



Calgary's proposed bid for the 2026 Winter Games

Summary presentation of the
outputs of the cost-benefit analysis

06 November 2018

Introduction



Kent Kauffield
Partner

- Kent is Managing Partner for EY Calgary. He has over 25 years of experience, advising clients and working as a member of senior management within industry.



John Barrett
Partner

- John is a Partner who works in EY's Government and Public Sector Advisory practice. He advised the City of Toronto on potential bids for the 2024 Summer Olympics and 2025 World Expo.

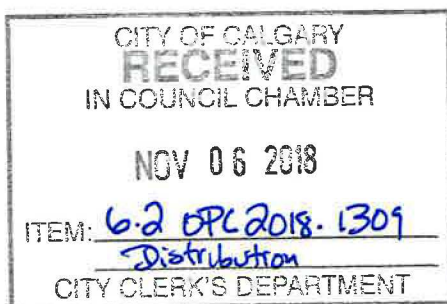


Jillian Beaton
Vice President

- Jillian is a member of EY's Infrastructure Advisory team. She focuses on providing public sector clients advice on major projects. She is a born and raised Calgarian, and has extensive knowledge of the local market.

Introduction

Matt and Mauricio were key contributors to this cost-benefit analysis, but could not be here today



Matt Colston
International expert

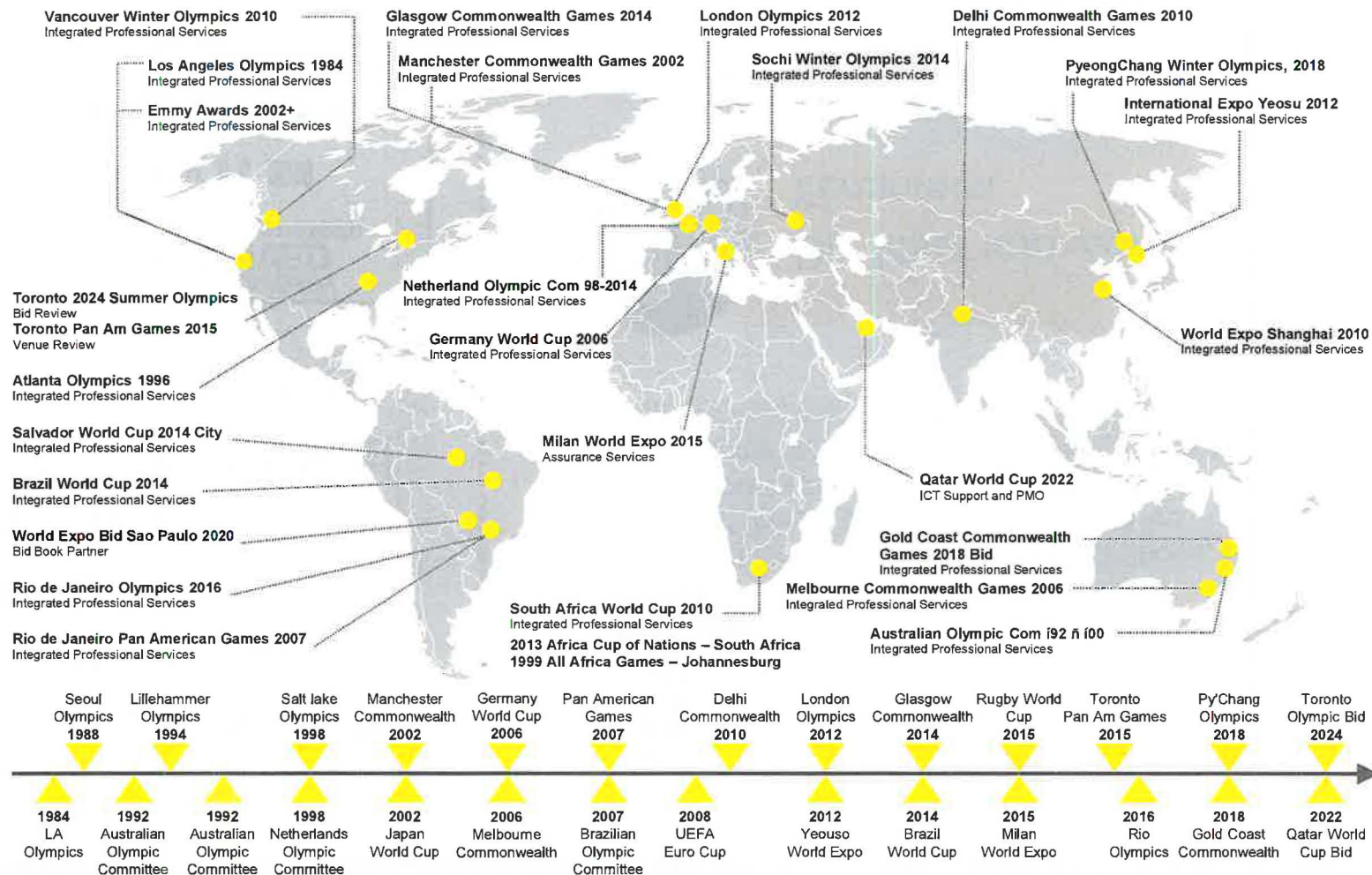
- Matt is the Oceania leader of EY's Sports, Events and Venues Consulting group. Matt has undertaken economic impact assessments or cost benefit analysis of over 80 major events globally



