

Washington Horse Racing Commission
Meeting Minutes
November 9, 2012

The meeting convened at 9:30 A.M. at the Auburn City Council Chambers, Auburn, Washington. Present were: Paul George, Chairman; Jeff Colliton, Commissioner; Dr. Bud Hallowell, Commissioner; Representative Joe Schmick, Ex-officio member; Robert J. Lopez, Executive Secretary; Patty Sorby, Confidential Secretary.

Item #1. Approval of the meeting minutes of October 12, 2012.

Commissioner Colliton moved to approve the minutes with the changes as requested. Commissioner Hallowell seconded the motion. Unanimously approved.

Item #2. Commissioners' report.

Chairman George said he will be attending the Symposium in Tucson in December with Doug Moore, Deputy Secretary. He mentioned The Breeders Cup was not available for the Friday races in Yakima, but was able to get the Saturday races. He also mentioned reading a story about no Lasix for two year old horses. He said he didn't know if this had any effect on the handle or not.

Commissioner Colliton believed the Lasix issue affected entries on a couple of the races, but wasn't aware if it did overall.

Commissioner Colliton said when attending the RCI meetings in December it will be important to stress that the WHRC should be allowed greater participate in RCI, and to be recognized nationally. Chairman George said they will be pressing for participation at that meeting. He also felt we must be involved.

Commissioner Hallowell had nothing to report.

Item #3. Selection of a new chair of the Commission.

It was time to select a chair to serve for the next two years (2013 through 2014). Commissioner Hallowell said due to circumstances at home, he cannot and will not seek to be Chair. He believes that we do need to turn over the chairmanship every two years and nominated Jeff Colliton. Chairman George seconded the nomination. Unanimously approved.

Item #4. Industry reports:

a. Emerald Downs.

Mr. Ron Crockett, President, Northwest Racing Associates LP said first of all, rumors are running around that the race track has been sold; he said that is not true.

Mr. Crockett presented the financial statements for Emerald Downs. He felt the weather on the east coast had a big impact on the handle. In tracking handle in during the off season, it began minus point three on October 28 it was down 2.8 percent. He said this picture will look worse on the state financials due to the statistics being tracked on a monthly basis and Emerald Downs uses a comparison of day to like day.

Emerald Downs was down \$200,000 on the Breeders Cup at Emerald Downs compared to last year. The interest in the races was not the same this year as last, he had no explanation.

Mr. Crockett reported \$276,839 in handle after 36 days of simulcasting.

Mr. Crockett explained the history and background on the building of the Emerald Downs racetrack and why the costs were what they were. Due to conflict in getting the track approved the costs of construction went to \$83 million.

Jack Hodge, Vice President, Northwest Racing Associates LP, related some comments on the condition book committee. In his opinion they had done the best job they could; he'd previewed the books before they went out and everything was fine. Then he got a lot of negative feedback on how it was wrong.

Mr. Crockett said there just weren't enough horses on the backside to fill the entries.

Commissioner Colliton asked Mr. Crockett about an alliance with Hastings Park. Mr. Crockett said one of the powerful horsemen at Hastings Park and he had discussed this idea, but Mr. Crockett said even he's not interested personally in running a horse at Hastings. The idea sounds great, but the problems with going back and forth across the border makes it pretty tough to make that happen. If it was easier to cross the border, it might be a better idea, but at this time, no.

Commissioner Colliton asked if the Commission should get involved, to get some discussions going would that be of assistance. Mr. Hodge said they had met with Hastings Park every year trying to put some program together, they'd struggled with it, but couldn't make it happen. Most horsemen didn't want to go north.

Mr. Crockett mentioned the Portland Meadows handle of approximately \$861,000 per day. He said live on live handle is about \$28,600 per day. There are only approximately 200 people per day in attendance; selling is averaging about \$232,000. He felt the meet had failed from a handle standpoint. He also said that after December 8th the horsemen have seven days to leave Portland Meadows with their horses. There will be nowhere for the horsemen to go between December 8 and April 17th when Emerald Downs opens.

Commissioner Hallowell asked if Mr. Crockett or Mr. Hodge had heard of Mr. Fred Pope. He's from Lexington, Kentucky and does seminars and writes articles published in the Thoroughbred Times. He is advocating doing away with the Interstate Horse Racing Act and rewriting it for

local jurisdictions. He advocates of the horsemen get the lion's share of the takeout and not the Advance Deposit Wagering (ADW) companies.

Mr. Crockett said what is needed is to have everyone change their fee structure and also said that will never happen. The industry needs someone like a Pete Roselle to negotiate for the industry. Mr. Crockett said you can't tell the ADWs what to do and there's no way to control them. Commissioner Hallowell asked Mr. Crockett to read some of Mr. Pope's articles. While it may sound "too good to be true", but Fred Pope's been around a long time and there may be some merit to his position.

Mr. Crockett said the need is to control the host fees, which would be very helpful.

b. WHBPA Report.

