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March 19, 2024

Chairman Ferraro and Commissioners
California Horse Racing Board
1010 Hurley Way, Suite 300
Sacramento, CA 95825

Re: Allocation of Northern California Racing Dates for racing year 2024

Dear Chairman Ferraro and Commissioners:

I am writing with regard to Item 7 on the Board's agenda for March 21, 2024 and to urge that the Board decline to allocate dates to CARF and a combined Fair meet for the currently unallocated dates beginning October 16, 2024. As we noted in our testimony on January 18, 2024 racing throughout California is at a crossroads. Purses at both Del Mar and Santa Anita are significantly overpaid and the competition from states with significant purse account subsidies from slot machines, video lottery terminals and historic horse racing games puts California at a serious disadvantage in attracting horses in sufficient numbers to fill race cards. The number of race days run in California has declined 32% since 2018 and the number of starters has declined from 28,027 in 2018 to 19,591 in 2023. In the last five years, Santa Anita has incurred operating losses in excess of $31 million while investing over $32 million in significant capital projects such as the new Tapeta training track, the new turf chute on the backstretch and CAFO mandated environmental compliance projects required to permit continued operation.

When the decision to close Golden Gate Fields was announced in June of 2023, it was with these financial and operational realities at the forefront. The current model is simply unsustainable and without alternative gaming subsidies the only sensible approach is to focus our collective efforts on generating revenue statewide while investing in our premier properties in Southern California. While this is understandably disconcerting to owners, trainers, and workers in the North the ultimate survival of the full ecosystem is at risk.

Eight months after the decision to close Golden Gate Fields was announced we are now confronted by a CARF "proposal" to conduct year around racing at the Alameda County Fairgrounds. That proposal is lacking in so much detail that it is difficult to understand what has been done over the last eight months and even more difficult to understand how the Board can be asked to put the entire Thoroughbred industry in the state at risk by allocating dates on the basis of speculation.

More specifically, the materials included in the Board package fail to adequately address the following:

1. There is no financial analysis provided to substantiate the purse projections provided nor to enable a finding that the new operation will be financially viable. We note that handle at Pleasanton is historically 35% to 40% lower than at Golden Gate Fields. With racing limited to dirt races and simulcast marketing challenges it is unreasonable to expect that CARF can successfully operate on the schedule presented.
2. While CARF does admit that the addition of new stalls at Pleasanton will cost at least $1.5 million there is no indication that permitting for utility and sewer connections will be feasible, affordable, or timely.
3. There is no apparent plan to bring the property up to required standards for CAFO compliance with more than 500 horses on a year around basis. As we noted in January, Santa Anita has spent over $6 million in the last two years on underground water storage to address water quality mandates and significantly more is required. We understand that Del Mar has spent over $16 million to address these issues over the last five years. Meanwhile, the CARF approach appears to be no more than filing a notice without regard to planning for the requisite capital expenditure as a stopgap measure.
4. There is no evidence in the materials submitted by CARF that the combined entities have the financial ability to conduct year around racing or to finance the significant capital investments that will be required to bring Pleasanton up to acceptable levels to sustain year around racing. No balance sheet or other financial information is presented in the materials and the only reference to addressing financial responsibility is an unidentified line of credit and possible "grants and donations". It is hard to imagine a responsible financial institution issuing a line of credit to combined Fairs and CARF who lack a history of financial performance and a credible balance sheet.
5. The CARF materials fail to address the questionable legal basis for granting dates to non-racing fairs to conduct a combined fair meet at a single location. This is a cynical distortion of the law which currently restricts fair racing to four weeks at the location of the fair conducting racing.
6. The materials fail to adequately address compliance with CHRB Rule 1475 and the interplay between the operation of an infield golf course and year around racing and training. There is clearly a contractual issue with the golf operator that is not disclosed in the materials and extremely vague language regarding operational protocols that will be implemented.

It is clear that the CARF proposal puts the Board in the unenviable position of choosing between an unworkable and unrealistic outline of a plan and putting Thoroughbred racing statewide at risk. It is important that the Board approach this question on a realistic basis and that components of the risk be fully understood which include the following:

1. Immediate purse cuts in Southern California will be required. While we cannot speak for Del Mar and Los Alamitos, should the Board allocate dates in the north per the CARF proposal Santa Anita will immediately meet with the TOC to implement purse cuts for the balance of 2024.
2. Further planned investments in capital projects at Santa Anita will be reevaluated. That includes planned CAFO compliance projects totaling over $7 million which were to be completed this summer. Should those projects be deemed unfeasible, further operation of Santa Anita and San Luis Rey as training and stabling facilities may be in jeopardy.
3. An analysis of alternative uses for Santa Anita and San Luis Rey will be undertaken in short order. As noted, the current financial model and required capital expense make no sense and the consolidation of operations as discussed last year and at the January Board meeting is the only alternative that has been presented.

We appreciate the difficult position the Board faces and the hardships faced by stakeholders in Northern California. We have, in any case, tried to point out the realities of the situation rather than the fantasies and have over the last eight months presented a vision for reinvestment in racing in California and acted upon that vision. We very much appreciate your thoughtful consideration of those realities.

Very truly yours,

Craig R Fravel

Craig R. Fravel
Executive Vice-Chairman
1/ST Racing & Gaming