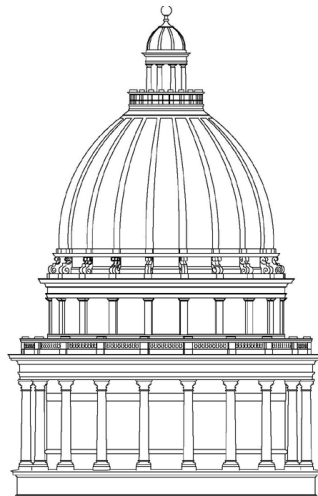


REPORT TO THE  
**UTAH LEGISLATURE**

Number 2017-08



**A Performance Audit of the  
Utah Olympic Legacy Foundation**

October 2017

Office of the  
LEGISLATIVE AUDITOR GENERAL  
State of Utah





STATE OF UTAH

# Office of the Legislative Auditor General

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## Audit Subcommittee of the Legislative Management Committee

President Wayne L. Niederhauser, Co-Chair • Speaker Gregory H. Hughes, Co-Chair  
Senator Gene Davis • Senator Ralph Okerlund • Representative Brian S. King • Representative Brad R. Wilson

JOHN M. SCHAFF, CIA  
AUDITOR GENERAL

October 17, 2017

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of the Utah Olympic Legacy Foundation** (Report #2017-08). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

John M. Schaff, CIA  
Auditor General

JMS/lm



# **Digest of A Performance Audit of the Utah Olympic Legacy Foundation**

In 1994, the Utah Legislature supported the creation of the nonprofit, Utah Athletic Foundation. That nonprofit currently operates under the name Utah Olympic Legacy Foundation (UOLF or foundation). The Legislature's purpose in supporting the creation of the foundation was to foster an Olympic legacy and promote winter sports development in the state. After the 2002 Winter Olympic Games, the foundation assumed responsibility for operating and maintaining the Utah Olympic Park assets. Additionally, UOLF received a \$76 million Legacy Fund to subsidize the operations of the Utah Olympic Park and Utah Olympic Oval.

## **Chapter II Current UOLF Financial Model is Insufficient to Fund Future Capital Improvements**

**Essential Capital Improvement Costs Would Greatly Reduce Legacy Fund Balance.** Estimated capital improvement costs for the Olympic facilities indicate that \$39.3 million would be needed over the next 10 years to bring assets up to current day standards and sport-specific technical requirements. Soon after the 2002 Olympics, it became clear that the Legacy Fund was insufficient to subsidize future capital improvement needs while continuing to subsidize annual operating losses. For example, the high cost of operating these facilities has commonly led to operating deficits for the Olympic speed-skating oval and bobsled tracks. Interest from the fund is used to subsidize UOLF's operating losses of roughly \$4 million a year. If the fund is also used to subsidize depreciable capital improvement costs to bring assets just up to current day standards and sport-specific technical requirements, the fund would be depleted by 2028.

**Legislature Established Goal to Support Another Winter Olympics.** In 2015, the Legislature passed a resolution to be ready for another winter Olympics bid. Because the International Olympic Committee requires venue legacy plans as part of its bid process, a Utah bid must include legacy plans and maintenance of assets plans.

**Legislature Should Consider Funding Options for Major Capital Improvements of Olympic Assets.** If the Legislature decides to contribute to the capital improvement of Olympic assets, the Legislature may decide to fund improvements just to bring assets up to 2002 standards. However, failure to bring assets up to current day standards and sport-specific technical requirements may have safety impacts, limit UOLF's ability to host certain sporting events and may negatively impact a future Olympic bid. Since maintaining and operating Olympic assets is essential for a future Olympic bid, we recommend that the

Legislature consider funding options to improve Olympic assets and prepare for a possible future Olympic Winter Games. Possible options include:

- Appropriate a larger yearly capital improvement stipend
- Include UOLF capital improvement projects in the state capital improvement fund
- One-time funding year by year

### **Chapter III**

## **UOLF Has Significantly Increased Revenue but Substantial Operating Losses Still a Concern**

**UOLF Seeking Less Reliance on Legacy Fund Subsidies.** Since its inception, UOLF has been dependent on its Legacy Fund to subsidize operating losses of \$4 million each year. Other Olympic legacy foundations we reviewed also depend on large endowments or government subsidies to operate. To reduce its dependency on fund subsidies, UOLF has a financial sustainability plan that involves increasing public activities and fundraising efforts and seeking land lease revenues. To date, the foundation has been increasing revenues from public activities and has dramatically increased fundraising donations. However, UOLF predicts these efforts may only reduce fund subsidies from \$4 to \$3 million. Along with these efforts, UOLF should continue to limit expense growth. Despite these operational losses, our discussions with third parties like board members of the former Soldier Hollow Legacy Foundation (SHLF), the Oquirrh Recreation and Parks District (ORPD), and others reveal that they are pleased with how UOLF is managing the Olympic assets and improving Utah's legacy.

**UOLF Still Vulnerable to Poor Performing Investments and Economic Downturns.** It has been 15 years since the 2002 Olympic Winter Games and Utah's major Olympic venues are still in operation and used for winter sport. UOLF management and board have expressed their desire to see Utah's Olympic legacy continue to operate in perpetuity. However, a weak fund performance or another economic downturn could negatively impact the foundation's long-term viability. We therefore recommend that UOLF continue to develop and implement plans to increase revenues and limit expenses as well as develop contingency plans for a future economic downturn or poorly performing investments.

### **Chapter IV**

## **UOLF Is Meeting Legislative Goals**

**UOLF Aligns Its Mission with Legislative Purposes.** In anticipation of the 2002 Winter Olympic Games, the Utah Legislature supported the created of UOLF and outlined the intended purposes for the foundation. Considering Utah's interest in promoting winter sport and potentially pursuing a future Olympic bid, the Legislature has reaffirmed its

commitment to promoting the original purposes of the foundation. UOLF's mission aligns closely with the Legislature's original goals for the foundation, and we believe the Utah Olympic Legacy Foundation is meeting the Legislature's goal of creating an Olympic legacy.

**UOLF Continues the Olympic Legacy by Increasing Winter Sport Involvement.**

UOLF appears to be keeping Utah's Olympic legacy alive by using Olympic facilities to host elite sports competitions and train elite athletes. Additionally, UOLF uses Olympic facilities to promote youth sports development and increase public participation in winter sports. UOLF has been increasing involvement in its programs and usage of its facilities. Between 2013 and 2016:

- Olympic Park usage increased by 12 percent
- Olympic Oval usage increased by 42 percent
- Number of competitions increased by 50 percent
- There are more Utah-based athletes winning Olympic medals than in previous years

Due to changes in UOLF's data collection process over the years it was difficult to make long-term performance conclusions in meeting their goals. We therefore recommend that UOLF maintain a consistent system for tracking performance and publish key performance measures to ensure greater transparency. Given the International Olympic Committee's Olympic bid criteria requiring candidates to provide plans for Olympic legacy, Utah's continued promotion of its legacy will be essential if the Legislature decides to make another Olympic bid.





# REPORT TO THE UTAH LEGISLATURE

Report No. 2017-08

## **A Performance Audit of the Utah Olympic Legacy Foundation**

October 2017

### Audit Performed By:

Audit Manager	Darin Underwood, CIA
Audit Supervisor	August Lehman, CFE
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# Chapter I

## Introduction

In 1994, the Utah Legislature supported the creation of the nonprofit, Utah Athletic Foundation (UAF). That nonprofit currently operates under the name Utah Olympic Legacy Foundation (UOLF or foundation). The Legislature's purpose in supporting the creation of the foundation was to foster an Olympic legacy and promote winter sports development in the state. After the 2002 Olympic Winter Games, the foundation assumed responsibility for operating and maintaining the Utah Olympic Park assets. Additionally, UOLF received a \$76 million Legacy Fund to subsidize the operations of the Utah Olympic Park and Utah Olympic Oval.

### **Legislative Actions Supported the Creation of UOLF to Foster Utah's Olympic Legacy**

The Legislature supported the creation of UOLF with the passing of a joint resolution in 1994. The foundation's main purposes were to maintain and operate the Utah Olympic Park and to foster an Olympic legacy through sports development. Chapter IV of this report further enumerates the Legislature's purposes for the foundation.

In 1972, Utah first expressed interest in hosting the Olympic Winter Games when Denver, Colorado, backed down from its winning bid to host the games. While the International Olympic Committee (IOC) chose not to award the games to Utah at that time, Utah continued to show interest. In 1989, Utah voters supported a \$59 million tax increment bond to pay for Olympic venues. After the games, UOLF paid back that money with interest. In 1994, the Utah Legislature passed Senate Joint Resolution (S.J.R.) 17, supporting the creation of UOLF to act as a steward over Olympic venues and Utah's Olympic legacy in the event that Utah were to win the bid to host the Olympic Games. In 1995, the IOC awarded the 2002 Olympic Winter Games to Salt Lake City, Utah. Figure 1.1 shows other relevant events since the games.

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**A 1994 joint resolution supported the creation of UOLF.**

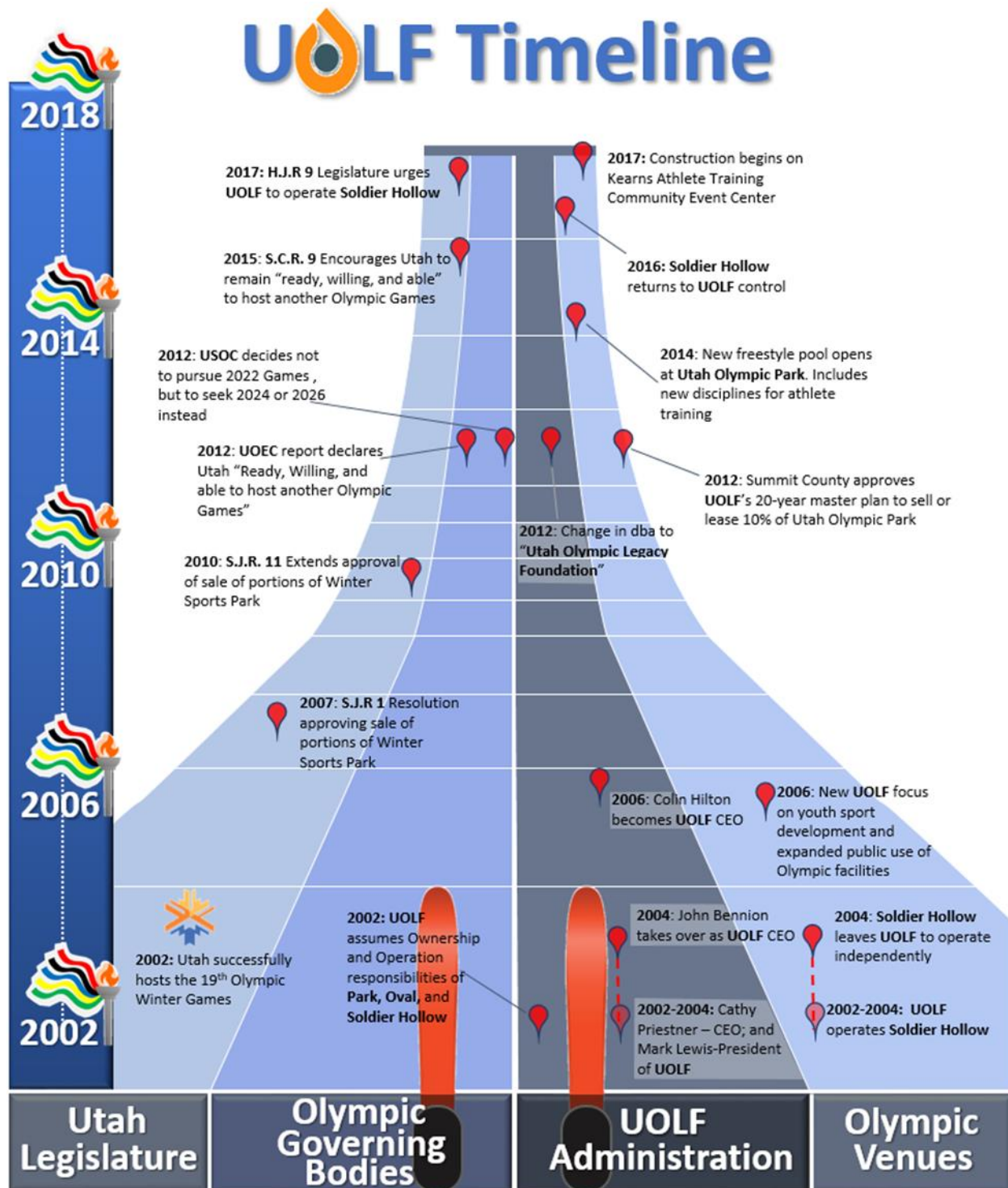
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**A \$59 million tax increment bond paid for the Olympic venues.**

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**Figure 1.1 Timeline of Relevant Events Related to Utah's Olympic Legacy.** After successfully hosting the 2002 Winter Olympic Games, Utah has maintained an interest in promoting the Olympic legacy and in pursuing a future Olympic bid.



Source: Auditor Generated

After the 2002 Olympic Winter Games, UOLF assumed its role as the steward over Utah's Olympic venues and legacy. Today, UOLF continues to maintain those venues, promote winter sports, and foster Utah's Olympic Legacy, as will be discussed in Chapter IV. In 2015, the Utah Legislature passed Senate Concurrent Resolution (S.C.R.) 9, encouraging Utah to remain "...ready, willing, and able..." to host another Olympic Games. This resolution, along with other resolutions regarding UOLF (2007 S.J.R. 1, 2010 S.J.R. 11, and 2017 H.J.R. 9) highlight Utah's continued interest in preserving Utah's Olympic Legacy.

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**Utah intends to remain ready to host another Olympic Games**

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## **UOLF Operates Three Former Olympic Venues**

Since the 2002 Games, UOLF has continuously operated the Utah Olympic Park near Park City, Utah, and managed the Kearns Olympic Oval's operations. However, between 2004-2016 the Soldier Hollow Nordic Center (Soldier Hollow) operated independently as a cross-county ski and biathlon venue. Recently, with a 2016 agreement, Soldier Hollow joined the foundation and is currently under UOLF's administration.

### **Utah Olympic Park Features Ski Jumps And Bobsled Track**

The Utah Olympic Park (park) in Summit County, Utah, consists of multiple structures for winter sport competition and training, including a bobsled/luge track, ski jumps, and an aerial ski jump pool. Originally used primarily for sport training and competition, UOLF also uses the facilities at the park to host various events, activities, and programs. Some of these include a museum, ski jumping shows, sport competitions, ropes courses, zip lines, an alpine slide, bobsled rides, and tubing, as well as winter and summer youth and amateur athlete training programs.

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**Utah Olympic Park offerings keep it busy throughout the summer.**

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Although the park's primary mission is related to winter sport development, the park is busier in the summer months with visitors and business groups coming to the park to see the museum, watch sport competitions and freestyle ski jumping into the pool, as well as participate in the tours and activities offered. Some of these activities are pictured in Figure 1.2.

**Figure 1.2 Utah Olympic Park Hosts Athletic Training, Competitions, and Public Events.** Youth and elite athlete training goes on year-round, while public activities increase in the summer months.



