1
2
3 **VIRGINIA RACING COMMISSION**
4 COLONIAL DOWNS
BALLROOM 4TH FLOOR
5 10515 COLONIAL DOWNS PARKWAY
NEW KENT, VA 23124
6
7 Thursday, December 19, 2019 at 10:00 a.m.
8
9
10
11
12
13
14 COMMISSION MEMBERS:
D.G. Van Clief, Jr., Chairman
15 Stuart Siegel, Vice Chairman
J. Sargeant Reynolds, Jr.
16 Stephanie B. Nixon
17 COMMISSION STAFF:
David S. Lermond, Jr., Executive Secretary
18 Kimberly C. Mackey, Business Manager
19
ATTORNEY GENERAL'S OFFICE:
20 Elizabeth B. Myers, Esquire
21
22
23
24 **CAPITOL REPORTING, INC.**
REGISTERED PROFESSIONAL REPORTERS
25 **(804) 788-4917**

1. Call to Order 3

2. Approval of the October 2nd meeting minutes 3

3. Public Comment Period 3

4. New Business

a. Request for Approval of a Significant Infrastructure Limited License and Race Days for 2020 Submitted by Colonial Downs Group, LLC 8

b. Request for Approval of Licenses to Conduct Pari-Mutuel Wagering on Historical Horse Racing at Rosie's - New Kent, Rosie's - Richmond, Rosie's - Vinton and Rosie's - Hampton for 2020, Submitted by Colonial Downs Group, LLC 21

c. 2020 ADW License Renewals 23
   i. Twinspires
   ii. TVG
   iii. Xpressbet
   iv. NYRAbets

d. Request for Approval of the VEA Operating Budget for 2020 25

e. Request for Approval of the VTA Breeders Fund Administration Budget for 2020 34

f. Request for Approval of the Thoroughbred Breeder and Stallion Award Totals for 2019 37

g. Request for Approval of the VHHA Breeders Fund Administration Budget for 2020 41

5. Commissioners' Comments 42

6. Closed Session (if necessary) 45

7. Adjournment 46

CHAIRMAN VAN CLIEF: Good morning, everybody. It's exactly ten o'clock and I would like to call our meeting of the Virginia Racing Commission to order with a special thank you to the Colonial Downs team for hosting us all this morning. Thank you very much.

Our first order of business -- and I also note we do have five commissioners present, so we've got a quorum to conduct business.

The first order of business is the approval of the October 2nd meeting minutes. Those were distributed to each of my fellow commissioners and are in your books under Tab One this morning. Anybody have any comments or suggestions or requests for modification?

COMMISSIONER SIEGEL: I move they be approved.

CHAIRMAN VAN CLIEF: Motion to approve. We need a second.

COMMISSIONER NIXON: Second.

CHAIRMAN VAN CLIEF: Any opposed? Thank you very much. The October 2nd VRC meeting minutes are approved.

As usual, this takes us to the public comment period. We changed that a few meetings

ago to allow the public to comment on our agenda up front so we can have the benefit of that input before we take action.

Is there any comment anybody would like to make? Sir.

MR. BERMAN: Do you want me to just stand here?

COMMISSIONER SIEGEL: As long as you can be heard.

CHAIRMAN VAN CLIEF: Mr. Berman, you can stand as long as we can hear you.

COMMISSIONER SIEGEL: You're dressed very nicely, Mr. Berman.

MR. BERMAN: Thank you. It's my new look. Good morning, Mr. Chairman. Today is an important day for Virginia racing. In just a few minutes, Colonial Downs will be making their request for 2020 live race days.

For the past two years, Colonial Downs has promised 30 live race days in 2020. John Marshall, Mark Hubbard and others representing Colonial have repeatedly been quoted in the press claiming we would have in fact 30 days. Numerous posts on Colonial's own web page have also represented the same thing.

To add the icing to the cake, Debbie Easter of the VEA and Frank Petramalo of VHBPA have also both stated publicly on more than one occasion that we can expect 30 live race days this year.

Today, as you might say, is the moment of truth. In just a few minutes, Colonial will announce the number of race days they are requesting for 2020. Let me say anything less than the 30 race days Virginians have been led to believe the track would offer next year will be unacceptable. Unfortunately, as soon as this year's live meet ended, we began to hear reports that Colonial might run less than 30 days. This is a mistake on their part.

We all know that the reason our legislators passed HB 1609 was to revitalize Virginia racing by sharing part of the revenue generated by the slot machines, which would be used to fund purses to increase live race days.

To date, under the Revenue Sharing Agreement signed by our horsemen allowing Colonial to keep all of the profits from each parlor for the first 12 months of operation, the purse account has yet to see a penny of the

slot revenue.

As a result of this, the track proclaimed that there is not enough purse money available next year to run 30 days. So far, without contributing the agreed six percent of slot revenue with the horsemen, Colonial Downs has instead kept all of the profit for themselves.

To date, they have already made $57,527,253 in gross profit in the last eight months. With the addition of the Hampton's Rosie's, they are now raking in more than $16.6 million per month or about $200 million in gross profit.

With the future Rosie's opening in Danville and Dumfries, their profits will grow even larger. There's no doubt Colonial is making money hand over fist.

