

BEFORE THE TEXAS
RACING COMMISSION
AUSTIN, TEXAS

COMMISSION MEETING

BE IT REMEMBERED THAT the above-titled matter came to hearing on the 9th day of August, 2016, beginning at 10:32 a.m. and adjourning at 12:16 p.m. at 105 West 15th Street, Room 120, held in Austin, Travis County, Texas, and the following proceedings were reported by APRIL C. BALCOMBE, Certified Shorthand Reporter for the State of Texas, reported by computerized stenotype machine.

APPEARANCES

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Commissioners: ROLANDO PABLOS
RONALD F. EDERER
GLORIA HICKS
GARY P. ABER
GARY P. ABER
JOHN T. STEEN, III
VICTORIA NORTH
MANNY FLORES

P-R-O-C-E-E-D-I-N-G-S

1
2 CHAIRMAN PABLOS: Okay. Good morning,
3 everyone. The time is 10:31. At this time I would like
4 to call today's meeting of the Texas Racing Commission
5 to order.

6 Can we please have roll call?

7 MS. WELCH: Commissioner Gary Aber?

8 COMMISSIONER ABER: Here.

9 MS. WELCH: Commissioner Manny Flores?

10 COMMISSIONER FLORES: Here.

11 MS. WELCH: Commissioner Glory Hicks?

12 COMMISSIONER HICKS: Here.

13 MS. WELCH: Commissioner Margaret Martin?

14 Commissioner Victoria North?

15 COMMISSIONER HICKS: Here.

16 MS. WELCH: Commissioner Robert Schmidt?

17 Commissioner John Steen?

18 COMMISSIONER STEEN: Here.

19 MS. WELCH: Vice Chairman Ron Ederer?

20 VICE-CHAIRMAN EDERER: Here.

21 MS. WELCH: Chairman Rolando Pablos?

22 CHAIRMAN PABLOS: Here.

23 Do we have a quorum?

24 MS. WELCH: Yes, sir.

25 CHAIRMAN PABLOS: I would like to

1 recognize Commissioner Manny Flores with the Department
2 of Public Safety.

3 Commissioner, welcome.

4 COMMISSIONER FLORES: Thank you.

5 CHAIRMAN PABLOS: Thank you for being
6 here.

7 COMMISSIONER FLORES: It is great to be
8 here.

9 CHAIRMAN PABLOS: I appreciate your
10 presence, and I hope that you will walk away from here
11 knowing a little bit more about this beautiful industry
12 and what we have to do to make sure that it keeps going
13 strong.

14 COMMISSIONER FLORES: Excellent. I look
15 forward to it.

16 CHAIRMAN PABLOS: Thank you.

17 And by the way, Commissioner Martin did
18 mention she is running a little behind, so she will be
19 here.

20 Is there any Public Comment, Item II?

21 MS. BIJANSKI: No, sir.

22 CHAIRMAN PABLOS: No public comment.

23 We will move to Item III, General
24 Business, III A, reports on budget and finance. I would
25 like to recognize Adrienne Courtney.

1 MS. COURTNEY: Good morning,
2 Commissioners. On page 5 through 10 of your agenda
3 packet is the agency's fiscal year 2016 operating budget
4 updated through June 30th.

5 With 83.3 percent of the year completed,
6 the agency has collected approximately \$7.4 million,
7 which is 80.4 percent of our projected revenue, and has
8 spent \$6.6 million or 76.5% of our budgeted
9 expenditures. Approximately 5.7 of these expenditures
10 are appropriated, and approximately .9 million are
11 unappropriated expenses.

12 At this time, if you have any questions, I
13 will be happy to answer them.

14 CHAIRMAN PABLOS: Thank you,
15 Commissioners. Do you have any questions of anything?

16 Hearing none, thank you. Appreciate it.

17 Item A 2, Report on Wagering Statistics,
18 Mr. Curley, please.

19 MR. TRAHAN: Good morning, Mr. Chairman,
20 Commissioners.

21 CHAIRMAN PABLOS: Good morning.

22 MR. TRAHAN: On pages 11 through 13 of
23 your meeting materials is the comparison report on
24 wagering statistics for the period of January 1 through
25 July 24 for calendar years 2015 and 2016.

1 For the reporting period, total wagering
2 activities at the horse racetracks showed a slight
3 decrease in 2016 of 0.11 percent. While at the
4 Greyhound Racetracks, there was a decrease of 32.43
5 percent.

6 Overall, total wagering placed in Texas
7 decreased by 3.43 percent, while the total wagers placed
8 on Texas races decreased by 10.03 percent.

9 I will be happy to answer any questions.

10 CHAIRMAN PABLOS: A lot of decreases.

11 Can you talk a little about the trend,
12 please, over a long term.

13 MR. TRAHAN: The decreases are primarily
14 contributable to Gulf Greyhound Park not running any
15 live races. If you take out Gulf Greyhound Park's live
16 and export handle, if you take them out of the equation,
17 total wagers placed in Texas and total wagers placed on
18 Texas races both would improve to just a negative 1.5
19 percent and a negative 1.4 percent respectively. So
20 large decreases are contributable to Gulf Greyhound Park
21 not running any live races.

22 CHAIRMAN PABLOS: Thank you.

23 Any other questions, Commissioners?

24 Thank you very much.

25 MR. TRAHAN: Thank you.

1 CHAIRMAN PABLOS: Item 3, Inspection and
2 Enforcement Reports, Jim Blodgett, please.

3 MR. BLODGETT: Mr. Chairman,
4 Commissioners, good morning.

5 Commissioners, Lone Star Park concluded
6 its Thoroughbred meet on July 17th and Retama's Quarter
7 Horse meet concludes this Saturday. We presently have
8 Gillespie County Fair running its summer fair through
9 August the 28th.

10 Sam Houston Race Park, Lone Star Park,
11 Gulf Greyhound Park, Valley Greyhound Park, Gulf Coast
12 Racing, and the Race Barn in Fredericksburg are
13 currently simulcasting -- conducting simulcast
14 operations.

15 During the reporting period since our last
16 meeting, there have been numerous enforcement activities
17 documented from the Lone Star Parks past completed race
18 meet. A breakdown of this activity can be found in your
19 packets on page 15.

20 Commissioners, during this same period,
21 inspections were conducted at Diamond D Training
22 Facility, Oak Leaf Training Facility, Retama, and
23 Gillespie County Fair Racetrack. From all of these
24 inspections, we have no outstanding inspection issues.
25 I will be happy to answer any questions that you may

1 have.

2 CHAIRMAN PABLOS: Any questions,
3 Commissioners?

4 Jim, I have a question.

5 You -- in this breakdown, you have ten
6 human alcohol violations and seven human drug
7 violations?

8 MR. BLODGETT: Yes, sir.

9 CHAIRMAN PABLOS: Can you speak to those a
10 little bit, please, just in general terms?

11 MR. BLODGETT: The human alcohol
12 violations, because of the different types of
13 inspections that we conduct, Mr. Chairman, they have
14 increased a little bit because of our presence and also
15 DPS's presence at the racetracks, conducting gate
16 inspections, barn inspections, and that type of thing.

17 The human drug violations -- I don't
18 really have a good answer for why those have increased.
19 We have seen an influx of different type of
20 methamphetamine-type drugs showing up at the racetracks,
21 and we test basically for cause on those type -- when we
22 notice that somebody is acting a little bit unusually
23 odd, or if we have a positive that's presented to us
24 from a racehorse positive, a lot of times we test the
25 groom -- different individuals in the barns to see if we

1 can determine the source. So that's partially why the
2 increase in those numbers.

3 CHAIRMAN PABLOS: I am just concerned that
4 we have alcohol and drug violations on our tracks.
5 Would you know -- and I don't expect you to have an
6 answer, unless, you know, it's an easy answer -- but
7 would you know if the tracks themselves have any
8 policies regarding drug and alcohol use?

9 MR. BLODGETT: It is my understanding that
10 each one of our Class 1 facilities do have a drug policy
11 for their employees which does equate to even the folks
12 on the back side of the starters -- assistant starters,
13 individuals like that.

14 But these -- with the exception of one of
15 the numbers that we were speaking about, most all of
16 these were the licensees, such as grooms, stable
17 foremans, people like that.

18 CHAIRMAN PABLOS: So what happens to these
19 folks?

20 MR. BLODGETT: If we have a drug positive,
21 they go under a mandatory 30-day suspension, and they
22 have to receive counseling and provide a clean urine
23 sample before they are allowed back by the stewards.

24 Now, the alcohol violations, those usually
25 present themselves in the way of a small fine by the

1 stewards' board.

2 COMMISSIONER ABER: You brought up the
3 methamphetamine. Okay. So tell me and all of us, have
4 we had horses test positive for methamphetamine?

5 MR. BLODGETT: Yes, sir. We currently
6 have some current cases under investigation for that.

7 COMMISSIONER ABER: Under investigation?

8 MR. BLODGETT: Yes, sir.

9 COMMISSIONER ABER: Okay. And so you
10 tested the people, the grooms that were associated with
11 that particular positive?

12 MR. BLODGETT: Yes. As part of our
13 investigation, we try to determine the source of any
14 drug, whether it's methamphetamine or clenbuterol or
15 whatever the drug may be by doing an inspection of the
16 individuals, the tack room, and also taking the samples
17 that we feel is necessary.

18 COMMISSIONER ABER: Does the DPS become
19 involved in that, when you find somebody that tested
20 positive or a horse tests positive for methamphetamine?

21 MR. BLODGETT: Not necessarily. DPS
22 becomes involved in an assisting manner with gate
23 inspections and barn inspections. Their presence is
24 more routine when we schedule those type of activities,
25 not necessarily involved in working out a positive on a

1 race animal.

2 COMMISSIONER ABER: Maybe I can get our
3 DPS Commissioner to report on that. When you have
4 somebody that is positive for methamphetamine and a
5 horse that is positive for methamphetamine, isn't that a
6 crime?

7 COMMISSIONER FLORES: Yes, and I am not
8 speaking out of school, but I would think that the local
9 law enforcement would have first dibs on doing any type
10 of investigation there.

11 And, again, I think DPS assists where
12 appropriate and where they are called in to assist.

13 COMMISSIONER ABER: So could we call them
14 in to assist on those situations?

15 MR. BLODGETT: Absolutely. We have had a
16 very close relationship with DPS because it is part of
17 the Racing Act, that they have a presence on the
18 racetrack. We've never had an opportunity where we
19 called where the DPS wouldn't assist with some of our
20 investigations.

21 COMMISSIONER ABER: Did you do that in
22 this case?

23 MR. BLODGETT: No.

24 COMMISSIONER ABER: Why?

25 MR. BLODGETT: We felt like we had a

1 really good handle on it, Commissioner, and trying not
2 to -- because these cases are still under investigation,
3 I didn't want to put too much information forward in
4 testimony, but we felt like we had a good handle on it.

5 COMMISSIONER ABER: What does that mean,
6 "a good handle on it"?

7 Did you test anybody else positive? Did
8 you test a horse and a human positive for
9 methamphetamine?

10 MR. BLODGETT: For methamphetamine.
11 That's our routine, yes, sir. We try to determine the
12 source, and in this case --

13 COMMISSIONER ABER: So you've got a
14 positive on a horse and a human?

15 MR. BLODGETT: Yes, sir.

16 COMMISSIONER ABER: And that is no reason
17 to call in the local people or DPS?

18 CHAIRMAN PABLOS: Well, Doctor, if I may,
19 irrespective of what's happened, I think what we need to
20 do is we certainly need to take a closer look at this
21 because I am personally very concerned that we have
22 groomsmen on methamphetamines handling these horses, and
23 that troubles me a lot.

24 Perhaps you can educate me on who the --
25 who hires these groomsmen, who is the actual individual

1 in the industry, who is supposed to hire these? Is it
2 the trainer, the owner, whoever it is? But it seems odd
3 to me that these groomsmen don't get fired or don't get
4 removed.

5 I think a 30-day suspension for somebody
6 who is abusing drugs and handling horses, I think that's
7 way too lenient, and so I would like for us to take a
8 look at that.

