

CALIFORNIA AUTHORITY OF RACING FAIRS
Live Racing Committee
Tuesday, April 6, 2010

MINUTES

A meeting of the California Authority of Racing Fairs Live Racing Committee was held at 11:00 A.M., Tuesday, April 6, 2010. The meeting was hosted by the Alameda County Fair located at the Alameda County Fairgrounds, 4501 Pleasanton Ave., Pleasanton, California.

CARF Live Racing Committee members attending: John Alkire, Norb Bartosik, Debbie Cook, Mike Paluszak, Rick Pickering and Stuart Titus. Joining by conference call: Tawny Tesconi.

Staff and Guests attending: Christopher Korby, Larry Swartzlander, Heather Haviland, Tom Doutrich, Amelia White, Vince Agnifili, Mike Treacy, Dave Elliott, Jeanne Wasserman, Joe Barkett, Cindy Olsen and Jay Hight. Joining by conference call: Dan Jacobs, Kate Phariss and Richard Lewis.

Agenda Item 1 – Date and Time of Next Meeting. The next CARF Board & Live Racing Committee meetings will be held Tuesday, May 4, 2010 in Sacramento, time to be determined.

Agenda Item 2 – Approval of Minutes. Mr. Paluszak requested a correction on page 2, Agenda Item 4, second paragraph, second sentence which should reflect a payment schedule that would front-load the initial year of payments to Solano County Fair (not two years).

Mr. Paluszak also noted that page 3, first paragraph, second sentence should reference fiscal year 2009-2010 (not fiscal year 2008-2009).

Mr. Paluszak moved to approve the meeting minutes with corrections. Mr. Bartosik seconded, unanimously approved.

Agenda Item 3 – Report, Discussion and Action, if any, on Legislative Matters. Mr. Alkire reported that this item will be heard as part of the CARF Board Meeting at 12:30 p.m. due to a conflict in Mr. Brown's schedule.

Agenda Item 4 – Report, Discussion and Action, if any, on Funding Allocations from CDEFA Division of Fairs and Expositions. Mr. Treacy requested to discuss this item during the CARF Board Meeting at 12:30 p.m., since the item is listed on both meeting agendas.

Agenda Item 5 – Report, Discussion and Action, if any, on Agreements for Replacement Revenues Paid to Fairs which Reduce or Discontinue Conduct of Live Horse Racing. Mr. Korby introduced four documents included in the meeting packet per the request of the Live Racing Committee in March. The following documents were developed by the sub-committee tasked to make recommendations for negotiations involving Fairs that cease to conduct live racing:

- **Agreement – Consolidation of Racing Dates and Payment of Replacement Revenues (DRAFT Agreement as of March 23, 2010)** – This is the fifth draft of an agreement prepared by the sub-committee to serve as a contractual mechanism for the consolidation of racing dates and to identify/provide replacement revenues for Fairs that cease to conduct race meets as part of the consolidation. At this date, the Solano County Fair and San Joaquin County Fair are interested in participating in an agreement as non-racing and reduced-racing interests. The items highlighted in yellow are elements that the sub-committee does not have unanimous agreement on.
- **Replacement Revenue Proposal between Solano County Fair and CARF (DRAFT created by Tawny Tesconi on December 18, 2009)** – This spreadsheet shows a hypothetical payment schedule for replacement revenue paid to the Solano County Fair over a seven year term. The methodology is outlined as Addendum A in the “Agreement – Consolidation of Racing Dates and Payment of Replacement Revenues (DRAFT Agreement as of March 23, 2010)” document.
- **San Joaquin County Fair 2009 Race Meet Handle and Commissions.** These spreadsheets are reference material for use in developing a basis for formula calculations, if a consensus on the formulas can be reached.
- **Letter of Understanding between the Division of Fairs and Expositions (F&E) and the California Authority of Racing Fairs (CARF) (DRAFT)** – This document is a draft letter of understanding between F&E and CARF, memorializing an agreement based on Mr. Treacy’s offer to allocate up to \$700,000 generated in license fees to use as replacement revenues for Fairs discontinuing live racing as part of the consolidation agreement.

Ms. Tesconi expressed concern that the third-tier funding source, as drafted in the consolidation agreement, would discourage Fairs from committing to operate additional race dates. Ms. Tesconi feels that the committee has completed as much of the agreement as they can without involving all live racing fairs for input. Mr. Bartosik stated that the sub-committee worked within the criteria they were given and cannot make the figures work to the satisfaction of all parties. Mr. Korby suggested that it was time to involve the other industry stakeholders in the

discussion and that we would have opportunity to do so at the upcoming Northern California stakeholder's conference.

Mr. Bartosik moved to: 1) Table discussion of the "Agreement – Consolidation of Racing Dates and Payment of Replacement Revenues (DRAFT Agreement as of March 23, 2010)" as presented, and 2) Authorize the Executive Director to establish a new agreement with the Division of Fair and Expositions, Solano County Fair and San Joaquin County Fair based on funding from license fee revenues pledged from F&E for a one-year term, as an interim plan. Mr. Pickering seconded, unanimously approved.

