

Pilon, Janet

Subject: WRITTEN SUBMISSION - CITY COUNCIL MEETING MAY 25, 2022

From: Kevin Gonci

Sent: May 22, 2022 1:45 PM

To: clerk@hamilton.ca

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Please accept the attached correspondence for submission to the Agenda of the May 25th City Council meeting.

Kevin Gonci

**Toronto 2015 Pan and Parapan American Games
Backgrounder on Auditor General of Ontario Special Report, June 2016**

The Toronto 2015 Pan American and Parapan American Games (Games) were held as scheduled in July and August 2015. About 10,000 athletes, coaches and officials from 41 countries participated in the Games at 44 training and competition venues spread over 16 municipalities in the Greater Toronto and Greater Golden Horseshoe areas.

On September 30, 2015, the Legislature's Standing Committee on Public Accounts (Committee) unanimously passed a motion requesting that the Auditor General conduct a value-for-money audit of the 2015 Toronto Pan Am/Parapan Am Games (Games).

Detailed Audit Observations

The Games were primarily funded by the three levels of government. Our audit shows that the total cost of the Games (including organizing and hosting the Games, and the Athletes' Village) was about \$2.529 billion, and when compared to our adjusted bid budget of \$2.187 billion, the Games came in at \$342 million or 15.6% over budget. Ontario committed to cover most of the budget overruns and additional costs associated with organizing and hosting the Games, which ended up being about **\$304 million.**

- It's worth noting that the original bid cost estimate (2009) was \$1.429 billion dollars.
- A variety of sources made a commitment towards the \$1.429 billion dollars including:
 - \$500 million from the Federal government.
 - \$500 million from the Provincial government.
 - \$198 million from the Municipal government.
 - \$84 million from universities.
 - \$147 million from Games hosting (ticket sales/broadcast rights/sponsorships).
- The Athlete's Village (housing athletes, coaches and officials) was budgeted separately at \$1 billion.
- By March 2016 the bid cost estimate had increased to \$1.717 billion and the cost for the Athlete's Village had decreased to \$687 million after reducing the size and scope of the housing plan and reallocating these funds to the Games operating costs.
- Between 2009 to 2014, the municipal contribution increased incrementally from 1.429 – 1.505 – 1.766 – 1.867 million dollars.

- Major Categories of Expenses for the 2015 Toronto Pan Am/Parapan Am Games

EXPENSE	ORIGINAL ESTIMATE (2009)	ESTIMATED ACTUAL (2016)
Capital/Venues	\$638 million	\$708 million
Transportation	\$19 million	\$95 million
Essential Services	\$48 million	\$108 million
Sport, Venues, Overlay	\$99 million	\$144 million
Marketing and Communications	\$113 million	\$130 million
Operations and Village	\$68 million	\$77 million

- Comparison of Revenue Projections to Actual

SOURCE OF REVENUE	ORIGINAL ESTIMATE (2009)	ESTIMATED ACTUAL (2016)
Sponsorships (Cash)	\$61.310 million	\$35.828 million
*Ticket Sales	\$38.25 million	\$36.94 million
Licensing	\$3.65 million	\$2.08 million
Broadcast Rights	\$2.61 million	\$0.30 million

*Calculation includes deduction of \$2.3M paid to ticket vendor.

Completion and Performance Bonuses

TO2015 offered all of its staff an annual performance bonus. The annual performance incentive plans provided for a payout range of up to 5% of base salary for general staff and up to 30% for senior management based on weighted individual and collective performance.

Despite there being performance deficiencies, the total annual performance and completion bonuses paid was \$15.8 million (between 2011 and 2016). Salary disclosures on Ontario's 2015 "sunshine list" indicated that four of the 10 highest-paid provincial and broader-public-sector employees were Games executives, who each received an average of \$815,000, including annual salary, annual performance bonuses for the fiscal years 2015 and 2016, and completion bonuses, all paid out in the 2015 calendar year.

Security

The Games took place in Toronto and 15 municipalities in the surrounding area, a broad geographical footprint for a major international sporting event of this kind. This required complex security coverage from several partners at all venues, plus the Athletes' Village and satellite villages for athletes competing at more distant sites, and training facilities.

The Ontario Provincial Police (OPP) established the Integrated Security Unit (ISU) with representation from the RCMP and the eight regional and municipal police forces to lead overall security planning, integrate security prior to the start of the Games, and lead security during the Games.

2015 Pan Am/Parapan Am Games Security – Special Report (November 2014)

The total security budget for the Games being funded by Ontario, including both OPP/ISU and TO2015 budget allocations, has increased from \$121.9 million in the 2009 Bid budget to \$247.4 million as of September 2014. Key cost components of this budget include: \$57 million for the OPP, \$101.5 million for municipal police services and \$81 million for contract private security services.