Dr. Mauricio Zelaya
Economist

- Mauricio is a Vice President in EY's Economic Advisory practice. He has a PhD in economics. He is an active member in the academic community, lecturing graduate economic courses at the Schulich School of Business at York University.

EY's major event experience



Our role

Why has EY been engaged by The City?

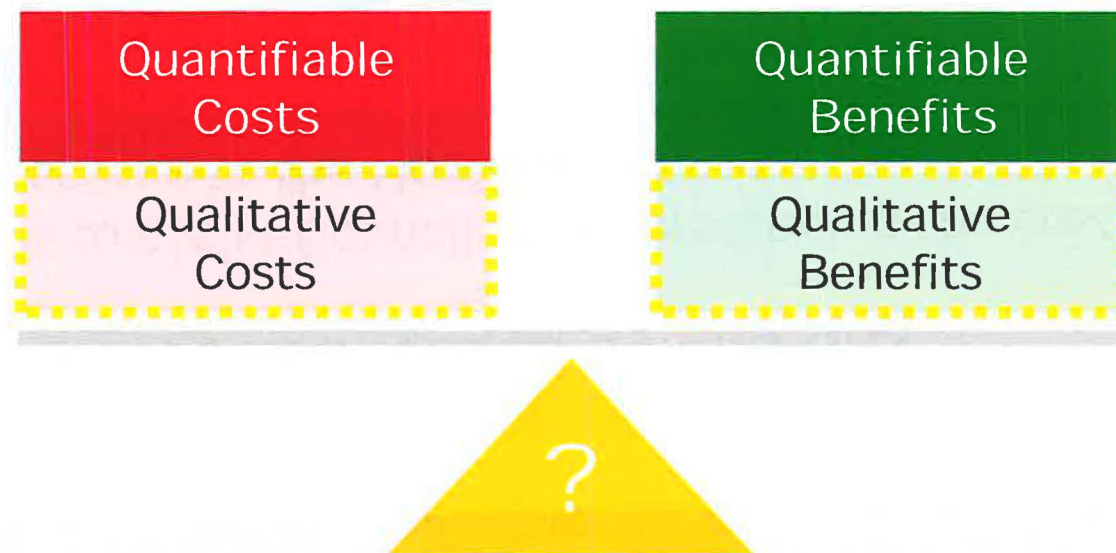
Our goal is to assist Council in understanding the costs and benefits that may accrue to the Host Region.

Background information:

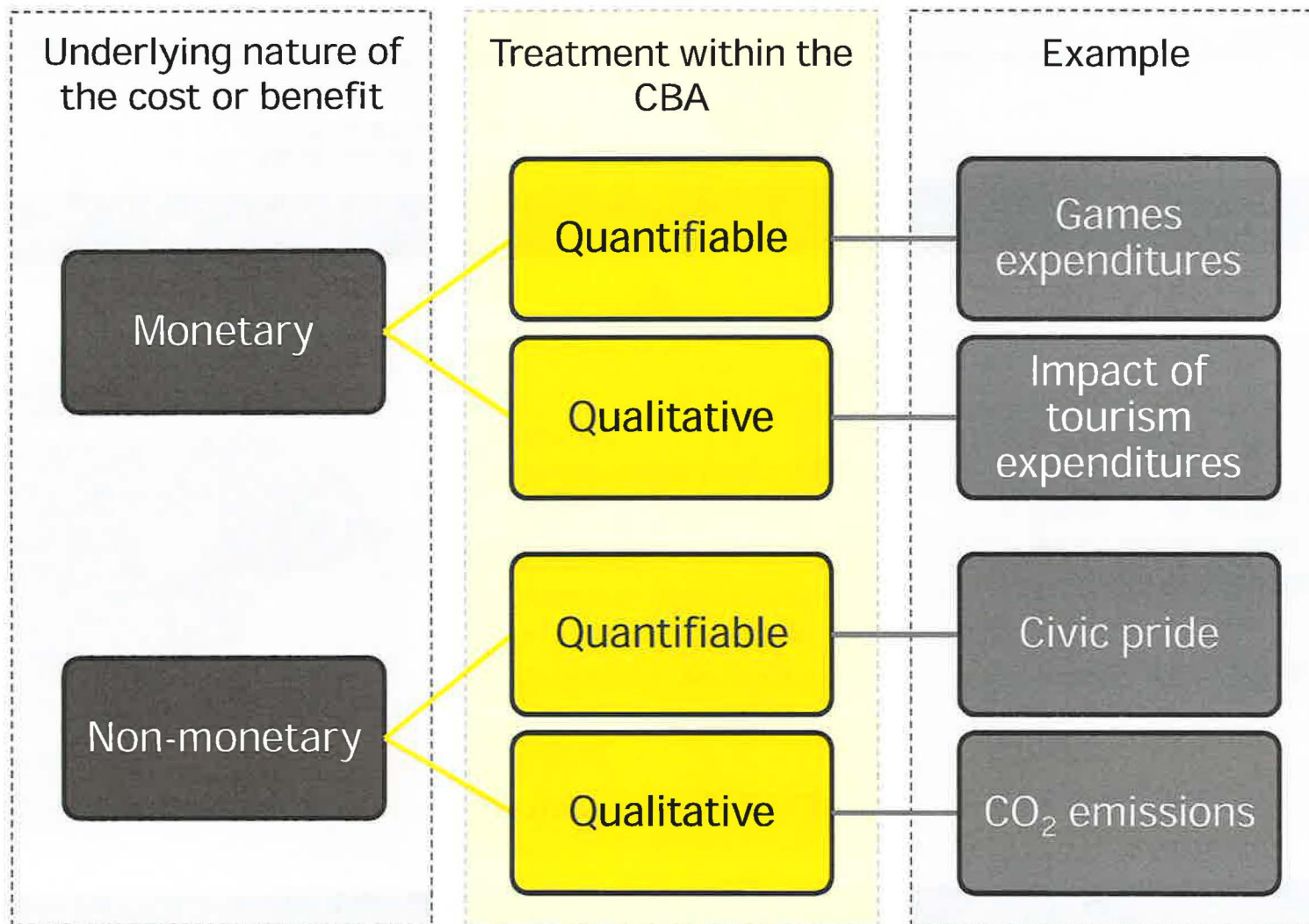
- ▶ There are multiple reports from the CBEC-era that examine the potential economic impact of the Games.
- ▶ These reports pre-dated the *Calgary 2026 Draft Host Plan Concept* (released 11 September, and amended 31 October).
- ▶ A cost-benefit analysis is an established decision-making framework that offers a different perspective than an economic impact study.

What is cost-benefit analysis?

- ▶ A cost-benefit analysis (CBA) is a tool used to evaluate potential projects against a current state (status quo) scenario.
- ▶ It examines the advantages (**benefits**) and disadvantages (**costs**) of project decisions.
- ▶ Where possible, it converts a project's costs and benefits into dollar terms (i.e. quantifiable).



