

MEETING
STATE OF CALIFORNIA
HORSE RACING BOARD

In the Matter of:)
)
Regular Meeting)
)

CAL EXPO STATE FAIR
THE CLUBHOUSE, SECOND FLOOR
1600 EXPOSITION BOULEVARD
SACRAMENTO, CALIFORNIA

TUESDAY, MAY 20, 2008

9:44 A.M.

Reported by:
Richard Friant

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMISSIONERS

Richard B. Shapiro, Chairperson

John C. Harris, Vice Chairperson

John W. Amerman

John Andreini

Jesse H. Choper

Jerry Moss

STAFF

Kirk Breed, Executive Director

Richard Bon Smith, Assistant Executive Director

Derry L. Knight, Deputy Attorney General

Jacqueline Wagner, Staff Services Manager I

Francisco Gonzalez

ALSO PRESENT

Chris Korby

Ron Blonien

Jack Liebau

Joe Barkett

Michael Power

Tawny Tesconi

Ed Halpern

Richard Lewis

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APPEARANCES CONTINUED

ALSO PRESENT

Craig Fravel

Ron Charles

Guy Lamothe

Dr. Rick Arthur

Dr. Scott Stanley

Thomas M. Varela

John Bucalo

Wendy Voss

Cliff Goodrich

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1 PROCEEDINGS

2 EXECUTIVE DIRECTOR BREED: Ladies and gentlemen,
3 let's get started here, will you please take your seats.
4 Thank you. Will the meeting please come to order.

5 This is a Regular Meeting of the California Horse
6 Racing Board on Tuesday, May 20th, at the California
7 Exposition and State Fair, which is located in the
8 Clubhouse, Second Floor, 1600 Exposition Boulevard,
9 Sacramento, California.

10 Present at today's meeting are Chairman Richard
11 Shapiro, Vice Chairman John Harris, Commissioner John
12 Amerman, Commissioner John Andreini, Commissioner Jesse H.
13 Choper, Commissioner Jerry Moss.

14 Before we go onto the business of the meeting, I'd
15 like to ask everyone to please state your name and
16 organization clearly for the recorders, and whenever you
17 come to speak during the -- whatever commentary you're going
18 to make.

19 I want to make an important statement and that is
20 that the restrooms are located to my right, your left.

21 I'd like to read, now, the meeting procedure for
22 public comments.

23 The Board invites comments from the public about
24 agenda items. It also invites public comment about items not
25 on the agenda, that are related to horse racing, during the

1 public comment period.

2 Please note that unduly repetitious comments or
3 extended discussion of irrelevancies disrupt the meeting and
4 prevent the Board from accomplishing its business in a
5 reasonably efficient manner.

6 In order to assure that each individual, who
7 wishes to comment, will have an adequate opportunity to do
8 so, and also to assure that the meeting as a whole will be
9 completed in a timely manner, so that individuals wishing to
10 comment on multiple matters will not be required to stay for
11 an unreasonable length of time, the Chairman will strictly
12 enforce a three-minute time limit for each person wishing to
13 speak on any agenda item.

14 The shorter, three-minute limit is necessary today
15 because of the relatively lengthy agenda of -- how many
16 items do we have -- 15 items. The goal of this rule is to
17 assure that each person's right to make their views known is
18 not disrupted by another person's conduct.

19 In order to expedite the comment process, there is
20 a public comment sign-in sheet for each agenda item on which
21 public comment will be taken, as well as a sheet for comment
22 about anything related to horse racing, that is not on the
23 agenda.

24 The sheets or cards are located to my left.

25 Please state your name legibly so that Chairman

1 does not mangle it.

2 Just prior to our discussion of the item, the
3 comment sheet will be brought to the Chair. After initial
4 statements from staff and interested parties, the Chair will
5 ask for public comment.

6 When the Chair calls your name, please come to the
7 podium to speak. The Chair will let you know when your time
8 has commenced, when there is one minute left, and when your
9 time is up.

10 When your time is up, you will be expected to
11 return to your seat so that the Chair may call the next
12 person waiting for the podium.

13 When all the names have been called, the Chair
14 will ask if anyone else has a comment on the agenda item,
15 who has not already spoken. At that point the Board will
16 not take any further comment on an item, unless the Board
17 has specific questions it wishes to address.

18 If the time is up, the Chair will ask the speaker
19 to please take his or her seat. If a speaker is repeating
20 himself or herself, the Chair will ask the speaker if he or
21 she has any new comments to make. If not, the Chair will
22 ask the speaker to allow the next speaker to come to the
23 podium, irrespective of the time remaining, unless a Board
24 member indicates that he or she still wishes to hear from
25 the individual.

1 If it appears that a speaker is not speaking to
2 the agenda item, or is speaking to another agenda item, the
3 Chair will ask that the speaker please return to his or her
4 seat, and address his or her comments at the appropriate
5 time, either on that specific item or at public comment.

6 I'll now turn the agenda over to the Chair.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you. And
8 good morning.

9 I'll remind all the Commissioners, as well as
10 speakers, to please try to speak into the microphone so that
11 everybody can hear. You guys are so far away, it seems, but
12 it's good to see everybody this morning.

13 The first item on our agenda, Item Number 1, is
14 approval of the minutes of the regular meeting of March
15 27th, 2008.

16 Are there any comments, changes? Otherwise, I'll
17 entertain a motion. Is there a motion?

18 COMMISSION VICE CHAIRMAN HARRIS: So moved.

19 COMMISSIONER CHAIRPERSON SHAPIRO: Second?

20 COMMISSIONER MOSS: Second.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you. All
22 those in favor?

23 (Ayes.)

24 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

25 Now, the minutes of the regular meeting of April

1 24th, 2008. Are there any comments, changes, corrections?

2 If not, I'll entertain a motion.

3 COMMISSIONER AMERMAN: So moved.

4 COMMISSIONER CHOPER: Second.

5 COMMISSIONER CHAIRPERSON SHAPIRO: It's moved,

6 seconded.

7 All in favor?

8 (Ayes.)

9 COMMISSIONER CHAIRPERSON SHAPIRO: It's approved.

10 Item Number 3 is a discussion and action by the
11 Board on the request of the California Authority of Racing
12 Fairs, on behalf of Alameda, Fresno, Humboldt, San Joaquin,
13 San Mateo, Solano, and Sonoma County fairs to increase the
14 takeout an additional one percent, pursuant to Business and
15 Professions Code section 19601.4 for deposit into the
16 Enclosure Facilities Improvement Fund.

17 I'd ask representatives to please come forward
18 with respect to that matter.

19 Francisco, are you sitting there?

20 MR. GONZALEZ: Yeah, yeah, Mr. Shapiro.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Please say your
22 name for the --

23 MR. GONZALEZ: Francisco Gonzalez, CHRB staff.
24 Assembly Bill 765 added Business and Professions Code
25 section 19601.4, which provides that a fair, a combination

1 of fairs, or an association conducting racing at a fair may,
2 with the California Horse Racing Board approval, deduct an
3 additional one percent from its handle to be used for
4 maintenance and improvements at a fair's racetrack
5 enclosure.

6 CARF, on behalf of its fairs, have requested an
7 additional one percent increase to be taken out of its
8 racing fair race meetings, pursuant to Business and
9 Professions Code 19601.4, for deposit into the Enclosure
10 Facilities Improvement Account Fund.

11 The staff recommends that the Board hear from CARF
12 representatives and other interested parties.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

14 Mr. Korby, I see you're seated there, and before
15 you give your comments, personally, I appreciate that this
16 legislation was enacted last year, and I think that we're
17 all desirous of seeing what improvements will be made at the
18 fairs in light of the closure of Bay Meadows, and probably
19 Hollywood Park down the road, and that we
20 need -- the purpose is good.

21 Personally, I'm not sure, though, that what is
22 proposed here is the most efficient way and the most
23 comprehensive way to enact getting that done.

24 And so I -- an analysis was given to us by staff,
25 which virtually said that if the total handle of the subject

1 fairs was the same as last year, which was \$126 million,
2 there's be about a million two sixty in new revenue created.

3 Again, while I certainly favor the notion of
4 seeing the fairs improve, I'm questioning whether or not
5 this -- what appears to be a piecemeal type of effort is
6 really going to result in significant improvements, as well
7 as the mechanism of this requires that the Department -- the
8 money goes to the Department of Food and Ag, and then it's
9 up to the Secretary of Food and Ag to approve what
10 expenditures are made.

11 And I'm questioning whether or not there isn't a
12 more comprehensive plan that would address racing's needs
13 and challenges.

14 COMMISSION VICE CHAIRMAN HARRIS: I might also
15 comment, before we get some response, I'm concerned about
16 this, as well, because it's an additional tax, basically,
17 and the fairs already get one percent more than the other
18 tracks.

19 And I don't know if the assumption's made and, I
20 mean, obviously, we'd like to see the fairs get as much as
21 possible to make improvements. But I don't know if you can
22 assume that if you increase takeout one percent, that you're
23 going to be able to increase your fees paid by out-of-state
24 wagering outlets by one percent, or they're going to just
25 say, look, we paid three percent last year, we're going to

1 pay three percent and that's it.

2 And, also, how elastic the demand is for wagering.
3 I mean, at some point you just don't get the -- the more
4 money that comes out, the less money there is to get put
5 back in, and there's less attractive betting on horses is
6 versus other types of gambling.

7 So I think the assumptions are that if you
8 increase it one percent, that's kind of found money. But I
9 think it's a lot more complicated than that when you get
10 into the details.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Not to mention,
12 we also have to be mindful, and I know that California is
13 the second lowest takeout in the State. What we're doing is
14 we're asking the fans to pay for the improvement of our
15 facilities.

16 Now, absent finding other sources to do that, I
17 understand the challenge. And, clearly, we have to find a
18 circuit for racing that works.

19 I'm just, again, questioning whether or not this
20 is a comprehensive effort which is badly needed.

21 Do you want to address those issues?

22 MR. KORBY: I'd like to, thank you. Chris Korby,
23 California Authority of Racing Fairs.

24 Is this microphone on?

25 COMMISSIONER CHAIRPERSON SHAPIRO: It's the tall,

1 skinny one, and then you have to push the button on it so
2 it's green.

3 MR. KORBY: Chris Korby, California Authority of
4 Racing Fairs. Thank you, Mr. Chairman and Commissioners.

5 I think most people in the industry are
6 acknowledging that increasing real estate values are
7 compelling the owners of privately owned racetracks to
8 consider their property for purposes other than horse
9 racing. And we're seeing Bay Meadows developed for purposes
10 other than racing, and there's a lot of discussion about
11 Hollywood Park following the same course.

12 We believe the future of racing in California will
13 increasingly move to publicly owned facilities and
14 fairgrounds. So in order for us to prepare for this future,
15 fairs need to invest significant resources to upgrade their
16 facilities. Unfortunately, no one fair can do this on its
17 own.

18 Implementation of this provision in statute will
19 allow those fairs to choose to participate, to increase the
20 takeout from racing by one percent.

21 The money will be placed in a fund at the
22 Department of Food and Agriculture, as you mentioned, and
23 distributed solely for projects that will improve racing
24 facilities at fairgrounds in California.

25 We believe this is a measure that the industry

1 needs. The industry needs facilities to replace those that
2 are going out of business. And we think this is a
3 reasonable step to take in order to deal with that
4 situation.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I don't
6 think there's any argument about that, okay. But what is
7 the plan? In other words, where is this theoretical million
8 and a quarter going to go? What facility is it going to go
9 to and what are the specific benefits that will be achieved
10 from it.

11 I mean, in the past money has gone to the fairs
12 and, yet, for a large extent the fairs have remained not
13 refurbished. So what confidence do we have, in doing this,
14 that there is a comprehensive plan that will result -- I
15 mean, as I sit here today, I don't even know where the
16 thoroughbred racing is going.

17 So you're asking us to take money out, to allow
18 you to take money out, so we tax people more to create more
19 money so we can do it. I certainly agree that it's needed
20 and necessary, but where is it going? What facility is this
21 money going to?

22 MR. KORBY: The intention is that this money would
23 go initially to Pleasanton.

24 COMMISSIONER CHAIRPERSON SHAPIRO: For what?

25 MR. KORBY: For improvements to the racing

1 facility there.

2 COMMISSIONER CHAIRPERSON SHAPIRO: What
3 improvements?

4 MR. KORBY: Specifically, synthetic surface on the
5 racetrack, improvements to the backstretch area. Initially,
6 those types of improvements that would make this into a
7 first class, year-round training facility.

8 We believe that's the most critical need in
9 Northern California once Bay Meadows closes.

10 At such time as we're able to secure additional
11 funding, there would be a second or third phase or tier of
12 improvements that would improve the grandstand facilities,
13 and those areas that the public uses.

14 COMMISSIONER CHAIRPERSON SHAPIRO: It just appears
15 to me that the cart is truly being put before the horse
16 here. If you said that we want to do this so that we can
17 approve this money, we can build it up, okay.

18 (Rod Blonien singing.)

19 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,
20 ladies and gentlemen, and that was an interlude by Rod
21 Blonien, the famous lobbyist and singer.

22 COMMISSION VICE CHAIRMAN HARRIS: He's got a tip
23 jar out there somewhere.

24 MR. KORBY: Mr. Chairman, if I might, I'd like to
25 hearken back to a comment that Commissioner Amerman made at

1 the last meeting. He said these plans and discussions are
2 terrific, we're glad to see them doing, but we want to see
3 action.

4 Well, we brought you an item that will start the
5 ball rolling, and we're asking for your approval to begin a
6 funding source, a stream of money that will allow us to
7 begin these improvements. We think the industry needs this.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again, I
9 agree, the industry desperately needs to have a replacement
10 for Bay Meadows, it desperately needs to upgrade its
11 facilities, there's no argument there.

12 But as I look at the applications that we're soon
13 going to discuss, I don't see much effort to upgrade the
14 racing in some cases. And what I also don't see is --
15 what's described as improvements don't seem to be things
16 that are really going to improve the business.

17 COMMISSION VICE CHAIRMAN HARRIS: I think --

18 COMMISSIONER CHAIRPERSON SHAPIRO: I'm asking you,
19 what's the plan for the use of this money?

20 COMMISSION VICE CHAIRMAN HARRIS: I think, also,
21 we'd like to see a more comprehensive plan. This money is
22 all coming from fans, basically, which we don't have enough
23 of --

24 THE REPORTER: There's something wrong with that
25 mike.

1 COMMISSION VICE CHAIRMAN HARRIS: This mike?

2 MR. KORBY: Back away a little bit.

3 COMMISSION VICE CHAIRMAN HARRIS: Back away.

4 MR. KORBY: Yeah, back away from it.

5 COMMISSION VICE CHAIRMAN HARRIS: Okay. I'm
6 concerned that this money all comes from racing fans,
7 basically in the form of wagers, and we don't have enough of
8 those. So if something's not selling very well, and you
9 raise the price, that's usually counter productive.

10 And I'd like to see -- maybe that should be part
11 of a plan, but I hate to have that be the whole plan. I
12 think it would be better to have a comprehensive plan where
13 some comes from the horsemen, some comes from the track, and
14 some comes from the fan.

15 COMMISSIONER AMERMAN: I guess another way of
16 saying it is what you described that needs to be done, the
17 synthetic surface, the improvement of the grandstand, on,
18 and on, and on, is substantial.

19 And yet, you look at one percent as a number that
20 goes to Alameda County Fair and it's a quarter of a million
21 dollars. Obviously, that's just part of your overall
22 program.

23 And I think it's very important that we look at
24 the big picture of what you're going to do, besides get the
25 one percent from the fans, which I don't think is adequate

1 to do the job.

2 COMMISSIONER CHAIRPERSON SHAPIRO: See, if you had
3 come in here and said, look, here's our list of what we're
4 going to do, here's our plan. The first thing we're going
5 to do is we need X millions of dollars, and here's what we
6 want to do with it, and here's what we're going to do, and
7 we want to now start squirreling away money to enact that
8 plan, I'd be sitting alongside you.

9 But instead what we have is a request to have more
10 money go to Food and Ag for the fairs, which is really then
11 out of our bailiwick. Racing, now, is subject to another
12 agency deciding how it's going to be spend, and we may
13 not -- and if they have an issue or disagreement, it may not
14 be used for the purpose that we all want it to be used for
15 in this room, which is to replace a venue that we're losing
16 and to secure a racing circuit.

17 So I don't think we're on a different page, I just
18 think that our methodology of getting there is different.

19 MR. KORBY: I'm concerned if we lose one year of
20 revenue, when we have a desperate need to improve these
21 facilities.

22 COMMISSIONER AMERMAN: We're all together. What
23 we're suggesting to you is you go back and you put together
24 a comprehensive plan of everything that is going to be
25 required in 2009, 2010, 2011, but it's going to be a long-

1 term plan that you're talking about here, and we could look
2 at that and see how this one percent fits to that entire
3 plan.

4 COMMISSIONER CHOPER: I guess one way of
5 compromising this -- I'm just suggesting it's a way, and not
6 so much favoring it, is to take out the money this year. I
7 mean, I understand that you're saying this is an opportunity
8 that you don't want to go by. But holding it, in terms of
9 how it's to be spent, until a more comprehensive plan comes
10 up.

11 I must say, I sort of agree with Commissioner
12 Harris that it's the bettors that are paying the full boat
13 on this, so they're kind of carrying the full burden of the
14 thing.

15 I take it that's what the statute authorizes,
16 yeah, this bill?

17 MR. KORBY: Yes, that's correct.

18 COMMISSIONER CHOPER: It authorizes it to come out
19 of the handle.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Well, and in
21 defense of CARF, or anybody else, unfortunately, there
22 aren't other deep pockets for the significant amount of
23 revenues. We can't expect the fairs are going to be able to
24 self-fund this. I mean, they're in a financial mix.

25 But if the public is going to fund it, then I

1 think we have an obligation to make sure their money is
2 funded in a way that benefits them.

3 Now, Mr. Blonien --

4 COMMISSION VICE CHAIRMAN HARRIS: Well, I don't
5 know if we know -- I'd like to see the financial statements
6 of the fairs and ascertain what sort of financial situation
7 they're in.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Well, okay.

9 MR. KORBY: If I might respond to something Mr.
10 Choper said, and it addresses, I think, Mr. Chairman,
11 something that you mentioned.

12 This money is designated to go into a specific new
13 fund at the Department of Food and Agriculture, which is
14 earmarked solely for the improvement of racing facilities
15 and fairs. That's the only thing that money can be used
16 for. That money is disbursed at the discretion of the
17 Secretary, acting with an advisory committee, that we hope
18 will come from the industry.

19 So this is not money that just goes somewhere over
20 to the Department of Food and Agriculture and lives there
21 until someone decides that maybe it's a good idea to spend
22 it on a racing facility. That is the sole purpose for which
23 it's designated.

24 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, can I ask
25 Mr. Blonien, since he's sitting -- and I'm assuming, Mr.

1 Blonien, you're probably here on behalf of Alameda?

2 MR. BLONIEN: Yes, Mr. Chairman and Members, Rod
3 Blonien, on behalf of Alameda County. Mr. Pickering would
4 have been here but, unfortunately, his father passed away
5 this morning.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Oh, I'm sorry
7 to hear that.

8 MR. BLONIEN: And so I'm in his stead. And the
9 CARF, the members of CARF, racing fairs have voted that the
10 sole recipient of funds for some significant period of time
11 will be the Alameda County Fair to improve the stable area,
12 to bring in additional barns, to put the artificial surface
13 on the racetrack, and to make that a facility that will be
14 capable of serving as the primary auxiliary stabling
15 facility for Northern California, and would also lead to
16 additional weeks of racing.

17 And I'm very supportive of Mr. Choper's suggestion
18 that you authorize the implementation of the additional one
19 percent, have that money, in essence, escrowed until we
20 convince you that we're going to spend it in a manner which
21 will most effectively benefit the racing industry.

22 COMMISSIONER CHAIRPERSON SHAPIRO: One of my
23 problems with that is, is it's not us that you convince.

24 Because as you well know, and that's really what I
25 was going to ask you -- I very much appreciate the new law

1 and what it does because I'm, again, totally in favor of
2 creating the money to improve Alameda, or the fairs. But
3 Alameda.

4 But once that money's escrowed, it's out of our
5 hands, we don't have any say in it.

6 And so my question to you is, is there not a
7 better -- is there another manner which would, in fact,
8 leave it in racing's hands, so that we could make sure that
9 the money goes for rebuilding the racing circuit?

10 My concern here is that it's going to get -- you
11 understand, it's out of racing interest's hands.

12 MR. BLONIEN: Yeah. I mean, I guess I wish we
13 could turn the hands of the clock back and have the funds
14 established in the CHRB, rather than the Department of Food
15 and Ag, and allow you to go ahead and have more control on
16 the funds.

17 But I'm going to ask others this question, the
18 thought that I have, the money, in essence, is going to be
19 paid by the fairs to the Department of Food and Agriculture.
20 Is it possible that this money could be escrowed by the
21 fairs and not paid to Food and Ag until the Board is ready
22 to make a decision?

23 So in other words, Chris, what I'm asking is that
24 one percent is going to be collected, presumably, by the
25 fairs and paid to Food and Ag. Is it possible that that

1 payment to Food and Ag could be delayed until we have
2 presented the Board with a program that they are satisfied
3 with and then have the money paid over?

4 COMMISSIONER CHOPER: And I haven't read the
5 statute. Derry has. I just looked at it, now.

6 But it does seem to me that it does require CHRB
7 approval before this is collected at all.

8 MR. BLONIEN: Yes.

9 COMMISSIONER CHOPER: It provides for a committee
10 to be established to determine how it's to be spent. But I
11 would think that one could reasonably take the view, without
12 looking at it carefully, that the approval can be
13 conditioned not on how it's spent, but on when it's spent,
14 and that's what you're suggesting.

15 MR. BLONIEN: What I'm suggesting is that if the
16 Board would authorize the one percent, it could be done on
17 condition that the funds that are collected by each
18 individual fair not be paid to Food and Agriculture until
19 the Board has authorized and directed that the money be paid
20 over, and that the CARF then come forward with a
21 comprehensive plan demonstrating how the money's going to be
22 spent and what the priorities are, have the Board approve
23 that and then say you may now pay this money over to Food
24 and Ag.

25 Or in the alternative say that the money has to go

1 some place else.