*Source: Auditor-Generated from UOLF Website*

Athletes from all over the world also come in the summer months to train at the unique freestyle ski landing pool, airbag jump, as well as on the 90- and 120-meter ski jumps with plastic landing slopes that allow for summer jumping. All these activities help UOLF fulfill its mission and generate revenue. In Chapter III, we look at UOLF's increasing revenues and its reliance on the Legacy Fund.

### **Utah Olympic Oval Is the Center For Ice Sports**

Home of the US Speed Skating Team, the Utah Olympic Oval (oval) boasts a reputation as being the home of "the fastest ice on earth." While the Oquirrh Mountain Recreation and Parks District owns the oval, UOLF operates and manages it, and has recently signed a memorandum of understanding outlining agreeable terms with the district. This 5-acre building contains a large speed-skating oval as well as two full-size ice rinks. Groundbreaking has also just been completed for a new addition to the facility.

The oval hosts speed-skating competitions, both long- and short-track, and provides training for US, foreign, and amateur speed-skating athletes. As pictured in Figure 1.3, youth athlete training

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**The Utah Olympic Oval is the home of the US Speed Skating team.**

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**Utah's Olympic Oval boasts the "fastest ice on earth."**

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programs for figure skating, speed skating, and hockey are offered at the facility, with curling programs and public ice skating also available during certain times. In Chapter IV of this report, we look at the impact UOLF has had in promoting winter sports such as hockey, and its impact on fostering an Olympic legacy in the state.

**Figure 1.3 Utah Olympic Oval Houses Elite, Amateur, and Public Events.** Programs at the oval are open to individuals of all ages and ability levels, from first-time skaters to members of the US Speed-Skating team.



*Source: Auditor-Generated from UOLF Website*

### **Soldier Hollow Nordic Center Features Nordic Sports**

Located in Midway, Utah, Soldier Hollow Nordic Center hosted cross-country skiing and biathlon events during the 2002 Games. Utah State Parks owns the land on which Soldier Hollow is located, with UOLF recently beginning management of the venue as a concessionaire. As pictured in Figure 1.4, the venue has a shooting range and 40 kilometers of cross-country ski trails with snow-making equipment that can keep the trails covered in snow for competitions, training, and public enjoyment. A tubing hill currently provides most of Soldier Hollow's revenue. The venue also hosts summer activities and events. UOLF is seeking to expand summer activities.

**UOLF manages Soldier Hollow as a concessionaire of Utah State Parks.**

**Figure 1.4 Soldier Hollow Hosts Public Events, Training and Competitions for Nordic Sports.** Public tubing during the winter months provides much of its revenue.



*Source: Auditor-Generated*

**Soldier Hollow assets have aged and need replacing.**

Fifteen years after the 2002 games, the equipment, roads, and other assets of all these venues are beginning to reach the end of their life expectancies and need repair and replacement. We address these concerns and their impact on a potential future Olympic Games bid in Chapter II of this report, and look at funding options to consider.

## Audit Scope and Objectives

Given the state's interest in maintaining the Olympic assets, we were asked to review the status of the assets the foundation received after the Olympics, including the land, buildings, and Legacy Fund. We were also asked to determine UOLF's plans and purposes for the land and its development. Finally, we were asked to look at the efficiency and effectiveness of UOLF operations, its financial status, and future funding needs. In Chapter I, we have introduced some background information about the formation of UOLF and description of the Olympic assets. In the following chapters, we address risk areas and offer recommendations.

- **Chapter II** – This chapter looks at the capital improvement needs of Olympic assets, the adequacy of the Legacy Fund to

subsidize operations and capital improvements, as well as funding options that may be considered.

- **Chapter III** – This chapter looks at UOLF’s reliance on Legacy Fund subsidies, its plans to reduce that reliance, and the foundation’s vulnerability to poor investment performance and economic downturns.
- **Chapter IV** – This chapter looks at the Legislature’s goals for the foundation to foster an Olympic legacy, the foundation’s further delineation of those goals, and some measures that show how well they are achieving them.

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## **Chapter II**

# **Current UOLF Financial Model is Insufficient to Fund Future Capital Improvements**

After the 2002 Olympic Winter Games, the Utah Olympic Legacy Foundation (UOLF) received a Legacy Fund of approximately \$76 million to operate and maintain the Utah Olympic Park (park) and Utah Olympic Oval (oval). At that time, it was not known if the fund could subsidize UOLF facility operating losses in perpetuity or only for a limited time. However, if the fund were to be used to subsidize future capital improvement costs as well, the fund would not last in perpetuity.

As of 2017, Utah's Olympic assets have aged over fifteen years and need major repairs. Over the next 10 years, \$24.7 million in capital improvement costs will be needed to bring assets up to 2002 Olympic standards. Another \$14.6 million over 10 years would also be needed to bring these assets up to current day standards and sport-specific technical requirements, for a total of \$39.3 million. In 2015, the Legislature requested that Utah be ready for another winter Olympics. Since maintaining and operating Olympic assets is essential for a future Olympic bid, we recommend that the Legislature consider funding options to improve Olympic assets and prepare for a possible future Olympic Winter Games.

## **Essential Capital Improvement Costs Would Greatly Reduce Legacy Fund Balance**

Estimated capital improvement costs for the Olympic facilities indicate that \$39.3 million would be needed over the next 10 years to bring assets up to current day standards and sport-specific technical requirements. Soon after the 2002 Olympics, it became clear that the Legacy Fund was insufficient to subsidize future capital improvement needs while continuing to subsidize annual operating losses. For example, the high cost of operating these facilities has commonly led to operating deficits for the Olympic speed-skating oval and bobsled tracks. Interest from the fund is used to subsidize UOLF's operating losses of roughly \$4 million a year. If the fund is also used to subsidize

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**Utah's Olympic assets have aged over fifteen years and need major repairs.**

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**A total of \$39.3 million is needed to bring assets up to current sport-specific technical requirements.**

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**Our review of a sample of structures and equipment indicate that facilities are showing their age and experiencing failures.**

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depreciable capital improvement costs to bring assets just up to current day standards and sport-specific technical requirements, the fund would be depleted by 2028.

### **Capital Improvements Needed at Olympic Facilities**

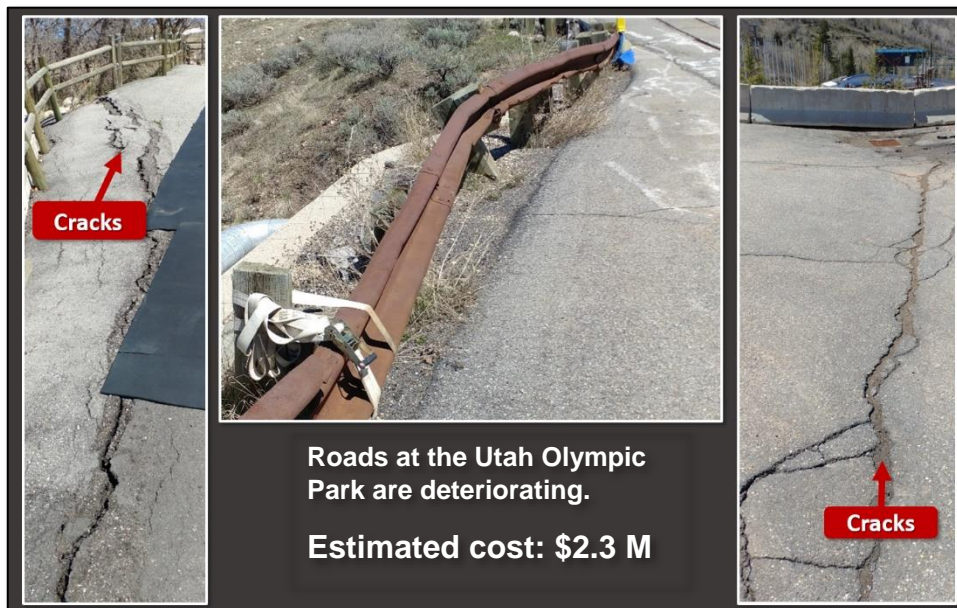
Olympic facility capital equipment and structures are starting to reach or exceed their estimated life spans, requiring more repairs to maintain. Our review of a sample of structures and equipment at the Utah Olympic Park, Utah Olympic Oval, and Soldier Hollow Nordic Center (Soldier Hollow) indicates that facilities are showing their age and experiencing failures. Figures 2.1 through 2.5 highlight some of the major capital repair and replacement costs needed at these facilities. These photographs represent nearly \$11 million of the \$24.7 million management says is needed to bring the venues up to 2002 Olympic standards:

- Utah Olympic Park asphalt and guardrails: \$2.3 million
- Bobsled track retaining walls: \$5 million
- Utah Olympic Oval roof replacement: \$1.75 million
- Oval boiler and chiller replacement: \$1.025 million
- Soldier Hollow water system: \$400,000
- Soldier Hollow snow-making machines: \$500,000

UOLF management also has identified another \$14.6 million in upgrades that are needed to bring assets up to current day standards and sport-specific technical requirements. These upgrades will allow UOLF to operate world class training environments and give them the ability to host national and international events. Information on these projects and others can be found in Appendix A.



**Figure 2.1 Utah Olympic Park Asphalt and Guardrails Need Major Repairs.** Roads and guardrails throughout the park are deteriorating and need to be replaced.



Source: Auditor Photos

Estimated cost to repair roads is \$2.3 million.

**Figure 2.2 The Bobsled Track Retaining Walls Are Failing in Many Places.** Retaining walls protect the track and the cooling system pipes that contain toxic ammonia gas as a refrigerant.



Source: Auditor Photos

Estimated cost to repair bobsled track retaining walls is \$5 million over five years.

Estimated cost to repair the Oval roof is \$1.75 million.

**Figure 2.3 The Roof on the Utah Olympic Oval in Kearns Covers 4.5 Acres and Needs to Be Replaced.** The original roof was expected to last fifteen years and now needs frequent repairs.



The 15-year-old roof cracks easily.  
Estimated cost of repair: \$1.75 M

Source: UOLF

**Figure 2.4 Utah Olympic Oval HVAC Equipment Needs Replacing.** Refrigeration equipment at the oval, which runs around the clock, is starting to wear out.

A boiler at the Oval needs to be replaced at a cost of \$425,000 and a chiller at a cost of \$600,000.



Some of the refrigeration equipment was part of the original outside oval built in 1993. Boilers and parts of the cooling system need to be replaced.

Boiler: \$425,000

Chiller: \$600,000



Source: Auditor Photos



**Figure 2.5 Soldier Hollow's Snow-Making Pipes Frequently Develop Holes.** Part of the snow-making system is constantly shut off because of leaks.



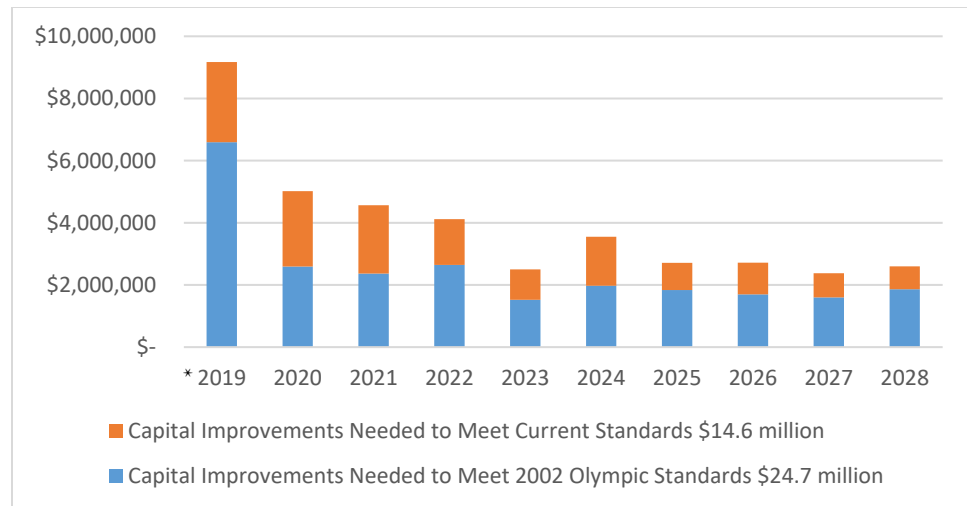
Source: Auditor Photos

Management cost estimates for these and other capital improvement needs are based on engineering estimates, contractor quotes, and calculated future replacement costs. These estimated capital improvement costs can be grouped into two categories: capital improvement needs to bring assets up to 2002 Olympic standards, and estimated costs to meet current day standards and sport-specific technical requirements. Figure 2.6 shows that estimates for both capital improvement categories will total \$39.3 million over the next 10 years.

A leaking snow-making water system needs to be repaired at a cost of \$400,000; new snow-making machines cost \$500,000.

Capital improvement costs can be grouped into costs to bring assets up to 2002 Olympic standards and costs to bring assets up to current day standards and sport-specific technical requirements.

**Figure 2.6 Total Estimated Capital Improvement Needs Exceed \$39.3 Million Over the Next 10 Years.** Improvements are needed to bring assets up to 2002 Olympic standards (blue), and to meet current day standards and sport-specific technical requirements assets would require further improvements (orange).



Source: UOLF data

\*Funding for projects is not expected until UOLF's 2019 fiscal year which starts in May of 2018; deferred capital improvements means more funding will be needed for 2019.

To maintain Olympic assets at 2002 Olympic standards, an estimated \$24.7 million would have to be spent over the next 10 fiscal years, as represented by the blue bars. To bring assets up to current day standards and sport-specific technical requirements, the orange bars show the additional estimated cost of improvements to be \$14.6 million over the next 10 fiscal years. These amounts are in 2018 dollars so estimates in later years may need to be adjusted upwards due to inflation. If an Olympic bid is successful, millions more than the \$39.3 million mentioned in this report will be needed to host another Winter Olympics.

The UOLF has done regular yearly non-depreciable maintenance projects over the years at the Utah Olympic Park and Utah Olympic Oval, but can no longer put off more expensive capital improvement needs. Some larger capital improvement items needing repair in the next few years (as previously pictured) are the following:

- Bobsled track retaining walls: \$5 million
- Park asphalt and guardrails: \$2.3 million
- Oval roof: \$1.75 million
- Oval HVAC: \$1.025 million

**UOLF has done regular yearly maintenance projects but can no longer put off more expensive capital improvement needs.**

As will be further discussed in Chapter III, UOLF also seeks capital enhancement projects that will yield positive cash flows or fulfill mission-driven projects. These enhancement projects are not included in Figure 2.6 and are targeted by UOLF to be self-funded.

Up until 2016, the Soldier Hollow Legacy Foundation ran the Soldier Hollow Nordic Center, during which time it operated in the black, but without Legacy Fund subsidies, maintenance and replacement suffered. By a recent agreement, Soldier Hollow is now operated by UOLF and its capital improvement costs are included in these estimates. Soldier Hollow was not originally considered to be a permanent beneficiary of the Legacy Fund.

UOLF management says that degrading assets negatively impacts safety, the ability to host certain athletic events, and thus UOLF's ability to earn revenue. The capital improvements highlighted in this report are needed to bring assets up to 2002 standards, but standards and sport-specific technical requirements have changed since 2002 requiring further upgrades to assets to be able to host national and international competitions. Some improvements management has identified to meet these standards are: a wax cabin and storage building at Soldier Hollow Nordic Center (\$1.5 million); new timing, scoring and video systems (\$600,000); and athletic safety pad systems for speed skaters (\$1.25 million). These and other improvements needed are listed in Appendix A.

