



Ontario Racing Commission

Business Plan

2014 2017

Approved by the Governing Board
April 24, 2014
(Revised) November 27, 2014

Table of Contents

| | |
|---|----|
| Table of Contents..... | 1 |
| Executive Summary | 3 |
| Summary of Key Initiatives | 5 |
| Overview of the Ontario Racing Commission | 6 |
| Mandate | 7 |
| Strategic Direction..... | 8 |
| Key Initiatives for 2014-2015 | 8 |
| Overview of Current Programs and ORC Activities..... | 10 |
| Resources Needed to Meet Goals and Objectives..... | 14 |
| Risk Identification, Assessment and Mitigation Strategies | 14 |
| Environmental Scan..... | 18 |
| Human Resources | 19 |
| Performance Measures and Targets | 20 |
| Financial Information..... | 22 |
| Information Technology (IT)..... | 23 |
| Implementation Plan | 24 |
| Communications Plan | 25 |

Executive Summary

This past year has been a remarkable one for the Ontario Racing Commission (ORC) and the Ontario horse racing industry as the Ontario Government announced the five-year, \$ 500 Million Ontario Horse Racing Partnership Plan (Plan) to support a sustainable Horse Racing Industry. The Plan is based on upon:

- Up to \$500 Million in funding provided to the industry
- Improved industry regulation and governance
- Integration of racing and gaming modernization

This Plan was the outcome of the efforts of the Horse Racing Industry Transition Panel, established by the Ontario government. This has resulted in increased industry confidence and certainty, while introducing a new era in the history of the ORC. The Plan called for the creation of Ontario Horse Racing (OHR) which has been established as the industry development arm of the ORC.

As of April 1st, 2014 implementation of the Plan was well underway. The ORC was directed to administer the Horse Racing Partnership Funding Program (HRPFP) through Transfer Payments to the horse racing industry.

By April 1, 2014 the ORC had:

Executed a new Memorandum of Understanding (MOU) and Accountability Agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA);

Implemented a new division of the ORC titled the Ontario Horse Racing division responsible for industry development; and

Entered into Transfer Payment Agreements (TPAs), to provide HRPFP funding to racetracks offering live horse racing in the province, while continuing to regulate the industry to its high standard of quality, safety and integrity.

The following summary budget illustrates the HRPFP funds delivered through the Ontario Horse Racing division in accordance with the TPAs. Cost Recoveries listed below are amounts billed centrally to the ORC and collected from applicable industry participants. Regulatory division represents the ORC budget for its regulatory functions, incrementally reduced from 12.4 M in 2006.

| Revenues (million) | 2012/2013 | Preliminary 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 |
|---------------------|-----------|-----------------------|-----------|-----------|-----------|
| Regulatory Division | 8.7 | 8.0 | 8.5 | 8.4 | 8.4 |
| OHR Division | 0.0 | 0.5 | 100.0 | 100.0 | 100.0 |
| Cost Recoveries | 2.5 | 1.8 | .4 | .2 | .2 |

Business Plan

The ORC, for the current and upcoming fiscal year, will continue to take a risk-based approach to the . The risk-based approach will be one where risks are considered individually and a mitigation strategy is established for each risk.

Summary of Key Initiatives

1. Implementation of the Horse Racing Partnership Plan (Plan) and the Horse Racing Partnership Funding Program (HRPFP)

- Negotiate and enter into TPAs with eligible and interested racetracks.
- Fulfill responsibilities related to the planning and implementation of industry development components including:
 - Responsible Gambling;
 - Marketing Branding and Communications;
 - Horse Improvement Program;
 - Animal Welfare; and
 - Performance Metrics.

2. Integrity Program

The Integrity Program is, in part, an education-based approach to integrating various activities that impact the integrity of racing enforcement, adjudication and participant rehabilitation. It also develops a broader foundation for intelligence-led regulation. Priority setting and resource allocation will be based on intelligence information and enhanced through modernization of regulatory

Program to date. In 2014-2015 the Program will continue the development of some projects and finish or launch others. The white paper can be accessed at www.ontarioracingcommission.ca.

Overview of the Ontario Racing Commission

Originally established in 1950 under the *Racing Commission Act* (RCA), the ORC is a Crown agency of the Ontario Government responsible for the regulation of horse racing in any or all of its forms. Regulation includes the licensing of all participants and racetrack operators; overseeing the conduct of all races; and working to ensure the health and welfare of horses and participants.

The government of Ontario passed the *Racing Commission Act, 2000* (RCA) to further support the ORC in enhancing its relationship with industry and in fulfillment of its mandate. The ORC is a self-financing regulatory agency with a governing board that reports through the Chair to the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).

