

Board Report

Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2024-0513, File Type: Policy Agenda Number: 18.

EXECUTIVE MANAGEMENT COMMITTEE NOVEMBER 21, 2024

SUBJECT: ADVERTISING POLICY REVISIONS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. ADOPTING the amended System Advertising Policy (Attachment A); and
- B. ADOPTING the amended Commercial Sponsorship and Adoption Policy (Attachment B).

ISSUE

To expand and expedite potential advertising and sponsorship revenues immediately, Metro can amend two policies governing advertising revenue programs: 1) the System Advertising Policy - focusing on content restrictions and 2) Commercial Sponsorship and Adoption Policy - focusing on duration restrictions. As the policies are solely managed by Metro, these revisions can be executed within three months from Board adoption and will afford immediate opportunities in increased advertising revenues.

BACKGROUND

On March 29, 2024, a Special Board Budget Workshop was held to provide the Board a comprehensive analysis of the projected financial outlook and a detailed assessment of the economic conditions in LA County that would impact Metro's operational program delivery. Staff presented cost growth drivers in Metro transit operations, infrastructure construction risks, capital program expansion, and other programs. Staff also presented alternatives to address increasing budget costs including opportunities in advertising, sponsorships, and beyond. Two potential policy revisions were identified that could generate additional revenues: the current System Advertising and Commercial Sponsorship and Adoption Policy.

Metro's initial advertising policy was adopted in 2000, and at that time its scope was limited to Metro's bus fleet. The policy was revised several times thereafter to include additional assets:

- 2005 Include rapid transit bus vehicles
- 2008 Include trains and stations
- 2017 Include Orange Line bus vehicles

As a result of those revisions, Metro's advertising policy covers all Metro systemwide assets. The policy was also revised multiple times regarding advertising content:

- 2013 Prohibited messages injurious to Metro's interests, ads from personal injury law firms, many of which targeted Metro passengers involved in bus accidents.
- 2013 Included the exception for non-profit organizations to partner with a governmental agency in submitting advertising that advances the joint purpose of the non-profit organization and the governmental agency.
- 2017 Prohibit e-cigarettes and vaping products, while adding digital platforms and channels web, mobile, and social media.
- 2023 Clarified non-commercial advertising and removed requirement of co-sponsorship with a government agency.

Metro's Commercial Sponsorship and Adoption Policy was introduced and adopted in 2021 and has not seen any amendments or updates since then. The policy and program were introduced seeking to generate alternative long-term revenues recovering from post-pandemic Covid impact.

DISCUSSION

At the Special Board Budget Workship, an overview of current and potential revenues governed by Metro policies & state laws, revenue potential, implementation timeline, and level of difficulty to achieve was presented. Four areas of focus were presented:

- 1) System Advertising Policy,
- 2) Commercial Sponsorship and Adoption Policy,
- 3) Expansion of current practice, and
- 4) CA Business & Professional Code §5405.6.

Changes in policies, state law, and expansion of practice may potentially earn Metro additional \$70M annually (\$2.1M from System Advertising Policy, \$11M from Commercial Sponsorship and Adoption Policy, \$20.5M from expansion of current practice, and \$35.5M from CA Business & Professional Code §5405.6), however, each area requires action in unique scope of work, internal and external coordination, state legislature, and additional contracts.

	Annual		
Policy or Law	Potential Revenue	Timeframe	Difficulty
System Advertising	+ \$2.1M	3 months	Easy
Commercial Sponsorship	+ \$11.0M	6 months	Easy
Expansion of Practice	+ \$20.5M	12-24 months	Medium
CA Business & Professional Code § 5405.6	+ \$35.5M	24-36 months	Difficult

Expanding commercial system practices such as installing bank ATMs, providing merchandise vending machines, and activating temporary and event-based retails kiosks pose infrastructure challenges requiring station retrofitting, additional power & data, and more safety & security resources. Addressing the California Business & Professional Code §5405.6 -- which prohibit Metro from constructing outdoor advertising displays greater than 10 feet in width and length on agency property and right-of-way -- require amendment in state legislature, however, the Board has authority over the System Advertising and Commercial Sponsorship Policy.

Metro's Advertising and Sponsorship policies are limited by restrictions (detailed below) on advertising content, campaign duration, and approval process. These restrictions prevent the agency from realizing full earning potential and maximizing pre-World Cup, Super Bowl, Olympic and Paralympic Games, and long-term un-earmarked revenues. Addressing these two policies could increase annual advertising and sponsorship revenues by \$13.1M.

