



*THE HORSES*<sup>®</sup>  
HORSE RACING ALBERTA



# BUSINESS PLAN

2019-2021

## Contents

<b>Message from the Chair of the Board and the Chief Executive Officer</b>	<b>2</b>
<b>Horse Racing Alberta</b>	<b>3</b>
<b>Our Vision, Mission and Values</b>	<b>4</b>
<b>Our Strategy</b>	<b>5</b>
<b>Our Strategy Map</b>	<b>6</b>
<b>Our Operations</b>	<b>11</b>
<b>Our Risks and Assumptions</b>	<b>14</b>
<b>2019-2021 Business Plan Budget and Targets</b>	<b>16</b>

# Message from the Chair of the Board and the Chief Executive Officer

On behalf of the Horse Racing Alberta (HRA) Board of Directors and Administration, we are pleased to present the 2019-2021 HRA Business Plan. Our plan identifies the strategic objectives and business priorities over the next three years, the investments and initiatives being undertaken to achieve them, and the performance targets by which we will measure our success.

We are confident that this plan will contribute to the growing optimism about the future of horse racing in Alberta.

The Track on 2 opened on September 1, 2018 in Lacombe County and had a very successful fall meet. The Century Mile Racetrack and Casino, a new one mile racetrack next to the Edmonton International Airport, is on schedule to open on April 1, 2019.

These developments have raised the confidence of our owners, breeders and trainers. Many believe we are on the cusp of significant growth and a renewed interest in our sport.

While 2019 will be a year of transition, especially as we say farewell to Northlands Park after 118 years of horse racing and a successful partnership, we are committed to co-creating a renewed values based culture and working effectively together with our stakeholders, containing costs, and leveraging economies of scale to support the responsible growth of our industry.

Going forward, our strategic objectives are guided by our Strategic Thrusts. These four pillars are the foundation of our strategy to better position Alberta's horse racing industry for the future:

## Values Based Culture

## Organizational Alignment & Effectiveness

## Technology Driven Resilience

## Responsible Growth

Modernizing our regulatory environment and improving the effectiveness of our purse enhancement and breeder incentive programs is essential to attracting new owners and breeders to Alberta. Growing the racehorse population while increasing purse and field sizes will bring in more fans and increase handle.

Together, and through these actions, we will stabilize and preserve the sustainability of horse racing in Alberta.

As Chair of the Board of HRA, and as Chief Executive Officer, this joint message represents our commitment to the completion of this plan and the achievement of its strategic objectives.

*Original signed by*      *Original signed by*

**Gill Hermanns**  
Chair of the Board

**Kent Verlik**  
Chief Executive Officer

# Horse Racing Alberta

Horse Racing Alberta 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* in 2002 to lead horse 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 *Horse Racing Alberta Act*, the Board of HRA consists of eight Directors representing the various breed organizations and racetracks, three Directors representing the public and two 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 program performance and providing recommendations to the Board to improve their effectiveness.



# Our Vision, Mission and Values

## Vision

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

## 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.

## Values

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

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.