Members of the governing board of the ORC are appointed by the Lieutenant Governor in Council.

Members of the board and the ORC As a Crown agency, the ORC is accountable to government through a number of mechanisms including a yearly audit conducted by the Provincial Auditor, production of a business plan, an annual report and various reports of performance measures. The governing board meets on a regular basis to conduct the affairs of the corporation and to address corporate governance issues. Members also perform an adjudicative function by conducting hearings pursuant to the RCA. A licensee who considers themselves aggrieved by an ORC decision is entitled to an appeal hearing before the board.

The ORC oversees:

Regulatory Division

- Regulation of the sport of horse racing including three breeds of racing:
 - Standardbred
 - Thoroughbred
 - Quarter Horse
- Race Officiating
- Licensing
- Investigations
- Veterinary Services
- Adjudication
- Regulatory Programs:
 - Industry Equine Medication and Drug Control Program
 - Industry Human Alcohol and Drug Program
 - Minimum Standards Program

Ontario Horse Racing Division

Horse Racing Partnership Funding Program

- Live Racing Components including:
 - * Alliance Racetracks including:
 - Clinton, Flamboro, Georgian, Grand River, Hanover, Western Fair, Mohawk and Woodbine
 - Regional Racetracks including:
 - Dresden, Hiawatha, Kawartha and Lakeshore
 - (FAR) Racetracks including:
 - Fort Erie, *Ajax Downs and Rideau Carleton
- Industry Development Program sub components including:
 - Animal Welfare
 - Responsible Gambling
 - Horse Improvement Program and Quarter Horse Racing Industry Development Program
 - Marketing, Branding and Communications
 - Performance Metrics

Mandate

The ORC acts in the public interest to govern, direct, control and regulate the horse racing industry in Ontario, including racing in all its forms; the operation of racetracks; and the licensing of racetracks and racing participants. In its new role, managing the HRPFP, the ORC has responsibilities to support the racing industry through industry development programs with the aim of growing the fan base and enhancing wagering revenues. The ORC exercises its powers and performs its duties in the public interest and in accordance with the principles of honesty, integrity and social responsibility. The role and authorities of the ORC are established by the RCA and its regulations.

Through a Memorandum of Understanding (MOU) with OMAFRA, the parties have defined their relationship and responsibilities. Through an Accountability Agreement between OMAFRA and the ORC.

In addition to administering funding to the industry under the HRPFP, the goals of the ORC will align with Ontario government goals to:

1. Make Ontario a better place to do business
 - a. ensure the programs meet or exceed expectations.
 - b. HRPFP will provide a stable platform for racing, ensuring owners and breeders can invest with confidence.
2. Increase competitiveness through innovation
 - a. The ORC will work with Ontario Lottery and Gaming (OLG) and the industry to promote innovation in the gaming product to increase revenue for both the industry and government.
 - b. Through the ORC Integrity Program and the ORC IT Initiatives, the ORC anticipates innovative approaches to regulation.
3. Grow our markets at home and abroad
 - a. The ORC will continue to build partnerships within the horse racing community.
 - b. Introduce new fans to the sport of horse racing while increasing existing fan attendance through the marketing, branding and communication sub component of the Industry development programs and the export of the racing signal to other jurisdictions.
 - c. The Horse Improvement Program (HIP) will improve the racing product and to attract wagering from domestic and international horse players.

Strategic Direction

Vision

The ORC will be a world-class leader in regulation and will partner with industry to support the sustainability and growth of horse racing to benefit the Ontario economy.

Mission

Our mission is to protect the public interest through the provision of effective and efficient services to the horse racing industry.

Core Values

Respect, Accountability and Innovation

Strategic Intent

To innovate and evolve as a regulator, while developing a partnership with the industry and the Ontario Lottery and Gaming Corporation (OLG) to support the growth and effective governance of the industry.

Macro Performance Indicators

Our success in pursuit of this strategic intent will be measured by the degree to which we:

- Identify material cost efficiencies in the delivery of regulatory services
- Enter into transfer payment agreements with all core racetracks
- Enter into a Memorandum of Understanding with Ontario Lottery and Gaming (OLG) to seek synergies in marketing, product development and the responsible gambling program.

Key Initiatives for 2014-2015

1. Implementation of the Horse Racing Partnership Plan (Plan) including the Horse Racing Partnership Funding Program.

The five-year Plan was announced in October 2013 and included the creation of a separate division of the ORC called Ontario Horse Racing. This division is the industry development arm of the ORC and administers and oversees elements of the HRPP including the Horse Racing Partnership Funding Program (HRFPF).

