



a California joint powers agency

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www.calfairs.com

NOTICE
CALIFORNIA AUTHORITY OF RACING FAIRS
BOARD OF DIRECTORS MEETING
JOHN ALKIRE, CHAIR
11:00 A.M., FRIDAY, AUGUST 14, 2015

Notice is hereby given that a meeting of the California Authority of Racing Fairs' Board of Directors will commence at 11:00 a.m., Friday, August 14, 2015. The meeting will be held in Sacramento. 1776 Tribute Road, Conference Room, Sacramento, CA 95815.

CARF Board of Directors Meeting
Toll Free Dial In Number: (800) 791-2345
Participant Code: 83711#
Via Teleconference

In order to ensure that all meeting participants are able to hear discussions during the teleconference, we ask that teleconference participants call from a **Landline Phone** and **Please Place Phone on MUTE While Not Speaking**. The Public and members of the California Authority of Racing Fairs Board of Directors may participate from the following locations:

Civic Center
39707 Big Bear Blvd.
Big Bear Lake, CA 92315

California State Fair
1600 Exposition Blvd.
Sacramento, CA 95815

Stanislaus County
900 North Broadway
Turlock, CA 95380

Antelope Valley Fair
2551 West Ave. H, Suite 102
Lancaster, CA 93536

Monterey County Fair
2004 Fairground Road
Monterey, CA 93940

The Big Fresno Fair
1121 S. Chance Avenue
Fresno, CA 93702

San Mateo County Fair
2495 So. Delaware Street
San Mateo, CA 94403



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AGENDA
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AGENDA

- I. Date, time and location of next meeting: September TBD, 2015
- II. Public Comment.
- III. Report, discussion and action on 2015 Legislative Program.
- IV. Review, discussion and action on agency OPEB benefits.
- V. Executive Director Report.

CALIFORNIA AUTHORITY OF RACING FAIRS
*Proposed Legislative Language
Regarding Stabling and Vanning Fund*

The current statutes regarding the Stabling and Vanning Fund date from the late 1980's, when simulcasting first started in California. With the recent significant changes to the racing landscape, notably the closing of Hollywood Park and Bay Meadows, there is a growing consensus that the governance of the S&V Funds both North and South should adapt to changing circumstances.

It appears that there may be sufficient agreement within the racing community regarding amendments to horse racing law that we can join together to support legislation during this session that could bring about the needed changes. CARF management has been active in the discussions on this matter and supportive of needed changes.

Language has been circulating for contributions and review by all affected parties. Please find attached the most recent DRAFT of this language. We've identified a bill that could be suitable as a vehicle for this language; the author has agreed to use it for this purpose if we wish.

Staff is recommending board approval of this language and authorization to moving it forward as legislation.

19607

Notwithstanding Sections 19605.8 and 19605.9, when satellite wagering is conducted on thoroughbred races at associations or fairs in the central or southern zone, an amount not to exceed ~~1.25~~2.00 percent of the total amount handled by all of those satellite wagering facilities shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen and horsewomen, ~~with each party having meaningful representation~~ for use in accordance with Section 19607.1.

A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute fifty percent (50%) of all voting interests on the board of the organization, formed and operated to administer, pursuant to supervision of the board, a fund. The other fifty percent (50%) of all voting interests shall be allocated among thoroughbred racing associations and fairs conducting thoroughbred racing in proportion to provide reimbursement for offsite stabling at board approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain pursuant to Section 19535, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses the number of weeks of live racing conducted by each in the central or southern zone.

19607.1

(a) The funds distributed to the organization formed pursuant to Section 19607 shall be used to ~~reimburse racing associations that are operating offsite stabling providing additional stalls for the incremental increase in operating costs directly resulting from providing the stabling~~ compensate the provider of a board approved auxiliary facility for offsite stabling and training of thoroughbred horses in the central or southern zone.

Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except ~~the~~an entity operating the auxiliary offsite stabling facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any offsite stabling facility.