**UOLF is Projecting that it Will be Contributing \$21 Million in Maintenance Costs in the Next Ten Years.** UOLF has regularly done non-depreciable maintenance of Olympic assets as part of their operations and maintenance budget and plans to continue maintaining their facilities. We observed maintenance crews fixing equipment, replacing carpet and repairing walkways. UOLF has also initiated capital improvement projects such as a new airbag jump, conference center and a renovated and expanded Olympic landing pool. Unfortunately, as will be shown in this chapter, UOLF lacks sufficient resources to fund the growing capital improvement needs.

### **Bobsled Tracks and Speed-Skating Ovals Are Expensive to Operate and Rarely Profitable**

Due to the high cost to operate and maintain speed-skating ovals and bobsled tracks, some cities have ceased operating these facilities or converted them to other uses after a winter Olympics. A 2003

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**Soldier Hollow was not originally considered to be a permanent beneficiary of Legacy Fund subsidies.**

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**UOLF plans on spending \$21 million in non-depreciable maintenance costs in the next ten years.**

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**Since it operates around the clock, much of the oval's HVAC system is reaching life expectancy.**

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**After the Olympics, it was not clear whether the Legacy Fund was sufficient to operate the facilities in perpetuity.**

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engineering study of the Utah Olympic Oval operation and maintenance costs conducted by the Oquirrh Park and Recreation District stated the following:

The oval's operational costs are extremely expensive due to the size and nature of the facility and its equipment. The oval was built as a world-class ice facility with many specialized systems that are expensive to maintain and require tolerances that far exceed those of standard municipal ice sheets. The size and specialized nature create enormous utility costs.

This same study concluded that Olympic speed-skating ovals are rarely profitable and often need subsidies.

As an example of these costs, the oval's electric and natural gas utility costs were just over \$700,000 in 2016. The oval's refrigeration plant was 10 years old at the time of the 2002 games, having been built in 1993 to cool the original outside speed-skating oval. Since it operates around the clock, much of the Oval's HVAC system is reaching its life expectancy, with major units needing to be replaced at an estimated cost of \$1.525 million over the next four fiscal years. Such expensive capital improvement and replacement costs contribute to the difficulty of operating such facilities profitably.

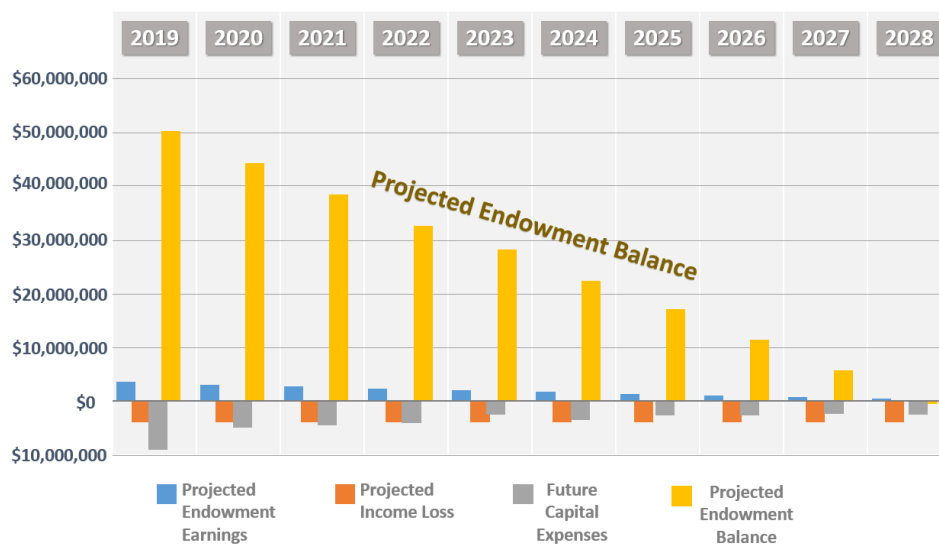
The bobsled track located at Utah Olympic Park also has expensive utility costs, with just under \$700,000 in power, water, natural gas, and other utility costs. These park utility costs are accompanied by annual personnel costs for maintenance and operations of nearly \$2 million.

### **It Was Known the Legacy Fund Was Insufficient To Fund Replacement Costs**

What was not clear immediately after the Olympics is whether the original \$76 million Legacy Fund was sufficient to operate the facilities in perpetuity. Even as late as 2010, a legislative resolution recognized that the Legacy Fund might not last beyond 2025. The uncertainty about the future ability of the fund to subsidize operating losses meant that additional funding would be needed when the assets needed replacement.

The Legacy Fund has since partially recovered from the recession, earning, on average, 6 percent interest each year for the past five years. This investment income generally covers annual operating losses of around \$4 million. However, the fund is not sufficient to subsidize yearly operating losses as well as needed capital improvements. As Figure 2.7 shows, the projected fund balance will be quickly depleted if the fund, shown in gold, is also used to subsidize all upcoming capital improvement and replacement needs.

**Figure 2.7 The Legacy Fund Balance Will Be Reduced Quickly if the Funds Are Used to Pay for All Capital Improvement Costs.** The fund will be reduced to zero by 2028 if it is used to cover the \$39.3 million in capital improvement costs over the next 10 years.



Source: UOLF data

Figure 2.7 shows withdrawals from the Legacy Fund as negative numbers below the graph's base line. These are the projected yearly income losses from operations (orange) and the future capital improvement costs (gray). The blue bars represent fund interest earnings each year and the gold bars represent the fund balance for each year. Figure 2.7 shows that, if UOLF pays \$39.3 million in future capital improvements out of the fund balance over the next 10 fiscal years, the fund balance is estimated to be zero by 2028.

**Since 2015, UOLF Has Been Asking the Legislature for Additional Funding for Capital Projects.** In 2015, the foundation requested \$5 million for the Utah Olympic Oval Training Center and

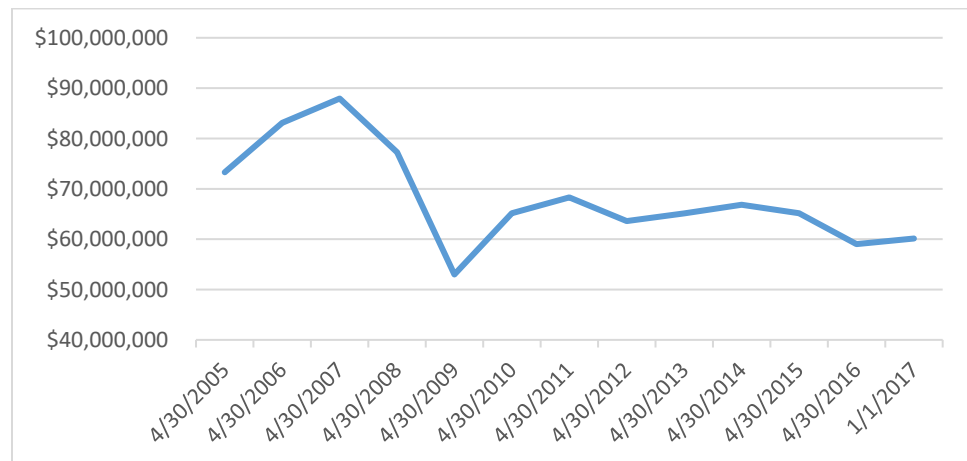
**If all \$39.3 million in future capital improvement expenditures are paid from the Legacy Fund it will be depleted as early as 2028.**

Community Campus and \$3 million for the Utah Olympic Park infrastructure rebuild. They received \$3 million for the Utah Olympic Oval, \$1 million for the Utah Olympic Park, and \$500,000 for pool renovations. In 2016, UOLF requested \$1.875 million for Soldier Hollow and received \$500,000. In 2017, they requested \$3 million for all venues and received \$500,000. As part of any future funding request, UOLF should identify whether the funding is needed to bring assets up to 2002 standards, up to current day standards and sport-specific technical requirements, or to enhance facilities.

### UOLF Has Investment Policies for Legacy Fund

As mentioned, UOLF received \$76 million in payments over a four-year period after the 2002 games for use as a Legacy Fund. It was not known at the time whether the funds would be sufficient to subsidize the venues indefinitely or if they would only last for a limited time. As Figure 2.8 shows, after 15 years and a recession, the fund balance is just above \$60 million.

**Figure 2.8 The 2008 Recession Significantly Reduced the Legacy Fund.** Since 2010, the fund has remained roughly between \$60 and \$70 million.



Source: UOLF

**Management wants to be able to maintain the Legacy Fund balance and operate the Olympic facilities in perpetuity.**

Board members and foundation management want to be able to maintain the fund balance and operate the Olympic facilities in perpetuity. This means they must limit operational losses and withdrawals from the fund to be equal or less than investment earnings otherwise the balance will continue to drop.

The foundation has an investment policy that appears to comply with a 2007 Legislative Joint Resolution that requires UOLF to:

...adopt and comply with an investment policy which policy shall provide for investment management of the type appropriate for a trust or endowment fund managed with the exercise of that degree of judgement and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs.

According to policy, the foundation's board works with a consultant to set asset allocations, which are reviewed quarterly. Each portfolio is benchmarked to an index and regularly assessed for performance.

## **Legislature Established Goal to Support Another Winter Olympics**

In 2015, the Legislature passed a resolution to be ready for another winter Olympics bid. Because the International Olympic Committee requires venue legacy plans as part of its bid process, a Utah bid must include legacy plans and maintenance of assets plans. Consequently, the Legislature may consider funding the \$39.3 million to bring the venues up to current day standards and sport-specific technical requirements. The next section of this report will address some funding options the Legislature may want to consider in financing these capital improvement projects.

In 2012, a Utah Olympic Exploratory Committee (UOEC) was formed to evaluate the potential of bidding and hosting another winter Olympics in Utah. The committee recommended that Salt Lake City pursue a bid for the 2026 Olympic Winter Games, if the U.S. Olympic Committee decided to submit a games bid. They also noted that another Olympic Games "...could re-endow existing Olympic legacy venues, extend[ing] their life well beyond current horizons."

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**The Legislature passed a concurrent resolution in 2015 encouraging Utah to “...remain ‘ready, willing, and able’ to host a future Olympic Winter Games.**

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**To prepare for future games, the Utah Olympic Exploratory Committee recommended that the State of Utah support the UOLF in ongoing improvements and upgrades to venues.**

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**The Legislature may have an expectation of being reimbursed for significant capital improvement costs from future Olympic proceeds.**

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In the spirit of seeking another Olympic Winter bid, the Utah Legislature passed a concurrent resolution in 2015 encouraging Utah to “...remain ‘ready, willing, and able’ as the opportunity arises to continue to host major sporting events of all kinds and be prepared should an opportunity arise to host a future Olympic games.” In the next 10 years, 3 Olympic Winter bids will be decided: the 2026 winter games’ location will be decided in 2019, the 2030 games’ location will be decided in 2023, and the 2034 games’ location will be decided in 2027. Given the high cost of maintaining Olympic venues, making a bid for one of these next three games could provide the impetus to fund these large improvement projects and may provide an increased fund large enough to cover future capital improvements.

Maintaining Olympic assets is essential for an effective Olympic bid. The UOEC report also noted that there are certain actions that must be taken prior to an Olympic bid, one being ongoing updates of venues. This step is needed because the International Olympic Committee requires venue legacy plans as part of the bid process (discussed further in Chapter IV). To prepare for future games, the committee recommended that the State of Utah support the UOLF in ongoing improvements and upgrades to venues.

The 2002 Olympic games required initial state funding of \$59 million for construction of venues prior to the bid for the games. After the financial success of the games, the Salt Lake Organizing Committee paid the initial \$59 million back to the state. Like the financing of the 2002 Olympic games, the Legislature may have an expectation of being reimbursed for significant capital improvement costs from future Olympic proceeds.

Beyond the previous precedent for refunding the state, a future Olympic organizing committee should focus on efficient use of resources to generate proceeds sufficient to not only pay back the state but also provide sufficient funds to increase the Legacy Fund. With many of the major venues already built, future games will still require maintenance and improvements of existing facilities. However, these expenses should be much less than building all new venues and lead to reduced costs for future games.



## Legislature Should Consider Funding Options for Major Capital Improvements of Olympic Assets

If the Legislature decides to contribute to the capital improvement of Olympic assets, the Legislature may decide to fund improvements just to bring assets up to 2002 standards. However, failure to bring assets up to current day standards and sport-specific technical requirements may have safety impacts, limit UOLF's ability to host certain sporting events, and may negatively impact a future Olympic bid. After a future Olympic bid is secured, even more funding will be needed to host the games.

The following are payment options the Legislature may want to consider in funding the \$39.3 million in capital improvements over the next ten years. Some pros and cons of each option are listed but are not intended to be inclusive. Revenue for these options may come from one or more of the following sources: General Fund, debt financing or a dedicated revenue stream.

### Funding Option 1: Appropriate a Larger Yearly Capital Improvement Stipend

The Legislature is currently appropriating \$500,000 a year to UOLF for capital projects. With an estimated \$39.3 million needed to bring assets up to current day standards and sport-specific technical requirements, over the next 10 years, UOLF would need a minimum of \$3.93 million each year in funding. In order to adequately fund the first three years of higher capital improvement costs, additional one-time monies of \$5 million the first year and \$1 million the second year and \$500,000 the third year may also be required.

- **Pros:** UOLF favors this approach because a larger stipend each year would allow UOLF to budget capital improvements. The Legislature could also fund less than the total needed, which would force UOLF to seek more donations, use some Legacy Funds, or seek less costly repair alternatives.
- **Cons:** The Legislature would be obligated for up to \$3.93 million each year for the next 10 years, with some one-time moneys the first three years.

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**Delaying improvements to bring assets up to current day standards and sport-specific technical requirements may negatively impact an Olympic bid.**

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**UOLF needs up to \$3.93 million each year for the next ten years to bring venues up to current sport-specific technical requirements.**

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Only Soldier Hollow Nordic Center land is owned by the Utah State Parks, while UOLF owns the Utah Olympic Park and the Oquirrh Recreation and Parks District owns the Utah Olympic Oval.

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## **Funding Option 2: Include UOLF Capital Improvement Projects in the State Capital Improvement Fund**

For fiscal year 2018, \$119 million was set aside in the state Capital Improvement fund for improvement of state buildings. The Legislature may want to consider paying for Olympic venue capital improvements through this process, at least for the larger capital projects.

- **Pros:** The capital improvement process is an established method of paying for and monitoring capital improvement projects.
- **Cons:** At a minimum, statute would have to be amended to allow capital improvement funds to be used for assets not owned directly by the state. Currently, only Soldier Hollow Nordic Center land is owned by the Utah State Parks, while the UOLF owns the Utah Olympic Park and the Oquirrh Recreation and Parks District owns the Utah Olympic Oval. Without further increasing the Capital Improvement Fund, using this process would also dilute moneys needed for state buildings.

## **Funding Option 3: One-time Funding Year by Year**

The Legislature could fund all or a percentage of improvement projects year by year using one-time monies. This would work similar to the funding process already in place. Each year, UOLF would request funding from the Legislature for capital improvement projects and the Legislature could decide to fund all or part of the improvements.