System Advertising Policy

Metro's current revenue advertising policy restricts advertising content, and campaign duration (dictated by sponsorship policy), amending the policy to ease restrictions could generate an additional \$2.1M annually. The key policy amendment is allowing Public Service Announcements (PSA) from Non-Profit organizations. Attachment *C - Policy Change Comparison*, provides a side-by-side comparison of current to recommended language. Along with advertising contractors, staff conducted a survey of other transit agencies and jurisdictions who currently allow the categories discussed in this report, and all transit agencies permit PSAs advertising content.

Ad Category	Additional Annual Revenue	
Charter & Private Education Institutions	\$100,000	_
Public Service Announcements from Non-Profits	\$2,000,000	
Beer and Wine, bars & grills, breweries, etc	\$2,750,000	

Currently, public education institutions are permitted under the government advertising category as they receive public funding -- this allowance does not extend to charter and private education institutions. The purpose of this added language is to clearly state charter and private education institutions such as K-12 charter schools, for-profit and private education institutions are permissible in the new policy. Clarifying this category may generate an additional \$100,000 in annual ad revenues. The current policy does not include the category of *public service announcements and non-profits*. Legal Counsel has advised the allowance of this category with clear restrictions only permitting advertising content for services to treat or prevent illness; education and training services; services for low income, senior citizens, or people with disabilities; and museums with free

admission. Examples of content in this category includes community events and services by United Way, City of Hope Blood Drive, and food banks; fundraising efforts by Susan G. Komen, AIDS Walk, Wounded Warrior Project, Mothers Against Drunk Driving, to name a few. Allowing PSA ads may generate an additional \$1,500,000 on bus and \$500,000 on rail for total of \$2,000,000 annual ad revenue. The new policy language is below:

• Public Service Announcements From Non-Profits - Metro will accept paid promotional advertising by a nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code the sole expressed purpose of which relates directly to: (1) the availability of services to prevent or treat illnesses; (2) the availability of education or training services; (3) the availability of services or programs that provide support to low income citizens, senior citizens or people with disabilities; or (4) patronage of museums that offer free admission to the public.

Commercial Sponsorship and Adoption Policy

Metro's current commercial sponsorship policy restricts campaign and sponsorship duration and is stymied by administrative and approval processes. Metro could generate an additional \$11M annual sponsorship revenues by amending the policy to streamline and expedite sponsorship business process. All Metro assets and services are eligible for commercial sponsorship including bus and rail lines, stations and transit centers, programs, and events.

Station/Service	tion/Service Estimated Annual Sponsorship	
Airport Metro Connector	\$1,500,000 - \$2,500,000	
7 th Street/Metro Center	\$2,000,000	
A Line	\$3,000,000	
C Line	\$2,750,000	
B Line	\$1,750,000	
E Line	\$1,750,000	

The current sponsorship policy requires board action for all sponsorship activities. To expedite business, staff recommends delegating some approval authority to CEO. The recommended policy amendments are 1) for the Board to retain approval authority for title sponsorships (naming rights); 2) to delegate authority to the CEO for all other sponsorships such as non-title sponsorships (Door Dash for Bike Share), short-term sponsorships, and long-term advertising campaigns lasting no longer than 18 months (Max/HBO at Culver City); 3) extend maximum sponsorship durations from ten to twenty years to secures larger revenue streams, place less impact to system changes & customer experience, and reduce administrative support; 4) and revise Compliance and Evaluation Panel to cabinet chiefs rather than cabinet staff (*Attachment B - Commercial Sponsorship and Adoption Policy 2025*).

Attachment C - Policy Change Comparison, provides a side-by-side comparison of current to recommended language. Key policy points are embedded into the policy language below:

Currently, *temporary* advertising or sponsorship activity is defined as 90 days -- the language amends the definition of *temporary* from 90 days to 18 months; additionally, the language amends

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approval authority from board action (requiring 3-month process) to CEO approval authority (requiring 1-month process). The revised policy language below:

• **Temporary** is defined as any Sponsorship/Adoption/Advertising activity lasting up to eighteen months. All temporary commercial activity is within CEO's approval authority. However, any temporary activity affecting facility/station/service names and any short-term renaming/conaming requires Board notification via board box memo.

Currently, *long-term* advertising or sponsorship is defined as any activity beyond 90-days -- the language amends the definition of *long-term* from 90-days to 19-months and amends the maximum length of sponsorships from 10-years to 15-years. There is no change in approval authority, the board will retain approval on all long-term commercial activities. The revised policy language below:

• **Long-term** is defined as any Sponsorship/Adoption/Advertising activity lasting greater than nineteen months with a maximum length of fifteen years. All long-term commercial activity require Board action.