2 COMMISSION VICE CHAIRMAN HARRIS: We can't get it
3 back to the fans is the problem, you can't return it to the
4 people that gave it to you.

5 MR. BLONIEN: Right, yeah.

6 COMMISSIONER MOSS: One question. Is the purpose
7 to convert Pleasanton, solely Pleasanton, to accommodate the
8 vacuum that the loss of Bay Meadows is going to create? Is
9 that it? Because I saw some estimate that that might take
10 \$40 million to do that.

11 MR. BLONIEN: Commissioner Moss, in terms of
12 auxiliary stabling, the answer to your question is yes. In
13 terms of the weeks of racing that currently benefit Bay
14 Meadows, some of those weeks will be going to Golden Gate
15 Fields, some of the weeks will be going to Pleasanton.

16 There was a proposal made for approximately \$40
17 million, that we would probably call the Mercedes plan.
18 It's not one that the Alameda County Fair directors have
19 embraced. We think that we're not going to get \$40 million.

20 And we're probably, really, realistically looking
21 at something that is less than -- \$20 million or less.

22 COMMISSIONER MOSS: Right, that's my point. So
23 how does 1.2 spread out among all the fairs, accommodate
24 that or intend to help that along?

25 MR. BLONIEN: Well, the fairs generously have

1 agreed that the first cut of the money is going to the
2 Alameda County Fair. And so if it's 1.2 the first year, all
3 of that will go to Pleasanton.

4 And I don't know for what period of time, Chris,
5 they have agreed that all the money goes to Pleasanton, but
6 it will be for some time; is that correct?

7 MR. KORBY: It will be for some time. And if, for
8 instance, this revenue stream were committed to debt
9 service, it would be for the period of time required to
10 retire that debt. So if we borrowed money for --

11 COMMISSIONER CHAIRPERSON SHAPIRO: But there again
12 is the same problem, it's committed for some time.

13 The plans are not fleshed out. And towards your
14 point, Mr. Blonien, I don't know if we could even secure
15 some agreement from Food and Ag that says we understand that
16 we're getting this money and it's for the purpose of fixing
17 up these fairs, and this priority, and this order, and we
18 agree with that, which would allow us to have comfort.

19 Because Mr. Breed just handed me what the law
20 says, and if you read it carefully, and perhaps skeptically,
21 you can see that it says, "the additional one percent shall
22 be deposited into the Enclosure Facilities Improvement Fund,
23 which is hereby created as a special fund in the State
24 Treasury, the monies of which are available upon
25 appropriation by the Legislature in the annual budget act."

1 And so, again, if this money is going to come from
2 horse racing fans to fund horse racing projects, how can we
3 refine this to make sure that the goal is achieved?

4 COMMISSION VICE CHAIRMAN HARRIS: Yeah, the
5 appropriations process is pretty hard to get through with
6 all the different needs of the State. These funds are
7 famous for never getting spent.

8 COMMISSIONER MOSS: Is there a real budget for
9 Pleasanton conversion?

10 COMMISSIONER CHAIRPERSON SHAPIRO: Mr. Blonien?
11 Well, wait a second. Mr. Moss just asked, is there a budget
12 for the refurbishment and conversion of Pleasanton? Is
13 there a plan, is there a budget?

14 MR. BLONIEN: I believe they have various phases
15 and there is a budget for phase one. But, again, I don't
16 have that detail, Mr. Moss, because I wasn't in --

17 COMMISSION VICE CHAIRMAN HARRIS: I think it's
18 important, when you look at the repayment with the vanning
19 and stabling fund will be a major source of revenue for
20 Pleasanton, and I think that's got to fit into the equation
21 somewhere.

22 I think we just don't have enough numbers on the
23 table, now, to really assess really what's there, you know,
24 and how much money you're able to make with your race meet.
25 If you got a few more weeks, you could make some more money.

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We need a total budget. Where this is just taking kind of a low-hanging fruit in this case, which we think is the fans, let's take another one percent from the fans, but we're not looking at the total picture very well.

COMMISSIONER CHAIRPERSON SHAPIRO: We need a plan. We need a comprehensive business plan, and I think that's what we're saying.

COMMISSIONER MOSS: And we may have to take it to the Governor, we have to take it -- I mean, this is a kind of an emergency situation we have here.

COMMISSION VICE CHAIRMAN HARRIS: Well, not really.

COMMISSIONER CHAIRPERSON SHAPIRO: Well, it's certainly a timely situation that we have to deal with. But, quite frankly, this isn't a surprise to anybody. We've known this day was coming for many years. It's now upon us. And, unfortunately, as we're sitting here today, or as I'm sitting here, I don't know what the plan is in Northern California. I don't know if anybody else does.

MR. BLONIEN: Mr. Chairman and Members, Rod Blonien, on behalf of the Alameda County Fair. I know how to count and I don't believe we have support on the Board at this time for what we're asking for.

Your next meeting is on June 19th, which will be

1 before the first fair, which is the Alameda County Fair.

2 What we would request, respectfully, is that this
3 item be placed back on the agenda for the next meeting, give
4 us an opportunity to put together the plan that you have
5 suggested. Also give us the opportunity to meet with your
6 staff, provide them with the answer to many of the questions
7 you're asking today. And see if we can't at that time, at
8 the next meeting, move this forward.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Absolutely
10 fine, we will absolutely do it. If you have -- I mean, I'm
11 certainly available if you want to -- I mean, we all want to
12 work with you. We appreciate and want you to be successful.

13 COMMISSION VICE CHAIRMAN HARRIS: I think we need
14 to make sure that other stakeholders, particularly the fans,
15 and the horsemen, and the other tracks, that the whole
16 industry buys into what we're trying to do here. It's just
17 not strictly a fair program because it impacts wagering all
18 over the State.

19 COMMISSIONER CHOPER: I wish one of the things
20 that you'd address, as I read the statute, it seems to me
21 key that the decision-making authority under this statute,
22 which I'd really not known about, I didn't know about any of
23 this before, rests in the hands of the Secretary of Food and
24 Agriculture, with an advisory committee that he or she is
25 supposed to appoint.

1 That's certainly not, from my quick stand point,
2 an ideal structure for, first of all, for taking money
3 strictly from racing fans and distributing at the
4 discretion, first, of the Secretary, and then of the
5 Legislature that's got to appropriate it every time.

6 So I'm -- this strikes me as a pretty flawed
7 vehicle, let me just say that, for accomplishing what we all
8 want to accomplish.

9 COMMISSIONER CHAIRPERSON SHAPIRO: And I'm
10 wondering if, Mr. Blonien, there isn't another vehicle that,
11 you know, in hindsight, that you couldn't work on, on behalf
12 of CARF, that would perhaps spell it out better and more,
13 you know, without as many potential risks as some of us are
14 fearful of.

15 COMMISSIONER CHOPER: I don't think there's any
16 reason to believe that CARF's interests are protected by
17 this. I may be wrong, you know the legislative process a
18 lot better than I do, ten times. But you've handed
19 over -- you've handed over the -- let me put it bluntly, the
20 bettors' money to the Secretary of Food and Agriculture and
21 to the Legislature. That, to me, is not a terribly good
22 bet.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, we will
24 bring this back on our agenda. I have one card. Mr.
25 Liebau, do you wish to address this issue?

1 COMMISSION VICE CHAIRMAN HARRIS: Well, one thing,
2 too, if it does come back, which I assume it would, I think
3 it would be helpful if we could get a little more drilling
4 down into these numbers to substantiate the million two,
5 what assumption that makes as far as if you're selling that
6 signal to other states, do you in fact get that extra one
7 percent. If it's going to Southern California and they
8 effectively get the signal free, or they kick anything in
9 for it, or there's a lot of issues kind of under the radar
10 here that we need to look at.

11 MR. KORBY: We'll be ready to answer those
12 questions.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you, Mr.
14 Korby.

15 Mr. Liebau?

16 MR. LIEBAU: Jack Liebau. I think I would just
17 reiterate everything that the Chairman said about how we're
18 in desperate need of new, improved facilities and have to
19 have some way to fund them.

20 The one thing that I think that the Board has to
21 be mindful of, and you probably are, but when you start
22 talking about raising the takeout, you know, approximately
23 50 percent of your wagering might be out of state. And I
24 have to tell you that those people out of state may not
25 agree to increase their host fees because California already

1 has a low takeout.

2 And so I think the staff, and all of us should
3 consider, when we talk about raising the takeout, our
4 ability to pass that on or get it back from the out-of-state
5 locations.

6 There is a little bit of precedent for that as far
7 as when the worker's comp surcharge was put on, and we were
8 successful at that point in time, and as I recall we were
9 bargaining with the Santa Anita signal, but we still have a
10 terrible time with New York OTB, Nevada, and places like
11 that, that do have leverage because of the amount that they
12 wager.

13 So I would just say that everybody should be
14 mindful that it's not necessarily just one percent of what
15 anybody bets, you still have to capture that from the out-
16 of-state locations.

17 COMMISSION VICE CHAIRMAN HARRIS: Yeah, and I
18 think industry did do a good job of hanging onto that
19 worker's comp fund.

20 But in this case, the fairs now are getting one
21 percent more takeout than the other associations. I'm not
22 the -- well, you're the one to answer this part of it, but
23 I'm not sure where that goes.

24 But are they able to sell their signal for one
25 percent more, due to that, than otherwise they would, which

1 is the real essence of these numbers?

2 MR. LIEBAU: Well, I think you asked sort of a
3 general question and I'll give you my impression. My
4 impression is that, for instance, with respect to the San
5 Mateo County Fair we do not get the same host fee that Bay
6 Meadows gets, notwithstanding that there's a higher takeout
7 at the San Mateo County Fair.

8 COMMISSION VICE CHAIRMAN HARRIS: You get lower?

9 MR. LIEBAU: Lower.

10 COMMISSION VICE CHAIRMAN HARRIS: It gets worse,
11 so actually that's the --

12 MR. LIEBAU: Well, I mean, everybody out of state
13 looks at it as, you know, three percent, three and a half
14 percent, whatever the number is, and sometimes they are a
15 little bit -- put up a little bit of a roadblock with
16 respect to California because our takeout is lower than the
17 other states and they don't make as much on every wager.
18 It's a complicated issue, that's all I'm saying.

19 COMMISSION VICE CHAIRMAN HARRIS: Well, that's the
20 thing, that's the reason I was concerned about these -- I
21 mean, it's bothersome to me to have figures presented to the
22 Board that have pretty apparent flaws in them. I mean, when
23 we get figures, we need to have a lot of the issues better
24 laid out.

25 COMMISSIONER CHAIRPERSON SHAPIRO: And the

1 assumptions in the -- the assumptions, too.

2 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, we're
4 going to move on to Item Number 4, which is discussion and
5 action by the Board on the application to conduct a horse
6 race meeting at the Solano County Fair, at Vallejo,
7 commencing July 9th through July 21st.

8 COMMISSION VICE CHAIRMAN HARRIS: We don't need to
9 take any action on the last one, it's just tabled?

10 COMMISSIONER CHAIRPERSON SHAPIRO: No, we'll bring
11 it back. The last one, we'll bring it back next month.

12 STAFF SERVICES MANAGER WAGNER: Good morning,
13 Commissioners. Jackie Wagner, CHRB staff.

14 The application before you is from the Solano
15 County Fair. They have filed an application to race their
16 race meet from July the 9th through July 21st, or 11 days,
17 which is the same number of days they raced in 2006.

18 If you will recall, in 2007 the Solano County
19 Fair, along with the Sonoma County Fair, ran a combined
20 horse race meeting, the Sonoma/Solano Wine Country Racing.

21 Last year Solano raced from July 15th -- excuse
22 me, July 11th through July 15th, or five days, and then the
23 racing continued on to Sonoma County Fair, which ran from
24 July 18th through August 6th, and they ran 18 days.

25 The proposed dates in this application are the

1 dates that were allocated to the fair, with the exception of
2 July the 21st. This application contains a request for one
3 additional race day on Monday, July the 21st, which will
4 coincide with the racing at the Del Mar Thoroughbred Club.

5 This application also contains a request to deduct
6 the additional one percent from the total amount handled,
7 which we just discussed.

8 They will be racing five days the first week,
9 Wednesday through Sunday, and six days the second week,
10 Wednesdays through Monday.

11 They will be racing ten races per day on Monday,
12 Wednesday, Thursday and Friday, July the 11th. They are
13 proposing to race 12 races on Saturday, Sunday, and Friday,
14 July the 18th. This application has no outstanding items
15 and we do have representatives from the fair.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,
17 Jackie.

18 We will hear this. But, again, with respect to
19 the one percent, in light of the action we didn't take,
20 whatever we decide with your application when we hear this,
21 we'll assume that it's retroactive to this application.

22 COMMISSIONER AMERMAN: I'd like to ask staff a
23 general question, if I could, that relates to Solano, and
24 Sonoma, and Del Mar. In looking at each of these, there was
25 no information in there about the advertising and the

1 promotion program that the fairs and Del Mar were planning,
2 and it doesn't relate to what they did last year.

3 And I was wondering why staff did not include that
4 part of the application this year?

5 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I
6 personally liked the Santa Rosa experiment and, I agree, I'd
7 like to see more detail of why that worked or didn't work.

8 COMMISSIONER AMERMAN: Well, it's completely
9 eliminated.

10 COMMISSIONER CHAIRPERSON SHAPIRO: It's
11 disappeared.

12 COMMISSIONER AMERMAN: The question is, simply,
13 why did it disappear?

14 COMMISSIONER CHAIRPERSON SHAPIRO: Well, no, no,
15 you're looking at each other. Jackie, first of all --

16 COMMISSIONER AMERMAN: No, this is to staff. This
17 is to you, to staff.

18 STAFF SERVICES MANAGER WAGNER: Absolutely. The
19 advertising information is located on the application under
20 Item 14. What you have in the package is exactly what the
21 applicant presented to staff, as it pertains to their
22 advertising plans for their subsequent race meets.

23 COMMISSIONER CHAIRPERSON SHAPIRO: No, no, wait a
24 minute. Wait. I don't think that's what Commissioner
25 Amerman is asking you about. I think Commissioner Amerman

1 is saying you've compared 2006 to 2008. And last year, in
2 2007, they ran a combined meet.

3 I think, if I'm understanding Commissioner
4 Amerman, he's saying what happened in 2007, why are we just
5 ignoring it, why is there no discussion about last year in
6 staff's analysis of this application?

7 STAFF SERVICES MANAGER WAGNER: In terms of doing
8 the comparison between the two applications, staff looked at
9 the corresponding dates in terms of apples to apples.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, but we're
11 not asking, though -- okay. Again, we understand when
12 you're comparing like to like, and we had something last
13 year that was not like. But there should be an analysis and
14 a discussion that notwithstanding last year was different,
15 here's what happened last year, here's what we found last
16 year.

17 Because all of us, I think, are sitting here
18 saying, hey, wait a minute, why are you going back to the
19 old way, how did you do last year? Why? We'd like to hear
20 some answers and staff just ignored like last year didn't
21 happen.

22 STAFF SERVICES MANAGER WAGNER: You're absolutely
23 correct. We did not provide you with the numbers for last
24 year. In the course of this application we did provide the
25 racing meeting averages, the number of runners per race meet

1 are provided for 2006 versus 2007. We did not include the
2 purse program information.

3 I believe -- let me see, 2007.

4 COMMISSIONER AMERMAN: Well, let me see if I can
5 explain it again. One of the things we've got to do in
6 California racing is appeal to more fans, and we don't
7 appeal to fans if we just do nothing. I assume we are doing
8 things, but we should outline what is being done in 2008
9 versus what was done in 2007, or 2006, or whatever you're
10 comparing it to.

11 I noted that particularly when we were talking
12 about Del Mar, Del Mar's the same, but there's no
13 information in there about Del Mar, and Del Mar is our
14 premier event throughout the whole year.

15 I'm just curious as to why we would walk away from
16 an analysis of what the advertising and promotion programs
17 are for the fairs and for Del Mar.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Well, let's
19 turn, if we can, to Mr. Barkett at this point. However, I
20 will tell you, Mr. Barkett, that on my book, okay, when it
21 came to the section that says on-track attendance and
22 development, I wrote the word "nothing." Because I looked
23 at your application and I said to myself, okay, last year
24 they were creative, they tried something. Obviously, it
25 didn't work because you're not asking for it again.

1 But when I looked at what you're doing this year,
2 to me it's like, okay, we're going to go through the motions
3 period, end.

4 There's nothing in here that tells us anything
5 about what you're doing to build horse racing.

6 MR. BARKETT: Mr. Chairman, first let me talk a
7 little bit about -- oh, Joe Barkett, General Manager, Solano
8 County Fair.

9 But let me start, I hear all your comments and
10 concerns, and I'll try to respond to all of them.

11 First off, the 2007 Sonoma/Solano Wine Country
12 Race Meet was, as you indicated, an experiment on the part
13 of the fairs. It was something we were very enthusiastic
14 about promoting.

15 COMMISSIONER CHAIRPERSON SHAPIRO: And we were
16 highly complimentary of you for doing that.

17 MR. BARKETT: We appreciate that. For reasons,
18 and I think I reported on this last year, after the meet,
19 for reasons that I'm not sure we can completely identify,
20 although we do have some theories, the meet actually did
21 about as well as the two fair meets did separately in 2006.

22 That was, frankly, a disappointment to us. In my
23 opinion it may have -- you know, it's an experiment that,
24 hopefully, could have gone forward for another year or two,
25 so that we could have had a better assessment and evaluation

1 of how that would work.

2 But the Sonoma County Fair Board was not willing
3 to continue that combined race meet in 2008, and so we went
4 with their understanding. We weren't trying to pressure
5 them or anything. We felt very much that it would be in
6 their interest to go forward. They may feel that way in the
7 future.

8 COMMISSION VICE CHAIRMAN HARRIS: Was it about a
9 cost? Effectively, I would presume that Santa Rosa was
10 paying Vallejo a fee, basically, to buy their week.

11 MR. BARKETT: No, it wasn't a cost. In fact, the
12 Sonoma County Fair did slightly financially better than it
13 did in 2006. The Solano County Fair did slightly
14 financially worse than it did in 2006. But that wasn't the
15 issue and that wasn't the reason this didn't go forward.

16 Solano County Fair was willing to continue with
17 this. And I'm not putting blame or anything on Sonoma. The
18 reason I think Sonoma, and Tawny Tesconi, from the Sonoma
19 County Fair will be here right after me, but the reason I
20 think that they were concerned, their Fair Board was
21 concerned, was because of what they perceived to be the
22 dilution effect of adding the additional week.

23 Now, I think they feel that eventually, hopefully,
24 they will be able to expand the number of days of racing in
25 Sonoma, and we will be happy to work with them.

1 What's probably more likely in the future, and now
2 I'm putting on my California Authority of Racing Fairs hat,
3 to say that 2008 is a little bit of a transition year
4 between, you know, kind of status quo, with the exception of
5 this Sonoma/Solano race meet, and 2009, when Bay Meadows
6 will not be running.

7 And I think fairs are working very hard,
8 collectively, to try to move to the concept of a
9 consolidated fair racing meet that will take place over 14
10 or 15 weeks, and during which we'll have more flexibility to
11 do some of the kinds of things that we experimented with
12 last year.

13 And I don't know whether that would be with
14 Pleasanton, or Sonoma, or a combination thereof, probably
15 the latter.

16 But we very much are looking forward in 2009 and
17 beyond to doing some of these collaborations, and whatnot,
18 and having fairs cooperate with each other, as they are
19 cooperating with each other with respect to the one percent
20 takeout that we were talking about, where all the fairs were
21 willing to participate in that and recommend the direction
22 of those monies to certain fairs that would most benefit fan
23 development in the future.

24 In the north, that would be the Alameda County
25 Fair, initially. In the south, that would be the Los

1 Angeles County Fair in Pomona, which will be a very
2 important component of this one percent takeout in the
3 future.

4 I fully understand and agree we should have done a
5 better job of giving you more details and specifics about
6 that plan, but I can tell you that we are working very hard
7 to do that kind of thing in the future. We're not just
8 looking to preserve status quo as it has been in the last
9 few years.

10 COMMISSION VICE CHAIRMAN HARRIS: I think it would
11 be helpful if the Board could have, to use the term, some
12 sort of a necropsy of what happened in '07 versus '06, and
13 then include '08 so we can get a grasp of what works better.
14 Because Santa Rosa does offer advantages over your fair, as
15 far as the turf course, and a mile track, and larger
16 grandstand, and a lot of different attributes that should
17 help but, you know, maybe it just doesn't work.

18 MR. BARKETT: And Mr. Harris, I think, I would
19 agree with that. And we fully expected it would happen.

20 Interestingly, if we were to do that autopsy or
21 whatever, what we've found was there wasn't a lot of success
22 in terms of increase in handle and attendance. That doesn't
23 mean that it was a bad idea.

24 COMMISSIONER CHAIRPERSON SHAPIRO: You tried it
25 one year.

1 MR. BARKETT: One year.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Five days. It
3 was something new. And now you're going to go back to the
4 old way. And what I'm sensing here is you were willing to
5 continue with it, but Sonoma wasn't. And if that's the
6 case, I suggest you just say that. Because when Sonoma gets
7 up here, we'll then ask them these questions.

8 Because, frankly, what we're left with is that
9 there's nothing appealing in your license application, that
10 leads anyone to believe that there's future, there's energy,
11 other than we're going to run our dates because we're going
12 to make some money.

13 COMMISSION VICE CHAIRMAN HARRIS: And as I recall
14 last year, it was a hot summer, but you had several days in
15 your short meet with very low attendance.

16 MR. BARKETT: 2006 was a very hot year. And 2006
17 is the year, which I candidly acknowledge, is the year that
18 we were expecting significant improvements in 2007. We
19 didn't get those.

20 COMMISSIONER CHAIRPERSON SHAPIRO: And did you
21 also say that maybe you weren't even going to continue
22 racing if you could not revitalize it? And here we are, in
23 2008, where you're going to run 11 days, and I'm just
24 questioning the wisdom of these 11 days of racing when
25 they're not going to -- I don't know who they're

1 benefitting, other than they're creating some revenue, I
2 assume, for the fair.

3 COMMISSION VICE CHAIRMAN HARRIS: A lot of that
4 revenue is because you're the host. If you're the host, you
5 have a good profit center, regardless of how many fans you
6 bring in.

