

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, September 6, 2011

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, September 6, 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, and Kelly Violini. Joining by conference call: Dan Jacobs and Mike Paluszak.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Rick Wood, Raechelle Gibbons, Stuart Titus, Rebecca Desmond, Tawny Tesconi, Tom Sawyer, Dave Mogni, Ed Clites, Greg O'Leary, Cindy Olsen, Chris Borovansky 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 is scheduled for October 4, 2011 via teleconference.

Agenda Item 2 – Approval of Minutes. Mr. Jacobs requested that the meeting minutes reflect that if a Fair terminates their CARF membership prior to 2012 deadline, the full ERF deposit will be refunded (including prepaid 2012 dues). Mr. Paluszak moved to approve the meeting minutes as amended. Mr. Bartosik seconded, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Return of Equipment Replacement Fund Deposit to Stanislaus County Fair. Mr. Korby reported that during the June meeting, the CARF Board of Directors assessed 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.

On June 7, 2011 the CARF Board of Directors adopted the CARF Finance Committee recommendation to change policy regarding the funds on deposit with CARF for equipment replacement at satellite wagering facilities.

Mr. Korby reported that Chris Borovansky, on behalf of the Stanislaus County Fair, has asked to address the CARF Board of Directors and request that the full amount of the deposit held on behalf of Turlock be returned, including the \$7,856 prepayment of 2012 CARF member dues.

Mr. Borovansky addressed the CARF Board and requested that the full deposit be returned to the Stanislaus County Fair in light of the following considerations; 1) voting on and creating policy does not make a decision legally binding or the "right" thing to do, and 2) the CARF Board has established past precedence by returning the full deposit amount to the California State Fair, San Diego County Fair and San Joaquin County Fair. Mr. Borovansky reported that the satellite wagering facility is not making the profit for the Fair that it once did. Mr. Borovansky requested that CARF communicate the importance of maintaining membership in the organization in light of the changes in the horse racing industry and in the global economy.

Mr. Korby asked for the opportunity to meet with Stanislaus County Fair principals to discuss what CARF does, how we operate, services provided and how the organization is looking at new models to help smaller Fairs moving forward.

Mr. Bartosik moved to waive policy in the case of the Stanislaus County Fair and return their deposit in full. Mr. Jacobs seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on Legislative Program for 2011 and Beyond. Mr. Brown reported that this is the last week of the legislative session. AB 270, the CARF sponsored bill carried by Assembly Member Henry Perea, contains language that would allow a Fair to reduce satellite staffing in the event that a public hearing has been conducted and the outcome of that hearing determined that certain identified positions are no longer economically feasible for the Fair. The bill is currently on the Senate floor and Mr. Brown expects that the bill will pass and be signed by the Governor for implementation on January 1, 2012.

The Internet gaming and poker bills have been set aside and are now two-year bills.

Mr. Brown reported that there are several working groups focusing on the future of Fairs, the most significant being a consortium focusing on Fair governance and transitioning DAAs to an alternative type of organization.

Agenda Item 5 – Report, Discussion and Action, if any, on CDFA Fairs Consortium, Fairs Funding and Re-Structuring Fair Governance. Mr. Korby reported that a number of documents have been included in the meeting packet that demonstrate the level of work Fair representatives have been conducting to secure and improve the future of Fairs.

Mr. Korby reported that he has been fortunate to be included as part of the Secretary's working group on re-structuring Fair governance. The group is working to establish a recommendation for the Secretary to take to the Governor regarding the restructuring of DAAs to an alternative governance option that will maximize the retention and growth of fairgrounds and state employees. The strongest option for restructuring thus far is the concept of an Agricultural Fair Model that will transition DAAs to a structure similar to a Citrus Fruit Fair. The benefits of this model include transitioning to a non-profit structure, operating as a public entity, self-appointing boards, exclusion from local zoning/ordinances, eligibility for CALPERS benefits, etc. The next meeting of the working group is set for September 14, 2011.

Ms. Desmond stated that these meetings can be viewed as a great opportunity to help the Fair network as a whole. Ms. Desmond encouraged all Fairs to be responsive in providing the information F&E is being asked to obtain or to request help if a Fair needs it.

Agenda Item 6 – Report and Recap of Northern California Fair Racing Meetings in 2011.

Mr. Korby reported that the meeting packet contained a series of documents titled "Summary – Handle and Attendance Reports at Northern California Fairs through August 31, 2011." The documents include a snapshot comparison of 2010/2011 handle and attendance changes relative to the number of racing dates conducted. There was a strong correlation between those Fairs experiencing increases in attendance and handle to those Fairs that chose to reduce the total number of race dates. Fairs are exceeding the industry average by showing overall gains throughout the summer.

Agenda Item 7 – Update on Licensing Rights and Export of CARF Races to Simulcast Locations Outside California. Mr. Korby reported that the meeting packet includes a spreadsheet illustrating the number of out-of-state simulcast locations that are accepting and broadcasting the Fair signals along with the current rate each is charged. In 2011, CARF entered into an agreement with Monarch Content Management, which acts as the simulcast purchase and sales agent for a group of twelve thoroughbred racetracks, including Santa Anita Park, Gulfstream Park, Del Mar, Hollywood Park, Tampa Bay Downs and Pimlico. Monarch Content Management sells horse racing content from its stable of racetracks to a variety of domestic and international wagering outlets, including racetracks, casinos, off-track wagering facilities, and advance deposit wagering companies. Monarch Content Management is currently negotiating contracts on behalf of all California interests. The report contained in the meeting packet shows over 900 national and international locations wagering on the California signal under contracts through Monarch.

Agenda Item 8 – Report on Progress of Working Group Recommendations Regarding Allocation of CARF Dues. Mr. Korby reported that the working group tasked with reviewing CARF dues (Norb Bartosik, Kelly Violini, Randy Magee and Judy Arthur) have met twice via teleconference and will be meeting today after the CARF Board meeting. The group is moving forward in discussions and will report back to the Board with a recommendation.

Mr. Jacobs asked that the working group consider developing a list of member benefits to go along with the 2012 dues structure.

Agenda Item 9 – Report and Discussion on Kiosk Project. Mr. Korby reported that the racing educational kiosk, staffed by a Local 280 pari-mutuel clerk and containing a demo self-service wagering machine, was successfully deployed in Fair racing grandstands. The kiosk provided a unique opportunity for fairgoers to ask questions and learn to place simple bets on the self-service machines, lowering some of the intimidation factor inherent to making a first wager. Mr. Lewis reported that the kiosk was heavily used in Santa Rosa and he is recommending that Golden Gate Fields use the kiosk on days with large promotions, specifically dollar days. Mr. Korby reported that he has been talking with representatives of XpressBet to create a larger kiosk program/sponsorship package.

Agenda Item 10- Report on New Website: Calfairs.net. Ms. Haviland reminded the group that the new member website, www.calfairs.net, includes meeting notices, meeting packets, archived meeting packets/meeting minutes, satellite photographs, CARF publications and an interactive forum.

Agenda Item 11 – Financials. Mr. Korby reported that current financials are included in the meeting packet.

Agenda Item 12 – Executive Director’s Report. Mr. Korby reported that Robert Hartman will be stepping down as General Manager of Golden Gate Fields and will be replaced in the coming months by Joe Morris, formerly of the NTRA.

Respectfully submitted,
Heather Haviland