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## **NO GAMES CHICAGO HAS NO CONFIDENCE IN CIVIC FEDERATION 2016 REPORT**

No Games Chicago today issued its own review of the Civic Federation's review of the 2016 Committee's finances. "What we've got here is the sheep paying the foxes to audit the wolves" said No Games organizer Tom Tresser. "There are so many conflicts of interest in the inception, staffing and execution of this report as to make it virtually toothless." Nevertheless, despite the many flaws in the reporting process, the document still reveals many new reasons for Chicagoans to be concerned about the 2016 bid process and its authors.

No Games Chicago has a number of major objections to this report:

**THE KEY PLAYERS ARE BIASED** (Page numbers refer to the L.E.K. report unless otherwise indicated. Additional information and back up for this assertion is available at our website.)

1. The sponsoring body, the Civic Federation, is hardly impartial.
  - Of the 82 board members listed at the end of the Civic Federation's 2007 annual report 40 – or almost 50% - work for companies that are supporters of the 2016 bid – either as donors or members of the 2016 Committee.
  - 2016 Chairman Patrick Ryan is displayed prominently in the Civic Federation's 2007 report because he was awarded their 2007 Lyman J. Gage Award for Outstanding Civic Contribution to the city. He is also a major donor to the Civic Federation.
  - Three of the seven funders of this study were major donors to the 2016 Committee. The Chicago Community Trust, the MacArthur Foundation and the Polk Brothers Foundation have donated a total of \$3 million to the 2016 Committee.
2. L.E.K. Consulting, the firm hired by the Civic Federation, has ties to both the city administration and the Olympic movement.
  - L.E.K. has done major consulting work for the City of Chicago and has a major proposal pending – regarding retail opportunities at O'Hare Airport. The firm did work on the privatization of the Monroe Street garages (p.1). How can we expect them to be critical of the Olympic bid when they know this is Mayor Daley's obsession? In addition, L.E.K. has done work on Olympic bids, according to Civic Federation President Lawrence Msall, quoted in Crain's Chicago Business online.
  - L.E.K. called upon subject matter experts friendly or directly beholden to the bid process. The list of experts "consulted to understand how the 2016 budget was crafted" shows 15 individuals from 14 companies. Ten of those individuals were from eight companies that have donated to the 2016 Committee – that's two thirds of the "experts" consulted. If your firm is a major contributor to the 2016 effort what sort of perspective are you going to bring to a review process? (p.7)

**2016 ASSUMPTIONS UNCHALLENGED – TOUGH QUESTIONS UNASKED**

1. The Civic Committee's Narrative Summary says that "the following report is not a financial audit but rather a high-level review." (p. 3) So they're NOT really running the numbers but "testing the assumptions" used to develop the plan.
2. The report adheres to the fantasy that the 2016 committee is independent of City Hall and that their plans will be executed without the endemic corruption and overruns that have plagued every city project for decades.
3. Assumptions regarding the Olympic Village are extremely optimistic and are unwarranted given Olympic history and the Chicago marketplace.
  - The report accepts the committee's estimate that the Village, which will contain 7,300 athlete units, will cost about \$1.2 billion to complete. The Vancouver 2010 Olympic Village, 1100 athlete units, is now estimated to cost almost \$1 billion. How can Chicago possibly construct 7 times the space at approximately the same cost for a project that will take place seven years from now?
  - The report does not question the feasibility of finding private developers who will undertake this project. However, a report in Crain's Real Estate Daily quotes a principal at Kargil Development as saying lenders today will not finance more than 60-70% of a project, leaving taxpayers to pick up as much as \$720 million if the project comes in on budget. This is in addition to \$110 million in TIF funding for infrastructure costs. The private development of the Vancouver and London villages ran into severe economic difficulties and left the citizens of both cities with the entire bill for completing the buildings.
  - Once the Olympics are over, the city may be responsible for selling those units in a condominium market that has historically been volatile and risky. An aggressive estimate assumes the market will be able to absorb all 2,000 of the units created from the athletes' housing at a premium price over several years, although the report notes that "the true costs and sales potential will not be evident until trends in the construct and real estate markets become more certain." (p. 64-65)
4. Local sponsorships and donations are budgeted at substantially higher rates than previous Olympics (the report calls them "aggressive") and depends on many companies to participate at historic levels. However, no fundraising plans to achieve those goals have been established.
  - The \$1.8 billion in sponsorship revenues, which account for one-third of total budgeted revenues, are \$1 billion more than was achieved in Atlanta in 1996 (p. 20).
  - \$177 million in naming rights, considered "donations" by the 2016 committee, are based on revenue costs and not on the market for naming rights. For example, the committee has set a target of \$19 million for naming rights for the shooting and the rowing venues, equal to the amount Citibank pays annually (for a seven month season and 81 home games) for the right to put its name on the Mets stadium. Naming rights for the Olympic Stadium are budgeted for \$47 million in a time of corporate cutbacks and cost cutting! (p. 26)
5. The contingency of \$451 million included in the budget is likely to be insufficient if the aggressive sponsorship and donation are not reached and construction costs are more than 10% over budget, as overruns have been in major Chicago projects such as Millennium Park, Block 37, and the Monroe Street garage.

