

CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors
& Live Racing Committee
Wednesday, September 26, 2007

Minutes

A meeting of the California Authority of Racing Fairs Board of Directors and Live Racing Committee was held at 11:00 A.M., Wednesday, September 26, 2007. The meeting was conducted at the Embassy Suites Hotel located at 211 East Huntington Drive, Arcadia, California, 91006.

Board of Director members attending: Joe Barkett, Dan Jacobs, Rick Pickering, Stuart Titus and Forrest White. Joining by conference call: John Alkire.

Live Racing Committee members attending: Joe Barkett, Rick Pickering, Stuart Titus, Tawny Tesconi and Forrest White. Joining by conference call: John Alkire and Chris Carpenter.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Louie Brown, Kate Pharris and Dino Perez.

Agenda Item 1 – Determination of Date for Next Meeting. The next CARF Board meeting is set for November 6, 2007, time to be determined, in Sacramento.

Agenda Item 2 – Approval of Minutes from June 5, 2007 Meeting. Mr. Titus submitted the following corrections:

- 1) Page 2, first paragraph, first sentence should read “an increase in takeout.”
- 2) Page 2, first paragraph, last sentence should read “standing objection to any increase in takeout.”
- 3) Page 2, paragraph 7, second sentence, replace the word “that” with “than” so that the sentence reads “issue other than.”
- 4) Page 2, paragraph 8, first sentence, replace “reasonable” with “reasonably.”
- 5) Page 3, paragraph 4, last sentence, replace “their” with “there.”
- 6) Page 5, paragraph 2, fourth sentence, remove the word “less.”
- 7) The final page of minutes is not included in the packet.

Mr. Barkett recommended that the above corrections be made and that the group delay approving the minutes until the next meeting.

Agenda Item 3 – Discussion and Action, if any, on Legislative Matters, Referenda or Statewide Initiatives. Mr. Brown reported that the 2007 legislative regular session adjourned Sept. 12, 2007 and has recessed for the year. There was a flurry of activity regarding horse racing in the eleventh hour. In Mr. Brown’s opinion it was a successful year for horse racing across the board.

The CARF sponsored bill AB 765 (Evans), which allows Fairs to take up to an additional one percent takeout for maintenance and improvements at Fairs, passed and became the vehicle for the Advanced Deposit Wagering (ADW) extension. Discussion, lobbying and arguing about the language resulted in some positives and negatives for Fairs as a whole. The positive element was that ADW was extended and upon the Governor's signature will continue. Significant changes include horsemen acquiring the ability to become an active party in future agreements and contract negotiations. The negative, from the Fair perspective, is that the language agreed upon in spring for Fair funding, which eliminated the \$40 million guarantee and lowered it to \$32 million which would go directly to Fairs, was disregarded from the bill. It was eliminated when staff in the Capitol realized that there would be a \$10 to \$12 million new burden to the general fund due to the CHRB not receiving any money from license fees. The negotiations then moved to leaving the \$40 million in place and guaranteeing \$30 million to Fairs, which were also eliminated. The final agreement that passed gives Fairs a commitment from the Governors Office, the Speaker's Office and from the Chairman of the Senate Governmental Organization Committee to make the Fair funding a top priority for 2008.

Mr. Brown stated that AB 241 (Price) granted the expansion of satellites to 15 "mini-satellites wagering facilities" in each zone with 20 mile protection for existing satellites. "Mini-satellite site" means a location where satellite wagering may be conducted, with the approval of the CHRB, provided the wagering occurs in an area that is restricted to those who are 21 years of age or older. In Northern California the language states that the satellite can fall within the Fair's district. A five year protection was established for the Fair to develop or enter into contract with another establishment if operated by the Fair or with the Fair's consent. After the five year time period the operation of the mini-satellite would be considered open market to any entity authorized by the CHRB.