Currently, *station renaming* is only defined as directly renaming a facility requiring official and operational name change (for example, renaming Pico Station to Kobe Bryant Station) - the additional language adds other techniques that do not change the official or operating name, but uses an additive technique (for example, Pico Station, Home of Kobe Bryant). The maximum duration for sponsorship renaming is again stated minimum 5-years to maximum 15-years. The revised policy language below:

• Station Renaming is defined as any Sponsorship/Adoption/Advertising activity that requires the renaming of a facility or station as part of its sponsorship plan; in addition, the renaming activity will impact the facility's official and operational name. Additive naming techniques such as 'Home of' or 'Presented by' that do not impact official and operational name, but may impact façade presentation, are also acceptable. Long-term station renaming requires a minimum five-year commitment to a maximum length of twenty years.

DETERMINATION OF SAFETY IMPACT

There is no safety impact by adopting this policy. Staff will manage the advertising and sponsorship program and ensure contractors work in compliance with Metro Safety policies and certifications.

FINANCIAL IMPACT

There is no negative financial nor budgetary impact by adopting these policy revisions. The policy revisions could allow Metro to generate additional operating-eligible revenues in the future.

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EQUITY PLATFORM

Advertising and sponsorship revenues are an important supplemental revenue source supporting Metro's transportation operations. Additionally, the advertising program accepts multi-cultural and multi-language advertisements that provide alignment and inclusion of Metro's diverse communities.

Expansion of advertising content and permitting PSAs from non-profits may promote health awareness and treatment, education and training, and other services benefitting low-income riders, senior citizens, or people with disabilities. Advertising from museums and institutions with free admission will provide low-income, fixed income, and all transit riders with free and affordable leisure destinations accessible by transit.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This Board action supports Strategic Goal 5: Provide responsive, accountable, and trustworthy governance within the L.A. Metro organization. Current policies provide structure to responsibly manage the commercial advertising and sponsorship program, generating revenues that provide long -term supplemental revenue to support Metro's transportation operations.

ALTERNATIVES CONSIDERED

The Board may choose not to adopt the amended policies; however, this is not recommended. While there are some reputational and content control risks associated with expanding the range of acceptable advertisers, the financial upside provides significant opportunities for the agency. With the right safeguards in place-such as clear advertising content policies and approval processes-these risks can be managed while still achieving the financial benefits needed to support the agency's long-term goals.

The current policy does not include the category of beer and wine. Staff considered the allowance of this category with clear restrictions surrounding imagery (i.e. no imagery of open containers and consumption of beverages); only permissible at high transit-traffic stations and hubs; maximum occupancy on bus and rail fleet at any time; not permissible on Metro Bike Share assets; and to include warning language included in each advertising that must occupy at least 3% of the area of the advertisement, that:

"The legal age to purchase and consume alcohol in California is 21 years old. According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery and may cause health problems."

Examples of content in this category include product advertising from alcoholic companies Anheuser-Busch Inc (Budweiser, Stella Artois), Molson Coors (Coors, Miller), Sutter Home Wineries, Barefoot Wineries, White Claw (Hard Seltzer), and Twisted Tea Brewing Company; food service retailers serving alcohol such as BJ's Restaurants & Brewhouse and The Redwood Bar & Grill, breweries such as Angel City Brewery and Duff Brewery and Beer Garden; and wineries such as San Antonio Wineries and Angeleno Wine Company. Further, other transit agencies across the country

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allow for the advertisement of beer and wine.

Allowing beer, wine, and adjacent business (bar & grill, breweries, and wineries) advertising may generate an additional \$2,000,000 on bus and \$750,000 on rail for total of \$2,750,000 annual ad revenue. However, staff does not recommend inclusion of the category for beer and wine because 80% of Metro trips are in EFCs and this type of advertising increases exposure to unhealthy influences and promotes drinking in communities where access to alcohol is already high, often more accessible than healthy food options. These ad spaces could instead support positive community messages, school, medical care, job training, and community events, the \$2.7 million in added revenue is not worth the negative social impact on vulnerable communities and youth.

NEXT STEPS

Upon Board approval, staff will update related internal processes and procedures. Revised Policies will be distributed to advertising and sponsorship vendors and made publicly available for advertisers on Metro's website.

ATTACHMENTS

Attachment A - System Advertising Policy 2025

Attachment B - Commercial Sponsorship and Adoption Policy 2025

Attachment C - Policy Change Comparison

Prepared by: Lan-Chi Lam, Director of Communications, (213) 922-2349

Michelle Navarro, Senior Executive Officer, Finance, (213) 922-3056

Monica Bouldin, Deputy Chief Customer Experience Officer, (213) 922-4081

Reviewed by:

Jennifer Vides, Chief Customer Experience Officer, (213) 922-

4060

Chief Executive Officer



COMMUNICATIONS System Advertising Policy 2025

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POLICY STATEMENT

The Los Angeles County Metropolitan Transportation Authority (Metro) has determined that allowing commercial advertising to be placed in designated areas on its properties, which includes the Metro bus and rail systems, is a responsible means of generating revenue by maximizing the use of Metro's capital investments. Further, informational advertising on Metro properties is a valuable means for Metro and other governmental entities to communicate with the public and advance specific governmental purposes.

