

# BUSINESS PLAN 2024 - 2026



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## MESSAGE FROM THE BOARD CHAIR AND CHIEF EXECUTIVE OFFICER

On behalf of the Horse Racing Alberta (HRA) Board of Directors and Management Team, we are pleased to present the 2024-2026 HRA Business Plan. Through this plan, we identify our strategic objectives, priorities, and performance targets for this timeframe.

The goals of increasing purses and incentive programs continue to be a reality. There is more stability in the industry now than in recent years with viable racing opportunities for our stakeholders in all regions of the province. These measures will aid in preserving the sustainability of the Alberta Horse racing industry.

Through the development of a Backstretch Worker Health Benefits program, we continue to demonstrate our commitment to the well-being of the men and women employed by the industry but also aim to bolster the recruitment and retention of vital racing participants. Designed with input from stakeholders, this program reflects a values-driven culture that is healthy, safe, supportive and inclusive, and honours diversity in the Alberta Horse Racing industry. By working together, we will continue to ensure the health and safety of racing participants, both equine and human alike.

Co-operative marketing programs, in collaboration with our stakeholders, ensures a team approach to help support owner & fan recruitment, engagement, and retention. Education of industry professionals and opportunities for career advancement is also a focus with the development of online certification and training programs for Alberta horse racing participants.

By modernizing with the option for online licensing applications and renewals, we are streamlining operations and maintain support for the analytical capabilities of Business Intelligence (BI) tools. The implementation of our Strategic Risk Management Plan further enhances the organization's proactive ability to mitigate

and manage potential risks.

Owners, breeders, and trainers are actively engaging in both the Breed Improvement Program (BIP) and the Racehorse Procurement Incentive Program (RPIP). Stakeholders value the stability these programs offer as they strategize the expansion of their businesses. The programs funding has increased, and ongoing reviews are in place to enhance their impact on foal crop production and the racehorse population across the province.

We are dedicated to the stability and growth of racing by maintaining long-term racing agreement with horse-people's organizations and racetrack operators. This stability provides confidence and optimism for all racing participants. Opportunities are in place to expose our horse racing product to both major markets in Alberta as we all strive to grow the racehorse population, increase field sizes, attract more fans, and drive handle.

We will work to maintain the integrity of the racing calendar as much as possible and engage with the racetrack operators to ensure they plan appropriately. Consistency is important to attract and retain our fan base and to position our racing product for maximum impact.

This joint message from the HRA Chair of the Board and Chief Executive Officer represents the commitment to this plan and achievement of its strategic objectives.



**Diana McQueen**  
Chair,  
HRA Board of Directors

**Kent Verlik**  
HRA Chief Executive  
Officer

# HORSE RACING ALBERTA

Horse Racing Alberta (HRA) was formed as a not-for-profit corporation with representatives from all segments of the industry to act as an independent organization that is open, transparent and accountable to Albertans. It was established with the Alberta Government's proclamation of the Horse Racing Alberta Act (the Act) in 2002 to lead a racing industry renewal and to manage self-regulation.

## OUR MANDATE

In accordance with the Act, the mandated objectives of HRA are:

1. To govern, direct, control, regulate, manage, market and promote horse racing in any or all of its forms;
2. To protect the health, safety and welfare of racehorses and, with respect to horse racing, the safety and welfare of racing participants and racing officials; and
3. To safeguard the interests of the general public in horse racing.

## OUR STRUCTURE

As defined in the Act, the Board of HRA consists of the Chair and eight Directors representing the various breed organizations and racetracks, four Directors representing the public, and one government-appointed ex-officio (non-voting) members.

The Board is responsible for the governance of HRA and for providing direction to management to ensure the strategies and operational activities outlined in this Business Plan and the Act are achieved.

The Board is also responsible for taking a comprehensive and balanced approach to industry issues while acting in the best interests of the horse racing industry.

Board Committees are responsible for monitoring and evaluating program performance and providing recommendations to the Board to improve their effectiveness.

## HORSE RACING ALBERTA BOARD

### HRA BOARD COMMITTEES

- Audit & Finance
- Governance & Compensation
- Regulatory & Licensing
- Strategic Growth & Breed Improvement

### HRA CHIEF EXECUTIVE OFFICER

### HRA MANAGEMENT TEAM

- Director, Corporate Services
- Director, Regulatory & Supervisor of Racing
- Director, Marketing & Promotions
- Director, Corporate Communications & Stakeholder Engagement

# OUR VISION, MISSION AND VALUES

## VISION

Alberta will be recognized internationally for premier horse racing, breeding and quality entertainment.