- **Pros:** This option provides flexibility. The Legislature could fund more work in good years and less in financially tight years. The Legislature could decide to fund an entire project or only a portion of a project and let UOLF determine whether to limit the scope of the repairs, use some of its Legacy Funds, or seek more donations.
- **Cons:** In some years, UOLF may receive little or no funding from the Legislature, delaying improvements that could negatively impact an Olympic bid. This funding method

provides no assurance to UOLF management that they will be able to plan for and improve capital assets.

These options could also be considered in combination to best provide funding for all or any given asset.

## **Recommendations**

1. We recommend that the Legislature consider options they wish to pursue with regards to Olympic capital improvements.

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## **Chapter III**

### **UOLF Has Significantly Increased Revenue but Substantial Operating Losses Still a Concern**

In the past five years, the Utah Olympic Legacy Foundation (UOLF) has increased revenues by 78 percent, while expenses increased only 29 percent. However, we are still concerned that, even with increased revenues, UOLF has a regular operating loss of roughly \$4 million, which must be subsidized by the Legacy Fund. Our review of other winter Olympic legacy foundations shows that, like UOLF, all are dependent on either government subsidies or endowments to cover losses from operations. To further reduce its reliance on the Legacy Fund, UOLF has plans to increase revenues from public activities, donations, and land leases. However, with these efforts UOLF predicts it will only reduce its operating losses from \$4 million to \$3 million annually and will still be dependent on Legacy Fund subsidies for the foreseeable future. UOLF should continue to seek increased revenues while also limiting growth of expenses. Until losses are sufficiently reduced, UOLF should prepare contingency plans for poorly performing investments or economic downturns.

#### **UOLF Seeking Less Reliance on Legacy Fund Subsidies**

Since its inception, UOLF has been dependent on its Legacy Fund to subsidize operating losses of \$4 million each year. Other Olympic legacy foundations we reviewed also depend on large endowments or government subsidies to operate. To reduce its dependency on fund subsidies, UOLF has a financial sustainability plan that involves increasing public activities and fundraising efforts as well as seeking land lease revenues. To date, the Foundation has been increasing revenues from public activities and has dramatically increased fundraising donations. However, UOLF predicts these efforts may only reduce fund subsidies from \$4 million to \$3 million. Along with these efforts, UOLF should continue to limit expense growth. Despite these operational losses, our discussions with third parties like board members of the former Soldier Hollow Legacy Foundation (SHLF), the Oquirrh Recreation and Parks District (ORPD), and others, reveal

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**UOLF is dependent on subsidies from its Legacy Fund to subsidize operating losses of \$4 million each year.**

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that they are pleased with how UOLF is managing the Olympic assets and improving Utah's legacy.

### Winter Olympic Venues Typically Receive Government Support to Operate

As mentioned in Chapter II, Olympic speed skating ovals and bobsled tracks are very expensive to operate and are rarely profitable. Due to these high operational costs, UOLF typically has a \$4 million per year operating loss that is subsidized by earnings from the Legacy Fund. As Figure 3.1 shows, other functioning winter Olympic legacy foundations we looked at either receive regular government financial support or, as in the case of Calgary and Vancouver, have been given large endowments to subsidize operations.

**Figure 3.1 A Sample of Cities That Have Hosted a Winter Olympics and Are Still Operating Venues.** Endowments or yearly government subsidies are needed to continually operate Olympic Venues.

City, Olympic Year	Endowment or Fund Amount	Yearly Government Operational Subsidies
<b>Salt Lake, 2002</b>	<b>\$60 million</b>	
Lake Placid, 1980		Yes, \$4.8 million
Calgary, 1988	\$130 million	
Lillehammer, 1994		Yes, \$1.26 million
Nagano, 1998		Yes
Vancouver, 2010	\$110 million	

Source: Auditor Summary of news sources

To operate their Olympic venues, Calgary and Vancouver legacy foundations have endowments nearly twice as large as UOLF's current Legacy Fund. Three of the five foundations reviewed receive regular government subsidies to help operate their facilities.

Like UOLF, some of these foundations are still struggling financially to operate and maintain Olympic venues. Lake Placid has

Calgary and Vancouver have endowments nearly twice as large as UOLF's current fund.

experienced operating losses of more than \$19 million every year between 2014 and 2016 and needs \$55 million to maintain assets. Due to the high cost of maintenance, Nagano will soon close its bobsled track and consequently operates their speed skating track as a multi-purpose arena that features an ice-skating rink only in the winter. The number of abandoned Olympic venues throughout the world suggests these facilities are rarely self-supporting. Creativity, perseverance, and government support (either in the form of operating subsidies or endowments) appear to be the norm for winter Olympic legacies still in operation.

### **UOLF Has Plans to Increase Revenues Which Needs To Include Limiting Expense Growth**

UOLF understands the need to reduce their dependence on investment portfolio earnings by reducing their operating losses and thus avoid spending down the Legacy Fund. Therefore, current management is focusing efforts on creating new revenue streams through three primary means:

- Grow public activity revenues through unique uses of Olympic venues
- Increase fundraising efforts through private donors, corporate sponsorship, and public funding/financing
- Foster land development to generate underlying land lease revenues

To increase public activity revenues, they have plans for a zip line tour and a jumping airbag at the Utah Olympic Park and are purchasing smoother-riding summer bobsleds so more of the public can experience the track. To increase fundraising, UOLF has hired full-time fundraising staff to manage fundraising activities. To generate lease revenues, the Foundation created a 20-year land development plan that has been approved by the county. In the future, if successful in implementing many of these efforts, management predicts these improvements will reduce yearly operating losses by \$1 million. This means UOLF will still need about \$3 million in annual fund subsidies to operate.

Reducing expenses was a focus of previous management and our discussions with staff reveal that efficiencies are still sought. However,

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**UOLF understands the need to reduce their dependence on investment portfolio earnings by reducing operating losses.**

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**To increase fundraising, UOLF has hired full-time fundraising staff.**

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Management's current plan focuses on revenue growth by expanding into more profitable business activities.

Losses have decreased since fiscal year 2012, mostly due to increasing revenues from public activities.

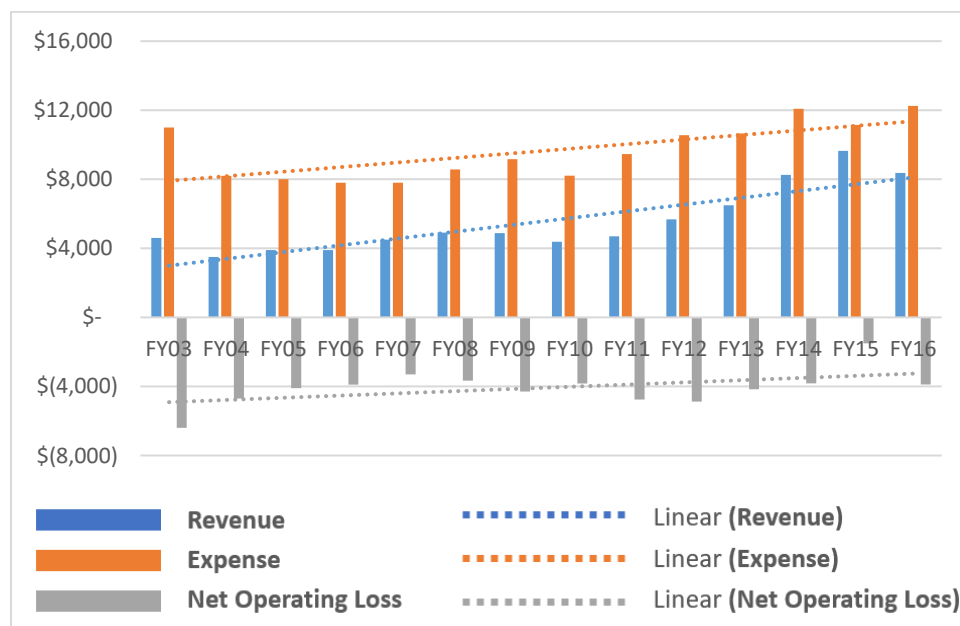
From fiscal years 2011 to 2016, revenues have increased 78 percent while expenses increased only 29 percent.

since there are only so many areas that can be cut before desired functions are lost, management's current plan focuses on revenue growth by expanding into more profitable business activities. Expanding business activities often requires increased expenses to generate more revenues, therefore we recommend that UOLF include plans to limit expense growth.

### Increased Public Activities May Reduce Future Operating Losses

As noted, investment revenues from UOLF's Legacy Fund are used to subsidize yearly operating losses of \$4 million. These losses have decreased since fiscal year 2012, mostly due to increasing revenues from public activities. Public activities include activities like zip lines, the alpine slide, ropes courses, tubing, and bobsled rides. As Figure 3.2 shows, in recent years revenues (in blue) have been increasing faster than expenses (in orange).

**Figure 3.2 UOLF Continues to Experience Operating Losses of \$4 million per Year.** Since revenues have been increasing faster than expenses, losses have been slowly decreasing.



Source: UOLF

From fiscal years 2011 to 2016, revenues (in blue) have increased 78 percent while expenses (in orange) increased only 29 percent. This increase in revenues has slowly helped reduce net operating losses over that same period to just under \$4 million in fiscal year 2016.



Operating losses for fiscal year 2015 were the lowest since 2003 because increased fundraising helped reduce operating losses that year.

It should also be kept in mind that, even though reductions in yearly operating losses have been modest over the years, the annual impact of inflation should have slowly increased these yearly losses but has not. Despite increasing revenues and UOLF's plans to further reduce operating losses, it appears that UOLF will most likely continue to be dependent on investment earnings from its fund to remain a going concern.

### Increased Fundraising Offsets Some Costs

UOLF has been increasing fundraising efforts to help offset costs of new facilities like the expanded ski jump landing pool and the new sloped freestyle airbag ski jump.

**Figure 3.3 Enhanced Training Facilities Have Been Added to the Utah Olympic Park.** Donations helped fund practice jumps so skiers can improve their skills during the summer season.



Source: Auditor Photo

As Figure 3.3 shows, the original 1993 Olympic practice pool has been rebuilt and expanded to include more jumps. Funds for the pool came from the state and private donors.

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**Despite increasing revenues and UOLF's plans to further reduce operating losses, UOLF will continue to be dependent on investment earnings from its fund.**

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**Figure 3.4 A New Freestyle Airbag Ski Jump Has Recently Been Built.** An airbag allows freestyle ski jumpers to have a safe landing on a slope during the summer months.



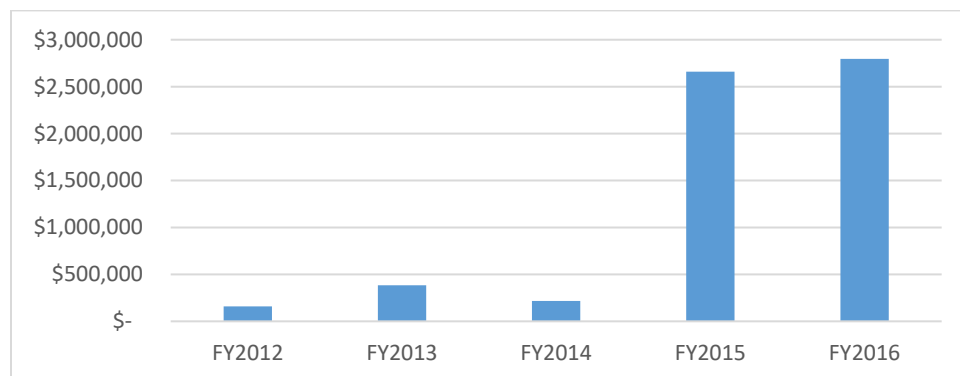
Source: Auditor Photo

In the summer of 2017, private donors paid for a freestyle airbag ski jump (Figure 3.4) which UOLF installed to allow freestyle skiers to safely practice landing on a sloped surface. As reported by management these enhancements allow elite athletes the ability to safely hone their skills during the summer months to be ready for competition come winter.

Donations have dramatically increased the past two years as UOLF has improved fundraising efforts to create training enhancements and reduce operating losses. As Figure 3.5 shows, prior to 2015, private donations were less than \$400,000 per year but have increased to over \$2.5 million per year in fiscal years 2015 and 2016.

**Donations have dramatically increased the past two years as UOLF has stepped up efforts to improve fundraising.**

**Figure 3.5 Private Donations Have Been Increasing Recently.**  
The Foundation has been able to increase donations mainly for new projects.



Source: UOLF Data

Though slightly more donations were received in fiscal year 2016, many of those donations were earmarked for specific capital projects and thus could not be used for operational costs to reduce losses. Unfortunately, donors are more willing to fund new facilities rather than rebuild roofs and other capital improvement projects, so donations are not a reliable long-term solution to operational losses.

### **UOLF Seeks Land Lease Revenues, Not Land Sales**

In 2007 and again in 2010, UOLF sought and received permission from the Legislature to sell or lease up to 10 percent of its land at the Utah Olympic Park. Management informs us this permission was sought not to sell land for revenue, but to give them the ability to collect lease revenues from planned mission-compatible enterprises. To obtain more developable land for such facilities, in 2013 UOLF traded land with the county in an equal-value land swap.

Our review of UOLF land holdings shows that UOLF still retains all property received after the 2002 games except for a plot of open-space land traded to Summit County for developable land. As Figure 3.6 shows, an 11.3-acre peninsula of hillside land (in red) adjacent to the Utah Olympic Park (shaded in light grey) on the east was traded to the county in 2013 for 5.2 acres of adjacent land (in green) to the north.

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**UOLF sought and received permission from the Legislature to sell or lease up to 10 percent of its land at the Utah Olympic Park.**

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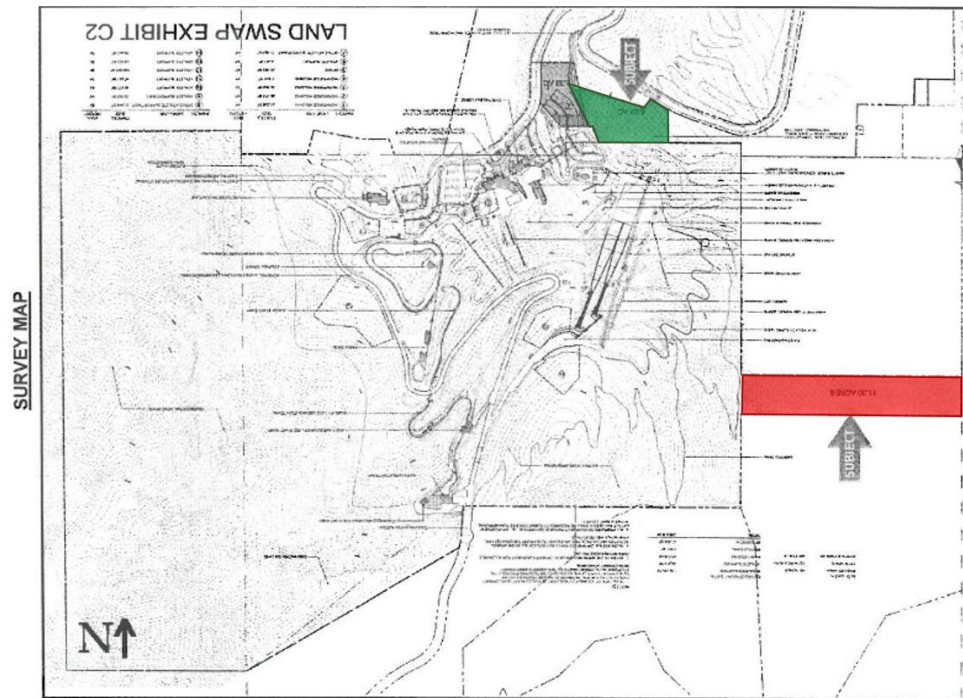


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**Our review of UOLF land holdings shows that UOLF still retains all property received after the 2002 games except for a plot of open space land traded for developable land.**

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**Figure 3.6 In 2013, UOLF Swapped Land with Summit County.** UOLF swapped open-space hillside land, shown in red, for developable land from the county (green).



