

MINNESOTA RACING COMMISSION
FULL COMMISSION MEETING AND PUBLIC HEARING

MINUTES

Wednesday, November 15, 2006

4:00 PM

Canterbury Park
President's Suite
1100 Canterbury Road
Shakopee, Minnesota 55379

PUBLIC HEARING

Chair Hitesman convened the Public Hearing at 4:00 PM, explaining that the purpose of the Hearing was to receive public testimony on Canterbury Park's request for assignment of Racing Days for 2007.

At the request of the Chair, Eric Halstrom from Canterbury Park summarized the 2007 Request for Race Days, reminding that the Commissioners had been furnished with a copy of the request at the November meeting of the Commission. He explained that the 68 day request was nearly identical to the 2006 request, and that a mixed meet of Thoroughbreds and Quarterhorses would be run for most of the meet, with the first eleven days of the meet being Thoroughbred only. He stated that the necessary agreements had been reached with the HBPA and the Quarter Horse Racing Association. He also stated that the post times would remain the same as last year. Mr. Halstrom explained that the request included a fireworks display on July 3rd, which was being planned to be a big event to help offset the loss of the Claiming Crown races for the 2007 meet. He stated that purses would be down a little bit in 2007 because of the decline in revenues from simulcasting. He also stated that preliminary talks had been held with the Arabian Racing Association about the possibility of holding some Arabian races in 2007, but that there was nothing firm to report at this time.

In response to a question from Commissioner McArdle, Mr. Halstrom explained that the average daily purse amount was \$150,000 per day.

There being no persons who wished to testify at the Public Hearing, Chair Hitesman closed the Public Hearing at 4:10 PM.

FULL COMMISSION MEETING

CALL TO ORDER: Chair Hitesman called the meeting to order at 4:10 PM.

ROLL CALL: Present: Commissioners Hitesman, Kozitza, LaDoux, Leegard, McArdle, McNamara, Preece, Robinson, Sundberg. Also Present: Darren DeJong and Joan Eichhorst from the Attorney General's Office; Sharon Beighley and Pamela Webber from Racing Commission Staff.

ADOPTION OF AGENDA: There being no changes, additions or deletions to the proposed agenda, Commissioner McNamara moved that the agenda be adopted as presented; seconded by Commissioner LeDoux. Motion carried.

APPROVAL OF MINUTES – October 25, 2006: There being no changes, additions or deletions to the minutes of October 25, 2006, Commissioner Leegard moved that the minutes be approved as presented; seconded by Commissioner Robinson. Motion carried.

Chair Hitesman introduced Mary Manney, who has accepted the position of Deputy Director for the Commission. She also introduced Ms. Joan Eichhorst from the Attorney General's office, explaining that Ms. Eichhorst would be taking over representation of the Commission from Mr. DeJong, who was being reassigned to other duties in the Attorney General's office.

ADMINISTRATION COMMITTEE REPORT: Commissioner Sundberg, Chair of the Administration Committee, explained that the Committee had met and reviewed the FY 2007 proposed budget with Mr. Krueger, in advance of it being submitted to the Department of Finance. She explained that discussions regarding proposed legislation for the next Legislative Session had also been discussed, and that both Canterbury Park and North Metro were waiting until after the election to decide what kind of legislative efforts to put forth in 2007.

FUNDING REQUESTS: Chair Hitesman called on Dr. Stephanie Valberg, from the University of Minnesota, to explain the requests from the University for grant requests.

Dr. Valberg spoke to the Commission, explaining the process that had been used to evaluate the grant requests, and identified the persons who had participated in evaluating the requests and ranking them in order of importance for funding.

Commissioner McArdle stated that the University's web site had a lot of good information, and suggested that the University publicize the site, and provide easy instructions for laypersons to access the information. In response to a question from Commissioner McArdle, Dr. Valberg explained that the University was participating in a large grant from the Morris Animal Foundation, in the amount of \$2.5 million in total, to map the equine genome.

In response to Chair Hitesman, Dr. Valberg provided additional information on how the grants were ranked, and the importance of each project as it related to the funds that were available from the breeders' fund. She explained that, in the past, the funds received from the breeders' fund grants had been combined with funds from other sources and other grants in order to fully fund some of the grant requests. She stated that the funds could be separated if the Commission wanted to change how the funds were applied to the various grants.

Chair Hitesman stated that a total of \$8,827 was available to be used for grants to the University, and that she was comfortable with granting \$8,000 in total to be applied to grant requests #1 and #2 in the ranked list. Following discussion, Commissioner McArdle moved that the Commission approve funding in the amount of \$8,000.00 to the University of Minnesota for:

Grant Request #1 – examining the effectiveness of a particular method of joint infection for treating lameness in the horse's foot; and

Grant Request #2 – determining whether owners need to be concerned about measuring the sugar content of hay before feeding it to horses with tying-up problems.

