

BUSINESS PLAN 2023 - 2025




THE HORSES[®]
HORSE RACING ALBERTA

A background image showing a group of horses running on a track, with dust or dirt kicked up behind them. The image is in a light, faded tone, serving as a backdrop for the document's content.

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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 2023-2025 HRA Business Plan. Through this plan, we identify our strategic objectives, priorities, and performance targets for this timeframe.

In 2022, Alberta horse racing moved forward from the pandemic and began the recovery process with reasons for optimism on many fronts. Operational and financial stability have allowed the thousands of men and women who work in our Alberta Horse Racing and Breeding Industry to plan and execute strategies for the future as we all strive to grow the racehorse population, increase field sizes, attract more fans, and drive handle.

The goals of increasing purses and incentive programs continue to be a reality. With the help of HRA, Track On 2 is now an approved Racing Entertainment Centre and is contributing revenue to the Funding Agreement. 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 Horseracing industry.

We are committed to implementing a Strategic Communication Plan to inform and educate all stakeholders to support the cultural renewal. By working together, we will continue to ensure the health and safety of racing participants, both equine and human alike.

Through the modernization of regulatory functions and processes, we are streamlining operations and enabling industry participants to adhere to procedures seamlessly. This improves the efficiency of the regulatory process and provides consistency in all facets of its implementation.

Business Intelligence (BI) tools are now in place, thus enhancing the analytical capabilities for licensing data and pari-mutuel wagering. Next year, we will be working on putting similar tools in place for breeding and racing statistics in Alberta. We will implement a strategic Risk Management Plan with the BI data that will improve our resiliency going forward.

Owners, breeders, and trainers are utilizing the Breed Improvement Program and appreciate the stability it provides as they plan the growth of their businesses. The program funding has increased, and we will continue to review it to maximize and improve its impact on foal crop production.

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.

We are dedicated to the stability and growth of racing by maintaining long-term racing agreements with horsepeople's organizations and racetrack operators. This stability provides confidence and optimism for all racing participants.

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, 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 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.

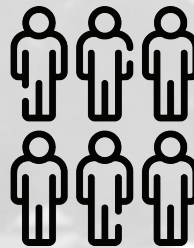
HRA will pursue these strategic thrusts that build toward the achievement of our vision. The strategic thrusts establish the overall direction for future business decisions and resource allocation to effect the necessary changes to the organization and its operations.

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

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

Integrity
Respect
Accountability
Collaboration
Excellence

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

2023-2025 BUSINESS PRIORITIES

Implement a Strategic Communication plan to inform and educate stakeholders to support the cultural renewal.

Consult with stakeholders to co-create a renewed values-driven culture in the Alberta horse racing industry.

Establish an Equine Health and Safety Program.

Assess the feasibility of implementing a Backstretch Worker Benefit Program.

Review and modernize Regulatory functions and processes.

Conduct annual backstretch, racetrack surface and Occupational Health and Safety inspections.

Implement a Racehorse Entry/Exit Monitoring System at racetracks.

Develop online certification and training programs for racing participants.

Attain National Thoroughbred Racing Association (NTRA/HISA) Safety and Integrity accreditation.

Use Business Intelligence tools to improve analytical capabilities for licensing data, pari-mutuel wagering, and Alberta horse racing and breeding statistics.

Implement a strategic Risk Management Plan.

Implement online processing of HRA license applications and renewals.

Provide stakeholders with self-serve access to open data and analytical tools.

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.

METRICS

Stakeholder Engagement Index

Racing events conducted in compliance with rules and regulations

Total Provincial Marketing Expenditure

HRA Resiliency Index

HRA Cumulative Surplus (Deficit)

Total Pari-mutuel Handle

Total Purse Grants

Total Breed Improvement Funding

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 Strategic Communication plan to inform and educate stakeholders to support the cultural renewal.
- Consult with stakeholders to co-create a renewed values-driven culture in the Alberta horse racing industry.
- Establish an Equine Health and Safety Program.
- Assess the feasibility of implementing a Backstretch Worker Benefit Program.

