

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**Board of Directors**  
**Tuesday, October 19, 2010**

**MINUTES**

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, October 19, 2010. The meeting was hosted by the California Authority of Racing Fairs in the CARF board room located at 1776 Tribute Road, Suite 205, Sacramento, California.

CARF Board of Director members joining by conference call: John Alkire, Vince Agnifili, Norb Bartosik and Mike Paluszak.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Amelia White, Rick Wood, Raechelle Gibbons and Jaime Matthews. Joining by conference call: Tawny Tesconi, Stuart Titus, Mike Treacy, Rebecca Desmond, Lisa Drury and Louie Brown.

**Agenda Item 1 – Date, Time and Location of Next Meeting.** The next CARF Board & Live Racing Committee meetings will be scheduled with the WFA Fall Managers Conference, TBD.

**Agenda Item 2 – Approval of Minutes.** No meeting minutes were provided.

**Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Matters.** The Governor signed SB 1072 (Calderon) and AB 2414 (Perez). Those bills allow for a 2% increase in takeout to benefit purses, an extension for the California Marketing Committee and the future implementation of exchange wagering in 2012, as well as a sunset bill for exchange wagering. The CHRB has until 2012 to move through the regulatory process to guide the implementation of exchange wagering.

Mr. Brown reported that the state budget was adopted 100 days late. Mr. Brown expects that an emergency fiscal session will most likely be called in January to address the second-half budget deficit.

The night the budget was passed there was considerable activity regarding San Diego County Fair. During the budget debate there was an attempt to attach a bill to the budget that would allow the state to sell the San Diego County Fairgrounds to the city of Del Mar. Opposition to the effort ensured the sale was not considered as part of this budget process, but there will probably be more activity on this topic in January.

**Agenda Item 4 – Report on Recent Appointments to CHRB.** Chairman Keith Brackpool, Vice Chairman David Israel, Commissioner Richard Roseburg and Commissioner Bo Derek received Senate confirmation of their appointments or reappointments to the California Horse Racing Board on Thursday, October 7, 2010.

**Agenda Item 5 – Report, Discussion and Action, if any, on Annual CARF Audit by Gilbert & Associates.** Ms. Matthews presented the results of the CARF audit for year ended December 31, 2009. The majority of the audit work was completed in May/June 2010. Ms. Matthews reviewed the CARF financial statements and recapped highlights from the management discussion and analysis letter.

Ms. Matthews reported that CARF management was cooperative and well-prepared throughout the audit process. As in prior years, control deficiencies exist in two areas: a lack of sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW) providers and a lack of checks/balances regarding paymaster duties, specifically a second signature on issued checks, which would provide stronger internal control during live racing. Ms. Matthews travelled to Ferndale during live racing to observe the operations of the paymaster. Ms. Matthews acknowledges that due to the nature of the operations, a complete segregation of duties is not practical. Gilbert & Associates does recommend that cash disbursements greater than \$5,000 have dual signatures. Gilbert & Associates also recommends that CARF management implement periodic review of contracts and project fund balances. The only other significant change from previous audits was CARF's implemented GASB 45 during the year ended December 31, 2009.

Ms. Matthews went on to discuss the financials in detail as presented in the Financial Statements with Independent Auditor's Report provided in the meeting packet.

Mr. Bartosik moved to accept the 2009 CARF Audit Report as presented. Mr. Paluszak seconded, unanimously approved.

**Agenda Item 6 – Discussion and Action, if any, on Funding Allocations from CDFA Division of Fair and Expositions for FY 2010-11 and Beyond. Agenda Item discussed as part of the Live Racing Committee Meeting at 11:30 a.m.** Mr. Korby reported that CARF staff will be meeting tomorrow with F&E staff to discuss the new procedures/protocols that will govern funding allocations coming from F&E to CARF.

Mr. Treacy reported that F&E is no longer going to be able to accept LOUs and MOUs from any of the three JPAs as requests for project funding. Instead, a contractual procedure will be implemented.

Due to changes at F&E, Mr. Treacy would like to schedule monthly JPA meetings to ensure Fair requests are properly addressed and funds are properly dispensed.

Mr. Treacy reported that in regards to funding allocated in previous years, there is \$5.7 million dedicated to CARF for racetrack preparation, equipment replacement, satellite wagering facility improvements, facility upgrades, etc. If those funds are not spent or encumbered very soon, they will most likely revert back to F&E. The interest in any F&E fund accounts will be retrieved and sent back to F&E.

Mr. Treacy reported that the FY 2010-11 Expenditure Plan was revised hours before the budget was approved by the Legislature. The revised plan with changes will be presented at the November 2, 2010 CFA Board of Director's Meeting. The revised plan includes the CARF allocations as they were initially requested.

Mr. Brown stated there have been a number of divisions at CDFA that have been going through internal audits. Fairs are facing a new world with government accounting procedures and General Fund allocations. It will take time to adjust to the transition. Mr. Treacy and his team have done a good job of standing up for the Fair community and letting the auditors know that these are unique functions that serve unique communities and there needs to be as little disruption as possible made to those activities.

**Agenda Item 7 – Report, Discussion and Action, if any, on MAGNA Bankruptcy Settlement.** Mr. Korby reported that the settlement process continues to move forward and satellite could be paid within the next 30-60 days. A term sheet with amounts due to debtors is included in the meeting packet. Mr. Korby noted that attorneys fees will be deducted from the settlement.

**Agenda Item 8 – Report, Discussion and Action, if any, on Status of Mini-Satellite Projects.** Mr. Korby reported that Golden Gate Fields is moving forward in a mini-satellite facility agreement with Farrington's Sports Bar in Pleasant Hill, with consent from the Solano County Fair. SCOTWinc. continues to work with a restaurant/BBQ in San Clemente and the Monterey County Fair is moving forward in a partnership with Banker's Casino in Salinas.

Mr. Carpenter reported that he received an appeal on the Artichoke Joe's mini-satellite application and will go before the CHRB again when schedules permit.

**Agenda Item 9 – Financials.** There were no comments or questions regarding the financials.

**Agenda Item 10 – Executive Director’s Report.** Mr. Korby stated that there are reports that several very wealthy Thoroughbred owners are involved in the effort to sell the San Diego County Fairgrounds.

Respectfully submitted,  
Heather Haviland