It would only take maybe five million to make up the shortfall on the purse money for next year running the 30 live racing days Virginia has been led to believe and we would expect to have in 2020 all along.

Five million dollars is a drop in the bucket when you are looking to make $200 million in gross profit for the next 12 months.

It remains to be seen if Colonial is sincere about their promise to revitalize Virginia racing and made a sufficient amount of money to subsidize the existing purse money for next year so that Virginia will have the 30 days of live racing we have been promised. Like I said before, anything less would be unacceptable.

It is no secret that Colonial Downs will once again be active in the 2020 legislative session. If they expect any cooperation from our legislators, they need to know that Colonial will honor the commitment they have made to have 30 days live racing in 2020.

If they don't, it will serve to indicate that as much as they talk about growing Virginia racing, it is only hyperbole and Colonial Downs is more interested in growing their slots business than honoring their obligation to Virginia for live racing. Let's hope Colonial has been telling the truth and requests 30 days.

That concludes my remarks. Thank you.

CHAIRMAN VAN CLIEF: Thank you, Mr. Berman. Is there anybody else that would

like to make remarks or have anything to say? Commentary?

If not, thank you very much and we'll move on to new business, which does take us to our initial new business item, which is a request for an approval of a significant infrastructure limited license and race days for 2020. It has been submitted by Colonial Downs Group, LLC. Again, my fellow commissioners, if you look under Tab Two in your meeting books, you'll see a Virginia Racing Commission staff report.

I think we've got a couple of presentations on this, so I'm going to ask Mr. Lermond, our executive secretary, to lead off with any comments, Dave, that you'd like to make or any highlights with regards to this application you feel would be appropriate this morning.

Following which, we have a request for an amendment to the application that comes from the Virginia HBPA, so I'll follow Mr. Lermond and ask Mr. Petramalo if he'd comment on that and if he has any comments to make or any explanation with regard to the letter that has been submitted, which I believe is also in our

packet, Frank, if you'd do that as well.

MR. PETRAMALO: Yes. I will.

CHAIRMAN VAN CLIEF: Dave.

MR. LERMOND: Thank you, Mr. Chairman. I hope you can hear me from my hightop seat over here. A renewal application for a significant infrastructure limited license for Colonial Downs racetrack was submitted to staff.

CHAIRMAN VAN CLIEF: Maybe a little louder.

MR. LERMOND: The renewal license was submitted on December 6th. Staff has reviewed the application. Contents were -- everything was contained in the application as required by the regulations.

Staff doesn't have any issues with anything in the application and we were very pleased with the way Colonial conducted their first year as a licensee this past summer, especially with the successful Thoroughbred meet that was conducted here at Colonial Downs.

The day before on December 5th, I received a letter from Frank Petramalo from the Virginia HBPA. The HBPA is requesting that the Commission amend the race day request, which is

1 contained within the renewal application.
2 The Commission's regulations allow for the
3 Commission when it receives a race day request
4 to either approve, deny or modify that request,
5 and in this case, I believe Mr. Petramalo is
6 asking for you to consider modifying the race
7 day request, and at this point, I think it
8 would be best to just turn it over to Frank and
9 let you explain a little bit more about their
10 request today.
11 CHAIRMAN VAN CLIEF: Mr. Petramalo.
12 MR. PETRAMALO: Yes. First, let me start
13 with a bit of history. Probably 18 months ago,
14 we, the HBPA representatives, sat down with
15 Colonial Downs to map out a program for
16 reinvigorating and restarting racing in
17 Virginia.
18 We came to the conclusion after looking at
19 all of the racing in the Mid-Atlantic that our
20 goal would be to race for 30 days and to offer
21 purses of at least 500,000 a day because we
22 both concluded, both sides concluded that one,
23 for quality racing, we had to offer substantial
24 purse money; and two, also because we wanted to
25 establish Colonial as the turf racing center in

the Mid-Atlantic, 30 days in the summer made sense with a high purse. That was our goal. We then went forward, negotiated a contract, et cetera.

Our first meet this year, we, the horsemen, only had about $7.5 million in our purse account. That money had been accumulated during the period of time from 2014 to the then present when Colonial was shut down. We were still getting money from off track wagering and most importantly from online wagering, so we had the money to fund 15 days at 500,000.

As Dave pointed out, it was a very successful meet. We actually wound up paying out an average of $507,000 a day. We had full fields. The average field size was eight-and-a-half starters per race. Ninety percent of our races were on the grass and the attendance was approximately 2500 per day. So it was a very successful meet.

Now, obviously, we would have loved to jump to 30 days next year, but that would require $15 million. We do not have $15 million. What we do have is $9 million. Let me explain where that comes from.

We will have $4 million from online wagering and the OTBs, and we expect to have $5 million from the revenue from the HHR machines which starts in the first quarter of next year. That's it. We have $9 million to maintain our purse level at 500,000. Do the math. That's 18 days.

That's what we discussed with Colonial, even though we understood that because of the regulations with the ratio in it of one live race day for every 100 machines, which would mean 21 days because they have 2150 machines in operation.

We understood, both sides understood, they would comply with the regulations, but that we would come in and ask for 18 days and urge you to use your discretion under the regulations to modify the request so we could run 18 days.

