

L.E.K.



The Civic Federation



**The Civic Federation**

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## Chicago 2016 Olympic Bid Review Summary Findings August 26, 2009

The materials contained in this document are intended to supplement a discussion between Civic Federation and L.E.K. Consulting on August 26, 2009. These perspectives are confidential and will only be meaningful to those in attendance.

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## L.E.K. Consulting Disclosure Statement

- L.E.K. Consulting was not involved with the development of the Chicago 2016 Olympic bid
- In the past, L.E.K. Consulting has worked with the City of Chicago on several projects
  - Identification of revenue opportunities for downtown parking garages
  - Analysis of Chicago O'Hare's airport parking revenue and future development opportunities
  - A pro bono analysis as part of the Civic Consulting Alliance's project to facilitate the City's application for stimulus grants for the American Recovery and Reinvestment Act (ARRA) of 2009
- L.E.K. currently has one open proposal for the City of Chicago
  - Retail concept development and optimization at Chicago's O'Hare Terminal 5

## Disclaimer

- This report has been prepared by L.E.K. Consulting, LLC (“L.E.K.”) for the Civic Federation (the “User”) in connection with the assessment of Chicago 2016’s Olympic Budget (the “Project”). All information contained in this report and any other documents provided to you by L.E.K. are qualified by statements contained in this disclaimer. L.E.K. reserves the right to amend, supplement or replace this report at any time. User shall not rely on any oral communications by L.E.K. employees or representatives with respect to the Project, and the opinions, projections, estimates and conclusions of L.E.K. are solely those set forth in and qualified by this report
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Unless otherwise specified, all financial values in this report have been represented in 2008 U.S. Dollars. All budget amounts may be subject to normal inflationary pressure

## Agenda

- Project background
- Executive summary
- OCOG budget
- Olympic Village
- City revenue and expenses
- Insurance provisions and safety net

## L.E.K. Consulting was engaged by the Civic Federation to help undertake an independent and objective review of the Chicago 2016 Olympic bid

### Scope of Work

- Given the condensed time frame of the analysis, the bid was reviewed at a high level, focusing on the testing and vetting of major assumptions that had material impact on the budget
- The budget development process and forecasted revenue and expense line items were assessed to determine if they represented a “fair and reasonable” view of the potential economics of the Summer Games
  - Expenses to the City of Chicago and insurance coverage were also evaluated to gauge the potential impact on and level of protection for Chicago taxpayers
- The work was guided by the Civic Federation Olympics Advisory Committee and was compiled in close conjunction with the Civic Federation

### Specific Areas of Analysis

- The budget for the Chicago 2016 Organizing Committee of the Games (OCOG)
  - Primary budget for the staging of the 2016 Olympic Summer Games
  - Includes venue construction and operating expenses for the Olympic budget
- The Olympic Village construction budget
  - This budget item has been developed separately from the Olympic budget
- City of Chicago revenues and expenditures directly related to the Olympic Games
- Insurance and safety net provisions proposed by the 2016 bid committee

## Each key portion of the budget was analyzed to determine if the process and forecasted revenue or expense amount was fair and reasonable

### Budget Review Process



- Collected and interpreted data used to construct each budget item
- Interviewed key participants and SMEs (Subject Matter Experts)
- Understood and documented processes used to create each budget item
- Determined key assumptions impacting budget outcomes for each line item
- Prioritized budget items based on relative size and amount of influence Chicago 2016's assumptions had on the outcome
- Identified metrics and analysis used to inform assumptions to create a robust fact base
- Retested key assumptions to review for validity
- Performed additional research (where appropriate) to sense check and validate assumptions
  - Assumptions that generated uncertainty in the final outputs for large budget items were prioritized for further research
- Interviewed experts not associated with Chicago 2016's bid process to understand best practices
- Based on research and analysis, determined if budget amount is "fair and reasonable"

## Five specific criteria were examined to determine if the assumptions driving each forecast were “fair and reasonable”

Criteria	Description
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>● To what extent did the budget item have a clear owner and champion throughout its development?</li> <li>● Are there individuals or teams in place for the functional area in the event Chicago wins the bid?</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>● What internal and external experts were consulted on each area of the budget? <ul style="list-style-type: none"> <li>- What Olympic experience did the team have in the particular area?</li> <li>- What other mega sports event experience did the team have?</li> </ul> </li> <li>● How robust was the iteration process with the expert team and how were comments or input incorporated into the plan?</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>● To what extent was a fact based approach applied to analyzing the budget item?</li> <li>● What data was used to drive this analysis? <ul style="list-style-type: none"> <li>- How was this data derived?</li> </ul> </li> <li>● Were the basic assumptions driving the analytics consistently and methodically applied in the creation of the fact base?</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>● How does each line item compare to experience from prior Games? <ul style="list-style-type: none"> <li>- Which Games represent valid comparables and why or why not?</li> </ul> </li> <li>● What other benchmarks were used to develop the budget or “sense check” the detailed plan that was created?</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>● To what extent were sensitivities around key inputs tested?</li> <li>● How large is the reasonable range? Which assumptions have the greatest impact?</li> </ul>

## A wide range of Chicago 2016 staff and outside experts were consulted to understand how the 2016 Olympic budget was crafted

Chicago 2016 Members & Position	Consultants, Company, and Area of Expertise
<ul style="list-style-type: none"> <li>● Robert Accarino, Environment</li> <li>● Doug Arnot, Operations</li> <li>● Richard Bezemer, City Relations</li> <li>● Dave Bolger, COO</li> <li>● Tom Cisewski, Sports, Venues, and Operations</li> <li>● Jessica Fairchild, General Counsel</li> <li>● Cassandra Francis, Director of Olympic Village Development</li> <li>● Chip Hardt, Director of Development</li> <li>● Wally Hayward, Sponsorships</li> <li>● Lori Healey, President</li> <li>● Susan Jones, Transportation</li> <li>● Rick Ludwig, CFO</li> <li>● Pat Ryan, Chairman</li> </ul>	<ul style="list-style-type: none"> <li>● Ranadip Bose, S.B. Friedman (Olympic Village)</li> <li>● Everett Grady, Abbott (venue construction)</li> <li>● Michael Halchak, Populous (venue design &amp; construction)</li> <li>● Brian Hedges, Huron Consulting Group (transportation)</li> <li>● Paul James, Bovis Lend Lease (Olympic Village)</li> <li>● Sharon Kingman, Sharon Kingman, Inc. (IT and telecommunications)</li> <li>● Thomas Kirschbraun, Jones Lang LaSalle (Olympic Village)</li> <li>● Randy Nornes, Aon (insurance)</li> <li>● Jeffrey Riemer, Bovis Lend Lease (Olympic Village)</li> <li>● Marty Schueren, International Speedway (ticket sales)</li> <li>● Alan Shaw, Epic (workforce)</li> <li>● Turner Construction (Olympic Stadium)</li> <li>● Beth White, Whiteboard Strategies (venue design &amp; media)</li> <li>● Kenneth Wylie, Sidley Austin LLP (insurance)</li> <li>● Elliott Young, Jones Lang LaSalle (Olympic Village)</li> </ul>
City of Chicago	Independent Experts
<ul style="list-style-type: none"> <li>● Gene Saffold, Chief Financial Officer</li> <li>● Mara S. Georges, Corporation Counsel</li> <li>● Raymond Orozco, OEMC</li> <li>● Brian Murphy, Chicago Police Department</li> </ul>	<ul style="list-style-type: none"> <li>● Gordon Crabtree, former CFO of the Salt Lake City Winter Olympic Games</li> <li>● Mark Gauss, TIF Administrator, Illinois Department of Commerce and Community Affairs</li> <li>● Gary Slagle, Managing Director of Operational Planning and Budgeting for the Atlanta Olympics</li> </ul>

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## L.E.K. found the budget developed for the Chicago Olympic 2016 bid meets the “fair and reasonable” evaluation criteria

- The budget for planning and operating the Olympic Games is highly detailed and was built in a thorough manner using internal and external expertise with significant previous Games experience
  - Most revenue estimates have been constructed using detailed analysis of the Chicago marketplace, though Local Sponsorship revenue and Donation revenue appear to be moderately aggressive targets
  - Key expense budgets have been constructed at the line item level using best practices from prior Games coupled with input from Subject Matter Experts
- The Olympic Village project will expose the City of Chicago to continuing real estate risk during the development of the Village, which can be effectively managed
  - The signing of the Host City Contract does not contractually require a city guarantee of a \$976M Olympic Village, but does bind the city and the Operating Committee into providing an Olympic Village to house athletes and trainers during the games
- The City’s analysis of projected expenses and offsetting revenue appears to have been developed using a process that included key experts from City and Federal agencies
  - Funding for additional police, fire and waste management services will be derived primarily from Amusement Tax revenue on projected Chicago area ticket sales
- Chicago 2016 intends to secure a high level of insurance and has already secured capacity
  - While the insurance vehicles and capacity have been identified, the purchase of the insurance cannot take place until the Games have been awarded
- As outlined in the budget evaluated, the contingency combined with the planned insurance appear to provide an adequate level of protection against funds being required by the City of Chicago in reasonable economic and performance scenarios

## The review focused primarily on the bid developed for the IOC throughout 2008 and early 2009

- Management has acknowledged that some line items have been modified since the bid book was produced as inputs or assumptions have changed over time
  - Changes primarily centered around the updating of some cost estimates, most of which are largely immaterial to the budget
  - The exceptions include assumptions around the structure of the Olympic Village and the additional cost of procuring the projected insurance, both of which have been noted in this report
- While the plan is detailed and thorough, meeting the proposed budget will depend at least partially on how closely the bid plan is followed
  - A lack of project management discipline and changes to scope may materially impact the budget
  - Special interests from individuals or groups not aligned with Chicago 2016's budgeted plan may also de-rail efforts to keep the projected budget
  - For example, the plan as written leverages temporary and existing structures as venues; changing to more permanent structures could have a large impact on the budget
- The Chicago 2016 Bid Committee has compiled a team with an extensive amount of knowledge and experience in Games operation
  - In order to execute on the planned budget, it will be important to maintain an experienced, professional team if the Games are awarded to Chicago
  - The ultimate structure of the team will not be finalized until the IOC decision has been made



The capabilities of the team chosen to execute the plan could have a material impact on the final result

## Chicago 2016's OCOG revenue budget is fair and reasonable with several line items being projected at the optimistic end of reasonable ranges

Line Item	Remarks
Local Sponsorships	<ul style="list-style-type: none"> <li>Chicago 2016's target sponsorship levels appear achievable though they are highly dependent on the participation of many companies at levels consistent with historical growth rates</li> <li>Revenue is expected to be significantly larger than past Summer Games and is supported by analyses and appropriate benchmarks <ul style="list-style-type: none"> <li>The sponsorship revenue estimate would represent a ~3.8% real CAGR from the 1996 Atlanta Games</li> <li>Total North American sponsorship revenue grew ~7% per annum on a real basis from 1996 to 2008</li> </ul> </li> </ul>
Ticket Sales	<ul style="list-style-type: none"> <li>Overall, the ticket revenue projection appears reasonable, although assumptions used to develop ceremony and prime ticket price estimates appear to be aggressive <ul style="list-style-type: none"> <li>Ceremony and prime event ticket prices make up nearly 50% of ticket revenues; premium seating at these events are priced substantially higher compared to previous Olympics</li> <li>Chicago 2016 aims to sell one million more tickets than the Sydney Olympics, yet at a ~12% lower average price per ticket</li> </ul> </li> </ul>
Donations	<ul style="list-style-type: none"> <li>Projected donations also appear aggressive compared to the amount budgeted in previous Games <ul style="list-style-type: none"> <li>However, while an aggressive goal, the average annual amount required in the seven years leading up to the Games appears reasonable given total annual giving estimates in Chicago and the Bid Committee's demonstrated ability to raise money in the two year bid development</li> <li>An additional \$23M to \$41M in donations not currently contained in the OCOG budget is required to procure additional insurance, increasing the donations budget to between \$269M and \$287M</li> </ul> </li> <li>The effectiveness of the donation effort will be impacted by the quality of the team put in place and may consume a significant portion of management's time</li> </ul>
Licensing & Other (Paralympics)	<ul style="list-style-type: none"> <li>Licensing revenue projections appear to be in-line with benchmarks such as world-wide sport licensing revenue and previous Olympics</li> <li>Paralympic Games revenue closely mirrors previous Summer Games, including ticketing volume and pricing assumptions <ul style="list-style-type: none"> <li>Moreover, the Federal government is expected to provide substantial subsidies for the Paralympic Games, which are targeted to make the Paralympic Games break even</li> </ul> </li> </ul>
TOP Sponsorship and IOC Contribution	<ul style="list-style-type: none"> <li>The remaining revenue items consist of IOC specified inputs and cost items, which are the same revenue amounts given to all candidate cities and are not directly influenced by the operating committee</li> </ul>

## Expense items were built up using detailed construction and operational plans with conservative assumptions and appear fair and reasonable

Line Item	Remarks
Venues and Village	<ul style="list-style-type: none"> <li>The budget for construction expenses appears to be fair and reasonable given the internal and external resources that were employed <ul style="list-style-type: none"> <li>Input from an array of engineering firms and experts was incorporated into the planning for each venue</li> </ul> </li> <li>The methodology used to determine venue operational expenses was built by line item for each venue in the plan</li> <li>Expenses associated with the construction and operation of the Olympic Village included in the OCOG budget were derived using similar processes and were used to develop cost estimates for the Olympic venues</li> </ul>
Workforce	<ul style="list-style-type: none"> <li>The workforce was a comprehensive build up by individual titles and associated salaries, with an established best-practices roll-out strategy for each functional area developed over the past several Olympics <ul style="list-style-type: none"> <li>The reasonableness of the workforce line item is highly dependent on the mitigation of personnel creep</li> </ul> </li> </ul>
IT and Telecom	<ul style="list-style-type: none"> <li>While negotiating VIK (value-in-kind) items with sponsors may prove challenging, Chicago 2016 employed qualified personnel and a detailed process for forecasting IT and Telecommunications expenses</li> <li>Cost estimates appear to be conservative given the assumptions used for anticipated headcount and item costs</li> </ul>
Administration	<ul style="list-style-type: none"> <li>The process for forecasting Administration expenses satisfies the criteria necessary to be considered fair and reasonable <ul style="list-style-type: none"> <li>Most critical components are supported by detailed line item analysis</li> </ul> </li> </ul>
Transport	<ul style="list-style-type: none"> <li>The transportation plan is an adequate representation of how a system would be operated based on the current structure of the games <ul style="list-style-type: none"> <li>Model assumptions, sample output, and implications for the infrastructure (such as whether or not Olympic peak traffic is expected to exceed normal peak capacity) were well documented</li> </ul> </li> </ul>
Ceremonies	<ul style="list-style-type: none"> <li>The amount of detail in the ceremonies and culture budget appears sufficient given the current stage of the bid <ul style="list-style-type: none"> <li>Management will have significant control in restraining the costs of the Opening and Closing ceremonies by enforcing a strict budget on the production team</li> </ul> </li> </ul>
Other	<ul style="list-style-type: none"> <li>Other line items include Paralympic Games, Advertising, Catering, Medical Services, Security, Pre-Olympic Events &amp; Coordination, and IOC Royalties</li> <li>Inputs and assumptions for other line items seem comparable to historical benchmarks and were generally constructed using a bottom-up methodology</li> </ul>

## The Olympic Village project will expose the City of Chicago to continuing real estate risk during the development of the Village, which can be effectively managed

### Nature of the Project

- The currently proposed Olympic Village utilizes the recently acquired Michael Reese Hospital site to develop athlete housing and practice facilities for the Games
  - The \$976 Olympic Village budget analyzed assumes more than 90% condos
  - Other projections exist which would include a mix of condominiums, apartments, and student housing; one projection provided by Chicago 2016 indicated a potential cost of \$1.2B
- The Village would be financed by a team of developers who would bear the risk associated with completing the project on time and the post Games task of selling units
- Chicago 2016 is anticipating a new TIF (Tax Increment Financing) district for the Olympic Village to fully finance the required infrastructure improvements for the Village

### Prospective Developers

- To examine the prospect of attracting developers, the bid book plan was analyzed
  - When benchmarked against comparable buildings, the forecasted condo sales price appears reasonable assuming a healthy real estate market and that a lake front premium is realized; construction cost estimates appear conservative
  - Multiple developers have expressed interest in the project
- Developers will be required to secure construction associated insurance such as surety and performance bonds to provide financial safeguards
  - Developers may also be required to purchase Capital Replacement Insurance or provide other safeguards

### City of Chicago Obligations

- Payments for the principal and accruing interest on the purchase of the proposed Village site is deferred until June 30, 2014
  - These payment terms will transfer to the developer(s) upon sale
  - If the city has not transferred ownership of the land by this date, the city is required to pay the principal and accrued interest
- The signing of the host city contract does not contractually require a city guarantee of a \$976M contract; other options may exist to accommodate project scope and expense while still providing a positive athlete experience at the Games

## Insurance is expected to mitigate the financial impact of risks associated with running the Olympics; the increase in Amusement Tax receipts is expected to cover the increase in city services resulting from the Olympics

### Insurance

- Insurance is structured so that some insurance would be accessed under each claim type prior to contingency, city or state funds
  - The large insurance packages available include: public liability, event cancellation, all-risk clash, host-city indemnity, and trade credit
  - Insurance for construction liabilities such as surety bonds, performance bonds, cost overruns, construction delay, and capital replacement may also be put in place
- Chicago 2016 has developed a strategy to secure, according to management, the most private insurance out of any previous Olympic Games, but these safeguards will only be present if Chicago 2016 executes the entire strategy as currently defined
  - The OCOG expects to have an additional \$23 - \$41M of insurance premiums not currently included in the budget with the actual amount depending on Chicago 2016's ability to have contractor(s) and developer(s) absorb the construction related insurance; Chicago 2016 plans to fund the increase with increased donations
- Chicago 2016 has identified capacity availability for the initial Public Liability Coverage, All-Risk Clash Coverage, portions of Construction, Capital Replacement, and Surety bonds

### City Services

- Most public safety expenses are expected to be reimbursed by the Federal government as the Olympics will be designated a National Special Security Event (NSSE)
- A detailed buildup by the City of Chicago was developed for city expenses not covered by the Federal reimbursement
  - The vast majority of revenue will be derived from a 9% amusement tax applied to Chicago venue ticket sales, though the ordinance governing the applicability of the tax may need to be amended prior to the games
  - ~\$61M of revenue is expected to be collected versus the \$41M of expected expenses to the City of Chicago

## The contingency in Chicago 2016's budget of ~\$451M is sufficient to cover reasonable downsides for individual major revenue and cost line items

### Contingency Structure

- The ~\$451M contingency line item contains ~\$82M in direct construction contingencies that were budgeted at a venue level based on cost projections and ~\$369M of general funds that can be used to protect against revenue shortfalls or cost overruns
  - In the event of a budget shortfall, the City and State Guarantees would be accessed after the budget contingency is depleted
  - If applicable, many of the insurance options under consideration would be triggered prior to the contingency or guarantees being used

### Potential Risks to Contingency

- Overall, the contingency appears to provide a cushion that should protect the City and State guarantees against reasonable scenarios such as underperformance of the sponsorship sales effort or construction cost overruns
- The contingency may not protect from a combination of several downside events

### Allocation

- If contingency funds remain at the conclusion of the Games, 20% goes to the IOC, an additional 20% goes to the USOC, and the remaining goes to Chicago 2016
  - Historically, Olympic Games with leftover contingency have used it for bonuses to employees as well as for promoting general sports activity in the host country

It is unlikely that any potential contingency funds will return to the city as a profit from the Games

## **The Civic Federation and L.E.K. have several recommendations to help facilitate effectively carrying out this plan and mitigating the risk associated with the construction of the Olympic Village**

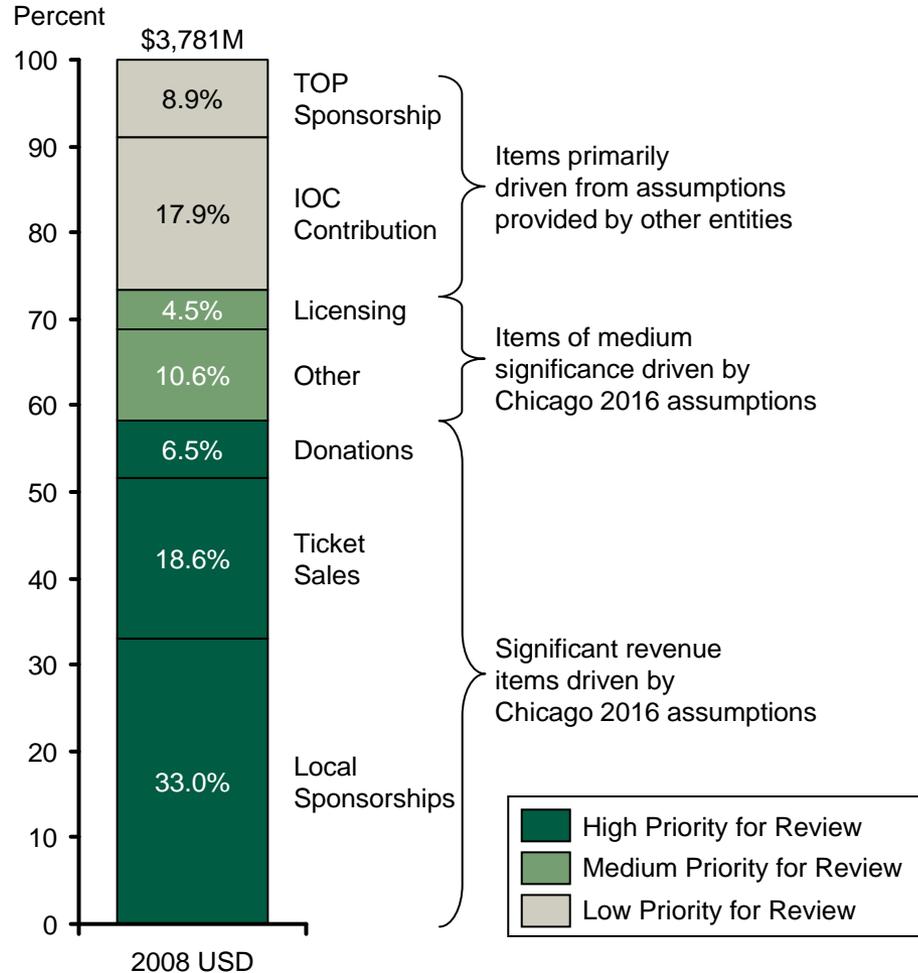
- The Organizing Committee for the Olympic Games that will replace the Bid Committee must be led by a professional and experienced management team
  - The management team must understand and execute the proposed Chicago 2016 plan
  - Contractors and employees must be chosen based on objective, non-political criteria
  
- The proposed insurance coverage must be purchased to manage the risk to taxpayers that comes with guaranteeing delivery of the Games
  - The capital replacement insurance should be purchased to cover all financing for the Village by either the developer or the OCOG to make sure the taxpayers do not have to pay to complete the project
  
- Increased public transparency about Olympic finances is needed to safeguard taxpayers because many areas of the Olympic plan are subject to change in the years leading up to the Games
  - The City Council must exercise its oversight role and require regular reporting on the status of the Games, including public disclosure of budgets, contracting and construction to the City Council
  - Any financial reports submitted to the IOC should also be filed with the City Council with reasonable exemptions for competitive sponsorship details and other proprietary information

## Agenda

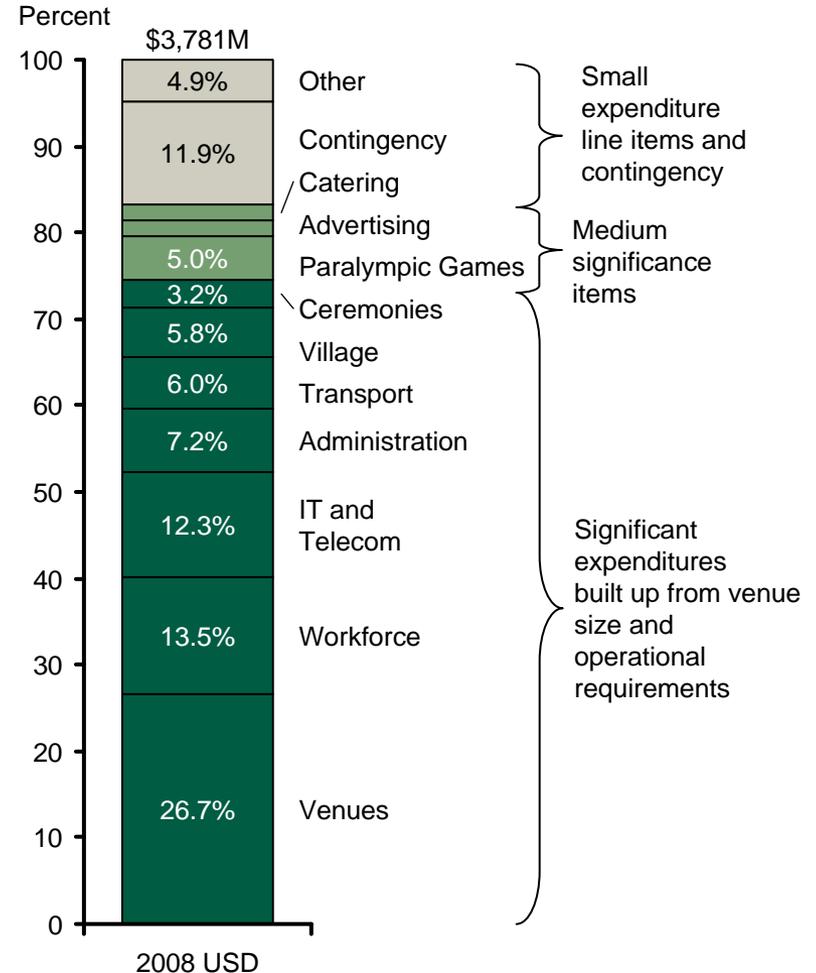
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  - Prioritization
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  - Expenses
  - Contingency
- Olympic Village
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# Chicago 2016 budget items have been categorized and prioritized based on their overall impact to Chicago 2016 assumptions

