

# CALIFORNIA AUTHORITY OF RACING FAIRS

Board of Directors  
& Live Racing Committee  
Tuesday, December 4, 2007

## Minutes

A meeting of the California Authority of Racing Fairs Board of Directors and Live Racing Committee was held at 11:00 P.M., Tuesday, December 4, 2007. The meeting was conducted at the CARF Conference Room located at 1776 Tribute Road, Sacramento, California, 95815.

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

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

Staff and Guests attending: Christopher Korby, Heather Haviland, Rick Wood, Raechelle Gibbons, Louie Brown, Kevin Wong, Jaime Matthews, Rebecca Desmond, Lisa Drury, Vince Agnifili, Kelly Baldwin and Sarah Cummings.

**Agenda Item 1 – Discussion and Action, if any, on the Audit Report.** Mr. Korby introduced Kevin Wong and Jaime Matthews from Gilbert & Associates and Rick Wood and Raechelle Gibbons from CFSA to address the 2006 Audit Report.

Under the Management’s Discussion Letter, the audit addressed four specific areas of concern. Repeat findings from the 2005 Audit Report addressed Project Fund Balances and ADW Wagering Agreements. It was recommended that contracts between CARF and F&E be updated periodically in order to review project fund balances and that ADW companies be required to provide SAS 70 reports annually for review of internal controls. New findings for the 2006 audit included Paymaster Segregation of Duties and Accounting Transactions regarding CMC pass-through funds. Recommendations for the new findings included placing internal controls to the paymaster duties, which might include dual signatures for disbursements over a certain dollar amount, and the recommendation that management review significant funding sources to ensure that related transactions are recorded in accordance with generally accepted accounting principles.

In addressing the CARF financials, Mr. Barkett expressed concern that the “Other Operating Expenses” and “Miscellaneous” categories were carrying large monetary amounts and should be broken out for clarification.

Upon motion by Mr. White and a second by Mr. Jacobs, the Board unanimously accepted the 2006 JPA Audit Report and Management Letter as presented. At this time, Mr. Wong, Ms. Matthews, Mr. Wood and Ms. Gibbons left the meeting.

**Agenda Item 2 – Approval of Minutes from Nov. 6, 2007 Meeting.** Mr. Jacobs moved to approve the meeting minutes as presented. Mr. White seconded, unanimously approved.

**Agenda Item 3 – Determination of Date for Next Meeting.** The next CARF Board & Live Racing Committee meeting will be conducted during the WFA Convention, tentatively scheduled for Wednesday, Jan. 9, 2008 at 2:00 P.M.

**Agenda Item 4 – Discussion and Action, if any, on CDFA Funding.** Mr. Korby requested this portion of the agenda be utilized as an open forum to discuss CARF's interests as it pertains to the CDFA Expenditure Plan. Ms. Desmond reported that her belief that there is overall support for reinstating CARF funding at the \$2.6 million level from both the Fair Managers and the Division. She expressed that recent meetings and discussions within the California Fairs Alliance have created a much better understanding amongst Fair Managers as to horse racing's impact on Fair funding and CARF's role in supporting Racing Fairs and executing strategies for the future of racing at Fair venues. The CARF Funding Proposal to expand Fair racing, once Bay Meadows is no longer in operation, was crucial in helping the Division understand CARF's long term strategic plan. Ms. Desmond recommended that CARF develop a "CARF 101" tutorial that can be presented to all California non-racing Fairs.

Mr. Barkett reported participating in informal discussions with representatives of the California State Fair regarding 2008 racing. CalExpo acknowledged the desire of F&E for their Fair to be reinstated with CARF for funding and support purposes. However, CalExpo expressed significant concerns regarding bylaw qualifications of CARF Board Members. Discussions amongst the group came to the agreement that the intent of the bylaws was to ensure that the vote of each CARF Board Member be binding when it's cast, and that the vote could not be overturned by the Fair Manager after the fact. Mr. Barkett directed that a committee of Mr. White, Mr. Jacobs and himself draft language for consideration at the next meeting.

Mr. Korby reported that he had initiated preliminary discussions with F&E regarding the status of the \$9.7 million loan fund. Mr. Lim and Mr. Treacy responded that CFA designated those monies as a reserve and that the fund is not available for access without approval from the CFA Board. Mr. Korby believes there are certain circumstances in which CARF might want access to that loan fund as part of a project financing package. Ms. Desmond stated her belief that the loan fund, established in 2001 as a reserve for allocations of all Fairs for one year as a safety mechanism, will not be something that the Fairs will want to have tied up due to the California State budget crisis. Mr. Korby asked that Ms. Desmond work with CARF to determine exactly who the request to use those monies as a loan fund be directed to.

**Agenda Item 5 – Discussion and Action, if any, on Legislative Program for 2008.** Mr. Brown reported that Cynthia Bryant, Director of the Governor's Office of Planning and Research, will be lunching with the group to discuss racing issues, specifically the Bay Meadows Land Company and UNITE HERE's movement to qualify the Pechanga, Agua Caliente, Morango and Sycuan gaming compacts for a February referenda. Mr. White questioned Mr. Brown to ensure that CARF has made every effort possible to support the Governor's position. Mr. Brown ensured that CARF would work with the campaign consultants to provide whatever strategic approach the consultants deemed best.

Mr. Barkett asked specifically about ADW and the removal of language agreed upon in spring for Fair funding which would have lowered the Fair guarantee to \$32 million and how

CARF could proceed in making sure the Fairs are provided for. Mr. Brown stated that the final ADW 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 and that no other racing legislation be dealt with until Fair funding is resolved. Mr. Barkett was specifically concerned about the F&E fund becoming a diminishing fund without a long-term fix. Mr. Brown agreed that all current conversations have been about a short-term fix to make the Fairs whole again.

Mr. White brought forth a motion that CARF dedicate time and energy to secure the \$30 million minimum guarantee for Fairs as part of the 2008 Legislative Program. Mr. Alkire seconded, unanimously approved.

Ms. Cynthia Bryant joined the meeting for a working lunch.

**Agenda Item 6 – Executive Director's Report.** Mr. Korby reported that San Mateo County Fair accepted the CARF recommendation that they develop a satellite wagering facility with the assistance of CARF, CDFA and CCA and operate the satellite facility themselves. San Mateo County Fair is currently moving into the design phase of the project.

Mr. Korby notified Ms. Desmond that he has compiled a list of prospective actions that can be taken to collect unpaid license fees and recommendations for concrete efforts that can encourage associations to do so, including clarifying language in statute to keep the F&E funds whole.

Mr. Korby and Mr. Pickering will be meeting with the Thoroughbred Owner's of California to discuss Pleasanton's potential role for expanded training and a racing calendar when Bay Meadows is no longer in operation.

Mr. Barkett and Mr. Korby complimented Ms. Haviland on her preparation of the meeting minutes.

Mr. Korby reported that two CARF Board vacancies, WFA liaison and an At-Large position, are up for consideration. Tony Leo will chair the Nominations Committee, voting ballots will be distributed next week and all Fairs are encouraged to return those ballots as quickly as possible.

Mr. Korby brought to the group's attention that night racing will soon be reduced to four nights a week which may effect current full-time night staff.

Respectfully submitted,

Heather Haviland, Meeting Secretary