

**CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors & Live Racing Committee
Concurrent Meeting
Tuesday, April 3, 2018**

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, April 3, 2018. The meeting was hosted at the CARF Conference Room, 1776 Tribute Road, Sacramento, California 95815.

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

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

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

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

Agenda Item 2 – Public Comment. None.

Agenda Item 3 – Approval of Minutes. {ACTION} Mr. Pickering 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 from Spring recess yesterday and there is a high level of activity at the Capitol. April 27 is the deadline for policy committees to hear and report on fiscal bills introduced in their house of origin. The last day for non-fiscal bills to be heard in committee is May 25. Mr. Brown reported that racing legislation remains light and individual association legislation consists predominately of spot bills.

The two CARF sponsored bills, AB 2917 (Cooper) and AB 3164 (Fong) are moving through the process. Legislative counsel is in the process of making substantial amendments to AB 3164 by

eliminating the language that would give preference to Fair directors seeking appointment on the California Horse Racing Board (CHRB). After meeting with Assembly G.O. Committee staff, it was agreed that replacing the existing language with other spot language would accomplish the intent of moving a bill to the second house for use as a legislative vehicle if needed. Both CARF spot bills are expected to move through the first house with no issue.

Mr. Brown reported that harness industry representatives are seeking CARF support for AB 2270 (McCarty), a bill which would authorize night racing associations to increase the number of international import races on days which Cal Expo is running live. Mr. Pickering stated that Cal Expo has taken an official support position and he would encourage the CARF Board to support harness as a Fair partner.

{ACTION} Mr. Pickering moved for the CARF Board to take an official support position on AB 2270 (McCarty). Mr. Hinds seconded, unanimously approved.

Agenda Item 5 – Report, Discussion and Action, if any, on CARF Office Space. Ms. Haviland reported that a document titled “Initial CARF Office Options” was included in the meeting packet. This document outlines several options CARF staff has explored for reducing office expenses including: Retaining the existing office space and reducing overhead expenses, reducing the current office space, downsizing to a shared space within the CFSA offices, moving to a trailer rental at Cal Expo, and downsizing two CARF employees to home offices.

CARF staff recommended that the most feasible option with the greatest cost savings is to terminate the existing office lease and downsize into a smaller shared-office space within the downstairs CFSA offices. Staff is requesting a move-in date of February 1, 2019 which would eliminate the need of hiring a third party to convert historic files to digital.

It was noted in the document that overall CARF office expenses have been reduced each year from 2012 to 2016, resulting in actual expenses declining 24 percent from \$80,494 to \$60,864.

Mr. Pickering added that CARF staff had previously been instructed to analyze and reduce annual operating costs and the results of those efforts were brought before the Finance Committee on March 20, 2018. The Finance Committee discussed the options, including developing a document retention policy and having staff convert stored files to digital. After discussion, the Finance Committee unanimously voted to make a recommendation to the full Board to downsize the existing CARF offices into a smaller shared-space within the CFSA offices per “option 3” as depicted by staff.

Mr. Pickering moved to terminate the existing CARF lease with CFSA, effective February 1, 2019, and renegotiate a new lease to significantly downsize the square footage of the CARF office space as presented. Ms. Stoehr seconded, unanimously approved.

Agenda Item 6 – Report, Discussion and Action, if any, on Miscellaneous Uncommitted Racing Funds. Mr. Swartzlander reported that the Finance Committee reviewed several uncommitted live racing line items, many of which are 25-years-old or older, sitting on the CARF books. These funds include outstanding 1993 and prior Paymaster checks, interest from unclaimed refunds made prior to current policy implementation, decoder-rights fees, 2002 NCOTWINC stabling and vanning funds, 2004 TOC spend-back balance, 1996 Cal Expo Paymaster outstanding checks and 1994 unallocated AB 864 funds. The total amount of these line items is approximately \$180,000.

Mr. Swartzlander reported that the Finance Committee voted to recommend to the full Board that these funds be reclassified to the Live Racing Augmentation Fund for the future support of fair racing.

Ms. Stoehr questioned the legal implications regarding California's unclaimed property laws. Mr. Swartzlander stated that staff would seek a legal opinion and bring this item back in a future meeting.

