

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, June 7, 2011

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, June 7, 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 and Rick Pickering. Joining by conference call: Vince Agnifili, Mike Paluszak, and Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Amelia White, Rick Wood, Raechelle Gibbons, Stuart Titus, Rebecca Desmond, Louie Brown, Tawny Tesconi, Tom Sawyer, Dave Mogni, Ed Clites, Carlene Merlo, Tom Doutrich, Dave Elliott, and Richard Lewis. Joining by conference call: Barbara Quaid and Kate O'Neil.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board of Directors meeting will be scheduled for September 6, 2011 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2011 and Beyond. Mr. Brown reported that the CARF sponsored bill, AB 270, carried by Assembly Member Henry Perea contains language that would allow a Fair to eliminate the satellite supervisor position in the event that a public hearing has been conducted and the outcome of that hearing determined that the position is economically unfeasible for the Fair. The bill continues to move forward without opposition and will be heard in the Senate G.O. Committee within the next two weeks.

Senate pro Tem Darrell Steinberg called together a meeting of racing industry representatives to discuss horse racing's position on Internet poker. Since the industry does not have an official stance on the topic of Internet poker, Senator Steinberg gave the industry 60 days to establish a position. Mr. Brown feels that Internet poker legislation will not pass this year, but urges Fairs to be proactive in establishing a position and ensuring that the horse racing industry is involved in the process to determine revenue sharing for California hubs.

Mr. Brown reported that due to the passing of Proposition 25 requires the legislature to pass a balanced budget by midnight on June 15, 2011, or legislatures will stop receiving salary and per-diem.

Agenda Item 4 – Report, Discussion and Action, if any, on Funding Disbursements from F&E for CARF Programs. Mr. Korby reported that the meeting packets contain an up-to-date tracking log for funding disbursements from F&E to Fairs for CARF programs titled “2010/2011 Live Racing and Satellite Wagering Facility Programs.” CARF staff has been maintaining the log in conjunction with Troy West at F&E. The log provides a detailed accounting of each Fair’s status in the agreement, application, fee payment and final disbursement process.

Mr. Korby thanked F&E and Fair staff for completing the complicated sequence of transactions in a timely manner to ensure the procurement of project funds at Fairs.

Agenda Item 5 – Report, Discussion and Action, if any, on Re-Allocation of Change Fund. Mr. Korby reported that the re-allocation of the Change Fund is on course and those funds have been transferred and received by the appropriate “Trustee Fairs.”

Agenda Item 6 – Report, Discussion and Action, if any, on Finance Committee Recommendations Regarding 2011 Agency Dues. Mr. Korby reported that this item was placed on the agenda at the request of Mr. Jacobs. The Finance Committee met several times to discuss the dues structure and is prepared to bring a recommendation to the CARF board for discussion and action. Mr. Korby asked Mr. Jacobs if he would like to speak to the recommendation.

Mr. Jacobs state that the recommendation brought forward today is a recommendation from the Finance Committee, but that due to his vote, the recommendation did not pass unanimously.

Mr. Jacobs reported that the recommendation for dues is based on a 10-year analysis of member handle. Mr. Jacobs feels that the dues should be based on the amount of funding Fairs received in 2011.

Mr. Korby asked the Board to review the informational document included in the meeting packet titled “10-Year Analysis on CARF Member Dues.” The document illustrates the manner in which CARF members have historically been grouped into five dues categories based on total handle, creating pro-rata and categorical relationships. Updating the formula based on 2010 handle has caused three members (Lancaster, Fresno and San Mateo) to move into a higher dues category. Lancaster and San Mateo built new satellite wagering facilities and Fresno moved from overlapped to non-overlapped live racing.

Barbara Boester-Quaid, Fair Manager at Ventura County Fair, questioned why satellite handle from 2000-2009 has steadily decreased while member dues have remained consistent or increased, especially in light of the F&E funding received in 2011. Mr. Jacobs stated that he is comfortable with the historical dues and a handle-based dues structure moving forward, but feels that funding received in 2011 causes some inequities between Fairs within the same dues categories. Mr. Jacobs feels that 2011 was a unique year regarding funding and that dues should be reflected accordingly.