## Chicago 2016 Budgeted Revenue\*



## Chicago 2016 Budgeted Expenses\*



Note: \* The Chicago 2016 Olympic budget is displayed in 2008 dollars and all dollars are defined in 2008 dollars unless specified otherwise; Percentages may not sum to 100% due to rounding

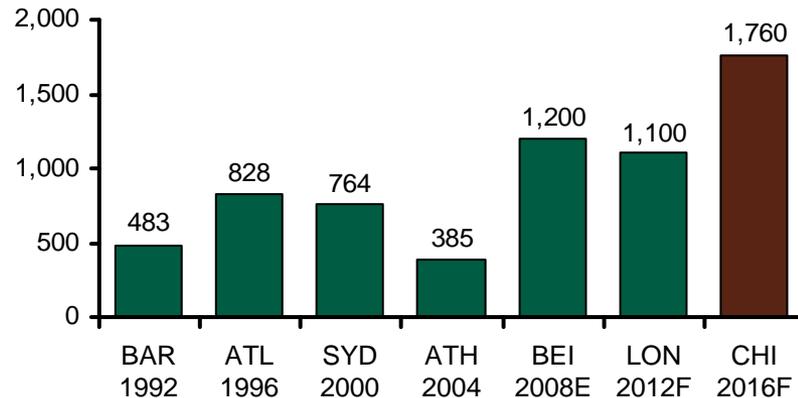
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## Local sponsorship revenues represent \$1,248M of the OCOG budget

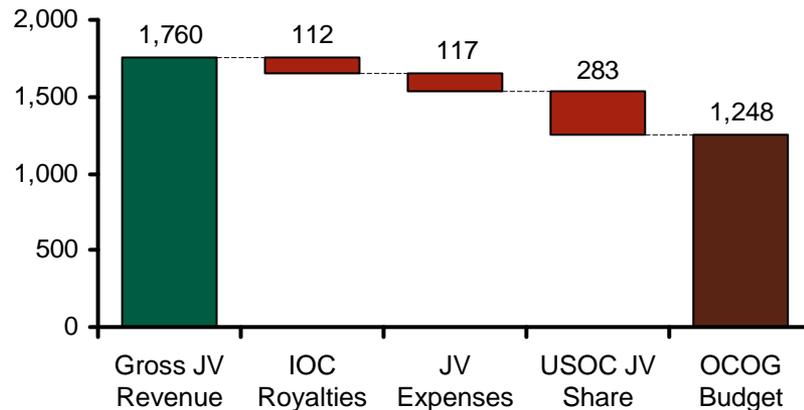
### Total Gross Local Sponsorship Revenue

Millions of 2008 dollars



### Local Sponsorship Net Revenue

Millions of 2008 dollars



- To obtain local sponsorship revenue, a Joint Venture (JV) will be formed between the U.S. Olympic Committee (USOC) and the host city organizing committee (OCOG)
  - The purpose of the JV is to eliminate any competition or confusion between the OCOG and the USOC as target sponsors are pursued
  - The OCOG share of revenue is calculated after issuing IOC royalties, JV expenses, and USOC share, which were all built in a bottom-up manner
- The USOC share of revenue will be calculated based on levels needed to maintain sponsorship revenue observed by the USOC during non-hosting quadrennial periods
  - Past U.S. Olympic Games have arbitrarily given ~30% of sponsorship revenue to the USOC
  - The revenue sharing agreement for the Chicago 2016 Games was set to provide a fair return of ~18% to the USOC
- The IOC has agreed to the sponsorship revenue sharing agreement between Chicago 2016 and the USOC
  - The USOC has agreed in the case of sponsorship underperformance, the USOC will absorb the first \$70M loss

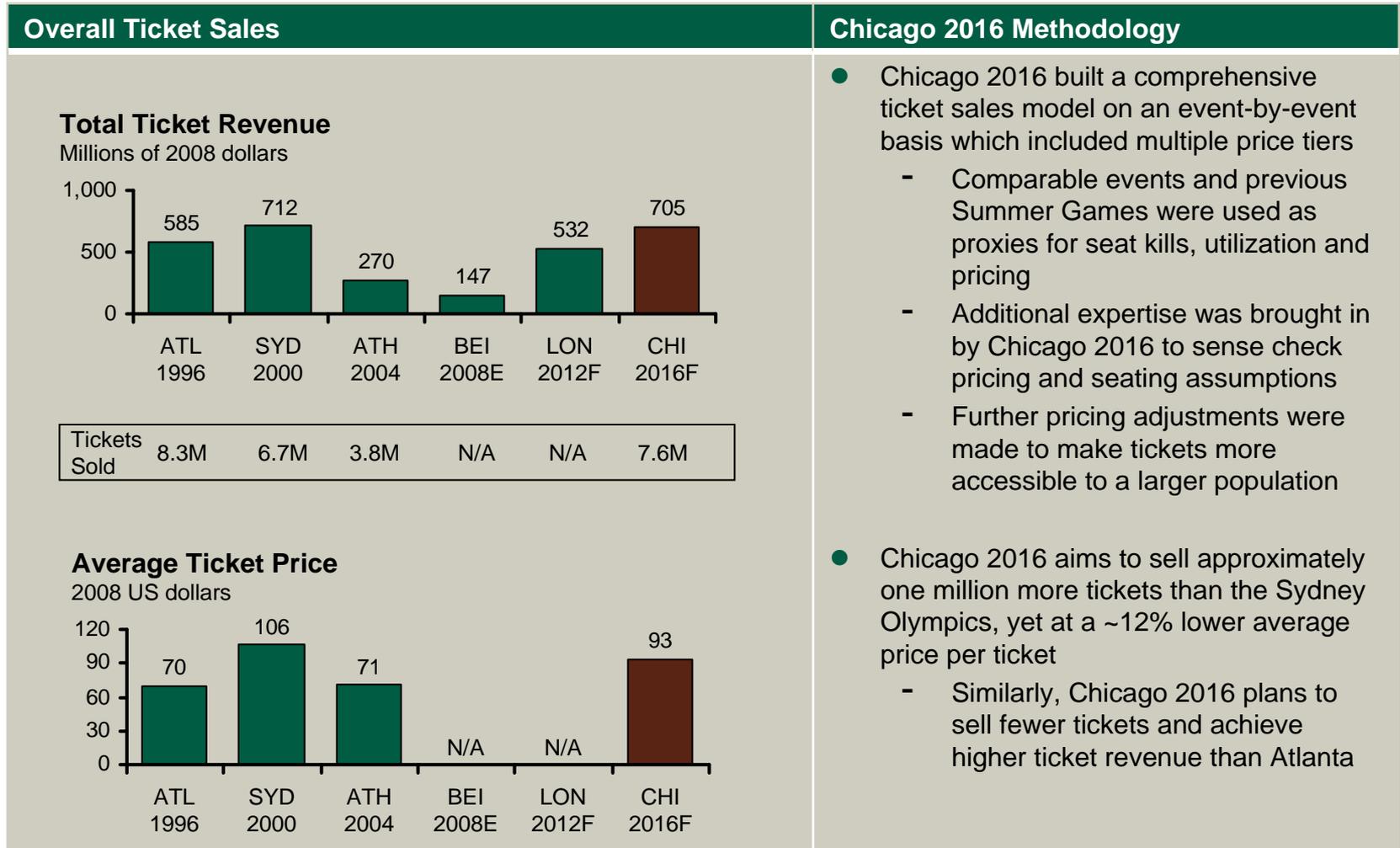
## A comprehensive company screen and several benchmarks were used to develop the sponsorship revenue estimate

Detailed sponsorship acquisition plan			Additional benchmarks and analysis																													
<ul style="list-style-type: none"> <li>A national company screen was performed to identify potential sponsor targets</li> <li>A regression analysis between historic Games tier prices and host country macroeconomic factors (GDP, host city population) was used to inform Chicago 2016 tier prices</li> <li>As standard in most Olympic Games, three tiers of sponsorship were set</li> </ul>			<ul style="list-style-type: none"> <li>Current sponsorship goals would indicate a historical growth from the Atlanta games of ~3.8%, per annum</li> <li>The lowest, non-outlier Sponsorship revenue growth between Summer Games was ~1.8% p.a.</li> <li>Historical Winter Games sponsorship revenue has grown at ~7 - 8% p.a.</li> <li>Overall Global and North American sponsorship spending is growing annually at ~6% and ~7% respectively</li> </ul>																													
Tier	Potential Sponsors	Company Screen Parameters	Total North American Sponsorship Revenue																													
1	84	> \$10B in annual sales, > \$100M in advertising spend	Billions of 2008 dollars <span style="float: right;">CAGR %</span>																													
2	159	> \$10B in annual sales, between \$10M and \$100M in advertising spend	<table border="1"> <caption>Total North American Sponsorship Revenue (Billions of 2008 dollars)</caption> <thead> <tr> <th>Year</th> <th>Revenue (Billions)</th> </tr> </thead> <tbody> <tr><td>96</td><td>7</td></tr> <tr><td>97</td><td>8</td></tr> <tr><td>98</td><td>9</td></tr> <tr><td>99</td><td>10</td></tr> <tr><td>00</td><td>11</td></tr> <tr><td>01</td><td>11</td></tr> <tr><td>02</td><td>12</td></tr> <tr><td>03</td><td>12</td></tr> <tr><td>04</td><td>13</td></tr> <tr><td>05</td><td>13</td></tr> <tr><td>06</td><td>14</td></tr> <tr><td>07</td><td>15</td></tr> <tr><td>08</td><td>17</td></tr> </tbody> </table>		Year	Revenue (Billions)	96	7	97	8	98	9	99	10	00	11	01	11	02	12	03	12	04	13	05	13	06	14	07	15	08	17
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3	362	Between \$2B and \$10B in annual sales, > \$10M in advertising spend	7%																													
<ul style="list-style-type: none"> <li>Should revenue targets not be met, the mix of sponsors per level can be adjusted to try to achieve revenue targets                             <ul style="list-style-type: none"> <li>If tier 1 sponsorship goals are not achieved, additional tier 2 sponsors will be targeted</li> </ul> </li> </ul>			<ul style="list-style-type: none"> <li>Additionally, Chicago has several demographic advantages over Atlanta that support the achievement of higher sponsorship target revenue                             <ul style="list-style-type: none"> <li>For instance, 29 Fortune 500 companies reside in Chicago as opposed to 10 in Atlanta</li> </ul> </li> </ul>																													

## Chicago 2016's target sponsorship levels appear achievable though they are highly dependent on the participation of many companies at levels consistent with historical growth rates

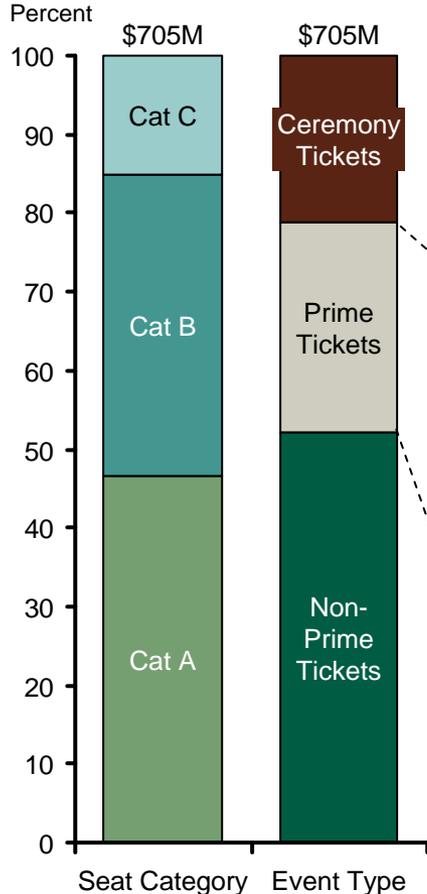
Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>An internal team has been assembled which will coordinate the sponsorship effort if Chicago is awarded the Games</li> </ul>	<ul style="list-style-type: none"> <li>The Chicago 2016 bid committee has already begun informal discussions with area business leaders</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>A significant portion of the methodology was developed by external consulting groups</li> <li>Experienced sports marketing staff members independently confirmed the results of the company screen methodology</li> </ul>	<ul style="list-style-type: none"> <li>The outside analysis was thorough and comprehensive</li> <li>Chicago 2016 staff has significant experience in sports marketing and advertising to validate the research with "real world" experience</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>Target companies were identified and segmented based on industry</li> <li>Regression analysis on tier pricing suggests a high correlation between pricing and macroeconomic variables</li> </ul>	<ul style="list-style-type: none"> <li>Key assumptions driving expected sponsorship levels were built up through a rigorous analytical process then vetted by experienced team members</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>Revenue is expected to be significantly larger than past Summer Games but regional demographics and expected pricing differences potentially explain much of the increase</li> </ul>	<ul style="list-style-type: none"> <li>Projected growth rates are consistent with historical Olympic sponsorship trends as well as general North American and worldwide sponsorship growth</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>Chicago 2016's CFO performed sensitivity analyses based on potential shortfalls in total sponsorship revenue</li> </ul>	<ul style="list-style-type: none"> <li>Depending on the decline in revenue, the USOC will absorb up to the first \$70M of loss, providing an initial layer of protection for the OCOG if revenue targets are not being met</li> </ul>

## Revenue received through the sale of tickets to events represents the second largest revenue item in the budget at ~\$705M



# Chicago 2016's ceremonies and prime events prices for Category A seats are higher than past Olympics

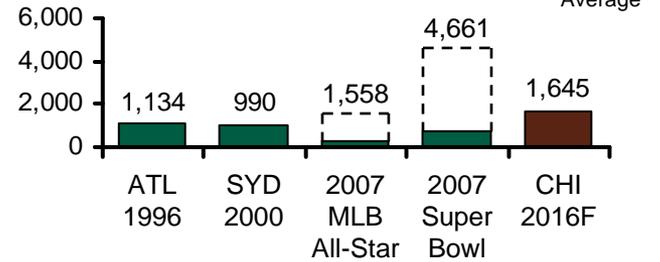
## Chicago 2016 Revenue by Seating & Event Category



### Top Category (A) Ticket Pricing

#### Opening Ceremonies and Comps

2008 US dollars

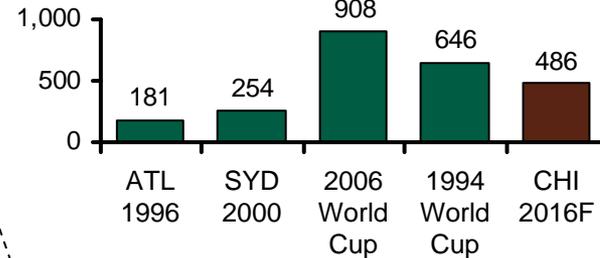


### Remarks

- Compared to previous Olympic Games, Chicago Category A ceremony tickets are priced significantly higher than Atlanta or Sydney
- Chicago 2016 justified the higher prices by examining the secondary market for other large U.S.-based events
- Expected utilization for ceremonies is 95%
- Category A (top category) tickets represent 58% of ceremonies ticket sales
- Analysis represents top category ticket pricing; data not available for other price levels

#### Football (Soccer): Men's Finals and Comps

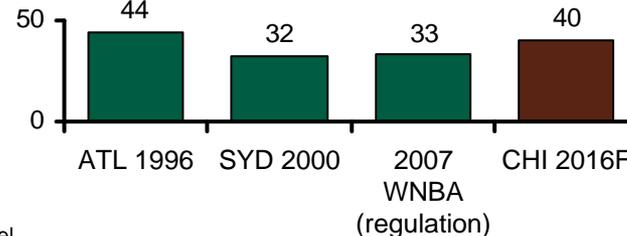
2008 US dollars



- Similar to ceremonies, Category A seats for some prime events are priced significantly higher than Atlanta or Sydney
- Higher pricing by Chicago 2016 was justified by examining the market for other world-stage events
- Expected utilization for prime events is ~97%
- Analysis represents top category ticket pricing; data not available for other price levels

#### Basketball: Women's Prelims and Comps

2008 US dollars



- Chicago 2016 assumes utilization levels for non-prime events will be comparable to Sydney levels
- Expected utilization for non-prime events is ~83%
- Analysis represents top category ticket pricing; data not available for other price levels
- Category B and C pricing is likely to be lower than historical Summer Games' pricing

## Overall, the ticket revenue appears reasonable, although assumptions used to develop ceremony and prime ticket price estimates appear to be moderately aggressive

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>While a head of ticketing has not been established, the CFO has had a great deal of input on the development of the ticket pricing model</li> </ul>	<ul style="list-style-type: none"> <li>Many outside experts have been consulted and are poised to manage the ticket operation if Chicago is awarded the Games</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>Marty Schueren, from the International Speedway Corporation, reviewed pricing and utilization on a sport-by-sport level               <ul style="list-style-type: none"> <li>The review did not consist of a specific line-by-line evaluation but did include general pricing structure for each sport</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Marty Schueren worked on Atlanta and Salt Lake Games' pricing structure and is currently in a similar role with International Speedway Corporation for NASCAR events</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>A detailed pricing model incorporated sport and round-specific pricing and utilization for each venue and event               <ul style="list-style-type: none"> <li>Management consulting firm Boston Consulting Group was engaged to provide the detailed analysis of market factors</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Sport and round-specific inputs were determined using analogs as well as prior Games' experience</li> <li>The analysis did not determine a price elasticity that would inform ticket demand if price assumptions change</li> <li>Taxes were not included in ticket prices               <ul style="list-style-type: none"> <li>The addition of taxes to ticket prices may also impact demand</li> </ul> </li> </ul>
<b>Analogues to Prior Experience</b>	<ul style="list-style-type: none"> <li>Pricing analysis compared previous Summer Games' prices as well as recent major events of the same sport               <ul style="list-style-type: none"> <li>Ceremonies and some prime events are priced significantly higher than Sydney and Atlanta</li> <li>Some prime events and most non-prime events pricing are comparable to or even lower than Sydney and Atlanta</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Analogues used include Atlanta and Sydney Games, NCAA Final Four, Track &amp; Field Championships, etc.</li> <li>In many circumstances the market clearing price at the secondary market was used as a benchmark informing Chicago 2016 pricing, which may be aggressive</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>If the prices for ceremony and prime tickets were reduced by 20% resulting from lower ticket demand than originally estimated, the impact would be ~\$68M reduction in ticket revenue</li> </ul>	<ul style="list-style-type: none"> <li>Revenue may also be in flux until seating for many of the venues is determined</li> </ul>

## Chicago 2016 expects to procure ~7% of Olympic revenue from charitable contributions and venue naming rights

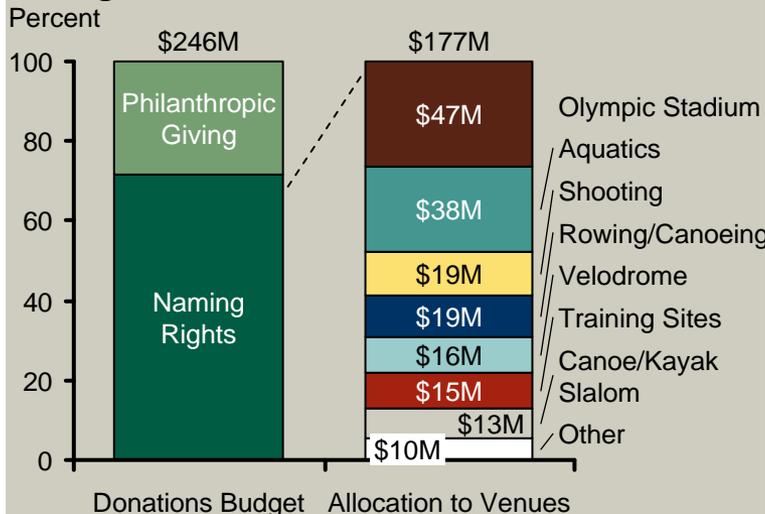
### Chicago 2016 Methodology

- Chicago 2016 divided donations into philanthropic giving and naming rights
  - Given several macro and micro drivers, Atlanta’s philanthropic giving was adjusted to generate expected levels in Chicago
  - Chicago 2016 expects that all of its permanent venue construction costs will be covered by fundraising and naming rights

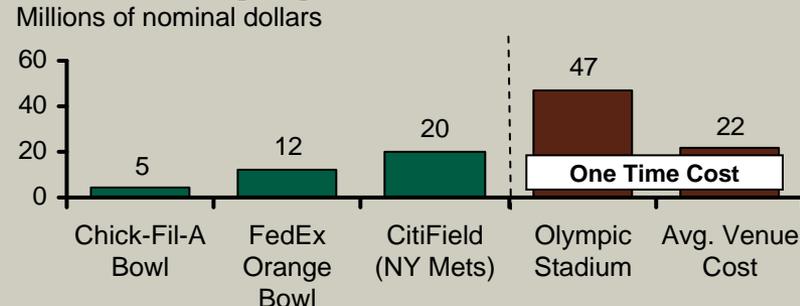
### Outcome and Additional Analysis

- Other Chicago area private funding for public causes (Millennium Park, etc.) were examined and relative to other projects, the amount projected for the Olympics appears in-line
- Moreover, the average expected donation amount consists of less than 4% of Chicago-area’s annual giving
  - Compared to the Salt Lake Games, the Olympics’ proportion of donations relative to all charitable causes is similar
  - This also represents an average donation procurement of ~\$35M per year
- As of mid-summer, 2009, the Chicago 2016 Bid Committee raised ~\$72M in cash donations to support the bid
  - A donations campaign for the Olympics would target a national audience
- While comparison with the annual naming rights for other sporting venues suggests Chicago 2016’s targets are high, it is important to note the one-time nature of the Olympic donations

### Chicago 2016 Donations



### Annual Naming Rights Revenue for Stadiums



## While Chicago 2016 management seems confident in its ability to secure the forecasted level of donations, the effectiveness of the effort is hard to predict and may consume a significant portion of management's time

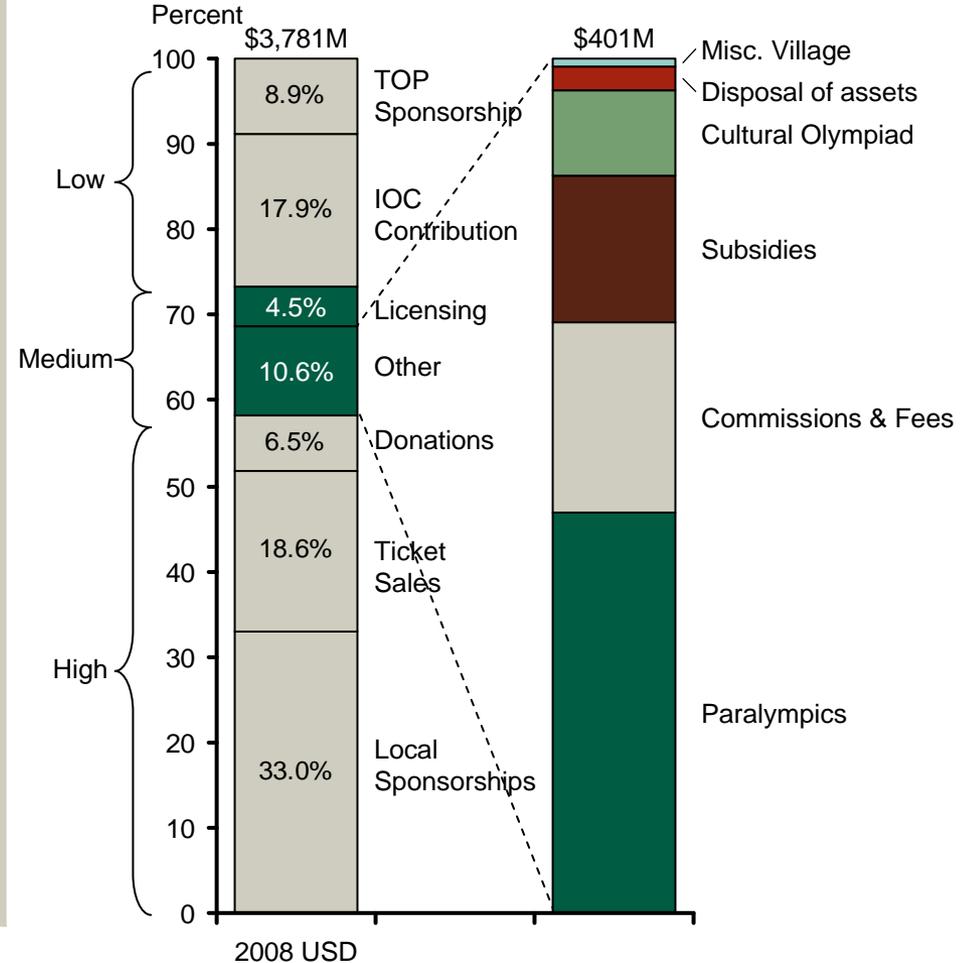
Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>An internal team will be assembled which will coordinate the donation campaign if Chicago is awarded the Games</li> </ul>	<ul style="list-style-type: none"> <li>It is unclear how much executive time will need to be devoted to the fundraising activities to achieve the stated goals</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>The portion of forecasted donations associated with philanthropic giving was developed using input from external consulting groups</li> </ul>	<ul style="list-style-type: none"> <li>Chicago 2016 will need to leverage current staff and/or attract other staff with area fundraising experience</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>Donation projections were estimated based on experience in Atlanta and compared against current Chicago levels</li> </ul>	<ul style="list-style-type: none"> <li>Lack of a detailed donation strategy at this point is a reasonable approach given the current stage of the Olympic bid process</li> <li>The naming rights donation targets were determined using the OCOG venue costs and not necessarily based on the market's willingness to donate</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>Anticipated donation revenue is in-line with other Chicago-area fundraising campaigns <ul style="list-style-type: none"> <li>Analogs include Millennium Park and the Children's Memorial Hospital</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Required Chicago-area donations would be a small portion of annual donation giving currently <ul style="list-style-type: none"> <li>Allocating the \$246M across seven years implies ~\$35M of donations per year</li> <li>Projected donations represent less than 4% of current Chicago giving levels</li> </ul> </li> <li>Chicago 2016 management has already demonstrated the ability to raise funds during the bid process, receiving ~\$72M in cash donations in two and a half years</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>Chicago 2016 expects to pay for projected increases in insurance coverage by raising additional donations <ul style="list-style-type: none"> <li>This represents an additional ~\$23M outside of the budget plan</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Insurance premium estimates have been conservatively estimated, and based on Chicago 2016's in-house expertise with these products <ul style="list-style-type: none"> <li>Chicago 2016 may require an additional \$18M to purchase the Capital Replacement Insurance in the event developers do not absorb the cost of those insurance packages, increasing the total additional insurance outside of the budget plan to ~\$41M</li> </ul> </li> <li>Securing naming rights donations may be difficult given the amounts of other larger U.S. sports stadium naming rights deals</li> </ul>