POLICY PURPOSE

To clearly define the use of Metro's advertising space by fulfilling significant organizational goals as provided in this policy.

APPLICATION

This policy applies to all Metro e Metro system advertisers.	mployees, Board Membe	ers, consultants, vendors, and
APPROVED: County Counsel or N/A	Department Head	ADOPTED: CEO
		Effective Date:
		Date of Last Review:



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1.0 GENERAL

The display of commercial advertising to generate revenue carries with it a responsibility to protect Metro from potential litigation, preserve its nonpublic forum status, and to recognize the potential association of advertising images with Metro services. The agency addresses these issues through the responsible, consistent, and viewpoint neutral application of its advertising policy.

The policy's purpose is to clearly define the use of Metro's advertising space fulfilling the following important goals:

- Maximize advertising revenue and preserving the value of the advertising space;
- Maintain a position of neutrality and preventing the appearance of favoritism or endorsement by Metro;
- Prevent the risk of imposing objectionable, inappropriate or harmful views on a captive audience;
- Preserve aesthetics and avoiding vandalism;
- Maximize ridership and maintaining a safe environment for riders and the public;
- Avoid claims of discrimination and maintaining a non-discriminatory environment for riders;
- Prevent any harm or abuse that may result from running objectionable, inappropriate or harmful advertisements;
- Reduce the diversion of resources from transit operations that is caused by objectionable, inappropriate or harmful advertisements;
- Preserve Metro's business reputation as a professional, effective, and efficient provider of public transit services.

Governmental entities may advance specific governmental purposes through advertising under this policy.

Los Angeles County contains significant tourism destinations accessible through public transportation, which may be promoted under this policy.

Metro uses designated areas on its properties to directly provide transit and agency information to the public.

2.0 POLICY

2.1 Permitted Advertising Content

Commercial Advertising

Metro will only accept paid commercial advertising that proposes, promotes, or solicits the sale, rent, lease, license, distribution or availability of goods, property,



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products, services, entertainment, or events that anticipate an exchange of monetary consideration commercial or proprietary interest, including advertising from tourism bureaus, chambers of commerce or similar organizations that promote the commercial interests of its members, and charter and private education institutions.

- A. Metro's policy that it will only accept commercial advertising applies regardless of whether the proponent is a commercial or nonprofit organization. To determine whether an ad qualifies as commercial, Metro considers the following non-exclusive factors: (a) whether a commercial product or service is apparent from the face of the ad; (b) whether the commercial product or service is incidental to the public interest content of the ad; (c) whether the sale of commercial products or services is the primary source of the advertiser's total annual revenue; and (d) whether the advertiser is a for-profit entity.
- B. This exclusion does not apply to Government Advertising below.

Public Service Announcements From Non-Profits.

Metro will accept paid promotional advertising by a nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code the sole expressed purpose of which relates directly to: (1) the availability of services to prevent or treat illnesses; (2) the availability of education or training services; (3) the availability of services or programs that provide support to low income citizens, senior citizens or people with disabilities; or (4) patronage of museums that offer free admission to the public.

Government Advertising

Metro will accept advertising that advances specific government purposes from a federal, State of California, or Los Angeles County local governmental entity. The governmental entity must be clearly identified on the face of the advertising.

2.2 Prohibited Content and Subject Matter

Metro retains content control of advertising on the transit system by restricting content; content described below may not be displayed on the Metro transit system and/or agency assets:

 Alcohol and Spirits – Imagery of open or closed alcoholic containers or consumption of any alcohol and spirits is prohibited and may not be shown. Services and events for food and beverage, including alcohol and



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wine events may be shown if the image is compliant with the restrictions stated herein.

