



**Special Board of Trustees Meeting
Using Zoom**

January 8, 2021

PRESENT

President Tom Goncharoff, 1st Vice President Mike Logan, 2nd Vice President Jay L. Taylor, and board members Norma Alvarez, Mark Brown, Miguel L. Gallegos, C. Warren Franklin, Debra J. Laney, Annette McCloy, Verner R. Query, and Nancy Summers.

ABSENT

Mac Murray

QUORUM

President Goncharoff acknowledged a quorum present.

PROPOSED LEGISLATION

ADVANCE DEPOSIT WAGERING

President Goncharoff started the meeting off explaining that some of our members have expressed concerns about what the impact will be on the breeders in particular. It could have a negative impact on the funds we receive from breakage and uncashed tickets.

Norma Alvarez explained that this bill provides 45% to the racetracks, 45% to the horsemen, 5% to the breeders, and 5% to the Commission. Mary Barber spoke about what these changes could do to the income we currently receive for purses, awards, and office operating funds. In an earlier meeting that was held with Jeff True, Richard Erhard, and some of the Legislative Committee from the breeders, Jeff True commented that we will be making more than we are now. We will make back what we lose, plus some. Norma Alvarez explained that even at the racetracks, people will be betting on their phones instead of with the tellers. This will get rid of a lot of the uncashed tickets that we currently are getting a portion of. Breakage will also be down from what we are making now. Mark

Brown thinks that there will still be a lot of people that prefer to bet with the tellers, and we will still make that income.

President Goncharoff asked Norma Alvarez to bring us up to speed on her conversation she had with Jeff True earlier today. Norma Alvarez reported that she expressed that we have concerns about this because the breeders have been strapped for money for a long time. We have to have bake sales and stallion auctions to try to make enough money to support the breeders and our administration. She asked Jeff True if we could get a little bit higher percentage and he is open to discussing this.

President Goncharoff told the Trustees that we may be the only state that has pari-mutual wagering that does not have an ADW program and we need it if we can make it palatable to the breeders to the point where our concerns are alleviated. Mike Logan feels that Tom is correct. He did not see any states that he looked up that did not have ADW. That was a concern at Santa Anita because during this last Breeders Cup, their handle had really dropped because everyone was sitting there and wagering on their phones. So, there is some new technology that will show your location when you wager. They are trying to make it so that if you are physically at the racetrack, even though you bet on your phone, that wager will be considered an on track wager. President Goncharoff said that technology is called geo fencing and that is available now. Jeff True did mention that to us.

Jeff True was waiting in the Zoom lobby to be allowed into the meeting but Mary Barber wanted to make a couple of announcements before he was admitted into the meeting. The first announcement was that Don Cook of the Downs At Albuquerque had called her earlier in the day and wanted me to let the Trustees know that the Downs At Albuquerque is opposed to the ADW bill. He also said that the reasons were private, and they would not share them at this time. The second announcement was that Mac Murray was unable to attend our meeting due to the change in schedule that was made but wanted the rest of the Trustees to know that he is in support of both bills that we will be discussing today.

On another topic, President Goncharoff let the Trustees know that on the advice of John Thompson, Mary Barber applied for the Cares Act Grant and we received \$10,000.00. Mary Barber added that if we do get a lobbyist, this will help us to pay for that.

Back to the subject of ADW, Debra J. Laney made the comment that there would be more people betting so we may not be losing anything. Mary Barber did say that we will be making some new money on people in New Mexico that are betting on racetracks in other states.

Ralph Vincent joined the meeting.

President Goncharoff thanked Ralph Vincent for coming to the meeting and helping us out. He also briefly went over what we had been discussing. Mary Barber asked Ralph Vincent if he thought the 5% to the breeders would be enough? Ralph replied that over a million dollars will be going to the racetrack and over a million dollars will be going to purses. The breeders and testing will get around \$30,000. He thinks it should be 45% to

the breeders incentive and 5% to purses. This would be better because it would improve the product and number of horses available to fill races. The new law will be going to take care of testing in some new way. That will probably involve starter fees or something like that.

Mary Barber then let Jeff True into the meeting.

President Goncharoff welcomed Jeff True and let him know that all of our Trustees were present except for Mac Murray and that Ralph Vincent was attending the meeting as well.

Mary Barber told Jeff True that we were concerned that the 5% may be too low and was asking if he would consider raising the breeders share. Ralph Vincent went over his view of how this should be divided. The track management is always saying they want a better product and full fields. If our goal is to have a better product, we need to enhance what is going on in the breed incentive world. If you compare our breed incentives to other states, even like Oklahoma, Texas, Louisiana, we lose out on what stallions come here to New Mexico. If you want a better product, then improve your breed program. He went over the percent breakdown on Jeff's report. He thinks the percentages are backwards. We should be looking at improving our breed.