Agenda Item 7 – Report, Discussion and Action, if any, on Racing Operations: Stabling, Horsemen's Agreements, License Applications and Trainer Incentive Program.

Stabling: Mr. Swartzlander stated that, as of the last Board meeting, the CARF stabling plan involved opting out of the Stabling & Vanning Fund and only using fair facilities for auxiliary stabling. This decision eliminates Golden Gate Fields's (GGF) \$16,900 date rate and helps to significantly reduce the purse deficit.

Mr. Swartzlander reported that on March 21, CARF and the California Thoroughbred Trainers (CTT) held a brunch at GGF to meet with horsemen, present the CARF plan and hear trainer's concerns. The meeting was very well attended and trainers expressed a multitude of concerns, the most significant of which revolved around displacing barns and workers whose lives have become ingrained at GGF over the years of year-round stabling.

On March 22 the CHRB's Special Committee on Northern California Racing held a public meeting to discuss the Stabling & Vanning Fund and the projected availability of stalls for off-site stabling and training during the 2018 Fair Circuit. Approximately 50 trainers expressed a desire for Golden Gate to remain open and rejected the Fair plan to rely solely on stalls at Fair locations in Pleasanton, Sacramento and Fresno for auxiliary stabling.

After this meeting, the CHRB's Special Committee on Northern California Racing, at the request of TOC, called for a subsequent private meeting with representatives of Golden Gate Fields, Fairs and horsemen on March 29, in hopes of bringing those parties to agreement. Committee members present made it clear that the CHRB is authorized under California Business

Code 19535 to settle disputes over stabling issues and that if stakeholders did not reach agreement, they would make a recommendation for the full Board to consider at the April 19 regular meeting.

During the March 29 meeting, the CHRB Special Committee interpreted provisions of California Business Codes 19607.3 & 19535 and denied Fairs the right to opt-out of the Stabling & Vanning Fund. This decision will result in the Fairs paying Golden Gate Fields a significant amount for stabling services. Despite protest from Fair legal counsel, the Committee gave the Fairs a deadline of March 30 at 5:00 p.m. to accept the proposal. The Committee implied that failure to do so would negatively impact agreement negotiations with horsemen's groups, and ultimately, the CHRB's ability to grant Fairs racing licenses.

The proposal reads as follows:

1. "Golden Gate Fields will be open for stabling and training for all 2018 northern California racing fairs. Stabling and training schedules will be in accordance with past practices.
2. Golden Gate Fields will receive the full 2% that is generated from the stabling and vanning fund during all 2018 northern California racing fairs.
3. All trainers stabled at Golden Gate Fields during this period will be required to make at least one start per stall during the 2018 northern California racing fairs season ("Minimum Start Requirement"). If the trainer does not make the Minimum Start Requirement, the trainer will pay \$5 per day for all stalls less than the Minimum Start Requirement. For example, if a trainer has 10 stalls at Golden Gate Fields and the trainer only has 7 starts during the 2018 northern California racing fairs season, the trainer will owe \$5 per day for 3 stalls.
4. The Stabling and Vanning Committee will collect the stall rent. The monies collected will go toward CARF's purse overpayment.
5. Golden Gate Fields will be open as a satellite facility during the 2018 northern California racing fairs meets."

Under pressure from CHRB and horsemen, the CARF Live Racing Committee agreed to this "compromise" for 2018. Though Fairs do not wish to displace horsemen from Golden Gate Fields, the racing industry is placing responsibility solely on CARF. Mr. Swartzlander feels that the CHRB has allocated racing dates to Golden Gate Fields during 10 months of the year and Golden Gate Fields should be bearing the cost of housing horsemen that support their meet year-round and do not run at Fairs.

Mr. Swartzlander stated that the financial impact, taking into account the racing calendar and the 2% Stabling & Vanning Fund deduction, would generate a \$11,000 overpayment for 2018. If Fairs are able to collect an estimated \$157,000 in "stall rent," that amount will be applied to offset the consolidated purse account overpayment. The net effect is that Fairs will be paying \$107,000 more than if the original stabling plan had been implemented by opting out of the Stabling &

Vanning Fund. Mr. Swartzlander stated that he estimates the total consolidated purse fund overpayment to be \$449,000 at the end of 2018.

