

Transportation Committee

For the Metropolitan Council meeting of December 9, 2020

Subject: Amendment #4 to Intersection LLC, Contract #14R038 – Transit Advertising Sales

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to:

1) negotiate and execute an amendment to the Intersection LLC., contract based on the attached term sheet that continues to provide relief from the minimum annual guarantee (MAG) payments owed the Council.

~~2) extend the term of the Intersection contract to April 30, 2023.~~

Summary of Committee Discussion/Questions

Metro Transit Director of Marketing and Transit Information Bruce Howard presented this item. Cummings commented that this approach makes sense as everything trickles down and companies are having issues with resources. Ferguson questioned why we would extend the contract a year when it really did not provide anything to the Council in return. Howard said, the contract was up in April 2022 and typically staff would be bidding the contract in late summer or early fall of 2021. The thinking behind the request for a year extension is to allow the economy to improve and prospective vendors to feel more confident about their bids. A competitive bidding process for the contract would then be conducted in 2022.

Metro Transit General Manager Wes Kooistra added that this was a judgment call that we might get a more favorable contract and better bids by waiting a year. Cummings asked how many bids would normally be received for this type of contract. Howard responded 3 to 6 bids. Ferguson and Zeran questioned why the contract extension is needed right now and why couldn't it wait six months. Howard answered that it was included right now for simplicity since another amendment to the contract was being requested but the extension discussion could certainly wait.

Ferguson made a motion, seconded by Zeran to amend the motion to remove the extension amendment:

(2) extend the term of the Intersection contract to April 30, 2023.

Motion carried.

Motion by Ferguson, seconded by Zeran to approve the motion as amended. Chair Barber asked when the contract extension or re-bidding would be brought back to Committee, to which Howard responded the current contract ends April 2022 so would probably be late summer/early fall 2021.

Motion carried. CONSENT to Council.

Transportation Committee

Meeting date: November 23, 2020

For the Metropolitan Council meeting of December 9, 2020

Subject: Amendment # 4 to Intersection LLC., Contract #14R038 – Transit Advertising Sales

District(s), Member(s): All

Policy/Legal Reference: 3-2 Sources of Revenue and 3-2-2 Income/Grants Policy

Staff Prepared/Presented: Wes Kooistra, General Manager
Bruce Howard, Director Marketing and Transit Information
Maria Cone, Manager Market Development
Steve True, Senior Manager Finance
Laron Weddington, Principal Contract Administrator

Division/Department: Metro Transit/Marketing and Transit Information

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to:

1) negotiate and execute an amendment to the Intersection LLC., contract based on the attached term sheet that continues to provide relief from the minimum annual guarantee (MAG) payments owed the Council.

~~2) extend the term of the Intersection contract to April 30, 2023.~~

Background

The Intersection contract authorizes exclusive sale, implementation and maintenance of advertising space on Metro Transit assets including bus and train vehicles, station kiosks, and shelters. The current contract runs through April 30, 2022 and requires Intersection to pay the Council 65% of advertising revenues or a (MAG) payment at the end of each contract year, whichever is greater.

Earlier this year Intersection notified Metro Transit that due to COVID-19 advertisers were significantly reducing ad spending or pausing ad spending altogether. This would significantly reduce Intersection's revenues and its ability to meet the MAG payments in the contract. In June, the Council amended the contract to temporarily suspend MAG payments for the months of April - December 31, 2020 and continue with the revenue sharing only in which Metro Transit receives 65% of advertising revenues. It was also agreed the current advertising environment would be reviewed in late 2020 to discuss the viability of returning to MAG payments in 2021.

Rationale

Metro Transit and Intersection staff met and agree that advertising spending did not improve much in Q2 and Q3 of 2020 and is not expected to return to near pre pandemic levels until at least the middle of 2021. Intersection estimates sales will be down about 40% in 2020 generating Metro Transit ad revenues of about \$3 million. This would be about \$2 million less than if MAG payments were being made.

Staff did consider returning to the existing contract terms in 2021 which would reinstate a \$5.2 million MAG for 2021. However, Intersection indicated that it is estimating only a slightly better sales year for 2021 and needs continued relief from the MAG payments or there is a high likelihood it would default on the contract. Rebidding and awarding the contract to another vendor would then take an estimated four to six months and recent transit agency contracts awarded around the county indicated vendors were not including any MAGs in bids at this time.

Additionally, due to the pandemic, in March, Metro Transit service was reduced to 60% of pre pandemic levels and is budgeted to be at only 80% for 2021. This means that fewer vehicles have been and are expected to be made available for advertising by Metro Transit than required in the contract.

Staff concluded that amending the existing contract provided the best approach for the Council to maximize ad revenue during this difficult economic time.

Furthermore, staff is recommending extending the current contract one year through April of 2023 in order to allow the economy and advertising spending to more fully recover. The contract would then be put out for competitive bid in the fall of 2022 with a new contract start date of May 1, 2023.

Thrive Lens Analysis

Approval of this amendment would have no significant impact on Thrive Outcomes.

Funding

Metro Transit budgets annual advertising revenues below the contract MAG so a reduction in advertising revenues below the MAG is partially offset by this conservative approach to budgeting advertising revenues.

Known Support / Opposition

No known support or opposition.

Term Sheet
Metro Transit - Intersection Proposal for 2021 and Beyond
November 2, 2020 (REVISED)
FOR DISCUSSION PURPOSES ONLY

The terms set forth below represent Intersection Media LLC’s (“Intersection”) proposal to amend the terms for the existing contract for Transit and Railroad Advertising, Contract No. 14R038, (“Agreement”) between the Metropolitan Council (“the Council”) and Intersection. This term sheet is not intended to create any legally binding obligations, and no such obligations shall be created unless and until Intersection and the Council enter into a definitive agreement containing such terms.

Category	Proposal
Effective Date	<ul style="list-style-type: none"> • The Effective Date of the Amendment shall be January 1, 2021.
Payment Terms	<ul style="list-style-type: none"> • Due to the ongoing impacts of Covid-19, the Council agrees to extend the Impacted Period as defined in the Third Amendment to include the remainder of the contract term, thereby waiving the contracted MAG through April 30, 2022. Intersection will continue to pay 65% of Net Revenues Collected monthly, without a MAG applied to those months.
Letter of Credit	<ul style="list-style-type: none"> • Starting on the Effective Date of the Amendment, the Letter of Credit shall be reduced to 50% of the amount set forth in the Agreement , through the remainder of the contract term.