Source: Private Appraiser

A third-party appraisal of the properties showed that the land values were roughly equivalent, and UOLF received remuneration from the county to make up the difference between the values. UOLF pursued this land swap to acquire more developable land for potential lease revenues.

UOLF wants to be able to develop the land to receive regular lease revenues from the properties. The foundation plans to build facilities that the private sector can lease and provide services in line with UOLF's missions, such as athlete housing and a sports medicine clinic. By increasing public activity revenues, donations, and lease revenues, UOLF hopes to reduce yearly operating losses to a more sustainable level.

### **Connected Parties Are Pleased With the Direction UOLF Is Going**

Our discussions with current and past UOLF management, UOLF board members, board members of both the former Soldier Hollow Legacy Foundation (SHLF) and the Oquirrh Recreation and Parks

**The foundation plans to build facilities that the private sector can lease and provide services in line with UOLF's mission.**

District (ORPD), as well a former SLOC manager reveal that they are pleased with how UOLF has recently been managing its venues and fostering an Olympic legacy. Several of these parties have had differences with UOLF in the past and one did not believe it was fulfilling its mission at times, but those we talked with are satisfied with the direction current management has been heading. Evidence of this is further shown by the fact that SHLF and ORPD recently made agreements with UOLF to manage their venues (the Soldier Hollow Nordic Center and the Utah Olympic Oval), indicating that their venues would be best served under UOLF management.

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**SHLF and ORPD recently made agreements with UOLF to manage the Soldier Hollow Nordic Center and the Utah Olympic Oval, indicating that their venues would be best served under UOLF management.**

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## **UOLF Still Vulnerable to Poor Performing Investments and Economic Downturns**

It has been 15 years since the 2002 Olympic Winter Games and Utah's major Olympic venues are still in operation and used for winter sport. UOLF management and board have expressed their desire to see Utah's Olympic legacy continue to operate in perpetuity. However, a weak fund performance or another economic downturn could negatively impact the foundation's long-term viability.

### **UOLF Management and Board Have Goal To Operate in Perpetuity**

The UOLF board and management want to operate the foundation and continue legacy efforts in perpetuity. Therefore, they are reluctant to use the Legacy Fund for large capital improvement expenditures because it will severely reduce the fund principle. In their words, they want to avoid eating the "seed corn" or further reduce the fund balance. They want the balance to remain large enough to create sufficient yearly investment earnings to cover annual operating losses. If they start to eat the "seed corn," the fund balance will start to decline and limit the life of the foundation.

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**UOLF board and management are reluctant to use the fund for large capital improvement expenditures because it will reduce the fund principle.**

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Winning a future Winter Olympics bid and hosting another financially successful winter games may provide more funding and an increased Legacy Fund for UOLF. However, UOLF management has told us they do not operate on this assumption and want to be able to maintain operations in perpetuity even without Utah winning another Olympic bid. However, as was discussed in Chapter II, without additional funding to repair and rebuild assets, the fund and foundation will not last. Even if additional funding is provided to



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**Low investment earnings force UOLF to dip into the fund principle to cover operational losses.**

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**The long-term viability of UOLF depends on finding funding for failing assets and reducing reliance on investment earnings.**

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repair and replace assets as they age, without an additional infusion of funds to the Legacy Fund, the foundation will remain vulnerable to poor performing funds and a future economic recession.

### **Weak Fund Performance, Economic Downturns Could Negatively Impact Long-Term Viability**

Currently, interest from the fund covers yearly operating losses of approximately \$4 million, which leaves little margin for a year with major operational losses because of a recession, or significantly-low investment earnings. This scenario occurred in 2012 and 2016 when investment earnings were low. In those years, UOLF was forced to dip into the fund principle to cover operational losses, decreasing the overall balance from the previous year. This left the fund balance just below \$60 million in 2016, at its lowest point since 2009 (see Figure 2.8).

The economic crisis of 2008 also reduced the fund to \$53 million in April 2009. Since then, the fund has not gone near its 2007 high of \$88 million (see Figure 2.8). Similar events in the future could limit the long-term viability of the fund. To be better equipped to weather financial uncertainty, UOLF should develop contingency plans for such events.

The long-term viability of the UOLF and Utah's Olympic legacy depends on a number of factors, two of which are more critical. First, as mentioned in Chapter II, funding sources must be found to maintain and replace failing assets. Second, UOLF needs to reduce its reliance on investment earnings so that the fund can grow. A larger fund would provide increased interest earnings and greater security to allow the foundation to endure years with a poorly performing fund or an economic downturn.

## **Recommendations**

1. We recommend that UOLF continue to develop and implement plans to increase revenues and limit expenses so that the foundation can reduce its reliance on fund subsidies for operational losses.
2. We recommend that UOLF develop contingency plans for a future economic downturn or poorly performing investments.

## Chapter IV

### UOLF Is Meeting Legislative Goals

Despite the financial issues discussed in previous chapters, we believe the Utah Olympic Legacy Foundation (UOLF or foundation) is meeting the Legislature's goal of creating an Olympic Legacy. In 1994, the Utah Legislature supported the creation of UOLF and outlined its purposes with the intent of creating an Olympic legacy. UOLF has further defined its mission and goals to align with these purposes.

Utah lawmakers have resolved to keep Utah ready to host another winter Olympic Games. Creating and maintaining the legacy from the 2002 games will figure prominently in any future games bid. According to the International Olympic Committee's (IOC) new process for evaluating bid cities, there is "...a strong focus on sustainability and legacy." Furthermore, as a part of the new evaluation structure, the IOC considers as positive aspects for a bid "...the maximum use of existing facilities." As shown by the performance measures in Figure 4.1, UOLF has been increasing the use of Utah's Olympic facilities and athletes with ties to Utah are winning more medals; both factors might be positive indicators that UOLF is successfully fostering Utah's Olympic legacy.

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**We believe the Utah Olympic Legacy Foundation is creating an Olympic legacy.**

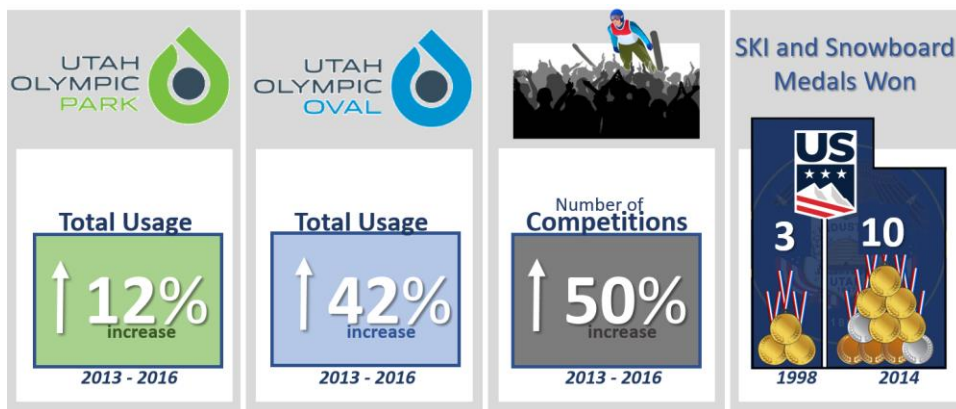
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**Maintaining the legacy from the 2002 games will figure prominently in any future games bid.**

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**Figure 4.1 UOLF Winter Sport Development and Involvement Are Increasing.** Total usage at the Utah Olympic Park and Utah Olympic Oval has increased over the last four years. The number of competitions held at these venues and the number of Olympic medals won by athletes trained in Utah have also increased.



Source: Auditor Generated based on UOLF data

## UOLF Aligns Its Mission With Legislative Purposes

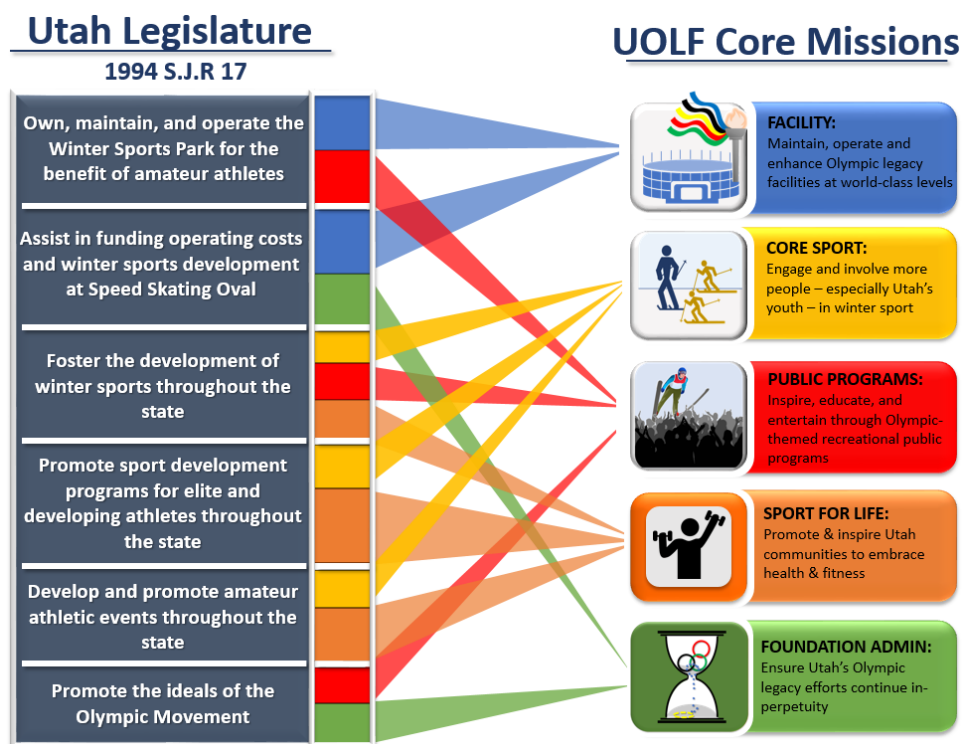
In anticipation of the 2002 Winter Olympic Games, the Utah Legislature supported the creation of the Utah Olympic Legacy Foundation (UOLF or foundation) and outlined the intended purposes for the foundation. Considering Utah's interest in promoting winter sport and potentially pursuing a future Olympic bid, the Legislature has reaffirmed its commitment to promoting the original purposes of the foundation. UOLF's mission aligns closely with the Legislature's original goals for the foundation.

### Legislature Outlined UOLF's Purposes

In 1994, the Utah Legislature passed Senate Joint Resolution (S.J.R.) 17, outlining the primary purposes for the Utah Athletic Foundation/Utah Olympic Legacy Foundation. Figure 4.2 enumerates the Legislature's purposes for the foundation and connects them with the core missions which UOLF formed to meet those purposes.

The Legislature outlined the primary purposes of the UOLF in a Senate Joint Resolution.

**Figure 4.2 UOLF Goals and Missions Coincide with the Legislature's Intended Purposes:** Each of UOLF's core missions attempts to fulfill at least one of the Legislature's purposes.



Source: Auditor Generated from UOLF Data and Legislative Statute



S.J.R. 17 highlights the 1994 Legislature’s plans to create and maintain an Olympic legacy if Utah were to win the Olympic bid. As Figure 4.2 shows, that legacy would involve maintaining Olympic facilities, developing winter sports, and promoting Olympic ideals.

In 2010, the Utah Legislature reaffirmed its commitment to maintaining the UOLF and its purposes. More recently, in 2015’s Senate Concurrent Resolution (S.C.R.) 9, the Utah Legislature reiterated its commitment to Utah’s Olympic Legacy activities and expressed appreciation for efforts to “...continue to strengthen and expand its (Utah’s) position as ‘The State of Sport’ in the national and international sport and Olympic spaces.” As noted in Chapter II of this report, S.C.R. 9 encourages efforts to “...keep Utah well positioned globally in sports and the Olympic movement so that when the opportunity arises, Utah will stand ‘ready, willing and able’ to welcome the world back.”

### **UOLF’s Goals and Mission Conform To the Legislature’s Purposes**

UOLF established its core missions to coincide with legislative purposes. Figure 4.2 lists UOLF’s five core missions and highlights the legislative purpose(s) that each mission seeks to fulfill. Collectively, UOLF’s core missions accomplish the purposes that the Utah Legislature has established and reinforced since 1994. Additionally, UOLF bases its long-term and short-term goals on one of these five core missions.

As part of UOLF’s Facility core mission, the foundation maintains and operates Olympic facilities while still holding world cup events. It is currently seeking funding to help maintain these facilities to at least the level they were during the 2002 Olympic Games. To accomplish its Public Programs mission, UOLF engages the public in Olympic-themed recreation by inviting them to watch elite athletes train and perform. The public may also experience the Utah Olympic Park through physical activities like zip lines and a ropes course. For the Sport for Life mission, UOLF promotes public health and fitness programs. And for the foundation’s Administration mission, UOLF seeks to continue the legacy efforts in perpetuity.

Earlier chapters in this report discussed UOLF’s efforts to satisfy the Legislature’s directives regarding Olympic venues and the Legacy Fund. The remainder of this chapter highlights UOLF’s efforts to

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**A legacy involves maintaining Olympic facilities, developing winter sports and promoting Olympic ideals.**

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**UOLF involves the public through Olympic-themed recreation and by inviting the public to watch elite athletes train and perform.**

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**UOLF is keeping Utah's Olympic legacy alive by using Olympic facilities to host elite sport competitions and train elite athletes.**

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promote sport development. UOLF is advancing Utah's Olympic legacy by promoting winter sport development for people of all ages and ability levels, fostering a winter sports culture in Utah, and influencing the number of Olympic medals won by athletes connected to our state.

## **UOLF Continues the Olympic Legacy by Increasing Winter Sport Involvement**

UOLF appears to be keeping Utah's Olympic legacy alive by using Olympic facilities to host elite sports competitions and train elite athletes. Additionally, UOLF uses Olympic facilities to promote youth sports development and increase public participation in winter sports. As shown in Figure 4.1, UOLF has been increasing involvement in its programs and usage of its facilities. Between 2013 and 2016:

- Utah Olympic Park usage increased by 12 percent
- Utah Olympic Oval usage increased by 42 percent
- Number of competitions increased by 50 percent
- More medals to Utah-based ski/snowboard athletes

UOLF's efforts seem to contribute to Utah's Olympic Legacy. Given the IOC's Olympic bid criteria requiring candidates to provide plans for Olympic legacy, Utah's continued promotion of its legacy will be essential if the Legislature decides to make another Olympic bid.

