



by calling 916-263-3247, during normal business hours. Requests should be made one week in advance whenever possible.

# CALIFORNIA EXPOSITION & STATE FAIR

Cal Expo Horse Racing Committee Meeting Minutes  
Friday, January 30, 2015  
10:00 a.m.

## MINUTES

### Committee Members Present:

Chair David Mallel  
Director Mark Nelson  
Director Patrick O'Brien  
Director Hallie Ochoa

### Staff Present:

Chief Executive Officer (CEO)  
External Affairs Director  
Marketing Director  
Programs Director  
Financial Officer (FO)  
Assistant General Manager, Operations (AGM)  
Recording Secretary

Rick Pickering  
Sonya Logman  
Jennifer Castleberry  
Carrie Wright  
Samantha Brown  
Marcia Shell  
Coco Wong

### Others Present in the Audience:

Maintenance Manager  
Watch & Wager LLC  
Watch & Wager LLC

Paul Gillingham  
Chris Schick  
Ben Kenney

Chair Mallel called the meeting to order at 10:04 a.m. and dispensed with reading the Mission Statement and Public Comments Statement.

Roll call was taken by Chair Mallel and a full quorum was present.

## **NEW BUSINESS**

### **1. Updates on 2014 Thoroughbred Racing Program**

CEO Rick Pickering reported the Golden Gate Fields Comparisons Report and updated information on Advance Deposit Wagering (ADW) in 2014. He provided updates on program enhancements in preparation for the addition of 1-week of live racing (3 weeks total) during the 2015 State Fair.

### **2. Updates on Racing Related Capital Improvements**

CEO Pickering reported that Cal Expo has undertaken and invested more than half a million on improvements to its overall horse racing facilities. The Club House expansion and renovation was completed in 2014 with the help of Ovations' profits

from the Racetrack last year. Other projects included storm water capture and treatment system to prevent waste water reaching storm drains. He complimented the Maintenance Staff and Watch & Wagers for cleaning up the drains regularly and during the large storms to sustain the barn area. Additionally, Watch & Wager has worked closely with the California Horse Racing Board to develop enhanced security and entry systems to the Barn area. He complimented Chief Craft and his team for their excellent work in overseeing the security of the property.

### **3. Updates on Watch and Wager's Operations of Harness Racing**

CEO Pickering introduced General Manager Chris Schick and Chief Financial Officer Ben Kenney from Watch and Wager LLC to the Committee Board. He noted that Cal Expo recognized the financial challenges associated with operating a live Harness Race Meet in 2011. After a competitive bid process, Cal Expo entered into an Agreement with Watch & Wager LLC in 2012 to operate the Harness Racing Program.

He noted that Watch & Wager has proposed to reduce the rent deposit placed with Cal Expo at the start of the Agreement from \$200,000 to \$100,000. In exchange for the rent reduction, Watch & Wager proposed the \$100,000 from security deposit contributed toward the installation of a new removable Inside Rail which leaving \$100,000 on deposit with Cal Expo. Additionally, Watch & Wagers will sponsor the State Fair Thoroughbred Race Meet at \$5,000 per year. Given that Cal Expo retains positive revenue from Watch & Wagers.

Watch & Wager General Manager Schick reported and summarized the background of Watch & Wager and partnership with Cal Expo as they first entered as a stakeholder. He noted that Cal Expo is a fully equipped facility with many advantages, such as weather, they believe that Cal Expo is a great opportunity to invest the business. Currently, Watch & Wager is committed to an additional two year agreement to 2017. They are satisfied and are looking forward to a successful season.

Watch & Wager CFO Kenney noted that they have enjoyed the partnership with Cal Expo. He thanked Maintenance Manager Gillingham and his team for their great work and is looking forward to the upcoming season.

