

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Tuesday, September 10, 2013

MINUTES

A teleconference meeting of the California Authority of Racing Fairs Board of Directors was held at 12:30 P.M., Tuesday, September 10, 2013. The meeting was hosted at the CARF offices, 1776 Tribute Road, Sacramento, California.

CARF Board Directors attending: John Alkire and Rick Pickering. Joining by conference call: Chris Borovansky, Mike Paluszak and Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Raechelle Gibbons, Amelia White, Anne Grottveit, Jerome Hoban, Brian May, Richard Conway, Jeanne Wasserman, John Quiroz and Richard Lewis.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board of Directors meeting will be held October 8, 2013 in Fresno. The meeting will take place in the Big Fresno Fair Director’s Hall, located next to the Administrative Building.

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

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Program for 2013. Mr. Brown reported that this is the last week of the legislative session as the Legislature adjourns Sept. 13, 2013. CARF sponsored bill SB 398 (Galgiani) was amended to extend the sunsets in current law that allows NCOTW, Inc. the authority to increase the amount paid to satellites to cover operating expenses with the agreement of industry principals. The amended bill will be heard in the Senate G.O. Committee tomorrow. AB 1347 (Gray) was originally intended to be the vehicle for the sunset extensions, but legislative staff was notified that the author wished to use that bill for other purposes. CARF will now be opposing AB 1347 because the new language, proposed by Los Alamitos, is potentially harmful to Cal Expo and the harness industry.

Mr. Brown reported that SB 741 (Cannella), the WFA/CDFFA-sponsored bill to streamline business operations for DAA’s, has been made a two-year bill by the Senate G.O. Committee. This will allow WFA legislative staff to work with the Department of Finance to resolve their concerns and move the bill early next year.

Agenda Item 4 – Report, Discussion and Action, if any, Security Agreement/MOU

Regarding Net Payment of Racing Commissions. Mr. Korby introduced Brian May, who has been appointed by the San Joaquin County Fair Board of Directors to formally represent Stockton at CARF meetings. Mr. Korby asked Mr. May to describe his involvement with Stockton.

Mr. May stated that CDFA loaned the San Joaquin County Fair \$250,000 to help the Fair manage their cash flow. Mr. May was asked by CDFA to work with the San Joaquin County Fair Board to ensure that the Fair spends the money appropriately while implementing new business models to increase revenue, lower expenses and get the Fair in a better overall financial position. Specifically, the San Joaquin County Fair will be looking to the local community find better ways to produce the annual Fair and staff has already initiated a community engagement process with four key committees. As part of this transitional process, the San Joaquin County Fair Board asked Mr. May to be their representative to CARF as it pertains to horse racing matters.

Mr. Korby stated that it is encouraging that the San Joaquin County Fair has acknowledged their situation and is taking prudent steps to make the operation financially viable.

Mr. Korby reported that a security agreement between CARF and the San Joaquin County Fair, in the form of a memorandum of understanding, has been fully executed and will provide a net payment situation in which CARF will be insured expense reimbursement from revenues collected on behalf of the fair. A copy of the agreement is included in the meeting materials.

Mr. Paluszak moved to approve the executed security agreement as presented, but expressed concerns regarding CARF's ability to recoup expenditures if the meet does not perform as projected. Mr. Korby stated that the agreement ensures payment of expenses first and obliges the San Joaquin County Fair to cover any shortfalls. Mr. Borovansky seconded, unanimously approved.

Agenda Item 5 – Report, Discussion and Action, if any, on Racing Industry Discussions

Regarding Mini-Satellite Expansion in California. Mr. Korby reported that there has been an initiative in the racing industry for the expansion of mini-satellite wagering facilities based on a proposal that has come forward from the tote provider Sportech. SCOTW, Inc. has entered into an agreement with Sportech to develop satellites in Southern California. In addition, Sportech has made a proposal to NCOTW, Inc. for the development of up to three mini-satellites in San Francisco plus an additional three sites elsewhere in Northern California. The proposal that Sportech made for San Francisco asks for an exclusive development agreement between Sportech and NCOTW, Inc.

Mr. Korby stated that he is not in favor of an exclusive agreement in the San Francisco area and questioned NCOTW, Inc.'s ability to enter into such an agreement. That being said, the development of mini-satellites is an opportunity for the industry to realize new revenues and could open doors to serious discussions about additional revenues for existing satellites.

Agenda Item 6 – Report on CHRB Pari-Mutuel Operations Committee Meeting with Discussions of NCOWT, Inc. Report. Mr. Korby reported that a report of NCOTW, Inc., prepared by CARF staff, at the request of the CHRB Pari-Mutuel Operations Committee is included in the meeting packets. Mr. Korby provided an overview of the report.

Agenda Item 7 – Consent Calendar: A) Financials and B) Investment Account Reports. Mr. Korby stated that the financials are appearing under a new agenda heading as a consent calendar at the advice of the auditors. Mr. Korby stated that financials are included in the meeting packet and Ms. Gibbons is available to answer questions. Mr. Korby stated that revised financials have been distributed to Board members.

Mr. Borovansky asked what the process would be for the 2014 CARF agency budget. Mr. Korby replied that the CARF Finance Committee would start meeting shortly and that the budget is traditionally presented and approved at the December CARF Board of Directors meeting. Mr. Pickering offered his seat on the Finance Committee if other representatives might be interested in serving. Mr. Borovansky offered to serve on the CARF Finance Committee and Mr. Alkire accepted.

Agenda Item 8 – Executive Director’s Report. Mr. Korby reported that a new ADW provider was recently licensed in the state of California operating under the name Lien Games or BetAmerica. Executives from the company have approached CARF about potentially become a fourth ADW provider for the summer racing signal and discussions are underway.

Mr. Pickering stated that CARF phone records show that people are calling into the CARF Live Racing Committee meetings and are neither identifying themselves when staff asks for a roll call, nor calling in from designated locations. Since meeting participants are required to call in from designated locations which are posted prior to each meeting, Mr. Pickering stated that he supports only offering Live Racing Committee meetings via conference call when absolutely necessary.

Respectfully submitted,
Heather Haviland