- Tobacco, Vaping and Cannabis Imagery that portrays, simulates, or encourages recreational smoking, vaping, or ingesting of tobacco, cannabis, or similar products is prohibited. Services and events for cannabis products, services, and events are prohibited and may not be shown.
- Illegal Activity Content that promotes or relates to an illegal activity
- Violence Images, copy or concepts that promote guns/firearms or gun violence, or that depict weapons or other devices in an act of violence or harm on a person or animal, or contain any material that incites or encourages, or appears to incite or encourage, violence or violent behavior.
- Obscene Matter Obscene matter as defined in the Los Angeles County Code, Chapter 13.17, Section 13.17.010, or sexually explicit material as defined in the Los Angeles County Code, Chapter 8.28, Section 8.28.010D.
- Indecency Images, copy or concepts that describe, depict, suggest or represent sexual or excretory organs or activities in a manner that a reasonably prudent person, knowledgeable of Metro's ridership and using prevailing community standards, would find inappropriate for the public transit environment, including persons under the age of 18.
- Adult Entertainment and Content Content that promotes or displays images associated with adult bookstores, video stores, dance clubs, or other adult entertainment or sexually-oriented establishments, telephone services, internet sites, films, video games, escort services, etc.
- Adult Rated Media Adult/mature rated films, television, video games, or theatrical presentations, such as adult films rated "X" or "NC-17" or video games rated "AO."
- Profanity Contains any profane language.
- Political Speech Advertising that promotes or opposes (a) a political party; (b) any person or group of persons holding federal, state or local government elected office; (c) the election of any candidate or group of candidates for federal, state or local government offices; or (d) initiatives, referendums or other ballot measures.



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- Public Issue Speech Advertising that primarily expresses or advocates an opinion, position or viewpoint on a matter of public debate about economic, political, public safety, religious or social issues. This exclusion does not apply to Government Advertising under 2.1.
- **Religion** Promotes or opposes any identifiable or specific religion, religious viewpoint, belief, message, or practice.
- Unsafe Transit Behavior Contains images, copy or concepts that depict unsafe behaviors aboard buses or trains, or in or around transit stations or railroad tracks.
- Injurious to Metro's interests Promotes products, services or other concepts that are adverse to Metro's commercial or administrative interests. Prohibited content includes but is not limited to images, copy or concepts that actively denigrate public transportation.
- Metro's Endorsement Contains images, copy or concepts that inaccurately state or imply Metro's endorsement of the subject of the advertisement.
- Harmful or Disruptive to Transit System Contains material that is so objectionable as to be reasonably foreseeable that it will result in harm to, disruption of, or interference with the transportation system.
- **Symbols** Miscellaneous characters, images or symbols used as a substitute for prohibited content.

2.3 Metro's Government Speech

The provisions of this policy do not apply to Metro's government speech, which includes advertising sponsored solely by Metro or by Metro jointly with another entity to communicate any message deemed appropriate by Metro.

2.4 Metro's Right of Rejection

Metro, and its advertising vendors, will screen and review all advertising content on the transit system, and in all contracts Metro reserves the right to:

- Reject any advertising content submitted for display on its properties; and/or
- To order the removal of any advertising posted on its properties.



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Decisions regarding the rejection or removal of advertising are made by the Metro Marketing Executive or their designee based upon the criteria in this policy.

Disclaimer of Endorsement: Metro's acceptance of an advertisement does not constitute express or implied endorsement of the content or message of the advertisement, including any person, organization, products, services, information or viewpoints contained therein, or of the advertisement sponsor itself.

2.5 Informational Advertising

Metro has several unique distribution channels at its disposal for disseminating transit information for which it incurs no "space" cost (the fee charged for advertising space). Informational advertising space is limited and reserved exclusively for Metro transit information. All messages and materials distributed by this means are prepared, approved and/or authorized by the Marketing Executive or their designee.

Acceptable information for these distribution channels is categorized as follows:

2.5.1 Transit Information

Transit information includes, but is not limited to: campaigns promoting ridership, service features and changes, fare information and changes, safety and security messages, maps and explanations of related transportation services.

2.5.2 Cross-Promotional Information

On an occasional basis and only when space is available, Metro's Marketing Department may use Metro's distribution channels to participate in cross-promotional opportunities (a cooperative partnership in which Metro and one or more entities work together with the goal of jointly promoting their respective services) that offer a direct opportunity to promote use of transit. Any materials distributed for this purpose must prominently include promotion of Metro services (e.g., Metro Ridership Promotion such as, "Go Metro to CicLAvia"). Metro is prohibited by law from donating advertising space to any entity for purposes that are not directly transit-related.

The outside organization involved must either bear the cost of producing such materials or, if approved by Metro's Marketing Department, provide



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an equivalent or greater value in cross-promotional benefits (i.e. advertising space, editorial space, etc.).

2.5.3 "Added Value" Materials

On an occasional basis and only when space is available, Metro's Marketing Department may use Metro's distribution channels to provide "added value" materials to its riders. Such materials must present a specific and time-dated offer uniquely provided for Metro bus and Metro Rail riders (generally a money-saving discount) in which transit can be used to access the redemption point. Any materials distributed for this purpose must prominently include the Metro logo and other wording approved by Metro's Marketing Department to indicate that the offer is specifically designed for Metro bus and Metro Rail riders. Metro is prohibited by law from simply donating advertising space to any entity for purposes that are not directly transit-related.

