

Calgary



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# C2017-1181 OLYMPIC BID UPDATE 2017 November 20



11/20/2017



## Project Phases

**Exploration Phase:**

Prior to 2017 August

**Dialogue Stage:**

2017 October to 2018 October

**Candidature Stage:**

2018 October to 2019 September

**Bid Book & Guarantees:**

2019 January

## Agenda

1. Objectives
2. Review of Timeline
3. Updates from the past week
4. Risk Assessment
5. Risk Mitigation
6. Project Offramps
7. The Two Possible Scenarios
8. Additional Resources for Dialogue Stage
9. Recommendation

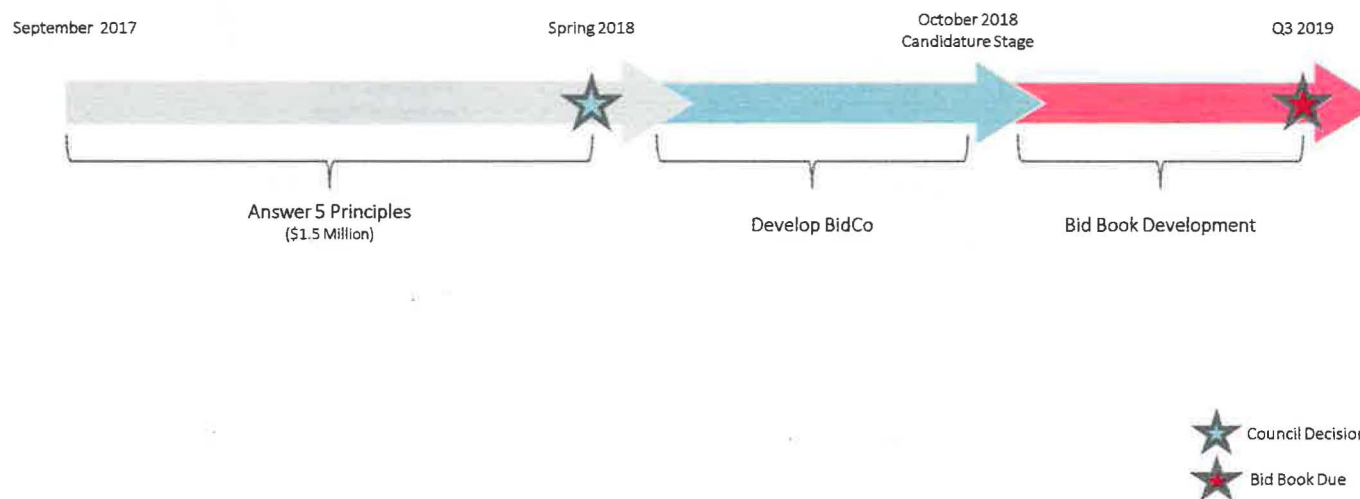
## Objectives

1. Review the risk assessment and mitigation strategy adopted by Council for the 2026 Olympic and Paralympic Winter Games (2026 OPWG)
2. Present the budget for the resources required to continue the risk assessment and risk mitigation work and initiating the bid development work.
3. Obtaining a decision from Council on allocation of up to an additional \$2 million for this work.