**Motion:**

To adopt and recommend to the Board the Rent Reduction (MSA: O'Brien/Ochoa).  
**All in favor, motion carried unanimously.**

**Motion:**

To approve investing \$100,000 from the existing security deposit for the purpose of installing a new removable inside racing rail (MSA: O'Brien/Ochoa). **All in favor, motion carried unanimously.**

General Manager Schick noted that one of the main horse track racing will not operate until the third of week in October due to schedule changes. To reclaim the revenue they might lose, they will expand to 3 days during the winter season. He also noted Watch & Wager is interested and exploring opportunities to expand their market internationally.

## **ADJOURNMENT**

### **Motion:**

To adjourn the Committee Meeting (MSA: O'Brien/Nelson). **All in favor, motion carried unanimously.**

The Cal Expo Horse Racing Committee meeting adjourned at 10:47 a.m.

State of California

California Exposition & State Fair  
1600 Exposition Boulevard  
Sacramento, CA 95815  
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## MEMORANDUM

**Date:** January 22, 2015

**To:** Racing Committee  
California Exposition & State Fair

**Via:** Rick K. Pickering, CEO  
California Exposition & State Fair

**From:** Samantha Brown, CFO  
California Exposition & State Fair

**Subject:** Watch & Wager LLC's Proposed Adjustments to Operations of Harness Racing

### OVERVIEW

California Exposition & State Fair (Cal Expo) entered into an Agreement #12-0297 with Watch & Wager LLC (Agreement) in August 2012 to operate Harness Racing at Cal Expo from September to May of each year, through 2017. This is the only Harness race meet on the West Coast.

As provided for in the Agreement, Watch & Wager has put forward a proposal to reduce their rental rate now that they have two years of operational experience. Additionally, Watch & Wager is proposing that they will undertake a key capital improvement and provide other benefits to Cal Expo's racing program.

### BACKGROUND

In December of 2011, Cal Expo determined it was no longer financially continue to directly operate harness racing. At the direction of the Board, Staff publicly advertised to obtain interest from potential contractors that were financially capable and willing to operate harness racing at Cal Expo. After a competitive public process and evaluation, Cal Expo entered into an Agreement with Watch & Wager LLC (Agreement #12-0297) in August 2012.

As specified in the Agreement, Watch & Wager's initial rent was \$2,500 per day of live

harness racing, with rental rates for Years 3, 4 and 5 to be renegotiated after the completion of the first two years of racing. Watch & Wager has completed its second year of operations and wishes to renegotiate its daily rental amount, as allowed in the Agreement. When the Agreement began in 2012, Cal Expo required Watch & Wager to post \$200,000 as a security deposit, which could be used by Cal Expo if Watch & Wager defaulted on its rent payments or failed to keep up with its reimbursable billings.

In addition to rent per live race day, for the months of September through May, Harness racing generates positive ancillary monthly revenues as reflected by the following monthly estimates: (1) \$43,000 in reimbursable expenses to Cal Expo; (2) \$10,250 in horsemen RV park revenue; (3) \$1,108 in Advance Deposit Wager (ADW) Commissions; and (4) commissionable food and beverage sales in the Racetrack Grandstands.

Watch & Wager conducted 60 live race days in the 2013-2014 racing season and plans to conduct 62 live race days in the 2014-2015 racing season.

## PROPOSAL

In accordance with the renegotiation clause in the Agreement, Staff has been negotiating with Watch & Wager for several months and is respectfully submitting the following for review and approval by the Committee and the Board:

- (1) **Rent Reduction:** Reduce rent from \$2,500 to \$1,625 per racing day (\$875 reduction per race day or 35%), effective 03/01/15 through the term of the Agreement, ending 8/31/17. Given that Harness operates from September to May, this would be equivalent to roughly two and a half years. If Watch & Wager races between 55 to 60 days per year over the next two and a half years, this would represent a rent reduction of \$119,875 to \$131,250 (\$875/day times 137 days to 150 days.)

