

Olympic and Paralympic Winter Games Financial and Value Proposition Process Overview

EXECUTIVE SUMMARY

By the end of 2018 June, the 2026 Olympic and Paralympic Winter Games (OPWG) Bid Corporation (BidCo) is expected to present its Government Submission to the BidCo Members. The BidCo Members are The City of Calgary, Government of Canada, Government of Alberta, Town of Canmore, Canadian Paralympic Committee, and Canadian Olympic Committee. The Submission will include the hosting concept plan, cost estimates, and funding requirements.

This report provides an overview of the analysis, evaluation, and decision-making process regarding the financial aspects of the 2026 OPWG that The City of Calgary will undertake.

This overview is intended to give Council an understanding of the path to a decision by the City of Calgary and its government partners on whether to submit a bid for hosting the OPWG.

ADMINISTRATION RECOMMENDATION:

That the 2026 Olympic and Paralympic Winter Games Assessment Committee:

1. Receive this report for information; and,
2. Keep the In-Camera discussions confidential pursuant to Sections 23, 24 and 25 of the Freedom of Information and Protection of Privacy Act.

PREVIOUS COUNCIL DIRECTION / POLICY

Previous Council direction is contained in Attachment 1 to this report.

BACKGROUND

Since the Calgary Bid Exploration Committee (CBEC) presented its report to Council on 2017 July 24 (C2017-0599), Administration has continued the financial work associated with this initiative including obtaining funding from other governments towards formation of a BidCo. During this time Administration also coordinated the planning and development of activities that helped advance the work of BidCo ahead of its formation. This report provides an overview of Administration's role pertaining to financial matters from the formation of the BidCo.

Administration will continue to undertake due diligence in evaluating the business case proposition and inform the opportunities and risks for The City associated with the 2026 OPWG.

Administration will be guided by the Five Principles approved by Council in 2017 July (C2017-0616). The Principles for Pursuing the 2026 OPWG are listed in Attachment 2.

This report focuses on financial matters pertaining to the 'Hosting Budget' component of the Government Submission, as distinct from matters related to the 'Bid Budget'.

The Hosting Budget that forms part of the Government Submission is a critical component of the Candidature Questionnaire that comprises BidCo's submission to the International Olympic Committee (IOC), and it also forms the basis of the share funding split among governments. The Hosting Budget and share split provide the basis to determine the value proposition for each BidCo Member and its respective decision around support the BidCo submitting a bid.

Once BidCo is formed, all matters pertaining to the Government Submission will be presented to all BidCo Members simultaneously.

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This report focuses on The City's financial evaluation and decision-making role. Administration assumes that other government and non-government Members will adopt their own processes to evaluate whether hosting the OPWG makes sense for them.

Ultimately, the decision to submit a bid must be a joint and mutually beneficial undertaking by the Members. This report focuses on how Administration will approach its evaluation and how it will advise Council as Council decides whether to invest in holding the OPWG.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Attachment 3 (Financial Decision-Making Flowchart) provides a high-level overview of the financial information and decision-making process. Represented in this chart is The City's process which will follow a similar pattern to that of other governments. This process includes receiving the Government Submission from BidCo, performing a preliminary value proposition analysis based on those estimates, estimating The City's prospective share of the funding against its debt capacity, and formulating its negotiation framework for Council approval.

The following paragraphs provide more detail:

Hosting Budget:

The Hosting Budget currently under development by the Project Team will comprise the cost and revenue components as detailed in Attachment 4 (Proposed Funding Estimates Format.) The budget is structured into sections to address the specific assessment needs of The City, the other government investors, and the IOC.

Funding estimates are being developed with the following critical aspects:

- Bottom-up, Calgary-specific, and by subject matter experts with operational experience; and
- The ability to withstand a third-party audit.

City Due Diligence:

On receipt of the Government Submission, Administration will undertake further due diligence that will include a cost-benefit analysis, a comparative value proposition whose framework is outlined in Attachment 5, consideration of whether a prospective funding share amount that is within The City's debt capacity, and a risk assessment and mitigation strategy. This work will establish the foundation for The City's negotiation strategy framework as shown in Attachment 3.

