

OLYMPIC BID UPDATE

EXECUTIVE SUMMARY

This report provides Council information regarding the additional financial requirements associated with the increased commitment needed to continue the pursuit of preparing a potential bid to host the 2026 Olympic and Paralympic Winter Games (2026 OPWG).

Council had authorized Administration to use the remaining \$1.5 million of the Calgary Bid Exploration Committee's (CBEC) budget to conduct its analysis of the five principles (the Five Principles) approved by Council on 2017 July 31 (C2017-0616) to address the risks associated with hosting the 2026 OPWG (See Attachment 7). However, as discussed on 2017 November 13 (C2017-1162), shifting timelines and increased deliverables require an additional \$2.0 million to continue the bid preparation work by The City's Project team.

At the 2017 November 13 Regular Meeting of Council, Administration presented the changes to the International Olympic Committee's (IOC) 2026 Candidature Process. Administration highlighted to Council the requirement that candidate cities need to submit their formal Bid Book and agree on core guarantees to the IOC by January 2019. This means that the Bid Book must be substantially completed by late 2018.

Therefore, if Calgary is going to proceed with a competitive bid, The City will need to form a bid corporation (BidCo) in early Q1 2018. Membership in the BidCo, which must include representation from the Government of Alberta (GoA), the Government of Canada (GoC), the COC and other key stakeholders, will need to conduct a significant amount of work prior to Administration receiving the Host City Contract (HCC) from the IOC in July 2018. The HCC is required to complete Administration's analysis of the Five Principles.

In addition to the work associated with the Five Principles, to remain competitive until a formal BidCo is formed, The City will now need to act as the de facto BidCo and undertake the following work:

- Formation of a BidCo in early 2018 and transition of key deliverables to a BidCo;
- Negotiation of the material terms and conditions for funding BidCo with the GoA and GoC;
- Advancing the due diligence on the Master Facilities Plan (MFP) to confirm costs and risks and develop sufficient understandings with the various counterparties, including venue owners, to enable fulsome discussions with the other levels of government;
- Bid design and development towards a Bid Book; and
- Participate and represent Calgary as part of the Dialogue Stage - Observation Program during the 2018 Olympic and Paralympic Winter Games in PyeongChang, South Korea, in collaboration with the IOC and COC. This program will allow Calgary's delegation to observe all operational, financial, economic, cultural and other elements of hosting the OPWG in-person to gain valuable knowledge prior to Calgary needing to submit its Bid. This would be Calgary's only opportunity to attend an Olympics prior to the submission of a Bid Book.

OLYMPIC BID UPDATE

For The City's Project team to meet the above added deliverables, as well as address the Five Principles, Administration will require an additional \$2.0 million in funding, funds required for operation of the BidCo (estimated at \$25 - \$30 million) are to be shared by the three orders of government and according to Sport Canada's bid funding policy. Under this policy, the GoC could fund up to 50% of BidCo's budget. This investment will keep Calgary competitive in an international process while still addressing the risks identified in the Five Principles. Administration believes that the potential benefits that can occur from hosting the 2026 OPWG justifies the increased investment required to complete its analysis. As the IOC provides further information and The City Project team continues its analysis and refinement of the project, Administration believes that the probability of satisfying the Five Principles is increasing. Once key deliverables are transferred to a BidCo, The City would continue to work closely with BidCo on developing the Bid Book and ensuring the Five Principles can be met.

If Council chooses not to commit an additional \$2.0 million, Administration believes that efforts in pursuing a bid should cease. Administration would suggest that efforts could then shift to explore how Calgary can maintain its status as a winter sport city without hosting the Olympics.

On 2017 November 13 Council directed Administration to further investigate the funding commitment potential with the other orders of government and other private sector sponsors. Administration met with representatives of both the GoA and GoC and requested that they make a financial contribution to the operation of a BidCo as well as participate in a BidCo. A response from both orders of government is anticipated by the end of this year.

Administration has prepared the following report identifying the use of the \$2.0 million, as well as a current state analysis of the key stakeholders identified as potential financial contributors to Calgary's bid committee operations.

ADMINISTRATION RECOMMENDATION(S)

That Council:

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 BidCo or the International Olympic Committee (IOC) release of the Host City Contract (scheduled for 2018 Q3) or Council decides to no longer pursue a 2026 Olympic Paralympic Winter Games (OPWG) Bid.
2. Direct Administration to move beyond the Calgary Bid Exploration Committee (CBEC) mandate to specifically explore venues outside of Calgary as part of an updated Master Facilities Plan (MFP) in order to reduce the costs of hosting the 2026 OPWG.
3. If Council chooses to not endorse recommendation #1, direct Administration with the remaining \$1.5 million 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.