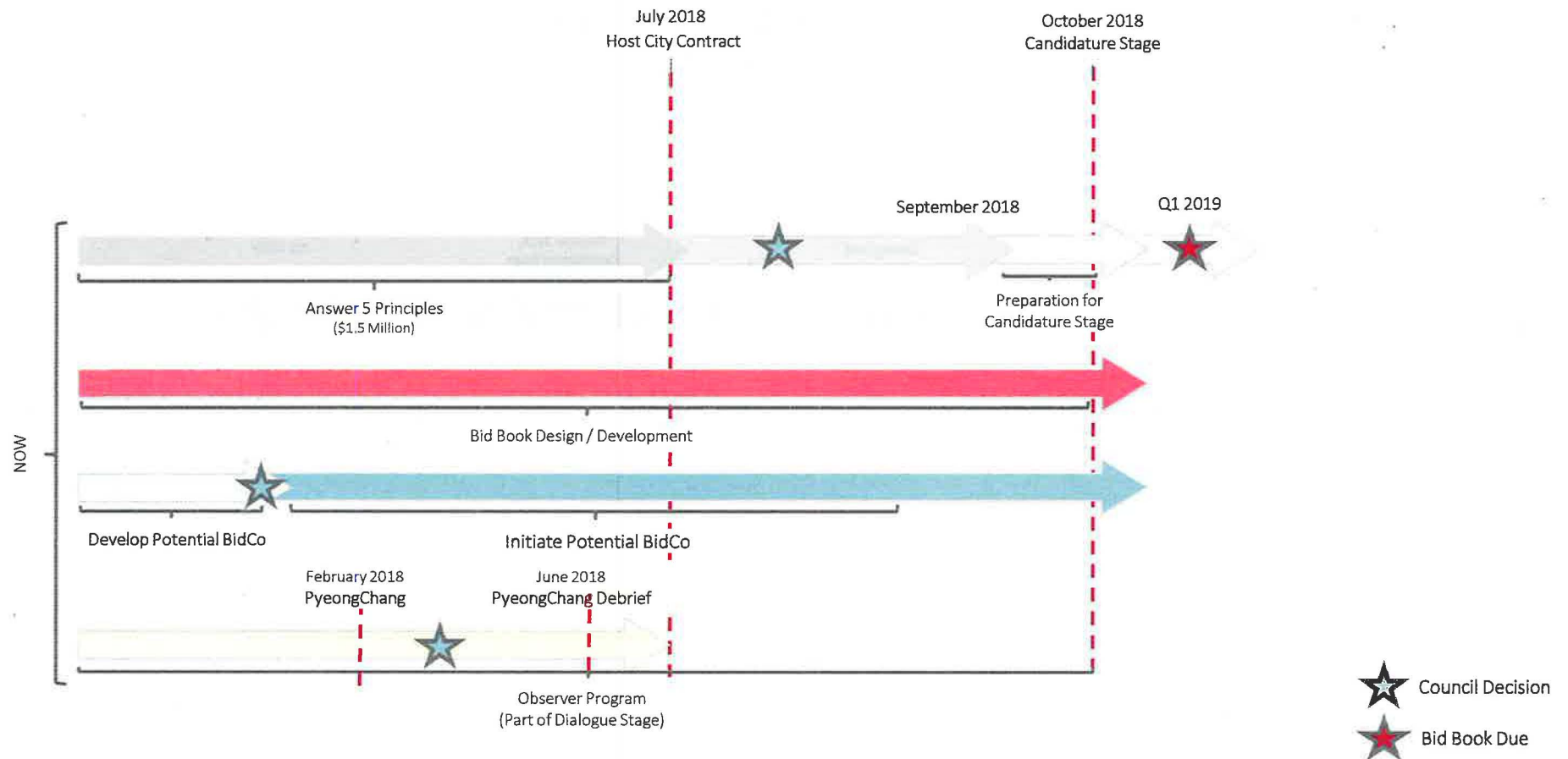
# Review of Timeline

## Dialogue & Candidature Stage Original Timeline from July 31, 2017



# Review of Timeline

## Dialogue & Candidature Stage Revised Timeline from November 2017



## Updates From the Past Week:

1. Town of Canmore – letter
2. Government of Alberta - meeting with the Premier's Office
3. Government of Canada – meeting and letter
4. IOC - letter providing additional clarity on their process for achieving cost savings
5. Canadian Olympic Committee - letter of support and offering in-kind services to the Dialogue Stage
6. Support from WinSport, offering in-kind services

### The City's Evaluation of CBEC Report

1. A team of City subject matter experts reviewed and assessed CBEC's work.
2. The City evaluated for alignment with City plans and policies, identifying any gaps, impacts, risks or other considerations.
3. The City identified risks to The City for hosting the 2026 OPWG.



### Key Risks Identified by The City's Evaluation Team

1. Lack of detailed information regarding the bid process for the 2026 Games.
2. Legal and financial risks associated with the Host City Contract (including IOC required guarantees)
3. Various forms of financial risk, including the use of Class 5 estimates for the Master Facilities Plan, cost escalation and The City's limited debt capacity.
4. Risk to The City's reputation including its credit rating.

