

**NOTE: This attachment includes financial due diligence information that was included in Attachment 8 to Report C2018-1005 titled “2026 Olympic and Paralympic Winter Games (OPWG) City Secretariat Update” that can now be publicly released.**

A great deal of financial information has been generated throughout the various stages of work completed to assess the feasibility and ultimately, the prudence to bid on the 2026 OPWG. The financial information can be grouped into two main categories: all costs associated with hosting the Games themselves as well as the numbers that relate to the cost of performing the work to evaluate and submit a bid to host the Games. A challenge to properly evaluating these numbers is that the assumptions behind them have shifted significantly over time.

**Calgary Bid Exploration Corporation (CBEC) Phase:**

The CBEC phase carried out the work associated with the exploration of whether hosting the Games would be feasible. CBEC was formed to carry out this work with a budget of \$5 million from the Fiscal Sustainability Reserve (approved by Council in 2016 June).

A total of \$3.3 million was spent by CBEC during the phase that spanned from 2016 June to 2017 July. A major output of the CBEC phase (in addition to identifying potential venues, associated costs and a conceptual operating budget for the Games) was the formulation of the Five Principles that were approved by Council on 2017 July 31. The summarized principles below have guided The City of Calgary’s due diligence analysis.

“On 2017 July 24 the Calgary Bid Exploration Committee presented five principles to Council. Administration supports these principles as amended below as critical criteria to be addressed prior to The City of Calgary moving beyond the International Olympic Committee’s (IOC) Invitation Phase for the 2026 Olympic and Paralympic Winter Games (2026 OPWG). These principles may be further modified as additional information becomes available and are not meant to be exhaustive”.

**Total Costs for The City associated with hosting the Games:**

Calgary 2026’s Draft Hosting Plan Concept identifies certain capital, operating, security, and essential services costs that make up the total Draft Hosting Plan Budget. In addition to the costs included in the Draft Hosting Plan Concept, The City must also contemplate other additional costs in conjunction with those included in the Draft Hosting Plan Concept. These are costs that The City is compelled to spend as a result of agreeing to host the Games. A final category of costs are Discretionary Budgets, which are items that will arise in the years closer to the Games related to live sites, programming and other potential discretionary infrastructure investments that Council may determine are desirable to consider in light of hosting the Games.

**Calgary 2026 Draft Hosting Plan Concept – Capital and Operating Budgets:**

Calgary 2026’s Draft Hosting Plan Concept includes a capital budget for all venues and accommodations and was prepared for each specific site. The total cost of venues (both new builds and upgrades of existing facilities) is \$1,582 million and includes contingencies at the facility level as well as a general capital program contingency of \$90 million. An allowance of \$4 million was also included for capital program management.

The operating budgets (both revenues and expenses) for the Games were also included in the Draft Hosting Plan Concept. The budgets were prepared in detail and included over 50 work

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packages of budgetary line items. The budgets were prepared from the bottom up but were then also compared to both VANOC and CBEC to assess reasonableness and completeness.

While the budgets were being prepared, the IOC released the New Norms and Calgary 2026 included the implications of these new standards in their budget preparation and cost savings were noted in certain areas due to reduced requirements from the IOC.

### **Calgary 2026 Draft Hosting Plan Concept - Security Budgets:**

In the past, security budgets for Olympic and Paralympic Winter Games have been viewed as excessive and a barrier for any country to be able to host future Games. As a result of the IOC's New Norms and past experiences, a concerted effort to re-evaluate the approach to security for the Games was made by all Canadian policing agencies including but not limited to the RCMP (both federally and provincially), the Calgary Police Service and the Calgary Emergency Management Agency (CEMA).

### **Calgary 2026 Draft Hosting Plan Concept - Essential Services:**

All orders of government would be responsible for delivering essential services to support hosting the Games. These are costs that are directly attributable to the Games and are incremental to the business as usual services provided by The City – these costs would not be incurred if the Games were not being hosted. Examples of direct, incremental City essential services are those related to transportation, waste and recycling, policing, bylaw enforcement, permitting, and licensing. The delivery of these services will have to be adjusted to support a successful Games.

Draft essential services budgets have been developed by all three orders of government and these budgets have been evaluated with government partners and Calgary 2026 to ensure that these services and costs are truly essential and directly incremental to the Games and that no gaps or overlaps have occurred.

### **What is due diligence?**

As the Draft Hosting Plan Concept budgets were prepared by Calgary 2026, The City has undertaken a due diligence process to assess their work. In general, completing a due diligence analysis supports Council and the Administrative Leadership Team by enabling these key governance bodies to:

- make informed decisions;
- gain knowledge of the proposal;
- determine the value of the proposal to the organization, to Calgarians and to stakeholders;
- confirm or deny statements and other representations made in the proposal; and
- understand and evaluate benefits, opportunities, costs, and risks associated with the proposal.

Although a great deal of work is completed during a due diligence process, it must be remembered that “due diligence” is a process and not an outcome and therefore, due diligence is ongoing. As assumptions or key information changes, The City's analysis will need to be reassessed and risk indicators updated where appropriate.

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In the event that a bid is submitted in 2019 January and in the event that Calgary is awarded the 2026 OPWG in 2019 September, Calgary 2026 as BidCo will transition to HostCo within a short time frame. All of the costs associated with the previously drafted budgets under BidCo will be validated and built out in further detail by HostCo within the first two years after the Games are awarded.

The results of the external review will be shared during the closed session discussion with Council.

As a result of the due diligence process, items were highlighted by the City Secretariat as key risks that need to be monitored and mitigated and these items remain confidential at this time as they are commercially sensitive. The categories of risk identified include:

- Revenue projections,
- Expense projections,
- Capital budget projections,
- Guarantees, and
- Contingencies and inflation adjustments

### **Non-Hosting Plan Operating and Capital Budgets:**

These budgets relate to items that are not recorded within the budgets of the Draft Hosting Plan Concept. However, from The City's perspective, these are items that The City is compelled to do in order to facilitate the Games occurring. As examples - the complete costs associated with the moving of the bus barns (portion not included in the Draft Hosting Plan), site remediation and preparation costs also not included in the Draft Hosting Plan and financing costs associated with paying for the City share.

It must be noted that the athletes village is not required to be located in Victoria Park. As indicated in response to question 4 in the cover report, there are many factors to consider when determining where to locate an athletes village including Games' operations, land use designations, density, proximity to transit, other services and competitive venues, safety, security, and the like. Further analysis is underway to determine whether it is financially feasible to locate the athletes village in Victoria Park or whether other locations need to be considered. Calgary 2026 has advised that it will continue to explore all opportunities for the delivery of an athletes village for the Games.

### **Non-Hosting Plan - Discretionary Budgets:**

A final category of costs are Discretionary budgets which are items that will arise in the years closer to the Games related to live sites, programming and other potential discretionary infrastructure investments that Council may determine are desirable to consider in light of hosting the Games.