## VALUES

Our **five core values** guide our actions and provide the moral compass necessary for us to achieve our vision and mission.

## MISSION

Horse Racing Alberta will lead and enable a healthy, vibrant and progressive racing industry to function in the province of Alberta with high integrity and self-regulated responsibility.



## INTEGRITY

We set and abide by the rules, can be trusted to do the right thing, and follow through on our words with action.



## RESPECT

We value the unique contributions of individuals, ensure their voices are heard and welcome diversity.



## ACCOUNTABILITY

We take ownership of our obligations and hold ourselves responsible for meeting our commitments.



## COLLABORATION

We work with our stakeholders and partners knowing that together we are stronger and can do great things.



## EXCELLENCE

We take pride in our work and set ambitious goals. We are passionate about our people, purpose and performance.

# OUR STRATEGY

## ORGANIZATIONAL STRATEGY

The HRA organizational strategy is represented as a single-page strategy map. The Board's four Strategic Thrusts listed at the top of the map form the basis of the strategy. Strategic objectives within each thrust are identified at the intersection of each Perspective.

The four Perspectives on the left side of the map provide a "balanced scorecard" model for performance measurement of each strategic objective to be reported in future annual reports.

HRA will pursue these strategic thrusts that build toward the achievement of our vision. The strategic thrusts establish the overall direction for future business decisions and resource allocation to effect the necessary changes to the organization and its operations.

## HRA STRATEGIC THRUSTS



### VALUES BASED CULTURE

We will co-create a renewed values-based culture with our stakeholders.



### ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

We will work with stakeholders to modernize our regulatory environment, improve the provincial coordination of major activities and services, and streamline operations.



### TECHNOLOGY DRIVEN RESILIENCE

We will improve our business intelligence capabilities, provide online access to licensing services and industry training, openly and transparently share more information with stakeholders, and make faster and better decisions.



### RESPONSIBLE GROWTH

We will responsibly generate and grow revenue to stabilize and enhance the horse racing and breeding industry for the benefit of all Albertans.

# OUR STRATEGY MAP

<p><b>VISION</b></p> <p>Alberta will be recognized internationally for premier horse racing, breeding and quality entertainment.</p>	<p><b>MISSION</b></p> <p>Horse Racing Alberta will lead and enable a healthy, vibrant and progressive racing industry to function in the province of Alberta with high integrity and self regulated responsibility.</p>	<p><b>VALUES</b></p> <p>Integrity Respect Accountability Collaboration Excellence</p>
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STRATEGIC THRUSTS					
BALANCED SCORECARD PERSPECTIVES	Values Based Culture	Organizational Alignment and Effectiveness	Technology Driven Resilience	Responsible Growth	
	CAPABILITY INVESTMENTS				
	Actively model and act in accordance with our values	Rationalize licensing, funding and joint venture agreements to provide greater clarity, focus and alignment of objectives	Acquire modern Business Intelligence (BI) capabilities to analyze performance, identify emerging trends and evaluate program effectiveness	Increase the racehorse population and attract new owners through effective regulation and policy incentives	
	INTERNAL PROCESSES				
	Effectively communicate and uphold our values	Modernize existing rules, programs and policies and incorporate innovative leading practices	Provide online access to licensing services and industry training, refine processes and improve program performance	Optimize race dates, increase purse and field sizes to drive handle revenue	
	CUSTOMERS & STAKEHOLDERS				
	Co-create a renewed values based culture with stakeholders	Collaborate with stakeholders to provincially coordinate major activities and common services	Share information with stakeholders to enable informed, fact-based decision making	Enhance horse racing's entertainment value to attract more fans and corporate sponsorship	
SUSTAINABILITY					
Work collectively to strengthen the health and safety of our equine athletes, racing officials and racing participants	Leverage economies of scale to reduce operating costs and create synergies	Anticipate, respond and adapt to build organizational resiliency	Preserve the long-term sustainability of Horse Racing Alberta		
2024-2026 BUSINESS PRIORITIES	<p>Implement a Backstretch Benefits program to demonstrate Horse Racing Alberta's goodwill, commitment and support for the recruitment and retention of racing participants.</p> <p>Consult with stakeholders and create a renewed values-driven culture in the Alberta horse racing industry.</p> <p>Continue to develop and improve the Equine Health and Safety Program.</p> <p>Implement a Strategic Communication Plan to inform and engage stakeholders to support the cultural renewal.</p> <p>Host an Industry Stakeholder meeting to discuss issues of mutual concern.</p>	<p>Improve the Co-Operative Marketing program in collaboration with stakeholders.</p> <p>Develop web-based certification and training programs for racing participants.</p> <p>Work with racing associations and racetrack operators to support owner recruitment, engagement and retention.</p> <p>Establish a Board subcommittee to review and update the Racetrack Licensing Rules in Alberta.</p> <p>Revise and update the HRA Policy and Procedures Manual to incorporate OHS, Environmental and Human Resources policies.</p>	<p>Implement Online processing of HRA license applications and renewals.</p> <p>Implement a strategic Risk Management Plan.</p> <p>Use Business Intelligence tools to improve analytical capabilities for licensing data, pari-mutuel wagering, and Alberta horse racing and breeding statistics.</p> <p>Assess the feasibility of implementing a Safety &amp; Integrity Hot line for suspected illegal or unethical behaviour of HRA licensees in Alberta.</p>	<p>Evaluate and improve the Breed Improvement Program to increase foal crop production.</p> <p>Explore new racing opportunities, entertainment offerings, cross-merchandising wagering products, revenue streams and corporate sponsorship.</p> <p>Use social media to responsibly attract a younger demographic and enhance our racing product.</p> <p>Rationalize, evaluate and improve the Racehorse Procurement Incentive Program (RPIP) and Racehorse Shipping Incentive Programs (RSIP).</p> <p>Work with Indigenous Relay Racing groups to help them promote their product.</p>	
METRICS	Stakeholder Engagement Index	<p>Racing events conducted in compliance with rules and regulations</p> <p>Total Provincial Marketing Expenditure</p>	HRA Resiliency Index	<p>HRA Cumulative Surplus (Deficit)</p> <p>Total Pari-mutuel Handle</p> <p>Total Purse Grants</p> <p>Total Breed Improvement Funding</p>	

