

CALIFORNIA AUTHORITY OF RACING FAIRS
Live Racing Committee
Tuesday, December 6, 2011

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, December 6, 2011. The meeting was hosted at the California Authority of Racing Fairs Board Room, 1776 Tribute Road, Sacramento, California, 95815.

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

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Amelia White, Raechelle Gibbons, Lisa Drury, Richard Lewis, Tom Doutrich and Louie Brown. Joining by conference call: Dave Mogni, Jim Morgan, Cindy Olsen, Jeff Farley and Dave Elliott.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held February 7, 2012 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2012. Mr. Brown reported that a handout was contained in the meeting packet outlining prospective legislative efforts for the 2012 session.

Mr. Brown stated that the legislature is in recess until January 3, 2012. When they return, their primary focus will be the state budget followed by elections, which will be closely tied to budget. Projections indicate that the current fiscal-year budget will carry a \$3-4 billion deficit, which will trigger automatic spending cuts. The first cuts will affect public education, higher education and select health and welfare programs. As the budget situation continues to look bleak, more focus will turn to the potential legalization of Internet poker to generate a new revenue source. The proponents of Internet poker claim legalization would generate \$250 million yearly in new revenue from the selling of licenses alone. Tribal casinos and cards clubs are looking at Internet poker as a means to expand their business model. The racing industry has been meeting to determine a position and ensure that racing is involved in the discussion.

For the 2012 legislative session, CARF will be involved with, or initiating, the following efforts: fair governance, license relief for racing fairs, Internet poker, lifting the calendar limitations for combined fair race meets and extending the CMC sunset.

Fair governance involves changing the status or oversight of District Agriculture Associations (DAAs). CARF will be involved in the effort collaboratively with the administration, Western Fairs Association and California Fair Alliance.

License fee relief for racing fairs refers to the decision made three years ago to grant license fee relief across the board for the racing industry while continuing to allocate 1% from racing fairs to F&E (roughly \$400,000 annually). The CARF Live Racing Committee and Board of Directors will need to discuss whether license fee relief and determine the appropriate course of action.

Discussions regarding Internet poker will continue to evolve and CARF will have a seat at the table in identifying uses and purposes for any new revenue that might be generated, such as dedicating a percentage of new money to capital improvements at racing facilities.

Several years ago, CARF, TOC and Golden Gate Fields amended the language in statute to extend the calendar period within which a combined fair meeting could be conducted to June 1 through October 30. With the current uncertainty regarding the future of Golden Gate Fields, it would be advantageous for fairs to seek increased flexibility to conduct a race meet during calendar periods outside of tradition fair dates. Ideally CARF will seek to completely eliminate calendar restrictions.

The California Marketing Committee (CMC) is scheduled to sunset in 2013. CARF may propose a spot bill for industry discussion regarding the merits of continuing the program.

Mr. Korby added that the restructuring of CHRIMS might also become part of the 2012 CARF legislative program.

Ms. Tesconi moved approval for CARF Staff to proceed with the plan titled "CARF Prospective Legislative Efforts in 2012 Session" as presented. Ms. Tesconi added that CARF should be sensitive to Fair interests when reviewing the topic of license fee relief. Mr. Brown replied that developments in Fair governance should provide a level of Fair oversight, complete with a funding mechanism, which might create a package solution. Mr. Sawyer seconded, unanimously approved.

Agenda Item 4 - Report, Discussion and Action, if any, on Northern California Racing Dates for 2012. Mr. Korby reported that ongoing discussions and negotiations are continuing with the Thoroughbred Owners of California (TOC), Golden Gate Fields (GGF), CARF and Humboldt County Fair (HCF) regarding race dates in mid-August 2012. Thus far, two meetings have been conducted in which opening positions were established. GGF made a proposal to allow HCF to operate as host track for five days (August 15-17 and August 22-23). That proposal has been acknowledged by HCF, but not accepted. HCF is seeking unoverlapped racing for five consecutive days, including host status on a Friday, Saturday and Sunday.

Another meeting has been scheduled for Thursday, December 8, 2011 via conference call. If an agreement is not reached, the CHRB has offered to server as mediator.

Mr. Korby asked Mr. Titus if he would like to add anything to the report. Mr. Titus responded that Mr. Korby explained the situation accurately and that HCF remains open to good-faith efforts to resolve the problem while working towards a long-term solution.

Mr. Alkire asked if Mr. Titus has an estimated figure for HCF's anticipated shortfall, which has been requested by industry principles at other meetings. Mr. Titus responded that the figure is \$176,000 for 2012. Mr. Korby asked if the CARF project monies made available from F&E had been incorporated into that figure. Mr. Titus stated that they had been incorporated into the financials after the November CARF meeting.

Mr. Korby asked that Mr. Titus respond to an e-mail he sent on December 1, 2011 to prepare for the conference call on Thursday.

Agenda Item 5 – Report, Discussion and Action, if any, on TOC Elections. The California Thoroughbred Horsemen's Association (CTHA), the newly formed horsemen's group that submitted a petition to the CHRB in August to begin the TOC decertification process, and the TOC have reached an agreement between themselves and the California Horse Racing Board whereby after certain conditions are met, the TOC will conduct an election for all seats on its Board of Directors, and all California thoroughbred owners will be eligible to vote in that election regardless of whether they hold a second license in some other occupational category.

This resolution by mutual agreement put an end to what had been a very divisive and emotional situation for California horsemen.

Agenda Item 6 – Report, Discussion and Action, if any, on Agency Budget for 2012. Mr. Korby introduced the 2012 agency budget. Budget highlights include:

- Review, elimination and reallocation of salary categories for agency personnel
- Reduction of CARF member dues by 10%
- Budget legislative advocacy to actual expense
- Reduce rent for Tribute Road offices based on new contract rate

The 2012 budget proposes tapping reserves for \$120,559 to cover the elimination of administrative fees from Projects Revenue and to reduce member dues.

- Agency reserves at end-of-year 2010 - \$709,681
- Agency reserves at end-of-year 2011 - \$973,755
- Agency reserves estimated at end of 2012 - \$853,196

Mr. Korby reported that the budget packet also contains a page that shows the revenue derived to Fairs by the programs CARF manages on behalf of its members.

Mr. Bartosik moved to approve the budget as presented and to recommend the budget as written to the CARF Board of Directors. Mr. Sawyer seconded, unanimously approved.

Agenda Item 7 – Executive Director’s Report. Mr. Korby reported that he was elected Co-Chair of the California Marketing Committee (CMC).

Mr. Korby reported that the Assistant Operations Manager position was eliminated from the CARF staff. Those duties will be absorbed into the responsibilities of other staff members.

CARF will be meeting with TOC representatives in Fresno to recap the 2011 meets and plan for 2012 and beyond in Northern California.

Respectfully submitted,
Heather Haviland