



Minutes

Oregon Racing Commission August 20, 2015

Meeting Detail

The Oregon Racing Commission (ORC) met on Thursday, Aug. 20, 2015, in Room 1D of the Portland State Office Building (PSOB), 800 N.E. Oregon St., Portland, OR.

Call to Order

Chair Chris Dudley called the meeting to order at 1:30 p.m.

In Attendance

Commissioners: Vice-Chair Charlie Williamson; Commissioner Michael Huber, DVM; Commissioner Jan Palmer, DVM; Commissioner Angel Baez

Staff

Jack McGrail, Executive Director; Kyle Martin, Department of Justice; Catriona McCracken, Department of Justice

AGENDA ITEMS

Approvals:

Aug. 20, 2015, Meeting Agenda

Chair Chris Dudley added an item to the agenda, Evaluation of Executive Director Jack McGrail, completion of the process, which requires going into Executive Session under ORS 192.660(2)(i).

Action: Motion to approve the amended agenda.

Moved by: Vice-Chair Charlie Williamson

Seconded: Commissioner Angel Baez

Vote: Chair Chris Dudley took roll and the results were unanimous with 5 Ayes, 0 Nays

June 25, 2015, Meeting Minutes

Action: Motion to approve the June 25, 2015, Commission Meeting Minutes as submitted.

Moved by: Vice-Chair Charlie Williamson

Seconded: Commissioner Angel Baez

Vote: Chair Chris Dudley took roll and the results were unanimous with 5 Ayes, 0 Nays

Old Business:

Sub-Committee Update Reports:

a. Advanced Deposit Wagering (ADW) and Multi-Jurisdictional Hubs

Vice-Chair Charlie Williamson said the sub-committee met earlier in the day. ADW Supervisor Connie Winn has been organizing a meeting for ADW representatives, to be held Sept. 16, the day before the next Commission meeting, in Portland. In addition, Vice-Chair Williamson and Commissioner Michael Huber plan to meet with the ADW representatives on Sept. 17, before the ORC meeting.

Kyle Martin introduced Catriona McCracken from the Attorney General's office as the new primary counsel for the Commission.

b. Best Practices

Chair Chris Dudley stated that the only part of the Best Practices/Key Performance Measures still pending was completion of the evaluation of the Executive Director. That is in process, Chair Dudley said, and the update will be completed by the next meeting to show the Commission's progress in meeting Key Performance Measures.

c. Budget and Hub Funds

No report

d. Medication and Horse Welfare

Commissioner Michael Huber said the sub-committee met two weeks ago to discuss the uniform medication rules of racing. No action was taken.

Commissioner Jan Palmer asked about a stakeholders meeting held in Grants Pass to discuss uniform medication rules and whether a general thought emerged from it.

Executive Director Jack McGrail, who attended the informal meeting, said no consensus emerged. Horsemen indicated some reluctance to adopt the rule based on differences between standards put forth by RMTC and those in place in Washington. Some thought they might want to match what Washington does as a sister jurisdiction. If a rule is promulgated, a formal hearing will be scheduled.

e. Executive Director's Report

Executive Director Jack McGrail noted management changes at Portland Meadows, with Karsten Hennze installed as the new General Manager.

HB-2719 was signed into law on July 20, retroactive to July 1. Executive Director McGrail explained that the bill alters the percentage of tax funds retained by the Commission. Going forward the Commission will retain 75 percent and 25 percent will go to the General Fund. He stated that the old split was 66-2/3 percent and 33-1/3 percent, respectively. The impact of the Legislation is being assessed. The Commission will need at least 3 months of data before it can make projections. After the Budget Sub-Committee meets this fall, the Commission will have numbers from the first quarter of the fiscal year. He noted that the expectation is that funds will be available, but the question is how much. Executive Director McGrail stated that the first 6 weeks of the fiscal year had shown a decline of approximately thirty percent in ADW handle. The

Commission should have a better idea about what funds may be available at the end of the first quarter.

Executive Director McGrail reported that fair meet at Grants Pass, Prineville and Tillamook had all been successful. Track surfaces, particularly at Grants Pass and Tillamook, were good, with renewed attention to them increasing safety for horses and riders. Handles were impressive. Prineville set a new record with a handle of \$228,878 over four days, averaging more than \$57,000 a day, and set a one-day record of \$77,565 on July 18. Grants Pass' handle was significantly off last year's numbers, probably due to record hot temperatures. The figures, however, compared favorably to 2013. The last two days of this year's meet, July 11-12, showed substantially higher handle figures over last year. "When the heat moderated, the crowds came back," Executive Director McGrail said, noting that Rod Lowe and the SOHRA crew ran a successful meet despite the record-breaking heat wave. At Tillamook, handle increased more than \$8,000 over last year's meet.