Mr. Korby asked Ms. Desmond if using F&E project funds to pay CARF member dues would be permitted based on the strict criteria placed on Fair during the funding application/approval process. Ms. Desmond replied that the money has been allocated to Fairs and no longer resides at F&E.

Mr. Korby noted that the 2011 dues structure was part of a CARF budget adopted in the fall of 2010. At that time, there was no way to anticipate the unique circumstances that have recently transpired. Mr. Jacobs stated that the line item amount for dues was adopted in late 2010, but that his vote had included a request to review the structure that would ultimately yield the budget figure.

Mr. Pickering moved to approve the CARF Finance Committee's recommendation for 2011 dues with the stipulation that the CARF Board immediately establish a sub-committee tasked with establishing an equitable formula for the calculation of 2012 CARF dues. Seconded by Mr. Bartosik. YES VOTE: John Alkire, Vince Agnifili, Norb Bartosik, Mike Paluszak and Rick Pickering. NO VOTE: Dan Jacobs and Kelly Violini. Motion passed with majority vote.

The sub-committee will consist of the following Fair Managers and financial staff: Norb Bartosik, Kelly Violini, Randy Magee (Pleasanton) and Judy Arthur (Lancaster). The sub-committee will be assisted by Mr. Wood and Ms. Gibbons.

Mr. Bartosik left the meeting.

Mr. Paluszak moved to allow CARF member Fairs to pay 2011 CARF dues, whole or in part, with capital funds previously allocated from F&E for CARF programs. Mr. Pickering seconded, unanimously approved.

Agenda Item 7 – Discussion and Action, if any, on Finance Committee Recommendations Regarding Return of Equipment Replacement Fund Deposits Held at CARF. Mr. Korby reported that, as discussed last meeting, the Finance Committee has been 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. Historically F&E required Fairs with satellite wagering facilities to place on deposit, with CARF, an amount of money equivalent to the investment in electronic equipment that was required when the satellite was built. This deposit essentially created one replacement cycle of equipment for satellites in the event that F&E could no longer provide funding.

The CARF Finance Committee unanimously adopted a recommendation to return ERF deposits to the Fairs from which they originated with the following conditions; 1) The Equipment Replacement Fund allocation that most recently came from F&E will be remitted to CARF to be used for equipment replacement at the site that remitted the money, and 2) Fairs prepay 2012 CARF dues out of the balance of money that is on deposit at CARF.

Mr. Korby noted that the current Equipment Replacement Funds deposit balances on account at CARF are included in the meeting packet spreadsheet titled "California Authority of Racing Fairs Equipment Replacement Fund 05/31/2011."

Mr. Jacobs moved to approve the CARF Finance Committee recommendation to change policy regarding the funds on deposit with CARF for equipment replacement at satellite wagering facilities. Mr. Pickering seconded, unanimously approved.

Agenda Item 8 – Report on Calfairs.net. Ms. Haviland introduced material in the meeting packet that provided screen captures of the new CARF member website www.calfairs.net. The site contains meeting notices, meeting packets, archived meeting packets/meeting minutes, satellite photographs, CARF publications and an interactive forum.

Agenda Item 9 – Report on Kiosk Project. Mr. Korby introduced the report included in the meeting packet titled "California Marketing Committee Promotional Kiosk Initiative." As part of this CMC project, a transportable kiosk will be provided at each live racing Fair. This display will also be available for Fair interim events.

Agenda Item 10 – Financials. Mr. Korby reported that current Financials are included in the meeting packet.

Agenda Item 11 – Executive Director's Report. Mr. Korby reported that Craig Fravel, President of the Del Mar Thoroughbred Club, is being considered for the C.E.O. position of the Breeder's Cup. Mary Forney, who was a long-time staff person at TOC, has been hired by the news/blog site Paulick Report.

Respectfully submitted,
Heather Haviland