Jeff True put his report on the screen. He commented on the three New Mexico Bred race a day mandate, and he feels that the \$11 million that the breeders pay out in purses and awards each year is a big piece of the pie. This is 20% of the total gaming proceeds and is going to the breed program. This is a pretty big number already especially with the three race mandate. In the last 10 or 20 years and what has gone into the breed program annually, it is hard to justify putting any more into it. Ralph Vincent disagreed. If you look back at before we got gaming, the breeds at that point were a pretty sorry lot and did not compete. What happened was that the Quarter Horse industry really improved the breed and are now very competitive in open company. Jeff True asked what has happened since gaming. Ralph Vincent replied that the quality has improved greatly in that time. Jeff True believes that if we are looking at improving the breed program, throwing more money at it is not the issue. Maybe some cost cutting or other incentives for stallions if our stallions are the issue. The Thoroughbred program is through the floor. We have lost all of the gain that we had made this last year.

Jeff True went over his ADW Handle & Revenue model and explained that he split up the Non New Mexico Hosted Handle in New Mexico differently because he felt that the numbers were so widely varied that it just does not work. We are replicating the hosted content that we get now in the ADW model, the additional non NM comes in at 45, 45, 5, and 5. Yes it looks like a small number, but this is all new money, and he thinks we will still get the revenues we usually get plus these new funds. We are losing this money now. He then asked what we want?

President Goncharoff said that we all agree that we need ADW in New Mexico. What we would like to see is if we can come to a reasonable compromise. We would like to be able to increase our stallion awards and any new funds to our program will help that. Is there

room for compromise on these numbers? Jeff asked how much we give to the stallions and that is what we need to look at. Jay L. Taylor explained that he finds it difficult to justify going out of state to buy new broodmares and then breed them here in New Mexico because you cannot market them to recoup the cost. If there was more money in the breeders program it may give incentive to do that. We need to attract buyers. Jeff asked if it would not be better to reapportion that \$11 million to the areas you need for it to work better. Jay L. Taylor thinks the whole pot needs to be increased and not rob Peter to pay Paul. Ralph Vincent mentioned that we actually had looked at doing this. This takes a statute change. Basically, this was taken out because of the controversy it would cause from the breeders and owners losing part of their incentive awards to the stallions.

President Goncharoff asked again if there was any room for compromise. Norma Alvarez asked if we could at least bring the breeders share of these new funds up to 7%.

There was a lot more conversation about the income that we have to operate the office and where it comes from. Mary Barber explained that in 2019 over \$100,000 of our operating funds came from breakage & uncashed tickets. That is a big chunk of what we make, and this will lower those funds. Another source of income is from our silent auction, stallion auction, and export broodmare program.

Jeff True expressed that if we were to raise the breeder portion from 5% to 7% it would only raise it maybe \$15,000 - \$30,000 and Norma Alvarez stated that would be a big help for us. Jeff is not convinced this is going to help the breed program.

Miguel Gallegos commented that Ruidoso Downs is such a small venue that is trying to save itself and is mainly a Quarter Horse racetrack. He would think that Ruidoso Downs needs all the support they could get. He thinks Jeff True comes across like he really does not care about or think the New Mexico Bred program is worth his time. If you do not want our support and you do not think that we are necessary, then that is fine. That is what we needed to know. He feels that Thoroughbreds are clearly not of any interest to Jeff and Jeff exclaimed that is not true. Miguel went on to say that the breeders are not of any interest to Jeff either. Jeff stated that Miguel had read too much into his comments. We agree that the program needs to improve. Miguel Gallegos agreed it does need to improve. He understands that Jeff is trying to save Ruidoso Downs, but we are trying to save the breeds and so maybe we can work together and maybe we can't. Jeff replied that was an interesting comment and thanked Miguel Gallegos.

Miguel Gallegos left the meeting.

President Goncharoff asked Jeff True if he was telling us that there was no room for negotiations and Jeff stated that he is not the only stake holder involved but he does not see a whole lot of room for negotiations. This is all new money and what he is hearing us say is we need more operating money and money for stallions. Norma Alvarez said we just want to make sure that this will be enough to offset what we will be losing from what we are making now.

There was a lot more discussion about breakage and how much that comes to and that money will still be there, even if someone is gambling through ADW at the racetrack. Jeff explained that even if you are betting through ADW while at the racetrack, it will be counted as on track handle so that stays the same. President Goncharoff commented that the breeders would really only be losing from the uncashed tickets then. Mark Brown feels that we really will not lose very much. Now we will be able to bet on our horses from home if we cannot make it to the racetrack. Debra J. Laney thinks this is just a win win situation. This will attract younger people or people who currently do not come to the racetracks.

Jeff True does not think he will be able to get the other racetracks to go for giving the breeders a bigger percentage. They feel like they are beaten over the head with the three races a day for New Mexico Breds. That program is pretty stable. He could not run a meet without the New Mexico Breds. If he goes back to the horsemen and other racetracks and asked to take 1% from the racetracks and 1% from the horsemen's share would that help us, and we felt it would.

As far as the other tracks are concerned, Chris McErlean of Zia Park has a little different perspective because he works with other states. Another problem was having the horsemen handle the funds. So, the bill has already gone through several amendments. President Goncharoff commented that Don Cook called Mary today to let us know that the Downs At Albuquerque is not going to support this bill. Jeff True thinks that it is because they do not want to lose people coming to their racetrack and buying food and beverages.