During the fiscal year 2014-2015, OHR will focus on planning and implementation of the components of the HRFPF.

Live Racing Components:

Negotiate and enter into Transfer Payment Agreements (TPAs) with all eligible racetracks that will participate in the program.

Industry Development Programs:

- *Responsible Gambling:* Develop a responsible gambling plan in conjunction with the OLG that identifies support services and community resources for those who may experience problems gambling.
- *Marketing, Branding and Communications:* Develop a plan, with OLG, for the branding and marketing of horse racing that attracts new fans to the sport while increasing wagering on live racing.
- *Horse Improvement Program:* Collaborate with the industry to develop a program to align with the strategic objectives of the HRPP.

- *Performance Metrics*: Develop and implement a plan on a performance metrics framework success and economic benefit to Ontario.

2. Integrity Program

The Integrity Program will be an education-based approach to integrating various activities that impact

Overview of Current Programs and ORC Activities

The ORC is comprised of a governing board, which reports to the ministry through the Chair and includes an administrative structure, headed by the Executive Director and Chief Executive Officer, who in turn reports to the Governing Board.

Governing Board

The ORC board consists of not fewer than three and not more than seven members appointed by the Lieutenant Governor in Council. A majority of the members of the Board constitutes a quorum for a meeting.

As of April 1, 2014, the governing board was constituted as follows:

Chair Elmer Buchanan

Vice Chair Anthony Williams

Members Sandra Meyrick, John Macdonald, Dan Nixon and Dr. Anne Walker

The board has developed and implemented an Ethics Reporting Policy and Process document, in accordance with the *Public Service of Ontario Act*, to ensure the board and the organization are committed to integrity. Further, human resources created the Workplace Respect Policy to address more minor issues in the workplace which further supports the governing of the organization in its daily activities.

Key Functions of the Board include:

1. Adjudication of Appeals

Panels of ORC (board) members hear appeals of rulings made by judges, stewards and racing officials under the Rules of Racing and decisions of the executive director under the Rules and the Racing Commission Act, 2000. Adjudication of horse racing requires specific knowledge for three breeds of racing, stakeholders and their business models, program requirements, their strategic directions and the interplay of these for the benefit of the Ontario racing program. Strong decisions are required to optimize program impacts and support the various areas of the industry.

Legal Services represents the ORC administration at hearings, as well as providing legal support for the executive director. There is an increasing trend towards the number of hearings heard each year.

2. Policy Direction

The b

Administration: New Separation of Divisions

The ORC has established two administrative divisions, Regulatory and Ontario Horse Racing (OHR). The ORC has separated the OHR functions into a new division creating a distinct separation between the two divisions. As of April 1st 2014, five full-time staff members have been assigned solely to work in positions managing and administrating the OHR responsibilities, sharing only in corporate services of the ORC for efficiency purposes. OHR has acquired the necessary resources to perform its duties.

Regulatory Division

1. Racing Operations

As of July 1, 2014, there are fifteen licensed racetracks. These officials are responsible for the enforcement of the Rules of Racing. Judges in standardbred races, stewards in thoroughbred and quarter horse racing and racing officials cross-trained in all breeds, conduct investigations into alleged minor rule violations, fine/suspend licensees for violations, and conduct hearings on regulatory matters as required.

2. Veterinary Services

Each racetrack has an official veterinarian in attendance to supervise live racing. As the advocate for the horse, the veterinarian ensures that the horse is healthy and fit to race. These officials report to a manager of veterinary services. The Manager is responsible for all ORC veterinary programs and serves as a liaison with other racing jurisdictions, regulatory agencies and stakeholders in matters concerning equine medication control, as well as horse health and welfare issues. In order to reduce regulatory costs, this position has been established as a shared resource with the Canadian Pari-Mutuel Agency (CPMA).

3. Investigations

Working within the horse racing community, the Investigative Unit takes an intelligence-led approach to prevention, problem solving and partnering with the community.

Compliance / Regulatory

Performed by investigators and/or compliance officers, the compliance function includes administration of the human alcohol and drug program, searches for prohibited items, enforcement of racetrack security standards and enforcement of jurisdictional commission rulings.

OPP Secondment

The ORC employs civilian investigators and seconded police officers from the organized crime enforcement bureau of the Ontario provincial police. The investigative unit include investigations of racing violations, criminal activities, and due diligence of all participants; monitoring and enforcing of equine medication control programs; and liaising with the police community.

