

Capital Improvement Funding Continuation Proposal - July 2024



Prepared For

Ontario Lottery & Gaming Commission

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1.0 Introduction

As we approach the extension of the Funding Agreement into its First Extended Term, Ontario Racing is required to submit a written proposal demonstrating the continued necessity of the Capital Funding Payment. This report serves as that written proposal, offering an in-depth analysis of the Capital Funding's pivotal role over the past five years and its projected significance in the upcoming term. Our objective is to provide a clear and compelling narrative that illustrates how this funding has been not just beneficial, but essential to the industry's sustainability and future growth. Accompanying this proposal are detailed records of every project completed over the last five years at each racetrack, as well as a forward-looking analysis of potential projects that will be required in the next term. Through this comprehensive overview, we aim to demonstrate that the continuation of the Capital Funding Payment is vital for the continued success and evolution of Ontario's horse racing industry.



2.0 Past Impact

The Capital Funding provided by the Ontario Lottery and Gaming Corporation (OLG) and the Government of Ontario over the past five years has been essential for Ontario's horse racing industry. This funding has been critically important for sustaining the industry, allowing racetracks throughout Ontario to maintain and upgrade their facilities, implement improved safety protocols, and deliver a best-in-class experience for both horse racing participants and spectators. The funding also allows racetracks to ensure they are continuously complying with best-in-class regulatory requirements set out by local regulators such as the Alcohol and Gaming Commission of Ontario (AGCO) and the Accessibility for Ontarians with Disabilities Act (AODA). To provide firsthand perspectives on the positive impact of this funding, we sought direct input from racetrack operators themselves. As they work closely with horse racing participants and customers daily, our racetrack operators provided invaluable insights into how the capital funding has tangibly benefited the industry on the ground level.

As highlighted by Scott Price, General Manager of Hanover Raceway, the capital funding has allowed them to make significant improvements to their facility:

"Last year, we received funding for a large double sided LED sign which we installed at the entrance to our facility. This sign has increased our exposure in the area by displaying exactly what we do in a visual way. It has also provided several organizations in the local area a way to promote their charities which help improve the lives of so many people. We have been able to improve our video and audio equipment to enhance the quality of live racing broadcasts we provide onsite and online for our fans. We are noted for being one of the best in the industry. Vehicle equipment upgrades and replacements have played a vital role in our track safety and to racing itself."

Chad Gates, General Manager of Flamboro Downs and Georgian Downs, emphasized the critical role of the capital funding in ensuring the safety of both customers and horse persons:

"The current capital funding provided to Ontario racetracks through Ontario Racing plays a vital role in guaranteeing proper maintenance of our racing facilities and racing operations, ensuring a safe racing environment for customers and horse persons alike. The proper upkeep of a racing facility, including customer areas, backstretch areas and the racing surface require continuous and mindful capital improvements to maintain a safe operating and working environment. Under the current structure for racing in Ontario, racetrack operators would be unable to maintain their facilities to the standard that is required without the capital funding being available."

In addition to safety, racetracks are leveraging the capital funding to enhance the overall customer experience, recognizing that attracting and retaining patrons requires creating a safe, attractive, and desirable venue. Investments have been made in upgrading amenities that directly impact customer appeal and satisfaction. For example, some racetracks



have used the funding to purchase new picnic tables and install canvases or screens in food and beverage areas, providing much-needed shade and shelter. These improvements offer patrons pleasant spaces to relax, dine, and socialize, making their visit more enjoyable.

Furthermore, racetracks are using the capital funding to adapt to our changing climate. As weather patterns become more extreme, venues are investing in the proper infrastructure to manage these challenges. This includes creating more shaded and air-conditioned areas to protect customers and staff from excess heat during increasingly hot summers. Similarly, racetracks are improving their drainage systems to better handle heavy rainfall, ensuring that events can proceed safely and comfortably despite weather fluctuations. These climate-adaptive improvements demonstrate the industry's commitment to providing a high-quality experience for customers, regardless of weather conditions.

Greg Blanchard, Director of Equine Programming at Western Fair, emphasized the importance of the capital funding in maintaining their competitive edge:

"Ontario Racing's capital funding support has been critically important to us in maintaining and enhancing the infrastructure necessary to remain competitive in the North American horse racing landscape. This funding has directly supported many important projects here, including 1) structural work and enhancement of portions of our grandstand facility, 2) the purchase of equipment used to maintain the racing surface through the various seasons we experience, and 3) the purchase of state-of-the-art broadcast equipment that allows us to showcase our product to a worldwide audience."

