

BEFORE THE
TEXAS RACING COMMISSION
AUSTIN, TEXAS

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COMMISSION MEETING
AUGUST 3, 2010

BE IT REMEMBERED that the above entitled matter came on for hearing on the 3rd day of August, 2010, beginning at 10:33 A.M. at 6100 Guadalupe, Building E, Austin, Travis County, Texas, and the following proceedings were reported by SHERRI SANTMAN FISHER, Certified Shorthand Reporter for the State of Texas.

APPEARANCES

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Commissioners: ROLANDO PABLOS
 RONALD F. EDERER
 ROBERT SCHMIDT
 GLORIA HICKS
 SCOTT HAYWOOD
 VICKI WEINBERG
 ANN O'CONNELL

1 CHAIRMAN PABLOS: Good morning, folks.
2 The time is 10:34 and I'll call this meeting of the
3 Texas Racing Commission to order.
4 Carolyn, will you take roll, please?
5 MS. WEISS: Commissioner Kent Carter?
6 Commissioner Tom Clowe? Commissioner Ron Ederer?
7 COMMISSIONER EDERER: Here.
8 CHAIRMAN PABLOS: Our meeting is in
9 order, folks, please.
10 MS. WEISS: Commissioner Scott Haywood?
11 COMMISSIONER HAYWOOD: Here.
12 MS. WEISS: Commissioner Gloria Hicks?
13 COMMISSIONER HICKS: Here.
14 MS. WEISS: Commissioner Ann O'Connell?
15 MS. O'CONNELL: Here.
16 MS. WEISS: Commissioner Vicki Weinberg?
17 COMMISSIONER WEINBERG: Here.
18 MS. WEISS: Vice-Chairman Robert
19 Schmidt?
20 VICE-CHAIRMAN SCHMIDT: Here.
21 MS. WEISS: Chairman Rolando Pablos?
22 CHAIRMAN PABLOS: Present.
23 Do we have a quorum?
24 MS. WEISS: Yes, sir.
25 CHAIRMAN PABLOS: Is there anyone signed

1 up to speak under our public comment section?

2 MR. FENNER: No, sir.

3 CHAIRMAN PABLOS: No? Thank you.

4 We'll take up Item III, general business,
5 report and update by the executive director and staff.
6 I'd like to recognize Mark Fenner, please, on Item A-1,
7 update on bankruptcy proceedings of Magna Entertainment
8 Corporation and auction of Lone Star Park.

9 MR. FENNER: Commissioners, staff has
10 been reviewing the application of Global Gaming LSP to
11 purchase Lone Star Park. And on July 12 we sent a
12 letter to Global Gaming requesting some additional
13 information, especially on some of the financial
14 projections.

15 Global provided a timely response with
16 the information we needed; and so that after reviewing
17 it and finding it to be sufficient, the executive
18 director sent a letter to Global Gaming on July 30th
19 saying that the application is administratively
20 complete.

21 I've also visited with the Department of
22 Public Safety. They've told me that the background
23 investigations are going well and, in fact, that they
24 are now working on preparing their written reports for
25 submission to the Commission.

1 Agency staff is working on its review of
2 the additional information. We're working on our staff
3 report for consideration at the September Commission
4 meeting.

5 Do you have any questions?

6 CHAIRMAN PABLOS: Any questions,
7 Commissioners, of Mark?

8 Drew Shubeck and John Cardwell, will you
9 please come up?

10 Good morning.

11 MR. SHUBECK: Good morning.

12 MR. CARDWELL: Good morning.

13 CHAIRMAN PABLOS: We've heard Mark's
14 update. Do you have anything to add to that update in
15 particular?

16 MR. SHUBECK: No, sir. We've just been
17 complying with all the requests of staff and the Racing
18 Commission and supplying them with information on any
19 questions they have. And I believe that we've
20 fulfilled all their requests. And we did receive the
21 letter from Charla Ann King in the last week saying the
22 application was deemed complete.

23 CHAIRMAN PABLOS: Are there any
24 questions, Commissioners?

25 Do you have an update on the actual

1 bankruptcy proceedings of Magna, how that's going
2 and --

3 MR. SHUBECK: Sure. There's really been
4 no change of status since my last update. We're still
5 being controlled by a parent company. Magna
6 Developments now has the shares. And it will stay in
7 this -- in this form until the eventual takeover by
8 Global Gaming.

9 CHAIRMAN PABLOS: With respect to the
10 other tracks that are part of this bankruptcy, how are
11 those going? How are the sales of those tracks and the
12 transactions going? Do you have any idea?

13 MR. SHUBECK: Well, I think all of the
14 other tracks that were offered for sale, the sales will
15 be eventually completed. We saw good news in Ohio with
16 Thistledown. We saw good news in Maryland, that they
17 picked up a partner down there.

18 So I think the bankruptcy did what it was
19 supposed to do. It shored up the balance sheets of the
20 existing tracks that they're going to keep; and the
21 couple of tracks that they spun off, those tracks'
22 balance sheets improved because of the new parent
23 company.

24 CHAIRMAN PABLOS: So on the ones that are
25 being spun off, you haven't seen any problems?

1 MR. SHUBECK: No, sir.

2 CHAIRMAN PABLOS: Okay. Commissioners,
3 any questions?

4 Thank you very much. Appreciate it.

5 Yes, sir?

6 MR. CARDWELL: Just a few comments. I
7 just didn't want to throw it back to you. Since our
8 last meeting -- and we did set the vote for September
9 14th -- we have been extremely busy. And I don't tell
10 you this to bore you or impress you, but I just want
11 you to know that we understand how important Lone Star
12 Park is to horse racing in Texas and that we are doing
13 all kinds of work that's probably not apparent to you
14 to be sure that this transition is seamless. But Drew
15 is a little too soft-spoken and he didn't tell you the
16 kind of things that we've been doing.

17 He has 130 full-time employees at Lone
18 Star Park. When he has a Quarter Horse meet, which
19 he'll have on September 17th, three days after the
20 vote, he'll go up to 600 employees. When he has his
21 Thoroughbred meet, he has 1200 employees.

22 Now, in making this transition, we've got
23 to change all of their benefits, all their rights, all
24 of their insurance. He's been having countless
25 meetings on vision insurance, dental plans, ERISA,

1 COBRA. All the different health care systems have to
2 be changed. So it's not just everything is business as
3 usual.

4 In addition, the lawyers have been busy
5 at the Bankruptcy Court. They've filed the necessary
6 orders. There was a class action in which some
7 improvements had to be made. Those things are being
8 done. In addition to that --

9 CHAIRMAN PABLOS: Excuse me. What is
10 that all about?

11 MR. CARDWELL: In the bankruptcy there
12 was a class action that required some improvements that
13 had to be made and that's being done in compliance so
14 that on September the 14th, if the vote goes through,
15 that we will be in a position to close that out.
16 They're actually talking about a financial closing, if
17 we get this approval, on September the 20th.

18 CHAIRMAN PABLOS: So is there current
19 litigation on top of that right now?

20 MR. CARDWELL: No, sir, there is none.
21 It was settled.

22 CHAIRMAN PABLOS: It's done.

23 MR. CARDWELL: It's done. It's just --
24 no, sir. It's a done deal. It's just that things are
25 being done to comply with the agreements. For example,

1 the distribution of the money, when it gets paid, is
2 being done.

3 In addition to that, there are various
4 leases and agreements that are all being assigned.
5 We've been busily working with the Texas Alcoholic
6 Beverage Commission and doing the necessary
7 investigations and disclosures so that on that magic
8 day, if it occurs, we are approved also to continue to
9 sell alcoholic beverages.

10 So there's a whole list of items that
11 we've been busily working on since, as I said, we know
12 how important it is that there's not a hiccup or a
13 glitch, that this Quarter Horse meet goes forward on
14 September 17th, and that Lone Star Park continues to
15 operate. And we're doing our part.

16 CHAIRMAN PABLOS: Commissioners, any
17 questions of Mr. Cardwell?

18 MR. CARDWELL: Thank you.

19 CHAIRMAN PABLOS: Thank you very much.
20 Appreciate it.

21 Mark, on what Mr. Cardwell mentioned for
22 this class action, I'd like to hear a little bit more
23 about what that is. I'm not too sure what that was.

24 MR. FENNER: I've asked the current
25 owners of Lone Star Park, the Magna Entertainment

1 group, to provide me some additional information about
2 how this transaction will occur on their side. And so
3 I'm not in a position to give you a report on that
4 today. When I get that information, I'm going to
5 provide it to the Attorney General's office, their
6 bankruptcy division, to get a better explanation and
7 understanding of that so I can include it in a staff
8 report.

9 CHAIRMAN PABLOS: Have you been receiving
10 the updates from the Court?

11 MR. FENNER: Yes.

12 CHAIRMAN PABLOS: And you've been
13 reviewing those?

14 MR. FENNER: Yes.

15 CHAIRMAN PABLOS: Okay. Thank you.

16 The next item is Item III-A-2, update on
17 application to change ownership and location of
18 Longhorn Downs. Mark Fenner?