Business Plan

4. Licensing

The Ontario Racing Commission issues approximately 18,500 licenses to individuals and businesses involved in the horse racing industry. A large part of the licensing function is performed at each track facility and licensing agents are available during live racing for more effective client service. Licensing includes the processing of applications from racing participants (owners, trainers, grooms, etc.), and for racetracks and teletheatre locations within.

5. Regulation of Racetracks

In the public interest, the ORC administration annually licenses racetracks. The licensing process involves the review of: applications; due diligence investigations of the principals; company business plans; fire safety plans; financial statements and projections; track rules; and racetrack surveys.

6. Delivery of Regulatory Programs

The ORC has responsibility for certain regulatory programs. The majority of these regulatory programs are funded by industry and integrated into the ORC budget, these include:

Equine Medication and Drug Control

This program includes identification and investigation of equine drug manufacturers, distributors and consumers involved directly and indirectly with the manufacturing, sale and/or purchase of illegal equine medication and drugs. The program also undertakes the identification of new and unknown drugs/medications being used in the horse racing industry. -of- esting that directs specific horses for testing on days that the horse is not scheduled to race. The out-of-competition testing program complements the recognized race-date equine testing program that is conducted by the Canadian Pari-Mutuel Agency (CPMA). The CPMA is the federal government agency charged with ensuring the integrity of the bet by overseeing the operation of the tote systems that facilitate betting at all Canadian racetracks, as well as managing the drug testing program, which sets the standards with respect to drugs and medications that are not permitted in racing. The CPMA also conducts drug tests of racehorses after each race.

The ORC uses the combined services of seconded OPP officers and ORC investigation staff to deliver the program. main role in this area is to establish and implement the penalty structure surrounding positive tests of the equine medication and drug control program.

Human Alcohol and Drug Program

human alcohol and drug program.

Developed by the industry and administered by the ORC, this program is designed to detect and deter substance abuse and to offer programs of intervention, rehabilitation and support to those identified as having substance abuse problems.

In delivering this program, the ORC coordinates the efforts of third parties providing expertise in accordance with the rehabilitative efforts of the program. Individually or through their

benefit plans, program participants offset a portion of the cost for these services. The program focuses on education, prevention and rehabilitation.

Minimum Standards Program

The ORC has been involved in the introduction of minimum standards within the industry. Some of these initiatives include the introduction of helmets, safety vests and consistent standards in track maintenance. This promotes safety and consistency for both racing participants and the equine athletes.

Ontario Horse Racing Division

In its new role, administering the HRPFP, the ORC is charged with ensuring that public monies intended for use in the industry are distributed, used, and monitored as directed by the ministry, to support industry sustainability.

Horse Racing Partnership Plan (Plan) and Horse Racing Partnership Funding Program (HRPFP)

As a strategic key initiative, the new division of Ontario Horse Racing is charged with delivering the Horse Racing Partnership Funding Program. This is a comprehensive program with multiple components designed to implement the 5-year Plan established by government.

OHR has and will continue to execute TPAs as required with racetrack operators to provide funding for purses and, where appropriate, racetrack operations. OHR may also enter into other TPAs to support the development and delivery of industry development programs. OHR will also have responsibility for the gathering and reporting of performance measures and other industry indicators that will ensure that the ORC fulfills its requirements under the Accountability Agreement with OMAFRA. As part of the performance metrics mandate, OHR will measure the p return on investment of public funds.

OHR will also work with the OLG to develop a plan for the marketing and branding of horse racing in the province, to support a sustainable horse racing industry. A separate communications plan will also be developed and implemented to focus on communications within the horse racing industry, keeping industry partners informed of OHR initiatives.

OHR administers the Standardbred (SIP) and Thoroughbred (TIP) Horse Improvement Programs (HIP), and the Quarter Horse Racing Industry Development Program (QHRIDP). These base programs, funded by industry, provide valuable incentives for the breeding of Ontario racehorse. In addition OHR manages TPAs with breed industry associations to fund enhancements to HIP,

In the promotion of industry self-governance, OHR will work with the industry to maintain the role in the governance structure of HIP and the new components of the HRPFP (see diagram page 25).

OHR will implement the HRPFP as set out in the governing instruments developed by government for the implementation of the Plan.

Business Plan

Corporate Services

A new component of the ORC infrastructure provides core delivery of the agency corporate administrative services including finance, corporate/government affairs, human resources, facilities, fleet management, information technology, and legal services to both divisions.

In support of providing Corporate services, ORC has established a policy to ensure all inquiries and complaints are to be acknowledged and/or responded to within five working days. If any further action is necessary, the ORC will advise the correspondent how long it will take to receive any further response. A database has been developed to maintain control and accountability over responses and actions taken.