7 A lot of the purpose I see of the fairs is to
8 develop new fans. But as I recall, Vallejo, oftentimes gets
9 less than a thousand people showing up.

10 MR. BARKETT: That's correct, Mr. Harris. The
11 attendance, the on-track attendance, as it has in almost all
12 racing facilities statewide, has decreased. I think it has
13 decreased --

14 COMMISSION VICE CHAIRMAN HARRIS: Except for the
15 Big Fresno Fair.

16 MR. BARKETT: Right. I think it has decreased
17 more at Vallejo because the opportunities to attend racing
18 at satellite facilities at other fairs and at Golden Gate
19 Fields, in our immediate area, are so convenient and
20 it -- you know, we were impacted even more than that.

21 COMMISSIONER CHAIRPERSON SHAPIRO: So then why are
22 you hanging on and not saying let's put these dates at
23 another venue, where there may be more and better racing
24 opportunity for the participants?

25 MR. BARKETT: We are trying to preserve this two

1 weeks of fair racing with the complete intent and
2 understanding in the future of working with the broader fair
3 industry, in Northern California, to collaborate with them
4 to make the best racing product that we can go forward in
5 the future.

6 As I said, we don't know exactly what that's going
7 to be, how it's going to work, how it's going to impact the
8 dates that are going to be raced at Vallejo. It's possible
9 that there may be additional improvements and other good
10 reasons to race at Vallejo. It's possible that Vallejo may
11 be partnering with someone else, like the Sonoma County
12 Fair, or someone else. We're open to all those
13 possibilities.

14 And this is not to put blame or anything else, but
15 we're willing to try this again, the four-week consolidated
16 meet.

17 I understand and respect why Sonoma County Fair
18 was not willing to do it this year, but that's not to say it
19 couldn't be put back on the table again.

20 COMMISSIONER CHAIRPERSON SHAPIRO: If you could
21 move your dates, if this Board said tell you what, you're
22 challenged in Vallejo, a beautiful area, great place, but
23 you have challenges. So if you could take these 11 days
24 and say, hey, where do you want to race them? Where would
25 you race them? Anywhere? Here?

1 MR. BARKETT: I can tell you that my Fair Board
2 would feel very strongly that those dates should be raced at
3 Vallejo.

4 I have been working with my Fair Board for the
5 last few years to convince them that the best future for the
6 Solano County Fair race meet, as well as the Northern
7 California fairs, is to work together, collaboratively, with
8 other fairs. And they have pretty much gone along with
9 that, as they did last year.

10 It's a process, Mr. Chairman. There's not a
11 simple answer to that.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

13 MR. BARKETT: And it's not just simply a question
14 of whether it's a few more dollars here or there.

15 COMMISSION VICE CHAIRMAN HARRIS: Did the
16 horsemen, the trainers and the owners have any input into
17 this debate?

18 MR. BARKETT: Yes. Yes, we have been meeting with
19 the thoroughbred owners, with the trainers, with Magna, with
20 Bay Meadows, with all the other fairs. We meet
21 periodically, we just had a meeting about a week ago. We
22 are working very diligently, and I think cooperatively on
23 all this, and discussing it all with them.

24 COMMISSIONER AMERMAN: Well, it seems to me we're
25 looking at a grim picture here, at Vallejo. Because in

1 2006, by your words, Mr. Barkett, it wasn't very good, it
2 was hot, it was a problem.

3 2007, I really couldn't understand whether it was
4 good, bad, or indifferent, but other than Sonoma didn't like
5 the extra days.

6 Now, 2008, because there's no information in here
7 about what you're doing to develop your days, it strikes me
8 that you're treading water, and you look to 2009 and you
9 don't know what you're going to do in 2009. It seems like
10 we're wasting 11 days of racing that aren't really that
11 important to our long-term future.

12 COMMISSIONER CHAIRPERSON SHAPIRO: If I can just
13 interrupt for a second to talk to our webcaster, I just
14 received an e-mail that the on-hold music is playing at the
15 same time as we are speaking. So could you turn the music
16 off? Apparently, Mr. Hall, in Louisville, doesn't like the
17 song. Can we try to --

18 COMMISSION VICE CHAIRMAN HARRIS: It must be
19 someone's phone is in a conference call or something?

20 COMMISSIONER CHAIRPERSON SHAPIRO: No, I don't
21 know what it is but, again, there seems to be a problem with
22 the audiocast. And thank you, Mr. Hall, if you did hear
23 that.

24 COMMISSIONER AMERMAN: So my question is what are
25 you doing in 2008 that's going to make it better than what

1 you did in 2007?

2 MR. BARKETT: Mr. Amerman, first, to make it, I
3 guess, more clear than I have of what happened in 2007, the
4 two weeks of Vallejo meet were combined with the two weeks
5 of Sonoma.

6 COMMISSIONER AMERMAN: Right.

7 MR. BARKETT: One week was raced at Vallejo. That
8 one week that was raced at Vallejo did about the same as
9 that one week did racing at Vallejo when it was a two-week
10 meet.

11 COMMISSIONER AMERMAN: Okay.

12 MR. BARKETT: The two weeks that occurred during
13 the fair at Santa Rosa were down from prior year.

14 The one week that occurred when there was no fair
15 going at Santa Rosa was actually successful enough to
16 compensate for what was down in the two weeks.

17 And the combined four weeks came out about the
18 same as the two fairs, individually.

19 COMMISSIONER AMERMAN: I understand that. My
20 question is not that.

21 MR. BARKETT: Okay. I just wanted to --

22 COMMISSIONER AMERMAN: My question is what are we
23 doing in 2008 that makes it better than 2007?

24 MR. BARKETT: What we are hoping, in 2008, that
25 will improve over 2007 and 2006, is that we are trying to

1 put on as good a program of racing as we can. We are
2 advertising by our -- we have a limited budget at the Solano
3 County Fair. But we are spending over a hundred thousand
4 dollars general fair advertising which, hopefully, will
5 bring people to this race meet. And we have about 20,000
6 cash, plus we have an electronic message board on Interstate
7 80, which about 270,000 cars a day pass, and we're
8 advertising heavily on that.

9 We are also doing additional promotions for our
10 box seat holders, and we are adding amenities for our box
11 seat holders and our season box seat holders, we're
12 improving the box seat area.

13 We're also making improvements to our fair
14 facility in terms -- mostly cosmetic, but we're adding some
15 improvements on the first level. We're adding some
16 improvements in front of the main gate, mostly landscaping
17 and whatnot, to try to improve the feel of our very old,
18 rundown, admittedly, fairgrounds.

19 We are doing -- with what our limited budget
20 enables us, we are doing all that we can to try to not just
21 stay the course, but to improve it in 2008.

22 Having said that, that doesn't mean we're
23 intending to just incrementally try to improve where we've
24 been. We're trying to work with all the fairs in the future
25 to do something more creative.

1 COMMISSIONER AMERMAN: Well, your impassioned
2 comments are terrific. It would seem to me that that's what
3 should be in the application. And all I read in the
4 application says you're going to spend \$10,000 for a TV,
5 radio, and newspaper ads in the Bay Area, plus over 10,000
6 in TV, radio, and newspaper, and racing posting. That left
7 me very cold.

8 MR. BARKETT: Well, that's my fault, I didn't do a
9 good job of that. I didn't do a good job of putting it in
10 here.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Mr. Barkett, we
12 recognize your challenges, and I think you know we
13 think -- or certainly I think you're one of the good guys
14 that tries hard, and has been creative, and I don't want to
15 keep beating up on you. It's a lot of frustration that you
16 hear coming out towards you and yet, on the other hand, I
17 know how frustrated you are as well. We recognize your
18 limited budget and all the constraints you're under.

19 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I
20 think -- I mean, Joe is one of the best fair managers.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

22 COMMISSIONER AMERMAN: Absolutely.

23 COMMISSION VICE CHAIRMAN HARRIS: And I'm sure the
24 board's working hard. It's not a reflection on any
25 individual, it's just you're in a tough position and we need

1 to look at is there a way to make it better.

2 COMMISSIONER CHAIRPERSON SHAPIRO: You know, we're
3 as frustrated as anybody because this is a key time of the
4 year, it's a great time for racing, and we're not getting
5 where -- frankly, I'm very disappointed that the combined
6 meet isn't happening again. I think -- you know, I hear you
7 wanted it to.

8 So, you know, I don't know what else we can say at
9 this point. And, therefore, I will entertain a motion, if
10 there is one. Is there a motion?

11 COMMISSIONER CHOPER: So moved.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Commissioner
13 Choper's moved. Is there a second?

14 COMMISSIONER AMERMAN: Second.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Any more
16 discussion? If not, I'll take the vote.

17 All those in favor?

18 (Ayes.)

19 COMMISSIONER CHAIRPERSON SHAPIRO: Joe, good luck,
20 thank you.

21 MR. BARKETT: Thank you.

22 EXECUTIVE DIRECTOR BREED: Mr. Chairman, on behalf
23 of the staff, Commissioner Amerman brings up a good point on
24 the analysis, and I think in the future the analysis has to
25 reflect a comparison and a projection, as opposed to just a

1 line item analysis of what the people said. I have taken
2 note of that.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, we
4 appreciate it.

5 COMMISSIONER AMERMAN: Thank you very much. That
6 was what we had in the past and I was curious as to why we
7 changed.

8 EXECUTIVE DIRECTOR BREED: Right. Good point.

9 COMMISSIONER CHOPER: Mr. Chairman?

10 COMMISSIONER CHAIRPERSON SHAPIRO: Yes?

11 COMMISSIONER CHOPER: Could I say a word?

12 COMMISSIONER CHAIRPERSON SHAPIRO: Of course you
13 can.

14 COMMISSIONER CHOPER: Or a couple of words. You
15 know, this is my one year -- I realized sitting here, my
16 one-year anniversary of being on the Board.

17 COMMISSIONER CHAIRPERSON SHAPIRO: We've got a
18 muffin in the back here.

19 COMMISSIONER CHOPER: No. No, no. And I've come
20 to the conclusion, and maybe it's wrong, but I think it's
21 obvious, but the great problem facing this whole industry is
22 revenue sources. People have mentioned that. In word, we
23 had it in both of these agenda items.

24 And I, by no means, have the answers, but we've
25 got to get some or it seems to me we're going down a very

1 steep slope. The closing of Bay Meadows, in Northern
2 California has created enormous problems as to where we're
3 going to race here at all.

4 You know, you can tax the fans, you can tax the
5 owners, I guess, the horsemen, other participants in the
6 industry. People have talked about video terminals at the
7 tracks, expanding the fan base, refurbishing the satellites.

8 The Closed Meeting Act makes any intelligent
9 discussion outside these meetings, among the members of this
10 Commission, to be extremely burdensome and difficult. I
11 wish I had an answer to that. I don't. I don't have an
12 answer to any of these things.

13 And it seems to me that the only alternative are
14 these special meetings that we've had, and we've had a
15 couple of, I think, quite informative, long discussions of
16 the track, synthetic tracks, and also the long-term
17 schedule, which is a big part of what we're talking about
18 here.

19 I guess I would suggest we try, in some creative
20 way, and be well-prepared in the process, to talk about this
21 at a series of forums. I don't know what they are. But I
22 must say, I come away after a year, with a feeling of
23 pessimism. And I regret that. I regret to say it, but
24 that's the way I feel.

25 I look at this piece of legislation that we've

1 just had, that we talked about the last time around, which
2 as I said is very flawed in addressing it in a very modest
3 and highly imperfect way.

4 I know that most anything that we do is going to
5 require legislative/gubernatorial intervention and support.
6 But I think we've got to find out what we think we ought to
7 do and do it in the most informed way possible, and then try
8 to get it done.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well, Mr.
10 Choper, if I can just kind of help you out, because I'm
11 nearing my fourth year, okay, and Mr. Harris has certainly
12 been here the longest. But the truth is I came in, I think,
13 with the same vision you did. And what I've learned is that
14 everybody that's sitting out in the audience, and many that
15 aren't, we are simply a mirror of their frustration, as
16 well.

17 This industry is very challenged. And when we
18 hear about the challenges our State faces in horse racing,
19 compared to all these states that are getting racinos and
20 additional streams of revenue, we're behind the eight ball.

21 And I believe that the stakeholders, and the
22 members of this Board, have all been crying, help us, help
23 us. Because you're correct, it does come down to sources of
24 revenue.

25 And what we have is a declining source of revenue.

1 Now, that has followed, unfortunately, perhaps some years of
2 arrogance, where people didn't think that we were as
3 vulnerable, allowed our monopoly to be taken away from us,
4 our monopoly of gaming, and as well as letting some of our
5 tracks fall in disrepair.

6 So now, we are behind the eight ball. And I
7 believe that there are many people in the industry that are
8 trying to find what it is, you know, whether it's been slot
9 machines, it's been instant racing, whether it's been trying
10 to find another way to skin this cat to create more revenue,
11 and it is very frustrating.

12 And, unfortunately, with the advent of more states
13 coming online, Pennsylvania, New Jersey, and all these other
14 states, it's going to be even a more difficult road for
15 California. And that's why we are losing racetracks, and
16 that's why we need a comprehensive plan to reflect how we
17 can put good product on.

18 Because without good product, we don't have
19 anything. And I believe that there are a lot of good people
20 who are really trying to come together.

21 One thing I can say is I believe everybody's
22 working in the same direction which, in very recent years
23 past, has not been the case.

24 COMMISSIONER CHOPER: I certainly sympathize with
25 that. And I'm not criticizing anything that anyone's done.

1 And I certainly believe that everyone is on the -- at least
2 on the same boat, if not on the same page.

3 But I guess I am questioning whether simply
4 improving the product is going to be a major assistance in
5 making this a business that can -- a successful business.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Well, when I
7 say improve the product, it also means not just the racing
8 on the track, but we have to have facilities that are
9 competitive with other opportunities for entertainment to
10 attract people.

11 We still ask people to sit in dated, 50-year-old
12 or more facilities, other than Del Mar, and in environments
13 where, frankly, it's lonely. It's not much fun for the most
14 part.

15 COMMISSIONER CHOPER: No, I understand.

16 COMMISSIONER CHAIRPERSON SHAPIRO: We've over-
17 exposed our product. I mean, we can go on and on. If you
18 want to have a special meeting to discuss this, great.

19 COMMISSIONER CHOPER: Well, I don't know that just
20 having a special meeting -- I think it requires a certain
21 amount of input of knowledge, collection of data,
22 determining what we want to do at that special meeting, who
23 we want to hear from, how we can begin to handle this sort
24 of thing.

25 I don't have the answers, I guess I'm

1 expressing --

2 COMMISSIONER CHAIRPERSON SHAPIRO: Frustration.

3 COMMISSIONER CHOPER: -- frustration with it, and
4 a basic unhappiness. I mean, I've been going to Solano for
5 35 years. And I think it's too bad because that -- I was
6 about to suggest that they ought to take some -- try to run
7 some test to determine whether they'd be better off running
8 some of those dates at Golden Gate Fields.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well, that's
10 why I asked the question, frankly. I said to them --

11 COMMISSIONER CHOPER: Because, you know, it's only
12 about 20 minutes away.

13 COMMISSIONER CHAIRPERSON SHAPIRO: That's why I
14 said, if you could race anywhere, where would you want to
15 race? Because, frankly, I don't know why they're not
16 putting those dates in a venue that will create more revenue
17 for them and for the people that we need, our horsemen.

18 COMMISSIONER CHOPER: Well, there's local pride
19 and tradition, that does not go down quickly.

20 COMMISSIONER CHAIRPERSON SHAPIRO: Well,
21 unfortunately, this industry, steeped in tradition, is going
22 down the tubes. It's time to get out of that.

23 COMMISSIONER CHOPER: I'm not -- I say, I don't
24 have the answers, but I think we --

25 COMMISSIONER CHAIRPERSON SHAPIRO: I share your

1 frustration.

2 COMMISSIONER CHOPER: Okay. Some effort at
3 beginning a full consideration of the issue of -- I would
4 just call it revenue sources. Because that's where it's at.
5 Or else we're going someplace else, it seems to me.

6 COMMISSIONER CHAIRPERSON SHAPIRO: I don't think
7 you'll get any disagreement.

8 COMMISSIONER CHOPER: And I apologize.

9 COMMISSIONER CHAIRPERSON SHAPIRO: No, don't
10 apologize. I think that we're all frustrated.

11 COMMISSIONER AMERMAN: I think what -- I'm not
12 speaking for you, Commissioner Choper --

13 COMMISSIONER CHOPER: No, no, speak for me, that's
14 all right.

15 COMMISSIONER AMERMAN: But it strikes me you come
16 to these meetings and you have a discussion of what's on the
17 agenda, but yet we, as a Board, do not try to see what the
18 big picture is. We're always looking at little pieces of
19 it.

20 And it strikes me that you submit your own ideas,
21 or you try to submit your ideas, but there's no way to have
22 a conversation back and forth, and that's why I think
23 Commissioner Choper's idea is absolutely right. Somehow
24 we've got to change the way that we're operating as a Board.

25 Because, and forgive me, I'm now two years

1 anniversary, so I've doubled you.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again,
3 unfortunately, we are burdened with State regulations and
4 laws that impede our ability to have meaningful dialogue and
5 discussion if it isn't publicly noticed. It's certainly not
6 the way I liked to communicate. But we are -- we have to do
7 it because it's the law. And that's what, unfortunately,
8 we're going to have to continue to do.

9 If either of you, or anybody else, would like to
10 put an item on the agenda, so that we can have a discussion
11 on something, I welcome it. I will tell you that on this
12 agenda, I put two such items on this agenda simply because I
13 wanted the Board, rather than dealing with nit-picky little
14 rules, and other stuff, for us to discuss an idea.

15 And Item Number -- there's one item on here that I
16 think some people are going to tell me forget it, which is
17 Item 11, which was a discussion about should we be changing
18 the way our purse structure's paid to keep more owners in
19 the game?

20 It's simply a discussion. And we can have a
21 discussion item on new revenue sources at the next Board
22 meeting, and I'd welcome that.

23 COMMISSION VICE CHAIRMAN HARRIS: Well, the
24 revenue sources are so key because we've got a sport that is
25 very expensive, it's a very expensive way to conduct

1 gambling, and we're competing against tribes that are making
2 billions, literally, on their operations, and the lottery
3 and other forms of gambling which weren't even around in
4 1933, when racing was envisioned.

5 And I think it would be helpful if we had sort of
6 a decision tree of what the Board agrees on. It's sort of
7 like all these different forks in the road, of do we want to
8 go this way, or that way, or what do we really want to
9 pursue?

10 COMMISSIONER CHAIRPERSON SHAPIRO: Well, again,
11 why don't we put on the next agenda and item that is a
12 discussion about potential revenue -- additional revenue
13 sources and challenges. Something that's very vague
14 then --

15 COMMISSIONER CHOPER: Planning for that.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Planning, fine.

17 COMMISSION VICE CHAIRMAN HARRIS: This issue
18 brought it to a head. I mean, the Vallejo deal is sort of
19 the case study or is racing better off racing two weeks at
20 Vallejo, or would it be better off racing two weeks at
21 Vallejo, at Golden Gate, or Vallejo at someplace.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Or not racing
23 two weeks.

24 COMMISSION VICE CHAIRMAN HARRIS: Or not, and just
25 skip those two weeks, and Vallejo sell their track and use -

1 - give that money to Pleasanton and refurbish that, and they
2 get paid back. There's a lot of creative things that could
3 be done. But usually the problem with this game is every
4 participant's first question is what's in it for me.

5 COMMISSIONER CHOPER: Well, that's life. But what
6 I do know is that the big picture doesn't look good for
7 anybody.

8 COMMISSION VICE CHAIRMAN HARRIS: No, it's not
9 good for anybody.

10 COMMISSIONER CHOPER: And I think people
11 understand that. We all understand that.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Unfortunately,
13 we have too many mouths to feed and not enough food to give
14 them.

15 COMMISSIONER CHOPER: Yeah.

16 COMMISSIONER CHAIRPERSON SHAPIRO: That's our
17 challenge.

18 All right, I'm going to move on to the agenda.

19 MR. POWER: Might I speak for just one moment?

20 COMMISSIONER CHAIRPERSON SHAPIRO: Oh.

21 MR. POWER: Michael Power, CTBA Board Watch.

22 Briefly, 25 years ago I was President of a Board
23 of Education when Prop 13 came down. We instituted the
24 committee of the whole process, which allowed our entire
25 body to speak openly and freely about any number of issues

1 which reflected on the budget. It was a terrific instrument
2 to use because it took us out of the parameters of budget
3 items and specific action.

4 That might be something for your Executive
5 Director to explore for you.

6 The other thing I wanted to mention was
7 approximately two or three months ago Senator Vincent called
8 a Blue Panel, a select committee on horse racing. No one,
9 other than Mr. Breed, from the CHRB, attended that meeting,
10 although there were a variety of State Senators there.

11 The sole purpose of that meeting was to talk about
12 solutions for horse racing.

13 I was terribly disappointed in this Board's non-
14 performance at that meeting. And I just tell you that my
15 perception at the meeting was simply it was a parade of
16 people, who were involved in the industry, bemoaning the
17 fact that we didn't have slot machines, without proposing
18 anything of substance to the State Senate.

19 So I hear you, Mr. Shapiro, and you know how much
20 I support you in your work. When I hear you complaining
21 that the State isn't listening, you have to speak with them.
22 You have to give them something in concrete for them to
23 respond to. No one can read minds.

24 I suggest you use the committee of the whole, or
25 some other type of an open communication within your staff,

1 possibly including some of the organizations, to discuss
2 this and come up with specific proposals. Thank you.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you, Mr.
4 Power.

5 All right, we're going to move on to Item Number 5
6 on the agenda.

7 Does anybody need a break?

8 Okay. Item Number 5, discussion and action by the
9 Board on an application to conduct a horse racing meeting of
10 the Sonoma County Fair, at Santa Rosa, commencing July 23rd
11 through August 4th.

12 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
13 CHRB staff.

14 The application is from the Sonoma County Fair.
15 They are proposing to race July 23rd through August the 4th,
16 which is 12 days, the same number of days they raced in
17 2006. They are proposing to race a total of 130 races.

18 Again, as you all are aware, last year Sonoma ran
19 their race meet with a combined meeting with the Solano
20 County Fair.