19 MR. FENNER: Commissioners, we met with
20 Bryan Brown, who represents the Austin Jockey Club as
21 well as the purchasing organization, the KTAGS group.
22 We met with them here at the Department of Public
23 Safety headquarters yesterday, with a representative of
24 the Department of Public Safety. He brought additional
25 information from the last time we had met. He did

1 bring the 85,000-dollar check that's required to
2 process the change of ownership.

3 There are still a few items that we
4 need. We need fingerprint cards from one of the
5 owners. We need additional copies of the application.
6 There is, we noticed, some disagreement in the
7 documents regarding the amount of ownership by two of
8 the limited partners in the group. We need some of the
9 disclosure information on the management. We need a
10 clearer understanding of who is going to be providing
11 the funding. I think I understand. He provided me
12 verbal assurances about one of the members providing
13 all the funding, but I would like something in
14 writing.

15 But nevertheless, he has assured me that
16 information is coming. In fact, he told me that it
17 will be -- much of it will be provided to me
18 immediately after the meeting. And so I'm looking
19 forward to getting that information and getting started
20 on the application for KTAGS to purchase Longhorn Downs
21 from the Austin Jockey Club.

22 CHAIRMAN PABLOS: Commissioners, any
23 questions?

24 Is Bryan here?

25 Bryan, will you come up, please?

1 Good morning.

2 MR. BROWN: Good morning.

3 CHAIRMAN PABLOS: Do you have anything to
4 add, Bryan?

5 MR. BROWN: I couldn't top that report.

6 No. I would be happy to answer any
7 questions. We did have a good meeting yesterday. As
8 Mark indicated, there's some I's to dot and T's to
9 cross; but the bulk of what's needed is in the hands of
10 the Commission and the DPS now.

11 CHAIRMAN PABLOS: Commissioners, any
12 questions of Bryan Brown?

13 MR. BROWN: I don't want to ruin my next
14 report, too.

15 CHAIRMAN PABLOS: Oh, you won't.

16 MR. BROWN: Thank you.

17 CHAIRMAN PABLOS: Thanks.

18 Our next item is Item III-A-3, report on
19 summer meeting of the Association of Racing
20 Commissioners International. Charla Ann, please?

21 MS. KING: Thank you, Mr. Chairman,
22 Commissioners.

23 I recently attended the RCI model rules
24 committee meeting and the summer board meeting. They
25 meet at the same time. It was a working meeting, with

1 extensive discussion about future policy, so I don't
2 have any significant decision points to report.
3 However, I would like to highlight two issues that were
4 discussed that you'll see in the near future.

5 First, I refer to the proposal relating
6 to uniform drug testing lab standards. This is a
7 proposal that has come through the RMTC, which is the
8 racing medication and testing consortium, and the RCI
9 drug testing standards and practices or DTSP
10 committee.

11 This proposal has undergone significant
12 discussions at the national level. It's been a little
13 controversial at times. They've been working on it for
14 a year. It started out as a very broad proposal, but
15 it's been narrowed and it's being worked on for
16 workability by regulators; and we should be able to use
17 the lab standards, once they're ready and adopted, to
18 better oversee service providers that conduct drug
19 testing.

20 So it's an important project. It's just
21 not quite ready for launch. There's support for the
22 establishment of these uniform lab standards. They
23 apply specifically to racing labs. And there haven't
24 been standards that apply specifically to racing labs
25 in the past.

1 I anticipate we'll be bringing a finished
2 product to both the safety and medication committee and
3 to the rules committee later this year and then early
4 into next year. So it's something that I wanted to
5 make sure everybody was aware is coming.

6 The second item I need to mention is the
7 discussion of the interstate racing and wagering
8 compact. At the meeting, we received a new draft of a
9 five-year business plan for making the compact a
10 reality. The compact was also discussed last week at
11 the annual meeting of NCSL, which is the National
12 Conference of State Legislatures. Both New York and
13 Kentucky are very interested in the establishment of
14 the compact and they will continue to drive the
15 discussion of the advantages of the compact.

16 We will make the business plan and the
17 model legislation available on our website and prepare
18 to discuss it with the Commission. A number of States
19 are planning to propose the legislation for adoption in
20 2011, so we will need to decide in the near future
21 whether we want to join the process by recommending the
22 compact legislation to the 82nd Legislature.

23 If there are any of the Commissioners
24 particularly interested in this issue, just let us know
25 so that we can spend more time providing details on the

1 legislation. It is something that I believe would be
2 wise to include with the topics that will be reviewed
3 by the industry study committee and that we will need
4 to take back to the rules committee for discussion
5 there as well.

6 So those are the two highlights from the
7 meeting. I am happy to answer any other questions.

8 CHAIRMAN PABLOS: Commissioners, are
9 there any questions of Charla Ann at this time?

10 Thank you, Charla Ann.

11 MS. KING: Thank you, Mr. Chairman.

12 CHAIRMAN PABLOS: Keep up all your good
13 work.

14 Our next item is III-A-4, wagering
15 statistics report. I'd like to recognize Sammy
16 Jackson.

17 MR. JACKSON: Good morning,
18 Commissioners.

19 Under Section III, pages A.4.1 through
20 A.4.3, you'll find the pari-mutuel racetracks wagering
21 statistics through July 18th, 2010. As you can see
22 from the report, you'll find that overall the wagering
23 handles are down approximately double digit across the
24 board, with total wagers placed in Texas at the horse
25 tracks down 10.7 percent and at the greyhound tracks

1 total wagers placed in Texas down by 1.91 percent,
2 which rolls forward for an aggregate state total wagers
3 placed in Texas down by 9.31 percent.

4 The one bright spot that is in this
5 wagering report is that Gillespie County Fair's average
6 handle for their live meet is up 5.36 percent over last
7 year. And we look forward to seeing how their meet is
8 going to continue as their next two dates of running
9 will be a week from this weekend.

10 We are continuing to review this report
11 and looking for modifications that will be beneficial
12 to the Commission, the industry, and staff. And we
13 have done a little legwork since our last meeting and
14 we will continue to take input from those interested
15 parties who would like to see some changes in this
16 area.

17 Currently this report is uploaded to our
18 website as well as provided to the Commissioners on a
19 weekly handout. We are trying to succinct it with any
20 changes made to this to categorically go across the
21 board on all these areas.

22 If you have any questions, I'll be more
23 than happy to answer them.

24 Yes, Dr. Schmidt.

25 CHAIRMAN PABLOS: Commissioner Schmidt,

1 please.

2 VICE-CHAIRMAN SCHMIDT: Sammy, I
3 appreciate your report. I'd just like to clarify so I
4 understand. Lone Star, for example, simulcast same
5 species, down 13 percent. That's simulcast betting in
6 Texas at the track?

7 MR. JACKSON: That's correct. That is
8 wagering on the greyhound signals at Lone Star Park.

9 VICE-CHAIRMAN SCHMIDT: Okay. And then
10 the export signal, that would be what Lone Star
11 receives from all the networks outside of the Texas
12 area.

13 MR. JACKSON: That's correct.

14 VICE-CHAIRMAN SCHMIDT: That's down 26
15 percent.

16 MR. JACKSON: That's correct.

17 VICE-CHAIRMAN SCHMIDT: Thank you.

18 MR. JACKSON: Thank you, Dr. Schmidt.

19 CHAIRMAN PABLOS: Thank you, Commissioner
20 Schmidt.

21 Any other questions, Commissioners?

22 Sammy, thank you very much.

23 Our next item is Item III-A-5, racetrack
24 inspection report. I'd like to recognize Carol Olewin,
25 please.

1 MS. OLEWIN: Good morning,
2 Commissioners. This is the report on racetrack
3 inspection activities.

4 The first set of inspections were for
5 Gillespie County Fair. There were five inspections.
6 These were all the beginning-of-the-meet live
7 inspections. And there were no unsatisfactory items.

8 The next was a safety and security
9 inspection at Gulf Coast Racing. There were no
10 unsatisfactory items.

11 The next is a veterinarian inspection at
12 Lone Star Park with no unsatisfactory items.

13 And the next one is a stewards inspection
14 at Lone Star Park with one item that deals with ongoing
15 maintenance issues in the stable area restrooms. These
16 are some plumbing problems that will be worked on
17 during the dark time between meets.

18 That's my report. If there's any
19 questions, I'll be happy to answer them.

20 CHAIRMAN PABLOS: Thank you.

21 Commissioners, are there any questions?

22 Thank you for your report.

23 Item III-A-6, we're going to skip there.
24 We're not going to take this up since there have been
25 no significant changes since our July report.

1 So we'll go on to Item 7, budget and
2 finance update. I'd like to recognize Shelley
3 Harris-Curtsinger, please.

4 MS. HARRIS-CURTSINGER: Good morning,
5 Commissioners. We are now 83.34 percent through the
6 current 2010 fiscal year as of June 30th. The agency
7 has expended 67.13 percent of our operating budget.