Resources Needed to Meet Goals and Objectives

The ORC has been organized and established to meet or exceed its mandate in the public interest and submits an annual budget that reflects the size and demands of industry and government objectives as outlined in the Plan.

The three-year budgeted financial information (fiscal 2014-15 through 2016-17) includes the \$100 million per year of HRPFP being administered by the ORC through its OHR division. The flow of these funds is governed by the Accountability Agreement between OMAFRA and the ORC as well as transfer payment agreements (TPAs) between the ORC and the industry recipients.

The funding for industry regulation comes from a portion of the Pari-mutuel Tax Reduction (PMTR) of wagering and through licensing fees of racing participants. PMTR is the tax on wagering that is redistributed to the industry.

the organization and putting the appropriate controls in place to reduce the risks to an acceptable level.

Risk Management

Strategies to mitigate the highest areas of ORC risk include:

1. OHR Implementation of the HRPFP

The ORC Board and Administration will work to determine an appropriate level of staffing and resources required to effectively deliver the mandate of OHR.

Pursuant to the TPAs, all recipients have strict disclosure requirements requiring compliance with the *Broader Public Sector Accountability Act*, the *Public Sector Salary Disclosure Act*, and the *Freedom of Information and Protection of Privacy Act*. In addition to this, the ORC and the Auditor General of Ontario have very broad powers to inspect and audit the r
the ORC has several remedies at its disposal in the event that the Recipients are not complying with their obligations under the TPA, namely the ability to adjust the funds provided, withhold, or terminate the funding in its entirety.

Depending on the agreement, funding provided can only be used for purses and/or operating expenses. In return for receiving funding, all racetrack recipients have obligations to increase their fan-base and wagering.

2. Racetrack Oversight

Business Plan

be addressed on a timely basis through a reduction in expenditures. To further support accountability and to mitigate any existing risk, each division of ORC has specific budgets and staff in addition to separated work locations.

function in place through regular reporting and industry involvement, ensuring we are able to adapt our mitigation strategies if needed. A key advantage to taking a risk-based approach is that it enables us to become proactive, identifying and tackling risks before they occur, rather than acting retrospectively once harm has arisen. A summary of the Firewalled Budget is provided as a reference point in the executive summary.

Risk Assessment Table

| Audit Universe | 2013 Overall Risk Rating | Significance | Likelihood | 2014 Overall Risk Rating | Rating Change (from Prior Year) |
|---|-----------------------------------|--------------|------------|-----------------------------------|---|
| OHR Implementation of HRPFP | n/a | 4 | 4 | 16.00 | n/a |
| Racetrack Oversight | 14.00 | 4 | 4 | 16.00 | 2.00 |
| Stakeholder Relationship Management | 9.00 | 4 | 4 | 16.00 | 7.00 |
| Funding Management | 25.00 | 4.5 | 3.5 | 15.75 | (9.25) |
| Licensing | 13.50 | 3.5 | 4 | 14.00 | 0.50 |
| Labour Relations | 20.25 | 3.5 | 4 | 14.00 | (6.25) |
| Acquire, Develop & Implement Technology | 18.00 | 3.5 | 4 | 14.00 | (4.00) |
| Financial Planning & Budgeting | 16.00 | 4 | 3.5 | 14.00 | (2.00) |
| Horse Improvement Program | 14.00 | 3.5 | 4 | 14.00 | 0.00 |
| Officiating Process All Breeds | 16.00 | 3.5 | 3.5 | 12.25 | (3.75) |
| Business & Strategic Planning | 18.00 | 3.5 | 3.5 | 12.25 | (5.75) |
| Quarter Horse Program | 15.75 | 3 | 4 | 12.00 | (3.75) |
| Development & Retention | 14.00 | 3 | 4 | 12.00 | (2.00) |
| Adjudication Process | 12.00 | 4 | 3 | 12.00 | 0.00 |
| Inter-jurisdictional regulatory relationships | n/a | 3 | 3.5 | 10.50 | n/a |
| Regulatory Compliance & Legal Affairs | 14.00 | 3 | 3.5 | 10.50 | (3.50) |
| Accounts Receivable & Collections | 12.25 | 3 | 3.5 | 10.50 | (1.75) |
| Career Management/Succession Planning | 18.00 | 4 | 2.5 | 10.00 | (8.00) |
| Business Continuity Planning | 11.25 | 2.5 | 4 | 10.00 | (1.25) |
| Race Date Allocation | 14.00 | 3 | 3 | 9.00 | (5.00) |
| IT Applications, Infrastructure & Support | 9.00 | 3 | 3 | 9.00 | 0.00 |
| Official Veterinary Services | 9.00 | 3 | 3 | 9.00 | 0.00 |
| Disaster Recovery Planning | 9.00 | 3 | 3 | 9.00 | 0.00 |
| Race Tracks Licensing Process | 10.00 | 2.5 | 3.5 | 8.75 | (1.25) |
| Governance Processes | 8.00 | 3.5 | 2.5 | 8.75 | 0.75 |
| Recruiting | 7.50 | 2.5 | 3.5 | .75 | 1.25 |
| Cash Management | 8.70 | 2.9 | 3 | 8.70 | 0.00 |
| Payroll & Benefits | 7.50 | 3 | 2.5 | 7.50 | 0.00 |
| IT Network Security | 7.50 | 3 | 2.5 | 7.50 | 0.00 |
| Environmental, Health & Safety | 7.50 | 3 | 2.5 | 7.50 | 0.00 |
| HR Policies & Strategies | 7.50 | 3 | 2.5 | 7.50 | 0.00 |
| Financial Accounting | 5.00 | 2.5 | 3 | 7.50 | 2.50 |
| Investigations/ Enforcement | 7.00 | 3.5 | 2 | 7.00 | 0.00 |
| Compliance Investigations | 7.00 | 3.5 | 2 | 7.00 | 0.00 |
| Capital Asset Planning & Management | 7.00 | 2 | 3.5 | 7.00 | 0.00 |
| Due Diligence Process | 6.84 | 3.5 | 2 | 7.00 | 0.16 |
| Records Management | 6.25 | 2.5 | 2.5 | 6.25 | 0.00 |
| Audit of Tax Reduction MOU | 20.25 | 3 | 2 | 6.00 | (14.25) |
| Fines and Penalties | 6.00 | 3 | 2 | 6.00 | 0.00 |
| Facilities Management | 7.00 | 2 | 2.5 | 5.00 | (2.00) |
| Accounts Payable | 5.00 | 2.5 | 2 | 5.00 | 0.00 |
| Race Track Security | 3.30 | 3.3 | 1.5 | 4.95 | 1.65 |

