



# OCOG BUDGET OVERVIEW

December 2, 2016





# OVERVIEW

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Over the last two years, LA 2024 has developed a rigorous OCOG budget in partnership with 3rd party experts including:

- The Boston Consulting Group
- Broadstone Group
- AECOM
- London 2012 advisors

LA 2024 conducted budget working sessions with the City of Los Angeles over a 6-month period, and a comprehensive 5-week independent review process with KPMG

June 1	Kickoff with City of Los Angeles
June 22	Ticketing Revenue
June 29	Games Operations Costs
July 20	Venue Costs
Aug 31	Municipal Services
Sept 21	All Other Revenue
Oct 18 – Nov 18	KPMG Review



# LOS ANGELES IS ALREADY PREPARING FOR THE OLYMPICS



## CITY INFRASTRUCTURE

- LA is investing **\$88 billion in transportation infrastructure** by 2024 regardless of the Games, not including new funds passed by Measure M in November 2016
- LA is investing almost **\$14 billion** into the modernization of LAX regardless of the Games



## EXISTING VENUES

- No **permanent venues need to be constructed** by the OCOG for the Games
- **Over 30 existing venues** (competition and major non-competition) will be leveraged for the Games



## EXISTING OLYMPIC VILLAGE

- Existing state-of-the-art **housing, dining and training facilities at UCLA** offer the most personalized services for Olympic and Paralympic athletes and National Olympic Committees

# LA 2024 WILL BE A FISCALLY RESPONSIBLE, LOW-RISK GAMES

## HISTORICAL DRIVERS OF COST OVERRUNS



### New Public Infrastructure



### New Venue Construction



### Urban Redevelopment Projects

## THE LA DIFFERENCE

LA will leverage a strong network of existing public infrastructure, including a major transportation investment program and airport modernization already underway in LA regardless of the Games

No new permanent venues are required to host the Games; LA will leverage a wealth of existing, state-of-the-art facilities and minimize a need for permanent works

LA does not need to redevelop neighborhoods in order to host the Olympic and Paralympic Games — UCLA will be the Olympic and Paralympic Village



# LA 2024 BUDGET GUIDING PRINCIPLES AND APPROACH

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## GUIDING PRINCIPLES

- Produce an achievable, balanced budget
- Ensure an ample contingency
- Partner with world-class venues / operators who are themselves investing in infrastructure and improvements
- Host budget workshops with City of Los Angeles to promote transparency
- Employ fiscal conservatism in all plans

## RIGOROUS, CONSERVATIVE APPROACH

- Conduct bottom-up estimation, building key budget forecasts from their component parts
- Analyze relevant historical benchmarks (adjusted for exchange rates, inflation and LA market)
- Build detailed revenue and expense models
- Validate with 3rd party Games experts
- Leverage IOC workshops and IF / partner feedback
- Include pragmatic risk mitigation strategies, including robust insurance coverage



# ESTIMATED LA 2024 OCOG BUDGET SUMMARY

## IOC TEMPLATE

REVENUE	\$M USD (2016)	%
1. IOC Contribution	855.0	16.1%
2. TOP Programme (gross)	453.5	8.5%
3. Domestic Sponsorship (gross)	1,930.7	36.4%
4. Ticket Sales	1,473.5	27.8%
5. Licensing & Merchandising	225.5	4.2%
6. Other Revenues	368.5	6.9%
7. Total Revenues	5,306.7	100.0%

EXPENSES	\$M USD (2016)	%
1. Venue Infrastructure	1,198.3	22.6%
2. Sport, Games Services & Operations	922.6	17.4%
3. Technology	565.6	10.7%
4. People Management	695.8	13.1%
5. Ceremonies	176.8	3.3%
6. Communications, Marketing & Look	194.2	3.7%
7. Corporate Administration	220.5	4.2%
8. Other Expenses	841.0	15.8%
9. Contingency (10.2% of costs)	491.9	9.3%
10. Total Expenditures	5,306.7	100.0%

Net Position	0
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# KEY REVENUE SOURCES

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## IOC CONTRIBUTION

Share of broadcast revenue and TOP sponsorship revenue from the IOC



## DOMESTIC SPONSORSHIP & ACTIVATION

Projected domestic sponsorship value (by tier) and number of sponsors, as well as incremental marketing activations