Agenda Item 6 – Report, Discussion and Action, if any, on Implementation of Mini Satellite Wagering Facilities as Joint Ventures with Fairs. Mr. Korby introduced a generic draft lease agreement, provided in the meeting packet, which is intended for use as the foundation of a business relationship between a Fair and local third party that wish to enter into a joint venture.

Monterey County Fair, Humboldt County Fair, San Mateo County Fair, Cal Expo and Solano County Fair are in various stages of discussion and implementation in developing mini-satellite facilities.

Agenda Item 7 – Report, Discussion and Action, if any, on Horsemen's Agreements, Including Consolidation of Purses and Point System for Payment of Purses to Emerging Breeds. Mr. Korby requested Mr. Swartzlander report on discussions with Emerging Breed horsemen and a CARF proposal to eliminate Emerging Breed overpayments. Mr. Swartzlander reported that in an effort to eliminate the existing \$160,000 overpayment within two years, Emerging Breed representatives were being asked to consider: 1) A point system for purses based on actual handle generated, 2) Reducing stakes purses from \$9,000 to \$5,000, allowing horsemen's groups to supplement the purse level at their discretion, and 3) The use of supplemental purse money to reduce the existing deficit.

Mr. Swartzlander calculated that the Emerging Breeds generate \$62,500 into the supplemental purse fund. The American Mule Racing Association (AMRA) and Arabian Racing Association of California (ARAC) have reacted positively to the recommendations and all three breed associations have verbally agreed to the plan.

Mr. Pickering moved to adopt the proposal to reduce and eliminate the Emerging Breed overpayment as presented. Mr. Bartosik seconded, unanimously approved.

Mr. Swartzlander walked the group through several spreadsheets in the meeting packet, including purse projections and purse consolidation figures. TOC is requesting a two year agreement to the purse consolidation concept. Mr. Swartzlander reviewed the funds set aside to

protect Humboldt County Fair and Cal Expo from the supplemental purse fund reserve and supercharge line items. Mr. Elliott stated that some of the categories listed for Cal Expo did not match the schedule he sent to CARF staff. Mr. Swartzlander stated that the correction would be made.

Mr. Pickering moved to approve the consolidation of purses for a two-year time period and the 2010 consolidated purse projections as presented. Mr. Bartosik seconded, unanimously approved.

Mr. Bartosik moved to approve the 2010 purse structure with the corrections to the Cal Expo categories. Mr. Pickering seconded, unanimously approved.

Mr. Bartosik moved to approve the 2010 stakes schedule as presented, Cal Expo pending approval/to be determined. Mr. Pickering seconded. Mr. Paluszak, Mr. Alkire and Mr. Titus voted yes. Ms. Cook abstained.

Agenda Item 8 – Report, Discussion and Action, if any, on Reduction in Pari-Mutuel Staffing, Pursuant to a Recently Amended Contract with Local 280 Pari-Mutuel Clerks. Mr. Korby reported that the recently negotiated union contract for pari-mutuel clerks included a 22.5% decrease in staffing requirements which will have a positive impact on live racing Fairs by significantly decreasing the cost to operate the satellite network. Mr. Korby asked Bryan Wayte, Mutuel Manager at Golden Gate Fields, NCOTWinc. (Northern satellite facilities) and several Fair tracks, to provide specifics regarding the changes in the contract.

Mr. Wayte circulated spreadsheets showing the payroll to handle ratio comparison for 2003-2010 and patron to teller ratio, with total transactions per teller, for the past three Saturdays starting with March 20, 2010. The target payroll to handle ratio is 1%. In early 2010 the ratio crept up to 1.5%. In just two weeks of implementing the new staff requirements the ratio has been lowered to 1.26%.

According to Mr. Wayte, the ideal patron to teller ratio is 80 to 1 and the ideal number of total transactions per teller is 1,000. Even with the current staffing reductions, most satellites are operating well below the ideal thresholds and adjustments will continue. Mr. Wayte also plans to lower the on-track teller staffing level at live racing Fairs during the weekdays, which has not been a viable option in past years.

Mr. Korby stated that Northern California is unique in that Mr. Wayte has been secured by NCOTWinc., in an effort to consolidate services, to serve as the single Mutuel Manager for the Northern California simulcast network. As part of that package, Mr. Wayte is available as a Mutuel Manager to any Fair at no additional cost to the Fair, with the exception of lodging for

Fairs outside the Bay Area. Mr. Wayte's experience, level of management and professionalism elevate the operation of the mutuel departments he supervises and Mr. Korby recommends that Fairs not currently using Mr. Wayte consider the option.

Agenda Item 9 – Report, Discussion and Action, if any, on Logistical Planning and Personnel Assignments for the 2010 Fair Racing Circuit. Mr. Alkire asked if Mr. Titus' concerns regarding logistics and personnel assignments had been addressed to his satisfaction. Mr. Titus replied that he had initial conversations with Santa Rosa and Mr. Swartzlander and all of the issues were being discussed and resolved.

Agenda Item 10 – Executive Director's Report. Mr. Korby reported that the MAGNA bankruptcy is nearing resolution and legal counsel feels there is a very good chance that Fairs will realize the full amount of their claims. Santa Anita and Golden Gate Fields and are expected to change ownership within Frank Stronach's companies from MAGNA Entertainment to MI Developments in the near future.

Respectfully submitted,
Heather Haviland