OLYMPIC BID UPDATE

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.

PREVIOUS COUNCIL DIRECTION / POLICY

See Attachment 1

BACKGROUND

On 2017 September 29, IOC released the “Candidature Process Olympic Winter Games 2026” document which provides an outline for a new candidature process that aligns with IOC’s Agenda 2020 reforms. While Agenda 2020 is intended to result in cost savings for both bidding and games hosting for interested host cities, the new candidature process has substantial implications to City timelines and deliverables.

On 2017 October 17, the IOC further released the “Candidature Questionnaire Olympic Winter Games 2026”. This document is where interested cities will populate their Games vision, concept, experience and delivery. A BidCo must be in place to oversee the development and finalisation of the bid components. The BidCo would include membership from all key stakeholders, including, but not limited to, Canadian Olympic Committee (COC), The Town of Canmore, The GoA, The GoC and The City of Calgary. The candidature questionnaire also includes a list of the guarantees required by the IOC; however, it is anticipated by Administration that all of the guarantees and other binding commitments will not be fully known until the release of the Host City Contract (HCC), which the IOC is targeting to release by 2018 July.

The deadline for an interested city to enter the Dialogue Stage process has been extended to 2018 March 31. In 2018 October, the IOC will invite only those interested cities with demonstrated hosting capacity examined by the IOC during the Dialogue Stage, to participate in the Candidature Stage. The deadline to submit a Bid Book to the IOC has now been set for 2019 January which is earlier than what Administration previously understood to be mid-2019. The funding required for the complete development of the Bid Book and fulfilling Candidature Stage requirements, presentations to the IOC and the various international sport bodies, communications, promotion and bid operations is estimated to be in the order of \$25 - 30 million (inclusive of costs already incurred). It is expected the funding for the work would be shared by the three orders of government and the private sector. According to Sport Canada’s bid funding policy, the GoC could fund up to 50% of the costs of the bid. Further work is required to determine the approach to developing private sources of revenue for the Candidature Stage.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

During the 2017 November 13, Regular Meeting of Council, Administration presented changes to the IOC’s 2026 Dialogue and Candidature Process. Administration highlighted to Council one of the most critical dates, which is the requirement that candidate cities submit a formal Bid Book and agree on core guarantees to the IOC by January 2019.

OLYMPIC BID UPDATE

Administration believes that the residual funds from the Exploration Stage (\$1.5 million) are sufficient to address the Five Principles. With the addition of the bid design/development work, formation of a BidCo, negotiations regarding government and other interest in contributing financially towards a BidCo and the participation into the Dialogue Stage – Observation program, Administration believes up to an additional \$2.0 million is required to remain competitive in the process. The budget breakdown of the \$2.0 million (from Q4 2017 thru to Q3 2018) is outlined in Attachment 2.

If Administration were to continue along the Dialogue Stage, there still remains multiple off-ramps to cease this process. The following is an initial, but not exhaustive, list of off-ramps prior to the start of the Candidature Stage:

- If any of the Five Principles cannot be addressed to a level satisfactory to The City;
- If any order of government and/or key stakeholder decide they cannot pursue a bid endeavor; and
- If guarantees within the Host City Contract (HCC) cannot be managed by another order of government to a level acceptable to that order of government.

One of the major risks being mitigated, that is foundational to the Five Principles, is financial. Administration has reviewed the budget originally shared by CBEC and is currently refining the budget to better understand the net government costs and net potential costs for The City (Attachment 3). It is worth noting that Calgary is in a international competitive process and some information should not be released in order to maintain Calgary's competitive advantage in future discussions.

In addition to understanding the potential costs to The City to host the 2026 OPWG, Administration is also reviewing what The City's likely required investment in capital facilities over the next 10 years to maintain our winter sports facilities even if Calgary does not host the 2026 OPWG.

The overall goal during the Dialogue Stage is to develop a foundation for success during the Candidature Stage, should Council determine to move forward with a bid for 2026 OPWG for Calgary.

