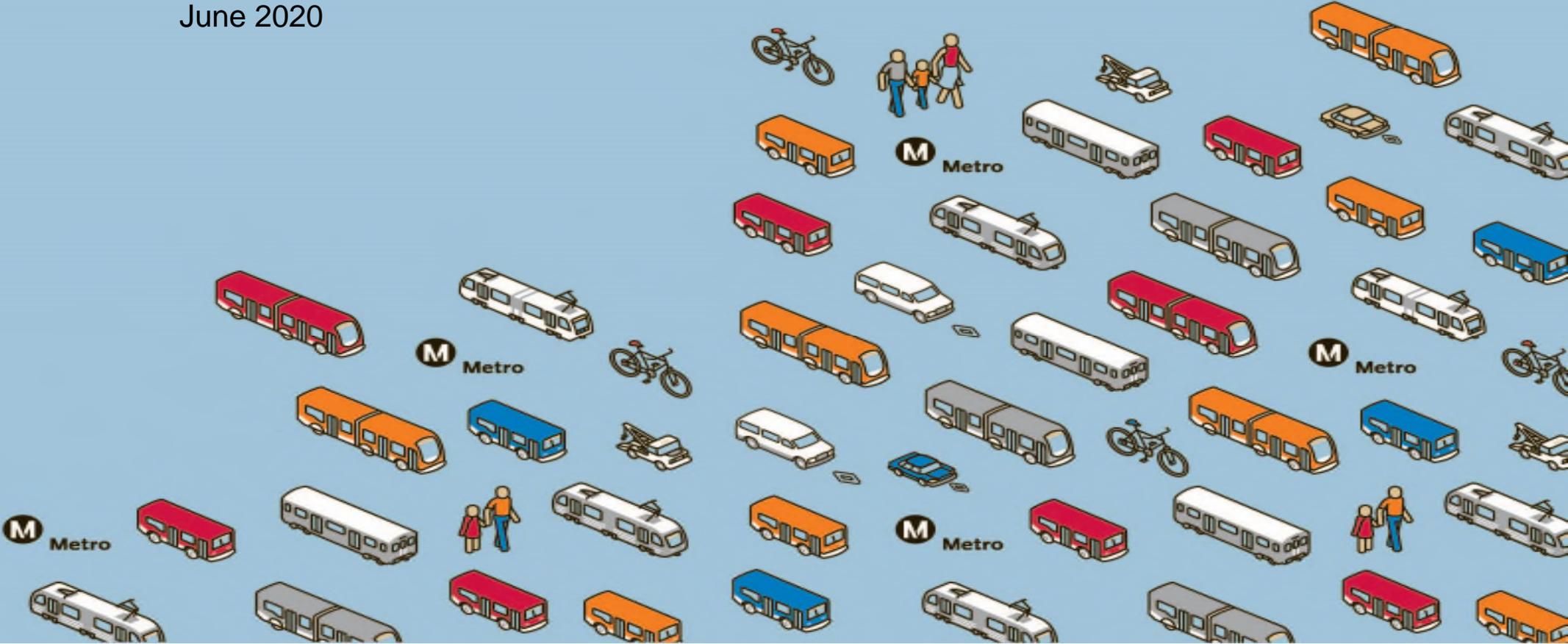


Office Of Inspector General – Asset Valuation Study Report

Karen Gorman, Inspector General

June 2020



Advertising and sponsorship opportunities could raise as much as \$685 mil. in revenue over the next 25 years.

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| TAP Card Revenue Potential | |
|----------------------------|--|
| Asset | TAP Card Program |
| Annual Value | Option A: Primary Sponsor: \$1.5 million - \$2.0 million Option B: Advertising Program: \$400,000 - \$750,000 |
| Terms | 10 years for Primary Sponsor Four weeks for advertisers |
| Total Revenue Potential | Primary Sponsor: \$22.5 million Advertising Program: \$7.5 million |
| Target Categories | All categories: identified by size and marketing budget |

Option A: Sponsorship Revenue Potential: proposes a value range of \$1.5 million to \$2.0 million per annum for Primary Sponsorship of the TAP Card program. Assuming a CPI escalator of 2.6%, could generate between \$16.9 mil. - \$22.5 mil. over a 10 years.

Option B: Advertising Revenue Potential Alternatively, proposes a value range of \$100,000 to \$125,000 per four-week advertising campaign. Assuming an estimated 4-6 campaigns per year, could generate between \$400,000 and \$750,000 per annum, or revenues of \$7.5 million over 10 years.



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- A** A Line (Blue)
Downtown LA to Long Beach
 - B** B Line (Red)
North Hollywood to Union Station
 - C** C Line (Green)
Redondo Beach to Norwalk
 - D** D Line (Purple)
Wilshire/Western to Union Station
 - E** E Line (Expo)
Downtown LA to Santa Monica
 - L** L Line (Gold)
East Los Angeles to Azusa
 -  Metro Busway
 - G** G Line (Orange)
Chatsworth to North Hollywood
 - J** J Line (Silver)
San Pedro to El Monte
- Street Service in Downtown LA and San Pedro

