

# CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors

Tuesday, September 1, 2009

## Minutes

A meeting of the California Authority of Racing Fairs Board of Directors was held at 11:30 A.M., Tuesday, June 2, 2009. The meeting was conducted at the CARF Board Room, 1776 Tribute Road, Suite 205, Sacramento, California, 95815.

Board Directors attending: John Alkire, Norb Bartosik, Mike Paluszak, Rick Pickering, and Kelly Violini. Joining by conference call: Vince Agnifili.

Staff and Guests attending: Chris Korby, Larry Swartzlander, Heather Haviland, Margot Wilson, Stuart Titus, Mike Treacy and Stephen Chambers. Joining by conference call: Ken Alstott, Chris Carpenter, Debbie Cook, Portor Goltz, Scott Grieve, Terry Mann and Olivia Perez.

**Agenda Item 1 – Confirmation of October 6, 2009 for Next Meeting Via Conference Call.** The next CARF Board & Live Racing Committee meeting is scheduled for Tuesday, October 6, 2009 via conference call.

**Agenda Item 2 – Board of Directors Welcomes New Board Member Mike Paluszak.** Mr. Alkire and the CARF Board of Directors formally welcomed Mr. Paluszak to his At-Large position on the Board.

**Agenda Item 3 – Report, Discussion and Action, if any, on 20-Mile Consent Radius Around Satellite Wagering Facilities and on Implementation of Satellite Wagering in San Francisco.** Mr. Korby presented background information on attempts made by Golden Gate Fields to install two mini-satellite wagering facilities in San Francisco. Applications for those facilities were filed with the California Horse Racing Board (CHRB). The San Mateo County Fair asked that those applications be denied due to the Fair's interpretation of the protective 20-mile radius for existing Fair satellites.

The CHRB took no action on the applications, but there was wide-spread disappointment from the racing industry and threats of attempting to eliminate the radius through legislation. Mr. Korby reported that some in the racing industry perceived Fairs as impeding the growth of horse racing in an underserved market with great potential. The situation was made to look worse due to several attempts by Golden Gate Fields to work with San Mateo by offering trial-period limitations and revenue sharing. San Mateo has expressed concerns regarding the newness of the facility in the market and the amount of debt the Fair took on to renovate the buildings.

Mr. Korby stated that this item was placed on the agenda to ensure that the CARF Board was aware of the different perspectives surrounding the issue and to start the conversation of how to best mediate this problem. The racing industry will take this item to the legislature next session.

Mr. Korby asked that the CARF Board address: 1) current thoughts on the growth of the satellite wagering network, the concept of mini-satellites and 20-mile radius policy, 2) possibility of developing a mini-satellite pilot program that will protect San Mateo and other Fair interests, and 3) the package Fairs ultimately want to take to the racing industry, then legislature, regarding the 20-mile radius, restructuring elements of pari-mutuel distributions and increasing satellite commissions.

Mr. Carpenter stated that San Mateo's position remains consistent from prior meetings where this topic has been discussed. Based on numbers the Fair has reviewed, it is felt that a proposed mini-satellite wagering facility at Lucky Chance Casino would negatively affect the existing satellite in San Mateo. The legislation that provided the 20-mile protection clause was a factor that helped the Fair Board decide to incur substantial debt to develop the facility.

Portor Goltz, legal counsel for the San Mateo County Fair, stated that San Mateo is the only CARF member Fair that has entered into debt service to open a facility. Mr. Goltz also asked why the 20-mile radius was not objectionable to CARF when the legislation creating it was signed and passed. Mr. Korby responded that the 20-mile language has been standard in racing legislation for 20 years and does not necessarily apply since the introduction of home wagering and the current convenience of entertainment options, especially in a market as dense as San Francisco.

Mr. Korby asked to clarify that San Mateo would give consent to place a satellite wagering facility at the Cow Palace, but would not give consent to place any other mini-satellite wagering facility within the radius. Mr. Goltz confirmed that existing statute would require San Mateo to allow a satellite wagering facility at Cow Palace, but neither he nor Mr. Carpenter could commit as the Fair Board did not have an official position. Mr. Treacy stated that when the financing was being put together for the San Mateo satellite, consent for a satellite at Cow Palace was a condition agreed to by San Mateo when the financing went into place.

Mr. Carpenter asked how market saturation with satellites at San Mateo, Cow Palace, Lucky Chance and potentially other San Francisco sites could possibly benefit the health of racing. Mr. Korby responded that operating a mini-satellite pilot program would provide definitive answers to that question, determine the direct impact on the San Mateo satellite and prove whether there is an incremental positive increase to the network. Mr. Korby added that such a program would go a long way in defusing some of the negative industry perceptions surrounding this issue.

