

City Secretariat Report to
2026 Olympic and Paralympic Winter Games Assessment
Committee
2018 October 09

ISC: UNRESTRICTED
OPC2018-1146

2026 Olympic and Paralympic Winter Games City Secretariat Update

EXECUTIVE SUMMARY

As directed by Council on 2018 September 11, the City Secretariat is continuing its due diligence review of Calgary 2026's Draft Hosting Plan Concept (draft plan). This report continues the City Secretariat's response to questions asked by members of Council about the draft plan and the opportunities, benefits, risks, and costs associated with bidding for and potentially hosting the 2026 Olympic and Paralympic Winter Games (OPWG).

Negotiations with the Government of Canada and the Government of Alberta for a cost-sharing agreement should a bid to host the OPWG proceed are continuing. The City Secretariat will provide Committee members with a report on the status of these negotiations during the closed session portion of the Committee's meeting.

CITY SECRETARIAT RECOMMENDATIONS:

That the 2026 Olympic and Paralympic Winter Games Assessment Committee:

1. Receive this report for information; and
2. Keep the closed session presentation and discussions confidential pursuant to Sections 23, 24, 25, and 27 of the Freedom of Information and Protection of Privacy Act.

PREVIOUS COUNCIL DIRECTION / POLICY

Previous Council Direction is outlined in Attachment 1.

BACKGROUND

On 2018 September 11, Calgary 2026 presented its draft plan to Council. Council also considered report C2018-1005 titled "2026 Olympic and Paralympic Winter Games City Secretariat Update" which contained the City Secretariat's analysis to that point of the draft plan and outlined the City Secretariat's view of:

- the opportunities, benefits and legacies presented in the draft plan relative to citizen priorities and Council directives, decisions, policies, plans, and strategies;
- the nature and extent of investments required to successfully host the Games and ensure the achievement of these benefits and legacies for Calgarians, Albertans and Canadians; and
- the issues and risks associated with hosting the Games and risk management and mitigation strategies for The City.

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Council authorized the Secretariat to continue its due diligence review. In this report, the Secretariat is continuing its response to questions asked by members of Council as they have considered whether to bid for the 2026 OPWG.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City Secretariat was asked a number of questions at Council's 2018 September 11 meeting and at the 2018 October 2 Assessment Committee meeting. The Secretariat's October 2 report included answers to some of those questions. Responses to the following questions are included in this report:

1. What are the findings of the cost-benefit analysis that Council requested?
2. How would hosting the 2026 OPWG impact The City's debt capacity? What is the accumulated debt of all current City projects?
3. Could the security budget change?
4. What capital investments can be made in City facilities with and without the 2026 OPWG?
5. Could a new event centre be part of a future version of the draft plan?
6. What is the status of cost-sharing negotiations with the Government of Canada and the Government of Alberta?
7. What is the legacy of the 1988 Olympic Winter Games?
8. Is additional information available about the various forms of public engagement and communication underway in Calgary given the potential bid to host the Games?
9. Is there an opportunity to review documents that were previously directed by the Committee or Council to be kept confidential to see if they can be released publicly?

Responses to Questions:

1. What are the findings of the cost-benefit analysis that Council requested?

In response to Council members' questions, the City Secretariat retained Ernst & Young to develop a cost-benefit analysis (CBA) report. The components of their work include:

- selecting a CBA framework;
- assembling information from both the Calgary 2026 draft plan and City of Calgary Treasury and business unit staff;
- identifying and assessing incremental costs and benefits (both qualitative and quantitative); and:
 - where feasible, monetizing costs and benefits and plotting them over time;
 - discounting costs and benefits to obtain net present values ("NPV"); and
 - creating a summary presentation and detailed public report.

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Ernst & Young is in the process of finalizing their analysis. Their summary presentation will be shared at the Committee meeting. An update on the timing of the release of their public report will also be provided at the Committee meeting.

2. How would hosting the 2026 OPWG impact The City's debt capacity? What is the accumulated debt of all current City projects?

Finance staff and external advisors have and will continue to assess financial implications on current and future City operating and capital budgets associated with hosting the Games. The City continues to evaluate various funding options and the resulting impact on debt capacity should Calgary proceed with a bid and ultimately win the right to host the Games. Concluding a cost sharing agreement with the Government of Canada and the Government of Alberta is critical to completing this assessment. If available, further information on this topic will be presented at the 2018 October 11 Special Meeting of Council.

3. Could the security budget change?

Calgary 2026's draft plan contains an estimated security budget of \$610 million. One of the Calgary Bid Exploration Committee's (CBEC) "Principles for Pursuing the 2026 OPWG" (endorsed by Council as "critical criteria to be addressed prior to The City of Calgary moving beyond the IOC's Invitation Phase on 2017 July 31 after considering Report C2017-0606 titled "Olympic Bid Exploration") was "We believe that is reasonable that the security costs for hosting the 2026 OPWG be borne by other orders of government, in addition to their contribution to the capital costs for the 2026 OPWG, given the international nature of the event".

