

**Board Report**

File #: 2021-0783, **File Type:** Contract**Agenda Number:** 35.

**EXECUTIVE MANAGEMENT COMMITTEE
JANUARY 20, 2022****SUBJECT: LONG-TERM ADVERTISING - CULVER CITY STATION****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

APPROVE a long-term advertising purchase, up to 12 months, at Culver City Station from HBO, generating up to \$400,000 plus, estimated net revenues for Metro. This is not a title sponsorship, and will not affect Culver City Station's title nor the adjacent private property's title, Ivy Station.

ISSUE

In compliance with the Commercial Sponsorship and Adoption Policy, 'station activation' advertising beyond 90 days require Board approval (*Attachment A*). Staff is bringing to the Board's attention a request for long-term advertising and activity from HBO at Culver City Station on the Metro E Line (Expo). Approval of this long-term advertising purchase will authorize Metro's rail advertising broker, Intersection, to manage the extended 12-month purchase and advertising activities stated in this report.

BACKGROUND

In February 2021, the Board approved the Commercial Sponsorship and Adoption Policy. The policy enables Marketing Communications to establish a sponsorship program to generate additional revenues for the agency.

DISCUSSION**Findings**

HBO has moved their corporate headquarters to the newly completed Ivy Station - a mixed-use complex adjacent to Culver City Station on the E Line; and has purchased a station activation beginning fall 2021. Metro's rail advertising broker, Intersection, has also been coordinating with HBO on purchasing long-term advertising beyond the maximum 90 days as authorized in the current advertising contract - the inquiry in summary:

- Buyer: Home Box Office, Inc (media and entertainment company)

- Duration: HBO previously entered into a 90-day agreement with Intersection for advertising at Culver City Station. Approval is now sought to extend the program for an additional nine months beginning in early 2022 and extending through fall 2022.
- Revenue to Metro: Up to \$400,000 plus, estimated net revenues (total advertising buy ranging from \$500,000-\$750,000 of which Metro will receive 55%)
- Advertising Activities: Station Activation - The advertising purchase will include various large-format media on station elements such as columns wraps, pillar wraps, trestle wraps, and a wallscape via direct decal to the surfaces of station property. Visual samples are provided in *Attachment A - HBO Advertising - Culver City*, displaying the type of creative content HBO and Intersection may post. Within the 12-month duration, creative content may be updated at the discretion of HBO and Intersection. All creative content will comply with Metro's System Advertising Policy and be vetted by the Content Advertising Committee.

Metro Communications (Marketing and Community Relations) reached out to Culver City with the advertising proposal and have received a green light to proceed from Culver City Community Development, City Manager, and City Attorney.

DETERMINATION OF SAFETY IMPACT

The contractor will install advertising following Rail Safety Policy and Guidelines to ensure the safety of Metro's riders and employees.

FINANCIAL IMPACT

There is no negative financial impact with the approval of this item. The contractor is responsible for material costs and maintenance of HBO advertising for the duration of the sale.

Revenues generated from this long-term advertising sale will be designated as Commercial Sponsorship and will be tracked separately from Commercial Advertising.

The project manager and the Accounting department will be responsible for monitoring performance, compliance, costs, and resources in support of this task. Since this sale will extend over two fiscal years, the program manager, cost center manager, and Chief Communications Officer will ensure all project resources are budgeted in future fiscal years.

Impact to Budget

Commercial Advertising and Sponsorships are revenue-generating programs and do not incur capital costs to Metro; however, labor support is warranted to ensure safety compliance during material installations. Metro will receive 55% revenue share, approximately \$412,500, and the contractor will receive 45% revenue share, approximately \$337,500, from the total gross sale of \$750,000; with an estimated \$5,000 in Metro labor expenditure.