# VALUES-BASED CULTURE

## WE WILL CO-CREATE A RENEWED VALUES-BASED CULTURE WITH OUR STAKEHOLDERS

HRA acts as the single voice of our industry. However, at times not all of our stakeholders are on the same page. The public and government expects our people, organization and stakeholders to work together in the best interests of the Alberta horse racing industry.

We must create the culture our organization needs to successfully execute our strategy and achieve our goals. By asking ourselves some tough questions, we can discover what needs to change to help us succeed. Taking this action will help unite us and make us stronger together.

### OBJECTIVES

- Actively model and act in accordance with our values.
- Effectively communicate and uphold our values.
- Co-create a renewed values-based culture with stakeholders.
- Work collectively to strengthen the health and viability of our industry

### BUSINESS PRIORITIES

- Implement a Backstretch Worker Benefits Program to demonstrate Horse Racing Alberta's goodwill, commitment and support for the recruitment and retention of racing participants.
- Consult with stakeholders and create a renewed values-driven culture in the Alberta horse racing industry.
- Continue to develop and improve the Equine Health and Safety Program.
- Implement a Strategic Communication Plan to inform and engage stakeholders to support the cultural renewal.
- Host an Industry Stakeholder meeting to discuss issues of mutual concern.

Measure	Actual 2022	Forecast 2023	Target 2024	Target 2025	Target 2026
Stakeholder Engagement Index*	79.0%	80.3%	80.8%	81.3%	81.8%

\*Stakeholder Engagement Index consists of the combined results of the Employee Engagement Survey, HRA Board Survey and Industry Stakeholder Engagement Survey measuring HRA performance across 16 key areas of responsibility.

# ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

## WE WILL WORK WITH STAKEHOLDERS TO MODERNIZE OUR REGULATORY ENVIRONMENT, IMPROVE THE PROVINCIAL COORDINATION OF MAJOR ACTIVITIES AND SERVICES, AND STREAMLINE OPERATIONS

Working effectively together, we overcame many difficult challenges during the last few years.

Now is the time to raise the bar by bringing innovation to our regulatory environment and streamlining operations. Ensuring clarity across our licensing and funding agreements with industry will ensure we're all on the same page going forward.