8 And with that, I'll be happy to answer
9 any questions.

10 CHAIRMAN PABLOS: Commissioners, any
11 questions?

12 Thank you.

13 Our next item is III-B, approval of
14 internal audit plan for fiscal years 2011 -- or fiscal
15 year 2011. Shelley, please?

16 MS. HARRIS-CURTSINGER: At the July 2010
17 Commission meeting, Monday Rufus was approved to be the
18 agency's internal auditor. Mr. Rufus, through a risk
19 assessment, has prepared an audit plan for the fiscal
20 year 2011. The plan recommends a follow-up audit from
21 the prior internal audit of the racing administration,
22 August of 2006, as well as a follow-up audit from the
23 prior internal audit of the Texas-bred incentive
24 program from May of 2007.

25 Staff requests that the Commission

1 approve the audit plan provided by Monday Rufus. And
2 Mr. Rufus is here to answer any questions you might
3 have.

4 CHAIRMAN PABLOS: Mr. Rufus, will you
5 please come up?

6 Good morning.

7 MR. RUFUS: Good morning, Commissioners.

8 CHAIRMAN PABLOS: How are you?

9 Are there any questions of Mr. Rufus
10 today, Commissioners? No?

11 Thank you very much.

12 Is there anyone signed up to speak?

13 Thank you.

14 Is anyone signed up to speak on this
15 item?

16 Okay. So we have a staff recommendation,
17 and that is to approve the internal audit plan for
18 fiscal year 2011. I'd like to entertain a motion,
19 please.

20 COMMISSIONER EDERER: So move.

21 CHAIRMAN PABLOS: I have a motion by
22 Ederer.

23 Is there a second?

24 VICE-CHAIRMAN SCHMIDT: Second.

25 CHAIRMAN PABLOS: Seconded by Schmidt.

1 Is there any additional comment, comments
2 from the Commissioners or discussion?

3 Hearing none, I'll take this up for a
4 vote. All those in favor please signify by saying
5 aye.

6 COMMISSIONERS: Aye.

7 CHAIRMAN PABLOS: Any opposed?

8 That motion carries. Thank you.

9 Thank you, Shelley.

10 Our next item is Item III-C, approval of
11 the Commission's LAR for 2012 and 2013.

12 MS. HARRIS-CURTSINGER: Commissioners, we
13 have satisfied the Governor's office and the LBB's
14 instructions regarding submitting a baseline budget at
15 a level not to exceed the amount expended in fiscal
16 year 2010 and budgeted in fiscal year 2011, adjusted to
17 reflect the five percent reduction target. Agencies
18 were required to submit a supplemental schedule
19 detailing how they would reduce baseline requests by 10
20 percent in general revenue related funding.

21 Within the documents provided, we have
22 provided historical information back to fiscal year
23 2005 to provide a more complete fiscal picture.
24 Included is both the revenue and expenditures for
25 fiscal years 2005 through 2010. The actual budget LAR

1 portion of the request is on the far right side of the
2 page and provides fiscal years 2011 budgeted and
3 requested 2012 and 2013. The proposed legislative
4 appropriation request is based on the approved 2010
5 race date calendar.

6 I bring your attention to the top of
7 III.C.7. The top portion of this spreadsheet, the last
8 three columns under "Budget/LAR" is the projected
9 revenue for 2011, 2012, and 2013.

10 The next section is the legislative base
11 appropriations. For fiscal year 2011, the agency has
12 approved base appropriations of \$10,148,401. The
13 agency does not expect to expend all of these
14 appropriations and has estimated a lapse for fiscal
15 year 2011 of approximately 1.3 million dollars. This
16 is attributed to the decline in revenue collected for
17 the Texas-bred incentive fund and Gulf Coast Racing and
18 Valley Greyhound approved for smaller race meets at
19 their respective facilities.

20 With these lapses and the five percent
21 reduction already in our baseline, the Legislative
22 Budget Board has approved a baseline budget for 2012
23 and '13 of 8,369,766 and 8,369,765 respectively. This
24 section breaks out the appropriations by strategy,
25 A.1.1 through D.1.1 -- through D.1.2. Excuse me.

1 Under the base appropriations, you will
2 see riders for 2012 and 2013. Listed is the new horse
3 racetrack rider for \$635,637. In 2012 and 2013, we
4 have estimated one racetrack to open per year. Revenue
5 estimates have not been included in the projection
6 revenue for the rider but would be collected should a
7 rider need to be activated.

8 The section at the top of page III.C.8
9 breaks out the base appropriations by object of expense
10 or where the appropriated funds are actually expended
11 or are proposed to be expended. The object of expense
12 categories include salaries; personnel costs;
13 professional fees and services; consumable supplies;
14 travel; rent, building; rent, machine, other; grants,
15 which is the Texas-bred incentive program; and then the
16 capital expenditures.

17 In these estimates expenditures, I would
18 like to address other personnel costs, which went up in
19 2009 and '10. We have a lot of employees that
20 currently meet the retirement rule of 80 or are very
21 close. This fiscal year we have had five employees
22 retire. We estimate that within the next three years
23 we will have between 12 to 14 employees who will be
24 eligible for retirement. Because of that, we will have
25 lump-sum payouts for allocation of vacation and

1 overtime that may be on the books. These costs are not
2 appropriated and are expended that we have to work into
3 our existing budget.

4 If you will go to the full-time
5 equivalent position information on the bottom of the
6 page, the agency's authorized FTE's since 2005 has
7 decreased, as well as the number of FTE's being
8 lapsed. Just as we budget accordingly to the number of
9 race days, this ties to the number of FTE's needed to
10 regulate the racetracks.

11 We are only asking for 61.3 FTE's in the
12 baseline appropriations for fiscal years 2012 and
13 2013. We are, however, requesting appropriations and
14 FTE's deducted from the baseline budget in an
15 exceptional item and rider should the racetracks
16 currently not granted live race dates be granted dates
17 in the future.

18 With that overview of the base budget, I
19 will move to the second page of your handout, III.C.9,
20 which gives you a summary of the budget for the
21 exceptional items requested totals together; and on
22 page III.C.11, you will find a summary description of
23 each exceptional item.

24 All of these exceptional items correspond
25 to either new or existing riders that provide

1 additional appropriation authority and flexibility to
2 the Commission to meet a variety of regulatory
3 scenarios based on industry changes. If a rider
4 authorizes an appropriation that is new, an exceptional
5 item is usually required by the LBB.

6 We are asking for four exceptional items
7 that total 1.8 FTE's in each fiscal year. The total
8 appropriations request is 445,591 for fiscal year 2012
9 and the same for fiscal year 2013.

10 Exceptional Item 1 and Item 2 are similar
11 in that both address additional live race days beyond
12 the base estimates.

13 Exceptional Item 1 gives the agency
14 additional appropriation authority and FTE's to staff
15 and regulate live greyhound performances beyond the
16 estimated live performances included in the base
17 appropriation authority. This item is estimated at
18 60,937 for 10 performances each fiscal year or a total
19 of 121,874 for the biennium.

20 Exceptional Item 2 will give the agency
21 additional appropriations and FTE's to staff and
22 regulate live horse race dates granted beyond the
23 estimated live horse race days included within the base
24 appropriations authority. This item is estimated at
25 92,323 for an additional 14 race dates each fiscal year

1 or a total of 184,646 for the biennium.

2 Exceptional Item 3 also relates to 1 and
3 2. That would establish the base appropriation
4 authority for live and simulcast race day estimates in
5 each fiscal year of the biennium. This would include
6 the base appropriation authority to staff and regulate
7 three greyhound racetracks conducting 328 performances
8 of live racing and 937 days of simulcast racing and
9 four horse racetracks conducting 223 days of live
10 racing and 1,295 days of simulcast racing in each
11 fiscal year of the 2012-'13 biennium.

12 We will be asking for one rider revision
13 which would change the criminal history background
14 checks through the Department of Public Safety. This
15 rider has previously been capped at 25,000 per fiscal
16 year according to the contract.

17 Since 1996, the agency has been invoiced
18 for processing fingerprints for renewal applicants at a
19 rate of \$15. DPS is now invoicing the agency for all
20 applicants' fingerprints processed, both renewal and
21 new, at a rate of 34.95, \$15 for DPS processing and
22 19.95 for FBI processing. This item is estimated at
23 292,331 per fiscal year or \$584,662 for the biennium.

24 Page III.C.10 totals the base request
25 with the exceptional items. Page III.C.11 is the

1 explanation of the exceptional items I have just
2 outlined. And page III.C.12 through III.C.17 is the
3 detail for the riders that I just discussed.

4 As I mentioned at the beginning of the
5 presentation, the 10 percent biennial base reduction
6 option schedule is required by the Governor's office
7 and the Legislative Budget Board.