Summary of estimated revenues and expenditures:

\$750,000 Advertising Buy (gross sale)

\$337,500	Contractor's 45% revenue share
\$412,500	Metro's 55% revenue share
\$5,000	Metro Expenditures (Operations labor support)

EQUITY PLATFORM

Long-term advertising purchases generate significant revenues upfront and they also command the attention of future media buyers. This initial media purchase may be a catalyst for consistent and long-term revenues generated through advertising and sponsorship at a singular station - creating a reliable funding source for equitable initiatives. At this time, there are no equity impacts anticipated as a result of this action.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The revenue advertising program supports the Strategic Plan by fulfilling Goal 5.2 - Exercising good public policy judgment and sound fiscal stewardship by monetizing Metro's capital assets to generate non-tax revenues.

ALTERNATIVES CONSIDERED

The Board may choose not to approve this long-term advertising request, however, this is not recommended. Metro would be turning away up to \$400,000 plus estimated revenue earnings from an individual station, and miss other fruitful opportunities to generate unrestricted local funding.

NEXT STEPS

Upon Board approval, staff will authorize the advertising broker to complete the advertising sale and begin executing the long-term media placement with HBO and Culver City Station on E Line.

ATTACHMENTS

Attachment A - Commercial Sponsorship and Adoption Policy

Attachment B - HBO Advertising-Culver City Station

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Chief Executive Officer

Commercial Sponsorship and Adoption Policy

POLICY STATEMENT

Commercial Sponsorship and Adoption is a form of advertising in which entities will compensate Metro in order to be associated with certain Metro facilities, services, programs, or events. Compensation to Metro can include, but is not limited to: monetary payments; resources and finance; payment-in-kind; value-in-kind to develop new facilities, services, programs, or events; or, funding to operate and enhance existing facilities, services, programs, or events.

Through implementation of the Commercial Sponsorship and Adoption Policy (“Policy”), Metro seeks to establish guidelines to execute a responsible and consistent process regarding Sponsorship and Adoption business activities. Metro’s Communications department administers the Commercial Sponsorship and Adoption Program (“Program”) as part of its overall responsibility of revenue-generating advertising and Metro’s overarching goal of partnering with businesses on activities that can increase mobility and brand awareness for customers in the Los Angeles region.

As sponsorship is a form of advertising, the Program will adhere to Metro’s System Advertising Policy (COM 6) and apply the same content restrictions in considering sponsors’ core business, brand, and services. Commercial Sponsorship and Adoption may impact Metro facilities, services, programs, amenities, or events. As Metro facilities, services, programs, and events have already been named, the program will also adhere to Metro’s Property Naming Policy (COM 11) and apply the same public outreach processes and principles pertaining to area location, neighborhood identity and system legibility in considering sponsors’ core business, brand, and services.

PURPOSE

Through implementation of this Policy, Metro seeks to establish guidelines regarding Commercial Sponsorship and Adoption of Metro services, facilities, amenities, programs, and events.

Goals and Principles

This Policy will set direction for how Metro plans and implements Commercial Sponsorship and Adoptions on the Metro system. Specific Program goals include, but are not limited to:

- Generate long-term revenues to support agency programs and initiatives**
 Metro has the fiscal responsibility to maximize the utilization of available resources effectively and efficiently to create long-term, agency-generated revenues. Furthermore, diversifying Metro’s revenue sources prepares the agency for future economic shortfalls and unexpected agency impacts.
- Enhance service and/or amenities that improve customer experience**
 Partnerships with local businesses and entities may offset costs of desired customer amenities, such as technology (Wi-Fi, mobile charging stations), commerce (vending kiosks, retail), and convenience (food trucks, parcel pickup). These partnerships allow Metro to focus on operating a world-class transit system while specialist(s) provide amenities enhancing the customer experience.
- Position corporate social responsibilities towards equity-focused communities**
 Metro can create more opportunities to promote small, disadvantaged, and disabled veteran business enterprises through commercial programs by allowing them involvement in the system. Concurrently, corporate entities may provide equity opportunities to communities through Metro’s program.

