



Board Report

File #: 2024-0090, File Type: Contract

Agenda Number: 23.

EXECUTIVE MANAGEMENT COMMITTEE MARCH 21, 2024

SUBJECT: LONG-TERM ADVERTISING - CULVER CITY STATION

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

APPROVE a long-term advertising purchase, up to 12 months, at Culver City Station from Max (formerly HBO), generating \$616,000 estimated net revenue 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 ("Attachment A"), staff requests approval of long-term advertising and activity by Max at the 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 Metro Board approved the Commercial Sponsorship and Adoption Policy. The Sponsorship Policy provides a structured framework and well-defined process to engage in commercial sponsorships as an extension of revenue advertising. This encompasses the definition of sponsorship models, terms and durations, the identification of eligible agency assets, sponsor eligibility and responsibilities, the proposal process, and the criteria used for evaluation for Metro to conduct revenue sponsorship business aligned with the System Advertising Policy ("Attachment B").

Since its adoption, the Sponsorship Policy has enabled the agency's sponsorship deals with Door Dash, Max/HBO, and Adventist Health. Max, formerly Home Box Office (HBO), or MAX, relocated their corporate headquarters to Ivy Station in 2021, adjacent to the Culver City Station on the E Line. To announce their presence in the neighborhood, Max purchased an exclusive station buyout from fall 2021 to fall 2022. Max's buyout excludes any other entertainment studio or content streamer from displaying static or digital advertising at the station. Max views the activated station as an extension of their headquarters and continued the buyout for a second year in 2022-2023 (Metro board approved this sale in early 2022); they are requesting to continue the activation for a third year,

extending into late 2024.

DISCUSSION

Ivy Station is a mixed-use transit-oriented development that provides retail, office, hotel, and residential uses surrounding a large central open space conveniently served by light rail and bus transit. The proximity of Metro's Culver City station to Max's headquarters at Ivy Station presents a unique opportunity where private and public spaces effortlessly commingle. The station design, close proximity, and engaging Max visual content are in harmony - creating an engaging station activation. For Max, the activation provides high visibility and exposure of their brand and service; for Metro, the activation provides an engaging and memorable experience for commuters while generating revenue.

Activation techniques for year three will see similar execution from previous years, including wrapping station elements such as columns, pillars, trestles, escalator exterior walls, and wallscapes via direct decal to the surfaces of station property. As part of the digital ad program, digital screens have also been deployed at this station and used in this campaign. To promote their expansive content offerings, station wraps are exchanged roughly every 10 weeks - leaving little time for vandalism or graffiti incidents to occur. Within the 12-month duration, creative content may be updated at Max and Intersection's discretion. All creative content will comply with Metro's System Advertising Policy and be vetted by the Content Advertising Committee. (Attachment C - Max Advertising-Culver City Station)

DETERMINATION OF SAFETY IMPACT

The advertising vendor will install advertising following Metro's 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. Commercial Advertising and Sponsorships are revenue-generating programs and do not incur capital costs to Metro. Metro will receive a 70% revenue share, approximately \$616,000, and the contractor will receive a 30% revenue share, approximately \$264,000, from the total gross sale of \$880,000.

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 into FY25, the program manager, cost center manager, and Chief Customer Experience Officer will ensure all project resources are budgeted in the next fiscal year.

Impact to Budget

Commercial Advertising and Sponsorship revenues are eligible for operating budget from enterprise funds.

EQUITY PLATFORM

While some locations of the Metro system receive more advertising activity and generate more sales, the revenues are eligible to be allocated to all areas of Metro's bus and rail system. The media purchase at this station has been a catalyst for other buyers, generating more revenue from advertising and sponsorships - creating a reliable funding source for agencywide initiatives.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The revenue advertising program supports the Strategic Plan by fulfilling Goal 5 in providing responsive, accountable, and trustworthy governance within the Metro organization, exercising good public policy judgment and 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 \$616,000 of estimated revenue earnings from an individual station and miss other locally relevant 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 Max and Culver City Station on the E Line.

ATTACHMENTS

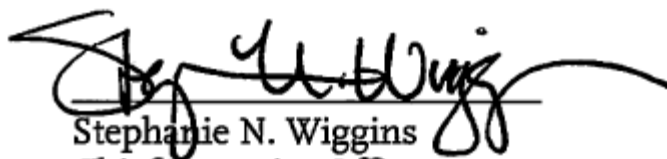
Attachment A - Commercial Sponsorship and Adoption Policy

Attachment B - System Advertising Policy

Attachment C - Max Advertising-Culver City Station

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