## Licensing and Other medium priority items represent ~15% of the budget

**Chicago 2016 Budget Amount: \$572M**

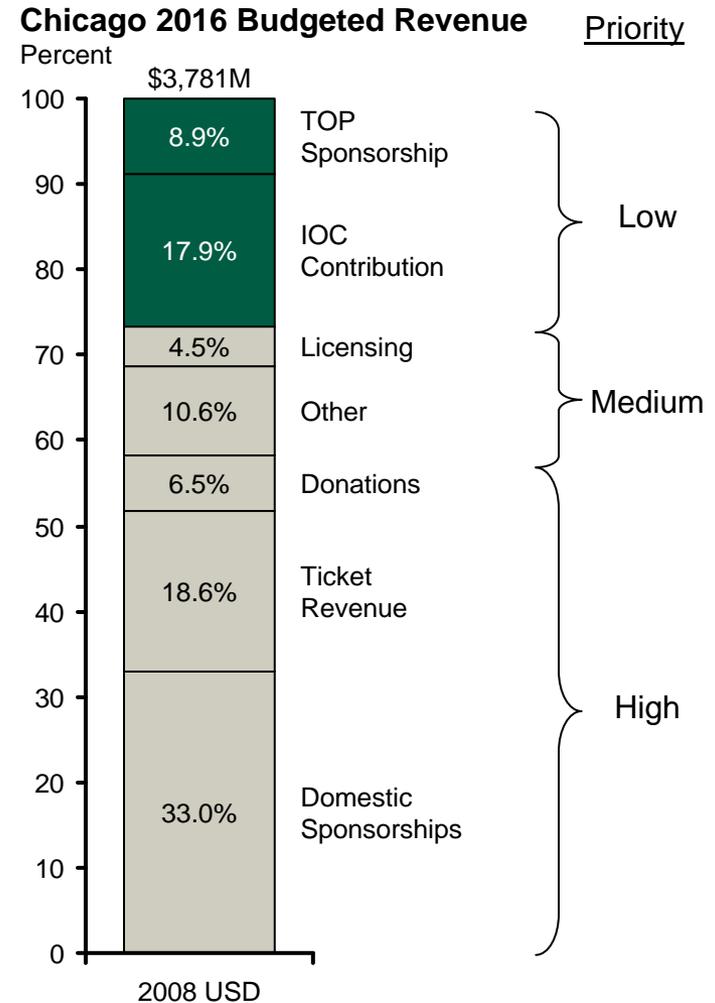
- Licensing was estimated (~\$170M) by calculating an adjusted per capita spend from Atlanta and applying Chicago 2016 assumptions
  - Licensing revenue projections appear to be in-line with benchmarks such as world-wide sport licensing revenue and previous Olympics
- Paralympic Games revenue (~\$190M) were mirrored closely to previous Summer Games, including ticketing volume and pricing assumptions
- Government subsidies (\$70M) include reimbursements for city services
  - The Games will be designated as a National Special Security Event (NSSE)
  - The transportation program is also expected to qualify for reimbursements
- The 13 remaining Other categories are minimal in significance and average ~\$10M
  - These categories include: Ticket Surcharges, Rate Card Revenue, Torch Relay Revenue, Accommodation Commissions, and other minor line items

**Chicago 2016 Budgeted Revenue with "Other" detail**



**The remaining revenue items consist of IOC specified inputs and cost items, which are the same revenue amounts given to all candidate cities and are classified as low priority**

Chicago 2016 Budget Amount:	\$1,010M
<ul style="list-style-type: none"> <li>● The IOC Contribution is \$675M and was an input to the bid budget determined by the IOC                             <ul style="list-style-type: none"> <li>- These funds represent the OCOG’s share of international television rights</li> </ul> </li> <li>● The Olympic Partners (TOP) Sponsorship revenue was also provided by the IOC at \$335M and included revenue from worldwide sponsors who enter into agreements directly with the IOC</li> <li>● The IOC advised candidate cities that these contribution amounts should remain static at a combined \$1.01B as the cities converted the bids to 2016 dollars</li> <li>● Subsequent discussions between the Chicago 2016 team and IOC Finance indicated that the guidance may have been an oversight with respect to the inflation projection and will be revisited after the awarding of the Games</li> <li>● The IOC Contribution amount for the London 2012 Games was recently increased from the \$600M advised during the candidate phase to \$675M in order to account for inflation                             <ul style="list-style-type: none"> <li>- A similar increase was made for TOP sponsorship revenue</li> </ul> </li> </ul>	



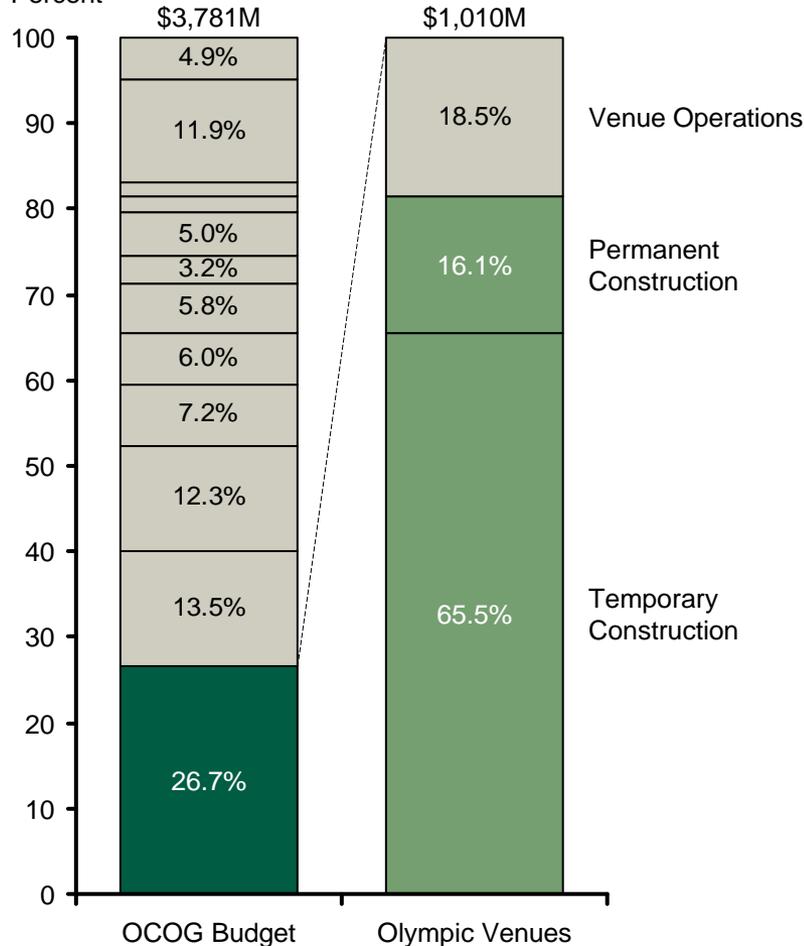
## Agenda

- Project background
- Executive summary
- OCOG budget
  - Prioritization
  - Revenue
  - Expenses
  - Contingency
- Olympic Village
- City revenue and expenses
- Insurance provisions and safety net

## Costs associated with the construction and operation of the Olympic venues is the largest expense item in the budget

### Chicago 2016 Budgeted Expense

Percent



2

- Venue Operations was primarily composed of logistics and power consumption
  - These line items were built with a bottom-up methodology that estimates the requirements of each venue and a corresponding unit price

1

- Construction costs were forecasted using a detailed model for each venue
- Some inputs were relatively standard, such as back-of-house requirements (i.e. accreditation offices) and commodity costs
- Other inputs were developed specifically for the venue (i.e. Olympic Stadium roof)

## Creation of the construction budget involved a detailed level of venue planning and site engineering

### Budget Development Steps



### Key Participants

- |  |   |  |  |   |
|--|---|--|--|---|
| <ul style="list-style-type: none"> <li>● Tom Cisewski</li> <li>● Abbott</li> <li>● Chicago Park District</li> <li>● Michael Halchak</li> <li>● Mark DeMarsh</li> </ul> | <ul style="list-style-type: none"> <li>● National Sport Governing Bodies</li> <li>● International Federations</li> <li>● Olympic Games Knowledge Management</li> <li>● Populous (formerly named HOK Sport)</li> </ul> | <ul style="list-style-type: none"> <li>● Goettsch Architects</li> <li>● Turner Construction</li> <li>● McLaughlin</li> <li>● Baird</li> <li>● Commonwealth-Edison</li> </ul> | <ul style="list-style-type: none"> <li>● Michael Halchak</li> <li>● Kevin Marschke</li> <li>● Rick Ludwig</li> </ul> | <ul style="list-style-type: none"> <li>● Abbott</li> <li>● Turner Construction</li> <li>● International Federations</li> <li>● Utility Providers</li> <li>● Other Construction experts</li> </ul> |
|--|---|--|--|---|

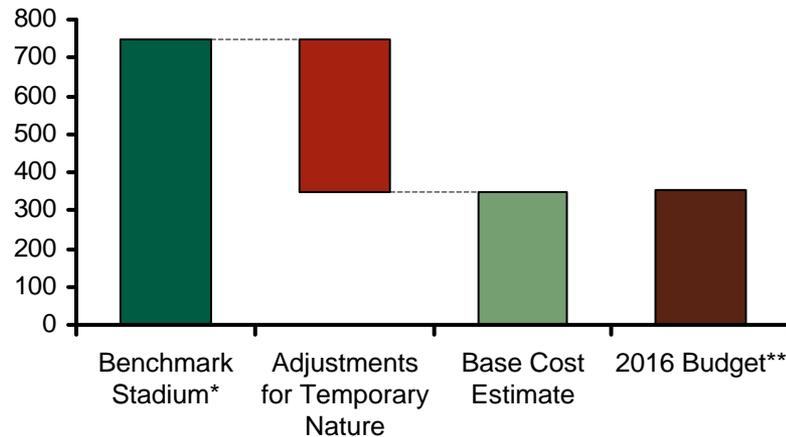
### Activities

- |   |   |   |   |   |
|---|---|---|---|---|
| <ul style="list-style-type: none"> <li>● Established requirements for back-of-house operations common to all venues</li> <li>● Designed thousands of venue-specific line items based on particular sport and ceremony requirements</li> </ul> | <ul style="list-style-type: none"> <li>● Determined specific field of play requirements</li> <li>● Compared venue and line item budgets against previous Games</li> <li>● Utilized IOC Technical Manuals as guidelines for construction planning</li> </ul> | <ul style="list-style-type: none"> <li>● Sourced specific quotes from leading engineering firms           <ul style="list-style-type: none"> <li>- Temporary Olympic Stadium</li> <li>- Monroe Harbor breakwater</li> <li>- Etc.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>● Verified that designs and venue planning aligned with cost assumptions</li> <li>● Checked for line item errors or miscalculations</li> </ul> | <ul style="list-style-type: none"> <li>● Performed final cross-check of all costing and budgeting utilizing an interdisciplinary approach</li> <li>● Performed sense check of sum total of materials and costs</li> </ul> |
|---|---|---|---|---|

## In addition to the detailed venue plan, the construction budget was verified with a top-down approach and by assessing the conservatism of inputs

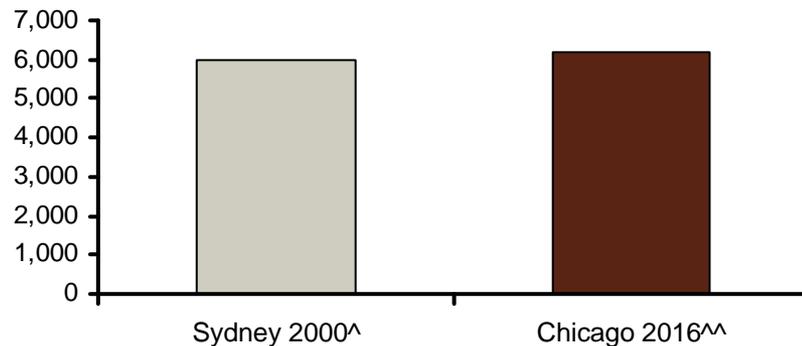
### Olympic Stadium Budget Comparison

Millions of Dollars



### Velodrome Construction Costs

2008 USD Cost per Seat



### L.E.K. Analysis

- Chicago 2016 indicated that it believes that the total construction budget as well as the budget for major venues such as the Olympic Stadium is lower than that for previous Games
  - The temporary nature of many of the venues and the extensive leveraging of current structures were cited as the primary sources for reduced cost
- The Olympic Stadium was benchmarked against a comparable set of permanent stadiums\* with a similar footprint
  - The costs for the construction elements that could be removed due to the temporary nature of the Olympic stadium were removed
  - These costs included box suites, media facilities, a full roof, etc.
  - The resulting benchmark suggests that the budgeted amount is on par with the top-down approach
- The construction budget per seat for the velodrome venue was also benchmarked against Sydney's Dunc Gray velodrome (~5,800 seats during the Olympics) and found to be on par, suggesting that Chicago 2016 budgeted a realistic amount for its venue construction
- Commodity price inputs were also selected near a peak in the Materials Cost Index, suggesting that these prices were conservatively estimated

Note: \*\*Benchmark Stadium\* used by Chicago 2016 contains M&T Bank Field, Lincoln Financial Field, Qwest Field, and Paul Brown Stadium; \*\*Legacy components and contingency were removed; ^1998 Sydney velodrome costs used an exchange rate of 0.63 USD to 1 ASD; ^^Includes Non-OCOG construction costs  
 Source: Dunc Gray Velodrome of Bankstown, Australia, Data360, ENR, Chicago 2016 Supporting Documentation, Discussions with management

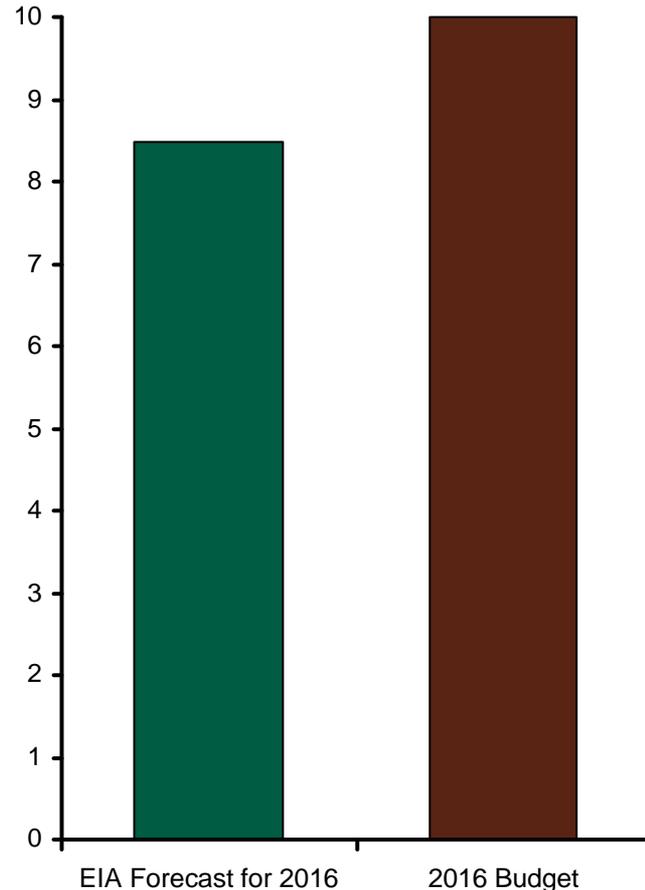
## The budget for construction expenses overall appears to be fair and reasonable based on the thoroughness of the budget process and the reasonable estimates used for most input prices

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>Every step of the planning, design, and budgeting process is documented and responsible parties are noted by venue and by line item</li> </ul>	<ul style="list-style-type: none"> <li>Chicago 2016's detailed approach will allow a team to quickly begin executing the plan should Chicago be awarded the bid</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>The Chicago 2016 bid committee leveraged a number of leading engineering firms during the development of the budget</li> <li>Chicago 2016 also sought preliminary input from several public agencies to ensure that the input of affected parties would be incorporated</li> <li>A number of other highly experienced personnel were also employed and consulted</li> </ul>	<ul style="list-style-type: none"> <li>Engineering and construction firms used in the design and budgeting process include: Abbott; Turner; Goettsch; McLaughlin; Baird; Commonwealth-Edison; and HOK Sport</li> <li>Parties consulted include (among others): Chicago Park District; Chicago Public Schools; Building and Zoning Departments; Metropolitan Pier and Exposition Authority; and the Department of Energy</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>A detailed line item cost methodology was used to develop expense projections</li> <li>A top-down approach for the Olympic Stadium utilizing an adjusted U.S. benchmark stadium suggests that the budgeted amount is conservative</li> </ul>	<ul style="list-style-type: none"> <li>An estimated 19,000 man-hours were used in the planning and design of venue and village construction</li> <li>An estimated 97,000 man-hours were used in the budget development and construction planning</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>Comparable analogs from prior Games were not used to benchmark construction costs, although the budgets from prior Games for venue construction is believed to be higher</li> <li>Estimated costs are lower than previous Games due to the temporary nature of the venues</li> </ul>	<ul style="list-style-type: none"> <li>A comparison to a permanent stadium in which items that aren't needed in a temporary stadium were removed, supported the stadium cost estimate developed by Chicago 2016</li> <li>Velodrome construction costs were also benchmarked and found to be in line with Sydney's velodrome</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>The budget is sensitive to commodity prices <ul style="list-style-type: none"> <li>The model developed by 2016 allows for commodity prices to be flexed simultaneously for all venues</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>A contingency was added to each venue to help cushion against potential cost overruns <ul style="list-style-type: none"> <li>The total contingency of ~\$82M, comprises ~18% of the ~\$451M total budget contingency</li> </ul> </li> </ul>

## The venue operations budget consists of equipment and consumables (mainly electricity) needed to run the events at each location

### Power Costs

2008 Cents / kWh



### L.E.K. Analysis

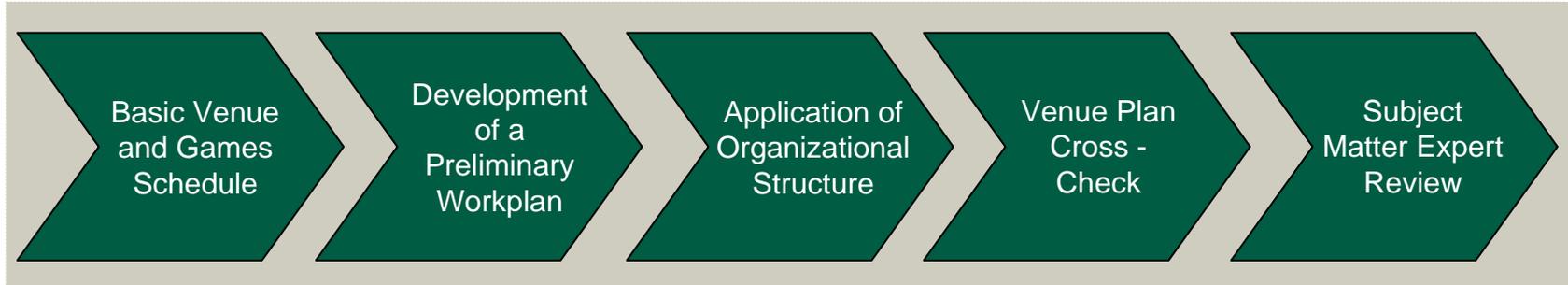
- Logistics costs for venues are those associated with sports equipment and general furniture, fixtures, and equipment (“FF&E”)
  - FF&E costs comparisons to previous games were not available for review
- Power consumption was estimated by building up demand of each venue based on the sports it hosts, the Games schedule, and the nature of the venue (i.e. indoor vs. outdoor);
  - Electricity cost represents 30% of the venue operations budget, or ~\$55M
  - Electricity prices were sourced from Commonwealth-Edison and the Department of Energy
  - A check of the input for power prices against the prices provided by Commonwealth-Edison suggests that Chicago 2016 was conservative in its power price assumption

## Operational expenses appear to be conservatively estimated

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>The operations portion of the venue budget line item clearly indicates who is responsible for each component</li> </ul>	<ul style="list-style-type: none"> <li>Chicago 2016's supporting documentation details the contributors to each line of the budget</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>As operations span a variety of different functional areas (i.e. catering, transportation, etc), Chicago 2016 drew on subject matter experts in each affected area for input</li> </ul>	<ul style="list-style-type: none"> <li>Quotes were sourced from logical parties where necessary, such as Commonwealth-Edison for the cost of power</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>Chicago 2016 used a detailed approach to anticipate the large quantity of needs of each venue and athlete</li> </ul>	<ul style="list-style-type: none"> <li>The bottom-up methodology employed in the operations expense line item is detailed based on the most current information realistically available to the planning committee</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>Chicago 2016 was unable to provide analogs for FF&amp;E cost benchmarking</li> <li>Since the events housed in each stadium vary from Games to Games, a benchmark approach for power consumption is not meaningful</li> </ul>	<ul style="list-style-type: none"> <li>FF&amp;E costs amount to ~\$130M <ul style="list-style-type: none"> <li>Data for comparison to previous games was not available</li> </ul> </li> <li>Power prices used to develop the budget appear reasonable</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>While specific commodity and labor price scenarios were not evaluated, the inputs were collected at peak prices, suggesting that these inputs are conservative estimates</li> </ul>	<ul style="list-style-type: none"> <li>These line items are all directly proportional to changes in prices and quantity</li> </ul>

## To build the workforce budget expense, a detailed, seven-year staffing plan was created that accounts for every role within the OCOG organization

**Staff Planning Creation Process**



**Key Activities**

- |   |  |   |   |   |
|---|--|---|---|---|
| <ul style="list-style-type: none"> <li>● Develop a backbone scheduling template leveraging prior Games workforce documentation</li> </ul> | <ul style="list-style-type: none"> <li>● Determined timing and sizes of staff needed</li> <li>● Estimated salary levels</li> <li>● Developed organizational structure of venue management teams</li> </ul> | <ul style="list-style-type: none"> <li>● Applied organizational structure developed in previous phase to proposed venues</li> </ul> | <ul style="list-style-type: none"> <li>● Check revised venue buildup plan against overlay of functional areas</li> <li>● Performed a gap analysis of personnel needed by function type across the organization</li> </ul> | <ul style="list-style-type: none"> <li>● Reviewed plan with subject matter experts</li> <li>● Finalized timing</li> <li>● Finalized salary projections</li> </ul> |
|---|--|---|---|---|

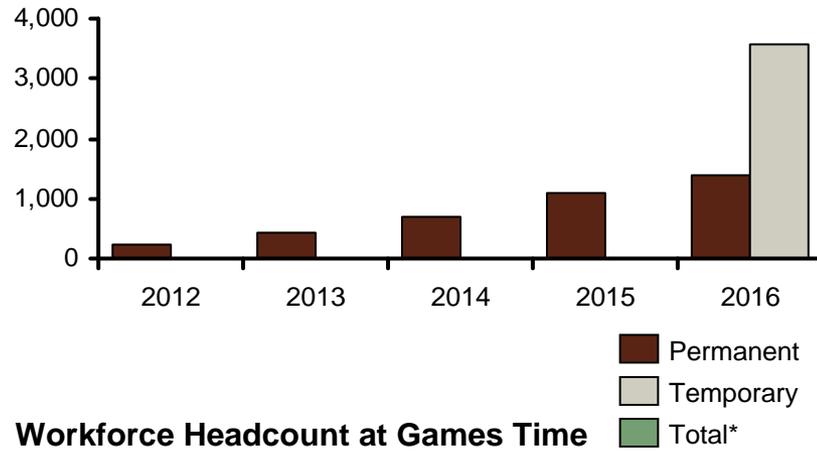
**Key Input Providers**

- |   |  |   |   |  |
|---|--|---|---|--|
| <ul style="list-style-type: none"> <li>● Alan Shaw</li> </ul> | <ul style="list-style-type: none"> <li>● Alan Shaw</li> <li>● Rick Ludwig</li> </ul> | <ul style="list-style-type: none"> <li>● Alan Shaw</li> <li>● External consultants</li> </ul> | <ul style="list-style-type: none"> <li>● Alan Shaw</li> <li>● Doug Arnot</li> </ul> | <ul style="list-style-type: none"> <li>● Subject Matter Experts in various functional areas</li> </ul> |
|---|--|---|---|--|