### **Promoting Olympic Legacy Required For Future Winter Games Bid**

As mentioned earlier in this chapter, Utah lawmakers have resolved to keep Utah ready to host another winter Olympic Games. Creating and maintaining the legacy from the 2002 games will figure prominently in any future games bid. In 2014, the IOC presented a new candidature process for potential host cities. According to the new process for evaluating bid cities, there will be "...a strong focus on sustainability and legacy." Furthermore, as a part of the new evaluation structure, the IOC considers as positive aspects for a bid "...the maximum use of existing facilities."

The fact that UOLF is still using Winter Olympic facilities for the intended winter sports purposes shows that Utah is not only capable

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**According to the new process for evaluating bid cities, there will be "...a strong focus on sustainability and legacy."**

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of making plans for a lasting legacy, but that it is able to carry out those legacy plans. According to the Utah Olympic Exploratory Committee report, “Utah’s Olympic Legacy is strong and vibrant and ready to provide the foundation for a future Olympic Winter Games.” Utah’s example of a successful Olympic legacy stands in contrast with other former Olympic host cities who have neglected or abandoned their venues. According to a former Olympic Games manager, the IOC is pivoting toward choosing cities with existing Olympic venues. Given these changes to IOC selection policy, UOLF’s efforts to operate and maintain Olympic facilities since the 2002 Olympic Games puts Utah in a better position to bid for a future games.

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**According to the Utah Olympic Exploratory Committee report, “Utah’s Olympic Legacy is strong and vibrant.”**

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### **Audit Methodology Was Limited**

Our review of UOLF found that it has a system for evaluating performance that involves setting goals related to the core missions and tracking performance measures. We found UOLF’s process for tracking performance measures to be sound; however, we acknowledge the limitations of our analysis of the data that UOLF provided because we did not validate each data point.

Several figures in this report portray UOLF data from the years 2013 to 2016. Because UOLF collected data in a different way prior to 2013, it is difficult to make conclusions about long-term performance. UOLF should identify a few performance measures which best reflect efforts to meet legislative purposes. Consistently tracking those measures for 8 to 10 years would provide a more complete analysis of performance. Also, as a steward of public funds, UOLF can be even more transparent by reporting and publishing key performance measures on its website. Overall, we are reasonably confident in the numbers contained in this report, having reviewed UOLF’s data-collection process.

### **UOLF’s Facilities Being Used to Host International Events and Athletes**

One bid evaluation criterion that the IOC and USOC look for in a potential host location is experience in hosting quality sporting events. Since the 2002 Winter Olympic Games, Utah has continued to host international, national, and local winter sport competitions. The Utah Olympic Exploratory Committee report of 2012 stated that,

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**From 2013 to 2016, UOLF hosted 84 winter sports competitions, including World Cup luge, bobsled, skeleton and speed-skating events.**

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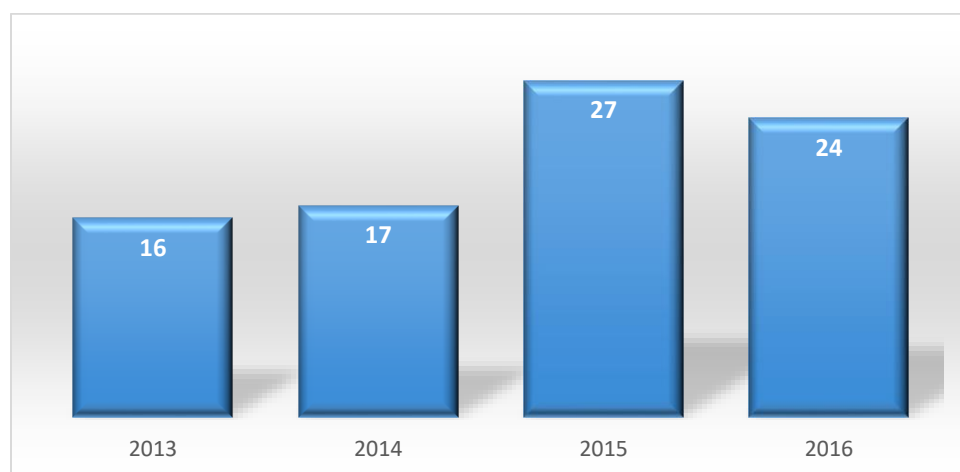
In the 10 years since the 2002 Games, the Utah Sports Commission has partnered with Utah's venue owners and operators to host over 70 World Cup events or world championships, as well as over 90 USOC and US national sport governing body sanctioned events, in over 25 cities throughout Utah.

Since 2013, UOLF has continued to use its facilities to host US national and international events, training, and competitions. Figure 4.3 shows that from 2013 to 2016, UOLF hosted 84 winter sports competitions, including World Cup luge, bobsled, skeleton, and speed-skating events. During those years, UOLF also hosted Para-World Championship and Nordic World Jr. Championships.

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**Figure 4.3 The Total Number of International, National, and Local Competitions Held at UOLF Facilities Since 2013.** UOLF has continued to host competitions at its facilities and the number of competitions has increased since 2013.

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Source: UOLF Data

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**From 2013 to 2016, the number of winter sport athletic competitions held at Utah Olympic venues increased by 50 percent.**

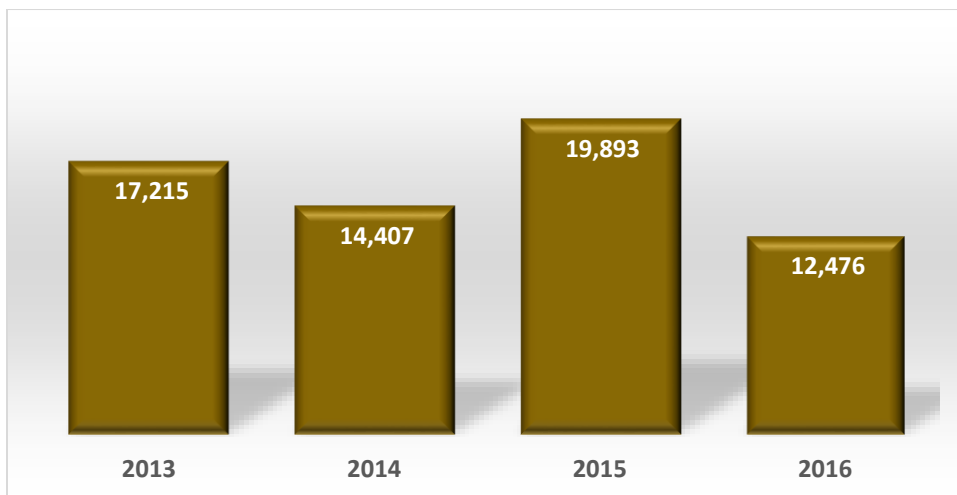
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From 2013 to 2016, the number of winter sport athletic competitions held at Utah Olympic venues increased by 50 percent. It is important to note that, as new winter Olympic facilities emerge around the world, UOLF will have to compete with them to host competitions.

Foreign athletes come to Utah to compete in international events and to train at Utah's world-class facilities. UOLF's ski jump pool draws athletes from around the world who wish to train for freestyle ski jump events during the summer. Additionally, the Utah Olympic

Oval attracts international athletes hoping to train and compete on “the fastest ice on earth.” Figure 4.4 shows the total number of national and international elite athlete training days at UOLF facilities.

**Figure 4.4 Total National and International Elite Athlete Training Days at UOLF Facilities.** UOLF defines a training day as any day that an athlete shows up at a UOLF facility to train.



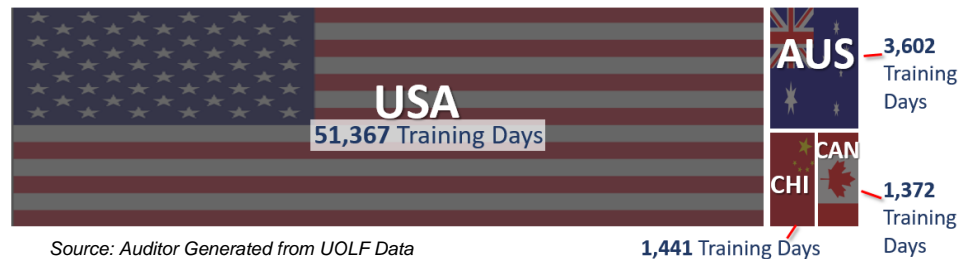
Source: UOLF Data

Since 2013, hundreds of US and foreign elite athletes have spent time training at Utah’s Olympic facilities. Whether an athlete does one 45-minute workout or does three 4-hour workouts in a day, it is counted as one training day. The number of elite athlete training days can vary from year to year because of varying interest during the four-year Olympic cycle. Training day numbers also fluctuate depending on the number of foreign athletes who decide to train at UOLF facilities. The fact that these numbers fluctuate emphasizes the need to continue to maintain and improve Olympic facilities so that athletes from all over the world continue to train and compete in Utah.

Figure 4.5 shows that – aside from US athletes – Australian, Chinese, and Canadian athletes spent the most time training at UOLF facilities.

**The number of elite athlete training days can vary because of the four-year Olympic cycle and foreign nations that lack winter sport training facilities.**

**Figure 4.5 Countries Whose Athletes Have Trained the Most at UOLF Facilities from 2013 to 2017.** Athletes from USA and 39 foreign countries have trained at UOLF facilities since 2013. Among them, athletes from USA, Australia, China, and Canada had the highest number of training days.



According to UOLF leadership, hosting foreign athletes who train and compete at Utah's Olympic facilities increases Utah's image in the winter sports world.

In the years 2013 to 2016, athletes from the United States and 39 other countries trained at UOLF facilities. Athletes from 6 of those 39 countries trained at UOLF facilities every year from 2013 to 2016: Australia, Brazil, Canada, Italy, South Korea, and New Zealand. According to UOLF leadership, hosting foreign athletes who train and compete at Utah's Olympic facilities increases Utah's image in the winter sports world.

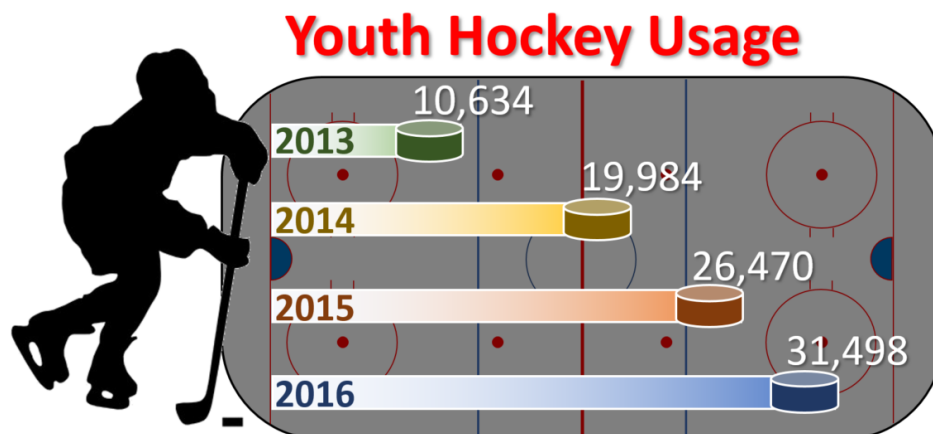
### UOLF Promotes Youth Sport Participation

In addition to hosting elite athletes from all over the world, UOLF appears to be accomplishing its Core Sport mission to "Engage and involve more people – especially Utah's youth – in winter sport." The Utah Olympic Exploratory Committee reported the following:

The Olympic Legacy Foundation uses the facilities built for the 2002 Games to promote sport and physical activity for youth as well as people of all ages and abilities. The Utah Olympic Oval, in partnership with its local elementary schools, runs and subsidizes both in-school and after-school physical activity programs. Students learn from former and current Olympic athletes and coaches. The blend of high-performance athletes training next to recreating youth is an ideal example of Utah's 'Sport for All' efforts and use of Olympic legacy venues.

Youth hockey programs at the Olympic Oval, as shown in Figure 4.6, are one example of successful youth programs at UOLF facilities.

**Figure 4.6 Youth Hockey Usage from 2013 to 2016.** Youth hockey participation has more than doubled since 2013.



*Source: Auditor Generated from UOLF Data*

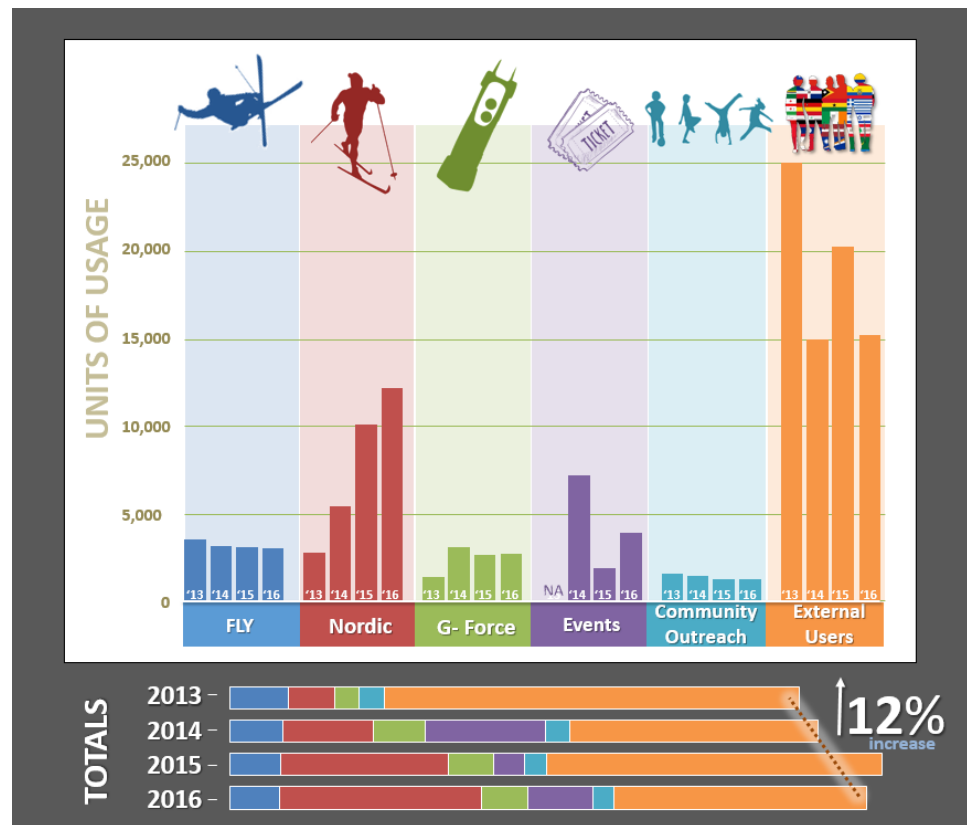
From 2013 to 2016, total usage in UOLF's youth hockey programs grew by 196 percent (from 10,634 usage units to 31,498 usage units). UOLF defines usage by adding the number of times a user comes to the facility for practice or competition. In addition to increasing the total usage over that time, UOLF has increased the number of users in youth hockey by 114 percent (from 642 users in 2013 to 1,372 users in 2016).