The Executive Director said the Commission planned to address several issues regarding the fair meets over the winter, including the shortage of jockeys and horses; the possibility of moving the Prineville meet to allow more time for horses to rest before Grants Pass begins; and discussion of the jockey incentive program.

Executive Director McGrail noted that beginning in 2017, the Jockey Club will require foals to be micro-chipped in order to be registered. This practice is already compulsory in other countries including Ireland, Germany, Great Britain and Australia.

Michelle Barry has been appointed Chief Investigator, he said, adding supervisory responsibility to her current duties. Jim Smith joins Mike Twiggs as steward. Chief Steward Marty Hamilton retires effective Sept. 1 after a distinguished career as a jockey and regulator. Executive Director McGrail presented him with a plaque and the Commission's thanks.

f. Future of Racing in Oregon Group (FROG) update

Commissioner Jan Palmer reported that FROG met last week and discussed three issues. A subcommittee was formed to look into what could be done to increase horses, jockeys and incentives at fair meets. A second subcommittee will consider drug-free (hay, oats and water) racing and the possibility of running one or two such races per race day. The third topic was reallocation of hub funds and various proposals for that money.

New Business:

Portland Meadows:

General Manager Karsten Hennze submitted changes to the approved race meet license in two categories. The racing calendar was updated to add three weekend dates: Opening Day on Sunday, Oct. 4; Breeders Cup day on Saturday, Oct. 31; and Oregon-bred day on Sunday, Dec. 27. Some changes were made in management and structure and roles and responsibilities at Portland Meadows (PM) since the meet application, including naming Steve McHargue as director of racing and racing secretary.

Mr. Hennze said PM had submitted the rules for a new wager, Rainbow 6, to the Commission for approval. He expects to have to market the wager before its final approval by the Commission.

Action: Motion to approve the changes to the race meet license application for Portland Meadows as presented.

Moved by: Vice-Chair Charlie Williamson

Seconded: Commissioner Michael Huber, DVM

Discussion: In response to a question from Executive Director McGrail about Steve McHargue's background, Mr. Hennze said Mr. McHargue had spent significant time in Oregon, was racing secretary at the recently concluded Chippewa Downs meet and previously spent a lot of time in Maryland. In Mr. McHargue's own words, he has "done every job but horse identifier." His wife, Gladys McHargue, is also employed in the race office. Mr. Hennze said the McHargues are in the process of being licensed.

Commissioner Huber asked what promotions PM planned this year. Mr. Hennze said a large focus would be on the betting, promoting the Rainbow 6 wager, including nationally through the Stronach group. Because of the shift to Monday and Tuesday racing, local advertising will be scaled back. There will be a radio component, development of social media and online resources. There will be a traditional Opening Day event.

In response to a question from Commissioner Huber about Rainbow 6, Mr. Hennze explained that it was a single-winner jackpot bet that had been successful at Gulfstream Park and other tracks. One proposal is to guarantee the jackpot at a substantial amount, he said, to build momentum. The bet calls for picking the winner of six races in a row.

Vote: Chair Chris Dudley took roll and the results were unanimous with 5 Ayes, 0 Nays

Appointment of Chief Investigator:

Executive Director Jack McGrail said following an internal recruitment, it became clear that Investigator Michelle Barry should become Chief Investigator. HR determined that the slot, previously held by Steve Brewster, should remain as a Commission role.

Action: Motion to approve the appointment of Michelle Barry as Chief Investigator.

Moved by: Vice-Chair Charlie Williamson

Seconded: Commissioner Michael Huber, DVM

Vote: Chair Chris Dudley took roll and the results were unanimous with 5 Ayes, 0 Nays

Oregon Thoroughbred Owners & Breeders Association:

Gay Welliver, president of the OTOBA and Rob Douglas of Salem, OTOBA lobbyist, requested funds to augment breeding programs. Ms. Welliver, a third-generation Thoroughbred breeder, noted that technology had made huge changes to racing, but the root of the industry is horses. "Without horses, there is no racing," she said. She detailed the commitment of time, labor and money required to get a racehorse to the track.

According to the Jockey Club fact book, Ms. Welliver said, the Oregon foal crop of 2-year-olds of 2015 numbers 58, down from an industry high in 1997 of 358. That number, she said, was stimulated by an agriculture grant won by the breeders group in 1994 to stimulate the breeding industry. Foal crops the next three years jumped dramatically, she said.

The OTOBA board presented two plans it considers critical to the survival of breeding in Oregon. The first is paying breeders' awards across the board. Currently, 10 percent is paid on wins only, while

owners are paid a bonus ranging from 30 to 40 percent for first through fifth place. Breeders are asking for 25 percent of what the owners' bonus is, she said. The second program requested is a foal bonus of \$250 for every Oregon-bred registered with the Jockey Club. Noting that the OTOBA, representing breeders across the state, had supported all legislation promoting racing, Ms. Welliver requested hub funds for these programs.