8 On page III.C.18, you will see included
9 the suggested reductions for the biennium are one
10 million reduction in the Texas-bred incentive program,
11 \$76,800 of salaries and other personnel costs for one
12 FTE in the license/regulate racetrack strategy, 114,479
13 of salaries and personnel costs for one FTE in
14 supervise and conduct live race strategy, \$67,034 of
15 salaries and other personnel costs for one FTE in
16 occupational licensing, \$244,713 of salaries and other
17 personnel costs for three FTE's in monitor wagering and
18 audit strategy, and \$170,927 of salary and other
19 personnel costs for 1.5 FTE's in information
20 resources. This reduction would total 7.5 FTE's each
21 fiscal year.

22 This concludes the summary of the
23 agency's budget request as well as the exceptional
24 items. I will be happy to answer any questions.

25 CHAIRMAN PABLOS: Charla Ann, do we have

1 a deadline on approval for this?

2 MS. HARRIS-CURTSINGER: August 16th.

3 MS. KING: August 16th.

4 CHAIRMAN PABLOS: Okay. We don't have
5 any of that information in our packets and so I don't
6 think the Commissioners were able to review it as we
7 were going by. So is there any way you can provide
8 that for us?

9 MS. KING: Of course. We thought you had
10 this material.

11 CHAIRMAN PABLOS: It's not on here. But
12 that's okay. I just wanted to see about the deadline.
13 And so we do have -- we're working on a deadline?

14 MS. KING: On the 16th, which the way
15 that we've handled it in the past is to lay it out and
16 then have the -- any questions that come to the
17 Commission and have final approval provided by the
18 Chair.

19 CHAIRMAN PABLOS: Okay. Let me ask
20 this. Commissioners, do you have any questions, not
21 having seen the information? Would you like to see the
22 information?

23 COMMISSIONER EDERER: I definitely would
24 like to see the information.

25 MS. HARRIS-CURTSINGER: I apologize,

1 Commissioners. I thought you had the information.

2 CHAIRMAN PABLOS: That's okay. It's not
3 a big deal. Let's work through this. It is important
4 that we see it. Let's go ahead. And we're going to
5 skip this item for now. Okay? We're going to move
6 on. And then I would ask to see if you can't work to
7 just make some copies. And then we're going to have to
8 take a break somewhere along so the Commissioners can
9 review this and then we'll take this item up next after
10 everybody has reviewed it. Okay?

11 We'll move on to Item D, designation of
12 additional members on the committee to study the
13 current state of horse and greyhound racing and
14 breeding in Texas.

15 We are working hard, in response to the
16 Governor's request, to bring this committee together.
17 We've got Commissioners Hicks and Ederer as co-chairs,
18 and Vice-Chair Schmidt and Commissioner Carter have
19 also volunteered to serve, along with Commissioner
20 O'Connell. So you can see there's a great interest in
21 participating.

22 I will tell you, though, that this is not
23 limited just to the Commission. I would ask everyone
24 in the industry who's interested in participating to
25 let us know. We're looking at October 6th as a date to

1 have this meeting. So we've got plenty of time to work
2 through it. But this is an excellent opportunity for
3 the industry to also weigh in and participate so that
4 we can then go ahead and put together a good report.
5 Let us know if there's going to be anyone interested so
6 that we can move forward.

7 Item E, report by horse race date
8 committee. I'd like to recognize Vice-Chair Schmidt.

9 VICE-CHAIRMAN SCHMIDT: Thank you,
10 Mr. Chairman.

11 The first of three horse race date
12 committee meetings were held at Lone Star Park on the
13 16th of July. And I think Mr. Childs and staff did an
14 excellent job in summarizing the information for your
15 review. I'd just like to highlight a few points.

16 We had excellent attendance. I'd like to
17 thank Mr. Shubeck and Lone Star for making Lone Star
18 available to us, providing us with a great venue, and
19 hopefully this made it easier for some of the horsemen
20 who were at Lone Star to participate in the meeting.

21 I also think that this process is
22 ongoing, but certainly at this meeting we had over
23 three hours of fairly straightforward and open
24 testimony. I think it helped frame our debate to some
25 degree.

1 around the 230,000-dollar range, this would be much
2 more attractive both for the local patrons and for
3 national patrons and regain both simulcast revenue for
4 Lone Star and tax revenue for the State of Texas.

5 Just to highlight a couple of
6 testimonies. Jack Bruner, from Millsap, Texas, he
7 represents the Durant Stables, a very prominent and
8 long-term supporter of Texas racing. He spoke. And
9 speaking for the larger stables, he stated essentially
10 that while they're long-term supporters of Texas, if
11 the purse structure wasn't increased, his stable will
12 be forced to relocate to a different location.

13 Tommy Bullard, a veterinarian from
14 Weatherford, a prominent breeder in the state for many,
15 many years, spoke and, again, reiterated that the
16 falling purses has really compromised any way to make a
17 living as a breeder in the State of Texas and then also
18 spoke on behalf of the proposal.

19 So that's the working proposal so far. I
20 think there are two matters that have been left
21 unstated or unaddressed, and it really pertains to the
22 stables in the State of Texas who are -- who are
23 located in Texas and race solely in Texas. And this
24 really wasn't addressed by this proposal.

25 Several speakers did voice their concern

1 that by limiting the Thoroughbred meet to only spring,
2 essentially they'd be unable to make a living raising
3 and training their horses on a year-round basis because
4 they'd be unable to relocate, so this would have
5 catastrophic consequences for basically the smaller
6 horsemen and the smaller stables in the State of
7 Texas. And I think that's an area that we need to
8 refocus and address.

9 I think also left unstated is we
10 really -- while we saw the larger racetracks there, we
11 did not hear at all from the inactive tracks. And I
12 would certainly invite them to attend the next meeting
13 on the 13th of August. I think we all need to be
14 creative and I think we'd like to look at the inactive
15 tracks as a way of helping support the local Texas
16 horsemen in this state in achieving a solution.

17 I'd also like to just follow up. Charla
18 Ann, I know your staff is overwhelmed at times. We did
19 discuss this in the fall and we discussed some of the
20 financial consequences of not racing from the inactive
21 tracks. And I'd be appreciative if perhaps at the next
22 meeting you could report to us some of the financial
23 consequences of the fact that the inactive tracks have
24 not been racing over the past two years in terms of our
25 purse structure and in terms of our financial situation

1 now.

2 MS. KING: Yes, sir, we would be happy to
3 do that. In fact, we were reviewing the transcript
4 from the October '09 meeting yesterday to make sure we
5 were picking up where we left off; and that request was
6 made by the Commission, estimating the economic impact
7 of the failure of those tracks to run.

8 We're working on those estimates. We're
9 not quite ready with those calculations. However, so
10 far, they are significant. And so I think that that
11 information is going to be important for people to
12 understand the impact of the inactive tracks that
13 they're having on the industry at this time. So we
14 will continue to finish those calculations and develop
15 that information in time for the August 13th race date
16 calendar committee meeting.

17 VICE-CHAIRMAN SCHMIDT: I would just like
18 to add that Chairman Pablos has stressed that this is
19 an open, transparent process. I think it was open at
20 Lone Star. I think it should be continued at Houston
21 on the 13th of August. And I'd encourage everyone with
22 any interest in this issue to attend.

23 CHAIRMAN PABLOS: Agreed. Thank you.
24 That's a great report.

25 And as Commissioner Schmidt stated, we

1 need to get creative. And so this is your opportunity
2 not only for the industry but also for those inactive
3 tracks. Commissioner Schmidt has requested -- is
4 asking you to attend. And I would certainly second
5 that.

6 It's important that the inactive tracks
7 show up and come up with some good ideas on how to help
8 the industry. And so this is your one opportunity to
9 get creative. If it's within the four corners of our
10 act and our rules, it certainly merits consideration.
11 And so I'd like for you to get as creative as possible,
12 but I think it's important that you participate as
13 well.

14 Commissioner Ederer?

15 COMMISSIONER EDERER: As far as August
16 13th is concerned, I was not available at the -- at the
17 Lone Star meet, but I do have a video of that meet and
18 I will have it reviewed. I also have a very
19 comprehensive report from Mr. Hooper. He provided it
20 for us. I thought it was very detailed.

21 So we will have the benefit of all of the
22 comments at Lone Star. And any comments that, of
23 course, you want to repeat would be fine, of course;
24 but I think, from my understanding, it was a very good,
25 open discussion. I want to continue that down at Lone

1 Star. Anything that any of you felt was missing at the
2 Lone Star, which every meeting we go to, when we walk
3 out of it, we say, "Gosh, I wish I would have said
4 that," feel free to. Encourage other horsemen to
5 come. I do definitely want to hear from all of the
6 tracks, including the tracks that, should we say, have
7 licenses, not necessarily have tracks. I want to hear
8 from everybody.

9 There are a lot of race dates that are
10 stacked up next August for Laredo Downs, Laredo Race
11 Park, Saddle Brook, Valle de los Tesoros. They're all
12 stacked up. It doesn't make any sense. And we'd like
13 to -- we're going to try to make some sense out of
14 this.