The outside organization involved must either bear the cost of producing such materials or, if approved by Metro's Marketing Department, provide an equivalent or greater value in cross-promotional benefits (e.g., advertising space, editorial space, etc.). Any added value programs must be approved by the Marketing Executive, or their designee based upon the criteria in this policy statement.

2.6 Advertising Vendors

Metro may contract with outside vendors to sell and display advertising on its transit system and related properties for the sole purpose of generating revenue. Vendors for such contracts are solicited through competitive bids, which must conform to Metro's procurement procedures and be approved by Metro's Board of Directors.

Such agreements may dedicate up to, but no more than 90% of the available space covered by the contract for commercial advertising, reserving the remaining available space for Metro's own transit-related information. This percentage of available space, and the remaining percentage of space held for Metro's information, will be negotiated as part of any contract with an outside advertising space vendor.

2.7 Placement of Advertising

Locations for commercial advertising may include, but are not limited to: the exterior and interior of all Metro's transit fleet (buses, trains, rideshare cars, and



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non-revenue cars); the exterior and interior of all Metro's stations and hubs (rail and bus stations, bus stops, and mobility hubs); digital channels (agency websites, mobile apps, and social media channels); printed materials (brochures, timetables); Metro property (buildings, facilities and parking structures); and any other location approved by Metro's Marketing Executive. Metro and its advertising contractors will obtain necessary permits as required to comply with local jurisdiction. Specific locations and properties may be exempt and excluded, in which case Marketing will coordinate with the agency project manager as advertising inquiry arises.

2.7.1 Graphics on Window and Glass

To ensure the safety and security of passengers, operators and law enforcement officers, advertising displays which employ window graphics are restricted from <u>fully obscuring</u> the window surfaces on any Metro vehicles (trains, buses, ride share, and non-revenue vehicles). The front window, however, <u>may not</u> be covered in any manner.

If an advertising display employs window graphics, the materials must be perforated with a 50/50 coverage-to-visibility ratio. The perforated material applies to all glass surfaces such as vehicle windows, buildings windows, and glass elevators. Metro may provide materials and technical specifications to each vendor.

3.0 PROCEDURES

Action By: Action:

Advertising Vendors Sell, post and maintain all commercial advertising on

Metro properties. All proposed transit advertising must be submitted to the Advertising Vendor for initial compliance review. The Advertising Vendor will perform a preliminary evaluation of the submission to assess its compliance with this policy. If, during its preliminary review of a proposed advertisement, the Advertising Vendor is unable to make a compliance determination, it will forward the submission to the Metro's advertising panel for further evaluation. The Advertising Vendor may at any time discuss with the entity proposing the advertisement one or more revisions to an advertisement, which, if undertaken, would bring the advertisement into conformity with this Advertising



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Policy. The Advertising Vendor will immediately remove any advertisement that Metro directs it to remove.

Metro Advertising Panel Metro's advertising panel will review the proposed

advertisement for compliance with the guidelines set forth in this policy and will direct the Advertising Vendor as to whether the proposed advertisement will be accepted. In the discretion of the advertising panel, any proposed transit advertising may be submitted to Metro's Marketing Executive for review.

Metro's Marketing Executive Metro's Marketing Executive or designee will

conduct a final review of proposed advertising at the request of Metro's advertising panel. The decision of the Marketing Executive to approve or reject any

proposed advertising shall be final.

Metro Advertising Panel and

Marketing Executive

Metro's advertising panel or the Marketing Executive

may consult with other appropriate Metro

employees, including Metro's legal counsel, at any

time during the review process.

4.0 PROCEDURE HISTORY

03/23/00 Original policy adopted by Metro's Board of Directors.

01/27/05 Policy amended by Board of Directors to permit advertising on Metro

Rapid vehicles.

09/26/08 Biennial review and update. Policy updated to include Board of Directors

amendment to permit all forms of non-traditional advertising displays as well as advertising on rail car exteriors and other types of transit service

with the exception of Orange Line vehicle exteriors.

6/27/13 Content Guidelines amended by Metro's Board of Directors to add an

exception for non-profit organizations pertaining to the non-commercial advertising prohibition, and to expand language regarding various other

types of prohibited content.