## PERFORMANCE MEASURES

Measure	Actual 2022	Forecast 2023	Target 2024	Target 2025	Target 2026
Racing Compliance*	85.9%	86.7%	87.2%	87.7%	87.8%
Total Provincial Marketing Expense**	\$520	\$720	\$700	\$750	\$750

\* Racing compliance is the percentage of races run without a rule violation

\*\* Dollar totals are in '000s

## OBJECTIVES

- Rationalize licensing and funding agreements to provide greater clarity, focus and alignment with objectives.
- Modernize existing rules, programs and policies and incorporate innovative leading practices.
- Collaborate with stakeholders to provincially coordinate major activities and common services.
- Leverage economies of scale to reduce operating costs and create synergies

## BUSINESS PRIORITIES

- Improve the Co-Operative Marketing program in collaboration with stakeholders.
- Develop web-based certification and training programs for racing participants.
- Work with racing associations and racetrack operators to support owner recruitment, engagement and retention.
- Establish a Board subcommittee to review and update the Racetrack Licensing Rules in Alberta.
- Revise and update the HRA Policy and Procedures Manual to incorporate OHS, Environmental and Human Resources policies.

# TECHNOLOGY DRIVEN RESILIENCE

**WE WILL IMPROVE OUR BUSINESS INTELLIGENCE CAPABILITIES, OPENLY AND TRANSPARENTLY SHARE MORE INFORMATION WITH STAKEHOLDERS, AND MAKE FASTER AND BETTER DECISIONS.**

In today's world, information is power. Data integrity and having the ability to mine data to learn and find answers to difficult questions is essential. Sharing this information with stakeholders can result in better and quicker decision making.

## OBJECTIVES

- Acquire modern Business Intelligence (BI) capabilities to analyze performance, identify emerging trends and evaluate program effectiveness.
- Provide online access to licensing services and industry training, refine processes and improve performance.
- Share information with stakeholders to enable informed, fact-based decision making.
- Anticipate, respond and adapt to build organizational resiliency.

## BUSINESS PRIORITIES

- Implement Online processing of HRA license applications and renewals.
- Implement a strategic Risk Management Plan.
- Use Business Intelligence tools to improve analytical capabilities for licensing data, pari-mutuel wagering, and Alberta horse racing and breeding statistics.
- Assess the feasibility of implementing a Safety & Integrity Hot line for suspected illegal or unethical behaviour of HRA licensees in Alberta.

Measure	Actual 2022	Forecast 2023	Target 2024	Target 2025	Target 2026
<b>HRA Resiliency Index*</b>	<b>90.6%</b>	<b>90.7%</b>	<b>90.8%</b>	<b>90.9%</b>	<b>90.9%</b>

\*HRA Organizational Resiliency Index measures perceived performance across 16 elements in four categories (Leadership, People, Process and Product).

# RESPONSIBLE GROWTH

## WE WILL RESPONSIBLY GENERATE AND GROW REVENUE TO STABILIZE AND ENHANCE THE HORSE RACING AND BREEDING INDUSTRY FOR THE BENEFIT OF ALL ALBERTANS

Alberta's horse racing industry is crucial to the economic diversity of our province.

### OBJECTIVES

- Increase the racehorse population and attract new owners through effective regulation, increased purses and policy incentives
- Continue to optimize race day scheduling, post times and field sizes to drive handle and slot revenue.
- Enhance horse racing's entertainment value to attract more fans and corporate sponsorship.
- Preserve the long-term sustainability of Horse Racing Alberta.

### BUSINESS PRIORITIES

- Evaluate and improve the Breed Improvement Program to increase foal crop production.
- Evaluate and improve the Racehorse Procurement Incentive Program (RPIP) to increase the horse population in Alberta.
- Explore new racing opportunities, entertainment offerings, cross-merchandising wagering products, revenue streams and corporate sponsorship.
- Use social media to responsibly attract a younger demographic and enhance our racing product.
- Work with Indigenous Relay Racing groups to help them promote their product.

### PERFORMANCE MEASURES

Measure	Actual 2022	Forecast 2023	Target 2024	Target 2025	Target 2026
HRA Cumulative Surplus	\$3,762	\$5,593	\$6,094	\$5,911	\$4,891
Total Pari-Mutuel Handle	\$91,746	\$88,814	\$88,814	\$89,702	\$90,600
Total Purse Grants	\$12,500	\$13,850	\$14,500	\$15,000	\$16,000
Total Breed Improvement Investment	\$3,734	\$3,900	\$4,200	\$4,500	\$5,000

\* Dollar totals are in '000s.

