

## **OLYMPIC BID EXPLORATION**

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### **EXECUTIVE SUMMARY**

Administration's view is the Calgary Bid Exploration Committee (CBEC) has fulfilled their mandate as determined by Council to evaluate the feasibility of The City submitting a bid to host the 2026 Olympic and Paralympic Winter Games (2026 OPWG). CBEC has self-defined their mandate as being able to accomplish this by answering the following two questions:

1. Is it feasible for Calgary to successfully host the 2026 Olympic and Paralympic Winter Games in a financially responsible manner?
2. And if so, is it prudent for Calgary to make a bid?

CBEC reported to Council on 2017 July 24 that it was feasible for Calgary to host the 2026 Games but that more work was required for Council to determine whether it was prudent to do so based on many unresolved factors noted in their recommendation and reported verbally at Council.

The City's Evaluation Team and other Administration staff assigned to this project believe the work produced by CBEC is robust, thoughtful, detailed, and is valuable regardless of Council's decision to pursue a 2026 OPWG bid, and agree with CBEC that more information is needed prior to an appropriate recommendation to Council ahead of the International Olympic Committee's (IOC) invitation to bid deadline of 2018 October. For The City's Evaluation Summary see Attachment 1.

Through this report Administration is recommending that work is required to transition from the Exploration Phase to an Invitation Phase (as defined below). The development of a workplan is to be completed in close consultation with CBEC, while the governance structure for the Invitation Phase is to be determined in consultation with the Canadian Olympic Committee given their ownership of Canada's Olympic franchise.

Administration also acknowledges that in addition to addressing further risks, work related to the unresolved issues identified by CBEC is still required prior to Administration making a definitive recommendation to Council on whether to pursue a bid for the 2026 OPWG.

### **ADMINISTRATION RECOMMENDATION(S)**

That Council:

1. Thank the Calgary Bid Exploration Committee for their commitment to meeting their mandate.
2. Receive for information The City's Evaluation Summary, Attachment 1.
3. Adopt the Option 2 recommendations, as outlined in Attachment 3 which would see The City of Calgary not moving forward with a bid for the 2026 Olympic and Paralympic Winter Games unless certain conditions can be satisfied.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

See Attachment 2

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### BACKGROUND

On 2017 July 24, CBEC presented their recommendations to Council for information.

On 2017 July 21, The City received the risk assessment and recommendation sections of CBEC's report and The City's evaluation team have reviewed CBEC's work.

On 2017 July 11, IOC officially released a new Candidature Procedure for the 2026 OPWG. The date for cities to express intent to bid and IOC extending them an invitation to bid has now been moved to 2018 October. The IOC also committed to working with interested cities towards viable projects through an Invitation Phase which commences 2017 September.

On 2017 June 19 CBEC presented their findings to Council with a focus on the combined capital and operational costs to plan and host a 2026 OPWG and its legacy.

On 2017 May 31, The City received CBEC's report except for the risk assessment and recommendation sections. The City's Evaluation Team has reviewed CBEC's work.

On 2016 November 1, CBEC was incorporated with The City of Calgary and Tourism Calgary as its members with the mission to objectively recommend to City Council whether or not there is merit for Calgary to submit a bid to host the 2026 OPWG.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration has supported the Olympic Bid Exploration process from the start including the creation of a governance structure that helped to define the roles of CBEC board members and CBEC staff; the development of a Feasibility Assessment framework that focussed CBEC's work; reviewing CBEC's work through a City lens to ensure opportunities that arose through the Olympic Bid Exploration work advanced existing City plans and policies; and project oversight that provided CBEC timelines and deliverables.

CBEC relied on board members and staff to accomplish their work within a tight timeframe and with variables that continued to change during their work. Administration considered these constraints for CBEC in undertaking the work as well as the timeline changes announced by the IOC, and believes that CBEC has delivered an incredible amount of quality work and met their mandate.

On 2017 July 24, CBEC shared with Council its recommendations which concluded that a 2026 OPWG bid is in fact "feasible". As for the question "is it prudent", CBEC has suggested that more work is required before this question can be answered.

CBEC's board structured its work under five subcommittees, each subcommittee having a clear purpose and dedicated board members and assigned staff, and tasked with exploring the five critical aspects of a 2026 OPWG bid exploration including:

1. Public engagement and community impact;
2. Government relations and stakeholder engagement;
3. Master facilities planning;
4. Security; and,

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### **5. Finance and investment.**

Administration's Evaluation Team undertook an objective, balanced and comprehensive assessment of CBEC's report and determined the work produced by CBEC is well organized and researched, thoughtful, detailed, and is valuable regardless of Council's decision to pursue a 2026 OPWG bid. The Master Facilities Plan (MFP) and the Security sections of the report include detailed lifecycle costs to sustain or upgrade the 1988 Olympic legacy facilities to maintain Calgary's reputation as a winter sport and training city, and CBEC's report provides information and estimates that can be used for other large-scale events.

The IOC has recently announced that a formal invitation phase (the Invitation Phase) will begin in September 2017. During this Invitation Phase, the IOC will work with prospective cities to assist them in making a decision with respect to submitting a bid for the 2026 OPWG.