### **Overall Participation Levels At UOLF Facilities Is Increasing**

Youth participants make up many of the users in sports programs such as speed-skating, figure-skating, and freestyle ski jumping (fly) programs; however, UOLF offers other programs like cross country skiing for people of all ages and abilities. Adult visitors to the Olympic Park may experience activities such as bobsled rides. Figure 4.7 shows that overall participation at Utah Olympic Park activities located in Park City has been increasing since 2013.

**Youth make up many  
of the users in sports  
programs.**

**Figure 4.7 Overall Participation in Utah Olympic Park Activities Has Increased Since 2013.** Usage measurements reflect the number of times a person uses one of UOLF's facilities.



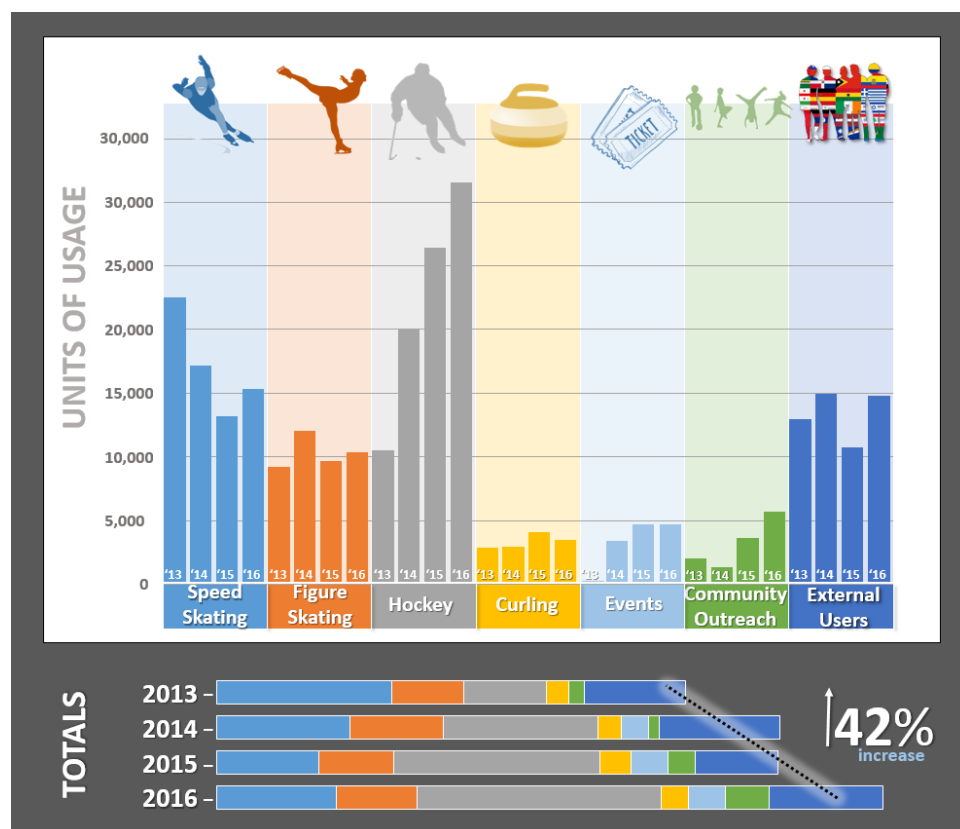
Source: Auditor Generated from UOLF Data

Since 2013, total usage at the Utah Olympic Park has increased by 12 percent (from 34,371 usage units in 2013 to 38,409 usage units in 2016). Nordic activities such as cross-country skiing appears to have contributed most to the increase in total usage.

Participation at oval activities has also been increasing since 2013 as shown in Figure 4.8.



**Figure 4.8 Overall Participation at Oval Activities Has Also Increased Since 2013.** Interest levels in oval activities also varies from year to year. However, total oval usage is increasing.



Since 2013, total usage at the Utah Olympic Oval increased by 42 percent.

Source: Auditor Generated from UOLF Data

Since 2013, total usage at the Utah Olympic Oval increased by 42 percent (from 60,254 usage units in 2013 to 85,766 usage units in 2016). Hockey is the biggest contributor to this increase.

Some of the programs and activities that UOLF hosts are capable of growth and expansion while others are not. For example, to expand the cross-country skiing (Nordic) programs, UOLF would only need to find more people to participate in cross-country skiing. It is more difficult however, to expand programs such as freestyle ski jumping (fly) or bobsled (G-force) where the assets' maximum capacity limits the amount of people who could potentially participate. Accordingly, usage in some programs tends to stay around the same amount from year to year.

Fluctuating interest in winter sports is another factor that contributes to varying usage numbers from year to year. UOLF

**Fostering Utah's Olympic legacy appears to be having an impact in enhancing Utah's image as a center for winter sports.**

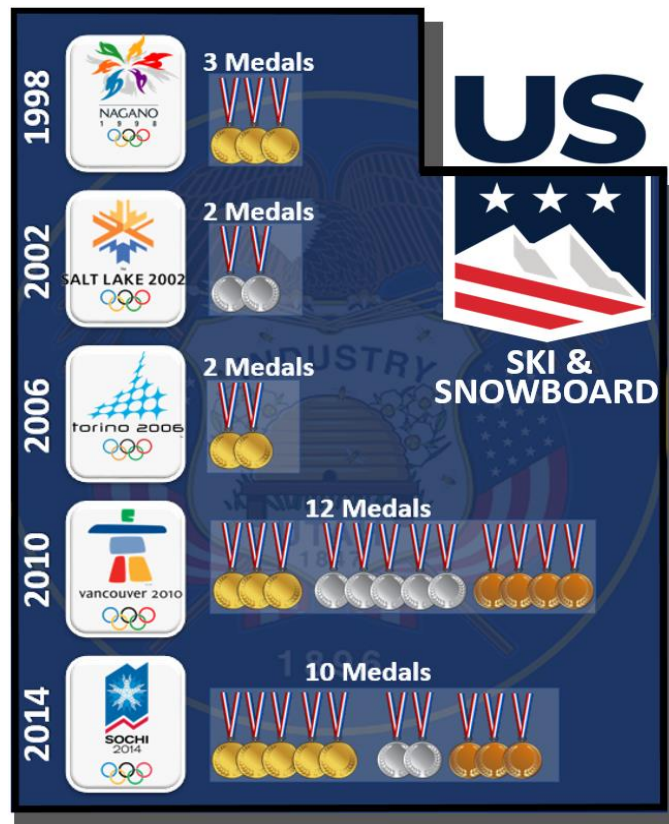
leadership notes that usage numbers tend to increase in the year leading up to the Olympic Games as athletes spend more time training. Additionally, public interest in Olympic sports increases during the year before the Olympics and decreases in the year after.

### **Utah's Olympic Legacy May Contribute To an Increase in Olympic Medals**

The UOEC report states that "...more than 40 percent of the US Olympic Team's athletes that competed in the Vancouver 2010 Olympic Winter Games either live or spend a significant amount of time training in Utah." Fostering Utah's Olympic legacy appears to be having an impact in enhancing Utah's image as a center for winter sports. Figure 4.9 shows only medals won by ski and snowboard athletes with ties to Utah, but does not reflect medals won by Utah athletes in other Winter Olympic disciplines such as speed-skating and bobsled.

**Figure 4.9 US Ski and Snowboard Olympic Medals Earned by Utah Residents. Olympians with ties to Utah won more medals during the 2010 and 2014 Winter Olympic games than in any of the previous three Olympic games.**

**Utah-trained ski and snowboard athletes won substantially more medals after 2010 than in previous Olympic games.**



Source: Auditor Generated from USSA Data

According to data from US Ski and Snowboard Management Team, ski and snowboard athletes with ties to Utah won a total of seven medals in the 1998, 2002, and 2006 Winter Olympic Games combined. In 2010 and 2014 Olympics, however, US ski and snowboard athletes with ties to Utah accumulated 12 and 10 medals, respectively. Among the 29 medals in Figure 4.9, athletes who were born and raised in Utah won 6 of them, athletes who moved to Utah (either permanently or temporarily) to train won 21, and an athlete who moved to Utah after winning Olympic medals won 2 medals.

In the case of the Canadian Olympic Legacy, the Calgary Olympic Development Association credits their winter Olympic legacy with making Canada a winter sports power and winning the most gold medals with 14 at the 2010 Winter Games in Vancouver. As shown in Figure 4.9, Utah's Olympic legacy might be having a similar impact for Utah.

## **Recommendations**

1. We recommend that UOLF maintain a consistent system for tracking performance measures over several years to enable a more effective data analysis in the future.
2. We recommend that UOLF, as a steward of public assets, publish key performance measures to increase transparency.

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## **Appendices**

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## **Appendix A**

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## Estimated Capital Improvement Costs for Utah Olympic Venues

Utah Olympic Oval:	Year	Cost
Oval roof	2019	\$ 1,750,000
Replace 11m btu boiler	2019	\$ 425,000
Chiller	2019	\$ 600,000
Compressor 1 replacement	2019	\$ 200,000
Remodel offices	2019	\$ 75,000
Security system	2020	\$ 75,000
Videoboard	2020	\$ 300,000
Plant Asphalt	2020	\$ 75,000
Zamboni	2021	\$ 125,000
Sound system	2021	\$ 125,000
Condensor 1 replacement	2022	\$ 150,000
Condensor 2 replacement	2022	\$ 150,000
Control system replacement	2022	\$ 200,000
Lobby flooring and bathrooms	2023	\$ 100,000
Compressor 3	2024	\$ 175,000
LT Pad System	2024	\$ 750,000
Repaint Structure	2024	\$ 125,000
ST Pad System	2025	\$ 500,000
AC Chiller #1	2025	\$ 135,000
Bleachers portable	2025	\$ 250,000
Dehumidifier Wheel Replacement	2026	\$ 100,000
Skate flooring Full Replacement	2026	\$ 500,000
Asphalt Mill and Overlay Parking	2026	\$ 100,000
Bleachers Aluminum	2027	\$ 350,000
Control System - Building	2027	\$ 100,000
Natural Gas Compressor	2027	\$ 100,000
Condensor 3 Replacement	2028	\$ 135,000
Control System - Ice Plant	2028	\$ 100,000
AC Compressor	2028	\$ 150,000
Forklift replacement	2028	\$ 75,000
Annual Misc	2019-2028	\$ 2,175,000
Oval Total		<b>\$ 10,170,000</b>

<b>Utah Olympic Park:</b>	<b>Year</b>	<b>Cost</b>
<b>Snowcat</b>	2019	\$ 350,000
<b>Park Main Road Mill and Overlay</b>	2019	\$ 715,000
<b>Park Guardrails</b>	2019	\$ 150,000
<b>Other Asphalt</b>	2019	\$ 80,000
<b>Ammonia Booster Pump</b>	2019	\$ 75,000
<b>Alpine Slide Cover</b>	2019	\$ 400,000
<b>Track camera system replacement</b>	2019	\$ 175,000
<b>Men's start remodel</b>	2019	\$ 95,000
<b>K64 Rebuild (Inrun,Landing Hill Plastic, Gradeboards)</b>	2020	\$ 400,000
<b>K90 Plastic</b>	2020	\$ 200,000
<b>Nordic Scoring</b>	2020	\$ 125,000
<b>Track Timing</b>	2020	\$ 100,000
<b>Skid Steerer</b>	2020	\$ 100,000
<b>Boom Fork Lift</b>	2020	\$ 100,000
<b>Holder (Snow Removal Equipment)</b>	2020	\$ 125,000
<b>Bus 1</b>	2020	\$ 100,000
<b>Winch cat</b>	2021	\$ 425,000
<b>K10-40 Rebuild (Inrun, Landing Hill Plastic, Gradeboards)</b>	2021	\$ 350,000
<b>Bus 2</b>	2021	\$ 100,000
<b>Nordic Asphalt</b>	2022	\$ 418,000
<b>Park Internal Electrical - Transformers</b>	2022	\$ 100,000
<b>Loader</b>	2022	\$ 150,000
<b>Track Sound System (w/road)</b>	2022	\$ 150,000
<b>Locker area remodel Legacy Center</b>	2023	\$ 150,000
<b>Plant Office Remodel</b>	2023	\$ 75,000
<b>ADA Bus</b>	2024	\$ 75,000
<b>Extreme Zip Cables</b>	2024	\$ 150,000
<b>Freestyle Zip Cables</b>	2024	\$ 100,000
<b>Snowmaking Guns (3)</b>	2024	\$ 100,000
<b>Aerial Judges Tower Remodel</b>	2024	\$ 75,000
<b>Lighting generator</b>	2025	\$ 150,000
<b>Mini Ex Replacement</b>	2025	\$ 125,000
<b>Large Snowmaking Compressor</b>	2026	\$ 150,000
<b>Snowcat</b>	2026	\$ 365,000
<b>Small Snowmaking Compressor</b>	2027	\$ 75,000
<b>K120 Landing Hill Plastic</b>	2028	\$ 275,000
<b>Control System - Ice Plant</b>	2028	\$ 100,000

<b>Salt Lake Look (2002 Olympic Signs)</b>	2019-2020	\$ 150,000
<b>Trackside Asphalt Mill and Overlay</b>	2019-2021	\$ 915,000
<b>Retaining Walls Trackside</b>	2019-2022	\$ 1,000,000
<b>Snowmaking Guns (3)</b>	2019-2022	\$ 400,000
<b>Retaining walls Track Pit</b>	2019-2023	\$ 4,000,000
<b>Annual Misc (under 100k)</b>	2019-2028	\$ 7,350,000
<b>Track water line and hydrant replacement</b>	2020-2021	\$ 200,000
<b>Park Total</b>		<b>\$ 20,963,000</b>

<b>Soldier Hollow Nordic Center</b>	<b>Year</b>	<b>Cost</b>
<b>Parking lot</b>	2019	\$ 100,000
<b>CMB Renovation</b>	2019	\$ 100,000
<b>Wax Cabin Structure</b>	2019	\$ 1,500,000
<b>Large Tractor/Mower</b>	2020	\$ 75,000
<b>Snowcat</b>	2021	\$ 350,000
<b>Range Fence rebuild/replace</b>	2021	\$ 125,000
<b>Skid Steerer</b>	2022	\$ 100,000
<b>Mini Excavator</b>	2022	\$ 125,000
<b>Rollerski loop mill and overlay</b>	2024	\$ 300,000
<b>Snowmaking Line repair</b>	2024	\$ 400,000
<b>Asphalt to CMB mill and overlay</b>	2025	\$ 200,000
<b>Lodge remodel</b>	2026	\$ 100,000
<b>Retaining Walls</b>	2027	\$ 350,000
<b>Snowcat</b>	2028	\$ 365,000
<b>Snowmaking guns (3)</b>	2019-2023	\$ 500,000
<b>Annual Misc (under 75k)</b>	2019-2028	\$ 1,950,000
<b>Venue Fencing</b>	2020-2022	\$ 300,000
<b>Soldier Hollow Total</b>		<b>\$ 6,940,000</b>
<b>UOLF Administration:</b>		
<b>Annual IT</b>	2019-2028	<b>\$ 1,250,000</b>
<b>UOLF Total</b>		<b>\$ 39,323,000</b>

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## **Agency Response**

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October 6, 2017

John M. Schaff, CIA  
Auditor General  
Office of the Legislative Auditor General  
W315 Utah State Capital Complex  
PO Box 145315  
Salt Lake City, UT 84114

**RE: Response to Performance Audit of Utah Olympic Legacy Foundation  
Report No. 2017-08**

Dear Mr. Schaff:

Given Utah's Olympic history and unique Olympic legacy story, as well as the recognized benefits of public transparency, we are grateful to the Office of the Legislative Auditor General for taking time to review the Utah Olympic Legacy Foundation's past, current, and future efforts. We particularly appreciate the professionalism and thoughtful discourse with Darin Underwood, August Lehman, and Lane Farr in carrying out this audit process.