The City Secretariat is awaiting receipt of confirmation from the Governments of Canada and Alberta as to how they will be addressing security costs.

If Calgary bids for and is awarded the 2026 OPWG, Calgary 2026 will transition to a HostCo within a short time frame and all of the venue plans and costs associated with the draft plan (including security) will be validated and built out in further detail by HostCo within the first two years after the Games are awarded.

4. What capital investments can be made in City facilities with and without the 2026 OPWG?

Calgary 2026's draft plan proposes the construction of two new City facilities and upgrades to a number of other facilities in Calgary, some owned by The City and the balance owned by other entities. The facilities with upgrades contemplated in the draft plan budget include the Olympic Oval, McMahon Stadium, the WinSport sliding track and ski hill, the Saddledome, and Father David Bauer arena. The proposed upgrades would enhance accessibility to and within the facilities and allow the facilities to meet international level competition standards and continue serving Calgary's recreation and athletic community for another generation.

Whether or not the Games are held, all of these facilities are aging and will require a substantial investment beyond routine repair and maintenance to extend their lifecycle and be at the standard required to continue to host international events.

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Calgary 2026's draft plan contemplates an investment of \$502 million to renew all venues contemplated within their plan and \$403 million to construct the two new venues in Calgary.

The preliminary 2019-2022 City capital budget proposes \$52.4 million for the recreation opportunities service line.

Given current funding constraints for capital projects at The City and constraints that other venue owners may well also be facing, it is likely that without the catalyst of hosting the Games, investments in these projects would be limited or would be deferred beyond when they might be made if the Games were held. Further, hosting the Games would provide The City with an opportunity to access other orders of governments' funds that might not otherwise be available.

5. Could a new event centre be part of a future version of the draft plan?

Given that the bid book must be submitted to the IOC on 2019 January 11 if The City proceeds with a bid, Calgary 2026's draft plan will form the basis for the bid book submission. However, if Calgary bids for and is awarded the 2026 OPWG, Calgary 2026 will transition to a Host Corporation within a short time frame and all of the venue plans and costs associated with the draft plan will be validated and built out in further detail by HostCo within the first two years after the Games are awarded. If progress is made in negotiations for a new event centre in the intervening period, the HostCo would be responsible for factoring that information into its review and analysis of the hosting plan concept.

Council has established an Event Centre Assessment Committee chaired by Councillor Davison and mandated to "explore and determine location, financial strategies and an approach to a partnership framework with respect to developing a new event centre that fits the long-term goals of The City of Calgary and City Council". The Committee and Council have not yet made any decisions about a new event centre.

6. What is the status of cost-sharing negotiations with the Government of Canada and the Government of Alberta?

Negotiations continue. An update will be provided during the closed session portion of the Committee meeting.

7. What is the legacy of the 1988 Olympic Winter Games?

The legacy from the 1988 Olympic Winter Games includes the Saddledome, Canada Olympic Park, the Olympic Oval, Nakiska, and the Canmore Nordic Centre. These venues continue to host World Cups and national and international sporting events and serve as recreation hubs for millions of Calgarians and visitors annually. They also provide training venues for national and international athletes. These facilities have benefitted from support from the 1988 Games endowment fund.

The Secretariat has not commissioned a report on the economic impact of each of these facilities. However, Attachment 2, a 2017 March report titled "Economic Impact of WinSport on the Calgary Economy" prepared by City of Calgary Corporate Economics' staff and conducted

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on behalf of WinSport with the support of Calgary Economic Development, provides data on the economic impact of WinSport’s facilities indicating that:

- in 1987, the Government of Canada provided WinSport with an endowment of approximately \$71 million to help fund operational costs at WinSport and the Olympic Oval; and
- “Direct and indirect economic impacts because of the WinSport facility result in 1,200 full time equivalent jobs in Calgary (596 of which work at the WinSport facility) and boost the local economy by \$120 million annually”.

The report notes that “Using data for a sample 12 month period in or around the calendar 2016 year, we estimated the employment and financial impacts of the WinSport facility on the Calgary economy. Please note that 2016 was a recessionary year and as such the numbers presented in this report may be considered a conservative estimate of what WinSport contributes in a more typical year”.

8. Is additional information available about the various forms of public engagement and communication underway in Calgary given the potential bid to host the Games?