Mr. Carpenter stated that the Fair Board is always open to further ideas and conversations. The San Mateo Board has developed an ad-hoc committee to closely address these issues pertaining to satellite wagering.

Mr. Alkire stated that Golden Gate Fields/MAGNA is using this issue to apply pressure to the Live Racing Fairs with regards to future consolidated race meets. Golden Gate Fields has notified CARF that GGF will not be available for CARF use as a racing venue in the future because of San Mateo's actions. Mr. Carpenter remarked that San Mateo is not attempting to be difficult but the fact is the Fair pledged to pay a \$4.3 million debt in 10 years and they estimate 33 percent of their clientele originate from San Francisco.

Mr. Carpenter reiterated that the San Mateo County Fair Board is willing to sit down and discuss all possibilities and the ad-hoc committee will be discussing potential pilot programs within the week.

**Agenda Item 4 – Discussion and Action, if any, Regarding Payment of Satellite Location Fees from Trust Accounts Set Up for that Purpose at NCOTWInc. and SCOTWInc.** Mr. Korby requested the CARF Board approve his recommendation that SCOTWInc. and NCOTWInc. create protected accounts for the purpose of depositing and distributing satellite location fees to ensure uninterrupted distribution of fees in the event that a racing association ceases to operate or declares bankruptcy. Mr. Korby drafted a letter to both the SCOTWInc. and NCOTWInc. Board of Directors with the above-mentioned request and has yet to receive a response. Mr. Korby recommended that the creation of separate accounts with these associations, for the purpose of distributing license fees, be made a prerequisite for renewing upcoming simulcast contracts.

Mr. Pickering moved to direct Staff to negotiate new procedures for the deposit and distribution of satellite location fees at both SCOTWInc. and NCOTWInc. as a condition of renewing upcoming simulcast contracts. Mr. Bartosik seconded, unanimously approved.

**Agenda Item 5 – Report, Discussion and Action, if any, on Legislative Matters.**

**AB 763 (Chesbro)** – Mr. Titus reported that AB 763 (Chesbro) was passed and signed by the Governor to take effect in time for the 2009 Humboldt County Fair race meet. The original intent of the bill was to allow the Humboldt County Fair to accept wagers on eight out-of-state Thoroughbred races in addition to those already authorized in law. Late language added to the bill granted Humboldt County Fair 0.75 percent of purses and commission from the Northern California association running concurrent to the Fair and inserted an urgency clause. The late 0.75 percent language was added to compensate for revenue losses created by the implementation of SB 16XX.

Mr. Korby stated the timing and sequence of amending the bill was problematic due to the fact that the CARF Board officially supported the original language. Mr. Korby asked why the CARF Board was not made aware of Mr. Titus' intent to add language to a CARF supported bill that would impact another Fair meet.

Mr. Titus stated that he did not have the opportunity to notify the CARF Board since the Board meets monthly and amending the bill was critical for the upcoming Humboldt County Fair meet. Mr. Titus apologized for not making it clear to the CARF Board that a solution had to be found for the shortfall created by SB 16XX. AB 763 (Chesbro) was the only vehicle available at the time.

Mr. Pickering asked that any Fair Manager/CEO planning to significantly modify language in a CARF supported bill call or e-mail Board members.

**AB 1499 (Evans)** – Mr. Korby reported that AB 1499 (Evans), the bill to provide workmen’s compensation coverage to Emerging Breed horsemen, was signed by the Governor and is law.

**20-Mile Radius Around Satellite Wagering Facilities** – Mr. Brown reported that the racing industry’s attempt to eliminate the 20-mile radius through legislation was stopped by leadership in the Assembly, who would not allow a bill that would potentially harm San Mateo County Fair be introduced or gutted/amended this session.

Mr. Korby stated that this issue might develop into an opportunity to make substantial changes to help the satellite network, specifically increasing satellite wagering commissions from 2 percent to 3 percent.

**Agenda Item 6 – Satellite Wagering Facility Closures: Redwood Acres, Eureka and Earl Warren Showgrounds, Santa Barbara.** Mr. Korby reported that regrettably the Earl Warren Showgrounds and Redwood Acres Fair have decided to permanently close the two satellite wagering facilities located on their Fairgrounds. A letter confirming the closure of both Eureka and Santa Barbara’s satellites are included in the meeting packet.

Mr. Titus reported that he and representatives from the Bear River Casino in Ferndale are discussing a mini-satellite wagering facility.

