

**CALIFORNIA AUTHORITY OF RACING FAIRS**  
**Board of Directors & Live Racing Committee**  
**Concurrent Meeting**  
**Tuesday, August 1, 2017**

**MINUTES**

A concurrent meeting of the California Authority of Racing Fairs (CARF) Board of Directors and Live Racing Committee was held at 11:00 A.M., Tuesday, August 1, 2017. The meeting was hosted at the CARF Conference Room, 1776 Tribute Road, Sacramento, California.

CARF Board Directors joining by conference call: Richard Conway, Jerome Hoban, Dana Stoehr and Kelly Violini.

CARF Live Racing Committee joining by conference call: Richard Conway and Jerome Hoban.

Staff and Guests attending: Larry Swartzlander, Richard Scheidt, Tom Doutrich, Heather Haviland, Juliana Gomes, Louie Brown, Cody Boyles, John Quiroz, Jaime Matthews and Jessica Agee. Joining by conference call: Raechelle Gibbons, Jeanne Wasserman, Ken McCanless.

**Agenda Item 1 – Date, Time and Location of Next Meeting: TBD.** The next CARF Board of Directors meeting is scheduled for October 3, 2017 in Fresno.

**Agenda Item 2 – Public Comment.** None.

**Agenda Item 3 – Approval of Minutes.** Mr. Conway moved to approve the CARF Board of Directors & Live Racing Committee concurrent meeting minutes as presented. Mr. Hoban seconded, unanimously approved.

**Agenda Item 4 – Report, Discussion and Action, if any, on the 2016 Gilbert Audit.** Ms. Matthews presented the results of the CARF audit for year ending December 31, 2016. The majority of the audit field work was completed in mid to late May 2017. Ms. Matthews reviewed the CARF financial statements and recapped highlights from the management discussion and analysis letter as required by governmental accounting standards.

Ms. Matthews reported the audit found CARF financial statements accurately and fairly represent 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 only two areas (resulting in a qualified opinion): a lack of sufficient audit evidence to guarantee the revenue from Advance Deposit Wagering (ADW) providers and a lack of checks/balances regarding paymaster duties, specifically segregation of duties, which would provide stronger internal control during live racing. Ms. Matthews acknowledges that due to the nature of the operations, a complete segregation of duties (i.e. hiring an assistant paymaster) is not practical. These findings are

consistent with prior years, but require Gilbert & Associates to issue a qualified opinion in the CARF audit. Ms. Matthews also reviewed other supplementary information, analysis and all 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.

Ms. Matthews stated that GASB implementation and new pension standards have significantly changed that financial position of many agencies, including CARF's, and recommended that the Board consider a long-term strategic planning session with a third-party mediator to plan for the agency's future and economic outlook.

Mr. Hoban moved to accept the 2016 CARF Audit Report as presented. Ms. Stoehr seconded, unanimously approved.

**Agenda Item 5 – Financials.** Mr. Swartzlander reported that financials are included in the meeting packet and Ms. Gibbons is available to answer questions. Ms. Gibbons presented the Statement of Net Position, Agency Income Statement, Southern Program Income Statement and Live Racing Income Statement. No questions.

**Agenda Item 6 – Report, Discussion and Action, if any, on 2017 Legislative Program.** Mr. Brown reported that Cody Boyles from Kahn, Soares & Conway is joining him today and will be working closely as part of the legislative team to represent CARF's interests at the Capitol.

Mr. Brown stated that the legislature is on summer recess and will reconvene August 21. Once the legislature reconvenes, there will be approximately four weeks to wrap up the session. Mr. Brown reported that CARF-sponsored bills AB 460 (Bigelow) and SB 495 (Vidak) are available as spot bills if needed. SB 274 (Glazer), the bill giving CDFR the authority to allocate license fees back to racing fairs, is being held in the Assembly Governmental Organization Committee (G.O.). Mr. Brown stated that there is a difference in opinion between the Assembly G.O. Committee and Department of Agriculture regarding whether or not legislation is required to transfer the funds and language regarding the F&E fund and grants. A meeting is being held next week to hopefully gain clarity regarding policy.

AB 1499 (Gray), the WFA-sponsored sales tax bill reintroduced from 2016, has been restructured slightly from the prior year and would create an ongoing source of funding to California's network of fairs, providing annual funds of approximately \$15 million. AB 1499 would require that 3/4 of one percent of the total of gross receipts reported to the Department of Finance be included in the next annual budget for allocation to fairs. The bill is in the Assembly Appropriations Committee and now has overtime language included that needs to be reviewed to determine how it will impact affected fairs.

