

Appendix E

Effects of Field Size on Handle

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Field	#Races	%Races	#Starters	Total Handle*	Avg. Handle	Increment	%Increment
1	0	0.0%	0	\$0	\$0	n/a	n/a
2	0	0.0%	0	\$0	\$0	n/a	n/a
3	1	0.1%	3	\$114,471	\$114,471	n/a	n/a
4	26	1.3%	104	\$3,803,055	\$146,271	\$31,801	27.8%
5	161	8.3%	805	\$27,506,056	\$170,845	\$24,574	16.8%
6	430	22.3%	2,580	\$77,432,891	\$180,076	\$9,231	5.4%
7	400	20.7%	2,800	\$80,910,702	\$202,277	\$29,200	12.3%
8	345	17.9%	2,760	\$79,450,471	\$230,291	\$26,014	13.8%
9	230	11.9%	2,070	\$57,580,516	\$250,350	\$20,059	8.7%
10	192	9.9%	1,920	\$51,194,804	\$266,640	\$16,290	6.5%
11	85	4.4%	935	\$21,826,578	\$256,783	\$-\$9,856	-3.7%
12	62	3.2%	744	\$17,946,365	\$289,458	\$32,674	12.7%
TOTALS	1,932	100%	14,721	\$417,765,908	\$216,235	\$19,443	11.2%

Source: Thoroughbred Owners of California.

better and is reimbursed by Santa Anita when accounts are settled at the end of the month.

But what IF the Magna-owned Santa Anita were to declare bankruptcy during the 30 or so days before that settlement is paid up? Then Emerald Downs is left holding the bag, potentially in a big way.

The Horsemen's Purse Issue

As was explained in an article entitled "A Purse Primer" (*Washington Thoroughbred*, April 2007), the horsemen's purse account at Emerald Downs is the sum of a percentage of the handle (total dollars bet) and a percentage of advance deposit wagering source market fees – in other words, the live racing handle, the simulcast handle and the handle that is derived from selling the Emerald Downs signal (live races) to simulcast outlets and racetracks across the US – plus the Muckleshoot Economic Development Fund contributions.

The "simulcast fund" is money generated during the off-season, when horsemen are away from Emerald Downs. It can be considered as a bonus to horsemen, because they don't have to be working at the track to earn it. The money comes from a percentage of handle bet on horses at other racetracks by patrons at Emerald and at the Washington off-track betting facilities during the non-live season. As it accrues, it is kept in a horsemen's saving account, referred to as the "simulcast fund." Money from that fund is used as needed to supplement what is paid out in purses.

Already Emerald Downs has a "hole" in their earnings potential for the simulcast fund for this year due to the loss of Bay Meadows. The most significant losses were seen on Friday nights when an average of \$55,000 per Friday night was wagered on Bay Meadows races. There is no other market (i.e., track) readily available to fill that spot.

One possible silver lining may be that with the loss of Bay Meadows, some markets may pick up Emerald Downs' signal. However, the question is whether or not there will be enough money generated in resulting source market fees to make up for the Friday night loss in handle from Bay Meadows.

Consider also, the Hollywood Park situation, which is owned by the same Bay Meadows Land Company that owns the site of the now demolished Bay Meadows racetrack. On a recent weekend in March, the company had a 25-square foot model of their proposed Hollywood Park Tomorrow development project on public display at Hollywood Park.

Hollywood Park, the track, will operate a spring-summer meet from April 22 through July 19, and it has recently confirmed that they will run a fall meet from November 11 through December 21, but beyond that, no one is sure. One thing that is for sure is that the development plans for the 238-acre property are similar to those of the now fallow Bay Meadows property and they do not include horse racing – another potential "hole" in Emerald Downs' simulcasting handle.

What IF ...

Now consider the Magna properties.

What IF MI Developments is the successful winning bidder with their stalking horse bid? That will mean the loss to commercial development of another three track properties, most notably Gulfstream Park and Golden Gate Fields.

And what IF Magna is not able to successfully restructure and reorganize, thereby resulting in the loss of other major tracks such as Santa Anita? Stronach has already stated that past attempts at selling

some of the properties he now owns have been unsuccessful. With growth and development over the many years since these tracks were first built, most are now located in prime commercial zones, making them expensive and commercially desirable.

If any or all of the aforementioned scenarios come the pass, the potential for disaster in regards to Emerald Downs' handle, and thus also the horsemen's purse account, is tremendous.