## TICKET SALES

Ticket sales from a tiered pricing strategy and conservative capacity projections



## MERCHANDISE & LICENSING

Local and national merchandise sales and licensing fees, impacted by new channels (e.g., online, mobile)

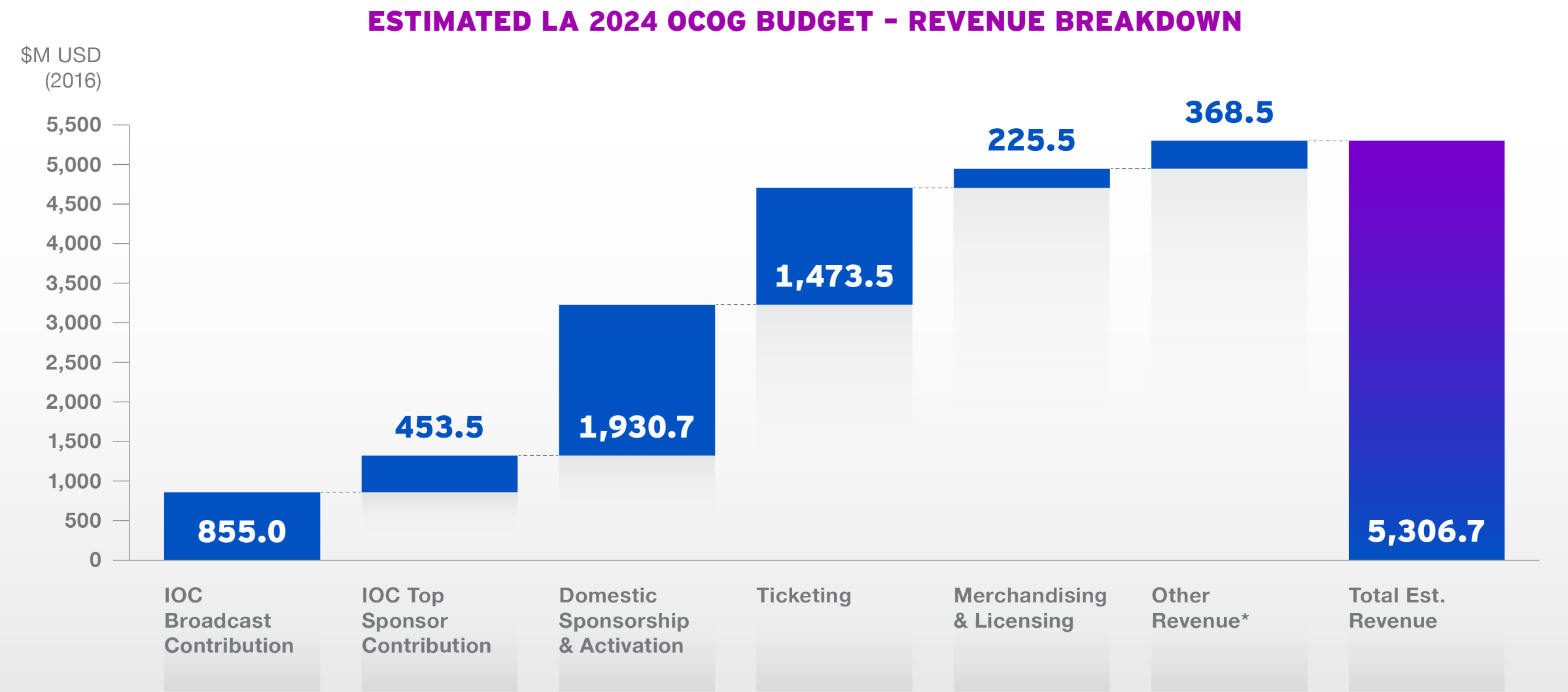


## OTHER REVENUES

Food and beverage commissions, donations, and other miscellaneous revenue sources



# ESTIMATED LA 2024 OCOG REVENUE



\*Other Revenue consists of: Donations, Food and Beverage Commissions, Paralympics Grants, and Lottery