15 I think that what we're trying to do is
16 give everyone, including ourselves, a unique
17 opportunity to be ahead of the Legislature. We need to
18 be prepared for this Legislature. We need to be able
19 to give them a comprehensive report on the state of
20 racing and our suggestions to keep racing in the State
21 of Texas. Without this, we'd walk into every
22 Legislature like we've done in the past. And that is,
23 we walk in. Somebody says, "We need a report." And
24 everything is tabled and nothing gets accomplished.

25 So I think -- and all of you, I truly

1 believe, know that if something is not done in this
2 State Legislature, we're all in real trouble. When I
3 say "we all," all of us, the Commissioners. There may
4 not be a Commission. There may not be any racing. So
5 I think it is very important for all of you to comment
6 and be positive and give us solutions.

7 All of us know there's a problem. We all
8 know that there's problems. We don't want to hear
9 about the problems. We want to hear about the
10 solutions.

11 Now, after the August 13th meeting, there
12 will then be another meeting September the 1st and it
13 will be combining the information from both meetings
14 and trying to put the package together. That will be
15 the -- that will be a very important meeting also. And
16 we'll discuss it on August 13th.

17 Charla Ann, did you have anything to --

18 MS. KING: That's complete,
19 Commissioner. Thank you.

20 COMMISSIONER EDERER: All right.

21 CHAIRMAN PABLOS: Commissioners, any
22 other comments?

23 Commissioner Schmidt, thank you very
24 much. That was an excellent report. And
25 congratulations on all the progress you're making.

1 Item F, report by greyhound race date
2 committee. I'd like to recognize Commissioner Hicks
3 for the report, please.

4 COMMISSIONER HICKS: We had a meeting at
5 the Gulf Greyhound Park on the 27th of July. And our
6 meeting was very short. We did have everyone there
7 that had a track. We had Gulf Coast Racing, Gulf
8 Greyhound Park, and Valley Race Park. Plus we had the
9 TGA. Diane was there.

10 And Sally Briggs with Gulf Greyhound Park
11 is going to have the same dates as she had for 2010,
12 which is 329 race performances. And we were just
13 overwhelmed with that. I think it's wonderful. They
14 came together last year and consolidated and there's no
15 live racing except at Gulf. And the handle went
16 from -- went to 71 to 80 dollars a point.

17 So it can be done, and they have done
18 it. I'm so proud of this group and how they worked
19 together and what they've done. I think it stabilized
20 the breeding. I think everyone has really worked
21 together to have this continue.

22 Diane or Sally, do you all have any
23 comments you'd like to make?

24 MS. WHITELEY: Of course.

25 CHAIRMAN PABLOS: Good morning.

1 MS. WHITELEY: Good morning,
2 Commissioners. Diane Whiteley, executive director of
3 the Texas Greyhound Association.

4 I just wanted to expound a little bit on
5 your comment about stabilizing breeding. Our biggest
6 concern last year when we were looking at race dates
7 was that we were having a consistent 20 to 30 to 40
8 percent decline in the number of greyhound breedings
9 and puppies born every year. And this did not bode
10 well for our industry in the event that we do get some
11 legislative relief. We will not have enough inventory
12 to supply the tracks that are in existence.

13 So when we came up with this plan and
14 this strategy, we thought that it would stabilize
15 breeding. And I'm very proud to say that it did. We
16 had, in fact, a little bit of increase in breeding from
17 2008. So 2009 was a successful year for our breeding
18 industry. We hope, of course, to increase it every
19 year after that; but we did accomplish our goal, which
20 was to stabilize the breeding and to keep people from
21 moving out of the state, in the short term anyway.

22 Thank you. Any questions?

23 CHAIRMAN PABLOS: Any questions,
24 Commissioners?

25 VICE-CHAIRMAN SCHMIDT: Good work.

1 CHAIRMAN PABLOS: Yes. Commissioner
2 Hicks, congratulations on your good work as well. I
3 know this is very important to you and I wanted to let
4 you know you're doing an excellent job. Thank you for
5 all the time you've spent on this.

6 Our next item is Item G, report by Manor
7 Downs on its closing. Mr. Howard Phillips?

8 Good morning.

9 MR. PHILLIPS: Good morning,
10 Commissioners. I'm Howard Phillips, the chief
11 operating officer and managing partner of Manor Downs.

12 I guess I can briefly say that on closing
13 weekend we had about a 50 percent increase in handle.
14 We had people out we hadn't seen in years. There was a
15 lot of reminiscing. And, you know, it was sad; but in
16 reality, it was something that we knew was coming and
17 we were prepared for.

18 In fact, by Tuesday, we had -- the fence
19 company had chain link fence around everything. The
20 TV's were down. I think we gave the perishables to
21 Caritas. We were cleaning out the kitchens and getting
22 everything ready.

23 Now, from here, I think -- that's the
24 closing. What I'm looking at is going forward. And my
25 efforts are going to be now 100 percent on trying to

1 any questions?

2 VICE-CHAIRMAN SCHMIDT: Just to clarify,
3 you're closed, but you're seeking new ownership to
4 continue the track as a racetrack?

5 MR. PHILLIPS: Yes. Yes.

6 VICE-CHAIRMAN SCHMIDT: Okay. Thank
7 you.

8 COMMISSIONER WEINBERG: Do you have any
9 interested parties?

10 MR. PHILLIPS: Four. Actually five. Two
11 are nonracing entities. Three are racing entities.

12 There's a lot of interest here. You just
13 need to be able to fund these losses until things get a
14 lot better. And the losses have gotten really big in
15 the last 17 months. We all know that. We know the
16 problems.

17 COMMISSIONER EDERER: You are
18 encouraged?

19 MR. PHILLIPS: Yes. Yes. Yes, I am,
20 Commissioner.

21 CHAIRMAN PABLOS: Okay. Any questions?
22 Any other questions, comments?

23 Thank you, Mr. Phillips.

24 MR. PHILLIPS: Thank you.

25 CHAIRMAN PABLOS: Okay. Our next item is

1 Item IV -- excuse me, yeah, IV-A, request by Gulf
2 Greyhound Park to amend its 2010 live racing schedule.
3 This item was tabled from our July 7th Commission
4 meeting. I'd like to recognize Sally Briggs, please.

5 MS. BRIGGS: Good morning. Sally Briggs,
6 Gulf Greyhound Park.

7 And first let me say that we did have a
8 very short greyhound race date meeting once it was
9 determined that we will be running our same six
10 performances next year that we're running this year.

11 And I also would like to thank
12 Mrs. Hicks. She's been very, very helpful to us
13 throughout this past year as well as at Gulf Coast
14 Racing. So thank you, Ms. Hicks.

15 As you will recall, in April we requested
16 to add four races to our Thursday evening performance
17 and then unfortunately we did not have the active
18 greyhounds to do that. At this time I am happy to
19 report that after reviewing our active list this past
20 weekend, we do have the greyhounds that we feel will be
21 required where we can add these races. We would like
22 to begin that Thursday, August the 19th, with your
23 approval.

24 CHAIRMAN PABLOS: Okay. Are there any
25 questions, Commissioners?

1 MS. BRIGGS: Thank you.

2 CHAIRMAN PABLOS: Diane Whiteley,
3 please?

4 MS. WHITELEY: Just very briefly, we
5 really appreciate Gulf adding the extra four races. It
6 makes a difference to us to have those opportunities to
7 run since that's the only track that's running live
8 right now. They do keep us very appraised of the
9 active list. I get a weekly list. And there were two
10 kennels that were not fulfilling their obligations, and
11 I'm pleased to say that both of them now are very close
12 to where they should be. And I know that's through the
13 efforts of Gulf. So we're fine with it.

14 We do need to monitor in the future to
15 make sure that there will be -- that all the kennels
16 are maintaining their active list. I think that's a
17 real important part because neither do we want to have
18 additional kennels be booked there which would dilute
19 the earnings to everybody. So we'll work with Gulf
20 very closely to make sure that happens.

21 Thank you.

22 CHAIRMAN PABLOS: Thank you.

23 Any questions, Commissioners?

24 Thank you.

25 Anyone else signed up to speak on this

1 item?

2 I'd like to ask Sammy Jackson. Sammy,
3 what is staff's position on this item, please?

4 MR. JACKSON: Staff affirms this would be
5 a good thing to do, Mr. Chair.

6 CHAIRMAN PABLOS: So staff is
7 recommending to approve?

8 MR. JACKSON: That is correct. We did
9 also discuss this issue with Commissioner Hicks at the
10 race date working group meeting at Gulf this past
11 Tuesday as well.

12 CHAIRMAN PABLOS: Are there any technical
13 or clarifying questions of Sammy, Commissioners?

14 Okay. At this time I'd like to entertain
15 a motion to approve. Do I have a motion?

16 COMMISSIONER WEINBERG: I so move.

17 CHAIRMAN PABLOS: Moved by Weinberg.

18 VICE-CHAIRMAN SCHMIDT: Second.

19 CHAIRMAN PABLOS: Seconded by Schmidt.

20 Any further discussion on this?

21 I'll take this up for a vote now. All
22 those in favor please signify by saying aye.

23 COMMISSIONERS: Aye.

24 CHAIRMAN PABLOS: Any opposed?

25 Okay. That motion carries. Thank you.

1 Our next item is Item B, allocation of
2 purse revenue and escrowed purse account revenue among
3 the various breeds of horses. Mark, would you please
4 come up?

