

British Columbia Olympic and Paralympic Winter Games Secretariat

Progress Report



March 31, 2006



**BRITISH
COLUMBIA**
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Executive Summary

Since winning the Olympic Bid in 2003, significant progress continues to be made in the planning and preparation of the 2010 Olympic and Paralympic Winter Games (2010 Winter Games) in Vancouver and Whistler. As host province for the 2010 Winter Games, British Columbia has a unique opportunity to accelerate and enhance economic growth in the short and longer-term, attract new business investment, and develop sport and cultural legacies across the province.

To ensure that the Province's Olympic economic vision is achieved and to oversee British Columbia's financial commitment to the Games, the provincial government established the British Columbia Olympic and Paralympic Winter Games Secretariat (BC Secretariat).

As part of its commitment to accountability and transparency to the public on the Olympic project, the BC Secretariat will be issuing updated progress reports on the developments to date. This is the second Progress Report issued by the BC Secretariat and covers the period ending March 31, 2006. Future reports will be produced in line with the Province's fiscal year (April 1 – March 31) and its regular annual service plan reporting cycle.

The purpose of this report is to provide an update on the five key areas of the Province's engagement in the 2010 Winter Games.

Partnerships

The BC Secretariat continues to work with key Olympic and Paralympic partners, provincial ministries, Crown corporations and agencies involved in the 2010 Winter Games to coordinate a successful and integrated Games.

The BC Secretariat, working with these partners is developing business-related programs as is part of a strategy to spread 2010 Games benefits across the Province. In addition, the BC Secretariat is working closely with First Nations through the newly-formed Four Host First Nations Secretariat to help ensure First Nations –

as a full Games partner – maximize their benefit from the opportunities the 2010 Games bring to British Columbia.

Commitment to Sustainable Legacies

Many past Olympic host jurisdictions have demonstrated that aggressive economic programming using the Games as a catalyst can result in significant economic gains which otherwise would be lost without a concerted effort to capitalize on them. The BC Secretariat is working to provide Games legacies for the benefit of all British Columbians.

The BC Secretariat created the 2010 Commerce Centre to leverage the 2010 Games for all B.C. businesses. The 2010 Commerce Centre website now has over 2,100 businesses registered to receive information on Games-related business opportunities. In partnership with RBC, the 2010 Commerce Centre developed a business guide for the Games that is available across the province. To help ensure the benefits of the 2010 Games are felt province-wide, the 2010 Commerce Centre has held over 100 presentations and workshops across the province where over 5,000 B.C. business people learned more about how to participate in Games-related opportunities. The 2010 Commerce Centre has also engaged 32 First Nations business agencies to help ensure that First Nations communities across the province are equipped to participate in 2010 Games business opportunities.

Internationally, the BC Secretariat created British Columbia-Canada Place in Torino, Italy for the 2006 Winter Games. This first-of-a-kind facility introduced visitors to British Columbia and served as both a meeting place for over 80 B.C. businesses and as a showcase for promoting the province. Plans call for a similar B.C. presence during the 2008 Summer Games in Beijing. Earned media attention generated during the operation of British Columbia-Canada Place is estimated at over \$30 million.

To further leverage the Games to benefit businesses and communities across British Columbia the BC Secretariat has developed programs to take advantage of the media attention and opportunities that the 2010 Games will present. BC Stories is a program developed to provide international media with feature stories on B.C. businesses and communities to increase national and international awareness of British Columbia as a place to visit, invest, and conduct business. B.C. Explorer, which was featured at British Columbia-Canada Place in Torino, Italy during the 2006 Winter Games, is an interactive kiosk featuring multimedia presentations on B.C. communities targeted to potential visitors, investors, and media.

In addition to these programs, and to help ensure benefits of hosting the Games are made available beyond the immediate Games-venue communities, the Olympic/Paralympic Live Sites program was created to help develop facilities across the Province so that all B.C. communities have an opportunity to celebrate the 2010 Games. More than \$13.1 million in funding has been committed to for 84 community projects across British Columbia.

Province's \$600 Million Funding Commitments

The Province has committed a total of \$600 million toward the hosting the 2010 Winter Games for direct Games-related costs which include \$410.5 million for direct Games costs, \$50 million for legacy and sport commitments and a \$139.5 million contingency.

To date, the Province has funded 34% of its direct Games costs commitment, including its \$30 million contribution to the Richmond Speed Skating Oval in fiscal 2004/05.

The Province has approved two allocations of its \$139.5 million Olympic contingency within the \$600 million Olympic commitment. The first is \$8 million to fulfill its Olympic commitment to First Nations for lands for economic development. The second is approval of a request from VANOC for an additional allocation of up to \$55 million for its venue construction program that is conditional on the Federal government also approving \$55 million in additional contributions to the VANOC venue construction program.

With these two allocations, the balance of the Province's Olympic contingency is \$76.5 million. Although risks do remain, the BC Secretariat continues to work to ensure that its commitments to hosting the 2010 Games are delivered within the \$600 million funding commitment.

Update on the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games

VANOC was created following the award of the 2010 Games to the City of Vancouver with the mandate to plan, organize, finance and stage the Games. Since the last Progress Report, VANOC has moved forward in fulfilling its mandate.

As a new organization, VANOC is continuing to build its team and its organization. Key developments include the development of internal controls, policies, procedures and processes that all contribute toward building a fiscally responsible organization. Another key milestone was the production of VANOC's first update to the Olympic bid budget and business plan.

This revised plan included high level strategic plans, a break-even operations budget, and an updated venue construction budget.

In reviewing VANOC's updated business plan and budget, the BC Secretariat found that the plans generally conformed to best practices. However as high level plans they required further detailed work in order to support the budget. This is expected in subsequent plan revisions. The operations budget does contain an amount of risk as key revenue amounts, particularly those from the International Olympic Committee, have not been finalized. These are expected to be negotiated within the next year. However, there is no indication that the plan is not achievable, particularly given that VANOC would have up to three years to modify its operational plans to meet its available revenues.

The BC Secretariat will continue to work closely with VANOC to oversee its progress and to monitor any potential risks to the Province. The BC Secretariat has engaged resources with appropriate expertise to review VANOC's venue construction program.

Risk Management

The provincial government has undertaken a number of key steps to manage Games-related risks:

- A \$600 million Games funding envelope, including contingency fund, has been established. Access to this contingency requires approval from the provincial Treasury Board.
- The BC Secretariat was established to provide oversight of the Province's financial commitments. Provincial observers attend VANOC's Board of Directors, Audit Committee, and Finance Committee meetings.

In addition, the Province has established an inter-ministry team and a Cross-Government Coordination Team to assist with managing the Province's financial commitments, and to provide additional resources to oversee VANOC's operations and finances.

The BC Secretariat has developed an Enterprise-wide Risk Management (ERM) system to track and manage the Province's participation in the 2010 Games. The Province's Risk Management Branch has also been working with VANOC to develop its own ERM. The implementation strategy for the BC Secretariat's ERM includes incorporating risk data from VANOC's system to ensure efficient risk identification and effective risk management.

The 2010 Olympic and Paralympic Winter Games represents an extraordinary opportunity for British Columbians. The provincial government is working to ensure its investment in the Games is being managed appropriately and that all British Columbians benefit as much as possible from hosting the 2010 Winter Games.

Background

On July 2, 2003, Vancouver was selected as Host City for the 2010 Olympic and Paralympic Winter Games (the 2010 Winter Games). That moment created a tremendous opportunity for British Columbia to accelerate its economic growth, attract new business investment, and develop sport and cultural legacies across the province.

To secure the 2010 Winter Games Bid, the Province has committed \$600 million to 2010 Winter Games venue construction, endowments, legacies and Games-related services such as security and medical. Under International Olympic Committee (IOC) rules, the 2010 Winter Games themselves cannot provide a windfall gain to the provincial Treasury. Real incremental benefit to the Treasury will only occur through the Province's own programming, using international interest in the development and conduct of the 2010 Winter Games as a catalyst to attract and capture non-B.C. resident visitors, investors and buyers.

Success of the 2010 Winter Games will be reflected in the potential creation of incremental GDP economic benefits of at least \$4 billion from 2002 to 2015, the majority of which are not attainable without aggressive economic programming to leverage the opportunities the 2010 Winter Games provide.

