

**CALIFORNIA AUTHORITY OF RACING FAIRS**

**Board of Directors**

**Tuesday, May 3, 2011**

**MINUTES**

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, May 3, 2011. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, California, 95815.

CARF Board Members attending: John Alkire, Norb Bartosik, Dan Jacobs, Mike Paluszak and Rick Pickering. Joining by conference call: Vince Agnifili and Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Amelia White, Rick Wood, Raechelle Gibbons, Stuart Titus, Rebecca Desmond, Troy West, Tawny Tesconi, Tom Sawyer, Chris Carpenter and Richard Lewis. Joining by conference call: Louie Brown.

**Agenda Item 1 – Date, Time and Location of Next Meeting.** The next CARF Board of Directors meeting will be scheduled for June 7, 2011 in Sacramento.

**Agenda Item 2 – Approval of Minutes.** Mr. Paluszak requested to amend Agenda Item 3, last paragraph, to reflect 15% in initial disbursements from F&E. Mr. Paluszak moved to approve the meeting minutes as amended. Mr. Pickering seconded, unanimously approved.

**Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2011 and Beyond.** Mr. Korby reported that the CARF sponsored bill, AB 270, carried by Assembly Member Henry Perea which contains language to eliminate the satellite supervisor position for Fairs in financial hardship is moving forward without opposition.

**Agenda Item 4 – Report, Discussion and Action, if any, on Funding Applications and Disbursement Plan for Funds from CDFA F&E for CARF Programs.** Mr. Korby reported that the completed application forms have been included as a bound report in the meeting packet. The Sonoma County Fair proposal did not make the original deadline for the packet, but is available as a handout. The Ventura County Fair did not submit an application and has not been in contact with the CARF office. Once the applications are approved by the Board, a two-step disbursement process will begin with F&E releasing 15% of the allocations to Fairs.

Mr. Korby reported that the Live Racing Committee took action to recommend the Board approve the funding applications as presented, with the understanding that the opportunity exists for individual live racing Fairs to return to the Committee with a revised proposal, which could include using a portion of the funds to supplement purses.

Mr. Korby reported that staff has reviewed the proposals and recommends that the Live Racing Committee approve the projects as presented.

Mr. Paluszak moved to approve the applications as recommended by Staff and the Live Racing Committee with the additional caveat to grant the Executive Director authority to approve the Ventura County Fair application after receipt and review. Mr. Pickering seconded, unanimously approved.

Mr. Korby reported that the San Mateo County Fair presented a special set of circumstances in that the Fair has outstanding loans with CARF and F&E. During the April 5, 2011 meeting, the CARF Board recommended that the satellite Capital Improvements' funding for San Mateo County Fair include the following conditions: 1) the SMCF signs a declaration that its 20-mile consent radius for other satellite facilities will apply only within the County of San Mateo; 2) SMCF gives its advance written consent to implementation of a satellite facility at the Cow Palace; 3) SMCF agrees that the funding allocation will be used exclusively to pay down debt on the satellite facility loans from CARF and F&E. In the event that SMCF does not agree to these conditions, the CARF Board recommended that this allocation be disbursed according to a pro-rata formula, based on pari-mutuel handle, to other CARF member Fairs. The Board authorized the Executive Director to work with F&E and San Mateo County Fair on the details of this debt repayment.

Mr. Carpenter reported that he presented the before-mentioned conditions to his Board of Directors. Two of the conditions were deemed acceptable, but the Board will not agree to relinquish the 20-mile radius protection surrounding the satellite. The SMCF Board felt it was unjust to ask the Fair to agree to conditions not placed on other Fairs in order to receive funding. The SMCF Board respectfully requests the CARF Board resend the condition regarding the 20-mile radius protection.

Included in the meeting packet was a written response from F&E regarding Mr. Carpenter's concerns.

Mr. Korby suggested, as a compromise beneficial to all parties, that the San Mateo County Fair waive the 20-mile radius protection for the Alameda County Fair only, for a prospective mini-satellite location in Alameda County. Mr. Carpenter responded that he would be willing to present the proposed compromise to his Board.

Mr. Pickering moved to amend the funding conditions imposed on the San Mateo County Fair during the April 5, 2011 CARF Board of Directors to rescind the requirement for San Mateo to relinquish 20-mile consent radius outside of San Mateo County. As a substitute condition, San Mateo County Fair would enter into an agreement with the Alameda County Fair to allow a mini-satellite wagering facility operated by the Alameda County Fair in Alameda County. Mr. Jacobs seconded, unanimously approved.

Mr. Korby offered to amend the agreement immediately in order to offer the SMCF Board time to review the revised consent requirements.

Mr. Jacobs moved that the CARF Board of Directors grant the Executive Director the authority to accept the agreement with no further Board action if the San Mateo County Fair agrees to the revised consent requirement as approved by the CARF Board. If the San Mateo County Fair does not agree to the revised terms, the funding will be distributed proportionally between the remaining CARF members. Mr. Paluszak seconded, unanimously approved.

Ms. Desmond requested that the Board discuss the details of the San Mateo County Fair loan repayment, specifically percentages. Ms. Desmond recommended either 70/30 or 55/45 split with F&E receiving the larger share in either scenario.

Mr. Pickering moved to recommend a 50/50 split for discussion. Mr. Pickering amended his motion to direct that the San Mateo County Fair loan repayment be structure so that F&E is granted 55 percent of the allocation and CARF is granted 45 percent. Mr. Paluszak seconded, unanimously approved.

**Agenda Item 5 – Report, Discussion and Action, on Re-Allocation of Change Fund.** Mr. Korby reported that the Live Racing Committee adopted three motions, as a recommendation to the CARF Board, regarding the allocation and disbursements by F&E regarding the Change Fund.