## The staffing plan model fed the workforce expense budget by summing the total salary of each employee

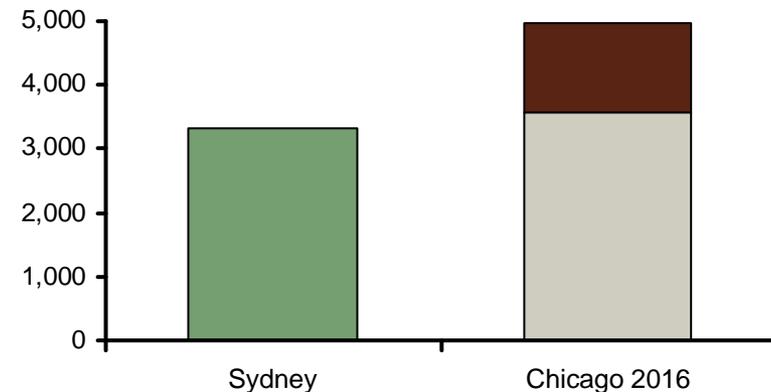
### Projected Permanent and Temporary Workforce

Headcount by Year



### Workforce Headcount at Games Time

Headcount



Note: \*Permanent vs. temporary split not available

Source: Chicago 2016 Supporting Documentation, Discussions with management

Chicago Olympic Bid Review 8/26/2009

### Additional analysis

- The workforce and volunteer headcount was benchmarked against previous Olympic Games, however a top-down methodology was not employed by Chicago 2016
  - Management noted that due to issues such as flexibility in categorization, benchmarking the workforce headcount may have limited applicability
- Salaries are estimated based on previous Games with subject matter expert input where necessary
- Benefits and incentive plans are included and calculated as a percentage of salary
  - The Bureau of Labor Statistics was referenced to check for adequate outlays for benefits
- Incentive plans are discretionary and were not subject to further scrutiny except for verification that these incentive plans were similar in nature to those from previous Games

## The workforce budget was developed in a structured, comprehensive manner by experienced staff using the most current data available

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>There was a clear external developer and internal owner of the workforce plan throughout its development</li> </ul>	<ul style="list-style-type: none"> <li>Alan Shaw and Rick Ludwig developed the model, with subject matter experts adding key inputs for specific functional areas such as IT where requirements are more specialized</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>The lead architect of the plan, Alan Shaw, is qualified for the development of the forecast</li> </ul>	<ul style="list-style-type: none"> <li>Alan Shaw has a history in workforce planning and in the Olympics, serving as the Program Director for Workforce Planning for Atlanta and providing a variety of consulting services to every Olympic Games since 2000 as well as Vancouver 2010 and NY 2012</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>The bottom-up methodology provides a robust approach to forecasting expenses</li> </ul>	<ul style="list-style-type: none"> <li>The workforce was built up by individual titles and associated salaries, with a best-practices roll-out strategy for each functional area developed over the past several Olympics</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>The total workforce was larger than a previous Games benchmark <ul style="list-style-type: none"> <li>Data was not available to analyze the permanent and temporary workforces separately</li> </ul> </li> <li>Sydney was used as an analog</li> </ul>	<ul style="list-style-type: none"> <li>Experts mentioned that earlier Games such as Los Angeles were believed to employ fewer people than recent Games, indicating the potential for cost savings in this area compared to more recent Games</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>The workforce expense appears most sensitive to the ability of Chicago 2016 to attract employees to a job that will end after the Games with stated salaries, benefits, and incentive plans</li> </ul>	<ul style="list-style-type: none"> <li>The Chicago 2016 Committee members used experience from prior Games to estimate what salaries will be needed to entice key personnel to relocate to Chicago</li> </ul>

## The Olympic budget item expense for Information Technology (IT) and telecommunications includes expenses for phones, computers, Internet connectivity, etc.

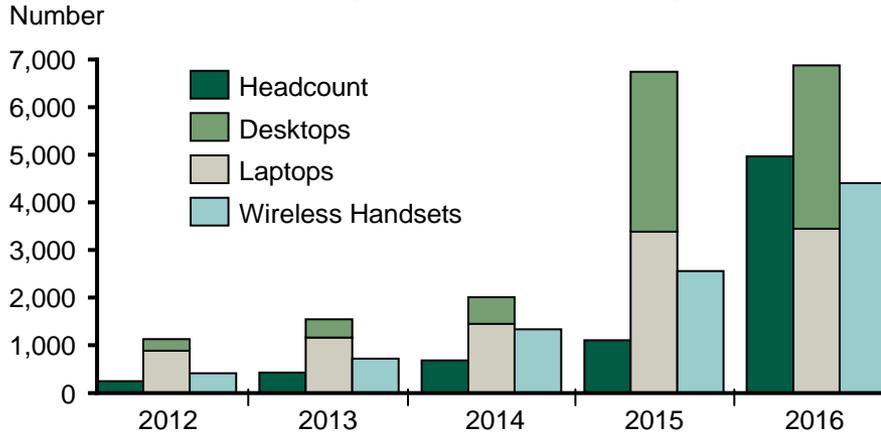
Process Overview	Additional analysis
<ul style="list-style-type: none"> <li>● For each venue, IT and telecommunications requirements were determined based on venue size, staff needs, sophistication of operations, etc               <ul style="list-style-type: none"> <li>- Some requirements were driven by total workforce, such as cell phones and computers</li> </ul> </li> <li>● Unit costs were estimated based on the collective experience of the development team coupled with research into current product prices               <ul style="list-style-type: none"> <li>- Where necessary, general industry observations were employed to estimate costs (i.e. consumables equating to ~30% of hardware costs)</li> </ul> </li> <li>● The focus of the committee was to build a set of redundant and reliable systems to ensure smooth functionality during Games time               <ul style="list-style-type: none"> <li>- A series of technology “freezes” several years in advance of the games helps to ensure that unproven technology will not be debuted at the event</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Due to the rapidly evolving nature of IT and telecommunications, comparables from previous Olympics were not employed in a top-down methodology               <ul style="list-style-type: none"> <li>- Relative to other Games*, Chicago 2016 is ~43% higher in IT and telecommunications expenditures</li> <li>- The bottom-up methodology employed by Chicago 2016 seems to be the most appropriate method for IT and telecommunications budget forecasting</li> </ul> </li> <li>● A review of the process indicated that the staff members mainly responsible for the budget creation – Sharon Kingman, Alice Mahmoud, and Rick Ludwig – all have significant experience in previous Games</li> </ul>

Note: \*Other Games includes Atlanta, Sydney, and London 2012; IT and telecommunications were averaged for these Games and then compared to Chicago 2016's estimate

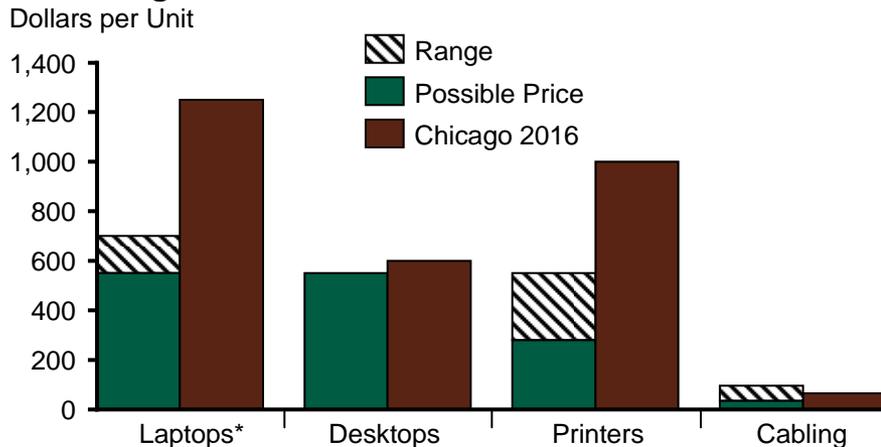
Source: Chicago 2016 Supporting Documentation, Discussions with management

## While the budget is subject to some volatility due to the substantial Value-in-Kind (VIK) commitments from sponsors, the plan was generally found to be conservative

### Headcount vs. Quantity of Select IT Items by Year



### Cost Range for Select IT and Telecommunications Products



Note: \*Low- and high-end laptops

Source: Chicago 2016 Supporting Documentation, Discussions with management

### L.E.K. Analysis

- The ratios of laptops and phones to headcount indicates that staff should be adequately supplied
  - Also, there is a correlation between workforce rollout and the IT expense plan
- Inputs were found to be generally conservative when analyzed relative to the range of possible prices
  - The budget developers noted that product prices were listed at retail, rather than the wholesale price Chicago 2016 is more likely to secure
  - Chicago 2016 also noted that it did not intend to equip the Games venues and staff with state-of-the-art equipment that has not been thoroughly tested, limiting the opportunity to incur costs at the high end of ranges
- A substantial portion of the IT and telecommunications expense is expected to come in the form of VIK, which must be negotiated as sponsorship agreements are signed

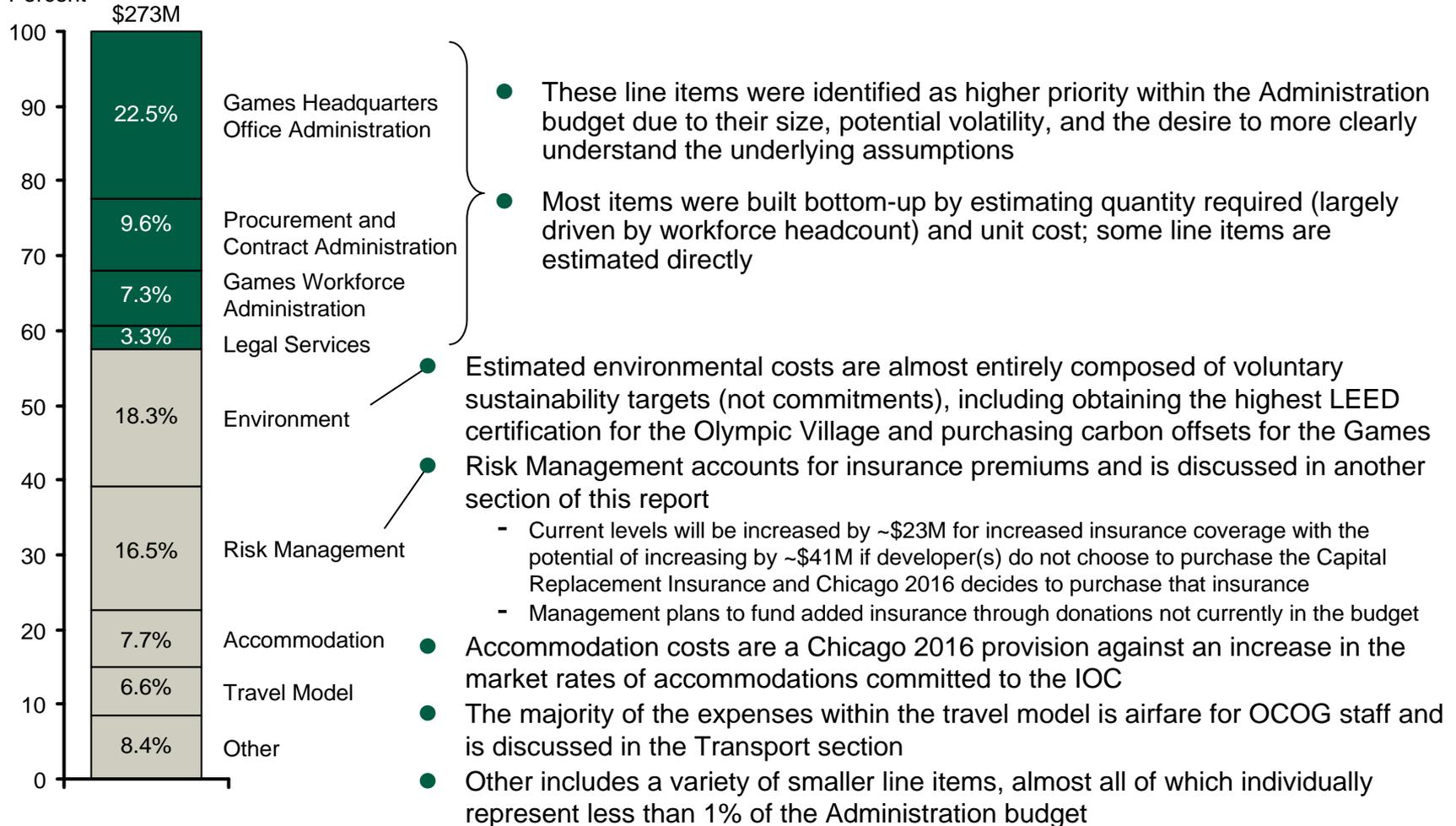
## While estimating the value of VIK expected from sponsors may prove challenging, Chicago 2016 employed qualified personnel and a detailed process for forecasting IT and Telecommunications expenses

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>The team that developed the budget expressed its confidence in executing the 2016 Olympics according to the plan</li> </ul>	<ul style="list-style-type: none"> <li>The budget was largely developed by Sharon Kingman and Alice Mahmoud</li> <li>The IOC made explicit contributions regarding the VIK and other consideration to be received from TOP sponsors</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>The lead architect of the plan, Sharon Kingman, is well-versed in the development of forecasts for events of similar size and scale</li> </ul>	<ul style="list-style-type: none"> <li>Sharon Kingman has worked with eleven Olympic Organizing Committees and three Olympic Bid Committees in technology planning</li> <li>Alice Mahmoud was managing director of information systems for Salt Lake; she was also the CIO of Traveler's Insurance and is now the Director of Application Development at Liberty Mutual</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>The bottom-up methodology adequately accounts for a reasonable projection of IT and telecommunications needs based on current standards</li> </ul>	<ul style="list-style-type: none"> <li>Chicago 2016 constructed expenses on a line item basis by building on prior experience to estimate systems cost and researching the retail price of items required</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>Prior experience from the private sector was leveraged to estimate platform and systems costs</li> <li>A top-down approach utilizing prior Games was not utilized; however, the budget is greater than that from previous Olympics</li> </ul>	<ul style="list-style-type: none"> <li>The development team has ample experience with prior Games, enabling them to implement best practices in development of the Chicago 2016 bid</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>The budget is sensitive to the potential value derived from VIK; if management is unsuccessful negotiating for required resources at a reasonable price, Chicago 2016 may have to increase cash expenditures</li> </ul>	<ul style="list-style-type: none"> <li>Management's skill in negotiation and their ability to align a sponsor's abilities with Chicago 2016's needs will be critical to maximizing VIK</li> </ul>

## The administration expense is comprised of multiple items that are needed for the operation of the Games

### Chicago 2016 Administration Expense Components

Percent

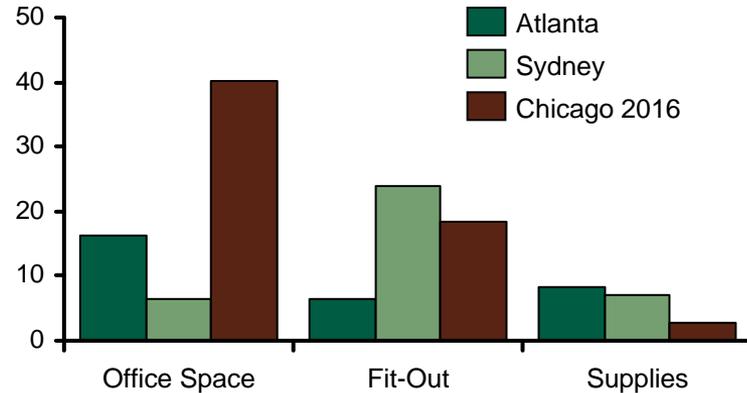


Source: Chicago 2016 Supporting Documentation, Discussions with management

## Most higher priority Administration components were developed using outside guidance and benchmarked against previous Games

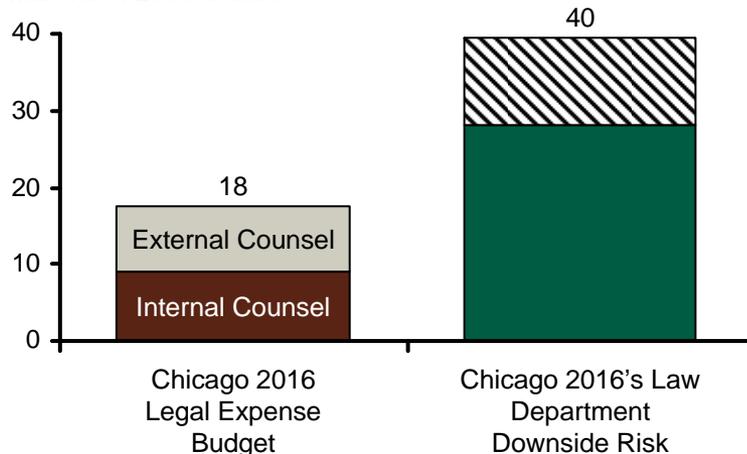
### Games Headquarters Administration Costs

Millions of 2008 Dollars



### Legal Expenses

Millions of 2008 dollars



Note: \*Chicago 2016 Internal Counsel costs are included in the Workforce cost line item

Source: Chicago 2016 Supporting Documentation, Discussions with management

### Analysis

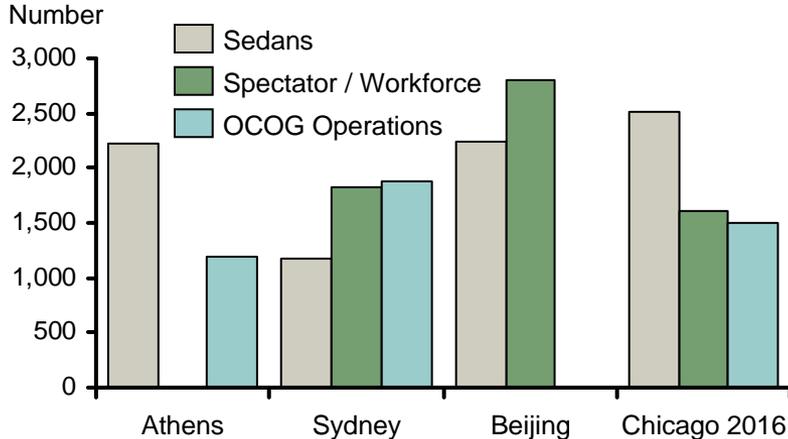
- Games headquarters office administration, the largest component, was benchmarked against previous Games
  - Office space appears to be sufficiently funded relative to recent Games; however, fit-out and supplies expenses are not conservative relative to comparables
- Unit costs were checked to vet inputs used in the procurement and contract administration and the Games workforce administration components
  - Uniform costs, the largest component of Games workforce administration, were sourced to major retailers such as GAP and appear reasonable
  - Warehousing costs, the largest component of procurement and contract administration, were found to be conservatively estimated when benchmarked against a range of possible prices
- Legal services estimates were developed using management's prior experience and a plan to use a mix of in-house and external staff
  - Additionally, a portion of the legal staff may be acquired pro bono
- Chicago 2016's Law Department estimated a potential worst case scenario for legal costs based on using all external counsel at market rates
  - The analysis suggests that legal costs could exceed budgeted amounts by \$10 – 22M under a downside scenario

## The process for forecasting administration expenses satisfies the criteria necessary to be considered fair and reasonable

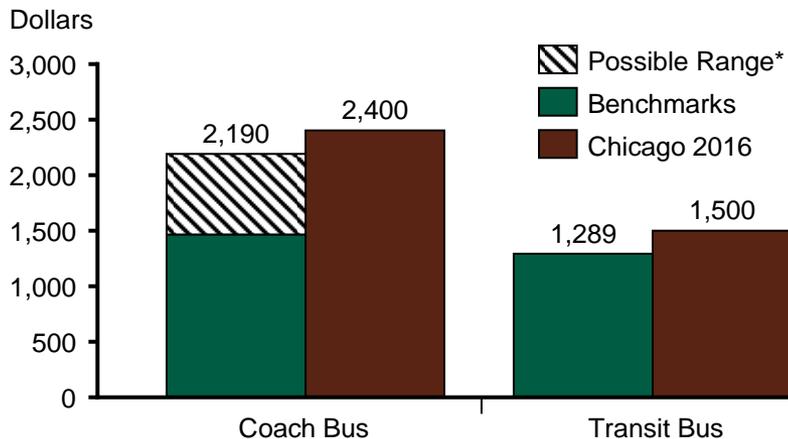
Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>The administration budget has clear accountability and ownership for the myriad components involved in this expense</li> </ul>	<ul style="list-style-type: none"> <li>Supporting documentation usually notes contributing personnel explicitly in each model</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>As the Administration portion of the budget affects many different functional areas, a variety of experienced personnel were included in its development</li> </ul>	<ul style="list-style-type: none"> <li>The bottom-up methodology for many components includes sourced quotes for many line items from appropriate authorities</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>While not all components of the Administration budget were built with a comprehensive, bottom-up approach, most critical components are supported by a detailed line item analysis</li> </ul>	<ul style="list-style-type: none"> <li>Components such as Games Headquarter Office and Games Workforce are supported by a detailed methodology for forecasting expense</li> <li>Some components, such as legal and auditing fees, were estimated directly without detailed methodology</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>Comparisons to prior Games expenditures suggest that Chicago 2016 has budgeted conservatively for office administration costs</li> <li>Comparisons to past Games' legal expenses was not available</li> </ul>	<ul style="list-style-type: none"> <li>Comparisons to budgets from previous Games may not be suitable for all line items due to their specific nature (i.e. office space rent, legal costs across different countries)</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>A downside legal costs scenario was developed by Chicago 2016's Law Department</li> </ul>	<ul style="list-style-type: none"> <li>Should legal guidance be needed regarding a subject that is outside in-house council's area of expertise, legal expenses may exceed budgeted allowance</li> <li>Management's plan to fund additional levels of insurance (risk management) through increases in the amount of donation revenue requested will put increased pressure on the donations budget item</li> </ul>

## Within transportation, inputs for the bottom-up methodology appear reasonable

### Fleet Size for Top Three System Categories



### Vehicle Rental Costs



### L.E.K. Analysis

- Various government transportation agencies, firms, and external consultants assisted in estimating transportation needs
  - Estimates were created for fleet size based on infrastructure, population dynamics, Games schedules and ticketing projections
- The model checked demand against the capacity of Chicago's existing infrastructure and found the current CTA / Metra infrastructure to be sufficient
  - The Chicago 2016 plan is not reliant on any expansion of the existing Chicago transportation infrastructure
- A comparison of the fleet size and make up to previous Games indicates how transportation needs vary based on the existing infrastructure available in the host city
- Vehicle rental cost inputs were found to be conservatively estimated based on comparable prices available in the market
- Background traffic was also in-line with other Summer Games
  - Background traffic was estimated to be reduced by 25% for Chicago 2016; Atlanta was only able to achieve a 22% reduction but London is forecasting a 29% reduction
- A sensitivity analysis assessing the downside risks of higher CTA fares and lower than projected spectator foot traffic indicated that the impact of these risks would be less than \$10M
- Travel grants provided to athletes and officials are also included in the transportation budget
  - The average airfares resulting from the travel grant model appear to be reasonable (Originating in Europe: \$1,359; Originating in Asia: \$2,595; Originating in Africa: \$3,058; Originating in the Americas: \$957)

Note: \*Assumes 15-hour days

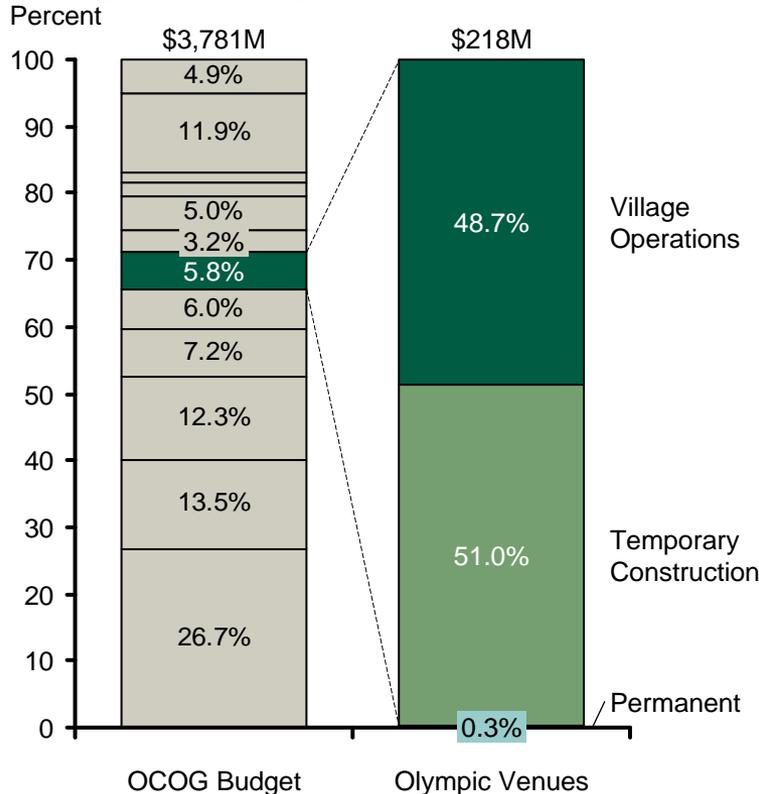
Source: CTA, Busrates.com, Chicago 2016 Supporting Documentation, Discussions with management