The meet that we have planned starts on July 23rd and ends on August 29th, racing Thursday, Friday and Saturday and it's a very impressive program.

Next year, we will be taking part in the Match Series, which is a Mid-Atlantic series of five $100,000 stakes races that travels on a

1 circuit from Penn National Parks, Delaware
2 Park, Pimlico, Laurel and Charles Town. We are
3 now part of that. So we think it's a very
4 attractive program and it will build on our
5 success.
6 Let me take a minute to explain a little
7 about the HHR revenue. As you know from having
8 seen the agreement negotiated between Colonial,
9 the VEA and the VHBPA and the harness folks and
10 the Gold Cup folks, as part of the
11 consideration passing back and forth and
12 bargaining, we agreed that our share, the
13 horsemen's share, would start one year after
14 each site with HHR machines operating. We were
15 giving them some breathing room to get going.
16 So next year, we're anticipating $5
17 million because remember the HHR machines here
18 started in April. So next year with regard to
19 Richmond, I think Richmond opened up in June,
20 Vinton sometime thereafter, and of course
21 Hampton just in October. So it's a staged
22 process that we start getting revenue.
23 Bottom line, the VEA will get about $5
24 million next year and in 2021, we project $14
25 million and 2022, $17 million.

1 So our hope is next year, we will ramp up
2 to 18 days and in 2021, we should be able to
3 ramp up to 24 days, depending how things go,
4 maybe even more, and certainly by 2022 to 30
5 days. Again, our metric is $500,000 at least
6 per day. So that's our plan.
7 Now, I would kind of be remiss if I didn't
8 point to a cloud on the horizon that might
9 upset things, and that is, as you know in the
10 last session of the legislature, actually this
11 year's session, the legislature authorized
12 casinos in five cities; Richmond, Norfolk,
13 Portsmouth, Danville and Bristol. That doesn't
14 become effective unless or until the new
15 legislature coming in in January reenacts that.
16 Bottom line is there is going be a good
17 bit of action in the General Assembly on the
18 issue of casinos. Depending on where the
19 casinos go, if at all, can greatly impact the
20 HHR revenue that goes to Colonial and of course
21 that impacts the horsemen's share.
22 You may be familiar with the JLARC study.
23 JLARC is Joint Legislative Audit and Review
24 Committee. That's the research arm of the
25 General Assembly. That came out two or three

1 weeks ago.
2 What it projected was that if there were
3 five casinos in those cities, HHR revenue would
4 decline by about 45 percent. That's a
5 significant hit. Now, not saying that that's
6 going to happen, but it's a possibility. So
7 that's the cloud on the horizon.
8 Let me just close by saying our
9 relationship and the cooperation that we get
10 from Colonial Downs is outstanding. We have no
11 complaints whatsoever. We certainly don't
12 think that Colonial Downs is squirreling away
13 all of the profits to the disadvantage of the
14 horsemen. We continue to work with them and we
15 will in the future, if we have to deal with the
16 issue of casinos, come to some accommodation.
17 I think it makes sense now for you to
18 defer to the combined judgment of the racetrack
19 and horsemen when it comes to race days next
20 year.
21 Accordingly, we would ask that you
22 authorize 18 days running Thursday, Friday,
23 Saturday and starting on July 23rd and ending
24 on August 29th. If you have any questions --
25 unless you have any questions, I will sit down.

CHAIRMAN VAN CLIEF: Anybody have any questions for Mr. Lermond or Mr. Petramalo?

COMMISSIONER REYNOLDS: I have one for Mr. Marshall. I want to refer back to Mr. Berman stated that you all generated 57,527,000 and some change. Mr. Berman has determined the gross profit. I would think this is just revenue that didn't include expenses.

Will you make a clarification on that? $57 million is you alls' share of the revenues, the commissions that are generated off of the handle. So would you describe 57 million as profit or is that before expenses?

MR. MARSHALL: Yeah. Well, quoting the number 57 million, I'm not quite following Mr. Berman's logic and I'm sure that he has some, you know, to get to that number, but the one thing I can assure --

COMMISSIONER REYNOLDS: I think that number is accurate because I have the number right here and I added up all of what you generated in revenue since you all started, so I think that is an accurate number.

I just wanted to know is that before

1 expenses? Is that profit or is that just
2 revenue?
3 COMMISSIONER SIEGEL: Net or gross is what
4 he's asking.
5 MR. MARSHALL: That is not profit. That
6 is not profit.
7 COMMISSIONER REYNOLDS: Okay. Thank you.
8 CHAIRMAN VAN CLIEF: Any other questions?
9 I have a -- I think I know the answer, but just
10 for the record. I don't see it in my book here
11 this morning. Mr. Marshall, as well, I take it
12 that you are in complete agreement on the
13 amendment to your license application from 21
14 to 18 days?
15 MR. MARSHALL: We did apply. We have
16 applied for 21 days of live racing. We are
17 supportive of Mr. Petramalo's recommendation to
18 amend to 18. The basis for that support is
19 that we're sensitive to wanting to maintain a
20 particular quality level of live racing and
21 an average of $500,000 a day increases our
22 chances to qualify as elite status throughout
23 the industry.
24 So to answer the question, yes. We have
25 indeed applied for 21 days and we are in

support of Mr. Petramalo's recommendation to amend.

