



NOTICE OF MEETING

State Race Track Leasing Commission Meeting
 March 21 2025, at 10:00 a.m.

Del Mar Fairgrounds Board Room 2260 Jimmy Durante Boulevard Del Mar, CA 92014	Department of Finance Conference Room 1021 O Street, Suite 3110 Sacramento, CA 95814
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While the State Race Track Leasing Commission meeting will be conducted in person per Government Code Section 11133, the Commission will also provide for remote participation by Commissioners and members of the public. If you prefer to participate remotely, please check the 22nd DAA's website ([Public Information](#)) for the ZOOM link and/or ZOOM dial-in instructions on how to participate and/or view this meeting.

STATE RACE TRACK LEASING COMMISSIONERS

Michele Perrault, Chair, Commissioner Department of Finance	Michael Flores, Commissioner Department of Food & Agriculture
Mark Arabo, Commissioner, 22 nd DAA	Jennifer Osborne, Commissioner Department of General Services
Lisa Barkett, Commissioner, 22 nd DAA	Kathlyn Mead, Commissioner, 22 nd DAA

Joshua Caplan, Office of the California Attorney General, Counsel

Persons wishing to attend the meeting and who may require special accommodations pursuant to the provisions of the Americans with Disabilities Act are requested to contact the office of the Chief Executive Officer, (858) 755-1161, at least five working days prior to the meeting to insure proper arrangements can be made.

Items listed on this Agenda may be considered in any order, at the discretion of the chairperson. This Agenda, and all notices required by the California Bagley-Keene Open Meeting Act, are available at www.delmarfairgrounds.com. Public comments on agenda items will be accepted during the meeting as items are addressed.

STATE RACE TRACK LEASING COMMISSION (SRTLCL) AGENDA

Friday, March 21, 2025
10:00 A.M.

Items listed on this Agenda may be considered in any order, at the discretion of the chairperson.

1. **Roll Call**
2. **Approval of Minutes** 3-4
 - A. August 2, 2024 [Action Item]
3. **Reports** [Information Item] 5-31
 - Del Mar Thoroughbred Club (DMTC) Report
 - Breeders' Cup Overview
 - 2025 Operating Budget of the Del Mar Thoroughbred Club
4. **Public Comment on Matters Not Appearing on the Agenda**

This item is for Public comment on issues **NOT** on the current Agenda. However, no debate by the Board shall be permitted on such public comments and no action will be taken on such public comment items at this time, as law requires formal public notice prior to any action on a docket item. Speaker's time is limited to **two** minutes and may be modified based on the number of public speakers. No speaker may cede their time to another speaker.
5. **Recess to convene and hold the Del Mar Race Track Authority meeting**
6. **Reconvene back into open session**
7. **General Business**
 - A. Consideration and vote on whether to restructure or refinance the Del Mar Race Track Authority Revenue Bonds, Series 2015. [Action Item] 32-33
 - B. Consideration and vote on whether to amend Sections 8, 9, and 10(2) of the Exercise of Joint Powers Agreement for the Del Mar Race Track Authority [Action Item] 34-58
 - C. Discuss and vote on whether to direct staff to develop a policy for the State Race Track Leasing Commission's distribution of event tickets [Action Item] Verbal
 - D. Consideration and vote on whether to authorize a designee to create and install a plaque recognizing each individual that has served as a Commissioner of the State Race Track Leasing Commission since its inception in 1968 [Action Item] Verbal
 - E. Discuss teleconference participation in State Race Track Leasing Commission meetings [Information Item] Verbal
8. **Adjournment**

STATE RACE TRACK LEASING COMMISSION (SRTL) MEETING
Minutes – Friday, August 2, 2024

The State Race Track Leasing Commission met on Friday, August 2, 2024, in the Board Room hosted by the 22nd District Agricultural Association (District) 2260 Jimmy Durante Blvd., Del Mar, CA.

ROLL CALL

Commission Chair Michele Perrault called the meeting to order at 11:03 a.m. with all members present:

Michele Perrault, Chair; Department of Finance
Michael Flores, Commissioner; Department of Food & Agriculture
Jennifer Osborn, Commissioner; Department of General Services
Mark Arabo, Commissioner; 22nd District Agricultural Association
Lisa Barkett, Commissioner; 22nd District Agricultural Association
Kathlyn Mead, Commissioner; 22nd District Agricultural Association

Joshua Caplan, Counsel, Office of the Deputy Attorney General

OTHERS PRESENT

Carlene Moore, District CEO
Michael Sadegh, District Finance Director
Josh Rubinstein, President and Chief Operating Officer, Del Mar Thoroughbred Club

APPROVAL OF MINUTES – MARCH 20, 2024

Public Comment on the Meeting Minutes of March 20, 2024 (see page 5 of the transcript)
Martha Sullivan

Commissioner Arabo moved to approve the meeting minutes from March 20, 2024. Commissioner Mead seconded the motion. Chair Perrault and Commissioners Flores, Osborn, Arabo, Barkett, and Mead were all in favor, and the motion carried 6-0.

REPORTS

Del Mar Thoroughbred Club (DMTC) Report

DMTC President and Chief Operating Officer Josh Rubinstein gave an update on the summer race meet, which began on July 20 and continues through September 8. The season opened on a Saturday rather than the traditional weekday to provide adequate time for the transition to horse racing from the San Diego County Fair. Opening Day set all-time revenue records for food and beverage, wagering, and ticketing.

Public Comment on DMTC Report (see pages 9-15 of the transcript)
Jane Cartmill, Martha Sullivan, Oscar de la Torre, Jim Coleman

PUBLIC COMMENT ON MATTERS NOT APPEARING ON THE AGENDA (see pages 15-18 of the transcript)

Jane Cartmill, Martha Sullivan

RECESS TO CONVENE AND HOLD THE DEL MAR RACE TRACK AUTHORITY MEETING

The Commission recessed to the Del Mar Race Track Authority meeting at 11:22 a.m. The Commission resumed at 12:34 p.m.

GENERAL BUSINESS

Item 7A: Consideration and vote on whether to approve the Sixth Amendment of the Del Mar Race Track Operating Agreement under Paragraph 22.14 of that agreement.

[Action Item]

District CEO Moore requested approval of the proposed amendment to the Del Mar Race Track Operating Agreement, included in the packet on pages 6-12, that would result in a direct payment increase to the District of approximately 27 percent over the remaining five years of the agreement.

Public Comment on Item 7A (see pages 70-71 of the transcript)

Martha Sullivan

Commissioner Mead moved to approve the Sixth Amendment of the Del Mar Race Track Operating Agreement under Paragraph 22.14 of that agreement. Commissioner Flores seconded the motion. Chair Perrault and Commissioners Flores, Osborn, Arabo, Barkett, and Mead were all in favor, and the motion carried 6-0.

Item 7B: Discuss and vote on whether to direct staff to research options to restructure or refinance the Del Mar Race Track Authority Revenue Bonds, Series 2015 and return to the Commission to discuss those options at a future meeting. [Action Item]

Public Comment on Item 7B (see pages 73-75 of the transcript)

Martha Sullivan, Jane Cartmill

Commissioner Mead moved to request the District Board to direct staff to research options to restructure or refinance the Del Mar Race Track Authority revenue bonds and return to the Commission to discuss those options at a future meeting. Commissioner Arabo seconded the motion. Chair Perrault and Commissioners Flores, Osborn, Arabo, Barkett, and Mead were all in favor, and the motion carried 6-0.

ADJOURNMENT

Commission Chair Perrault adjourned the meeting at 12:44 p.m.



Michael R. Ernst
Executive Vice President
Chief Financial Officer

December 16, 2024

Carlene Moore
Chief Executive Officer
22nd District Agricultural Association
2260 Jimmy Durante Boulevard
Del Mar, CA 92014

Re: Del Mar Thoroughbred Club 2025 Budget

Dear Carlene:

We enclose Del Mar Thoroughbred Club’s (“DMTC”) 2025 budget pursuant to Section 7.1 of the Del Mar Race Track Operating Agreement, as amended (the “Operating Agreement”). Our goal in preparing the 2025 budget is to provide a realistic and achievable operating plan designed to:

- Maximize combined DMTC rent and racing-related food and beverage (“F&B”) net income (“Combined Race Meet Net Income”);
- Maintain the quality and historic character of our summer meeting; and
- Continue building upon the success of the fall meeting, which in 2025 will coincide with the Breeders’ Cup World Championships being held at Del Mar for the second consecutive year and the fourth time in the last nine years.

OPERATIONAL OVERVIEW

Del Mar is viewed as an iconic and world-class venue for Thoroughbred racing. Additionally, DMTC enjoys an unparalleled reputation for operations considered to be among the very best in the industry, both in terms of our ability to attract the highest quality Thoroughbred racing and our success in generating a highly diversified revenue stream. DMTC

has a long and well-earned history as an innovative industry leader at the forefront of developing programs, adopting new technologies and creating dynamic marketing campaigns designed to attract top Thoroughbred racing to Del Mar as well as new fans to the sport of racing. Our efforts, together with our reputation for excellence, have resulted in the prestigious Breeders' Cup World Championships selecting Del Mar as the host site for this year's event, which took place on November 1 and 2. As it does every year, this year's Breeders' Cup featured the world's top Thoroughbred racehorses and drew fans from all over the globe to Del Mar for the two-day event, which also included a week of related festivities. Del Mar has become a favorite venue for the Breeders' Cup, having hosted it in 2017, 2021 and 2024 and has been selected to host the event again in 2025 -- the fourth time in nine years.

In addition to continuously presenting a world-class racing product, DMTC leads the industry in developing practices and procedures protecting and enhancing the health and safety of our horses, riders and patrons. Indeed, DMTC has long been at the forefront of enacting industry-leading safety protocols and procedures, which have resulted in Del Mar consistently being ranked among the safest racing venues in the country. DMTC has implemented extensive safety measures, including adopting the industry's most stringent medication rules, increasing veterinary oversight and medication testing of horses, enhancing stable security and establishing a safety advisory committee consisting of trainers, veterinarians, jockeys, track maintenance personnel and management which meets regularly to review safety practices, operations and racing surfaces. DMTC's efforts to provide the safest possible environment for the sport's equine and human athletes never cease and safety is always our top priority. We work with industry stakeholders, including the federally-established Horseracing Integrity & Safety Authority ("HISA"), to ensure Del Mar's equine safety and welfare protocols continue to be the industry's gold standard. Additionally, we are proud of the fact that many safety protocols originated at Del Mar have been incorporated into federal regulations mandated by HISA.

A number of factors impact the sport of Thoroughbred racing. Among the key ones are the overall horse population and the inventory of racehorses available to race in Southern California. The number of horses that run in each race (known as field size) directly correlates to the amount of money wagered on a race, the so-called "wagering handle." The more horses that run in a race, the larger the wagering pool and a larger wagering pool means greater wagering commissions are paid to track operators and higher purses paid to the horsemen. The nation's foal population has been declining over the past decade and, in California, the foal population has fallen approximately 23% since 2013 according to industry reports. As a result of these declines, racetracks in California and throughout the country have struggled to maintain field sizes and have had to offer fewer races and less racing days, or cease operations altogether. DMTC, however, has led the industry in creating innovative programs to help overcome the

challenges relating to the horse population in Southern California and to bolster field sizes by recruiting horses to race here.

One such program we pioneered is the highly successful Ship & Win program, which provides an incentive for owners of out-of-state horses to relocate them to California and race at Del Mar. In 2024, DMTC and the Thoroughbred Owners of California (“TOC”) jointly funded the Ship & Win program to provide reimbursements for shipping costs and incentive purse payments for out-of-state horses to come to Del Mar. For horses that do not qualify for Ship & Win incentives, another of our horse recruitment programs designed to attract out-of-state runners is the Co-Op marketing program. The Co-Op program is funded through a deduction taken from online Advanced Deposit Wagering (“ADW”) handle and it is discussed in greater detail later in this report. We first introduced the Ship & Win program in 2011 and since then Del Mar’s horse recruitment efforts have brought 2,686 horses to race at Del Mar. And importantly for the health of the overall racing industry in California, DMTC’s recruitment programs have not just benefitted Del Mar, but with many of these horses remaining in California to race at the state’s other racetracks, the California racing industry as a whole also has benefitted from our programs.

Wagering revenue represents our primary revenue source. However, we strive to diversify our revenue stream and generate substantial non-wagering revenues. Such non-wagering revenues consist of admissions-related revenues (e.g., daily admissions, seating and parking, season suites and boxes, Turf Club memberships and suites, Group sales, programs and novelty concessions), sponsorship revenues and fee-based management services that we provide to others in our industry. Through our efforts Del Mar historically has enjoyed the highest level of non-wagering-to-total-revenues of all tracks in California and among the highest of any racetrack in the United States. Importantly, although F&B revenues are not reflected in DMTC’s financial statements, we nonetheless design our marketing efforts so that they drive significant race meet-related F&B net revenues, all of which flow directly to the District. Similarly, DMTC’s frequent selection to host the Breeders’ Cup has further supplemented each of our revenue categories, with each of the two-day events that have been held at Del Mar having generated approximately \$1.5 million of net revenues for the District.

Our industry leading sponsorships program represents another important component of Del Mar’s diversified non-wagering revenues. Hosting the Breeders’ Cup World Championships in 2024 and 2025 increases DMTC’s exposure to the global racing market and has been a catalyst in expanding our international sponsorships, such as our multi-year partnership with the luxury Swiss watchmaker Longines, and we plan to pursue additional opportunities with other brands outside of the United States. DMTC maintains and grows its corporate partnerships by

developing and implementing robust marketing and co-branded initiatives for our sponsors. Our growth in the digital space has created new and enhanced social media and online opportunities for our partners. These assets, combined with traditional on-site engagement of patrons, offer sponsorship opportunities not seen by many other racetracks. In addition, Del Mar's dedicated and robust fan base is rich with Millennial and Gen Z demographics and our corporate partners enjoy unparalleled access to these highly coveted audiences. DMTC continues to leverage our in-demand, high-end race day hospitality to increase sponsorship revenues. Lastly, we work in partnership with District staff on facility-wide corporate partnerships that maximize sponsorship revenues for the Fairgrounds.

2024 RESULTS

The 2024 summer race meet consisted of 31 days of racing spread over our typical eight-week calendar from mid-July to early-September. Our summer race meet offered \$25.84 million in total purse distributions and was highlighted by an impressive parade of stakes races. Del Mar's competitive stakes program attracted many world-class equine stars competing in 39 summer stakes races worth a combined \$7.88 million. Del Mar's showcase event each summer is the Grade I, \$1-million FanDuel Racing Pacific Classic, which was won this year by Mixto, a 4-year-old trained by Doug O'Neill and ridden by Kyle Frey. The quality of our racing product was further showcased at the recently concluded Breeders' Cup World Championships held on November 1 and 2. A total of 25 horses that raced at Del Mar this past summer competed against the world's top Thoroughbreds in the World Championship races, scoring three wins, two second-place finishes and two third-place finishes. Citizen Bull and Gaming, both trained by Bob Baffert, ran first and second in the \$2 million Juvenile. Full Serrano, owned by California based Hronis Racing and trained by John Sadler, won the \$1 million Dirt Mile, giving the Hronis-Sadler Racing team their third Breeders' Cup win to follow Accelerate in 2018 and Flightline in 2022. Straight No Chaser won the Sprint. Other notable performances included second-place finishes by three Phil D'Amato-trained horses with Vodka With a Twist in the Juvenile Fillies, Iron Man Cal in the Juvenile Turf, and Motorious in the Turf Sprint. Johannes joined them with a second-place finish in the Mile, while Dida and Ag Bullet finishing third in the Filly & Mare Turf and Sprint races, respectively.