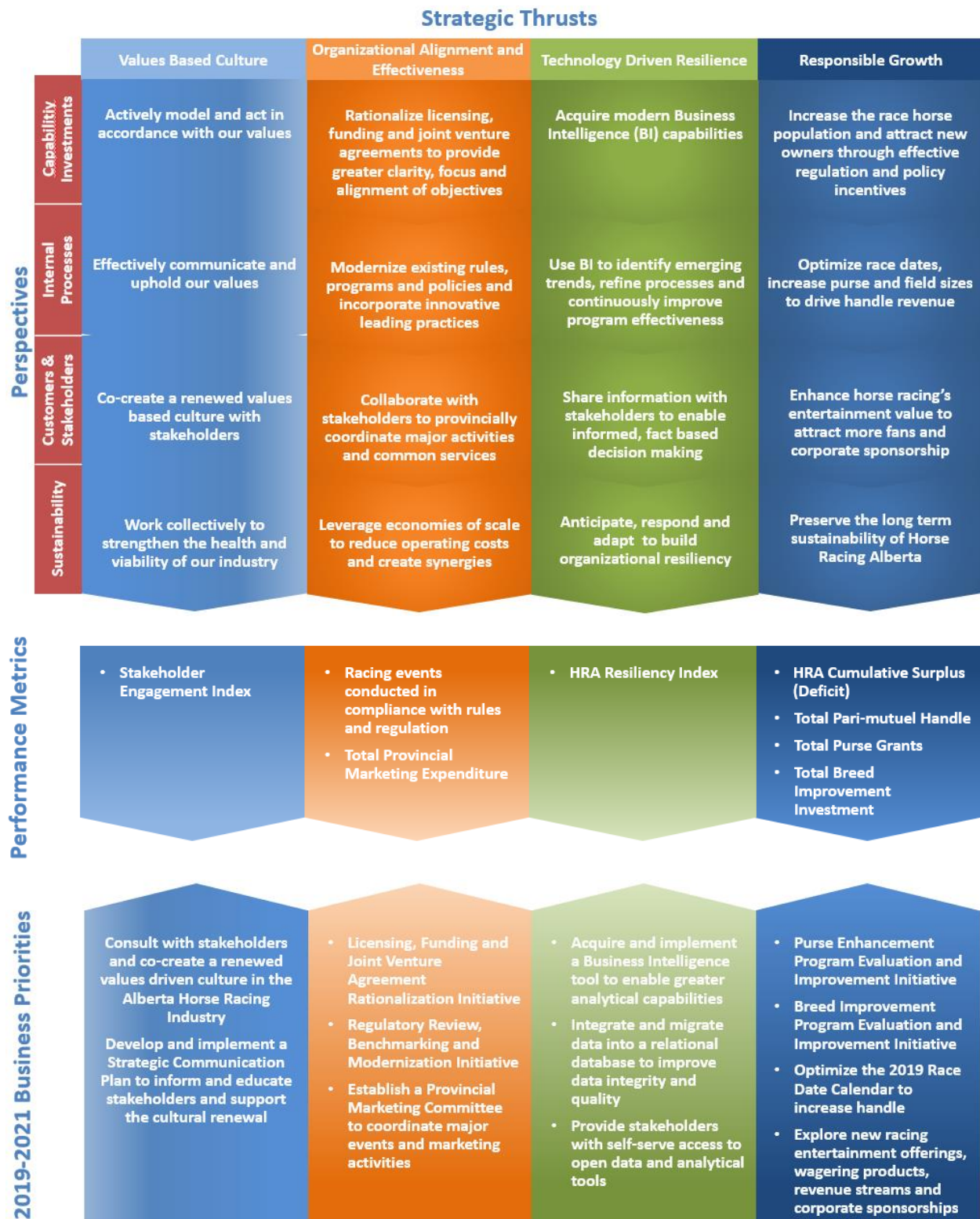
### ***Technology Driven Resilience***

We will improve our business intelligence capabilities, 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



# 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.

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. And, in doing so, 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

- Consult with stakeholders and co-create a renewed values driven culture in the Alberta horse racing industry.
- Develop and implement a Strategic Communications Plan to inform and educate stakeholders and support the cultural renewal.

## Performance Measures

<i>Measure</i>	<i>Target</i>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Stakeholder Engagement Index	Establish baseline	5% over baseline	10% over baseline

# 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.

The new Century Mile Racetrack and Casino opening in April of 2019 can rejuvenate the horse racing industry in Alberta. 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 are all on the same page going forward.

## Objectives

- Rationalize licensing, funding and joint venture agreements to provide greater clarity, focus and alignment of 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

- Implement the Licensing, Funding and Joint Venture Agreement Rationalization Initiative.
- Implement the Regulatory Review, Benchmarking and Modernization Initiative.
- Establish a Provincial Marketing Committee to coordinate major events and marketing activities.

## Performance Measures

<i>Measure</i>	<i>Target</i>		
	2019	2020	2021
Racing Event Compliance (Rules & Regulation)	95%	96%	96%
Total Provincial Marketing Expense (in thousands)	\$395	\$790	\$988

# 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.
- Use BI to identify emerging trends, refine processes and continuously improve program effectiveness.
- Share information with stakeholders to enable informed, fact-based decision-making.
- Anticipate, respond and adapt to build organizational resiliency.

## Business Priorities

- Acquire and implement a BI tool to enable greater analytical capabilities.
- Integrate and migrate data into a relational database to improve data integrity and quality.
- Provide stakeholders with self-serve access to open data and analytical tools.

## Performance Measures

<i>Measure</i>	<i>Target</i>		
	2019	2020	2021
HRA Resiliency Index	Establish baseline	5% over baseline	10% over baseline

# 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.

There is great optimism among our stakeholders for the future of horse racing in Alberta. By being responsible and deliberate in our actions, we can grow our industry and achieve its vision.

## Objectives

- Increase the racehorse population and attract new owners through effective regulation and policy incentives.
- Optimize race dates, and increase purse and field sizes to drive handle 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

- Implement the Purse Enhancement Program Evaluation and Improvement Initiative.
- Implement the Breed Improvement Program Evaluation and Improvement Initiative.
- Optimize the 2019 Race Date Calendar to increase the handle.
- Explore new racing entertainment offerings, wagering products, revenue streams and corporate sponsorships.

