

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors
Tuesday, October 11, 2016

MINUTES

A meeting of the California Authority of Racing Fairs (CARF) Board of Directors was held at 12:30 P.M., Tuesday, October 11, 2016. The meeting was hosted at the Big Fresno Fair, 1121 Chance Ave., Fresno, California.

CARF Board Directors attending: John Alkire, Richard Conway, Jerome Hoban and Rick Pickering.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Richard Scheidt, Tom Doutrich, Heather Haviland, Juliana Gomes, Louie Brown and John Quiroz. Joining by conference call: Raechelle Gibbons and Jamie Matthews.

Agenda Item 1 – Date, Time and Location of Next Meeting. The next CARF Board of Directors meeting is scheduled for December in Sacramento.

Agenda Item 2 – Public Comment. None.

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

Agenda Item 4 – Report, Discussion and Action, if any, on 2016/17 Legislative Program. [Report from Live Racing Committee Meeting]. Mr. Brown reported that Sept. 30 was the last day for Governor Brown to sign or veto bills passed by the Legislature. All bills without an urgency clause signed by the Governor take effect January 1, 2017. AB 2011 (Cooper), the statewide stabling and vaning bill, was written with an urgency clause and will take effect immediately. The bill will allow the amount deducted from handle for auxiliary stabling to increase from 1.25-2% statewide, and Northern principals may agree to a different percentage for individual associations and fairs, but only if all parties agree to the differing percentages.

Mr. Brown reported that the Legislature will change significantly in 2017 as the last phase of the old term limits expire. In 2012, voters approved Proposition 28 which allows legislators to serve a maximum of 12 years without regard to whether the years are served in the State Assembly or the State Senate. For the 2017 session, approximately 1/3 of the Assembly will be new, but it will not experience significant turnover again for eight years. This will bring consistency to the Legislature which may prove beneficial for working through complex policy issues.

Mr. Brown reported that legislative staff will meet prior to December to discuss CARF's 2017 legislative strategy.

Mr. Brown reported that AB 2678 (Gray), which would dedicate the state portion of the sales and use tax collected from transactions at fairgrounds, except for Los Angeles, to support small and medium-sized fairs, passed through the Legislature with a strong 65-1 vote. The bill was then held under submission in the Senate Appropriations Committee. Governor Brown vetoed all bills dealing with the loss of revenue to the state of California, which may have applied to AB 2678 had the bill made it to the Governor's desk.

Agenda Item 5 – Discussion and Action, if any, on Racing Dates for 2017 and Beyond.
[Report from Live Racing Committee Meeting]. Mr. Korby expressed appreciation to the Secretary of Food & Agriculture for publically endorsing part of the CARF submitted calendar, specifically the September dates allocated to the Alameda County Fair. This support is very significant in race dates negotiations. Fairs will reconvene to discuss a 2017 strategy for Fair funding.

Mr. Korby reported that the Live Racing Committee spent multiple days in September in discussions with Sonoma County Fair. Sonoma County Fair staff admitted that the third "bonus" week of their meet is not financially viable, but after many hours of negotiations, the parties were not able to reach a consensus on a calendar that could be submitted to the California Horse Racing Board (CHRB). In the end, CARF submitted the calendar adopted by the Live Racing Committee. The committee continues to support the CARF calendar on the basis that it is balanced and meets the best interests of CARF-member Fairs and most Northern California racing interests. The decision is now in the hands of the CHRB Board.

Mr. Swartzlander provided a recap of the dates meetings that have occurred in Southern California and shared his impressions of how the CHRB Race Dates Committee members may vote. Mr. Korby indicated that the Thoroughbred Owner's of California (TOC) are attempting to conjoin the allocation of race dates to the stabling and vanning agreement.

The group discussed scenarios that are likely to play out during the Oct. 20 CHRB meeting amongst the industry participants. Mr. Pickering asked if the CHRB will have enough Directors for a quorum at the next meeting. Following general discussion all agreed that there would be a quorum for the upcoming CHRB meeting next week.

Agenda Item 6 – Audit Report. Ms. Matthews presented the results of the CARF audit for year ending on December 31, 2015. The majority of the audit field work was completed in mid to late May 2016. Mr. Matthews reviewed the CARF financial statements and recapped highlights from the management discussion and analysis letter.

Ms. Matthews 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 the lack of sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW)

providers. These findings are consistent with prior years, but require Gilbert & Associates to issue a qualified opinion in the CARF audit. Ms. Matthews reviewed changes in newly adopted accounting principle in regards to current year GASB implementation. Ms. Matthews also went over other supplementary information, analysis and recommendations included in the report. Ms. Matthews reiterated that Ms. Gibbons and her staff were extremely well prepared and this was a very clean audit.

Mr. Hoban moved to accept the 2015 CARF Audit Report as presented. Mr. Conway seconded, unanimously approved.

Agenda Item 7 – Update, Discussion and Action, if any, on Proposal to CDFA for Allocation of Pari-Mutuel License Fees to CARF's Race Track Safety Program. [Report from Live Racing Committee Meeting]. Mr. Brown reported that CDFA is reviewing the CARF draft of an agreement to direct license fee money generated by live racing fairs back to health and safety issues at fairs which conduct horse racing, specifically the CARF Race Track Safety & Maintenance Program. Mr. Brown reported that he and Mr. Korby met with Undersecretary Jim Houston on Aug. 8 and they received assurance that the 2016 funds will be redistributed back to CARF. The agreements are currently in the General Counsel's office and should be delivered to CARF by the end of the week.

Mr. Quiroz reiterated that CDFA is drafting the agreement and intends to distribute those license fees back to CARF, but is working through the bureaucratic process of figuring out a mechanism to return the funds.

Agenda Item 8 - Progress Report on Management Transition Plan Adopted by CARF Board. Mr. Korby reported that the meeting packets include a one page summary of the actions taken by the CARF Board of Directors in June to make adjustments in personnel in anticipation of his departure. Mr. Swartzlander is designated Interim Executive Director effective Nov. 1, 2016. Mr. Korby welcomed Mr. Scheidt to the staff, reported that Ms. Haviland's responsibilities have been expanded and added that Mr. Doutrich and Ms. Gomes will continue to play critical staff roles. Mr. Korby reported that the transition is progressing smoothly and he is confident operations will continue seamlessly.

Agenda Item 9 - Financials. Mr. Alkire stated that financials are included in the meeting packets and Ms. Gibbons is available to answer questions. No questions at this time.

Agenda Item 10 – Executive Director's Report. Mr. Korby reported that he received an e-mail from CHRBS staff indicating that the 20-mile satellite protective radius will once again be a topic of conversation in coming months.

Respectfully submitted,
Heather Haviland