British Columbia Olympic and Paralympic Winter Games Secretariat Overview

Existing within the Ministry of Economic Development, the British Columbia Olympic and Paralympic Winter Games Secretariat (BC Secretariat) is the provincial organization responsible for overseeing the Province's financial commitments to the 2010 Winter Games and for helping to ensure British Columbia's Olympic vision is achieved.

Part of that vision is to help ensure British Columbians are able to maximize the economic, social and cultural legacies from hosting the 2010 Winter Games.

The BC Secretariat also represents the Province as a principal partner in a number of critical Olympic and Paralympic-related relationships and partnerships, including the Multiparty Agreement; the Canadian Olympic Committee (COC); the Canadian Paralympic Committee (CPC); Government of Canada represented by the Department of Canadian Heritage; the City of Vancouver; the Resort Municipality of Whistler; the Vancouver Organizing Committee (VANOC) and Four Host First Nations Secretariat.

This is the second Progress Report issued by the BC Secretariat. Its purpose is to update five key areas of the BC Secretariat so the public is kept informed and provided with updated information on the status of the Province's \$600 million funding envelope for the 2010 Winter Games.

This report updates the following five key areas:

- Partnerships;
- Commitments to Sustainable Legacies;
- Province's \$600 Million Funding Commitments;
- Update on the Vancouver Organizing Committee (VANOC); and
- Risk Management.

Partnerships

As the provincial government lead, the BC Secretariat is working with Olympic and Paralympic partners, provincial ministries, Crown corporations and agencies involved in the 2010 Winter Games. Key to these relationships are the Multiparty Agreement and the Host City Contract.

Olympic and Paralympic Agreements

The Multiparty Agreement

The *Multiparty Agreement* lays out the roles and responsibilities of the parties relating to organization, operations, protocols and accreditations, contributions, financial conditions and legacies for hosting the 2010 Winter Games. The signatories included:

- Province of British Columbia;
- Government of Canada;
- City of Vancouver;
- Resort Municipality of Whistler;
- Canadian Olympic Committee;
- Canadian Paralympic Committee; and
- Vancouver 2010 Bid Corporation (the agreement was assumed by VANOC after the Games were awarded).

In addition to the main agreement, each of the government parties provided covenants to the International Olympic Committee (IOC) that outlined their specific obligations regarding the 2010 Winter Games. These covenants included financial contributions, guarantees, commercial rights, legislative requirements and the provision of services and venues integral to the 2010 Winter Games.

In the event of a surplus from hosting the 2010 Winter Games, the Multiparty Agreement incorporates the requirements of the Host City Contract that it will be divided as follows:

1. 20% to the Canadian Olympic Committee (COC);

2. 20% to the International Olympic Committee (IOC); and
3. 60% to VANOC.

VANOC's share of a 2010 Winter Games surplus is to be contributed to the Amateur Sport Legacy Fund, which is to be managed by the 2010 Winter Games Operating Trust. Administration of this fund (after ensuring that its purchasing power is maintained) requires that its earnings be spent on athletes and coaches, sport development programs at the 2010 Winter Games sport facilities, and coaching and sport development programs elsewhere in Canada.

The Host City Contract

The Host City Contract sets out the obligations of the City of Vancouver, the COC and VANOC to the IOC for hosting, planning and staging the 2010 Winter Games. VANOC's mandate is to plan, organize, finance and stage the 2010 Winter Games.

Committees charged with coordinating and planning the 2010 Winter Games are being formed with representatives from VANOC, the IOC, the federal government, the Province, the host city and municipalities.

In November 2005, VANOC held the first of a series of planning sessions, inviting IOC advisors to share their knowledge to ensure city and municipal services run effectively during the 2010 Winter Games. VANOC has commenced its planning for a "Look of the Games" program, whereby cities and municipalities consistently apply design elements when highlighting and celebrating the 2010 Winter Games.

*BC Secretariat
Partnerships
Objective:
To formalize
agreements
with core
stakeholders and
to co-ordinate
a successful
and integrated
Olympic and
Paralympic
Winter Games.*

Partners

In addition to VANOC, the BC Secretariat is working with other key partners both internal and external to government. These include:

The *Canadian Olympic Committee* (COC), a private, not-for-profit corporation recognized by the IOC as the National Olympic Committee for Canada. The COC is responsible for all aspects of Canada's involvement in the Olympic movement, including Canada's participation when chosen as an Olympic host.

The *Canadian Paralympic Committee* (CPC) is a private, not-for-profit corporation recognized by the IOC as the National Paralympic Committee of Canada. The CPC leads the Canadian participation in all Paralympic events.

The *Government of Canada*, represented by the Department of Canadian Heritage, is a full financial partner in the staging of the 2010 Winter Games. Heritage Canada's roles are to ensure the national investment in the 2010 Winter Games is expended judiciously, and that the 2010 Winter Games provide community, sport and athletic development legacies for the country; and to work closely with VANOC and other partners to ensure the federal provision of services is coordinated and efficient.

On April 1, 2004, a Memorandum of Intent, called the 2010 Canadian Opportunities Strategy, was signed between the Province of British Columbia and the Government of Canada. This strategy is the key agreement whereby Canada and British Columbia are to collaborate to expand their working relationship to take full advantage of the sport, social and economic opportunities offered by the 2010 Winter Games. Officials from British Columbia and Canada meet on an ongoing basis to coordinate and leverage the efforts of both governments.

The *City of Vancouver* has entered into the Host City Contract with the IOC, the COC and VANOC and is the primary venue site for the 2010 Winter Games, including the opening and closing ceremonies.

The *Resort Municipality of Whistler* is the predominant snow sport venue site of the 2010 Winter Games and is the site of the Paralympic Games.

The Four Host First Nations within whose territories the 2010 Winter Games are being held are the Lil'wat Nation, the Musqueam Nation, the Squamish Nation, and Tsleil-Waututh Nation. Collectively, these four First Nations created the Four Host First Nations Society (FHFNS) to participate in the 2010 Winter Games as full partners to ensure the potential economic, social and cultural benefits of the 2010 Winter Games are fully realized for the Four Host First Nations.

The BC Secretariat is working with provincial ministries, Crown corporations, and agencies involved in delivering provincial infrastructure and services directly related to staging the 2010 Winter Games.

Other important partners for the BC Secretariat include businesses, communities, not-for-profit organizations, and the private sector. The BC Secretariat has developed programs such as the 2010 Commerce Centre, and the 2010 Speakers Bureau, as well as relationships with officials from other Olympic and Paralympic host cities, sponsors, and the international business community to help ensure the Province's investment in the 2010 Winter Games provides lasting benefits to all British Columbians.

Commitment to Sustainable Legacies

The 2010 Winter Games affords an extraordinary opportunity to raise British Columbia's and Canada's international profile as a tourism destination, innovator, industrial supplier and investment target. The provincial and national benefits include: a stronger position within the global business community, local and national sport and culture legacies, long-term economic growth, and achievement of a new level of social and environmental awareness and sustainability.

The BC Secretariat is working to provide Games legacies for the benefit of all British Columbians. Initiatives in several key areas are being undertaken, including:

- Economic Legacies
- Community Legacies
- Sport Legacies
- First Nations Legacies

Economic Legacies

An economic impact analysis conducted by InterVistas Consulting for the Province in 2002 projected that potential tourism gains alone could amount to more than \$4 billion from hosting the 2010 Winter Games. The study also concluded that economic gains through increased trade and investment require a well coordinated and funded program, such as were undertaken for previous Games in the U.S. and Australia. The Australian program, for instance, resulted in \$3 billion in positive business outcomes. While each Games operates in its own unique economic environment, many host cities have demonstrated that aggressive economic programming, using the development and conduct of the Games as a catalyst, can capture substantial new in-bound investments, open new export opportunities, prepare firms to bid on—and win—Games business, and capture post-Games business. Many of these opportunities will be lost unless there is a concerted, organized, aggressive, cooperative and focused effort to capitalize on them.

The BC Secretariat has a mandate to ensure the development of sustainable economic and social opportunities in association with hosting the 2010 Winter Games. The BC Secretariat's strategy builds on the experience of previous host nations, fully engages B.C. businesses and communities, and outlines coordination activities with other key players including provincial ministries, Crown corporations and agencies involved in the 2010 Winter Games, and the other parties of the Multiparty Agreement.

