



NOTICE OF MEETING

State Race Track Leasing Commission Meeting
August 2, 2024, at 11:00 a.m.

Del Mar Fairgrounds
Board Room
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

*The State Race Track Leasing Commission meeting will be conducted in person per
Government Code Section 11133.*

STATE RACE TRACK LEASING COMMISSIONERS

Michele Perrault, Chair, Department of Finance	Michael Flores, Commissioner Department of Food & Agriculture
Mark Arabo, Commissioner, 22 nd DAA	Jennifer Osborn, Commissioner Department of General Services
Lisa Barkett, Commissioner, 22 nd DAA	Kathlyn Mead, Commissioner, 22 nd DAA

Joshua Caplan, Counsel, Office of the Attorney General

Persons wishing to attend the meeting and who may require special accommodations pursuant to the provisions of the Americans with Disabilities Act are requested to contact the office of the Chief Executive Officer, (858) 755-1161, at least five working days prior to the meeting to insure proper arrangements can be made.

Items listed on this Agenda may be considered in any order, at the discretion of the chairperson. This Agenda, and all notices required by the California Bagley-Keene Open Meeting Act, are available at www.delmarfairgrounds.com. Public comments on agenda items will be accepted during the meeting as items are addressed.

STATE RACE TRACK LEASING COMMISSION (SRTLCL) AGENDA

Friday, August 2, 2024
11:00 A.M.

Items listed on this Agenda may be considered in any order, at the discretion of the chairperson.

1. **Roll Call**
2. **Approval of Minutes** [Action Item]
 - A. March 20, 2024 3-5
3. **Reports** [Informational]
 - Del Mar Thoroughbred Club (DMTC) Report Verbal
4. **Public Comment on Matters Not Appearing on the Agenda**

This item is for Public comment on issues **NOT** on the current Agenda. However, no debate by the Board shall be permitted on such public comments and no action will be taken on such public comment items at this time, as law requires formal public notice prior to any action on a docket item. Speaker's time is limited to **two** minutes and may be modified based on the number of public speakers. No speaker may cede their time to another speaker.
5. **Recess to convene and hold the Del Mar Race Track Authority meeting**
6. **Reconvene back into open session**
7. **General Business**
 - A. Consideration and vote on whether to approve the Sixth Amendment of the Del Mar Race Track Operating Agreement under Paragraph 22.14 of that agreement. [Action Item] 6-12
 - B. Discuss and vote on whether to direct staff to research options to restructure or refinance the Del Mar Race Track Authority Revenue Bonds, Series 2015 and return to the Commission to discuss those options at a future meeting. [Action Item] Powerpoint
8. **Adjournment**

STATE RACE TRACK LEASING COMMISSION MEETING
Minutes – Wednesday, March 20, 2024

The State Race Track Leasing Commission (SRTLCL) met on March 20, 2024, by teleconference at the 22nd District Agricultural Association (District) Board Room, 2260 Jimmy Durante Blvd., Del Mar, CA, and at the Department of Finance Conference Room, 1021 O Street, Suite 3110, Sacramento, CA 95814.

ROLL CALL

Commission Chair Michele Perrault called the meeting to order at 11:05 a.m.

Commissioners Present in Sacramento:

Michele Perrault, Commission Chair; Department of Finance
Michael Flores, Department of Food & Agriculture
Jennifer Osborne, Department of General Services

Commissioners Present in Del Mar:

Mark Arabo, District
Lisa Barkett, District
Kathlyn Mead, District

Staff Present in Del Mar:

Carlene Moore, District CEO
Melinda Carmichael, District Chief Administrative Officer
Michael Sadegh, District Finance Director
Donna O'Leary, District Office Manager
Joshua Caplan, Counsel, Office of the Attorney General

APPROVAL OF MINUTES

August 14, 2023

Commissioner Mead moved to approve the meeting minutes from August 14, 2023. Commissioner Flores seconded. Chair Perrault, Commissioners Flores, Barkett, Osborne, and Mead were all in favor. Commissioner Arabo abstained, and the motion carried 5-0-1.

REPORTS (Informational)

22nd DAA Update

District CEO Carlene Moore reported that 2023 was a successful year. Equestrian activities have resumed at Horsepark and horseracing is fully operational. The District will once again focus on the timeline for one of three strategic initiatives, the Master Site Plan; another strategy session is scheduled later this month to identify key milestones and timelines for the remaining two initiatives, the Business Plan and Community Engagement efforts.