Similar to the Exploration phase, Administration is looking at all the opportunities for return on investment/ legacy for the Dialogue Stage and Candidature Stage. The work planned throughout the Dialogue Stage will move beyond the initial feasibility work conducted by CBEC to create several returns for The City of Calgary, regardless of Council's decision to move forward with a 2026 OPWG bid, including:

- **Major Events Bid Template** — Similar to the recent work on the Amazon bid led by Calgary Economic Development (CED), a hosting and bid template will be created. This template can be used for future opportunities in bidding and hosting major winter sport events to proactively maintain Calgary's position as a winter sport city.

OLYMPIC BID UPDATE

- **Candidature Legacy** — The development of a Candidature Legacy Plan will focus on extending the benefits of bidding for the 2026 OPWG regardless of the outcome of the bid decision.
- **Candidature as Catalyst** — Leveraging representative engagement with key Calgary organizations (including CED, Imagine Calgary, Treaty 7 and Metis Nation of Alberta Region 3 people, Calgary Homeless Foundation, etc.) during the Dialogue Stage will help define the potential involvement of these organizations in future bids, and will help further understanding about how the Candidature Stage can be used as a catalyst for civic growth, diversity, reconciliation and prosperity.
- **Federal/Provincial Bid Alignment** — An opportunity to further advance the conversation with the provincial and federal governments regarding funding commitments for a potential future Candidature Stage. In addition, regardless if a bid is pursued or not, the relationships and alignments initiated through this work with other orders of government are valuable.

Stakeholder Engagement, Research and Communication

As directed by Council during the 2017 November 13, Regular Meeting of Council, The City's Project team has engaged all other orders of government in pursuit of filling the current BidCo operating funding gap. For Council's reference, Attachment 4 is a current state analysis of each stakeholder who has been engaged.

Strategic Alignment

The Municipal Development Plan, Calgary Transportation Plan, existing Area Structure Plans, Infrastructure Investment Plans, Corporate Affordable Housing Strategy and the Triple Bottom Line will continue to be used in the Dialogue Stage to achieve alignment at the municipal level, but also continue to guide the initial 2026 OPWG vision, mission, benefits and legacy plans to shape the future of Calgary and meet the needs of citizens now, to 2026, and beyond.

Social, Environmental, Economic (External)

Extensive community consultation has been built into The City's existing plans and policies. The 2026 OPWG Bid Exploration utilizes these strategic plans and policies to create its foundation, and as a result citizen's social, environmental and economic priorities will be reflected in the initial draft OPWG 2026 vision, mission, benefits and legacy plan. Although risks have been the main focus throughout the Exploration, the work associated with the vision, mission benefits and legacy plan needs to be developed immediately as they are critical components for the GoC's and GoA's required business case to obtain approvals in principle from the Federal level and Provincial level. This plan will then need to be further refined by a Bid Corporation and other key stakeholders will need to be included in a formal Bid Book should Calgary proceed.

Financial Capacity

Current and Future Operating Budget:

As endorsed by Council (C2017-0616) in 2017 July, the remaining Bid Exploration funds will be applied to the Dialogue Stage. With the accelerated timeline and further clarity on deliverables from the IOC, Administration is requesting approval of a one-time increase in 2017 to operating budget program #426 of up to \$2.0 million from the Fiscal Stability Reserve (FSR) to accomplish

OLYMPIC BID UPDATE

all deliverables up until the IOC release of the HCC in Q3 2018. The guarantees and the information contained within the HCC will address key components of the Five Principles endorsed by Council (C2017-0616), making this milestone a critical off-ramp if required. Armed with this information, City Council and all orders of government can make a confident determination whether to proceed or not with a bid as it will be evident if Council-endorsed principles have been satisfied at this time.

If Council chooses to not endorse recommendation #1, Administration recommends that the remaining funds are directed to the development of a 1988 Olympic facility lifecycle strategy based on Calgary Bid Exploration Committee's (CBEC) Master Facilities Plan, and return to Council with a recommendation to sustain the legacy facilities by no later than Q4 2018.

Current and Future Capital Budget:

No capital budget impacts for the Dialogue Stage as a result of this report.

Risk Assessment:

Calgary's launch of the Exploration Stage as led by CBEC, prior to entering an Olympic bid process is an unprecedented approach by a city to understand the risks associated with hosting the Olympic Games prior to launching a formal bid. The Exploration Stage has been a foundational mitigation approach in addressing the multitude of risks associated with hosting an Olympic Games. Throughout the Exploration Stage, a risk registry was maintained by CBEC, in addition to a separate risk registry tracked by City Administration. The risks associated with hosting the 2026 OPWG were reported to Council in CBEC's report delivered at the 2017 July 24 Council meeting and in Administration's report to Council on 2017 July 31. As a result of CBEC's and Administration's previous analysis, The City is uniquely positioned to assess and ultimately determine whether it should proceed with a bid or not.