CHAIRMAN VAN CLIEF: Great. Thank you. Any questions from the Commission?

COMMISSIONER NIXON: I was just going to comment while I initially rejected the 21 days, I think the 18 day request is a smart move to enable another successful meet like we had last year.

CHAIRMAN VAN CLIEF: Thank you. I'll just make a comment as well and I agree with Commissioner Nixon.

I think the $500,000 is at least for the moment the right number and the proof was in the pudding. We conducted what seemed to me to be a highly successful race meet from any standard you might want to apply.

I think the objective from where we sit is to grow the industry. We'll be moving from 15 to 18 days and I think the 30 day objective is very much in our sights going forward and I'm sure we're going to get there and probably fairly quickly.

So I think that it's important that we maintain a $500,000 average daily purse

distribution in order to become what we wish to become and that's an important race meet certainly regionally, maybe nationally. I think we're well on our way, so I would support that as well.

With that then, if there are no further comments or questions or any other discussion, we do need a motion to approve the Colonial Downs Group's request for approval of a significant infrastructure limited license as well as race days, and they have applied for 21 days is what is in front of us.

Our suggestion at this point is, or our choice is to either approve, deny or modify and I'm in favor of the modification that has been put in front of us and approving 18 days for 2020 with races being held on Thursday, Friday and Saturday beginning July 23rd through August 29th, post times set for 4:45 p.m. Does that sound all right?

In that case, we do need a motion to approve, and as usual, that motion should include two caveats and I will as usual read them into the record.

Number one, that staff has approved the

1 application received from Colonial Downs and
2 management appreciates that and recommends
3 approval with the two caveats.
4 Number one, the horse racing with
5 pari-mutuel wagering shall be operated in
6 accordance with all representations, plans and
7 specifications as submitted in the application
8 and as described at the Virginia Racing
9 Commission's December 19th meeting, and the
10 license shall not deviate materially from these
11 representations, plans and specifications
12 without the prior consent of the Commission or
13 its executive secretary.
14 Condition number two, the horse racing
15 with pari-mutuel wagering shall be operated in
16 accordance with all applicable state and
17 federal statutes and regulations and
18 regulations of the Commission and all local
19 ordinances.
20 So I'd ask that those two conditions be
21 included in the motion to approve. Do I have a
22 motion?
23 COMMISSIONER REYNOLDS: So moved.
24 COMMISSIONER NIXON: Second.
25 CHAIRMAN VAN CLIEF: Thank you. We have a

1 motion and a second. One last time. Any other
2 discussion? If not, please signify your
3 approval by voting aye.
4 NOTE: The Commission votes aye.
5 CHAIRMAN VAN CLIEF: Any opposed? Thank
6 you very much. The motion passes unanimously.
7 Next up is a request also submitted by
8 Colonial Downs Group to approve licenses to
9 conduct pari-mutuel wagering on Historical
10 Horse Racing at Rosie's at New Kent, Richmond,
11 Vinton and Hampton for 2020.
12 Mr. Lermond, would you care to make any
13 comments or note any highlights in that
14 application?
15 MR. LERMOND: Thank you, Mr. Chairman.
16 December 6th, we also received renewal
17 applications for the four current HHR locations
18 from Colonial Downs Group.
19 You may have noticed that the notebooks or
20 the one notebook that you received was much
21 smaller than the first go-around where there
22 was a notebook this thick for each location.
23 That's because our regulations allow for the
24 licensee to incorporate by reference documents
25 that have been previously submitted as long as

1 no changes have been made to those documents.
2 Glad we put that into our regulations
3 because I think we probably saved a tree or two
4 along the way.
5 Nonetheless, everything submitted in those
6 applications was proper. It was reviewed by
7 staff. All the information required by the
8 regulations were incorporated and included and
9 again, staff has had no issues with the
10 operation of these facilities this past year.
11 Again, we have been pleased with the
12 cooperation and the level of expertise that we
13 have seen from Colonial Downs Group and their
14 employees and I would recommend approval of all
15 four of these with the same two conditions on
16 each one that you just read for the limited
17 license application.
18 I think Mr. Marshall is also here if you
19 have any specific questions about any of them.
20 If not, our new Attorney General representative
21 has said that we can do one sweeping motion for
22 all four like we have done in the past with the
23 ADWs. So unless you have any questions for
24 Mr. Marshall, I would seek a motion to approve.
25 CHAIRMAN VAN CLIEF: I do not, but does

anybody have any questions for Mr. Marshall or Mr. Lermond? Okay. In that case, we can utilize a single motion to approve four of these licenses. Would anybody care to make such a motion?

COMMISSIONER NIXON: I make the motion.

CHAIRMAN VAN CLIEF: Thank you, Commissioner Nixon. I'll second it. Any further discussion? All in favor of approving these licenses, signify by saying aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? The license is unanimously approved.

Next up are the 2020 ADW license renewals, and Mr. Lermond, do you have any comments on those?

