, adjusted by year-over-year parimutuel handle increases or declines as noted below.
- Since it will continue to have a stake in the conduct of horse racing at Fairs, SCF will remain a voting member of the CARF Racing Committee until the payment of replacement revenues ends.
- SCF agrees that the necessity for replacement revenues will diminish or end if it finds new revenue sources (e.g. real estate development, motor racing, etc.) from the use of its property heretofore used for horse racing. In the event that the property is used for new or alternate revenue-generating activities, the replacement revenues available from CARF will be reduced by the amount of the new or alternate revenues.
- Replacement revenues will be adjusted by a percentage amount each year based on year-over-year percentage increases or declines in average daily handle at Northern California Fairs.

DRAFT

Oct 27, 2009

Revised November 14, 2009

CALIFORNIA RACING FAIRS: A NEW MODEL FOR THE FUTURE

CONSIDERATIONS • BENEFITS • IMPLEMENTATION SCENARIOS

Consolidation of Racing Dates and Replacement Revenues: Solano County Fair

FORMULA FOR CALCULATION OF REPLACEMENT REVENUES

- Solano County Fair (SCF) generated a baseline average of \$1,240,211 in parimutuel commissions for the years 2007, 2008 and 2009.
- CARF member Fairs which conduct racing in Northern California agree to provide a package of replacement revenues which will be available to SCF for a period of up to seven years, available on declining percentages as follows: 50% of final year's commission revenue for two years, then 40% for two years, then 30% for two years and 20% in the final year, adjusted by year-over-year parimutuel handle increases or declines.
- National parimutuel wagering trends indicate a year-over-year decline at or near 15% at this time.
- Average annual commissions of \$1,240,211 multiplied by a factor of -15% yields a projected estimated commission of \$1,054,179 for 2010.
- Fifty percent of \$1,054,179 yields a replacement revenue figure of **\$527,090** for 2010.
- Replacement revenues available in future years will be calculated on the seven-year formula above against a baseline of \$1,240,211, adjusted annually by parimutuel handle increases/declines.

FUNDING SOURCES

- The California Department of Food and Agriculture Division of Fairs and Expositions (F&E) has indicated conditional approval to use the 1% license fees paid by racing Fairs to F&E for payment of replacement revenues. In 2009 these license fees are estimated at \$490,000; CARF projects \$300,000 in revenue from these license fees in 2010.
- CARF member Fairs which conduct live racing agree that [xx%] will be paid from net commissions generated at combined Fair meetings conducted at Fair venues during non-traditional Fair dates.
- CARF member Fairs which conduct live racing agree that the balance of replacement revenues paid to SCF, after payment from 1% license fees and from non-traditional Fair date will be paid by an assessment to the Fairs that continue to conduct live racing.

DRAFT

Oct 27, 2009

Revised November 14, 2009

2010 NORTHERN CALIFORNIA RACE MEETS CALENDAR - TOC-CTT-GGF

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
27	28	29	30	31		26
5						

GGF Winter-Fall	83
GGF Spring	77
GGF Summer	22
GGF Total	182

CARF Meets	65
Ferndale Overlap	8
Total Fairs	73

Simulcast Only	12
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Total Race Days	255
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January						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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
31						

February						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						
13			3			4

March						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			
19						2

April						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	
						22

May						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31					
23						

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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			
9			5			6

July						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31
9			10			4

August						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31				
						8

September						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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		
19						4

October						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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
31						
3			10			10

November						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				
20						

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31	
15						

Stockton	5
Pleasanton	15

Sacramento	10
Santa Rosa	15

Pleasanton	10
Ferndale	8

Golden Gate	22
Fresno	10

Golden Gate beginning of year	December 26 - June 13
Golden Gate Summer	September 1 - October 3
Golden Gate end of year	October 20 - December 19

Stockton	June 16-20
Pleasanton	June 23 - July 11
Cal Expo	July 14-25

Santa Rosa	July 28 - August 15
Ferndale (overlap)	August 13-22
Pleasanton	August 18-29
Fresno	October 6-17

CALIFORNIA AUTHORITY OF RACING FAIRS

RECOMMENDATION FOR 2010 NORTHERN CALIFORNIA RACING DATES- November 5, 2009

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
27	28	29	30	31		26
4						

January						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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
31						

May						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31					

September						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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		
6						

February						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28						
15						

June						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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			
10						

October						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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
31						
13						

March						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			
16						

July						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31
9						

November						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				
20						

April						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	
22						

August						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31				
11						

December						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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	31	
12						

GGF Winter-Fall	103
GGF Spring	75
GGF Total	178

Simulcast Only 11

Stockton	5
Pleasanton	15
Cal Expo	10
Santa Rosa	15

Humboldt			9
CARF at Pleasanton			16
Fresno			10
CARF Fairs Total			80