

**CALIFORNIA AUTHORITY OF RACING FAIRS
Live Racing Committee
Tuesday, March 1, 2016**

MINUTES

A meeting of the California Authority of Racing Fairs (CARF) Live Racing Committee was held at 11:00 A.M., Tuesday, March 1, 2016. The meeting was hosted at the CARF Board Room, 1776 Tribute Road, Sacramento, California.

CARF Live Racing Committee members attending: John Alkire, Richard Conway, Jerome Hoban, Kelly Olds and Rick Pickering.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Tom Doutrich, Heather Haviland, Juliana Gomes, Raechelle Gibbons, Jeanne Wasserman, Louie Brown, Carol Nolan and Caroline Titus.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Live Racing Committee meeting is scheduled for April 5, 2016 in Sacramento.

Agenda Item 2 – Public Comment. None.

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

Agenda Item 4 – Report, Discussion and Action, if any, on 2016 Legislative Program. Mr. Brown reported that the legislative deadline for the introduction of new bills was February 19, 2016. Legislative staff is in the process of reviewing the 600-700 bills that were introduced on the deadline day. A large portion of those bills are expected to be placeholder spot bills. Bills must be in print 30 days before any action is taken, therefore, bills introduced at deadline will be amended around March 19 to include substantive legislative changes in order to be referred to committee.

Mr. Brown reported that CARF has arranged for the introduction of two bills. AB 2011 (Cooper) contains the Northern California vanning and stabling language from last session with very minor ammendments. AB 2226 (Bigelow) would authorize a fair to contract with two or more fairs within Northern California for the operation and management of a mini-satellite wagering facility within the protected radius.

Mr. Brown stated that since AB 2011 was introduced, principals from Northern and Southern California tracks have come together and determined that there should be one statewide vanning and stabling bill. Legislative staff introduced AB 2011 as a failsafe in the event that racing parties did not reach an agreement before the deadline.

Mr. Brown reported that Assemblymember Adam Gray is continuing his efforts to further Internet poker legislation. The current language includes a \$60 million annual mitigation fund that would benefit fairs and racing. As written, the bill would require the first \$60 million collected to be deposited into the California Horse Racing Internet Poker Account, which the bill would establish in the General Fund. The bill would continuously appropriate 95% of the funds in the account to the California Horse Racing Board for distribution, as specified, and would transfer 5% of those funds to the Fair and Exposition Fund to benefits fairs. The language was intended to serve as a compromise between the horse racing industry and tribal gaming interests, but is now facing pushback from some tribes and the Stronach Group. There are tribes that believe horse racing should be excluded from Internet poker and the Stronach Group feels racing should have the opportunity to compete for a license. CARF legislative staff and a majority of the racing industry feels that a mitigation fund is the most realistic opportunity for racing to benefit from Internet poker. Though the current language is beneficial to CARF interests, Internet poker seems to be in the same holding pattern of negotiations that it has maintained for the past six years.

Mr. Brown reported that the daily fantasy sports (DFS) wagering bill, AB 1437 (Gray), is being challenged by tribal interests after passing through the Governmental Organization Committee.

Mr. Brown reported that he will be escalating discussions with CDFA to secure the license fees generated from fairs horse racing and reinvest them back into historical programs that benefit the fairs generating those fees.

Mr. Korby added that staff initiated conversations with Assemblymember Gray in early January regarding support of mitigation for the racing industry in respects to Internet poker. Staff stressed the challenges racing principals would face in coming together and taking on a whole new role as an Internet poker provider while competing with other licensees. Mr. Korby asked the group to formally support the bill with mitigation language.

The group discussed the class restrictions for fairs included in the bill. As written, the funds will only be allocated to fairs in Class I to IV+ as classified by Section 4507 of the Food and Agricultural Code. The consensus was that fairs should not be limited by class as part of AB 2863 and that the language should be all inclusive by striking the four words pertaining to class designation.

Mr. Hoban moved to support AB 2863, if amended, to include all classes of fairs. The group discussed the possible perception that the bill would be opposed if not amended and the importance of continuing to work closely with Assemblymember Gray in his support of fairs. Motion withdrawn. Mr. Brown will approach Mr. Gray's office regarding removing the fair class requirements currently in the bill.

Agenda Item 5 – Discussion and Action, if any, on Racing Dates for 2016 and Beyond.

Mr. Korby reported that developments have occurred since the last meeting in regards to September 2016 race dates. Mr. Korby stated that there is a consensus amongst directors of the San Joaquin County Fair Board that they have a preference to not race at Stockton in 2016 and would support moving those dates to another fair. Mr. Olds confirmed the accuracy of that statement.