21 This application also contains a request for
22 permission to deduct the additional one percent from the
23 total amount handled, pursuant to the law.

24 They are proposing to race Wednesday through
25 Monday the first week, with ten races per day on Mondays,

1 Wednesdays, Thursdays and Friday, July the 25th. They will
2 be racing 12 races on Saturdays and Sundays, and Friday,
3 August the 1st. Their first post time is 12:45 p.m.

4 This application contains no missing documents.
5 And the representatives from the fair are here for
6 questions.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,
8 Jackie.

9 Good morning, how are you?

10 MS. TESCONI: Good morning.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Are you a new
12 fair manager?

13 MS. TESCONI: Yes. Well, I've been a fair
14 manager. I'm new to Sonoma County.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I didn't
16 mean it that way. New to Santa Rosa.

17 MS. TESCONI: Right, exactly.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Well,
19 congratulations.

20 MS. TESCONI: Thank you.

21 COMMISSIONER CHAIRPERSON SHAPIRO: I'm going to
22 see if anybody has any comments or questions.

23 COMMISSION VICE CHAIRMAN HARRIS: I guess one of
24 the issues would be the same thing we talked about with
25 Vallejo, what was your version of the three-week experiment,

1 as far as working or not working, and why didn't you want to
2 do it again?

3 MS. TESCONI: Tawny Tesconi, Sonoma County Fair.

4 Well, first of all, you know, I started the end of
5 September at Sonoma County Fair, and the combined meet was a
6 topic of discussion when I started there.

7 One thing that we found, when we were looking at
8 the numbers, was that our fair attendance was off
9 drastically, and our handle was off, you know, compared to
10 just running our two-week meet. Overall, the handle
11 obviously was up, but when we compared apples to apples, we
12 were off.

13 One thing we were concerned about was the dilution
14 of market. Were we just taking the same number of dollars
15 and spreading it across more weeks.

16 The other thing, and it's something internally in
17 the fair --

18 COMMISSIONER CHAIRPERSON SHAPIRO: Are you talking
19 about for racing or for the fair?

20 MS. TESCONI: As far as attendance, you mean?

21 COMMISSIONER CHAIRPERSON SHAPIRO: Yeah, the
22 comment that --

23 COMMISSION VICE CHAIRMAN HARRIS: Because the
24 fair -- I mean, you had the two weeks of the fair. There
25 was one week, as I understood it, that was racing, but no fair.

1 MS. TESCONI: Right.

2 COMMISSION VICE CHAIRMAN HARRIS: So it wasn't
3 exactly, it was probably hard to calculate.

4 MS. TESCONI: It was very hard. And the other
5 thing and, you know, again, as you know, Sonoma County was
6 in between managers and going through some management
7 turmoil and everything.

8 The other thing, from the stand point of our
9 event, was that we had changed the typical fair weeks, we
10 had changed the dates of when the traditional fair happened.
11 So a lot of variables were happening for our fair last year,
12 in 2007.

13 So in the fall, when we discussed where do we move
14 forward, how do we move forward, one thing that came up was
15 even though we had made a stipend more running that
16 extra -- well, combined weeks with Solano, that the wear and
17 tear on our facility, the inability to rent our facility out
18 in a more timely manner for interim events, and then also a
19 question of, you know, could our turf hold up for the third
20 week, because we had a little bit of challenge with our
21 turf, too. I want to say that --

22 COMMISSIONER CHAIRPERSON SHAPIRO: Your track's
23 used three weeks a year and you were worried about the turf
24 holding up?

25 MS. TESCONI: Well, the third week of racing,

1 there were some concerns about our turf by the jockeys. But
2 I think we've addressed that. We put a lot of effort into
3 maintaining our turf and getting our turf back up to a real
4 high quality turf.

5 We're working with Bay Meadows, they're advising
6 us on how to bring that back.

7 So just so you know, our Board has discussed it,
8 again. We feel that, you know, next year, 2009, when we've
9 had a chance to stabilize ourselves, stabilize our
10 management, develop our race product a little stronger, that
11 we would be willing to discuss some sort of additional race
12 dates.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Well --

14 COMMISSION VICE CHAIRMAN HARRIS: Would you be
15 willing to share with us some of the numbers of how -- you
16 know, the bottom line numbers you generate under different
17 scenarios? I'm not clear on that third week, who made the
18 money on that week. Did you basically just rent the
19 facility to --

20 COMMISSIONER CHAIRPERSON SHAPIRO: They have a
21 revenue sharing.

22 MS. TESCONI: We had a revenue sharing
23 relationship.

24 COMMISSION VICE CHAIRMAN HARRIS: That's kind of a
25 political term.

1 MS. TESCONI: 60/40 percent shared revenue, shared
2 expenses.

3 Now, as Joe mentioned, we benefitted slightly and
4 he didn't quite benefit as much.

5 Where we benefitted slightly is when you look at
6 the share expenses, because he spends less on some of his
7 costs, and marketing, and things like that, we were
8 realizing a 60/40 percent split on everything.

9 So when it was all combined, we ended up making a
10 profit of about \$25,000.

11 COMMISSION VICE CHAIRMAN HARRIS: You were sharing
12 in his expenses and revenues at his meeting, at Vallejo, as
13 well?

14 MS. TESCONI: Right, we combined --

15 COMMISSION VICE CHAIRMAN HARRIS: Everything was
16 combined, it was 60/40. That wasn't the greatest split,
17 probably.

18 MS. TESCONI: Well, probably, you know, like if we
19 were to do it all over again, we would be looking at a
20 little different profitability bottom line for our efforts,
21 most likely, so yes.

22 COMMISSIONER CHAIRPERSON SHAPIRO: You know, maybe
23 I just woke up on the wrong side of the bed today, because I
24 just don't understand how you didn't lose a lot of money,
25 you tried it for one year. For the good of horse racing,

1 rather than just overall fair, you weren't willing -- you
2 admit that you had some management problems, you had some
3 internal problems, you had some problems with the turf
4 course. You had a year to solve all those things, which
5 apparently you've done --

6 MS. TESCONI: We're getting there, yes.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And you
8 weren't willing to even allow another year to grow
9 something. So instead we go back to the same old, same old
10 process. And now you're going to come in here and say, oh,
11 but next year we think we may want more dates, or we'll be
12 willing to take more dates.

13 You know, and I kind of look at that and say well,
14 gee, when the industry needs you to take more dates to help
15 out Vallejo, you don't want them. But next year, because
16 maybe it will be more lucrative for you, you would want
17 them.

18 And meanwhile, we have all these owners, and
19 trainers, and other people in the industry who are just
20 treated like it doesn't matter. I just don't get it. I
21 just don't get it. I think it's almost an arrogant approach
22 so --

23 COMMISSION VICE CHAIRMAN HARRIS: Because racing
24 needs new ideas, and the whole beauty of that would be to
25 develop some continuity. I realize that there was somewhat

1 of a finite market in Santa Rosa but, still, I think on your
2 worst day at Santa Rosa was probably better than one of the
3 better days at Vallejo, as far as attendance, I presume.

4 But I think we need to see some of those numbers.
5 We approve all of this stuff and then everything yesterday
6 is yesterday, and we don't need to worry about that anymore.
7 But we need to have some reasoning going forward on what
8 really is going to work or not work.

9 COMMISSIONER CHAIRPERSON SHAPIRO: I mean, you put
10 it -- you went to the expense, which we were very
11 appreciative of, of putting in a turf course. Okay, you do
12 a wonderful job marketing your fair. We've been there. You
13 guys really do a great job.

14 But you have one year of trying something new to
15 help this industry, and you say, nah, I don't think so.

16 COMMISSION VICE CHAIRMAN HARRIS: It's bothersome
17 to me, too, that I mean the horsemen definitely have a dog
18 in this fight.

19 COMMISSIONER CHAIRPERSON SHAPIRO: They're getting
20 screwed.

21 COMMISSION VICE CHAIRMAN HARRIS: Well, the date,
22 plus even besides handle numbers and some of that, but the
23 turf course was a big deal, that there was no turf racing in
24 California, so that was one --

25 COMMISSIONER CHAIRPERSON SHAPIRO: Right, and it

1 kept horses in California.

2 COMMISSION VICE CHAIRMAN HARRIS: But I don't even
3 see any horsemen here, and they're sort of oblivious to it,
4 I guess.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Well, Jerry
6 Hollendorfer, I remember, he called me a couple of years ago
7 and he said what am I supposed to do? What am I supposed to
8 do, I can't race during the summertime at Bay Meadows or
9 Golden Gate, and nobody has a turf course.

10 COMMISSION VICE CHAIRMAN HARRIS: Ed Halpern's
11 over there, perhaps he could comment.

12 COMMISSIONER CHAIRPERSON SHAPIRO: And I think
13 Charlie's here, too.

14 And so he said, well, I guess I have to go
15 elsewhere because there's no turf racing.

16 You guys came in and saved the day. But God
17 forbid you go as a service to the industry.

18 Come on, Ed, don't be hiding over there.

19 COMMISSION VICE CHAIRMAN HARRIS: Do you have a
20 position? You don't really care if there's turf racing in
21 the summer or not, or what's your position?

22 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, we'll do
23 it the official way. Is Mr. Halpern in the room? If so,
24 would he please step forward.

25 Oh, gee, look at that, there he is. Hi, Mr.

1 Halpern, didn't know you were here. State your name.

2 MR. HALPERN: Ed Halpern, California Thoroughbred
3 Trainers. I'll make it short and sweet. Yes, we do care if
4 there's turf racing in the summer, that's particularly
5 important.

6 COMMISSIONER AMERMAN: Well, if that's the case,
7 why would we then be at Vallejo, when we could be at Golden
8 Gate for an extra five days, or why wouldn't we do the
9 alternative, which is be at Sonoma for a longer period of
10 time. It seems to me there's two options. The worse one is
11 to stay with what we're doing with Vallejo. And forgive me
12 for mispronouncing.

13 MR. HALPERN: You know, if you're asking me to
14 make arguments for Vallejo, you're asking the wrong person.

15 COMMISSIONER AMERMAN: Well, it was a general
16 comment to everyone.

17 MR. HALPERN: Yeah.

18 COMMISSIONER AMERMAN: It just strikes me that's
19 absolutely the worst thing that we could do for California
20 racing.

21 COMMISSION VICE CHAIRMAN HARRIS: I can't see why
22 the horsemen wouldn't have been more vocal on the demise of
23 this never version of summer dates.

24 MR. HALPERN: Well, you know, I can't answer the
25 question.

1 COMMISSION VICE CHAIRMAN HARRIS: Do they know
2 about it?

3 MR. HALPERN: Yeah, I can't answer that question.

4 COMMISSION VICE CHAIRMAN HARRIS: Well, I mean,
5 and the horsemen are putting a lot of money to support TOC
6 and CTT, and hopefully there's some version of
7 communications with your members as far as what's going on.

8 MR. HALPERN: Well, there's a lot of communication
9 that goes back and forth.

10 COMMISSION VICE CHAIRMAN HARRIS: But you don't
11 know.

12 MR. HALPERN: But I don't know, I can't answer
13 your question. I'm sure the answer's --

14 COMMISSION VICE CHAIRMAN HARRIS: It's not going
15 back and forth too well.

16 MR. HALPERN: I'm sure the answers are so obvious
17 that they don't need an answer, is what's being said.

18 COMMISSION VICE CHAIRMAN HARRIS: Well, what is
19 the obvious answer, then?

20 MR. HALPERN: Well, the obvious answer is we want
21 better racing, we want turf racing, and what do we give up
22 by getting that, that's the answer.

23 COMMISSION VICE CHAIRMAN HARRIS: So if we hadn't
24 brought you up here today, you were not going to comment on
25 this at all?

1 MR. HALPERN: You know, I would like to be of
2 assistance. I would love to help you. I was saying to
3 somebody earlier that much of this discussion is like a man
4 on his way to the gallows saying, wait a minute, can't we
5 talk about this for a while?

6 COMMISSION VICE CHAIRMAN HARRIS: Well, hopefully,
7 you needed to talk about it before you got to the gallows is
8 the problem.

9 MR. HALPERN: I wish I could help you,
10 Commissioner, but I just don't have anything that --

11 COMMISSION VICE CHAIRMAN HARRIS: Yeah. Well, no,
12 it just seems like there's such a lethargic attitude in
13 Northern California as far as what we really want to do to
14 change things. It's just, well, I don't know, it's kind of
15 a problem to change things, so let's just keep doing it the
16 same way we always do it.

17 And maybe instead of getting 300 people at
18 Vallejo, we get 400 next year or something.

19 COMMISSIONER CHAIRPERSON SHAPIRO: You know,
20 there's a huge wake-up call coming to this industry. And
21 that is, with the challenges that we have, now that Bay
22 Meadows is closing, and the challenges we have with the
23 number of horses, I'm not confident that there's going to be
24 a complete Northern California circuit, a viable one, to
25 remain in this State.

1 And doing things like this simply are not going to
2 encourage many people, because it just -- I mean, you guys
3 don't seem anymore interested in this than we are.

4 MR. HALPERN: Well, you know, I apologize, but I
5 think that the problem is really that we are so focused on
6 what we're going to do with the loss of Bay Meadows, and
7 where we're going to keep our horses, that the issue of
8 whether we race a few days here or a few days there right
9 now are not at the top of the agenda.

10 COMMISSION VICE CHAIRMAN HARRIS: Well, I mean,
11 you can multi-task, certainly.

12 COMMISSIONER CHAIRPERSON SHAPIRO: You know what,
13 great. You know what, personally, maybe now is the time for
14 us to cut back some days because we've got too much racing.
15 I'm all for that. We don't need to race six days a week, 52
16 weeks a year.

17 I mean, personally, I think we ought to send these
18 people back to the drawing board.

19 COMMISSIONER AMERMAN: Amen.

20 COMMISSIONER CHAIRPERSON SHAPIRO: I just -- I'm
21 sorry, I'm not going to vote in favor of this application,
22 I'm just not.

23 COMMISSION VICE CHAIRMAN HARRIS: Yeah, it's not
24 exactly Santa Rosa's fault, it's really a combination of
25 Vallejo and Santa Rosa getting together, and I don't think

1 we want to be punitive towards them.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Well, but --

3 COMMISSION VICE CHAIRMAN HARRIS: But I think that
4 this whole four weeks that are here right now is just sort
5 of the continuation of something that's gone on for decades
6 and it doesn't work very well, and you just keep trying.
7 That's the definition of sanity, you keep doing the same
8 thing over and over and think it's going to work different.

9 MR. LIEBAU: Mr. Chairman?

10 COMMISSIONER MOSS: There is a purpose served
11 here. We are entertaining people in these areas through
12 horse racing. And we are, perhaps, attracting new fans. I
13 mean, these people have a business, you know, and I don't
14 know if we should blame them for the industry not --

15 COMMISSION VICE CHAIRMAN HARRIS: Yeah, if they
16 are in fact --

17 COMMISSIONER CHOPER: It strikes me that it's
18 pretty fast to do things like this. All of the issues are
19 there, I certainly agree with that.

20 What I think we ought to do is try to tinker as
21 best we can with the applications for this coming summer, as
22 Commissioner Moss said. But I don't think we ought to, out
23 of our frustration, and I expressed mine earlier, and I'm up
24 here in Northern California. And, really, I experience it
25 week by week. We just ought to have a better plan for the

1 next --

2 COMMISSIONER CHAIRPERSON SHAPIRO: And I'm saying
3 let them go back and come up with a better plan.

4 COMMISSIONER CHOPER: Well, I think it's made,
5 now.

6 COMMISSIONER CHAIRPERSON SHAPIRO: And they don't
7 start until July.

8 COMMISSIONER CHOPER: Well, they start late in
9 June.

10 COMMISSIONER CHAIRPERSON SHAPIRO: July 23rd.

11 COMMISSIONER CHOPER: No, no, I mean --

12 COMMISSIONER CHAIRPERSON SHAPIRO: But we're not
13 talking about Pleasanton.

14 COMMISSION VICE CHAIRMAN HARRIS: Well, we're
15 talking about Vallejo, thought.

16 COMMISSIONER AMERMAN: Yeah, July 9.

17 COMMISSIONER CHAIRPERSON SHAPIRO: That's Vallejo.
18 This applicant is July 23rd.

19 COMMISSIONER CHOPER: Well, if you --

20 COMMISSIONER CHAIRPERSON SHAPIRO: And so we've
21 got plenty of --

22 COMMISSIONER CHOPER: Yeah, but they're all -- it
23 seems to me a lot of them are tied. A lot of them are
24 connected, they're interconnected, these --

25 COMMISSION VICE CHAIRMAN HARRIS: I would just

1 like to see the data, you know, of how the different
2 scenarios work. I just think that there's some scenario
3 that racing more at Santa Rosa will be good for all
4 concerned. A lot of it is how you revenue share and all
5 this, but I just hate to walk away from what may have
6 worked.

7 MR. LIEBAU: Mr. Chairman?

8 COMMISSIONER CHAIRPERSON SHAPIRO: Yes?

9 MR. LIEBAU: My name is Jack Liebau. I'm sort of
10 riding into the sunset as far as my career is concerned in
11 horse racing.

12 COMMISSIONER CHAIRPERSON SHAPIRO: No one buys
13 that for a second, Jack.

14 MR. LIEBAU: And for a number of years I was
15 always in the back of Mr. Fravel, and he would always tell
16 me, he says, you're almost done, Liebau, why don't you get
17 up there and tell that Board what they're doing.

18 (Laughter.)

19 MR. LIEBAU: Well, here I am. And, you know,
20 these dates were assigned last year. And I don't think you
21 can change the dates. If the Attorney General looks at his
22 rules, you'll find there's a provision in there that says
23 the dates can't be changed unless there's some catastrophe,
24 and there hasn't been any catastrophe.

25 And we talk about beating up Santa Rosa here, but

1 you know, you just assigned an extra day to Vallejo. So I
2 don't understand, you know.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Well, the extra
4 day was to coincide with Del Mar.

5 MR. LIEBAU: So because probably Vallejo probably
6 deserved it. And the other thing is, you know, Vallejo,
7 take your dates and go someplace else. I didn't think you
8 could do that. If you can do that, hell, I'll take Bay
9 Meadows' dates and go someplace.

10 But, I mean, these dates just don't belong to
11 anybody. And as Senator Maddy used to say, they belong to
12 the State of California and you're supposed to allocate them
13 on the basis of what's best for everybody.

14 And, you know, the dates for Santa Rosa have been
15 in place since August of last year, probably, and they were
16 assigned subsequently to the elapse of the joint project
17 between Santa Rosa and Vallejo.

18 So, I mean, I'm just sort of here expressing my
19 opinion, as I said, right into the sunset. But I just think
20 this is preposterous to say you aren't going to approve an
21 application, and you're going to switch dates around where
22 you've already allocated the dates, and then you've given a
23 license already to Vallejo, and you gave Vallejo an extra
24 day, it just doesn't make sense. I don't know where we're
25 coming from.

1 COMMISSIONER CHOPER: I think we ought to do
2 everything we can to tweak the setup for this summer to
3 improve it. And I think all of the fairs would be receptive
4 to that. But I think we ought to really go back, in a
5 serious way, on this relatively limited, but my no -- but, I
6 mean, it has radiations, this issue. But we go back to the
7 drawing boards, not for this summer, but for next summer,
8 and to try again to get the data, of whatever kind of data
9 we can, to try to make sense on what we're trying to do.

10 COMMISSION VICE CHAIRMAN HARRIS: We're really on
11 what we can really do, as Mr. Liebau pointed out. But the
12 key is what we're doing now isn't working that well, and I
13 think we're disappointed that -- we're trying to use our
14 pulpit to encourage more innovative thinking. It just
15 doesn't seem to be happening because fairs, you know, they
16 get to be the host, and they're making money, and everyone's
17 doing okay. And racing, in the meantime, is deteriorating.

18 MR. LEWIS: Mr. Chairman, Richard Lewis, working
19 with the Sonoma County Fair. I came on board with Sonoma in
20 January, early February, and I asked the Board, the racing
21 meeting, why we weren't running three weeks, and they gave
22 me a little background on what happened in 2007.

23 And part of the problem was it wasn't decided in
24 January or February of 2007 to run the combined meets. And
25 a lot of their marketing and advertising was already out.

1 Contracts had already been signed with some of their
2 vendors. And the last week was run without a fair and
3 without a lot of vendors there.

4 And when people came expecting a fair, there was
5 no fair.

6 Now, we're asking them to do the same thing, but
7 doing it at a later date, when we've already got our
8 advertising out. I think now is the time to start
9 discussing what's going to happen in 2009 and be better
10 prepared.

11 COMMISSIONER CHAIRPERSON SHAPIRO: So let me ask a
12 question. Is there any possibility that Sonoma would be
13 willing to take another look at combining a week with Solano
14 for this year?

15 I think my frustration, and I think maybe others'
16 is, that what we don't -- we saw something that we thought
17 was a glimmer of hope, it was tried, it had a problems, but
18 it was a valiant, valiant effort and something that was
19 trying to do something good. And it was quickly discarded,
20 and we don't have any facts and any reason, really, as
21 to -- we don't quite understand why. So some of that
22 frustration's coming out.

23 Is it -- there still appears to be time, since we
24 know Solano seems to be willing to still consider this.
25 Would you be willing to where you went back and took another

1 visit at it and then came back next month.

2 Nobody here doesn't want you to race. What we're
3 trying to do is do what's best for the industry in a time of
4 crisis. That's what this frustration is.

5 MS. TESCONI: Well, I think it would be just
6 really confusing for our race fans and race patrons, and
7 everything. I mean, our box seats are all sold, our
8 marketing has already started and everything like that.

9 And I think to come back and say, okay, guess
10 what, now we're going to throw -- and people have been
11 asking -- the third week wasn't necessarily all rallied
12 behind from a community stand point.

13 And so to come back now and say, oh, by the way,
14 we told you weren't racing a third week, but now we are
15 racing a third week, and to expect those box seat holders to
16 send a check for those box seats, I think is probably going
17 to be something --

18 COMMISSION VICE CHAIRMAN HARRIS: Why couldn't you
19 just let them have them at the same price? That wouldn't be
20 a bad idea.