9 We are here to ensure the safety of both
10 humans and the animals, and it troubles me to know that
11 not only are these groomsmen under it themselves, but it
12 is a contagion on the horses themselves. We are seeing
13 it. We are seeing an uptake on positives on these
14 horses.

15 So, Chuck, I don't know what you would
16 recommend but I certainly would like to see some type of
17 proactive stance from this Commission on addressing this
18 particular issue that we can.

19 MR. TROUT: Yes, sir. We have already
20 began the process of starting random drug testing on the
21 back side. How we are going to conduct that, we haven't
22 figured out because we have to do it in kind of a random
23 way.

24 But Mark has already started working on
25 that policy, and we are going to start doing a lot more

1 surveillance, a lot more drug testing on the back side.

2 This came up all of a sudden at Lone Star
3 Park. We are not sure why. Because these same people
4 were in Houston. We had no positives at all. We -- we
5 believe that it may be because there was a more potent
6 strain of these -- of the methamphetamine that was being
7 used all of a sudden. It just popped up. There is
8 really no other explanation.

9 We haven't had any methamphetamine
10 positives at Retama. And I believe we have, what, one
11 at Gillespie.

12 MR. BLODGETT: One in Fredericksburg.

13 MR. TROUT: One in Fredericksburg, so...

14 CHAIRMAN PABLOS: You know, I would like
15 to see zero tolerance on this as soon as possible I
16 don't know, Commissioners, if you agree with me.

17 VICE-CHAIRMAN EDERER: Of course.

18 CHAIRMAN PABLOS: But you know, this is
19 ridiculous. I don't know where the horsemen are on
20 this. These are their horses that are being handled and
21 we have had people on drugs handling them, and so it is
22 very troubling me.

23 VICE-CHAIRMAN EDERER: Do the horsemen
24 know?

25 MR. BLODGETT: Yes, sir.

1 VICE-CHAIRMAN EDERER: They know?

2 MR. BLODGETT: Yes, sir.

3 VICE-CHAIRMAN EDERER: These are
4 groomsmen? You say they have been around a while?

5 MR. BLODGETT: The majority of the
6 positives that we were getting on the human side of it
7 were grooms.

8 VICE-CHAIRMAN EDERER: Are they legal?
9 Are they legal?

10 MR. BLODGETT: Yes, sir. The groom and
11 the stable foreman are all hired by the trainers. We
12 visited with many of the trainers who had these
13 positives, and they shared equally your sentiment on how
14 serious this is for their operation.

15 At least one or two of them had decided
16 that they wanted to try to test on their own, which
17 might be a pretty good idea. It's not anything that we
18 can mandate from our end as far as I know, but...

19 VICE-CHAIRMAN EDERER: I don't know why we
20 couldn't.

21 CHAIRMAN PABLOS: Of course we can.

22 VICE-CHAIRMAN EDERER: Of course we can.

23 CHAIRMAN PABLOS: We can mandate. At this
24 time, there may not be a mechanism for doing that, but
25 we can certainly mandate that.

1 I would like to begin the process, Chuck,
2 if it's okay with you, Commissioners, to begin to look
3 at this very closely. Bring in law enforcement, and
4 shoot for a zero-tolerance policy. This is
5 unacceptable.

6 MR. BLODGETT: In conducting a little bit
7 of research on this issue, nationwide it seems like
8 there is a little bit of an uptick, Mr. Chairman, on
9 this cross-contamination-type methamphetamine
10 contamination.

11 They are all reported at very low levels
12 on the information I have been able to research, which
13 lets me know that it's probably not just here, that it's
14 in many of the other racing jurisdictions that they are
15 having a similar problem.

16 CHAIRMAN PABLOS: It may be due to more
17 sophisticated testing, which I get, but that doesn't
18 negate the fact that there is drug abuse going on that
19 is impacting the animals.

20 MR. BLODGETT: Correct.

21 CHAIRMAN PABLOS: We have someone who
22 is -- please come up, Marsha.

23 MS. ROUNTREE: I haven't signed up on
24 this, but it is something --

25 CHAIRMAN PABLOS: That's okay. I am

1 asking you to please come up.

2 MS. ROUNTREE: -- that affects us, and I
3 want to at least give you an update.

4 CHAIRMAN PABLOS: Marsha, please state
5 your name for the record.

6 MS. ROUNTREE: Marsha Rountree. I am the
7 executive director of the Texas Horsemen's Partnership.
8 Several weeks ago, we started getting these
9 methamphetamine positives on racehorses at the
10 Thoroughbred meet at Lone Star Park.

11 It was very concerning to all of us in the
12 horseman's organization, and most especially the
13 trainers whose horses were coming up positive. We
14 became very proactive. One of the trainers -- at least
15 one that I know of had every single one of his employees
16 tested, everyone, and they were all negative.

17 One of the gate crew -- the gate crew was
18 all asked to be tested. One of the gate crew refused to
19 be tested, and instead, resigned and left.

20 So at that point, we -- because the level
21 of the methamphetamine in the horse was so small, that
22 it didn't make sense that it was coming from an
23 injection or in the feed or anything. It was looking
24 like it was some sort of cross-contamination. A human
25 being contaminated the horses in some way.

1 And so the Thoroughbred HBPA president,
2 Jan Haynes, contacted Dr. James, has been working with
3 Joel very closely, and with Chuck. We have been
4 addressing this.

5 They did conduct a meeting at Lone Star
6 Park with the stewards and the trainers that were
7 affected, and as far as I know, they are still working
8 on this. There are some more hearings that are
9 involved.

10 The HBPA, we have been in contact and are
11 still contacting other racing jurisdictions, racing
12 commissions, horsemen organizations to look at -- it is
13 not just a problem in Texas. It is happening
14 everywhere, so much so that Oklahoma had to come in and
15 actually establish a threshold for methamphetamine and
16 caffeine because of the cross-contamination.

17 And so I just wanted this Commission to
18 know that it's something that the horsemen are aware of.
19 We are concerned about it. It is not acceptable to us
20 in any way, and we are trying to be very proactive to
21 look for answers and solutions.

22 So thank you for addressing it and
23 acknowledging that it is a problem.

24 CHAIRMAN PABLOS: Thank you.

25 Jim, how does cross-contamination occur?

1 I mean, is it by sheer handling of the drug, that it
2 then it gets on the horse? Is it smoke? What is it?

3 MR. BLODGETT: Our best guess at this
4 point in time brought forward by the testing and the
5 investigation, Mr. Chairman, has been that someone gets
6 it on their hands from either smoking it or working with
7 it; and then by absorption from tying the tongue on the
8 horse or feeding or possibly watering, that that's how
9 the contamination is occurring.

10 CHAIRMAN PABLOS: Okay.

11 COMMISSIONER ABER: Even if it is
12 contamination. Nobody knows that. There is not any
13 studies done to tell if it was contamination. It could
14 very well not be contamination.

15 CHAIRMAN PABLOS: What are you referring
16 to, that perhaps --

17 COMMISSIONER ABER: I am referring to they
18 could have been given it to the horse.

19 CHAIRMAN PABLOS: Yes.

20 COMMISSIONER ABER: That is performance
21 enhancing that you wouldn't believe.

22 CHAIRMAN PABLOS: Well, and the concern I
23 have is now we are opening up a whole can of worms. Now
24 we have to determine whether it was contamination or
25 whether it was an actual injection or whatever it is.

1 That's why I would seek to have zero
2 tolerance, and I would urge the track owners to do the
3 same, especially consumption of drugs on the premises,
4 you know.

5 But that's now going to open up -- as the
6 doctor is saying, that's going to open up now to this
7 additional criteria to determine whether it's
8 contamination or actual use, and that's going to make it
9 harder for everybody.

10 MR. BLODGETT: Exactly.

11 CHAIRMAN PABLOS: And I know there are
12 thresholds and it might be in minute amounts, but in
13 either case, now it opens it up to questions.

14 So, Chuck, help us out, okay, please, and
15 work with them.

16 MR. TROUT: Yes, sir. Just one thing.
17 When it comes to thresholds, that only applies to
18 therapeutics. It does not apply to prohibited drugs,
19 and these are prohibited drugs.

20 CHAIRMAN PABLOS: Well, but Oklahoma --
21 Marsha was mentioning Oklahoma.

22 MR. TROUT: That's Oklahoma.

23 CHAIRMAN PABLOS: They established a --

24 COMMISSIONER ABER: But they haven't done
25 that. Oklahoma is looking into it, but they haven't

1 established a threshold, which I don't think they
2 should. I think it should be zero tolerance.

3 CHAIRMAN PABLOS: Zero.

4 COMMISSIONER ABER: And for clenbuterol,
5 also. And that way, if a horse comes up positive, the
6 horse is positive. That horse needs to be shut down.

7 CHAIRMAN PABLOS: Yes. At the end of the
8 day, you have to shift the burden over to the trainer
9 and the owner, correct? Okay.

10 MR. BLODGETT: In years past, to take off
11 on Commissioner Aber's comment, is all we've proved was
12 a trace amount because there were so many of these cases
13 that started showing up, we started asking Texas A&M to
14 provide a quantitation on the levels.

15 That's how we know they are extremely low
16 levels, but it is a trace amount that we are required to
17 prove, and that's it, because it is a prohibited drug in
18 a horse.

19 COMMISSIONER ABER: You know,
20 methamphetamine is probably one of the biggest
21 performance enhancers -- any kind of amphetamine is a
22 performance enhancer.

23 MR. FENNER: Mr. Chairman.

24 CHAIRMAN PABLOS: Yes, sir.

25 MR. FENNER: I am wondering if we are

1 straying afield from the enforcement report, as opposed
2 to the agenda item.

3 CHAIRMAN PABLOS: I understand. I just
4 want to make sure we have it on the record that we are
5 extremely concerned about that, but thank you for
6 getting us back on track.

7 MR. FENNER: Yes, sir.

8 CHAIRMAN PABLOS: Thank you, Jim.

9 And moving on to Item III B, Approval of
10 the Commission's Legislative Appropriations Request for
11 FY 2018-2019 and the Operating Budget for FY 2017.

12 Adrienne, please.

13 MS. COURTNEY: At this time, I would like
14 to present the agency's fiscal year 2017 operating
15 budget and its fiscal year 2018-'19 Legislative
16 Appropriations Request, or LAR, for your consideration
17 and approval.

18 The FY 2017 operating budget has been
19 prepared with the assumption that the agency will
20 regulate and support 36 live greyhound performances,
21 186 live horse race days and approximately 2200
22 simulcast race days. The number of race dates is based
23 on the requested and granted race dates as of
24 August 3rd.

25 Based on these assumptions, staff

1 estimates the agency will need 47 full-time positions,
2 \$7.4 million in appropriated budget authority and almost
3 \$1.1 million in unappropriated budget authority for a
4 total budget of \$8,516,000.

5 Staff has projected a cash balance of
6 approximately \$355,000 to carry forward from FY '16 to
7 FY '17. At this time, revenue for fiscal year '17 is
8 projected to be \$7,680,000. This will ultimately leave
9 the agency with a deficit of approximately \$400,000.

10 In order to delay the timing of the
11 deficit, all three Class 1 racetracks and all three
12 Greyhound racetracks have agreed to an accelerated
13 payment schedule of their annual fees.

14 In January, February, and March of 2017,
15 the tracks will pay a set amount in addition to their
16 monthly payment. This same amount will be deducted from
17 their monthly payment, which is made in June, July, and
18 August.

19 The accelerated payment of fees will help
20 to delay the deficit until sometime in June of 2017.
21 Before June, we should know if there will be a
22 legislative change to the structure of the agency's
23 revenue.

24 Next I will present the 2018-'19
25 Legislative Appropriations Request. The LAR process

1 begins with the submission of the agency's base
2 reconciliation, which is the total of estimated
3 expenditures for 2016 and projected expenditures for
4 2017.

5 Our baseline requests of \$14,666,769 in
6 appropriations for the biennium or that \$7.33 million
7 for each year was submitted to the legislative budget
8 board. This reflects \$737,000 decrease, or a 4.8
9 percent decrease, over the LAR that was submitted for
10 the prior biennium.