Administration has identified areas of CBEC's work that could be further investigated if The City were to proceed to the Invitation Phase: clarifying certain project assumptions, costing models, The City's debt capacity, a compelling rationale and vision to host a 2026 OPWG, and the legacy work for all phases of the potential bid. Attachment 1 provides a high-level summary of both CBEC's and The City Evaluation Team's work.

In addition to these areas, should The City proceed to the Invitation Phase, further work is required in determining a reasonable funding formula which includes discussions with the IOC, the Canadian Olympic Committee (COC) and other orders of government, as well as further engagement with citizens when there is sufficient information to gauge their support.

At this point in time, it is impossible to identify or quantify all business, legal and financial opportunities or risks associated with pursuing a 2026 OPWG bid. It would be ideal if the expertise garnered by the CBEC Board through their Exploration Phase could assist in identification and quantification of opportunities and risks. While Administration's hope is that these risks will in fact be able to be mitigated over time, the Exploration Phase is now at a junction with a need to determine if Calgary should not bid as the risks are too great and unknown or if Calgary should further explore the Invitation Phase to determine if the risks can be mitigated.

As the entity that would undertake the financial and reputational risk associated with implementing the games, The City must oversee a transition from an Exploration to an Invitation Phase. This will ensure that all considerations, impacts and risks to The City are assigned accordingly. The Olympic franchise is held in Canada by the Canadian Olympic Committee (COC), as such any further work towards an Invitation Phase by The City must be conducted in direct consultation with the COC. Administration will consult with CBEC, COC and other experts to determine how the work for the Invitation Phase will be conducted. As the bid project transitions from exploration to invitation the knowledge developed by CBEC will be used by Administration to develop the workplan. Administration will provide an update to Members of Council in 2017 September.

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### **Stakeholder Engagement, Research and Communication**

Administration has provided several updates to The City's Subject Matter Experts, Evaluation Team, Advisory Team, ALT, Council and other internal stakeholders. Administration has initiated conversations with the other orders of government and several of the Bow Valley Corridor communities. Administration has begun working with The City's Intergovernmental and Corporate Strategies (ICS) team and will continue to collaborate with them and rely on their advice and guidance as the 2026 OPWG bid exploration transitions to an Invitation Phase.

### **Strategic Alignment**

The Municipal Development Plan, Calgary Transportation Plan, existing Area Structure Plans and Infrastructure Investment Plans and the Triple Bottom Line have been used throughout the exploration process to ensure alignment. These plans exist to shape the future of Calgary and meet the needs of citizens now and in the future. Extensive community consultation is built into the process of developing these strategic plans and as a result reflects citizen priorities

### **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 as a foundation and as a result citizen's social, environmental and economic priorities are reflected.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

CBEC has spent less than the amount anticipated in the Funding Agreement and as of 2017 July 4, CBEC has received three instalments from The City of Calgary totalling \$3 million.

The operating budget pertaining to a potential 2026 OPWG bid is difficult to predict without confirmation of financial support from the other orders of government. As well, possible sponsorship funding has not yet been confirmed and this would have implications to operating budget.

The City is currently facing significant challenges as it balances the number of potential opportunities, including the 2026 OPWG, with their financial implications. Debt levels are expected to increase as the recently approved Green Line Stage 1 construction is scheduled to be completed by 2026.

An in-depth analysis of all financial components is essential before Council can decide whether or not to bid.

#### **Current and Future Capital Budget:**

A 2026 OPWG bid will have a significant impact on The City's current and future capital budget. A more in-depth analysis is required including a clear understanding of the financial investment intent of the other orders of government and the IOC.

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### Risk Assessment

Risks associated with a potential 2026 OPWG bid are impossible to identify or quantify at this point in time. These risks would include but are not limited to; a lack of detailed information regarding the bid process for the 2026 Games, legal risk associated with the Host City Contract (which has not yet been published for 2026), various forms of financial risk including project cost increases as CBEC's MFP estimates are Class 5, and risk in The City's reputation including its credit rating. In light of this, it is not currently possible to identify the nature or extent of legal, financial or other risk to which The City might be exposed to, or the risk mitigation, management or transfer strategies available to The City.

Any city exploring a potential 2026 OPWG bid must give significant consideration to both the operating and capital costs associated with bidding and hosting the 2026 OPWG. The City of Calgary is currently facing significant challenges as it balances a number of potential opportunities with their 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. A more in-depth analysis of the CBEC findings is required, including a clear 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):

While CBEC has recommended more work is required to determine if it is prudent for Calgary to make a bid, based on the information available today, primarily around unknown risks and known financial considerations of hosting the 2026 OPWG, it would be difficult for Administration to recommend to Council to support a bid unless these financial considerations change. While Administration remains skeptical, we are willing to keep an open mind as there appears to be suggestions that mitigating strategies to these financial concerns and risks may be available. Administration is therefore recommending these strategies be further explored through a transition from an Exploration Phase to an Invitation Phase. This transition will require a new structure. Administration is further recommending consultations occur with the COC and CBEC to determine how to best structure the work around next steps.

The recommendations allow Council to endorse that CBEC has fulfilled their original mandate through the delivery of their 2017 May 31 Report and their 2017 July 24 Recommendations to Council.

### ATTACHMENT(S)

1. The City's Evaluation Summary
2. Previous Council Direction
3. Proposed Recommendations
4. Principles for Pursuing the 2026 Olympic and Paralympic Winter Games