21 MS. TESCONI: Well --

22 COMMISSION VICE CHAIRMAN HARRIS: But, I mean, I
23 don't think we're complaining about Santa Rosa, we're
24 complaining about Vallejo.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Right.

1 COMMISSION VICE CHAIRMAN HARRIS: I'd just that we
2 have our July meeting at Vallejo and let's really take a
3 look at Vallejo, and what is there, and if that is a venue
4 that we feel is worthy of a two-week meet.

5 COMMISSIONER CHAIRPERSON SHAPIRO: I'm fine with
6 that. And, again, you guys do a great job of marketing.
7 Take this somewhat as an unwelcome compliment, we see what
8 you do. We see the effort that you make. We're trying to
9 get you to take more, because we've got a void. You've got
10 the grass course.

11 COMMISSIONER MOSS: Just curiously, out of the 130
12 races you're going to have, how many are grass races?

13 MR. LEWIS: Right now we are -- Richard Lewis.
14 Right now we are writing a condition book, with two grass
15 races a day on weekdays, three on weekends, and then the
16 possibility of writing an extra or two on the grass,
17 depending on how we feel the field size is going to be and
18 what our horse inventory is going to be.

19 COMMISSION VICE CHAIRMAN HARRIS: The 130 races,
20 some of those are mixed breeds, I presume. So there aren't
21 130 thoroughbred --

22 COMMISSIONER MOSS: Yeah, I was just curious about
23 the turf racing. But I think they're about to open the
24 gates. You know, I think -- I make a motion, if I could,
25 please.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Absolutely.

2 COMMISSIONER MOSS: That we approve this
3 application.

4 COMMISSIONER CHOPER: Second.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Moved and
6 seconded. Is there any more discussion?

7 EXECUTIVE DIRECTOR BREED: Who was the second?

8 COMMISSIONER CHAIRPERSON SHAPIRO: Commissioner
9 Choper made the second.

10 No more discussion, I'll call the question.

11 All those in favor?

12 (Ayes.)

13 COMMISSIONER CHAIRPERSON SHAPIRO: The motion
14 passes. Thank you.

15 COMMISSIONER CHOPER: That doesn't preclude us,
16 again, from doing any tweaking that we can to improve the
17 situation.

18 COMMISSION VICE CHAIRMAN HARRIS: Because one of
19 my concerns is the whole Northern California circuit is
20 under a lot of pressure, with the loss of Bay Meadows, and
21 just the financial viability. And the fairs, we need to
22 have as strong a fair circuit we can get. And I don't know
23 if we have to have -- it would be fine with me to have a
24 July meeting at Vallejo, but you'd miss the opening at Del
25 Mar, which you could do that anyway.

1 But I think it's encumbent on all the
2 Commissioners, and all the different segments of racing to
3 go to Vallejo, to go to Santa Rosa, and really take a look
4 at what they've got and decide on what we're going to do
5 moving forward.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, Item
7 Number 6. Discussion and --

8 COMMISSIONER CHOPER: And have a July meeting.

9 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Discussion and
11 action by the Board on the application to conduct a horse
12 race meeting of the Del Mar Thoroughbred Club at Del Mar,
13 commencing July 16th through September 3rd, 2008.

14 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
15 CHRB staff. The Del Mar Thoroughbred Club is requesting to
16 race July 16th through September 3rd. This is 43 days, the
17 same number of days they raced in 2007.

18 They are proposing to race a total of 372 races or
19 8.65 races per day. They will be racing six days per week,
20 Wednesday through Monday, with eight races per day weekdays,
21 nine races on opening day, and certain specified weekend
22 days, and ten races on certain weekend days, including Labor
23 Day and closing day. And they are proposing to race 11
24 races on Pacific Classic Day, which is August the 24th.

25 Their first post time is 2:00 p.m.

1 The analysis indicates that the horsemen's
2 agreement is outstanding. And I'm pleased to report that we
3 do have a signed horsemen's agreement as of this morning.

4 Representatives from Del Mar are here for
5 questions from the Board.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,
7 Jackie.

8 I think their post time is actually a fluctuating
9 post time, because they do run some late afternoons and
10 things.

11 But in any event, first of all, before we do
12 anything here, one thing is I note that you have a few new
13 directors, but one in particular is Marie Moretti. And,
14 therefore, I approve this -- I vote to approve this without
15 any discussion, because that's a good move.

16 COMMISSION VICE CHAIRMAN HARRIS: I don't
17 understand why she wasn't able to get the horsemen's
18 agreement done because that --

19 COMMISSIONER CHAIRPERSON SHAPIRO: No,
20 congratulations, I think that's great.

21 Mr. Fravel, I have really just one question for
22 you and it revolves around ADW.

23 As we all know, since the opening of Santa Anita
24 there's been an experiment taking place for, I believe about
25 eight months, which permitted there to be wagering on all of

1 the licensed California platforms, which include YouBet,
2 TwinSpires, TVG, and XpressBet.

3 I noted in your license application that that
4 seemed to be uncertain, and I would love to see that it
5 continues. And I don't think we've seen any data. Can you
6 give us an update on that, where you stand with that?

7 MR. FRAVEL: Yes, Mr. Chairman. Craig Fravel, Del
8 Mar Thoroughbred Club.

9 We met with our friends from TVG about a week and
10 a half ago, to make the request that the so-called
11 experiment continue for the Del Mar meet, and I was also
12 authorized to at least communicate to TVG that Oak Tree,
13 Fairplex, and Hollywood Park would be more than willing to
14 continue that experiment through the remainder of the year.

15 I had what I felt was a pretty solid confirmation
16 from XpressBet/HRTV, that they would be willing to continue
17 the experiment for the balance of the year with the Golden
18 Gate signal.

19 And I can say, I don't want to speak for TVB, but
20 the issue is still under advisement. I believe Mr.
21 Chillingworth is supposed to have a follow-up meeting with
22 them shortly, to communicate his own wishes with respect to
23 the experiment.

24 I do think that like many experiments in this
25 business, we set them up, but we don't set up a mechanism

1 for evaluating the experiments. And, candidly, I don't
2 have -- you know, I can have my simulcast and accounting
3 departments do some analysis, through CRIMS, of what the
4 experiment looks like from a purses and commission
5 perspective.

6 And I can tell you my reading of it is that purses
7 and commissions have done quite nicely for the year to date.
8 You know, whether that's a result of the experiment or
9 normal growth in ADW, I can't answer.

10 But I do think it's incumbent on the industry, if
11 we're going to set up experiments, let's set up a mechanism
12 to evaluate what the experiment was. And that might be
13 helpful if there were some kind of analysis done by the
14 Commission and staff, the ADW companies, and a meeting
15 amongst all of them, including us, to evaluate how the
16 experiment went, and maybe that might convince everyone that
17 it's worth continuing.

18 We would like to continue it. I have communicated
19 that orally to TVG. I have not communicated in writing, but
20 I intend to do so. And whatever assistance the Commission
21 can render in that regard would be most welcome.

22 COMMISSIONER AMERMAN: Well, your comments, I
23 think, were right on as far as doing experiments.

24 I think the other thing that we don't do with
25 experiments is have them go long enough so that you can

1 really read what's going on. To do them for just six
2 months, or three months, or whatever the subject is, is not
3 going to be satisfactory. Because then you get to the end
4 of it and you don't evaluate whether you've done well or
5 not.

6 And it would seem to me that to go through the end
7 of the year would seem to be the logical next step.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I clearly
9 would agree with you on that. I mean, from all indications
10 that I've heard, I think this has been something that's been
11 very productive, and our fans, who are the most important,
12 they seem to appreciate it.

13 And I think that what we should do is proceed with
14 approving your application. But I think, if we can, if we
15 could just not say -- not confirm what the ADW is at this
16 time, hoping that perhaps we can have such a meeting to look
17 at the analysis.

18 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think we
19 need some sort of a hammer to convey to TVG that unless they
20 can show us that they are just damaged greatly by this so-
21 called experiment, which my understanding was that they did
22 well with the experiment, that we need to let them know that
23 they are liable to lose their ability -- I guess they
24 probably have a contract with you, but we don't have to
25 authorize --

1 COMMISSIONER CHAIRPERSON SHAPIRO: Well, they have
2 a license --

3 COMMISSION VICE CHAIRMAN HARRIS: -- continuance
4 on it.

5 COMMISSIONER CHAIRPERSON SHAPIRO: No, in fact, I
6 believe all the ADW licenses are -- they come due at the end
7 of the year, again, as I recall it.

8 COMMISSIONER AMERMAN: That's probably right.

9 MR. FRAVEL: Well, Mr. Chairman, again, to be
10 fair, and I don't -- I agree, I would love to see the
11 experiment continue. And I don't want to speak for Oak
12 Tree, and Fairplex, and Hollywood. If they feel
13 differently, I think they should let you know that,
14 themselves.

15 But to be fair, as I understand it, and I was
16 blissfully not involved in the discussions leading up to the
17 experiment, the experiment was agreed to for a particular
18 period of time, with all the parties.

19 COMMISSIONER CHAIRPERSON SHAPIRO: That's correct.

20 MR. FRAVEL: And I asked -- specifically, I've
21 asked several people was there some confirmation of the
22 experiment in writing, and was there a process set down to
23 evaluate it, and I have been told no.

24 So to be fair to TVG, I think you owe it to them,
25 before you use a hammer, which you may want to us --

1 COMMISSION VICE CHAIRMAN HARRIS: Well, but the
2 data's there. I mean, it's there to see, if somebody, TVG,
3 or anybody can come up with, and the numbers are all public,
4 what the problem is.

5 MR. FRAVEL: Well, I don't think all the numbers
6 are public. The numbers that are public are the ones
7 related to purses, commissions and ADW handle. The
8 nonpublic ones relate to the exchange of funds and the
9 margins that they receive on their respective products. And
10 I do not have that and, candidly, I have no way of getting
11 it.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And
13 I -- in fairness to all the participants in the experiment,
14 it was for an eight-month period. Everybody recognized that
15 there was still an exclusive agreement with Del Mar, and
16 Fairplex, and Oak Tree, and that we don't have the right to
17 interfere with their private party contractual relations.
18 But we were all hopeful that it would be able to continue.

19 But we did say that we would all sit and review
20 the data. And for that reason I think that we should have a
21 meeting, as you described.

22 MR. FRAVEL: And I would suggest that happen
23 before the next Board meeting.

24 COMMISSIONER CHAIRPERSON SHAPIRO: We'll be glad
25 to do that. Okay. Meanwhile, we can move forward --

1 COMMISSION VICE CHAIRMAN HARRIS: Are there any
2 issues on the horsemen's agreement.

3 MR. FRAVEL: No, a signed copy of the agreement
4 was submitted to the staff this morning.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And I
6 also note, Commissioner Amerman, you made mention that there
7 wasn't a plan in this application.

8 COMMISSIONER AMERMAN: If I may, a year ago, we
9 all remember what happened in the past. A year ago I
10 complimented Mr. Harper, who was, I believe, talking about
11 the programs for customer service, and advertising, and
12 promotion. I complimented him by saying, you know, this is
13 the best I've seen in the industry. And maybe after your
14 meet is over could you go and talk to the other race meets
15 about what you're doing. And after we get through
16 California, I remember saying, let's go across the country
17 because it's terrific.

18 So I was a little disappointed when we don't have
19 anything in here for this year and it says, well, gee, we
20 don't want to burden you down. This is good information
21 that you're doing things the right way at Del Mar, so I was
22 a little disappointed at it.

23 MR. FRAVEL: Well, let me just --

24 COMMISSIONER AMERMAN: And I just would ask you,
25 is there anything different that you're doing in 2008,

1 compared to last year, that may improve what you're doing?

2 MR. FRAVEL: Well, let me -- one of the reasons we
3 didn't submit the large binder was, candidly, just to cut
4 down on the amount of paperwork, and we'd be more than happy
5 to provide that.

6 The overall marketing strategy and structure,
7 thematically, and from an expenditure stand point, has not
8 changed dramatically. We have increased the budget somewhat
9 to deal with competition presented by the Olympics, and the
10 election cycle coming up, and the obvious impact that has on
11 advertising.

12 But the major theme of 2008, if you will, from our
13 stand point, is to improve as well as we can on a lot of
14 things we did in 2007. 2007 was a race meet featured as
15 many new systems and things, as a small management group
16 like ours actually can handle. We installed the new poly
17 track. We installed, as part of that installation process,
18 the Track S positional tracking system, which shows in great
19 graphic detail and provides great amounts of additional
20 information about where horses actually are during races and
21 where they're running.

22 We installed a new admission and ticketing system
23 that allows direct online ticketing. And several other new
24 systems were in place in the 2007 meet.

25 And, candidly, this year our focus has been on

1 taking all of those and improving them from what we did last
2 year.

3 We are -- our major new initiative for this year,
4 and forgive me for not being as web savvy -- I was accused
5 once of claiming to be a webmaster, which I am far from.
6 But we are also instituting a new web 2.0 site, that will be
7 an entirely different web experience than our traditional
8 website, although we will continue the existing website in a
9 new -- or in its existing formats, but with enhanced
10 content.

11 But the web 2.0 project is designed to create a
12 Del Mar scene kind of appearance for younger, less
13 indoctrinated to horse racing folks, that will involve live
14 camera activity. It will allow fans to submit photographs
15 of activities at Del Mar, and to create a new interactive
16 Del Mar scene for younger viewers.

17 And I'm told by our true webmasters that this is a
18 real nice, new way of appealing to younger customers.

19 So probably the most different thing, if you're
20 looking for it, that you'll see in 2008, is the Del Mar
21 website 2.0, which is designed for those purposes.

22 But many of our other advances are simply
23 enhancing what we did last year.

24 We've also worked very carefully and closely with
25 the Surfside Race Place, which is managed by our landlords,

1 the Del Mar Fair. George Bradvica and Tim Fennell are
2 actually here today. And George works very closely with us
3 so that we can have a year-round Diamond Club membership,
4 which is our principal customer relationship management
5 system.

6 We've been working closely with all of our
7 technology vendors to implement a vision for the future to
8 integrate all of our different systems, so that customer
9 interfaces at Del Mar can be much more seamless. The
10 transactions can be done more easily off of single cards,
11 like our Diamond Club card, to transact food and beverage
12 sales, or wagering activities, or admissions, or whatever
13 kind of transactions.

14 Now, that's not going to be in place this year
15 because that's a -- for a small company, like ours, that's,
16 candidly, a large project and will require us to work
17 closely with our food and beverage concessionaire, Premier
18 Foods, and all of our technology vendors. But we're very
19 enthusiastic about what potentials that holds for the
20 future.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Can you give us
22 an update on your track surface and what you expect to do
23 between morning and afternoon?

24 MR. FRAVEL: Well, I can tell you that over the
25 winter it's drained like a champion, so that was a nice

1 feature that it did perform from that stand point, as
2 intended.

3 COMMISSIONER CHAIRPERSON SHAPIRO: I'm sure Mr.
4 Charles enjoyed that, hearing that.

5 MR. FRAVEL: Yeah, I know. He was asking if there
6 was anything he could do to mess with my application, so
7 let's give him a shot.

8 In late April, we did a lot of work over the
9 winter with Martin Collins Footings, and Dr. Mick Peterson,
10 at University of Maine, to analyze different potential
11 additives to the racetrack. And a large amount of
12 consultation and testing, what Dr. Peterson refers to as
13 triaxial testing, and I can't tell you precisely what the
14 techniques are. But we all settled on an application of a
15 softer wax, in addition to the wax that is in the track.
16 That was done at the expense of the provider. So the
17 intention with that was to speed the track up in the
18 afternoon.

19 Or more accurately, to close the gap between
20 morning and afternoon from a performance stand point.

21 The track, from our stand point, was perfect in
22 the morning. And although I don't believe there's anything
23 technically wrong with slow, we felt that the differential
24 between morning and afternoon was too significant.

25 And, more importantly, from a personal stand

1 point, when I was watching races in the afternoon, I felt
2 that the horses were struggling more down the lane than we
3 would like to see. We'd like to see them finish more
4 strongly. And so we have that wax application.

5 And we are also developing protocols, particularly
6 when we get hot weather like the last weekend, which is kind
7 of a blessing, we're developing watering protocols to use
8 some water on the track, both -- depending on the day and
9 the weather conditions. But we will doing that probably,
10 maybe during training, although that's open right now.
11 Definitely after training. And then some potential
12 applications during the raceday.

13 Before last summer we had purchased, as part of
14 the contingency planning for the track, a reverse osmosis
15 system that allows us to take the potable water, that is
16 available to us, and filter out all the impurities. So that
17 when we do apply water to the track, it's a very pure form
18 of water, it doesn't contain a lot of salt or other -- with
19 minerals in it. And so that's the water we'll be using on
20 the racetrack.

21 So having done some test applications subsequent
22 to the wax addition, and watching the track -- I can tell,
23 Tom Robbins, who's usually kind of mopey about things, is
24 very excited about the way he feels the track's going to
25 perform this summer, so we're highly confident.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

2 Anybody else have any other questions?

3 COMMISSION VICE CHAIRMAN HARRIS: Has Bob Bafford
4 applied for stalls there again, or is he going to be leaving
5 California?

6 MR. FRAVEL: Who's that?

7 COMMISSION VICE CHAIRMAN HARRIS: Bob, Mr.
8 Bafford, who's a close friend of Joe Hopper's, from the
9 University of Arizona?

10 MR. FRAVEL: He says he's got 12 horses he's going
11 to send to New York, but they're maiden New York runs
12 so --

13 COMMISSION VICE CHAIRMAN HARRIS: Oh, that's good.

14 MR. FRAVEL: He claims Midnight Lou's going to run
15 here.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Which
17 way do you want it?

18 Does anybody have any other questions for Del Mar?
19 Otherwise, make a motion?

20 COMMISSIONER MOSS: So moved.

21 COMMISSIONER CHAIRPERSON SHAPIRO: It's moved.

22 COMMISSIONER CHOPER: Second.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Second.

24 All in favor?

25 (Ayes.)

1 COMMISSION VICE CHAIRMAN HARRIS: That was with
2 the covenant of --

3 COMMISSIONER CHAIRPERSON SHAPIRO: That's with the
4 covenant on the ADW that we're not locking in -- I'm sorry,
5 I have a comment.

6 But it's with the proviso that the ADW is not
7 resolved, yet.

8 MR. FRAVEL: Well, let me seek some clarification
9 on that. I'm assuming that you're going to convene some
10 kind of meeting with the participants in the experiment, and
11 that if I'm asked, what I would communicate to TVG is that
12 the requisite approval of the Commission, under the
13 Interstate Horse Racing Act, is still pending that
14 discussion.

15 COMMISSIONER CHAIRPERSON SHAPIRO: That's exactly
16 what I said. I don't understand that --

17 MR. FRAVEL: I thought's that what you meant,
18 thank you.

19 COMMISSION VICE CHAIRMAN HARRIS: I think we
20 didn't know that we've got some version of a hammer on the
21 thing.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Mr. Power, do
23 you have a comment, I'm sorry?

24 MR. POWER: I do and a question, too.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

1 MR. POWER: Relating to the turf course.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

3 MR. POWER: Last year, the number of breakdowns on
4 the turf course grew, as I recall, by over 150 percent from
5 the prior year. I'm sure Dr. Arthur can provide the exact
6 numbers.

7 At the same time, the number of fatalities on the
8 new polytrack were far less than on the dirt track, and I
9 applaud you for all that.

10 My question is, because I didn't read it in the
11 Del Mar application, what specific steps has Del Mar taken
12 to make their turf course safer for horses this year,
13 especially in the light that apparently they intend to
14 remove it next year, in anticipation of the Breeder's Cup?

15 MR. FRAVEL: Well, let me -- I don't think any
16 specific plans have been made for removal of the turf course
17 or widening of it, or for the Breeder's Cup at this point.

18 And so I can tell you there is not a specific plan
19 or timeframe for modifying the turf course.

20 Every year we spend an enormous amount of time and
21 effort trying to make the turf course as good as possible.
22 And Mr. Power is not incorrect that there was an increase in
23 catastrophic injuries on the turf course last year. You
24 know, whether those were track related or not, not having
25 seen the necropsy results, I can't tell you the answer to

1 that.

2 But, certainly, Leif Dickinson is the most
3 responsible track superintendent, or at least as responsible
4 as any track superintendent in the country, and all of his
5 efforts have been directed at making the turf course as safe
6 as possible.

7 So if I knew specifically what the cause of
8 particular injuries was, I could tell you that we had made
9 changes to correct those, but I don't have any information
10 about why horses had particular problems last year, or even
11 what they were, to be honest with you.

12 MR. POWER: Well, I just find that incredible that
13 that number of horses have broken down, the hundreds of
14 thousands, if not millions of dollars have been lost, and
15 they don't understand what the problem is.

16 Why weren't the necropsy reports studied? Why
17 wasn't somebody put on the problem? It took 21 or so deaths
18 the prior year at Del Mar on the dirt track to catch your
19 eye. What does it take to catch the eye of Del Mar to save
20 horse's lives, not to mention the jockeys they carry?

21 MR. FRAVEL: Is that a comment or a question?

22 COMMISSIONER CHAIRPERSON SHAPIRO: I think that
23 was a comment. Okay.

24 MR. POWER: The other comment I'd like to make
25 about Del Mar is about their fan form. Okay, I posted

1 several comments on the fan form about breakdown rates at
2 Del Mar, both on the dirt two years ago, and the turf, and
3 the moderator banned me from the form. As she has banned
4 other people from the form, as well, for commenting on the
5 Del Mar track.

6 Given the CHRB's openness to, what do we call it
7 now, transparency, I find that a little inconsistent policy,
8 and I thought Mr. Fravel might perhaps look into that.

9 Thank you.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

11 Okay, Mr. Charles, you have a comment?

12 MR. CHARLES: Ron Charles -- that's it, you can
13 hear me.

14 COMMISSIONER CHAIRPERSON SHAPIRO: We can hear you
15 good enough.

16 MR. CHARLES: I bet you can. That's very good,
17 Richard.

18 Just briefly, I would like to applaud and
19 encourage Del Mar to go forward with the experiment on the
20 ADW. Just rough figures, yes, ADW did have an affect on on-
21 track attendance, had an affect on SCOTWINK, but we were up
22 an incredible 41 percent on ADW leading towards additional
23 commissions and higher purses.