## The transportation plan is an adequate representation of how a system would be operated based on the current structure of the games

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>A dedicated team of Chicago 2016 staff members, led by Tom Cisewski, developed the transportation plan over the course of several years</li> </ul>	<ul style="list-style-type: none"> <li>The transport model has many contributing parties and each assumption is cited to the appropriate input provider or external source</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>The expense line item forecast was led by Tom Cisewski, Susan Jones, Brian Hedges, and Tony Vitrano</li> <li>The planning of the transport budget involved the input and review of potentially impacted agencies, including but not limited to: CDOT, IDOT, CTA, Metra, Pace, the Office of Emergency Management Communication, NICD, the Department of Aviation, and representatives from several major freight railroads <ul style="list-style-type: none"> <li>A Chicago transportation task force has been meeting monthly since February of 2008</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Tom Cisewski has consulted for every Olympic Games since 1998 including Vancouver 2010</li> <li>Susan Jones served as event operations coordinator for the 2002 Salt Lake Games</li> <li>Brian Hedges is an analyst for Huron Consulting with experience in operation modeling</li> <li>Tony Vitrano, CEO of Gameday Management Group, has managed the transportation planning for Atlanta, Salt Lake City, Turino, Athens, and Vancouver</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>The methodology associated with transport expenses is among the most comprehensive in the entire budget</li> </ul>	<ul style="list-style-type: none"> <li>Model assumptions, sample output, and implications for the infrastructure (such as whether or not Olympic peak traffic is expected to exceed normal peak traffic capacity) is well documented</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>The planned fleet size appears reasonable relative to recent Games</li> </ul>	<ul style="list-style-type: none"> <li>Since the infrastructure of each host city varies considerably, appropriate comparables are not readily available</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>Management has been able to identify the most sensitive assumptions in the model, such as percentage of spectators walking between venues</li> <li>The model has a 10% contingency fleet for each category (i.e. athletes, media, etc.) that can be centrally managed to alleviate problems</li> </ul>	<ul style="list-style-type: none"> <li>While a 25% reduction in background traffic seems reasonable, it remains outside the OCOG's direct control <ul style="list-style-type: none"> <li>However, the anticipated outcome that would arise from missing this target would likely be an increase in travel and wait times for spectators rather than a direct increase to the transportation expenses</li> </ul> </li> <li>The transport budget does not appear overly sensitive to contracted transportation services</li> </ul>

## Expenses associated with the construction and operation of the Olympic Village were derived using similar processes as the Olympic venues

**Chicago 2016 Budgeted Expenses**



- The majority of Village construction costs will be budgeted outside the OCOG’s Games budget
- The Village operations expense is comprised of similar inputs as venue operations and employs a comparable bottom-up methodology with many of the same inputs and categories
- One large component unique to Village operations is the OCOG’s payment of the developers’ carrying costs for the year 2016, which is the planned amount to be paid to developers for access to the facilities during the year of the Games
- The same personnel and process used to develop the Olympic venue cost estimates were used to develop the Olympic Village temporary cost estimates
- The only permanent Village construction costs in the OCOG budget are \$600K allocated for legacy artwork at the Village site

The fair and reasonable tests applied to Olympic venues also hold for the Olympic Village portion of the OCOG budget

## The Ceremonies and Culture budget accounts for the celebrations and events surrounding the Games, including Opening and Closing Ceremonies

### Line Item Process Overview

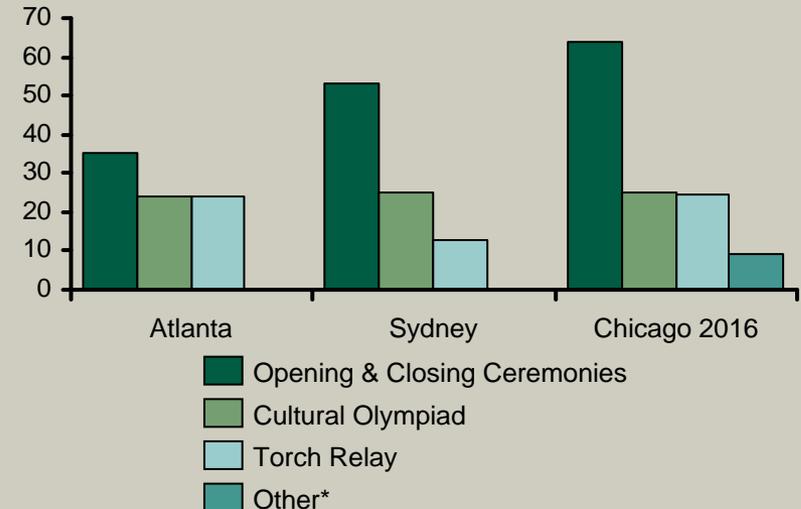
- Budget items were compared to Atlanta and Sydney and modified based on management's insight
  - Data from Athens was not available when the comparable analysis was done
- In real dollars, only the opening and closing ceremonies were materially increased from Atlanta
  - The Torch Relay remained flat compared to Atlanta and was budgeted to reflect the desire to hold a similar national Relay
  - The Cultural Olympiad also was chosen to remain flat relative to comparables as the bid committee plans to leverage Chicago's existing cultural infrastructure to establish the Olympic celebration
- As the nature of the ceremonies is dependent on the artistic vision of the director and producers, it is not feasible to construct a line item based methodology without an understanding of the final product
  - Cultural programs exhibit the same characteristic difficulty in formulating a bottom-up methodology

### L.E.K. Analysis

- Ceremonies and culture expenses appear conservative when compared to previous Games

#### Ceremonies and Culture Expenses

Millions of 2008 Dollars



- The potential impact of cost overruns in this area is controllable, as management will remain in direct control of the ceremonies budget and can influence the final scope of the ceremonies

Note: \*Other includes medal ceremonies and youth programs

Source: Chicago 2016 Supporting Documentation, Discussions with management

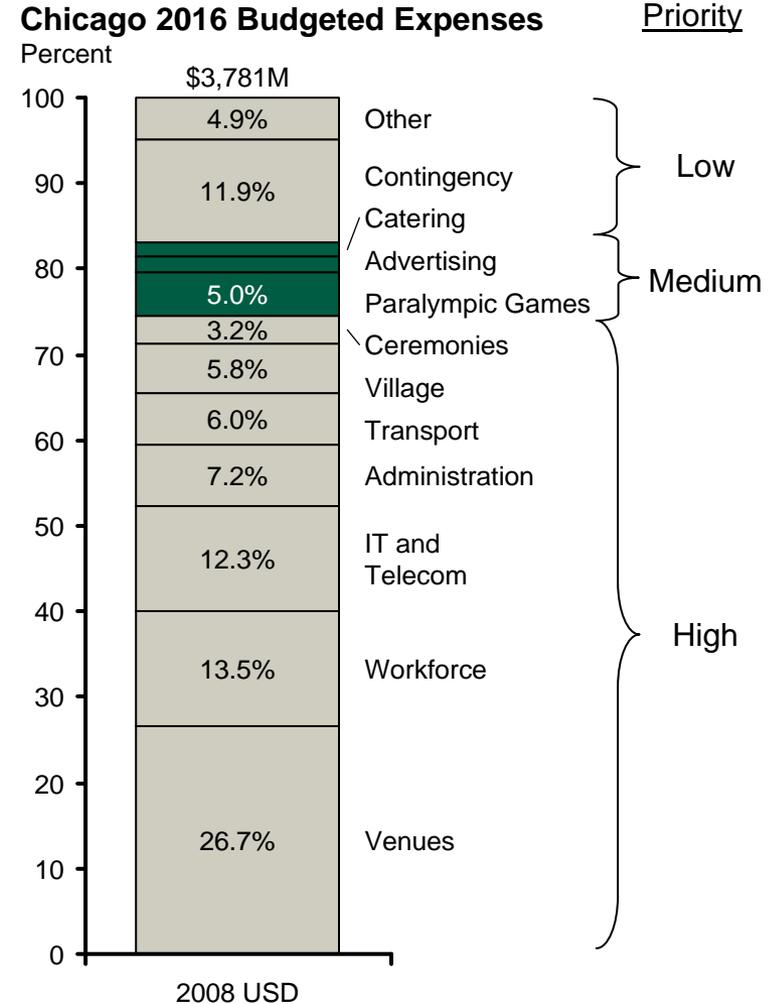
## The amount of detail contained in the ceremonies and culture budget appears sufficient given the current stage of the bid

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>A clear budget owner for this item has not been established as it is not necessary until the bid is secured               <ul style="list-style-type: none"> <li>-The CFO serves as the SME at this time</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>There are relatively few line items associated with this expense</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>In developing the ceremonies and culture expense budget, Rick Ludwig had access to a broad array of other host city experiences</li> </ul>	<ul style="list-style-type: none"> <li>Rick Ludwig has a host of experience with previous Olympic Games, including senior management positions at Atlanta, Sydney, Salt Lake, Athens, and Beijing</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>This budget line item is less complex than most others, but the methodology for arriving at expenses is comprehensive</li> </ul>	<ul style="list-style-type: none"> <li>There is no bottom-up methodology involved due to the appropriate absence of a detailed artistic plan</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>The forecasting exercise relies entirely on analogs to prior experience</li> <li>Atlanta and Sydney are a comparable peer set               <ul style="list-style-type: none"> <li>- Chicago 2016 plans to have a nationwide torch relay that is similar in many ways to the Atlanta celebration</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Chicago 2016 has budgeted conservatively compared to previous Games in all categories</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>The ceremonies and culture budget is most sensitive to potential cost overruns in the production of the opening and closing ceremonies</li> </ul>	<ul style="list-style-type: none"> <li>Management will have significant control in restraining the costs of the Opening and Closing ceremonies by enforcing a strict budget on the production team</li> </ul>

## Paralympic Games, Advertising, and Catering were all classified as medium priority due to their size and the straightforward nature of their estimation

**Chicago 2016 Budget Amount: \$325.5M**

- The Paralympic Games line items were derived as Paralympic specific extensions of Olympic cost items and operations
  - Some items, such as workforce and specific venue construction requirements, were based on their own bottom-up estimation that incorporated the unique needs of the Paralympic Games
  - Major line items were checked against other Olympic experiences to ensure a consistent proportion was applied and that economies of scale were appropriate in each functional area
- Advertising employed a bottom-up methodology for forecasting expenses with various degrees of rigor for the different components of the line item
  - The unit prices that drive the models seem conservatively estimated
- Catering employed a top-down methodology for Village catering based on Sydney and a bottom-up methodology for catering costs at each venue
  - Estimated meal prices used in the budget appear reasonable

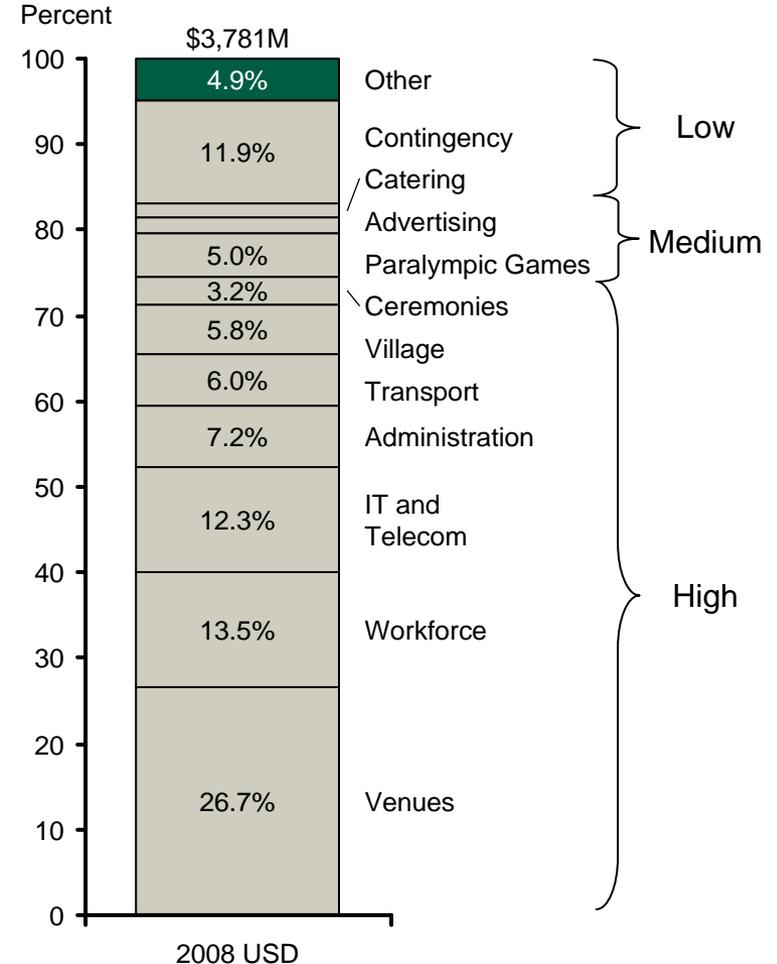


## Several smaller and less volatile line items were bundled into the low priority Other category

**Chicago 2016 Budget Amount: \$185.5M**

- The Other category is comprised of: Medical Services (\$21.0M); Security (\$41.1M); Pre-Olympic Events & Coordination (\$34.4M); and Other (\$89.0M)
- Most of these line items individually comprise only 1% of the overall expense budget
- The various methodologies supporting these forecasts are generally straightforward
  - Medical services costs were estimated directly
- Security expenses were built with a bottom-up methodology using requirements from comparable events and government authorities
  - Estimated subsidies have been included in the appropriate revenue section
- Pre-Olympic Events and Coordination are test events that start in 2015; costs were based on an extensive set of comparables
  - The large majority of Other expenses are royalties paid to the IOC (7.5% of ticket sales), which is dictated by the IOC host city agreement

**Chicago 2016 Budgeted Expenses**

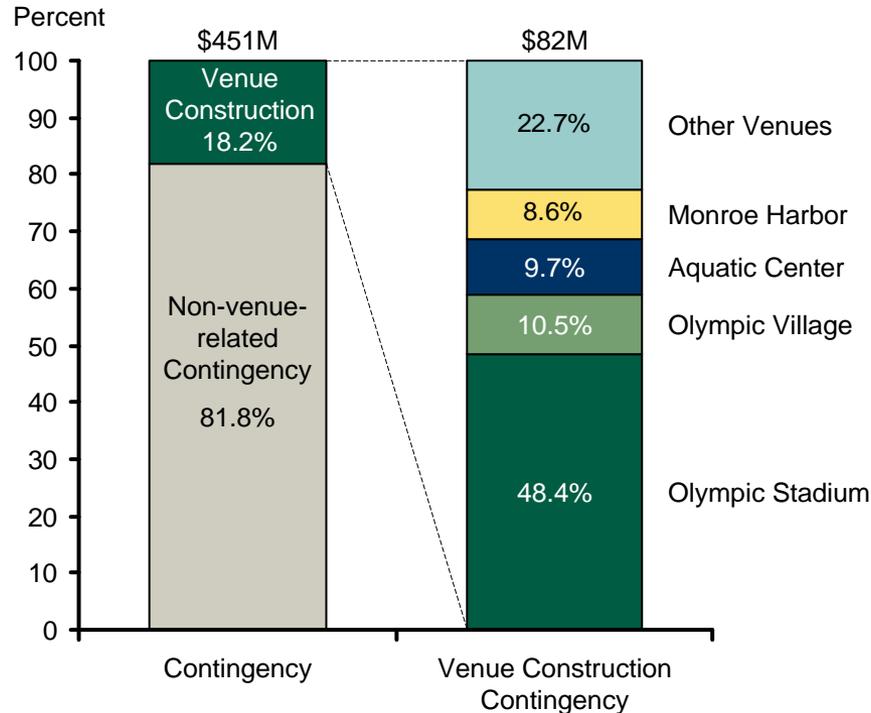


## Agenda

- Project background
- Executive summary
- OCOG budget
  - Prioritization
  - Revenue
  - Expenses
  - Contingency
- Olympic Village
- City revenue and expenses
- Insurance provisions and safety net

## The total contingency in the OCOG budget is driven by a construction-related contingency and a general allowance for shortfalls and overruns

### Chicago 2016 Budgeted Contingency



- Construction contingencies are not included in the venue construction cost budget line item
  - Construction estimates of new venues included a 10% cost contingency to account for potential overruns, regardless of the nature of the venue
  - Indirect and soft costs estimates were included in the construction budget
  - Venues that leveraged existing structures (Soldier Field, McCormick Place, etc.) used reduced indirect and soft costs to reflect the lower risk associated with establishing these venues
- Any contingency funds remaining after the end of the games will be split amongst the IOC, USOC and OCOG, per the terms of the Host City Agreement
  - 40% will be allocated to the IOC and USOC evenly and the remaining 60% is for the OCOG to improve local sports programs and pay out performance bonuses for its staff

- Other contingencies throughout the expense budget are included within individual line items
  - Transportation, for example, includes 10% contingency fleets for the athlete, media, and sedan systems, amounting to ~\$4M of embedded safety net
- Most expense items contain options for “value engineering” that can further reduce cost as needed

## As the budget was reviewed, reasonable downside scenarios for each line item and their potential impact on the budget were developed

Scenario	Description	Dollar Impact
<b>Revenue</b>		
Reduction in Sponsorship Growth	<ul style="list-style-type: none"> <li>Sponsorship revenue increases at the low end of the observed range, growing at a real CAGR of 2.8% from the Atlanta Games</li> </ul>	\$234M*
Ticket Revenue Shortfall	<ul style="list-style-type: none"> <li>A 20% reduction in prime and ceremony ticket prices</li> </ul>	\$68M
Donation Shortfall	<ul style="list-style-type: none"> <li>Only 50% of expected venue naming rights donations are actually received               <ul style="list-style-type: none"> <li>This would effectively reduce overall donation revenue by ~36%</li> </ul> </li> <li>Additional donations to cover the ~\$41M in increased insurance premiums are not raised               <ul style="list-style-type: none"> <li>In this case, the developers do not absorb the Capital Replacement Insurance premiums and Chicago 2016 purchases the insurance for the developers</li> </ul> </li> </ul>	\$130M
Decrease in Other	<ul style="list-style-type: none"> <li>All other revenue targets controlled by the OCOG (not including sponsorship, ticketing, and donations) are missed by 10%</li> </ul>	\$57M
<b>Expenses</b>		
Construction Contingency	<ul style="list-style-type: none"> <li>Construction costs exceed original estimates and require double the entire amount budgeted for construction contingency (~\$164M)</li> </ul>	\$164M
Increase in IT	<ul style="list-style-type: none"> <li>VIK falls below the expected value due to negotiation difficulties and the IT and telecommunications budget is increased by 10%</li> </ul>	\$46M
Permanent Workforce Expansion	<ul style="list-style-type: none"> <li>The permanent workforce is increased by 10% because the Organizing Committee believes it is understaffed in the planning phase</li> </ul>	\$41M
Increase in Other	<ul style="list-style-type: none"> <li>All other expense estimates (not including construction, IT, and workforce) are overrun by 10%</li> </ul>	\$142M

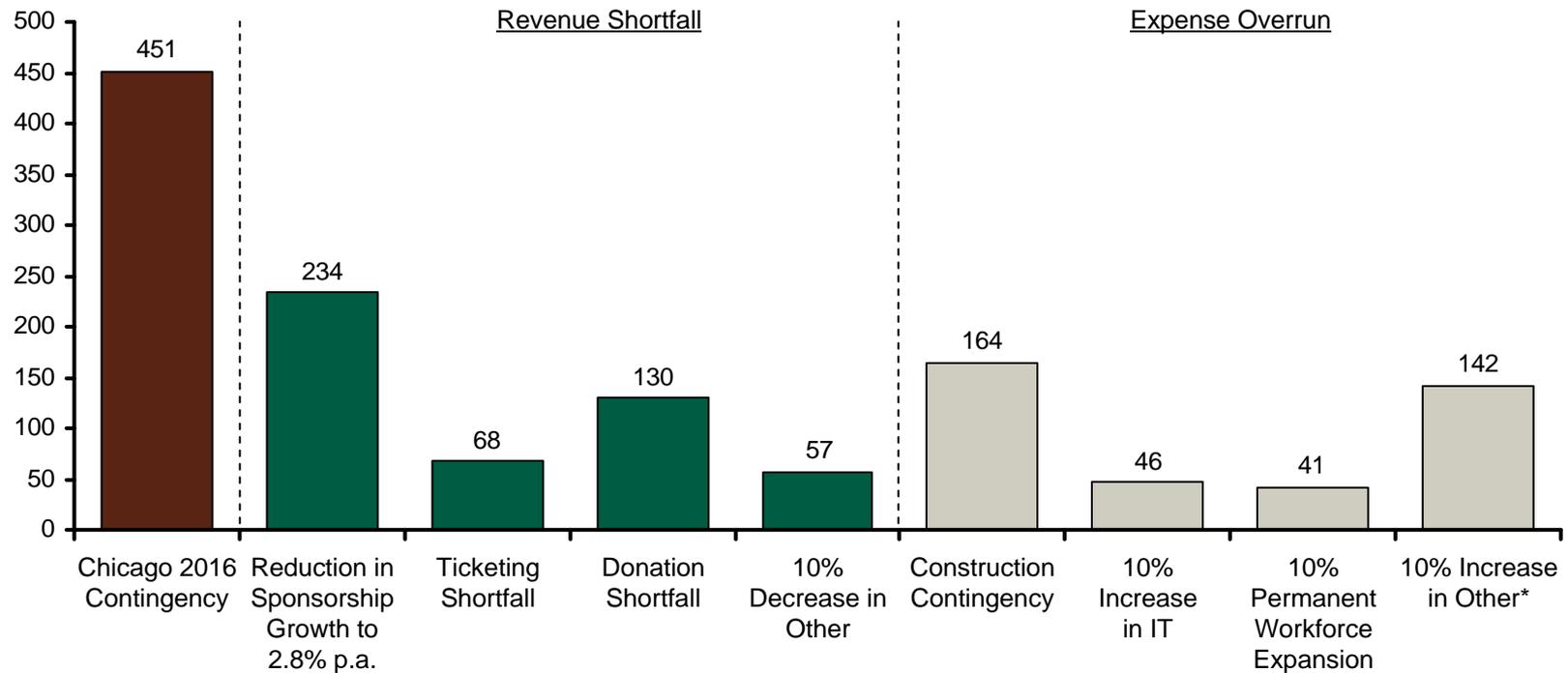
Note: \*\$234M represents the net impact on OCOG revenue

Source: Chicago 2016 Supporting Documentation, Discussions with management, L.E.K. Analysis

## The contingency in Chicago 2016's budget is sufficient to cover reasonable downsides for individual major revenue and cost line items

### Chicago 2016 Contingency and Possible Impact of Various Scenarios

Millions of Dollars



- On an individual basis, the contingency is sufficient to compensate for shortfalls in revenue and cost overruns in the scenario analysis
- If multiple items in the scenario analysis occur simultaneously the contingency may not be sufficient to cover all items, but initial guaranteed city and state funds would be sufficient to cover most reasonable scenarios

Note: \*Includes construction expenses allocated to the Paralympic Games

Source: Chicago 2016 Supporting Documentation, Discussions with management

## Opportunities also exist that could offer additional upside not currently captured in the OCOG budget

### Additional OCOG Revenue Opportunities

- Chicago 2016 estimated that as much as \$50M of additional revenue may be garnered from the sale of suites at the United Center and Soldier Field during Olympic events
- The Chicago 2016 Bid Committee did not account for any interest income that may be earned from funds received in advance of expenses (advanced ticket sales, sponsorship revenue, etc.)
  - Estimates based on early cash flow projections suggest this may be ~\$35M
  - Conversely, potential operational financing costs are also not included
- If Chicago's opening and closing ceremonies were to sell-out (similar to the Sydney and Atlanta ceremonies) at the planned prices, revenue would increase ~\$8M
- There may be additional revenue opportunities from new sports included in the Summer Games (e.g. rugby and golf) that is not currently captured in the plan
- Given the increasing awareness of the Paralympics over the past few Games, ticket sales and sponsorships for the Paralympic Games may increase more than budgeted