Understanding the CBA



Understanding the CBA

Geographical area of assessment



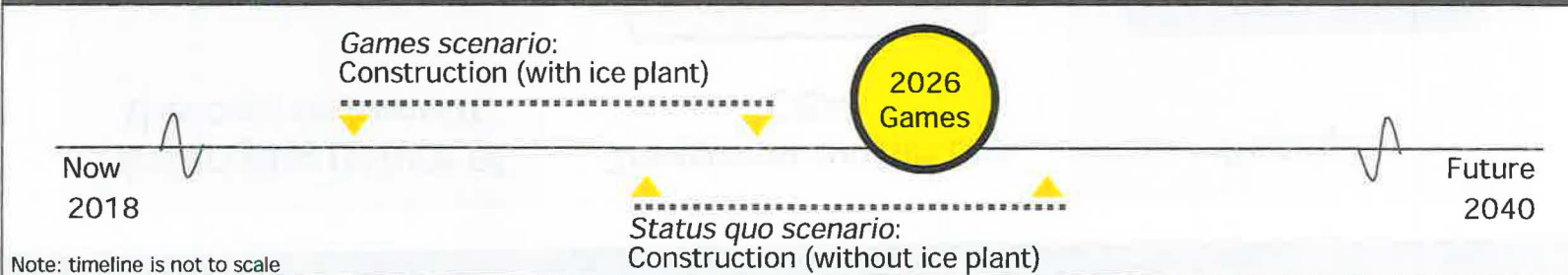
Comparison against a baseline

- ▶ Costs and benefits were evaluated against a baseline 'status quo' scenario.
- ▶ The CBA measures incremental costs and benefits.

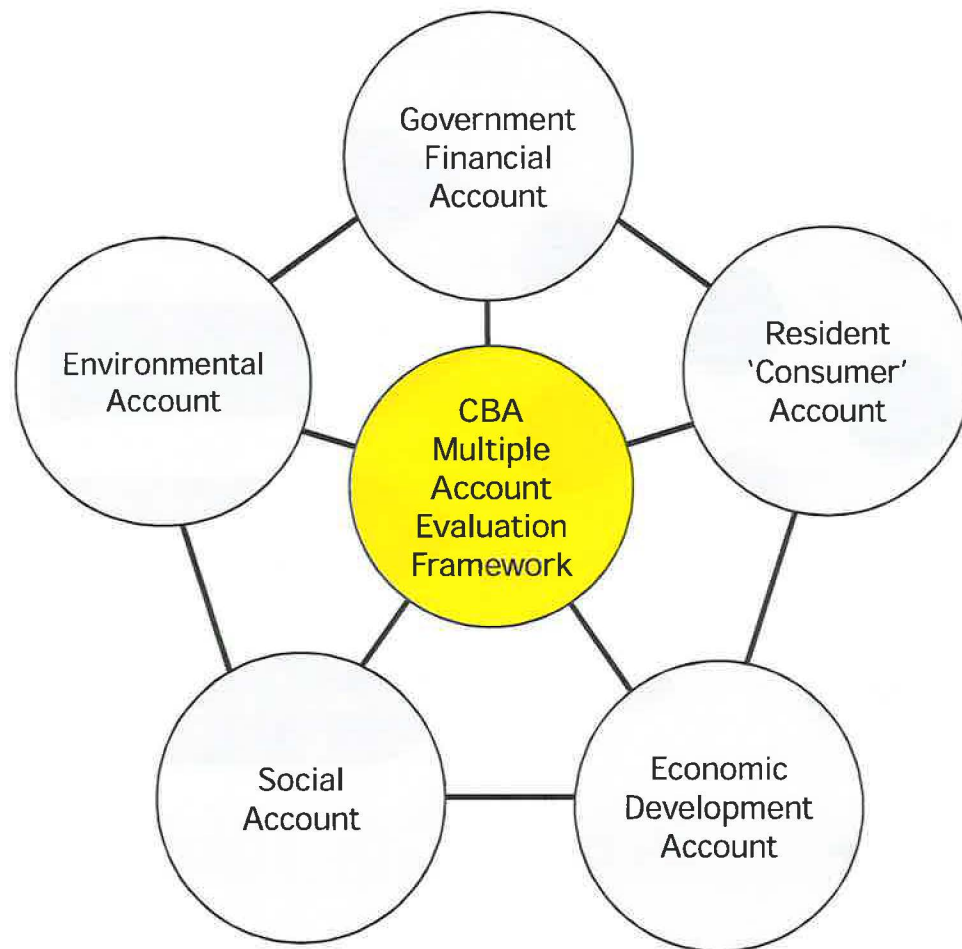
Presentation of dollar values

- ▶ Inputs are in 2018 dollars.
- ▶ Outputs are presented as a net present value (NPV) using a social discount rate.

EXAMPLE: What is the impact on the Multi-Sport Complex (Fieldhouse) if the Games proceed?