District CEO Moore also reported that an agreement has been reached with the City of Del Mar that allows formal negotiations between the District and the City over possible affordable housing sites on the property.

In tandem with that agreement, the District's Board unanimously adopted a resolution that opposes any rail alignments that impact operational, economic, environmental, and planning needs at the Fairgrounds.

Other news, the District hosted the Clean Coastlines For California Event in November with Senate President Pro Tempore Toni Atkins, which showcased work done at the Fairgrounds for the environment.

Del Mar Thoroughbred Club (DMTC) Report

DMTC President and Chief Operating Officer Josh Rubinstein reported a safe and successful 2023 racing season, with gains in growth, attendance and all track revenue such as ticketing, parking, food and beverage, and sponsorships. In 2023, between the Del Mar Summer and Fall meets, DMTC generated \$9.17 million in rent and gross revenues. Over the last ten years, the combined return from horseracing at the Del Mar Fairgrounds has provided the District and the Race Track Authority with over \$102 million gross revenue.

2024 Race Meets

The Summer race meet begins July 20 and runs through September 8 and the Fall race meet begins October 31 through December 1. During the Fall race meet, for the third time in Del Mar's history, Del Mar will host the Breeder's Cup, the Superbowl of Horse Racing. The economic impact for Del Mar hosting the Breeders' Cup to the District is over \$1.7 million.

DMTC President Rubinstein also gave an update on the racing industry in California with the closing of Golden Gate Fields in northern California in June. The California Association of Racing Fairs is proposing to expand their racing beyond the standard 13–14-week footprint and a proposal will be presented to the California Horse Racing Board at a later date.

Public Comment on DMTC Report (see pages 23-26 of the transcript)

Martha Sullivan Jane Cartmill

PUBLIC COMMENT ON MATTERS NOT APPEARING ON THE AGENDA

(see pages 27-29 of the Board packet)

Martha Sullivan Jane Cartmill Sean Reynolds

RECESS TO CONVENE AND HOLD THE RACE TRACK AUTHORITY MEETING

The Commission recessed to the Del Mar Race Track Authority meeting at 11:39 a.m.

RECONVENED TO STATE RACE TRACK LEASING COMMISSION MEETING

The Commission resumed at 12:12 p.m.

NEW BUSINESS

Item 7:

- A. Consideration and vote to exercise the final remaining option of the Del Mar Race Track Operating Agreement under Paragraph 4.1 of that agreement.
(Action)

Public Comment on Item 7A (see pages 54-63 of the transcript)

Martha Sullivan	Sean Reynolds	Jane Cartmill
Oscar de la Torre	Maria Loya	Mike Morton

Commissioner Flores moved to approve Item 7A and to require renegotiation of all or part of the Agreement per Section 4.1 of the Agreement. Commissioner Arabo seconded. Chair Perrault, Commissioners Flores, Arabo, Barkett, Osborne, and Mead were all in favor. and the motion carried 6-0. District CEO Moore said it is the intention to bring this back to the Commission later in the year for more review and discussion.

- B. Consideration and vote to approve the Breeders' Cup agreement between the Del Mar Thoroughbred Club and the Breeders' Cup (for the 2025 Breeders' Cup event), as required by Paragraph 5.8 of the Operating Agreement (added to the Operating Agreement with adoption of the Second Amendment to the Operating Agreement.) (Action)

Public Comment on Item 7B (see pages 67-70 of the transcript)

Martha Sullivan	Oscar de la Torre
Maria Loya	Mike Morton

Commissioner Arabo moved to approve Item 7B. Commissioner Mead seconded. Chair Perrault, Commissioners Flores, Arabo, Barkett, Osborne, and Mead were all in favor. and the motion carried 6-0.

- C. Consideration and vote for approval of amending the Del Mar Race Track Authority's Joint Exercise of Powers Agreement for the Del Mar Race Track Authority to (1) correct typographical errors in the first and fifth whereas clauses, and (2) replace "employ" with "retain temporary" at Section 3(E)(5) (Action)

Commissioner Mead moved to approve Item 7C. Commissioner Osborn seconded. Chair Perrault, Commissioners Flores, Arabo, Barkett, Osborne, and Mead were all in favor. and the motion carried 6-0.

ADJOURNMENT

Commission Chair Perrault adjourned the meeting at 12:36 p.m.