The Utah Olympic Legacy Foundation confirms that the information contained in the Performance Audit Report accurately represents the facts. We agree 100% with the recommendations and are already taking action to put these into effect.

Since the 2002 Olympic Winter Games, the Utah Olympic Legacy Foundation has understood the need to remain transparent and continually improve operations. Since inception, the Foundation has completed an annual independent financial audit and engaged an independent performance audit every five years. We believe the findings of this current Legislative Performance Audit Report reflect the positive benefits of those prudent measures, and we welcome the continued collaboration with the State as we implement its recommendations.

Our response to the recommendations follow.

Sincerely,



Colin Hilton  
Utah Olympic Legacy Foundation  
President and CEO



Luke Bodensteiner  
Utah Olympic Legacy Foundation  
Chair of the Board

LEGACY

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PO Box 980337  
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435.658.4200

OVAl

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Kearns, UT 84118  
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Park City, UT 84098  
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SOLDIER  
HOLLOW

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2002 Soldier Hollow Lane  
Midway, UT 84049  
435.654.2002



U.S. OLYMPIC  
TRAINING SITE

## **RESPONSE OF THE UTAH OLYMPIC LEGACY FOUNDATION TO PERFORMANCE AUDIT REPORT NO. 2017-08**

### **Context of Utah's Olympic Legacy**

Utah wisely planned for its Olympic legacy even before being awarded the 2002 Olympic Winter Games. Certain goals and requirements were set by Utah leaders in the early 1990s, as memorialized in a 1994 state legislative resolution that set the course for how Olympic legacy efforts have been organized for over 23 years. Today, many organizations throughout Utah contribute to these ongoing legacy efforts, holding true to the original spirit of collaboration and large-scale coordination that was displayed to the world in 2002.

Since the end of the 2002 Olympic Winter Games, the Utah Olympic Legacy Foundation (UOLF or Foundation) has sought to build a meaningful and impactful legacy through dynamic, efficient, and community-minded uses of Utah's unique legacy venues and programs. The expensive and purpose-built facilities are not only used for Olympians, elite and international athletes; our philosophy also embraces use of the venues for all ages and all ability levels, and to serve as community recreation facilities. Our Olympic venues serve to introduce Utah's youth to a variety of winter sports, promoting healthy lifestyles and high participation rates by keeping rates affordable. Our approach is also to engage the public in a variety of activities and events related to Olympic sport experiences, allowing us to earn revenues that reduce the subsidy required to operate programs and facilities.

UOLF is proud to be four times busier in our Olympic venue uses today compared to just after the 2002 Games. Annually, we now average over 1.4M combined uses at the Olympic Oval, Olympic Park, and Soldier Hollow Nordic Center. Furthermore, we train over 60% of Team USA athletes in a variety of winter sports, many of which call Utah home.

### **Legacy at a Crossroads**

Although Utah's Olympic legacy story is a model for the world, Utah now faces another important crossroads similar to a period in 1989 when visionaries gathered to craft an effort to build Utah's winter sport infrastructure. A publicly-supported state tax increment fund of \$59M was created to build an enhanced set of winter sport facilities with the hope of hosting an Olympic Games in the future. In 2017, we now have a more mature set of facilities that serves a host of winter sport and community needs, but faces rather immense capital repair and improvement costs. UOLF leadership views that a similar effort is now needed in order to keep these impactful Utah facilities relevant to current and future standards. This is especially important as Utah positions itself to host a second Olympic Winter Games in the near future, serves as the world's premier winter sport training and event destination, and continues to operate its Olympic venues as community centers.

### **Highlighted Legacy Foundation Financials**

While a host of statistical data is listed in the report, the following items are areas UOLF would like to emphasize to demonstrate the magnitude of past, current, and future challenges. Olympic venues cost more than most people realize and rely on a combination of prudent expense management and raising revenues through user fees, public activity revenues, fundraising, and smart investment strategies. These specialized venues require significant personnel and utility costs are high, as shown in the statistical highlights below.

Since 2002, UOLF has:

- Spent \$147.6M on venue operations, maintenance, and program delivery costs. Today, our annual operating & maintenance budget balances at approximately \$17M.



- Expended \$25.8M on Olympic venue capital improvements.
- Earned over \$64.5M in net investment earnings, averaging \$4.3M per year.
- Raised public program revenues from \$2.4M in 2004 to over \$8M in 2017.
- Steadily increased staffing numbers to handle the increased volume of activities. We currently employ 111 full-time year-round staff, 467 part-time and seasonal staff, totaling 578 staff across three Utah communities.
- Held over 175 national and international sporting events.

### UOLF Investment Portfolio (Legacy Fund)

Use of Legacy Fund investment earnings has been the key to sustaining UOLF. Foundation board and staff are sensitive to ensure the fund's principle value does not drop below \$60M, as it stands today, because an erosion of that principle would quickly reduce the annual investment earnings available to support the operation of the Foundation and would eventually consume the entirety of the Legacy Fund.

As the most important Audit Report finding points out, UOLF does not have the financial capacity to properly maintain Utah's legacy venue infrastructure at current and future standards. We have itemized the needs in detail herein and are hopeful the State can help with timely capital improvement project funding, for which discussions should occur on any possible reimbursements from a future Olympics.

## Specific Responses to Audit Report Recommendations

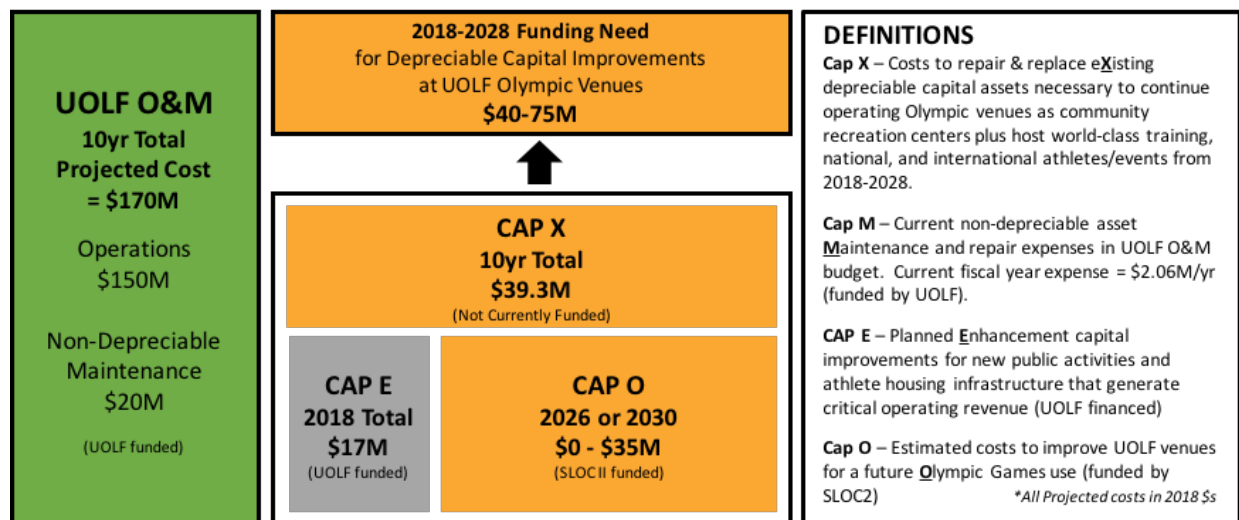
### Chapter I – Introduction

No recommendations

### Chapter II – State Funding Options for Capital Improvements

*Recommendation (Page 23):* "We recommend that the Legislature consider options they wish to pursue with regards to Olympic Capital Improvements."

*Response:* Agree. The next ten years of venue operations, maintenance, facility repair and improvements are critical to Utah's positioning efforts. To help better understand the challenge ahead, it is important to understand projected expenses and targeted funding sources. To that end, the following graphics outline the projected needs and targeted sources from 2018-2028 (a critical period within which three potential Olympic City choices will be made for future Olympic Winter Games):

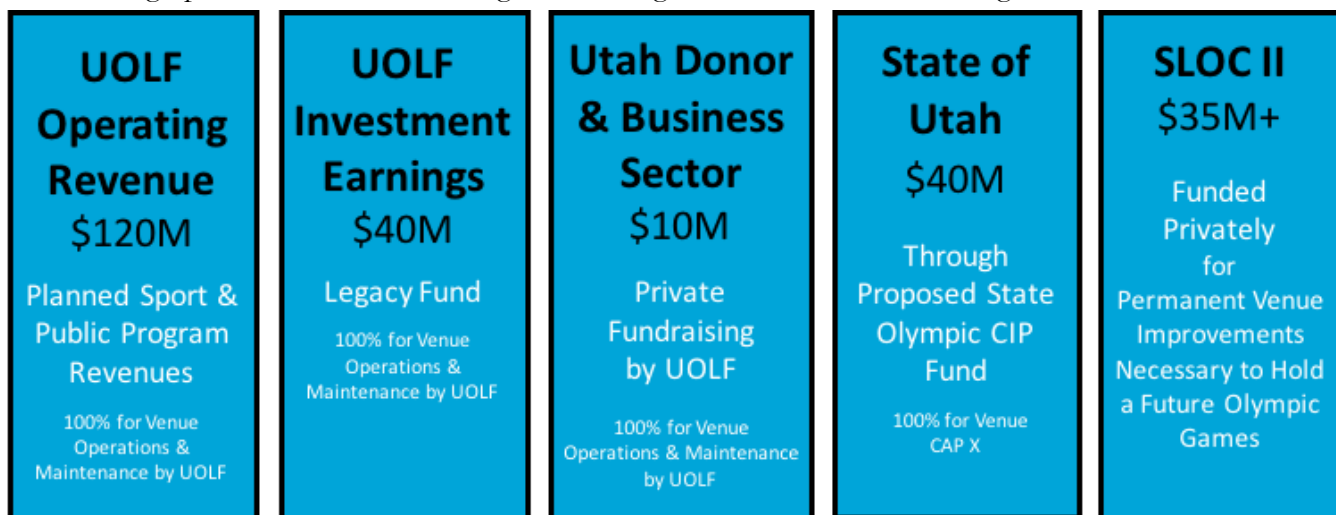


As illustrated, just the cost of operating and maintaining (O&M budget) UOLF Legacy venues is a staggering \$170M over a ten-year period (in 2018 value). Within that amount, we estimate just over \$21M for “non-depreciable” maintenance and repair costs. UOLF projects an ability to 100% cover these projected O&M expenses with operating revenues and Legacy Fund earnings given the planning assumption that the value of the Legacy Fund stays at \$60M.

This leaves three other areas of depreciable asset improvements to be funded:

- Capital Enhancement Projects (Cap E) – such as new public activities (zip tours, public ride bobsleds, etc), athlete housing, and meeting & conference facilities are planned to be 100% UOLF financed
- Potential permanent venue costs associated with a new Olympic Games (Cap O) is targeted to be funded by a second organizing committee (SLOC II OCOG), should there be associated costs (Current placeholder of \$35M pending more discussion; Interest to bring that number closer to \$0)
- Capital X is for existing Olympic venue replacement and improvement costs (nearly \$40M in 2018 \$’s) that is currently NOT funded, but absolutely critical to efforts going forward.

The below graphic further illustrates targeted funding sources for known funding needs:



To fund the next 10-year projected \$170M O&M expenses, UOLF forecasts approximately \$120M would come from operating revenues, \$40M from Legacy Fund investment earnings, and \$10M from annual UOLF sponsorship and fundraising efforts. SLOC II would be targeted to fund any Games period related costs (\$0 to \$35M), leaving \$40M (in 2018 \$’s) of unfunded Cap X costs.

Much of the projected \$40M for Cap X is heaviest in the next 3 years given a large amount of venue infrastructure that has reached its 15-20 year lifespan (e.g. Oval roof replacement, refrigeration equipment replacements, bobsled track retaining wall failures). *Considerations by the State to fund Cap X improvements are a critical discussion point for UOLF actions over the next 10 years.*

### Chapter III – Operating Loss Concerns

*Recommendation 1 (Page 34):* “We recommend that UOLF continue to develop and implement plans to increase revenues and limit expenses so that the foundation can reduce its reliance on fund subsidies for operational losses.”

*Response:* Agree. This recommendation embraces UOLF's current operating strategy, resulting in significant reductions in operating losses. We are currently constructing three new public activity projects at Olympic Park (i.e. zip tour, public airbag, bobsled push track experience), a new meeting and conference space at the Olympic Oval, and improving existing public tubing at Soldier Hollow, in order to further increase public use revenues. We are also on track in this current fiscal year to raise our highest level of fundraising and sponsorship to date, and are closer to seeing Park land development commitments begin to assist us with land lease and operating revenue streams. Additionally, we strive to manage our expenses effectively by streamlining staffing, reducing energy costs, and finding partners to assist in programming costs. Our goal is always to reduce the reliance of the Legacy Fund earnings.

*Recommendation 2 (Page 34):* "We recommend that UOLF develop contingency plans for a future economic downturn or poorly performing investments."

*Response:* Agree. UOLF has a good history of managing financials through past economic downturns and feels confident that we can do the same when it happens again. Even through the impacts of the 2008-09 economic downturn, UOLF has still managed to average a Legacy Fund earnings rate of 7.4%/yr since 2002. We budget a conservative 7% earnings rate annually and engage in quarterly discussions with our Audit and Finance Committee to evaluate projected earnings rate, asset allocations, and performance of index-based and managed funds. While we have always made smart budget adjustments following lower Legacy Fund performance and/or economic downturns, we are working toward creating more detailed contingency plans going forward. To that end, we are currently itemizing high-value to less-value programs and other venue use areas that correlate with high to low expense impacts.

#### **Chapter IV – Meeting Original Legislative Goals**

*Recommendation 1 (Page 47):* "We recommend that UOLF maintain a consistent system for tracking performance measures over several years to enable a more effective data analysis in the future."

*Response:* Agree. While UOLF has focused on financial statistical data that has been consistent over the years, this Performance Audit has highlighted the need to have more consistent measures of activity use across both sport and public participation. While we have data on sport use, we modified the underlying assumptions in 2011 regarding definitions of the various skill levels and thus created the inability to compare current day data all the way back to 2002. We have improved our tracking systems of both sport and public uses, but agree that the reports we create should be more robust with added statistical analysis. Additional staff time and resources will be required, but UOLF agrees it will be worth the effort.

*Recommendation 2 (Page 47):* "We recommend that UOLF, as stewards of public assets, publish key performance measures to increase transparency."

*Response:* Agree. UOLF commits to doing this beyond the current efforts of publishing board meeting agendas, meeting minutes, and annual reports.

Utah has set an impressive approach to Olympic legacy that we feel should continue with robust support. We appreciate the efforts of the State and are committed to continuing our efforts as we move into a new phase of shaping Utah's Olympic Legacy.