11 Subsequently, agencies were required by
12 State leadership to reduce their baseline requests by
13 4 percent. The Commission's 4 percent reduction for the
14 biennium totaled \$586,000, which reduced our baseline
15 budget request for the biennium to \$14.08 million, or
16 \$7,040,049 in appropriations for each fiscal year.

17 The LAR was prepared, assuming the agency
18 will continue to regulate and support the same number of
19 live race days and simulcast race days as stated for the
20 2017 operating budget.

21 Staff estimates the agency will need 46.4
22 FTEs, \$7,040,049 in appropriations and \$1.07 million in
23 unappropriated budget authority for each fiscal year.

24 In order to achieve the 4 percent
25 reduction required, the agency reduced its expenditures

1 in the following areas: A reduction of half of an FTE
2 in licensing, reduction in professional fees and
3 services, lump-sum payments, travel, training, other
4 operating costs, and the Texas Bred Incentive Program.

5 These cuts total \$293,300 for each fiscal
6 year. These reductions were challenging for two
7 reasons. One, reductions totaling \$130,000 were already
8 taken in fiscal year '16 and '17, which was reflected in
9 our original baseline request. And two, the agency uses
10 the principles of zero-base budgeting; meaning, our
11 budget starts at zero and all operating department
12 budgets are based on the race days that are granted and
13 requested for each fiscal year.

14 The agency is, therefore, requesting four
15 exceptional items which total \$106,000 for each year.
16 The first request is for \$18,000 each year for an
17 increase in our office building lease. This is a
18 20.7 percent increase over our previous lease.

19 The second request is for appropriations
20 of \$23,000 for the reopening of a greyhound racetrack
21 that has not operated in the current biennium. This
22 exceptional item would restore some of the travel costs
23 that were cut due to the 4 percent reduction and fund
24 additional inspections that will need to be conducted
25 and the installation of equipment needed prior to the

1 actual start of live racing. The third request is for
2 \$35,700 to restore cuts taken in the travel budget and
3 to other personnel costs.

4 The reduction in other personnel costs
5 would delay replacing essential staff who are eligible
6 for retirement in the '18-'19 biennium. A decrease in
7 travel could mean less oversight at the tracks or a
8 reduction in the travel caps for employees who are
9 assigned to work at tracks other than their designated
10 headquarters.

11 The fourth request is to restore 1 percent
12 or \$29,500 to the Texas Bred Incentive Program to ensure
13 that all funds dedicated to the program by statute can
14 be distributed to the breed registries for payments to
15 owners and breeders of accredited Texas bred animals.

16 The next rider revisions and additions --
17 the agency has submitted one rider revision and three
18 new riders. The revision to rider two, rider two states
19 that amount set aside for the Texas Bred Incentive
20 Program are appropriated in Strategy A21. The revision
21 would increase the appropriation authority if additional
22 revenue is collected. This would ensure that all
23 revenue earned is distributed to the breed registries.

24 A revision to rider 2 would negate the
25 need for the exceptional item number 4, which was to

1 restore 29,500 to the Texas Bred Fund.

2 The agency is requesting a new rider,
3 purchase of evidence to set up a petty cash fund in the
4 amount of \$2,000 from the appropriations in Strategy A32
5 Monitor Licensee Activities, to secure evidence and/or
6 information deemed necessary by the Commission to
7 enforce the Racing Act and the rules.

8 The petty cash fund will facilitate the
9 purchase of evidence and information and maintain the
10 confidentiality of any individuals involved.

11 The agency is also requesting two new
12 riders, which would add additional appropriation
13 authority for each additional day of live racing added
14 to the horse race day or the greyhound race day calendar
15 beyond the number of days upon which the budget is
16 based.

17 This concludes my overview of the fiscal
18 year '17 operating budget and the FY '18-'19 Legislative
19 Appropriations Request. Staff asks for the approval of
20 both of these items, and I will be happy to answer any
21 questions that you may have.

22 CHAIRMAN PABLOS: Commissioners, any
23 technical or clarifying questions?

24 Do we have anyone signed up for public
25 comment on this item?

1 MS. BIJANSKI: No, sir.

2 CHAIRMAN PABLOS: All right. Thank you.

3 MS. COURTNEY: You are welcome.

4 CHAIRMAN PABLOS: So we have staff
5 recommendation for approval. I would like to entertain
6 a motion to approve the LAR and the operating budget.

7 Do I hear a motion?

8 COMMISSIONER HICKS: I will make a motion.

9 CHAIRMAN PABLOS: Motion by Hicks. Is
10 there a second?

11 VICE-CHAIRMAN EDERER: Second.

12 CHAIRMAN PABLOS: Seconded by Ederer.

13 Commissioners, is there any discussion on
14 these items?

15 Chuck, do you have any comments on this at
16 all.

17 MR. TROUT: No, sir.

18 CHAIRMAN PABLOS: Okay. At this time I
19 would like to bring this up for a vote. All those in
20 favor, please signify by saying "aye."

21 COMMISSION: Aye.

22 CHAIRMAN PABLOS: Thank you.

23 The next item, proceedings on racetracks,
24 Item IV, IV A, Voluntary Surrender under Commission Rule
25 309.1 of Racetrack License held by Saddle Brook Park.

1 I would like to recognize Mark Fenner to
2 lay this item out, please.

3 MR. FENNER: Commissioners, as you recall,
4 the Class 2 horse racing license of Saddle Brook Park,
5 which is in Amarillo, has been referred to the State
6 Office of Administrative Hearings for revocation
7 proceedings after refusing to pay the annual license fee
8 starting on December 1 of last year. We have been
9 pursuing that case -- contested case hearing at SOAH.

10 Saddle Brook Park has reached out to us
11 and offered to voluntarily surrender the license for
12 revocation. They no longer want to make the payments,
13 they are done.

14 So you will see in your materials that
15 there is a settlement agreement between the executive
16 director and Saddle Brook Park in which the Commission
17 would accept the license for surrender. It needs to be
18 approved by you, and you have the agreed order in your
19 materials as well.

20 CHAIRMAN PABLOS: Thank you, Mark.

21 Do you have any clarifying questions,
22 Commissioners?

23 At this time I would like to recognize
24 Jeff Hooper, please, from Saddle Brook Park.

25 MR. HOOPER: Thank you, Mr. Chairman,

1 Commissioners.

2 My name is Jeff Hooper. I live in Fort
3 Worth, and Lynn Alexander asked me to come today and
4 read just a portion of the letter that he wrote and sent
5 to each of you last Friday and has been provided to you
6 there, so I will try and be brief and just read a
7 portion of this.

8 "Dear Chairman Pablos and Commissioners.
9 On August 9, 2016, you will be voting to revoke the
10 license of Saddle Brook Park, which I have voluntarily
11 surrendered. It is with great sadness that I have made
12 the decision to voluntarily turn in the Saddle Brook
13 license, a business venture that was the dream of my
14 late brother Drew.

15 "I believe it is important for the
16 Commissioners to understand why I took a stand against
17 payment of a license fee and was willing to contest the
18 license fee at the State Office of Administrative
19 Hearings.

20 "I wish I could be present to speak to
21 each of you individually, but business commitments
22 prevent me from being at the August meeting. It is my
23 hope that this letter can be read during public comment.

24 "Saddle Brooke was originally licensed by
25 the Commission in 1989 as Lubbock Downs. In August of

1 2001, the Commission approved the change of ownership to
2 Saddle Brook Park and approved the change of location to
3 Randall County.

4 "During Drew's illness and following his
5 death, my family made a very serious run at creating a
6 market for horseracing in West Texas.

7 "As you recall, in July of 2012, Saddle
8 Brook filed an application with the Commission
9 requesting approval of a temporary license to conduct
10 simulcasting at a temporary location in Amarillo.

11 "The application was granted. And from
12 December of 2012 to December of 2014, Saddle Brook
13 operated a simulcast racing facility. However, the
14 market was not right to move to live racing.

15 "By December of 2014, our numbers were
16 turning upward, and we were a strong contributor through
17 our handle to the horsemen of Texas.

18 "As our deadline to renew the simulcast
19 license approached, we tried very hard to have the
20 Commission amend the rules to allow continued
21 simulcasting to keep racing alive in West Texas, to
22 drive the economic interest and attract and continue to
23 provide financial support to the industry and its
24 horsemen.

25 "The proposed rule change to extend our

1 preempting simulcast operation was initially voted on
2 favorably by the Commission, but then the Commission
3 chose not to grant the rule change final adoption.

4 "My annual license fee is \$230,000. In
5 December 2015, I notified the Commission that I did not
6 intend to make further payments for the license fee
7 because this fee bore no relationship to the amount of
8 regulation being provided to me as a license holder.

9 "I have invested millions of dollars in
10 horse racing in Texas, so the fee itself was not issue.
11 I and my fellow license holders were being forced to
12 bear all of the financial responsibility for the racing
13 industry in Texas.

14 "Our desire was that the Commission, my
15 fellow license holders, and the industry would take a
16 stand, and together, seek a new relationship with State
17 leadership and put the true story before them.

18 "As I leave Texas as a license holder, I
19 remain in Texas as a horseman and a supporter of the
20 future of racing. As seen through my eyes as a
21 businessman, I believe you will each agree, our industry
22 will wither and die unless some form of expanded
23 gambling is allowed in Texas or general revenue is
24 appropriated to support racing.

25 "Unless license holders, horsemen,

1 legislators and the State's leadership can get on the
2 same page and support of the horse and dog racing we all
3 love, the future of racing and the Texas Racing
4 Commission will be short lived.

5 "The decision to voluntarily turn in the
6 Saddle Brook license was mine alone and in no way based
7 upon the actions of lawyers and judges. It is my
8 sincere belief that I must stand on my principles. And
9 my hope is that by doing so, we will one day see changes
10 for the betterment of racing in Texas.

11 "My friends, I have always been a horseman
12 at heart, and that will never die. As my brother Drew
13 used to say, 'See you at the track.'.

14 "With deepest regards, Lynn Alexander.

15 CHAIRMAN PABLOS: Thank you.

16 Commissioners, any questions?

17 VICE-CHAIRMAN EDERER: Yes.

18 CHAIRMAN PABLOS: Commissioner.

19 VICE-CHAIRMAN EDERER: I really don't like
20 seeing this happen. And Lynn and Drew worked very hard
21 and were here working with us and we tried to work with
22 them, and I think they were doing a pretty good job out
23 there.

24 And it was to be established -- if -- as
25 far as the license is concerned, it is dead now? Is

1 that the way it sits?

2 MR. FENNER: Yes, sir, that's correct.

3 VICE-CHAIRMAN EDERER: What if we decided
4 we didn't want to accept his resignation, accept the --

5 MR. FENNER: Well, that would put us in an
6 awkward situation. The rules are not really in total
7 alignment. The rules give the executive director the
8 authority to negotiate and settle, take a contested case
9 hearing, which is acted on. The rules also say that the
10 settlement must be brought to you.

11 So there is not an easy answer.

12 VICE-CHAIRMAN EDERER: Well, you know, I
13 am hoping -- I have very strong hope that the industry
14 is actually working the Lieutenant Governor's office and
15 with the legislature and that they are -- I have high
16 hopes that they are going to accomplish something that's
17 going to help the industry survive.

18 And, you know, I hate to see someone who
19 has put so much time and effort into the license and try
20 to bring racing to West Texas to just go away, when we
21 may be on the verge of something happening in the State
22 legislature.

23 If something doesn't happen in the State
24 legislature, then we have a major problem, as we all
25 know.

1 Could we table this?

2 CHAIRMAN PABLOS: Commissioner Ederer, if
3 I may?

4 VICE-CHAIRMAN EDERER: Yes.

5 CHAIRMAN PABLOS: When you are
6 recommending that we deny the --

7 VICE-CHAIRMAN EDERER: I am not
8 recommending anything. I am asking questions right now.

9 CHAIRMAN PABLOS: Well, the question was
10 whether we deny the voluntary service, is it not?

11 VICE-CHAIRMAN EDERER: Yes.

12 CHAIRMAN PABLOS: Okay. So you are
13 recommending that we might look down that road.

14 Are you also recommending that we also
15 forgive the fee that is owed?

16 VICE-CHAIRMAN EDERER: Well, from his
17 actions in the past, I would submit that his fee
18 would -- he would probably work that out if something
19 would happen with the legislature, favorable toward
20 racing. I don't know that. I am just talking.