Emerald's purse account for this year has already been impacted by a variety of factors, including the general economy. This year's daily purse structure for the 2009 meet is projected to be \$100,950, compared to \$110,221 for 2008. Emerald Downs will maintain its 91-day meet, but purses will slump. The alternate scenario would have been to keep purses on par with last year, but that would have required a reduction in the number of race days to 83 days.

Even the most venerable of tracks have not been immune to current economics. Pimlico, for example, has shortened their spring meet by 35 percent, from 31 days to 20 days in order to keep the daily purse structure in line with last year. According to Maryland Jockey Club President and CEO Thom Chuckas, this decision was unrelated to the Chapter 11 filing.

Hollywood Park also has slashed \$1.5-million in purse money from the stakes schedule for their spring meet and has dropped three graded stakes. These cuts were due to "the economy and with the intent of protecting the overall quality of racing."

What Can Be Done

- One of the biggest influences on handle (and therefore, purses) is field size. Although quality is important, *quantity* is the most significant in terms of the purse account. Statistics show that a

full field of \$3,500 claimers will generate more purse money than a stakes race with a short field. When horsemen create a race card that brings full fields, it is the best assurance they have for maintaining a positive purse account.

- Encourage attendance at the track by promoting positive public perception through healthy and transparent racetrack practices. A study by the NTRA has shown this to be a significant factor.
- Encourage both racing and breeding syndicates which can make it possible for more people to participate at a variety of levels. Participation generates excitement through personal involvement from which a passion for the sport may grow and be passed on.
- Work cooperatively to reduce costs at the track, farms and training centers; for example, through joint purchasing of hay, grain, bedding, etc.
- Horsemen from all aspects of the industry must continue to communicate, collaborate and work together to seek solutions.
- Field size, field size, field size.

While Frank Stronach, an Eclipse and Sovereign Award-winning owner and breeder, no doubt had good intentions in his business dealings over the last 10 years or so, it seems likely that he has put the entire industry in jeopardy through his actions. It remains to be seen if he can turn things around. To say that the industry potentially faces dire times ahead is no understatement. However, with good leadership from all of our Thoroughbred organizations, nationally and locally, and at all levels, from top to bottom, it is possible that the industry can survive.

Cooperation is key. We can no longer afford to be solitary individuals, or even solitary organizations, attempting to pull a plow alone in the middle of a vast, uneven field. We must all pull together for the common good. ■

“Field Size Matters

One of the other factors adversely affecting handle is our current field size of only eight runner per race. This time last year we were averaging 8.6 runners per race. A loss of just one-half a runner in this average equates to a loss of over \$20 million in handle over the course of the meet. Anything you can do to help field size greatly contributes to the overall purse account.”

*– Turf Talk, March 2008
Turf Paradise*

Delaware Park | Posted 10/28/2009, 5:29 pm

Delaware sees sharp rise in handle

By Matt Hegarty

The average all-sources handle during Delaware Park's recently concluded 109-day meet was up 27.1 percent this year compared with last year, according to figures provided by the track.

The average all-sources figure soared from \$1.22 million last year for 136 racing days to \$1.55 million this year. Total handle increased 1.9 percent to \$169.0 million despite the loss of 27 racing days. The 2008 total, \$165.8 million, was down 22.1 percent from the 2007 total of \$212.8 million, when Delaware ran 135 live racing days, according to state racing commission figures.

John Mooney, the track's executive director of racing, said that an influx of trainers to Delaware Park this year allowed the track to run more races per day with larger fields. The average field size this year was 7.73 horses per race, up 11.3 percent from the average last year of 6.94 horses. Delaware ran an average of 9.74 races per day this year, compared with 8.96 races last year.

"The main problem at Delaware Park over the last couple of years has been a shortage of horses," Mooney said. "We were able to attract a lot more stables to Delaware this year, and it sure helps to have 1,400 horses in the stable area."

Delaware also changed its live racing schedule to eliminate Sunday racing in May, August, September, and October, with live racing on Saturday, Monday, Tuesday, and Wednesday. Because so many tracks run live cards on Sunday, the simulcast signals from many minor tracks can sometimes get overlooked - Delaware's handle would typically slip to \$1 million on Sunday, according to Chris Sobocinski, a track spokesman. Handle on Wednesdays, with less simulcast competition, would often top \$2 million, Sobocinski said.

Delaware cut seven live race days from the 2009 meet earlier this year after the state legislature passed a bill reducing the horsemen's share of slot-machine revenue at the track by 10 percent. Mooney said the track anticipates restoring those live race days to next year's schedule, when the track plans to run 116 days.

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