This was discussed at the Committee’s 2018 October 2 meeting. The table below outlines the various groups currently communicating with Calgarians. It is important to note that each has a distinct and independent mandate and message.

| Organization | Information being shared |
|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Engagement Advisory Sub-Committee to the 2026 OPWG Assessment Committee</p> | <p>As directed by Council, is conducting an engagement program to:</p> <ul style="list-style-type: none"> • inform and educate the public about the bid process; • seek public input into whether or not Calgary should submit a bid; and • identify issues, concerns and opportunities for stakeholders of a potential bid and respond to questions”. <p>Council approved, as Engagement Advisory Sub-Committee engagement program guiding principles:</p> <ul style="list-style-type: none"> • accountable; • citizen-centric; • diversity; • inclusive and authentic; |

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| | <ul style="list-style-type: none"> • neutrality; • respect; • responsive and committed; • timeliness; and • transparent. <p>Website: https://engage.calgary.ca/2026Games?redirect=/2026games</p> |
| Returning Officer | <p>Facts related to the vote of the electors.</p> <p>Website: http://www.calgary.ca/election/Pages/home.aspx</p> |
| Calgary 2026 | <p>Website indicates that their task is to “explore, develop and promote a responsible bid to host the 2026 OPWG”. Calgary 2026’s draft plan is included on their website.</p> <p>Website: https://www.calgary2026.ca/</p> |
| “Yes” and “No” campaigns | Promoting their respective perspectives |

9. Is there an opportunity to review documents that were previously directed by the Committee or Council to be kept confidential to see if they can be released publicly?

This question was asked at the October 2 OPWG Assessment Committee meeting.

Attachment 1 outlines the reports that the Committee and/or Council have considered and Committee and/or Council direction to date. City Secretariat members are reviewing all reports and attachments provided to the Committee or Council since 2016 June 20 that the Committee or Council directed to remain confidential under the Freedom of Information and Protection of Privacy Act to determine which can be released given the passage of time.

It is important to remember that bidding for the OPWG Games is a competitive process and that for that reason, some documents must remain confidential at this time. It is also important to remember that the Freedom of Information and Protection of Privacy Act balances access to information with protection of privacy and allows certain information to remain confidential (e.g. legal advice, information that may impact negotiations with other orders of government, etcetera).

A summary of the documents that Council or the Committee directed to remain confidential will be brought to the Committee with a recommendation from the Secretariat as to whether these documents should remain confidential or be released. It is important to note that authorization

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from the Committee and/or Council (depending on which body directed that the documents remain confidential) will be required prior to documents being released.

Stakeholder Engagement, Research and Communication

The Engagement Advisory Sub-Committee's engagement program will continue throughout October. The Sub-Committee will provide a "What We Heard" report to the Committee prior to the vote of the electors.

Strategic Alignment

Social, Environmental, Economic (External)

The City Secretariat continues to review alignment between the activities and objectives of the draft plan and Council Directives, policies, plans, and strategies.

Financial Capacity

Current and Future Operating Budget:

Finance staff and external advisors have and will continue to assess financial implications on current and future City operating and capital budgets associated with hosting the Games. This includes an assessment of the potential implications of hosting the Games on The City's debt capacity, particularly in light of other major City initiatives.

Current and Future Capital Budget:

See above.

Risk Assessment

Hosting an Olympic and Paralympic Winter Games is a complex and unique undertaking. In an opportunity of this magnitude there is inherent and significant legal, operational, financial, reputational, and other risk that must be identified and accepted, managed, mitigated, monitored, transferred, or avoided. The City Secretariat continues to assess the nature and extent of risk that might be associated with bidding for and hosting the Games. An updated public risk register is included as Attachment 3.

Given that negotiations with other orders of government for a cost-sharing agreement should a bid proceed are ongoing, some risks (such as legal and financial risks and mitigation strategies associated with cost-sharing negotiations) will be shared during the closed session portion of the Committee's meeting.

Given that a cost-sharing agreement with the Government of Canada and Government of Alberta remains to be concluded, a continuing risk is the ability of The City's public engagement program to meet the expectations of Calgarians and Council to provide all of the information believed to be required to inform Calgarians before the vote of the electors. To mitigate this

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risk, the consultant to the Engagement Advisory Sub-Committee has been asked to help identify information that will and will not be available when open houses begin.

Given that the City Secretariat is engaged in cost-sharing negotiations with the other orders of government and given the competitive nature of bidding to host the Games, it is also important to ensure that information that is deemed and directed to be kept confidential and not in The City's interest to share at this time be kept confidential.

REASON FOR RECOMMENDATIONS:

The City Secretariat's mandate is to conduct due diligence regarding the 2026 OPWG project on behalf of The City of Calgary, the 2026 OPWG Assessment Committee and Council. A key objective of the Secretariat is to ensure that the Committee and Council are provided with frequent and comprehensive reports on the status of the Secretariat's work to ensure a clear understanding of the opportunities, benefits, issues, and risks associated with bidding for and hosting the Games.

ATTACHMENTS:

1. Attachment 1 – Previous Council Direction
2. Attachment 2 – “Economic Impact of WinSport on the Calgary Economy”, 2017 March
3. Attachment 3 – Risk Register