21 CHAIRMAN PABLOS: No, I get you. I am not
22 going to hold you to anything.

23 VICE-CHAIRMAN EDERER: Sure.

24 CHAIRMAN PABLOS: What I am trying to
25 figure out here is, if we are making an exception for

1 this license holder, will we have to make an exception
2 for everybody else? And what about those who have
3 already paid their fee, will we have to refund that fee
4 to them?

5 That's what I am asking if we were to go
6 down this road, because this -- this particular license
7 holder is not in compliance because of the failure to
8 pay the fee.

9 COMMISSIONER ABER: You know,
10 Mr. Chairman --

11 VICE-CHAIRMAN EDERER: I hear what you are
12 saying.

13 COMMISSIONER ABER: -- what about the ones
14 that have always pledged to have or go toward live
15 racing and they are still simulcasting? You know, we
16 kind of cut that out because they didn't get a track. I
17 mean, we made it pretty hard on them ourselves.

18 And they were simulcasting a pretty good
19 bit. They were adding purses to the -- adding money to
20 the purses, and what Mr. Ederer was saying: Is there
21 anyway to postpone it?

22 VICE-CHAIRMAN EDERER: At the same time,
23 the chairman -- the position that the chairman has
24 brought up now, that -- what will that do to us?

25 CHAIRMAN PABLOS: I mean, the reason we

1 got here to this place in the first place is because
2 there is a failure to pay the fee.

3 VICE-CHAIRMAN EDERER: Agreed.

4 CHAIRMAN PABLOS: Right, it's not that
5 they didn't want it. It's just they didn't want to pay.

6 My concern -- my only concern -- and I
7 agree with you. I mean, Drew was such a great champion
8 of this, and we miss him dearly.

9 VICE-CHAIRMAN EDERER: True.

10 CHAIRMAN PABLOS: But at the same time, we
11 have got compliance issues with respect to the other
12 license holders. Some of them have already told us that
13 they weren't paying and some of them have already made
14 their payments or are in the process of making their
15 payments.

16 So the issue here is, if we make an
17 exception or we table or we buy them time, well, I can
18 already hear us getting phone calls from the other
19 license holders saying, What about us?

20 VICE-CHAIRMAN EDERER: I agree, What about
21 us.

22 CHAIRMAN PABLOS: And so --

23 VICE-CHAIRMAN EDERER: I agree with you --
24 excuse me, Chairman, if I can interrupt you for just a
25 second.

1 CHAIRMAN PABLOS: Please.

2 VICE-CHAIRMAN EDERER: Tell me this, it is
3 true that Saddle Brook can apply for another license?

4 MR. FENNER: Yes, sir.

5 VICE-CHAIRMAN EDERER: There is no
6 prohibition from them applying. So let's say the
7 legislature does come up with some favorable position
8 that will allow racing to continue, and now all of a
9 sudden, it looks like it is a good investment.

10 MR. FENNER: Yes.

11 VICE-CHAIRMAN EDERER: That's a stretch,
12 but...

13 MR. FENNER: They could come to the
14 Commission and ask that it open an application period in
15 which it would entertain applications for licenses and
16 start from scratch, yes, sir.

17 VICE-CHAIRMAN EDERER: Right. And I would
18 assume the Commission would act on that favorably since
19 their track record, I think, is excellent.

20 But I see it can cause a real problem, as
21 Mr. Chairman has brought up.

22 MR. HOOPER: Mark, are there incremental
23 fees associated with application for a new license, et
24 cetera?

25 MR. FENNER: There are fees.

1 MR. HOOPER: And what are those amounts?

2 MR. FENNER: They are about \$75,000. I am
3 thinking off the top of my head. It is approximately
4 \$75,000. That's for processing the application and for
5 the background investigation. After the application
6 process is completed, we calculate what was expended and
7 the difference is reimbursed to the applicant.

8 MR. HOOPER: So there is that in addition
9 to the annual license fees that are being discussed
10 right now?

11 MR. FENNER: Yes. Yes.

12 COMMISSIONER ABER: Tell me this. When
13 Saddle Brook didn't pay their fee, did they have an
14 option to pay it out back then? Did they have an option
15 to pay it out?

16 CHAIRMAN PABLOS: They made quarterly
17 payments.

18 MR. HOOPER: Yes, whatever the rules
19 stipulated.

20 Now, the fees, obviously during the long
21 time that there was a Lubbock Downs and then a Saddle
22 Brook license, those annual fees, as you know, have
23 escalated substantially from whatever, \$10, \$25,000 a
24 year to the \$230,000, where they are now.

25 CHAIRMAN PABLOS: You know, I met with

1 Mr. Alexander's attorney a few weeks ago, and I made it
2 very clear, that I wished Mr. Alexander would have
3 reached out to us prior to sending that letter. Not
4 that I had any potential solutions.

5 But he went ahead unilaterally sending us
6 a letter letting us know that he wasn't going to pay,
7 and so I think that's really what started all of this.

8 And the fact he is unwilling to pay
9 creates a situation that I just laid.

10 MR. HOOPER: And I think he is -- I can't
11 speak entirely for him, but I think he stated the
12 reasons for not making those payments in this letter
13 that he sent to you.

14 CHAIRMAN PABLOS: He is equating the level
15 of regulation that he is getting for the payment,
16 although I don't agree with that because it's not a
17 comparison. He's got a license and he's got a
18 responsibility. Whether he --

19 The fact that he's not receiving any
20 regulation, as he says, is because he hasn't been able
21 to build a track and move forward with the license, so I
22 disagree with him, but that's beside the point right
23 now.

24 MR. HOOPER: Sure. That would be kind of
25 almost litigating the whole SOAH issue if we were to

1 enter into that conversation now.

2 CHAIRMAN PABLOS: Sure. Absolutely.

3 So Commissioner Ederer, that's really
4 where we are right now.

5 VICE-CHAIRMAN EDERER: I think you are
6 right, and I think we have to go ahead and accept this
7 as it is stated. It is a shame that it is happening,
8 and it has happened.

9 CHAIRMAN PABLOS: I agree.

10 VICE-CHAIRMAN EDERER: And hopefully the
11 legislature will pay some attention to the horsemen when
12 they come with their proposals and their requests for
13 assistance. I think this is just the beginning of the
14 end.

15 I think it's a very good example that the
16 horsemen can take to the legislature and say, look what
17 has happened, and Saddle Brook spent millions of dollars
18 trying to -- and you have given us no help.

19 So maybe in a round-about way, with Saddle
20 Brook suspending their license may be of assistance to
21 the horsemen and then they get to visit with the
22 legislature and make their proposals.

23 MR. HOOPER: Well, I am sure Lynn hopes
24 there is some benefit, and that's, again, what he stated
25 in his letter. He is trying to be up front and be very

1 open and honest and say: The funding model for the
2 racing Commission right now is not sustainable; and to
3 put all of this financial burden on the backs of
4 entities like Saddle Brook is not the appropriate
5 business model.

6 CHAIRMAN PABLOS: We hear him loud and
7 clear on that for sure.

8 VICE-CHAIRMAN EDERER: Yes.

9 CHAIRMAN PABLOS: Okay. So today's action
10 does not bar them from coming back, correct?

11 MR. FENNER: That is correct.

12 CHAIRMAN PABLOS: We are clear on that.

13 So I would like to entertain a motion and
14 accept a voluntary surrender of Saddle Brook Park's
15 horseracing license for revocation.

16 VICE-CHAIRMAN EDERER: So moved.

17 CHAIRMAN PABLOS: Moved by Ederer.

18 Second?

19 COMMISSIONER STEEN: Second.

20 CHAIRMAN PABLOS: Seconded by Steen.

21 Any further discussion?

22 At this time I would like to bring this up
23 for a vote. All those in favor, please signify by
24 saying "aye."

25 COMMISSION: Aye.

1 CHAIRMAN PABLOS: Any opposed? That
2 motion carries.

3 Thank you.

4 MR. HOOPER: Thank you very much.

5 CHAIRMAN PABLOS: I appreciate it.

6 MR. FENNER: Commissioners, could I ask
7 you before you leave today, for you to sign the agreed
8 order?

9 CHAIRMAN PABLOS: We have an order that
10 requires all of our signatures.

11 Mark, would you mind just passing it down
12 and we knock it out right now, please?

13 MR. FENNER: Yes, sir.

14 CHAIRMAN PABLOS: That way, we all move
15 on.

16 Okay. So the next item, IV B, Action on
17 Applications by Inactive Racetrack License Holders for
18 License Holders under Commission Rule 309.52. We have
19 Laredo Race Park, Laredo Downs, Valle de los Tesoros.
20 At this time I would like to recognize Mark to lay out
21 the item.

22 Please, Mark.

23 MR. FENNER: Yes, sir.

24 As you may recall, annually the inactive
25 racetrack licenses have to undergo a review and are

1 eligible for the Commission to either change the license
2 to active operating, change it to active other, to renew
3 it as inactive, or to refer it to SOAH for nonrenewal
4 proceedings.

5 We have got an application for each of the
6 licenses that's in your materials beginning on page 28.
7 What I have done here in the chart on page 25 is to lay
8 out the criteria that are laid out in the rule and in
9 the Act, and also to lay out the responses from each of
10 the racetracks in that chart.

11 So you will see that all of the licenses
12 are financially stable. None of them have racetrack
13 facilities. Laredo Race Park and Valle de los Tesoros,
14 they have rights to the land. That is not true for
15 Laredo Downs.

16 Then the rule talks about other good-faith
17 efforts, and this is a catch-all in which the racetracks
18 can lay out their arguments for the types of efforts
19 they have done that should qualify them for renewal.

20 And then there is other necessary factors,
21 and there is really nothing changed from the original
22 licensure other than the lack of property from Laredo
23 Downs. Then there is also some things at the bottom
24 that identify specific good-faith efforts in the rule
25 towards conducting live racing.

1 Again, they have the financial capability.
2 Laredo Race Park has an option on the property. Valle
3 de los Tesoros owns the property. No property for
4 Laredo Downs. None of them have entered into contracts
5 for construction, secured approval of the racing
6 facility's construction plans. They haven't secured
7 permitting or utilities. They haven't began or
8 sustained construction.

9 The other good-faith actions, again, are
10 listed on page 26, and this is taken verbatim with the
11 application of each of the -- each of the applicants for
12 renewal.

13 On page 27, you will see there is a
14 discussion about the criteria for deciding to refer it
15 for nonrenewal and for making a decision not to renew
16 it. There is really two prongs of that test. Either
17 that the renewal is not in the best interest of the
18 racing industry or the public or that the license holder
19 has failed to make good-faith efforts to conduct live
20 racing. And so you will see at the top Factors
21 Supporting Nonrenewal. Those are listed in the rule.

22 None of these -- there is no grounds for
23 denial or revocation or suspension. There is no
24 forfeiture of a bond. There is no failure to comply
25 with a condition or order, but there is a failure to

1 maintain ownership or leasehold interest in the property
2 of Laredo Downs.

3 I think that the license holders are
4 available to answer any questions you have. They are
5 prepared if you have questions.

6 CHAIRMAN PABLOS: Commissioners, are there
7 any technical or clarifying questions for Mark on these
8 items?

9 What I would like to do, if I may, I would
10 like to just take them in the order they appear on the
11 agenda so we can ask representatives to come up.

12 So let's start with Laredo Race Park. Is
13 there a representative from Laredo Race Park?

14 MS. YOUNG: Good morning, Commissioners.
15 Andrea Young here, the president of Laredo Race Park,
16 standing before you here today to request that you renew
17 the inactive status for Laredo Race Park. We believe
18 Laredo Race Park certainly satisfies the two-prong test
19 that Mark just laid out for you.