State Race Track Leasing Commission (Commission) Item 7-A, Sixth Amendment to the Del Mar Race Track Operating Agreement

SIXTH AMENDMENT TO DEL MAR RACE TRACK OPERATING AGREEMENT

This Sixth Amendment ("Sixth Amendment") to the Del Mar Race Track Operating Agreement entered into effective January 1, 2011 ("Operating Agreement") between the STATE RACE TRACK LEASING COMMISSION ("Commission"), acting on behalf of the 22ND DISTRICT AGRICULTURAL ASSOCIATION ("District"), and the DEL MAR THOROUGHBRED CLUB, a California corporation ("Operator") is made and entered into on this _____ day of _____, 2024.

RECITALS

A. The Commission and Operator entered into the Operating Agreement for operation of the Del Mar Race Track, located on the premises of the District, effective January 1, 2011.

B. The Commission and Operator executed an Amendment to the Operating Agreement effective March 14, 2012 ("First Amendment").

C. The Commission and Operator executed a Second Amendment to the Operating Agreement effective February 14, 2014 ("Second Amendment").

D. The Commission and Operator executed a Third Amendment to the Operating Agreement effective February 26, 2015 ("Third Amendment").

E. The Commission and Operator executed a Fourth Amendment to the Operating Agreement effective August 1, 2015 ("Fourth Amendment").

F. The Commission and Operator executed a Fifth Amendment to the Operating Agreement effective April 5, 2017 ("Fifth Amendment").

G. During the Commission's March 20, 2024, public meeting, the Commission voted to exercise the final remaining option of the Operating Agreement under Paragraph 4.1 of that agreement and voted to approve the Breeders' Cup agreement between the Operator and the Breeders' Cup (for the 2025 Breeders' Cup event), as required by Paragraph 5.8 of the Operating Agreement. As authorized by Section 4.1 of the Operating Agreement, the Commission also voted to require renegotiation of certain parts of the Operating Agreement.

NOW, THEREFORE, in consideration of the above recitals, the mutual obligations and agreements contained in this Sixth Amendment, and for other good and valuable consideration, the Commission and Operator agree as follows:

1. The definition of “Direct Payment” contained in Paragraph 2 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“Direct Payment shall mean, subject to the limitations set forth in Section 4155 of the California Food and Agricultural Code, ***\$1,425,000 for year 2025, \$1,467,750 for year 2026, \$1,511,783 for year 2027, \$1,557,136 for year 2028, \$1,603,850 for year 2029, and \$1,651,966 for year 2030.*** The Direct Payment is used by the District for the Fair or any other authorized purposes.”

2. Paragraph 5.3.2 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“Operator shall operate the Premises (i) for a period of ten days prior to the opening of the Race Meet to the extent that the Operator’s operation does not unreasonably interfere with satellite wagering operations or clean-up operations from the Fair and (ii) for a period of ***7 days*** following the Race Meet to the extent that such operation does not unreasonably interfere with the activities of the District on the Del Mar Fairgrounds (such periods and the Race Meet being referred to herein as the “Operation Period”). The Operator and the District will use their best efforts to cooperate so that the grandstand and other buildings and backstretch and stable areas can be opened as needed prior to the commencement of the Operation Period of all areas and returned to the District as soon as reasonably possible after the conclusion of the Race Meet.”

3. Paragraph 6.1 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“Direct Payment. ***\$500,000 of the Direct Payment shall be paid for year 2025 to the District on September 15, 2025, \$400,000 of the Direct Payment shall be paid for year 2025 to the District on November 15, 2025, and the Direct Payment balance of \$525,000 for year 2025 shall be paid to the District by November 30, 2025. \$500,000 of the Direct Payment shall be paid for year 2026 to the District on September 15, 2026, \$400,000 of the Direct Payment shall be paid for year 2026 to the District on November 15, 2026, and the Direct Payment balance of \$567,750 for year 2026 shall be paid to the District by November 30, 2026. \$500,000 of the Direct Payment shall be paid for year 2027 to the District on September 15, 2027, \$400,000 of the Direct Payment shall be paid for year 2027 to the District on November 15, 2027, and the Direct Payment balance of \$611,783 for year 2027 shall be paid to the District by November 30, 2027. \$500,000 of the Direct Payment shall be paid for year 2028 to the District on September 15, 2028, \$400,000 of the Direct Payment shall be paid for year 2028 to the District on November 15, 2028, and the Direct Payment balance of \$657,136 for year 2028 shall be paid to the District by November 30, 2028. \$500,000 of the Direct Payment shall be paid for year 2029 to the District on September 15, 2029, \$400,000 of the Direct Payment shall be paid for year 2029 to the District on November 15, 2029, and the Direct Payment balance of \$703,850 for year 2029 shall be paid to the District by November 30, 2029. \$500,000 of the Direct Payment shall be paid for year 2030 to the District on September 15, 2030, \$400,000 of the Direct Payment shall be paid for year 2030 to the District on November 15, 2030, and the Direct Payment balance of \$751,966 for year 2030 shall be paid to the District by November 30, 2030.***”