PROCESS AND PROCEDURE

Eligible Agency Assets

Metro is the transportation planner and coordinator, designer, builder, and operator of a large and expanding transit system. The infrastructure capital investment and other assets are significant within Metro’s county-wide system of bus, rail, and other services; property portfolio; numerous facilities; programs and events. The various facilities, programs, and services that may be eligible for sponsorships and adoption are:

- Facilities** – Any rail station or bus stop, parking lots and parking structures, regional facilities, maintenance buildings and other structures, Metro headquarters building, and any other property owned, leased, managed, or operated by Metro. Example facilities include Pico Station, Sierra Madre Villa parking structure, and El Monte bus station.
- Transit Services** – Any light & heavy rail lines, bus service lines & routes, transitway service lines & routes, and any mode of transit service owned, leased, managed, or operated by Metro. Example transit services include A Line, E Line, and Dodgers Stadium Express.

- **Programs** – Selected established Metro-operated effort/initiative for the benefit of customers and communities that Metro serves, generally in the form of customer service actions and functions. Example programs include Freeway Service Patrol and Metro Micro.
- **Events** – Selected one-time, seasonal, or annual event initiated, partnered with, coordinated by, or conducted by Metro. Example events include Older Adult Expo and Faith Leaders Roundtable.

Program Models

Metro will engage in two types of program models, Adoptions and Sponsorships. Within these two models, proposals may include customized packages of varying marketing techniques and tactics; combine financial payments and value-in-kind amenities; or only provide financial payments or value-in-kind amenities. Metro defines amenities as selected resources, features, or utility that may provide additional enhancement to an established Metro facility, station, or stop. Examples amenities may include technologies such as mobile data and Wi-Fi services, commerce such as retail and vending machines, and convenience such as restrooms.

- **Adoption** - A partnership between Metro and a third party, which provides benefit to Metro riders in the form of sponsored amenities, services, equity opportunities, and customer experience improvements. In an Adoption, third parties may provide resources and/or financing, payment-in-kind, or value-in-kind to develop operating or new facilities, services, programs, or events. Examples: providing free Wi-Fi to a particular station, funding additional maintenance to a particular station.
- **Sponsorship** - A partnership between Metro and a third party, which provides benefit to Metro in the form of financial payments - revenues from sponsorships may be directed towards Metro programs and initiatives. In a Sponsorship, a third party may provide resources and funding, payment-in-kind, or value-in-kind to develop operating or new facilities, services, programs, or events. Examples: temporary station name take-over, long-term media buyouts of a particular station or facility.

Terms and Durations

Sponsorships and Adoptions can take on various forms of advertising in which companies contract with Metro to associate their name, identity and branding with facilities, services, programs or events. Metro may engage in Temporary and Long-Term Sponsorships/Adoptions that provide value and benefit both parties.

- **Temporary** – Sponsorship/Adoption/Advertising activity lasting up to ninety consecutive days — temporary commercial activity is within CEO's approval

authority. Contractor shall not allow or authorize any single advertiser to engage in Station Domination of a single station for a period of more than 90 consecutive days. Immediately following the period of Station Domination by an advertiser, said advertiser shall not be permitted to engage in Station Domination of that same station for at least 90 consecutive days.

- **Long-term** – Sponsorship/Adoption/Advertising activity lasting greater than ninety consecutive days with a maximum length of 10 years — all long-term commercial activity require Board reviewed and approval. The renaming of a facility or station requires a minimum five year commitment. Additionally, any activity affecting facility/station/service names requires Board notification: short-term renaming/co-naming requires Board notification while long-term renaming/co-naming requires Board approval.

Eligibility and Criteria

In line with Metro's System Advertising Policy (COM 6), business entities selling products or services in the prohibited categories will not be considered for participation in the Program including Alcohol, Tobacco and Electronic Cigarettes, Adult Entertainment and Content, Arms/Guns and Weapons, Political Parties, Political Groups, Political Organizations, and Political Candidates or Campaigns, causes (including Religious Groups and Religious Associations, social advocacy groups, lobbyist, etc), or any other category prohibited by COM 6.

Metro shall consider Sponsorships and Adoptions with qualified entities meeting these criteria:

- Businesses already established in the U.S. or have fulfilled all legal requirements and compliance to establish a business within the United States;
- Businesses must establish current financial stability as well as financial stability for the five years prior to proposal submission;
- Businesses with current responsible practices and positive business history within the last five years prior to proposal submission;
- Businesses with satisfactory record of contractual performance within the last five years prior to proposal submission;
- Businesses must not have been awarded a Metro contract as a prime contractor six months prior to proposal submittal. Businesses will also not be considered for Metro contract as a prime contractor six months following proposal submittal.