### Current Status of Risk Assessment:

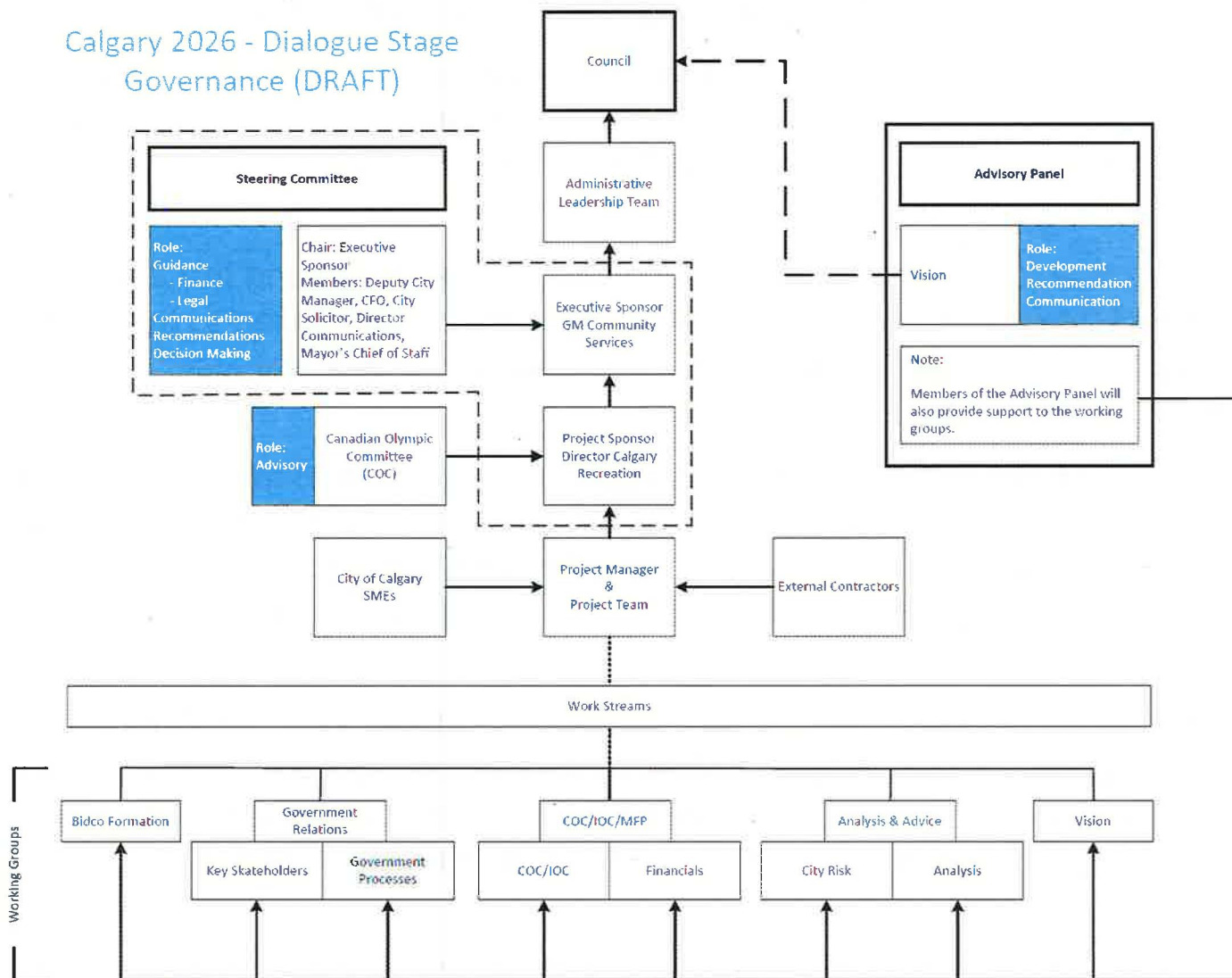
- Administration had declared last week that the risks have slightly decreased. It is more accurate to say that Administration has determined there is an increased likelihood that reasonable risk mitigations will be in place to address the current risks identified.
- Administration has developed a comprehensive risk registry that's constantly being updated and adjusted.