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- 12/5/13
- Content guidelines amended by Metro's Board of Directors to prohibit messages that are injurious to Metro's interests and to clarify restrictions regarding vulgarity.
- 02/23/17
- Review and update: Board approved, Feb. 23, 2017 (Item 40). Streamlined policy for an easier read; removed defined vinyl window graphics prohibitions: now just may not fully wrap a bus; added definitions; clarified outreach channels; may advertise on Orange Line vehicles; added items to advertising ban; removed "wine festival" advertising allowance; advertising may not engage in public debate.
- 04/27/2023
- Significant Policy changes and edits including Elimination of government sponsored ad exception for non-commercial ads (Exception 2); clarification that Commercial Advertising is the only permitted form of advertising, unless advertiser is a federal, state, LA County governmental entity, or Metro; inclusion of: Revised Policy Purpose statement and objectives and Disclaimer of Endorsement; excludes advertising that "expresses or advocates an opinion, position or viewpoint on a matter of public debate"; and general reorganization and clarification.
- 09/24/2024
- Significant Policy changes and edits including Elimination of government sponsored ad exception for non-commercial ads (Exception 2); clarification that Commercial Advertising is the only permitted form of advertising, unless advertiser is a federal, state, LA County governmental entity, or Metro; inclusion of: Revised Policy Purpose statement and objectives and Disclaimer of Endorsement; excludes advertising that "expresses or advocates an opinion, position or viewpoint on a matter of public debate"; and general reorganization and clarification.
- 11/21/2024
- The addition of a new category, Public Service Announcements (PSAs) from nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code the sole expressed purpose of which relates directly to: (1) the availability of services to prevent or treat illnesses; (2) the availability of education or training services; (3) the availability of services or programs that provide support to low income citizens, senior citizens or people with disabilities; or (4) patronage of museums that offer free admission to the public. Clearly stating education institutions and museums are permitted.

Commercial Sponsorship and Adoption Policy 2025

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 Customer Experience 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** is defined as any Sponsorship/Adoption/Advertising activity lasting up to eighteen months. All temporary commercial activity is within CEO's approval authority. However, any temporary activity affecting facility/station/service names and any short-term renaming/co-naming requires Board notification via board box

memo.

- **Long-term** is defined as any Sponsorship/Adoption/Advertising activity lasting greater than nineteen months with a maximum length of fifteen years. All long-term commercial activity require Board action.
- Station Renaming is defined as any Sponsorship/Adoption/Advertising activity that
 requires the renaming of a facility or station as part of its sponsorship plan; in
 addition, the renaming activity will impact the facility's official and operational name.
 Additive naming techniques such as 'Home of' or 'Presented by' that do not impact
 official and operational name, but may impact façade presentation, are also
 acceptable. Long-term station renaming requires a minimum five-year commitment
 to a maximum length of twenty years.

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 Customer Experience with concurrence from the Chief Customer Experience Officer, or their designee, 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 the Chiefs or their designee from these cabinets:
 - Office of Civil Rights, Race, and Equity
 - o Ethics
 - Legal Counsel
 - Vendor/Contract Management
 - Office of Management and Budget
- 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 the Chiefs or their designee from these cabinets:
 - Customer Experience
 - Countywide Planning
 - Program Management
 - Operations
 - 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:

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 Customer Experience 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.

Policy Change Comparison

System Advertising Policy

CURRENT LANGUAGE	RECOMMENDED CHANGES
Metro will only accept paid commercial advertising that proposes, promotes, or solicits the sale, rent, lease, license, distribution or availability of goods, property, products, services, or events that anticipate an exchange of monetary consideration for the advertiser's commercial or proprietary interest, including advertising from tourism bureaus, chambers of commerce or similar organizations that promote the commercial interests of its members, and museums that offer free admission to the public.	Metro will only accept paid commercial advertising that proposes, promotes, or solicits the sale, rent, lease, license, distribution or availability of goods, property, products, services, entertainment, or events that anticipate an exchange of monetary consideration for the advertiser's commercial or proprietary interest, including advertising from tourism bureaus, chambers of commerce or similar organizations that promote the commercial interests of its members, and charter and private education institutions.
(NEW LANGUAGE)	Public Service Announcements From Non-Profits. Metro will accept paid promotional advertising by a nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code the sole expressed purpose of which relates directly to: -(1) the availability of services to prevent or treat illnesses; (2) the availability of education or training services; (3) the availability of services or
	programs that provide support to low income citizens, senior citizens or people with disabilities; or (4) patronage of museums that offer free admission to the public.

Commercial Sponsorship and Adoption Policy

CURRENT LANGUAGE RECOMMENDED CHANGES

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.

Temporary is defined as any Sponsorship/Adoption/Advertising activity lasting up to ninety consecutive days eighteen months. All temporary commercial activity is within CEO's approval authority. However, any temporary activity affecting facility/station/service names and any requires Board notification: short-term renaming/co-naming requires Board notification via board box memo. while long-term renaming/co-naming requires Board approval. 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/conaming requires Board notification while long-term renaming/conaming requires Board approval.

