

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, December 11, 2012

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, December 11, 2012. The teleconference originated at the CARF offices, 1776 Tribute Road, Sacramento, California.

CARF Board directors attending by conference call: John Alkire, Norb Bartosik, Chris Borovansky, Rick Pickering and Kelly Violini.

Staff and Guests attending by conference call: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Amelia White, Raechelle Gibbons, Ann Grottveit, Louie Brown, Cynthia Bryant, Tawny Tesconi, Tom Sawyer, Janet Covello, Cindy Olsen, Nate Dechoretz, Dave Elliott and Richard Lewis.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting will be held February 5, 2013 in Sacramento.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislation for 2013 and Beyond. Mr. Brown reported that since the CARF Board last met in November, late election results have been called and the Senate and Assembly are now sitting at a supermajority with 29 and 55 Democratic seats respectively. If Democrats are unified, supermajority status will give the party strong control of the executive and legislative branches as well as the ability to override vetoes, confirm gubernatorial appointees, bypass legislative rules and put constitutional reforms before voters without Republican input and/or votes.

Mr. Brown reported that the Assembly has named their chairpersons for the 2013-14 regular session. Assemblymember Isadore Hall, who is a big fan of racing, will return as chair of the Assembly G. O. Committee. New Assemblymember Susan Eggman, a former Stockton City Council member, has been named Chair of the Agriculture Committee. The Senate has yet to name any of its committee chairs.

Mr. Brown stated that in early January, CARF staff will begin the process of seeking authors for some of the legislative ideas that were adopted by the CARF Board during the November meeting.

Agenda Item 4 – Report, Discussion and Action, if any, on Pari-Mutuel Distributions and DRAFT Security Agreement. Mr. Korby reported that this agenda item follows a conversation on the same topic discussed at the Live Racing Committee meeting earlier today.

Included in the meeting packet is the current version of the draft agreement titled, *Security Agreement and Assignment of Pari-Mutuel Commissions between CARF and Fair Associations*. The agreement was first presented during the November CARF meetings in order to introduce the concept, solicit input and make the group aware of the direction CARF is moving in adopting written policy to protect the agency and its member Fairs. During the November Live Racing Committee meeting, Mr. Bartosik moved that the California State Fair, San Joaquin Fair and Big Fresno Fair join together in asking legal counsel (Jerry Blair) to review the document to ensure it represents the best interest of the DAAs. Mr. Sawyer seconded the motion and it passed with six “yes” votes and one “abstain” vote. Since the November meeting, Jerry Blair has reviewed the agreement and has been in contact with Ann Grottveit (CARF legal counsel) and revisions to the document are ongoing.

Mr. Korby stated that CARF staff and legal counsel are seeking input to ensure the agreement is fair and balanced, yet utilitarian. Mr. Korby urged any member with observations, concerns or comments to contact him. Ms. Grottveit added that she had a good conversation with Jerry Blair and that she has solicited his revisions and input.

Mr. Korby stressed the importance of having a written policy/agreement in place, especially with the uncertainty Fairs are facing during these challenging economic times. With CARF members acting as a cooperative, the failure of one fair to meet its financial obligations would create significant repercussions for the remaining fairs, which would be left to meet the obligation in order to resume racing.

Mr. Borovansky asked if any Fairs have brought concerns forward regarding the documents. Mr. Korby replied that discussions held during the Live Racing Committee meeting had a general theme about ensuring that the final document is more balanced in protecting both CARF as a Fair cooperative and Fairs as separate entities.

Mr. Bartosik stated that he initiated the document’s review with Mr. Blair and as the agreement stands, it is easy to support as a CARF Board member, but difficult to sign as a Fair Manager. The document simply needs to be modified from its current form into a more balanced and two-sided agreement.

Ms. Tesconi stated that she has multiple comments regarding the agreement and that she has shared those comments with Mr. Bartosik. Mr. Bartosik suggested Ms. Tesconi complete the Sonoma County Council legal review and share the resulting outcome with Mr. Korby and/or Ms. Grottveit. Ms. Tesconi stated that she does not want to incur further legal expenses, but that Sonoma County Council’s initial response was that for a group that was formed to be mutually beneficial to members, the agreement seemed draconian, especially regarding the level of oversight required by the

promissory note. Ms. Grottveit stated that Ms. Tesconi's points merit consideration and that the document and concept are continuing to evolve. Furthermore, after speaking with Mr. Blair, Ms. Grottveit felt that the agreement could be redrawn more along the lines of a cooperative agreement.

Ms. Tesconi added that she has five major concerns with the agreement as currently presented: 1) The lack of approval process for monies taken out of Fairs funds, 2) Clarification of "other racing revenue," 3) Clarification regarding monies that don't currently flow through CARF (such as satellite wagering facility commissions), 4) Creating joint mutual indemnification, and 5) Adding a schedule for CARF to adhere to regarding the distribution of commissions.