24 So I would hope that the Board would take a look
25 at this and work with Craig to try to find a solution to

1 continuing the experiment. Thank you.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.
3 That's good information. And kidding aside, I think we're
4 all in the -- we're, hopefully, all in the same boat, and I
5 think that we will schedule a meeting forthwith, with TVG,
6 and also with the other ADW providers to try and see if we
7 can't find a way to keep the experiment continuing.

8 COMMISSION VICE CHAIRMAN HARRIS: I would assume
9 TOC, or CTT, also support the experiment.

10 COMMISSIONER CHAIRPERSON SHAPIRO: He's raising
11 his thumb, which is a yes. And I believe that TOC -- well,
12 now, we're going to hear from TOC.

13 MR. LAMOTHE: Good morning. Guy Lamothe, TOC.
14 The horsemen would just like to be part of the follow-up
15 meeting on this.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And I
17 assume you would support the continuation of the experiment,
18 if at all possible?

19 MR. LAMOTHE: Well, if at all possible. We'd like
20 to see what the numbers are, because I haven't seen them.

21 COMMISSION VICE CHAIRMAN HARRIS: Well, you know
22 what the numbers are for purses. Is there some way that you
23 can give us an analysis of your assessment of what the
24 experiment did for purse increases?

25 MR. LAMOTHE: Absolutely, that needs to be done.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Terrific. We
2 will have staff set a meeting up within the next two weeks.

3 All right, we're going to take a ten-minute break,
4 so we'll take a ten-minute break.

5 (Off the record.)

6 COMMISSIONER CHAIRPERSON SHAPIRO: All right,
7 we'll bring the meeting back to order.

8 All right, we're going to start the meeting up
9 again. We're going to go now to -- I'm going to jump around
10 and I'm going to, since I see, Dr. Arthur, you're sitting
11 there, so I'm going to jump to Items Number 9 and 10. Is
12 there a reason --

13 EQUINE MEDICAL DIRECTOR ARTHUR: I thought I was
14 actually here for Item Number 7.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

16 EQUINE MEDICAL DIRECTOR ARTHUR: But I can
17 do --

18 COMMISSIONER CHAIRPERSON SHAPIRO: No, I saw you
19 sitting there so I thought that -- all right, so let's do
20 Item Number 7.

21 Item Number 7 is a discussion by the Board
22 regarding existing procedures, precautions, and additional
23 options to protect the safety of the horses and riders at
24 California tracks and stabling facilities.

25 This matter was put on the agenda somewhat as a

1 reaction to the unfortunate circumstances that we all
2 witnessed in the Kentucky Derby with Eight Belles. And the
3 thought in putting this here was to try and both be
4 considerate of what we can do, but also to recognize I think
5 all of the -- not all of the steps, but some of the steps
6 that are taken in California in an effort to try and prevent
7 catastrophic, and even non-catastrophic injuries, of course,
8 for horses and riders.

9 Towards that end I think this Board has been
10 aggressive and been successful at attempting to put in safer
11 racing surfaces. The Board has also adopted rules
12 prohibiting high toe grabs. There's an extensive pre-race
13 vet examinations to take place, which Dr. Arthur, I hope you
14 will give us a few minutes on.

15 We've gone to instrument testing, the most precise
16 testing that is available at the Maddy Lab, here at UC
17 Davis. Scott Stanley does that.

18 We do extensive plate inspections, of course, and
19 we do the necropsy program, and a host of other things.

20 And I think that California has been very active
21 in trying to address how to protect our equines, as well as
22 our people.

23 And, Dr. Arthur, you might want to add to that.

24 EQUINE MEDICAL DIRECTOR ARTHUR: Certainly. Is my
25 microphone on?

1 COMMISSIONER CHAIRPERSON SHAPIRO: It is. Your
2 voice is loud enough, anyway.

3 EQUINE MEDICAL DIRECTOR ARTHUR: Thank you. I
4 think California actually has been really a shining light in
5 the racing industry, in the recent incident with Eight
6 Belles. We have a very extensive program, and I'm not going
7 to say that we're anywhere close to being satisfied with
8 what we do. We know we can do things better and we are
9 continually going to try to improve how we protect our
10 horses and do whatever is necessary to do.

11 All horses in California, that race, are examined
12 pre-race by the official or association veterinarian. Most
13 tracks, many tracks have multiple veterinarians do that
14 task. But it is a rather extensive process. And all horses
15 are palpated and jogged, which is very different than what
16 it was when I first started practicing.

17 We have cards one each horse, that tell us what
18 that horse looked like previously, and those are referred to
19 prior to those examinations.

20 Of course, the horse is examined again in a
21 receiving barn and is under observation while it's on the
22 track.

23 We've met with stewards at almost all racing
24 jurisdictions and reminded them that the track vet is
25 actually not in a good position to see all the horses all

1 the time, depending on what races are being run, and we've
2 encouraged the stewards to help identify any anomalies they
3 see, and we meet with the jockeys and encourage them to tell
4 us, or the examining veterinarian or the track veterinarian
5 when there is something amiss with the horse.

6 So we try to take all those steps, but we do have
7 to remember that our patients can't talk to us, which is a
8 challenge, but it is something we're trying to improve.

9 We have used -- worked on the beta testing for the
10 Encompass pre-race exam module, which is a way to have the
11 previous examinations, the horse's race record, work charts,
12 and all other identification information out in the field.

13 Dr. Isbell, at Bay Meadows and Golden Gate, worked
14 very hard on that. It's going to take a little bit of work,
15 but we're trying to improve that.

16 In California we also have the necropsy
17 examinations. I do look at all necropsy reports that are
18 submitted in California.

19 And there was a mention earlier of the fatalities
20 at the turf course on Del Mar, and I can tell you, and I
21 can't remember all of them or an exact number, but the very
22 first one was Commissioner Amerman's horse on opening day at
23 Del Mar last year who -- it's clear, by going back and
24 looking at the -- reviewing the video of that race that the
25 horse was knocked sideways before he fractured his hind leg.

1 So we do pay attention to those things. We are
2 trying. And, in fact, an intern from the University of
3 Arizona Racing -- Race Track Industry Program, has just
4 joined us to help improve the way that information is stored
5 and allow us to review all of those types -- that type of
6 information, so we can make better informed decisions in the
7 future.

8 Toe grab issue. It's really gone kind of behind
9 us. We're still looking at the issue on quarter horses, and
10 have always been looking at the issue on toe grabs behind.

11 We are also going to be starting participating in
12 a national injury monitoring program. In fact, we'll be
13 beta testing that starting next week. That's where all
14 injuries are reported to a national database and it
15 is -- California already has a program, but this will
16 actually give us additional information that I think will
17 help us in the future.

18 We also look at bets list procedures. We try to
19 go through these and try to refine them, identify those
20 problem horses, and address how some horses, frankly,
21 don't -- we really just don't need to have them competing
22 any further and we're going to have to figure out how to
23 deal with those.

24 The anabolic steroid and drug testing issue, I
25 think we're well ahead of the curve on that, and we're going

1 to be talking about that in the near future, along with the
2 penalty guidelines. And once they're in place, I think some
3 of the issues of excessive use of nonsteroidal anti-
4 inflammatories will be a thing of the past.

5 The ambulance coverage in California is probably
6 better than any racing jurisdiction in the country. I just
7 received a report, I haven't seen all of it, from Chris
8 Korby on the Fairs, but it looks very complete. But we'll
9 keep an eye on those particular issues, as well.

10 Mr. Harris, myself, you, Commissioner Shapiro,
11 participated in a welfare and safety summit, and we have a
12 lot of -- a number of those initiatives, including the
13 claiming rule, that you're going to be hearing shortly, that
14 are related to trying to identify or de-incentivize not
15 doing the best by the horse.

16 In other words, we want people to do what they can
17 to protect the welfare of the horse and take away incentives
18 for doing anything other than that.

19 And, obviously, the research program that is
20 supported by horse racing at UC Davis has been very
21 beneficial and has, in fact, led to nuclear centigraphy unit
22 at Santa Anita, that has done over 6,000 nuclear
23 centigraphies.

24 So I'm not -- that's a little bit bragging on what
25 we've done, but I would like to assure you that we will not

1 be satisfied with this particular issue.

2 We did see a drop in total fatalities last year.
3 I do think that's attributable to synthetic surfaces, which
4 do show a 50 percent decrease in fatalities on synthetic
5 surfaces, compared to racing on that same surface
6 previously. And that beta goes from January 1st, 2004 to
7 present.

8 So with all that combined, I think we are looking
9 after the horse. We're very open-minded. We always look
10 for problems that we can try to plug.

11 These horses run very hard for us and I think
12 we're obligated to do what we can to protect them.

13 And I'm pleased with the attitude of this
14 Commission and the racing industry but, rest assured, we
15 won't be satisfied until we have a program that we know
16 we're doing everything we can.

17 COMMISSIONER CHAIRPERSON SHAPIRO: Well, thank
18 you, Dr. Arthur. You know, it was sad to see a great event
19 that was marred by a tragedy.

20 On the other hand, I think that with all that
21 we're trying to do, I do have confidence that we're out
22 front, and trying to lead the pack, and find a way to do the
23 best job we can.

24 I would hope that there will be future studies to
25 look at some of the questions that are being raised about

1 breeding, about some of the other things that we might
2 consider as potential contributors to the frailty, or the
3 growing frailty of the breed, if that's what's occurring, so
4 that we can come to solutions.

5 But, again, thank you very much and appreciate
6 your report.

7 The next item --

8 COMMISSION VICE CHAIRMAN HARRIS: What can we do
9 to get some of this information out? We don't want to sound
10 like we're just self-serving, but we are -- I think it's
11 important for the public to realize how California
12 differentiates itself from other states, and that a lot of
13 these things that Rick mentioned simply aren't done in other
14 states. And we need to make sure that people know, when
15 they're betting on a California race, they've got a very
16 level playing field, they've got a great concern for horse
17 welfare that should be better publicized somehow.

18 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I think
19 that, you know, maybe what we should do is -- we do put out
20 advisories and things like that periodically, and maybe what
21 we should do is put out a "did you know," you know.

22 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Because the
24 truth is that I think that more often than not people look
25 at California as the forerunner of a lot of novel and good

1 things that we're trying to do. Some people may think we
2 rush to judgment, and others may think that we're slow
3 getting out of the gate. But the truth is that we do push
4 the envelope. And we have the best laboratory around. We
5 have tremendous -- you know, between Dr. Arthur and Dr.
6 Stanley, and all the other people, Dr. Stover, that are
7 working to better this industry, I think we're looked at
8 nationally, and we deserve it.

9 But on the other hand, it's not good enough until
10 we solve as many of the problems as we can.

11 I, personally, would hope to see that we will get
12 the vet confidentials in a manner that's electronic, which
13 will be easier. And I know you're working very hard on
14 that. But I think that we need to have better databases
15 which, again, I know you're working on.

16 But there's been years of neglect or nothing
17 happening that you've got to make up for.

18 But Mike, you -- Mike Marten, you might want to
19 consider putting out a "did you know" type of thing, so that
20 we might be able to make it more well known what we do have
21 out here.

22 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think we
23 definitely need that.

24 On the necropsies, as Rick covered, as everyone
25 knows, we spend a lot of money and time at the Board on

1 public information requests on necropsies, which are
2 hampered because there's a lot of veterinarian records that
3 cannot be apparently released, just based on a request.

4 But I think we need to look at making these
5 necropsies as transparent as we can. If, as part of the
6 licensing process, as an owner, who basically is the one
7 that would be responsibility for their confidentiality,
8 because it's his horse, there is some agreement that any
9 information on that horse can be released.

10 I guess part of the problem would be that we don't
11 want to do something that veterinarians would be reluctant
12 to report things.

13 But somehow we need the industry to be very
14 transparent and there's no facet of it that's not available
15 to the public.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Good point.

17 COMMISSIONER MOSS: I'd like to just make a
18 mention. You know, I know that before we completely embrace
19 the safety and the sanctity of the synthetic racetrack, I
20 believe we should wait just this year to see how Del Mar
21 operates and how the Oak Tree meet will run on the new, or
22 whatever the existing Santa Anita track is.

23 Because I think in both cases those tracks, as
24 horsemen, have let us down. You know, I always question
25 injury reports. I don't know how the reports get to you. We

1 expect, in most cases, the vets supply them. But in some
2 cases they don't necessarily get to you.

3 I want to say that we are putting forth our best
4 efforts and our good intentions, but I think before we
5 celebrate, you know, the success of these racetracks, I
6 think it's incumbent that we see what Del Mar does and what
7 Santa Anita does. And that's what I want to see.

8 COMMISSIONER CHAIRPERSON SHAPIRO: I want you
9 all -- I was trying to celebrate our efforts.

10 COMMISSION VICE CHAIRMAN HARRIS: Yeah.

11 COMMISSIONER MOSS: No, me, too.

12 COMMISSIONER CHAIRPERSON SHAPIRO: And I think you
13 are on agreement. We may have some different views on the
14 benefits of one particular issue or another, but the truth
15 is that we're trying. We're trying and we're ahead of the
16 fact in trying, and I think that's the point.

17 COMMISSIONER MOSS: I couldn't agree more.

18 COMMISSIONER AMERMAN: One issue that relates to
19 the Kentucky Derby and Eight Belles, was the jockey coming
20 down the stretch and whipping his horse.

21 We, about a year and a half ago, had a number of
22 meetings about whips. Where has that gone?

23 COMMISSIONER CHAIRPERSON SHAPIRO: Well, the
24 meeting that we had about whips was actually about a
25 particular design of whip, which was adopted. And that was

1 adopted.

2 If the Board wanted to consider a revision to the
3 whipping rule, which I think is a worthy discussion frankly.

4 COMMISSIONER AMERMAN: Yeah.

5 COMMISSIONER CHAIRPERSON SHAPIRO: We could put
6 that on and we could modify the rules such that you could do
7 anything from eliminate a whip, to restrict the use of a
8 whip or in between.

9 COMMISSION VICE CHAIRMAN HARRIS: We do have some
10 of those, now.

11 COMMISSIONER CHAIRPERSON SHAPIRO: That's right.
12 But my point is that if it is a discussion worth having, and
13 I think it is, that I think that we should just simply
14 calendar it.

15 COMMISSIONER AMERMAN: Well, it just kind of
16 dropped off the face of the earth, at least to me, anyway.

17 COMMISSIONER CHAIRPERSON SHAPIRO: Well, no. No,
18 that was on -- we concluded that. That was a specific type
19 of whip that was lighter, it was more of a bat, and we
20 adopted it, it got approved, and it's being used.

21 COMMISSION VICE CHAIRMAN HARRIS: It's optional,
22 basically.

23 COMMISSIONER CHAIRPERSON SHAPIRO: You don't have
24 to use it, but it's in use.

25 COMMISSIONER AMERMAN: Okay.

1 COMMISSIONER CHAIRPERSON SHAPIRO: There are
2 jockeys that are using them. It makes a louder popping
3 noise and it cuts less.

4 COMMISSIONER AMERMAN: Yeah.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Sorry for that
6 word.

7 EQUINE MEDICAL DIRECTOR ARTHUR: Could I address
8 three questions the Commissioners have brought up in this
9 discussion?

10 COMMISSIONER CHAIRPERSON SHAPIRO: Yes, but I need
11 to move the meeting along. So, yes, go ahead and do it.
12 And you might as well -- I see you standing there. I don't
13 have a card, and I'm going to let it go this time but,
14 please, let's make it brief, because I do have to move the
15 meeting.

16 EQUINE MEDICAL DIRECTOR ARTHUR: Very quickly, the
17 whipping issue, all the official veterinarians are
18 instructed to look for any welts or cutting of horses, welts
19 on the flanks, or cutting of the horses, which are
20 prohibited.

21 In terms of the necropsy reports, what we are
22 looking for is auditable information that we can take action
23 on.

24 And, Mr. Moss, I agree with you, that I consider
25 the synthetic results exciting. I don't consider them

1 definitive, it's still early in the process.

2 The training data is not nearly as encouraging.
3 The racing data is very exciting and I think it's going to
4 prove to be very solid. But there are maintenance issues,
5 as we all know, with these particular surfaces.

6 Secondly, in terms of the injury data, the injury
7 data the Horse Racing Board gets is from the official
8 veterinarians, which is only the tip of the iceberg.

9 Dr. Blea, one of your veterinarians, and Dr.
10 McIlwrath, from CSU, and myself, actually, with a grant from
11 Oak Tree Racing Association, are trying to develop a
12 reporting system for the lesser injuries, the non-fatal
13 injuries, and the ones that aren't observable to the
14 official veterinarian to get better information. So we are
15 aware of all those issues.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, thank
17 you, Dr. Arthur.

18 Michael, you have a quick comment?

19 MR. POWER: Yes. The CHRB website has one vet's
20 list. The racetracks have another vet's list posted
21 altogether, different names, dates, and so forth. I'm
22 curious as to why that's still happening.

23 Second of all -- let me finish -- the vet's list
24 on the website has 15 quarter horses posted on it between
25 the years 1994 and 2001.

1 On the thoroughbred side of it, there are 42
2 thoroughbreds listed from 1989 to 2002.

3 I didn't check all of the thoroughbreds on that,
4 but I do know in fact that some are racing, even though they
5 are still on the CHRB vet's list.

6 One horse who is not longer on the vet's list is a
7 horse named Refinery, whom Dr. Arthur performed heel nerving
8 on two years ago. Any comments?

9 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, thank
10 you. Thank you.

11 All right, let's move on to Item Number 8. Public
12 hearing and action by the Board on the adoption of the
13 proposed amendment to CHRB Rule 1420, Definitions, to revise
14 the definition of a claiming race, and the proposed addition
15 of CHRB Rule 1634, Claiming Option Entry, to provide that
16 horses entered in a claiming race may be declared ineligible
17 to be claimed under specified conditions.

18 As we all will recall, this was an issue that we
19 had discussed at prior meetings, and I believe that we have
20 come to a place where the original rule, as proposed by TOC,
21 that would have allowed a horse that was coming off of a
22 six-month hiatus, or rest, would be able to be entered back
23 at the same claiming price that he last raced at and, yet,
24 not be eligible to be claimed for the first start back.

25 It's my understanding that there was one comment,

1 I'm sorry, Jackie, if I preempted you. There was comment
2 that was received during the 15-day comment period.

3 I don't know if there's other discussion to be had
4 here. I think this is a rule that we should move forward
5 with, I think this is a good idea. It encourages people to
6 rest horses. And I don't see a detriment.

7 COMMISSION VICE CHAIRMAN HARRIS: I concur it's a
8 good idea and I move we approve it.

9 COMMISSIONER CHOPER: Second.

10 COMMISSIONER CHAIRPERSON SHAPIRO: Second. Is
11 there any other discussion?

12 If not, all those in favor?

13 (Ayes.)

14 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, before I
15 got any further, is Norb Bartosik and Dave Elliott still in
16 the room?

17 Okay, I see Dave. Where's Norb?

18 UNIDENTIFIED SPEAKER: In his office.

19 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Well,
20 that's unfortunate.

21 Everybody, that's Dave Elliott. Dave is our host.
22 And he put on a wonderful breakfast and a wonderful lunch.

23 (Applause.)

24 COMMISSIONER CHAIRPERSON SHAPIRO: And I am remiss
25 of not thanking them a little bit earlier. And so please

1 tell Norb thank you as well, Dave.

2 And how about this facility? This is a terrific
3 facility that's extremely under-utilized. And I would hope
4 that our thoroughbred people would take note that this could
5 be a heck of a venue to be used in the future, and I just
6 happened to win my first harness race as a driver here.

7 COMMISSIONER AMERMAN: What year?

8 COMMISSIONER CHAIRPERSON SHAPIRO: 1972. Okay.
9 It was just yesterday.

10 COMMISSIONER CHOPER: Was that the last one, too?

11 COMMISSIONER CHAIRPERSON SHAPIRO: No, it wasn't
12 the last one, but it was one of the last. I was known as
13 Rodeo Rick, they were scared to death of me.

14 Okay. All right, moving on.

15 All right, Item Number 9, discussion and action by
16 the Board on the proposed amendment to CHRB Rule 1843.2,
17 classification of drug substances to reclassify the anabolic
18 steroids boldenone, nandrolone, stanozolol and testosterone.

19 COMMISSION VICE CHAIRMAN HARRIS: Could we give
20 the trade names of those, too, so people don't --

21 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, I know
22 there's Winstrol -- Dr. Stanley, give us the trade names.

23 DR. STANLEY: Yeah, Scott Stanley, UC Davis. The
24 trade names of boldenone is known as Equipoise.

25 Stanozolol is known as Winstrol.

1 Nandrolone, there's a Decadurabolin.

2 Testosterone is not known as any trade name. But
3 those are the trade names for the three as they're known by
4 practitioners and trainers.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Now, at the
6 same time -- don't go anywhere. At the same time I'd like
7 to, if I can, also make note -- we're going to take two
8 votes here. And the next agenda item is also to reclassify
9 these drugs substances. And the reason we're doing it this
10 way is because we -- oh, there you are. We have not yet
11 heard back from the Office of Administrative Law, which we
12 are waiting to hear, about this reclassification and
13 adoption of the RMTC penalty guidelines. But what we are
14 doing here is we are reclassifying these drugs so that we
15 can move forward with our plan of abating the use of
16 anabolic steroids in the future.

17 And as you will recall, our goal is to try and
18 have this in place and done by the time of Breeder's Cup
19 2008.

20 Therefore, these are technical votes that we're
21 being asked to make, that reclassify these drugs. And
22 unless there is additional discussion that we have not
23 already had, I would recommend that we simply move forward
24 and approve these amendments to these rules.

25 EQUINE MEDICAL DIRECTOR ARTHUR: Mr. Chairman, I

1 would like to point out that we need to do this to initiate
2 the 45-day notice period. And Jackie has agreed to run
3 these down today, to the Office of Administrative Law. And
4 because of the way our Board meetings are coming up, and the
5 way the Office of Administrative Law accepts changes, this
6 has to be done today and initiated --

7 COMMISSIONER CHAIRPERSON SHAPIRO: Dr. Arthur, if
8 you'll let me finish, we'll send Jackie on her way. Okay.

9 COMMISSION VICE CHAIRMAN HARRIS: But I thought
10 we'd done it already. Was there a hangup somewhere?

11 COMMISSIONER CHAIRPERSON SHAPIRO: What we did
12 previously, as I understand, was we were moving forward to
13 adopt the guidelines and the threshold levels of some of the
14 drugs, it was that.