# SUMMARY OF PERFORMANCE MEASURES

## VALUES-BASED CULTURE

### Stakeholder Engagement Index



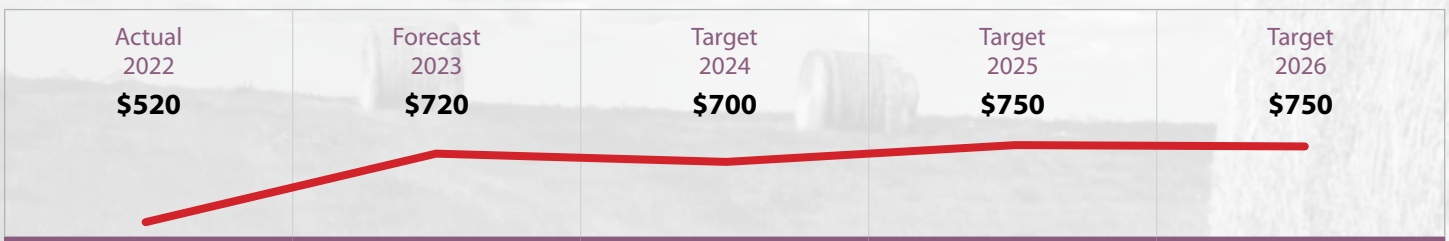
## ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

### Racing Event Compliance



\*Racing compliance is the percentage of races run without a rule violation.

### Total Provincial Marketing Expense



## TECHNOLOGY DRIVEN RESILIENCE

### HRA Resiliency Index



\* The index measures perceived performance across 16 elements in four categories (Leadership, People, Process and Product).

# SUMMARY OF PERFORMANCE MEASURES

## RESPONSIBLE GROWTH

### HRA Cumulative Surplus



### Total Pari-Mutuel Handle



### Total Purse Grants



### Total Breed Improvement Investment



\*Dollar totals are in '000s

# OUR OPERATIONS

**HRA is a governing body** that also promotes and facilitates the growth, integrity and economic contribution of the Alberta horse racing and breeding industry. This shall be done by providing quality entertainment, employment, economic and value-added agricultural opportunities within a unified, viable, progressive, accountable and self-regulated industry environment.

The Alberta horse racing industry reflects three equal parts: breeding, racing and infrastructure. It is also a green industry. Our goal is to stabilize, enhance and ensure the growth and integrity of horse breeding, raising and racing in Alberta.

## STAKEHOLDER, GOVERNMENT AND PUBLIC RELATIONS

**HRA is the single voice for the Alberta racing industry, keeping stakeholders, government and the public informed of developments, and championing issues important to achieving our vision.**

To be the one voice of the industry, HRA will continue to identify, advocate, and champion issues of relevance and importance on behalf of the industry.

The Board will continue its commitment to all racing breeds and show flexibility and creativity to help the divergent industry reach consensus.

## MARKETING

**HRA works in partnership with industry to actively market and promote Alberta horse racing.**

The live horse racing and breeding industry in Alberta is as old as the province itself. For decades, the racing industry enjoyed much success and growth as the only legal form of gambling. In the 1990's, the industry began to face many challenges, including increased competition and other changes. In 2024, the marketing budget will be increased significantly.

Paid media buys and marketing efforts re-focused on social media, promoting our signature racing events, and highlighting our industry's rising stars - owners, trainers, jockeys/drivers and our equine athletes.

## RACETRACK LICENSING

**HRA promotes the development of high-quality, off-track betting facilities and racetracks for horses, fans, owners, and racing personnel.**

High quality racing facilities are essential for the industry to reach its potential. The industry has endorsed the evolution of racetracks into exciting multi-entertainment destinations. HRA entered into multi-year racetrack agreements that require racetrack operators to allocate a set percentage of operational funding to capital improvements in the backstretch and racetrack surface.

## BREED IMPROVEMENT PROGRAM

**HRA facilitates growth in the breeding industry and the quality of racehorses bred in Alberta.**

The growth of the industry is largely dependent upon Alberta's ability to market the horses sired by Alberta stallions, or the mares that deliver foals in Alberta.

HRA's Breed Improvement Program is directed at enabling the production of high-quality, Alberta-bred horses. Success within this sector takes time. Breeders require a five-year horizon from the time of arranging for breeding until the racehorse can reach its full potential on the racetrack. Regardless of where Alberta breeds race in Alberta, they are supported through the Breed Improvement Program. Bonuses are paid based on total purse monies earned by Alberta bred in races at race tracks in Alberta.