MR. LERMOND: I would just say that all four renewal applications were received by TwinSpires, TVG, XpressBet and NYRAbets prior to the December 1st deadline and also were accompanied with the appropriate renewal fee.

I was looking back. TVG, XpressBet and TwinSpires have been licensees since 2006 and NYRAbets who came in a little bit later has also been a licensee since 2017.

1 We have not had any issues with any of
2 these companies and I think it's important to
3 note that when Colonial Downs turned in their
4 licenses, if it hadn't been for the account
5 wagering companies continuing to operate in
6 Virginia and to fund the VEA and to keep things
7 going for us, we may not be sitting here today.
8 So not only are they good licensees, I
9 think we probably owe them a little bit of
10 gratitude for their good business and the
11 contributions they have made to the Virginia
12 racing industry. And with that, I would
13 recommend approval of all four.
14 CHAIRMAN VAN CLIEF: Any questions about
15 our ADW licenses? If not, I'll make a motion
16 and I think we can authorize a single motion
17 here as well. That we renew the licenses for
18 2020 for the following ADW operators. That's
19 TwinSpires, TVG, XpressBet and NYRAbets.
20 Do we have a second?
21 COMMISSIONER REYNOLDS: I will second.
22 CHAIRMAN VAN CLIEF: Thank you. We have a
23 second. Any discussion? If not, please
24 signify your approval by voting aye.
25 NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Thank you. Those licenses are renewed unanimously.

Mr. Hannum, are you prepared to walk us through or at least touch on any highlights you care to in regards to your operating budget for 2020 before we consider approval of that? The VEA budget for 2020.

MR. HANNUM: Yes. Thank you, Mr. Chairman. If you'd like, I can, as you've suggested, point out highlights as opposed to going through it line by line, and then I also wanted to update the Commission on another matter after we go through the budget.

CHAIRMAN VAN CLIEF: Excuse me. For my fellow commissioners, that's under Tab Four in your booklet if you want to follow along there. Thank you, Mr. Hannum. I'm sorry.

MR. HANNUM: So what I'll do is I'll focus on the column that says Draft Budget 12/31/2020. That's sort of in the middle to the right on the page.

So starting off under Revenue, and this sort of gets back to some of the points that Frank referred to earlier in the meeting.

So Line Five, Colonial OTB Agreement.

So that represents -- that's 25 million in revenue to the VEA. That represents the second payment from the VEA agreement with Colonial Downs whereby we gave up our four OTB licenses to the track.

Line Six, as Frank referenced earlier, that's what we estimate to be the amount of revenue that the VEA will receive next year from HHR. So that's a little over $5 million and of course that's an estimate based on how the machines perform.

Moving down to Expenses. Line 11 is a new item. Shenandoah Fair racing. So as you all may or may not know, the Shenandoah county fair, they hold harness racing there as they've done for 100 years.

This year, the VHHA asked us to step up and support those races in terms of purses and promotion and administrative costs. The person that ran those races for many years sadly died and so a new team had to come in to run those races and so that went very well so we'd like to continue that.

So the 25,000 will be in support of the races held during the fair, which is separate

from the races that the VEA holds a few weeks later under the Shenandoah Downs banner.

So I just wanted to point that out as the VEA is trying to support as many different components of the racing industry as possible.

Jumping down to Line 18, that's 18, 19 and 20. Those are funds for owner bonuses for the Thoroughbred Certified program, which is Line 19. Then Line 20. Line 20 is zero because this year in 2019, we funded fully the first two years of the Standardbred Certified program. So that program will start to pay out for the 2019 foal crop when those horses are two and three, so in 2021 and 2022.

So that money is in a separate VEA account right now designated for that purpose and the VHHA had requested that that money be prefunded so they could promote the program and get word out and assure people that money is there.

So once we start to need moneys again for their Certified program, which would really be actually not until 2022, we will pick up funding for that program. So it's not that we are not funding it. We've actually prefunded it. So I just wanted to point that out.

Administrative expenses are fairly similar from years past. Jumping down to Lines 36, 37, 38 down at the bottom of the page. We're increasing the amount of money that we'll have for horse retirement programs, which is important. We've got money set aside.

Line 38 for the other sanctions, steeplechase meets in Virginia. We've got money for the Point To Points.

Then we have a new line here, Line 40, $14,000. This is similar to jumping back up to Line 11 where we have money for the Shenandoah fair racing. So Line 40 with the 14,000, that's money that will go to the Point-To-Points themselves to help with course improvements and maintenance costs.

These are -- the Point-To-Points are run really kind of on a shoe string budget in many cases and this is something that was communicated to us that will be very helpful to them.

So coming down to the bottom, we have about $5,060,000. Then jumping back up to the top again, we have a final payment of $50,000 to the Shenandoah county fair.

When we started racing there, they dismantled their permanent stage in order for us to expand the track and per the terms of our lease, in the fifth year, we are obligated to make a $50,000 payment to them so they can rebuild their stage at some other place. It will be in the infield and so that's what the 50,000 represents.

So that leaves us with a little over $5 million of which those funds will flow to the HBPA to support the flat racing at Colonial next year.

So that's how the budget is expected to work for next year, Mr. Chairman.

CHAIRMAN VAN CLIEF: Thank you. Any questions for Mr. Hannum?