(b) The funds shall also be used to ~~reimburse horsemen for~~ cover all or part of the cost of vanning ~~starting thoroughbred~~ horses from a board- approved auxiliary offsite stabling and training facility ~~operated by a licensed racing association to the track conducting the racing meeting. Horsemen may use carriers of their own choice, except that the amount of reimbursement to horsemen is limited to the amount that the organization determines is generally charged by carriers for vanning from the auxiliary training~~ to start in a thoroughbred race at a thoroughbred racing meeting in the central or southern zones. The organization shall determine the extent of and manner in which compensation will be paid for horses that are vanned from the auxiliary facility to the track conducting the thoroughbred racing meeting. Neither the organization administering the offsite stabling

and vanning program nor any of the entities forming and operating the organization, except ~~the~~an entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling facility.

(c) The ~~training~~auxiliary offsite stabling facilities and amenities provided for offsite stabling and training purposes shall be substantially equivalent in character to those provided ~~during by the thoroughbred racing meetings of the~~ association or fair conducting the race meet.

~~(d) Upon the request of any party within the organization, the board shall adjudicate any dispute regarding costs, or other matters relating to the furnishing of offsite stabling or vanning. The board may, if necessary, appoint an independent auditor to assist in the resolution of disputes. The auditor shall be reimbursed from the funds of the organization. The organization shall submit to the board for its approval contracts it enters into with providers of auxiliary facilities for offsite stabling and training. Contracts not disapproved by the board within sixty (60) days of submittal to the board shall be deemed to have been approved by the board.~~

(e) At the request of the board, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and upon request of any party within the organization, such receipts and expenditures shall be audited by the board.

(f) In addition to the uses of funds described in Section 19607.1(a) and (b), the organization may use the funds to:

~~(e) The organization may maintain~~1) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and auxiliary offsite stabling facility costs. In addition to the reserve fund, if the funds generated for the auxiliary offsite stabling facilities and vanning are insufficient to fully ~~reimburse racing associations for~~cover the expenses incurred ~~during the offsite vanning and stabling program,~~ the organization may, in the future accumulate sufficient funds to fully ~~reimburse those associations for those~~cover such expenses.

~~(f) 2) Pay back commissions, purses, and owners' premiums to the extent the deductions made pursuant to Section 19607 exceed in any year the amount of funds necessary to achieve the objectives of the organization.~~

(g) The amount initially deducted and distributed to the organization shall be ~~1.25~~2.00 percent of the total amount handled by satellite wagering facilities authorized under this article in the central or southern zone on thoroughbred racing, but that allocation may be adjusted by the board, in its discretion, at the request of the organization. However, the adjusted amount may not exceed ~~1.25~~2.00 percent of the total amount handled by satellite wagering facilities, ~~to pay expenses and maintain the reserve fund for the continuing support of the program.~~

19607.2

Notwithstanding Section 19605.8, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, an amount not to exceed ~~1.25~~2.00 percent of the total amount handled by all of those satellite wagering facilities; shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen, ~~with each party having meaningful representation~~ and horsewomen, for use in accordance with Section 19607.3.

A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute fifty percent (50%) of all voting interests on the board of the organization, formed and operated to administer, ~~pursuant to supervision of the board, a fund to provide reimbursement for offsite stabling at board approved auxiliary training facilities of racing associations or fairs for additional stalls beyond the number of usable stalls the association is required to make available and maintain pursuant to Section 19535, for starter fees and for the vanning of starters from these additional stalls on race days for thoroughbred horses~~ fund. The other fifty percent (50%) of all voting interests shall be allocated among thoroughbred racing associations and fairs in a manner that provides meaningful representation for racing associations and fairs conducting thoroughbred racing on the governing board of the organization. in proportion to the number of weeks of live racing conducted by each in the northern zone, except as provided in Section 19607.3(h).

19607.3

(a) The funds distributed to the organization formed pursuant to Section 19607.2 shall be used to ~~reimburse racing associations that are operating offsite stabling providing additional stalls for the incremental increase in operating costs directly resulting from providing the stabling~~ compensate the provider of a board approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern zone. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except ~~the~~an entity operating the auxiliary offsite stabling facility where the injury occurred, shall be liable for any injury to any jockey, exercise person, owner, trainer, or any employee or agent thereof, or any horse occurring at any offsite stabling facility.