Mr. Brown reported that he, Mr. Swartzlander, Mr. Scheidt and Mr. Boyles have scheduled a meeting with Eric Johnson, consultant for the Assembly G.O. Committee, to discuss the current state of racing fairs, the need for a secure block of dates moving forward and to hear any of Eric's concerns from the Capitol.

Mr. Scheidt reported that Mr. Pickering and Tom Martinez hosted a group of legislative staffers during the California State Fair for an education tour of the fairgrounds and, specifically, the racing grandstand. The feedback from participants was very positive.

**Agenda Item 7 – Report, Discussion and Action, if any, on Summer Racing Operations.**

Mr. Swartzlander opened with several facts concerning summer racing thus far: 1) Oak Tree at Pleasanton fall meet has received CHRB permission to drop racing Thursday, Sept. 29 as Southern California is dark, 2) There are two significant carryover in the Gold Rush Pick 6 and Gold Strike Super High 5 going into the Ferndale meet, 3) Commission comparisons are far more positive than the standard comp sheets being distributed to the industry, 4) Racing on the fairs thus far has been successful operationally with an excellent race track maintenance program and no racing fatalities, and 5) Pleasanton will be open for abbreviated training starting Aug. 20.

Mr. Hoban inquired about the status of the purse account. Mr. Swartzlander replied that we are currently \$150,000 overpaid which will adjust as ADW and other revenues are considered.

Mr. Scheidt reported that the CHRB Board approved rules establishing that race-day medication, specifically the anti-bleeding medication Lasix, must be administered by independent veterinary professionals, which aligns with the national uniform medication program. The new rules state that Lasix must be administered by Board-approved independent veterinarians employed by the racing association within certain timeframes, methods, and doses, and the syringes used for those injections will be retained for future analysis as needed. Other requirements and restrictions imposed by the new rules will further improve race-day security.

Mr. Scheidt participated in an initial industry conference call and became apparent that it will take some time for the horsemen's organizations and racetracks to identify and approve independent veterinary professionals to do the work and for the CHRB and stakeholders to develop procedures for each facility. To help ensure the smoothest possible transition, the CHRB is providing everyone with ample time to make the necessary adjustments. The changes are expected to go into effect at all tracks by Dec. 26. This timeframe will give the fairs ample time to review the procedures developed at Golden Gate Fields. Mr. Conway asked questions about syringe storage and general discussion took place for several minutes.

**Agenda Item 8 – Report, Discussion and Action, if any, on 2018 Racing Dates.** Mr. Swartzlander stated that the official CARF position regarding race dates submitted to the CHRB in May has not changed. Mr. Swartzlander stated that there is another calendar circulating that was developed with Santa Rosa. Both calendars are included in the meeting packet.

Upon recommendation of Becky Bartling, Mr. Swartzlander has scheduled a meeting with a member of the Sonoma County Fair Racing Committee to discuss further opportunities between CARF and Santa Rosa.

**Agenda Item 9 – Update on Mini-Satellites.** Mr. Scheidt reported that Mr. Swartzlander reiterated CARF's position at the CHRB meeting stressing that CARF is open to discussing any and all mini-satellite opportunities that fall within the fair-protected radius. He noted that to date no CARF member has objected to signing a waiver for a mini satellite to open within the 20-mile radius. Mr. Scheidt was pleased that CHRB Executive Director Baedeker inquired in open session as to the involvement of TOC and Golden Gate Fields with mini-satellites in the North. CARF currently has projects in progress in downtown Sacramento and Ferndale and there is an interested party in the Stockton radius. Mr. Scheidt mentioned that he works closely with NCOTWInc. staff on mini-satellite development inside CARF's radius and outside when necessary.

**Agenda Item 10 – Executive Director's Report.** Mr. Swartzlander reported that Geoff Hinds, CEO of the San Bernardino County Fair, has been unanimously elected to the CARF Board as Chairman of the Southern Simulcast Committee by CARF's Southern satellite members.

Mr. Swartzlander reported that he will be moving forward in holding a strategic planning meeting with a third-party moderator to discuss the future of CARF.

Mr. Swartzlander reported that there are multiple seats open on the CHRB Board. Mr. Brown encouraged submitting applicants from within the fair racing family.

Respectfully submitted,  
Heather Haviland