The BC Secretariat's economic development programs include the 2010 Commerce Centre, hosting business workshops, making speakers available to communities throughout the province and the development of a new range of business tools. In addition, the Fellowship of the Rings memorandum of understanding, signed during the 2006 Torino Winter Games, will coordinate best business practices among all previous and future host cities and nations. The Province is also taking advantage of international opportunities to promote British Columbia businesses and investment opportunities, as well as domestic and international tourism. These programs are all designed to maximize lasting economic opportunities and benefits of the 2010 Winter Games.

2010 Commerce Centre

The 2010 Commerce Centre, established by the BC Secretariat in 2004, is the primary vehicle for helping all B.C. businesses, including those from regional, ethnic and First Nation communities,

*BC Secretariat
Sustainable
Legacies
Objective: To
work with other
funding and
Olympic and
Paralympic
partners to
generate
sustainable
business, sport,
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and other
legacies for
British Columbia
and Canada
before, during
and after the
2010 Winter
Games.*

to achieve economic benefits from the 2010 Winter Games. The 2010 Commerce Centre will help provide the relationships, connections, and tools for success, all of which will help provide long-term benefits for B.C. businesses well beyond 2010.

The 2010 Commerce Centre's website (www.2010CommerceCentre.gov.bc.ca) continues to add substantial content. The site provides companies with background information on the Games' business environment; tools for business planning; examples of successful B.C. and Canadian companies; strategies for engaging as a Games supplier, subcontractor or licensee; and an excellent selection of resources to allow companies to take their next steps to 2010 success. The 2010 Commerce Centre sends its newsletter to over 3,500 individuals and companies who want to learn more about the business opportunities related to the 2010 Winter Games.

More than 2,100 businesses have registered on the 2010 Commerce Centre website to receive by e-mail 2010-related business opportunities matched to their company profile. In the past year, more than 300 opportunities have been distributed to registered companies. It is estimated nearly 10,000 more opportunities will be posted and distributed by the 2010 Commerce Centre website in the run-up to 2010.

An important element of the BC Secretariat's strategy to engage British Columbia companies is to provide B.C. companies with tools and information to take advantage of 2010-related business opportunities.

The BC Secretariat, in partnership with RBC Financial Group, developed a comprehensive guide titled "A Guide for Business Opportunities in the 2010 Winter Games" to help B.C. companies understand the type and scope of opportunities that are, and will be, available.

The Guide was published in October 2005 and is available at RBC branches and through B.C. Chambers of Commerce, Community Futures, B.C. Government Agents, economic development agencies, industry associations and other business service organizations throughout the province. The Guide is also available on-line at the *2010 Commerce Center website*.

To help B.C. companies gain access to 2010-related business opportunities, the 2010 Commerce Centre has developed 2010 Procurement Workshops. By March 31, 2006, 45 of these workshops had taken place across every region of the province. More than 1,600 business people attended these workshops to learn about the procurement process and how to do Games-related business. Another 70 people from not-for-profit business service agencies around B.C., including 32 First Nation business agencies, were trained to deliver this workshop in their own communities.

In addition to getting a "leg up" for 2010-related opportunities, these workshops provide training that will give B.C. companies additional tools to successfully compete for other business opportunities in the future.

The BC Secretariat has also made approximately 60 presentations over the last year to business audiences across the province. More than 3,500 people attended these presentations hosted by Chambers of Commerce, Spirit of BC Community Committees, economic development agencies and industry associations.

The BC Secretariat will continue to engage all regions across the province through 93 Spirit of BC Community Committees, B.C. Chambers of Commerce, and local business groups. Delivering information and support to business communities around British Columbia, in concert with the Spirit Committees, is a priority for 2006.

Later this year, the BC Secretariat will launch the 2010 Business Network, a comprehensive database that will profile businesses interested in supplying the 2010 Winter Games. The network will serve as a promotional avenue for these businesses and a way to identify other firms for potential strategic relationships and partnerships.

By providing a venue for linking companies together to bid on, and compete for, Games-related projects, B.C. firms will be developing new relationships that may lead to further opportunities to expand into new markets and create new trade and investment activities before, during and after 2010.

Later this year, the BC Secretariat will be launching a new 2010 Business Information Kit designed to help access B.C. communities to Games business opportunities.

Within a year, the BC Secretariat will also be launching a storefront 2010 Commerce Centre in Vancouver designed to showcase B.C. businesses and engage foreign investors in building relationships with B.C. and B.C. businesses.

International Opportunities

The BC Secretariat recognizes the Olympic and Paralympic Games as outstanding opportunities to promote British Columbia from business, investment and tourism perspectives. The BC Secretariat created a B.C. showcase; British Columbia-Canada Place in Torino, Italy, for the 2006 Winter Games. This facility hosted international tourism and business leaders and introduced them to British Columbia in a variety of innovative ways. Media coverage of the facility and its events was enormous, generating hundreds of international news stories promoting B.C. and gaining over \$30 million dollars in editorial news coverage. Over 80 B.C. business leaders came to Torino to attend seminars and conduct new business. The BC Secretariat is planning to

create a similar presence in Beijing during the 2008 Summer Games.

As we move toward 2010, the BC Secretariat will continue to build on its existing programs and will take advantage of every new opportunity to showcase the best that British Columbia has to offer to attract investment, tourism, jobs and business to British Columbia.

Community Legacies

The BC Secretariat is involved with communities across the province through a variety of programs designed to help leverage Olympic and Paralympic opportunities, promote tourism and exploit international events to introduce British Columbia to new audiences.

Olympic/Paralympic Live Sites

The Olympic/Paralympic Live Sites program is designed to ensure a share of the benefits from hosting the 2010 Winter Games are made available to residents of the province beyond the immediate Games-venue communities, while also providing communities with legacies of continuing economic value.

Announced in 2004, the \$20 million Olympic/Paralympic Live Sites program provides funding for the construction or upgrading of facilities that leave a lasting Games legacy within the community or for the development of Olympic and Paralympic event viewing venues. Awards of up to \$330,000 are available. The program has approved 84 projects with over \$13.1 million in commitments, as of the date of this report.

BC Explorer

The BC Secretariat's new interactive BC Explorer kiosk is a multimedia presentation that features communities throughout British Columbia. It is designed to showcase B.C. communities in the areas of live, work, play, invest and sport, and to encourage communities and businesses to

connect with opportunities to increase their community, and their business profile internationally. BC Explorer began by highlighting 18 communities and is expected to be enhanced with the addition of more communities. BC Explorer was available to the 100,000 visitors to British Columbia-Canada Place in Torino, Italy, before, during and after the 2006 Winter Games. BC Explorer will also be featured in the new British Columbia-Canada Place facility being developed in Beijing for the 2008 Olympic and Paralympic Games. It will also form an important component of the storefront 2010 Commerce Centre.

2010 Speakers Bureau

In conjunction with VANOC and 2010 Legacies Now, the BC Secretariat has created an on-line Speakers Bureau designed to facilitate and coordinate speakers knowledgeable about business, sport and other aspects of the 2010 Winter Games who will be available to speak at community events across the province.

BC Stories

BC Stories is a new program designed to highlight unique stories and people throughout the province, including several in the First Nations community. The items featured are primarily targeted toward generating news and/or feature media coverage of the province, but are also being used to create a database of images from across B.C. that will be made available to the thousands of media who will be covering the 2010 Winter Games.

Partnerships with 2010 Legacies Now

The BC Secretariat is in partnership with *2010 Legacies Now* to enhance and support their efforts in community development and to increase information on all aspects of how communities can get engaged with provincial

programs to leverage the economic benefits of hosting the 2010 Winter Games.

Host Community Legacies

The BC Secretariat is involved in partnerships with the City of Vancouver and the Resort Municipality of Whistler to leverage Games housing development into community benefits.

The City of Vancouver has committed to developing residential housing on the site of the Vancouver Athletes' Village with a portion developed as rental housing owned or operated by non-profit housing societies (non-market housing). A Request for Proposals for the project was issued in December 2005 by the City of Vancouver. Construction is expected to begin in late 2006 or early 2007, with completion in 2009.

The Resort Municipality of Whistler and the Province have negotiated a Community Land Bank Agreement to transfer up to 300 acres of provincial Crown land to assist in developing permanent non-market housing for Whistler's employee residents. The proposed site plan for the Whistler Athletes' Village includes a variety of permanent housing, including apartments, townhouses and dormitories. After the 2010 Winter Games, the new residential neighborhood will accommodate amenities such as a daycare, recreational facilities, convenience shopping, community meeting space, community gardens and recycling facilities. The first lands are expected to be transferred in fiscal 2006/07, including the land to be used for the Whistler Athletes' Village.

