

CALIFORNIA AUTHORITY OF RACING FAIRS
Board of Directors & Live Racing Committee
Concurrent Meeting
Monday, November 18, 2019

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., Monday, November 18, 2019. The meeting originated at the CARF office, 1776 Tribute Road, Sacramento, CA, 95815.

CARF Board Directors attending: Rick Pickering. Joining by conference call: John Alkire, Richard Conway, Jerome Hoban and Kelly Violini.

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

Staff and Guests participating: Larry Swartzlander, Tom Doutrich, Heather Haviland, Juliana Gomes, Raechelle Gibbons, Vicki Layne, John Quiroz, Tom Martinez and Allen Aldrich. Joining by conference call: Louie Brown, Cody Boyles, Lauri King and Caroline Titus.

Agenda Item 1 – Date, Time and Location of Next Meeting: December 3, 2019 in Sacramento. The next CARF Board of Directors and Live Racing Committee meeting will be held at 11:00 a.m. December 3, 2019 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 for May 7, 2019, August 6, 2019 and September 12, 2019 as presented. Mr. Hoban seconded, unanimously approved.

Agenda Item 4 – Report, Discussion and Action, if any, on Legislative Program. Mr. Swartzlander circulated a Request for Title and Summary for Proposed Initiative titled “California Sports Wagering Regulation and Unlawful Gambling Enforcement Act” to the office of the Attorney General from Pechanga Indian Reservation, Borona Band of Mission Indians Yocha Dehe Wintun Nation and Agua Caliente Band of Cahuilla Indians.

Mr. Brown explained that 18 tribes, lead by the Pechanga Band of Luiseno Indians, filed paperwork to prepare title and summary for a proposed initiative to legalize sports wagering at private horse tracks and tribal casinos. The language specifies that card rooms and racing fairs

would not be allowed to offer sports wagering. Proponents will need to collect more than 900,000 signatures from registered voters to qualify the initiative for the November ballot. Legislative staff is unsure at this time which racing industry principals were consulted, or even had knowledge of, this initiative prior to official distribution.

Mr. Hoban requested staff prepare a document explaining what we know about the initiative thus far for use in notifying fair boards. Mr. Brown stated that he would prepare that document immediately for circulation and bring more information to the group in early December.

Agenda Item 5 – Report, Discussion and Action, if any, on Race Dates & Live Racing Operations.

CARF Representative Seat on WFA Board: Mr. Pickering reported that Sarah Cummings reached out to him, as the CARF Representative on the Western Fairs Association (WFA) Board of Directors, to convey that WFA is in the process of revising their bylaws, including reducing the number of seats on the Board. Ms. Cummings asked if CARF was still interested in maintaining a presence on the WFA Board in light of the elimination of direct fair funding from horse racing to most WFA-member fairs. Mr. Pickering explained that live horse racing fairs, through OnTrack and fair satellite network handle, played an important part in directing money from racing handle to CDFA F&E at a time when the state general fund allocation to fairs was eliminated to zero. This location fee distribution was only recently been diverted back to racing fairs for track safety and maintenance with the help of F&E. Furthermore, future potential involvement between a sports wagering provider and horse racing would have a positive effect on the entire California fair network.

At Mr. Alkire's direction, each CARF Board member stated their opinion and addressed the benefits of maintaining a CARF representative seat on the WFA Board. Mr. Alkire requested Mr. Swartzlander reach out to Ms. Cummings with the CARF Board's unanimous request for continued representation on the WFA Board.

Purse Overpayment: Mr. Swartzlander referred the group to the two documents included in the meeting packet titled "2019 Average Handle" and "2019 CARF Purse Projection by Fair & Breed." Mr. Swartzlander walked the group through the documents and described the various over/underpayments by fair and by racing breed. Mr. Swartzlander stated that the 2019 consolidation purse fund was negatively impacted by several racing days without a concurrent Southern California signal, extreme heat on the East Coast that closed several major race tracks during California State Fair and a starting gate error during the last race of the Humboldt County Fair that generated several thousands of dollars in refunds and negative press created by the abnormal number of fatalities at Santa Anita Park.

Mr. Swartzlander reported that a large portion of the overpayment was generated by Emerging Breeds, specifically mules and Arabians. Those purse programs will need to be

completely reevaluated as CARF can no longer supplement the breeds and if purses are cut to the level that they are being generated, horsemen will not be able to afford to race. Mr. Swartzlander and Mr. Doutrich will need to work with breed representatives to come up with creative solutions. Mr. Conway requested that discussion with breed representatives occur as soon as possible. Mr. Swartzlander stated that he will make those discussion a priority during the first couple of weeks of January 2020.

Racing Calendar & Stabling Plan: Mr. Swartzlander reported that the CARF-supported racing calendar for 2020 remains unchanged from what was submitted to the California Horse Racing Board (CHRB). The calendar as submitted includes a one-week shift to accommodate the Leap year and unoverlapped racing for Ferndale.

Mr. Swartzlander stated that CARF stabling plan keeps Golden Gate Fields open for auxiliary stabling by offering the Stronach Group (TSG) the 2% Stabling & Vanning Fund distribution generated by Fairs during 2020 racing. Bryan Wayte estimates the 2% distribution will be \$690,000 for CARF-member fairs and \$159,000 for Santa Rosa equaling approx. \$849,000. TSG has not responded to this offer.

Mr. Swartzlander reported that Madeline Auerbach has resigned from the CHRB Board effective immediately and Fred Maas has declined reappointment. In addition, Jackie Wagner, CHRB Assistant Executive Director, is retiring at the end of the year and Rick Baedeker, CHRB Executive Director, is retiring April 2020.

Sonoma County Fair: Mr. Swartzlander reported that he and Ms. Bartling have exchanged financial information for both organizations. Mr. Swartzlander focused on comparing the management side of the expenses and estimates that CARF will conservatively save Santa Rosa \$30,000 by running their race meet. Mr. Swartzlander is recommending that CARF provide services to Santa Rosa as an Associate Member as provided in the CARF JPA formation documents. Mr. Swartzlander has proposed this concept to Ms. Bartling and is awaiting a formal request that the CARF Board can take action on if the Sonoma County Fair Board sees fit to do so.

Agenda Item 6 – Financials. Mr. Swartzlander reported that financials and a draft 2020 budget are included in the meeting packet. Figures for both documents were impacted by a shift of expenses (TV production, uplink and simulcast) away from NCOTWINC to be paid directly by fairs. Though the upfront expenses to fairs is greater, the monies used in the 6% change fund will be less and fairs will receive a greater return in commissions from NCOTWINC. This return will not completely offset the expense since when expenses are paid by NCOTWINC they are split 50/50 purses/commissions. Mr. Swartzlander stated that these changes were communicated to fair managers and finance personnel prior to their race meets. Mr. Swartzlander stated that the CARF Finance Committee will meet Tuesday, November 25 to fine-tune the budget for approval by the Board during the December meeting.

Agenda Item 7 – Executive Director’s Report. Mr. Swartzlander reported that three seats are open for nomination on the CARF Board and that an election will be held in December.

Mr. Swartzlander reported that the Jockey’s Guild is holding an industry “think tank” assembly in Las Vegas on Dec. 10-11 and that he was invited to attend. The assembly will focus on current issues of importance to the industry including health, safety and insurance updates.

Respectfully submitted,
Heather Haviland