# IOC CONTRIBUTION TO OCOG

Based on the Host City Contract, the IOC will provide the OCOG with significant revenue from core IOC partnerships

## IOC BROADCAST CONTRIBUTION

CONTRIBUTION	PROJECTION
Revenue:	\$M USD (2016)
Broadcast Revenue	855.0
Broadcast Cost Relief	Net zero / Pass Through
Knowledge Transfer	Net zero / Pass Through
Total Contribution	\$855.0

## IOC TOP SPONSOR CONTRIBUTION

CONTRIBUTION	PROJECTION
Revenue:	\$M USD (2016)
TOP Sponsor Contribution	453.5
Total Contribution	\$453.5



Note: Broadcast Cost Relief and Knowledge Transfer were updated by the IOC to be net zero in the OCOG budget. TOP Contribution was updated by the IOC from the initial Host City Contract.

# DOMESTIC SPONSORSHIP AND ACTIVATION

**ESTIMATED REVENUE: \$1,930.7M USD (2016)**



## LA 2024 APPROACH

Evaluated **three different approaches** for Domestic Sponsorship:

1. Bottom-up approach: Comparable tiers from other Games
  - Adjust London data and Tokyo trends for US market factors
2. Bottom-up approach: Category-based build
  - Map open categories against potential sponsors and tiers
3. Top-down approach: London 2012 with adjustments
  - Conservatively adjust London data for market size difference

Leveraged **the most conservative approach (#1)** for the OCOG budget

## KEY ASSUMPTIONS

### Domestic Sponsorship

- Compared sponsorship data from prior Games and current OCOGs
- Leveraged current USOC sponsorship categories and experience
- Projected number of sponsors and price per tier with these inputs
- Applied conservative US sponsorship market growth projections

### Sponsor Activation

- Estimated value of Torch Relay sponsorship and other incremental sponsorship products or event opportunities (e.g. Toast to Team USA)



# OLYMPIC AND PARALYMPIC TICKETING

**ESTIMATED REVENUE: \$1,473.5M USD (2016)**



## LA 2024 APPROACH

Modeled ticket sales **venue by venue, sport by sport, session by session**

Projected revenue based on **existing or planned LA venue capacities**

- Determined net capacities after operational seat kills and accredited seating
- Applied historical London prices and relevant sell-through benchmarks (e.g., London 2012 averaged a 97% sell-through rate on net capacity)
- Did not yet include any upside from ticketing innovation in ticket revenue projections (e.g. secondary/tertiary market, dynamic pricing, etc.)

## KEY ASSUMPTIONS

### Olympic and Paralympic Ticketing

- Leveraged seating maps to determine venue capacities and price tiers
- Benchmarked number of sessions, operational seat kills, and accredited seats to London 2012 and Rio 2016 historical data
- Modeled pricing based on London 2012, adjusted for FX and inflation

### Other Ticketing

- Included revenues from hospitality rights and pre-Games test events

# LICENSING AND MERCHANDISING

**ESTIMATED REVENUE: \$225.5M USD (2016)**



## LA 2024 APPROACH

Analyzed London 2012 data, adjusted for exchange rate and inflation, and further adjusted for local market context, including **US growth rates and market trends** in merchandising, licensing, and e-commerce since 2012

Tested with **local experts** and the USOC licensing and merchandising team to better understand potential opportunity in LA and inform the projections

## KEY ASSUMPTIONS

### Merchandising

- Analyzed and adjusted London 2012 actuals
- Incorporated US market growth and trend reports since 2012
- Accounted for e-commerce trends and a higher margin from online sales
- Performed a market size comparison: US to UK, LA to London

### Philatelic & Coins

- Modeled coin and stamp programs in the US
- Studied historical revenue based on interviews with US agencies



# OTHER REVENUE

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**ESTIMATED REVENUE: \$368.5M USD (2016)**



## LA 2024 APPROACH

**Evaluated each revenue item individually**, leveraged historical benchmarks from prior Games, and incorporated LA market inputs

## KEY ASSUMPTIONS

### Food & Beverage Commission

- Adjusted average prices for London 2012 F&B (FX and inflation)
- Compared to local market prices, but added no premium (despite local exemplars with considerably higher per cap spending)
- Leveraged projected ticket sale numbers for LA 2024 competitions
- Modeled commission rates based on LA industry averages

