



Minutes

Oregon Racing Commission

June 25, 2015

Meeting Detail

The Oregon Racing Commission (ORC) met on Thursday, June 25, 2015, in Room 1A of the Portland State Office Building (PSOB), 800 N.E. Oregon St., Portland, OR.

Call to Order

Vice-Chair Charlie Williamson called the meeting to order at 1:31 p.m.

In Attendance

Commissioners: Chair Chris Dudley (by phone); Commissioner Michael Huber, DVM (by phone); Commissioner Jan Palmer, DVM; Vice-Chair Charlie Williamson

Excused

Commissioner Angel Baez

Staff

Jack McGrail, Executive Director; Kyle Martin, Department of Justice (by phone)

AGENDA ITEMS

Approvals:

June 25, 2015, Meeting Agenda

Vice-Chair Williamson added an item to the agenda, at Executive Director Jack McGrail's request, labeled 7a, Redistribution of Allocated Hub Funds.

Action: Motion to approve the amended agenda.

Moved by: Commissioner Jan Palmer, DVM

Seconded: Commissioner Michael Huber, DVM

Vote: Vice-Chair Charlie Williamson took roll and the results were unanimous with 4 Ayes, 0 Nays

April 16, 2015, Meeting Minutes

Action: Motion to approve the April 16, 2015, Commission Meeting Minutes as submitted.

Moved by: Chair Chris Dudley

Seconded: Commissioner Jan Palmer, DVM

Vote: Vice-Chair Charlie Williamson took roll and the results were unanimous with 4 Ayes, 0 Nays

Old Business:

Sub-Committee Update Reports:

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

No report

b. Best Practices

Chair Dudley stated that he and Commissioner Palmer had gone over the ORC's mission and goals statement and made some minor changes.

Action: Motion to change item 4 under Objectives to Achieve Goal 2 to add "oral" and in line 2 to say "both written and oral" and under paragraph 3, "the Commission staff will conduct on-site audits of each ADW company licensed in Oregon no less than once every two years" and to correct a mistake by adding the OQHRA under item 2 under Objectives to Goal 1.

Moved by: Chair Chris Dudley

Seconded: Commissioner Jan Palmer, DVM

Vote: Vice-Chair Charlie Williamson took roll and the results were unanimous with 4 Ayes, 0 Nays

Chair Dudley noted that in the evaluations regarding best practices, two Commissioners had given scores of 100 percent compliance in achieving goals, while two had indicated the Commission was falling short in meeting the criteria that called for reviewing the Executive Director's performance in a timely manner. He said he would like to bring updated material to the next meeting.

c. Budget and Hub Funds

No report

d. Medication and Horse Welfare

No report

e. Executive Director's Report

Executive Director Jack McGrail said Portland Meadows had submitted an application for 2015-16 racing, and signed an agreement with the horsemen, calling for 37 live race days, beginning Oct. 5, including Feb. 16. Live days are scheduled for Mondays and Tuesdays; three holiday Mondays will be dark. The request is to run no less than 335 races, and the OHBPA has filed a petition requesting approval of that number as required by statute. The barns are scheduled to open Sept. 5.

Executive Director McGrail noted the summer season started June 12 in Union with three days of racing. Handle was slightly down from last year. Stewards report the track was in good shape. Races filled pretty well and three Oregon-bred races were run.

Grants Pass started its nine days of racing over Father's Day weekend, with a crowd of 4,000 wagering more than \$52,000 on one day. That track also appears to be in great

shape, with Grants Pass retaining the services of internationally recognized track consultant Steve Woods.

Executive Director McGrail noted that the Triple Crown victory of American Pharoah could provide momentum to both the industry and Portland Meadows.

In the Legislature, HB-2719, which would generate more funds for the Commission to return to the industry, has been returned to the full committee with a do-pass recommendation.

An informal stakeholders meeting will be held at 1 p.m. July 3 in Grants Pass, in the horse men's kitchen, to discuss possible adoption of the ARCI controlled therapeutic medication schedule. Racing that day begins at 5 p.m.

