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FOR IMMEDIATE RELEASE

August 26, 2009

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CIVIC FEDERATION: OLYMPIC OPERATING BUDGET PROTECTS TAXPAYERS BUT VILLAGE PLAN CONTAINS RISK THAT MUST BE MANAGED

(CHICAGO) The Civic Federation, after a six-week review of the Chicago 2016 Olympic Bid, has determined that the operating budget provides adequate protection for taxpayers, but the development of the Olympic Village exposes the City of Chicago to continuing real estate risks that must be managed. The Civic Federation is a 115 year-old independent, non-partisan government research organization based in Chicago.

In order to effectively carry out the Olympic Games plan and manage the risk associated with the construction of the Village, the Civic Federation and our consultant L.E.K. Consulting recommend the following:

1. The Organizing Committee for the Olympic Games (OCOG) that will replace the Bid Committee must be led by a professional and experienced management team that executes the proposed Chicago 2016 plan. Employees and contractors must be chosen based on non-political criteria.
2. The City Council of Chicago must exercise its oversight role and require regular reporting on the status of the Games.
3. The proposed insurance coverage must be purchased, including capital replacement insurance for the Olympic Village.

“It is critically important that aldermen provide legislative oversight to ensure the Organizing Committee is sticking to the detailed plan laid out by the Bid Committee,” said Laurence Msall, president of the Civic Federation. “Some of the greatest risk in the Olympic Bid does not come from the plan itself but from not following the plan.”

The Chicago City Council requested that the Civic Federation undertake an independent and objective review of the financial aspects of the Chicago 2016 Bid in a resolution passed on June 30, 2009.

The Civic Federation secured assistance from L.E.K. Consulting and funding from seven Chicago area foundations to conduct the analysis. The Federation has neither sought nor accepted funding from the City or Chicago 2016 for this project. The Federation also convened an advisory committee made up of experts in real estate, insurance, and finance to provide rigorous oversight of the analysis. Neither L.E.K. nor the members of the committee have had any involvement with Chicago 2016 or the Olympic bid. Visit civicfed.org to see a list of the members of the committee and our foundation funders.

Due to the short time frame available to produce the analysis, the Civic Federation and L.E.K. decided to perform a high-level analysis of the bid, testing assumptions and analyzing the process used to develop the budget. The Federation also reviewed the plan for the Olympic Village, direct Olympics-related expenditures by local governments, and the proposed safety net, including insurance, to protect taxpayers from financial risk.

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The goal of the report is not to make a policy recommendation on whether or not Chicago would benefit from hosting the Olympic Games. Rather, the goal is to assess whether or not the proposed plan to host the Games is fiscally reasonable or if it poses financial risks to local taxpayers.

The full Narrative Summary and Chicago 2016 Olympic Bid Review documents are available on our website, www.civicfed.org.

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The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions. For more information, please visit the Federation's website at www.civicfed.org.

L.E.K. Consulting is a global strategy consulting firm that specializes in corporate strategy, transaction services, and performance improvement. Founded in 1983, L.E.K. currently employs over 900 professionals in 20 offices worldwide. Global clients include Fortune 500, FTSE 100, Eurotop 300, and many of the largest firms in Asia-Pacific. With a reputation for solving the most complex issues, L.E.K. collaborates with business leaders to accelerate the pace and precision of strategic decision-making. www.lek.com