Mr. Pickering asked for clarification regarding the exact Golden Gate Fields auxiliary stabling day rate under the proposed agreement. Mr. Swartzlander stated that the new rate averages to \$12,301 per day. Mr. Pickering stated, having participated by phone during the March 29 meeting, terms were being dictated that could have negative consequences for Fairs. Mr. Pickering stated that he supports the overall compromise, appreciates the efforts of the CHRB to effectively lower the GGF day rate and appreciates TOC's help in collecting stall rent, but it was not appropriate to be told by CHRB Vice Chair Auerbach that if the deal wasn't done by the end of that meeting or the end of the day, then there would be no deal. Trying to force Mr. Swartzlander to accept the deal on the spot or to call CARF Board Members to obtain their votes could be viewed as asking him to violate the Brown Act requirements for public notice and due deliberation.

Mr. Swartzlander asked for Board action to ratify the position of the Live Racing Committee to accept the 2018 stabling proposal as outlined.

{ACTION} Mr. Pickering moved to accept the deal points read into record regarding a compromise reached on March 30 for 2018 Northern California stabling. Mr. Conway seconded, unanimously approved.

Horsemen's Agreements: Mr. Swartzlander stated that he expects to have draft agreements from CTT and TOC by the end of the week. Verbal agreements have been reached with the Quarter Horse and mule organizations and staff will be meeting with Arabian representatives this afternoon.

License Applications: Mr. Swartzlander stated that horsemen's agreements are outstanding but expected by the end of the week. The Pleasanton fire clearance is still outstanding at this time but expected by April 8. ADW agreements are also outstanding but can move forward once the horsemen's agreements are finalized.

Trainer Incentive Program: Mr. Swartzlander stated that he and Mr. Doutrich will be contacting each racing fair on an individual basis, but that staff is recommending \$1,000/\$500 per 10 or 5 starts for each Fair.

Agenda Item 8 – Report, Discussion and Action, if any, on NCOTWINC and SCOTWINC. Mr. Swartzlander reported that The Stronach Group (TSG) gave notice March 12 to opt-out of the host agreement with NCOTWINC effective June 12. The NCOTWINC Board has an upcoming meeting scheduled to address the current litigation against the organization, pension liability and workmen's compensation with a bankruptcy lawyer retained for this purpose. It is

unknown at this time exactly how this decision with TSG will affect fair meets and fair satellite wagering facilities.

Agenda Item 9 – Report, Discussion and Action, if any, on Mini-Satellites. Mr. Swartzlander reported that NCOTWINC and SCOTWINC have placed a hold on all mini-satellite expansion until labor agreements are settled, including a proposed Southern site that showed financial viability. TSG is proposing the idea of expanding the network through unmanned ADW satellites run by XpressBet. XpressBet is owned by TSG.

Mr. Scheidt asked that any Fair contacted by TSG regarding satellite wagering notify CARF staff.

Mr. Scheidt reported that despite the industry hold on mini-satellites, the CARF Board has instructed him to continue with Fair mini-satellite expansion. Mr. Scheidt has since met with the Turlock Poker Room and an interested party in downtown Sacramento. Mr. Swartzlander reiterated that the procedure for preparing the application is time consuming and can continue while the NCOTWINC situation develops. Fairs will continue explore mini-satellite expansion.

Mr. Swartzlander reported that HD upgrades are moving forward at San Mateo and Pleasanton.

Agenda Item 10 – Financials. 2017 year-end financials were provided in the meeting packet. Mr. Alkire noted that Ms. Gibbons is available to answer questions. No questions.

Agenda Item 11 – Executive Director's Report. Mr. Swartzlander reported that Sonoma County Fair has expressed interest in utilizing CARF personnel for a position other than the Paymaster. Mr. Pickering stated that while he has supported making personnel available at-cost while Sonoma transitions back into CARF membership, if Sonoma does not take firm steps to rejoin the organization, the cost structure will need to be revisited. Mr. Alkire agreed that there should be a “member” and “non-member” rate for personnel and services.

Mr. Swartzlander reported that he and Mr. Scheidt visited Lancaster, Ventura, San Bernardino and Victorville. Those sites have been included as call-in locations for CARF Board meetings.

Agenda Item 12 – Executive Director's Report. Closed Session: Conference with Legal Counsel – Anticipated Litigation. Item struck from agenda.

Respectfully submitted,
Heather Haviland