

**Executive
Management
Committee**

May 2020



Revenue Advertising

Contract Summary

Metro Board approved the current revenue advertising contracts with OUTFRONT and Intersection in JAN 2018 with revenue operations beginning MAR 2018 - FEB 2028.

Buses - OUTFRONT

- Sell and manage advertising on/in 2,000+ bus fleet
- Revenues of \$262,250,000 for the duration of the contract

Rail - Intersection

- Sell and manage advertising on/in rail stations and trains
- Revenues of \$42,902,200 for the duration of the contract
- +\$20M capital expenditure investment for new equipment providing digital advertising and information

\$305M long-term revenue source for Metro

Revenues Paid

Since revenue operations began in March 2018

- \$57.7M have been paid to Metro by OUTFRONT and Intersection combined
- Intersection invested \$4.2M in A Line (2019)
- Both contractors meeting their contractual financial obligations and operating per policies

Summary of Contract Modifications

To preserve a long-term revenue source and investment of equipment and infrastructure, staff is recommending temporary contract changes for both contractors –

1. Temporarily replace the minimum annual guarantee (MAG) payments to Metro, as required by the Contract
2. Submit monthly payments 55% of actual sales revenues, from May 15, 2020 to December 31, 2020
3. And re-schedule the May 2020 payment from May 15, 2020 to May 30, 2020

Impact of COVID-19

COVID-19 pandemic and *Stay Home* orders beginning March 15th are having unexpected circumstances impacting both contractors' ability to generate revenue for the remainder of 2020.

Cancellation of Sales

- Both contractors are flooded with cancellation requests from their clients.
- Forward bookings have all but stopped for calendar year Q2 (Apr-May-Jun) and Q3 (Jul-Aug-Sept).
- The local entertainment business has evaporated; all sales for 2020 have been cancelled.

Impact of COVID-19 (cont.)

Loss of Customer Impressions

- Bystander viewing impressions – impressions from traffic and pedestrians (people on the streets).
- Rider viewing impressions – impressions from transit riders (Metro riders).

Capital Expenditures Delayed

- Intersection will delay major capital expenditures for 6 months – digitizing E Line pushed to Winter 2020 (originally planned for Summer 2020).
- They have experienced delays sourcing critical components and digital displays and expect the delayed to continue until the worst of the pandemic has passed.

Impact of COVID-19 (cont.)

Nationally – Transit agencies are experiencing similar issues with revenue re-forecasting and shortfalls.

- Regional Transportation Commission Southern Nevada (RTC SNV)
- Sound Transit
- Chicago Transit Authority (CTA)
- Dallas DART

Locally – Businesses who are not providing *essential service* have cancelled orders.

- Entertainment industry (new releases, theaters, television shows) accounts for 50% of BUS sales.
- Local business and institutions (schools, museums, destinations, hospitals) account for 39% of RAIL sales.

Revised Revenue Estimates

Revised revenue projections for May 2020 to December 2020 - with *estimated* 55% revenue share payments compared to *planned* minimum annual guarantee (MAG) payments.

MAG Revenues (planned revenues and payments)								
	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
BUS - MAG	1,958,333	1,958,333	1,958,333	1,958,333	1,958,333	1,958,333	1,958,333	1,958,333
RAIL - MAG	249,421	249,421	249,421	249,421	249,421	249,421	249,421	249,421
MAG (planned)	\$2,207,754							

55% Revenue Share (estimated revenues and payments)								
	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
BUS - 55%	495,438	756,664	243,218	1,760,000	1,760,000	1,760,000	1,760,000	1,760,000
RAIL - 55%	178,200	116,050	207,350	260,150	201,850	242,000	234,850	238,700
55% Revenue (estimated)	\$673,638	\$872,714	\$450,568	\$2,020,150	\$1,961,850	\$2,002,000	\$1,994,850	\$1,998,700

Financial Impact

Estimated loss of revenues

- \$2,869,156 (-43%) = FY20 Q4
- \$2,818,406 (-21%) = FY21 Q1 and Q2
- *Actual monthly sales will vary*
- Advertising revenues are eligible for bus and rail operating and capital expenditures.

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