The 2024 summer race meet opened on Saturday, July 20. Opening Day at Del Mar saw another sold-out crowd and the iconic afternoon continues to be one of the top social events of the summer calendar in Southern California. Because the San Diego County Fair closed on July 7, which is three days later than usual, Opening Day was moved from our traditional Friday opening to Saturday to give us ample time to ensure the racing surfaces and stable areas were in proper condition. Opening Day is always our most well-attended race day and generates the

greatest F&B revenues. Not having Friday as our Opening Day eliminated our best-attended weekday of live racing and it was replaced in the calendar with an additional weekday on the Thursday following Labor Day, which turned out to be our lightest-attended race day. On-track attendance for the revised 31-day race meet totaled 273,587 and was off by just 1% compared to last year's 30-day meet, which was shortened to 30 days as a result of Tropical Storm Hillary causing racing to be canceled on August 20, 2023.

The recently completed five-week fall race meet – known as the “Bing Crosby Season” – concluded its 11th year on December 1st and once again showcased the nation's premier late-season racing product. The Del Mar fall meet is North America's most heavily wagered race meet in the month of November, with many industry stakeholders viewing Del Mar as offering the nation's strongest autumn racing product. Total wagering for the recently concluded 14-day fall meet totaled \$165.42 million, a \$12.13 million increase over the \$153.29 million wagered during the 13-day 2023 fall season. Turf racing is the highlight of our fall meet, with eight major grass races offered during our Turf Festival over the final two weeks of the season. Because of weather and generally poor conditions of turf race courses in the East and Midwest during the fall, Del Mar's ability to offer grass racing enables us to annually attract the top turf runners from around the country. The Turf Festival attracted the very best out-of-state trainers, including such notable trainers as Chad Brown, Graham Motion, Brendan Walsh and Christophe Clement, each of whom brought their horses to Del Mar, with several of them earning notable prizes. A total of 21 out-of-state horses shipped to Del Mar to take part in our Turf Festival, most of them ridden by top riders from the east, including Irad Ortiz, Jr., Frankie Dettori, Flavien Prat, Javier Castellano and John Velasquez. California stables were also successful during the fall season with top local trainers Mark Glatt, Phil D'Amato and Mike McCarthy claiming victories in three of the seven Turf Festival Stakes. McCarthy won the Grade I Hollywood Derby with Formidable Man, who also won the Del Mar Derby and Oceanside Stakes during the summer meet. The 2024 fall race meet featured the return of the Breeders' Cup World Championships to Del Mar for the third time in its history. The world's best Thoroughbreds compete in the Breeders' Cup and a record 61 international horses came to Del Mar to battle for the World Championship in the various racing divisions. The two-day Breeders' Cup event generated \$204.8 million in pari-mutuel and international separate pool wagers, which represents a 1.2% increase over the then-previous wagering record of \$202.4 million at the 2021 event when it was last held at Del Mar.

The foundation of DMTC's operations is a world-class live racing program and the wagering commissions and purses our races generate. Our horse recruitment efforts, including the Ship & Win and Co-Op marketing programs, continued as a key focus of our 2024 operations. This year our Ship & Win program incentives for the summer race meet paid a \$4,000 starter bonus and a 40% purse bonus for any out-of-state runner. The purse bonus was

paid for additional starts at the summer meet and was also expanded this summer to award a purse bonus on winnings by first-through-fifth place finishers.

Our 2024 horse recruitment efforts were delayed due to prolonged negotiations with the Thoroughbred Owners of California (“TOC”) over rates that are charged on wagers of certain out of state customers. Rates on wagers placed by customers within California are set by statute but out-of-state customers have rates set by contracts. To set wagering rates for out-of-state customers who wager on our races DMTC must consult with and obtain the TOC’s consent and the purses we can offer on our races greatly depend on the wagering revenues generated by those rates. One group of our out-of-state customers is comprised of high-volume bettors who utilize complex computer algorithms to handicap and wager on races, so-called “Computer Assisted Wagering” (“CAW”) players. Prior to the 2024 summer race meet, the TOC required a substantial increase in fees paid by CAW players on specific wagers as well as raising the amount of CAW wagering revenues dedicated to fund purses through charging these players higher rates. Unfortunately, discussions with TOC over these new requirements dragged on and ultimately, to ensure CAW players participated in the summer race meet and to limit the negative impact TOC’s proposed rate increase would have on CAW wagering levels, DMTC elected to contribute 50% of the final CAW rate increase from our own share of CAW revenues. These prolonged discussions with TOC caused a three-month delay in our horse recruitment efforts and resulted in fewer out-of-state horses competing during the summer race meet. Ultimately, we were able to attract 191 horses from outside of California that made 291 starts at Del Mar this summer. In comparison, last year’s recruitment efforts attracted 288 out-of-state horses and those horses made a record 456 starts at Del Mar. The impact of this year’s decline in recruiting out-of-state horses was seen in lower numbers of starters during the middle portion of the summer meet, with those lower numbers tending to have a drag on our field sizes when compared to the early and later portions of the meet, which included a very strong Closing Day featuring an impressive field size average of 10.7 horses per race

Although the total number of horses we were able to recruit this summer declined, our field sizes nevertheless remained strong at 8.6 horses per race. Indeed, our field sizes this summer were the second highest for all major race meets in the country and only slightly below Keenland’s 8.7 horses per race. We were well above the popular Saratoga race meet in upstate New York, which had an average field size of 7.9 horses per race. From a comparative standpoint it bears noting that both Keenland and Saratoga benefit from supplemental purse revenues derived from other forms of gaming revenues in their respective states, such as Historical Horse Racing video terminals in Kentucky and casino gaming in New York. Such supplemental revenues enable those tracks to offer higher purses to attract owners and trainers to enter their races than is possible in California due to the state’s current gaming restrictions. Since

supplementing purses with these other revenue sources is not available in California, we rely heavily on our horse recruitment programs to compete with other tracks, especially those in Kentucky and New York, to entice out-of-state horses to come and race here. We have discussed with the TOC the importance of being able to commence our recruitment efforts in a timely manner and we are confident that the delays seen in 2024 – which negatively impacted field size, wagering levels and purses – will not occur in the future.

Our fall horse recruitment program, in contrast, was not impacted by the late start of our 2024 recruitment efforts and recruiting for the fall meet benefitted from Del Mar being the host of the 2024 Breeders' Cup. We were able to attract 67 out-of-state horses that made 74 starts at Del Mar during the recent fall race meet. In comparison, last year's fall recruitment efforts attracted 33 out-of-state horses and those horses made a then-record 35 starts during the 2023 fall race meet. This year's fall field size average increased to 7.72 horses per race compared to last fall's 7.43 horses per race.

Revenues for the 2024 summer and fall race meets totaled \$37.91 million and were \$1.21 million, or 2.9%, lower than total revenues during the 2023 summer and fall race meets and were \$2.68 million, or 6.6%, under budget. Wagering revenues declined \$1.38 million, or 5.6%, and were \$2.45 million, or 9.6%, under budget due to the lower CAW, Pick 6 and Opening Day wagering levels and because of higher regulatory costs funded through deductions from wagering revenues. Non-wagering revenues rose \$250,000, or 1.7%, with increased sales of our premium areas and increased Opening Day pricing driving growth in attendance-related revenues, which increased \$440,000, or 4.3%. Other operating revenues declined \$200,000, or 4.3%, primarily as a result of the District receiving a larger percentage of certain shared sponsorships. Total expenses for 2024 summer and fall race meets are projected at \$35.08 million and be \$1.4 million, or 3.9%, under budget due to the favorable outcome of a tax assessment matter which offset a significant increase in current-year utility costs. Prior-year expenses benefitted from lower legal and insurance costs related to the settlement of a multi-year legal proceeding.

The 2024 summer and fall meets, together with the Breeders' Cup event, are projected to generate a combined return from racing of \$9.45 million for the year. This amount is \$1.93 million below the budgeted return from racing and \$150,000 higher than the 2023 combined return from racing. Racing net revenues are projected to total \$3.44 million in 2024, consisting of \$1.825 million of Direct Payments (\$825,000 for the summer meet, \$400,000 for the fall meet and the \$600,000 Breeders' Cup facility Direct Payment), as well as \$1.615 million of payments to the Race Track Authority ("RTA"). The \$1.615 million RTA payments consist of: (1) \$1,595,000 paid on November 15, 2024; and (2) an expected additional payment to the RTA of

approximately \$20,000. This additional payment, which will include the results of our fall race meet and the Breeders' Cup event, will be paid in late April following the completion of our 2024 audited financial statements.

Racing related F&B net revenues (as defined in the Operating Agreement) are projected to total \$6.01 million consisting of \$4.51 million of summer race meet F&B net revenues, \$580,000 of projected fall race meet F&B net revenues and \$915,000 of Breeders' Cup F&B net revenues. Summer race meet F&B revenues were negatively impacted by moving Opening Day from the typical Friday opening to Saturday. Our Friday Opening Day is always our best-attended race day and generates the highest F&B revenues of any day of the summer meet. The 2024 F&B net revenues are \$730,000 lower than the 2024 budgeted amount and \$530,000 above 2023 F&B net revenues, primarily due to Breeders' Cup F&B net revenues.

LEGISLATIVE MATTERS

NORTHERN CALIFORNIA RACING CALENDAR AND REDIRECTION OF CERTAIN REVENUES

Unlike every other state – each of which has one unified full-time racing circuit within its borders – California Horse Racing Law (“Racing Law”) splits California into two full time racing circuits commonly referred to as the Southern Zone and the Northern Zone. The number of racing weeks allocated to racing associations and racing fairs in each zone are limited as provided by Racing Law. The California Horse Racing Board (“CHRB”), which oversees the racing industry in California, issues licenses and allocates specific race dates on an annual basis to racing associations and fairs in each of the two zones according to Racing Law.

Racing Law provides that money wagered in California – whether the wager is made on-track, at the State's ITW simulcast locations or through ADW providers – stays in the zone where the bet was made. The race meet conducting live racing in that zone at the time the wager is placed retains the wagering and purse revenues and makes the required statutory distributions on the money wagered. As an example, wagering revenues from a race run at Del Mar by a bettor who is in Northern California when they make their wager are distributed to Northern California stakeholders in the form of track commissions and purses.

The racing circuit in the Southern Zone consists of (i) Del Mar's summer and fall race meets, (ii) Los Alamitos' pair of two-week fall and winter race meets, and (iii) Santa Anita's winter/spring meet, which runs from late December through mid-June, as well as its five-week autumn race meet, which immediately precedes Del Mar's fall race meet. Prior to 2024, the racing circuit in the Northern Zone consisted of 13 weeks of Fair racing, featuring 11 weeks of

racing conducted by four different racing Fairs during the period mid-June through the end of August and a two-week racing Fair in early October. The racetrack located in Alameda County known as Golden Gate Fields (“GGF”) raced the balance of the year with a meet that typically ran from late August through mid-June, except for the two-week period to accommodate Fair racing in October.

In July 2023, The Stronach Group (“TSG”), the owner and operator of both Santa Anita in the Southern Zone and GGF in the Northern Zone, announced it was closing GGF at the conclusion of its race meet in June of 2024. As a result of TSG’s announcement, in September 2023, Legislation (known as “AB 1074”) was enacted and provides that if racing was not conducted at GGF after July 1, 2024, any weeks where no live racing otherwise takes place in the Northern Zone (called “unallocated racing weeks”) will be deemed, for the purposes of conducting simulcast and ADW wagering in the Northern Zone during such time, to be operated by racing associations in the Southern Zone. In such circumstances, the then-operating Southern Zone racing association will receive and make the statutory and contractual wagering distributions in the Northern Zone on these simulcast and ADW wagers. Additionally, AB 1074 provides that purses and track commissions generated on these wagers shall be used to pay certain simulcast operating expenses in the Northern Zone and fund statutorily required payments by the Southern Zone racing associations for regulatory and safety operations (i.e., CHRB and HISA). Any funds remaining after those payments will be divided between purses and commissions for the Southern Zone racing associations in the same relative proportion as they were generated in the Southern Zone during the previous fiscal year.

As it stated it would, TSG permanently closed GGF in June 2024. In response, a group of Northern California stakeholders formed an entity known as Golden State Racing (“GSR”) hoping to replace GGF’s historic dates by conducting race meets at the Alameda County Fairgrounds in Pleasanton. In 2024, GSR’s results at Pleasanton have dramatically underperformed projections, with wagering 64% lower than similar dates at GGF. GSR’s poor results are due to several factors, including, among other factors, GSR’s reduced purses, a smaller Northern Zone horse population and the lack of a turf course at Pleasanton.

To address GGF’s closure and GSR’s unsustainable results, DMTC and other industry stakeholders have presented a plan to consolidate year-round racing in California to the state’s Southern Zone racetracks (Del Mar, Santa Anita and Los Alamitos), while also aiding Northern Zone-based horsemen/horsewomen and supporting traditional Northern Zone Fair racing dates in mid-June through early October. Specifically, the proposed plan provides:

- The Southern Zone providing funding for year-round stabling for Thoroughbreds at Pleasanton;
- The Southern Zone providing funding to reimburse travel expenses for Northern Zone-based horses that are racing at Southern Zone tracks;
- The Southern Zone providing preference and special race conditions for Northern Zone-based horses racing at Southern Zone tracks;
- The Southern Zone providing funding to pay purse supplements for Northern Zone Fairs racing during their traditional summer calendar.

The proposed plan contemplates funding being provided as a result of, and in conjunction with, the CHRB allocating race dates to the Southern Zone when there is no live racing in the Northern Zone. The CHRB will ultimately decide on the size and scope of the funding budget when it sets the Northern Zone's racing calendar and we anticipate the CHRB doing so at one of its future monthly meetings. Because that decision – as well as any resulting redirection of ADW and ITW simulcast revenues from the Northern Zone when there is no live racing conducted in the Northern Zone – will impact DMTC's 2025 financials, we will provide updates through the District's DMTC Liaison Committee as developments occur. Our discussion of the anticipated impact of the funding generated as a result of SB 1074 and the projection of how it will offset the Southern Zone racing associations' annual regulatory costs appears in the section on Revenues at pages 17 and 18 below.

SPORTS WAGERING

Sports wagering has been legalized in 38 states across the country. As we discussed in previous filings, DMTC continues to work with other racing industry stakeholders and the state's Tribal casino interests on a legislative framework for legalizing sports wagering in California, which would require that a majority of the state's voters approve amending California's constitution. We anticipate that approval of sports wagering will be put to California voters in the 2026 or 2028 election.

2025 BUDGET OVERVIEW

DMTC's 2025 budget reflects the operating, staffing and marketing strategies that we have implemented since 2014 when we began conducting our two distinctly different annual race meets. Consistent with past practices, our 2025 budget is designed to maximize both DMTC's

rent payment to the District as well as race meet-related F&B net revenues that flow directly to the District.