15 Now, we're amending our rules that classifies them
16 as basically Class Three drugs.

17 COMMISSION VICE CHAIRMAN HARRIS: Okay.

18 COMMISSIONER CHAIRPERSON SHAPIRO: So with that, I
19 will make a motion to approve the proposed amendment of CHRB
20 Rule 1843.2, classification of drug substances.

21 Is there a second?

22 COMMISSION VICE CHAIRMAN HARRIS: I'll second.

23 How long does it have to go out for comment?

24 COMMISSIONER CHAIRPERSON SHAPIRO: Forty-five.

25 EQUINE MEDICAL DIRECTOR ARTHUR: Forty-five days.

1 COMMISSION VICE CHAIRMAN HARRIS: I thought there
2 was some way to make it shorter.

3 EQUINE MEDICAL DIRECTOR ARTHUR: No. Well, Jackie
4 can explain it to us. It's got to go out today.

5 COMMISSIONER CHAIRPERSON SHAPIRO: I don't think
6 we need that part.

7 EQUINE MEDICAL DIRECTOR ARTHUR: Well, we need to
8 have -- we have to be able to vote on this at the July 17th
9 meeting for this to get -- have any chance of being
10 effective in September.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Right, so
12 that's why we're doing it in this manner.

13 All right, there is a motion and there is a
14 second. Any other discussion?

15 There being none, all those in favor?

16 (Ayes.)

17 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, so now
18 we're --

19 COMMISSION VICE CHAIRMAN HARRIS: Just part of it
20 just ties into the whole educational effort to horsemen of
21 what they can or can't do.

22 COMMISSIONER CHAIRPERSON SHAPIRO: And we have put
23 out one advisory, Dr. Arthur has put out an advisory. We
24 are shortly going to be coming out with a question and
25 answer type of information advisory that we'll also be

1 following very shortly. Again, to educate people, so we can
2 anticipate some of the questions they may have. Such as if
3 I get a horse in New York how do I know? Well, the horse
4 can be pre-race tested, those types of things.

5 COMMISSION VICE CHAIRMAN HARRIS: But one of the
6 big questions would be if -- assuming this all goes through
7 in a timely manner, which we hope it does, when would a
8 horsemen not want to give any horse one of these steroids?

9 EQUINE MEDICAL DIRECTOR ARTHUR: If they read the
10 advisory, they could have figured out they shouldn't be
11 giving it right now.

12 COMMISSION VICE CHAIRMAN HARRIS: Well --

13 EQUINE MEDICAL DIRECTOR ARTHUR: You know, they
14 shouldn't give any anabolic steroids now, because on July
15 1st, when we start the in-depth testing of those samples, we
16 will be identifying anabolic steroids.

17 This will work into the program, it will be fined.
18 If you remember, under the penalty guidelines, it is a
19 warning for the first period of time until we switch over to
20 what you've just voted on.

21 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Item
22 Number 10, discussion and action by the Board on the
23 proposed amendment of CHRB Rule 1843.2, classification of
24 drug substances to reclassify the anabolic steroids
25 boldenone, nandrolone, stanozolol and testosterone from

1 Class Four to Class Three, and change the penalty class from
2 Category D to Category B.

3 This is basically the same thing that we just
4 approved, only one is if the Office of Administrative Law
5 comes back to us in a timely manner and one in case they
6 don't.

7 Correct, Dr. Arthur?

8 EQUINE MEDICAL DIRECTOR ARTHUR: That's correct.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Therefore --

10 EQUINE MEDICAL DIRECTOR ARTHUR: Then we have to
11 initiate the 45-day period.

12 COMMISSIONER CHAIRPERSON SHAPIRO: We're starting
13 it. Therefore, I make a motion that we approve this.

14 Is there a second?

15 COMMISSION VICE CHAIRMAN HARRIS: Second.

16 COMMISSIONER CHAIRPERSON SHAPIRO: All in favor?

17 (Ayes.)

18 COMMISSIONER CHAIRPERSON SHAPIRO: Jackie, are you
19 on your way, yet?

20 STAFF SERVICES MANAGER WAGNER: I've got it taken
21 care of.

22 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, good.

23 EQUINE MEDICAL DIRECTOR ARTHUR: I do want to
24 thank Jackie for volunteering to do this. This is quite an
25 exceptional effort on her part.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,
2 Jackie.

3 All right, now we will move on to Item Number 11,
4 discussion --

5 COMMISSIONER AMERMAN: You've got Guy up here.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Oh, sorry, Guy.

7 MR. LAMOTHE: I had a comment card on Number 10.
8 Guy Lamothe, TOC.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Sorry, I didn't
10 see it.

11 MR. LAMOTHE: That's all right. Real quickly,
12 somebody mentioned the penalty guidelines. Can I ask
13 where -- what's the status of those being implemented?
14 Those have been out there a long time.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Jackie?

16 STAFF SERVICES MANAGER WAGNER: Jackie Wagner,
17 CHRB staff. We expect a decision from the Office of
18 Administrative Law by Friday.

19 MR. LAMOTHE: And can I ask, what's the decision
20 being made, I thought they were already approved.

21 STAFF SERVICES MANAGER WAGNER: The decision --
22 they're not approved. We're expecting a decision whether or
23 not they will be approved.

24 COMMISSIONER CHAIRPERSON SHAPIRO: They've been
25 kicked back to us a number of times.

1 STAFF SERVICES MANAGER WAGNER: Twice.

2 COMMISSIONER CHAIRPERSON SHAPIRO: We're hoping to
3 get them approved on Friday.

4 STAFF SERVICES MANAGER WAGNER: Correct.

5 MR. LAMOTHE: Excellent. Thank you.

6 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

7 Okay. Item Number 11, which is raising the minimum starter
8 or participation fee in all thoroughbred races and the
9 impact on purses.

10 I put this item on the agenda as a discussion
11 item. And the thought here was that one of the things that
12 troubles me about this industry at this moment, and at this
13 juncture, is that for owners it is difficult to make ends
14 meet, when you look at the rising cost of horse ownership,
15 and it's probably costing an owner today, somewhere in the
16 north, of \$3,000, down south, a month to keep a horse.

17 And if the horses only race on average six or
18 eight times a year, if they don't win, that likely they may
19 not make ends meet.

20 There is a participation fee, which in the south
21 is a maximum of -- or it is \$400. And in the north, I
22 believe it's \$300.

23 The notion here is what about -- and, again, this
24 is for discussion only. What would happen if we raised in
25 the south that the starter fee was a thousand dollars and

1 then in the north, perhaps, it was \$600. So that it would
2 encourage people to run their horses more, rather than work
3 them as much as they do, because we work horses for any
4 other state for some reason I don't quite understand. And
5 it might also help the economics of horse ownership in the
6 State to defray some of the cost. So it's truly a
7 discussion item.

8 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think
9 the issue is that the pie -- what we really need is a bigger
10 pie. But cutting up in more pieces, maybe, is helpful.

11 I always thought -- I prefer the 55 percent to
12 whatever it is, the 60, and use that other five percent, as
13 you state, to encourage participation on down through the
14 field more.

15 But that's really a decision, as I understand it,
16 between TOC and the tracks. But I hope that they would
17 comment and give us some reasons why they think it's not
18 broke.

19 COMMISSIONER CHAIRPERSON SHAPIRO: Nobody?

20 COMMISSIONER ANDREINI: Well, on the quarter horse
21 side that's what we did. We reduced the winning first from
22 60 to 55 percent, and paid everybody \$300.

23 COMMISSIONER CHAIRPERSON SHAPIRO: John, put the
24 microphone closer to you, please.

25 COMMISSIONER ANDREINI: Oh, I'm sorry. So we cut

1 the percentage down from 60 to 55 percent, and then paid
2 everybody that was behind third place, they all got \$300.

3 COMMISSION VICE CHAIRMAN HARRIS: My theory is if
4 I win, I'm happy to win, and 55 sounds pretty good. And 60,
5 it would be nice, but when I'm running fifth or sixth, I'd
6 like to maybe get a little more.

7 COMMISSIONER ANDREINI: Exactly. Exactly. And it
8 seems to work.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Well, I
10 recognize that by doing this you would -- basically, the
11 winner would get a little bit less. But if everybody who
12 was racing got some money, you know, it might just help
13 people who are wanting to own horses.

14 COMMISSIONER AMERMAN: I think there's two sides
15 to that. Number one, we're trying to encourage more
16 trainers, horses to come to California, and if we do reduce
17 it, I think they have some options where they can go where
18 it would be 60 percent, or 62 percent in certain places.

19 And the flip side of it is that whatever we would
20 try to start the starter fee, is that really going to change
21 the economics for the horse owner? It doesn't really change
22 all that much when you think about it.

23 Because you rightly said, you know, the expenses
24 are pretty big. This is going from 400 to a thousand, but
25 it's not very much, really. It doesn't solve the problem.

1 COMMISSIONER CHAIRPERSON SHAPIRO: Well, as we
2 know from our initial conversation, as Commissioner Choper
3 pointed out, revenue's the only thing that seems to solve
4 the problem.

5 And, again, I see we have a great group here. You
6 know, guys, tell me I'm stupid and we'll move on.

7 MR. FRAVEL: Who wants to do that. Ron?

8 MR. CHARLES: I'll be glad to.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, don't all
10 raise your hands. It's not a webcast. Because Mr. Fravel
11 cut off the video, they can't see that you're all raising
12 your hands. But okay.

13 MR. CHARLES: Ron Charles, MEC. First of all, I
14 think this is more of a TOC issue, considering the purses,
15 rather than a racing association issue.

16 But I look back at what happened at Fairplex, and
17 for years Fairplex -- and maybe they still do, Fairplex
18 would give one percent in their hundred thousand dollars,
19 hundred and fifty thousand dollar races, and you would have,
20 in the Pomona Handicap, Pomona Derby, and you would maiden
21 32s, that couldn't win for maiden 32 entering for that
22 thousand dollars, or that \$1,500.

23 I'm not sure it's something that the incentive to
24 run, just to run, is that what we really are trying to do
25 here? You know, we want the horses ready. We all know

1 there's a lot of owners and trainers, trainers that are
2 training their own horses. And from a safety issue, I would
3 certainly hope that somebody wouldn't run just to pick up
4 that thousand dollars that might pay their rent. You know,
5 I've heard this argument before.

6 COMMISSION VICE CHAIRMAN HARRIS: Well, they're
7 running now to pick up the four hundred dollar. If that's
8 right, why are we giving them the four hundred dollars?

9 MR. CHARLES: Well, primarily, John, you wanted
10 that.

11 COMMISSION VICE CHAIRMAN HARRIS: Well, I was one
12 of the ones that would run for the thousand before.

13 MR. CHARLES: And I hear you. But by the same
14 token, I think we're the only jurisdiction that does that
15 right now. And I think to give more, it's -- you know, it's
16 something that, you know, from my stand point, is difficult
17 to decide.

18 And, again, I would think that the thoroughbred
19 owners might want to canvass their group and kind of take a
20 look at it and see.

21 COMMISSION VICE CHAIRMAN HARRIS: Well, that's the
22 whole thing that I think needs -- part of the thing that
23 ties into this, too, all these funds, I tend to call them
24 slush funds, which people get defensive about. But we've
25 got the California Marketing Fund, we've got the Worker's

1 Comp Fund, we've got the Stable and Vanning Fund. We've got
2 all these different buckets of money and I think we need to
3 look at where all this money's going and is that the best
4 use of it.

5 MR. CHARLES: And I think that's fair. But what I
6 would be hesitant to do was what Commissioner Shapiro
7 mentioned, was to cut the 60. I just think we'd be going
8 the wrong way. It's taken us a while to get there and I
9 think it's important that we be equal on it with other
10 states. When we went up, we attracted some more horses.

11 COMMISSION VICE CHAIRMAN HARRIS: I think it was
12 the synthetic tracks that did it, mainly.

13 MR. HALPERN: Ed Halpern, California Trainers.
14 We're not really here to debate this matter, but I have a
15 somewhat different take on it than Ron.

16 It's a matter that we over the years, at the CTT,
17 have talked about many times, and most of the time our board
18 has come out favoring some kind of a starter fee. And so
19 let me look at it from two points of view.

20 The first is the effect on the typical owner. It
21 is now, and has been for a number of years now, very hard to
22 find people with sufficient funds to own race horses. And
23 Mike Mitchell likes to talk about the days when he had
24 people lined up, each with \$50,000 in an account to claim a
25 horse. And any time he wanted to claim a horse, he would

1 just pick one of those owners and claim it.

2 But now, if he wants to claim a \$50,000 horse, he
3 has to hustle around in the morning and find five owners
4 that are willing to go in together.

5 The reason for that is that the business is so
6 expensive that for probably the majority of owners it
7 becomes a question of do I get enough pleasure for the cost
8 of the experience.

9 Am I taking a cruise and is the cruise costing too
10 much to make it worth it to take the cruise.

11 And so the idea of the starter fee is that,
12 hopefully, you increase the pool of owners by making it
13 feasible to own a race horse by cutting down their monthly
14 bill.

15 I know, from my own experience with owners, all
16 you have to do is go two or three months without purse money
17 coming in on a horse, and those owners who are now seeing
18 \$3,000 or \$4,000 bills every month say, you know what, I'm
19 not having that much fun.

20 But if you can cut it down by a thousand, or if
21 you can cut it down by 1,500 each month, then it still
22 remains enough fun for those people to stay in the business.
23 So that's one way of looking at it.

24 The current program, and I don't have these
25 figures with me so they're not exact. But the current

1 program of \$400 starter fees in the south, and 300 up north,
2 runs us around 4 million a year, as things currently stand.
3 And to increase it to a thousand would cost us four to six
4 million additional.

5 So if you reduce the purse pool, of 175 million,
6 if that's what it is, by four to six thousand, it would for
7 the most part go unnoticed at the top end, but would make a
8 big difference at the bottom end to these people who
9 struggle to keep horses in the business.

10 Ron's concerns are a legitimate concern, but it so
11 far hasn't been a problem with the starter fees, I don't
12 think, that we've been giving over the past few years.

13 MR. LAMOTHE: Well, I think the big question is
14 what do we hope to accomplish this.

15 COMMISSIONER CHAIRPERSON SHAPIRO: Tell us who you
16 are?

17 MR. LAMOTHE: Guy Lamothe, Thoroughbred Owners of
18 California. You know, everybody knows this, if you want to
19 increase the starter fees you've got to pull it from some
20 place, and you're just going to pull it from the purse pool.
21 Unless you find another source which, of course, we're
22 highly for that. If people are nice and they're willing to
23 do that.

24 Other than that, it sounds like what we're talking
25 about here is a redistribution of purse monies. And, in

1 effect, isn't that where you get paid further down.

2 COMMISSIONER CHAIRPERSON SHAPIRO: Well, that's
3 exactly what it is, and it's to benefit your members. Are
4 you hearing that?

5 COMMISSION VICE CHAIRMAN HARRIS: Yeah, but I
6 think the other aspect, though, is to encourage bigger
7 fields. I mean, I think -- I mean, obviously, we want to be
8 running sound horses and we've got all these protocols in
9 place for that so, you know, that would be a concern.

10 But if you can get an eight- or nine-horse field,
11 versus a six- or seven-horse field, with all the exotic
12 wagering we have, it's pretty dramatic the amount of
13 additional purse revenues you'd get. Even if that eighth
14 horse is a 25 to 1 shot.

15 MR. CHARLES: Commissioner Harris, I just as an
16 owner, and you've been an owner, would you enter a race just
17 because the performance was six hundred or eight hundred
18 instead of the four hundred? Is that going to make you,
19 sway you to enter that race? You're entering that race in
20 order to try to win, or run first, second, or third at the
21 very least. Not to try to pick up another two, three, four
22 hundred dollars in the performance fee.

23 COMMISSION VICE CHAIRMAN HARRIS: Well, I think
24 over time it wouldn't make any difference to me. I mean, if
25 you win some or third some --

1 MR. CHARLES: Well, you win more than your share
2 so --

3 COMMISSION VICE CHAIRMAN HARRIS: Well, but
4 that's -- technically, I should be for the 60 percent, but
5 I'm a socialist.

6 COMMISSIONER MOSS: Can I just bring up one other
7 thing because, personally, I agree where it is now is fine
8 for owners, and I like the 60 percent for owners because it
9 does match other states, and I do think we do have to match
10 other states in that regard.

11 But what about the tax issues? I mean, I'm being
12 told that we don't operate under the greatest tax elements.
13 For example, you know, the idea of three dentists getting
14 together and buying a horse, they can't write it off as
15 easily as they were able to at some point. And maybe
16 somebody here can shed some light on that, somehow.

17 COMMISSION VICE CHAIRMAN HARRIS: Well, they still
18 could. You know, actually, the tax rules are really better
19 now than ever. I mean, you can depreciate a horse in three
20 years, you can write off the first hundred thousand on one
21 year.

22 COMMISSIONER MOSS: But when you claim, don't you
23 have to pay a tax?

24 COMMISSION VICE CHAIRMAN HARRIS: Well, that's
25 sales tax. But the chance of getting that back is slim. I

1 mean, California's trying to raise the sales tax, if
2 anything.

3 COMMISSIONER MOSS: But the point is you don't
4 have to do that in other states.

5 COMMISSION VICE CHAIRMAN HARRIS: Well, they've
6 got sales tax, I think.

7 COMMISSIONER MOSS: No, no, no, I mean, you won't
8 get -- for example, you'll get three claiming owners who
9 won't come here. You know, they won't come here because
10 they have to pay a sales tax.

11 MR. CHARLES: It's an issue in a number of states
12 of eliminating the sales tax.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Well, okay,
14 that's a totally separate issue, of which, just so you know,
15 there has been some discussion on trying to get the sales
16 tax on claiming horses and option sales waived.

17 COMMISSION VICE CHAIRMAN HARRIS: Right.

18 COMMISSIONER CHAIRPERSON SHAPIRO: So there are
19 discussions taking place, trying to see, but that would take
20 some legislative help.

21 Okay. Again, Craig, do you want to add anything
22 to this? I mean, again, this was discussion only. I'm not
23 vested any way on this, just trying to figure out how to
24 create help.

25 Now, the one thing that I believe is, and I don't

1 disagree with anything that was said, that maybe we'd see
2 trainers, instead of putting in ten works between starts, or
3 so many workouts between starts, they'd say, you know, I
4 think the horse is almost ready, I'll run him, it will be
5 good work for him, if nothing else. Rather than working
6 them out all the time.

7 MR. FRAVEL: Craig Fravel, Del Mar Thoroughbred
8 Club. No, I share that frustration with the focus on works.
9 And I do it periodically, that I'll go back and check the
10 work tab at Churchill, versus Hollywood for example, or
11 during our meet, Saratoga versus Del Mar. And I can tell
12 you that the number of workouts that are done over our
13 tracks are light years more than at other racetracks around
14 the country, so there is a different culture out here.

15 And I recall a meeting, a few years ago, to
16 discuss field size, and a trainer looked across the table at
17 me and he said somewhat woefully, well, you know, the
18 problem is it's become kind of unfashionable to start your
19 horse in this State.

20 And, candidly, when we put in the \$300 and the
21 \$400 starter fees I, personally, was somewhat disappointed
22 that it didn't really seem to get much traction in terms of
23 improving field size. For a year or two after that, I can't
24 tell you that my racing office came to me and said, boy,
25 that starter fee is really making a difference, we're really

1 getting them into the entry box.

2 And, you know, you have to be careful not to
3 sacrifice the quality issue for the quantity. I mean, we
4 could put a lot of cheap races out with bigger fields. Our
5 problem is getting people to invest and put quality horses
6 on the racetrack, and getting competitive fields and high
7 quality races.

8 And I'm not personally convinced that just doing
9 this would do that. I hearken back to what Commissioner
10 Choper said before, you know, this is a small part of a much
11 larger problem. I agree, we need to develop a larger vision
12 and let's tackle the huge issues. This is -- I just don't
13 think it's going to move the needle that much, and I hate to
14 be negative.

15 But I can tell you for example this year, when we
16 did the Breeder's Cup Challenge races at Del Mar, that we
17 had a -- thanks to the Breeder's Cup, they took some of
18 their money and put a two percent starter fee for every
19 Breeder's Cup eligible horse that was running in those
20 Breeder's Cup stakes races on Pacific Classic Day. Pacific
21 Classic got 14. I think that was partly attributable to a
22 lot of people taking a run over the new racetrack. And
23 there were a number of healthy horses come into it. But
24 there wasn't any monster horse in there to scare people
25 away, either.

1 But the other two races that had those two percent
2 fees, for Breeder's Cup eligible horses, you know, they got
3 six or seven. I mean, nothing -- I just don't think it's
4 going to do that much. I'd rather -- we've talked about a
5 lot of things today that we could use four or five million
6 bucks on, and I'm not sure this is the one we want to pick
7 out of the hat.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. Well,
9 again, let's move on. It was just a discussion item and
10 appreciate everybody's comment.

11 Okay, so that was a bad idea.

12 All right, Item Number 12. Discussion and action
13 by the Board regarding the request for approval from
14 Southern California Off-Track Wagering, Inc., SCOTWINC, to
15 adjust the stabling and vaning deduction from the off-track
16 handle applicable to racing at Hollywood Park, to facilitate
17 the use of funds currently in SCOTWINC's possession to
18 provide for improved racing and training facilities in the
19 Central Zone of California pursuant to Business and
20 Professions Code section 19607.1(f).

21 Francisco, do you want to explain to us what's
22 going on here?

23 MR. GONZALEZ: Francisco Gonzalez, CHRB staff.

24 Business and Profession Code section 19607.1(f)
25 provides for adjustments to the stabling and vaning fund

1 rate at the discretion of the Board.

2 However, the adjusted amount might not exceed 1.25
3 percent.

4 SCOTWINC requests the Board approve an adjustment
5 to the stabling and vanning rate for Hollywood Park from
6 1.06 percent, the current rate, to 0.89 percent. This
7 adjustment will reserve benefits to Hollywood Park by
8 creating savings of \$236,000.