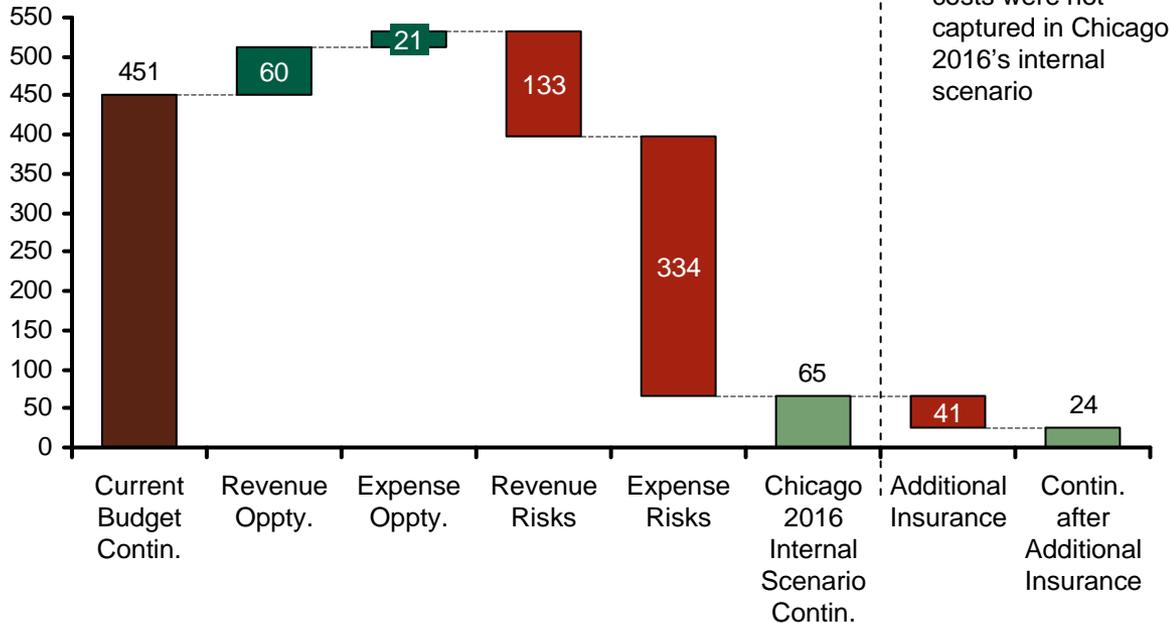
### OCOG Cost Reductions

- The scope of legacy construction projects can be narrowed, reducing venue construction costs (the Olympic Stadium legacy venue is budgeted to cost over \$40M)
- Given the dynamic nature of construction projects, Chicago 2016 has the ability to value-engineer different venues to accommodate changes in the budget
- Since commodity input prices were sourced at near all-time highs, securing commodities at prices closer to historical averages can also lower construction costs
- The bundling of purchases such as IT or insurance packages will lower costs as items may be purchased at wholesale rather than retail prices and other items and services, when bundled, may come at a discount

## Additionally, Chicago 2016 management performed an internal analysis of possible scenarios and found the budgeted contingency to be sufficient

### Chicago 2016 Internal Sensitivity Analysis

Millions of 2008 Dollars



- Chicago 2016 assessed the potential dollar value impact of a variety of scenarios and assigned a probability to the likelihood of each event
- The resulting analysis allowed Chicago 2016 to assess the impact of including additional sources of revenue and cost savings, as well as the downside of revenue shortfalls and cost overruns on a line by line basis
- In addition, subsequent budgets' plan for additional insurance (\$41M) would also require contingency funds if donations are not received
  - This also assumes that developers do not purchase Capital Replacement Insurance and Chicago 2016 has decided to fund the premium

### Major Internal Scenario Line Items

Category	Revenue	Expenses
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>● Higher ticket prices and more sell-outs</li> <li>● Sponsor revenue at Games-Time Concession sites</li> </ul>	<ul style="list-style-type: none"> <li>● More spaces donated in Park-and-Ride lots</li> <li>● Change in location of the shooting venue</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>● 20% local sponsorship shortfall</li> <li>● 20% official supplier shortfall</li> <li>● 15% Chicago-area donation shortfall</li> </ul>	<ul style="list-style-type: none"> <li>● 7.5% overrun in construction for sports venue and MBC / IBC overlays and capital sports facilities</li> <li>● 80% higher diesel prices</li> </ul>

Source: Chicago 2016 Supporting Documentation, Discussions with management, L.E.K. analysis

## Agenda

- Project background
- Executive summary
- OCOG budget
- Olympic Village
- City revenue and expenses
- Insurance provisions and safety net

## A majority of Olympic Village construction costs exist outside of the Chicago 2016 Games budget

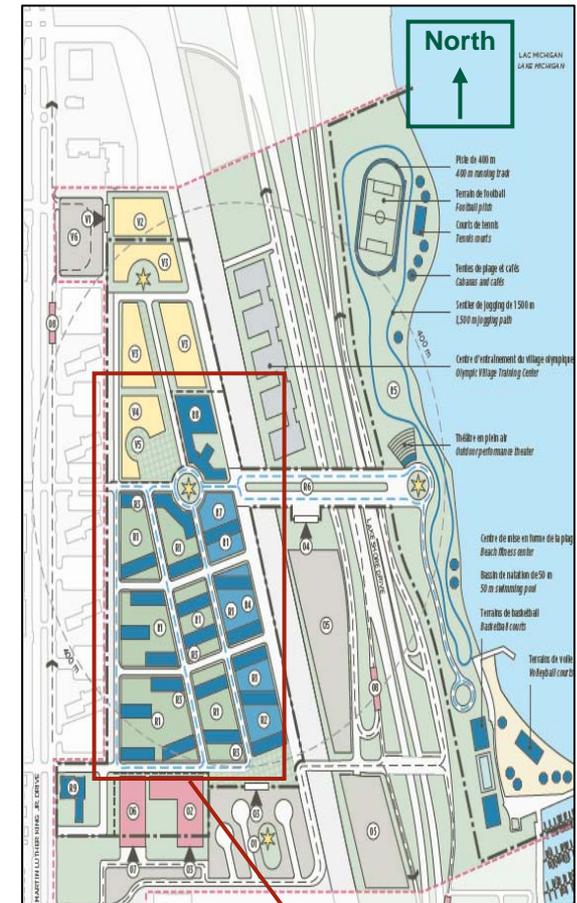
### Nature of the Project

- The currently proposed Olympic Village utilizes the recently acquired Michael Reese Hospital site to develop athlete facilities for the games, which would be sold post Games as a yet to be determined mix of condominiums, apartments, student housing, etc. and would include TIF required affordable housing
- The Village would be financed by a team of developers who would bear the risk associated with completing the project on time as well as the post Games task of selling units

### Proposed Village Project

- The current village plan calls for a two phase development project with low rise (10-14 story) condominiums
  - Phase I would be built on the south side of the property to house the athletes
  - Phase II consists of buildings of greater density constructed after the Games
- Multiple scenarios of potential housing types were modeled with development costs ranging around \$1B; the plan analyzed assumes more than 90% condos
  - One multi-product scenario provided by Chicago 2016 indicated costs of approximately \$1.2B
  - In 2016, the OCOG will rent the properties from the developers for the entire year as well as construct the temporary overlays needed for the Games
  - Reimbursement of the developers' Games time carrying costs and overlay expense have been estimated to be ~\$150M and is included in OCOG Village operations cost

### Current Olympic Village Plan



South area

## The current Olympic Village concept and cost put forth in the Chicago 2016 bid is one option for the project and does not indicate a cost guarantee; however, the projected site has already been purchased by the City

- The host city contract stipulates that the City guarantees a space to house athletes and team members
  - “... An Olympic village(s), and other appropriate accommodations, services and facilities...reserved for the competitors, team officials and other team personnel, shall be provided by the OCOG ...”  
Chapter 3, Section 29, Host City Contract for the Games of the 31<sup>st</sup> Olympiad (2016)
  - This does not mandate the City to deliver exactly the proposed \$976M Olympic Village; the IOC simply requires that Chicago 2016 meet the obligations of the host city contract
- Further conversations with Chicago 2016 illuminated subtle Village “requirements” from the IOC
  - The IOC is concerned with moving large amounts of people in and out of residences in a short timeframe and this concern is reflected in Chicago 2016’s effort to keep residences no higher than 14 floors and to increase elevator size and capacity
  - Proximity of Village housing to the sporting events is also an important criteria for the IOC
- The City has already acquired the land at the Michael Reese Hospital site for ~\$90M and is in the process of demolition and site preparation
  - Demolition costs were estimated to be ~\$32.5M and are expected to be covered in total by a donation to Chicago 2016 from the seller of the property; the demolition and restoration are currently running 21% under budget\*
- Principal and interest payments to the seller for the land are deferred until June 30, 2014
  - The deal is structured to allow the development team that purchases the property from the City to assume the same payment terms

The signing of the host city contract does not contractually require a city guarantee of a \$976M project; options always exist for host cities to modify Olympic Village plans as needed

Note: \*The budget for demolition was developed during a period of increased construction related costs; the actual costs are being realized under budget  
Source: Chicago 2016 Supporting Documentation, Discussions with Management

## The current proposal was developed with input from experienced developers and local area experts

### Olympic Village Budget Development Process



- Chicago 2016 committee

- Bovis Lend Lease
- Cassandra Francis
- Psion, Student Housing Developer
- Jones Lang LaSalle
- Financiers and Capital Markets Analysts

- Penny Pritzker, Pritzker Reality Group
- Richie Stein, Mesirow Financial Real Estate
- Gregory Vorwaller, CB Richard Ellis
- Robert Wislow, U.S. Equities Realty
- +25 other members

- Chicago 2016 committee

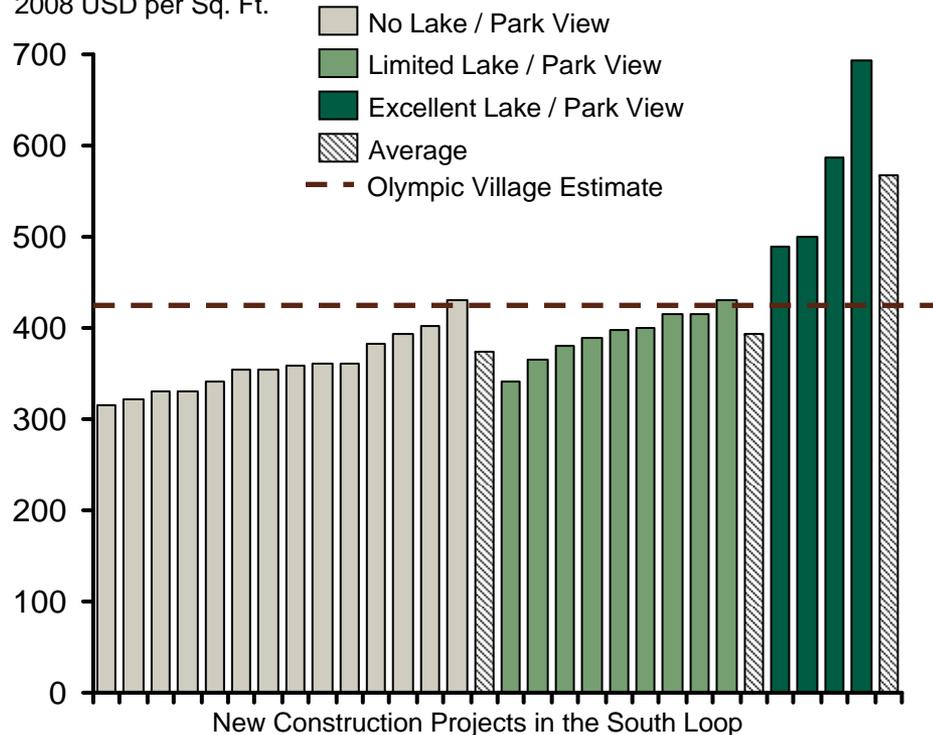
### Key Participants

- The Chicago 2016 committee has been able to generate interest around the original plan from over 20 developers
  - Development firms are generally from throughout the U.S.
  - All but one firm has signed a letter to provide financing for the project
- Letters of interest, if fulfilled in the future, could alleviate some of the developer(s) risks in constructing the Village
  - The AFL-CIO has submitted a letter of interest indicating that it would be willing to provide some financing for the Olympic Village plan
  - ULLICO, Inc. has submitted a similar letter of interest but has also added that it may provide capital to front-fund the TIF

## Assuming a premium for proximity to Lake Michigan is achieved, the estimated sales price for Olympic Village condominiums appears to be at the conservative end of the range of comparable South Loop properties

### New Construction Pricing in the South Loop

2008 USD per Sq. Ft.



- Comparables were provided by the Chicago 2016 Bid Committee and were developed during a robust real estate cycle
- Most properties in the comparison set are between 1000 and 2400 south, which is not as far south as the proposed Village and may not reflect the same product mix
  - The Olympic Village is planned to be between 26<sup>th</sup> Street and 31<sup>st</sup> Street
- The estimated sale price for the Olympic Village is \$425 / sq ft
  - This represents a 6% premium to the average of the data set (\$401 / sq ft)
  - The premium to properties with no lake or park view is 14% (average is \$373 / sq ft)
  - Compared to properties with excellent lake or park views, the Village properties are discounted 25% (average is \$567/sq ft)
- Chicago 2016's model anticipates real estate sales prices and construction costs to grow at ~4% annually

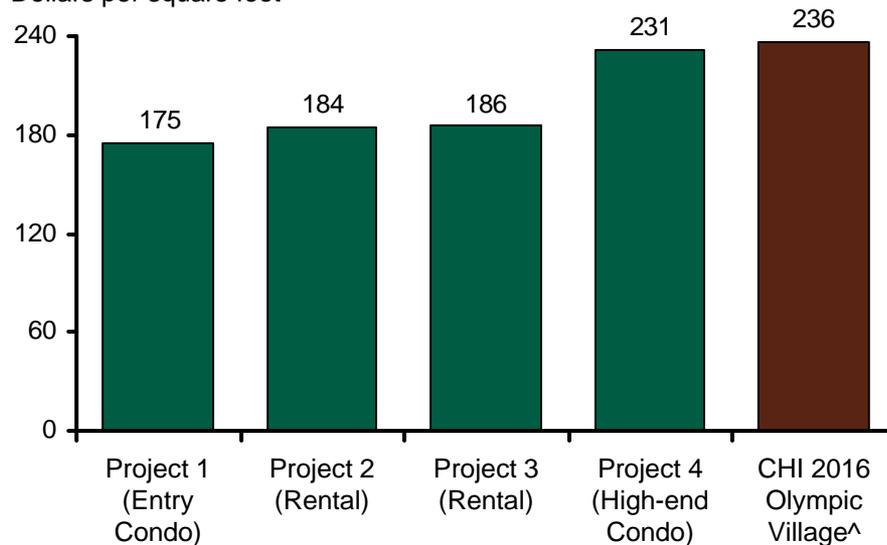
- The current pro forma developed by Chicago 2016 expects Olympic Village properties to command a premium market price given their proximity to Lake Michigan
  - S.B. Friedman performed a demographic analysis and estimated that the Olympic Village would be able to command a 20% sales premium by virtue of being on the lakefront
  - There may be an additional premium considering the Promenade Bridge that grants more direct access to the lakefront

Source: Chicago 2016 Supporting Documentation, Discussions with management

## Chicago 2016's estimated construction cost for the Olympic Village used in the pro forma for the project is conservative compared to Chicago downtown construction costs\*

### Chicago-area Construction Costs\*\*

Dollars per square foot



- The Olympic Village appears to be at the higher end of the range of construction costs given other new construction projects in the downtown area
  - Olympic Village costs include the post Games retrofit that will upgrade the residences from the more basic setup used for the Games

- The true costs and sales potential will not be evident until trends in the construction and real estate markets become more certain
  - Given recent volatility in construction materials, it is hard to gauge the exact cost of any project
  - Similarly, the economy, Southside real estate development and downtown Chicago development will dictate how well an influx of more than 2,000 condos will be absorbed by the market

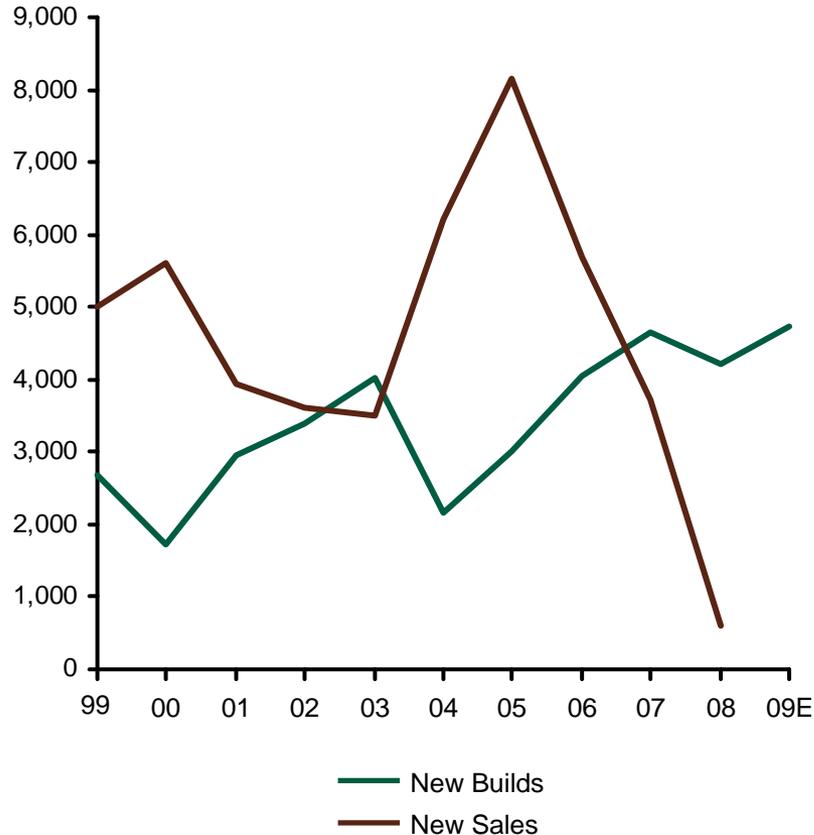
Note: \*All comparables were provided by the Chicago 2016 Bid Committee; \*\*Construction costs were hard costs only and height-adjusted to reflect a comparable 14 story development similar to the Olympic Village; ^Includes Post-Olympic Condominium retrofit cost

Source: Chicago 2016 Supporting Documentation; Discussions with management, Bovis Lend Lease

## The Olympic Village plan assumes the market will absorb ~360 units per year; the absorption of the Village units will be dependent on the real estate market

### Downtown Chicago Condominium Sales and Builds

Number of Units



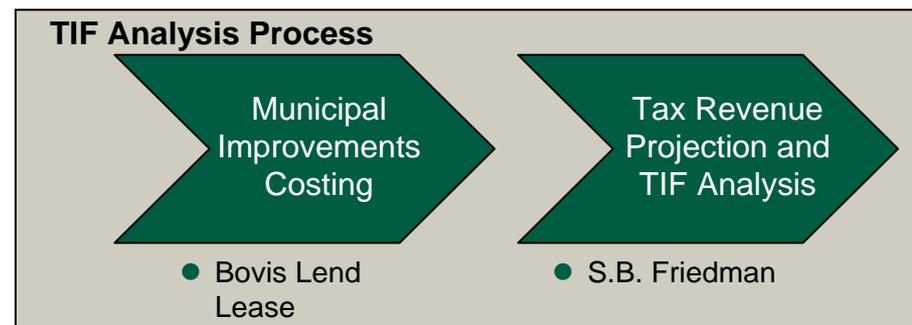
- Historically, condominium build and sales volumes have been volatile
  - The median sales volume of condominiums (at all price points) in Downtown Chicago was approximately 4,475 units/year
- Chicago 2016 has forecast that the Olympic Village will sell approximately 360 condominium units per year, starting the year before the games
  - The condominium absorption forecast assumes the project is greater than 90% condos and would likely change based on actual product mix (i.e. student housing, apartments, affordable housing)
- Chicago 2016 believes that the attractive location of the property will aid absorption
- Chicago 2016 has received broad expressions of interest from institutions such as IIT, Rush Medical Center, Columbia College, and the Chicago Housing Authority (CHA) for investment in student and affordable housing

Note: \*The plan evaluated assumes more than 90% condominiums but there is flexibility for other residential-housing types  
 Source: Appraisal Research Counselors, Crain's, Chicago 2016 Supporting Documentation, Discussions with management, S.B. Friedman, L.E.K. analysis

## Chicago 2016 is anticipating a new TIF (Tax Increment Financing) district for the Olympic Village to fully finance the required infrastructure improvements needed for the Village

- In most instances, a TIF is used to finance public infrastructure improvements including, but not limited to, sewer expansion, curb and sidewalk construction, storm drainage, etc.
- Chicago 2016 is projecting that the TIF will cover all costs for municipal improvements required for the Village
  - Site improvements include a ~60 foot wide pedestrian bridge that links the site to the lake shore, crossing Lake Shore Drive
- The TIF is expected to be created in 2009 and extend through 2033
- Municipal ordinances specific to the Olympic Village site have indicated that 20-30% of the residential units in the project be set aside for affordable housing
- Preliminary TIF infrastructure costs and revenues were estimated to be \$111M\* and \$116M\*, respectively
  - Revenues will be generated from the incremental increase in property value over the original value of the TIF district
  - ULLICO, Inc. expressed in a letter of interest that it may be willing to provide financial support for the TIF
  - TIF cost and revenue estimates may change as plans are modified
- The \$976M Village plan evaluated does not include an allowance for the affordable housing requirement under the TIF, and may need to be reconsidered if the TIF is utilized

- 
- Analysis for the TIF district was provided by Chicago area firms
    - Bovis Lend Lease built a detailed cost estimate for the required infrastructure changes
    - S.B. Friedman analyzed the tax revenue projections and monetization options for the instruments



Note: \*Values in 2008 dollars and cost estimate represents hard costs only  
 Source: Chicago 2016, Civic Federation, L.E.K. interviews

## While the city of Chicago will experience continued real estate risk related to the Village development, plans to help mitigate that risk have been developed

### Risk

#### Developers do not participate or financing is not available

- Potential developers may not project the same financial benefits of the project that were developed by the Chicago 2016 committee, leading to a lack of interest in the project under its current configuration

#### Financing is no longer available during construction

- A developer on the project is unable to complete the project due to financing issues

### Description

### Strategic Options Available

1. The City can seek to fund and build the Olympic Village as designed
  - Alternate village designs can be sought
2. Chicago 2016 can seek other alternatives for housing the athletes during the Games

1. Chicago 2016 is planning to utilize a multi-developer strategy which will help protect against default on the part of any one developer and has upfront financial commitments from several organizations (e.g. AFL-CIO, ULLICO)
2. The developer(s) will also be required to purchase Capital Replacement Insurance, contribute higher upfront equity amounts or provide an irrevocable line of credit to help mitigate risk

### Likely Implications

The City and OCOG will be obligated to pay the land-associated debt and the accrued interest beginning in mid-2014 and will need to provide an acceptable Olympic Village

If the Capital Replacement Insurance is triggered, the insurance company will invest additional capital in exchange for an equity interest

## The Olympic Village project will expose the city of Chicago to continuing real estate risk during the Village development , which can be effectively managed

Criteria	Conclusions	Remarks
<b>Clear Accountability and Ownership</b>	<ul style="list-style-type: none"> <li>● Cassandra Francis, the Director of Olympic Village Development, is the project head and is overseeing the entire process</li> </ul>	<ul style="list-style-type: none"> <li>● The Developer's Pro Forma properly accounts for each line item, and the appropriate developers have been accessed for their area of expertise</li> </ul>
<b>Expert Input and Review</b>	<ul style="list-style-type: none"> <li>● A consortium of developers and financing experts have been utilized as advisers to test Olympic Village sales and cost assumptions</li> <li>● The Chicago 2016 Village Advisory Committee (VAC) also reviewed major assumptions</li> </ul>	<ul style="list-style-type: none"> <li>● These developers and financing experts have clear insight into Chicago-specific requirements and markets to inform Chicago 2016</li> <li>● The Chicago 2016 Village Advisory Committee includes ~30 high profile members who are heavily involved in the real estate markets</li> </ul>
<b>Comprehensive Analytics</b>	<ul style="list-style-type: none"> <li>● The cost build-up for the Olympic Village was built like any other comprehensive development project and details inputs on a granular level</li> </ul>	<ul style="list-style-type: none"> <li>● The cost analysis is thorough and benchmarks were used to validate assumptions</li> </ul>
<b>Analogs to Prior Experience</b>	<ul style="list-style-type: none"> <li>● A high number of analogs was researched including comparable condos for pricing and hard costs <ul style="list-style-type: none"> <li>- All analogs were provided by Chicago 2016</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● The Olympic Village assumptions for sales price are lower than the average sales for comparable condos assuming premium lake front pricing is realized <ul style="list-style-type: none"> <li>- Comparables used are not as far south as the Olympic Village and may not account for the same product mix</li> </ul> </li> <li>● Construction costs were conservatively estimated when compared to per square foot costs for similar properties</li> </ul>
<b>Scenario and Sensitivity Analysis (where appropriate)</b>	<ul style="list-style-type: none"> <li>● An array of scenarios was developed that adjusted the property mix between apartments and condos to account for the addition of a TIF and developer preferences</li> <li>● Several potential strategies have also been identified to help mitigate risk to the city under various scenarios</li> </ul>	<ul style="list-style-type: none"> <li>● Depending on the property mix costs and project returns will change <ul style="list-style-type: none"> <li>- One potential scenario provided by Chicago 2016 indicates costs of approximately \$1.2B</li> </ul> </li> </ul>