The CBA framework



1

This framework provides a holistic view of the Games

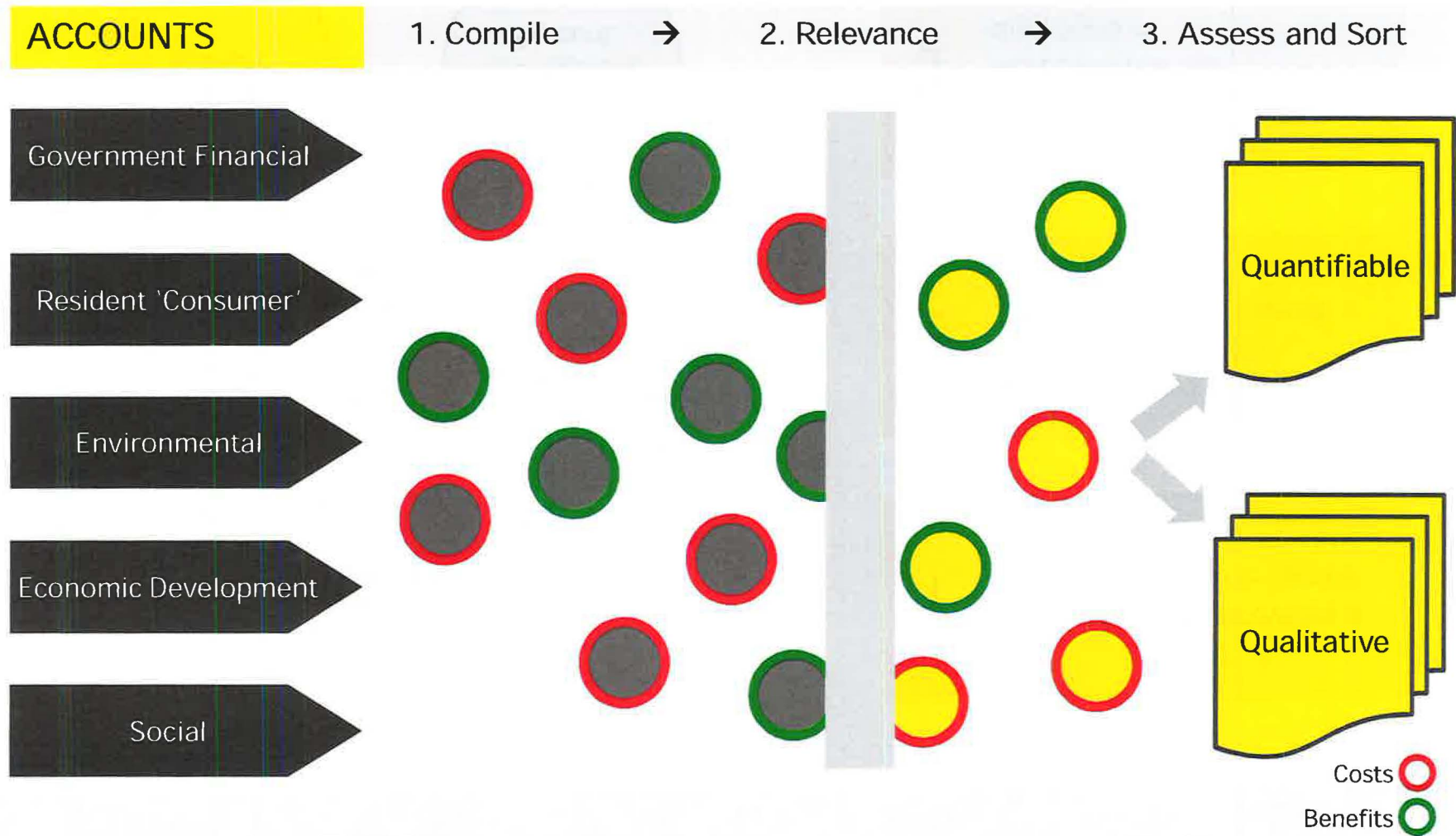
2

The framework is consistent with the CBA of the Vancouver 2010 Games (Shaffer et al.)