Media Programs

To maximize Games opportunities, the BC Secretariat is developing programs to ensure B.C. businesses have access to international media opportunities that profile the province, specifically in the areas of businesses and tourism.

1. International

- BC Stories highlight unique B.C. people and places to increase national and international awareness of British Columbia as a preferred place to visit, invest and conduct business.
- A newspaper, called BC Canada Times, has been developed to highlight B.C. business and tourism opportunities for international audiences.
- The BC Secretariat will continue to work with national and international media to ensure British Columbia's stories are told and all communities and businesses in British Columbia have access to the international exposure available before, during and after the 2010 Winter Games.

2. Unaccredited Media Centre

In conjunction with VANOC, the BC Secretariat is developing plans to create this storefront centre as the primary workplace for thousands of unaccredited media who will be in British Columbia for the 2010 Winter Games but who will not have access to official Games sites. These reporters, primarily from television networks, will often focus on non-sporting issues that will effectively profile and market B.C. The Centre will be a primary tool to engage visiting journalists and facilitate media access to B.C. stories, locations, businesses and individuals.

3. Tourism

The BC Secretariat is working with the Ministry of Tourism, Sport and Arts, Tourism BC, and with other areas of the Ministry of Economic Development on a coordinated provincial marketing strategy to expand the tourism industry. Using the 2010 Winter Games as a catalyst, these marketing and promotion programs are expected to generate signifi-

cant positive results before, during and after the 2010 Winter Games.

Sport Legacies

In preparing for the 2010 Winter Games, new competition venues are being constructed and existing facilities will be renovated. The Province's portion of the funding for these venues is included in the \$600 million Games funding commitment. These venues are designed to provide lasting legacies for the development of sport and training future generations of athletes. Communities will benefit from new and upgraded permanent facilities to support recreational use, high performance training and hosting of world-class sports events.

Whistler Athletes' Training Centre Legacies

The provincial contribution to this centre also comes from the \$600 million Games funding commitment. Following the 2010 Winter Games, the Whistler Athletes' Centre will provide a significant number of rooms for athletes to train and to support the future hosting of the World Cup and other national and international events. Rooms will be designed to accommodate athletes with disabilities. Ownership of the Athletes' Training Centre, along with the Whistler Sliding Centre and the Whistler Nordic Venue, will be vested with the Whistler Legacy Society, which is expected to be established in 2007.

First Nations Legacies

The Four Host First Nations (Lil'wat, Musqueam, Squamish, Tsleil-Waututh), in whose traditional shared territories the 2010 Winter Games will be held, signed an unprecedented protocol to establish the Four Host First Nations Secretariat (FHFNS) to ensure that the Four Host First Nations participate in the 2010 Winter Games as a full part-

ner, and to ensure the Four Host First Nations gain the maximum benefit from the Games.

The BC Secretariat provides ongoing support and is actively working with the FHFNS in the development of their business plan.

On November 22, 2002, the Squamish and Lil'wat Nations, the Vancouver 2010 Bid Corporation (assumed by VANOC) and the Province of British Columbia signed the Partners Creating Shared Legacies from the 2010 Olympic and Paralympic Winter Games Agreement to create a series of legacies for these two First Nations, including:

1. Lands for economic development
2. Participation in ownership of new athletic facilities
3. Economic development
4. An Olympic Housing Legacy
5. An Aboriginal Sports Legacy fund

1. Lands for Economic Development

The Province agreed to provide a grant of 300 acres of Crown land, the value of which is provided for within the Province's \$600 million Games funding commitment, for the Squamish and Lil'wat First Nations to pursue economic development opportunities within their shared territories. Negotiations with the First Nations have been undertaken and progress has been made over the last year with agreement on substantial components of the lands to be transferred. Transfer of the land is anticipated to be completed in the 2006/07 fiscal year.

The Province agreed to support the Squamish and Lil'wat First Nations in studying the economic opportunities possible on these lands. Potential uses for the land include a public championship golf course, a Nordic lodge, recreational campground or housing.

2. Participation in Ownership of New Athletic Facilities

It is anticipated that the Squamish and Lil'wat First Nations will participate as members in the Whistler Legacies Society (WLS), which will own the Whistler Nordic Venue, the Whistler Sliding Centre, and the Whistler Athlete's Centre. WLS is expected to be incorporated by March 31, 2007. Membership in WLS will enable the Squamish and Lil'wat First Nations to create opportunities for first nation athletes to train in the facilities along with other world-class athletes.

3. Economic Opportunities

The Bid Corporation provided a guarantee, now assumed by VANOC, of contracting opportunities for the Squamish and Lil'wat First Nations, including significant contracts in the Callaghan Valley. VANOC is fulfilling this guarantee in the Whistler Nordic Venue project. The types of contracting opportunities for the Squamish and Lil'wat First Nations may include site preparation, trail construction and day lodge and other buildings.

4. Games Legacy Housing for the First Nations

The Bid Corporation agreed to allocate a portion of the planned Whistler Athletes' Village, valued at \$6.5 million, as a post-Games housing legacy for the Squamish and Lil'wat First Nations. Discussions with the Nations are ongoing to ensure this commitment is met. Funding for this is provided within the \$600 million provincial 2010 commitment.

5. Aboriginal Youth Sports Legacy Fund

The Province agreed to establish a \$3 million Aboriginal Youth Sports Legacy Fund to promote aboriginal youth participation in sport, and to provide for the ongoing development of aboriginal athletes. In the 2003/04 fiscal year,

the Province provided its \$3 million contribution to the Fund, which is managed by the 2010 Legacies Now Society and the Squamish and Lil'wat Nations, and is part of the provincial funding commitment.

Province's \$600 Million Funding Commitments

BC Secretariat

Funding

Objective:

To provide affordable, sustainable investments

in direct

Games-related

infrastructure

and legacies.

The Province has committed a total of \$600 million toward the hosting of the 2010 Winter Games for direct Games-related costs for Games venue construction, a Legacy Endowment Fund, security, medical services, as well as operating funds for the Paralympic Games and for grants designed to assist in the creation of First Nations Legacies, Sport Development and a Whistler Housing Legacy.

Recognizing that the IOC required the Bid to be in 2002 dollars, the Province also included a \$139.5 million contingency fund within its \$600 million commitment to protect taxpayers from unanticipated costs, and potential cost escalation.

In addition to the provincial commitment, the Government of Canada has committed to contributing an equal share towards the overall cost of venue construction, the Legacy Endowment Fund, and to cost-share Games security costs. The Government of Canada has also agreed to provide the services of federal departments in support of the 2010 Winter Games.

A key function of the BC Secretariat is to provide an oversight role to ensure the Province's investment in the 2010 Winter Games is prudently managed. The President/CEO of the BC Secretariat co-chairs the VANOC Finance Committee. Staff from the BC Secretariat also sit as observers at VANOC board meetings, Finance Committee, and Audit Committee meetings.

The following table summarizes the breakdown and funding status of each component of the Province's \$600 million Games funding commitment as at March 31, 2006.

Direct Costs	Provincial Commitment (\$ M)	Funding Status by Provincial Fiscal (\$M)			
		2003/04 (Actual)	2004/05 (Actual)	2005/06 (Actual)	Remaining
Olympic Venues	235.0	51.0*	30.0**	-	154.0
Olympic Live Sites	20.0	-	-	3.1	16.9
Legacy Endowment Fund	55.0	55.0	-	-	-
Total Capital Contributions	310.0	106.0	30.0	3.1	170.9
Security	87.5	0.2	0.9	1.7	84.7
Total Federal/Provincial Cost Shared	397.5	106.2	30.9	4.8	255.6
(Medical/Other)	13.0	-	-	-	13.0
Total Direct Costs	410.5	106.2	30.9	4.8	268.6
Other Provincial Commitments:					
Paralympic Games – Operating	20.0	-	-	-	20.0
First Nations Legacies	10.0	3.0	-	-	15.0
Sport Development	10.0	-	-	3.5	6.5
Whistler Legacy	10.0	-	-	-	10.0
Total Other	50.0	3.0	-	3.5	43.5
Contingency	139.5	-	-	-	131.5
Provincial Total	600.0	109.2	30.9	8.3	451.6

* 2003/04: \$30 million for the Vancouver Athletes' Village; \$9 million for the Hastings Park venues; \$10 million for the Hillcrest Curling venue; and \$2 million for design.

