

CALIFORNIA AUTHORITY OF RACING FAIRS
Live Racing Committee
Tuesday, April 5, 2011

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, April 5, 2011. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, CA, 95815.

CARF Live Racing Committee members attending: John Alkire, Norb Bartosik, Mike Paluszak, Tawny Tesconi and Stuart Titus. Joining by conference call: James Jimenez.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Louie Brown, Rick Wood, Raechelle Gibbons, Rebecca Desmond, Troy West, Lisa Drury, Dave Cultrera, Christina Elliott, Bryan Wayte, Tom Sawyer and Richard Lewis. Joining by conference call: Vince Agnifili, Janet Covello, Dave Elliott, Kate Phariss, and Cindy Olsen.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board & Live Racing Committee meetings will be scheduled for May 3, 2011 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, on Disbursement Plan for Funds from CDFA Division of Fairs & Expositions for CARF programs. Mr. Korby thanked F&E staff for their hard work and cooperation structuring the disbursement plan that will be presented to the Live Racing Committee and CARF Board of Directors.

Mr. Korby reported that for the CARF Live Racing Committee, agenda item three pertains specifically to the CARF Safety and Maintenance Program, which is the only line item in the funding allocation approved by the CARF Board of Directors on March 1, 2011 that applies solely to live racing Fairs. Staff is requesting a motion from the Live Racing Committee to disburse the \$800,000 Track Safety and Maintenance Program allocation through four "Trustee Fairs" (Alameda County Fair, California State Fair, Sonoma County Fair and the Big Fresno Fair) in equal portions for the Fairs to receive and then remit back to CARF in order for staff to manage the program as in prior years.

Mr. Bartosik requested that Mr. Swartzlander provide a brief summary of the CARF Safety and Maintenance Program for the benefit of meeting attendees who might not be

familiar with the historical details. Mr. Swartzlander stated that the program was implemented in 2002 to provide safe, consistent and reliable racing surfaces, while realizing cost savings through group purchasing and consolidation of contracts for surface oversight, equipment, transportation, maintenance, labor and surface amendments. A portion of the program funding is allocated back to Fairs each year to help offset costs. Mr. Swartzlander offered to share details of the program and budget to any new fair manager or director.

Ms. Tesconi moved to recommend that the CARF Board of Directors endorse the plan to direct F&E to disburse Track Safety and Maintenance Program funds through four trustee fairs (Alameda County Fair, California State Fair, Sonoma County Fair and the Big Fresno Fair) in equal amounts, with the caveat that staff reduce the program costs wherever possible. Mr. Bartosik seconded, unanimously approved.

Mr. Titus requested permission from the Chairman to revisit the allocation plan that was approved March 1, 2011 by the CARF Board of Directors. Mr. Titus asked the Live Racing Committee to reconsideration a reallocation of the live racing capital improvement funds in an equitable manner, with Humboldt County Fair receiving a share that is proportionally consistent with past allocations. Mr. Alkire stated that he had received Mr. Titus' written request and had responded to that request by both fax and e-mail. Mr. Titus reported that he had not received the response. Mr. Alkire summarized his response by stating that a great deal of time has been spent determining the allocations and developing a disbursement process to secure the funds for Fairs before they are recalled by the State. Mr. Alkire granted Mr. Titus consent to address the Live Racing Committee.

Mr. Titus stated that the method and process used to determine the allocations clearly did not follow the established project allocation policies used in prior years. Mr. Titus reported that he, and members voting on the allocation proposal, did not have sufficient input or time to review the written proposal prior to the March meeting. In addition, the allocations were based on an inappropriate and arbitrary use of the "California Fairs At-Risk" list developed by CFA. Lastly, in light of the current State budget and elimination of Fair funding, all California Fairs are "at-risk." Based on these reasons, Mr. Titus would like the Live Racing Committee to reconsider the allocations.

Mr. Cultera also questioned the criteria used to determine an "at-risk" Fair so that the San Joaquin County Fair can take steps to be removed from the list. Mr. Titus stated that he was working locally to secure new revenue streams and that the Humboldt County Fair Board of Directors is committed to keep horse racing viable at the Fair into the future.

Mr. Korby stated that there have never been official funding allocation policies, or funding ratios, tied to F&E allocations. CARF has strived to maintain an equilibrium of funding over the years to benefit all members, and the goal of the CARF Board of Directors has

always been to determine the best possible use of allocations as an investment in horse racing at Fairs and the Fair Satellite Network. Mr. Korby stated that this is most likely the last year money will be allocated from F&E and the CARF Board is tasked with determining if using those funds for capital improvements at a Fair deemed “at-risk” of permanent closure if Fair funding is eliminated is a prudent investment, now that Fair funding has been eliminated. Mr. Titus has frequently proclaimed, both in CARF meetings and in the media, that Humboldt County Fair will not survive without supplemental purse funds and now we are in a situation where there will no longer be supplemental purse funding.

Mr. Titus moved to request that the CARF Live Racing Committee reconsider its prior recommendation to the CARF Board of Directors regarding the live racing capital improvements portion of the funding plan that was approved by the CARF Board of Directors on March 1, 2011, to provide a proportionally equitable allocation to Humboldt County Fair. Mr. Bartosik seconded for discussion and also requested that the motion include direction for Staff to work with Fairs to review the administrative fees and how the fees are allocated. YES VOTE: Ms. Covello, Mr. Bartosik, Ms. Tesconi, Mr. Titus and Mr. Paluszak. NO VOTE: Mr. Alkire. ABSENT: Mr. Pickering.

Agenda Item 4 – Report, Discussion and Action, if any, on Legislative Program for 2011 and Beyond. Agenda item will be covered during the CARF Board of Directors meeting.