Environmental Scan

Early in 2012, the government of Ontario announced the end of the Slots-At-Racetracks Program (SARP), a slot revenue sharing program used as a source of funding for the industry. Upon the announced cancellation of the program, funding continued for another year to March 31, 2013. To assist the transition of the horse racing industry, Government entered into transfer payment agreements to fund the operating expenses of live horse racing at fourteen Ontario racetracks during fiscal 2012-2013 under the Horse Racing Industry Transition Assistance Program.

In October 2013, based on the final report of the Horse Racing Industry Transition Panel, Government announced the five-year Horse Racing Partnership Plan (Plan). A part of that Plan was the creation of the Horse Racing Partnership Funding Program (HRPFP), with a commitment of up to \$100 million each year to the Ontario horse racing industry for five years. Commencing April 1, 2014, the Plan encourages the creation of a new industry effectiveness in governing itself.

The future facing the ORC is evolving as, over the last decade, fan interest in horse racing has decreased. Technological advances are working both in favour and against the industry. On one hand, potential young fans and participants are more interested in computer games and high-definition television than live racing. On the other hand, technology can increase access to horse racing through mobile applications and the ability to broadcast a wider array of product.

The HRPFP is under ever increasing scrutiny given the high-profile nature of the program. Great care has been taken to ensure accountability and transparency of the funding and to measure the return on investment. OHR will continue to provide oversight of the funding and work closely with all stakeholders including racetracks, horsepeople, breeders and other government agencies, to establish a more sustainable horse racing industry.

Internally, the ORC has gone through a reduction in its workforce. This may be mitigated by future IT enhancement. Currently ORC employees feel the effects of increased workloads and a diminishment of the apprentice recruitment program which was designed to increase the ORC talent pool and integrate current, professional and business related skills.

Human Resources

The ORC combines a variety of hiring practices for optimal efficiency to complement the seasonal operation at some racetracks. These practices include the use of full-time, part-time, casual and contract staff. The Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO) represents a portion of ORC staff.

At the beginning of the 2014-2015 fiscal year, the ORC had 81 employees – 45 permanent full-time, 1 contract full-time and 33 part-time staff members. This includes both divisions. With the expected contraction of the industry, the ORC underwent a right-sizing initiative which occurred mostly through attrition. In two years, ORC salary and benefit costs have decreased 26.8% (approximately \$5 million in fiscal 2014 versus approximately \$6.9 million in fiscal 2012). ORC staff have not had a pay increase since April 1, 2007.

