

# CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, March 3, 2009

## Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, March 3, 2009. The meeting was conducted at the Sacramento office of Kahn, Soares & Conway, 1415 L Street, Suite 400, Sacramento, California, 95814.

Board Directors attending: John Alkire, Norb Bartosik and Rick Pickering. Joining by conference call: Vince Agnifili, Kelly Baldwin.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Chris Carpenter, Debbie Cook, Louie Brown, Steven Chambers, Ofie Luna and Dave Elliott. Joining by conference call: Mike Paulszak, Tawny Tesconi and Stuart Titus.

**Agenda Item 1 – Approval of Minutes.** Mr. Pickering moved to approve the meeting minutes as presented. Mr. Bartosik seconded, unanimously approved.

**Agenda Item 2 – Determination of Date, Time and Location of Next Meeting.** The next CARF Board & Live Racing Committee meeting is scheduled for Tuesday, April 7, 2009 at the Sacramento office of Kahn, Soares & Conway commencing at 12:30 p.m.

**Agenda Item 3 – Update, Discussion and Action, if any, on a Combined Fair Meeting.** Mr. Korby and Kirk Breed are working to draft a letter from CARF to the CHRB Board establishing CARF's intent to file a combined fair meet application for Board consideration and approval.

**Agenda Item 4 – Webcast.** Mr. Jacobs asked that CARF staff obtain pricing for making the CARF meetings available to the membership via webcast. The costs would be approximately \$32,000 per year and the communication would only be one way.

**Agenda Item 5 – Update on Discussions with Golden Gate Fields for use of Golden Gate Fields for Fair Racing in 2009.** Mr. Korby reported that CARF and Golden Gate Fields are close to reaching a sublease agreement for the two Fair meets that will be run at the Golden Gate Fields property.

**Agenda Item 6 – Update, Discussion and Action, if any, on Legislative Matters.** Mr. Chambers provided a historic overview regarding CDFA, Fair funding and the events leading to the passage of SB 16. One of CDFA's primary goals was to secure new Fair funding by reworking what was previously known as the Florez bill into a \$60 million stimulus package which would fund Fairs through new Indian gaming compacts.

On Feb. 13, 2009, a written version of the Fair stimulus package proposal was complete and staff hoped to start campaigning the package after the State budget was passed. On Monday, Feb. 16, 2009, the Governor's Office request a sample of what the package would look like in

statute form. An example of that language was drafted by Norm Towne. Unfortunately, due to the history of past ballot initiatives by Hollywood Park and Bay Meadows, tribal gaming interests would not support a package that financially benefits the racing industry as a whole. The counter offer was a continuous appropriation from the General Fund to the F&E Fund with the concept that once Fair funding has shifted away from horse racing, the tribes will be more inclined to include Fairs in new tribal revenue to the State. SB 16XX will require cleanup from both the Fair and Racing Fair perspectives.

Mr. Korby expressed concern that Fairs had traded one set of uncertainties regarding Fair funding for another. Mr. Korby was also concerned about the decision making process and the speed with which a decision of this magnitude was made. He expressed concerns about the shift of Fair funding to the General Fund and the risks associated with that funding structure, noting that this years' budget had a \$40 billion deficit. Fairs have always proclaimed that they do not receive taxpayer support; that is no longer the case. Mr. Korby also expressed concern that with passage of SB 16XX and the racing industry's elimination of Fair license fees, the live racing Fairs might have lost negotiating leverage for future legislation to benefit Fairs.

Mr. Brown reported that 1,500 bills were introduced in the Assembly and 800-900 bills in the Senate, which is above average for the session. Mr. Brown has identified 32 bills as racing related with most in spot bill form. AB 246 clarifies that license fees owed to satellites by Sacramento Harness are classified as trust funds. AB 734 is the CARF sponsored bill to increase satellite commissions from 2 percent to 3 percent. AB 1499 is the bill that allows workmen's compensation provisions for Emerging Breeds.

Mr. Brown reported that the California Horse Racing Alliance met with industry principals to discuss the organization's top priorities for 2009. A recap is as follows:

- Go through the racing code and eliminate needless regulations and limitations placed on the industry.
- Find new possible sources of revenue (instant racing).
- Develop a sponsorship with the lottery.
- Explore the installation of mini-satellites in lieu of existing satellites that have become unprofitable.
- Change limits on certain types of wagers permitted on horse racing.
- Eliminate outdated obligations such as charity days.

**Agenda Item 7 – Update on Prospective New Satellite Facilities.** Mr. Korby reported that F&E is in support of a satellite wagering facility at the Cow Palace and principals will be meeting with Gordon Gong to discuss moving forward with design options.

Mr. Korby thanked Mr. Carpenter for the San Mateo County Event Center's cooperation in supporting a satellite at the Cow Palace.

Mr. Korby reported that Jackson Rancheria has approached the Amador County Fair to develop a mini-satellite in the casino. Jackson Rancheria has proposed making the initial investment to implement the satellite while giving the profits to the Fair as a type of community outreach.

Mr. Carpenter stated that the San Mateo County Event Center Board voted not to allow Lucky Chance Casino to install a mini-satellite at their location. The Board felt that the addition of the mini-satellite would cannibalize San Mateo's current clientele and uncertainty regarding the facility's ability to establish itself in the market within a year of starting operation.

**Agenda Item 8 – Financials.** Mr. Pickering asked the group to review the net income of the organization, which was budgeted for 2008 to be \$34,000 profitable. As of Dec. 31, 2008, the organization was actually \$121,790 profitable.

Ms. Tesconi requested to see a standard balance sheet. Mr. Korby noted that he had FedEx'd a full set of financials and last year's audit report to Ms. Tesconi the week prior.

**Agenda Item 9 – Executive Director's Report.** Mr. Korby reported that recent activity suggests MAGNA Entertainment, operators of Santa Anita and Golden Gate Fields, will declare bankruptcy within the next few weeks. CARF staff will carefully monitor the situation specifically as it affects payment of location fees to satellites.

Mr. Korby reported that CARF has reached an agreement with Sacramento Harness Association to pay 75% of monies due to satellites in a single payment from SCOTWInc. to CARF for redistribution.

Mr. Korby reported that three CARF satellites have expressed a desire to close their operations.

Respectfully submitted,

Heather Haviland