Mr. Alstott reported that the satellite wagering facility at the San Bernardino County Fair in Victorville will be downsizing from 10,000 square feet 3,200 square feet. Mr. Korby stated that Mr. Alstott has been making all of the right decisions and efforts to keep the Victorville satellite wagering facility operational.

**Agenda Item 7 – Discussion of Harness Racing in Northern California.** Mr. Korby introduced a letter included in the meeting packet from the California Harness Horsemen’s Association (CHHA) outlining their intent to enter into discussions with the Big Fresno Fair (noted as the 21<sup>st</sup> District Agricultural Association) to explore the possibility of conducting an extended Harness pari-mutuel meet at the Fairgrounds in late 2010 or early 2011.

Mr. Alkire’s position is that he has maintained transparency with Mr. Bartosik, all discussions with the CHHA are very preliminary and he respects Mr. Bartosik’s position that Cal Expo is in the Harness racing business until it’s not.

Mr. Bartosik reported that Cal Expo has offered CHHA a three-year contract with two one-year options. The contract also includes a 180-day out clause for either party, starter incentives in the fall, an investment in 10-12 percent of commission over and above the statutory purse requirements and paid shipping for horses coming from sales in the East.

**Agenda Item 8 – Report on Northern California Racing Circuit to Date.**

**Humboldt County Fair** – Mr. Titus reported that the 2009 Humboldt County Fair meet was deemed a success, but Ferndale still has monetary challenges. Due to support from Horsemen, recruiting efforts and supplemental purse monies, ontrack handle was up 30 percent.

Overall attendance was greater than that at Golden Gate Fields for the same time period while Northern California handle was up 50 percent and out-of-state handle was up 100 percent.

**Alameda County Fair** – Mr. Pickering reported that due to the consolidation experiment with Solano County Fair, 15 days were run at the Alameda County Fair (Monday's were dark). Pleasanton was able to increase operating costs for racing only 13 percent while increasing race dates by 33 percent, mainly by implementing volunteer labor. The meet started strong while the last two weeks were down when compared to the previous year. Overall, Pleasanton was down \$12 million in handle (\$4.4 million could be attributed to lack of Wednesday racing in Southern California). There were more than 800 horses stabled at Pleasanton and field size was excellent. The attendance at the Fair itself was up 20 percent.

**CARF I at Golden Gate Fields** – Mr. Korby reported that the Fair meet at Golden Gate Fields was the counterpart to Ferndale. Running a meet for higher class horses costs more money. Total handle was down 15 percent compared to the 2008 San Mateo meet (closing meet of Bay Meadows). The national trend for handle is down 13-16 percent.

**Solano County Fair** – Mr. Paluszak reported that it was hard to establish any percentage comparison due to the unique circumstances with the combined meet. Pleasanton and Vallejo are still working on final commissions figures. It was generally felt that crowd sizes were good as was the racing product. The future of Solano County Fair racing is uncertain, especially with a potential move by Cal Expo.

**California State Fair** – Mr. Bartosik reported that with five days of racing complete, commissions at Cal Expo are even. Ontrack handle is down 9 percent, Northern California handle is down 2 percent, out-of-state is up 34 percent and ADW handle is up 17 percent. Even accounting for the increase in the overall purse structure, purses thus far are underpaid. The Thoroughbred field size is up from 7 to 7.8 starters per race. Overall Fair attendance, spending and food and beverage are down, but the Fair Entertainment schedule for the second week is strong and should generate gains over week one.

**San Joaquin Fair** – Ms. Cook reported that the San Joaquin Fair had the distinction of having large increases in comparison percentages, but lower actual commissions. Part of the overall decrease in handle was due to the loss of two simulcast-only days that occurred last September. Ontrack handle was up 20 percent and field size was good. The Pink Ribbon Stakes Day and Wiener Dog races were both popular but the meet was marred by the unfortunate loss of an employee in an ontrack accident.

**Sonoma County Fair** – Mr. Korby reported that Sonoma County Fair handle was down 13 percent in the Northern California Network and Out-Of-State.

**Agenda Item 9 – Executive Director's Report.** Mr. Korby stated that three preliminary live racing calendars for 2010 are included in the meeting packet to keep the CARF Board members aware of discussions being by the CARF Live Racing Committee.

Mr. Pickering asked to clarify a motion he made on the Aug. 24, 2009 Live Racing Committee conference call. The intent of the motion was to protect a block of 17 weeks for Fair

running from June 16, 2010 through October 17, 2010. The motion did not address placement or recommend allocation of any dates within the block.

Ms. Baldwin requested that an update on the California Marketing Committee (CMC) be placed on the next meeting agenda.

Respectfully submitted,

Heather Haviland