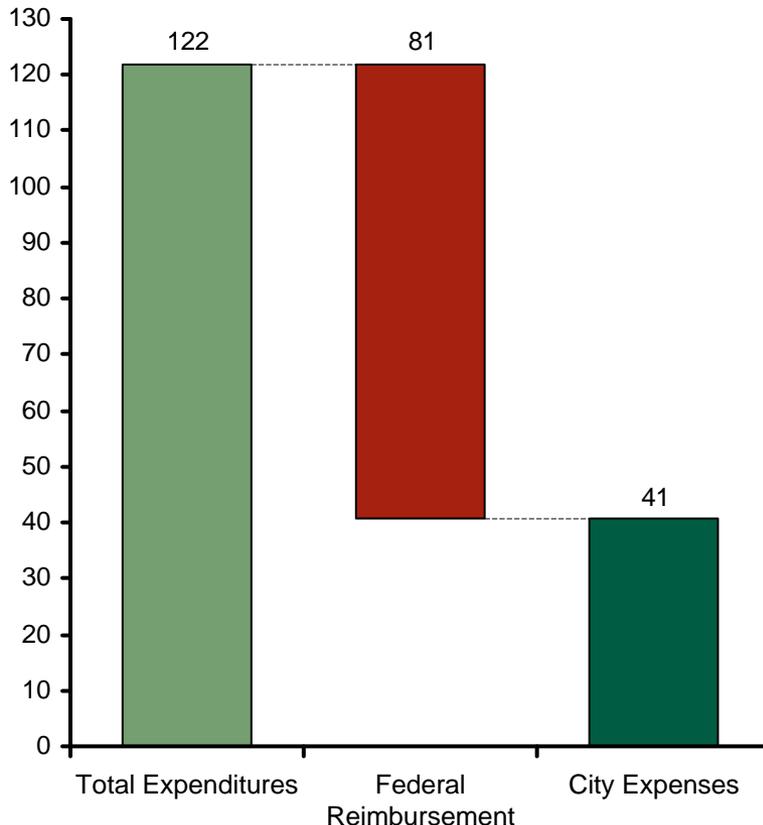
## Agenda

- Project background
- Executive summary
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## Most city services related expenses are expected to be reimbursed by the Federal government as the Olympics will be designated a National Special Security Event (NSSE)

### Forecasted City Services Expenditures\*

Millions of 2008 Dollars



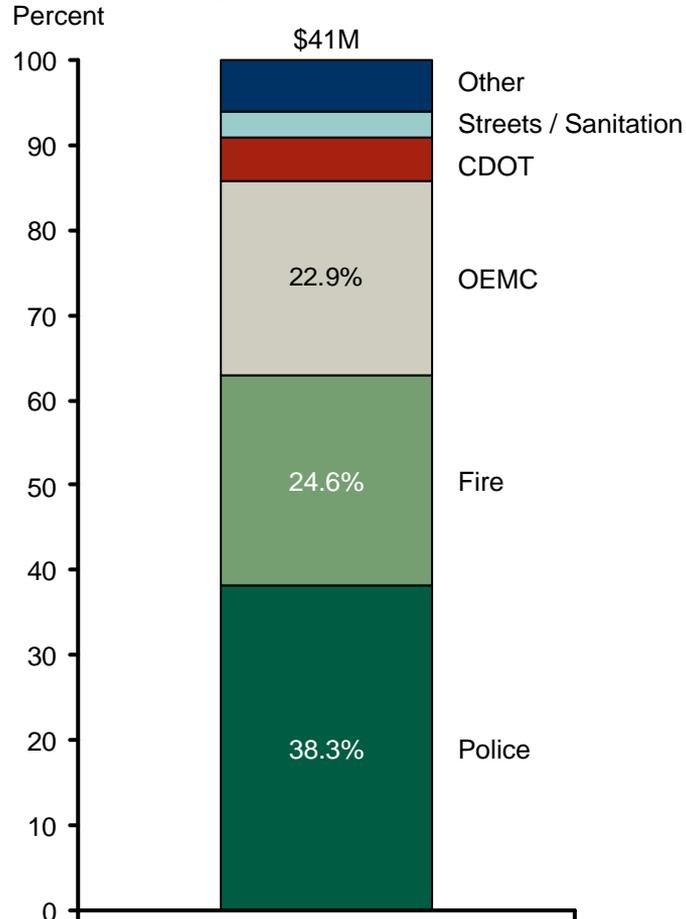
- Total expenditures relating to incremental government services is forecast to be ~\$122M
- The City of Chicago expects to pay ~\$41M after Federal reimbursement
- The city worked closely with representatives from several Federal security agencies to determine security requirements and estimate resources needed
- The Games will automatically qualify as a National Special Security Event, allowing Federal funds to be leveraged to cover all incremental public safety expenses at all levels of government directly resulting from the Games
- Should additional security be needed due to an increased threat level associated with the games, all additional costs will be considered reimbursable under the NSSE

Note: \*Incremental public safety expenses cannot accurately be estimated, such as predicting national security threats in 2016, but are anticipated to be completely reimbursed by the Federal government

Source: Chicago 2016 Supporting Documentation, Discussions with management and the City of Chicago

## A detailed buildup was developed for city expenses not covered by the Federal reimbursement

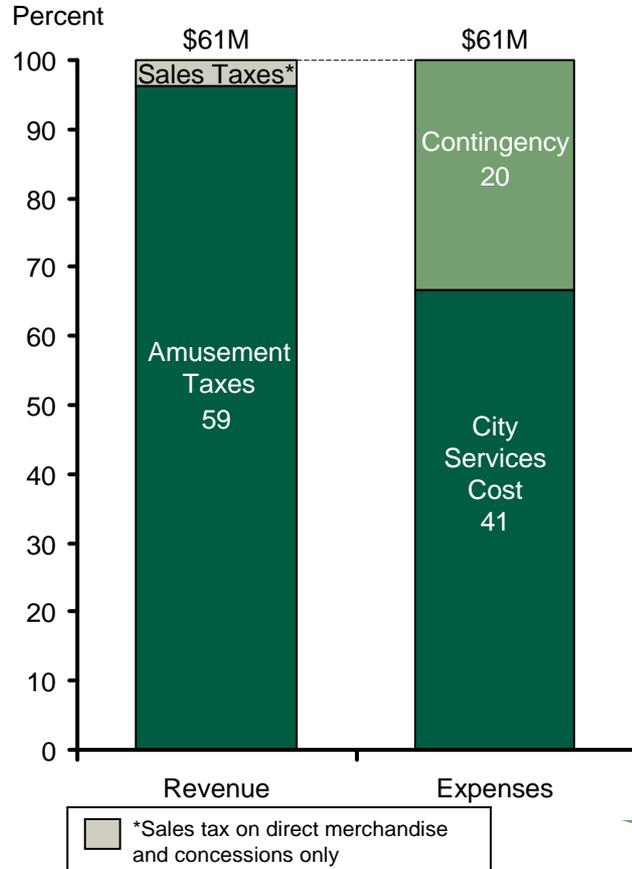
### City of Chicago Projected Expenses



- The city compiled staffing estimates by accounting for the nature and location of each of the venues
  - At each venue, police and emergency service needs were estimated based on experience from staffing venues
  - The city also drew upon experience from recently hosted large events, such as the World Series and Taste of Chicago, to benchmark personnel and hardware needs based on venue specifications
  - The city checked to ensure that the Chicago workforce was large enough to staff the program and it was determined that it could satisfy demand with existing personnel by paying overtime
- All costs were estimated at overtime rates to add a level of conservatism
  - Personnel costs were calculated assuming a weighted-average overtime rate for their emergency response teams
- The city plan accounts for maintaining existing service levels throughout the city during the Games

## The City of Chicago worked with a Chicago 2016 committee to assess the incremental revenue and expenses resulting from the Games

### City of Chicago Projected Budget



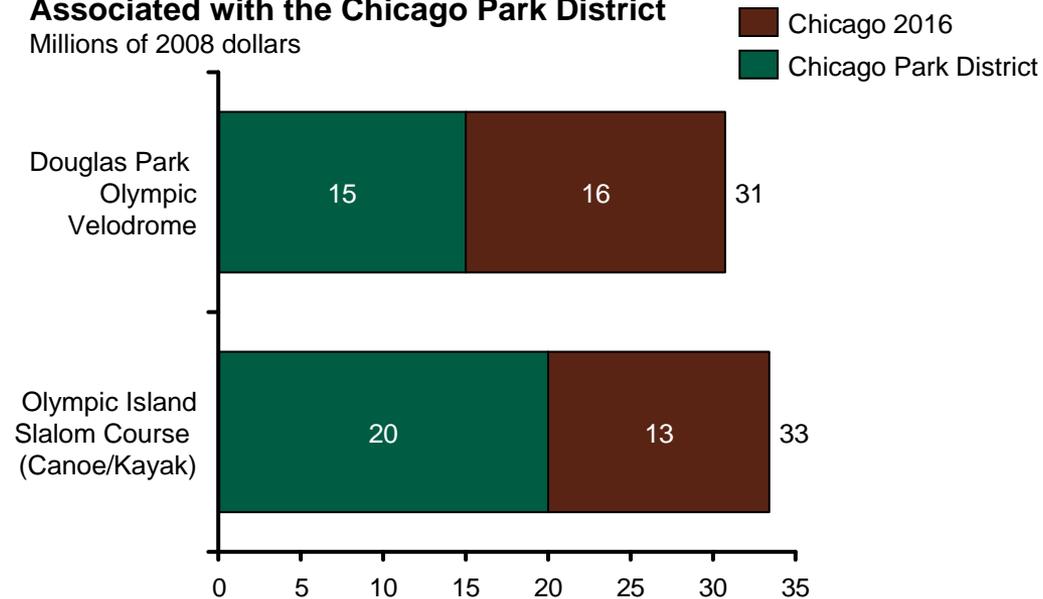
- The City of Chicago plans to collect ~\$61M in incremental revenue, which would provide a ~\$20M contingency to protect against cost overruns
- The vast majority of revenue will be derived from a 9% amusement tax applied to ticket sales applicable to Chicago venues
  - Chicago venue ticket sales are expected to be ~\$653M (excludes ticket sales for venues outside the city)
  - Representatives from the city's Law Department believe that the amusement tax will be applicable to the Olympics, despite current language suggesting amateur sporting events held by a non-profit organization are exempt
  - The city believes that if the tax needed clarification, City Council would codify the rule into an ordinance
- A 2.25% sales tax will be levied on an estimated \$100M of merchandise/concessions expected to be sold by the Games, producing an incremental ~\$2.25M

The City of Chicago's revenue and expense projections appear fair and reasonable

## The Chicago Park District (CPD) has agreed to help fund the construction of two venues that will function as Chicago Park District community facilities after the Games

### Proposed Financial Commitments for Venues Associated with the Chicago Park District

Millions of 2008 dollars



- Overall, Chicago 2016 is expected to invest ~\$250M in legacy facilities and improvements, which the Chicago Park District will inherit after the Games
- The Douglas Park velodrome will house cycling events during the Olympics
  - After the Games conclude, it will retain its use as a velodrome as well as become a multi-sport community facility
- The Olympic Island slalom course will be constructed for the slalom canoe and kayak events
  - Post Games, the CPD envisions it to function as a community kayaking and paddling course
  - The slalom course post Games may be a revenue generating facility and could represent a commercialization opportunity

- To date, the CPD has issued a resolution for \$15M in funding for a Douglas Park Aquatic Center, contingent on \$65M from Chicago 2016 (supporting an earlier version of the Olympic plan)
  - The CPD believes the resolution can be amended to reflect the Chicago Park District's financial obligations under the current OCOG budget, where the Douglas Park venue is now a velodrome

## Agenda

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## The Chicago 2016 Committee plans to procure several layers of insurance

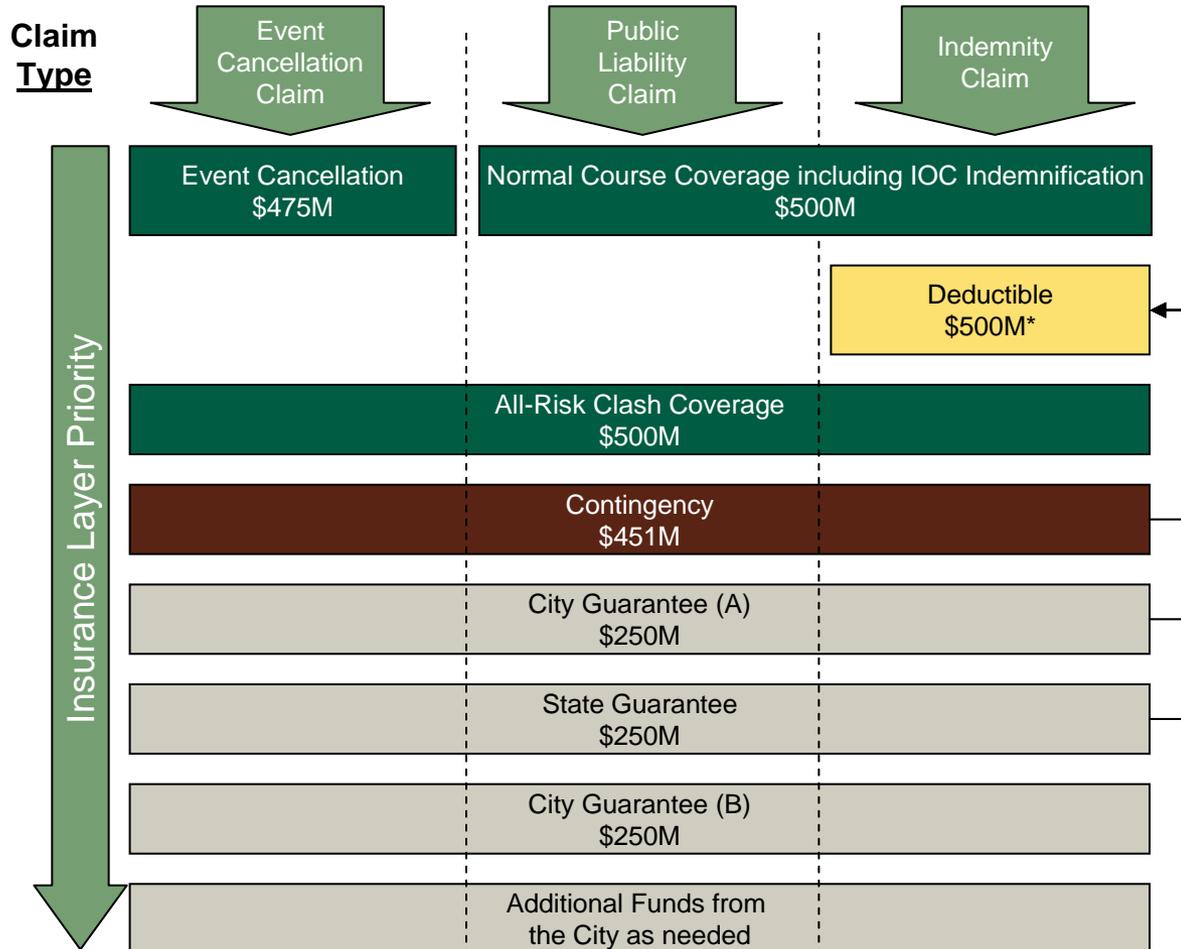
Type	Amount	Holder	Risks Typically Covered
Public Liability and Indemnity	\$500M*	OCOG	<ul style="list-style-type: none"> <li>Third Party Bodily Injury</li> <li>Third Party Property Damage</li> <li>Third Party Personal Injury</li> <li>Contractual Liability</li> </ul> <ul style="list-style-type: none"> <li>The indemnity insurance will provide additional coverage for the IOC for damages and claims brought in U.S. courts</li> </ul>
Event Cancellation	\$475M	OCOG (\$100M) & IOC (\$375M for OCOG, plus \$425M self)	<ul style="list-style-type: none"> <li>Natural Hazards</li> <li>War</li> <li>Terrorism</li> <li>Infectious Disease</li> </ul> <ul style="list-style-type: none"> <li>Power Disruption</li> <li>Non-appearance</li> <li>Labor Disputes</li> <li>Other</li> </ul>
All-Risk Clash Coverage	\$500M	OCOG	<ul style="list-style-type: none"> <li>Additional insurance that covers all risks included in Public Liability, Event Cancellation, and Host city Contract Indemnity</li> </ul>
Venue Construction (\$4B Capacity)	~\$1B for venues; ~\$1B for the Village	OCOG / Contractors	<ul style="list-style-type: none"> <li>Surety bonds and performance bonds guaranteeing cost as well as timely performance</li> </ul> <ul style="list-style-type: none"> <li>Costs due to accelerated completion</li> </ul>
Trade credit Insurance	\$50 - \$100M	OCOG	<ul style="list-style-type: none"> <li>Covers sponsor failure to pay due to bankruptcy</li> <li>Ramps up over time with \$50M in coverage beginning in 2010 and an additional \$50M added in 2013</li> </ul> <ul style="list-style-type: none"> <li>Sponsorship default risk will decline over time, so annual premium will trend downward as well</li> <li>Premium estimates assumed peak risk</li> </ul>
Other Insurance Types	Various	OCOG	<ul style="list-style-type: none"> <li>Participant Accident / Catastrophic medical coverage</li> <li>Property / Marine (excluding construction)</li> <li>Automobile</li> </ul> <ul style="list-style-type: none"> <li>Executive Risk Coverage</li> <li>Aviation</li> <li>Miscellaneous / Worker's Comp</li> <li>Media / Cyber liability</li> </ul>

- Insurance packages do not insure against performance inadequacies such as lower than projected ticket sales or donation shortfalls due to lack of OCOG performance, but packages do cover business losses beyond the OCOG's control

Note: \*Public Liability also acts towards the host city's indemnification of the IOC

Source: Chicago 2016

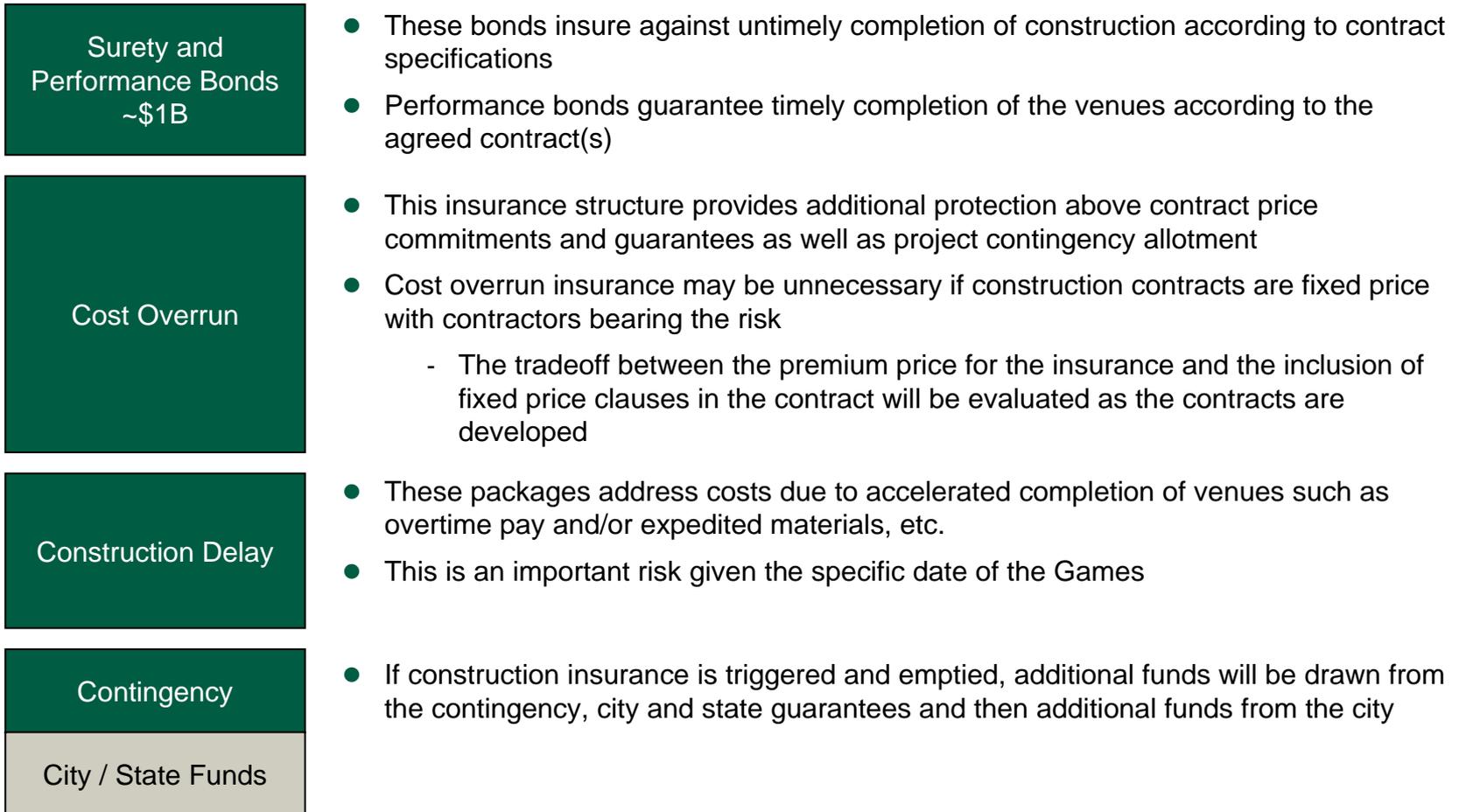
## Insurance is structured so that some insurance would be accessed under each claim type prior to contingency, city or state funds



- In the event of certain indemnification claims, a \$500M deductible must be paid prior to triggering coverage under the All Risk Clash Insurance
  - The funds for this deductible would come as needed from the OCOG contingency or city and state guarantees
- Chicago 2016 has developed a plan to phase in insurance coverage over time with higher levels put into place as the games approach
  - The highest level of insurance will be secured during the year of the Games

Note: \*Deductible is required if Indemnity claim is outside of the public liability or event cancellation insurance coverage  
 Source: Chicago 2016

## The OCOG has planned for several levels of insurance for OCOG venue construction to cover possible construction liabilities\*

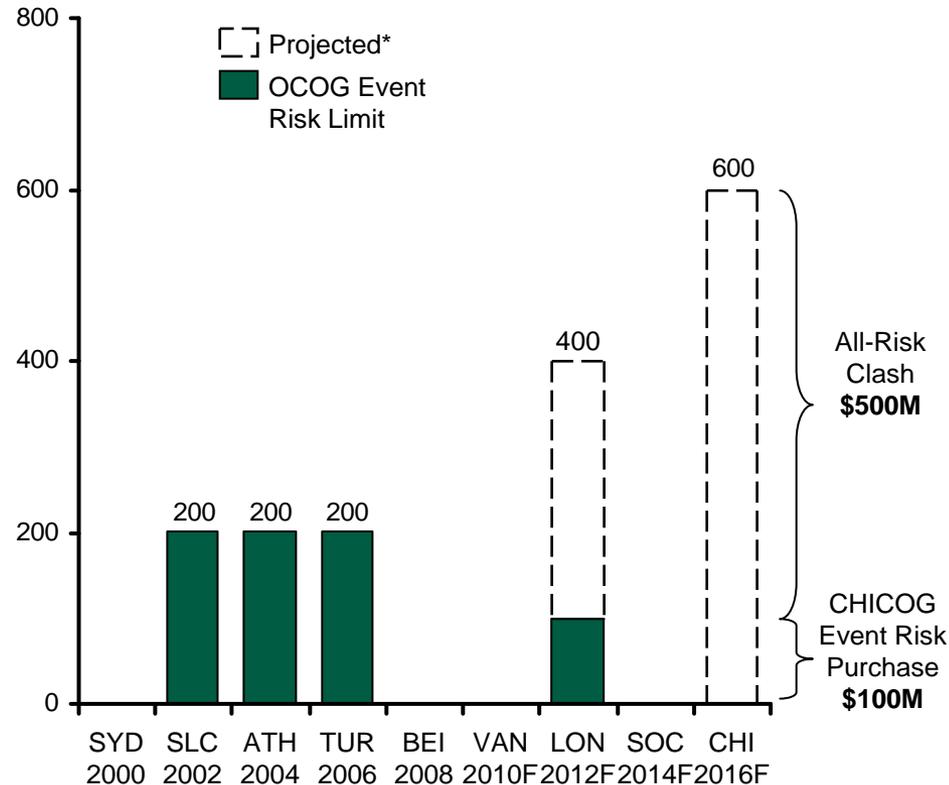


Note: \*Venue contractors will be contractually obligated to purchase the coverage listed  
Source: Chicago 2016

## Event risk insurance is an example of how Chicago 2016 is planning to have significantly more private insurance coverage than that secured in previous Games

### Event Risk Private Insurance Coverage of Olympic Games Above Base IOC Coverage

Millions of nominal dollars



- Event Risk insurance is initially purchased by the IOC to protect against a Games cancellation due to circumstances such as natural hazards, war, terrorism, etc.
- Chicago 2016 is planning to secure an additional \$100M of event risk insurance and expand the IOC coverage
  - An additional All-Risk Clash coverage substantially increases the liability coverage
  - All-Risk Clash applies to all claim types
- Historically, little insurance has been purchased by host cities as governments provide National Guarantees that give full backing for the Games
- The Vancouver Games will be the first Games that fall under a new level of event risk insurance provided to the OCOG by the IOC
- Sochi's OCOG insurance is currently pending
- Chicago's planned insurance appears to be higher than levels purchased for previous Games

Note: \*Projected figures are target insurance levels the respective OCOGs are projecting  
 Source: Chicago 2016

## Chicago 2016 plans to have the highest level of insurance in place for the year of the Games

### Event Risk Insurance Rollout Plan

Year	2010	2011	2012	2013	2014	2015	2016
	Planning Phase				Test Events		Games
All-Risk Clash							\$500M
Shared IOC Coverage	\$375M limit						
CHICOG Coverage	\$100M limit						