Over the past year, Council was updated seven times, and within the updates potential off-ramps were identified to mitigate risk. Further, Council endorsed Five Principles (C2017-0616) that outline five key financial risk areas which need to be addressed prior to officially declaring Calgary's intent for bid. Administration believes that Calgary has taken a very strong risk adverse position to this point and shares Council's view that risks associated with bidding for the Olympics needs continuous monitoring and assessment. Once The City is prepared to declare a position in this process, Administration believes this will be one of the most confident "yes" or "no" positions for a city prior to becoming a bid city.

Although Administration had declared 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 strategies can be put in place to address the current identified risks. As the IOC provides further information and The City Project Team continues its analysis and refinement of the project, Administration believes that the probability of satisfying the Five Principles is increasing. See Attachment 5 for a summary of the high-level risks.

A complete set of risks associated with a potential 2026 OPWG bid are challenging to quantify at this point in time. These risks include legal, business, financial and reputational risks such as risk associated with the Host City Contract (which has not yet been published for 2026); and

OLYMPIC BID UPDATE

various forms of financial risk including The City's credit rating and project cost increases (CBEC's Master Facilities Plan estimates are Class 5); and risk to The City's reputation. In light of this, it is not currently possible to confirm the specific legal, financial or other risks to which The City might be exposed to, or the details of risk mitigation, management or transfer strategies available to The City.

The City of Calgary is currently facing significant challenges as it balances a number of potential opportunities with unique financial implications, including the 2026 OPWG. Debt levels are expected to increase as the recently approved Green Line Stage 1 construction is scheduled to be completed by 2026. Given the current assumptions around existing debt, Green Line debt and other future debt both directly and indirectly associated with the 2026 OPWG, there is concern that debt levels could exceed appropriate amounts. There is also concern that currently there is no identified debt or interest repayment source should debt be required to support the 2026 OPWG. To mitigate this risk, a more in-depth analysis of CBEC's findings is required, including a clearer understanding of the financial investment intent of the other orders of government and the IOC, and how long-term financial implications to The City could be minimized.

REASON(S) FOR RECOMMENDATION(S):

The intent of this report is to provide members of Council clarity on the task that is now in front of Administration. There is an opportunity to continue the work towards a potential bid for the 2026 OPWG but it will require investment of up to an additional \$2.0 million.

Administration believes that the potential benefits that can occur from hosting the 2026 OPWG justifies the increased investment required to complete its analysis of the Five Principles, see Attachment 6. The investment will keep Calgary competitive in an international process while still addressing risks that have been identified through the Five Principles.

As a follow up to the 2017 November 13 Regular Meeting of Council, Administration further investigated the funding commitment potential with the other orders of government and private sector. Administration sought and received updates from stakeholders within the last week, which included:

- A meeting with the Premier's Office,
- A meeting with the Federal Minister of Sport and Disabilities
- Anticipating a letter of support from the Federal Government,
- A letter from the Town of Canmore expressing their ongoing interest to participate,
- A letter directed to the COC from the IOC addressing some of Calgary's most material concerns,
- Support from Winsport, offering in-kind services, and
- A letter of support from the Canadian Olympic Committee, also offering in-kind services to help reduce some of the cost of the Dialogue Stage.

Administration is requesting a one-time increase in 2017 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 the BidCo

OLYMPIC BID UPDATE

or the International Olympic Committee (IOC) release of the Host City Contract (HCC) scheduled for 2018 Q3.

If Council does not endorse the additional \$2.0 million, Administration recommends that all work towards a 2026 OPWG bid stop and that all the remaining funds be redirected to develop a 1988 Olympic facility lifecycle strategy based on Calgary Bid Exploration Committee's Master Facilities Plan and return to Council with a recommendation for sustain the legacy facilities no later than Q4 2018.

ATTACHMENT(S)

1. Previous Council Direction
2. Dialogue Stage – Recommended Resource Requirements
3. Financial Information (Confidential)
4. City of Calgary - Government Engagement
5. Summary of Risk (Confidential)
6. Summary of Benefits
7. Five Principles for Pursuing the 2026 Olympic and Paralympic Winter Games