COMMISSIONER REYNOLDS: I've got some.

CHAIRMAN VAN CLIEF: Yes, sir.

COMMISSIONER REYNOLDS: Mr. Hannum, maybe I missed this, but go back, please, to Line 3, Statutory Distributions.

MR. HANNUM: Yes.

COMMISSIONER REYNOLDS: That's negative 295. That's in the revenue, so does that mean that was an expense but it came in at negative

546? That was the budget that came in at 295?

MR. HANNUM: Yes. So this year, we had expected that we would have to pay out a little over 500,000 and then we actually only had to do 295. So what happened there, and I might ask our CFO to help me with this a little bit.

Essentially, a tax is paid to New Kent County which the VEA was paying on its own, but the tax has a cap on it, but because of Colonial's operation, they were paying in to this tax as well and we met the cap much more quickly because of Colonial's contributions, so therefore, the VEA didn't have to contribute anything more to it once the cap was met. So is that a fair way to put it?

MR. MURRILL: In 2020, we don't expect to really pay anything to New Kent because the HHR machines contribute to the cap. It's only January and we don't expect that. It's usually been about 275 for every $1,000 to New Kent.

MS. EASTER: That was all back from when Colonial shut down and New Kent -- and also the letter groups in the industry had just received funding from the OTBs and you all also were lacking in funding, so we put that in the law

that we would get funding for the Commission, the New Kent County and the letter groups out of the ADW and as this HHR comes in, it's less than our fee to do that.

COMMISSIONER REYNOLDS: Let's jump to Line 22. Looks like you saved $100,000 in salaries?

MR. HANNUM: So yes. So the OTB operations were shut down, so that meant that we had significant staff that we no longer were responsible for and then they went over to the Colonial team and so that's why our payroll has been reduced.

COMMISSIONER REYNOLDS: Okay. Line 27, your audit tax legal projected $50,000. Your projection to the end of this year is 50,000 and your budget 45,000. Next year, it looks like you budget 200,000.

MR. HANNUM: Right. So we are finding we have additional legal expenses. This also includes government affairs, representation and so that's what that includes.

COMMISSIONER REYNOLDS: All right. Thank you.

MR. HANNUM: Thank you.

COMMISSIONER REYNOLDS: Actually, I have

one more comment. You project it will bring in a little over $5 million. What are your plans to do with that money? Will that go to the purses?

MR. HANNUM: Correct. Yes.

COMMISSIONER REYNOLDS: How much of the check will you be able to write?

MR. HANNUM: Directly. Yes, sir.

MR. PETRAMALO: Cash.

COMMISSIONER REYNOLDS: Thank you.

CHAIRMAN VAN CLIEF: Thank you. Any further questions about the VEA budget? Mr. Hannum, anything else you care to add?

MR. HANNUM: Just another matter after we finish with the budget I wanted to update the Commission on.

CHAIRMAN VAN CLIEF: All right. Let's go ahead and address the request for approval. If there are no further questions, then we need a motion to approve the 2020 VEA operating budget.

COMMISSIONER SIEGEL: So moved.

COMMISSIONER REYNOLDS: Second.

CHAIRMAN VAN CLIEF: Thank you. Any further discussion? If not, please signify

1 your approval by voting aye.
2 NOTE: The Commission votes aye.
3 CHAIRMAN VAN CLIEF: Anybody opposed?
4 Thank you very much. The budget is approved
5 unanimously.
6 MR. HANNUM: Great. Thank you. Thank
7 you, commissioners. So the other thing I
8 wanted to mention. So I think it was in the
9 July Commission meeting.
10 There was discussion about the ongoing
11 attempt to establish some sort of formula for
12 sharing HHR revenue going forward amongst the
13 member groups; principally, amongst the two
14 horsemen's organizations.
15 So I just wanted to report to the
16 Commission that an agreement has been reached
17 and the agreement was sent to the executive
18 secretary, so it has been filed with the
19 Commission.
20 If you have any questions about it, you
21 know, I can address those in whatever format
22 you'd like me to, but I just wanted to report
23 back to the Commission as you had requested
24 that there be an update on that process.
25 So I just wanted to let you know that an

agreement has been reached, a binding agreement amongst all of the parties. So all the member groups have signed off on it, so that puts us in a good place.

Going forward and importantly going to the next legislative session, which we know may be complicated with casino legislation, that we're speaking as one voice and unified, which we feel is critical for the industry.

CHAIRMAN VAN CLIEF: That's a very welcome report. I know that that agreement wasn't all that easy to reach for the parties, so well done on getting it done and getting it done in advance of the upcoming legislative session, which as you point out is likely to be somewhat complicated, at least more than usual from our standpoint. So I'm delighted to hear that.

Any questions for Mr. Hannum about that or any other VEA matters while we're at it? Okay. Thank you very much.

MR. HANNUM: Great. Thank you.

