

LOW-RISK CONSERVATIVE BUDGET

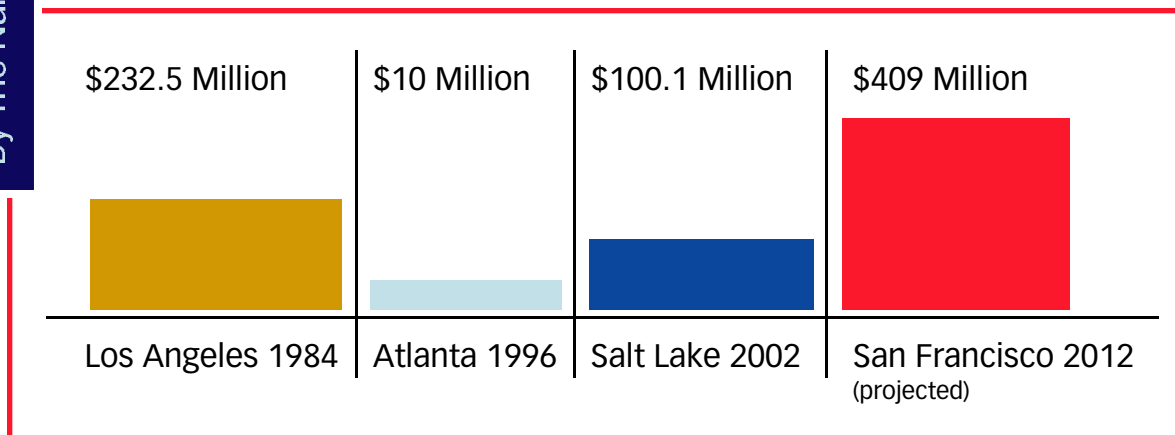
to Stage the Best Possible Olympic Games and Leave a Financial Legacy for American Sport

San Francisco 2012 has taken an extremely conservative approach to financial planning for the 2012 Olympic Games in the San Francisco Bay Area. In simple terms, revenue projections have been discounted and expense estimates have been liberally treated to develop a realistic, achievable plan.

Determined to learn from the past, the San Francisco 2012 Finance Theme Team (whose two co-chairs have over 60 years of experience in the financial industry) has incorporated lessons and utilized the hard-won experience of experts from the Los Angeles 1984 Olympic Games, the Atlanta 1996 Olympic Games, and the Sydney 2000 Olympic Games.

SF 2012
By The Numbers:

REVENUE SURPLUS for U.S. Olympic Games 1984-2012



Source: *Los Angeles Times*, 4/18/02

Starting with critical lessons learned from Los Angeles, San Francisco 2012 designed a venue plan around existing venues and dependable partnerships for the few new facilities needed, in order to keep capital construction costs at a minimum. The objective of this approach was to spend money on staging the Games, not on buildings and infrastructure.

Working with a team of experts from the Atlanta 1996 Finance and Planning departments that included the director of planning, the budget director, and an operations expert, the Finance Theme Team built a comprehensive line-item expense budget, down to general ledger detail. This budget included historical input from Atlanta, allocations for all of the additional costs unique to the San Francisco 2012 game plan, and increased expenditures in critical areas such as sports, transportation, technology and security. For capital construction costs and venue development, each project was evaluated with HOK Sport+Venue+Event, the world's largest and most successful sports architecture practice.

To develop revenue forecasts, San Francisco worked with the revenue budget analyst from Atlanta 1996, who has also consulted with Sydney 2000, Salt Lake 2002, and the IOC. This team examined the pattern of revenue growth in broadcast rights fees and TOP Sponsorships, local, regional and national sponsorships, partnerships and supplier agreements and the impact of OPUS as a joint venture vehicle for the USOC and OCOGs. A detailed ticket sales model was developed. The team then examined historical revenue for other income sources, including Coin Program, Licensing, Retail Sales, Disposal of Assets, Village revenue, License Plate programs, and others. Finally, the budget team adopted a conservative approach to each of the potential revenue areas, assuming minimum growth levels in some cases and reduced revenue in some cases.

Following the development of this preliminary budget, the team reviewed it with the Budget Director for Sydney 2000, comparing actual outcomes from Sydney 2000 with the SF 2012 projections. Further adjustments were made based on the Sydney experience.

Lastly, a 15% contingency for both expenses and for construction was added, over \$300 million, to prepare for unforeseen changes and unexpected developments.

This is:

- **A conservative budget that has withstood the most detailed scrutiny;**
- **A budget that is based on the most successful model in modern times, LA84;**
- **A budget that is based on detailed planning by experienced Olympic operations budgeting experts;**
- **A budget that will deliver all promised services at levels that will exceed expectations;**
- **A fiscally responsible approach to delivering the most successful Olympic Games in history.**

A BRIDGE

to the Financial Future of the USOC

San Francisco 2012's conservative, low-risk financial plan still projects a surplus of over \$400 million. By keeping capital investment costs low, the San Francisco 2012 plan ensures that precious income is directed towards athlete services and sports, the Olympic Family, and other critical programs. This approach ensures that San Francisco 2012 can provide the USOC with greater revenues from the joint marketing program. This team-centric, rather than city-centric, approach ultimately will create a stronger future for the Olympic Movement in the United States, a *Bridge to the Future* of the USOC. Further, San Francisco 2012 has pledged \$170 million of the OCOG share of the surplus to support Olympic athletes and athlete development in the United States to ensure that in the future no elite American athlete will ever have to choose between training and earning a living.

