

**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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