## REGULATORY

**HRA aims to enhance and foster integrity and ethical conduct as a foundation for all aspects of the horse racing industry in Alberta.**

Racing integrity and the protection of the public interest are essential to the further development of the industry and central to HRA's mission. HRA is continuing to modernize its regulatory and compliance framework to ensure it is just, reasonable, efficient and consistent.

A transparent process is in place to review potential rule changes that engages industry stakeholders, racing fans and the general public. The Penalty Guidelines matrix for imposing specified financial penalties and suspensions for rule violations was developed in consultation with key stakeholders and is on the HRA website. Earlier ship-in times and out-of-competition testing of horses at farms and training facilities is being stepped up to discourage the use of prohibited drugs and other medication.

# OUR OPERATIONS

## HUMAN RESOURCE DEVELOPMENT

**HRA facilitates the education, training, and well-being of individuals involved in Alberta's horse racing industry.**

HRA has been proactive in addressing human resource issues by improving conditions for its employees and increasing the available pool of qualified personnel. The industry has some unique needs and the hours of work differ from those in most other sectors.

In partnership with horsemen's organizations, racing industry solutions will address human resource needs and improve the quality of life for its employees. The HRA Backstretch Foundation was created to improve the quality of life for the many personnel who work and sometimes live at the track.

We offer addiction referral and benevolence to those in need.

In partnership with Olds College, HRA offers two programs to recruit and train foreign and domestic students to work in the horse racing industry. The Professional Racetrack Groom Program and Professional Racehorse Exercise Rider Program are both eight-month co-op learning programs which have been accredited by Alberta Education.

## ANIMAL WELFARE

**HRA promotes and encourages continuous improvement in the industry's animal welfare practices.**

Protecting the health, safety, and welfare of racehorses is one of the legislated objectives of HRA.

In reality, equines are treated and looked after very well. Despite this, public perception is often to the contrary, primarily due to publicized issues of poor treatment of animals. This mandate has become increasingly important with media reports of injuries to horses at major international racing events.

HRA and other stakeholders must continue to work to ensure that the industry and the public have confidence that Alberta racehorses and breeding stock are treated with respect and dignity. We will seek strategic partnerships with animal welfare organizations to enhance these endeavours.

The health, safety and welfare of our equine athletes does not end at the finish line, and retirement and aftercare are critical to the success of the racing industry. Aftercare is the safe placement of racehorses after their careers on the track are completed. HRA introduced mandatory retirement ages for racehorses of all breeds. Some horses might retire to the breeding shed or broodmare bands, while others are retrained for second careers. Aftercare programs that interface with racing are essential for the sport to continue to succeed. We have a responsibility to work together to support racehorse retirement and retraining programs.

## PURSE ALLOCATION

**HRA strives to manage and maximize purses, based on revenues available, to stimulate the overall activity and investment in the industry.**

Purse structure serves as a foundation for all aspects of participation and investment in live horse racing.

Purses ultimately determine the quality of the horses racing at all horse racetracks, which then directly determines the revenues that may be potentially generated.

The purse structure in Alberta must be substantial, significant and sustainable. This will provide commitment to the fiscal viability for those investing and participating in horse racing and allows these industry participants to plan for the long term.

# RISKS AND ASSUMPTIONS

## BUSINESS PLAN RISKS

The following risks may impede HRA in delivering on its business plan objectives:

- Under-performance of slot machines and/or overall provincial handle.
- Changes to government's current gaming policy that impact racing.
- A global pandemic can cause severe economic and social consequences resulting in many lingering effects including a sharp reduction in industry revenues.
- Failure of Alberta horse racing stakeholders to work together for their mutual benefit.
- The success of breeding programs is, in part, predicated on the desire of owners to race in Alberta. As such, the success of other strategies that relate to improving the quality of racing in Alberta (e.g., increased purses, increased breed improvement funding, etc.) are also critical to the further development of the breeding industry.
- Failure to be proactive in addressing the human resource issues by improving conditions for its employees and increasing the available pool of qualified personnel.
- Failure to achieve annual breeding and purse strategy targets could call into question the ability of HRA to provide a stable fiscal environment for the industry.
- Negative effects to handle due to single event sports wagering.
- Competitive practices of other gaming and entertainment industries in Alberta.
- Other breeding risk factors including disease and environmental factors (e.g., drought, crop failure), may result in an insufficient quantity of proven stallions, and mare reproductive loss syndrome.