** 2004/05: \$30 million for the Richmond Oval.

Components of the Provincial Funding Envelope

Olympic and Paralympic Games Venues (\$235 million)

The governments of Canada and British Columbia have each agreed to contribute \$235 million to VANOC towards capital expenditures on new or renovated Games venues and related support facilities. These contributions were based on capital estimates prepared by the Bid Corporation in compliance with IOC specifications that required estimates to be prepared in 2002 dollars.

Since the BC Secretariat's last report, the Province has provided \$30 million in funding for the Richmond Oval as shown in the previous table.

Plans are proceeding with all venues and construction work is underway on the Whistler Nordic Venue, the Whistler Sliding Centre, Pacific Coliseum at Hastings Park, and the Richmond Oval. In summer 2006, construction work is scheduled to begin on the UBC Winter Sports Centre, Whistler Creekside, Cypress Mountain, and on both Athletes' Villages.

Appendix II of this report provides a venue-by-venue update for each Games venue.

In the fall of 2005, VANOC submitted an updated proposed capital project budget totaling \$580 million to the governments of Canada and British Columbia. This proposed updated budget is \$110 million greater than the original 2002 Olympic Bid budget of \$470 million. The \$110 million request consists of two separate components: \$58 million for anticipated increased venue construction cost estimates; and \$52 million to be held by VANOC as a contingency allocation against any further cost escalations or other unforeseen events.

The Province has provided conditional approval to VANOC of its \$55 million share of the \$110 million increase, which would be funded from its contingency allocation within the overall \$600 million provincial funding commitment. The conditions placed on this approval included the requirement that the federal government approve its \$55 million share. The Province will continue to do further due diligence on the venue construction program and the cost estimates.

To ensure the projects are managed effectively, to maximize the benefits of the venues, and to keep the projects within budget, the BC Secretariat has engaged resources with construction and project management expertise to review VANOC's capital program to advise the Province on key areas including:

- 1) Project design and scope
- 2) Cost estimates for each project
- 3) Cost of the overall Games venue construction program
- 4) Advice and recommendations to help ensure the overall program is constructed on time and on budget

Olympic/Paralympic Live Sites (\$20 million)

As part of the \$600 million Games commitment, the \$20 million Olympic/Paralympic Live Sites program provides funding to local governments and non-profit societies that have the interest and the enthusiasm to participate in the spirit of the 2010 Winter Games. The funding will assist with community projects to ensure the benefits of hosting the Games are shared throughout British Columbia.

The program has approved 84 projects with over \$13.1 million in commitments as of the date of this report. A current listing of approved projects is available on the *Ministry's website*.

Legacy Endowment Fund (\$55 million)

In the Multiparty Agreement, the Province and the Government of Canada each agreed to contribute \$55 million to create a \$110 million Legacy Endowment Fund. The 2010 Winter Games Operating Trust was established in 2004 to hold, direct and manage the Endowment Fund and the Amateur Sport Legacy Fund.

The primary purpose of the Legacy Endowment Fund is to contribute to the ongoing operations of the Whistler Nordic Venue and Whistler Sliding Centre, the Richmond Oval, and to support athlete training and development. The fund will also provide funding to assist with pre-Games operations of the three facilities.

The Province funded its \$55 million commitment from its \$600 million Games funding envelope in March 2004 while the Government of Canada funded its \$55 million in March 2005. The value of the Legacy Endowment Fund as shown on the year end financial statement of the 2010 Operating Trust dated December 31, 2005, was \$113.7 million.

Security (\$87.5 million)

The Province, within its \$600 million Games commitment, has allocated \$87.5 million for basic security and policing services as its 50% share of the Olympic security budget of \$175 million. The federal government will be contributing the other 50%. The two governments are working to finalize a cost-sharing and oversight agreement for security, as agreed in the Multiparty Agreement.

The RCMP is the primary entity responsible for delivering security for the 2010 Winter Games, and has formed the Vancouver 2010 Integrated Security Unit (V2010 ISU) to carry out the planning management and delivery of this function.

The Ministry of Public Safety and Solicitor General is the Province's lead ministry in the

coordination and planning for 2010 Games Security. Together with the Vancouver Police Department, the federal Department of National Defence, and other partners charged with the provision of security for the 2010 Games, this team has an extensive history of dealing with security at international events and working closely with other agencies in joint planning and command operations. These partnerships are vital to delivering the most effective security plan possible to ensure a safe and peaceful 2010 Winter Games.

Preliminary security planning began as early as 2003, ensuring that the V2010 ISU is well prepared for any possibility that might arise.

Medical (\$13 million)

The cost of medical services during the 2010 Winter Games was estimated during the Bid at \$29 million, of which the Province has committed to contribute \$13 million out of its \$600 million funding envelope with VANOC contributing the balance.

The Ministry of Health is the lead for the Province, and together with VANOC and other medical emergency service partners, has established the 2010 Health Advisory Committee which coordinates with the agencies responsible for delivering health care services during the 2010 Winter Games.

Initial planning has begun, with a series of meetings being held with senior members of the IOC medical team, VANOC's recently recruited Chief Medical Officer, and the Province. These three entities will continue to work closely together in developing a comprehensive medical plan for the 2010 Winter Games.

Paralympic Winter Games – Operating (\$20 million)

Forty countries are expected to participate in the 2010 Paralympic Winter Games, which will

take place in March of 2010. The Province has made a funding commitment of \$20 million from its \$600 million Games funding envelope towards the operating costs of the Paralympic Games. The federal government has committed to a matching \$20 million contribution.

First Nations Legacies (\$10 million)

The Province made \$10 million in Games-related financial commitments out of its \$600 million Games funding envelope to the Squamish and Lil'wat Nations when the Partners Creating Shared Legacies from the 2010 Olympic and Paralympic Games Agreement was signed in November 2002.

The Agreement includes a wide range of commitments made to the Squamish and Lil'wat Nations, including transfers of Crown land for economic development, and an Aboriginal youth sport legacy fund as identified earlier.

Negotiations are underway with the Squamish and Lil'wat First Nations on the selection of up to 300 acres of land to be granted by the Province under this Agreement. Significant progress has been made over the last year, with agreements being achieved on the substantial land components to be granted to the two First Nations. Negotiations are expected to reach conclusion soon, and transfer of the lands is anticipated to be completed in the 2006/07 fiscal year.

Sport Development (\$10 million)

As part of the \$600 million Games commitment, the Province has committed \$10 million for province-wide sport, athlete, and coach development.

The first contribution of \$3.5 million was made in the 2005/06 fiscal year to 2010 Legacies Now in concert with the Ministry of Tourism, Sport, and the Arts within this Ministry's plan for sport development in British Columbia

(more information is available at <http://www.tsa.gov.bc.ca/sport/>).

The strategy includes the development and implementation of programs to build greater sustainability in British Columbia's sport system and to support high-performance B.C. athletes by providing high-performance coaching and technical support resources to help give B.C. athletes the best opportunity to be on the podium.

Whistler Legacies (\$10 million)

As part of the \$600 million Games commitment to the Resort Municipality of Whistler (RMOW) during the preparation of the Bid, the Province agreed to provide Crown land to enable employee residents in the community to acquire accommodation.

The Province, working with the RMOW, negotiated a Community Land Bank Agreement in which up to 300 acres may be transferred to the RMOW as required to meet their community housing goals.

The Agreement was finalized in October 2005. The first lands are anticipated to be transferred in fiscal 2006/07, including the land on which the Whistler Athletes' Village is to be constructed.

Provincial Contingency Funding (\$139.5 million)

The Province, in approving the 2002 Olympic Bid, identified \$139.5 million of its total \$600 million Games funding commitment as a contingency to address unanticipated cost pressures that may arise in relation to the Province's commitments around the 2010 Winter Games. Treasury Board maintains control over allocations of the contingency fund.

As of the date of this report, the Province has approved two allocations of funds from the original \$139.5 million contingency:

1 First Nations Legacies

To honour its commitment to First Nations and to meet the Province's commitments under the Partners Creating Shared Legacies from the 2010 Olympic and Paralympic Games Agreement signed in November 2002, the Province has approved an allocation of up to \$8 million from the Provincial contingency fund for lands to be transferred to the Squamish and Lil'wat First Nations.