Our proposed 2025 budget is affected by a number of key factors that are reflected in both the revenue and expense projections. As in the past, these factors result from legislative changes, new state-mandated regulatory actions and the upcoming racing calendar approved by the CHRB, as well as opportunities and changes in the business environment surrounding racing. Some of the key assumptions and other factors include:

- Regional and national economies are expected to remain relatively strong throughout 2025;
- Labor markets are expected to continue to normalize from the tight labor market and wage pressures of 2022 and 2023. The unemployment rate is expected to increase slightly, but remain below historical norms;
- The Federal Reserve is expected to continue through mid-2025 the interest rate cut cycle it started in September 2024 and then pause its easing cycle and further rate reductions as inflation will likely remain modestly above the Federal Reserve's 2% target rate;
- CHRB approval of the Southern racing associations, starting early in 2025, operating unallocated racing weeks when there is no live racing in the Northern Zone in conjunction with the plan for Southern racing associations to support Northern Fair race meet purses and providing financial support for the continuation of Northern stabling operations. Additionally, Southern racing associations will provide races that gives preference to Northern horses and cover vanning costs for these horses racing at Southern race meets;
- CHRB approval of an extension of the current agreement between the Southern California racetracks and the TOC to continue to provide funding for Southern California Off-Track Wagering Inc. ("SCOTWINC") operations from a deduction from the ADW handle;
- CHRB approval of the request by Southern racing association to increase the deduction from both ADW wagering and California brick-and-mortar wagering to provide supplemental funding for Northern stabling and vanning operations; and

- CHRB approval and an extension of the current agreement between DMTC and the TOC to continue a deduction from the ADW handle to provide funding for the Co-Op marketing program.

The accompanying budget is formatted to reflect the following: (i) summer race meet budgeted revenues, expenses and rent payment; (ii) fall race meet budgeted revenues, expenses and rent payment; (iii) a Breeders' Cup budget that reflects revenues and expenses directly attributable to the two-day Breeders' Cup World Championships being held at Del Mar in conjunction with the fall race meet; and (iv) a consolidated budget showing all revenues, expenses and our 2025 payments to the District and RTA.

This budget precedes the start of our summer race meet by seven months and requires us to make assumptions regarding on-track attendance and wagering levels, CHRB approval of proposed agreements and other factors that will impact our operations and financial projections. Sometimes over the years impactful events have developed following the December submission of our annual budget which required us to significantly adjust our operations.

As we move toward the start of the 2025 summer race meeting, our objective is to continue to implement a thoughtfully prepared budget and dynamic business plan that addresses evolving conditions and delivers a combined race meet net income that exceeds the projected amount in this budget. Through our 2025 quarterly budget submissions we will provide updates on adjustments to our operation, the costs and expected benefits of any programs and other events that are not contemplated in this budget. We also will meet with District staff and the Liaison Committee to provide updates on any other developments that may arise.

2025 RACING CALENDAR

At the September and November 2024 CHRB meetings Del Mar was awarded 14 weeks of racing in 2025, consisting of a nine-week summer calendar from July 9 through September 9 and a five-week fall calendar from October 29 through December 2. The Del Mar live racing calendar for 2025 consists of 47 live racing days, with 31 days of summer racing and 16 days of fall racing. The fall racing schedule includes our 14-day fall meet and the two-day Breeders' Cup World Championships, which will take place on the first Friday and Saturday – October 31 and November 1 – of the fall meet. This matches the 47 live racing days held in 2024, our 31-day summer race meet and a 16-day fall race meet which also included the two-day 2024 Breeders' Cup World Championships.

Our summer race meet once again will offer 31 days of live racing run over eight weeks. Opening Day will be on Friday, July 18 and the meet will close Sunday, September 7. With the

exception of Opening Day, the upcoming summer calendar is similar to the 2024 nine-week calendar – 31 live race days conducted over eight weeks concluding the Sunday following Labor Day. Opening Day, our most well-attended race day that generates by far the greatest F&B revenues, will return to its traditional Friday opening in 2025. Last year, Opening Day was moved from the traditional Friday opening to Saturday. This was done in order to give us ample time to ensure the racing surfaces and stable area were in proper condition due to the later-than-typical close of the San Diego County Fair. Our maintenance and track staffs, working in conjunction with fair staff, are comfortable we will be able to get the racing surfaces and stable area in proper condition to accommodate the traditional Friday opening after successfully accomplishing the process in previous years. In addition to eight weeks of live racing in the summer of 2025 there will be no live racing (so-called “dark days”) in Southern California the week of July 9 through July 17 prior to the start of our meet. Even though we are not offering live racing during these dark days, because they are assigned to us as part of the racing calendar, Del Mar earns wagering commissions and purse funds when Southern California patrons wager on races imported from racetracks outside California (“imported races”) and those races run in Northern California (“Northern races”).

Our five-week 2025 fall race meet opens on Thursday, October 30. The Breeders’ Cup World Championships runs on Friday, October 31 and Saturday, November 1, and the fall race meet resumes on Sunday, November 2. The four remaining race weeks offer racing Friday through Sunday with the meet closing on Sunday November 30. The 2025 fall meet is similar to the 2024 five-week calendar – 16 live race days conducted over five weeks with the Breeders’ Cup held on the opening Friday and Saturday of the meet. Again, the highlight of the 2025 fall season will be Del Mar’s hosting of the Breeders’ Cup World Championships as the two-day event is considered horse racing’s premier international event. The 2017, 2021 and 2024 Breeders’ Cups held at Del Mar were all highly successful and among the most highly wagered events in the Breeders’ Cup’s 41-year history. As was the case when we hosted past Breeders’ Cups, our 2025 fall race meet will be positively impacted by the days prior to and following the World Championships. These so-called “shoulder days” are attended by many of the Breeders’ Cup’s out-of-town and international visitors and generated significant wagering, admissions and F&B revenues during the 2017, 2021 and 2024 fall race meets. Similar to 2024, the five-week 2025 fall race meet also will benefit from five additional “dark day” simulcast revenues when compared to the past four-week fall race calendars in the years when Del Mar does not host the Breeders’ Cup. The 14 days of live racing during the five-week fall seasons consist of nine weekend and four weekday race days. During years when the CHRB allocates a four-week fall race calendar, live racing consists of eight weekend and five weekdays of live racing over the four-week fall meet. Weekend live race days generate both increased wagering and attendance compared to weekday events.

In 2025, summer race meet attendance is projected to total 280,400, a 2.5% increase above the 2024 summer race meet. As noted previously, Opening Day, our most well-attended day will return to its traditional Friday opening this year. Additionally, this move will allow us hold our annual opening weekend Beerfest on Saturday compared to last year's opening weekend Sunday Beerfest which was the result of opening on Saturday in 2024. Attendance is higher when lifestyle promotional events are held on Saturdays compared to Sundays. 2025 fall race meet attendance, excluding attendance on the two days of the Breeders' Cup, is projected to total 46,300, a 0.5% increase over the 2024 fall race meet, primarily due to last year's fall meet having opened on Halloween day, October 31, which had a modest impact on Opening Day attendance. The 2025 fall race meet opens the day before this coming year's Halloween celebration.

Race meet F&B revenues are projected to increase 4.5% for the summer race meet, 2.0% for the fall race meet, and 3.0% for the Breeders' Cup, and are based on projected attendance levels and modest increases in F&B prices. F&B revenues are projected to benefit from our high-margin lifestyle events with the 2025 events calendar being highlighted by popular lifestyle promotions, such as craft beer events, local artisan food festivals, wine tastings and college days. Our promotional events are designed to increase attendance by non-core racing fans and generate high-margin F&B revenues that flow directly to the District.

REVENUES

Revenues for 2025 are projected to total \$62.91 million, an increase of \$2.05 million. Summer race meet revenues, are projected to increase \$1.85 million, or 5.9%, due to growth in wagering resulting from moving Opening Day back to its traditional Friday opening as well as anticipated lower regulatory costs funded through deductions from wagering revenues. Additionally, summer race meet admissions-related revenues will benefit from the return to our traditional Friday opening this year. Fall race meet revenues are projected to increase \$200,000, or 2.9%, primarily due to lower regulatory costs funded through deductions from wagering revenues. Although the financial results of the 2024 Breeders' Cup World Championships are preliminary, we project that Breeders' Cup revenues in 2025 to be consistent with 2024 levels. The District benefits from the Breeders' Cup in 2024 and 2025 from the \$600,000 fixed facility Direct Payment and Breeders' Cup F & B net revenues, all of which flow directly to the District and consequently are not reflected in our financial statements.

Wagering Revenues: DMTC receives wagering commissions and purses from wagers on our races made by patrons in California, regardless of whether they are made on-track at Del Mar, off-track at Southern California satellite ("ITW") locations, or from Southern California

residents wagering through Advanced Deposit Wagering (“ADW”) providers licensed by the CHRB. We also receive commissions and purses when patrons who are located outside of California wager on our races at brick-and-mortar locations (e.g., racetracks, casinos, ITW locations and sports bars) and through ADW providers that contract with us to take wagers on races run at Del Mar. California patrons are able to wager on three types of races: 1) those run at Del Mar (“live races”); 2) those run at racetracks in Northern California; and 3) races imported from racetracks outside California. DMTC also receives wagering commissions and purses from separate pool simulcast fees, breakage and ITW expense fund distributions.

Wagering revenues comprise DMTC’s primary source of revenue and account for a projected 57.8% of summer race meet revenues, 82.4% of fall race meet revenues, 16.7% of Breeders’ Cup revenues and 45.6% of our total projected revenues in 2025. The Breeders’ Cup World Championships have a much lower concentration of wagering revenues than our summer and fall race meets because the Breeders’ Cup’s premium pricing structure and large crowds generate significant attendance-related revenues for the event. Further, under the Breeders’ Cup business model, all ADW and out-of-state simulcast wagering revenues are used for the more than \$34 million in purses paid-out over the two-day event and, consequently, are not reflected in revenues. The fall race meet has a larger concentration of wagering-to-total-revenues because all existing sponsorship agreements, management services and other operating revenues are allocated to the summer race meet. Additionally, because the summer race meet draws more out-of-town and casual patrons than the fall race meet, the summer meet generates higher attendance-related revenues.

Our horse recruitment efforts, including the Ship & Win and Co-Op marketing programs, again will be a key focus of our 2025 operations. Field sizes for the summer race meet are expected to increase modestly because we will not suffer the same prolonged discussions with the TOC that delayed last summer’s out-of-state horse recruitment efforts. That delay, which lasted three months, impacted the number of horses we were able to successfully recruit to race here last summer. We have discussed with the TOC the importance of being able to commence our recruitment efforts in a timely manner and we are confident that the delays seen in 2024 – which negatively impacted field sizes, wagering levels and purses – will not occur in the future. The fall race meet field sizes are expected to remain at 2024 levels, which increased from 2023 levels and were positively impacted by our hosting the Breeders’ Cup World Championships, as trainers of horses that are expected to run in the Breeders’ Cup traditionally bring their horses to Del Mar to compete in other races.

Wagering and purse revenue projections reflect various changes to statutory wagering deductions and modifications to contractual ADW wagering deductions used to fund stabling and

vanning operations, the operations of the SCOTWINC satellite network and deductions used to fund the CHRB's annual operation as well as California's share of HISA's annual operations.

DMTC and the TOC plan to extend the agreement, subject to CHRB approval, that provides funding for the Co-Op marketing program through a deduction from ADW wagering. The Co-Op marketing program includes horse recruitment efforts, on-track large player reward incentives and a social media program designed to educate the public about Del Mar's industry-leading safety record, our comprehensive safety protocols and procedures, as well as California's unrivaled aftercare program for retired racehorses. The 2025 deduction from ADW wagering will be unchanged from the 2024 deduction and, as a result, the impact of funding the Co-Op marketing program will be unchanged compared to 2024.

Stabling and vanning ("S&V") operations, which refer to the off-site stabling of horses and transporting them to the operating venue for live racing, are funded through a statutory deduction on wagers made at satellite facilities and on-track handle on imported and Northern California races, as well as a contractual deduction from California ADW wagering. The TOC and the Southern California race tracks increased the statutory deduction on Southern California satellite wagering in 2025 by 71 basis points and also raised the deduction from ADW wagering that funds S&V operations by a similar 71 basis points. These increased funding levels are due to the above-described proposed plan calling for Southern Zone racing associations to provide funding for the continuation of year-round stabling at Pleasanton for Northern Zone-based Thoroughbreds in conjunction with the CHRB allocating race dates to the Southern Zone when there is no live racing in the Northern Zone. The impact on wagering revenues and purses from these statutory and ADW changes in 2025 is a projected decrease in track commissions and purses by \$950,000 each. The increased S&V cost will be more than offset by the reduction in regulatory funding costs discussed below.

Racing law provides that the cost of funding the annual operating expense of the CHRB, California's equine drug testing program and the State's share of HISA operations, ("Annual Regulatory Operating Costs") are paid by California racing associations and purses through a statutory deduction from on-track, ITW and out-of-state wagering at all California race tracks and racing fairs as well as a contractual deduction from California ADW wagering. These funding deductions from wagering are established annually and are based on the projected statewide on-track, ITW, California ADW and out-of-state wagering compared to the CHRB's and HISA's annual operating budget for the upcoming fiscal year. These deductions from wagering effectively reduce wagering revenues and purses equally during the year. Any surplus or deficit between the funds generated from the funding deductions and the Annual Regulatory

Operating Costs at the end of the year is either refunded to, or further deducted from, the following year's commissions and purses.

Statewide Annual Regulatory Operating Costs are projected to total \$19.64 million in 2025, compared to \$20.88 million in 2024. The \$1.32 million decline in Regulatory Operating Costs is due to (1) an \$820,000 decline in California's 2025 HISA assessment because California's equine drug testing program will be used by other states regulated by HISA, and (2) the elimination of the \$450,000 net prior year shortfall that impacted and increased 2024 Regulatory Costs. The amount of funding generated for Regulatory Operating Costs through deductions from wagering exceeded projections in 2024, largely due to Del Mar's fall race meet wagering exceeded projections and because Del Mar hosted the 2024 Breeders' Cup. Accordingly, there will be no prior year funding shortfall impacting 2025 Regulatory Costs. Del Mar's allocation of Regulatory Costs in 2025 is projected to be \$5.18 million. This amount is \$270,000 lower than our 2024 allocated share of Regulatory Costs and the amount will be shared equally to benefit wagering revenues and purses.

As previously noted, the proposed plan put forth by the Southern Zone racing associations and the TOC to aid Northern-Zone based horsemen/horsewomen and to support Northern Zone racing fair purses ("Northern-Zone support costs") will be presented to and acted upon by the CHRB at one of its upcoming meetings. Because of the current unsustainable results of GSR operations in the Northern Zone, we anticipate that the CHRB will approve the Southern Zone's plan to support Northern Racing. Del Mar's share of the amount of funding generated under SB 1074 during weeks when there is no live racing in the Northern Zone, which will help to fund the Southern Zone racing associations' share of annual regulatory operating costs, net of Del Mar's share of Northern Zone support costs, is projected to benefit wagering commissions and purses by \$1.48 million each in 2025.