### Donations to OCOG

- Reviewed fundraising programs for comparable local organizations
- Incorporated no additional premium/growth despite unique value proposition, including personal naming right opportunities for temporary venues

### Lotteries

- Studied local regulations for sports lotteries
- Assumed a conservative licensing opportunity for seven years

# KEY EXPENSE CATEGORIES



## VENUE INFRASTRUCTURE

Overlay for competition and non-competition venues (e.g. Track at LA Coliseum)



## SPORT & GAME OPERATIONS

Referees, village operations, transportation, venue management, etc.



## TECHNOLOGY

IT infrastructure, telecoms, etc.



## PEOPLE MANAGEMENT

LA24 staff and volunteer mobilization



## CEREMONIES

Olympic/Paralympic opening and closing ceremonies



## COMMUNICATIONS & MARKETING

Marketing, commercial campaigns, press operations, media, social media, etc.



## CORPORATE ADMINISTRATION

Administration (e.g., insurance, offices) and governance costs



## OTHER EXPENSES

USOC share of JV net revenue from marks rights and marketing activities; IOC royalties and share

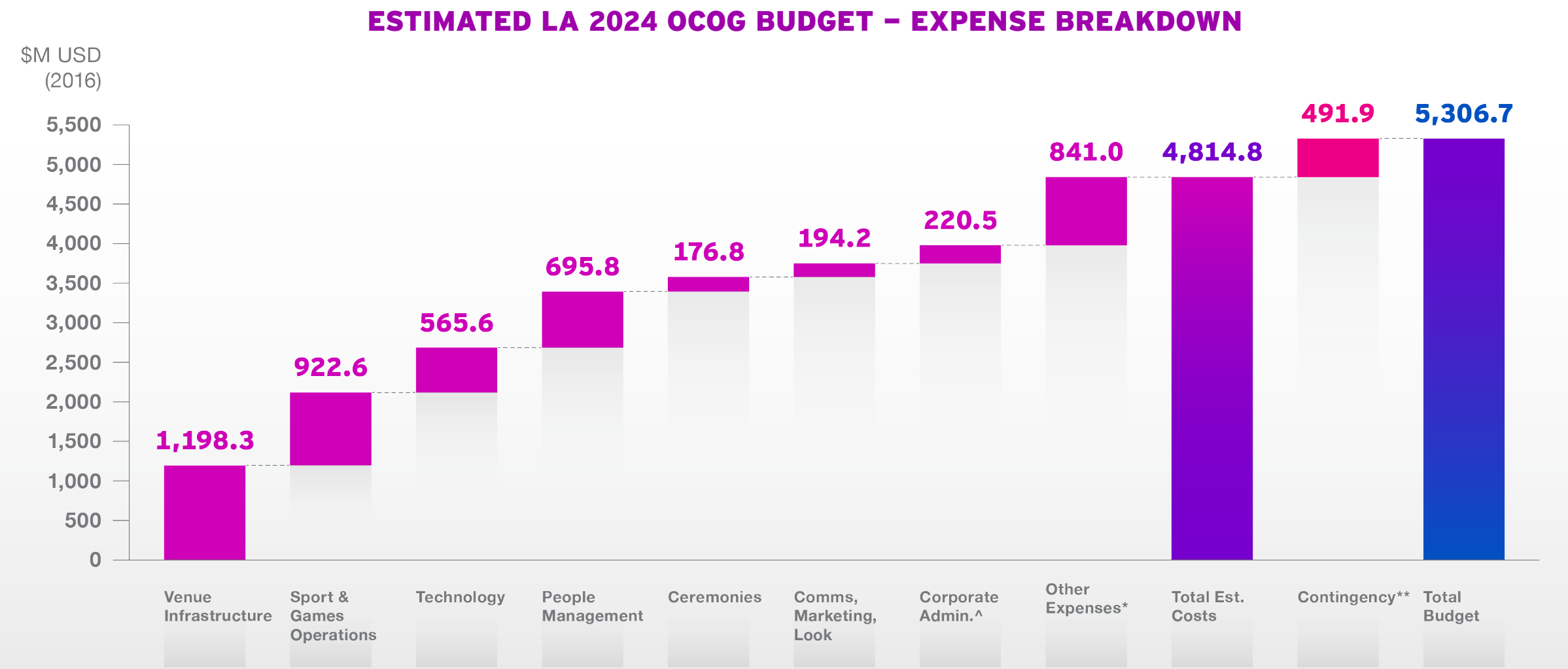


## BUDGET CONTINGENCY

Risk mitigation



# ESTIMATED LA 2024 OCOG EXPENSES



^Corporate Admin. consists of: Insurance, Offices, Governance. \*Other Expenses consist of: IOC Royalties, USOC Revenue Share per JMPA, Municipal Services. \*\*Contingency = 10.2% of costs excluding contingency. Los Angeles 2024 | p.15

# VENUE INFRASTRUCTURE

**ESTIMATED COSTS: \$1,198.3M USD (2016)**



## LA 2024 APPROACH

Conducted a detailed infrastructure cost analysis for all **temporary construction, Games-time overlay**, and limited permanent works required by the LA 2024 Venue Plan, including the following:

- Competition venues (e.g., LA Memorial Coliseum)
- Non-competition venues (e.g., Olympic & Paralympic Village)

Built unit cost level estimates based on venue designs and detailed schedule of accommodations prepared by AECOM, a global architecture and engineering firm with considerable Olympic and Paralympic experience

## KEY ASSUMPTIONS

### Venue Infrastructure Costs

- Leveraged the LA 2024 venue plan (existing & temporary venues)
- Developed block plans and detailed schedule of accommodations
- Assessed consistent cost elements across all venues
- Modeled all venue costs at a unit cost level for each cost element