2 Games Venue Construction

The Province has conditionally approved an increase of up to \$55 million in the Province's contribution to Games venues, which consists of an increase of \$29 million for venue construction costs, and up to an additional \$26 million to establish a venue construction contingencies allocation to be held by VANOC. This increase in provincial funding is conditional on the federal government agreeing to a matching increase in contributions for Games venues.

The table below summarizes the Province's contingency contained within the \$600 million Games-related funding commitment, as of the date of this report:

	\$ Millions
Contingency Established	\$139.5
First Nation Agreement	(\$8.0)
VANOC Venue Costs	(\$29.0)
VANOC Venue Contingency – up to	(\$26.0)
Contingency Remaining	\$76.5

The above allocations of the contingency are maximum amounts, leaving a remaining contingency of a minimum of \$76.5 million available for potential cost pressures.

Update on the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games

The Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games (VANOC) was created following the award of the 2010 Games to the City of Vancouver, with the mandate to plan, organize, finance and stage the Games.

Since the last Progress Report, VANOC has moved forward in fulfilling its mandate. Key organizational milestones include:

- Development of the first update to the Olympic and Paralympic Business Plan and budget since the Bid;
- Continuing the development of VANOC's Games venue program, including the start of construction on several key Games venues;
- Completion of the recruitment of its senior executive team with the appointment of a Chief Financial Officer, as well as key vice presidents and managing directors supported by more than 200 employees;
- The development and implementation of key policies and procedures resulting in the creation of a strong environment of internal control;
- Reaching an office space solution that will meet VANOC's needs through 2010; and
- Release of VANOC's 2005 Audited Financial Statements in November 2005.

As the organization grows to peak in 2010, VANOC has been working to put in place an operational framework. Ethics, communications, travel, financial authority, investments, procurement, and foreign exchange risk management policies have been implemented over the last year.

VANOC's Business Plan

VANOC's "Business Plan Version 1" was approved by the VANOC Board of Directors in July 2005, and presented to the governments of British Columbia and Canada as required by the Multi-

party Agreement. This Business Plan provides the first comprehensive update of estimates since the Bid.

As of the date of this report, the Province has not approved VANOC's Business Plan and Budget as the BC Secretariat's review of VANOC's construction program and Business Plan are ongoing.

VANOC's plans call for two more substantial revisions to the Business Plan and Budget prior to the Games. Version 2, planned to be completed in fall 2006, is to incorporate learning from the 2006 Torino Games operation, and will have the benefit of more reliable information on revenues, particularly sponsorship and broadcasting revenues. Version 3, planned to be completed in fall 2008, will be based on two further years of detailed operational planning.

Quarterly updates to the Business Plan, as required by the Multiparty Agreement, are prepared by VANOC and submitted to the governments of B.C. and Canada. In addition, any budget changes equal to or greater than \$5 million per occurrence or on a cumulative basis, are also required to be submitted to the two governments.

VANOC's Business Plan was built through a collaborative process, working up from within the various divisions of VANOC, to the Finance division, then to the Finance Committee of the Board, and finally presented to the VANOC Board of Directors for their approval.

Core Strategies

The following are VANOC's core strategies:

1. Build early to avoid higher cost and allow sufficient time for operational planning and venue testing;
2. Form strong partnerships with the IOC, IPC, COC, CPC, sponsors, suppliers and all levels of government and communities within which VANOC operates;
3. Integrate operational planning by accessing considerable Games expertise and experience;
4. Manage overall risk by putting an emphasis on the identification, management and reporting of risks to acceptable levels; and
5. Create sustainable and inclusive Games.

Preliminary strategic plans were developed for:

- Marketing
- Communications
- Venue Development
- Project Control
- Risk Management
- Security
- Sport Performance
- Environmental Scan
- Sustainability
- Procurement
- Culture and Ceremonies
- Human Resources
- Official Languages

VANOC will refine these high-level strategic plans into more detailed plans as it progresses through the business planning process. The experience of the Torino 2006 and Beijing 2008 Games, as well as the growth of VANOC as an organization, will be important factors as these plans are refined.

In evaluating VANOC's strategic plans, the BC Secretariat focused on VANOC's plans for Venue Development, Risk Management and Procurement, and utilized expertise within the provincial government in each of these areas to review the plans with respect to completeness, reasonableness and best practices for the specific area.

VANOC's key strategic plans generally conform to best practices but, as they are high-level plans, they will require additional details to be added in subsequent revisions, such as specific milestone dates and resource requirements. For example, the plan for Risk Management includes all the desirable elements of an enterprise-wide risk management regime, but the implementation component does not provide details on schedule, resources, and timelines. The BC Secretariat continues to work with VANOC and monitor VANOC's progress as it updates and refines its strategic plans for the next version of its Business Plan.

Operations Budget

The VANOC Business Plan Version 1 projects a balanced operating budget for the Games.

Revenue

The majority of VANOC revenue comes from the IOC (mainly from the sale of broadcast rights and international sponsors), and from domestic sponsors. As of the date of this report, VANOC has not reached agreement with the IOC to set the amount of broadcast or sponsor revenue to be shared with VANOC, but VANOC is working to have such agreements in place by late 2006/early 2007. As significant amounts of this revenue will be in US dollars or Euros, there is a risk that foreign exchange fluctuations will impact VANOC's revenues. VANOC has implemented a hedging strategy to manage the risk in respect to known amounts.

VANOC continues to work on its Canadian sponsorship program and has, to date, announced six Tier 1 National Partners generating \$480 million (in cash and value-in-kind based on VANOC's accounting policies). Tier 1 sponsors announced to date are: GM Canada, RBC Financial Group, Hudson's Bay Company, Petro-Canada, RONA Inc., and Bell Canada.

In 2006, as VANOC continues to further develop its other sponsorship tiers, VANOC appears poised to meet or possibly exceed the budget target for this area. There is a potential risk that sponsor revenue could be impaired if VANOC or the Olympic Movement suffers reputational damage, or if there are significant market changes that reduce the value of Olympic sponsorships.

At this early stage, it is difficult to assess whether or not revenues from ticket sales and other will be achieved. VANOC's approach in estimating this revenue appears to be reasonable and will likely represent a relatively low level of risk to VANOC's overall financial position.

The Province, through the BC Secretariat, is continuing its due diligence work on VANOC's operating budget. To date, nothing in the approach taken by VANOC in developing these budget figures indicates that the planned revenues are not achievable. However, as a significant amount of VANOC's budgeted net revenues are dependent on negotiations with the IOC, which are still underway, there remains a degree of uncertainty and risk surrounding the revenue amounts shown in VANOC's operating budget.

Expenses

Budgeting for operational expenses that will take place more than four years in the future presents a significant challenge to any organization. The expense estimates were developed by VANOC based on the high-level strategic plans created for the Business Plan and Budget Ver-

sion 1. These include the experience of previous Games, applied to the 2010 Winter Games overall operational plans developed during the Bid.

The budgeted expenses for VANOC's operations are based on estimates that will be refined in the two major revisions in 2006 and 2008 as more knowledge is gained based on the experience of the Torino 2006 and Beijing 2008 Games.

In addition to the risk of budgeting expenses four years in advance, there are a number of unresolved operational expenses that may influence the expenditure in those areas. Changes to VANOC's operational needs as required by the IOC or international sport federations, Olympic Security, Olympic Medical, municipalities, and other organizations have the potential to add to operational costs. Pre-Games expenses will not be finalized until the venues are developed and the operational requirements are determined.

As VANOC continues to build its organization, it has added an Internal Audit and Risk Management function to assist in developing a financial control environment in the organization. The Province's Risk Management Branch of the Ministry of Finance continues to work with the VANOC team on the implementation of a comprehensive risk management program.

Summary

The risks associated with budgeting for revenues and operational expenses for the 2010 Winter Games are offset by VANOC having time to refine and develop its plans prior to the heavy operational period in 2010. In addition, VANOC's expectation is to have revenue agreements in place with the IOC by 2007, and expects progress on securing additional sponsors. VANOC could potentially achieve significant certainty on its budgeted net revenues by 2007. This would allow VANOC up to three years

to modify its operational plans and budget to meet its revenues. The Province, through the BC Secretariat, continues to monitor VANOC's financial and budget progress.

Venue Budget

The Bid budget of \$470 million for the venue program was created in fixed 2002 dollars with no allowance for inflation in accordance with IOC requirements. However, the strength of British Columbia's economy and construction boom have put upward pressure on all construction-related costs in the Greater Vancouver and Whistler areas since 2002.

