

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors & Live Racing Committee
Concurrent Meeting
Tuesday, December 5, 2017

MINUTES

A concurrent meeting of the California Authority of Racing Fairs (CARF) Board of Directors and Live Racing Committee was held at 10:00 A.M., Tuesday, December 5, 2017. The meeting was hosted at the CARF Conference Room, 1776 Tribute Road, Sacramento, California.

CARF Board Directors attending: Jerome Hoban and Rick Pickering. Joining by conference call: John Alkire, Richard Conway, Geoff Hinds and Dana Stoehr.

CARF Live Racing Committee attending: Jerome Hoban and Rick Pickering. Joining by conference call: John Alkire and Richard Conway.

Staff and Guests attending: Larry Swartzlander, Richard Scheidt, Tom Doutrich, Heather Haviland, Juliana Gomes, Raechelle Gibbons, Louie Brown, Cody Boyles, John Quiroz, Tom Martinez, Jeanne Wasserman, Terri Eaton and Katherine Barbeau. Joining by conference call: Caroline Titus.

Agenda Item 1 – Date, Time and Location of Next Meeting: February 6, 2018 at 11:00 a.m. in Sacramento. The next CARF Board of Directors meeting will be held Tuesday, February 6, 2017 at 11:00 a.m. in Sacramento.

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Approval of Minutes. {ACTION} 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 2018 Legislative Program {Conducted after Agenda Item 8}. Mr. Brown reported the legislature is currently in recess and will reconvene on Jan. 3, 2018. The last day of bill introduction for the 2018 session is Feb. 16, 2018.

Mr. Brown reported that the U.S. Supreme Court may be prepared to strike down the federal ban on sports betting. The current law prohibits states from legalizing sports betting, except where it was already legal. That exemption applied to Nevada, Delaware, Montana, Nevada and Oregon. Assemblymember Adam Gray wants to position California to move quickly to enable sports betting in the state if the ban is lifted and plans to make this a

priority in 2018. Past bills authored by Gray have included language to allow entities currently offering gambling in California to offer sports betting, including racetracks.

Mr. Brown reported that Secretary of the California Department of Food and Agriculture Karen Ross contacted him for historical background regarding 2016/17 AB 2011 and stabling in Northern California. Mr. Brown informed Secretary Ross that Golden Gate Fields (GGF) and the Thoroughbred Owners of California (TOC) helped author the bill and that GGF has already utilized the opt-out clause to their benefit. She expressed support of CARF's decision to opt-out of the Stabling & Vanning Fund but asked if the CARF Board would be willing to consider other options. Mr. Brown stated that CARF is open to any and all proposals, but any deviation from our current position would have to make financial sense for Fairs.

Mr. Brown stated that the TOC lobbyist has been very active at the Capitol regarding stabling and the potential closure of GGF. Mr. Brown asked if the Board would like him to reach out to the TOC and/or CTT lobbyist. Mr. Alkire directed Mr. Brown to reach out to any applicable parties and express that the CARF Board is willing to participate in any discussions and is open to considering alternative solutions. The Board requested Mr. Brown attend the CHRB meeting and stabling discussion on December 14.

Mr. Boyles reported that Watch & Wager Harness and Mr. Martinez hosted a legislative staff event last Friday night at Cal Expo. Mr. Boyles stated that the night was very well executed; approximately 20 staffers had an excellent experience and expressed enthusiasm to come back. Mr. Martinez stated that building relationships in a social setting with staffers and exposing them to horse racing and wagering is vital to developing solutions for our shared interests/concerns.

Mr. Brown reiterated that the deadline to introduce bills is February 16. Mr. Hoban asked if this is the appropriate time to explore securing a block of unoverlapped race dates. Mr. Brown stated that securing unoverlapped race dates for Ferndale will be an uphill battle and securing a block of dates for fairs would be even more difficult as it could be interpreted as restricting authority from the California Horse Racing Board (CHRB). Mr. Brown stated that if the Board decides to explore securing a block, it would require many conversations with the Administration to express that our intent is not to remove authority, but to protect fairs from private racing entities that have been lobbying for summer race dates.

Mr. Pickering stated that in 2009 SB 16XX, the bill that moved fair funding from license fees to a continuous appropriation from the General Fund, or a subsequent trailer bill struck language that tied the initial legalization of pari-mutuel wagering in California with "encouraging agriculture and the breeding of horses in this state" and "supporting the network of California fairs." Mr. Pickering recommended that language historically tying horse racing to the support of fairs be reinstated.

Mr. Scheidt stated that there is existing legislation that provides financial relief to Sacramento and Stockton in the event that there is racing overlap. Staff is recommending that Ferndale be added to that legislation.

{ACTION} Mr. Hoban moved to direct legislative staff to explore securing Humboldt County Fair the overlap relief provided to Sacramento and Stockton and to reinstate historic code that legalized pari-mutuel wagering to support the network of fairs. Mr. Conway seconded, unanimously approved.

Agenda Item 5 – Report, Discussion and Action, if any, on Mini-Satellites. Mr. Scheidt reported that the Solano County Fair signed a waiver to allow a mini-satellite to operate at Farringtons Bar in Pleasant Hill, which falls within the fair’s 20-mile protection radius. For the project to move forward, GGF must sign a waiver. That process may take longer than expected due to the recent management changes within Stronach Group. The waiver between the Solano County Fair and Farringtons stipulates that the mini-satellite must be operational within 6 months. If that target is not met, a new waiver will be required. This is a very positive development in that the same group that operates Farringtons Bar is also interested in opening a mini-satellite in downtown Sacramento after the Pleasant Hill installation is complete.