20 We continue to always evaluate a way to
21 move forward with the license, as you guys are very well
22 aware. You just heard really great reasons. You know,
23 those times are tough right now.

24 However, we are complying with all of our
25 payments. We continue to evaluate any opportunity

1 available to us. We are in regular conversations to
2 that end, and I respectfully request that you renew our
3 license.

4 I am happy to answer any questions.

5 CHAIRMAN PABLOS: Commissioners, any
6 questions?

7 Thank you.

8 MS. YOUNG: You are welcome.

9 CHAIRMAN PABLOS: Laredo Downs.

10 MR. AZOPARDI: Good morning, Mr. Chairman,
11 Commissioners.

12 CHAIRMAN PABLOS: Good morning.

13 MR. AZOPARDI: My name is Tony Azopardi,
14 and I am here today representing the interests of Valle
15 de los Tesoros and Laredo Downs. We are respectively
16 asking you to renew the licenses that we have today.

17 We recognize that we still have an
18 outstanding issue as it relates to our site for Laredo
19 Downs. I can tell you that the principles associated
20 with that license have had numerous discussions in the
21 last month to try to find ways to remedy this issue.

22 One of the options, certainly a viable
23 option, is to dedicate a portion of the land that the
24 LaMantia family already owns in Laredo to a racetrack
25 site.

1 While we think that site would make a
2 great location for a facility, it is not without its
3 issues. As you know, the rules that you have to approve
4 a site require numerous and expensive studies that have
5 to be submitted.

6 In the past, when we have discussed this
7 option of using the site on Mines Road. It has been
8 objected to by the other license holder in Laredo in
9 Webb County, and we are concerned about going through
10 the expensive process of the studies -- the traffic
11 studies, et cetera, to get that approved and then have
12 it denied. So we are working currently with Andrea
13 Young, which you've just you heard from, the other
14 license holder in Webb County to try to find some
15 creative solutions around this.

16 I am confident, as I stand here today, to
17 tell you that we will get those worked out. I feel like
18 there is some changes coming that will be very conducive
19 to us doing that.

20 However, timing is always critical, and
21 timing is not on our side today as I stand here and ask
22 you to renew that because I don't have a concrete
23 solution to that other than to promise you that one is
24 in the works.

25 I have a commitment from the LaMantia

1 family that we will get this issue resolved in the very
2 near future, and I can say that our group has
3 consistently worked with you, as commissioners, and your
4 staff to try to find ways to assist the industry. Those
5 have not worked out in the past.

6 However, we still continue to make our
7 annual payments, and including recently, in working
8 group meetings, where my clients have even offered that
9 we will pay those annually, go back to an annual payment
10 of those fees and do it the first of the year, if that
11 will help with the funding of the agency. We stand by
12 that commitment and we stand by the industry as being a
13 faithful steward to the industry.

14 I am happy to answer any questions you may
15 have. Mr. Chairman, I conclude.

16 CHAIRMAN PABLOS: Commissioners, any
17 questions?

18 COMMISSIONER STEEN: I have a question.
19 As far as those creative solutions, can you comment on
20 what those might be?

21 MR. AZOPARDI: At this point,
22 Commissioners, I really can't. There is a lot of
23 business negotiations in place and it would jeopardize
24 some of the business negotiations that we had in place.
25 It would hurt us from a contractual standpoint if I

1 commented on what those plans were today.

2 COMMISSIONER STEEN: And timing wise?

3 MR. AZOPARDI: Timing wise, I think we are
4 looking in the next quarter we will have this resolved,
5 so within a three-month period, sir.

6 CHAIRMAN PABLOS: Commissioners, any other
7 questions?

8 Tommy, are you current on your annual fee
9 payments?

10 MR. AZOPARDI: Yes, sir, we are. In fact,
11 I would say between my two clients, we pay annual fees
12 in the neighborhood of \$1 million a year, and those are
13 all current, and that's, I believe, about a fourth of
14 the Commission's budget.

15 And as you've heard from the letter that
16 was read by Mr. Alexander and testimony from Andrea
17 Young, we are all struggling to try to find ways to
18 sustain this model.

19 As you heard from Commissioner Schmidt at
20 the last meeting and I believe Commissioner Ederer at
21 the last meeting, this is not a working economic model
22 right now. We have got to work to change it and we are
23 working very, very diligently to get that changed, and I
24 am optimistic that we are going to get that changed.

25 CHAIRMAN PABLOS: Are you here also to

1 speak on Valle de los Tesoros or is there someone else?

2 MR. AZOPARDI: I am here on both of the
3 licenses, sir.

4 CHAIRMAN PABLOS: Okay. Thank you.

5 MR. AZOPARDI: Thank you, sir.

6 CHAIRMAN PABLOS: Mark, I have a question.
7 These reviews are annual reviews, correct?

8 MR. FENNER: Yes, sir.

9 CHAIRMAN PABLOS: When will the next
10 review come up? I know we are running late -- this is
11 late, right?

12 MR. FENNER: No, this one is on time.

13 CHAIRMAN PABLOS: This one is on time.

14 MR. FENNER: The previous one was late.

15 CHAIRMAN PABLOS: So the next one would be
16 next August?

17 MR. FENNER: Yes, sir.

18 CHAIRMAN PABLOS: Well, I am satisfied
19 that, you know, if we are having these annual reviews
20 and we are having folks come up and make certain
21 assertions that -- and if they are current on their
22 fees, I am satisfied that we can move forward with --
23 with approving, but I will leave that to you,
24 Commissioners.

25 Is there anyone signed up to speak on

1 these items?

2 MS. BIJANSKI: No, sir.

3 VICE-CHAIRMAN EDERER: It is my
4 understanding there is a very sincere movement taking
5 place by those parties, and I feel that we should give
6 them a chance.

7 CHAIRMAN PABLOS: I agree, and with the
8 legislative session coming up, I would hope that -- you
9 know, we talk about creative solutions, and I have
10 spoken to some of you about some solutions.

11 And I am very satisfied that this is
12 genuine, and I am going to be voting for allowing to
13 renew these licenses for another year.

14 So at this time -- any other questions or
15 comments, Commissioners?

16 Okay. So at this time I would like to
17 entertain a motion to renew as inactive licenses of
18 Laredo Race Park, Laredo Downs, and Valle de los
19 Tesoros. Is there a motion?

20 VICE-CHAIRMAN EDERER: So moved.

21 CHAIRMAN PABLOS: Moved by Ederer. Is
22 there a second?

23 COMMISSIONER FLORES: Second.

24 CHAIRMAN PABLOS: Seconded by Flores.

25 Any other comment?

1 Okay. At this time I would like to bring
2 this up for a vote. All those in favor, please signify
3 by saying "aye."

4 COMMISSION: Aye.

5 CHAIRMAN PABLOS: Any opposed?

6 That motion carries. Thank you.

7 Move to Item C, Ownership and Management
8 Reviews of Active Racetrack Licenses under Commission
9 Rule 309.53. We have Lone Star Park, Sam Houston Race
10 Park, and Valley Race Park.

11 Mark, will you please lay out this item?

12 MR. FENNER: Yes, sir.

13 On 6.06 Subsection (k) of the Racing Act
14 requires the Commission to review the ownership and
15 management of active racetrack licenses every five
16 years, and we've established a process and a rule number
17 in which this is done.

18 Racetracks have to submit copies of their
19 current management concession in tote contracts. There
20 is security plans. Background information for everybody
21 who owns at least 5 percent and for each officer,
22 director, or management committee member, and then a
23 review fee of \$5,000.

24 After you have completed your review, you
25 can take any action authorized under the act of the

1 rules, and you can schedule the next ownership of
2 management review.

3 Now, when it talks about taking any action
4 under authorized of the act or the review, it is really
5 talking about these are some grounds for disciplining
6 the racetrack license holder, should you be revoking the
7 license, suspending the license, something like that.
8 So that's what we are looking for, is there any grounds
9 for taking that kind of disciplinary action.

10 So we've completed our reviews of Lone
11 Star Park. We prepared reports for you and the other
12 two licenses. Now, Lone Star Park, for those of you who
13 were here during the transfer, it is comprised of two
14 members, Racing Partners of Texas, which is owned by
15 Ricky Knox, he owns 51 percent; and then Global Gaming
16 Solutions, which is owned by the Chickasaw Nation
17 Division of Commerce, which is a federally-recognized
18 Indian tribe based in Oklahoma.

19 All of the members of the management
20 committee and the officers and directors of Lone Star
21 Park are licensed occupationally by the Commission, so
22 we have current background checks on every one of them
23 involved and undergone within the past three years.

24 There is no revealing -- there is no
25 disqualifying information about any of them. They

1 submitted their security plan and our investigative
2 staff have reviewed and approved it.

3 The tote contract is exactly the same one
4 that the Commission approved back in December 15th of
5 last year. They don't have a management contract or a
6 concession contract.

7 We provided copies of these separately.
8 You have a copy of the financial statements of Lone Star
9 Park. We've also prepared in the materials on page 46 a
10 summary of the inspections, investigations over the past
11 five years. There are a number of very minor issues,
12 and all of them were timely corrected by Lone Star Park.

13 Similarly, we've reviewed the materials
14 for Sam Houston and Valley Race Parks. Now, these are
15 owned by the same entity, PM Texas. They own both
16 licenses. PM Texas is a 50/50 partnership between
17 essentially a subsidiary of MAXXAM, Incorporated and
18 Penn National Gaming. It has --

19 MAXXAM is primely owned by Charles Hurwitz
20 of Houston, and National Gaming is a publically-traded
21 company. It is managed by a management committee with
22 four members. MAXXAM's subsidiary has two members on
23 the management committee, and Penn National Gaming has
24 two members on it as well. All of them are licensed by
25 the Commission and have undergone background checks as

1 well as their officers.

2 We have done -- we've reviewed the
3 security plan for both Sam Houston and Valley. Those
4 are in compliance and the manage -- or the investigative
5 team has reviewed it.

6 Tote contract has been reviewed and
7 approved by the Commission in both cases. There is no
8 management contract. They handle that internally. Now,
9 there is one minor issue. They have an alcoholic
10 beverage concession agreement in place for both tracks
11 that was not approved by the Commission. I believe it
12 was just an oversight. They have submitted them. I
13 have reviewed them. We are going to bring them to you
14 at the October Commission meeting for you to review and
15 approve.

16 And, again, we have provided a copy of the
17 financial statement that is a consolidated financial
18 statement for both Sam Houston and the Valley since it
19 is just one entity.

20 Again, you will see a summary of the
21 inspection reports for the past five years for both of
22 those racetracks. The one for Sam Houston is at the
23 bottom of 48 and the top of 49. The bottom of 49 and
24 page 50 is Valley Race Park; again, a number of minor
25 compliance issues that they promptly corrected.

1 If you have any questions, I will be happy
2 to try and answer those.

3 CHAIRMAN PABLOS: Thank you, Mark.

4 Commissioners, are there any technical or
5 clarifying questions for Mark at this time?

6 Mark, so these reviews are every five
7 years?

8 MR. FENNER: Yes, sir.

9 CHAIRMAN PABLOS: And speak to how we
10 handle these with respect to how they come up.

11 MR. FENNER: Well, what happened is, when
12 we adopted the rule several years ago, we went back and
13 looked at the time that the license had either been
14 originally granted or if it had changed ownership in
15 interval, then it started at the time period from that
16 period.

17 And so they were set in five-year
18 increments based on the starting line of when they were
19 either originally licensed or when they were most
20 recently approved for a change of ownership and had
21 undergone full background checks.

22 So that's how that schedule was set out
23 with when the license -- when the rule was established
24 in 2012 or something.