## **Principles for Pursuing the 2026 Olympic and Paralympic Winter Games**

1. We believe that it is reasonable for the capital costs for the facilities to host the 2026 OPWG be borne by the municipal, provincial and federal governments given that the assets will generate long term benefits for the community.
2. We believe that it is reasonable that the security costs for hosting the 2026 OPWG be borne by the federal government, in addition to their contribution to the capital costs for the 2026 OPWG, given the international nature of the event.
3. We believe that Canadian taxpayers should not contribute to the direct operating costs of hosting the 2026 OPWG (other than security costs). We believe that it is reasonable for the operational cost of the 2026 OPWG should be covered by ticket sales, sponsorship, broadcast rights, IOC contributions and other earned revenues.
4. The City has limited debt capacity and it would be challenging for The City to incur additional debt with respect to the 2026 OPWG including the facilities that are already being contemplated by The City. Thus there must be a financial structure that accommodates the cash flow and debt level constraints of The City.
5. We believe that if the IOC requires financial guarantees in the host city contract, such guarantee must be provided by an entity other than The City.

# Risk Mitigation: Governance & Workplan

Calgary 2026 - Dialogue Stage  
Governance (DRAFT)



October 20, 2017



Council has adopted a risk adverse approach to evaluating the 2026 OPWG from the beginning of this project. Specific actions include:

- The formation of CBEC
- Administration evaluation of CBEC's report
- Council's adoption of the 5 Principles
- Council's direction to Administration to determine if the 5 Principles can be met
- The Dialogue Stage Governance structure

The City has been informed by several Olympic observers that this is the most rigorous diligence process undertaken by a city prior to deciding to pursue a bid.

Administration has identified the following project off ramps:

- If any of the five principles cannot be addressed to a level satisfactory to The City;
- If any order of government decides not to participate in BidCo (including financial participation);
- If any order of government and/or key stakeholder decides they cannot pursue a bid;
- After the PyeongChang Observer Program
- If the Host City Contract is unsatisfactory to any order of government;
- Any other time Council decides to terminate the project.

## The Two Possible Scenarios:

Continue Olympic Exploration to accomplish project deliverables until either the project has transitioned to a BidCo, the IOC releases the Host City Contract (2018 Q3) or Council decides to no longer pursue a 2026 OPWG bid.