4. The first subparagraph of Paragraph 7.1 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“The Operator shall submit a preliminary itemized Budget, in the form attached as Exhibit “B”, to the Commission, the District’s Board of Directors, the District’s Chief Executive Officer and ***Director of Finance*** not later than ***December*** 15 of each year and prior to the beginning of the Budget year, together with any proposed increases or decreases in the annual salaries and bonuses of Operator’s executive and management personnel as required by Paragraph 7.2.2 (“Personnel Budget”). Within forty-five (45) days of the receipt of the preliminary Budget and Personnel Budget, the District may submit comments or questions concerning the Budget and/or Personnel Budget, to which the Operator shall respond in writing within fifteen (15) days of receipt. Within thirty (30) days of the receipt of such response, the final Budget and Personnel Budget shall be considered and approved by the District and transmitted to the Commission. Preceding the date of such approval, representatives of the Operator shall meet with the District’s Chief Executive Officer and staff, or their respective representative(s) as necessary in order to clarify Budget and/or Personnel Budget items and/or discuss questions raised by the District. In the event that the Operator disagrees with any action of the District, it may appeal in writing to the full Commission, which shall meet and resolve any Budget and/or Personnel Budget disputes within forty five (45) days after receipt of the Operator’s appeal. Nothing in this paragraph shall preclude the Commission from exercising final budgetary approval. All parties shall endeavor to complete the approval process no later than March 1 of the Budget Year. During the period of time between January 1 and final Budget approval, the Operator shall conduct its operations in accordance with its approved Budget for the preceding fiscal year subject to the approval of the District.”

5. The first subparagraph of Paragraph 9.1.1 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“The Operator shall provide all labor and supplies to properly clean all facilities, buildings, stalls, offices and grounds used by the Operator to conduct thoroughbred horse racing on a daily basis during the ***Race Meet(s)***.”

6. Paragraph 9.3 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“Racing Strips. During the Term of this Agreement, the racing strip shall be maintained by the Operator in condition for training thoroughbreds, harness horses, quarter horses or other horses. The Operator shall have the sole responsibility for, and authority to do, the maintenance on the racing strips and on the training track when used for horses. The responsibility of the Operator as to the maintenance of the racing strips shall include the chute, the dirt and ***turf tracks***, the inner and outer rails and the hedges lining the racing strips. If the District permits third parties to use the racing strips or the training track during the interim between the Race Meet(s), the Operator shall be reimbursed by the District for the cost of preparation and maintenance of the racing strips for and during such use. The District may authorize or permit the use of the racing strips or training track for other events outside of horse racing with the consultation of the Operator provided such use will not adversely impact thoroughbred racing. The District shall not permit

any use of the racing strips for a reasonable period prior to the commencement of the Race Meet(s). The District recognizes the importance of maintaining the integrity of racing strips and will consult with the Operator whenever the strips are utilized for any interim events outside of the race meet(s); e.g., the: San Diego County Fair Grandstand Staging.”

7. Paragraph 9.4 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

Infield and Grandstand Landscaping and Backside Maintenance. The District shall be responsible for all landscape installation and maintenance in the infield area and landscaped areas immediately adjacent to the Grandstand. All landscape activities shall be coordinated with the Operator to prevent unreasonable interference with events scheduled by the Operator. The District shall also be responsible for maintenance of backside areas of the Premises as indicated on Exhibit A-5. Notwithstanding the foregoing, the District and the Operator may agree from time to time or as part of the annual budget process that the Operator may perform the landscape design, maintenance, and enhancement of the Premises contemplated by this Paragraph 9.4 or contract with a third party for such activities on the Premises. The Operator and the District shall establish inspection procedures before and after the Fair, any interim events utilizing these backside areas, and the annual Race Meet to identify any need for repair, the ***Operator*** shall make the necessary repairs, ***and the District will reimburse the Operator for those repairs.***

8. The second sentence of Paragraph 9.6 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“The Operator must submit proposed projects, other than normal maintenance and repair, to the District on ***November 1.***”

9. The third sentence of the third paragraph of Section 10.3 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“The amount will be negotiated between ***the District*** and the Operator.”

