

SOUTHERN NEVADA TOURISM COMMITTEE
APPENDIX TO MGM RESORTS PRESENTATION
SEPTEMBER 24, 2015

1. Organizational Overview

a. Please provide a brief history of your organization and its importance to the region's tourism-based economy.

Our entertainment venues cover a wide spectrum of the market:

- from small venues for cabaret-type performances,
- to small and mid-sized theaters for resident shows, including Cirque du Soleil
- to arenas of varying capacities
- to festival venues for large, outdoor events

In each case, we host a variety of types of events – comedy, music, performance art, court sports, combat sports, ice sports, and so on.

Our venues are often used by conventions for specific needs such as general sessions, private concerts, and additional flat-floor trade space.

Our history has been one of an entertainment innovator, from the first large-scale arena on the Las Vegas Strip, to our partnership with Cirque du Soleil, to the introduction of purpose-built venues for large-scale festivals, to the new state-of-the-art Las Vegas Arena. Additionally, we have even been instrumental in creating and executing a vision for the day and night club industry in Las Vegas.

b. Please provide an overview of the current status of your organization, including competitive positioning.

MGM Resorts is the largest employer and taxpayer in the State of Nevada. We are also the largest generator of Live Entertainment Tax in the state. We feel responsible to continue to lead in that role and make responsible decisions both socially and economically.

We own several of the large arena venues and festival venues in the market, and utilize these assets to drive visitation to the market.

c. Please provide a general overview of the role your organization plays in southern Nevada's tourism economy.

The entertainment venues that we and others operate generate significant economic impact, and are one of the cornerstones of driving increased visitation to Southern Nevada.

We think the value of events to our tourism success will only grow in the future, given the lack of other historical catalysts, such as the large-scale construction of new resorts.

Entertainment-based tourism has additional benefits. Customers who come to see events in Las Vegas tend to be better customers. According to the Las Vegas Visitor Profile Study, customers who see shows spend more money on gaming and non-gaming activities and stay longer.

d. Please provide a look forward for your organization, including any relevant plans demand or performance metrics and any plans for future expansion.

Other than the Las Vegas Arena that we are building and the new Park Theater that we have announced, MGM Resorts is not planning to build any additional entertainment venues in Las Vegas in the near term. We will focus on increasing the number of events and number of visitors to the market by either attracting established events or by creating new events.

We will strive to enhance the experience for locals and hopefully bring a sense of community pride around professional sports franchises and other events.

Our goal is to increase the number of event days in our venues by 60%. We know we will not be able to do that alone, but with a unified effort as a city and we feel it is a feasible goal.

With our business and community partners, we feel we can craft a way for us to build strong incentive based programs that not only attract producers and promoters but also allow us to collectively grow the market.

We believe that the investments that we as a community make need to be targeted to achieve maximum impact. LVE has been doing this for years, trying to attract events that reach different demographics, fill periods of low demand, and gain exposure to new audiences.

We must continue those targeted efforts. We believe that the Las Vegas Arena will do that, as demonstrated by some of the events we have already announced. For example, we do not believe the George Strait exclusive 2016 North America engagement would have happened without this building. We do not believe Duke would come to Las Vegas to play UNLV next December if not for the new arena. And we do not believe we would be in the hunt for an NHL team if it were not for the new arena.

e. What is your organization's view of growth generally? Do you agree or disagree with the baseline projections set forth by the Committee?

We generally agree with the baseline projections provided to us. We are very optimistic about the future of Las Vegas and we know that visitors' expectations are changing and so are our business partners' expectations. We must change and grow with them. If we take an aggressive stance on entertainment, then it can be a driving force to increase visitation that will help exceed the baseline provided.

2. Current and Future Infrastructure Needs

a. Please provide an overview of the current capacity of your organization's operations given today's tourism-related infrastructure.

Our capacity to deliver on the expectations of our guests in terms of service levels, service quality and volume of events is largely met by the current tourism related infrastructure. Recent efforts to enhance our infrastructure have assisted in these efforts, such as the expansion of McCarran International Airport with Terminal 3.

Improvements to current infrastructure would assist in enhancing the flow of tourists to events, such as more pedestrian-friendly streets, better management of traffic flow (i.e. consider shutting down certain streets to vehicles, one-way streets, etc.), and other non-traditional modes of transportation (i.e. pedi-cabs).

More important than the current infrastructure is the need to maintain the significant competitive advantages that Southern Nevada has relative to other competitive markets like Dallas, Orlando, New York, Miami, Chicago and Los Angeles. This requires coordinated efforts to ensure we have appropriate air, auto and other traffic access, ability to educate tourists, and ensure our facilities are up to date.

b. Are there challenges created external to your organization, outside of your direct control, that are causing bottlenecks or other inefficiencies for your organization and limiting your ability to provide service as efficiently as possible?

Outside challenges are largely competitive in nature, resulting from other markets designing programs that attract events to their market, and in some cases away from Las Vegas. Within Las Vegas, competition is largely based on privately-funded competition which is healthy. Historically, the resort community, local governments and quasi-governmental organizations have not been funded properly or fundamentally aligned to maximize event growth and sustainability.

Specifically, we believe that the focus of the LVCVA and LVE should transition from general branding and advertising campaigns (which we acknowledge have been tremendously successful) to attracting, securing and retaining high-profile events which can increase visitation to Las Vegas through incentive based "earn as you perform" based models that are currently being used by other municipalities.

c. What incremental infrastructure will be required to meet the demand projected through 2050?

MGM Resorts and those testifying today are not experts in the area of infrastructure. However, we offer the following observations about infrastructure needed to meet projected demand to 2050:

- The I-15 corridor needs significant improvements and expansion to meet future needs. It is likely that California will be the largest market for tourists to Southern Nevada for the foreseeable future, and on many weekends this key roadway is at or near capacity.
- The I-11 project is a key project to ensure other southwestern markets have access to Southern Nevada.
- The Las Vegas Strip remains an underutilized asset as a primarily automobile pathway. Public transportation and pedestrian access are far greater uses of this corridor. Vehicular traffic is better served on access roads to the east and west.

d. What are the biggest risks to your organization's ability to meet the anticipated service demands?

The biggest risks to our organization's ability to meet demands are:

- The ability to secure local visitation to entertainment venues, to create a base of attendees that will assist in marketing the benefits of Las Vegas to promoters.
- Competition from other markets that are raising and spending more money to build and maintain facilities as well as secure events.
- The history of privately-funded venues creates a "catch-22" whereby governments and quasi-government organizations are hesitant to support such privately-funded venues, even though the very nature of private funding has eased a significant burden that, in most markets, sits mostly with the public.

e. What is needed in terms of legislation or other state government support to ensure tourism-related infrastructure is both reliable and sufficient through 2050?

Rules and regulations should be reviewed to see whether they serve a public good based on contemporary market conditions. For example, the ordinance prohibiting advertising on marquee signs (i.e. Title 30), or the current regulations that limit the ability to denote "private" names of sponsors as the official venue names on signs on Federal highways.

The LVE and LVCVA should rethink their distribution of funds between events and advertising. The legislature should consider simplifying and/or reducing or eliminating the Live Entertainment Tax and replacing it with facility usage fees.