This construction cost inflation has placed enormous pressure on the VANOC venue program. VANOC management has aggressively managed to keep venue costs down by moving and redesigning venues and transferring risk, along with other measures.

With further construction cost pressure in the Vancouver and Whistler areas, VANOC management prepared revised venue construction cost estimates, totaling \$580 million in October 2005. Following the development of these new cost estimates, VANOC management made submissions to the governments of British Columbia and Canada for additional venue construction contributions totaling \$110 million, which represents the gap between the original total of \$470 million in venue funding approved by both governments (\$235 million each) in 2002, and VANOC's revised estimate of \$580 million.

The \$110 million additional funding request consisted of a \$58 million increase in identified venue cost increases and a \$52 million centralized venue contingency.

The provincial government provided VANOC with conditional assurance that the Province's share of the increased funding requested - \$55

million - would be made available once the federal government agreed to fund its \$55 million share.

There remains a degree of uncertainty in VANOC's current cost estimates as full design and quantity surveys for all venues is not yet complete. Regardless, the status of current venue planning is ahead of schedule compared to past Olympic and Paralympic Games.

The BC Secretariat has undertaken a detailed review of VANOC's construction program with the goal of performing an in-depth due diligence review of the Games venues construction. Key elements of this review are to include:

- 1 A detailed review of VANOC's construction program including:
 - a. A design and scope review
 - b. Review of cost estimates
 - c. An evaluation of the overall \$580 million estimate
 - d. Options available to the Province to ensure the Games venues construction program is kept within the \$580 million
- 2 Recommendations on an ongoing monitoring / management program that will both protect the Province's commitments and facilitate the construction of appropriate Games venues on time and on budget.

The Office of Auditor General is expected to release its update on the estimates of the Bid shortly.

Risk Management

There are substantial financial risks associated with hosting the 2010 Winter Games. To ensure good management of the Province's Games commitments, the provincial government has taken a number of key steps including:

- Setting up the BC Secretariat to provide oversight of the Province's financial commitments;
- Having observers at VANOC's Board of Directors, its Audit Committee, and Finance Committee meetings;
- Establishing a \$600 million Games funding envelope which includes a \$139.5 million contingency fund—access to this contingency fund requires approval from B.C.'s Treasury Board.
- In 2005, the BC Secretariat established an inter-ministry team to assist the BC Secretariat with carrying out its responsibility to oversee the Province's investment and involvement in the 2010 Winter Games, which includes senior staff from the BC Secretariat, the Ministry of Attorney General, Crown Agencies Secretariat, the Risk Management Branch, Office of the Comptroller General, Internal Audit and Advisory Services, and Treasury Board Staff of the Ministry of Finance. This inter-ministry team meets bi-weekly to update and manage the Province's key risks related to the Games.
- In 2006, the BC Secretariat also established a cross-government coordination team with representatives from all provincial ministries and agencies.

The BC Secretariat's risk commitment is to develop, implement, and integrate an Enterprise-wide Risk Management (ERM) system into its oversight role. ERM is the provincial standard in risk management. BC Secretariat's key ERM strategies include:

- Engagement of internal and external stakeholders in the process;
- Integration of risk management into the Province's oversight and due diligence related to 2010; and
- Development of a comprehensive risk register to identify, evaluate, manage and report the Province's 2010 related risks.

As of the date of this report, the BC Secretariat has developed its ERM strategic plan. The BC Secretariat's ERM system will be implemented in 2006/07 using a staged approach starting with the Province's \$600 million envelope and then integrating with all provincial ministries, agencies, and Crown corporations that have a link to the 2010 Winter Games.

A comprehensive risk register has been developed for each funding item of the \$600 million Games funding envelope for identifying, assessing, managing, monitoring and reporting the Province's risks.

The BC Secretariat's ERM system will focus on the following risks to that envelope:

Risk that Olympic Venue Construction Exceeds Budget

The governments of B.C. and Canada have agreed to share equally the cost of Olympic venue construction. The BC Secretariat is developing a comprehensive risk register, including action plans, for each venue construction project to monitor and manage risks. Risks will be updated and prioritized regularly. The focus will be on such key risks as venue design, cost escalation drivers, project execution, and contingency management throughout the term of construction for each venue.

The BC Secretariat will engage external consultants as required to perform independent validation on venue designs, cost estimates, contin-

*BC Secretariat
Risk
Management
Objective: To
ensure the
Province's
financial
commitments
to the hosting
of the 2010
Winter Games
do not exceed
the Province's
\$600 million
Games funding
envelope.*

gency, risks and/or options to ensure the \$600 million provincial Games funding commitment won't be exceeded.

Risk that Security Costs Could Exceed Bid Estimates

The governments of B.C. and Canada have agreed to share equally the costs of basic security and policing services directly related to the 2010 Winter Games, and are committed to managing the \$175 million 2010 Winter Games security budget. The Province of B.C., Government of Canada, and the Vancouver 2010 Integrated Security Unit (V2010 ISU), led by the RCMP, are working closely to develop agreements to ensure costs remain on budget.

A detailed risk register is being developed to ensure that all significant risks to the security budget are identified early, increasing the ability to manage potential risk to the \$175 million budget. In addition, the agreement between the Province and the federal government on Olympic Security cost sharing is planned to include the provision for a joint security committee which will oversee the 2010 security budget.

The V2010 ISU is continuing to manage within the budget initially allocated by the governments of B.C. and Canada. However, at this early stage, it is impossible to anticipate all of the factors that could affect the final cost, such as the threat level, and the international security environment that will be in effect in 2010.

Risk that Essential Service (Medical) Costs Could Exceed Bid Estimates

B.C.'s Ministry of Health is the lead ministry in the development and execution of the Olympic medical services plan, budgeted at \$13 million,

to ensure the Province's commitments to health services during the 2010 Winter Games are met.

Together with VANOC, the Ministry of Health has established a 2010 Health Advisory Committee to coordinate provincial health service agencies plans. Initial planning meetings have been held with VANOC and the IOC's medical group to develop a coordinated, comprehensive medical service plan within the established budget.

The BC Secretariat and the Ministry of Health are working together to identify and manage risks to the 2010 medical services budget to ensure costs are contained within the established budget.

Risk of Claims against the Province's Olympic Indemnities and Guarantees

To ensure the Bid was successful, the Province has provided a guarantee to the IOC of a potential financial shortfall of VANOC. This guarantee is not available to parties other than the IOC.

To address a potential shortfall, BC Secretariat's risk management strategy includes working closely with VANOC to use relevant risk information from VANOC in the BC Secretariat's ERM system. Early identification of risks is critical to being able to manage them, and to reduce the risk to the Province. The BC Secretariat will continue to monitor VANOC closely, and monitor and manage the associated risks.

The Province has also entered into separate Participation Agreements with the City of Vancouver (1998) and the Resort Municipality of Whistler (2002) to indemnify them against losses, damages, expenses, legal claims, liabilities and other costs they may incur in relation to the 2010 Winter Games.

Indemnification under these agreements is dependent on Vancouver or Whistler acting on instructions from the Province. To date, the

Province has received several requests for instructions under these agreements, and these instructions have not resulted in any claims.

All provincial indemnities are reported in the Province's financial statements.

Risk the Provincial Contingency of \$139.5 Million is Insufficient

When the Province established the \$600 million spending envelope in 2002, \$139.5 million of that funding envelope was set aside as a contingency. In setting up this contingency, the Province considered the risks associated with a project of this type. With the Games still four years away, and the requirement from the IOC for all Olympic bid figures to be in 2002 dollars, having a substantial contingency to account for

unforeseen issues and costs was deemed appropriate.

Over the coming year, as Games venue construction progresses, and VANOC's revenue from the IOC and sponsors is more certain, risks related to the Province's commitments to VANOC will be known with greater certainty. As planning proceeds in other areas such as security and medical services over the coming year, the risks in these areas will be identified and monitored closely.

At this stage, the Province's expectation is that the remaining contingency (minimum of \$76.5 million) is sufficient for the risks remaining against its financial commitments to the 2010 Winter Games.