The motion was seconded by Commissioner McNamara.

In response to a question from Commissioner Leegard, Dr. Valberg explained that grant #1 was more important in terms of timing, and that the work associated with the second grant request could be delayed if necessary.

Commissioner Robinson commented that some of the grant requests brought forth seemed to be based upon intellectual curiosity rather than practical need for the horse owners. Dr. Valberg stated that it was difficult to get funding for the bigger studies and, that by doing the smaller studies, the University was putting itself in a position to be involved in the bigger studies that have more practical application on an industry-wide basis.

Following further discussion, the motion was voted on and carried.

CONSIDERATION AND ACTION REGARDING:

2007 Canterbury Park Race Day Request: Commissioner LeDoux moved that the Commission approve Canterbury Park's request for 2007 race days; seconded by Commissioner McNamara.

Commissioner Sundberg asked if the Commission's action would have any impact on a race days request from North Metro, and asked what would happen if the race days requests overlapped. Commissioner McArdle stated that the racing days request from Canterbury was consistent with what had been approved in the past, and had proved to serve the industry very well. She stated that Canterbury's race day request was based in part on the racing schedules of other tracks in the Midwest, and that it was not unusual for racetracks to coordinate that racing programs to facilitate the supply of horses for each track's meet. She reminded that the same problems would be faced by North Metro when recruiting horses for their meets. She recommended that the Commission not try to tinker with the assignment of race days at this point, since North Metro had not applied for days at this time. Commissioner Sundberg stated that her question had been based on Commission staffing levels needed to operate two tracks at the same time.

Following further discussion, the motion was voted on and carried.

Recommendation from Thoroughbred Breeders' Fund Advisory Committee regarding payout of purse supplements: In response to a question from Chair Hitesman, Pam Webber explained that each year the Thoroughbred Breeders' Fund Advisory Committee meets to make a recommendation to the Commission on how to allocate the purse supplement monies earned by the Breeders' Fund. She stated that the recommendation this year was to continue to distribute the money along with the purse money, rather than awarding it as owners' awards at the end of the meet. In response to a question from the Commission, Ms. Webber stated that when the money was paid out as purse supplements, it was shared with the trainers and jockeys. She also stated that, the only time the money had been paid out as owners' awards at the end of the meet was in 1992 when there was uncertainty about the future of the track.

Commissioner McNamara moved that the Commission approve the recommendation of the Breeders' Fund Advisory Committee to continue paying out the funds as purse supplements in the 2007 meet; seconded by Commissioner McArdle. Motion carried.

CANTERBURY PARK MATTERS: Mr. Eric Halstrom spoke to the Commission in the absence of Mr. Sampson. He stated that business in the Card Club was essentially flat, but that the Fall Poker Classic had seen a 16% upturn from last year. He stated the tournaments were very successful and were responsible, in large part, for keeping the card club a success.

He explained that simulcasting on Breeders' Cup day was very successful, with 5500 people in attendance and over \$1.4 million wagered. He stated that it was a record for both attendance and handle on Breeders' Cup day.

Mr. Halstrom explained that Canterbury Park had been the recipient of \$10,000 in grant money from the American Quarter Horse Racing Association. He explained that Kelvin Childers of the Minnesota Quarter Horse Racing Association had worked closely with him in preparing the grant request, and thanked Mr. Childers for his efforts and work. In response to Commissioner Preece, Mr. Halstrom stated that he would provide copies of the grant request to the Commissioners.

Commissioner McArdle stated that she had attended the events on Breeders' Cup Day and found that the fans were enthused, and people were having a good time. She commended Canterbury Park on the successful day at the track.

NORTH METRO HARNESS INITIATIVE MATTERS: Rosemary Williams, from Mountaineer Gaming, spoke to the Commission. She explained that several banking and financing proposals were being reviewed by Mr. Druck and Mr. Fox. She stated that more information would be available after that financial review was complete, and financing decisions were made.

OTHER MATTERS:

Re-Cap of Ad Hoc Committee Actions: Chair Hitesman stated that she had been requested by Commissioners to provide additional information about the activities of the Ad Hoc Committee regarding the selection of the Deputy Director. She explained that the Ad Hoc Committee had met prior to the regular meeting of the Commission in October, and that the summary of what occurred at that meeting was included in the minutes of that meeting. She explained that during that meeting the Committee members had reminded those in attendance about how and where the position had been posted, and that Department of Employee Relations personnel had assisted in culling the resumes of those deemed not to meet the minimum qualifications for the position. She stated that the Ad Hoc Committee had reviewed the applications of the 21 persons who were qualified, and had selected six candidates to participate in phone interviews, and from those six phone interviews they had selected four candidates to have personal interviews for the position. She stated that of the four finalists, two were licensees of the Commission. She explained that the interviews had been conducted on two different days, and that the Ad Hoc Committee had discussed all candidates after the last two interviews had been concluded on October 16th. She explained that a meeting of the Ad Hoc Committee was called and publicly posted for October 25th, at which time the Ad Hoc Committee voted to recommend that Mary Manney be offered the position of Deputy Director.