Jay L. Taylor asked Jeff if he thought this bill would pass and Jeff replied that he did not know that Albuquerque was not going to support this so that would make a difference. He is not going to give up on Albuquerque just yet. He thinks we have a shot.

President Goncharoff asked who the sponsors would be. They are looking at Crystal Diamond, and potentially Munoz in the Senate, and the two Candys, Candy Sweetser and Candy Ezell. President Goncharoff thanked Jeff for his time and asked him to take our request into consideration. The Trustees will discuss this and let him know what we come up with.

Jeff True thanked the Trustees and left the meeting.

President Goncharoff thinks we should support this thing, it would have made a big difference during this pandemic. He thinks it will be a win for us. Mark Brown thinks this will increase our funds. Mike Logan spoke to a friend in Oklahoma who is on the Commission and they are setting records on handle primarily due to ADW. He does not think a couple of points is going to keep him from voting for ADW.

Mark Brown made a motion to support the ADW bill, seconded by Annette McCloy. Motion carried 10:0.

LOTTERY BILL

President Goncharoff asked if the Trustees were familiar with the Lottery Bill that Sunland Park is promoting. This bill proposes to allow the lottery to lease space from the racetracks to run table games and sports betting. The revenue from this will go to the state of New Mexico and to be earmarked to go for the scholarship fund. So, the horsemen nor the breeders share in the proceeds. The argument for it is the increased LIFT that table games would bring to the Racinos. This would mean you would have more slot play. Rick Baugh used the analogy that while the husband is gambling at the table games or sports betting, the wife would be playing the slot machines. The racetrack would profit by leasing the space to the lottery and the LIFT in sales of food and beverages. This is an interesting concept, but it is a radical move. Since the session is about to start and does not give us much time to consider this.

Mike Logan used that analogy that if you have \$100 that you would have spent gambling on the horses but now you spend \$50 of that on the table games and \$50 on the horses. There is nothing that would help them more than having the table games. If you read this bill closely it is just covered in syrup to attract the legislators. We might want to negotiate our own percentage with the government.

Debra J. Laney thinks it is another way to get rid of horseracing. The Racinos were created because of the horseracing act and not because of the lottery or education act. We need to be very careful and it should be under the horseracing act. The horsemen and breeders should get their percentages. She does not think it will go through anyway.

Jay L. Taylor explained that they went through the lottery so that it does not mess with the Indian Compacts. Jay thought that the bingos came under the lottery act and he would like to see if that is the case.

Ralph Vincent commented that show me a state where gaming has improved without money going to purses and the racing was not hurt. He just does not believe you can expand gaming in the state and not take away from purses. There is only so much money to be gambled. He does not know where Rick Baugh got the \$16,000,000 figure.

Norma Alvarez is also against it. Jeff True and Richard Erhard are afraid that if we come out against this bill, they will not support the ADW bill and it will kill it. She thinks that we should just make a statement that at this time we need further study and also to tie it to the horseracing act.

Mark Brown also thinks we need more discussion and further study.

Debra J. Laney made a motion to make the statement that Norma Alvarez made because she thinks we do need more time to study this and it also needs to be tied to the horseracing act because they are a Racino, seconded by Jay L. Taylor. Before the vote was taken, Mark Brown made the statement that we should just say we need more time to study this and that is all. Motion carried 9:0 with Mark Brown abstaining.

President Goncharoff asked Mary to write a letter of support for the ADW Bill to Jeff True and a letter of non- support for the Lottery Bill to Rick Baugh. We need to explain that we are not for or against the Lottery Bill but need more time and discussion. Please send these to the Trustees to look over before we send them off to Jeff & Rick.

Debra J. Laney wants to let everyone know that Annette McCloy was a huge help with calling the stallion owners to ask if they would donate a breeding for our auction. Debra was very busy with personal issues and was unable to finish calling everyone.

Ralph Vincent let the Trustees know that the public may actually have more input than usual during this year's session. All the committee meetings will be strictly by Zoom and there is a mechanism to comment on them. The other difference is the bills may move more quickly. We need to make a good distinction between these two bills because the legislators will not understand ADW vs the Lottery bill. The Indians may be against it as well. Ralph will keep an eye out for anything that could impact us through the locator he uses that flags words he has set up like racetrack, purses, breeders, etc. He was asked if he could get us the names of the members of the committees. He thinks that Marla, the lobbyist for Ruidoso Downs should do this also. You need to sign up to be able to comment in advance. There is a deadline to sign up. Ralph will get us the information on how we can do this. Mark Brown thinks that once the bills have numbers, we need to get our people to start sending emails and making phone calls. Our membership needs to get involved. Mary Barber mentioned that we could send out an email blast with the information. Ralph can keep an eye out for any bills we may not be aware of and the number of bills will be limited.

President Goncharoff thanked Ralph Vincent for attending the meeting and for all his help.

Mike Logan made a motion to adjourn the meeting, seconded by Norma Alvarez. Motion carried 10:0.

Tom Goncharoff
NMHBA President

Mary M. Barber
Attest