Vice-Chair Williamson asked if the Commission was doing anything in response to recent hot weather in Grants Pass. Executive Director McGrail said the Commission was installing an air conditioner in the jockeys' room, shortening post parades and ensuring more water was available. State Veterinarian Stacy Katler, the Stewards and track operators would meet regarding other possible measures.

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

No report

New Business:

Discussion and Possible Approval of Jockey Insurance Policy and Premium:

Executive Director McGrail said the policy, which the Budget Committee and full Commission voted to fund, was already in place for the entire fair meet schedule. The Commission funded two-thirds of the premium, or \$117,000. The Commission had notified the fairs that this is a substantial – 30 percent – increase, and if the policy continues to go up at this rate it threatens the viability of the fair meets. The total premium is \$176,000.

Action: Motion to approve the insurance policy and premiums.

Moved by: Commissioner Jan Palmer, DVM

Seconded: Commissioner Michael Huber, DVM

Vote: Vice-Chair Charlie Williamson took roll and the results were unanimous with 4 Ayes, 0 Nays

Discussion and Possible Approval of Tote Company Licenses:

Josh Dieringer, ORC mutuels auditor, reported that he, Executive Director McGrail and ADW Supervisor Connie Winn had reviewed checklists for license applications from Sportech, United Tote, AmTote and Intermountain Tote and found them in order. The list includes: Hub parent companies who are registered to do business in Oregon, personal background checks on officers and directors, license applications and fees, registration to do business in Oregon, organizational charts, listing of other operational jurisdictions and a check for \$1,000 (\$100 for Intermountain, which handles only fair meets), as well as an ASSAE accounting report.

Action: Motion to approve tote company licenses.

Moved by: Commissioner Jan Palmer, DVM

Seconded: Commissioner Michael Huber, DVM

Vote: Vice-Chair Charlie Williamson took roll and the results were unanimous with 4 Ayes, 0 Nays

Discussion of ADW Annual Reviews:

ADW Supervisor Connie Winn reported that the following ADWs had submitted paperwork for their annual review: AmWest Entertainments, eBet Technologies, Game Play Network Inc., TVG Network, The Racing Channel, TwinSpires, Premier Turf Club, US Off-Track and Xpressbet. The nine current ADW hubs are in compliance with all rules regarding licensing of the hubs and their employees in Oregon, maintaining a presence in Oregon, letter of credit or a bond on file and evidence of responsible wagering training.

Discussion and Possible Approval of Portland Meadows License Renewal:

Will Alempijevic, General Manager of Portland Meadows, noted changes in the proposed race meet. It will be 37 days instead of 36, and Mondays and Tuesdays instead of Sundays and Wednesdays, as the meet started last year. Wednesday was not a successful day in the simulcast market, with the handle about \$250,000 per day. The shift last year from Wednesdays to Tuesdays resulted in export sales averaging more than \$650,000 per day.

Portland Meadows (PM) is hoping for similar success with shifting racing from Sunday to Monday this year. In 2009-10, PM ran Mondays, Tuesdays and Wednesdays, with exceptional export sales, and in 2010-11 the track also ran on weekdays, with one weekend day (Oregon Championship Day). In 2012, PM tried summer racing, Wednesday and Friday nights and Sunday afternoons, continuing that in 2013. Last year, PM returned to fall-winter racing, but continued weekend racing. Unfortunately, far too many dollars are going out and not enough are coming in, he said. PM expects the change from Sunday to Monday to result, over the course of the meet, in \$300,000 to \$400,000 in revenue that PM will share with the purse account.

Mr. Alempijevic cited Grants Pass numbers from the Executive Director's report: attendance 4,000 and handle \$52,000. He noted that PM rarely does \$52,000, but said that worked out to an average per cap of \$13 per person. PM "blends" at 20 percent, so each customer generates \$2.60 of revenue. "What business can put on that type show generating \$2.60?" Mr. Alempijevic noted that Grants Pass was unique: It does not share its revenue with the purse account and it has outside sponsors. He summed up that PM could not be open if it was making \$2.60 per customer, because of its dependence on the on-track fan base.

Mr. Alempijevic added that if the application is approved, PM will be submitting an amendment to run Oregon Championship Day on a Sunday in December.