25 CHAIRMAN PABLOS: So the reviews are

1 staggered based on --

2 MR. FENNER: On the original licensure and
3 original language, yes.

4 CHAIRMAN PABLOS: Would it be too much of
5 a heavy lift to harmonize all of these and get them all
6 aligned, and that way, we are having just every bit
7 reviewed at the same time, or --

8 MR. FENNER: No, sir, that -- we can bring
9 a rule change or bring the rule proposal to you to do
10 that.

11 I mean, conducting the gathering of
12 material, preparing the report, and analyzing the
13 information is not difficult or terribly time consuming.
14 It is a fairly simple --

15 CHAIRMAN PABLOS: I am just speaking with
16 respect to just administrative review, making it more
17 efficient. This -- would this add an additional burden
18 to the license holders if we were to seek to harmonize,
19 and some of them may have to come back sooner than
20 others?

21 MR. FENNER: I wouldn't want to speak for
22 them.

23 I think I would tell you that we kind of
24 brought up this issue when the rule was originally
25 adopted to giving the Commission greater discretion to

1 advance the reviews, there was some pushback from the
2 industry. I think if we took it back to the rules
3 committee, we could perhaps flesh that out.

4 CHAIRMAN PABLOS: I mean, I am not set on
5 it. I just -- for administrative purposes, I'd like to
6 clean that up a little and make sure that, you know, we
7 can have a consistent review of all licenses rather than
8 have them staggered this way.

9 Any further questions, Commissioners?

10 Okay. So the same thing here, I would
11 like to hear from the tracks. We will start with Lone
12 Star Park.

13 MR. WELLS: Good morning, Mr. Chairman,
14 Commissioners, Staff. My name is Scott Wells. I am
15 president and general manager of Lone Star Park.

16 Specifically I am not sure exactly what
17 comment you want regarding this particular matter. Our
18 ownership has been reviewed. Every aspect of our
19 operation has been reviewed.

20 I appreciate the work by staff and the
21 communication from the staff in arranging all of this.
22 We have had some executive changes in the Global Gaming
23 that have occurred in the past couple of years.

24 But other than that, I think everything is
25 in order, but I will address any concerns that you have.

1 CHAIRMAN PABLOS: Commissioners?

2 No concerns. I just wanted to hear from
3 you and get a temperature reading on what you have going
4 on.

5 MR. WELLS: Well, it was 106 there
6 yesterday.

7 You know, it was a meet -- our 2016 meet,
8 I don't think there was a member of our whole team that
9 didn't expect to do better than we did in 2015 because
10 of the rains and cancellations.

11 I have been managing -- or involved in
12 racetrack management for 26 years now, and I canceled
13 more races in 2015 than I had in the previous 25 years
14 combined.

15 And some of those happened with the most
16 unfortunate of timing. We had a cancellation after one
17 race on the date of the Texas Mile. We had multiple
18 times we had to give groups we had arranged for the
19 evening, refunds and so on.

20 And so we were all pretty confident that
21 we wouldn't have similar meet this year. However, this
22 year ended up being -- 2015 and 2016 of May has been the
23 wettest month -- the wettest month -- not just the
24 wettest Mays, in the history of Texas, and --

25 But I would say that the uncertainty

1 surrounding the Texas racing situation leading up to the
2 opening of Lone Star Park in April had a dramatic effect
3 on us, because we usually sell a lot of our charity
4 groups -- a lot of our group events are sold in January
5 and February, and there is so much uncertainty at that
6 time, and it was on the news every day and we were at
7 one point \$400,000 behind our year-before base on group
8 sales.

9 But we did go ahead and have a reasonably
10 successful meet. You know, obviously, the competitive
11 situation has changed in Texas. We have fewer horses on
12 the ground, fewer horses available.

13 Frankly, our -- the quality of our product
14 due to the competitiveness of it is not as good as it
15 has in years past when the purses were better. So as
16 everyone in this room understands, until the purses get
17 better, it's going to be hard to track more good horses
18 and have more competitive racing than we have had in the
19 past.

20 CHAIRMAN PABLOS: Great.

21 Well, thank you very much. Appreciate it.

22 Sam Houston Race Park.

23 Do you know what the temperature was in
24 Houston yesterday?

25 MS. YOUNG: Hot, humid.

1 Commissioners, I am going to speak, if
2 it's okay, both on Sam Houston and Valley Race Park. I
3 thoroughly enjoyed having every single one of our
4 licenses reviewed over the last couple months. Staff
5 did a great job, were pretty easy to work with through
6 the process.

7 We are happy to answer any questions.

8 Mark did mention the concession agreements
9 that we had failed -- an amendment that we had failed to
10 submit to the Commission, completely an oversight really
11 on my part, for which I apologize. I've submitted it to
12 Mark and it will be before you at the next meeting.

13 I am happy to answer any questions.

14 CHAIRMAN PABLOS: What are you seeing over
15 there? What is going on?

16 MS. YOUNG: At Sam Houston?

17 CHAIRMAN PABLOS: Yes.

18 MS. YOUNG: You know, this has been a
19 really interesting year for us. Our Thoroughbred meet
20 has really been the driver of our business for the last
21 probably four or five years since we went to the 32-day
22 meet format about four or five years ago.

23 It had grown every single year. This is
24 the first year we were down, and we were down about
25 3 percent, and we run that meet from January to March.

1 And given all of the uncertainty and the
2 theatrics we had around this industry at this time, I
3 was actually pretty thrilled with only being down
4 3 percent.

5 Our Stakes Program, which is a big driver
6 of our meet overall, was actually up 22 percent, so I
7 think had it been normal circumstances, we would have
8 had a really nice meet. That meet has continued to
9 develop and we run it two days a week at night really
10 designed for the Houston local market and two days a
11 week during the day where we've identified a lack of
12 content across the country as we regularly lead the
13 country in wagering on those kind of -- you know,
14 Tuesdays and sometimes on Mondays when we are racing.

15 So a weaker Thoroughbred meet overall.
16 Quarter Horse meet was actually up a little bit, but we
17 got impacted by a lot of the rain as well. The second
18 quarter was really hurt by the rain. And the weather,
19 we had two cancellations, I think this year, one in each
20 of the meets.

21 We had another day that we had to cut
22 short, and we had been waiting for a long time for --
23 year over year, Sam Houston leads the entire Texas
24 industry -- I was just looking at this yesterday -- on
25 handle growth, actually, on our simulcast business,

1 except we have seen dramatic -- like we jumped off a
2 cliff in June and started falling.

3 And we really have a number of theories.
4 One is that Houston economy is extremely weak, at least
5 in the oil and gas segment, and so we have seen a
6 slowdown. That's trickling down. We see that across a
7 number of consumer segments.

8 And then the second thing is that a casino
9 opened up in Lake Livingston about 60 miles from us. So
10 we -- you look at their opening on June 2nd, there is
11 almost a direct correlation, so it's the state of play.

12 CHAIRMAN PABLOS: Commissioners, any
13 questions for Ms. Young?

14 Thank you.

15 MS. YOUNG: Thank you.

16 CHAIRMAN PABLOS: Mark, what is the proper
17 motion for this? Is it to schedule the next review?

18 MR. FENNER: Yes, sir. Yes, sir.

19 CHAIRMAN PABLOS: Okay. So I would like
20 to entertain a motion to schedule the next ownership and
21 management reviews for Lone Star, Sam Houston, and
22 Valley for 2021. Do we have a motion?

23 COMMISSIONER HICKS: I make a motion.

24 CHAIRMAN PABLOS: Motion by Hicks. Is
25 there a second?

1 VICE-CHAIRMAN EDERER: Second.

2 CHAIRMAN PABLOS: Seconded by Ederer.

3 Any further discussion on this item?

4 At this time, I would like to bring this
5 to a vote. All those in favor, please signify by saying
6 "aye."

7 COMMISSION: Aye.

8 CHAIRMAN PABLOS: Any opposed?

9 That motion carries.

10 And Item D, Allocation of Live Race Dates.

11 I would like to ask Ricky to bring up the item.

12 MR. WALKER: Good morning, Commissioners.

13 In your packets on pages 51 through 100
14 are the allocation of live race dates for horse
15 racetracks under Commission Rule 303.41 for the period
16 beginning January 1st, 2017 and ending August 31st,
17 2018.

18 On pages 53 and 54 are race date calendars
19 for 2017 and 2018 that show the horse racetracks were
20 requested and already granted race dates. The requested
21 race dates are similar in number and time of year to
22 those requested and approved in recent years.

23 Lone Star Park already has 50 Thoroughbred
24 dates granted for 2017 but has requested to move them
25 two weeks from April 6, 2017 to July -- July 16, 2017;

1 to April 20th, 2017 through July 30, 2017. This change
2 is supported by the Texas Thoroughbred Association but
3 not by the Texas Thoroughbred HBPA.

4 Retama Park has requested 20 Quarter Horse
5 dates to begin June 9, 2017 and end it on August 12,
6 2017. This request is supported by the Texas HBPA, the
7 Texas Quarter Horse Association and the Texas Paint
8 Horse Association.

9 Retama Park has requested 26 Thoroughbred
10 dates to begin on September 21st, 2017 and end on
11 November 25th, 2017. This request is supported by the
12 Texas Thoroughbred Association and the Texas Arabian
13 Breeders Association but not by the Texas Thoroughbred
14 HBPA.

15 Sam Houston Race Park has requested 24
16 Quarter Horse dates in 2017 to begin on March 31st, 2017
17 and end on May 22nd, 2017. This request is supported by
18 the Texas Quarter Horse Association and the Texas HBPA.

19 Sam Houston Race Park has requested 32
20 Thoroughbred dates in 2018 to begin on January 19, 2018
21 and end on March 13, 2018. This request is supported by
22 the Texas Thoroughbred Association and the Texas
23 Thoroughbred HBPA.

24 Are there any questions?

25 CHAIRMAN PABLOS: Commissioners, any

1 questions?

2 Thank you. Appreciate it.

3 MR. WALKER: Thank you.

4 CHAIRMAN PABLOS: I have two cards.

5 Marsha Rountree, please.

6 MS. ROUNTREE: Commissioners, Marsha

7 Rountree, executive director of Texas Horsemen's

8 Partnership. This is going to be fun.

9 I am here today to speak on behalf of both
10 HBPA boards, both partners of the Texas Horsemen's
11 Partnership, and I would like to address the easy one
12 first, if you don't mind.

13 The Texas HBPA would like to offer its
14 support for the requested Quarter Horse race dates for
15 Gillespie County Fair, Sam Houston Race Park, Lone Star
16 Park, and Retama Park. Letters to that effect have been
17 submitted to the Commission and are in your packets.

18 Moving on, the Texas Thoroughbred HBPA is
19 in support of the Thoroughbred race dates for 2018
20 submitted by Sam Houston Race Park. The Thoroughbred
21 HBPA also supports the dates suggested by the Gillespie
22 County Fair.

23 The Thoroughbred HBPA reluctantly agrees
24 to the Thoroughbred calendar proposed by Lone Star Park
25 although this is not an allocation of race dates. It is

1 more a change of this previously allocated dates. They
2 are moving their meet back just a little bit.

3 The reason for the reluctance varies, but
4 last month, the Thoroughbred HBPA requested that Lone
5 Star return to its former Saturday post time of
6 2:05 p.m. instead of the 7:00 o'clock post time that
7 they are requesting for 2017 and which they also ran
8 this past meet.

9 This was at the request of the horsemen
10 who participate and race in Lone Star Park. Lone Star
11 has denied our request for a 2:00 o'clock post time, and
12 instead, changed it from 7:00 p.m. to 6:35 p.m.

13 We also requested that they eliminate
14 racing on Thursdays since the attendance and, thus, the
15 handle, is nonexistent on Thursdays; but instead, they
16 agreed to eliminate only one of their scheduled
17 Thursdays.

18 Now, in reading the request that they
19 submitted to the Commission, it's very confusing, and it
20 states: "Most Fridays, every Saturday and Sunday, plus
21 three Thursdays and three holidays, a 6:35 pm post time
22 on Thursdays, Fridays, and Saturdays, except when it's
23 2:05 on four Saturdays. A 2:05 post time on Sundays,
24 2:05 on Memorial Day and triple crown, and a 5:00 p.m.
25 post time on July 3rd and 4th.

1 So how could the patrons in the DFW
2 Metroplex keep track of when there might be live racing
3 when the schedule changes so much from week to week?

