

FASANA MOTION January 15, 2015

Since MTA rebid its advertising contract in early 2012 there have been three large transit authorities that have also rebid their contracts with significant increases in revenue to those agencies.

Unlike MTA, all of the three transit authorities have revenue sharing agreements rather than a flat fee contract. They have a "minimum annual guarantee" against a percentage share of the gross revenue. Twenty-three of the twenty-five larger transit properties have revenue sharing agreements.

SEPTA's previous contract had a total minimum guarantee of \$84.5 million for the term of the contract of 9 years. The new contract beginning in May of 2014 has a total guarantee of \$150 million, on a 5-year, with 2-2 year extensions (a total of 9 years). A 77% increase.

SEMTA's previous contract had a guarantee of \$22.1 million on a 5 year contract. Their new contract beginning in July of 2014 has a guarantee of \$28.5 million on a 5 year contract. A 29% increase.

WMATA's previous guarantee was \$40 million over 5 years. Its new guarantee beginning in January 2014 is \$103 million over 5 years. A 157% increase.

The MTA RFP requested both a minimum annual guarantee and a flat fee contract. MTA chose a flat fee contract for the five year term. CBS had proposed \$110 million. Titan had proposed \$117.25 million. MTA selected CBS and left more than \$7 million on the table.

MTA has completed the first two years of the contract which began in January of 2013 and is began the first of three option years January 1, 2015. The contract calls for the next option year decision to be made in June of 2015.

The advertising market has recovered quite well from the recession. There is still time to test the market by releasing the RFP to determine if there is more revenue to be realized from transit advertising. Based on the healthier economy and the results of four recent bids, it would appear that there is more money to be realized from this contract and MTA should test the market by releasing the RFP with sufficient time for a decision before the next option year determination.

In an effort to ensure that Metro is receiving the maximum revenues from advertising, the Board needs issue an RFP to test the market and determine whether or not to award a new contract in June 2015 or exercise the next option.

I THEREFORE MOVE THAT in an effort to generate the maximum amount of revenue from advertising, staff is directed issue a Request for Proposals for advertising revenues from bus and rail. Staff needs to include information related to potential revenue from a fixed guaranteed revenue option and a revenue sharing option and any other revenue generating opportunities.