- The IOC program has a three Olympic Games rolling coverage for event risk
  - After the Vancouver 2010 Olympics conclude, the IOC will then extend \$375M worth of event risk insurance to Chicago 2016
- Chicago 2016 also plans to purchase \$100M of additional insurance to expand the IOC coverage
- All-Risk Clash Coverage occurs in two instances in the diagrams but represents the same policy

### Public Liability Insurance Rollout Plan (including IOC Indemnity)

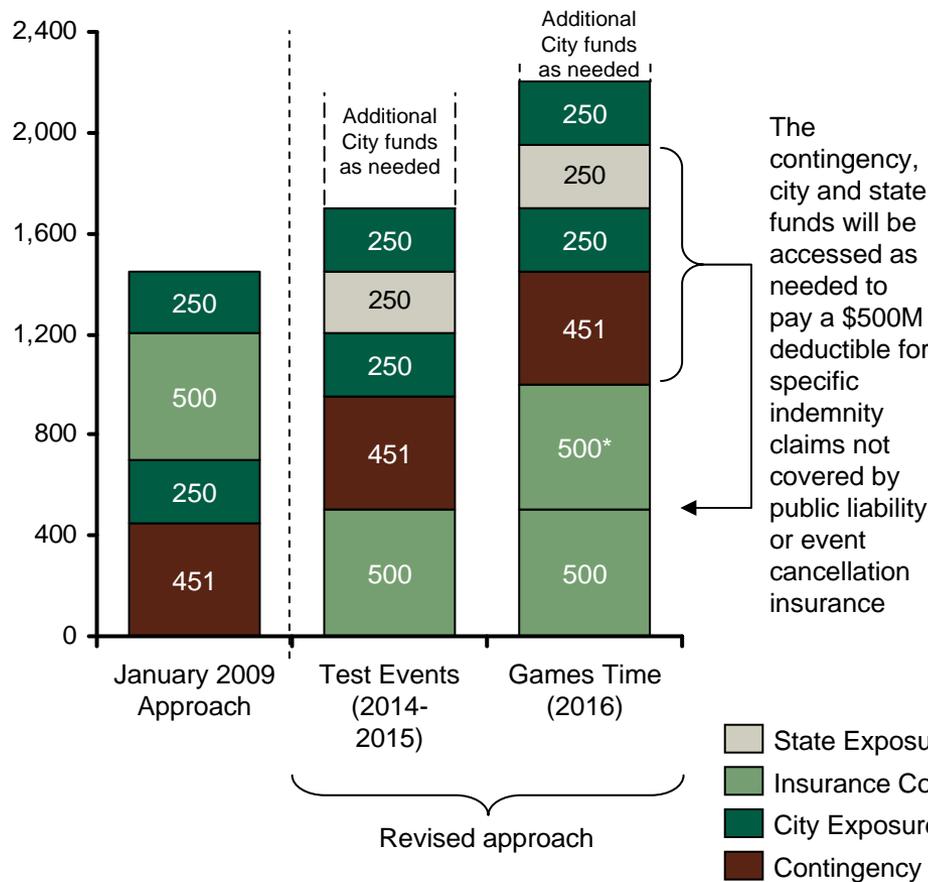
Year	2010	2011	2012	2013	2014	2015	2016
	Planning Phase				Test Events		Games
All-Risk Clash*							\$500M
Normal course coverage & IOC indemnification	\$500M limit						

Note: \*In certain indemnity claims not related to public liability or event cancellation a \$500M deductible would be required before triggering the All-Risk Clash coverage  
Source: Chicago 2016

## Since the original insurance plan was put forward in January 2009, the Chicago 2016 team has revised their approach to have additional coverage that can be accessed prior to contingency, city and state funds

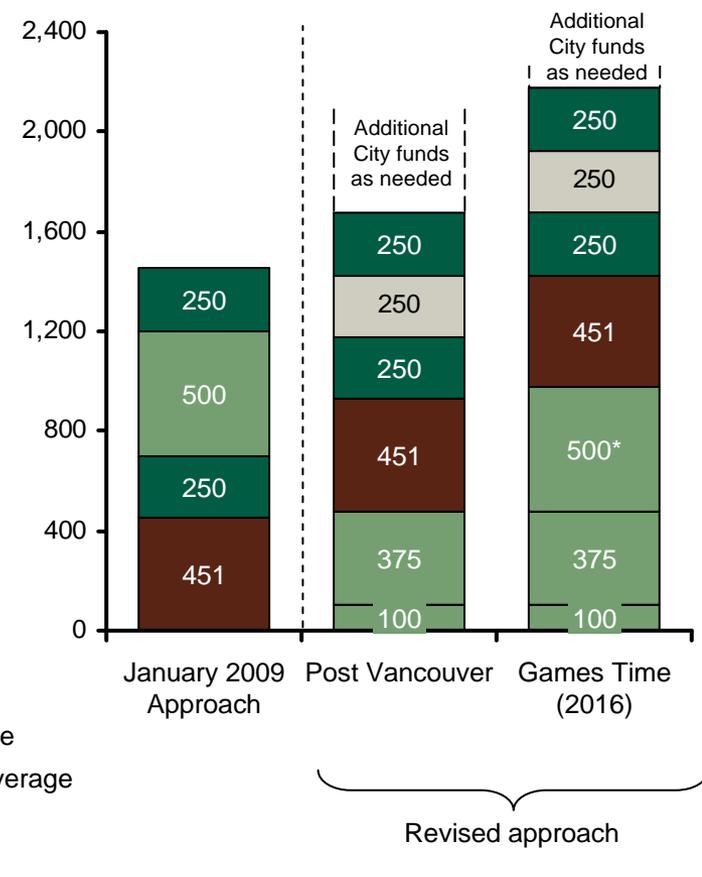
### Public Liability Insurance (Including IOC Indemnity)

Millions of 2008 dollars



### Event Cancellation Insurance

Millions of 2008 dollars



Note: \*Represents the same All-Risk Clash Insurance Policy

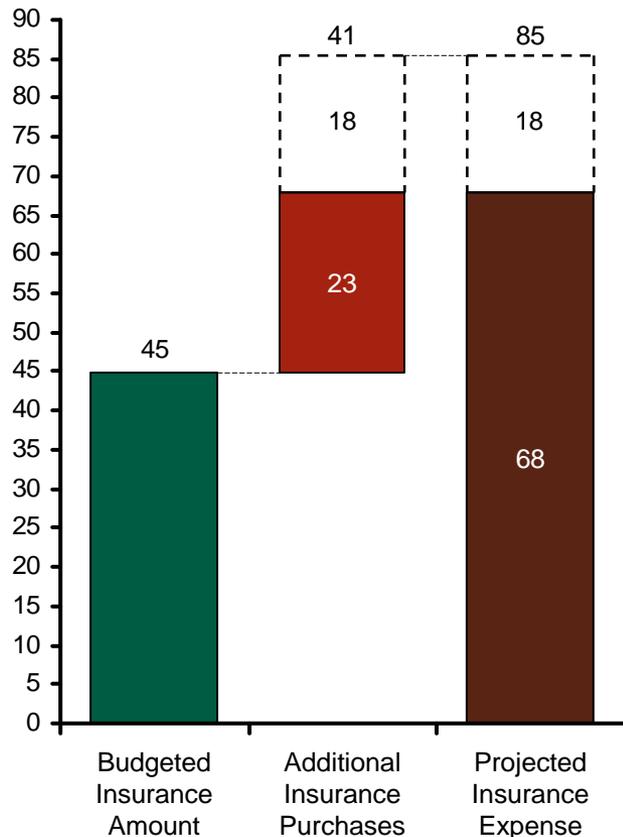
## The developer(s) will be required to procure similar insurance packages as utilized in venue construction, as well as Capital Replacement Insurance

Village Oversight	<ul style="list-style-type: none"> <li>Chicago 2016 and/or the city of Chicago, will monitor Village development and evaluate the progress of construction</li> </ul>
Capital Replacement	<ul style="list-style-type: none"> <li>Specifically for the Olympic Village, Capital Replacement Insurance of up to \$250M is accessed when a developer cannot continue the project due to lack of financing             <ul style="list-style-type: none"> <li>In the event that the developer loses access to financing, the insurer takes an equity position in exchange for financing</li> </ul> </li> <li>Chicago 2016 expects that the developer(s) and contractor(s) will be responsible for purchasing the Capital Replacement Insurance, or providing a higher upfront equity contribution or irrevocable line of credit             <ul style="list-style-type: none"> <li>If developer(s) do not purchase the Capital Replacement Insurance and OCOG believes it is necessary to mitigate risk, then OCOG would have to absorb the cost of the premiums to put the insurance in place</li> </ul> </li> </ul>
Surety and Performance Bonds	<ul style="list-style-type: none"> <li>The terms for these insurance packages will be similar to venue construction</li> </ul>
Construction Delay	<ul style="list-style-type: none"> <li>The developer(s) will be responsible for procuring and paying for these insurance packages             <ul style="list-style-type: none"> <li>To enforce these actions, Chicago 2016 will make purchasing the proper insurance a requirement in its RFP to developer(s)</li> </ul> </li> </ul>
Cost Overrun	<ul style="list-style-type: none"> <li>Cost overrun insurance will be optional as fixed price contracts may be negotiated instead of procuring the insurance</li> </ul>
Contingency	<ul style="list-style-type: none"> <li>If insurance coverage for the Olympic Village is triggered and emptied, the contingency fund may need to be accessed followed by additional funds from the city</li> </ul>

OCOG
  Non-OCOG

## The cost of insurance will increase the budgeted amount by \$23M – \$41M

### Chicago 2016 Estimated Insurance Cost Millions of dollars



- The original amount of \$45M included in the Administration budget line of the bid provided for a base level of event cancellation and public liability insurance
- To address concerns over potential city and/or state liabilities, Chicago 2016 expects to purchase several different types of additional coverage amounting to \$23M - \$41M
- Chicago 2016 has identified capacity availability for the initial Public Liability Coverage, All-Risk Clash Coverage, portions of Construction, Capital Replacement, and Surety bonds
- Developers will be responsible for securing Olympic Village insurance
  - The coverage requirement will be stipulated in the bidding process for new projects
  - In the event developers do not purchase \$250M of Capital Replacement insurance or provide other safeguards, the OCOG may need to purchase the coverage at an additional cost of ~\$18M
- Chicago 2016 anticipates funding the purchase of the additional insurance identified by increasing its target donation level
  - The donation revenue target would increase from \$246M up to \$287M, depending on the ability of the OCOG to pass some insurance cost on to the developer(s) and contractors

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## Chicago 2016 Member Biographies (I of III)

Contributor and field	Biography
<b>Robert Accarino, Environment</b>	<ul style="list-style-type: none"> <li>● Director of Global Environmental Affairs for Abbott, responsible for providing overall direction for the company's environmental commitment to global citizenship through policy development, strategic planning, outreach programs and partnerships</li> <li>● Before joining Abbott in 1997, Robert was Director of Environment, Health and Safety (EHS) programs for BFGoodrich's aerospace businesses</li> </ul>
<b>Doug Arnot, Operations</b>	<ul style="list-style-type: none"> <li>● 25 years of experience in the development and management of the operations of some of the world's largest sports events</li> <li>● Served in senior management and consulting roles for five Olympic Games and the FIFA World Cup</li> <li>● Managing Director of Operations for the Salt Lake City 2002 Games, developed the early operations planning team for the Sydney 2000 Games and was Managing Director of Venues for the Atlanta 1996 Games</li> <li>● Consulted for the Athens, Torino, and Beijing Games and was the Executive Vice President for the highly successful 1994 FIFA World Cup</li> </ul>
<b>Richard Bezemer, City relations</b>	<ul style="list-style-type: none"> <li>● Founding partner of The Broadstone Group, a consultancy providing strategic planning advice to major event organizations specializing in the areas of master planning, organizational development and operational delivery</li> <li>● Served in a variety of capacities for nine Olympic Organizing Committees, including key roles in Event Services, Security, Spectator Services and Games Master Planning</li> <li>● Worked as Director of Operations for the 1994 FIFA World Cup, and worked on the Commonwealth Games (Melbourne and Delhi) and the Pan American Games</li> <li>● Consulted for the IOC in the areas of Venue Operations, Games Planning and Event Services</li> </ul>
<b>Dave Bolger, COO</b>	<ul style="list-style-type: none"> <li>● More than 25 years of experience in managing large-scale efforts and complex organizations</li> <li>● Prior to his current role, Bolger was the CFO at Aon Corporation</li> <li>● Before joining Aon, Bolger worked for 21 years for Bank One and its predecessor companies, American National Bank and Trust and First Chicago</li> </ul>

## Chicago 2016 Member Biographies (II of III)

Contributor and field	Biography
<b>Tom Cisewski, Sports, Venues, and Operations</b>	<ul style="list-style-type: none"> <li>● President of Cognagora, an event operations consulting firm</li> <li>● Served as Director of Accreditation for the Salt Lake City 2002 Games and the 2004 G-8 Summit and as the Manager of Olympic Family Accreditation for the Atlanta 1996 Games</li> <li>● Consulted for seven other Games: Nagano 1998, Sydney 2000, Athens 2004, Torino 2006, Beijing 2008, Vancouver 2010, and London 2012; as well as for the New York 2012 Olympic Bid, the IOC and on other international sporting and political events</li> </ul>
<b>Jessica Fairchild, General Counsel</b>	<ul style="list-style-type: none"> <li>● Attorney with the law firm of Sidley Austin LLP currently serving as the General Counsel of Chicago 2016</li> <li>● Primarily responsible for all legal matters pertaining to the Olympic bid committee and coordinates and oversees Chicago 2016's Legal Working Group, a group consisting of over 20 law firms</li> </ul>
<b>Cassandra Francis, Director of Olympic Village Development</b>	<ul style="list-style-type: none"> <li>● Leads a team of individuals and consultants undertaking planning and development activities in support of the proposed Olympic Village</li> <li>● 20 years of diverse real estate experience</li> <li>● Previously was a Senior Vice President at U. S. Equities Development, LLC, a full service real estate development, brokerage, and advisory services firm</li> <li>● Certified by the American Institute of Certified Planners (AICP),</li> <li>● LEED Accredited Professional and licensed Illinois and Indiana Real Estate Broker</li> </ul>
<b>Chip Hardt, Director of Development</b>	<ul style="list-style-type: none"> <li>● Director of Development for Chicago 2016, responsible for fund raising and donor relations, and is a member of the senior leadership team</li> <li>● Previously a partner at McKinsey and Company, Inc., a global consultancy where he advised corporate clients in the areas of strategy, operations, and organization. He led McKinsey's pro bono efforts during both the domestic and international phases, focusing on finance, legacy, marketing, and operations</li> </ul>
<b>Wally Hayward, Sponsorships</b>	<ul style="list-style-type: none"> <li>● Founder, former Chairman, and CEO of Relay Worldwide, a leading sports marketing agency</li> <li>● Inducted into the SportsBusiness Journal's Forty Under 40 Hall of Fame in 2008 after being honored for three consecutive years as one of the leading sports marketing executives in the U.S.</li> <li>● Responsible for sponsorship-related matters for the Chicago 2016 Committee</li> </ul>

## Chicago 2016 Member Biographies (III of III)

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<b>Lori Healey, President</b>	<ul style="list-style-type: none"> <li>● Oversees the bid's community outreach and government relations activities, Olympic Village development and implementation of legacy programs</li> <li>● Previously Commissioner of the Department of Planning and Development, as well as Chief of Staff for Mayor Richard M. Daley</li> <li>● Member of the Economic Club of Chicago, the Urban Land Institute and the Board of Trustees of the Chicago Architectural Foundation</li> </ul>
<b>Susan Jones, Transportation</b>	<ul style="list-style-type: none"> <li>● Project manager with Chicago 2016 responsible for Medical, Security and Transportation</li> <li>● Served as an event operations coordinator for the Salt Lake City 2002 Games and the Director of International Events for USA Rugby</li> </ul>
<b>Rick Ludwig, CFO</b>	<ul style="list-style-type: none"> <li>● Senior member of the management team on financial planning and operations for the Atlanta 1996 and Sydney 2000 Games</li> <li>● Advisor to the International Olympic Committee (IOC) Coordination Commissions for the Salt Lake City (2002), Athens (2004) and Beijing (2008) Games</li> <li>● Member of the IOC 2010 Evaluation Commission team and also presented and trained Candidate Cities on finance at seminars for the 2010 and 2012 Candidate Cities</li> </ul>
<b>Pat Ryan, Chairman</b>	<ul style="list-style-type: none"> <li>● Chairman and Chief Executive of Chicago 2016, a position he has held since the bid's inception in 2006. In addition to overseeing all aspects of the bid, Ryan leads the international campaign to promote Chicago's candidacy</li> <li>● Founding Chairman of Aon Corporation, the largest insurance and reinsurance broker in the world, and a leader in human capital consulting</li> <li>● Chairman of the Board of Trustees of Northwestern University</li> <li>● Received the Horatio Alger Association of Distinguished Americans Award and the Order of Lincoln Medallion, the highest award granted by the State of Illinois, for his lifetime accomplishments</li> </ul>

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## Chicago 2016 Consultant Biographies (I of III)

Contributor	Biography
<b>Ranadip Bose, S.B. Friedman &amp; Company, Olympic Village</b>	<ul style="list-style-type: none"> <li>● S. B. Friedman &amp; Company is a specialized real estate and development advisory firm based in Chicago. Founded in 1990, S.B. Friedman &amp; Company has assisted developers, corporations, not-for-profits, universities, health care institutions, economic development organizations, transit agencies, lending institutions, and government agencies with development planning, finance and strategy. The firm has worked with clients throughout the country with an emphasis on the Midwest</li> </ul>
<b>Everett Grady, Venue Construction</b>	<ul style="list-style-type: none"> <li>● Everett E. Grady is currently the Manager of the Lake County Engineering Services for Abbott Laboratories Global Engineering Division. His responsibilities include project management, design, site engineering, and capital planning management for Lake County Site Operations.</li> <li>● Grady joined Abbott Laboratories in 1991 in the Corporate Engineering Division. In over 17 years, Grady has held many roles in project management, construction, and facilities management plus extensive experience in long range planning and development.</li> </ul>
<b>Michael Halchak, Populous (Venue Design &amp; Construction)</b>	<ul style="list-style-type: none"> <li>● Served as an expert advisor on venue design, overlay, and site management for the IOC</li> <li>● Has provided venues consulting expertise for every Games since 1996, including the upcoming 2012 London Games</li> <li>● Served as lead planner of competition and noncompetition venues for Sochi 2014 Winter Games bid</li> <li>● Specializes in the programming, planning, design, documentation, installation and on-site operation of special events</li> <li>● Additional consulting projects include the 1994 FIFA World Cup Soccer Championships, Super Bowls XXVII- XXXIII (United States National Football League) and 1998 Goodwill Games</li> </ul>
<b>Brian Hedges, Transportation</b>	<ul style="list-style-type: none"> <li>● Analyst for Huron Consulting Group, a financial consulting firm</li> <li>● Experience in legal research, financial planning, and operation modeling</li> <li>● Graduated from the University of Norte Dame with a bachelor of business administration, accountancy</li> </ul>
<b>Paul James, Bovis Lend Lease, Olympic Village</b>	<ul style="list-style-type: none"> <li>● Bovis Lend Lease is a construction management company and part of the Lend Lease organization, a global property development company, using industry best practices when working with clients to create high quality, sustainable property assets. Bovis Lend Lease has a presence in over 30 countries, spearheaded by regional hubs in the U.K., Australia and the U.S. Bovis Lend Lease is focused on a number of sectors including health, education, defense estates and selected Government office accommodation. Key skills include construction management, project and program management, design management, design engineering, procurement and facilities management.</li> </ul>

## Chicago 2016 Consultant Biographies (II of III)

Contributor	Biography
<b>Sharon Kingman, IT and Telecommunications</b>	<ul style="list-style-type: none"> <li>● Specializes in technology planning, budgeting, needs assessment, and strategic planning for Olympic related activities</li> <li>● Worked with 11 Olympic Organizing Committees and/or sponsor organizations, and three Olympic Bid Committees</li> <li>● Worked with either the OCOG or telecommunications/ technology sponsor for the 1992, 1996, 1998, 2000, 2002, 2004, 2006, 2008, 2010, 2012, and 2014 Olympic Games efforts</li> <li>● Managed the early budget development for information technology for the Salt Lake City 2002 (IT and TELE from 1997-2002) and the Sochi 2014 Games</li> </ul>
<b>Thomas Kirschbraun and Elliott Young, Jones Lang LaSalle, Olympic Village</b>	<ul style="list-style-type: none"> <li>● Jones Lang LaSalle is a financial and professional services firm specializing in real estate services and investment management. With more than 30,000 people in 700 cities in 60 countries, Jones Lang LaSalle serves the local, regional and global real estate needs of their clients. In response to changing client expectations and market conditions, Jones Lang LaSalle assembles teams of experts who deliver integrated services built on market insight and foresight, sound research and relevant market knowledge</li> </ul>
<b>Randy Nornes, Aon Global Americas, Insurance</b>	<ul style="list-style-type: none"> <li>● Executive vice president of Aon Global Americas; been with Aon for over 20 years in a variety of leadership and client advisory capacities</li> <li>● Considered one of Aon's leading authorities on Enterprise Risk Management, Corporate Governance, Strategic Risk Management and Integrated Insurance</li> <li>● Currently leads a team of professionals dedicated to helping companies implement strategic risk processes</li> </ul>
<b>Populous (formerly known as HOK Sport Venue Event), Venue Design &amp; Construction</b>	<ul style="list-style-type: none"> <li>● Global design practice specializing in creating environments that draw people and communities together for unforgettable experiences.</li> <li>● Our multi-disciplinary team encompasses every expertise required to design the greatest gathering places and events worldwide. Our comprehensive design services include: Architecture, Master Planning and Urban Design, Interior Design, Environmental Branding and Graphics, Special Events Overlay and Bids, Facility Operations, Evaluation and Analysis, Sustainability</li> <li>● Projects include the following sports/events: Aquatic, Athletics/Track and Field, Australian Football League, Baseball, Basketball, Collegiate, Convention &amp; Exhibition Centers, Cricket, Event Bids &amp; Overlay, Football (American), Football (Soccer), Fairgrounds &amp; Equestrian Centers, Horse Racing, Ice Hockey, Motor Racing, Rugby, Speed Skating, Tennis</li> </ul>

## Chicago 2016 Consultant Biographies (III of III)

Contributor	Biography
<b>Marty Schueren, International Speedway Corporation, Ticket Sales</b>	<ul style="list-style-type: none"> <li>● Senior Project Manager in ticket sales for three years managing sales and operations for Atlanta 1996</li> <li>● Director of Ticket Sales for the Texas Rangers Baseball Club where he was in charge of the sales and operations</li> <li>● Director of Ticket Sales to oversee all sales and operations for Salt Lake City 2002, where he was responsible for generating USD 180 million in ticket revenue; developed new Olympic standards by utilizing the Internet to achieve record Olympic Winter Games ticket sales.</li> <li>● Currently works for International Speedway Corporation as Senior Director of Ticket Sales and Services, which owns and operates 12 major racing facilities in the United States, including Daytona International Speedway, home of the Daytona 500</li> </ul>
<b>Alan Shaw, EPIC, Workforce</b>	<ul style="list-style-type: none"> <li>● Managing Director of EPIC, a strategic planning and integration consultancy specializing in large-scale sporting events</li> <li>● 25 years of event experience, including planning &amp; execution of more than 100 sporting events, tradeshows, concerts and other special events in twelve countries spanning six continents</li> <li>● Served as Program Director, Workforce Planning for Atlanta 1996, Assistant Vice President, Workforce Planning for the 1994 FIFA World Cup and Area Venue Manager for the 1991 US Olympic Festival, as well as Senior Advisor for the Salt Lake City 2002 Games, 1999 FIFA Women's World Cup and to IBM for the Nagano 1998 Games</li> <li>● Provided a variety of consulting services (namely workforce, venue management, risk management, contingency planning, command center planning &amp; execution services) for the following 2000, 2004, 2006, 2008, 2010 Olympic Games, as well as the 2012 NY Olympic Bid, 2002 Commonwealth Games, 2006 Asian Games, 2007 Pan Am Games and Olympic Games Knowledge Services</li> </ul>
<b>Turner Construction, Olympic Stadium</b>	<ul style="list-style-type: none"> <li>● Turner provides building services to institutions who recognize the value of a partner who works diligently and creatively to find the best possible solution for each particular project</li> <li>● With construction volume of \$10.7 billion in 2008, Turner ranks first or second in major segments of the construction industry. Turner maintains a nationwide network of offices and a staff of more than 5,500 employees, performing work on over 1,600 projects each year</li> <li>● Turner's nationwide presence offers clients the accessibility and support of a local firm with the strength, stability and resources of a national corporation</li> </ul>
<b>Beth White, Whiteboard Strategies (Venue Design and Media)</b>	<ul style="list-style-type: none"> <li>● White currently consults for sports and entertainment-based clients with a primary focus on National Governing Bodies (NGB's) in the areas of corporate partnerships, sponsorships, venue planning and development as well as Olympic media operations planning</li> </ul>
<b>Kenneth Wylie, Sidley Austin LLP, Insurance</b>	<ul style="list-style-type: none"> <li>● Attorney with Sidley Austin LLP</li> </ul>