Agenda Item 5 – Report, Discussion and Action, if any, on 2011 Summer Racing Dates and Prospect of Four-Day Weeks. Mr. Korby reported that Staff has been watching the racing trends in both Northern and Southern California and the reality is that there is a diminishing pool of available runners and tracks are being compelled to reduce the number of days they are running from five-day weeks to four-day weeks. Staff recommends Fairs consider the same reduction this summer. Brian Wayte, Mutuel Manager for both the Fairs and Golden Gate Fields, is present to provide pari-mutuel statistics and projections.

Mr. Wayte reported that trends and field size are looking positive in certain areas of the country, but California tracks and some eastern tracks are still experiencing significant downward trends. Santa Anita Park started their meeting on Dec. 26, 2010 with the intention of running five-day weeks, but quickly dropped down to four and Hollywood Park is scheduling four-day weeks for the majority of their meet. Even Del Mar is considering that five-day weeks might not be feasible this year, though their intention is to run five.

The takeout increase intended to bolster purses and increase field size has not worked. Short fields are resulting in a 20 percent decrease in out-of-state business, especially since tracks in Florida, Arkansas and Louisiana are offering average fields of 10 horses per race. Golden Gate Fields’ average field size is currently 6.6 horses per race with a reduction in racing to four-day weeks.

To illustrate how running on Wednesdays affects a Fair's purse generation and account balance, Mr. Wayte used the three Wednesdays from the 2010 Alameda County Fair meet. On their opening Wednesday, Pleasanton ran live with Hollywood Park and lost \$14,000 when subtracting purses paid from purses generated. On the second Wednesday, Pleasanton ran solo without Hollywood Park and lost \$40,000. On the third Wednesday, both Pleasanton and Hollywood Park decided not to race, but Pleasanton was able to generate \$13,000 toward purses by operating as a host for the satellite network. These figures are approximate, but they illustrate the different scenarios that could play out this year.

Mr. Korby reiterated the importance of Fairs considering running four-day weeks and encouraged them to make the decision proactively. Mr. Swartzlander clarified that all purse projections are based on the dates that were allocated by the CHRB, not on four-day weeks.

Mr. Swartzlander presented the 2011 proposed Fair purse structure, stakes schedule and purse projections. Based on the purse projections, which Mr. Swartzlander feels are conservative, there will be \$150,000 left in the supplemental purse fund at the end of the racing season.

Agenda Item 6 – Discussion and Action, if any, on Racing Calendar for 2012 & Beyond. Mr. Korby reported that the Northern California industry stakeholders are planning a conference and that the group will be discussing future calendars in detail.

Agenda Item 7 – Report, Discussion and Action, if any, on Status of Racing License Applications. Mr. Swartzlander reported that the San Joaquin County Fair and Alameda County Fair applications have been submitted. Ms. Tesconi reported that she has new staff that will be working on the Sonoma County Fair application. Mr. Elliott requested a copy of the Alameda County Fair application.

Agenda Item 8 – Report, Discussion and Action, if any, on Purse Program & Negotiations with Horsemen's Organizations. Mr. Korby reported that Staff is meeting with the Thoroughbred Owners of California tomorrow to continue purse negotiations. Mr. Swartzlander reported that the Mule agreement has been signed and the other emerging breed contracts are being circulated. The Mule organization is expecting to have 40 Mules on the circuit this year and the contract stipulates a minimum of seven runners per race.

Mr. Elliott requested to go on record expressing his concerns regarding the purse schedule in 2011 and the lack of supplemental purse funds in 2012. Mr. Elliott asked if purses could be adjusted now to create a cushion for next year.

Mr. Korby responded that CARF Staff and racing office personnel will be diligent in tracking purses generate/paid on a daily basis and purses will be adjusted immediately if the overpayment at a Fair exceeds the projections. Moving from five-day weeks to four-day weeks will be critical in managing purse accounts.

Agenda Item 9 – Report, Discussion and Action, if any, on Review of Staffing and Personnel for Racing Operations. Mr. Swartzlander reported that staff has been conducting a detailed review of staffing levels, hiring policies and the union seniority lists of specific departments in an effort to consolidate or reduce racing personnel expenses at Fairs. Staff has been working with Ken Walker, Director of Labor Relations at Federation of California Racing Associations Inc., to ensure that any cuts meet union standards.

As a result of that review process, staff recommends that Fairs eliminate the Assistant Clerk of Course, Flag Man and Rake Man positions. Staff also recommends that the Patrol Judge and Paddock Judge positions be consolidated. Fairs can also reduce payroll expenses by eliminating “pre-Fair” pay.

Agenda Item 10 – Report on Out-of-State Horsemen’s Recruitment. Mr. Swartzlander and Mr. Doutrich have completed their 2011 recruiting trips to Oregon and Arizona. The response was positive. Some trainers are leaving the business completely and several new trainers have expressed interest in the Fairs. The short field sizes in Southern California have created opportunities for Northern California trainers to ship south. Hollywood Park has been very aggressive in recruiting Northern California horsemen and Fairs can expect to see some negative impact from those actions.

Agenda Item 11 – Executive Director’s Report. Mr. Korby reported that MI Developments shareholders approved a deal that will give the Frank Stronach family trust control of the remaining MAGNA racetracks in exchange for \$20 million and control over specific branches of MI Developments. This eliminates MI Developments involvement in racing and gives Frank Stronach completed control over Santa Anita Park, Golden Gate Fields, Pimlico Race Course, Laurel Park, Gulfstream Park and XpressBet ADW.

Respectfully submitted,
Heather Haviland