Measure	Actual 2021	Forecast 2022	Target 2023	Target 2024	Target 2025
Stakeholder Engagement Index*	70.1%	80.3%	80.8%	81.3%	81.8%

*Employee Engagement Survey results only. Stakeholder Engagement Survey has been developed and fielded, but results are not available in time for this publication.

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.

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

- Review and modernize Regulatory functions and processes.
- Conduct annual backstretch, racetrack surface and Occupational Health and Safety inspections.
- Implement a Racehorse Entry/Exit Monitoring System at racetracks.
- Develop online certification and training programs for racing participants.
- Attain National Thoroughbred Racing Association (NTRA/ HISA) Safety and Integrity accreditation.

PERFORMANCE MEASURES

Measure	Actual 2021	Forecast 2022	Target 2023	Target 2024	Target 2025
Racing Compliance*	87.1%	86.7%	87.2%	87.7%	87.8%
Total Provincial Marketing Expense**	\$422	\$550	\$600	\$650	\$750

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

** Dollar totals are in '000s

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

- Use Business Intelligence tools to improve analytical capabilities for licensing data, pari-mutuel wagering, and Alberta horse racing and breeding statistics.
- Implement a strategic Risk Management Plan.
- Implement online processing of HRA license applications and renewals.
- Provide stakeholders with self-serve access to open data and analytical tools.

Measure	Actual 2021	Forecast 2022	Target 2023	Target 2024	Target 2025
HRA Resiliency Index*	NA	90.6%	90.7%	90.8%	90.9%

*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

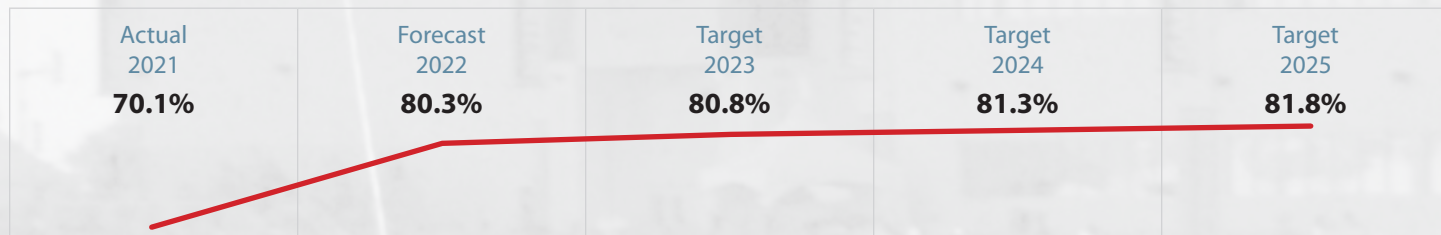
Measure	Actual 2021	Forecast 2022	Target 2023	Target 2024	Target 2025
HRA Cumulative Surplus (Deficit)	(\$50)	\$3,760	\$5,437	\$6,028	\$5,878
Total Pari-Mutuel Handle	\$81,491	\$94,374	\$95,318	\$96,270	\$97,233
Total Purse Grants	\$8,241	\$12,500	\$13,500	\$14,500	\$15,000
Total Breed Improvement Investment	\$2,850	\$3,400	\$3,900	\$4,200	\$4,500

* Dollar totals are in '000s.