9 COMMISSION VICE CHAIRMAN HARRIS: Is that like
10 split with the horsemen or --

11 COMMISSIONER CHAIRPERSON SHAPIRO: Yes, that's
12 what --

13 MR. GONZALEZ: Correct. That would be a split, 50
14 percent to Hollywood Park as commissions, and 50 percent to
15 the horsemen's purse pools.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Can I -- can
17 somebody explain to me a little bit what's really going on
18 here and why -- why is Hollywood Park basically having a
19 reduction from 1.06, to .89, as I understand this, that will
20 yield them \$236,000, which will then be shared with the
21 horsemen 50/50.

22 MR. VARELA: I'm Tom Varela, with SCOTWINC.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Hi, Tom.

24 MR. VARELA: Currently right now, in our stabling
25 and vanning fund, we're operating at a deficit. However, we

1 do have a surplus from Worker's Comp money that was built
2 up, that was refunded this last year.

3 When Fairplex requested that our committee look at
4 assisting them in some of their costs for development for
5 stabling, a majority of our board wanted to do that.
6 Hollywood Park has taken a position where what they want to
7 do is use up all the surplus before we have to look in
8 raising our rate, you know, where we're not operating at a
9 deficit. So a compromise was made between the tracks,
10 whereby Hollywood's portion would be, I guess, rebated back
11 to them in the form of a lower rate for their spring/summer
12 meet.

13 COMMISSIONER CHAIRPERSON SHAPIRO: So is this for
14 the meet that's currently running?

15 MR. VARELA: It would be. Yes, if you approve
16 this, it would be effective tomorrow and it would run
17 through the end of spring/summer meet, at which point it
18 would revert back to the 1.06.

19 COMMISSION VICE CHAIRMAN HARRIS: So it's got the
20 approval of the other stakeholders, the horsemen, and the
21 other tracks, and CARF, and all that?

22 MR. FRAVEL: Craig Fravel, Del Mar. Let me
23 simplify this a little bit. The industry wanted to pay for
24 planning activity that's necessary to do the stabling at
25 Fairplex, or to create a new training center at Fairplex.

1 We wanted to use the surplus available to us in
2 stabling and vanning. And in order to get Hollywood to
3 agree to it, on the realization that they may be going out
4 of business in the not too distant future, the general
5 feeling is the rest of us would pay for it and Hollywood
6 wouldn't.

7 So this was a mechanism to allow us to -- you
8 know, it's horsemen's and tracks' money. We're just asking
9 you to go along with it so that we can help pay for the
10 planning at Fairplex.

11 COMMISSIONER CHAIRPERSON SHAPIRO: Well, what
12 happens if they don't go away?

13 MR. FRAVEL: Well, then they got a bonus.

14 COMMISSIONER CHAIRPERSON SHAPIRO: So they get a
15 windfall.

16 COMMISSIONER AMERMAN: Well, why does it have to
17 be implemented right now, Craig?

18 MR. FRAVEL: Because we need the money right now
19 and so we need it -- it's an accommodation to get an
20 agreement so we can advance these funds --

21 COMMISSION VICE CHAIRMAN HARRIS: I mean, it
22 sounds like --

23 MR. FRAVEL: Let me just finish. If and when we
24 can do long-term financing, the funds will be refunded back
25 into the stabling and vanning fund and no one will be the

1 worse off. So it's really a -- you know, it's a little on
2 assuming that we can do the project. And if we can't do the
3 project, we're all in deep doo-doo anyway.

4 COMMISSIONER MOSS: And this has no effect on the
5 stabling or vanning that's currently going on?

6 MR. FRAVEL: No, it's a surplus --

7 COMMISSIONER MOSS: There's \$3 million surplus,
8 and it's going to come out of that.

9 COMMISSION VICE CHAIRMAN HARRIS: But the deal
10 that was cut, all the people like.

11 MR. FRAVEL: Everybody's happy with it.

12 COMMISSION VICE CHAIRMAN HARRIS: So I don't think
13 it's the Board's role to say no, I think we have to approve
14 it.

15 MR. FRAVEL: I was going to say that but --

16 COMMISSIONER AMERMAN: Well stated.

17 COMMISSION VICE CHAIRMAN HARRIS: I'll move we
18 approve it.

19 COMMISSIONER CHOPER: Second.

20 COMMISSIONER CHAIRPERSON SHAPIRO: All in favor?

21 (Ayes.)

22 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. The next
23 item. Report from the racing industry representatives on
24 the status of discussion regarding the amending of Business
25 and Professions Code section 19605.7 and 19605.71 to

1 increase the two percent commission distributed to simulcast
2 wagering facilities to a four percent distribution to all
3 simulcast wagering facilities, including minisatellite
4 wagering facilities, and Business and Professions Code
5 section 19605.25(a)(1) to reduce the placement restriction
6 for minisatellite wagering facilities from 20 miles to 10-
7 miles from an existing racetrack, simulcast wagering
8 facility, or tribal casino that has a simulcast wagering
9 facility.

10 I would suggest that, to my knowledge, there's not
11 been sufficient study done on this issue since our last
12 meeting, and it would be my recommendation, unless there's
13 an objection, that this matter be continued so that there
14 can be more consensus and discussion within the stakeholders
15 prior to coming to this Board.

16 Towards that end, Commissioner Moss, I know this
17 is something that you're spearheading, I want to make sure
18 that would be agreeable to you. And I would suggest that
19 there would be a meeting between yourself and others in the
20 industry to try to flesh this out, if that would be
21 acceptable to you.

22 COMMISSIONER MOSS: That sounds pretty good to me,
23 Mr. Chairman. I would like to ask that it be calendared,
24 though, for the next meeting.

25 COMMISSIONER CHAIRPERSON SHAPIRO: It is

1 calendared.

2 All right, is there any other objection to this?
3 Otherwise, we will move forward.

4 COMMISSION VICE CHAIRMAN HARRIS: Yeah, I think
5 for the next meeting it would be good if we could get some
6 projections. Because it's not a real simple equation, we
7 need to see how all the different people are impacted, if
8 you do change this vehicle.

9 COMMISSIONER CHAIRPERSON SHAPIRO: Yes, sir?

10 MR. BUCALO: I'd like to comment on that, if I
11 could. I'm John Bucalo, from Verona Casino Off-Track
12 Betting.

13 COMMISSIONER CHAIRPERSON SHAPIRO: John, welcome.
14 And please go ahead and comment. And I'm sorry, I had your
15 card, but I --

16 MR. BUCALO: Increasing the commission an
17 additional two percent would certainly aid in keeping
18 satellites financially stable. They absorb the cost of the
19 equipment to operate, housekeeping costs, et cetera, et
20 cetera, electricity. So that would certainly help us.

21 And approximately one percent, I might add, is
22 taken out of the pie for satellite promotions. And I've
23 been a satellite facility manager for almost six years and I
24 haven't seen any satellite promotions. In fact, when there
25 is a promotion involving the tracks, they may mention and

1 satellite -- participating satellite facilities, and I don't
2 believe that's worth one percent. So maybe that one percent
3 could be added to the additional two percent that's being
4 spoken about, and that would help get it up to the two
5 percent.

6 COMMISSION VICE CHAIRMAN HARRIS: But I think the
7 travel facilities, it's my understanding, you don't have to
8 pay the State license fee, so I thought you were getting an
9 additional two percent -- keeping an additional two percent,
10 anyway.

11 MR. BUCALO: Yes. No, I think we're going to get
12 an additional two percent, if I didn't understand it.

13 COMMISSION VICE CHAIRMAN HARRIS: Well, this is a
14 proposal for -- I'm not sure if the proposal's for new
15 satellites, or old satellites, or what, but I was under the
16 impression that --

17 COMMISSIONER MOSS: The proposal would be for all,
18 everybody.

19 COMMISSION VICE CHAIRMAN HARRIS: All. But at the
20 Indian gaming satellites, which I encourage, I think it's
21 great that the tribes are -- we need more of them to do
22 these satellites.

23 But I thought that you had somewhat of a built-in
24 advantage in that you did not pay a license fee. Where the
25 regular satellites and fairs were paying a two percent --

1 basically, two percent of the handle's going to a license
2 fee. But I thought since you're a tribe, that you don't pay
3 that two percent. Maybe some of our auditors could fill me
4 in on that.

5 MR. BUCALO: I believe that could be correct. But
6 I don't think that should hold us back from getting an
7 additional two percent, though, if it's across the board.

8 COMMISSION VICE CHAIRMAN HARRIS: Well, that's
9 just one of the complications of the whole proposal.

10 MR. BUCALO: Also, reducing the restriction to 10
11 miles, from 20 miles, that would have a severe negative
12 effect on our numbers, I believe. We work very hard and we
13 need the Board's protection on that if there's a -- we only
14 have two roads coming up to our facility, for example, and
15 if somebody would open up down the road, it's a seven --
16 approximately a seven-mile trek up to our facility, and if
17 they opened up down the road and offered liquor and the
18 gambling, it would really damper our financial facility.

19 COMMISSIONER AMERMAN: I think when we were
20 presented this idea a month ago, there was a map of the
21 State of California. And if you do a radius of 20 miles
22 around existing facilities, you find there's no place for
23 these new satellites to go because you've taken out every
24 bit of land. So that's the purpose behind going to ten
25 miles.

1 Further, I think it was said that people really do
2 not travel beyond five miles to get to a facility. And it
3 might be different in your case, I'm not sure, I don't know.

4 But it would seem to me that if we're going to do
5 this, you've got to have additional sites in place. And if
6 it stays at 20 miles, it just doesn't work.

7 MR. BUCALO: Well, I'm just letting you know it
8 would have a negative effect on us, and I do believe that.

9 COMMISSION VICE CHAIRMAN HARRIS: Well, where
10 abouts is yours?

11 COMMISSIONER MOSS: But you're not sure, yet, you
12 see. The question is, would it be creating more interest in
13 racing. And if we create more interest in racing, then that
14 overflow would also affect you positively, that's the other
15 way to look at it.

16 MR. BUCALO: Well, we're for that because we do
17 support racing very strongly out there. In fact, we do do
18 our own promotions out there to attract, and our numbers are
19 doing quite well. We have standing room only, which I
20 mentioned.

21 COMMISSION VICE CHAIRMAN HARRIS: Where are you?

22 MR. BUCALO: We're out in Lakeside, California,
23 which is in San Diego County.

24 COMMISSION VICE CHAIRMAN HARRIS: Right.

25 MR. BUCALO: Come out and see us sometime, we

1 don't see many of you.

2 COMMISSION VICE CHAIRMAN HARRIS: We're going to
3 have a meeting out there.

4 COMMISSIONER AMERMAN: You have a nice place.

5 COMMISSIONER CHAIRPERSON SHAPIRO: All right.

6 Well, Mr. Bucalo --

7 MR. BUCALO: Bucalo, John Bucalo.

8 COMMISSIONER CHAIRPERSON SHAPIRO: Bucalo. I'm
9 sorry, John. But you've great history, I enjoyed that.

10 Appreciate your comments. And, again, this will
11 come back, at which point we'll have a more thorough
12 discussion and you're welcome to participate in it.

13 MR. BUCALO: Thank you.

14 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you.

15 COMMISSIONER CHOPER: I think it's important -- I
16 think it's important, when it comes back, that we have the
17 data. You know, the answer to this is all in the data.
18 It's true that it's going to expand the number of people
19 coming, but there's money in it for everybody.

20 And it seems to me that to the -- I don't know how
21 you do it. But to the extent to which --

22 COMMISSIONER CHAIRPERSON SHAPIRO: It's very
23 complex.

24 COMMISSIONER CHOPER: I know, I believe it.

25 COMMISSIONER CHAIRPERSON SHAPIRO: Okay. And we

1 need to get the data, and there needs to be a plan, and
2 that's why I think this would be better served if there's
3 almost a subcommittee that will come and look at this, and
4 then bring it to the Board. We're not going to do it here,
5 it's not going to happen.

6 COMMISSIONER CHOPER: No, I understand that.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

8 COMMISSIONER CHOPER: I just hope when it comes
9 back we do what we can. Because we ought to have a lot of
10 happy people if we do this and the data supports it,
11 everyone, I mean, it's a win/win situation.

12 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.

13 COMMISSIONER CHOPER: But on the other hand, we
14 don't want to, you know, damage existing satellites.

15 COMMISSION VICE CHAIRMAN HARRIS: Well, it's a
16 two-year -- one of the big issues is the more you give for
17 commissions, the less is going to go in commissions to a
18 satellite, the less is going to go for purses and to the
19 racing associations. I mean, there's so many ripple effects
20 on this which, hopefully, it's a game that in total everyone
21 comes out ahead. But we need to see the numbers. And I
22 think it's very important to really look at the total
23 picture, not just a little segment of it.

24 COMMISSIONER CHAIRPERSON SHAPIRO: All right, the
25 next item on the agenda is the discussion and action by the

1 Board on the approval of service, Steward, and Official
2 Veterinarian contracts for fiscal year 2008-2009.

3 MS. VOSS: Hi, I'm Wendy Voss, Horse Racing Board
4 staff.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Hi, Wendy.

6 MS. VOSS: Good afternoon.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Wendy does a
8 great job for us, for those of you who don't know her.

9 MS. VOSS: This is an annual formality, that staff
10 requires Board approval for the listing in the Board package
11 of service contracts, as well as steward and veterinarians.

12 Also included in the packet, UC Davis provided a
13 two-page, out-of-competition testing program summary, in the
14 event that you were interested in knowing the current status
15 of that program.

16 But I'm here, today, to request your approval for
17 the list of service, steward, and veterinarian contracts
18 that are in the package.

19 COMMISSION VICE CHAIRMAN HARRIS: And these in the
20 package are people who have various assignments to different
21 tracks, and so by being on the list doesn't mean they're
22 sort of a full time job, it just means that they could be
23 assigned to one.

24 I think it would be helpful, too, because I think
25 that, you know, we've got some excellent stewards and vets,

1 and they're fairly compensated, to show our rate, the daily
2 rates that the stewards and the vets receive, just so that's
3 public knowledge.

4 And I'm not saying I think it's not exorbitant at
5 all, but I think it's something that should be in the public
6 purview.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Essentially
8 what we are doing is that we are approving a contractual
9 amount and the parties that provide services under each
10 categories are those that are currently contracted; correct?

11 MS. VOSS: That's right, and it's for the fiscal
12 year beginning July 1, it's for '08-'09.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Okay.
14 Therefore, I'll entertain a motion to approve this --

15 COMMISSION VICE CHAIRMAN HARRIS: And it should be
16 clear, too, though, that these -- conceivably, some of these
17 people may drop off, other people may come on, this is just
18 the total amount is really what we're looking at.

19 COMMISSIONER CHAIRPERSON SHAPIRO: And that's what
20 I said, currently under contract.

21 COMMISSIONER AMERMAN: Have those amounts changed
22 at all since the last --

23 MS. VOSS: You mean daily rate, as opposed to the
24 annual rate?

25 COMMISSIONER AMERMAN: No, of the total cost?

1 MS. VOSS: Oh, of the grand total. Yes, they
2 vary, dependent upon the 2008 --

3 COMMISSIONER AMERMAN: I'm sorry. In total have
4 they changed? What we're approving or going to try to
5 approve, is that the same as it was a year ago.

6 MS. VOSS: It's very similar.

7 COMMISSION VICE CHAIRMAN HARRIS: Would it
8 be -- is it just based on racing dates, is there any other
9 variable besides racing dates?

10 MS. VOSS: Right, it's the racing dates and then
11 number of individuals that would receive a contract.

12 COMMISSION VICE CHAIRMAN HARRIS: But the actual
13 rate has been -- did the rate per person go up or down, or
14 what?

15 COMMISSIONER CHAIRPERSON SHAPIRO: The steward's
16 rate is -- go ahead, Bon.

17 ASSISTANT EXECUTIVE DIRECTOR SMITH: Bon Smith,
18 CHRB staff.

19 For the coming fiscal year, the stewards and vets
20 daily rate will drop \$25 a day. We were unable to get
21 approval at the Legislature for a BCP that had upped the
22 amount that we pay on a daily rate for our stewards and
23 veterinarians. And there's no way that we could continue to
24 fund the entire -- the amount that we paid the stewards and
25 vets in the current fiscal year without that BCP being

1 approved.

2 So we've notified them that in the contracts that
3 they'll be receiving for the fiscal year starting July 1,
4 that their daily rate will be reduced \$25 a day, which is
5 approximately five percent.

6 In addition, all of our contracts contain a clause
7 that says they're conditioned on an appropriation being
8 approved by the Legislature.

9 COMMISSION VICE CHAIRMAN HARRIS: But do
10 they -- as I recall originally, there were different rates
11 for different days. Like weekends were different and all
12 that. I thought we standardized that where every day is the
13 same, now.

14 ASSISTANT EXECUTIVE DIRECTOR SMITH: In the
15 current fiscal year we standardized the rate to take out the
16 differences for individual days, time of day, and that sort
17 of thing, and have one rate that adequately compensated and,
18 in effect, increased the compensation for the stewards and
19 vets. Unfortunately, we can't continue that without a
20 budget enhancement, which so far has not been approved.

21 COMMISSION VICE CHAIRMAN HARRIS: But, I mean, the
22 rate we're paying going forward in '08-'09, may be lower
23 than some of our rates, due to the different periods they're
24 working but, I mean, it's not --

25 ASSISTANT EXECUTIVE DIRECTOR SMITH: The regular

1 daily rate is lower than what used to be the Sunday rate,
2 but is higher in total for a week of racing, than the
3 combination of the old day rates.

4 COMMISSIONER CHAIRPERSON SHAPIRO: Well, what is
5 the day rate going forward?

6 ASSISTANT EXECUTIVE DIRECTOR SMITH: Five hundred
7 dollars.

8 COMMISSION VICE CHAIRMAN HARRIS: Five hundred
9 dollars. And how much for the vets.

10 ASSISTANT EXECUTIVE DIRECTOR SMITH: The same.

11 COMMISSION VICE CHAIRMAN HARRIS: The same, five
12 hundred dollars for a vet and for --

13 ASSISTANT EXECUTIVE DIRECTOR SMITH: That's for
14 experiences, fully experienced.

15 COMMISSIONER AMERMAN: So the steward rate would
16 go to \$475?

17 ASSISTANT EXECUTIVE DIRECTOR SMITH: It goes to
18 500 from 525.

19 COMMISSIONER AMERMAN: Oh, okay.

20 COMMISSION VICE CHAIRMAN HARRIS: Because the 525
21 was a little illusionary, it wasn't 525 every day.

22 COMMISSIONER AMERMAN: Yeah.

23 COMMISSIONER CHAIRPERSON SHAPIRO: No, last year
24 it was 525 every day, okay, because that was changed to one
25 rate no matter what day of the week.

1 The year before, I believe it was, they did
2 receive an increase in pay.

3 MS. VOSS: No, they did not, but they had Sunday
4 pay, the year before this.

5 ASSISTANT EXECUTIVE DIRECTOR SMITH: No, there was
6 no increase in pay the year before.

7 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, what year
8 was it we did increase our stewards pay?

9 ASSISTANT EXECUTIVE DIRECTOR SMITH: That was last
10 year, that's the current fiscal year.

11 MS. VOSS: That's the current, that's going to
12 expire June 30th.

13 COMMISSIONER CHAIRPERSON SHAPIRO: Oh, okay. So
14 while it is decreasing in the next fiscal year --

15 ASSISTANT EXECUTIVE DIRECTOR SMITH: It remains an
16 increase above two years ago.

17 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,
18 that's what I was trying to say.

19 COMMISSION VICE CHAIRMAN HARRIS: Yeah. But, I
20 mean, I think 500 is fair and we were apparently able to get
21 able contractors at those levels, so I think we're going to
22 have to approve it.

23 COMMISSIONER CHAIRPERSON SHAPIRO: Okay, that
24 there's a motion. I believe there's a motion. And redo it
25 just to make sure.

1 Do I have a motion to approve?

2 COMMISSION VICE CHAIRMAN HARRIS: I'll move.

3 COMMISSIONER CHAIRPERSON SHAPIRO: Moved. Second?

4 COMMISSIONER MOSS: Second.

5 COMMISSIONER CHAIRPERSON SHAPIRO: Second.

6 All in favor, aye?

7 (Ayes.)

8 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you,

9 Wendy. Thank you, Bon.

10 Okay, that brings us to public comment. And I
11 only have one card. Cliff Goodrich. Is this your writing?

12 MR. GOODRICH: That's my best printing.

13 (Laughter.)

14 MR. GOODRICH: Cliff Goodrich, on behalf of
15 Fairplex. And this will be short. And it's really prompted
16 by -- I guess nobody can hear me, anyway -- but by what
17 Commissioner Choper said.

18 And, you know, he's been here one year and doesn't
19 like what he sees. Commissioner Amerman talked about two.
20 Try 30.

21 And like Jack Liebau, I don't have a lot to lose.
22 And what I'm going to say is not controversial. But, boy,
23 as you sit in the audience today, it's not exactly an upper.

24 And it's hard because what it does, and I'm not
25 blaming any of you, but we go into meetings almost with a

1 self-fulfilling prophecy that, you know, what short straw
2 are we going to draw next. And if we look at it that way,
3 we will be doomed.

4 So good things happen in this industry when
5 everybody acts as one. I think that day's getting closer.
6 And I just hope people don't leave this meeting today on a
7 real downer, because we're better than that, we deserve more
8 than that. We must help ourselves. We must get help to
9 help ourselves, and that's where the rub comes in.

10 But if we don't remain optimistic and see a light
11 at the end of the tunnel, then we are doomed.

12 So I encourage the Board to keep challenging us,
13 to press the envelope. And I just hope all of us are up to
14 it. Because this industry is challenged and challenged
15 severely, but we need to rise above it. Thanks.

16 COMMISSIONER CHAIRPERSON SHAPIRO: Thank you. All
17 right, there being no other business to transact, I
18 will -- we will adjourn the public portion of the meeting.

19 We, as Commissioners, have to go into a short
20 closed session.

21 (Thereupon the California Horse Racing
22 Board Regular Meeting resolved into
23 Closed Session and was thereafter
24 adjourned at 1:30 p.m.)

25 --oOo--

CERTIFICATE OF REPORTER

I, RICHARD FRIANT, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing Meeting of the California Horse Racing Board; that thereafter the recording was transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said meeting, or in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 30th day of May, 2008.

Richard Friant

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