

**CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors & Live Racing Committee
Concurrent Meeting
Tuesday, February 6, 2018**

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, February 6, 2018. The meeting was hosted at the CARF Conference Room, 1776 Tribute Road, Sacramento, California.

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

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

Staff and Guests attending: Larry Swartzlander, Richard Scheidt, Tom Doutrich, Heather Haviland, Juliana Gomes, Raechelle Gibbons, Ann Grottveit, Cody Boyles, John Quiroz, Tom Martinez, Lauri King and Jeanne Wasserman. Joining by conference call: Louie Brown, Chris Griffin, Allen Aldrich and Caroline Titus.

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

Agenda Item 2 – Public Comment. None.

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

Agenda Item 4 – Report, Discussion and Action, if any, on the 2018 Legislative Program. Mr. Brown reported that the Legislature reconvened on January 3 and the last day for bill introduction is next Friday, February 16. The number of bills introduced in both houses was significantly lower than normal, but should pick up pace rapidly in the coming weeks.

CARF's legislative plan includes introducing two bills, with Assemblymembers Jim Cooper and Vince Fong acting as authors. CARF also has Senator Andy Vidak's bill from last session sitting in the Senate Governmental Organization (GO) Committee if needed.

At this time, CARF will not be carrying a bill addressing overlap compensation for the Humboldt County Fair. Both Senator Mike McGuire and Assemblymember Jim Wood declined to introduce the bill and it is unlikely that a member from an outside district will pick up the issue. That being said, the issue is not dead as the language may be added to another industry bill if an opportunity with the correct leverage presents itself. Legislative staff believes that the lack of interest by McGuire and Wood are not a slight against the Humboldt County Fair, but rather the issue did not fit the overall agenda of either representative. Mr. Conway stated that he has not received any follow-up communication from either McGuire or Wood.

Mr. Brown reported that there is a rumor at the Capitol that Assemblymember Adam Gray will be introducing an omnibus gaming bill and it is well known that he is closely monitoring the sports wagering cases occurring outside of California.

Mr. Brown stated that the implementation of a bill from last session, AB 1499 (Gray), will be a top focus of Fair legislative staff this session. The bill was intended as a permanent long-term funding mechanism for fairs determined by sales tax revenue generated. The WFA-sponsored bill was reintroduced from 2016 and was restructured slightly from the prior year to create an ongoing source of funding to California's network of fairs, providing annual funds of approximately \$12-15 million. Starting in 2019, 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 through F&E. Fairs will see benefit from this legislation in the 2019-20 fiscal year and it is imperative that a clear understanding of the process and procedures to secure funding be put into place before Governor Brown leaves office.

Mr. Quiroz clarified that license fees generated and held by CARF per 2017 session AB 460 are now funds usable by CARF. The additional "gray area" fair license fees are still under discussion. Mr. Scheidt will stay in communication with Mr. Quiroz on the issue.

Agenda Item 5 – Report, Discussion and Action, if any, on Northern California Mini-Satellite Program. Mr. Scheidt reported that the current outlook for opening a mini-satellite facility in Northern California is dim. Matt Cranford, CEO of the Stanislaus County Fair, has re-engaged conversations with the Turlock Poker Room about partnering in a mini-satellite venture. However, recent developments with NCOTWINC and The Stronach Group (TSG) create difficulties with moving this project forward in a timely manner.

Mr. Scheidt reported that the Solano County Fair approved mini-satellite to operate at Farringtons Bar in Pleasant Hill has hit a major snag. Mr. Scheidt attended a City Council Planning Commission meeting at Pleasanton Hill and it became apparent that disruptions at the bar within the community have placed the overall operation in a tenuous position. Due to these problems, the possibility of integrating horse racing into the bar was never even broached. The management of Farringtons was directed to resolve these issues and come back to the City Council, which could take up to a year. This development directly affects a

mini-satellite that has been discussed for downtown Sacramento as the same ownership group operates Farringtons and desires to integrate the Pleasant Hill facility first.

Mr. Scheidt stated that the issues surrounding the funding of NCOTWINC and the intent of TSG to change the racing model in California have put all Northern California mini-satellite projects on hold. CARF staff will not continue to invest time and resources into the development of mini-satellites until there is a commitment and direction from NCOTWINC to do so. At this point, TSG has not named a Golden Gate Fields (GGF) representative to the NCOTWINC Board and has not shared their intentions regarding expansion of the satellite network.