SUMMARY OF PERFORMANCE MEASURES

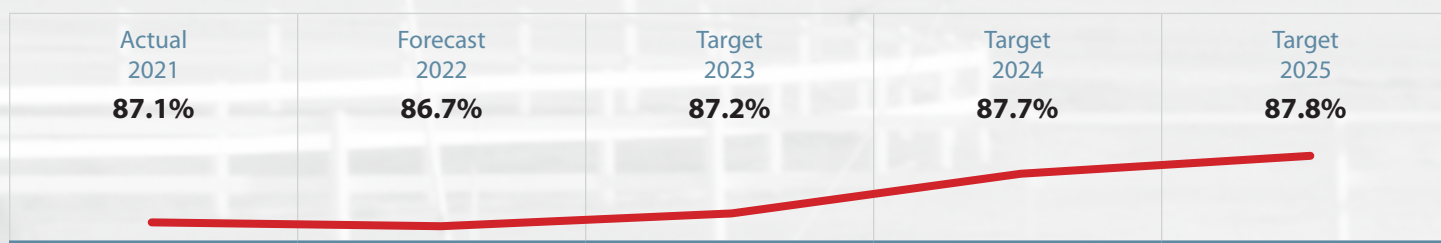
VALUES-BASED CULTURE

Stakeholder Engagement Index



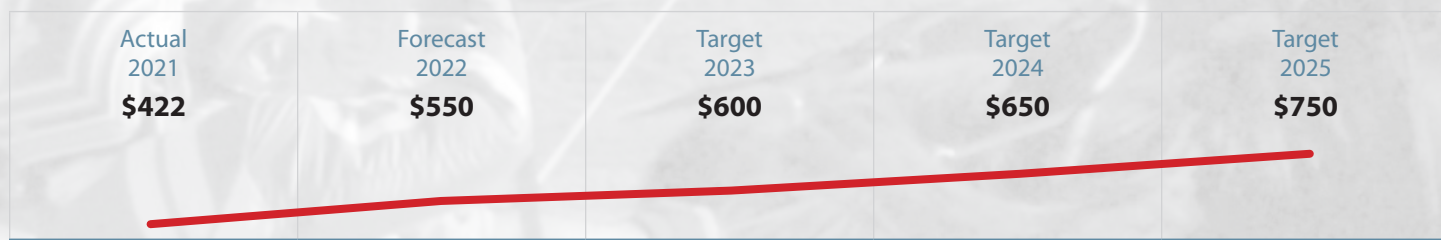
ORGANIZATIONAL ALIGNMENT AND EFFECTIVENESS

Racing Event Compliance



*Racing compliance is the percentage of races ran 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

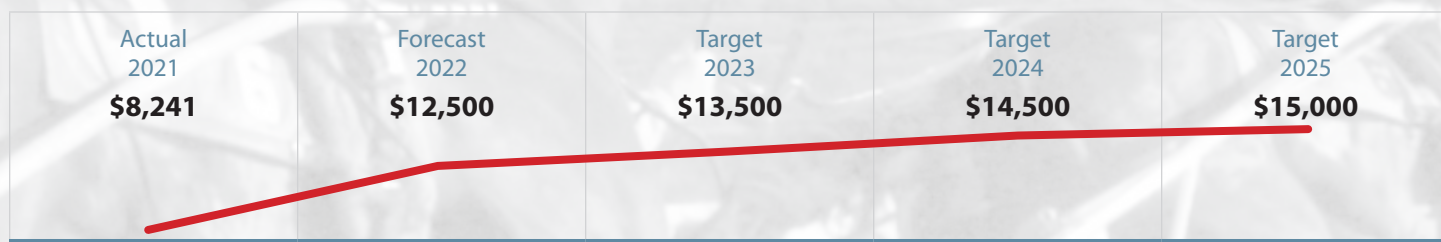
HRA Cumulative Surplus (Deficit)



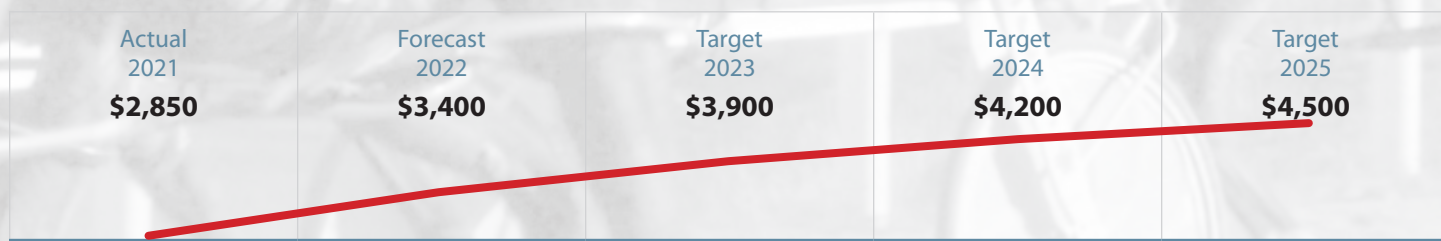
Total Pari-Mutuel Handle



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 2023, the marketing budget has 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 horses 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.