They also highlighted the challenges they would face without this funding:

"It would be challenging for an organization of our size to fund and execute projects of this size and scope without this funding support and would typically need prioritizing over a long period of time. This has allowed us to address several key initiatives in a more timely manner and has helped position us as an industry leader, not only in Ontario, but in North America."

Finally, Peter Andrusek, Head of the Racing Department at Rideau Carleton Raceway (RCR), highlighted the impact of the capital funding on their facility's modernization and the swift response from Ontario Racing and OLG in the event of an emergency:

"At the inception of Ontario Racing's Capital Improvement program, Rideau Carleton Raceway's horse racing amenities were dilapidated and obsolete. Nostalgia does not sell. Access to this fund has enabled RCR to modernize our customer experience to a standard demanded in Ottawa's competitive sports entertainment market. Those investments have included our track lighting, infield video board, starting car, upgraded HD broadcast and general beautification. When a fire destroyed our race paddock in February 2023, Ontario Racing responded immediately to provide financial assistance by leveraging this program; enabling Rideau



Carleton Raceway to furnish a temporary paddock and salvage our race season for all whose livelihoods were depended."

Without this funding, many racetracks would struggle to remain competitive and meet the necessary standards required for safe and successful racing operations. They would also find it difficult to maintain facilities that are attractive and desirable to both industry participants and the general public. Furthermore, racetracks need this capital funding to ensure they can meet both racing-specific regulatory requirements, such as those outlined in the AGCO Rules of Racing, as well as public-facing regulatory standards like accessibility guidelines. This includes improvements to older venues such as upgrading accessible washrooms and modernizing food and beverage areas to meet evolving customer needs and accessibility standards. As the industry continues to evolve and face new challenges, the continuation of this capital funding will be crucial in ensuring the long-term sustainability and growth of Ontario's horse racing industry.



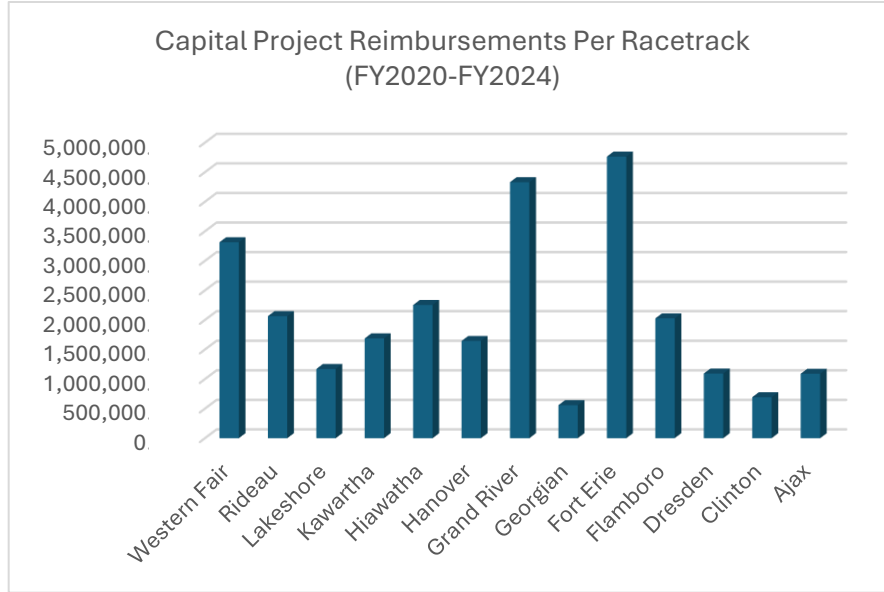
3.0 Capital Improvement Payment FY2020 to FY2024

The following charts and tables present a comprehensive breakdown of capital project reimbursements made to OR Racetrack Members during the initial five-year period of the funding agreement. This quantitative representation serves to illustrate the distribution and allocation of these payments, providing a clear visual comparison of reimbursement amounts across different racetracks.