- Compared cost projections to recent costs for similar venues (Rio 2016, London 2012) and other domestic sporting event projects

# SPORT AND GAMES OPERATIONS

**ESTIMATED COSTS: \$922.6M USD (2016)**



## LA 2024 APPROACH

### Includes costs from:

- Accommodation
- Food and beverage
- Medical services
- Logistics
- Sports services
- Transport
- Event services
- Venue operations and Village operations
- Test events

Each line item **evaluated individually** and built from historical benchmarks and adjusted for the unique LA market context

**London actuals** provided a strong baseline for many categories – assumptions were validated with subject matter experts that owned the relevant P&L line items in London 2012 and other major events

**LA-specific research** ensured that projections were better informed by LA market rates (e.g., average hotel rates, UCLA meal prices, etc.) and assumptions were validated with subject matter experts



# TECHNOLOGY

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## ESTIMATED COSTS: \$565.6M USD (2016)



## LA 2024 APPROACH

**London 2012 benchmarks & LA market unit costs** were used to build a technology budget from the bottom up, leveraging expert input from London 2012's interim CIO and Head of Technology Services to refine key assumptions

**LA-specific research** ensured that projections were better informed by LA market rates and these assumptions were reviewed with Games-time technology experts

## KEY ASSUMPTIONS

### Information Technology

- Note: This technology category includes the main Olympic Management Systems, technical operations, and all scoring and timing systems
- Leveraged London 2012 benchmarks, IOC guidance, and LA market costs
- Assessed London and Rio outfitting requirements for technology operations
- Studied historical TOP Sponsor VIK contributions for technology and trends
- Incorporated LA market benchmarks for unit costs (e.g. hardware costs)

### Telecommunications Infrastructure

- Adjusted London 2012 benchmarks for LA prices and workforce projections

**Other Technology Cost elements:** Digital Media technology

# PEOPLE MANAGEMENT

**ESTIMATED COSTS: \$695.8M USD (2016)**



## LA 2024 APPROACH

**Prior OCOG organization structures** were studied to better understand basic structure, responsibilities, and spans of control.