5 MR. FENNER: Yes, sir.

6 CHAIRMAN PABLOS: Mark, can you just give
7 us a brief background on this? Who would be more --

8 MS. KING: Sammy.

9 CHAIRMAN PABLOS: Sammy?

10 MR. FENNER: Mr. Jackson would be
11 better.

12 CHAIRMAN PABLOS: Sammy, would you mind
13 giving us a brief background on this item, please?

14 MR. JACKSON: Thank you, Mr. Chair.

15 This agenda item was provided by Sam
16 Houston Race Park on behalf of all of the racetracks.
17 It is an attempt to continue the breed allocation of
18 simulcast purse money and the escrowed horse purse
19 account as it has been in this current year for an
20 additional two years.

21 At the time when this was filed, this
22 agreement was based on that Manor Downs would actually
23 be running in those two years. Hence this time, we now
24 know, as Mr. Phillips was at the podium, they do not
25 intend to run. This somewhat skews, I believe, some of

1 the beliefs, whenever people signed this agreement, as
2 to how money totally comes together as an aggregate
3 would be.

4 I have talked to various members who
5 signed this. They would like to see this item tabled
6 today. I know that staff, in working through the race
7 date working group stuff that we've had at Lone Star
8 Park and will continue to do on the 13th of August at
9 Sam Houston and then follow up on September 1st, would
10 probably like to see this tabled as well because I
11 believe if we set these right now, if there needs to be
12 an adjustment based on things that have been determined
13 in the race date working group, this would have already
14 set the stone and would kind of somewhat tie us down.

15 So staff affirms and believes that we
16 would recommend that this be tabled again and then let
17 it come back up at September 14th here when we discuss
18 race dates and discuss it at that time.

19 CHAIRMAN PABLOS: Thank you, Sammy.

20 Any questions of Sammy, Commissioners?

21 I have Tooter Jordan signed up to speak.
22 Tooter, please?

23 MR. JORDAN: Mr. Chairman, Commissioners,
24 I'm Tooter Jordan with the Texas Horsemen's
25 Partnership.

1 And we're 100 percent in agreement with
2 the staff's recommendation. We'd like to see this
3 tabled.

4 CHAIRMAN PABLOS: Okay. Anybody else
5 signed up to speak?

6 Okay, Commissioners. We have a staff
7 recommendation to table this item. Do I have a motion
8 to table?

9 VICE-CHAIRMAN SCHMIDT: So moved.

10 CHAIRMAN PABLOS: Moved by Schmidt.

11 Is there a second?

12 COMMISSIONER EDERER: Second.

13 CHAIRMAN PABLOS: Seconded by Ederer.

14 Any further comments on this or
15 discussion?

16 All those in favor please signify by
17 saying aye.

18 COMMISSIONERS: Aye.

19 CHAIRMAN PABLOS: Any opposed?

20 That motion carries. This item will be
21 tabled.

22 Item C, request by Retama Park for
23 approval of four changes of ownership of less than one
24 percent. I'd like to recognize Mark Fenner, please.

25 MR. FENNER: Commissioners, Retama Park

1 made two separate requests for approval of a total of
2 four different ownership transfers. These are a 0.249
3 percent interest from Alan Dreeben, with half of that
4 amount transferred to 210 Muy Buena Suerte and the
5 other half transferred to the 2003 Straus Irrevocable
6 Trust; another 0.249 percent interest from Peter
7 Kornafel to 210 Muy Buena Suerte; then a 0.498 percent
8 interest from Jean McPherson to 210 Muy Buena Suerte;
9 and finally a 0.249 percent interest from the estate of
10 Betty Galt Brown and the Betty Galt Brown Marital
11 Trust, with half transferred to Andrew Earl Barry and
12 half to Brice Galt Barry Russian.

13 DPS has done background checks on all of
14 these individuals who will be receiving the interests
15 and determined that there's no disqualifying
16 information about any of them.

17 The staff recommends approval.

18 CHAIRMAN PABLOS: Okay. Any technical
19 questions of Mark? Any clarifying questions,
20 Commissioners?

21 Is there anyone signed up to speak on
22 this item? I think we have Bryan Brown.

23 Bryan? Would you like to say anything,
24 Bryan?

25 MR. BROWN: Just if the Commissioners

1 have any questions.

2 CHAIRMAN PABLOS: Any questions of Bryan,
3 Commissioners?

4 I hear none.

5 Thank you, Bryan.

6 So we have staff recommending to
7 approve. I'd like to entertain a motion.

8 Thank you, Mark.

9 Is there a motion to approve?

10 VICE-CHAIRMAN SCHMIDT: So moved.

11 CHAIRMAN PABLOS: Moved by Schmidt.

12 Is there a second?

13 COMMISSIONER EDERER: Second.

14 CHAIRMAN PABLOS: Seconded by Ederer.

15 Any discussion, Commissioners?

16 Okay. At this time I'd like to take this
17 up for a vote. All those in favor please signify by
18 saying aye.

19 COMMISSIONERS: Aye.

20 CHAIRMAN PABLOS: Any opposed?

21 That motion carries. Thank you.

22 Item D, Mark Fenner, please, request by
23 Laredo Downs for approval of change of ownership of
24 less than one percent.

25 MR. FENNER: Commissioners, this is more

1 in the line of an adjustment. There was a cash call
2 among the partners of Laredo Downs. As a result of
3 that cash call and I guess the nonparticipation by
4 Mr. Wolff, there will be a 0.0048 percent interest
5 transferred from Gary Wolff to Muy Buena Suerte.

6 Once again, these individuals have been
7 cleared by the DPS, with no disqualifying information.

8 Staff would recommend approval.

9 CHAIRMAN PABLOS: Okay. We have staff
10 recommending approval.

11 Is there anyone signed up to speak on
12 this item?

13 Hearing none, Commissioners, I'd like to
14 entertain a motion to approve. Is there a motion?

15 VICE-CHAIRMAN SCHMIDT: So move.

16 CHAIRMAN PABLOS: Moved by Schmidt.

17 Is there a second?

18 COMMISSIONER EDERER: Second.

19 CHAIRMAN PABLOS: Seconded by Ederer.

20 Any discussion on this item?

21 All those in favor please signify by
22 saying aye.

23 COMMISSIONERS: Aye.

24 CHAIRMAN PABLOS: Any opposed?

25 That motion carries.

1 Okay. Before we enter our progress
2 report section, I would like to take a 15-minute break
3 to allow Commissioners to review the LAR. And we will
4 reconvene in exactly 15 minutes. The time right now is
5 11:30. Thank you.

6 (Recess from 11:30 a.m. to 11:43 a.m.)

7 CHAIRMAN PABLOS: Okay. I have 11:45 and
8 I'll reconvene this meeting of the Texas Racing
9 Commission.

10 At this time we're going to go back to
11 Item C, III-C, and I will ask Shelley to give us a
12 recap of the -- of her report on the legislative
13 appropriations request. I trust that everyone has had
14 a chance to review it, but now we'll have an
15 opportunity for Shelley to walk us through it.
16 Shelley, please.

17 MS. HARRIS-CURTSINGER: Okay. I'll go
18 over the highlights. I won't go through the whole
19 thing again.

20 But if you'll look at page III.C.7, it's
21 most of the -- it's the beginning -- it's the base
22 appropriations. We've given you historical information
23 which includes 2005 through 2010. What you'll actually
24 be approving or we request that you approve is the
25 budget LAR portion on the far right-hand side which

1 gives you the projected 2011, '12, and '13 -- and the
2 requested '12 and '13.

3 The very top is revenue. The second
4 section will be our legislative base appropriations.
5 Then you'll see below that the rider, which is the new
6 horse racetrack rider, which is one horse racetrack
7 included in the estimate. That gives you a total base
8 appropriations at the bottom of the page.

9 The next page, III.C.8, continues; and
10 it's the same appropriations at the top, but it's
11 broken out by object of expense. So it gives you
12 salaries; personnel costs; professional fees;
13 consumable supplies; utilities; travel; rent, building;
14 rent, machine; other operating expense; grants, which
15 is the Texas-bred incentive program; and the capital
16 expenditures. And it gives you a total by object of
17 expense. It then breaks out the horse racetrack rider
18 by those expense -- same expenses -- it's the same
19 dollar value -- and for the total request.

20 As I mentioned earlier, if you look at
21 the operating surplus/deficit, it shows the cash
22 balances in the bottom, for '12 and '13, does not
23 include the horse racetrack rider. Should it have to
24 be activated, those funds would be collected at that
25 time. So that's why you see somewhat of a deficit

1 there.

2 At the bottom, for the FTE count, you'll
3 notice that we have continued to reduce FTE's. For '12
4 and '13, we are requesting only 61.3 FTE's in the base
5 and then the five are for the rider, for a total of
6 66.3 FTE's for '12 and '13.