MaryAnn O'Connell, Executive Director, Washington HBPA, gave the WHBPA report. Ms. O'Connell responded to Mr. Hodge about the condition book committee. Ms. O'Connell had talked to Bret Anderson, Emerald Downs Racing Secretary about some items the committee had come up with to take to management. She talked to Mr. Anderson and ran the some items by him. They realize how difficult his job is filling races. They realize they can't move forward with some of the ideas and not blame him because he couldn't implement some of the ideas, but felt that discussion is always good.

c. WTBOA.

Dana Halvorson, President, WTBOA, gave the report. He had talked with his British Columbia counterpart and said they were down fifteen percent on simulcasting right now. Mr. Halvorson said they are having very similar issues. He said getting together is positive and not confrontational. A lot of brainstorming is going on and some good things may come of it. He said anything to help improve is worth pursuing.

Five minute recess. (10:45 A.M.) Reconvened. (10:50 A.M.)

Item #5. Rules of Racing – Adoption hearing:

a. Chapter 260-36 WAC.

Doug Moore, Deputy Secretary, presented the following proposed amendments to to address the new changes in industrial insurance proposed by Labor & Industries:

1. Chapter 260-36 WAC;
2. WAC 260-20-090; and
3. WAC 260-84-060.

Mr. Moore said the old method of calculating premiums made it difficult to attract horsemen on a short time basis and that by assessing premium on a per month basis it is hoped that these amendments will attract more horses and entries. Staff recommends approval.

Mr. Gene Bremner asked if L&I was a set amount every year. Ms. O'Connell said it changes every year based on past history and also based on claims history. Mr. Bremner asked if farms are under the same coverage as the track and if so he'd heard that most of the claims happen at the farms. Ms. O'Connell said that's not necessarily true, that it's harder to track the farms because there's no way to control safety when there's no jurisdiction regulating them. The Commission has no authority to go to the farm and therefore no good way to track horses and injuries that happen at the farm.

Commissioner Hallowell moved to approve the proposed amendments. Commissioner Colliton seconded the motion. Unanimously approved.

Item #6. L&I Rules/Rates – Horse Industry Account.

Mr. Lopez said L&I is proposing amendments to its rules relating to the horse industry account. Those proposals have been received by the Commission and shared with our stakeholders. L&I is conducting a public adoption hearing for those changes (changes to rules, establishment of new risk classes, and set rates for the 2013) on November 27th. Mr. Lopez recommends the Commission, by a majority vote, support the changes proposed by L&I. If so, a letter of support can be sent to L&I and Mr. Lopez will attend the public adoption hearing to testify in support of the proposed changes.

Commissioner Colliton moved to support the rule amendments affecting the horse industry account. Commissioner Hallowell seconded the motion. Unanimously approved.

Item #7. Executive Secretary's report.

- a. Report on WA bred owner and breeder awards.

Mr. Lopez said the owner bonus and breeder award checks will all go out today. A breakdown showing the calculation will also be included in envelope showing also the payment factors.

- b. Class C racing 2013-Purse update.

Mr. Lopez is estimating that for 2013 there will be approximately \$84,000 to disperse to the Class C race meets granted race dates in 2013. Mr. Lopez said he has heard that Sun Downs plans to request race dates in 2013, and there may be a chance that we also receive a request from Dayton and/or Waitsburg. Mr. Lopez said he anticipates receiving race day applications by mid-January.

Commissioner Colliton commented if the Class C associations had ever applied for funds from the tourism market. He said if they could get some of the funds it might offset some of their expenses. The funds are generated from the Lodging Tax funds, Tourism/Promotion account.

Chairman George said in Yakima there are a lot of people looking to obtain these funds; it may be hard to get them.

Commissioner Hallowell said when Senator Marilyn Rasmussen was an ex-officio she told them to go to the state Department of Agriculture that they had some funds to give also.

c. Wagering recap.

Mr. Lopez said Mr. Crockett had covered the wagering pretty well. In October Emerald Downs was down 12.4 percent; and for the race year down 1.2 percent; for the calendar year down 3.5 percent.

d. Monthly financial statements.

Mr. Lopez presented the agency's financial statements as of September 2012. The agency's current fund balance is at \$586,526 as of September 2012.

Item #8. Any other business that may be properly brought before the Commission.

Commissioner Colliton asked Mr. Crockett if Shoreline was Emerald Down's number one site he responded yes.

Commissioner Colliton asked about rule changes due to the passage of marijuana law. Mr. Lopez said he is anticipating changes to chapter 260-34 WAC Drug and Alcohol Testing of Licensee. Mr. Lopez said he will be having a discussion with Emerald Downs about their desire to allow marijuana on the grounds.

Rep. Schmick said rules will definitely be dropped establishing criteria on possession.

Mr. Gene Bremner asked about the possibility of redistributing of the purse money. The horse that finishes first receives the most of the purse. He said the other finishers in the race have the same expenses as the horse that finished first and asked to make it more equitable, could the distribution be changed so that more of the winning purse money could be shared more equally 1st through 5th place.

Mr. Crockett said that Emerald Downs is one of the last race tracks that still gives fifty-five percent to the winner, most of the tracks have gone to sixty percent.

Meeting adjourned. 11:37 A.M.

Robert J. Lopez, Executive Secretary