Mr. Bartosik stated that he would forward his comments to Mr. Korby to pass along to Ms. Grottveit. Mr. Pickering stated that his CFO Randy Magee reviewed the agreement and stressed establishing dates for commission distributions so that Fairs can build those distributions into their cash flow formulas as well as determining exactly how much money will be held by CARF.

Agenda Item 5 – Report, Discussion and Action, if any, on Agency Budget. Mr. Korby reported that the budget included in the meeting packets was reviewed and unanimously approved by the CARF Finance Committee. Mr. Korby stated that two version of the budget are included in the meeting packet, one being the budget in the income statement format that is traditionally presented to the Board, while the other budget is presented in an expanded format that includes exhibits of revenues generated and services related to expense line items.

Mr. Korby presented the 2013 agency budget. Budget highlights include:

AGENCY BUDGET

- Includes a **5% reduction** in CARF member dues for each member Fair.
- Santa Clara County Fair returned to CARF membership in 2012. Consequently, the total revenue shown in line item Member Dues is actually higher in 2013 due to an increase in CARF membership.
- Investment income reflects current economic conditions and low interest rates.
- Salaries were reviewed and reallocated amongst budget divisions to reflect changes in allocation of duties and responsibilities due to personnel cuts.
- Post Retirement Benefits budget figure reflects updated Bickmore OPEB Actuary Report.
- Legal expenses higher due to increased requirements for legal services on certain pending legal matters. This cost varies from year-to-year. This proposed budget reflects our current projection of legal expenses for 2013.
- Projected **Agency Reserves** for end-of-year in 2011 were \$969,806.
- Projected Agency Reserves for end-of-year 2012 are \$785,075.
- Elimination of Fair funding due to SB16XX continues to affect overall agency revenues. This reduction is shown in the budget division entitled **PROJECT MANAGEMENT INCOME STATEMENT**, which in turn appears in the agency budget

revenues as *CARF Projects Admin Fee*. Consequently, the proposed Agency budget for 2013 will tap reserves for \$46,660.

- **Projected Agency Reserves** at end of 2013 will be **\$729,210**.

LIVE RACING BUDGET

- Reviewed and reallocated salary categories for racing and agency personnel, including a gradual transition of salary costs previous paid from Track Safety and Maintenance Program.
- Racing support services contracts for 2013 continue to reflect changes in racing dates.
- Continues the gradual transition of operating costs previously paid out of the CARF Track Safety and Maintenance Program.

PROJECTS BUDGET

- Elimination of Fair funding from the state also eliminates project funding and project administration fees for the 2013 Agency budget.

Ms. Tesconi stated that it appears a CARF staff person was reallocated from agency to live racing and asked who that staff person was. Mr. Korby responded that the live racing employee category includes a number of staff people and the largest new expense to that category is personnel formerly covered by the Race Track Safety and Maintenance (RTSM) Program, which is part of the three-year plan to transition expenses that no longer received funding from F&E.

Mr. Elliott asked Mr. Swartzlander if there was a document outlining the exact amounts association with the RTSM Program three-year transition for budgeting purposes. Mr. Swartzlander replied that the amount was included under the live racing budget as \$104,000 for 2013.

Mr. Alkire asked if there were any other questions of staff.

Mr. Pickering moved to approve the 2013 CARF agency budget as presented. Mr. Borovansky seconded for discussion. Mr. Pickering asked Mr. Swartzlander if there was a mechanism in place for allocation the \$104,000 Race Track Safety and Maintenance Program expense by Fair. Mr. Korby stated that CARF has a group of allocation templates that the CARF Live Racing Committee can review and select from.

Mr. Alkire called for the question. Unanimously approved.

Agenda Item 6 – Financials. Mr. Korby reported that financials were included in the meeting packet and that Ms. Gibbons was available to answer questions.

Agenda Item 7 – Executive Director’s Report. Mr. Korby reported that the Maryland Thoroughbred race tracks are working together with horsemen’s associations to establish a 10-year

calendar that will provide stability to the breeding and racing industry in that state. It would be valuable for Northern California to implement a multi-year calendar.

Mr. Korby reported that the implementation of the Banker's Casino mini-satellite wagering facility in Salinas is moving forward. In addition, Golden Gate Fields and TOC are having very promising discussions with a restaurant in San Francisco interested in becoming a mini-satellite. There have also been discussions regarding options to make the Bakersfield satellite more profitable, which could include moving the satellite to an off-fairgrounds location.

Mr. Alkire acknowledged the retirement of Mr. Bartosik and asked if this would be his last official CARF Board meeting. Mr. Bartosik stated that he would continue to work with the Cal Expo Board to help ease the transition, but that this would be his last CARF meeting. Mr. Alkire thanked Mr. Bartosik for bringing a high level of professionalism, consistency, common sense, balance and leadership to the table during his many years of dedicated service to both our agency and the Fair industry. Mr. Pickering and Mr. Korby also thanked Mr. Bartosik and echoed Mr. Alkire's sentiments.

Mr. Bartosik moved to adjourn the December 11, 2012 CARF Board of Directors Meeting. Mr. Pickering seconded, unanimously approved.

Respectfully submitted,
Heather Haviland