7 Then on page III.C.9, it gives you our
8 exceptional items and riders; and the total for those
9 is \$445,591 for all of the exceptional items combined
10 and 1.8 FTE's for each fiscal year, 2012 and 2013.

11 The next page totals everything up, on
12 III.C.10. Then III.C.11 is the explanation of the
13 exceptional items and the breakout of the dollar
14 values. And again, we've based the budget on the race
15 date calendar for 2010. Not knowing what the 2011
16 calendar will look like, much less '12 or '13, that's
17 pretty much the only way we have to estimate a budget
18 at this point in time.

19 So you've got four exceptional items, the
20 first being the greyhound live performances, an
21 estimate of what it would take to run 10 additional
22 performances. No. 2 is the horse live race days beyond
23 base estimate, and that is for 14 days of live racing.
24 And then there is -- No. 3 sets that base at 323 --
25 excuse me, 328 performances of live greyhound racing

1 and 937 days of simulcast racing for three greyhound
2 tracks, four horse racetracks conducting 223 days of
3 live racing and 1,295 days of simulcast racing. The
4 last exceptional item, No. 4, is on the criminal
5 history background checks and we estimate that we will
6 need additional appropriations of \$292,331 per fiscal
7 year to cover those costs.

8 The next pages, III.C.12 through III.C.17
9 is the explanation of those riders. We have to give it
10 in a detailed format within the LAR.

11 And then page III.C.18 is the breakout.
12 We were, as I had mentioned earlier, required to give a
13 10 percent schedule for a reduction; and that total
14 reduction amounted to \$1,673,953, which is 10 percent
15 of our now current base for 2012 and 2013.

16 And you see included in that is the
17 Texas-bred program for one million dollars, one FTE for
18 license and regulate racetrack strategy, one FTE for
19 \$114,479 in supervise and conduct live racing, \$67,034
20 of salaries and other personnel costs for one FTE in
21 occupational licensing, 244,713 of salaries and other
22 personnel costs for three FTE's in monitor wagering and
23 audit strategy, and 170,927 of salaries and personnel
24 costs for 1.5 FTE's in information resources.

25 That's a total of 7.5 FTE's. I've

1 already had one call from a Representative's office.
2 And if we were to have to take that cut, it would be a
3 pretty hefty cut and it would hurt. So I'm sure that
4 all other agencies are saying the same thing; but if we
5 had to take that cut, it would be tough.

6 So any questions?

7 CHAIRMAN PABLOS: Commissioners, are
8 there any questions?

9 Charla Ann, what are your thoughts on all
10 of this?

11 MS. KING: This is a difficult time for
12 all State agencies, but it's -- I think there's an
13 extra measure of difficulty for us. And when we went
14 to looking at the potential reductions, we tried to
15 even them out as much as possible and we also tried to
16 look at our staff and tried to see who could wear
17 multiple hats and who can do more than one job.

18 You know that we have a very hardworking
19 staff and that this will -- even putting out this
20 proposal and having it for public distribution is very
21 stressful in an agency that's as small as we are and
22 that works as hard as we do. So we're going to try to
23 keep folks' morale up and do our best to explain to the
24 Legislature the impact of these cuts.

25 We've been visiting a lot about how to

1 make this process clearer to the members of the
2 Legislature. The grasp of a State agency budget being
3 determined by a race date calendar is something that is
4 just not, you know, realizable for a lot of members of
5 the Legislature and so we think we have some education
6 to do about that. We are a self-supporting agency.
7 That should make a difference. But it's difficult for
8 the Legislature to respond to differences in all of the
9 different agencies.

10 I am concerned about the potential
11 retirements at the agency combined with needing to make
12 reductions. That's something that we're keeping our
13 eye on and looking for and working Shelley pretty hard
14 on the human resources side looking at ways to have
15 people retire, return part-time, seasonal, trying to
16 match the labor effort of the regulator to this
17 continually changing picture of race dates. And I do
18 think that people don't realize how difficult that is
19 for a government agency to respond as quickly as race
20 dates are changed.

21 And so I do think we'll probably be
22 bringing some additional fee discussions back to the
23 rules committee after we get a better idea where we're
24 headed with the budget. And the industry will need to
25 come to the table with us and we'll have to sit down

1 and discuss it.

2 But I think I can assure all of the
3 Commissioners that Shelley and her staff have done a
4 tremendous job of identifying what is possible at this
5 time. So I appreciate the opportunity to make some
6 comments, Mr. Chairman.

7 CHAIRMAN PABLOS: Absolutely.

8 Any questions of Charla Ann,
9 Commissioners?

10 Okay. So, Charla Ann, is it your
11 recommendation that we approve this LAR?

12 MS. KING: Yes, sir, staff recommends
13 approval.

14 CHAIRMAN PABLOS: Okay. Commissioners,
15 we have a recommendation for approval. Is there a
16 motion to approve or a motion of your choice?

17 VICE-CHAIRMAN SCHMIDT: Motion to
18 approve.

19 CHAIRMAN PABLOS: Motion to approve by
20 Schmidt.

21 Is there a second?

22 COMMISSIONER WEINBERG: Second.

23 CHAIRMAN PABLOS: Seconded by Weinberg.

24 Is there any discussion on this item?

25 Okay. At this time I'd like to take it

1 up for a vote. All those in favor please signify by
2 saying aye.

3 COMMISSIONERS: Aye.

4 CHAIRMAN PABLOS: Any opposed?

5 That motion carries. Thank you very
6 much.

7 And thank you, staff. You all have done
8 a great job. I know it takes a lot of time getting all
9 these numbers in and so I really appreciate that.
10 Thank you.

11 Okay. We'll move on now to Item IV-E,
12 which is progress reports by our inactive racetrack
13 license holders. We'll start by calling up Austin
14 Jockey Club under Item E-1. Bryan Brown, please?

15 MR. BROWN: Good morning, Commissioners.
16 Bryan Brown with the Austin Jockey Club.

17 We have done a couple of things since the
18 last meeting. We did request, and received in writing,
19 the process by which we need to request annexation into
20 the City of Creedmoor. As I mentioned at the last
21 meeting, the City is very anxious to annex our property
22 and seems to be very much willing to work with us in
23 development of the track.

24 The application process is pretty
25 simple. There's a letter that we must submit to the

1 City, and the City then sets up a hearing and goes
2 through their hearing process. It's a process that
3 could take as little as 90 days. So I would imagine
4 that as soon as the application -- when and if it is
5 approved by the Commission, we would certainly move
6 forward, but in all likelihood even sooner than that.

7 We'd like the property being annexed in
8 advance of the Commission taking action because there's
9 advantages to having the property a part of this city
10 that don't require the racetrack license to have been
11 moved to that property.

12 The traffic study is complete. The nice
13 thing about the study, it determined that the roadways
14 in place are ample to handle the development of a
15 racetrack. There's not a lot of traffic. If you've
16 been out 45 going east from I-35, 45 being the new toll
17 road, there's not much traffic out there, so that
18 roadway is more than ample, as is 1625, which is the
19 exit off which you take to go to the site.

20 We've got, as I mentioned earlier, most
21 everything completed, with the exception of some
22 fingerprint cards and a few forms and an agreement or
23 two that is necessary for the application to transfer
24 the ownership and the location. We'll be working on
25 that to get to Mr. Fenner as quickly as we can.

1 Other than that, there's really not too
2 much to report. I'd be happy to answer any questions
3 that you have.

4 CHAIRMAN PABLOS: Commissioners, are
5 there any questions of Mr. Brown?

6 COMMISSIONER EDERER: I might have missed
7 something somewhere along the road. Is the license
8 straightened out now? Is the lawsuit still pending?
9 What's the status?

10 MR. BROWN: The lawsuit is still
11 pending. There is a tentative trial date set for
12 October. We're going through the deposition process
13 right now. But the target date for the trial is
14 October.

15 COMMISSIONER EDERER: But you're going
16 forward.

17 MR. BROWN: Yes, sir.

18 COMMISSIONER EDERER: Do you own the
19 property now?

20 MR. BROWN: The property is closed and it
21 was closed with a cash purchase and closed in May. So
22 absolutely.

23 CHAIRMAN PABLOS: Excellent.

24 Any other questions or comments?

25 Bryan, you heard Commissioner Schmidt

1 regarding the horse race date committee, his request
2 for you to participate at that level, so I would ask
3 you to please participate.

4 MR. BROWN: Absolutely. We did have a
5 partners meeting on Friday. We discussed the issue of
6 race dates. We discussed the issue involving Manor
7 Downs and the problem that has created for the
8 industry. And certainly our partners are well aware of
9 it; and I'll be ready to participate, both from the
10 Retama side and the Austin Jockey Club, on the 13th.

11 CHAIRMAN PABLOS: Good. Thank you.

12 MR. BROWN: Thank you.

13 CHAIRMAN PABLOS: Our next item is Item
14 E-2, progress report by Saddle Brook Park. Is Drew
15 Monte -- or I'm sorry. Come on up, please.