4 If you look at the proposed Quarter Horse
5 meet that they submitted to you, it simply says, "Every
6 Thursday through Saturday 6:35 p.m. post time." It is
7 pretty straightforward and easy to understand.

8 So we are very hopeful that the marketing
9 department at Lone Star Park will find an effective way
10 to let the public know when the track will be open for
11 live Thoroughbred racing, because as it stands, the
12 proposed days and post times are pretty confusing.

13 Moving on to Retama Park. Retama
14 continues to be problematic for Thoroughbred racing. In
15 2014, the percentage of purses paid, which was derived
16 from live and export wagers, was only 11.45 percent.
17 This number dropped to 9.27 percent last year.

18 That means that the live product only
19 accounts for less than 10 percent of the purses being
20 paid for Thoroughbred racing at Lone Star Park -- I mean
21 Retama Park, excuse me. In comparison, Lone Star and
22 Sam Houston are well above 20 percent.

23 The Thoroughbred HBPA's board of directors
24 has formed a committee to study options regarding
25 Thoroughbred racing at Retama and has discussed ways to

1 work with the racetrack to improve racing opportunities
2 for Thoroughbred horsemen at Retama, and it's our hope
3 that Retama will be responsive to our suggestions which
4 come as a result of this process.

5 Last year, the track tried a new format
6 and moved the meet up earlier in the fall, experimented
7 with a three-day racing schedule. They maintained the
8 26-day meet, which ended earlier in the year due to the
9 three-day racing schedule.

10 The board of the Thoroughbred HBPA has
11 requested that the track begin its meet on the requested
12 date and continue with last year's three-day-a-week
13 schedule. Retama's denied the request, suggested that
14 the three-day-a-week meet was to blame for short fields,
15 lost opportunities, and low handle last year. We would
16 like to suggest otherwise.

17 It would be beneficial to attendance,
18 wagering, and purses if the people of San Antonio and
19 the surrounding area were aware that there was an open
20 and operating racetrack in their city. On many
21 occasions we have had residents of San Antonio ask if
22 the track is still open, and some seem surprised to hear
23 there is a racetrack in San Antonio.

24 We don't believe the short fields are a
25 result of three versus two days of racing per week. The

1 short fields are a result of low daily purses. Horses
2 are not shipping to Retama because of the 26-day meet
3 and the very low purses.

4 Those low daily purses are the result of
5 low handle. Those low handle figures are the result of
6 low attendance numbers. Those low attendance numbers
7 are the result of little or no marketing effort or
8 dollars spent to attract people to wager on horse
9 racing.

10 Music festivals, 50-cent beer, other
11 promotions, which don't appeal to race fans, do nothing
12 to increase the handle. Increase the handle, you
13 increase the purses, you increase the field size.

14 We are all aware of the general decline in
15 the industry. We are all imminently aware of what is
16 happening to our industry. The Thoroughbred HBPA feels
17 the decline at Retama Park goes further than just an
18 overall decline in the industry.

19 So we are very hopeful that we will be
20 able to work with Retama moving forward, but for the
21 2017 Thoroughbred race dates, the Texas Thoroughbred
22 HBPA objects to the two-day-a-week format and can't
23 support their requested dates.

24 Thank you.

25 CHAIRMAN PABLOS: Commissioners, any

1 questions?

2 Thank you, Marsha.

3 MS. ROUNTREE: Thank you.

4 CHAIRMAN PABLOS: Andrea Young.

5 MS. YOUNG: Commissioners, I will be brief
6 on Sam Houston's requested dates. We already have our
7 2017 Thoroughbred dates granted, and that's why you only
8 see the request for 2017 Quarter Horse dates. The
9 calendar matches up almost identically to our calendar
10 that we have run for the last several years.

11 We've also gone ahead and requested our
12 2018 dates. Because we start in January, we like to
13 have them well in advance, and we are happy to have the
14 support of all of these organizations -- horsemen
15 organizations.

16 Any questions?

17 CHAIRMAN PABLOS: Any questions,
18 commissioners?

19 Thank you.

20 MS. YOUNG: Thank you.

21 CHAIRMAN PABLOS: Okay, Commissioners. Is
22 there anyone else signed up to speak?

23 MS. BIJANSKI: No, sir, but I think
24 Mr. Wells may want to.

25 CHAIRMAN PABLOS: Mr. Wells.

1 MR. WELLS: I am Scott Wells, Lone Star
2 Park. It is my nature to be very sympathetic to
3 horseman's concerns and requests, and I think I have a
4 history of having worked very well with horsemen
5 wherever I have been.

6 I've also had the good genetic fortune to
7 be the son of a trainer who has ended up in several
8 halls of fame. When he was -- when I was growing up and
9 working with him in the 1950s and 1960s, I know that he
10 was focused entirely on where to run his horses and how
11 to make ends meet.

12 And then when I followed in his footsteps
13 and trained horses myself for 17 years, I, too, was
14 focused almost entirely on where to run my horses and
15 how to make ends meet. And so the trainers that are in
16 Texas now are all focused on this, where to run their
17 horses, how to make their ends meet.

18 I just assumed for the first half of my
19 life that the racetracks were making plenty of money and
20 it would be pretty easy just to open the gates and to
21 count the money as it came through.

22 When I started in racetrack management in
23 1990, however, I got a rude awakening, and I
24 understood -- began to understand -- and, Mark this was
25 in 1990 -- how difficult it is to turn a profit with a

1 racetrack. And I have got to say I am a little bit
2 disturbed that the trainers are trying to tell us how to
3 run our racetrack. Certainly they have the product, but
4 we have a great deal of expertise in running racetracks.

5 Now, regarding the post time move from
6 Saturday afternoons to Saturdays evenings at Lone Star
7 Park, well, a few years ago, when the racing quality was
8 much better at Lone Star Park, we were more competitive
9 on that simulcast shelf that's out there. We were a
10 much more competitive product out there than we are now.

11 And when we -- when we made the change --
12 I arrived at Lone Star in 2013, and it was in 2014 that
13 we moved to Saturday night racing. One of the reasons
14 we did so was because we had great success with a
15 Saturday night program at Remington Park. We -- we
16 experienced significant growth between afternoons and
17 evenings there.

18 So when we did that initial change to
19 Saturday night racing, Lone Star Park revenues increased
20 by 23 and a half percent on average Saturdays, and
21 purses -- purse revenues increased by 4 percent.

22 Well, then we follow 2014, with an
23 aberration in 2015, with all of the cancellations that
24 I've mentioned earlier and with all of the problems that
25 we've had this year with the public perception and more

1 bad weather problems, it just makes sense that Saturday
2 nights are the nights that people want to go out and
3 party.

4 You know, I've always thought that horse
5 racing was a three-legged stool. You have got the
6 horsemen who make their great investments in the horses
7 and the care and feeding, the training, and those. I
8 know that side of the business.

9 You have got the racetracks who operate
10 the very expensive facilities that we operate and high
11 overhead, but you also have the public. I remember back
12 when I was in Hollywood Park, when there was a big
13 battle over racing Friday nights or Friday afternoons.

14 They raced Friday afternoons for many,
15 many years, and the trainers even boycotted entries
16 because they didn't want to race Friday nights because
17 no one likes night racing except our customers. I don't
18 like it. The horsemen don't like it. The jockeys don't
19 like it, but the customers like night racing.

20 When we did make the change to night
21 racing in Hollywood Park, the handle jumped by
22 55 percent on those days. So, you know, we are not in
23 this for the convenience of the participants or for the
24 convenience of my employees. We are in it for the
25 convenience of the customers.

1 And, you know, we have been -- we have
2 been kind of a tired theme of "Racing that Rocks You"
3 for several years now, and we are going to be shifting
4 that focus in the coming years, and one of our plans is
5 to have a slogan of something to the effect of, "Lone
6 Star Park, The Party You Can Bet On." And we are going
7 for a party atmosphere, trying to draw people out. And
8 that means evening racing.

9 And as far as how we would stack up
10 against all of the major racing tracks out there that
11 are racing on Saturdays afternoons, sadly we just don't.

12 Concerning the post times, those post
13 times are up for discussion. I don't know if anyone
14 else received quite the scrutiny that we did on that.

15 As far as moving the days of the meet,
16 moving it by a couple of weeks, you know, for several
17 years we have been opening on the same day as the Texas
18 Motor Speedway's major event. We have been up against
19 the Texas Rangers' home opener.

20 And we just decided that moving it a
21 little later we would do a couple of things. We would
22 get away from that competition. We would also give our
23 turf course a couple of more weeks to set in and green
24 up. And we also would be starting just before the
25 Kentucky Derby when the entire nation is more cognizant

1 of horse racing. And, frankly, we hope to kind of
2 coattail on that awareness of racing on the week leading
3 up to the Kentucky Derby.

4 So with all due respect to the good
5 intentions of our partners, the horsemen, we will
6 continue to accept -- we will continue to consider their
7 suggestions. I will say that in this process, this
8 year, we didn't make our application until the last
9 possible hour, because right up until the last minute,
10 we were giving very great consideration, careful
11 consideration, to some scenarios that really would have
12 caused some objections by the horsemen, but we decided
13 to keep the same number of dates, to adjust our schedule
14 accordingly, hope for better weather, and inject some
15 new enthusiasm and a new approach in our marketing
16 approach for the meet.

17 CHAIRMAN PABLOS: Thank you.

18 Kevin Whalen, please.

19 MR. WHALEN: Good morning, Mr. Chairman,
20 Commissioners. I am Kevin Whalen. I am the general
21 manager at Retama Park.

22 I first wanted to address the two-day
23 versus three-day-per-week racing calendar. We did try a
24 new schedule in 2015. We had struggled in the past,
25 obviously, as Marsha pointed out, our struggle with

1 handles. We did want to try something different, so we
2 experimented with a three-day-per-week race calendar.

3 What we saw was a dramatic impact on
4 handle in a negative way. Our live handle decreased by
5 21.4 percent year over year, and our export handle
6 decreased by 23.7 percent year over year.

7 And what that also resulted in was a
8 reduction in purses earned during the live-and-export
9 meet down \$68,000 year over year, which is 13.5 percent.
10 So handle went down and purses went down as a result.

11 And one of the reasons we think that
12 occurred was the challenge with filling races. When you
13 are running three days per week as opposed to two, it is
14 much more challenging to fill out race days -- excuse
15 me, of races, and then there is an opportunity at the
16 end of the season that is lost for each of the
17 individual horses to run an additional time. So each
18 horse has fewer opportunities to run and each trainer
19 has a bigger challenge to fill each race.

20 And we believe that's the case because
21 it's due to conversations we have with trainers who race
22 at Retama Park. We received negative feedback. At the
23 end of that meet, we were told, This is a challenge for
24 us. Ending early means we have got a larger gap between
25 our meet and Sam Houston's meet which would be months

1 later. There, they forced to pay stall rent and there
2 are challenges that are inherent to trainers. So we do
3 think it was a result of our condensed meet.

4 Granted, handle has been a struggle, and
5 we know there are challenges with marketing our product,
6 getting our people out here; and that's a separate
7 challenge and one we are attacking every day.

8 One of our strategies, as Marsha pointed
9 out, is try to do as many festivals, different events as
10 possible at Retama Park. The reason is to try and build
11 our visibility within the community, right?

12 As we've talked about, we meet people out
13 there who don't realize we are open or thought we closed
14 last September and didn't reopen. We deal with that
15 every day, and we fight that battle to try to increase
16 our attendance and increase our handle, and that's our
17 primary job, is to try to get people in the park.

18 And we think it would be a mistake to
19 repeat having a three-day-per-week race calendar. We've
20 already seen it did not work. It went extremely poorly
21 as a matter of fact as far as handling purses went, so
22 we think it would be a mistake to repeat the same
23 mistake over and over again.

24 So we would like to race two days per
25 weekend, and we are willing to sit down with Marsha. I

1 think there are ways that we are going to need to -- to
2 work together to increase our handle. We have the same
3 goal, to increase our handle and increase attendance.

4 There is no doubt about it. It is tough.
5 We get into a tougher time of year in November, when we
6 struggle with racing and the crowds decrease, but we are
7 working on it and it's something we are working all the
8 time.