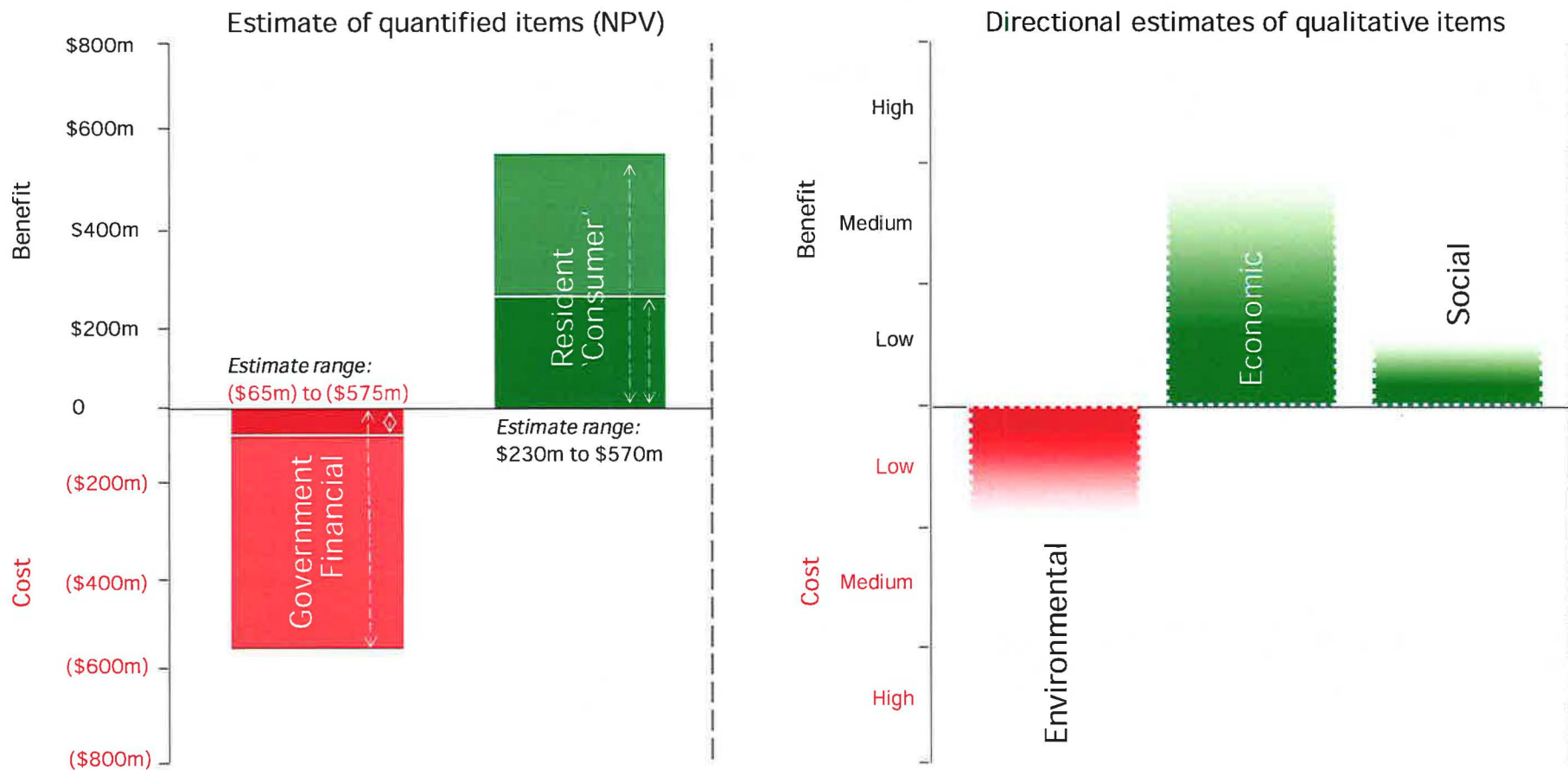
3

Conclusions from different accounts are not aggregated

The CBA framework



The CBA summary



The CBA summary

1

Hosting the Games is a public good. The Government Financial Account is negative, as expected.

It was expected that the Government Financial Account in the context hosting the Games would be negative within a CBA. If this account were positive, then this project may have been delivered by the private sector, as a commercial opportunity.

2

There are other benefits that emerge when examining other accounts.

The consumer, economic development, and social accounts conclude in a net benefit position. The benefits from these accounts may offset financial costs, however not all these benefits are monetary, and not all have been quantified.

3

The relative importance of each account is inherently personal, and is dependant on one's values.

Stakeholders must consider their personal values in determining the weighting to be applied to each account. A decision on whether to support the Games will be informed by the lens through which with each individual views the various costs and benefits.

Government Financial

ACCOUNT SUMMARY

Government Financial



Description:

This account assesses the net change in financial position for the Host Region, and reflects the net financial cost or benefit to its citizens.