Commissioner Michael Huber asked what the value of the 1990s incentive was, and Mr. Douglas responded that he would research that, and further noted that the OTOBA had supported HB-2719. Commissioner Jan Palmer also asked for clarification on what year the incentive was granted, what the amount was, what that translated to in today's dollars and how many breeders would receive bonuses. She asked if the OTOBA was asking for \$60,000, to which Ms. Welliver said "we'd love that," but would settle for \$45,000.

Commissioner Palmer asked for a ballpark estimate of what it cost to put a foal on the ground. Noting the myriad variables, Ms. Welliver started with a \$1,000 stud fee -- and nothing going wrong -- to arrive at an "ultraconservative" estimate of \$15,000 invested by the time a 2-year-old steps on the track. Commissioner Palmer followed up by asking what amount would serve as an incentive: \$100? \$200? \$1,000? Ms. Welliver said it doesn't take very much to incentivize breeders, but it has to be a consistent amount, such as 10 percent across the board.

Commissioner Palmer requested answers to questions including what the 1994 incentive amounted to in 2015 dollars, how much it costs to raise a horse and how much of the \$45,000 each breeder would get. Ms. Welliver said that information could be provided.

Chair Chris Dudley noted that the basis for granting an award would vary, making it hard to figure out an average.

Referring to the 58 2-year-olds in the 2015 crop, Executive Director Jack McGrail asked what effect the breeders' incentive would have -- would that number increase to 75? Ms. Welliver said the results would not be instant, because the slide downhill occurs faster than the climb back up, but it will have a cumulative effect. States with breeding programs augmented by "racino" funds have seen increases in foal crop numbers, she said.

Chair Dudley noted for the record that he and Executive Director McGrail had received letters from Rep. (Jessica Vega) Pederson and Sen. (Ginny) Burdick encouraging attention to the need to support Oregon horse breeders.

Contested Cases:

None

Other Business As May Properly Come Before the Commission:

None

Public Comment:

Randy Evers, Executive Director of the Horsemen's Benevolent and Protective Association; Dave Nelson, board member of the Oregon Quarter Horse Racing Association; and Karsten Hennze, Portland Meadows General Manager, addressed the Commission as a group.

Mr. Evers noted that in submitting a race meet application, Portland Meadows is required to have an agreement with the HBPA, which included a requirement that the HBPA will support passage of the

additional hub funds legislation (HB-2719), and that in the first year those funds were generated, the HBPA would petition the Commission to allocate those funds to PM. Mr. Evers explained the process that led to HBPA making those commitments, noting that many, complex components are involved in negotiating an agreement between the HBPA and PM. Balancing give and takes, he said, one of the HBPA's gives, for the first year only, was recommending to the Commission that the additional hub funds be allocated to PM to keep the track open and reduce its loss.

Commissioner Michael Huber asked if the HBPA was OK with the change in schedule that the Commission had approved. Mr. Evers responded, "absolutely," adding that he wanted to go on the record as stating the HBPA had an excellent relationship with Mr. Hennze and had also had a good relationship with previous management. Expressing enthusiasm for Rainbow 6, Mr. Evers said there is no silver bullet to save racing but a lot of little pieces to be worked on.

Mr. Nelson said his group supported the contract the HBPA had negotiated with the Stronach group on behalf of horsemen. Noting that he had represented PM before the Legislature from 1976 to 2006, he said the current crisis began in 1991 when the Legislature adopted video poker as part of the Lottery. In 1991, Oregon's pari-mutuel handle totaled \$125 million, including PM, the dog track and six fairs, including the state fair. By the early 2000s, the dog track and state fair meet had closed. Mr. Nelson said a breeder's greatest need was someone to buy his horse, and selling a horse required stability in the industry over a period of time. Mr. Nelson said the industry's "last shot" was the Stronach group, "and we need to make them successful."

Mr. Hennze expressed his preference for a collaborative and consensus approach.

Chair Dudley said all these questions regarding hub distribution would be rolled into the budget sub-committee meeting, because other revenue streams also were not coming in as expected and the distribution needs to be part of a total plan.

Confirmation of the Next Commission Meeting:

The next ORC meeting will be at 1:30 p.m. Thursday, Sept. 17, 2015, in Room 1A of the Portland State Office Building, 800 N.E. Oregon St., Portland, OR.

Action: Motion to approve confirming the next meeting on Sept. 17 as scheduled.

Moved by: Vice-Chair Charlie Williamson

Seconded: Commissioner Michael Huber, DVM

Vote: Chair Chris Dudley took roll and the results were unanimous with 5 Ayes, 0 Nays

Executive Session:

The Commission went into Executive Session at 2:38 p.m. to evaluate Executive Director Jack McGrail. It emerged from Executive Session at 2:54 p.m.

Adjournment:

There being no further business, the meeting was adjourned at 2:55 p.m.