## Performance Measures

<i>Target (in thousands)</i>			
<i>Measure</i>	<b>2019</b>	<b>2020</b>	<b>2021</b>
HRA Cumulative Surplus (Deficit)	\$6.3	\$229.0	\$406.9
Total Pari-Mutuel Handle	\$121,065	\$133,166	\$139,824
Total Purse Grants	\$10,518	\$11,570	\$12,148
Total Breed Improvement Investment	\$3,100	\$3,410	\$3,615

## 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 is one of equal parts: breeding, racing and infrastructure. It is a green industry. Our goal is to stabilize, enhance and ensure the growth and integrity of the Alberta horse racing and breeding industry. The breeding side uses active grazing lands that act as green belts. These green belts and horse populations close to our urban centres are a potential tourist resource as well as an opportunity for educational activities.

## Industry & Government Relations

**HRA is the single voice for the Alberta horse racing industry, keeping industry and government 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. Over time the industry began to face many challenges with increased competition and changes. In 2016, the marketing budget was reduced significantly, forcing the industry to make tough decisions in marketing in 2017. Industry marketing now finds itself in a challenging transition period in preparation of the opening of Century Mile in the Edmonton market area.

## 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.

## 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 of 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 has the opportunity to reach its full potential on the racetrack. The opening of an 'A' racing facility, Century Downs in the Calgary market area, has provided stability and support of these goals.

Regardless of where Alberta bred horses race in Alberta, they are supported through the Breed Improvement Program. Bonuses are paid based on total purse monies earned by Alberta bred horses in races held at Alberta race tracks.

## 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 enhance a regulatory and compliance framework that is just, reasonable, efficient and consistent.

## 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.

HRA in partnership with Olds College offers two programs to recruit and train Canadians to work in the horse racing industry. The Groom School Program and Exercise Rider Program are both 15 week certificate programs which have been accredited by Alberta Learning.

## 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 endeavors.

An outstanding example of these partnerships is the Canadian Equine Centre of Innovation at Olds College. The Centre of Innovation incorporates leading edge expertise, facilities, technology and applied research to provide unique human resource solutions for the equine industry.

## 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 forms the basis for all aspects of the 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 aggressive, significant and sustainable. This will provide commitment to the fiscal viability for those investing and participating in horse racing and allow these industry participants to plan for the long term.

# Our Risks and Assumptions

## Business Plan Risks

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

- Changes to government's current gaming policy that impact racing.
- The 2019 budget assumes both Thoroughbred and Standardbred racing at the Century Mile Racetrack to begin in April, 2019. Should there be any significant changes the business plan will have to be reviewed and amended accordingly.
- Uncertainty regarding the timing of the transition to a new "A" racetrack facility at Century Mile in the Edmonton area. It is currently projected to open in April, 2019.
- 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.
- Failure of the Alberta horse racing industry to work together for the benefit of the industry.
- Failure of HRA to be recognized as the single voice for the racing industry.
- Under performance of slot machines and/or overall provincial handle.
- Competitive practices of other racing jurisdictions, particularly the introduction of electronic gaming devices on a substantial scale at British Columbia racetracks. This could have a significant effect on Alberta's horse supply as well as the industry's ability to remain competitive and attract new owners and participants to the province.
- Competitive practices of other gaming and entertainment industries in Alberta.
- 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 (i.e. increased purses, the timing of opening a new Edmonton area racetrack, etc.) are also critical to the further development of the breeding industry.
- Other breeding risk factors include disease, economic conditions (e.g. further drought), insufficient quantity of proven stallions, and mare reproductive loss syndrome.
- Downturn in the provincial economy or in a provincial economic sector that has a direct influence on the Alberta horse racing and breeding Industries.