6. Although the 2016 committee has repeatedly maintained that not one penny of taxpayer money is included in the Olympic bid, the report makes clear the City of Chicago and its citizens will be supplying, in addition to the \$86 million in costs to buy the Michael Reese site (plus tens of millions for security, demolition and remediation costs), \$110 million in TIF funding for the Olympic Village site (p. 66) and \$35 million supplied by the Park District to build a velodrome in Douglas Park and a slalom canoe and kayak course on Northerly Island (p. 73), neither of which was requested by the citizens of Chicago and neither of which would have been thought of except for this Olympic scheme -- at a time when employee cutbacks have caused beaches to open later and close earlier and parks to be cleaned less often, when park programs have been cut and fees raised.
7. It was only after the L.E.K. report was issued that Chicago 2016 revealed its latest insurance policy to be put in place in the event of cost overruns -- leaving the plan for taxpayer protection unchecked by an outside body and L.E.K.'s review of Chicago 2016's proposed insurance policies virtually useless.
  - According to the *Chicago Sun-Times*, "Chicago's bid team said it negotiated to move a \$500 million "catastrophe" insurance policy to the front of the line of guarantees to be tapped. If that policy is exhausted, an additional \$500 million in "umbrella" insurance will become available. After that, planners could tap Game revenues to date or take out a line of credit based on \$450 million projected revenues from the Games."
  - However, if a "catastrophe" or something of the like were to occur and the insurance fund is tapped, Chicago taxpayers would again be responsible for picking up the tab.
  - And despite promises to taxpayers that insurance policies will pick up the tab, Natalie Moore of *Chicago Public Radio* reported that, "The insurance doesn't cover failure to secure sponsorships and game ticket sales," leaving taxpayers of Chicago on the hook for any portion of the optimistically budgeted \$1.8 billion in sponsorship revenues not raised.
  - L.E.K. reports, "If construction insurance is triggered and emptied, additional funds will be drawn from the contingency, city and state guarantees and then additional funds from the city" (p. 77).
  - And with all the talk of "construction-overrun insurance" coming from Chicago 2016 it turns out that the policy isn't even required if Chicago is awarded the Games. L.E.K. states that, "cost overrun insurance will be optional as fixed price contracts may be negotiated instead of procuring the insurance." (p. 77) Again, leaving Chicago taxpayers exposed to cost overruns.

No Games Chicago believes there are numerous fundamental problems with the L.E.K. report. "How can we trust the independence of L.E.K.'s report when it is was hand picked by individuals backing the bid and L.E.K. is currently competing for a contract at O'Hare's International Terminal that is worth \$33 million a year in revenue? This whole process reeks of typical Chicago politics," says Bob Quellos of No Games Chicago.

Even so, L.E.K.'s report does provide enough information to conclude that Chicago's 2016 Olympic bid is a raw deal for the people of the city. From shaky promises about insurance policies to over inflated projections on sponsorships and donations -- it is clear from L.E.K.'s report that Chicago 2016 is attempting to sell the people of the city a lemon.