In exchange for the rent reduction, Watch & Wager is also proposing:

- (2) **Capital Investment:** To invest \$100,000 of their existing \$200,000 security deposit, to install a new removable Inside Racing Rail prior to the 2015 State Fair Thoroughbred Race Meet. (Leaving \$100,000 on deposit with Cal Expo.)
- (3) **Sponsorship:** To sponsor the State Fair Thoroughbred Race Meet at \$5,000 per year, for the next three years (2015-2017). This would be a total of \$15,000 for the three years.
- (4) **Additional Promotions:** To work with Cal Expo to create State Fair Thoroughbred Race Meet promotions on the Watch & Water Global Wagering Website. Watch & Wager's website Handled \$63.8M in Advanced Deposit Wagers in 2013, and is 1 of 5 California licensed ADW companies.

## FINANCIAL SUMMARY

**Watch & Wager:** Receives \$119,875 to \$131,250 in potential Rent Reduction spread over the next two and a half years.

**Cal Expo:** Receives a \$100,000 contribution toward the installation of a new removable Inside Rail; plus \$15,000 in new Thoroughbred racing sponsorship funds; plus additional promotional value through Watch & Wager's ADW promotions. Additionally, Cal Expo retains the positive ancillary revenues associated with harness racing from September through May each year.

## STAFF RECOMMENDATIONS

Cal Expo recognizes the financial challenges associated with operating a live Harness Race Meet, as Cal Expo use to operate Harness racing itself. The original Agreement with Watch & Wager calls for a rent renegotiation after the first two years. Given challenges facing Harness Racing, it appears prudent to agree to a rent reduction at this time. Particularly in light of the additional "non-rent" revenues that Cal Expo receives from allowing Harness Racing to be conducted on its property.

Over the past two years, Watch & Wager has paid their rent and reimbursable expenses in a timely manner. Consequently, it seems prudent to reduce their security deposit from \$200,000 to \$100,000. Given that Watch & Wager requires a removable Inside Rail for Harness racing, and that it is time to replace the existing Inside Rail, it is proper for Watch & Wager to help bare the cost of installing a new removable Inside Racing Rail. Initial estimates for the new Inside Rail run \$80,000 to \$130,000. Cal Expo would be responsible for any cost above Watch & Wagers \$100,000 contribution.

In the event Watch & Wager vacates their Agreement prior to the expiration date of the contract, Cal Expo would still retain ownership of the new Inside Rail with no payment due to Watch & Wager.

**CALIFORNIA EXPOSITION & STATE FAIR  
CAL EXPO RENEWAL COMMITTEE  
Notice of Regular Meeting**

To Be Held

Friday, January 30, 2015 at 11:00 a.m.  
In the Administration Building Boardroom  
California Exposition & State Fair  
1600 Exposition Blvd., Sacramento, CA 95815

COMMITTEE MEMBERS: Rex Hime, Chair                                 Director Mark Nelson  
Director David Mallel   Director Patrick O'Brien

**MISSION STATEMENT**

The mission of the Cal Expo Renewal Committee shall be to review all policy matters related to maintaining the continuity and attention to the process of revitalization of the Cal Expo infrastructure.

**PUBLIC COMMENTS**

Any member of the public wishing to address the Board on any matter listed for consideration on this agenda shall fill out a Speaker's Form and provide it to the Board's Recording Secretary. All speakers will be recognized by the Chair and be allowed a maximum of three minutes to address the Board.

**AGENDA**

All matters noticed on this agenda, in any category, may be considered for action as listed. Any item not so noticed may not be considered.

**UNFINISHED BUSINESS**

1. Update and Status of the Draft Request for Qualifications

**ADJOURNMENT**

Date of Notice: January 20, 2015

Pursuant to the American with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in any Cal Expo Board, Committee or any Advisory meetings, or in connection with other Cal Expo activities, may request assistance at the Cal Expo Administration Building office, 1600 Exposition Boulevard, or by calling 916-263-3247, during normal business hours. Requests should be made one week in advance whenever possible.

## CALIFORNIA EXPOSITION & STATE FAIR

Cal Expo Renewal Committee Meeting Minutes  
Friday, January 30, 2015  
11:00 a.m.