Bay Meadows Land Company and UNITE HERE have teamed together to hire campaign consultants and are moving forward to qualify the Pechanga, Agua Caliente, Morongo and Sycuan gaming compacts for a February referenda. UNITE HERE consists of a group of labor organizations. TOC has provided a letter to Chuck Winner in support of the tribal compacts. It is obvious that the affected tribes will come together in full force to keep the compacts intact. The racing industry, and especially Fairs, should make an official statement of opposition to the referenda and in the process gain some goodwill with the Governor. Mr. Brown recommended that this group take an official position opposing the referendum and supporting the compacts.

Mr. Titus moved that CARF take an opposed position and provide a statement of opposition to the referenda in the form of a letter, signed by the Chairman, referencing other industry organizations that are also in opposition. Mr. White seconded, unanimously approved.

Agenda Item 4 & 5 – Discussion and Action, if any, on Recommendations from the CARF Strategic Planning Committee & Recommendations for Funding Allocations from the CDFA F&E Expenditure Plan for FY 2007-08, FY 2008-09 and Beyond. Mr. Barkett reported that he, Mr. Korby, Mr. Pickering and Mr. Alkire met with Mr. Treacy to discuss funding by F&E. It was a lengthy meeting where much was discussed, differences of opinion were expressed and some cooperative solutions achieved.

Based on information gained from that meeting, the CARF Strategic Planning Committee developed the document included in the meeting packet titled “CARF Financial Plan for Horse Racing.”

Mr. Jacobs provided a synopsis of the aforementioned document to the group. Based on tough decisions to request monies in a manner the group felt would secure funding, a proposal requesting \$600,000 for Track Safety and Maintenance, \$500,000 for Satellite Equipment Replacement and \$1.5 million for Capital Investment (\$1 million to Pleasanton for facility upgrades and \$500,000 to San Mateo to help fund a Satellite Wagering Facility) was developed. The Strategic Planning Committee also recommended that F&E loan \$3 million to Pleasanton from its existing loan fund and that CARF loan Pleasanton \$1 million from its Equipment Replacement Fund. These loans would be provided with the contingency that Pleasanton secure \$5 million in funding from sources other than CARF and/or F&E.

The Strategic Planning Committee recognizes F&E’s concerns about funding the smaller Fairs. However, the Strategic Planning Committee felt that bolstering the live racing Fairs is the single best way to continue Fair funding growth.

Mr. Carpenter expressed concerns that the estimated costs to convert Cyprus and Oak Halls into a suitable Satellite Wagering Facility will be \$3 million (additional work in Earthquake retrofitting would greatly increase the cost). Mr. Jacobs expressed that the Strategic Planning Committee feels CARF should provide any and all support to further a project that benefits Fairs, but that it would not be solely CARF’s responsibility to secure funding.

Mr. Barkett reinforced the thought that CARF offer strategic guidance coupled with significant commitment from individual Fairs. He wants CARF to come forth with a plan showing CARF’s involvement, while demonstrating the individual Fair’s ability to fund projects. Using the Alameda County Fair as an example, \$10 million is needed to make Pleasanton ready to assume a leading role in acquiring dates when Bay Meadows ceases to operate. CARF is actively participating in helping to secure \$5 million, some of which will be borrowed. Pleasanton is responsible for securing the other \$5 million in some other fashion, which could include loans or other investors.

Mr. White questioned the FY 2007-2008 allocation of \$2.1 million and how that allocation fits into the current plan as well as the prior Financial Committee recommendation that was voted on by the CARF Board.

NOTE:

FY 2006-2007 \$825,000

FY 2007-2008 allocation \$2.1 million

FY 2008-2009 request \$2.6 million

Mr. White moved to rescind the group’s prior vote for accepting a strategic recommendation from the Finance Committee for allocations of FY 2007-2008 and FY 2008-2009. Mr. Jacobs seconded, unanimously approved.

