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RISKS ASSOCIATED WITH NOT BIDDING

In our May 31, 2017 submission to the City of Calgary we indicated Section 12.4 Risks Associated With Not Bidding and Section 12.5 Risks Associated With Bidding would be submitted at the same time as CBEC's final recommendations, July 24, 2017.

Since May 31, the IOC made two significant announcements:

1. In response to our initial presentation to Council on June 19, 2017, the IOC responded to our initial estimates with the following:

"We understand that Calgary's estimated budget has been modelled on the experience of Vancouver 2010, and did not benefit from the new approach of organizing the Games, which emphasizes efficiencies and sustainability in the context of a city's long-term planning as a part of the Olympic Agenda 2020 framework."

"While we have not seen the detail of Calgary's draft budget, we remain confident that by working together to refine operational planning, that opportunities exist for significant savings."

2. We were also aware that the IOC was contemplating changes to the bidding process timelines, evaluation criteria and other bidding related requirements. However, the changes announced on July 11, 2017, were more far reaching and foundational than we had expected. Importantly, many of the details of those changes are not yet fully understood. The IOC's changes were underscored by the remarks of the President of the IOC, Thomas Bach on July 11, 2017:

"In a nutshell, the Candidature Process ... has become too expensive and too onerous for this new political reality."

"We have been asking too much, too soon of the cities."

The risks associated with not bidding on the 2026 OPWG are fundamentally contingent on the bidding process, which as noted above are changing. While the IOC has confirmed there will be changes within the process, including the possibility of being invited to bid ("invitation phase" commencing September 2017), the changes in totality are still unclear and undefined. The IOC

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has yet to confirm a date when the revised bidding process and rules will be released. Thus, until a full understanding of ALL the IOC changes to the rules around bidding for the 2026 Games, as well as changes to the hosting requirements can be understood, a full, fair and complete set of risk assessments cannot be reasonably nor responsibly completed. For the time being, we have provided high level, qualitative assessments of Risks Associated With Not Bidding and Risks Associated With Bidding in this section and Section 12.5.

There are risks associated with not bidding on a 2026 OPWG. Both Deloitte's and The Conference of Board of Canada reports indicated the total direct and indirect GDP impacts of bidding for and hosting the Games are in excess of \$2 billion (section 8.2) those benefits would be unrealized if Calgary did not proceed with a bid.

Summary: All Activities	Deloitte			Conference Board		
	Greater Calgary Area ⁱ	Alberta	Canada	Calgary Metropolitan Area ⁱⁱ	Alberta	Canada
CBEC Expenditure Estimates Modelled (CS B 2017)	----- 3.3 -----			----- 3.5 -----		
Direct GDP Impacts (CS M 2017, excl. tourism)	344	941	950	1,133	1,457	1,599
Indirect GDP Impacts (CS M 2017, excl. tourism)	509	1,256	1,706	175	411	614
Total GDP Impacts ⁱⁱⁱ (CS M 2017, excl. tourism)	853	2,197	2,656	1,308	1,868	2,213
Tourism Expenditure Estimated Modelled (CS M 2017)	----- Not estimated -----			----- 548 -----		

In addition to the economic impacts outlined above, venues and training facilities constructed for the 1988 Olympics will require improvements and endowments to continue efficiently operating, because by 2026 they will all be 40 years old. These investments would ensure world calibre venues remain operational and readily available for high performance and recreational athletes alike.

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The benefits of renewing our winter sport infrastructure go well beyond the field of play. Calgary would continue to attract high performance elite athletes and coaches to live and train in our city, national sport organizations would continue to make their home in Calgary, and World Cups and World Championships being staged annually in Calgary and the Bow Valley Corridor. An investment in capital maintenance and/or structural improvements of these facilities would continue to enhance Calgary's 1988 legacy as a blue print for sustainable development.

The investments needed to sustain the 1988 Olympic venues, should Calgary decide not to bid, at this time, are summarized below.

No Bid Investments

Capital Maintenance	\$50,000,000
Long Term Enhancements	65,000,000
Endowments	80,000,000
Contingency	20,000,000
	<u>\$215,000,000</u>

Capital Maintenance costs are required to extend the useful life of a facility in its current configuration to a period which includes, at minimum, the expected timeframe of a prospective 2026 OPWG. These are costs that will need to be incurred by venue operators to keep the facility operating in its usual manner regardless of whether Calgary bids for the Olympics. The Capital Maintenance costs identified include:

- [REDACTED]

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- [REDACTED]
- [REDACTED]
- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- I [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Long-Term Enhancements have been defined as improvements to a venue that reasonably enhance the facility from its present state/configuration. As a result, these improvements provide incremental and long-term benefit to sport, venue operators, recreational users and/or the community at large - locally, provincially and nationally, and from a social, sport or economic perspective. This investment category may be undertaken in conjunction with a Capital Maintenance/Life Cycle plan and possibly result in lower costs than would otherwise be the case if such Long-Term Enhancements were undertaken on a “stand-alone” basis. The

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“additional investments” that should be considered, whether or not the Games are hosted include:

- [REDACTED]
- I [REDACTED]
- I [REDACTED]
- I [REDACTED]
- I [REDACTED]

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Calgary Bid Exploration Committee – Feasibility Study and Conceptual Master Hosting Plan



Endowments

Facility and sport legacies were a critical component of the legacy of the 1988 Games through the Calgary Olympic Development Association (now WinSport), as well as during the 2010 Games through the Games Operating Trust. Facility legacy endowments would ensure the continued operation of Games facilities, thereby enabling community use for future generations. These endowments could be targeted to provide both operating subsidies and funding for ongoing capital maintenance needs, helping to ensure any public facilities built or renovated for the Games would remain aligned with community and stakeholder needs. These facilities would provide access to sport for people of all abilities and help foster an active community - a priority identified by the City of Calgary as part of its Triple Bottom Line policy.

CBEC's estimates of an appropriate provision of endowment legacy funds for Calgary and region can be divided into the following categories:

- a) Facility Legacy Endowment - established to ensure ongoing operations at select facilities such as WinSport and the Olympic Oval
- b) Sports Programming Endowment - established to support amateur and high-performance athletes and ensure the public can access facilities post-games

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The facilities from the 1988 games are now over 30 years old and are nearing end of life and/or require replacement or significant refurbishment. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Regardless of a bid or not, Calgary would need to address the issues surrounding these venues if it wants to continue being home to world class training facilities that produce world class athletes. The risk, or perhaps more to the point, the reality of “not bidding” is that meaningful costs must be incurred, in any event, if Calgary’s position as the winter sports capital of Canada is to be maintained.