Karsten Hennze from Stronach Group noted that PM had been late the past two years in submitting its application. It is not the intention to be late, but the parent company is looking at the numbers seriously. He apologized for the lateness, but because of last year's losses, the executives expected to see a plan that would change that. He said this plan has persuaded management to give PM and stakeholders "another chance." PM hopes to get strong footing with robust fields, work on the OTB network, and grow revenue streams.

Commissioner Huber asked what the financial reasons were for PM blacking out Monday holidays. Mr. Alempijevic explained that all the major tracks run on those days, and PM's product is not popular enough to compete. He added that last year's race meet lasted 18 weeks, this year's will be 20 weeks because the track is dark on holiday Mondays.

Action: Motion to approve the commercial race meet application of Oregon Racing Inc., dba Portland Meadows

Moved by: Commissioner Jan Palmer, DVM

Seconded: Commissioner Michael Huber, DVM

Discussion: Chair Dudley said he understood the financial reasons for moving to Monday and Tuesday, but said it was disappointing: Those cards are not the best for many Oregonians, who will not have the opportunity to see live racing without weekend dates. Mr. Alempijevic agreed it was an emotional subject, but the decision was believed to be necessary to keep the business going in the short term.

Commissioner Huber expressed concern about a winter racing season and track conditions. Mr. Alempijevic noted that Commissioner Huber had expressed the same concerns last year. He said the catastrophic breakdown rate was 0.5 or 0.6. He said this schedule is similar to last year's and PM had confidence in the policies and procedures set up to ensure the safest track possible.

Vice-Chair Williamson noted that the Commission had a letter from Ron Sutton of the OHBPA approving the 335 races.

Vote: Vice-Chair Charlie Williamson took roll and the results were unanimous with 4 Ayes, 0 Nays

Redistribution of Allocated Hub Funds:

Executive Director McGrail explained the item redirected the approved allocation of Hub funds to provide PM with its entire biennial allotment in the first year. The \$200,000 that would go to OHBPA this year would be redirected to PM, which in turn would direct the \$200,000 allocated to PM in the second year of the biennium back to the horsemen.

Money that goes to OHBPA funds purses. Randy Evers of the OHBPA has said the group will use its reserve funds for purses, to the same degree as if the OHBPA had received its Hub fund allotment this year, Executive Director McGrail said. Over the biennium, each group will receive the same amount of money as promised in the original application.

Action: Motion to approve reallocation of Hub funds.

Moved by: Commissioner Jan Palmer, DVM

Seconded: Chair Chris Dudley

Discussion: Commissioner Huber asked whether there was a guarantee that PM would submit a race application next year. Executive Director McGrail said there was no guarantee, but horsemen decided during their negotiation with PM that this would be beneficial for the industry. They have a written agreement and are

asking the Commission to re-allocate the funds, which the Executive Director said was sufficient to bring it before the Commission.

Commissioner Huber said he could not vote in favor without knowing what the HBPA's reasoning was. Randy Evers of the HBPA said the Stronach Group had requested the money to be able to present a reasonable bottom line to its CEO. As part of the overall contract negotiation, Stronach asked the HBPA to accelerate its \$200,000 in the first year, to be reimbursed in the second. The board approved it.

Mr. Alempijevic added that PM could not continue operating with the same financial losses. Front-loading Hub funds will help PM cover operational expenses, he said. He acknowledged that PM would not have this revenue available in the second year, but it had a plan for other sources of revenue, including new OTBs.

Vote: Vice-Chair Charlie Williamson took roll and the results were 3 Ayes, with Commissioner Huber voting No. The motion passed.

Contested Cases:

None

Other Business As May Properly Come Before the Commission:

None

Public Comment:

None

Confirmation of the Next Commission Meeting:

The next ORC meeting will be at 1:30 p.m. Thursday, July 16, 2015, in Room 1B of the Portland State Office Building, 800 N.E. Oregon St., Portland, OR.

Action: Motion to approve confirming the next meeting on July 16 as scheduled.

Moved by: Commissioner Jan Palmer, DVM

Seconded: Commissioner Michael Huber, DVM

Vote: Vice-Chair Charlie Williamson took roll and the results were unanimous with 4 Ayes, 0 Nays

Adjournment:

There being no further business, the meeting was adjourned at 2:11 p.m.