(b) The funds ~~shall~~may also be used to ~~reimburse horsemen for~~ cover all or part of the cost of vanning ~~starting~~thoroughbred horses from a board- approved auxiliary offsite stabling and training facility ~~operated by a racing association or fair to the track conducting the racing meeting. Horsemen may use carriers of their own choice, except that the amount of reimbursement to horsemen is limited to the amount that the organization determines is generally charged by carriers for vanning from the auxiliary training~~ to start in a thoroughbred race at a thoroughbred or fair racing meeting in the

northern zone. The organization shall determine the extent of and manner in which compensation will be paid for horses that are vanned from the auxiliary facility to the track or fair conducting the thoroughbred or fair racing meeting. Neither the organization administering the offsite stabling and vanning program nor any of the entities forming and operating the organization, except the an entity actually engaged in vanning horses, is liable for any injury occurring to any individual or horse during vanning from an offsite stabling facility.

(c) The ~~training~~auxiliary offsite stabling facilities and amenities provided for offsite stabling and training purposes shall be substantially equivalent in character to those provided ~~during by the thoroughbred~~ racing ~~meetings of the~~ association or fair conducting the race meet.

~~(d) Upon the request of any party within the organization, the board shall adjudicate any dispute regarding costs, or other matters relating to the furnishing of offsite stabling or vanning. The board may, if necessary, appoint an independent auditor to assist in the resolution of disputes. The auditor shall be reimbursed from the funds of the organization. The organization shall submit to the board for its approval contracts it enters into with providers of auxiliary facilities for offsite stabling and training. Contracts not disapproved by the board within sixty (60) days of submittal to the board shall be deemed to have been approved by the board.~~

(e) At the request of the board, the organization shall submit a report detailing all of its receipts and expenditures over the prior two fiscal years and upon request of any party within the organization, such receipts and expenditures shall be audited by the board.

(f) In addition to the uses of funds described in Section 19607.3 (a) and (b), the organization may use the funds to:

~~(e) The organization may maintain~~1) Maintain a reserve fund of up to 10 percent of the total estimated annual vanning and auxiliary offsite stabling facility costs. In addition to the reserve fund, if the funds generated for the auxiliary offsite stabling facilities and vanning are insufficient to fully ~~reimburse racing associations or fairs for~~cover the expenses incurred ~~during the offsite vanning and stabling program,~~ the organization may, in the future accumulate sufficient funds to fully ~~reimburse those associations or fairs for those~~cover such expenses.

(2) Pay back commissions, purses, and owners' premiums to the extent the deductions made pursuant to Section 19607.2 exceed in any year the amount of funds necessary to achieve the objectives of the organization.

~~(fg)~~ The amount initially deducted and distributed to the organization shall be ~~0.5~~1.25 percent of the total amount handled by satellite wagering facilities authorized under this article in the northern zone on thoroughbred racing, but that allocation may be adjusted by the board, in its discretion, at the request of the organization. However, the adjusted amount may not exceed ~~1.25~~2.00 percent of the total amount handled by satellite

wagering facilities, ~~to pay expenses and maintain the reserve fund for the continuing support of the program.~~

(h) A thoroughbred racing association or fair in the northern zone that does not require the use of any auxiliary offsite stabling and training facility in connection with the conduct of its live racing meeting(s) may opt out of the stabling and vanning program, in which case the deduction described in Section 19607.2 shall not apply during the live racing meeting(s) conducted by such association or fair until such time as the association or fair opts back in to the stabling and vanning program. Any thoroughbred racing association or fair in the northern zone that opts out of the stabling and vanning program shall not have any voting interest therein until such time as the association or fair opts back in to the stabling and vanning program. The organization shall establish reasonable procedures and timelines for the giving of notice to the organization by a thoroughbred racing association or fair that elects to opt out of the stabling and vanning program.

CALIFORNIA AUTHORITY OF RACING FAIRS
Review of
Other Post-Retirement Benefits (OPEB)

It has been recommended that the agency consider an adjustment to post-employment benefits for long-term employees who retire from the agency. These benefits are formally known as "Other Post-Employment Benefits", usually referred to as OPEB.