Subject matter experts in OCOG workforce planning were consulted to better apply learnings from prior Games and adjusted for LA24 OCOG and market context:

- Smaller workforce target informed by department-level analysis
- Slower overall ramp-up
- Centralized control for longer period of time to maintain efficiency and focus

## KEY ASSUMPTIONS

### **Paid Staff Costs**

- Conducted department-level analysis of London OCOG structure
- Identified strategic adjustments to number of employees, salary tiers, and average salary per tier based on LA 2024 planning principles
- Modeled average salary bands, ranging from executive level to associates
- Used Robert Half's LA salary reports to estimate average salary and benefits by tier, leveraging broad range of roles and functional areas

**Other People Cost elements:** Payroll taxes, Insurance, HR operations, Uniforms, Volunteers



# CEREMONIES

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## ESTIMATED COSTS: \$176.8M USD (2016)



## LA 2024 APPROACH

LA24 leveraged **Ceremony consultants and the Observer Program** in Rio to develop a strategic plan and high level ceremony approach to inform costs

**London actuals** (net of government grants) provided a strong baseline for many categories but were adjusted with inputs from subject matter experts

Budget elements include the following and cover both Olympic & Paralympic Games:

- Opening and closing ceremonies
- Team welcome ceremonies
- Victory ceremonies
- Live sites



# COMMUNICATIONS, MARKETING AND LOOK

## ESTIMATED COSTS: \$194.2M USD (2016)



## LA 2024 APPROACH

Each line item **evaluated individually**, built from historical benchmarks, and adjusted for the unique LA market context

**London actuals** provided a baseline for key categories, including signage, wayfinding, look and marketing operations; all assumptions were validated with subject experts to ensure conservatism and accuracy

## KEY ASSUMPTIONS

### Marketing Program, Commercial Program and Communications

- Leveraged London actuals for marketing and brand management costs
- Incorporated LA market data for marketing program operations, including current credit-card processing fees and ticket printing fees
- Further evaluated LA costs and London benchmarks for traditional media, social media, and press operations with help of local experts

### Look of the Games

- Studied London benchmarks for wayfinding, signage and look elements
- Utilized the LA venue plan and adjusted London 2012 costs to better model the costs of delivering clean venues and Olympic look in LA



# CORPORATE ADMINISTRATION

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**ESTIMATED COSTS: \$220.5M USD (2016)**



## LA 2024 APPROACH

Corporate administration costs were developed by obtaining **market quotes**, studying LA market benchmarks, and understanding historical benchmarks for major cost elements from prior Games (e.g., insurance, facilities and office rent)

## KEY ASSUMPTIONS

### Insurance

- Developed a comprehensive risk management package, including:
  - Construction coverage
  - Mega-event coverage (e.g. event cancelation, public liability)
  - Overarching policy (extra broad protection)
- Solicited real market quotes with the help of event insurance consultants

### Office Facilities (e.g., Rent and fit out)

- Modeled office space needs according to workforce projections
- Utilized LA market data for rental and fit out costs per square foot

### Additional Costs

- Adjusted London benchmarks for similar services (e.g., Protocol, Audit)



# OTHER EXPENSES

## ESTIMATED COSTS: \$841.0M USD (2016)



## LA 2024 APPROACH

Driven by IOC/IPC **contractual obligations** (royalties), USOC share of Joint Venture (JV) revenue\*, and **reimbursements** for enhanced municipal services

Followed formulaic approach to budget estimates based on terms detailed in Host City Contract, LA 2024 Joint Marketing Plan Agreement (JMPA), and current event services contracts in the City of Los Angeles

## KEY ASSUMPTIONS

### IOC/IPC Marketing Rights (based on Host City Contract)

- OCOG to pay IOC royalties for domestic sponsorship, ticketing, and licensing revenues (5% on VIK; 7.5% on cash) for use of the marks
- OCOG to pay a flat fee to the IPC

### LA24-USOC Revenue Share (based on JMPA with USOC)

- OCOG to share 20% of JV revenue (\$2.16B), a subset of total OCOG revenues
- OCOG to share 15% of JV revenue if JV revenues exceed \$2.16B

### Municipal Services

- Modeled the cost of enhanced services incremental to regular activity
- Benchmarked existing LA City event service agreements and scaled to LA 2024 Games Plan (e.g., LA Rams, LA84, Special Olympics, and others)

\*Joint venture revenue primarily includes domestic sponsorship and licensing/merchandising, which together add up to \$2.16B; JV revenues represent an agreed upon subset of total OCOG revenues





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