Proposal Review Committee

A Proposal Review Committee will be established to review and vet each proposal submitted to the agency. The Proposal Review Committee will be managed by

Marketing with concurrence from the Chief Communications Officer and will be composed of stakeholder departments to provide feedback and advisory recommendations for Board review and approval. Committee members may include, but are not limited to the following:

- **Compliance Panel** - The Compliance Panel ensures interested sponsors are in compliance with Metro policies and neither discriminate nor pose a conflict of interest. The Compliance Panel does not score the proposal, instead providing review and comment on the sponsoree, the Compliance Panel may include:
 - Civil Rights
 - Ethics
 - Legal Counsel
 - Office of Inspector General
 - Vendor/Contract Management

- **Evaluation Panel** - The Evaluation Panel reviews and scores each proposal based on the Evaluation Criteria. The Evaluation Panel may be composed of scoring members, and non-scoring members that provide comments but do not participate in scoring; comments and recommendations are submitted to the CEO and Board for final review and approval, the Evaluation Panel may include:
 - Communications (Arts & Design, Community Relations, Marketing, Public Relations)
 - Countywide Planning (Real Estate, Systemwide Design)
 - Customer Experience
 - Equity & Race
 - Respective Asset or Program Owner

Evaluation and Criteria

If a business meets all Eligibility and Criteria, Metro will take into consideration the financial offers and implementation proposals. The Proposal Review Committee will score proposals based on the following evaluation criteria:

- Alignment with Metro's existing brand and agency mission, themes, and priorities
- Innovative sponsorship and business plan(s) that address value-transfers and potential customer experience enhancements
- Reach of cross promotion between Metro and Sponsor/Adoptee, providing Equity Opportunity activities for Metro communities and riders
- Financial offer, including total value and duration, payment options, and package offerings
- Determination of conflicts of interest based on other business activities with Metro

Corporate Responsibilities

All costs related to Sponsorship/Adoption activities of an existing facility, service, or program – including, but not limited to, the costs of replacing affected signage and customer information collateral, Metro materials, media materials, and Metro staff labor – shall be borne by the Adoptee/Sponsor.

Metro expects Sponsorship and Adoption partners to remain in good financial stability and to conduct responsible business practices for the duration of granted Sponsorship/Adoption. Metro may terminate granted Sponsorship/Adoption with partners who fails to maintain these financial and business requirements.

All granted Sponsorship/Adoption must respect and adhere to Metro's System Advertising Policy and Metro's Property Naming Policy.

Equity Opportunity and Community

Metro's mission is to provide a world-class transportation system that enhances quality of life for all who live, work and play within LA County. Under its Equity Platform, Metro recognizes that access to opportunities – including housing, jobs, education, mobility, and healthy communities – is critical for enhanced quality of life. Metro also recognizes that vast disparities exist in access to opportunities and strives to identify and implement projects or programs that reduce and ultimately eliminate those disparities.

Sponsors must include Equity Opportunity in each proposal - which will be scored in the Evaluation Criteria; however, sponsors should consider the qualitative engagement rather than the quantitative engagement within their proposal. While Metro sponsorships will vary, all sponsorships must advance Metro's mission by supporting Equity Opportunity to:

- Increased access to opportunities
- Removal of barriers to access
- Partnership with local communities

Acceptable partnerships will vary. Examples include, but are not limited to:

1. Connecting communities to healthy food especially when they lack such options via the provision of gift cards to grocery stores or health snacks at a community event
2. Promoting safety in high injury areas via bike helmet or bike safety light giveaways
3. Supporting community events via hosting a Wi-Fi hot spots or cooling station

Process and Implementation

Metro may negotiate Sponsorships and Adoptions directly or contract with outside specialist(s) to liaise, negotiate and manage Sponsorships.

Metro's Right of Rejection

Metro and its authorized sponsorship specialist(s) will screen all proposals, Metro reserves the right to reject any Sponsorships submitted for consideration. Decisions regarding the rejection or termination of Sponsorships are made by Metro's Chief Communications Officer or their designee based upon the criteria in this Policy.