Items quantified:

- ⊖ 2026 Games expenditures
- ⊕ 2026 Games revenue from operations
- ⊕ Incremental Federal Government funding
- ⊕ Incremental Provincial Government funding
- ⊕ Status quo venue investments avoided

Estimate of quantified items (NPV):

Net cost of \$65M - \$575M

There is a net financial cost, as is typical when governments deliver public goods.

Table 1 : Key Inputs to the Government Financial account

Inputs	(2018 \$ millions)
Costs	
Games expenditures	(4,777)
Benefits	
Games revenues from operations	2,233
Incremental Federal Government funding	1,452 ¹
Incremental Provincial Government funding	0 - 700 ²
Status quo venue investments avoided	384
Discount rate	
Social discount rate	6% - 8%

Note 1: The CBA assumes the Federal funding is 100% incremental

Note 2: The \$65M net cost assumes the Provincial funding is 100% incremental, while the \$575M net cost assumes it is 100% substitutive.

Residential 'Consumer'

ACCOUNT SUMMARY

Residential 'Consumer'



Description:

This account assesses the benefits the residents of the Host Region will experience and negative consequences they may suffer from hosting the Games.

Items quantified:

- ▶ ⊕ Subjective well-being of residents (through a measure of incremental life satisfaction)

Estimate of quantified items (NPV):

Net benefit of \$230M - \$570M

Using research collected from the 2012 Summer Games in London, the 'benefit transfer method' was used to generate a quantitative estimate for this account.

Environmental

ACCOUNT SUMMARY

Environmental



Description:

This account assesses the environmental impacts from construction, infrastructure use, and increased transportation-activity related to hosting the 2026 Games.

Items considered qualitatively:

- ▶ ⊕ Facilities built to higher environmental standards
- ▶ ⊕ Environmental offset strategies
- ▶ ⊖ Negative air quality impacts
- ▶ ⊖ CO₂ emission increases
- ▶ ⊖ Increased solid and liquid waste

Qualitative directional assessment:

Net negative (low-medium)

Despite aspirations of Calgary 2026 to run a sustainable Games, history suggests it is difficult to fully mitigate the negative environmental impacts.

Economic Development

ACCOUNT SUMMARY

Economic Development



Description:

This account assesses the economic impacts that may result from hosting the 2026 Games.

Items considered qualitatively:

- ⊕ Estimated incremental expenditure in the Host Region
- ⊕ Marketing of the 'Calgary brand' globally
- ⊕ Real estate uplift
- ⊖ "Crowding out" effect

Qualitative directional assessment:

Net positive (medium-high)

The Games will attract new expenditure, and there is potential these expenditures may generate incremental income and employment benefits for the Host Region.

Social

ACCOUNT SUMMARY

Social



Description:

The account assesses the social effects of the 2026 Games on the Host Region.

Items considered qualitatively:

- ▶ ⊕ Social value from affordable, seniors, and urban indigenous housing
- ▶ ⊕ Health benefits from increased sports participation
- ▶ ⊕ Community building and volunteerism
- ▶ ⊖ Housing displacement
- ▶ ⊖ Lack of inclusiveness (event ticketing)

Qualitative directional assessment:

Net positive (low)

The Games may help build cohesion in the community and bring local residents together.

Revisiting the CBA summary

1

Hosting the Games is a public good. The Government Financial Account is negative, as expected.

2

There are other benefits that emerge when examining the other evaluation accounts (e.g. economic development, consumer, etc.)

3

The relative importance of each account is inherently personal, and is dependant on one's values.



Appendix A – Terms of reference

Terms of reference

Limitations

In preparing this Cost Benefit Analysis EY relied upon unaudited statistical, operational and financial data and information from a variety of sources as well as discussions and consultations with The City of Calgary ("The City") and numerous other stakeholders (collectively, the "Supporting Information"). EY reserves the right to revise any analyses, observations or comments if additional Supporting Information becomes available to us. The Supporting Information includes data from the *Calgary 2026 Draft Hosting Plan Concept*, and information about the proposed funding agreement as presented during the Strategic Meeting of Council on 31 October 2018.

EY assumed the Supporting Information to be accurate, complete and appropriate for purposes of the Cost-Benefit Analysis. EY did not audit or independently verify the accuracy or completeness of the Supporting Information and, accordingly, EY expresses no opinion or other form of assurance regarding the Supporting Information. An examination or review of financial forecasts and projections on the Supporting Information, as outlined in the Canadian Institute of Chartered Accountants Handbook, has not been performed.

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