Value Proposition:

Administration will be undertaking a conventional cost-benefit analysis. This constitutes best practice and is also consistent with the comments of the two academic referees who recommended that the CBEC economic reports be supplemented with a cost-benefit analysis. The City's Corporate Economics team will assist the Project Team in this regard.

A comprehensive value proposition includes but is not limited to quantifiable economic costs and benefits. To be comprehensive, the value proposition must take into account the tangible and intangible aspects of the Games. The Project Team is proposing an analysis comprising the components outlined in Attachment 5 (Comparative Value Proposition Framework) including an analysis of achieving the same sports facilities legacy outcomes with or without the OPWG. The

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analysis will then be able to compare the costs and other tangible and intangible benefits that will vary under the two scenarios. Some legacy examples are listed in Attachment 5.

The value proposition framework will also consider what it would look like if the OPWG are not held, and The City (as well as other stakeholders) invest only in maintaining existing Calgary-based facilities.

Share Funding:

As was the case with the Vancouver 2010 Olympic & Paralympic Winter Games, hosting the Olympic and Paralympic Winter Games in Calgary is not possible without the financial support of other governments.

Knowing the share split among the three governments is critical to finalizing the value proposition for Calgary. Similarly, other governments will consider what value the OPWG represents to them based on their share of the costs.

Guarantees:

The IOC requires Candidate Cities to commit to numerous guarantees that will be included as a component of the City's Candidature File Submission. The guarantees address a wide range of issues, including the signing and performance of the Host City Contract, security, customs and work permit requirements, legal aspects of hosting the Games, marketing, finance, venues, accommodation, and transport.

Risks & Mitigation:

Once the BidCo provides the Government Submission, a thorough risk evaluation and mitigation strategy must be completed by the Members. Examples of risk include capital cost overruns, inflation & escalation, currency exchange rates, operating expenses and revenues, environmental, and political risks. The risk mitigation work will occur in 2018 Q 2 and 3.

Negotiations with Other Governments:

On behalf of its Members, the BidCo will facilitate the process intended to enable governments to achieve agreement on share funding and guarantees.

Council Decision:

Having concluded its due diligence and negotiations, and informed by extensive public, community and stakeholder engagement through a plebiscite, Council will have the necessary information to decide whether to proceed with a bid.

As a Member of the BidCo, The City of Calgary, subject to input from the plebiscite, can decide to support or not support the BidCo in making a bid.

Stakeholder Engagement, Research and Communication

The work associated with developing the Hosting Budget, negotiating share contributions among governments, and determining the risk allocation (including determining which jurisdiction will undertake which guarantee) will be completed by the BidCo and its members, including the Government of Canada, the Province of Alberta, The City of Calgary, the Town of Canmore, the Canadian Paralympic Committee, and the Canadian Olympic Committee.

This work will take place in 2018 between Q2 and Q4.

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Strategic Alignment

This report aligns with The City's financial due diligence process and Council Principles for the OPWG.

Social, Environmental, Economic (External)

The proposed cost-benefit analysis included in this report refers to the economic and social benefits. The Sustainability workstream of BidCo's work will further inform environmental considerations.

Financial Capacity

Current and Future Operating Budget:

The work associated with the bid development is included in the BidCo budget.

A proposed budget for City resources, including the work to undertake a comprehensive cost-benefit analysis from a City of Calgary perspective based on BidCo's Government Submission, will be brought forward to the Committee in early June.

Current and Future Capital Budget:

N/A in this report.

Risk Assessment

Ensuring a robust due diligence process, including identifying and mitigating risk, and evaluating the consequent value proposition are central elements to determining whether The City should invest in the OPWG. This report outlines the process for the work ahead.

REASON FOR RECOMMENDATION(S):

This outline of the financial evaluation and decision-making process is intended to give Council an understanding of the path for The City of Calgary and its government partners in deciding whether to submit a bid for hosting the OPWG.

ATTACHMENT(S)

1. Previous Council Direction
2. OPWG Council Principles.
3. Financial Decision-Making Flowchart
4. Proposed Funding Estimates Format
5. Comparative Value Proposition Framework