Naming Rights and Corporate Sponsorship Revenue Potential

| Rail and Bus Lines | Value Per Annum | | Total Over Term (25 years) | |
|------------------------|--------------------|---------------------|----------------------------|----------------------|
| | Low | High | Low | High |
| Metro Line | | | | |
| A Line (Blue) | \$750,000 | \$1,250,000 | \$25,952,758 | \$43,254,597 |
| Red Line | \$1,000,000 | \$1,750,000 | \$34,603,677 | \$60,556,435 |
| Green Line | \$2,000,000 | \$2,750,000 | \$69,207,355 | \$95,160,113 |
| Gold Line | \$1,000,000 | \$1,750,000 | \$34,603,677 | \$60,556,435 |
| Purple Line | \$500,000 | \$1,000,000 | \$17,301,839 | \$34,603,677 |
| E Line (Expo) | \$750,000 | \$1,250,000 | \$25,952,758 | \$43,254,597 |
| Orange Line | \$500,000 | \$1,000,000 | \$17,301,839 | \$34,603,677 |
| Silver Line | \$500,000 | \$1,000,000 | \$17,301,839 | \$34,603,677 |
| Dodger Stadium Express | \$250,000 | \$500,000 | \$8,650,919 | \$17,301,839 |
| LAX FlyAway | \$150,000 | \$300,000 | \$5,190,552 | \$10,381,103 |
| TOTALS | \$7,400,000 | \$12,550,000 | \$256,067,212 | \$434,276,151 |



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| Major Rail and Bus Stations | Value Per Annum | | Total Over Term (10 years) | |
|-----------------------------|--------------------|--------------------|----------------------------|---------------------|
| | Low | High | Low | High |
| Civic Center/Grand Park | \$250,000 | \$500,000 | \$2,813,732 | \$5,627,464 |
| Pershing Square | \$250,000 | \$500,000 | \$2,813,732 | \$5,627,464 |
| 7th Street/Metro Center | \$1,500,000 | \$2,000,000 | \$16,882,393 | \$22,509,857 |
| Pico | \$250,000 | \$500,000 | \$2,813,732 | \$5,627,464 |
| TOTALS | \$2,250,000 | \$3,500,000 | \$25,323,589 | \$39,392,250 |



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| Additional Stations | Value Per Annum | Value Over Term (10 years) | Quantity | Grand Total Potential |
|--|------------------|----------------------------|------------|-----------------------|
| Tier 1: Highway Stations | \$250,000 | \$2,813,732 | 21 | \$59,088,372 |
| Tier 2: Stations Near Major Roadways | \$100,000 | \$1,125,493 | 24 | \$27,011,832 |
| Tier 3: Stations Near Smaller Roadways | \$50,000 | \$562,746 | 70 | \$39,392,220 |
| TOTALS | \$400,000 | \$4,501,971 | 115 | \$125,492,424 |



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| Other Metro Assets | Value Per Annum | | Total Over Term (10 years) | |
|------------------------------|--------------------|--------------------|----------------------------|---------------------|
| | Low | High | Low | High |
| Freeway Service Patrol | \$2,000,000 | \$3,000,000 | \$22,509,857 | \$33,764,786 |
| Metro Bike Share | \$500,000 | \$1,000,000 | \$5,627,464 | \$11,254,829 |
| Passageway at Union Station | \$200,000 | \$300,000 | \$2,250,986 | \$3,376,479 |
| Public Restrooms | \$150,000 | \$250,000 | \$1,688,239 | \$2,813,732 |
| Sierra Madre Villa Parking | \$250,000 | \$500,000 | \$2,813,732 | \$5,627,464 |
| Atlantic Parking | \$75,000 | \$125,000 | \$844,120 | \$1,406,866 |
| Inwindale Parking | \$75,000 | \$125,000 | \$844,120 | \$1,406,866 |
| APU/Citrus Parking | \$50,000 | \$100,000 | \$562,746 | \$1,125,493 |
| Arcadia Parking | \$50,000 | \$100,000 | \$562,746 | \$1,125,493 |
| La Cienega/Jefferson Parking | \$50,000 | \$100,000 | \$562,746 | \$1,125,493 |
| Monrovia Parking | \$50,000 | \$100,000 | \$562,746 | \$1,125,493 |
| Willow Parking | \$50,000 | \$100,000 | \$562,746 | \$1,125,493 |
| Expo/Sepulveda Parking | \$25,000 | \$50,000 | \$281,373 | \$562,746 |
| TOTALS | \$3,525,000 | \$5,850,000 | \$39,673,623 | \$65,841,333 |



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Conclusions and Recommendations

1. TAP Card Advertising and Primary Sponsorship Options:

Sponsorship of the TAP card program is the recommended approach to monetization of the assets over TAP card advertising. (The OIG believes that both are possible)

2. Naming Rights and Corporate Sponsorships

There is a large number of potential naming rights and sponsorship opportunities.

Priority Opportunities include:

First Tier: i. Metro Rail Lines; ii. Metro Bus Lines; iii. Freeway Service Patrol; iv. Metro Stations; & v. Metro Bike Share.

Second Tier: i. Passageway at Union Station; ii. Public Restrooms; & iii. Parking Garages.



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Other Opportunities:

- Public Toilets
- Freeway Service Patrol
- Bike Share
- Fare Media Wearables

Terms & Conditions

Termination rights for Metro include:

- conduct by sponsor that reflects poorly on Metro's reputation
- changes in circumstances



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Next Steps:

- A. The OIG will submit the consultant’s report at the June Board meeting.
- B. Management will decide if it wants to propose a program.
- C. Any program proposed by management should take into consideration:
 1. the OIG report,
 2. the Agency’s values,
 3. “Covid-19 era values,”
 4. the Board’s stated concerns about such a program,
 5. “character scandal” out clauses & other terms that positively reflect Metro’s ethics,
 6. revenue potential of the assets,
 7. expenses associated with the program,
 8. staff time associated with the program, and
 9. ridership recovery.