- Comparison of Security Costs and Event Size at Recent International Sport Events

EVENT	ORIGINAL SECURITY BUDGET	PROJECT FINAL SECURITY BUDGET
Toronto 2015 Pan Am Games	\$121.9 million	\$247.4 million
Vancouver 2010 Winter Olympics	\$175 million	\$869 million
London 2012 Summer Olympics	\$362.9 million	\$1.508 Billion
Glasgow 2014 Commonwealth Games	\$47 million	\$156.6 million

Other Costs

We reviewed the budgets and costing of various venues to assess if all significant components were included to reflect the true cost of the facilities. **We believe the following items should have been included in the capital cost of the projects in relation to site preparation and remediation.**

- Toronto Pan Am Sports Centre at the University of Toronto Scarborough Campus: The site was formerly a waste landfill site operated by the City of Toronto. The City and the University together incurred remediation costs of **\$30.1** million to prepare the site for construction (The City paid about 42% and the University about 58%).
- Markham Pan Am Centre: The Town of Markham paid **\$9.4** million to remediate the site, which was once an industrial area with a road-maintenance depot and car-repair shops.
- Tim Hortons Field: The City of Hamilton spent about **\$2.3** million to demolish the old Ivor Wynne Stadium and to remediate the site.

These costs, totalling about \$42 million, should be considered part of the total Games capital costs as they were directly related to venue-selection decisions and to construction of the facilities.

Athlete's Village

As part of the commitment to host the Games, TO2015 was required to provide the Pan American Village to accommodate at least 8,400 athletes, coaches and officials.

In its 2009 bid, the province said the Village would be built on 80 acres of the 200-acre provincially-owned West Don Lands, a vacant property earmarked by Toronto City Council in 2005 for redevelopment as a mixed-use community and **in September 2011, the development and construction costs of the Athletes' Village was estimated at \$871 million and did not include the site remediation cost of \$140 million.**

Athlete's Village – Reduction of Scope

When the project went to the Ontario Treasury Board for approval in 2010, the planned capacity for the Village was reduced to 8,000 and eventually 7,200 beds from 8,500, and the number of future residential units was cut to 1,853 from 2,067 followed by a further reduction of capacity in 2011.

The training venues were also dropped because the land on which they would have been built was heavily contaminated and would be too costly to clean up. As well, the planned green initiative to use lake water to cool and heat the buildings was determined to be costly and technically unfeasible and was also eliminated. Offsetting costs included the sale of condos to the public following the Games (\$324M) and sale of the buildings to two non-profit organizations (\$71M).

Transfer of Land to Developer

The West Don Lands site for the Village development consists of eight blocks. Of these, only five were required for permanent buildings for the Games, and these were collectively called Stage 1 lands. In addition, land on the site valued at \$49 million was included in the Request for Proposals process and was transferred to the successful bidder as part of the final contract at a nominal cost of \$10.

The Stage 2 lands consist of a gross area of 788,886 sq. ft., and can be developed into 970 condo units. The value of the Stage 2 lands is estimated to be **\$48.9 million**. The developer is expected to develop these blocks after the Games at its own cost, and is entitled to all the revenues from them.

The development cost of the Village did not include the value of the land provided to the developer and the other third parties (the YMCA, George Brown College, and two other not-for-profit organizations) for a token fee of \$10 each. **The \$118.6-million fair value of all this land should have been included in the development cost to reflect the real economic cost to the province.**

Municipal Considerations

- Responsibility for mandatory hosting fee of **\$43.7 million** paid to the Commonwealth Games Federation?
- Responsibility for cost overruns (Birmingham contingency cost **\$280 million**)?
- Responsibility for Private sector contribution shortfalls (Birmingham **\$47.6 million**)?
- Responsibility for revenue shortfalls (ticket sales/sponsorships/licensing/broadcasting rights)?
- Responsibility for Security/Policing costs (Birmingham currently **\$353 million**)?
- Funding of Games-specific capital projects (permits, site plan exemptions)?
- Consideration of land value and site remediation?
- Potential delays/impact to current list of municipal capital projects?
- City of Hamilton Staff Report (2019) Municipal contribution estimated between **\$200 and \$300 million**.
- Municipal services to support Games hosting (Birmingham **\$58 million**) including:
 - EMS
 - Fire rescue
 - street cleaning
 - parks maintenance
 - parking operations & enforcement
 - garbage and recycling collection
 - traffic signal maintenance & operations
 - graffiti removal
 - water & sewer maintenance
 - street lighting
 - by-law enforcement
 - municipal staffing