10. Paragraph 11.5 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“Parking and Traffic Control - ***Operator will manage parking and traffic control services during the Race Meets,*** with the understanding that revenues generated from parking and traffic control will be included in the Operator’s operating income statement. The District and the Operator agree to review parking and traffic control services during the race meets on a regular basis in order to insure appropriate customer service levels are met as they pertain to parking and traffic control and to insure the continuation of reasonable and customary past practices and procedures.”

11. Paragraph 12 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

“Utility Services. The Operator will assume and pay when due all charges for natural gas, electricity, heat, power, telephone, water, light, sewer, and any other utility services accruing or payable in connection with its operation of the Premises, or any part thereof, including deposits, connection fees or charges in meter rentals required by the supplier of any such utility service. The Operator is obligated to use and **employ** best available management practices to minimize its use of water, sewer, energy, electricity, natural gas, energy, and other utility services. The Operator agrees to monthly monitoring of the Operator’s use of water, sewer, energy, electricity, natural gas, energy, and other utility services by the District and the District shall, to the extent practicable, provide metering or other equipment sufficient to effectively monitor usage on a timely basis. If the Operator’s use of water, sewer, energy, electricity, natural gas, energy, and/or other utility services exceeds 110% of the previous year’s monthly usage, the Operator will investigate the usage to determine the cause of the excess and, if applicable, apply corrective measures. Additionally, Operator agrees to recycle all “grey” water to the extent permitted by law. The District shall, to the extent practicable, take any necessary actions to ensure that the food and beverage concessionaire cooperates fully with the Operator to control utility consumption.”

12. Paragraph 22.9 of the Operating Agreement is amended in its entirety to read as follows (amendment in ***bold italics***):

All notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by certified or registered mail, return receipt requested and postage prepaid. If any request, demand or notice is to be given by personal delivery it shall be given as follows: (i) In the case of the Operator, ***to the President***; (ii) in the case of the Commission, to the Chairperson; (iii) in the case of the District, to the President of the Board of Directors and the Chief Executive Officer.

If any request, demand or notice is to be given by mail, it shall be delivered as follows:

If to the Commission:

Director of Finance
Chairperson
State Race Track Leasing Commission
State Capitol, Room 1145
Sacramento, CA 95814

With a copy to:

Joshua M. Caplan
Deputy Attorney General
Office of the California Attorney General
600 West Broadway, Suite 1800
San Diego, CA 92101

If to the District:

President of the Board of Directors
22nd District Agricultural Association
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

With a copy to:

Carlene Moore, Chief Executive Officer
22nd District Agricultural Association
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

If to the Operator:

Josh Rubinstein
President
Del Mar Thoroughbred Club
PO Box 700, Del Mar, CA 92014

With a copy to:

Chris Jaczko
General Counsel
Del Mar Thoroughbred Club
PO Box 700, Del Mar, CA 92014

Any person or address set forth above may be changed, or other persons added, by giving notice in accordance with the provisions of this subsection.”

13. Except as expressly provided in this Sixth Amendment, in all other respects the Operating Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment are hereby republished in their entirety and remain in full force and effect.

14. Except as expressly provided in this Sixth Amendment, in all other respects the Operating Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment and the Fifth Amendment are hereby republished in their entirety and remain in full force and effect.

15. This Sixth Amendment may be signed in counterparts.

IN WITNESS WHEREOF, the Commission has caused this Sixth Amendment to be executed by its Chairperson, and the Operator has caused this Sixth Amendment to be executed by its Chief Executive Officer, as of the date set forth above.

STATE RACE TRACK LEASING
COMMISSION,
on behalf of the 22ND DISTRICT
AGRICULTURAL
ASSOCIATION

By: _____
Joe Stephenshaw
Chairperson of the State Race Track
Leasing Commission and Director of
the California Department of Finance

DEL MAR THOROUGHBRED CLUB

By: _____
Joseph W. Harper
Chief Executive Officer

DEPARTMENT OF FOOD AND
AGRICULTURE

By: _____
Karen Ross
Secretary of the California
Department of Food and Agriculture

Approved:

DEPARTMENT OF GENERAL
SERVICES

By: _____
Ana M. Lasso
Director of the California
Department of General Services