- Failure of HRA to be recognized as the single voice of the racing industry to the Public and Government.
- Downturn in the provincial economy or in a provincial economic sector that has a direct influence on the horse racing and breeding industries in Alberta.
- Animal activists influencing public opinion, thereby impacting the horse racing industry.
- Competitive practices of other racing jurisdictions to attract Alberta mares, stallions and owners. This could negatively impact Alberta's horse population and industry's ability to be competitive and attract new owners and racing participants to the province.

Based on the information available – and barring natural factors (e.g., drought, disease) or a shift in government support for the racing renewal initiative – all of the above-noted risk factors are being mitigated by our planned business priorities and therefore should not have any material effect on our projected financial results.

# RISKS AND ASSUMPTIONS

## ASSUMPTIONS TO FINANCIAL PROJECTIONS 2024 TO 2026:

- 2023 Forecast is based on actuals to September 30. Handle is trending to be about \$350K below target as there were 13 race days cancelled in 2023 (mostly smoke related). Slot revenue was budgeted at 1% higher than 2022 actuals and included a full year of operations at the Lacombe Racing Entertainment Centre (REC). The forecast is above budget by \$2.3M as slot performance has exceeded expectations. Racetrack funding is expected to be \$1.3M above budget as this is based directly on higher slot revenues. Purses and Breed Improvement were budgeted at \$17.7M and the full amounts will be spent. Other operational expenses are \$20K under due to cost saving measures and certain IT projects that were deferred.
- There will be an operating profit in 2023 of about \$1.9M and an operating profit of about \$473K is forecasted in 2024.
- 2024 Budget sets handle revenue with a slight increase over the 2023 forecast. Performance metrics for field sizes and what constitutes a race day developed in 2020 should allow us to reach projected handle amounts. Slot revenue is budgeted with a 1% growth rate at Century Mile, a -1% decline at Century Downs, a .5% growth rate at Rocky Mountain Turf Club and Evergreen Park and a 1% growth rate at Track on 2.
- Since the RECs reopened after COVID-19 pandemic ended, they have been able to meet or exceed management's monthly revenue projections. Coupled with the increase in HRA's share of slot revenues the budget for slot revenue has been set at \$44.4M for 2024. Purses have increased by 7.2% over 2023 to \$14.5M and breed improvement has been increased by 7.7% over the 2023 budget to \$4.2M. The Horse Population Incentive Program has been included again in 2024 with a budget of \$500K (split between population incentive and ship in incentive). Marketing has increased to \$700K compared to the 2023 budget (16.7% increase). Manpower has been increased by .5% to reflect two potential new hires and a 4% COL increase. Administration costs have been budgeted at a 9% increase over the 2023 forecast and

include increases for out of competition testing as well as increases for the 2022 Economic Impact Study and access to Standardbred Canada racing data for our Regulatory team. Racetrack Funding, which is a percentage of slot revenue generated at each REC, has increased to \$24.9M as our projections for slot revenues have increased. Human resource development and animal welfare have also been increased by \$200K to reflect our commitment to these areas most noteworthy the implementation of a Backstretch Benefits program for the backstretch workers at all of our tracks.

- 2025 projections reflect a 1% increase in handle over the 2024 projections with continued use of performance metrics to generate handle. Similarly, a projected 1% increase in slot play should result in a \$ 440K increase in HRA's slot revenue. Purses and Breed Improvement to increase by \$ 800K with the new Horse Population Incentive Program to remain flat at \$ 500K. Marketing to increase by \$ 50K to continue promoting the racing industry. Other operational expenses have been included with a 1% inflation factor built in.
- 2026 projections show a 1% increase in both handle and slot revenue. Purses and Breed Improvement are projected to increase by \$ 1M. Marketing to increase a further \$ 50K. Other operating expenses reflect a 1% inflationary factor.
- General fee is 5% of handle. Promotional Levy is .06% of "feature" handle (any wager other than win-place-show) which is estimated to be 63.75% of the total.

Cumulative Surplus/(deficit) from HRA programs and operations is carried over from year to year. HRA's fiscal year-end is December 31. The accumulated deficit from prior years was eliminated in 2022. Any accumulated surplus generated will be eroded over the next few years with anticipated increases in program expenditures.

# BUSINESS PLAN BUDGET AND PROJECTIONS

## HORSE RACING ALBERTA FINANCIAL PROJECTIONS 2024 TO 2026

The following table presents a summary of the Horse Racing Alberta budget for 2024 as well as projections for fiscal years 2025 and 2026.