Appendix I

Venue Cost Comparison of Bid Budget vs. Revised Estimates from VANOC's Submission to the Province in October 2005 (in \$ million)

Venue Events / Usage	Bid Budget	October 2005 Estimate	Difference from Bid Budget
Vancouver – Competition and Training			
UBC Winter Sports Centre - Hockey	35.8	37.6	1.8
Hastings Park - Figure Skate, Short Track Speed Skate	23.1	25.7	2.6
Hillcrest / Nat Bailey Park - Curling	28.3	37.1	8.8
Richmond Oval - Long Track Speed Skating	63.7	60.7	-3.0
Cypress Mountain - Snowboarding, Freestyle Skiing	10.9	14.6	3.7
Whistler – Competition and Training			
Whistler Blackcomb - Alpine Skiing	23.1	26.2	3.1
Whistler Nordic Venue - Nordic Skiing/Comb, Biathlon, Ski Jump	102.0	111.3	9.3
Whistler Sliding Centre - Bobsled, Skeleton, Luge	55.0	80.4	25.4
Athletes' Centre - Legacy & Training Centre in Athletes Village	13.0	16.0	3.0
Vancouver – Support Facilities			
Vancouver Athletes' Village	30.0	30.0	0.0
Whistler – Support Facilities			
Whistler Athletes' Village Athlete Housing	32.5	37.5	5.0
Sledge Hockey Arena Paralympic Site	20.0	20.0	0.0
Other venues and costs *	32.6	30.9	-1.7
Central Contingency	0.0	52.0	52.0
Total	470.0	580.0	110.0

* Other venues and costs include B.C. Place, GM Place, training and media centres, planning and sustainability commitments.

Appendix II

Status Update on Games Venues as of March 31, 2006

UBC Winter Sports Centre

The UBC Winter Sports Centre will be located on the existing site of the Thunderbird Sport Complex on the UBC campus. The existing small and twin practice rinks will be demolished, and in their place a new practice rink and a new arena with 5,500 permanent seating and 1,500 temporary seating will be constructed. In addition, the existing Thunderbird Arena rink will be renovated.

During the Games, the venue will be used for men's and women's ice hockey competitions. Before and after the Games, the venue will be used by UBC for sports education, academic classrooms, entertainment and cultural events, community recreational use, and for developing high-performance sport groups and federations.

UBC has passed on its construction risk through a design-build contract containing a guaranteed maximum price with a contractor. Construction work has commenced and the project is expected to be completed in May 2008.

Hastings Park

The replacement of nearly 16,000 seats at the Pacific Coliseum was completed in early 2006. The balance of the improvements for the Coliseum and Agrodome include building and technical upgrades, such as ice plant improvements and expansion of the ice surfaces to international size. All of the Hastings Park work is scheduled for completion by August 2008.

Hillcrest Park Curling Venue

VANOC is responsible for the design and construction of the 5,700 seat curling venue at Hillcrest Park, adjacent to Nat Bailey Stadium. The curling venue will be converted post-Games to a multi-purpose community center which includ-

ed a rink, curling club, library and the integration of the new Percy Norman Aquatic Centre.

The curling venue will be built in conjunction with the City of Vancouver's swimming pool and other recreational facilities. The project is at the schematic design stage. VANOC is in the process of engaging a construction manager for the project. Both projects are targeted to be completed in January 2009. The first 2010 Olympic Winter Games trial events will take place in early 2009 in the curling facility.

Richmond Oval

The Richmond Oval is a 400-metre track being constructed as a multi-purpose building for winter, summer and community events. VANOC has transferred construction risk for this project, by contractual means, to the City of Richmond, which has taken responsibility for the design and construction of the facility. Site preparation work was initiated on schedule in September 2005, and access to the ice surface is targeted for September 1, 2008.

Cypress Mountain

Cypress Bowl Recreations LP, the construction manager for the project, has obtained the Canadian Environmental Assessment Agency and BC Parks Environmental Assessment approvals for the project. Venue design and permits are expected to be complete in May 2006 in time for construction in the summer of 2006. The completion date is expected to be December 2007.

Whistler Blackcomb Alpine Courses

The Whistler Alpine venues are consolidated at Creekside on Whistler Mountain and are projected to be more cost-effective than operating two alpine venues at Blackcomb and Whistler Mountains.

The project execution plan for the venue has been completed. VANOC has executed an agreement with Intrawest Corporation for them to manage the design and construction of all Games-related works for the project. The Canadian Environmental Assessment Agency (CEAA) approval of the project was granted in early 2006. Snowmaking design is largely completed and partially tendered. The construction is expected to start in the summer of 2006. The current plan is to undertake the women's course improvements and snowmaking in 2006 and the men's course in 2007.

Whistler Nordic Venue

The Whistler Nordic Venue in the Callaghan Valley will provide the stage for cross country, biathlon and the ski jump events. VANOC management has conducted extensive analysis to reduce the cost and construction complexity of the project, and changes were made to the recreation components and size of the buildings resulting in a reduced environmental impact.

The project is currently under construction, and it represents the largest project under VANOC's direct responsibility. In 2005, access roads, site clearing and sediment and erosion control was done, as well as recreational trail development. This work will continue through the 2006 season and construction of the ski jump will commence. The 2007 season includes completion of the ski jump, competition trials, buildings and complete site development.

Whistler Sliding Centre

The Whistler Sliding Centre will be used for bobsled, luge and skeleton runs during the Games. The design and construction attributes of this venue are unique as there are only some 13 tracks of this nature in the world.

The VANOC management team has made, and continues to make, efforts to reduce the costs

of the project by utilization of the natural topography to reduce the footprint of the track, minimizing over- and under-passes, revising lighting, retaining walls and shading support design. VANOC has also pre-purchased materials that are expected to increase in cost where storage costs are not a significant issue. Site preparation work is complete and construction has commenced. The expected completion date is late 2007.

Whistler Athletes' Centre

The Athletes' Centre is a Bid commitment to Canadian sport and will be a legacy facility for athletes, providing affordable accommodation in Whistler and a base to train and test for their sport. The Centre is targeted to be operational from October 2008 and will provide accommodation for athletes training and competing in Whistler prior to, during, and after the 2010 Winter Games. The Centre is an integral part of the entire Athletes' Village project.

VANOC is responsible for the design and construction of the Centre. The scope for the Athletes' Centre is still under development.

Vancouver Athletes' Village

The site of Vancouver Athletes' Village is Vancouver's South False Creek area, which is planned to be a large urban development with a mix of market and non-market housing, parks, community amenities, offices and retail shops. The City of Vancouver is responsible for developing the Village, which will provide accommodation for 2,800 athletes during the Games.

A Request for Proposals for a developer was issued by the City in December 2005. Vancouver City Council is expected to select a successful applicant in the coming weeks to design and construct all buildings in the Athletes' Village. Construction is expected to begin in early 2007, with completion in late 2009.

Whistler Athletes' Village

The Village is located in the "Function Junction" area of Whistler near the Cheakamus River. The Whistler 2020 Development Corporation has completed a feasibility study and master plan for the Village. The Business Plan is being prepared to be published in June 2006.

Work has advanced for clearing, grubbing and rough grading during the 2006 building season. Construction is expected to begin in April 2007 and complete by September 2009.

Whistler Ice Sledge Hockey Arena

The Resort Municipality of Whistler has not decided whether to take on the responsibility to construct the hockey arena. However, a preliminary master plan has been completed with an expected decision in the summer of 2006. The Arena is expected to be constructed in April 2007 and completed in March 2009.

Training Venues

Training venues will be used as practice venues for short track speed skating and ice hockey. The scope of the training venues has been reduced by eliminating a venue and transferring the responsibility of renovating the Trout Lake and Killarney rinks to the City of Vancouver in return for a fixed grant of \$5 million. The city voters approved borrowing funds for the project as part of the capital plan questions in the November 19, 2005 municipal election. After the Games, the rinks will be converted for community use.

General Motors Place

VANOC has made a request to the International Ice Hockey Federation to have ice hockey games at the 2010 Winter Games played on North American size ice surfaces rather than on

international size. If their request is successful, this will eliminate the need to convert GM Place ice to international size.

B.C. Place

B.C. Place is currently undergoing a master plan study to determine post-2010 Winter Games uses. VANOC is in the early stages of planning upgrades required for opening, closing and medal ceremonies. VANOC is also consulting with the venue owners, PAVCO, on potential building and Games overlay requirements.

International Broadcast Centre (IBC)

In September 2004, VANOC decided to relocate the IBC from Richmond to the new, expanded Vancouver Convention Centre. Initial plans have been reviewed and endorsed by the Olympic Broadcast Service. Construction on the expansion of the Convention Centre began in November 2004 and is expected to be on time and scheduled to be complete in September 2008. The Bid budget of \$15 million has been reallocated to other venues.