9 We increased marketing budget and
10 increased our marketing presence and try to get out more
11 in the community, and that's one of the things we work
12 towards every day in trying to improve Retama Park.

13 I am happy to answer any questions.

14 CHAIRMAN PABLOS: Thank you.

15 VICE-CHAIRMAN EDERER: Just to support a
16 little more about what Marsha said. As far as -- just a
17 couple of weekends ago, I happened to be in Fair Oaks,
18 where I lived for many years, and there was a lot of
19 people there. Not one of the people knew that the track
20 was open. They all thought that it had folded, and they
21 were very surprised when I said, Oh, no. But they all
22 had believed the track had folded the year before.

23 Those people, you know, they like to go to
24 the track.

25 MR. WHALEN: Yes, and I couldn't agree

1 more. It is a fate we start with every day. I hate
2 getting out there and having those conversations with
3 people. I have the same conversations. People tell me,
4 Oh, I didn't realize you were open anymore. It is
5 heartbreaking.

6 The struggle we have is we are on the
7 radio. We are on billboards on I-35. We are doing lots
8 of activities in the community. We have the city
9 fireworks where we packed Retama Park for the Fourth of
10 July. You know, I think the efforts are out there so it
11 does surprise me when I hear it as often as I do. I
12 know some people aren't going to realize we are open.
13 But to hear it to the extent we do is surprising and
14 disheartening.

15 CHAIRMAN PABLOS: Any other questions or
16 comments?

17 Thank you very much.

18 So, Commissioners, we are being asked to
19 approve the race dates as requested by each of these
20 tracks. I would like to see what your pleasure is. We
21 can have a motion to approve the race dates, which is
22 what staff is recommending.

23 So unless I hear otherwise, I would like
24 to entertain a motion to approve the race dates as
25 requested here.

1 COMMISSIONER ABER: I will make that
2 motion.

3 CHAIRMAN PABLOS: So we have a motion by
4 Aber. Is there a second?

5 COMMISSIONER STEEN: Second.

6 CHAIRMAN PABLOS: Seconded by Steen.

7 Any further discussion on this?

8 Okay. I will take this up for a vote.

9 All those in favor, please signify by
10 saying "aye."

11 COMMISSION: Aye.

12 CHAIRMAN PABLOS: Any opposed? That
13 motion carries.

14 Thank you.

15 We will move on to Item E. I'll have
16 Walker come lay out the item please, Allocation of Live
17 Race Dates for Greyhound Racetracks.

18 MR. WALKER: Good morning again,
19 Commissioners.

20 In your packet on pages 101 and 114
21 Allocation of Live Race Dates for Greyhound Racetracks
22 under Commission Rule 303.41 for the Period Beginning
23 January 1st, 2017 and ending August 31st, 2018.

24 On pages 103 and 104 are race date
25 calendars for 2017 and 2018 that show Gulf Greyhound

1 Parks requested race dates as well as the race dates
2 that have been already been granted to Valley Race Park,
3 Gulf Greyhound Park, and Gulf Coast Racing.

4 The only request is made by Gulf Greyhound
5 Park. It asks to make the following changes to its
6 already granted meet that begins in late 2017 and ends
7 in early 2018.

8 Delete the performance that is scheduled
9 for December 7, 14, 23, 28; January 4, 11th, 21st, 25th,
10 and 28th; and add performances on December 6, 13th,
11 20th, 27th, January 3rd, 10th, 17th, 24th and 31.

12 The changes will result in the same total
13 of 36 performances as the Commission originally
14 approved.

15 Are there any questions?

16 CHAIRMAN PABLOS: Commissioners, any
17 technical or clarifying questions?

18 Thank you.

19 MR. WALKER: Thank you.

20 CHAIRMAN PABLOS: Is there anyone signed
21 up to speak?

22 MS. BIJANSKI: No, sir.

23 CHAIRMAN PABLOS: We have no one signed up
24 to speak.

25 MS. BRIGGS: I am here, Mr. Chairman. If

1 anybody has any questions, I will be happy to answer
2 them.

3 CHAIRMAN PABLOS: Thank you, Sally.

4 Any questions of Sally?

5 Okay. Thank you.

6 Okay. So we are being presented with
7 these race dates. Staff is recommending approval. I
8 would like to have a motion to approve, please.

9 COMMISSIONER HICKS: I will make a motion.

10 CHAIRMAN PABLOS: Motion by Hicks.

11 Is there a second?

12 VICE-CHAIRMAN EDERER: Second.

13 CHAIRMAN PABLOS: Seconded by Ederer.

14 Any discussion?

15 All those in favor, please signify by
16 saying "aye."

17 COMMISSION: Aye.

18 CHAIRMAN PABLOS: Any opposed?

19 Okay. That motion carries.

20 We will move on to Item V, Proceedings on
21 Rulemaking. V A, Proposal to Amend Rule 303.102
22 Greyhound Rules. I would like to recognize Mark Fenner
23 to lay out the item.

24 MR. FENNER: Yes, sir.

25 Commissioners, this is a proposal that's

1 being made by the Texas Greyhound Association to address
2 the way that -- owners' awards from the accredited Texas
3 Bred Fund are distributed.

4 The reason they are making this request is
5 because the current rule is based on the model of
6 year-round racing, which is what took place at Greyhound
7 Park.

8 But now that the industry has switched to
9 a seasonal meet, in which they are conducting
10 36 performances -- in December and January primarily --
11 you have all of this accredited Texas Bred money that is
12 built up between the meets, and they are looking to
13 modify it to distribute that money fairly across the
14 entire meet rather than on a month-by-month basis as the
15 current rule is set up.

16 So what this rule proposal will do will
17 take the Accredited Texas Bred money that exists from
18 between the meets. And at the beginning of the meet, it
19 will allocate it against all of the races -- all of the
20 performances that are scheduled through the meet.

21 And then, rather than as the current rule,
22 paying owners' awards only to the Accredited Bred
23 first-place winners, it is going to distribute the money
24 across the first four Texas Bred Greyhounds to cross the
25 finish line.

1 This was taken to the Rules Committee. We
2 had quite a lengthy discussion about it. There is some
3 time pressure on this in order to get this rule in place
4 and operational by the beginning of the Valley meet in
5 late November. We need to get this published in the
6 Texas Register for public comment; and if there need to
7 be any adjustments, we can make them on the fly.

8 If you have any questions, I will be happy
9 to try to answer them. I understand there is a
10 representative of the Texas Greyhound Association here
11 as well.

12 CHAIRMAN PABLOS: Commissioners, any
13 technical or clarifying questions?

14 To the members of the Rules Committee, do
15 you have any comments?

16 Okay. Then I will recognize Billy
17 Galbreath, please. He is with the Texas Greyhound
18 Association.

19 MR. GALBREATH: Good morning,
20 Commissioners. I am Billy Galbreath. I am the
21 secretary/treasurer of the Texas Greyhound Association,
22 and I would like to thank Mark Fenner for helping us and
23 having a lot of patience with us to get these rules
24 written correctly, and he gave y'all the exact same
25 speech I would have given you on why we need it.

1 The only thing I would add is, in March of
2 this year at our annual membership meeting, our members
3 requested that we go from the -- just paying the winner
4 to paying four places because there is more money.

5 There is less races, only 36 a day -- 360 races versus
6 what we came from, over, you know, 3,000 races a year.

7 And so we would like to that have money
8 spread more equally amongst our members since there is
9 only 360 chances to win a race instead of 3,000 chances.

10 Thank you.

11 CHAIRMAN PABLOS: Any questions,
12 Commissioners?

13 Thank you. Appreciate it.

14 Okay. So having heard everything, I would
15 like to entertain a motion to publish the proposed
16 amendment to Rule 303.102 in the Texas Register for
17 public comment. Do I have a motion?

18 COMMISSIONER STEEN: I will make a motion.

19 CHAIRMAN PABLOS: Motion by Steen.

20 Is there a second?

21 VICE-CHAIRMAN EDERER: Second.

22 CHAIRMAN PABLOS: Seconded by Ederer.

23 Any further discussion?

24 All those in favor, please signify by
25 saying "aye."

1 COMMISSION: Aye.

2 CHAIRMAN PABLOS: Any opposed?

3 Okay. That motion carries.

4 Move to Item B.

5 Mark, will you please lay out Item B.

6 MR. FENNER: Yes, sir.

7 Before you is the proposed adoption of an
8 amendment to Rule 319.110, the Health Certificate Rule.

9 As you may remember, the Texas Racing
10 Commission's rules about health certificates are not
11 quite in alignment with the Animal Health Commission's
12 rules on health inspection requirements.

13 So what we would propose to do in this
14 rule is to incorporate the Animal Health Commission's
15 requirements by reference. Instead of specifying it,
16 just say we are going to follow whatever Animal Health
17 does.

18 That's what the rule proposal does. It
19 has been published in the Texas Register for over 30
20 days now. We have received no comments on it. We did
21 discuss it at the Rules Committee. We heard no
22 opposition to it there.

23 Staff would recommend adoption.

24 CHAIRMAN PABLOS: Okay. Anyone signed up
25 to speak?

1 MS. BIJANSKI: No, sir.

2 CHAIRMAN PABLOS: Members of the Rules
3 committee, any comments?

4 No.

5 So at this time I would like to entertain
6 a motion to adopt the amendment to rule 319.110 as
7 published in the Texas Register. Do I have a motion?

8 VICE-CHAIRMAN EDERER: So moved.

9 CHAIRMAN PABLOS: Motion by Ederer.
10 Second?

11 COMMISSIONER HICKS: Second.

12 CHAIRMAN PABLOS: Seconded by Hicks.

13 Any further discussion?

14 Okay. All those in favor, please signify
15 by saying "aye."

16 COMMISSION: Aye.

17 CHAIRMAN PABLOS: Any opposed?

18 That motion carries.

19 We do not have Executive Session today.

20 Item VII, I would like to have your input,
21 Commissioners, for the scheduling of our next Commission
22 meeting. As you know, we are required to have at least
23 six meetings of the year. This is our fifth meeting of
24 the year, and so technically we would have one meeting
25 left for the year.

1 If we go according to our regularly
2 scheduled meetings, the next one would be in October.
3 And so what I would like to ask is if you would like to
4 have an October meeting or have a December meeting or
5 anywhere in between?

6 Do you have a preference, given that we
7 technically would -- I mean, we can certainly have more
8 meetings, but, you know, I would like to adhere to our
9 tradition of having six meetings a year.

10 Does anybody have a preference as to when
11 we have our next meeting?

12 COMMISSIONER ABER: If we had one in
13 October, and then if we had to have another one, we
14 could.

15 CHAIRMAN PABLOS: We could.

16 So October is good? We keep it. Okay.

17 VICE-CHAIRMAN EDERER: The 11th of
18 October?

19 CHAIRMAN PABLOS: The 11th of October is
20 when we would schedule the next meeting.

21 Are we all good with that?

22 Okay.

23 So if you wouldn't mind, Commissioner,
24 sending the message that our next scheduled meeting will
25 be October 11th.

1 VICE-CHAIRMAN EDERER: And that's the last
2 one. That's six.

3 CHAIRMAN PABLOS: That will be six.
4 However, if we were to have a need to have a seventh, we
5 can certainly do that, so...

6 VICE-CHAIRMAN EDERER: A Christmas party?

7 CHAIRMAN PABLOS: A Christmas party.
8 Let's save the party for after session after we get good
9 news.

10 VICE-CHAIRMAN EDERER: And we will invite
11 the legislature.

12 CHAIRMAN PABLOS: All righty, everyone.
13 So the time is 12:15, and at this time I would like to
14 adjourn today's meeting of the Texas Racing Commission.

15 Thank y'all very much.

16 (Meeting adjourned at 12:16 p.m.)

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1 REPORTER'S CERTIFICATE

2 THE STATE OF TEXAS)
 3)
 4 COUNTY OF TRAVIS)

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

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

15 GIVEN UNDER MY OFFICIAL HAND OF OFFICE at
 16 Austin, Texas, the 24th day of August, 2016.

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