The ORC retained the HAYGroup to establish its pay policy in 2000. In 2014, they were contacted to review that policy. The results will be available in the 2014-2015 fiscal year.

The ORC has had challenges working with reduced staffing levels across the organization. With the migration of staff to the new OHR division and the additional work of the Plan, the reductions are having their impact. In 2014-2015, the ORC will determine the resourcing needs of the organization and develop a plan to ensure the high standards of the organization are continued.

One of the most concerning issues at this time is that the contraction of the organization has halted the apprenticeship program developed for the unique positions in Racing Operations. This will be reviewed for any necessary adjustments that will enable the organization to maintain a qualified talent pool.

Commitments made by the Business Plan are reflected in the performance management plan of the executive director amongst other performance indicators. The Business Plan initiatives are then delegated through the executive management team and further delegated to managers or heads of functional areas. Each of these positions is responsible for their delegated section or the oversight of an initiative. Every staff member's performance plan must contain responsibilities related to the business plan, departmental plan, succession plan, competencies and personal development.

To ensure the continued success of the organization and the performance of staff, the management team is required on a monthly basis to report back to the executive director on key business plan initiatives.

Performance Measures and Targets

The ORC, as a Crown agency, is responsible for conducting its affairs in a responsible manner seeking value for both industry and tax-payer dollars as it regulates the sport of horse racing and delivers industry development programs.

In a regulatory environment, the use of targets can be both controversial and misrepresentative. Targets or quotas in a compliance-based activity are sensitive, where "more" can be viewed as excess regulation. Similarly a zero-based target for racing infractions would be unrealistic. Changes in trends can be a combination of opposing actions. For example, an increase in violations can mean more participants are violating the rules or may mean increased diligence on the part of the regulator.

The ORC will conduct itself and its business in an ethical and efficient manner, with the prudent and efficient use of public resources while delivering high quality service to the public. To this end, the ORC will continuously evaluate its ability to promote or enhance client satisfaction.

To support the continual evaluation of its business, performance measures will be developed to ensure ORC operates effectively, efficiently and in a way which meets client satisfaction.

Regulatory Performance Measures

| Investigations | 2011 | 2012 | 2013 | 2014 |
|-------------------------------|-------------|-------------|-------------|-------------|
| Compliance Activities | 340 | 342 | 381 | 400 |
| Due Diligence Activities | 2,490 | 1,996 | 2,099 | 2,100 |
| Medication Control Activities | 369 | 386 | 270 | 300 |
| Regulatory Activities | 168 | 135 | 153 | 175 |

| Number of Licences Issued | 2011 | 2012 | 2013 | 2014 |
|----------------------------------|-------------|-------------|-------------|-------------|
| Thoroughbred | 7,839 | 7,136 | 6,205 | 5,585 |
| Standardbred | 16,672 | 15,105 | 11,593 | 10,434 |
| Quarter Horse | 874 | 962 | 698 | 628 |
| Total all breeds | 25,385 | 23,203 | 18,649 | 16,822 |

| Adjudication of Appeals | 2011 | 2012 | 2013 | 2014 |
|--------------------------------|-------------|-------------|-------------|-------------|
| Thoroughbred | 20 | 24 | 24 | 20 |
| Standardbred | 65 | 59 | 60 | 60 |
| Quarter Horse | 10 | 4 | 1 | 2 |
| Total all breeds | 90 | 87 | 85 | 82 |
| Number of Hearing Dates | 55 | 39 | 45 | 40 |

Note to Performance Measures: Horse racing statistics are calculated on a calendar year across North America, 2014 numbers are projections.

Ontario Horse Racing Performance Measures

OHR will develop a plan to implement the performance metrics framework and the econometric model to

Financial Information

ORC Financial Projection (\$ Millions)