Wagering revenues for the summer and fall race meets are projected to total a combined \$28.66 million in 2025, reflecting an increase of \$1.64 million of summer race meet wagering revenues and \$200,000 of additional fall race meet wagering revenues. The wagering revenues for both meets include the benefit of the lower regulatory funding costs discussed above. Additionally, summer race meet wagering revenues will benefit from additional wagering revenues resulting from moving Opening Day back to its traditional Friday opening this year. Breeders' Cup wagering revenues are projected to be unchanged in 2025. The Breeders' Cup arrangement provides that all wagering commissions and purses generated on Breeders' Cup live races by on-track and ITW patrons are recognized as Breeders' Cup wagering revenues while all wagering revenues and purses generated on California ADW patrons and all out-of-state and

separate pool wagering on Breeders' Cup races flow to fund the Breeders' Cup purses and these revenues are not reflected in our financial statements.

On-track wagering: On-track wagering commissions for the summer and fall race meets are projected to total \$4.10 million, an increase of \$300,000, or 7.9%, over 2024 on-track wagering commissions and consist of a \$240,000 increase over summer revenues and a \$60,000 increase in fall wagering revenues. On-track wagering commission for both meets reflect the benefit from lower total regulatory funding costs in 2025 compared to 2024. Additionally, on-track commissions reflect the benefit of revenues generated under the provisions of SB 1074 that result from Southern Zone racing associations operating unallocated racing weeks when there is no live racing in the Northern Zone and these revenues, net of increased S & V funding, will offset Del Mar's regulatory funding costs. Summer race meet on-track wagering commissions also reflect the benefit from additional on-track wagering generated resulting from Opening Day returning to its traditional Friday opening. Fall race meet commissions also reflect the loss of \$10,000 of wagering commissions on the Northern Zone because there will be no live racing in the Northern Zone outside of the summer and early fall fair race meets. The on-track revenue loss is minimal because wagering on Northern California races was just 1.5% of total on-track wagering in 2024..

Off-track wagering: ITW commissions generated from live, import and Northern California wagering are projected to total \$3.65 million, an increase of \$180,000, or 5.2%, over 2024 ITW wagering commissions and consist of a \$220,000 increase in summer ITW revenues and a \$40,000 decline in fall wagering revenues. Fall race meet ITW revenues are impacted by a \$90,000 decline in ITW wagering commissions resulting from there being no live racing in the Northern Zone during the fall and wagering on Northern California races accounted for 7% of total ITW wagering last fall. ITW wagering commission for both race meets reflect the benefit from lower total regulatory funding costs in 2025 compared to 2024. Additionally, ITW commissions reflect the benefit of revenues generated under the provisions of SB 1074 that result from Southern Zone racing associations operating unallocated racing weeks when there is no live racing in the Northern Zone and these revenues, net of increased S & V funding, offset Del Mar's regulatory funding costs. Summer race meet ITW wagering commissions reflect only a modest benefit from additional ITW wagering generated on the Friday opening although the increase in wagering will be smaller at ITW locations compared to the significantly higher wagering on-track.

DMTC is a partner in SCOTWINC, which is the entity that administers the satellite network in Southern California. SCOTWINC receives simulcast revenues based on a 2.5% fee on all wagers placed at satellite locations and a negotiated fee of 2.4% taken from California

ADW wagers. These simulcast revenues fund mutuel and administrative staff costs and other SCOTWINC simulcast-related expenses. As a partner in SCOTWINC, DMTC and the horsemen participate in 50% of the excess, or shortfall, of SCOTWINC simulcast revenues and expenses. The SCOTWINC operating surplus is projected to total \$1.07 million in 2025, essentially matching the surplus in 2024. Simulcast revenues are projected to increase slightly due to increases in wagering, which are expected to offset a similar modest increase in simulcast expenses.

ADW wagering: ADW commissions generated from live, import and Northern California wagering by California ADW patrons are projected to collectively total \$4.93 million, an increase \$530,000, over 12.1%, over prior year ADW commissions, consisting of a \$420,000 increase during the summer race meet and a \$60,000 increase in the fall race meet. Fall race meet ADW commissions are impacted from a \$40,000 decline because there will be no live racing in the Northern Zone during the fall and wagering on races in Northern California accounted for 2.1% of total ADW wagering last fall. ADW wagering commission for both race meets reflect the benefit from lower total regulatory funding costs in 2025 compared to 2024. Additionally, ADW commissions reflect the benefit of revenues generated under the provisions of SB 1074 that will result from Southern Zone racing associations operating unallocated racing weeks when there is no live racing in the Northern Zone and these revenues, net of increased S & V funding, offset Del Mar's regulatory funding costs. Summer race meet ADW wagering commissions reflect only a modest benefit from additional ADW wagering generated by moving Opening Day back to the traditional Friday in 2025.

Out-of-state wagering: Exporting the simulcast signal of Del Mar's live racing product generates significant non-California wagering revenues and purses in that Del Mar's races are distributed over numerous Internet wagering platforms and broadcast to over 1,100 locations throughout North, Central and South America, Europe and South Africa. Out-of-state wagering commissions in 2025 are projected to grow to \$10.92 million, an increase of \$750,000, or 7.4%, above 2024 out-of-state wagering commissions. Out-of-state wagering commissions for both race meets reflect the benefit from lower total regulatory funding costs in 2025 compared to 2024. Additionally, out-of-state commissions reflect the benefit of revenues generated under the provisions of SB 1074 that will result from Southern Zone racing associations operating unallocated racing weeks when there is no live racing in the Northern Zone and these revenues offset Del Mar's regulatory funding costs. This benefit to out-of-state commissions will be relatively greater than the benefit to on-track, ITW and ADW commissions because there is no S & V deduction from out-of-state wagers and, accordingly, out-of-state commissions will not be impacted from the higher S&V deduction in 2025.

Breakage revenue is generated because California law requires that posted mutuel payoffs must be rounded down from calculated payoffs, and the rounding difference (i.e., “breakage”) is divided between the horsemen, the State of California and the track operator. For example, a calculated payoff of \$2.19 is paid at a rate of \$2.10 and the additional \$.09 per winning ticket creates breakage revenue. Minus pools occur when the track must contribute funds to a mutuel pool when a prohibitive betting favorite finishes “in the money” (i.e., placing first, second or third) and the required minimum mutuel payments exceed the gross mutuel pool less the statutory takeout. Minus pools almost always occur with show (i.e., third-place) bets. Minus pool contributions are netted against breakage revenue. DMTC carefully reviews live-race programs and those races imported from Northern California to identify when a prohibitive favorite is scheduled to run in a race with a small field and a minus pool is likely to occur. For any races conducted in California that are not of national significance, DMTC may petition the CHRB for its approval to eliminate show wagering. However, DMTC and other California racetracks do not have the ability to eliminate show wagering on races imported from out-of-state race tracks. Net breakage revenue in 2025 is projected to decline \$10,000, primarily due to the loss of breakage on Northern Zone races during the 2025 fall race meet.

Non-wagering revenues: Non-wagering revenues consist of admissions and seat revenues, program sales, parking receipts, advertising and sponsorship revenues, management services and interest income. Total non-wagering revenues for the summer and fall race meets are projected to total \$15.26 million, an increase of \$280,000 over 2024 revenues as growth in admissions-related revenues, primarily related to moving Opening Day back to its traditional Friday opening offsets declines in interest income resulting from recent and expected future declines in short-term interest rates.

Admissions and parking revenues for the summer race meet are projected to increase \$530,000 as compared to 2024, primarily due to increased revenues generated on Opening Weekend of the summer meet. As noted previously, Opening Day, which is our most well-attended day, will return to its traditional Friday opening this year. Additionally, this move will allow us to hold our annual Opening Weekend Beerfest on Saturday this coming year compared to being held on Sunday this past year. Attendance is higher when lifestyle promotional events are held on Saturday compared to Sunday and having Beerfest on Saturday will benefit accordingly. Fall race meet parking and admissions revenues are projected to increase just \$5,000 over 2024 revenues due a modest growth in Group Sales revenues together with a modest gain in attendance over the 2024 fall race meet, which was impacted slightly by opening on Halloween day, October 31. Pricing for admissions, tickets and parking will remain unchanged in 2025 in an effort to drive attendance and related F&B revenues. Patrons have traditionally paid a separate processing fee for online ticket purchases and these processing fees have been

recorded in other operating income. California Law was enacted in July 2024 prohibiting patrons from being charged more than the all-in advertised individual ticket price. Accordingly, processing fees for on-line ticket purchases have been eliminated in 2025 and the estimated revenues from processing fees included in a slightly higher per ticket/admission price. While this change will not impact total revenues in 2025, it will result in a gain in admissions revenues and corresponding decline in other operating income when compared to 2024.

Sponsorship revenues in 2025 are projected to total \$3.71 million, an increase of \$50,000, or 1.4%, from 2024. DMTC will continue to package traditional sponsorship assets (e.g., venue signage and other on-site advertising) with emerging digital media opportunities, including maximizing exposure for our corporate partners with popular social media influencers who drive awareness of Del Mar as the “place to be.” Our well-attended lifestyle promotions, such as craft beer festivals and local artisan food events, continue to provide attractive sponsorship inventory for our partners. DMTC’s long-standing history of strong relationships within the corporate community combined with the strength of our brand has consistently positioned Del Mar among the top sports and entertainment venues in the western United States. In 2025, sponsorship growth is expected due to increased awareness of Del Mar through our hosting of the Breeders’ Cup World Championships in back-to-back years in 2024 and 2025. DMTC will continue to work closely with the District on cooperative corporate partnerships that maximize revenues for the facility on a year-round basis.

Novelty concession revenues are projected to increase \$10,000 due to expected attendance levels and Opening Day returning to its traditional Friday opening. Other operating income is projected to decline \$200,000 due to the elimination of processing fees for online tickets as discussed above. Interest income earned during the summer and fall race meets is projected to total \$200,000 in 2025, and decline \$105,000 from last year and reflects recent and expected declines in short-term interest rates. Significant cash balances are generated through pre-season sales revenues and the operation of our summer race meet, including the collections and settlements with over 1,100 brick-and-mortar simulcast locations and Internet wagering platforms that participate in our pari-mutuel wagering pools.

EXPENSES

Total expenses for 2025, before payments to the District and RTA (i.e., “total pre-rent expenses”) are projected at \$59.40 million, and include \$22.29 million of Breeders’ Cup total expenses. These expenses, similar to Breeders’ Cup revenues, are projected to be at 2024 levels for this budget because the benefit to the District results from the \$600,000 fixed facility Direct Payment together with Breeders’ Cup F & B net revenues, which flow to the District and are not reflected in our financial statements. Summer and fall race meet expenses are projected to total

\$37.11 million, an increase \$2.03 million, or 5.8%, due to higher staff costs and because prior year expenses benefitted from a favorable outcome of a San Diego County tax assessment matter.

Staff costs: Staff costs consist of salaries, employee benefits, workers' compensation costs and payroll taxes and comprise the largest expense category. DMTC employment peaked at nearly 1,026 staff members during the summer race meet, with 62.5% of the work force covered under eight collective bargaining agreements. Staff costs, measured as a percentage of total pre-rent expenses, are projected to total 37.8% in 2025. Summer race meet staff costs as a percentage of summer pre-rent expenses are projected to be 56.3%, the fall race meet staff costs to fall pre-rent expenses are projected to be 52.0%, and the Breeders' Cup staff costs to total event costs are projected to be 8.3%. Breeders' Cup staff costs consist primarily of direct labor costs for the two-day event, as well as incentive compensation paid by the Breeders' Cup to year-round staff. Year-round administrative staff costs excluding the Breeders' Cup costs are projected to increase \$110,000, or 3.0%, due to cost-of-living adjustments. No changes are expected in year-round staffing levels. Annual maintenance salaries are projected to increase \$30,000, or 3.0%, and reflect scheduled wage increases under collective bargaining agreements. Seasonal salaries for the summer and fall race meets are projected to increase \$270,000, or 2.6%, and reflect the cost of scheduled increases required by collective bargaining agreements. Prior year seasonal salaries included a \$50,000 payment related to the final terms of a collective bargaining agreement to resulted in a payment for wages earned in a prior race meet. Employee benefit costs are projected to increase \$160,000, or 5.0%, in 2025 due to increases in health and welfare plan premiums for both union and administrative staff. Workers' compensation insurance costs are projected to increase \$20,000, or 5.1%, based on expected renewal rates for the policies that are due for renewal in March of 2025. Payroll taxes are projected to increase \$30,000 based on projected salaries and seasonal employee wages.

Marketing expenses: Advertising, Marketing and Communications expenses in 2025 are projected to total \$5.77 million and consist of \$3.69 million of Breeders' Cup marketing expenses and \$2.07 million of summer and fall race meet marketing expenses, which are \$80,000, or 4.1%, over 2024 summer and fall levels. The anticipated modest growth in expenses is the result of increased promotional event costs and allocating additional resources to enhance our highly-successful social media influencer efforts. The 2024 events calendar will be highlighted by popular lifestyle promotions, such as craft beer events, local artisan food festivals, wine tastings and college days. Promotional events are designed to increase attendance by non-core racing fans and generate high-margin F&B revenues that flow directly to the District. Whenever possible, we will continue to co-present events with outside promoters to realize financial and operational efficiencies. As we have previously reported, our advertising efforts

will focus on social and digital media platforms, as these channels offer tremendous economic value and enhanced customer targeting when compared to traditional media (television, radio and print). This cost-efficient strategy provides for direct access to the desirable demographics of Gen Z, Gen Y and Millennials, and takes advantage of the event spending traits these groups often display. For a low-cost proven track record of communication to our core customers, we will continue to utilize Del Mar's robust 450,000-person database, the Diamond Club. This opt-in-only loyalty program allows us to provide specialty offers and exciting promotions to our most fervent audience. Examples of database offers include a "day on us," which provides free admission and seating on lesser attended days, and packaged-pricing of table/box accommodations with F&B items. Our communications efforts will also highlight the "Super Bowl of horse racing", the Breeders' Cup World Championships, taking place at Del Mar in back-to-back years in 2024 and 2025. DMTC's hosting of the Breeders' Cup World Championships enhances our brand as one of the world's top racing operations and provides the Fairgrounds with new and unique exposure to a global audience. Lastly, we will continue to promote our industry-leading equine safety and welfare initiatives, including Del Mar's standing as among the safest race tracks in North America. We will also utilize social and digital media platforms to educate the public about our equine safety record and injury prevention efforts as well as our research and horse aftercare resources.

Race meet season services expense: Season services expense is projected to increase \$10,000, or 0.2%, in 2025. DMTC is moving to a new ticketing system and partnering with Seat Geek in 2025. In addition to providing our patrons with a state-of-the-art ticketing platform, the internal processes of the new system, including merchant processing, will be significantly more robust. In 2024, DMTC's online ticketing system experienced a significant so-called credit card testing scheme, which resulted in an increase in our merchant fee expense in excess of \$140,000. The new ticketing system has controls designed to prevent credit card testing schemes, thereby eliminating the resulting cost of merchant fee expenses. As noted above, our 2024 summer horse recruitment efforts were delayed due to prolonged negotiations with the TOC and that delay impacted the number of out-of-state horses competing here and our prior year summer horse recruitment costs. We have discussed with the TOC the importance of being able to commence our recruitment efforts in a timely manner and we are confident that the delay experienced in 2024 will not occur in 2025. Accordingly, we project an increase in the number of out-of-state horses recruited to compete in our summer race meet and a corresponding increase in summer horse recruitment costs. Costs for other season service contracts, particularly those with labor costs, reflect higher costs due to higher staff cost-of living adjustments. DMTC will again provide the complimentary meals program for backstretch workers for both the summer and fall meet. This initiative first offered in 2023, provides all of our backstretch workers with complimentary dinners in a family-style setting designed to promote socialization. This unique

program is a much needed and bold step in the improvement of the lives of those in our backstretch community. Our budget assumes that the California Thoroughbred Horsemen's Foundation will again co-fund this impactful program through a grant.