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

## Business Plan Assumptions

### Assumptions to Financial Projections 2019 to 2021:

- 2016 -2017 Actuals are based on HRA's audited financial statements in all instances in this document. A new Discretionary Project Grant was introduced in 2015 and discontinued in 2017. It provided for capital and building improvements for both A and B tracks.
- 2018 Budget as approved by the HRA Board. Handle was budgeted to increase by approximately 8% from the previous year however the handle is now forecast to remain at 2017 levels. Slot Revenue was budgeted to remain at the 2017 level. However with delays in the opening of the Century Mile racetrack, slot revenue is forecast to be approximately 8% under budget. HRA's share decreased by 5% to 40% April 1 as per the new gaming agreement. Overall, all expenses remained flat. Purses and Breed Improvement were reduced by a further \$100K from the previous year. Purse allocations were pro-rated and based on approved racing schedules at the tracks.
- 2019 Budget show a 10% increase in handle with the opening of a new racetrack. A 22% increase in gross slot revenue is budgeted for 2019 resulting in HRA's share increasing by nearly 15%. All other expenditures are to remain flat with the exception of Racetrack Funding which is a function of slot revenue generated at each racetrack.
- 2020 Projections show a further 10% increase in handle with Century Mile operational for a full year. The 22% increase in slot play results in a 15% increase in HRA's share of slot revenue. Purses and Breed Improvement to increase by 10% each. Marketing, which has been reduced significantly over the past five years, will receive a substantial increase in order to help promote the racing industry. Beginning in 2020 a contingency of \$500K is to be realized.
- 2021 Projections show a 5% increase in both handle and slot revenue. Purses and Breed Improvement are projected to increase by 5% as well. A further 25% increase in Marketing is projected.
- General Fee is 5% of Handle. Promotional Levy is 0.6% of "feature" handle (any wager other than win-place-show), which is estimated at 63.75% of the total.
- A \$1M Contingency is required to meet unforeseen fluctuations in revenue generation and ensure stability of programs. \$500K in each of the years 2020-2021 has been projected to be placed in this fund.
- Cumulative Surplus from HRA programs and operations is carried over from year to year. HRA's fiscal year-end is December 31. In 2021 a Cumulative Surplus of \$406,858 is projected to meet uncertainties in future years.

# 2019-2021 Business Plan Budget & Projections

The following table presents a summary of the Horse Racing Alberta budget for 2019 as well as target projections for fiscal years 2020 and 2021.

## HORSE RACING ALBERTA

### Financial Projections 2019 to 2021

	2017 Actual	2018 Forecast	2019 Budget	2020 Forecast	2021 Forecast
<b>Revenue:</b>					
General Fee	\$ 5,523,598	\$ 5,502,968	\$ 6,053,265	\$ 6,658,306	\$ 6,991,221
Promotional Levy	421,222	420,977	463,075	509,360	534,828
Assessments, Licenses & Fines	240,505	238,000	248,055	260,045	273,045
Other	31,412	30,000	29,500	31,000	32,000
Slots - Current Year	33,184,865	30,537,118	34,979,642	40,264,807	42,536,171
Interest on Deferred Contributions	7,771	9,300	10,775	11,000	11,500
Gaming Agreement Sub-total	33,192,635	30,546,418	34,990,417	40,275,807	42,547,671
<b>Total Revenue</b>	<b>39,409,373</b>	<b>36,738,363</b>	<b>41,784,310</b>	<b>47,734,518</b>	<b>50,378,765</b>
<b>Expenses:</b>					
Racetrack Funding Grant	20,625,320	19,977,360	23,766,339	28,061,286	29,676,006
HRA Purse Grant	12,315,559	10,518,147	10,518,147	11,569,962	12,148,460
Breed Improvement Program	3,999,800	3,100,000	3,100,000	3,410,000	3,614,600
Regulatory / Administration	3,255,743	3,152,651	2,883,434	3,027,606	3,118,434
HRA Marketing and Promotion	371,737	395,000	395,000	790,000	987,500
Backstretch - Human Resource Development	116,315	133,863	149,917	152,915	155,974
Contingency				500,000	500,000
<b>Total Expenses</b>	<b>40,684,473</b>	<b>37,277,020</b>	<b>40,812,837</b>	<b>47,511,769</b>	<b>50,200,973</b>
<b>Annual Surplus / (Deficit) from Programs</b>	<b>(1,275,102)</b>	<b>(538,657)</b>	<b>971,473</b>	<b>222,749</b>	<b>177,792</b>
Add:					
Cumulative Surplus from Previous Year	848,601	(426,499)	(965,156)	6,316	229,066
Change in Net Assets					
<b>Cumulative Surplus Unrestricted / (Deficit)</b>	<b>\$ (426,499)</b>	<b>\$ (965,156)</b>	<b>\$ 6,316</b>	<b>\$ 229,066</b>	<b>\$ 406,858</b>
<b>Scheduled Race Days</b>					
Thoroughbred at "A" racetracks	69	62	67	67	67
Standardbred at "A" racetracks	84	84	88	88	88
Community racetracks	79	76	74	74	74
<b>Total Scheduled Race Days</b>	<b>232</b>	<b>222</b>	<b>229</b>	<b>229</b>	<b>229</b>
<b>Average HRA Purse Grant/Race Day</b>	<b>\$ 53,084</b>	<b>\$ 47,379</b>	<b>\$ 45,931</b>	<b>\$ 50,524</b>	<b>\$ 53,050</b>

# Contact Horse Racing Alberta

Additional copies of this publication or the annual report for Horse Racing Alberta are available on our website at [thehorses.com](http://thehorses.com).

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