CHAIRMAN VAN CLIEF: The next item is a request for approval of the VTA Breeders Fund administration budget, and I believe Ms. Easter is here to address that. That's also under the

1 next tab, Tab 5 in your books. Sorry, Debbie.
2 If you want to follow along.
3 MS. EASTER: I am open to any questions,
4 but this budget is very similar to previous
5 budgets that we've presented to you. I think
6 the very positive thing is that the VTA's
7 mission in general is to promote breeding and
8 business in Virginia and I think we continue to
9 do that.
10 The unusual thing about our budget is it
11 has a negative number at the bottom. That's
12 because it's incorporated into a larger budget
13 that is the VTA's entire operating budget.
14 So just for you all to note, when it's a
15 negative number, it means that we're putting at
16 least that amount of additional funds that are
17 VTA operating funds into promoting funds and
18 breeding in Virginia. I won't tell you that we
19 put in much more than that.
20 Unless you all have any questions, I would
21 just ask that you approve the 2020 Breeders
22 Fund promotion budget.
23 CHAIRMAN VAN CLIEF: Thank you. I do not
24 have any questions. Does anybody else?
25 COMMISSIONER REYNOLDS: I have one. Can

you refresh my memory? Of the $90,000 that says Breeders Fund admin fee, can you tell me how that money is spent in a little more detail?

MS. EASTER: So on the admin fee, actually, Commissioner Siegel, when he first was chairman and I came here, he noted that there was a fairly large administration fee compared to the amount of money we had in the Breeders Fund budget and encouraged us to bring that down.

So that's a number since we talked about that that pays the VTA for administrating the funds, which includes promotion, includes keeping track -- the software we use to keep track of wins, cutting the checks to breeders. Everything we do. So that's what that fund is all about. That money. Excuse me.

COMMISSIONER REYNOLDS: Does it include salaries?

MS. EASTER: We're a little different because the VTA is not a captive organization. They have a management contract with Easter Associates, so it's not labeled straight to salaries. It's part of the management fee they

help pay for us.

COMMISSIONER REYNOLDS: Thank you.

CHAIRMAN VAN CLIEF: Thank you. Anybody else?

In that case, we need a motion to approve the VTA Breeders Fund administrative budget for 2020.

COMMISSIONER NIXON: I make that motion.

CHAIRMAN VAN CLIEF: Thank you. Do we have a second?

COMMISSIONER REYNOLDS: Second.

CHAIRMAN VAN CLIEF: Thank you. Any further discussion? If not, please signify your approval by voting aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? That carries unanimously.

Debbie, that carries us to the Thoroughbred breeder and stallion award totals. Do you have any comments you care to offer in that regard?

MS. EASTER: Sure. We're going to offer a total of $750,000 to breeders and stallions this year. That's a 15 percent increase over last year, which I'm very tickled to report.

It will break down as it shows in your packet, which is 712,500 to breeders and 37,500 to stallion owners whose progeny won races around the country.

So it has been a very nice progression over the last few years that we are able to -- our Breeders Fund when Colonial shut down was at a low point down under $500,000 and we're up over about a million now and that just allows us to increase the awards we're able to give the breeders.

CHAIRMAN VAN CLIEF: That's good news. Two questions to refresh my memory. Does the separation between the breeders and the stallion award, is that a constant or do you have some discretion on how you allocate that in any given year?

MS. EASTER: We do have discretion and we have a committee that looks at that and we look at the number of stallions that we have here.

I would guess that the majority of that money will go to one stallion owner because they have a horse that really has runners at the track and so we kind of look at that and determine -- that committee determines what

they think is fair for both groups.

CHAIRMAN VAN CLIEF: I probably shouldn't ask this question for at least a couple of years, but do you think that as this continues to grow, and we hope it will, that you can draw not just a dotted but a direct line between the funds that are going out of here and the health of the racing industry and the breeding industry that you all oversee?

MS. EASTER: I think that I'm hopeful that we'll see some great -- we still are, compared to states around us, are under funded.

You know, obviously, you all are very aware of the Certified program. We breed roughly a little over 100 horses here a year. The Certified programs bring in about 600 horses a year into this state.

I feel like I'm getting calls from people around the country because of the publicity, the positive publicity we've been getting off of the super meet at Colonial.

What is going on here with the Certified program, I feel like I'm getting more calls than I ever have about, hey, what does it take to move my mare here or foal here.

So I'm hopeful that we're going to see some growth. To see the kind of growth compared to what we did with the Certified program, I don't think that's realistic, but we're hopeful.

CHAIRMAN VAN CLIEF: Do you think that rebuilding of the breeding industry is going to take a lot longer than most of the other components, but presumably you're still seeing a growth curve in the Certified program than what we had?

MS. EASTER: We know that that program is saving the farms that we have here in Virginia. That allows the second thing to happen is the breeding to happen because that's such a long-term situation.

The whole situation proposed on all fronts is very positive. The more positive news we get from our partners, Colonial Downs, I think that just helps around the country.

CHAIRMAN VAN CLIEF: Great. Thank you. Any questions? In that case, we do need a motion to approve Thoroughbred breeders and stallion awards for 2019.

COMMISSIONER REYNOLDS: So moved.

COMMISSIONER SIEGEL: Second.

CHAIRMAN VAN CLIEF: Thank you. Any further discussion? If none, please signify your approval by voting aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: The motion carries unanimously. Thank you.

Next up is a request for approval of the VHHA Breeders Fund administration budget for 2020. Do we have a report on that or any comments?