Mr. White moved to accept the \$2.6 million CARF Financial Plan for Horse Racing, as written and presented, for FY 2008-2009 and beyond. Mr. Jacobs seconded, unanimously approved.

Mr. White moved to take the \$2.1 million F&E FY 2007-2008 allocation and distribute it as follows: \$600,000 Track Safety and Maintenance, \$500,000 Equipment Replacement Fund \$1 million placed in a Capital Investment Program consistent with the FY 2008-2009 CARF Financial Plan. Dan Jacobs seconded, unanimously approved.

Agenda Item 6 – Discussion and Action, if any, on Request from San Joaquin Fair.

Mr. White informed the group that he has been in conversations with CalTrans to develop a very affordable turf track at the San Joaquin Fair. In order to move forward with CalTrans, Mr. White needs to provide plans and specifications. Mr. Barkett commended the San Joaquin Fair for supporting the collective Fair plan and being willing to experiment with racing dates and should therefore be fully supported by the Board.

Mr. Pickering moved to provide the San Joaquin Fair with \$25,000 for funding a turf track design and specification project. Mr. Titus seconded, unanimously approved.

Mr. Pickering moved that the undistributed FY 2006-2007 allocation of \$825,000 (less \$25,000 for the Stockton turf track) be distributed as follows: \$500,000 to the Equipment Replacement Fund for FY 2006-2007 and \$300,000 to be set aside for a future recommendation. Mr. White seconded, unanimously approved.

Agenda Item 7 – Review, Discussion and Action, if any, on Racing Dates in 2008, 2009 and Beyond. Mr. Korby updated the group as to discussions that have been taking place regarding 2008 and 2009 overlap with the Big Fresno Fair. For 2008, an agreement is in place with MAGNA to provide Fresno with four days un-overlapped and seven days overlapped with a 50/50 split which would benefit Fresno with new monies estimated at \$300,000.

For 2009, CARF is working to procure a written commitment from MAGNA for Fresno to race without overlap for that year and beyond. The 2009 commitment is an active work in progress with support from Mr. Harris and Mr. Shapiro. The CARF Board stands resolutely on the position that Fresno not be asked to change their racing dates. The Board also stated for the record that it is their position to support no overlap from the beginning of Pleasanton to the end of Fresno.

A proposed 2008 calendar was included in the meeting packet.

Agenda Item 8 – Discussion and Action, if any, on JPA Policy Regarding Money Owed by a Member Fair to the Joint Powers Authority. Mr. Jacobs stated that the Finance Committee felt there should be an official CARF policy regarding money owed by a member Fair to CARF. Mr. Jacobs recommended that CARF adopt a policy that after 30 days delinquency the outstanding balance will be charged a percentage of that balance. If a Fair wants to enter into a long term deal, staff could reach an agreement with the Fair that would be approved by the Board.

Mr. Barkett asked the Finance Committee come back to the Board with recommended language for the proposed policy.

Agenda Item 9 – Executive Director’s Report. Mr. Korby reported on the Aug. 29, 2007 meeting of the California State Board of Food and Agriculture. Mr. Brown was instrumental having that Board consider the relationship between Fairs, horse racing and agriculture. Mr. Korby and Mr. Pickering testified for CARF and others testifying from the included breeders, owners, WFA and UC Davis. There was active engagement by the Board to ask significant questions regarding the lack of agricultural representation for horses.

Mr. Brown felt the President of the Board would recommend the Board do two things: 1) ask for a resolution to be drafted that the Board would consider at a future date recognizing the equine industry as part of agriculture, and 2) the appointment of a working group that would further the discussion on the relationship of equine industry, Fairs and agriculture.

A current YTD Agency Income Statement was provided in the meeting packet.

Mr. Pickering brought to the attention of the group that no formal reporting had occurred after the Executive Director’s review.

Mr. White motioned to adjourn. Mr. Pickering seconded, unanimously approved.

Respectfully submitted,

Meeting Secretary