Other expense categories for the summer and fall race meets: Insurance expense is projected to increase \$50,000, or 5.1%, and reflect projected 2025 premium costs that are based on indications we have received during our current insurance renewal process. Professional services costs are projected increase \$10,000. Legal expenses are projected to decline in 2025 as a result of the full year benefit of having outside counsel brought in-house late in the second quarter of 2024. These savings are expected to be offset by an increase in bank service charges. Earning credits on compensating bank balances, which help pay the cost of bank service charges and fees, are projected decline because of recent and expected declines in short-term interest rates. Repairs and maintenance costs are projected to decline \$10,000 as non-critical maintenance projects will be deferred until after the summer and fall race meets and will be completed based on exceeding projected results for 2025. Other taxes and license expense is projected to total \$180,000. Prior year other taxes and license expense benefited from the favorable resolution of a San Diego County possessory tax assessment matter. The matter was resolved in the third quarter of 2024 and resulted in the reversal of a nearly \$1 million accrual for the possibility of significantly higher possessory interest taxes.

SUMMARY

The 2025 budget reflects DMTC's continuing efforts to manage our operations in light of changes in the racing industry and our longstanding commitment to maximizing the combined DMTC rent and race meet-related F&B net income. The budgeted payments to the District and RTA for 2025 totals \$3,475,000 and consists of Direct Payments to the District of \$2,025,000 – which includes \$825,000 to be paid September 15, \$400,000 to be paid on November 15, \$525,000 to be paid on November 30, and the \$600,000 Breeders' Cup facility Direct Payment – along with payments to the RTA of \$1,450,000. These payments are \$35,000 higher than the projected 2024 payments to the District and RTA. Net revenues for race meet-related F&B operations in 2025 are based on our event focused summer promotional events calendar, projected attendance levels, and ticketed Breeders' Cup F&B revenues as well as with the \$200,000 Breeders' Cup F&B net revenue payment. Such race meet-related F&B net revenues are projected to total \$6.24 million in 2025, an increase of \$230,000 above the F&B net revenues which totaled \$6.01 million in 2024. Our combined return from racing (i.e., the total of net racing revenues and F&B net revenues as defined in the Operating Agreement) is projected to total \$9.72 million in 2025. This compares to a projected combined return of \$9.45 million in 2024.

Carlene Moore
December 16, 2024
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As noted above, the honor of being selected to host the Breeders' Cup World Championships in back-to-back years is unprecedented for Del Mar. That honor is not only a testament to Del Mar's status as an iconic and world-class venue but the strength of our operations as well. It bears mention, however, that although the two-day Breeders' Cup event provides substantial revenues directly to the District totaling \$1.525 million in the form of the facility Direct Payment as well as F&B revenues, the majority of the revenues from the event are retained by Breeders' Cup Limited to fund the \$34 million in purses used to attract the best horses, owners, trainers and jockeys in the world to compete here. Despite this, as reflected in the Fifth Amendment to the Operating Agreement (which was adopted in contemplation of Del Mar hosting its first Breeders' Cup in 2017), while hosting the Breeders' Cup furthers our goal of maximizing revenues for the District, it negatively impacts our Net-to-Gross Ratio. Under the terms of the Operating Agreement, our Net-to-Gross Ratio is required to be at least 15% each year and in the event it is less than 15% in any two consecutive years the District has the right to declare an event of default. Due to hosting the Breeders' Cup our 2024 Net-to-Gross Ratio is 12.6%. With the Breeders' Cup returning in 2025, we anticipate our 2025 Net-to-Gross Ratio will also be 12.6%. Consequently, we request the District agree that by approving our 2025 budget it is waiving the two-year Net-to-Gross Ratio requirement of 15%.

Carlene, we appreciate the input we receive from you and your liaison committee. As you know, we always strive to maximize combined race meet net revenues generated by horse racing at Del Mar and look forward to any suggestions that you may have to help us operate more efficiently.

Very Truly Yours,



Michael R. Ernst

Enclosure

cc: David Batchelder, DMTC
Joe Harper, DMTC
Josh Rubinstein, DMTC
Michael Sadegh, 22nd DAA

Del Mar Thoroughbred Club

Operating Budget

2025 Budget and Projected Results for the year ended December 31, 2024

	2025			2024			Budget vs		Budget vs	
	Summer / Fall	Breeders' Cup	Combined	Summer / Fall	Breeders' Cup	Combined	2024 Projection	2024 Projection	2024 Projection	2024 Projection
	Projections	Meet	Operations	Projections	Projection	Projections	Summer / Fall	Summer / Fall	Combined	Combined
							Amount	%	Amount	%
Revenues:										
Pari-mutuel commissions/ADW/simulcast fees	\$ 24,841,913	3,819,275	28,661,188	23,071,623	3,819,275	26,890,898	1,770,290	7.7%	1,770,290	6.6%
Admissions / Reserved Seating	9,290,715	18,476,803	27,767,518	8,776,715	18,476,803	27,253,518	514,000	5.9%	514,000	1.9%
Program sales and parking receipts	1,300,943	339,404	1,640,348	1,287,793	339,404	1,627,198	13,150	1.0%	13,150	0.8%
Merchandise concession revenues	556,717	0	556,717	544,617	0	544,617	12,100	2.2%	12,100	2.2%
Payroll protection program loan forgiveness	0	0	0	0	0	0	0	0.0%	0	0.0%
Other operating revenues	4,115,363	292,392	4,407,755	4,376,615	292,392	4,669,008	(261,253)	-6.0%	(261,253)	-5.6%
	40,105,652	22,927,875	63,033,527	38,057,364	22,927,875	60,985,239	2,048,287	5.4%	2,048,287	3.4%
Less revenue attributable to Charity Days	(85,877)	(36,901)	(122,778)	(85,877)	(36,901)	(122,778)	0	0.0%	0	0.0%
Total Revenues	40,019,775	22,890,974	62,910,749	37,971,488	22,890,974	60,862,461	2,048,287	5.4%	2,048,287	3.4%
Expenses:										
Salaries - annual administration and maintenance	4,735,075	227,979	4,963,054	4,598,788	225,844	4,824,632	136,287	3.0%	138,422	2.9%
Salaries - seasonal employees	10,599,853	1,278,077	11,877,929	10,326,420	1,235,911	11,562,330	273,433	2.6%	315,599	2.7%
Employee benefits / Payroll taxes	4,851,424	279,504	5,130,928	4,663,430	271,065	4,934,496	187,994	4.0%	196,433	4.0%
Insurance--liability and workers compensation	1,481,271	348,676	1,829,947	1,409,213	348,676	1,757,889	72,058	5.1%	72,058	4.1%
Advertising and public relations	2,070,455	3,694,699	5,765,153	1,989,176	3,694,699	5,683,874	81,279	4.1%	81,279	1.4%
Professional services	416,574	269,132	685,706	408,067	269,132	677,199	8,507	2.1%	8,507	1.3%
Utilities	1,614,886	99,335	1,714,221	1,552,775	99,335	1,652,110	62,111	4.0%	62,111	3.8%
Repairs and maintenance	1,477,377	929,930	2,407,307	1,486,928	929,930	2,416,858	(9,551)	-0.6%	(9,551)	-0.4%
Supplies	605,110	408,179	1,013,289	594,553	408,179	1,002,732	10,556	1.8%	10,556	1.1%
Other operating expenses	42,063	3,749	45,812	40,773	13,242	54,015	1,290	3.2%	(8,203)	-15.2%
Printing	422,575	684,353	1,106,928	414,290	684,353	1,098,642	8,286	2.0%	8,286	0.8%
Depreciation and amortization	776,902	0	776,902	762,449	0	762,449	14,453	1.9%	14,453	1.9%
Cost of goods sold-gift shop	294,072	0	294,072	287,460	0	287,460	6,612	2.3%	6,612	2.3%
Equipment leased and rented	108,090	0	108,090	103,590	0	103,590	4,500	4.3%	4,500	4.3%
Racing dues/assessments/support	3,529	0	3,529	2,910	0	2,910	618	21.2%	618	21.2%
Taxes and licenses	151,834	0	151,834	(992,364)	0	(992,364)	1,144,197	-115.3%	1,144,197	-115.3%
Outside services	7,314,428	13,897,361	21,211,789	7,292,809	13,940,609	21,233,418	21,619	0.3%	(21,629)	-0.1%
Satellite program costs	52,459	0	52,459	50,931	0	50,931	1,528	3.0%	1,528	3.0%
Trophies	83,584	170,000	253,584	83,172	170,000	253,172	412	0.5%	412	0.2%
Interest	9,998	0	9,998	6,755	0	6,755	3,242	48.0%	3,242	48.0%
Charitable support	1,330	0	1,330	1,750	0	1,750	(420)	-24.0%	(420)	-24.0%
Total Expenses	37,112,886	22,290,974	59,403,860	35,083,875	22,290,974	57,374,849	2,029,011	5.8%	2,029,011	3.5%
Net Income from Operations	2,906,889	600,000	3,506,889	2,887,613	600,000	3,487,613	19,276	0.7%	19,276	0.6%
Income taxes	(31,889)	0	(31,889)	(47,613)	0	(47,613)	15,724	-33.0%	15,724	-33.0%
Direct payment to the District	(1,425,000)	(600,000)	(2,025,000)	(1,225,000)	(600,000)	(1,825,000)	(200,000)	16.3%	(200,000)	11.0%
Payment to Race Track Authority	\$ 1,450,000	0	1,450,000	1,615,000	0	1,615,000	(165,000)	-10.2%	(165,000)	-10.2%
Total Payments	\$ 2,875,000	600,000	3,475,000	2,840,000	600,000	3,440,000	35,000	1.2%	35,000	1.0%

Del Mar Thoroughbred Club

Operating Budget Detail Report

2025 Budget and Projected Results for the year ended December 31, 2024

	2025	2025	2025	2024	2024	2024	2024	2024	2024	2024
	Summer / Fall	Breeders' Cup	Combined	Summer / Fall	Breeders' Cup	Combined	Summer / Fall	Summer / Fall	Combined	Combined
	Projections	Meet	Operations	Projections	Projection	Projections	Amount	%	Amount	%
Revenues:										
Pari-mutuel commissions-on track	\$ 4,096,877	3,228,833	7,325,709	3,796,882	3,228,833	7,025,714	299,995	7.9%	299,995	4.3%
Pari-mutuel commissions-account wagering	4,934,438	0	4,934,438	4,401,221	0	4,401,221	533,217	12.1%	533,217	12.1%
Pari-mutuel commissions-off track	3,653,749	502,928	4,156,677	3,471,504	502,928	3,974,431	182,246	5.2%	182,246	4.6%
Pari-mutuel commissions-out of state	10,404,331	0	10,404,331	9,661,058	0	9,661,058	743,273	7.7%	743,273	7.7%
Simulcasting fees-uncommingled	520,238	0	520,238	510,938	0	510,938	9,300	1.8%	9,300	1.8%
Intertrack wagering surplus fund	1,070,408	0	1,070,408	1,063,408	0	1,063,408	7,000	0.7%	7,000	0.7%
Breakage, net	161,872	87,515	249,387	166,612	87,515	254,127	(4,740)	-2.8%	(4,740)	-1.9%
Pari-mutuel commissions/ADW/Simulcast fees	24,841,913	3,819,275	28,661,188	23,071,623	3,819,275	26,890,898	1,770,290	7.7%	1,770,290	6.6%
Admissions and reserved seats	9,290,715	18,476,803	27,767,518	8,776,715	18,476,803	27,253,518	514,000	5.9%	514,000	1.9%
Program sales and parking receipts	1,300,943	339,404	1,640,348	1,287,793	339,404	1,627,198	13,150	1.0%	13,150	0.8%
Merchandise concession revenues	556,717	0	556,717	544,617	0	544,617	12,100	2.2%	12,100	2.2%
Interest income	197,060	290,769	487,829	304,036	290,769	594,805	(106,976)	-35.2%	(106,976)	-18.0%
Sponsorship	3,712,341	0	3,712,341	3,662,341	0	3,662,341	50,000	1.4%	50,000	1.4%
Payroll protection program loan forgiveness	0	0	0	0	0	0	0	0.0%	0	0.0%
Other operating revenues	205,962	1,623	207,585	410,239	1,623	411,862	(204,277)	-49.8%	(204,277)	-49.6%
Other operation revenues	4,115,363	292,392	4,407,755	4,376,615	292,392	4,669,008	(261,253)	-6.0%	(261,253)	-5.6%
	40,105,652	22,927,875	63,033,527	38,057,364	22,927,875	60,985,239	2,048,287	5.4%	2,048,287	3.4%
Less revenue attributable to charity days	(85,877)	(36,901)	(122,778)	(85,877)	(36,901)	(122,778)	0	0.0%	0	0.0%
Total Revenues	40,019,775	22,890,974	62,910,749	37,971,488	22,890,974	60,862,461	2,048,287	5.4%	2,048,287	3.4%
Expenses:										
Salaries - annual administration	3,822,158	170,000	3,992,158	3,712,645	170,000	3,882,645	109,512	2.9%	109,512	2.8%
Salaries - annual maintenance	912,917	57,979	970,896	886,143	55,844	941,986	26,775	3.0%	28,910	3.1%
Salaries - annual administration	4,735,075	227,979	4,963,054	4,598,788	225,844	4,824,632	136,287	3.0%	138,422	2.9%
Salaries - seasonal employees	10,599,853	1,278,077	11,877,929	10,326,420	1,235,911	11,562,330	273,433	2.6%	315,599	2.7%
Employee benefits	3,335,080	153,447	3,488,528	3,177,402	148,978	3,326,380	157,679	5.0%	162,148	4.9%
Payroll taxes	1,516,344	126,057	1,642,401	1,486,029	122,087	1,608,116	30,315	2.0%	34,285	2.1%
Employee benefits/payroll taxes	4,851,424	279,504	5,130,928	4,663,430	271,065	4,934,496	187,994	4.0%	196,433	4.0%
Workers compensation benefit	424,656	69,454	494,110	404,132	69,454	473,586	20,524	5.1%	20,524	4.3%
Insurance	1,056,615	279,221	1,335,836	1,005,081	279,221	1,284,303	51,534	5.1%	51,534	4.0%
Insurance-liability and workers compensation	1,481,271	348,676	1,829,947	1,409,213	348,676	1,757,889	72,058	5.1%	72,058	4.1%
Advertising and public relations	2,070,455	3,694,699	5,765,153	1,989,176	3,694,699	5,683,874	81,279	4.1%	81,279	1.4%
Professional services	416,574	269,132	685,706	408,067	269,132	677,199	8,507	2.1%	8,507	1.3%
Utilities	1,614,886	99,335	1,714,221	1,552,775	99,335	1,652,110	62,111	4.0%	62,111	3.8%
Repairs and maintenance	1,477,377	929,930	2,407,307	1,486,928	929,930	2,416,858	(9,551)	-0.6%	(9,551)	-0.4%
Supplies	605,110	408,179	1,013,289	594,553	408,179	1,002,732	10,556	1.8%	10,556	1.1%
Other operating expenses	42,063	3,749	45,812	40,773	13,242	54,015	1,290	-3.2%	(8,203)	-15.2%
Printing	422,575	684,353	1,106,928	414,290	684,353	1,098,642	8,286	2.0%	8,286	0.8%
Depreciation and amortization	776,902	0	776,902	762,449	0	762,449	14,453	1.9%	14,453	1.9%
Cost of goods sold-gift shop	294,072	0	294,072	287,460	0	287,460	6,612	2.3%	6,612	2.3%
Equipment leased and rented	108,090	0	108,090	103,590	0	103,590	4,500	4.3%	4,500	4.3%
TRA dues and assessments, net of dividends	(53,244)	0	(53,244)	(53,244)	0	(53,244)	0	0.0%	0	0.0%
Federation racing costs	19,403	0	19,403	19,154	0	19,154	248	1.3%	248	1.3%
Racing industry support and safety initiatives	37,370	0	37,370	37,000	0	37,000	370	1.0%	370	1.0%
Racing dues/assessments/support	3,529	0	3,529	2,910	0	2,910	618	21.2%	618	21.2%
Other taxes and licenses	151,834	0	151,834	(992,364)	0	(992,364)	1,144,197	-115.3%	1,144,197	-115.3%
Service contracts and equipment rentals	7,024,412	13,875,362	20,899,774	7,011,240	13,918,610	20,929,850	13,172	0.2%	(30,076)	-0.1%
Data processing	290,016	21,999	312,015	281,569	21,999	303,568	8,447	3.0%	8,447	2.8%
Outside services	7,314,428	13,897,361	21,211,789	7,292,809	13,940,609	21,233,418	21,619	0.3%	(21,629)	-0.1%
Satellite program costs	52,459	0	52,459	50,931	0	50,931	1,528	3.0%	1,528	3.0%
Trophies	83,584	170,000	253,584	83,172	170,000	253,172	412	0.5%	412	0.2%
Interest	9,998	0	9,998	6,755	0	6,755	3,242	48.0%	3,242	48.0%
Contributions	1,330	0	1,330	1,750	0	1,750	(420)	-24.0%	(420)	-24.0%
Total Expenses	37,112,886	22,290,974	59,403,860	35,083,875	22,290,974	57,374,849	2,029,011	5.8%	2,029,011	3.5%
Net Income from Operations	2,906,889	600,000	3,506,889	2,887,613	600,000	3,487,613	19,276	0.7%	19,276	0.6%
Income taxes	(31,889)	0	(31,889)	(47,613)	0	(47,613)	15,724	-33.0%	15,724	-33.0%
Direct payment to the District	(1,425,000)	(600,000)	(2,025,000)	(1,225,000)	(600,000)	(1,825,000)	(200,000)	16.3%	(200,000)	11.0%
Payment to Race Track Authority	\$ 1,450,000	(0)	1,450,000	1,615,000	0	1,615,000	(165,000)	-10.2%	(165,000)	-10.2%
Total Payments	\$ 2,875,000	600,000	3,475,000	2,840,000	600,000	3,440,000	35,000	1.2%	35,000	1.0%