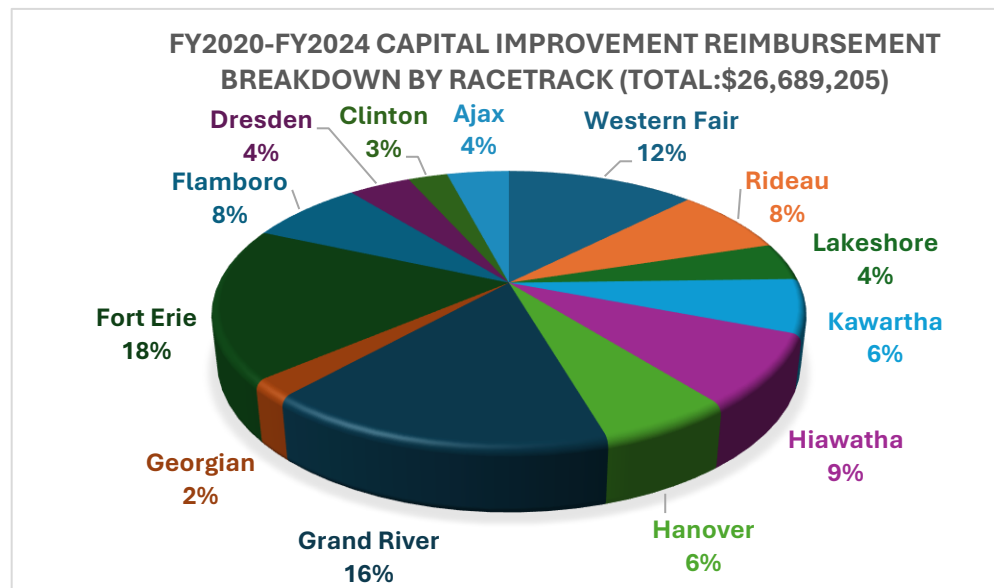
FY2020-FY2024 Total Capital Project Allocation

Racetrack	Reimbursed	Allocated	Total	% of Total
Grand River	\$4,330,303.98	\$848,860.96	\$5,179,164.94	17.3%
Fort Erie	\$4,762,526.13	\$159,283.73	\$4,921,809.86	16.4%
Western Fair	\$3,314,974.80	\$25,500.00	\$3,340,474.80	11.1%
Rideau	\$2,063,817.43	\$413,954.26	\$2,477,771.69	8.3%
Hiawatha	\$2,253,370.74	\$0	\$2,253,370.74	7.5%
Flamboro	\$2,026,808.45	\$0	\$2,026,808.45	6.8%
Clinton	\$693,201.83	\$1,240,870.86	\$1,934,072.69	6.5%
Hanover	\$1,644,971.17	\$79,028.00	\$1,723,999.17	5.8%
Kawartha	\$1,687,973.55	\$0	\$1,687,973.55	5.6%
Ajax	\$1,089,992.82	\$118,090.00	\$1,208,082.82	4.0%
Dresden	\$1,093,033.79	\$88,693.85	\$1,181,727.64	3.9%
Lakeshore	\$1,170,382.35	\$0	\$1,170,382.35	3.9%
Georgian	\$557,848.39	\$0	\$557,848.39	1.9%
Subtotal	\$26,689,205.00	2,974,281.66	\$29,663,487.09	98.9%
Purse Reallocation	\$0	\$135,919.00	\$135,919.00	0.5%
Unallocated (03/31/24)	\$0	\$200,594.72	\$200,594.72	0.7%
Total	\$26,689,205.43	\$3,192,705.38	\$30,000,000.81	100%





Tier 1: \$4M +	Fort Erie, Grand River
Tier 2: \$2M - \$4M	Western Fair, Hiawatha, Rideau, Flamboro
Tier 3: \$1M - \$2M	Kawartha, Hanover, Lakeshore, Dresden, Ajax
Tier 4: Under \$1M	Clinton, Georgian



4.0 Capital Improvement Payment Projections FY2027 to FY2032

The following charts and tables provide a comprehensive breakdown of capital project projections anticipated by OR Racetrack Members during the First Extended Term of the Funding Agreement. These projections represent necessary projects identified by all participating racetracks, with estimated costs based on FY2024 market values that do not factor in external economic impacts such as inflation or fluctuations in commodity prices. While the chart illustrates the overall \$36M need over six years, it's important to note that at least \$6M is required annually. This consistent yearly demand accounts for ongoing replacements, upgrades, and potential emergency projects that will arise unpredictably over the First Extended Term. As experienced in the Initial Term of the Funding Agreement, unpredictable and unknown demands present themselves each fiscal year.