Establishing a transparent process to review potential rule changes that engages industry stakeholders, racing fans and the general public is underway. A new matrix for imposing specified financial penalties and suspensions for rule violations is also in development with key stakeholders. 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 Canadians to work in the horse racing industry. The Groom School Program and Jockey/Exercise Rider Program are both fifteen-week certificate 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:

- 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.
- Underperformance of slot machines and/or overall provincial handle.
- 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.
- Changes to government's current gaming policy that impact racing.
- 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.
- Negative effects to handle due to single event sports wagering.
- Competitive practices of other gaming and entertainment industries in Alberta.
- Failure to be proactive in addressing the human resource issues by improving conditions for its employees and increasing the available pool of qualified personnel.

- 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.
- Failure of HRA to be recognized as the single voice of the racing industry to the Public and Government.
- 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.
- 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.

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 2023 TO 2025:

- 2021 Actuals are based on HRA's audited financial statements in all instances in this document.
- 2022 Forecast is based on actuals to September 30. Handle was budgeted at about a 10% increase over 2019 actuals (the last full year of operations). Handle is trending to be about \$ 1M below target as betting has not recovered to the levels anticipated. Slot revenue was budgeted at 2021 levels and included a full year of operations at the Lacombe REC. The forecast is above budget by \$ 3.6M as slot performance has exceeded expectations. The Lacombe REC did not open until late October so slot revenues would have likely been even higher had they opened earlier as anticipated. Racetrack funding is expected to be \$ 1.8M above budget as this is based directly on higher slot revenues. Purses and Breed Improvement were budgeted at \$ 15.9M and the full amounts will be spent. Other operational expenses are \$ 400K under due to cost saving measures and certain IT projects that were deferred.
- There will be an operating profit in 2022 of about \$ 1.4M and an operating profit of about \$1.6M is forecasted in 2023.
- 2023 Budget sets handle revenue with a 1% increase over the 2022 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 no increase over the 2022 forecast other than a 1% bump in Lacombe's estimates, as the REC will be operating for the full year in 2023.
- Since the REC's reopened (after COVID) 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 \$ 42.1M for 2023.
- Purses have increased by 8% over 2022 to \$ 13.5M and breed improvement has been increased by 14.7% over the original 2022 budget to \$ 3.9M.
- The Horse Population Incentive Program has been included again in 2023 with a budget of \$ 500K. Marketing has increased by \$ 100K compared to the original 2022 budget.
- Manpower has been increased by 14.2% to reflect three new hires and a 3% COL increase. Administration costs have been budgeted at a 10.8% increase over the 2022 forecast but are 13% below the original 2022 budget.
- Racetrack Funding, which is a percentage of slot revenue generated at each REC has increased as our projections for slot revenues have increased. Human resource development and animal welfare have also been increased (\$ 119K) to reflect our commitment to these areas.
- 2024 projections reflect a 1% increase in handle over the 2023 projections with continued use of performance metrics to generate handle. Similarly, a projected 1% increase in slot play should result in a \$ 400K increase in HRA's slot revenue. Purses and Breed Improvement to increase by \$ 1.3M 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 2% inflation factor built in.
- 2025 projections show a 1% increase in both handle and slot revenue. Purses and Breed Improvement are projected to increase by \$ 800K. Marketing to increase a further \$ 100K. Other operating expenses reflect a 2% 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 will be eliminated in 2022. Any accumulated surplus generated will be eroded over the next few years and will see HRA focused on creating a contingency fund to meet uncertainties as HRA moves forward.