State Race Track Leasing Commission

Item 7-A, General Business – Del Mar Race Track Authority Revenue Bonds, Series 2015 Refinance or Restructure

Background

The 22nd District Agricultural Association (District) has been monitoring conditions related to refinancing or restructuring the Del Mar Race Track Authority Revenue Bonds, Series 2015 (Bonds) since the pandemic.

Following the regularly scheduled debt service payment on October 1, 2024, the outstanding balance on the Bonds is \$30,690,000. All Bonds will be currently callable on April 1, 2025, providing the Authority, on behalf of the District and Commission, with an opportunity to potentially restructure the revenue pledge if doing so could enhance the credit to provide overall savings and free up cash reserves for current and future projects. These savings would be contingent upon favorable market rates and other factors.

At the current schedule of payments, the Bonds will be fully retired in 2038, though there is the possibility that could occur as early as 2035 if Net Horse Racing Revenues and Net Concessions Revenues trigger the requirement for turbo redemptions.

Process/Approach

In August 2024, the State Race Track Leasing Commission (Commission) requested the District Board of Directors (Board) direct District staff to work with Del Mar Race Track Authority (Authority) bond counsel, banker, and municipal advisors to research options to restructure or refinance the Bonds.

In addition to the revenue pledge, there are three main covenants that should be taken into consideration when contemplating options to refinance or restructure the Bonds. Those covenants are:

- 1) Authority to maintain a debt service reserve fund equivalent to the Maximum Annual Debt Service until final maturity (\$3.2 million)
- 2) Authority to maintain a surplus account for turbo redemptions
 - a. Turbo repayment is required if Coverage Test Revenues are LESS than 200% of annual debt service
 - b. Turbo repayment is required if Pledge Revenues are MORE than 200% of annual debt service

- c. Turbo redemptions triggered for 2023-2025: \$1,120,000, \$795,000, and \$5,000, respectively
 - i. The 22nd DAA does not anticipate turbo payments in future years.
- 3) District to maintain funds on account for the bond repayment in an amount equal to at least Maximum Annual Debt Service (\$3.2 million).

District staff's consideration of refinancing or restructuring the Bonds also contemplated the ability to achieve potential debt service savings based on current and projected market conditions.

On February 11, 2025, the District Board voted against pursuing a refinance or restructure of the Bonds in 2025 given the expectation for no future turbo repayments, as well as the deterioration of savings with the rise in market rates. The action did not preclude future refinancing or restructuring.

Recommendation

It is recommended that the Commission also vote to not pursue a refinance or restructure of the Bonds in 2025 given the expectation for no future turbo repayments, as well as the deterioration of savings with the rise in market rates.

The Commission and District will retain flexibility, as the Bonds will remain currently callable, allowing for the discretion to prepay the bonds at any time with funds on hand to realize interest savings.

State Race Track Leasing Commission (SRTLCL)

Item 7-B, General Business – Amendments to the Exercise of Joint Powers Agreement for the Del Mar Race Track Authority

Background

The Del Mar Race Track Authority (Authority) was formed August 1, 1990 through the Joint Exercise of Powers Agreement (Agreement) between the 22nd District Agricultural Association (District) and the State Race Track Leasing Commission (Commission) – and was subsequently amended in 1996, 2013, and 2015 – for the “purpose of financing the capital improvements, renewals, and replacements at the District’s fairgrounds.”

In August 2023, the Authority Board delegated authority to Carlene Moore, Authority Secretary, to coordinate with all necessary parties to determine how to properly account for the assets that were built or improved upon on District property using bond proceeds. The Authority Board wanted an explanation for why the improvements appeared to have been previously recorded and reported as assets of Authority, not of the District.

Following Authority Secretary Moore’s report at the meeting of March 2024 (included on the following pages), the Authority Board directed Secretary Moore to further explore how to uncomplicate the asset accounting with Authority’s bonds counsel and Certified Public Accountant. Secretary Moore would then be expected to report back with a recommendation at a future Authority Board meeting.

Approach

After careful review and discussion with the municipal advisor, bonds counsel, and certified public accountant to Authority and District, it has been determined that while there is a historical basis for the accounting treatment of the Grandstand and other financed assets, it was unnecessary to account for them as Authority assets. In addition, upon further analysis, the ownership of the financed facilities does not impact the security of the bondholders.

As was reported to the Authority Board at the meeting of March 2024, Section 9 of the Agreement stipulates that “upon payment of all charges and obligations of the [Authority]...incurred in connection with the financing for the grandstand and all related improvements and betterments, as set forth in the Master Plan, *title* to the grandstand shall vest in the District” {emphasis added}. This language provides the context as to why Authority’s accountants have historically held those financed assets on the Authority ledger, as it was contemplated that Authority would hold title until final obligation payments have been made. However, this rationale resulted in an overly complicated accounting process between the Authority and District.

On the recommendation of Authority's bond counsel, and in consultation with the certified public accountants for Authority and District, the Authority Board voted to recommend that the Agreement be amended through the approval of the Commission and District at subsequent meetings to clarify that, for accounting purposes, the financed assets shall be reflected in the audited statements of the District as District assets.

Upon further review of the Agreement by Authority Secretary Moore and Counsel, in addition to amending Section 9, it is recommended to also amend Sections 8 and 10(2) of the Agreement to clarify the role of the Commission and the District regarding the improvements to the grandstand located at the District's fairgrounds and to extend the time to complete the report of the annual audit given the Commission's staff and resource-related constraints.

Section 18 of the Agreement provides that the Agreement may be amended or supplemented by the District and the Commission by written agreement, with the written approval of the state agencies approving the Agreement. The District approved the amendment on March 11, 2025. The Commission will meet on March 21, 2025, to consider and vote on the amendments.

Recommendation

It is recommended to approve the resolution for the Fourth Amendment to Joint Exercise Of Powers Agreement for The Del Mar Race Track Authority as presented. This resolution will amend Sections 8, 9, and 10(2) of the Joint Exercise of Powers Agreement for the Del Mar Race Track Authority.

The Agreement is attached in a redline version for tracking the proposed changes and a clean version for ease of reading.

Del Mar Race Track Authority (Authority)

Item 5, Assets Determination

March 20, 2024

The Del Mar Race Track Authority (Authority) was formed in 1990 through the Joint Exercise of Powers Agreement (JPA) between the 22nd District Agricultural Association (District) and the State Race Track Leasing Commission (Commission) and was subsequently amended in 1996, 2013, and 2015, for the “purpose of financing the capital improvements, renewals, and replacements at the District’s fairgrounds.”

As a reminder, the Commission was created by the State Legislature in 1968 with the responsibility and authority to lease the Del Mar Race Track and to oversee the expenditure of the rents received from leasing the track for the purpose of implementing a long-range, comprehensive improvement of the District’s property.

The Authority has financed the “capital improvements, renewals, and replacements at the District’s fairgrounds” through the issuance of Revenue Bonds in 1996, 2005, and 2015. In addition to those capital improvements financed through the Authority, the District would put forward two Authority budgets in addition to the Bond Projects (when bond monies were available) - Administration and Maintenance Expenses Budget for ongoing operations of the Grandstand, and a Projects Budget for environmental, backstretch, and other facility improvements (again, separate from bond projects). Regardless of Pledged Revenues to the Authority, since at least 2015, these operating and project expenses were paid for through the transfer of funds from the District to the Authority.

After careful review and discussion with the District’s municipal advisor and bonds counsel in 2020, as the bond revenues had been completely exhausted by 2020, the District ended the practice of putting forward additional budgets for the Authority’s approval by incorporating all operating expenses and capital improvement projects as part of the District budget and approval process.

At the Authority meeting of August 2023, the Authority Board delegated authority to Carlene Moore, Authority Secretary, to coordinate with any all necessary parties to determine how the assets that were built or improved upon on District property using bond revenue should properly be accounted for, as it appeared, based on the Authority Balance Sheet, that the improvements were recorded as assets of the Authority, not of the District.

There is a historical basis for the accounting treatment of the grandstand asset. Section 9 of the JPA stipulates that “upon payment of all charges and obligations of the [Authority]...incurred in connection with the financing for the grandstand and all related improvements and betterments, as set forth in the Master Plan, title to the grandstand shall vest in the District.”

Upon further analysis, the ownership of the financed facilities does not impact the security of the bondholders, so on a preliminary basis, the JPA provision could be amended through the approval of the Commission and District to provide for District ownership of the financed facilities prior to the bonds being paid off, or the provision can remain as is.

**FOURTH AMENDMENT TO JOINT EXERCISE OF POWERS AGREEMENT
FOR THE DEL MAR RACE TRACK AUTHORITY**

This Fourth Amendment (“Third Amendment”) to the Joint Exercise of Powers Agreement for the Del Mar Race Track Authority is entered into as of March 21, 2025, by and between the State Race Track Leasing Commission (the “Commission”) and the 22nd District Agricultural Association of the State of California (the “District”). Each capitalized term in this Third Amendment will have the meaning ascribed to it in the Joint Exercise of Powers Agreement between the Commission and the District, dated as of August 1, 1990, as amended (the “Agreement”).

RECITAL

WHEREAS, the Commission and the District entered into the Agreement creating the Del Mar Race Track Authority (the “Authority”) to finance the construction and equipping of a grandstand and related facilities at the District’s fairgrounds and for other purposes authorized under the Act.

WHEREAS, Section 18 of the Agreement provides that the Agreement may be amended or supplemented by the District and the Commission by written agreement, with the written approval of the state agencies approving the Agreement.

WHEREAS, the Commission desires to clarify the role of the Commission and the District regarding the improvements to the grandstand located at the District’s fairgrounds.

WHEREAS, the Commission desires to extend the time to complete the report of the annual audit given the Commission’s staff and resource-related constraints.

WHEREAS, the District desires to clarify the ownership of capital improvements financed and/or refinance by the Authority through the issuance of the Authority’s Bonds.

WHEREAS, the Commission and the District desire to amend the Agreement provide that capital improvements financed and/or refinance by the Authority through the issuance of the Authority’s Bonds are owned by the District.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

A. Amendment of Agreement.

(1) Section 8 of the Agreement shall be amended in its entirety as follows:

“Section 8. Construction

Construction of the grandstand as set forth in the Master Plan, and activities related to such construction, shall be performed pursuant to a contract or contracts let by the District, with the approval of the Authority, consistent with contracting procedures followed by the District.”

(2) Section 9 of the Agreement shall be amended in its entirety as follows:

“Section 9. Ownership of Assets; Disposition of Funds

Any capital improvements financed or refinanced by the Authority through the issuance of Bonds shall be the property of the District. Upon termination of this Agreement pursuant to Section 2, or otherwise, and upon payment of all charges and obligations of the Authority, including charges pursuant to Section 3.E.(6) and all obligations incurred in connection with Bonds issued by the Authority, any remaining funds of the Authority shall be paid to the funds of origin in proportion to which those funds were contributed, as set forth in the financial records of the Authority.”

(3) Section 10(2) of the Agreement shall be amended as follows:

A report of the audit shall be filed within six months of the end of the fiscal year under examination.

B. Effectiveness of Fourth Amendment. This Fourth Amendment shall become effective upon execution by the parties hereto, and the written approval of the California Department of Food and Agriculture, the California Department of General Services, and the Treasurer of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed and attested by their proper officers thereunto duly authorized, as of the day and year first above written.

