

**Board Report**

File #: 2016-1006, **File Type:** Policy**Agenda Number:** 51

**REVISED
EXECUTIVE MANAGEMENT COMMITTEE
JANUARY 19, 2017****SUBJECT: METRO SYSTEM ADVERTISING POLICY****ACTION: APPROVE REVISED METRO SYSTEM ADVERTISING POLICY****RECOMMENDATION**

ADOPT revisions to **Metro's System Advertising Policy in order to update policy and expand Metro's current advertising opportunities and generate additional revenue** - as recommended in the Risk Allocation Matrix (RAM) process approved at the January 2016 Board meeting.

ISSUE

Metro's System Advertising Policy provides the agency with a significant opportunity to generate advertising revenue as a way to leverage and optimize sales tax revenues, state and local funds, fare revenues and other forms of agency funding.

In January 2016, the Metro Board of Directors approved the Risk Allocation Matrix (RAM) where staff identified cost saving and revenue generating initiatives, and created the Internal Savings Account - intended as tools to ensure long-term financial stability and mitigate projected budget shortfalls. Among some of the financially significant initiatives is the expansion of advertising on the Metro system to include digital advertising, opportunities at parking structures, facilities and buildings, and other Metro-owned properties.

Revision of the Metro System Advertising Policy would enable staff to explore expanded advertising opportunities on Metro's system in order to generate additional and significant revenue for the agency. This revised policy positions the agency to benefit from expanded advertising opportunities.

DISCUSSION**Background**

Metro's System Advertising Policy was last revised June 2013 to permit advertising from non-profit organizations, and strengthen content restrictions on tobacco products, firearms and gun violence, demeaning or disparaging statements, adult entertainment, political endorsements, religious issues, and unsafe or disruptive transit behavior.

In January 2016, the last and final option with Outfront Media's advertising contract was approved and will have generated \$24,000,000 in revenue for Metro from January to December 2017. Some of the additional techniques include advertising space on bike racks on Metro buses and additional 2-sheet ad panels on the Expo, Gold, Blue, and Green Line stations.

Policy Update

While Metro's System Advertising Policy has successfully provided the structure to responsibly generate revenue using Metro's capital assets, it is necessary to revisit the policy so it may address new products, new technologies, and keep in alignment with agency progress.

Restriction Additions

- The emergence of electronic cigarettes and cannabis have become more prevalent as a smoking device and activity, thusly, language has been added to include prohibition of electronic cigarettes and cannabis in the content restrictions, Section 2.1.1. Alcohol, Tobacco, and Cannabis Adverting.

Restriction Removals

- Advertising is placed on all Metro service except the Orange Line. Staff recommends removing the restriction to place advertising on the Orange Line as potential revenue may reach \$200,000 annually. Since the expansion to Chatsworth in 2012, the Orange Line receives an estimated 8.4 million annual ridership; the line also services at least six neighborhoods including North Hollywood, Van Nuys, Reseda, Canoga Park, and Chatsworth.
- Metro Rapid and articulated buses currently do not include advertising. There are no safety, or logistical issues with placing advertising on Rapid and articulated buses, it simply has not been done in the past. An estimated additional 500 Rapid and articulated vehicles may receive advertising, with the potential to earn \$250,000 annually.
- ~~Local events are becoming cultural and financial milestones for the Los Angeles area. Many of these events combine food and drink activities, such as Los Angeles Food & Wine Festival, BBQ & Craft Brews Festivals, and L.A. Beer and Food Festival. Staff recommends allowing advertising for food and drink events in the content restrictions, Section 1. Alcohol and Tobacco Adverting~~

Expanded Properties

- Advertising placed on Metro's digital assets such as websites, social media platforms, blogs, and mobiles apps already generate revenue; and staff have added language to explicitly include these digital platforms in the policy.
- Advertising on Metro's facilities and other properties such as maintenance buildings and facilities, parking structures and lots, and other properties as recommended by the Risk Allocation Matrix (RAM). Staff has added language to include physical and virtual property in the policy.

DETERMINATION OF SAFETY IMPACT

Revision of this policy does not have impact on safety. Staff will consult Risk Management and Safety to review final advertising scopes of work, and individual deliverables such as digital advertising.

FINANCIAL IMPACT

Impact to Budget

No impact to the FY17 or FY18 Budget is anticipated as a result of approval of the policy.

Upon approval of the policy, it may warrant evaluation of staffing to manage the execution of contracts and business needs associated with expanded advertising.

ALTERNATIVES CONSIDERED

Decline to adopt the revised Metro System Advertising Policy.

This is not recommended as the proposed policy changes enable staff to fulfill the Board's previous directive of implementing the 2016 RAM/Internal Savings Account, and explore opportunities to generate additional revenue through expanded advertising opportunities.

NEXT STEPS

Upon Board approval, staff will procure services for expanded advertising on Metro's system to include bus, rail, and properties. Recommendations will be presented for Board approval of new advertising contract(s) before the current contracts expires in December 2017.

ATTACHMENTS

Attachment A - Metro System Advertising Policy (COM6)-ORIGINAL2013

Attachment B - Metro System Advertising Policy (COM6)-CHANGEScolor

Attachment C - Metro System Advertising (COM6)-CLEAN

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