BUSINESS PLAN BUDGET AND PROJECTIONS

HORSE RACING ALBERTA FINANCIAL PROJECTIONS 2023 TO 2025

The following table presents a summary of the Horse Racing Alberta budget for 2021 as well as projections for fiscal years 2022, 2023 and 2024.

	2019 Actual	2020 Actual	2021 Actual	2022 Budget	2022 Forecast	2023 Budget	2024 Forecast	2025 Forecast
REVENUE:								
General Fee	\$4,987,116	\$4,312,069	\$4,063,665	\$5,566,419	\$4,699,742	\$4,765,886	\$4,813,545	\$4,861,680
Promotional Levy	\$382,990	\$333,418	\$314,778	\$426,610	\$360,188	\$365,257	\$368,910	\$372,599
Assessments, Licenses & Fines	\$229,386	\$328,149	\$104,330	\$138,500	\$128,669	\$125,000	\$145,000	\$150,000
Other	966	165,270	\$468,159	\$10,000	\$12,000	\$10,000	\$10,000	\$10,000
Slots - Current Year	34,160,452	26,065,898	23,085,858	37,709,098	41,319,864	42,192,364	42,614,288	43,040,431
Interest on Deferred Contributions	11,860	7,490	\$0	\$12,000	\$41,263	\$30,000	\$12,000	\$12,000
Gaming Agreement Sub-total	\$34,172,312	\$26,073,388	23,085,858	37,721,098	41,361,127	\$42,222,364	42,626,288	\$43,052,431
Total Revenue	\$39,772,770	\$31,212,294	28,036,790	43,862,627	46,561,726	\$47,488,507	\$47,963,742	\$48,446,709
EXPENSES:								
Racetrack Funding Grant	\$23,245,526	\$16,276,203	\$13,869,056	\$21,113,324	\$22,932,524	\$23,694,624	\$23,970,537	\$24,210,242
HRA Purse Grant	\$10,518,417	\$6,576,676	\$8,241,260	\$12,500,000	\$12,500,020	\$13,500,000	\$14,500,000	\$15,000,000
Breed Improvement Program	\$3,100,000	\$2,620,000	\$2,850,000	\$3,400,000	\$3,400,000	\$3,900,000	\$4,200,000	\$4,500,000
Horse Population Incentive Program	\$0	\$0	\$0	\$500,000	\$300,000	\$500,000	\$500,000	\$500,000
Regulatory / Administration	\$3,370,069	\$2,653,493	\$2,785,835	\$3,300,000	\$3,015,000	\$3,445,000	\$3,379,450	\$3,413,245
HRA Marketing and Promotion	\$786,335	\$413,273	\$422,483	\$500,000	\$550,000	\$600,000	\$650,000	\$750,000
Backstretch/Animal welfare	\$141,695	\$73,620	\$253,701	\$166,000	\$81,000	\$200,000	\$200,000	\$250,000
Total Expenses	\$41,162,042	\$28,613,265	\$28,422,335	\$41,479,324	\$42,778,544	\$45,839,624	\$47,399,987	\$48,623,487
ANNUAL SURPLUS / (DEFICIT) FROM PROGRAMS	(\$1,389,272)	\$2,599,029	(\$385,545)	\$2,383,303	\$3,783,182	\$1,648,883	\$563,755	(\$176,777)
Add:								
Cumulative Surplus from Previous Year	(\$937,760)	(\$2,317,547)	\$308,636	(\$49,755)	(\$49,755)	\$3,760,581	\$5,436,618	\$6,027,527
Change in Net Assets	\$9,215	\$27,154	\$27,154	\$27,154	\$27,154	\$27,154	\$27,154	\$27,154
CUMULATIVE SURPLUS UNRESTRICTED / (DEFICIT)	(\$2,317,817)	\$308,636	(\$49,755)	\$2,360,702	\$3,760,581	\$5,436,618	\$6,027,527	\$5,877,904

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



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