THE STATE RACE TRACK LEASING
COMMISSION

THE 22ND DISTRICT AGRICULTURAL
ASSOCIATION

BY: _____

Name: Michele Perrault

Title: Commission Chairperson

BY: _____

Name: Frederick Schenk

Title: District Board Chairperson

APPROVED:

DEPARTMENT OF FOOD AND
AGRICULTURE

TREASURER OF THE STATE OF
CALIFORNIA

BY _____

Title:

BY _____

Deputy Treasurer

For California State Treasurer John Chian

DEPARTMENT OF GENERAL SERVICES

BY _____

Title:

JOINT EXERCISE OF POWERS AGREEMENT
FOR THE
DEL MAR RACE TRACK
AUTHORITY

BY AND BETWEEN
THE STATE RACE TRACK LEASING COMMISSION
AND
THE 22ND DISTRICT AGRICULTURAL ASSOCIATION
OF THE STATE OF CALIFORNIA

DATED AS OF AUGUST 1, 1990
AMENDED JULY 19, 1996
AMENDED FEBRUARY 5, 2013
AMENDED JULY 1, 2015
AMENDED MARCH 21, 2025

SUBJECT TO DISTRICT AND COMMISSION APPROVAL

JOINT EXERCISE OF POWERS AGREEMENT

THIS AGREEMENT, dated as of August 1, 1990 (hereinafter referred to as the "Agreement"), by and between the State Race Track Leasing Commission (the "Commission"), and the 22nd District Agricultural Association (the "District") acting by and through its Board of Directors,

WITNESSETH:

WHEREAS, there is at the racing enclosure on the fairgrounds owned by the District a grandstand used for the District's annual fair and for an annual thoroughbred horse race meeting, and for other events, exhibitions, concerts, race meetings and other purposes authorized by the District or by the Commission acting on behalf of the District; and

WHEREAS, the Commission and the District agree that said grandstand is approaching the end of its useful life and should be replaced by a new grandstand and has so provided in the Master Plan for Del Mar Fairgrounds (the "Master Plan"); and

WHEREAS, the Commission and the District are empowered by Part 3 of the Division 3 of the California Food and Agricultural Code (the "Law"), including but not limited to Section 4156 of the Law to expend funds for the long-range comprehensive development and improvement of, and construction upon the property of the District in accordance with the Master Plan; and

WHEREAS, the District is empowered by the Law with the approval of both the Department of Food and Agriculture and the Department of General Services, to improve its real property; and

WHEREAS, the Commission and the District agree that a new grandstand should be constructed at the District's racetrack enclosure and paid for by the proceeds of revenue bonds and funds available to the Commission and District; and

WHEREAS, Chapter 5 of Division 7 of Title 1 of the Government Code, codified at Sections 6500 and following (the "Act") permits two or more public agencies by agreement to exercise jointly held powers common to the contracting parties; and

WHEREAS, the parties hereto desire to enter into a joint powers agreement pursuant to the Act to create an entity to finance the construction and equipping of a grandstand and related facilities at the District's fairgrounds and for other purposes authorized under the Act;

NOW, THEREFORE, THE COMMISSION AND THE DISTRICT, IN CONSIDERATION OF THE MUTUAL PROVISIONS AND AGREEMENTS HEREIN CONTAINED, DO AGREE AS FOLLOWS:

Section 1. Purpose

This Agreement is made pursuant to the provisions of the Act to provide for the joint exercise of powers common to the Commission and the District for the purpose of financing capital improvements, renewals and replacements at the District's fairgrounds. Such purposes will be accomplished, and said powers exercised, in accordance with the Act, the Law, and in the manner hereinafter set forth.

Section 2. Term

This Agreement shall be effective as of August 24, 1990, and shall continue in full force and effect until December 31, 2040, unless extended or earlier terminated by a supplemental written agreement between the Commission and the District; provided, however, that in no event shall this Agreement terminate until such time as all revenue bonds, certificates of participation, notes, loans or other obligations (collectively the "Bonds") of the Authority established pursuant to this Agreement shall have been paid in full or adequate provision for such payment in full shall have been made, as set forth in the proceedings for the issuance thereof.

Section 3. Authority

A. Creation of Authority. Pursuant to the Act and the Law, there is hereby created a public entity separate from the parties hereto, to be known as the Del Mar Race Track Authority (the "Authority"). The Authority shall be a public entity separate and apart from the Commission, the District, and the State of California (the "State").

Pursuant to Section 6508.1 of the Act, the debts, liabilities, and obligations of the Authority shall not constitute debts, liabilities or obligations of the Commission, the District, or the State of California.

Within 30 days after the effective date of this Agreement or any amendment hereto, the Authority will cause a notice of this Agreement or amendment to be prepared and filed with the office of the Secretary of State of the State in the manner set forth in Section 6503.5 of the Law.

B. Indemnification. The Authority shall, to the extent permitted by law, defend, indemnify and hold harmless the Commission, the District, the State of California, and their officers, agents, and employees from all claims, losses, damages, costs, injury and liability

of every kind, nature and description arising from the activities of the Authority, or the activities undertaken pursuant to this Agreement; provided, however, that any obligations under this Section 3.B. are expressly made subordinate and junior to the obligations of the Authority under, or otherwise relating to, the Bonds.

C. Governing Board. The Authority shall be administered by a governing board called the Del Mar Race Track Authority Board (the "Board"). The Board shall consist of the members of the Commission, each of whose members shall serve, ex officio, as a member of the Board. Members of the Board shall not receive any compensation for serving as such, but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a member if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

D. Meetings of the Board

(1) Regular meetings. The Board shall provide for its regular, adjourned regular, and special meetings. The dates upon which, and the hour and place at which, any regular meeting shall be held shall be fixed by resolution of the Board and a copy of such resolution shall be filed with each party to this Agreement.

(2) Bagley-Keene Open Meeting Act. All meetings of the Board, including without limitation regular, closed, adjourned regular and special meetings shall be called upon notice, held, and conducted in accordance with the provisions of the Bagley-Keene Open Meeting Act (commencing with Section 11120 of the Government Code).

(3) Minutes. The Secretary of the Authority shall cause to be kept minutes of all meetings and shall, after each meeting, cause a copy of the minutes to be sent to each regular member of the Board, and to each party to this Agreement.

(4) Records. The Board shall cause all records regarding this Agreement and activities undertaken pursuant to this Agreement, including all activities undertaken by the Board including the Bonds, to be retained for at least six years following termination of the Authority, or final payment of the Bonds, whichever is later.

(5) Quorum. A majority of Board members shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn meetings from time to time.

E. Officers: Duties

(1) The Board shall elect a President and a Vice-President of the Board from among its members. The Board shall also appoint a Secretary who may, but need not, be a member of the board.

(2) The chief financial officer of the District is designated as the Treasurer of the Authority. The Treasurer shall have the powers, duties, and responsibilities

specified in Section 6505.5 of the Government Code. That person or entity designated in writing by the President or Vice-President of the Board of Directors of the Del Mar Race Track Authority shall be the sole agent for offering and selling any Bonds to be issued by the Authority. The duties of the person or entity designated as the sole agent for offering and selling any bonds to be issued by the Authority shall include, but not be limited to, selection of the underwriters who will purchase the bonds, the pricing of bonds, the determination of the underwriter compensation and reimbursement of expenses, and signing any purchase agreement for the bonds on behalf of the Authority.

(3) The Controller of the Authority shall be designated by the Board in its By-Laws referred to in Section 4 hereof.

(4) The Authority's Treasurer and Controller are designated as the public officers or persons who have charge of, handle or have access to property of the Authority; and such officers shall file an official bond as required by Section 6505.1 of the Act in an amount to be determined by the Board.

(5) The Authority may request from the State Department of Finance, the State Department of General Services, the State Department of Food and Agriculture, the State Department of Justice, the Commission, and the District the services of such personnel as may be needed to carry out this Agreement, and the Authority shall have the power to retain temporary professional and technical assistance for the performance of this Agreement, provided that adequate funds are available to pay for such services.

(6) Upon presentation, the Board or its designee shall approve proper charges made against the Authority for the services of the Treasurer of the State, the Controller of the State, and any other department of the State, Commission, or District employee performing services for the Authority. Such charges shall be consistent with similar charges of such agency, as applicable, for similar services. No department, Commission, or District employee shall be deemed to be an employee of the Authority, except when acting as Secretary, Treasurer or Controller of the Authority.

Section 4. By-Laws

The Board shall have the power to adopt By-Laws that the Board, in its sole discretion, may deem necessary or desirable for the conduct of the business of the Authority. Nothing in the By-Laws shall be inconsistent with this Agreement.

Section 5. Powers of the Authority

The Authority shall have all of the powers set forth in the Act and the Law and any other applicable laws for the purpose of exercising its powers and raising funds necessary to carry out its obligations, including all acts necessary to finance, plan for, design, construct and equip a new grandstand and related facilities at the District's fairgrounds, and issuing Bonds for such purposes. The Authority shall have the power to acquire, hold, lease, or dispose of property in connection with the financing, construction and equipping of the new grandstand, to demolish

the existing grandstand and other structures necessary for the construction of the new grandstand, and to carry out other site preparation or other activities necessary or deemed desirable by the Board to fulfill its responsibilities. The Authority shall have the power to construct, equip, lease, manage and maintain the grandstand and other facilities. The Authority shall have the power to incur debts, liabilities or obligations required by the exercise of its powers, provided that no debt, liability, or obligation of the Authority shall be deemed to be a debt, liability, or obligation of the Commission, the District, or the State of California. The Authority shall have the power to sue or be sued in its own name. Notwithstanding any other provision of this Section 5, the Authority shall have any and all additional powers conferred by the Act and the Law or by any other provision of law, insofar as such additional powers may be necessary to accomplish the purposes of this Agreement. All such powers shall be exercised in the manner provided for in the Act and this Agreement, subject only to such restrictions upon the manner of exercising such powers as are imposed upon the manner of exercising such powers as are imposed upon the District in the exercise of similar powers. Notwithstanding any other provision of this Section 5, the Authority shall have any and all additional powers conferred by the Act and the Law or by any other provision of law, insofar as such additional powers may be necessary to accomplish the purposes of this Agreement. All such powers shall be exercised in the manner provided for in the Act and this Agreement, subject only to such restrictions upon the District in the exercise of similar powers. Notwithstanding any other provisions of this Agreement, the Authority shall not issue Bonds or otherwise incur debt without the prior written approval of the Director of Finance of the State of California.

Section 6. Fiscal Year

Unless and until changed by resolution of the Board, the fiscal year of the Authority shall be the period between January 1st of each year to and including the following December 31, except for the first fiscal year, which shall be the period from the effective date of this Agreement to the following December 31.

Section 7. Financing

The Authority may issue one or more issues of Bonds to finance or refinance the cost of capital improvements, renewals and replacements at the District's fairgrounds and costs related thereto, including, without limitation, the costs of the Commission and the District in connection therewith, and the costs of financial consultants, bond counsel and other costs and expenses incurred in connection with the issuance of such Bonds.

Section 8. Construction

Construction of the grandstand ~~and all related improvements and betterments~~ as set forth in the Master Plan, and activities related to such construction, shall be performed pursuant to a contract or contracts let by the ~~Authority~~District, with the approval of the ~~Authority~~, consistent with contracting procedures followed by the District.

Section 9. Disposition of Assets

~~Any capital improvements financed or refinanced by the Authority through the issuance of Bonds shall be the property of the District. Upon termination of this Agreement pursuant to Section 2, or otherwise, and upon payment of all charges and obligations of the Authority, including charges pursuant to Section 3.E.(6) and all obligations incurred in connection with Bonds issued by the Authority, any remaining funds of the Authority shall be paid to the funds of origin in proportion to which those funds were contributed, as set forth in the financial records of the Authority. Upon termination of this Agreement pursuant to Section 2, or otherwise, and upon payment of all charges and obligations of the Authority, including charges pursuant to Section 3.E. (6) and all obligations incurred in connection with the financing for the grandstand and all related improvements and betterments, as set forth in the Master Plan, title to the grandstand shall vest in the District and any remaining funds and such improvements shall be paid to the funds of origin in proportion to which those funds were contributed, as set forth in the financial records of the Authority.~~

Section 10. Accounts and Reports

(1) To the extent not covered by the duties assigned to any trustee for the Bonds, the Authority shall establish and maintain such funds and accounts as may be required by standard accounting practices. The books and records of the Authority shall be open to inspection at all reasonable times by representatives of the State Department of Finance, the State Department of General Services, the State Department of Food and Agriculture, the Commission, and the District. The Authority, within 120 days after the end of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to each of the above named agencies to the extent such activities are not covered by a report of the trustee for the Bonds.

(2) The Authority shall contract with a certified public accountant to make an annual audit of the accounts and records of the Authority as required by Section 6505 of the Act. In each case, the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code, and shall conform to generally accepted auditing standards. A report of the audit shall be filed within ~~three~~six months of the end of the fiscal year under examination.

(3) Any costs, including contracts with or employment of certified public accountants, in making an audit pursuant to this Section 10 shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for this purpose.

(4) All the books, records, accounts and files referred to in this Section 10 shall be open to the inspection of the holders of Bonds, to the extent and in the manner provided in the resolution, indenture, trust agreement or other documents providing for the issuance or execution, sale, and delivery thereof.

Section 11. Conflict of Interest Code

The Board shall adopt a Conflict of Interest Code as required by law.

Section 12. Enforcement

The Commission and District declare that this Agreement is entered into for the benefit of the Authority created hereby, and the Commission and District grant to the Authority the right to enforce, by whatever lawful means the Authority deems appropriate, all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority hereunder, or by any law now or hereafter enacted, are cumulative, and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

Section 13. Funds

Subject to the applicable provisions of any resolution, indenture, or trust agreement relating to any Bonds, which may provide for a trustee to receive, have custody of, and disburse Authority funds, the Treasurer shall receive, have custody of, and disburse Authority funds and, as nearly as possible, in accordance with normal procedures of the Treasurer, shall make the disbursements required by this Agreement to carry out any of the provisions or purposes of this Agreement. The District and the Commission may provide contributions to the Authority for the purposes set forth in this Agreement, and the Authority may expend such funds for the purposes for which they were contributed.

Section 14. Notices

Notices hereunder shall be sufficient if delivered to:

Commission:

Chairperson
State Race Track Leasing Commission
c/o Department of Finance
State Capitol, Room 1145
Sacramento, California 95814

District:

President, Board of Directors
22nd District Agricultural Association
Fairgrounds
Del Mar, California 92014

Authority:

Secretary
Del Mar Race Track
Authority
(at such address as the Board
shall designate for this purpose)

Section 15. Miscellaneous

(1) The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

(2) Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld, and shall be made expeditiously. If approval is withheld, a statement of reasons shall accompany a written notice withholding approval.

(3) This Agreement is made in the State under the Constitution and laws of the State and is to be so construed.

Section 16. Severability

Should any part, term or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 17. Successors; Assignment

This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties. Except to the extent expressly provided herein, no party hereto may assign any right or obligation hereunder without the consent of the other parties.