### MINUTES

#### Committee Members Present:

Chair Rex Hime  
Director David Mallel  
Director Mark Nelson  
Director Patrick O'Brien

#### Staff Present:

Chief Executive Officer (CEO)  
External Affairs Director  
Marketing Director  
Programs Director  
Financial Officer (FO)  
Assistant General Manager, Operations (AGM)  
Recording Secretary

Rick Pickering  
Sonya Logman  
Jennifer Castleberry  
Carrie Wright  
Samantha Brown  
Marcia Shell  
Coco Wong

#### Others Present in the Audience:

Maintenance Manager  
Risk Manager  
Contracts Manager

Paul Gillingham  
Jan Risso  
Heidi Turpen

Chair Hime called the meeting to order at 11:05 a.m. and dispensed with reading the Mission Statement and Public Comments Statement.

Roll call was taken by Chair Hime and a full quorum was present.

### UNFINISHED BUSINESS

#### 1. Update and Status of the Draft Request for Qualifications

Chair Hime thanked Staff for their ongoing great work on the Bonney Field expansion project.

CEO Rick Pickering reported the ongoing process of Cal Expo renewal. CEO Pickering and External Affairs Director Logman have met with various Sacramento County or City Departments to share Cal Expo Renewal updates and highlight the upcoming 2015 State Fair. They noted receiving very positive feedback from the public.

CEO Pickering thanked External Affairs Director Logman, Vice Chair O'Brien, and his assistant for their efforts in finalizing the Request for Qualifications (RFQ) draft.

All of the proposal submissions to Cal Expo will be considered public information, as opposed to confidential.

CEO Pickering updated the draft timeline of the RFQ phase of the project. The timeline includes amendatory bid conference during the annual 2015 State Fair. The tour will help responders understand and observe the scope of the State Fair property and to get a better understanding to associate with the State Fair events.

External Affairs Director Logman reported that Staff has reached out to the local community, including service organizations and neighborhood associations, and business associations to share Cal Expo Renewal and the RFQ process. CEO Pickering has attended internal meetings to update and to ensure that Cal Expo Staff are up-to-date of the renewal process and timeline.

External Affairs Director Logman has worked with public facing staff to develop a public inquiry process, with fairness, timeliness and transparency at the core.

External Affairs Director Logman noted that she will work closely with Marketing Director Castleberry to create appropriate pages on the website for the public and prospective respondents access information regarding the RFQ.

General discussion was held regarding the draft of the RFQ timeline and the routing process.

Chair Hime asked for Public Comments. There were none.

## **ADJOURNMENT**

### **Motion:**

To adjourn the Committee Meeting (MSA: O'Brien/Nelson). **All in favor, motion carried unanimously.**

The Cal Expo Renewal Committee meeting adjourned at 11:30 a.m.

# DRAFT

## 4.4 Procurement Schedule

Cal Expo anticipates carrying out the procurement process for the RFQ phase of the Project in accordance with the following schedule:

EVENT	Schedule
Release of RFQ	TBD
Deadline for questions regarding RFQ	3 weeks
Deadline Cal Expo to respond to questions	4 weeks
Mandatory Pre-Response Conference (Additional clarifications may be developed by Cal Expo following the Pre-Response Conference)	3 weeks
RFQ Responses due	4 weeks
Evaluation of Responses to RFQ	3 weeks
Pass/Fail Notifications	2 weeks
Oral Presentations (as requested by Cal Expo)	TBD based on number of Passing Responses
Announcement of Shortlist Respondents	TBD

This schedule is subject to modification at the sole discretion of Cal Expo. Respondents will be notified of any change to the schedule for the RFQ phase by an addendum to this RFQ. Cal Expo is targeting the second half of 2015 for selection of a developer for the Project following the RFP process.

**(NOTE: There is a possibility that the Mandatory Pre-Response Conference may be conducted during the Annual 2015 State Fair, July 10-26, so that potential Respondents can better understand the operations and integration opportunities associated with the State Fair event.)**