Long-term is defined as a-ny

Sponsorship/Adoption/Advertising activity lasting greater than ninety consecutive days nineteen months with a maximum length of twenty10 years.—Aall long-term commercial activity require Board reviewed and approvalaction.

(NEW LANGUAGE)

Station Renaming is defined as any Sponsorship/Adoption/Advertising activity that requires the renaming of a facility or station as part of its sponsorship plan; in addition, the renaming activity will impact the facility's official and operational name.

Additive naming techniques such as 'Home of' or 'Presented by' that do not impact official and operational name, but may impact façade presentation, are also acceptable. Long-term station renaming requires a minimum five-year commitment to a maximum length of twenty years.

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:
- o Civil Rights
- o Ethics
- o Legal Counsel
- o Office of Inspector General
- o 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:

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 MarketingCustomer

Experience with concurrence from the Chief Communications Customer

Experience Officer, or their designee, 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 the Chiefs or their designee
 from these cabinets:
 - Office of Civil Rights, Race, and Equity
 - o Ethics
 - Legal Counsel
 - Office of Inspector General
 - Vendor/Contract Management
 - Office of Management and Budget
- Evaluation Panel The Evaluation
 Panel reviews and scores each
 proposal based on the Evaluation
 Criteria. The Evaluation Panel may be

- o Communications (Arts & Design, Community Relations, Marketing, Public Relations)
- o Countywide Planning (Real Estate, Systemwide Design)
- o Customer Experience o Equity & Race o Respective Asset or Program Owner
- 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 <u>Customer</u>
 <u>Experience</u>(Arts & Design,
 <u>Community Relations</u>,
 <u>Marketing</u>, <u>Public</u>
 Relations)
 - Countywide Planning (Real Estate, Systemwide Design)
 - Customer Experience
 - Equity & RaceProgram Management
 - Operations
 - Respective Asset or Program Owner





Background



In March 2024, OMB held a special Board Budget workshop to present upcoming financial outlook and options to offset budget gaps. The outlook included cost growth drivers and alternatives to address increasing budget costs including opportunities in advertising, sponsorships, and beyond.

- Staff analyzed tactics including potential Metro policy changes, expansion of practice options, and addressing CA state laws.
- Considering timeline and difficulty of potential revenue streams, amending Metro's two commercial policies were deemed prudent for immediate revenue generation opportunities.

POLICY HISTORY

- The Advertising Policy was introduced in 2000 and has seen numerous revisions addressing growing agency assets and permissible advertising content. It was most recently amended in 2023 to address non-commercial ad restrictions.
- The Commercial Sponsorship Policy was introduced in 2021 to offset revenue losses brought upon by Covid pandemic it has not been amended since initial adoption.



Proposed Policy Amendments



SYSTEM ADVERTISING POLICY

- Permit Public Service Announcements (PSAs) from 501(c)(3) Non-Profits:
 - Ads promoting health or illness prevention, education and training, and community services. Potential revenue increase of \$2 million annually.

COMMERCIAL SPONSORSHIP POLICY

- Sponsorship Duration and Scope:
 - Revise short term definition from 90 days to 18 months.
 - Maximum sponsorship length extended from 10 to 15 years to secure more substantial, long-term funding.
 - Examples of short-term sponsorships include brand-sponsored events or temporary station sponsorships (e.g., 'Home of Kobe Bryant').
- CEO Approval for Non-Title Sponsorships:
 - Delegates approval of smaller, short-term sponsorships to the CEO, expediting process from 3 months to 1 month. Allows faster response to new sponsorship opportunities.
 - The Board retains approval authority on all name changes and long-term sponsorships.



Opportunities, Risks & Concerns



OPPORTUNITIES

- Increased Revenue Potential: Immediate new revenue sources through policy amendments; Total projected increase of \$13.1 million annually.
- Large Event Revenue Opportunities: Metro's ad and sponsorship reach can leverage major events like the World Cup, Super Bowl, and Olympics and Paralympics Games.
- **Community Engagement:** Allowing PSAs and non-profit ads could provide riders with valuable information on community services and events.

RISKS & CONCERNS

- **Transit Agencies National Survey:** Almost all transit agencies permit PSAs advertising on their system with none to little issues impacting customers or the agency.
- Content Control on Political or Free Speak: The ad policy's other restrictions are still in place and will continue to reject controversial topics such as political speech, public issue speech, religion, among others.



Recommendation

Approve amendment to the System Advertising Policy to allow public service announcements (PSAs) ad content with restrictions.

Approve amendment to the Commercial Sponsorship and Adoption Policy to right size short-term and long-term durations and streamline administrative approvals to secure higher revenue commitments and allow faster, flexible sponsorship approvals.