Agenda Item 6 – Report, Discussion and Action, if any, on CARF Objectives. Mr. Swartzlander reported that the meeting packets include a list of long and short-term CARF agency objectives as well as a list of CARF membership services specific to satellite wagering facilities. Mr. Hoban and Mr. Alkire thanked Mr. Swartzlander for memorializing these items and making them available to the Board as official documents.

Ms. Stoehr left the meeting.

Agenda Item 7 – Report, Discussion and Action, if any, on Corporate Sponsorships. Mr. Griffin provided a written and verbal update regarding his efforts to secure horse racing-specific sponsors at Fairs to the benefit of the consolidated purse fund. Mr. Griffin stated that he is close to securing a six-figure sponsorship from a gaming software group and has several smaller local businesses that are interested.

Mr. Griffin expressed a desire to continuing work with CARF beyond his existing contract to develop corporate sponsorships on a commission-only basis. {ACTION} Mr. Conway moved to retain the services of Chris Griffin to sell corporate sponsorships at a commission rate of 10 percent for the 2018-19 Fair racing season. Mr. Hoban seconded, unanimously approved.

Agenda Item 8 – Discussion and Action, if any, on 2018 Racing Fair Circuit: Operations, Consolidated Purse Fund, Stabling Schedule and Racetrack Maintenance Upgrade Program.

Consolidated Purse Fund: Per the November and December 2017 CARF Board meetings, Mr. Swartzlander revisited the projected total overpayment balance of \$285,206 anticipated at the end of 2018 and the fiscal responsibility of withholding the anticipated shortfall from Fair commissions generated in 2017. A spreadsheet from the December 2017 meeting titled “2017 Consolidated Fair Purse Report” with updated figures and proposed withholdings by Fair was recirculated.

The group discussed options, current accounting practices at Fairs and consulted Ms. Gibbons regarding logistics. Each Fair discussed their individual position and it was noted

that Mr. Pickering was absent and his input is critical due to the impact on California State Fair. Ms. Gibbons was directed to keep the CARF books open through the March Board meeting.

{ACTION} Mr. Hoban moved to withhold 2017 commissions as proposed to cover the anticipated purse overpayment at the end of the 2018 racing season based on 2017 race dates. Mr. Conway seconded. Following discussion and clarification, the motion was withdrawn by Mr. Hoban and staff was directed to add the item to the March Board agenda.

Stabling Schedule: Mr. Swartzlander reported that he has a conference call tomorrow with Scott Daruty of TSG to discuss the Monarch Content Management, LLC representation of the Fair signal and a stabling schedule for GGF. Mr. Doutrich provided an update regarding the disposition of horsemen that will be displaced when GGF closes the backside.

Mr. Swartzlander stated that the current CARF stabling plan is for Pleasanton to open May 1 for the meet and serve as an auxiliary facility through the Sacramento meet with Sacramento opening as an auxiliary stabling facility for Pleasanton starting June 10 and closing at the end of the meet (calendar provided in the meeting packet). Mr. Swartzlander has been in contact with Becky Bartling as Pleasanton's closing will be dependent on Santa Rosa's use of an auxiliary facility. At this time, Santa Rosa has not taken an official position. To accommodate horsemen, Fresno will open for stabling August 28.

Racetrack Maintenance Upgrade Program: Mr. Swartzlander circulated a current CARF Racetrack & Safety Program equipment log and the evaluations used to develop a proposal to trade in a tractor in need of major repairs and replace it with lightly used equipment (two 2013 John Deere 8310 tractors and one 2013 John Deere 6125R tractor) and rent a water truck. This plan provides a backup tractor to the starting gate tractor. There was discussion regarding backup gate tractor needs at each Fair.

Mr. Swartzlander stressed that if the Fairs provide the backup gate tractor, it must be reliable and have the ability to quickly move the starting gate plus the inoperable gate tractor.

{ACTION} Mr. Hoban moved to approve the Racetrack Maintenance Upgrade Program as presented with the modification to trade in the backup starting gate tractor against the newly purchased equipment. Mr. Conway seconded, unanimously approved.

Agenda Item 9 – Financials. Preliminary year-end financials were provided as handouts. Mr. Alkire noted that Ms. Gibbons is available to answer questions. No questions.

Agenda Item 10 – Executive Director's Report. None.

Agenda Item 11 – Closed Session: Public Employee Performance Evaluation: Executive Director and Conference with Legal Counsel in Regarding to Anticipated

Litigation. Ms. Grottveit reported that an evaluation of the Executive Director occurred and compensation was adjusted. Ms. Grottveit reported that no action was taken in regards to anticipated litigation.

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

Respectfully submitted,
Heather Haviland