Mr. Korby stated that this development poses an opportunity to keep those dates within the CARF circuit by reallocating them to a fair that is receptive to running them and working through the necessary mechanisms for implementation. Mr. Korby stated that the meeting packets include an agreement formally memorialized by CARF fair representatives in 2009 to enter into a combined fair meet and to thereby consolidate the administration and distribution of purses. Participation in a combined fair meet, pursuant to California Food and Agriculture Code Section 4058 and Business and Professions Code Section 19549, allows for flexibility in the selection of venues for running fair dates. California Horse Racing Board (CHRB) license applications would continue to be submitted for each fair, as has been done in the past.

Mr. Korby asked the Live Racing Committee members to reconfirm the existing 2009 agreement to participate in a combined fair meet in 2016. Mr. Korby stated that the sharing of expenses would continue to occur between fairs as it always has and the risk/revenues can be determined on a case-by-case basis. Mr. Korby stated that the Alameda County Fair has expressed an interest in hosting the Stockton dates in 2016 and will be assuming both the risk and revenue. Mr. Korby requested that a portion of any revenue achieved from a combined fair meet be re-invested back into the racing facility.

Mr. Alkire stated that the Big Fresno Fair would participate in a combined fair meet. Mr. Pickering agreed that the California State Fair would participate and recommended that CARF obtain a letter from Stockton requesting the combined fair meet and reallocation of race dates to quell the possible perception that CARF is attempting to take dates away from Stockton. Mr. Hoban stated that the Alameda County Fair would participate but requested that the 2009 combined fair meet document be reviewed with a fresh set of eyes as specific terms might require modification. Mr. Conway expressed support of the concept in securing the Stockton dates and potentially adding more dates in the future.

Mr. Hoban clarified that a pro rata share of overhead expenses would be shared amongst CARF fairs per past practice and that the Alameda County Fair would be responsible for the hard costs directly attributable to the race meet. Mr. Hoban stated that his Board does not have a formal position to re-invest potential revenues back into the racing facility, but that historically the upkeep and improvement of the facility have exceeded racing revenues.

Mr. Alkire requested the group take formal action to confirm participation.

Mr. Hoban moved to request that the CHRB designate the Alameda County Fair, California State Fair, Humboldt County Fair, San Joaquin County Fair and the Big Fresno Fair as a combined fair meet from June 15, 2016 to October 16, 2016. Mr. Conway seconded, unanimously approved.

Mr. Korby recommended discussions with the CHRB regarding the September 2016 race dates be kept separate from 2017 calendar discussions.

Mr. Alkire requested that staff reach out to the new fair manager at Sonoma County Fair for an informal meeting to discuss CARF membership services.

Agenda Item 6 – Discussion and Action, if any, on Summer Racing Operations. Mr. Swartzlander circulated the final 2015 purse report figures. The 2016 purse and stakes proposal has been submitted to the Thoroughbred Owner's of California (TOC) and staff will meet with the TOC Northern Race Dates Committee to finalize the 2016 contract. The proposal, as submitted, includes \$250,000 in purse cuts by reducing four stake races and keeping overnight purses at 2015 levels. Mr. Swartzlander expects the proposal to be accepted without issue.

Mr. Swartzlander stated staff will take a horse recruiting trip mid-month to Southern California and Turf Paradise in Arizona. Recruitment trips are also being planned for Washington, Oregon and Idaho.

Mr. Korby distributed the 2014 Race Recap showing a complete accounting of racing distributions and commissions.

Agenda Item 7 – Update and Planning for Installation of New Totilisor Equipment (AmTote) in Racing Fair Grandstands. Mr. Korby reported that the totalisator conversion from Sportech Racing, LLC to Amtote International at satellite wagering facilities is complete. Mr. Korby reported that the conversion process has begun for the racing grandstands.

Agenda Item 8 – Discussion and Update on TV Production Agreement. Mr. Swartzlander distributed a proposal from Pegasus Communications outlining an agreement that includes enabling the fairs to broadcast the racing signal in high-definition (HD). Pegasus

is proposing a \$110,000 capital contribution for HD equipment to be divided over a 5-6 year contract extension, resulting in a \$275-400 day rate increase. Staff and a representative from Pegasus will visit each track to determine fiber optic installation requirement and project specifications.

Agenda Item 9 – Executive Director’s Report. Mr. Korby reported that the Southern California Fair in Perris has signed a waiver to allow a mini-satellite wagering facility at the Sahara Dunes Casino in Lake Elsinore, California which falls within the 20-mile radius.

Mr. Korby reported that the meeting packets include a draft agenda for the CARF Membership Conference April 11-12, 2016.

Respectfully submitted,
Heather Haviland