	2020 Actual	2021 Actual	2022 Actual	2023 Budget	2023 Forecast	2024 Budget	2025 Forecast	2026 Forecast
<b>REVENUE:</b>								
General Fee - Handle 5%	\$4,312,069	\$4,063,665	\$4,587,328	\$4,765,886	\$4,440,723	\$4,440,723	\$4,485,130	\$4,529,982
Promotional Levy - Handle 0.4%	\$333,418	\$314,778	\$346,704	\$365,257	\$340,337	\$340,337	\$343,740	\$347,178
Licenses & Fines	\$328,149	\$104,330	\$134,941	\$125,000	\$120,000	\$125,000	\$145,000	\$150,000
Other	165,270	\$468,159	\$538	\$10,000	\$10,000	\$0	\$0	\$0
Slot Revenue	26,065,898	\$23,085,858	\$43,346,918	\$42,192,864	\$44,372,223	\$44,349,529	\$44,793,024	\$45,240,955
Interest on Deferred Contributions	7,490	\$0	\$36,633	\$30,000	\$145,000	\$60,000	\$50,000	\$50,000
GOA Agreement Sub-total	\$26,073,388	23,085,858	43,383,551	42,222,864	44,517,223	\$44,409,529	44,843,024	\$45,290,955
<b>Total Revenue</b>	<b>\$31,212,294</b>	<b>28,036,790</b>	<b>48,453,062</b>	<b>47,489,007</b>	<b>49,428,283</b>	<b>\$49,315,589</b>	<b>\$49,816,895</b>	<b>\$50,318,114</b>
<b>EXPENSES:</b>								
Racetrack Funding Grant	\$16,276,203	\$13,869,056	\$24,729,357	\$23,694,624	\$24,968,250	\$24,956,929	\$25,205,035	\$25,457,085
HRA Purse Grant	\$6,576,676	\$8,241,260	\$12,500,020	\$13,500,000	\$13,850,000	\$14,500,000	\$15,000,000	\$16,000,000
Breed Improvement Program	\$2,620,000	\$2,850,000	\$3,401,000	\$3,900,000	\$3,900,000	\$4,200,000	\$4,500,000	\$5,000,000
Racehorse Procurement Incentive Program	\$0	\$0	\$332,675	\$500,000	\$500,000	\$500,000	\$500,000	\$0
Regulatory / Administration	\$2,653,493	\$2,785,835	\$3,242,486	\$3,445,000	\$3,408,737	\$3,585,000	\$3,620,850	\$3,657,059
HRA Marketing and Promotion	\$413,273	\$422,483	\$520,527	\$600,000	\$720,000	\$700,000	\$750,000	\$750,000
Backstretch/Animal Welfare	\$73,620	\$253,701	\$83,468	\$200,000	\$134,850	\$400,000	\$450,000	\$500,000
<b>Total Expenses</b>	<b>\$28,613,265</b>	<b>\$28,422,335</b>	<b>\$44,809,533</b>	<b>\$45,839,624</b>	<b>\$47,481,837</b>	<b>\$48,841,929</b>	<b>\$50,025,885</b>	<b>\$51,364,144</b>
<b>ANNUAL SURPLUS / (DEFICIT) FROM PROGRAMS</b>	<b>\$2,599,029</b>	<b>(\$385,545)</b>	<b>\$3,643,529</b>	<b>\$1,649,383</b>	<b>\$1,946,446</b>	<b>\$473,660</b>	<b>(\$208,990)</b>	<b>(\$1,046,030)</b>
Add:								
Cumulative Surplus from Previous Year	(\$2,317,547)	\$308,636	(\$49,755)	\$3,620,488	\$3,620,488	\$5,593,649	\$6,093,809	\$5,911,069
Change in Net Assets	\$27,154	\$27,154	\$26,714	\$27,154	\$26,715	\$26,500	\$26,250	\$26,000
<b>CUMULATIVE SURPLUS UNRESTRICTED / (DEFICIT)</b>	<b>\$308,636</b>	<b>(\$49,755)</b>	<b>\$3,620,488</b>	<b>\$5,297,025</b>	<b>\$5,593,649</b>	<b>\$6,093,809</b>	<b>\$5,911,069</b>	<b>\$4,891,039</b>

2020 and 2021 operations were impacted by the Covid-19 pandemic.



## CONTACT HORSE RACING ALBERTA

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