It's crucial to note that these anticipated projects have not yet undergone formal evaluation or received approval. All new capital projects must adhere to the established annual submission process for consideration. This process involves the Capital Working Group's review and recommendations of applied-for capital projects, which are then sent to the Ontario Racing Board for approval, before final submission to OLG. This approach ensures alignment with organizational priorities and the terms of the Proposed Annual Business Plan submission. It is important to note that projects that are not approved in one application cycle are not prohibited from being resubmitted for consideration in subsequent cycles.

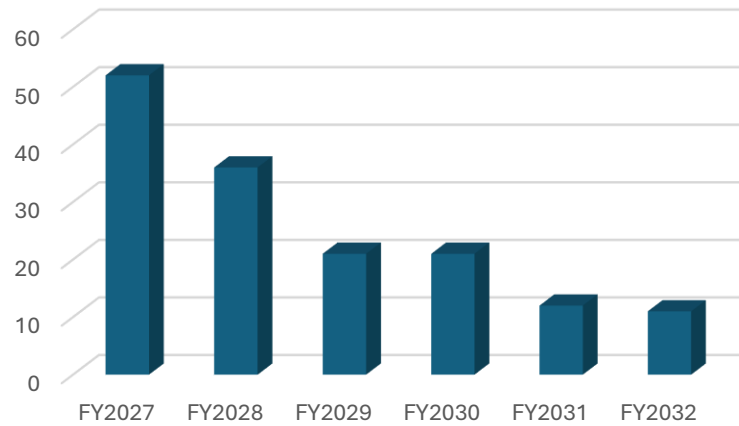
By presenting this forward-looking data, we aim to offer insight into potential infrastructure needs and financial commitments across OR Racetrack Members. However, as projections, these figures are subject to revision based on changing circumstances, priorities, and available funding.

Racetrack	# of Projects	Estimated Cost	Average Cost per Project
Ajax	7	\$ 675,940	\$ 96,653
Clinton	8	\$ 1,785,900	\$ 223,228
Dresden	18	\$ 2,050,000	\$ 113,889
Flamboro	14	\$ 1,150,000	\$ 82,143
Fort Erie	19	\$ 9,230,000	\$ 485,789
Georgian	6	\$ 1,535,000	\$ 255,833
Grand River	12	\$ 610,000	\$ 50,833
Hanover	8	\$ 882,000	\$ 110,250
Hiawatha	19	\$ 9,180,000	\$ 483,158
Kawartha	19	\$ 1,772,700	\$ 110,794
Lakeshore	8	\$ 525,000	\$ 65,625
Rideau	11	\$ 2,760,650	\$ 250,968
Western Fair	4	\$ 8,450,000	\$ 1,408,333
Total	153	\$ 40,607,190	\$ 287,500

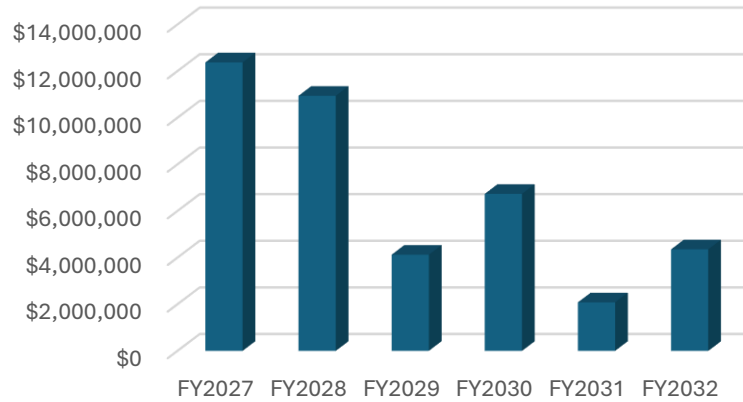
Fiscal Year	Total Value (\$)	# of Projects
FY2027	\$12,373,590	52
FY2028	\$10,938,900	36
FY2029	\$4,125,200	21
FY2030	\$6,735,000	21
FY2031	\$2,080,650	12
FY2032	\$4,353,850	11
Total	\$40,607,190	153