Currently, CARF offers only medical insurance coverage in its benefit package to retired employees. The board is considering adjustments to post-employment benefits for long-time agency employees so as to reach parity with post-employment benefits offered at other agencies. The adjustments under consideration would apply to employees with fifteen (15) years of service or longer who retire from the agency. Potential benefits under consideration could include dental insurance coverage, vision care coverage and support for long-term care. Agencies which offer these post-employment benefits often view them as a tool to recruit and retain high-quality employees.

The agency has already pre-funded the future cost of post-employment benefits. Some years ago, the CARF established a pre-funding policy in order to comply with all the required changes specified in GASB 45 accounting standards. As a result of the policy to pre-fund these future costs, the agency presently maintains OPEB reserves of \$1,253,215 held at the **PERS California Employers' Retiree Benefit Trust Fund**. This level of funding (136% of requirement) has been reviewed by Bickmore Actuarial Services and found sufficient to cover anticipated OPEB costs, including the cost of the additional benefits under consideration. Please see attached *Illustrations* and memo from Bickmore.

This matter is offered for board consideration.



To: Christopher Korby

From: Catherine MacLeod, FSA, FCA, EA, MAAA
Bickmore, Director, Actuarial Health & Benefits

Date: May 28, 2015

Re: CARF Other Post-Employment Benefits (OPEB)

This memorandum follows up on our recent conversations regarding California Authority of Racing Fairs (CARF) post-employment benefits other than pensions.

As we discussed, medical insurance coverage is the “other” post-retirement benefit most commonly offered by California public employers. This is currently true for CARF: medical coverage is offered as a CARF post-retirement benefit. The projected cost of this benefit was calculated into the OPEB actuarial valuation we submitted to CARF in 2014.

While somewhat less common, many agencies offer other healthcare benefits for retirees in addition to medical coverage. Dental coverage and/or vision coverage are the additional benefits offered most frequently; life insurance coverage and long-term care (LTC) are also provided as a post-retirement benefit by some agencies. Agencies which offer these post-employment benefits typically view them as a tool to help recruit and retain high-quality employees.

From our perspective, CARF has done a notable job of prefunding its existing OPEB obligations relating to the medical coverage offered to its retirees. Very few agencies have shown the foresight to plan ahead and commit sufficient funds to the extent that CARF has done. The July 2013 actuarial valuation submitted to CARF in 2014 shows that CARF had pre-funded 136.3% of its projected OPEB liabilities as of that date.

Based on the information and assumptions contained in the July 2013 valuation, along with data regarding current costs of coverage, we prepared several *Illustrations* to show the projected financial impact associated with the potential addition of dental, vision and long-term care (LTC) benefits for certain *existing* CARF employees. We calculated the eligibility for additional benefits based on two criteria: 1) fifteen years of service with the agency and 2) retirement from the agency (CARF). Based on the assumptions used, plus reasonable margin for less than favorable experience, the *Illustrations* show that the current prefunding level is sufficient to cover the costs of adding dental, vision and LTC as post-employment benefits for these existing employees should the CARF Board of Directors decide to do so.

We hope you find this information helpful. We appreciate the opportunity to furnish CARF with this actuarial analysis and look forward to working with your agency in the future.



**California Association of Racing Fairs
Illustration of Potential Additional OPEB Costs by Type of Benefit**

The exhibit below provides the projected OPEB liabilities and Annual Required Contribution developed from July 1, 2013 OPEB data, assumptions and methodology. The results were then adjusted to be applicable to CARF's fiscal year ending December 31, 2015. Details of the additional dental, vision and/or long term care benefits were outlined in email to Bickmore in March 2015. Each of these 3 benefits were projected to increase at an average of 3% per year.