Section 18. Amendment of Agreement

This Agreement may be amended or supplemented by the parties hereto by written agreement executed by the Commission and the District at any time, provided the written approval of all of the State agencies approving this Agreement is obtained, and provided further that in no event shall this Agreement terminate while any Bonds remain outstanding under the terms of the resolution, indenture, trust agreement, or other instrument pursuant to which the Bonds are issued.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

THE STATE RACE TRACK LEASING COMMISSION

By _____
JESSE R. HUFF, Chairperson

THE 22ND DISTRICT
AGRICULTURAL ASSOCIATION

By _____
JAN RICHARD ANTON
President of the Board of Directors

APPROVED:

DEPARTMENT OF FOOD AND AGRICULTURE

By _____
HENRY VOSS, DIRECTOR

DEPARTMENT OF GENERAL SERVICES

By _____
WILLIAM J. ANTHONY, DIRECTOR

STATE TREASURER

By _____

SUBJECT TO DISTRICT AND COMMISSION APPROVAL

JOINT EXERCISE OF POWERS AGREEMENT
FOR THE
DEL MAR RACE TRACK
AUTHORITY

BY AND BETWEEN
THE STATE RACE TRACK LEASING COMMISSION
AND
THE 22ND DISTRICT AGRICULTURAL ASSOCIATION
OF THE STATE OF CALIFORNIA

DATED AS OF AUGUST 1, 1990
AMENDED JULY 19, 1996
AMENDED FEBRUARY 5, 2013
AMENDED JULY 1, 2015
AMENDED MARCH 21, 2025

SUBJECT TO DISTRICT AND COMMISSION APPROVAL

JOINT EXERCISE OF POWERS AGREEMENT

THIS AGREEMENT, dated as of August 1, 1990 (hereinafter referred to as the "Agreement"), by and between the State Race Track Leasing Commission (the "Commission"), and the 22nd District Agricultural Association (the "District") acting by and through its Board of Directors,

WITNESSETH:

WHEREAS, there is at the racing enclosure on the fairgrounds owned by the District a grandstand used for the District's annual fair and for an annual thoroughbred horse race meeting, and for other events, exhibitions, concerts, race meetings and other purposes authorized by the District or by the Commission acting on behalf of the District; and

WHEREAS, the Commission and the District agree that said grandstand is approaching the end of its useful life and should be replaced by a new grandstand and has so provided in the Master Plan for Del Mar Fairgrounds (the "Master Plan"); and

WHEREAS, the Commission and the District are empowered by Part 3 of the Division 3 of the California Food and Agricultural Code (the "Law"), including but not limited to Section 4156 of the Law to expend funds for the long-range comprehensive development and improvement of, and construction upon the property of the District in accordance with the Master Plan; and

WHEREAS, the District is empowered by the Law with the approval of both the Department of Food and Agriculture and the Department of General Services, to improve its real property; and

WHEREAS, the Commission and the District agree that a new grandstand should be constructed at the District's racetrack enclosure and paid for by the proceeds of revenue bonds and funds available to the Commission and District; and

WHEREAS, Chapter 5 of Division 7 of Title 1 of the Government Code, codified at Sections 6500 and following (the "Act") permits two or more public agencies by agreement to exercise jointly held powers common to the contracting parties; and

WHEREAS, the parties hereto desire to enter into a joint powers agreement pursuant to the Act to create an entity to finance the construction and equipping of a grandstand and related facilities at the District's fairgrounds and for other purposes authorized under the Act;

NOW, THEREFORE, THE COMMISSION AND THE DISTRICT, IN CONSIDERATION OF THE MUTUAL PROVISIONS AND AGREEMENTS HEREIN CONTAINED, DO AGREE AS FOLLOWS:

Section 1. Purpose

This Agreement is made pursuant to the provisions of the Act to provide for the joint exercise of powers common to the Commission and the District for the purpose of financing capital improvements, renewals and replacements at the District's fairgrounds. Such purposes will be accomplished, and said powers exercised, in accordance with the Act, the Law, and in the manner hereinafter set forth.

Section 2. Term

This Agreement shall be effective as of August 24, 1990, and shall continue in full force and effect until December 31, 2040, unless extended or earlier terminated by a supplemental written agreement between the Commission and the District; provided, however, that in no event shall this Agreement terminate until such time as all revenue bonds, certificates of participation, notes, loans or other obligations (collectively the "Bonds") of the Authority established pursuant to this Agreement shall have been paid in full or adequate provision for such payment in full shall have been made, as set forth in the proceedings for the issuance thereof.

Section 3. Authority

A. Creation of Authority. Pursuant to the Act and the Law, there is hereby created a public entity separate from the parties hereto, to be known as the Del Mar Race Track Authority (the "Authority"). The Authority shall be a public entity separate and apart from the Commission, the District, and the State of California (the "State").

Pursuant to Section 6508.1 of the Act, the debts, liabilities, and obligations of the Authority shall not constitute debts, liabilities or obligations of the Commission, the District, or the State of California.

Within 30 days after the effective date of this Agreement or any amendment hereto, the Authority will cause a notice of this Agreement or amendment to be prepared and filed with the office of the Secretary of State of the State in the manner set forth in Section 6503.5 of the Law.

B. Indemnification. The Authority shall, to the extent permitted by law, defend, indemnify and hold harmless the Commission, the District, the State of California, and their officers, agents, and employees from all claims, losses, damages, costs, injury and liability

of every kind, nature and description arising from the activities of the Authority, or the activities undertaken pursuant to this Agreement; provided, however, that any obligations under this Section 3.B. are expressly made subordinate and junior to the obligations of the Authority under, or otherwise relating to, the Bonds.

C. Governing Board. The Authority shall be administered by a governing board called the Del Mar Race Track Authority Board (the "Board"). The Board shall consist of the members of the Commission, each of whose members shall serve, ex officio, as a member of the Board. Members of the Board shall not receive any compensation for serving as such, but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a member if the Board shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

D. Meetings of the Board

(1) Regular meetings. The Board shall provide for its regular, adjourned regular, and special meetings. The dates upon which, and the hour and place at which, any regular meeting shall be held shall be fixed by resolution of the Board and a copy of such resolution shall be filed with each party to this Agreement.

(2) Bagley-Keene Open Meeting Act. All meetings of the Board, including without limitation regular, closed, adjourned regular and special meetings shall be called upon notice, held, and conducted in accordance with the provisions of the Bagley-Keene Open Meeting Act (commencing with Section 11120 of the Government Code).

(3) Minutes. The Secretary of the Authority shall cause to be kept minutes of all meetings and shall, after each meeting, cause a copy of the minutes to be sent to each regular member of the Board, and to each party to this Agreement.

(4) Records. The Board shall cause all records regarding this Agreement and activities undertaken pursuant to this Agreement, including all activities undertaken by the Board including the Bonds, to be retained for at least six years following termination of the Authority, or final payment of the Bonds, whichever is later.

(5) Quorum. A majority of Board members shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn meetings from time to time.

E. Officers: Duties

(1) The Board shall elect a President and a Vice-President of the Board from among its members. The Board shall also appoint a Secretary who may, but need not, be a member of the board.

(2) The chief financial officer of the District is designated as the Treasurer of the Authority. The Treasurer shall have the powers, duties, and responsibilities

specified in Section 6505.5 of the Government Code. That person or entity designated in writing by the President or Vice-President of the Board of Directors of the Del Mar Race Track Authority shall be the sole agent for offering and selling any Bonds to be issued by the Authority. The duties of the person or entity designated as the sole agent for offering and selling any bonds to be issued by the Authority shall include, but not be limited to, selection of the underwriters who will purchase the bonds, the pricing of bonds, the determination of the underwriter compensation and reimbursement of expenses, and signing any purchase agreement for the bonds on behalf of the Authority.

(3) The Controller of the Authority shall be designated by the Board in its By-Laws referred to in Section 4 hereof.

(4) The Authority's Treasurer and Controller are designated as the public officers or persons who have charge of, handle or have access to property of the Authority; and such officers shall file an official bond as required by Section 6505.1 of the Act in an amount to be determined by the Board.

(5) The Authority may request from the State Department of Finance, the State Department of General Services, the State Department of Food and Agriculture, the State Department of Justice, the Commission, and the District the services of such personnel as may be needed to carry out this Agreement, and the Authority shall have the power to retain temporary professional and technical assistance for the performance of this Agreement, provided that adequate funds are available to pay for such services.

(6) Upon presentation, the Board or its designee shall approve proper charges made against the Authority for the services of the Treasurer of the State, the Controller of the State, and any other department of the State, Commission, or District employee performing services for the Authority. Such charges shall be consistent with similar charges of such agency, as applicable, for similar services. No department, Commission, or District employee shall be deemed to be an employee of the Authority, except when acting as Secretary, Treasurer or Controller of the Authority.

Section 4. By-Laws

The Board shall have the power to adopt By-Laws that the Board, in its sole discretion, may deem necessary or desirable for the conduct of the business of the Authority. Nothing in the By-Laws shall be inconsistent with this Agreement.

Section 5. Powers of the Authority

The Authority shall have all of the powers set forth in the Act and the Law and any other applicable laws for the purpose of exercising its powers and raising funds necessary to carry out its obligations, including all acts necessary to finance, plan for, design, construct and equip a new grandstand and related facilities at the District's fairgrounds, and issuing Bonds for such purposes. The Authority shall have the power to acquire, hold, lease, or dispose of property in connection with the financing, construction and equipping of the new grandstand, to demolish

the existing grandstand and other structures necessary for the construction of the new grandstand, and to carry out other site preparation or other activities necessary or deemed desirable by the Board to fulfill its responsibilities. The Authority shall have the power to construct, equip, lease, manage and maintain the grandstand and other facilities. The Authority shall have the power to incur debts, liabilities or obligations required by the exercise of its powers, provided that no debt, liability, or obligation of the Authority shall be deemed to be a debt, liability, or obligation of the Commission, the District, or the State of California. The Authority shall have the power to sue or be sued in its own name. Notwithstanding any other provision of this Section 5, the Authority shall have any and all additional powers conferred by the Act and the Law or by any other provision of law, insofar as such additional powers may be necessary to accomplish the purposes of this Agreement. All such powers shall be exercised in the manner provided for in the Act and this Agreement, subject only to such restrictions upon the manner of exercising such powers as are imposed upon the manner of exercising such powers as are imposed upon the District in the exercise of similar powers. Notwithstanding any other provision of this Section 5, the Authority shall have any and all additional powers conferred by the Act and the Law or by any other provision of law, insofar as such additional powers may be necessary to accomplish the purposes of this Agreement. All such powers shall be exercised in the manner provided for in the Act and this Agreement, subject only to such restrictions upon the District in the exercise of similar powers. Notwithstanding any other provisions of this Agreement, the Authority shall not issue Bonds or otherwise incur debt without the prior written approval of the Director of Finance of the State of California.

Section 6. Fiscal Year

Unless and until changed by resolution of the Board, the fiscal year of the Authority shall be the period between January 1st of each year to and including the following December 31, except for the first fiscal year, which shall be the period from the effective date of this Agreement to the following December 31.

Section 7. Financing

The Authority may issue one or more issues of Bonds to finance or refinance the cost of capital improvements, renewals and replacements at the District's fairgrounds and costs related thereto, including, without limitation, the costs of the Commission and the District in connection therewith, and the costs of financial consultants, bond counsel and other costs and expenses incurred in connection with the issuance of such Bonds.

Section 8. Construction

Construction of the grandstand as set forth in the Master Plan, and activities related to such construction, shall be performed pursuant to a contract or contracts let by the District, with the approval of the Authority, consistent with contracting procedures followed by the District.

Section 9. Disposition of Assets

Any capital improvements financed or refinanced by the Authority through the issuance of Bonds shall be the property of the District. Upon termination of this Agreement pursuant to Section 2, or otherwise, and upon payment of all charges and obligations of the Authority, including charges pursuant to Section 3.E.(6) and all obligations incurred in connection with Bonds issued by the Authority, any remaining funds of the Authority shall be paid to the funds of origin in proportion to which those funds were contributed, as set forth in the financial records of the Authority.

Section 10. Accounts and Reports

(1) To the extent not covered by the duties assigned to any trustee for the Bonds, the Authority shall establish and maintain such funds and accounts as may be required by standard accounting practices. The books and records of the Authority shall be open to inspection at all reasonable times by representatives of the State Department of Finance, the State Department of General Services, the State Department of Food and Agriculture, the Commission, and the District. The Authority, within 120 days after the end of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to each of the above named agencies to the extent such activities are not covered by a report of the trustee for the Bonds.

(2) The Authority shall contract with a certified public accountant to make an annual audit of the accounts and records of the Authority as required by Section 6505 of the Act. In each case, the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code, and shall conform to generally accepted auditing standards. A report of the audit shall be filed within six months of the end of the fiscal year under examination.

(3) Any costs, including contracts with or employment of certified public accountants, in making an audit pursuant to this Section 10 shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for this purpose.

(4) All the books, records, accounts and files referred to in this Section 10 shall be open to the inspection of the holders of Bonds, to the extent and in the manner provided in the resolution, indenture, trust agreement or other documents providing for the issuance or execution, sale, and delivery thereof.

Section 11. Conflict of Interest Code

The Board shall adopt a Conflict of Interest Code as required by law.

Section 12. Enforcement

The Commission and District declare that this Agreement is entered into for the benefit of the Authority created hereby, and the Commission and District grant to the Authority the right to enforce, by whatever lawful means the Authority deems appropriate, all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority

hereunder, or by any law now or hereafter enacted, are cumulative, and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

Section 13. Funds

Subject to the applicable provisions of any resolution, indenture, or trust agreement relating to any Bonds, which may provide for a trustee to receive, have custody of, and disburse Authority funds, the Treasurer shall receive, have custody of, and disburse Authority funds and, as nearly as possible, in accordance with normal procedures of the Treasurer, shall make the disbursements required by this Agreement to carry out any of the provisions or purposes of this Agreement. The District and the Commission may provide contributions to the Authority for the purposes set forth in this Agreement, and the Authority may expend such funds for the purposes for which they were contributed.

Section 14. Notices

Notices hereunder shall be sufficient if delivered to:

Commission: Chairperson
State Race Track Leasing Commission
c/o Department of Finance
State Capitol, Room 1145
Sacramento, California 95814

District: President, Board of Directors
22nd District Agricultural Association
Fairgrounds
Del Mar, California 92014

Authority: Secretary
Del Mar Race Track
Authority
(at such address as the Board
shall designate for this purpose)

Section 15. Miscellaneous

(1) The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

(2) Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld, and shall be made expeditiously. If approval is withheld, a statement of reasons shall accompany a written notice withholding approval.

(3) This Agreement is made in the State under the Constitution and laws of the State and is to be so construed.

Section 16. Severability

Should any part, term or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 17. Successors; Assignment

This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties. Except to the extent expressly provided herein, no party hereto may assign any right or obligation hereunder without the consent of the other parties.

Section 18. Amendment of Agreement

This Agreement may be amended or supplemented by the parties hereto by written agreement executed by the Commission and the District at any time, provided the written approval of all of the State agencies approving this Agreement is obtained, and provided further that in no event shall this Agreement terminate while any Bonds remain outstanding under the terms of the resolution, indenture, trust agreement, or other instrument pursuant to which the Bonds are issued.

SUBJECT TO DISTRICT AND COMMISSION APPROVAL

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

THE STATE RACE TRACK LEASING COMMISSION

By _____
JESSE R. HUFF, Chairperson

THE 22ND DISTRICT
AGRICULTURAL ASSOCIATION

By _____
JAN RICHARD ANTON
President of the Board of Directors

APPROVED:

DEPARTMENT OF FOOD AND AGRICULTURE

By _____
HENRY VOSS, DIRECTOR

DEPARTMENT OF GENERAL SERVICES

By _____
WILLIAM J. ANTHONY, DIRECTOR

STATE TREASURER

By _____

SUBJECT TO DISTRICT AND COMMISSION APPROVAL