**OR**

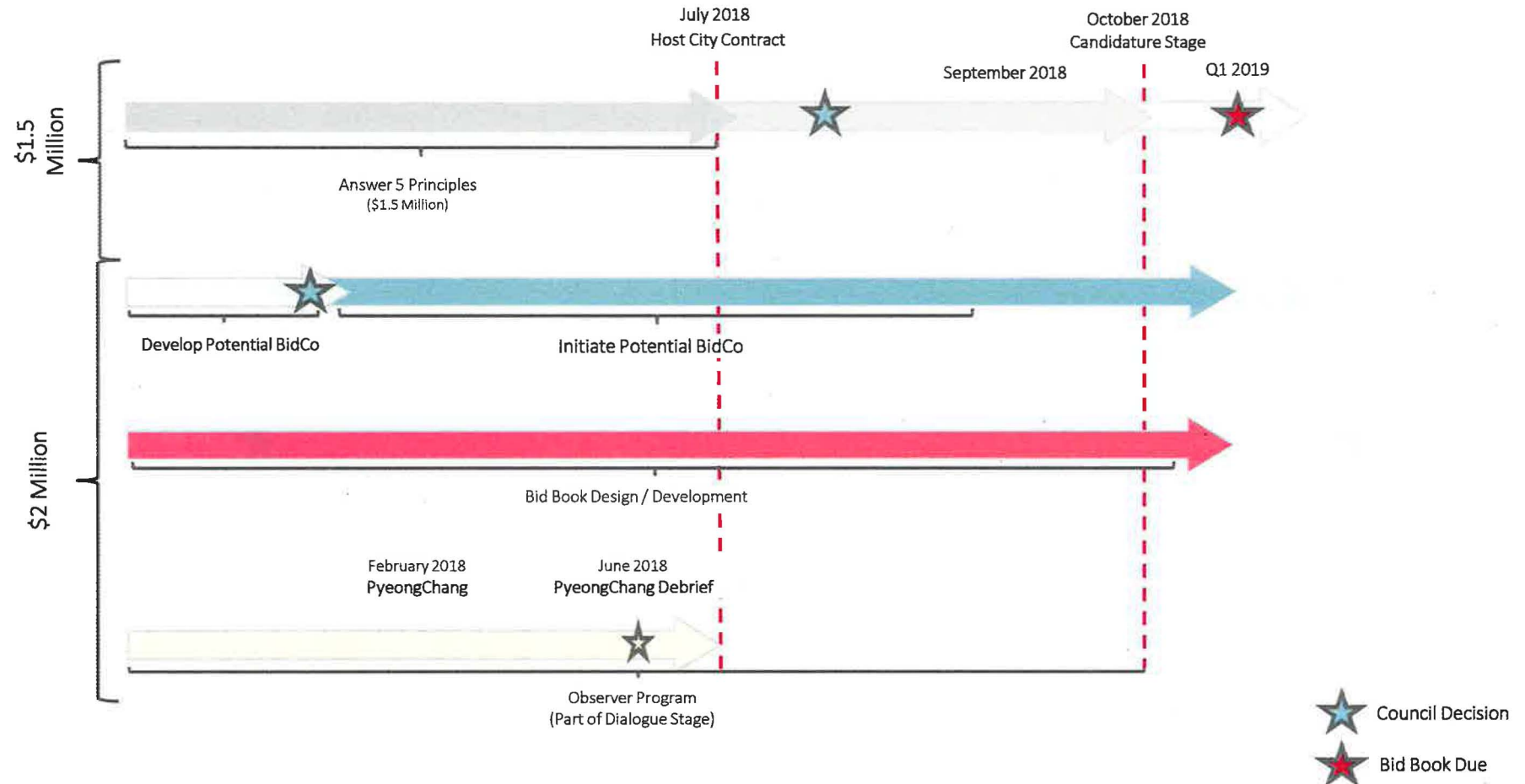
Develop a 1988 Olympic facility lifecycle strategy and return with recommendation on how to sustain facilities by Q4 2018.