System Integration

Metro has an established transit system with known nomenclature, customer information, and service names, thus, coordination with stakeholder departments will be critical to:

- Conclude acceptable enhancements to system facilities affecting customer experience - such as station identity and signage wayfinding.
- Establish reasonable implementation schedules and deliverables - such as those affecting operational logistics in stations, trains, and buses; fabrication logistics such as signage; and customer information materials.

Public Information

All granted Sponsorship/Adoption are subject to the provisions of the California Public Records Act (California Code Government Code §6250 et seq.), including monies paid to Metro.

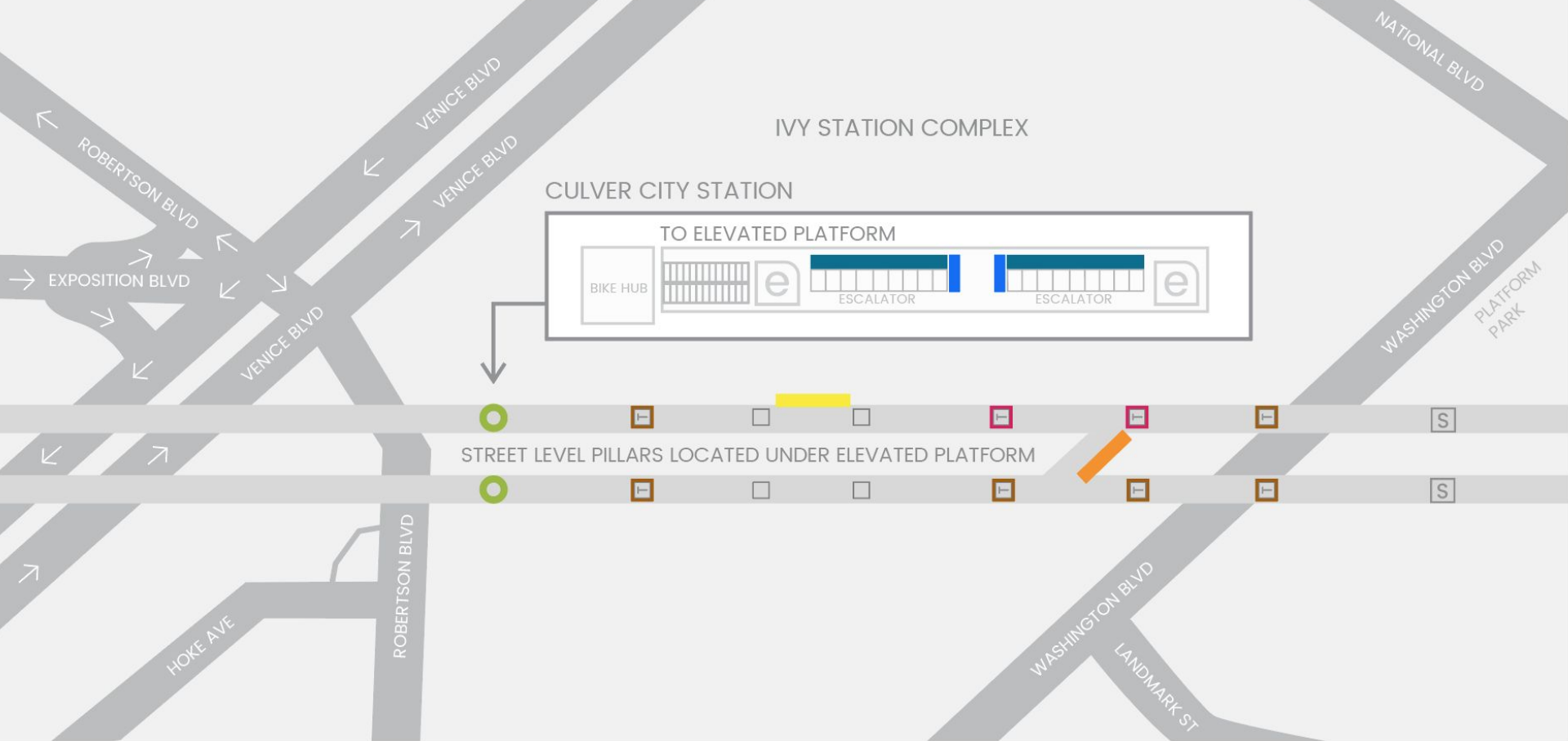
HBO

**& Culver City Station
Los Angeles**

A photograph of a train station platform. A yellow and white train is blurred as it moves across the platform. In the foreground, a large black circular sign with a white arrow pointing to the right is visible. The text "We propose a custom station domination for HBO at Culver City Station" is overlaid in white, bold, sans-serif font across the center of the image.

**We propose a custom
station domination for
HBO at Culver City Station**

Culver City Station Street Level



- | | | | | | | | | | |
|-----|--|--------------------------|-----|--|---------------------------|--|------------------|--|--------------|
| TCW | | TAPERED COLUMN WRAP | EP | | ESCALATOR PANEL | | ELEVATOR | | POWER OUTLET |
| HWT | | HALF WRAP TAPERED COLUMN | TS | | TRESTLE SOFFIT WRAP | | TICKET MACHINE | | TELEPHONE |
| RCW | | ROUND COLUMN WRAP | TTS | | TRAIN TRESTLE SPECTACULAR | | STATION SIGN | | INFORMATION |
| TTW | | TRAIN TRESTLE WRAP | | | | | WASTE RECEPTACLE | | BENCH |