Mr. Korby presented the motions and recommended the CARF Board adopt the motions as a recommendation to F&E. The motions were presented as follows:

**Motion:**

**Recommendation for Allocation of Change Fund**

The CARF Board finds the following:

- California Fairs simulcast network cannot operate without a cash bank.
- The Change Fund of \$1,014,000 was first allocated by F&E to CARF in 1987 when simulcasting started in CA. CARF held the Change Fund in trust for twenty-four years.
- The Change Fund is a critical management tool for settlements, reconciliations and distributions when Fairs conduct live horse racing. It plays an essential role in CARF cash flow management during racing operations. CARF uses the Change Fund so as to manage prompt and timely payment of purses to horsemen, payment of commissions to Racing Fairs and payment of commissions (“2% location fees”) to satellite Fairs. Fairs and horsemen are reliant on prompt payment of these revenues.
- CARF has continued to hold the Change Fund as security collateral for its share continuing Northern California simulcast operations.
- CARF has also holds the Change Fund on behalf of its members against the eventuality that private tracks in Northern California will close operations and Fairs will once again be required to furnish a cash bank to continue simulcast operations.

Therefore, the CARF Board recommends that the Change Fund of \$1,014,000 be allocated for the purposes noted above.

**Motion:**

**Disbursement of Funding for Change Fund**

CARF Board recommends that the Change Fund of \$1,014,000 will be disbursed to two Racing Fairs conducting live racing in 2011 and which not on the “at-risk” Fairs list. Specifically, the CARF Board formally endorses and recommends that F&E disburse the Change Fund to two Fairs: Cal Expo and Fresno District Fair in single payments of \$507,000 to each Fair. These funds are to be used exclusively for the CARF Change Fund.

**Motion Directed to Trustee Fairs:**

**Disbursement of Change Fund**

The CARF Board moves that the Fairs entrusted with managing the Track Safety and Maintenance Program funds (Cal Expo and the Fresno District Fair) remit the Change Fund to CARF for use on behalf of all Fairs which conduct live racing within 30 days for to ensure continuation of timely payment of commissions, satellite location fees and purses.

Mr. Pickering moved to approve all three motions, as adopted by the CARF Live Racing Committee, regarding the allocation and disbursements of the Change Fund from F&E, as a recommendation to F&E. Mr. Paluszak seconded, unanimously approved.

**Agenda Item 6 – Discussion and Action, if any, on FY2011/2012 Expenditure Plan Proposed by CDFA F&E.** Mr. Korby stated that the 2011/2012 CDFA Network of Fairs Expenditure Plan was recently released and is included in the meeting packet.

Ms. Desmond reported that the expenditure plan will focus on community relevance, fiscal and policy oversight and intervention and transition. Ms. Desmond stated that F&E is facing a new era of oversight and administrative support while retaining approximately half of the current staff.

Mr. Pickering thanked Ms. Desmond for working diligently to return funds to CARF for use at live racing and satellite wagering Fairs.

**Agenda Item 7 – Report, Discussion and Action, if any, on Possible of Restructuring of Fairs.** Mr. Korby stated that a report is included in the meeting packet titled “Concept and Proposal – Revise California Food & Agricultural Code to Create a New Category of Fair: Agricultural Fair.” The concept of an Agricultural Fairs, which is a category modeled on Citrus Fruit Fairs, could offer many benefits for DAA Fairs. Lancaster is also proposing innovative restructuring of their Fair through legislation, SB 1085, the results of which could benefit other California Fairs.

**Agenda Item 8 – Financials.** Mr. Korby reported that the CARF Finance Committee is currently reviewing the CARF dues structure. Historically, dues are based on categories determined by annual handle ratios. A spreadsheet illustrating a 10-year analysis of CARF member dues and CARF member handle is included in the meeting packet. The Finance Committee will continue to review the dues structure and will develop a recommendation for the CARF Board’s consideration.

In addition, the Finance Committee is assessing the possibility of changing policy requirements regarding the Equipment Replacement Fund (ERF) deposits that CARF holds on behalf of member fairs who participate in the satellite ERF program. Given the elimination of state funding, staff is looking for ways to make resources available to members Fairs as long as the orderly replacement of satellite equipment is not disrupted. A spreadsheet of Fair funds on deposit, current as of March 31, 2011, was included in the meeting packet.

Mr. Korby reported that Chris Borovansky submitted a written request to withdraw the deposit being held for the Stanislaus County Fair in Turlock.

Mr. Alkire expressed a desire to take into account the sensitivity of the Stanislaus County Fair’s hardship and requested that the Board consider sending Turlock half of their funds on deposit immediately while policy changes are being considered. A precedence to relinquish the funds was set when the San Joaquin County Fair withdrew their deposit a few years ago. Mr. Pickering stated that he had voted against returning the deposit in the case of Stockton and it is critical for live racing Fairs to insure that the satellite network facilities remain well maintained. Mr. Pickering recommended releasing the full amount in the form of a loan.

Mr. Jacobs moved to release 50 percent of the monies CARF is holding on behalf of the Stanislaus County Fair as a deposit on satellite equipment. Part of the motion includes a policy review within 30 days. Mr. Palusak seconded. YES VOTE: John Alkire, Vince Agnifili, Dan Jacobs, Mike Paluszak and Kelly Violini. ABSTAIN: Rick Pickering.

**Agenda Item 9 – Executive Director’s Report.** Mr. Korby reported that the Santa Maria satellite wagering facility is scheduled to close May 31, 2011.

Norb Bartosik joined the meeting.

CARF and the Monterey County Fair have deferred the Salinas mini-satellite application hearing pending required background checks, but the project is still moving forward.

Mr. Korby stated that he would be taking some time next week to attend to family issues.

Respectfully submitted,  
Heather Haviland