## Dialogue Stage Allocation of Budget

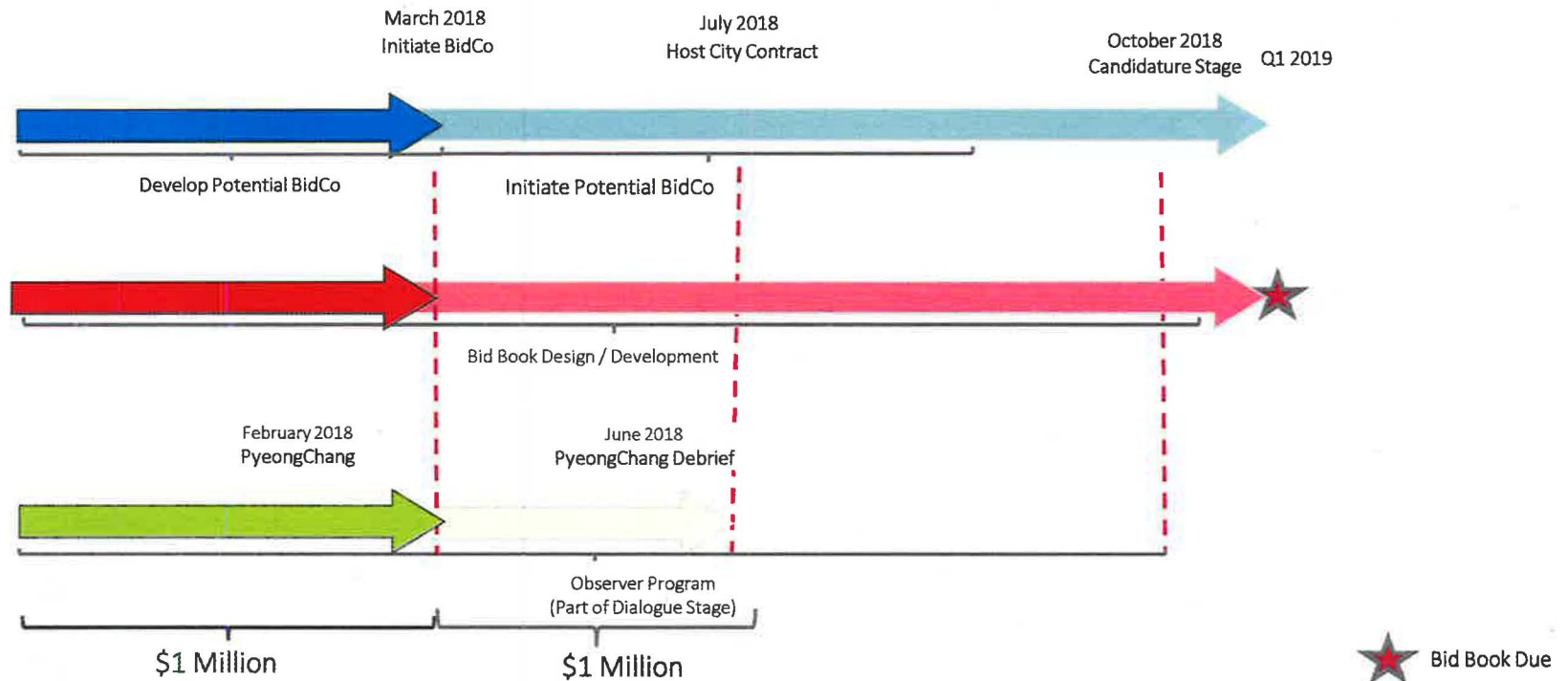
- 5 Principle Due Diligence - \$1.5 million
- Bid Development (BidCo Formation, Initial BidCo Work) – up to \$2.0 million
  - \$2.0 million assumes work continues to 2018 July release of HCC
  - Bid development work will be transferred to BidCo in early 2018 thus entire \$2.0 million may not be required.



## Dialogue Stage: Allocation of \$2M Budget



## Dialogue Stage: Allocation of \$2M Budget



<i>City Staff Resources</i>	\$ 1,240
<i>External Consultants</i>	\$ 1,141
<i>IT and Administration</i>	\$ 160
<i>International Relations, Marketing, Communications, Engagement, PyeongChang Observer Program (Travel, Marketing, Research, Stakeholder Relations)</i>	\$ 400
<i>Communications, Engagement and other travel</i>	\$ 225
<b><i>Sub Total</i></b>	<b>\$ 3,166</b>
 <i>10% Contingency</i>	 \$ 317
<b><i>Total Required Funds for Current Bid Work Plan</i></b>	<b>\$ 3,482</b>
 <i>Current Funds Allocated to Olympic Bid Development</i>	 <b>\$ 1,500</b>
<b><i>Total Funding Gap for Olympic Bid Continuation</i></b>	<b>\$ (1,982)</b>



## Dialogue Stage Budget (Estimated By Work Category)

<b>Vision &amp; Benefits</b>	Finalize overall vision and benefits.	\$	210,000
<b>Athletes &amp; Villages</b>	Villages options and agreements with venue owners; Broadcast Centres for YYC and Mountains; security overlay.	\$	350,000
<b>Hotels &amp; Media Villages</b>	Hotel industry negotiations; media villages plan & security.	\$	190,000
<b>Transportation</b>	Confirm transportation studies.	\$	90,000
<b>Guarantees</b>	Guarantees strategy.	\$	165,000
<b>General</b>	Sports experts & general support	\$	135,000
<b>Sub-Total</b>		\$	<b>1,140,000</b>
<b>City Staff</b>	Project Team resources	\$	1,240,000
<b>Miscellaneous</b>	Engagement, IT, Office Space, PyeongChang Mission, Travel	\$	785,000
<b>Contingency</b>	Ten percent (10%)	\$	317,000
<b>Total</b>		\$	<b>3,482,000</b>