Mr. Scheidt reported that a potential mini-satellite partner within the San Joaquin County Fair’s radius needs to be brought before the NCOTWInc. Board. Currently, a NCOTWInc. Board meeting has yet to be scheduled. Mr. Scheidt believes this location may only be financially viable as an unmanned facility.

Mr. Alkire asked for an update regarding the status of a mini-satellite facility in Humboldt County. Mr. Scheidt and Mr. Conway reported that a partnership is still be explored with a nearby casino, but that the casino operator has delayed discussion until extensive facility renovations are complete in March 2018.

Agenda Item 6 – Report, Discussion and Action, if any, on 2018 Racing Dates and Stabling & Vanning Agreement. Mr. Swartzlander reported that the CARF Finance Committee tentatively adopted a 42-day race day calendar for 2018 as follows: Pleasanton racing 15 days, Sacramento racing 11 days, Ferndale racing 7 days and Fresno racing 9 days. The determination of live racing days directly impacts the CARF agency budget agenda item. The group discussed potential the Southern California racing calendar and a need determine those dates as soon as possible.

Mr. Swartzlander reported that a revised fair stabling plan is included in the meeting packets. The current plan has fairs opting out of the Stabling & Vanning Fund, thereby saving a projected \$476,000 in commissions and a like amount in purses. The plan, as proposed, has Pleasanton opening May 1 in a limited capacity for two weeks before offering full training. Pleasanton and Sacramento will serve as auxiliary stabling facilities for each other while Ferndale and Fresno do not require additional stabling.

Mr. Scheidt recommended that the Board consider forming an Stabling & Vanning Ad Hoc committee to expedite any negotiations that may occur next Thursday.

Ms. Stoehr excused herself from the remainder of the meeting.

{**ACTION**} Mr. Hoban moved to form an Ad Hoc committee consisting of Mr. Alkire, Mr. Pickering and himself, pending legal counsel approval, to negotiate the 2018 Stabling & Vanning plan. Mr. Conway seconded, unanimously approved.

Agenda Item 7 – Report, Discussion and Action, if any, on Consolidated Purse Fund. Per Board Member request during the November meeting, Mr. Swartzlander provided a spreadsheet titled “2017 Consolidated Fair Purse Report” with updated figures and proposed withholdings by fair.

As background, Mr. Swartzlander is projecting a total overpayment balance of \$285,206 at the end of 2018. For the fiscal responsibility of the agency, Mr. Swartzlander is requesting Board action to withhold that amount from Fair commissions generated in 2018. The withholdings by fair would be \$69,716 for Pleasanton and Sacramento, \$44,366 for Ferndale and Pleasanton Fall and \$57,042 for Fresno.

Mr. Hoban moved to withhold 2018 commissions as proposed to cover the anticipated purse overpayment based on 2017 race dates. No second, motion fails.

Agenda Item 8 – Discussion and Action, if any, on 2018 Agency Budget. Mr. Swartzlander reported that the 2018 CARF Agency Budget is included in the meeting packet. The budget is similar in structure to last year’s budget and has been approved by the CARF Finance Committee. Mr. Swartzlander noted that based on 2017 year-end projections, no category was overspent. Individual categories that are over represent expenses CARF has paid on behalf of fairs that typically were handled by the fair. Mr. Swartzlander stated he will provide fairs with a list of contracts that the fair is responsible to paying prior to each race meet.

Ms. Gibbons provided a detailed presentation of the Agency Income Statement, Southern Satellite Program Sales, Live Racing Income Statement and Statement of Net Position (formerly presented as the Balance Sheet).

Mr. Hoban asked if staff had explored relocating the CARF office. The group discussed the existing lease agreement with CFSA for the office space on Tribute Road. Mr. Swartzlander stated that his recommendation is to maintain the existing lease, but that he will talk to fairs about housing the CARF office operations and bring financial scenarios back to the Board.

Mr. Alkire noted that Ms. Gibbons is available for any additional questions.

{ACTION} Mr. Hoban moved to approve the CARF 2018 Agency and Live Racing budget as presented. Mr. Conway seconded, unanimously approved.

Mr. Pickering joined the meeting.

Agenda Item 9 – Executive Director's Report.

- Mr. Swartzlander reported that CHRB's third-party Lasix requirement has been implemented at GGF and staff is exploring how it will be managed at fairs.
- Mr. Swartzlander reported that he would like to schedule a manager's retreat in February.
- Ms. Haviland reported that Mr. Alkire, Mr. Hoban and Ms. Violini have been nominated to retain their Board seats and all three will run unopposed. Ballots will be distributed next week.

Agenda Item 10 – Closed Session – Public Employee Performance Evaluation: Interim Executive Director. Mr. Alkire reported that no action was taken during closed session.

{ACTION} Mr. Conway moved to remove the "interim" designation from Mr. Swartzlander's title, thereby changing his title to "Executive Director." Mr. Hoban seconded, unanimously approved.

Mr. Pickering added that the Board will move forward with a formal, written evaluation of the Executive Director prior to the February meeting.

Mr. Alkire congratulated Mr. Swartzlander and directed staff to draft and distribute a press release regarding Mr. Swartzlander's new title.

Mr. Pickering moved to adjourn the meeting. Mr. Hoban seconded, unanimously approved.

Respectfully submitted,
Heather Haviland