Fiscal Year End	12/31/2015				
	Current Plan (Medical Benefits Only)	Dental	Vision	Long Term Care	Long Term Care - Full Benefit for Spouse
Actuarial Present Value of Future Benefits					
Actives	\$ 873,707	\$ 68,551	\$ 12,173	\$ 165,321	\$ 251,390
Retirees	354,168	-	-	-	-
Total	1,227,875	68,551	12,173	165,321	251,390
Actuarial Accrued Liability					
Actives	573,053	47,009	8,349	113,531	172,591
Retirees	354,168	-	-	-	-
Total	927,221	47,009	8,349	113,531	172,591
Actuarial Value of Assets	1,234,490	-	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	(307,269)	47,009	8,349	113,531	172,591
Amortization factor *	13.5504	13.5504	13.5504	13.5504	13.5504
Normal Cost	48,544	2,819	500	6,758	10,297
Amortization of UAAL	(22,676)	3,469	616	8,378	12,737
Interest to fiscal year end	767	186	33	449	683
Annual Required Contribution (ARC)	26,635	6,474	1,149	15,585	23,717
Estimated retiree benefits	40,124	694	124	2,005	3,436



**California Association of Racing Fairs
Illustration of Potential Additional OPEB Costs by Type of Benefit**

The exhibit below provides the projected OPEB liabilities and Annual Required Contribution developed from July 1, 2013 OPEB data, assumptions and methodology. The results were then adjusted to be applicable to CARF's fiscal year ending December 31, 2015. Details of the additional dental, vision and/or long term care benefits were outlined in email to Bickmore in March 2015. Each of these 3 benefits has been projected to increase at an average of 3% per year.

Fiscal Year End	12/31/2015					
	Current Benefits (Medical)	Dental	Vision	Long Term Care - Retiree	Long Term Care - Spouse	Total All
Actuarial Present Value of Future Benefits						
Actives	\$ 873,707	\$ 68,551	\$ 12,173	\$ 165,321	\$ 86,069	1,205,821
Retirees	354,168	-	-	-	-	354,168
Total	1,227,875	68,551	12,173	165,321	86,069	1,559,989
Actuarial Accrued Liability (AAL)						
Actives	573,053	47,009	8,349	113,531	59,060	801,001
Retirees	354,168	-	-	-	-	354,168
Total	927,221	47,009	8,349	113,531	59,060	1,155,169
Actuarial Value of Assets	1,234,490	-	-	-	-	1,234,490
Unfunded Actuarial Accrued Liability (UAAL)	(307,269)	47,009	8,349	113,531	59,060	(79,321)
Amortization factor *	13.5504	13.5504	13.5504	13.5504	13.5504	13.3034
Normal Cost	48,544	2,819	500	6,758	3,539	62,160
Amortization of UAAL	(22,676)	3,469	616	8,378	4,359	(5,854)
Interest to fiscal year end	767	186	33	449	234	1,669
Annual Required Contribution (ARC)	26,635	6,474	1,149	15,585	8,132	57,975
Estimated retiree benefits	40,124	694	124	2,005	1,431	44,378
Estimated Contributions to CERBT	(13,489)	5,780	1,025	13,580	6,701	13,597



This chart shows the same results as above, but shows how the unfunded AAL decreases if just one new benefit is introduced.

Fiscal Year End	12/31/2015				
	Current Benefits (Medical)	Dental	Vision	Long Term Care - Retiree	Long Term Care - Spouse
Actuarial Present Value of Future Benefits					
Actives	\$ 873,707	\$ 68,551	\$ 12,173	\$ 165,321	\$ 86,069
Retirees	354,168	-	-	-	-
Total	1,227,875	68,551	12,173	165,321	86,069
Actuarial Accrued Liability (AAL)					
Actives	573,053	47,009	8,349	113,531	59,060
Retirees	354,168	-	-	-	-
Total	927,221	47,009	8,349	113,531	59,060
Actuarial Value of Assets	1,234,490	-	-	-	-
Unfunded AAL for medical plus new benefit	(307,269)	(260,260)	(298,920)	(193,738)	(248,209)
Unfunded AAL for new benefit only	(307,269)	47,009	8,349	113,531	59,060
Amortization factor *	13.5504	13.5504	13.5504	13.5504	13.5504
Normal Cost	48,544	2,819	500	6,758	3,539
Amortization of UAAL	(22,676)	3,469	616	8,378	4,359
Interest to fiscal year end	767	186	33	449	234
Annual Required Contribution (ARC)	26,635	6,474	1,149	15,585	8,132
Estimated retiree benefits	40,124	694	124	2,005	1,431
Estimated Contributions to CERBT	(13,489)	5,780	1,025	13,580	6,701