### **What will the \$2 Million Investment will Get Calgary:**

#### **Legacy Value without 2026 OPWG Bid**

- 1. Build Major Events Bid Template**
- 2. Develop Candidature Legacy Plan**
- 3. Candidature as a Catalyst**
- 4. Begin Federal/Provincial Bid Alignment**

#### **Specific to 2026 OPWG Bid**

- 1. Allocate resources to refine the MFP, exploring venues outside of Calgary/Bow Valley region to potentially find cost saving opportunities**
- 2. Begin acting as a de facto BidCo - laying ground work so, should Council decide to go forward with a Bid, we essentially “flip a switch” for BidCo**
- 3. Start developing a Bid book, which is estimated to take 1 year**
- 4. Allow Calgary to participate in the Dialogue Stage – Observation Program**

## Considerations for a potential BidCo:

1. Membership must include:
  - i. City of Calgary
  - ii. Government of Alberta (GoA)
  - iii. Government of Canada (GoC)
  - iv. Canadian Olympic Committee (COC)
  - v. Other key stakeholders
2. The funds for a BidCo: shared by the three orders of government
3. Sport Canada's bid funding policy: The GoC could fund up 35% of the total BidCo Budget or up to 50% of Government's portion of the BidCo budget (estimated at \$25 - \$30 million)

## Recommendation & Reasons:

1. Approve a one-time increase in 2018 to operating budget program #426 of up to \$2.0 million from the Fiscal Stability Reserve (FSR) to accomplish project deliverables until either key deliverables related to preparing the Bid Book have transitioned to a Bid Corporation, the International Olympic Committee (IOC) release of the Host City Contract (scheduled for 2018 Q3) or Council decides to no longer pursue a 2026 Winter Olympic and Paralympic Bid.
2. Direct Administration to move beyond the CBEC mandate to specifically explore venues outside of Calgary as part of an updated Master Facilities Plan (MFP).
3. If Council chooses to not endorse recommendation #1, direct Administration with the remaining \$1.5 million Calgary Bid Exploration Committee's (CBEC) budget to develop a 1988 Olympic facility lifecycle strategy based on CBEC's Master Facilities Plan, and return to Council with a recommendation to sustain the legacy facilities by no later than Q4 2018.
4. Direct that Attachments 3 and 5 remain confidential pursuant to Section 23(1)(b), 24(1)(a), 24(1)(b), 24(1)(c), 24(1)(g), 25(1)(b) and 25(1)(c) of the Freedom of Information and Protection of Privacy Act until such time as Council decides not to proceed with a bid or the International Olympic Committee (IOC) has awarded the 2026 and 2030 Olympic and Paralympic Winter Games (OWPG) to another Host City.

# Questions?



## Financials: With or without the OPWG

A	B	C	D
Total Government Capital Investment for Olympics	Legacy Value	Approximate City capital investment without Olympics	Range of City's Share Contribution to Olympics

**\$684 M**

**\$624 M**

**\$325 - \$350 M**

## Olympics Budget – Endowment

Category	Cost	Non-Gov't	Gov't
Sports Venues & Media	\$733	\$0	\$733
Housing	\$1,216	\$814	\$402
Games Operations	\$2,380	\$2,190	\$190
Security	\$600	\$0	\$600
Contingency	\$235	\$0	\$235
<b>Total Games</b>	<b>\$5,164</b>	<b>\$3,004</b>	<b>\$2,160</b>
Endowment	\$100	\$25	\$75
Bidding Costs	\$30	\$5	\$25
Essential Gov't Services	TBD by each jurisdiction		



## Financials: Consideration of Debt Capacity

1. Even if benefits outweigh the costs and the value proposition is favourable, **affordability** remains the critical consideration.
2. Affordability is predicated on the following factors:
  - a. Costs (further reduced);
  - b. Revenue from private sector (increased);
  - c. City's cost-sharing (minimized); and
  - d. Existing commitments.
3. With above factors considered, the debt capacity and credit rating analysis is overlaid to determine overall impact of the Olympics on The City's financial position.