Before



Enhanced

Bring
vibrance to
the
structural
elements at
street level
near Ivy
Station

*Image depicts: Pillar wrap
near Robertson Blvd*



Before



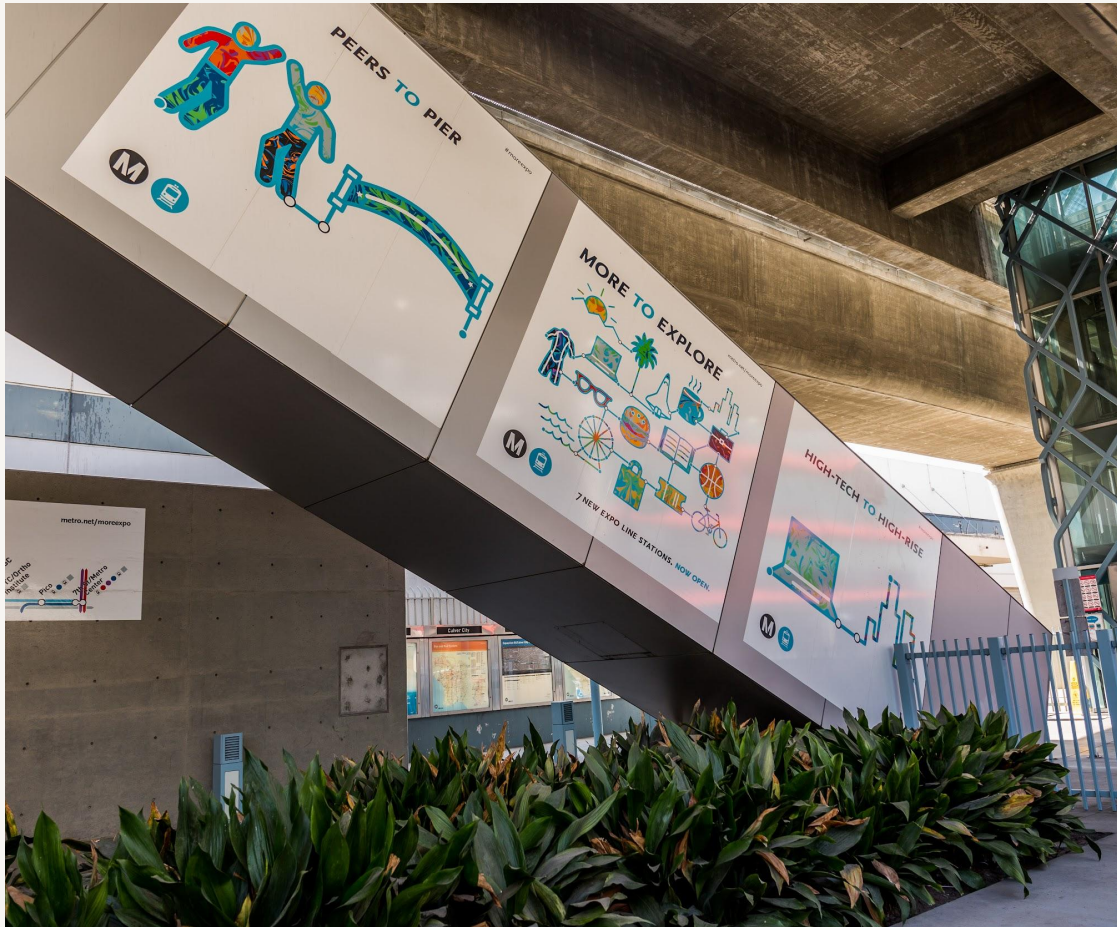


Enhanced

Tower
overhead
with massive
pillar wraps
and custom
media along
the station
walkway

*Image depicts: Pillar wraps,
partial pillar wraps, and
overhead trestle near
Washington Blvd*





Before





Enhanced

Image depicts: Escalator wrap



Before





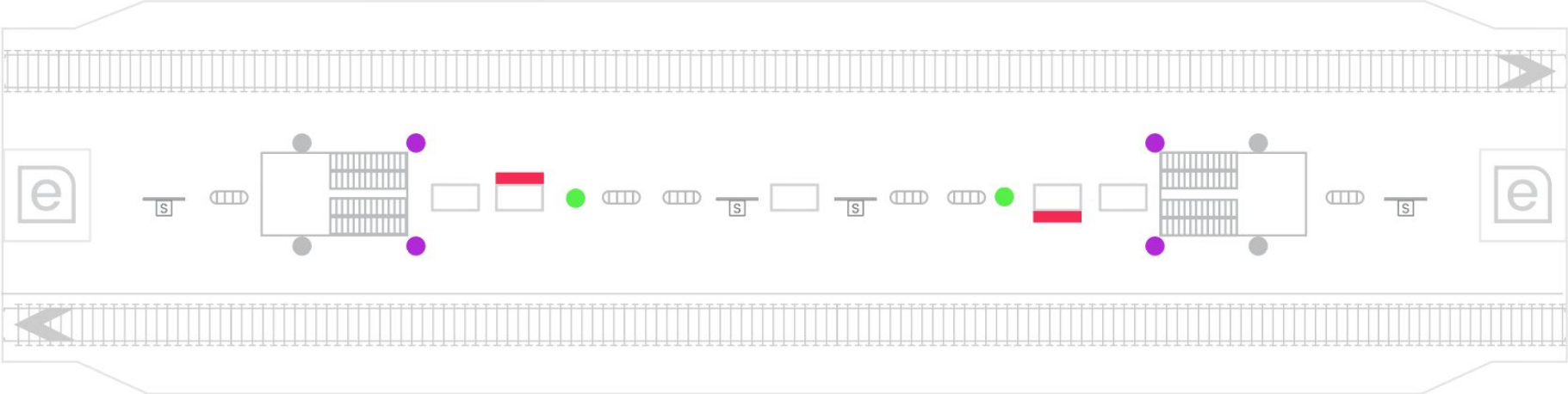
Enhanced

Rendering depicts: Trestle Spectacular

Culver City Station Platform Level



Platform



- LC ■ LARGE COLUMN WRAP
- CW ● COLUMN WRAP
- PP ■ PLATFORM PANEL

- e ELEVATOR
- T TICKET MACHINE
- S STATION SIGN
- W WASTE RECEPTACLE

- ⏻ POWER OUTLET
- ☎ TELEPHONE
- i INFORMATION
- BENCH BENCH

Before



Enhanced

Reach arriving & departing commuters at the platform level

Image depicts: Column Wrap





Enhanced

And tower
overhead
along the
trestle facing
Ivy Station's
plaza to truly
make a
creative
statement

*Image depicts: Overhead
Banner facing Ivy Station
Courtyard*