16 MR. ALEXANDER: It's Drew Alexander, II.

17 CHAIRMAN PABLOS: Okay. You're not the
18 Drew Alexander I know. Thank you. I'm sorry. I
19 didn't see the second on there. Thank you very much.

20 MR. ALEXANDER: Yes. I'm here
21 representing my dad. My dad is sorry that he couldn't
22 be here today. He is in Saratoga, New York, at a horse
23 auction.

24 The report on Saddle Brook Park is that
25 we've contracted to sell the interest to an affiliate

1 of Global Gaming Solutions. Global Gaming Solution is
2 preparing a complete application to accompany the
3 request for transfer of ownership. The Innovation
4 Group has prepared a draft report on the five-year
5 forecasts for the Amarillo market and is in the process
6 of now finalizing the report. The application of the
7 Gaming Global Solutions affiliate will be based on an
8 analysis and evaluation of such study.

9 CHAIRMAN PABLOS: Okay. Any questions,
10 Commissioners?

11 Is there a representative from Global
12 Gaming here? Will you please come on up?

13 MR. CARDWELL: Yes, Mr. Chairman.

14 CHAIRMAN PABLOS: I wanted to see if you
15 had any comments or at least please confirm what
16 Mister --

17 MR. CARDWELL: Mr. Alexander?

18 CHAIRMAN PABLOS: -- Alexander is
19 saying.

20 MR. CARDWELL: Yes, sir. We've met with
21 your staff on a couple of occasions. I'm working with
22 Sammy Jackson right now. They are requiring us to
23 prepare a complete application. That means telling
24 them everything we're going to build and everything
25 we're going to do.

1 To start that process, you have to have a
2 current demographic study with financial forecasts of
3 what you're going to do if you build a certain facility
4 and the cash relating to that. We've got a draft of
5 that back. We have some questions. We've sent that
6 back to them. I'll have a phone call maybe today or
7 tomorrow to put that in final form. We at that point
8 in time will then have those forecasts of what is
9 possible.

10 Unfortunately, we have to do it under
11 this environment. It's a bad economy. And as the
12 Commissioner spoke, we hope the Legislature will pay
13 some attention to some problems. But we're moving
14 forward on that and we hope to have the application in
15 the next couple of months based on that. But that's
16 where we started.

17 CHAIRMAN PABLOS: Okay. Great. Thank
18 you very much. Appreciate it.

19 The next item, 3 and 4, we'll take up
20 together, report by Valle de los Tesoros and Laredo
21 Downs. I'd like to recognize Mr. LaMantia.

22 MR. LaMANTIA: Good morning. Thank you.

23 CHAIRMAN PABLOS: Good morning.

24 MR. LaMANTIA: On the Laredo license, I
25 have a meeting -- I was going to have a meeting later

1 today with Holt Hickman. That got postponed. We're
2 going to have it probably next week, to go over what
3 he's been doing in talking to all the local authorities
4 on getting the appropriate requirements to move a
5 racetrack up there so we can present it to the
6 Commission.

7 On McAllen, we have -- I talked to the
8 city manager yesterday. He opened all the bids up and
9 they were finding out where they were at on the bids
10 and how much money they would have to enable them to go
11 ahead and bring the infrastructure, the sewer and
12 water, to the site. He did not report back to me
13 yesterday, but I look at having a report any day now.
14 When I do, I'll be happy to send the letter in, you
15 know, saying this is what the city manager said and
16 this is where we're at and this will be the timing of
17 it and bringing it there and the cost to us and the
18 City.

19 On an additional note, we look forward
20 to, you know, coming in August and trying to come up
21 with some way to help the industry, not only with the
22 race dates but -- race dates, but with the ability to,
23 you know, maybe get some additional simulcast money, et
24 cetera, to come in.

25 We were a very small part of opening the

1 Corpus Christi track and helping answer that question
2 with the dog industry, and there may be something that
3 can be looked at. We're open for any suggestions that
4 the Commission has, the staff has, and anybody else.
5 We look forward to working through that and maybe come
6 up with some great ideas.

7 CHAIRMAN PABLOS: So, Commissioners, are
8 there any questions or comments?

9 Mr. LaMantia, so you're moving forward on
10 your intent to come here and request for the Laredo
11 license to be moved to Fort Worth. Is that what I'm
12 hearing?

13 MR. LaMANTIA: Yeah, that's still on --
14 that's still on our mind, to try and get that done. We
15 have several local items that we need to get clarified
16 as far as Tarrant County goes, but that would be our
17 intent, yes.

18 CHAIRMAN PABLOS: Any questions? Any
19 other questions, Commissioners?

20 Thank you very much. Appreciate that.

21 MR. LaMANTIA: Thank you.

22 CHAIRMAN PABLOS: Our last item, Item 5,
23 progress report by Laredo Race Park.

24 Good morning.

25 MR. VANMIDDLESWORTH: Good morning.

1 Thank you, Mr. Chairman and Commissioners. Rex
2 VanMiddlesworth for Laredo Race Park. Andrea Young
3 could not be here today, but she sends her regards.

4 Since the last update, we have negotiated
5 and now, in the last couple of few days, executed an
6 extension, a one-year extension, of the agreement, our
7 option for our Mines Road location, through July 30,
8 2011 -- July 31, 2011. That's been provided to
9 Mr. Fenner.

10 We do plan to be actively involved in the
11 August 13 meeting and the September 1 meeting and work
12 to try to come up with solutions, to identify the
13 problems.

14 We have -- with respect to the Casa
15 Grande Golf Course location, the County has told us
16 that will not work. There's some political problems
17 that have developed there. That's been a big
18 disappointment for us and particularly for Andrea, who
19 threw a lot of effort into that over the last year.

20 The silver lining on that is they have
21 suggested LIFE Downs, which some of you may know is an
22 old racetrack just outside of Laredo that we've all
23 looked at in the past that may actually have some
24 possibility. In past years when we've looked at that,
25 the political obstacles have been insurmountable. The

1 County has suggested that they may not be so now, and
2 we're having a meeting with them in the next week or
3 two to go over whether LIFE Downs would be a
4 possibility.

5 One other item I should also note is that
6 in May we did forward to the Commission \$140,000, which
7 was the security deposit that Laredo posted in
8 connection with its scheduled race dates and not
9 meeting its opening race date. So that has been
10 accomplished.

11 And with that, I'd respond to any
12 questions you'd have.

13 CHAIRMAN PABLOS: Commissioners, are
14 there any questions?

15 Hearing none, thank you very much.

16 MR. VANMIDDLESWORTH: Thank you.

17 CHAIRMAN PABLOS: There will be no
18 executive session today.

19 Under old and new business, I'd like to
20 recognize Commissioner O'Connell.

21 MS. O'CONNELL: As I stated at the last
22 meeting, we did not have a rules committee meeting in
23 July and our next meeting is still scheduled for August
24 31st of 2010. I don't think we have a time set for
25 that to begin, but it would probably be fairly early in

1 the day because we expect the meeting to be quite
2 long.

3 The Texas pari-mutuel advisory committee
4 has conducted a complete review of Chapter 321, which
5 is pari-mutuel wagering, and it has recommended 16
6 rules for possible changes. We've also had an
7 independent contractor who has reviewed the tote
8 standards section of the pari-mutuel wagering rules,
9 and the contractor has recommended changing nine rules
10 and adding -- and the addition of five new rules that
11 relate to totalisator operations.

12 Finally, the racing department has five
13 rules for consideration. So the meeting is expected to
14 be quite lengthy and please plan accordingly and we
15 look forward to your participation.

16 Thank you.

17 CHAIRMAN PABLOS: Thank you.

18 Commissioners, is there any other old or
19 new business you'd like to comment on? Commissioner
20 Ederer?

21 COMMISSIONER EDERER: Charla Ann, the
22 meeting September 1st, where will it be?

23 MS. KING: That meeting will be here in
24 this room, I believe is what we've got, this room
25 reserved, yeah, at 10:30.

1 COMMISSIONER EDERER: Okay.

2 CHAIRMAN PABLOS: Any other old or new
3 business?

4 Okay. Well, I'd like to thank everybody
5 for attending, coming to Austin. The time is 12:06,
6 and at this time I'd like to adjourn this meeting of
7 the Texas Racing Commission. Thank you very much.

8 (Proceedings concluded at 12:06 p.m.)

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1 STATE OF TEXAS)
2 COUNTY OF TRAVIS)

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4 I, SHERRI SANTMAN FISHER, a Certified Shorthand
5 Reporter in and for the State of Texas, do hereby
6 certify that the above-captioned matter came on for
7 hearing before the TEXAS RACING COMMISSION as
8 hereinbefore set out.

9 I FURTHER CERTIFY that the proceedings of said
10 hearing were reported by me, accurately reduced to
11 typewriting under my supervision and control and, after
12 being so reduced, were filed with the TEXAS RACING
13 COMMISSION.

14 GIVEN UNDER MY OFFICIAL HAND OF OFFICE at Austin,
15 Texas, this 11th day of August, 2010.

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