MS. WARNICK: Basically, the budget is what it has been for many years. It hasn't changed hardly at all.

CHAIRMAN VAN CLIEF: Okay. The budget we're looking at which is under Tab 7 is virtually the same as the one we approved in 2019. I'll ask my fellow commissioners are there any questions with regards to this one?

If there are none, then we need a motion to approve the budget as submitted.

COMMISSIONER SIEGEL: So moved.

COMMISSIONER NIXON: Second.

CHAIRMAN VAN CLIEF: We have a motion and a second. Any further discussion? If not, all

in favor, please signify by voting aye.

NOTE: The Commission votes aye.

CHAIRMAN VAN CLIEF: Any opposed? The budget is unanimously approved for 2020.

That takes us now to commissioner comments. We usually start to my left. I'll go right to our vice chairman on my right.

COMMISSIONER SIEGEL: Well, we've obviously gone through this agenda pretty quickly, but it's an important one and I think we're showing progress.

I, like others including Mr. Berman, are anxious to get more race days as we go forward. I think we need to do it with care and be well funded, so I think what has been approved today for race days is a good thing, but I would certainly encourage everyone to work toward getting to that 30 day schedule and hopefully we can do that in the next couple years anyway.

CHAIRMAN VAN CLIEF: Great. Thank you. Commissioner Reynolds.

COMMISSIONER REYNOLDS: I'd just like to say I think it has been a great year for the Virginia horse racing industry and I'd like to thank everybody in this room and everybody who

1 has been involved who is not in this room
2 today. We look forward to a great 2020 and
3 great years beyond.
4 I agree with Vice Chairman Siegel. I
5 would like to get to 30 days, if not even more
6 days down the road, but I think we're crawling
7 well and hope that we will be walking soon.
8 Thank you.
9 CHAIRMAN VAN CLIEF: Commissioner Nixon.
10 COMMISSIONER NIXON: As everyone knows,
11 the race horse business is tough and in my
12 opinion, the way we're going to succeed is
13 everyone working together and I'm very pleased
14 to see everyone doing that. So I wanted to
15 wish everyone a Merry Christmas and a new year
16 filled with a lot of wins.
17 CHAIRMAN VAN CLIEF: Thank you. I'd like
18 to congratulate all the components of
19 Virginia's horse race industry; the VEA,
20 Colonial Downs Group, the VHHA, the HBPA, Gold
21 Cup.
22 As Stephanie said, it's amazing what can
23 happen if we work together. I think it has been
24 in my opinion a highly successful year.
25 The Renaissance racing in Virginia under

1 Colonial Downs and John Marshall and his team's
2 hand has gotten off to a terrific start and
3 established itself faster than any of us could
4 have expected.
5 I, too, look ahead to the continuing
6 growth and the 30 days. I'd like to see that
7 achieved as quickly as we can afford to do it.
8 I have great optimism that this industry
9 is going to flourish. There are to be sure
10 some challenges coming down the pike and we'll
11 be dealing with those starting in 2020.
12 Mr. Petramalo very articulately outlined
13 some of the political challenges that we face
14 with the introduction of a variety of gaming
15 related bills.
16 The industry is already on full alert
17 and fully engaged. We'll be on our toes to do
18 what we can to ensure that the future course of
19 gaming in Virginia treats this industry well
20 and assists us rather than stymies us in our
21 goals for growth.
22 We are also as a sport and as an industry
23 under the microscope these days. Our safety
24 protocols and our medication rules have never
25 been more important nor under such scrutiny.

I'm extremely interested and this Commission will do everything we can to make sure we are on the cutting edge.

Congratulations to Colonial Downs and particularly the racing office, Jill, for the great work this past year in instituting protocols that delivered what I believe is the best safety record of any race meet in memory. It's a great place to be. Let's hope we can keep it up.

So we are going to take a keen interest in making sure that we are ahead of the curve in this regard, but we will try to drive unity, but I do think our voice should be heard if we've got an opinion and it will be a careful one, but if we have an opinion, then I think our voice should be heard in that regard.

So we'll be looking to meet with members of the Colonial Downs management team and the VEA, again to make sure that we are out front on this. There's nothing more important.

I look forward to 2020, and again, congratulate and thank all of you for fantastic work.

We do not have any need for a closed

1 session today, so at this point, with a best
2 wishes for the holidays and a highly successful
3 2020, I'll ask for a motion to adjourn.
4 COMMISSIONER SIEGEL: So moved.
5 CHAIRMAN VAN CLIEF: Thank you.
6 COMMISSIONER REYNOLDS: Second.
7 CHAIRMAN VAN CLIEF: Any opposed? We
8 stand adjourned. Thanks very much.
9
10 NOTE: This meeting of the Virginia
11 Racing Commission is adjourned at 11:01 a.m.
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF COURT REPORTER

I, Sandra G. Spinner, hereby certify that having first been duly sworn, I was the Court Reporter at the meeting of the Virginia Racing Commission at the time of the hearing herein.

Further, that to the best of my ability, the foregoing transcript is a true and accurate record of the proceedings herein.

Given under my hand this 17th day of February, 2020.

Sandra G. Spinner
_____

Sandra G. Spinner
Court Reporter