## Back-up Slides



1. Olympic Budget – Bidding Costs (Slide #20)
2. Facilities detail (Slide # 21)
3. Vancouver 2010 comparison (Slide #22)
4. Housing Detail & Value Proposition (Slide # 22)
5. Operating Costs & Revenues (Slide # 23)

## Risk Mitigation:

### Housing Demand Insufficiency Mitigation:

- Demand by type of user (student, seniors, affordable) requires more analysis
- Significant portion of affordable housing is assumed to be mortgage financing
- Significant component of market housing
- Overall risk assessment is incomplete



## Economic Activity, Employment, Taxes, Tourism & Branding:

	Impact	Canada	Alberta	Calgary
A	Economic Activity	\$3.5 B	\$2.8 B	\$1.9 B
B	Employment (FTE's)	35,000	29,000	21,000
C	Taxes	\$460 M	\$220 M	\$30 M
	Tourism	Tickets	Total Visitors	Out-of-Province
D		1.7 M	790,000	288,000
E	Branding	High Exposure	High Exposure	High Exposure

## Olympics Budget – Bidding Costs

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## Investments in Sports & Media Facilities

		Olympics Cost	Legacy Value	City Investment w/o Olympics
1	Field House (+ ice plant)	\$272	\$272	\$255 (no ice)
2	Hall 'F' Expansion	\$55	\$55	\$20 - \$25
3	Upgrades to BMO	\$80	\$30	\$10 - \$15
4	Upgrades to Saddledome	\$10	\$0	\$0
5	McMahon Stadium	\$50	\$50	\$15 - \$20
6	Mid-sized Arena	\$50	\$50	\$0
7	Oval	\$50	\$50	\$15 - \$20
8	Winsport	\$63	\$63	\$10 - \$15
9	Contingency	\$54	\$54	\$0
	<b>Sub-total Calgary</b>	<b>\$684</b>	<b>\$624</b>	<b>\$325 - \$350</b>
	<b>Mountains</b>	<b>\$43</b>	<b>\$43</b>	<b>-</b>
	<b>Whistler</b>	<b>\$6</b>	<b>\$6</b>	<b>-</b>
	<b>Total</b>	<b>\$733</b>	<b>\$673</b>	<b>-</b>

## Vancouver 2010 Comparison (Excluding Housing)

Category	Calgary	Vancouver
Sports Venues & Media	\$730	\$752
Games Operations	\$2,400	\$2,279
Security	\$600	\$952
Contingency	\$230	\$0
Grand-Total Games	\$3,960	\$3,983

## Value Proposition for Housing

Housing	Cost	Private	Gov't	Units (Units from 1 – 3 BR)
Calgary (up to 7 projects)	\$916	\$555	\$346	<ul style="list-style-type: none"> <li>• 860 affordable</li> <li>• 800 student</li> <li>• 420 seniors</li> <li>• 160 attainable</li> <li>• 600 market rental</li> <li>• 100K SF Commercial</li> </ul>
Canmore (1 project)	\$300	\$259	\$41	<ul style="list-style-type: none"> <li>• 150 affordable</li> <li>• 360 market rental</li> <li>• 160 market sale</li> </ul>
Total	\$1,216	\$814	\$402	<ul style="list-style-type: none"> <li>• ≈ 2,400 affordable</li> <li>• ≈ 1,100 market (rental/sale)</li> <li>• 100K SF Commercial</li> </ul>



## Summary of Operations

(Excluding Security & Contingency)

Description	Amount \$M
Games Operations	\$825
Technology	\$515
Sports Operations	\$240
Revenue & Marketing	\$170
HR & Finance	\$280
Royalties on Ticketing	\$350
<b>Total Costs</b>	<b>\$2,380</b>
IOC	\$700
Domestic Sponsors	\$800
Ticketing	\$320
Other Revenues	\$350
<b>Total Revenues</b>	<b>\$2,190</b>
<b>Deficit</b>	<b>\$190</b>