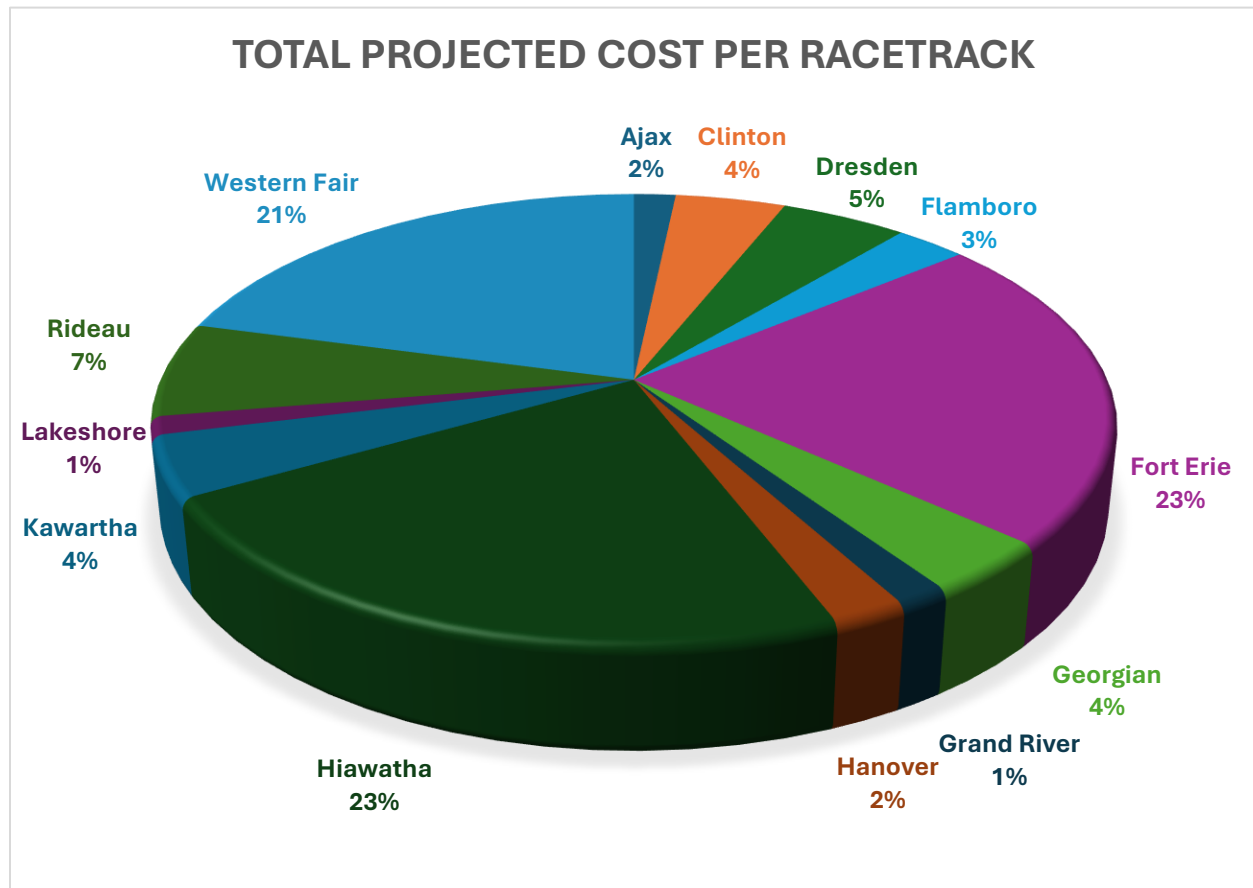


Number of Projects Per Fiscal Year



Projected Cost Per Fiscal Year





5.0 Future Impact

The provision of the Capital Improvement Payment from OLG is instrumental in maintaining and supporting growth within Ontario's horse racing industry. As we approach the First Extended Term of the Funding Agreement, the significance of this capital cannot be overstated – it plays a key role in ensuring the industry's continued operations. OLG stands as an important stakeholder and partner throughout the capital improvement process, supporting the industry with the capital funding that is required.

OLG's Capital Oversight and Approval Process

OLG is kept informed about Capital Projects through Ontario Racing's Annual Business Plan, which has a section that details the descriptions and amounts of all racetrack capital projects. Any urgent Capital Projects that arise throughout the year are sent to OLG for approval on an ad hoc basis. Their greenlight is a mandatory checkpoint, ensuring thorough vetting and alignment with established eligibility criteria. Moreover, OLG is consistently updated on the



evolving industry landscape, economic factors, and how these dynamics impact the capital needs of racetracks at any given moment. This real-time awareness allows for proactive adjustments and informed decision-making and approvals. It crucially provides time for stakeholders to pause certain projects and collect further information and analysis to make the most informed decision, as we have seen in the most recent fiscal year. The 2022 internal audit afforded OLG further visibility into capital funding allocations up until that point.