Commissioner Preece stated that the meeting on October 25th was one that she could not attend. She stated that she realized the importance of the meeting, and expressed a concern that copies of resumes were not furnished to the Commissioners. She said that there was a lack of communication about this issue, and that she wanted to go on the record as having expressed that concern.

Chair Hitesman stated that one of the things she was concerned about was the ability to get information to the Commissioners on a timely basis. She explained that she had met with the Executive Director and talked about setting up a regular schedule for subcommittee meetings that would help facilitate the flow of information between Commissioners. She stated that this was a top priority for her, in getting the subcommittee meetings scheduled on a regular basis.

Commissioner Preece asked why this issue was one that had fallen through the cracks. Commissioner McNamara asked whether this issue could have been tabled at the October meeting. He said that, based upon conversations with other Commissioners, he was waiting for leadership, and took the lack of communication to mean that a decision had already been made. In response to Commissioner McNamara, the Chair stated that the matter could have been tabled.

Commissioner McArdle stated that there were concerns she wanted to raise. She said that the damage had already been done, and it was time to move forward. She stated that for the Ad Hoc Committee to make the recommendation in the manner which they did, and for the Commission to act on it, was a bad reflection on the Commission, and the perception of integrity it was trying to foster. She stated that she wanted to go on record as stating that the matter had been poorly handled, but that it was time for the Commission to move on.

Commissioner Leegard stated that she could see both sides of the issue. She said that she was at the October 25th meeting, and that it had been very clear to her that she was welcome to attend the Ad Hoc Committee meetings, even if she was not a participating member of the Committee. She stated that she was persuaded by the recommendations of the Ad Hoc

Committee, but added that if she had known there was an issue, she might have felt differently. She pointed out that the three Ad Hoc Committee members had all unanimously agreed on the selection of a candidate.

Commissioner Sundberg said that one of the frustrations of being a Commissioner was getting participation from the other Commissioners. She reminded that the Chair had always asked for Commissioners to participate in Committee work. She stated that the Ad Hoc Committee had wanted input from other people, and had to work at it hard to make the right decision. She stated that the four finalists had been fabulous, and any of them would have done a fine job, but the one thing that stood out about Ms. Manney was the harness racing experience she brought. She pointed out that Ms. Manney was coming from a state that had both thoroughbred and harness racing, and that she brought a unique blend of qualifications to the position.

Commissioner LeDoux stated that the recommendation by the Ad Hoc Committee and the decision by the Commission had been done by the rules, and in the manner that the Commission had set up to deal with such issues. It stated that it was now time to move on.

Commissioner McArdle stated that she was not finding fault with the person recommended for the position, but rather with the process by which it was handled. She reminded that, even when hiring a chief steward under a contract position, staff had been chastised for not having resumes available for review by all Commissioners. She stated the hiring of the Deputy Director did not look good, because the same process had not been followed. She stated that Commissioners should receive information about important issues such as this at least at week before they are asked to vote on it. She stated that she wanted her concerns noted, so that processes used this time would not be repeated, stating that she did not want this to happen again.

Chair Hitesman stated that, as Chair of the Ad Hoc Committee, she had tried to set up a process that would work, and that she had wanted everything to go perfectly. She expressed her apologies for missing any important pieces of the process, but that it was important for the Commission to move forward in a positive manner.

Update on Legal Issues: Mr. DeJong reminded the Commission that an outstanding legal issue would be coming back to the Commission for a vote in the future, and that it was important for the Commissions not to discuss the matter with each other, or other outside parties, during the interim.

ANNOUNCE FUTURE MEETINGS: Chair Hitesman announced that the next meeting of the Commission would be on Wednesday, December 20th, at 4:00 PM, location to be announced. She stated that next year's meeting schedule would be distributed at that meeting, as well as dates for subcommittee meetings. She stated that there would be no more committee meetings held the same day as the Commission meeting.

Commissioner Preece reminded that she had asked whether the Commission could meet on Thursdays all through the year, and not just during the Racing Season. Following a discussion by Commissioners, it was decided that, beginning with January, 2007, all Commission meetings would be held on the third Thursday of the month.

ADJOURNMENT: There being no further business of the Commission, Commissioner McNamara moved that the meeting be adjourned at 5:35 PM; seconded by Commissioner Preece. Motion carried.

ADOPTED THIS 20TH DAY OF DECEMBER, 2006 BY THE MINNESOTA RACING COMMISSION