| | ACTUAL | PRELIMINARY | PROPOSED | BUDGET | BUDGET |
|--|------------------|------------------|------------------|------------------|------------------|
| Revenues | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 |
| Regulatory | | | | | |
| Wagering Levy ⁽¹⁾ | 5.0 | 4.6 | 6.2 | 6.2 | 6.2 |
| License Fees ⁽²⁾ | 3.4 | 3.1 | 2.1 | 2.0 | 2.0 |
| Other Regulatory Fees | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| | | | | | |
| Cost Recoveries | | | | | |
| Ontario Racing Program | .2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Horse Improvement Program (HIP) & Quarter Horse Racing Industry Development Program (QHRIDP) | 0.5 | 0.4 | 0.0 | 0.0 | 0.0 |
| HRPFP ⁽⁴⁾ | 0.0 | 0.5 | 100.0 | 100.0 | 100.0 |
| Equine medication & TCO ₂ ⁽³⁾ | 1.7 | 1.3 | 0.4 | 0.2 | 0.2 |
| Miscellaneous | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Transfer to/(from) Reserve | | | | | |
| Total Revenue | 11.2 | 10.3 | 108.9 | 108.6 | 108.6 |
| Expenditures | 2012/2013 | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 |
| Regulatory | | | | | |
| Salaries and Benefits | 4.8 | 4.8 | 5.1 | 5.1 | 5.1 |
| ODOE | 4.8 | 4.4 | 3.8 | 3.5 | 3.5 |
| | | | | | |
| Industry Program Delivery | | | | | |
| 2012/2013 - 2013/2014 | | | | | |
| Ontario Racing Program | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Salaries and Benefits | 0.6 | 0.3 | 0.0 | 0.0 | 0.0 |
| ODOE ⁽⁴⁾ Including equine medication & TCO ₂ | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| HRPFP ⁽⁴⁾ 2014/2015 - 2016/2017 | 0.0 | 0.5 | 100.0 | 100.0 | 100.0 |
| Total Expenditures | 10.3 | 10.0 | 108.9 | 108.6 | 108.6 |
| Surplus | 0.9 | 0.3 | 0.0 | 0.0 | 0.0 |

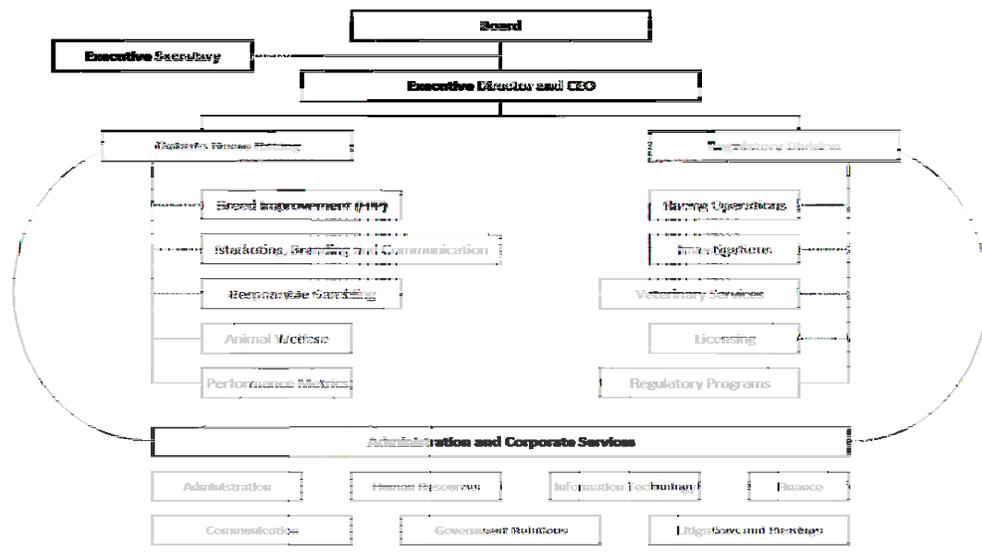
Implementation Plan

The Horse Racing Partnership Funding Program (HRPFP) heading, represents a significant undertaking for the industry. HRPFP -based economic approach is continuing to be developed, implemented and monitored through 2014 2015 and beyond.

To implement the Key Initiatives, the ORC has restructured to ensure the organization focus and resources are concentrated appropriately.

Organizational Chart by Functions

This chart represents the new structure of the ORC.



Governance Structure

Through the HRPFP, the ORC governance structure was modified to reflect the new concepts set out in the program. The diagram below provides an explanation of the relationships and accountabilities undertaken.

Communications Plan

All ORC communications are subject to a communications protocol, which was developed in cooperation with the ministry and forms part of the MOU with OMAFRA. This document provides high level protocols for how the ORC and OMAFRA will issue communications to the industry or the public, and defines roles.

Effective communication with the industry and the general public continues to be a priority of the ORC. One area of continued focus is the need to enhance participant understanding of our role and mandate as an industry regulator especially in these times of change in the industry.

The ORC will maintain its regulatory communications tools, such as industry notices, news releases, industry newsletters, the ORC web site and industry meetings, as well as embed communication components in each of its initiatives throughout the year.

The ORC has a demonstrated track record of collaboration and inclusion in matters affecting the industry. Circulation of documents related to proposed changes, industry meetings, advisory groups and working groups have all been regularly im8arlyyularly y

