

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Tuesday, October 7, 2014

MINUTES

A meeting of the California Authority of Racing Fairs (CARF) Board of Directors was held at 11:00 A.M., Tuesday, October 7, 2014. The meeting hosted at the Big Fresno Fair, 1121 S. Chance Avenue, Fresno, California.

CARF Board Directors attending: John Alkire, Mike Paluszak and Rick Pickering. Joining by teleconference: Chris Carpenter, Chris Borovansky, Dan Jacobs and Kelly Violini.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland and John Quiroz. Joining by teleconference: Raechelle Gibbons, Amelia White and Kevin Wong.

Agenda Item 1 – Date, Time and Location of Next Meeting: Date TBD in Sacramento. The next CARF Board of Directors meeting will be held in Sacramento, date and time to be determined.

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Approval of Minutes. Mr. Pickering moved to approve the meeting minutes as presented. Mr. Paluszak seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on CARF 2015 Legislative Program. Mr. Brown reported that an updated bill report was distributed in the meeting packets. CARF bill AB 2765 (Committee on Governmental Organization) to extend the sunset date for the California Marketing Committee (CMC) was signed by the Governor.

Mr. Brown reported that AB 2005 (Chesbro), seeking to expand the CHRB Board membership to 11 members; 7 public members appointed by the Governor, 2 members of the Senate appointed by the Senate Committee on Rules and 2 members of the Assembly appointed by the Speaker of the Assembly and AB 2592 (Chesbro), which would require the CHRB to conduct an economic analysis prior to any major changes in the Fair racing calendar (defined as three or more days) were both vetoed by the Governor. CARF and other industry representatives sent letters of opposition to the Governor's office.

Mr. Brown reported that Internet poker was the most active racing issue in 2014, but bore little in the way of results. Neither AB 2291 (Jones-Sawyer) nor SB 1366 (Correa) would have allowed the

horse racing industry the opportunity to compete for a license. Representatives of the racing industry met with the Senate and Assembly G.O. Committees and made it clear that the horse racing industry as a whole would oppose the bills unless they are amended to give the racing industry the opportunity to secure a license. The official position of the tribes and casinos toward the racing industry has yet to be determined, but for the most part little interest in including the racing industry. Mr. Brown stated that CARF and industry principals need to establish a position for 2015 regarding whether to continue to seek a license to conduct Internet poker or to seek mitigation.

Mr. Brown reported that AB 2490 (Eggman), the DAA's regulatory relief bill, was signed by the Governor and creates significant reform to benefit Fairs. Mr. Brown stated that he believes there is still opportunity with the current Administration for Fairs to receive support in the form of new funding, but encourages Fair representatives to refrain from using the term "restore funding."

Agenda Item 5 – Report, Discussion and Action, if any, on Acceptance of Independent Auditor's Report. Mr. Wong presented the results of the CARF audit for year ended December 31, 2013. The majority of the audit field work was completed in mid to late May 2014. The audit was presented to CARF staff in draft form in July and final form in late August. Mr. Wong reviewed the CARF financial statements, recapped highlights from the management discussion and analysis letter and provided a detailed overview of the document titled "Communications with Those Charged with Governance."

Mr. Wong reported that CARF management was cooperative and well-prepared throughout the audit process. The audit found that the financial statements included in the audit report present fairly the financial position of the agency and fall in accordance with all generally accepted accounting principles. As in previous audit reports, control deficiencies exist in only two areas (resulting in a qualified opinion): a lack of sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW) providers and a lack of checks/balances regarding paymaster duties, specifically segregation of duties, which would provide stronger internal control during live racing. Mr. Wong acknowledges that due to the nature of the operations, a complete segregation of duties (i.e. hiring an assistant paymaster) is not practical.

Mr. Paluzsak asked about which pari-mutuel reporting entities provide audited reports and which entities provide handle figures for which Gilbert and Associates cannot offer an opinion. Mr. Korby replied that there is a daily pari-mutuel audit performed, for which CARF employs an independent auditor working with the CHRB. Mr. Wong added that his firm does review the audits from outside sources and ties the figures in the footnote, but leaves the opinion to the accountants providing the audit reports. ADW handle and distributions are not audited, which is the reason that Gilbert & Associates must issue a qualified opinion in the CARF audit. Mr. Korby noted that this is an industry-wide issue in CA which has existed since ADW was implemented and has not yet been remedied. Mr. Korby will follow up on the matter.

Mr. Paluszak moved to accept the 2013 CARF Audit Report as presented. Ms. Violini seconded, unanimously approved.

Agenda Item 6 – Report on Contract for Statewide Totalisator Services. Mr. Korby reported that a working group of industry representatives circulated a Request for Proposal (RFP) to candidate tote companies for bids on a statewide totalisator system. California tracks and satellites are currently served by Sportech Racing, LLC (previously known as Autotote).

Mr. Korby stated that presently there are three primary totalisator systems operating in North America: Sportech Racing, LLC, Amtote International and United Tote. The working group will be evaluating the two RFP's that have been returned by Sportech and Amtote. If a change occurs in the tote service provider, the changeover will be conducted in the fall/winter of 2015.

Agenda Item 7 – Financials. Mr. Alkire reported that financials are included in the meeting packet and that Ms. Gibbons is available to answer questions.

Agenda Item 8 – Executive Director's Report. Mr. Korby reported that the meeting packets include a letter distributed by the Stronach Group regarding new medication protocols at Stronach-owned tracks which would affect Golden Gate Fields and Santa Anita Park in California.

Respectfully submitted,
Heather Haviland