Funding, Reporting, and Future Projections

Through the first five years of the funding agreement (April 1, 2019 – March 31, 2024), racetracks have been reimbursed \$26,689,205.43 from the Capital Improvement Payments (Appendix A). As per Section 7.5 of the Funding Agreement, Ontario Racing is required to publish a report at the end of each funding year detailing how Eligible Capital Costs were utilized. This commitment to transparency underscores the level of oversight and accountability surrounding the capital funding process. Looking ahead, racetracks have forecast a staggering \$41 million in potential capital projects throughout the First Extended Term (FY2027-FY2032). The majority of these proposed projects are concentrated within the initial few years, underscoring their urgency. While not yet fully vetted for eligibility, it is evident that most of the projects are acceptable and align with established criteria.

Multifaceted Benefits Across the Industry and Communities

The profound positive impacts of Capital Improvement funding provided by OLG are far-reaching, yielding a multitude of benefits that ripple across the industry and local communities. This investment strengthens the foundations of horse racing operations while driving economic growth, preserving historical and cultural events and properties, and uplifting rural regions. The capital funding catalyzes improvements in numerous crucial areas that will be discussed below.

Animal welfare and operational integrity are prioritized through multiple avenues. Investments in higher-quality barns, safer racing surfaces, improved medical equipment like ambulances and testing centers, and an increased number of stalls for horses enhance animal welfare and safety standards. Upgrades to tracks, starting gates, timing systems, and other facilities support fair and safe competition, which is essential for attracting and maintaining wagering levels that sustain the industry's financial ecosystem.

The capital funding plays a vital role in sustaining employment and fueling economic activity. It is crucial in keeping racetracks operational and competitive, thereby safeguarding the livelihoods of thousands who depend on the industry. By prioritizing Ontario-based vendors for capital projects whenever possible, Ontario Racing reinvests the funding into local businesses, catalyzing job creation, particularly in the construction sector where projects are often worth hundreds of thousands or millions of dollars.

Emilio Trotta, General Manager of Racing Operations at Ajax Downs, provided the following quote after having a few capital projects approved that impacted staff-only areas: “The capital improvement funding program provided by the government for Racetracks has had a very positive impact on our employee welfare and has helped create a positive vibe around our



facility. The improvements that have been made not only to their work areas and lunch/break areas, but all areas of the racetrack facility have been appreciated by the employees and has also given them the hope that horse racing will continue to operate in the province and keep jobs.”

Rural communities reap significant benefits from the capital investment. It sustains smaller, grassroots racetracks that are major employers in areas with limited economic opportunities. Racetracks are sources of pride, and their preservation maintains the cultural fabric of these communities. The funding facilitates improvements to localities, fostering a shared sense of growth and unity.

The capital funding enables upgrades to elevate the overall racing experience. Enhancements to viewing areas, ambiance, amenities, and accessibility can increase attendance, revenue, and attraction of new fans while retaining existing enthusiasts. Investments in new technologies and timing equipment prevent Ontario's industry from falling behind, keeping it innovative and competitive.

Preservation of Ontario's rich equine history is also a key beneficiary, with the funding maintaining legacy facilities and grounds as they age. Ongoing investment to maintain and enhance capital infrastructure is essential to ensuring regulatory compliance and successful operations. Many of Ontario's older racetracks require constant improvements due to aging infrastructure and evolving building codes. These investments are also essential in attracting horse people and customers alike to live horse racing in Ontario.

From economic development to regulatory compliance, the impacts are multidimensional. Projects generate tax revenues for municipalities and the province. Capital allocations routinely improve accessibility standards at older venues to meet evolving disability regulations. In emergency situations like fires or natural disasters, the funding covers repairs that insurance cannot, minimizing disruptions.

6.0 Conclusion

In conclusion, the capital funding provided by OLG has been instrumental in enabling these vital projects and their far-reaching positive impacts. Without this crucial financial support, the industry would likely face significant challenges and struggle to maintain its current level of operations and community contributions. The transformative effects of these capital investments - from enhanced visitor experiences to improved operational efficiency and increased economic benefits - underscore the pivotal role OLG plays in sustaining and advancing the industry. As we look ahead, the continued commitment of OLG to provide capital funding over the next term of the agreement is not only appreciated but essential for the industry's ongoing growth, innovation, and ability to generate value for communities across Ontario.