OCOG 2012 Games Budget

(All in 2002 \$US Millions)

Revenues	
Description	Amount
Broadcast Rights	\$844
TOP Sponsorship	\$226
Domestic Sponsorship	\$566
Licensing	\$62
Official Suppliers	\$98
Olympic Coin/Stamp	\$8
Lotteries	none
Ticket Sales	\$721
Donations	\$64
Disposal of Assets	\$17
Subsidies	none
Paralympics	\$44
Other	\$185
Total Revenues	\$2,835
Date of Budget Submission	April 3, 2002

Facilities Budget	
Description	Amount
Sports Facilities	\$287
Olympic Village	\$13
MPC & IBC	\$26
Contingency	\$31

Operations Costs	
Description	Amount
Sport Events	\$507
Olympic Village	\$44
MPC & IBC	\$153
Ceremonies and Programs	\$142
Medical Services	\$14
Catering	\$43
Transportation	\$218
Security	\$93
Paralympics	\$82
Advertising & Promotion	\$110
Administration	\$240
Pre-Olympic Events & Coordination	\$27
Legacy	\$1,228 ¹
Contingency	\$269
Facilities Rental Costs	\$30
Additional Financial Guarantee Costs	\$44
Other	\$48
Total Expenses	\$2,426
Surplus	\$409

¹ The cash portion of the legacy expense is counted towards the Total Expense amount. The cash portion is budgeted as (\$US Mil):\$5

STRONG PUBLIC & PRIVATE FINANCIAL GUARANTEES

to Protect the USOC and IOC

Even though San Francisco 2012's conservative budget makes the likelihood of a financial deficit extremely remote, SF 2012 has developed a \$500 million financial guarantee package to address the City's, State's, and OCOG's general indemnity and financial deficit obligations under the USOC's "Joinder Agreement" (double the amount sought by the USOC Site Evaluation Team). This guarantee package consists of both private and public components.

Simply stated San Francisco 2012 offers a "belt and suspenders" approach, a \$250 million private guarantee in the form of a "Guaranteed Investment Contract" and a \$250 million financial guarantee from the State of California. Together, they provide the strongest possible financial guarantee to guard against revenue loss and to protect the IOC and USOC from liability.

The private component can be viewed as a prudent investment for the future, like a retirement account or a college fund, only better because the Guaranteed Investment Contract provides for a guaranteed, predetermined positive result. The Guaranteed Investment Contract is also consistent with the financial deficit section of the Joinder Agreement (which allows for use of a third party). This \$250 million Guaranteed Investment Contract is an investment vehicle, or self-insurance, that San Francisco 2012 will purchase either through a lump sum payment or installment payments beginning in 2007. Using fixed rates of interest, the fund will contain \$250 million at the end of the funding period.

Although San Francisco 2012 will ultimately deposit \$150-170 million or so in the Guaranteed Investment Contract (depending on prevailing interest rates), the net cost will be roughly \$44 million, which is the amount of the debt service incurred, as these funds will be borrowed under a line of credit secured by broadcast rights. This is well-accepted, conventional financing fully provided for in San Francisco 2012's budget and reflected in its cash-flow projections.

In the very unlikely event that this \$250 million proves insufficient, though, San Francisco 2012 has also secured an additional and totally separate \$250 million pledge from the State of California. In March 2002, following overwhelming passage in the California Assembly and Senate, Governor Gray Davis signed the "The 2012 Olympic Games Act," which among other things establishes an "Olympic Games Trust Fund."

As expressly stated in the Act, the Trust Fund is designed to "demonstrate the state's ability to fulfill its obligations under a Games support contract, or any other agreement, to indemnify and insure up to \$250 million of any financial deficit and general liability resulting from the conduct of the Games." Funding of the Trust Fund will commence in 2005 after San Francisco is chosen by the IOC as the Host City for the Games.

The Act also authorizes the Governor to sign the Joinder Agreement on November 3, 2002, if San Francisco is chosen as the U.S. Candidate City. The Governor formally agreed to do so in August 2002, and the Mayor of San Francisco agreed to sign the agreement in November 2001. Thus, both the City and State are prepared to proceed on November 3.

"California Governor Gray Davis assured the USOC the state would assume financial responsibility—up to \$250 million—should San Francisco win the Games and the organizing committee suffer a fiscal shortfall. That prospect seems highly unlikely, since the San Francisco plan projects a budget surplus of roughly \$400 million and, as well, calls for a \$250-million private investment fund." —Los Angeles Times, 8/28/02