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EXECUTIVE MANAGEMENT & AUDIT COMMITTEE
JUNE 15, 2006

SUBJECT: NEW REVENUE OPPORTUNITIES

ACTION: AMEND ADVERTISING POLICY TO PERMIT NEW REVENUE-GENERATING OPPORTUNITIES

RECOMMENDATION

A. Amend the Board-approved policy on Metro System Advertising (COM 6) to permit any or all of the new revenue-generating programs described in Attachment A.

B. Authorize the Chief Executive Officer to immediately implement pilot programs on a sole-source basis for the approved items in Attachment A.

ISSUE

During its review of the proposed FY07 Budget, the Board directed staff to explore new and innovative opportunities for generating additional revenue. In response, staff is presenting five options with known revenue potential (described in Attachment A) which can be implemented immediately as limited-term pilot programs through sole source agreements. In addition, staff has identified several other options (described in Attachment B) whose viability and revenue potential are unknown. Staff will explore these options further at the Board's direction.

POLICY IMPLICATIONS

The proposed policy amendments would enable Metro to pursue a number of revenue-generating advertising programs which are currently either prohibited or not specifically permitted. Implementation of these programs would result in new displays of ads on the Metro system.

ALTERNATIVES CONSIDERED

Depending on market conditions, revenues for Metro's next regular bus advertising contract, scheduled to be solicited in FY07, may exceed those of the current one. The status quo alternative is an option that still could net additional revenues if the Board were to leave the COM 6 policy as is and to pursue only the forms and categories of advertising that are permitted currently.

FINANCIAL IMPACT

Because these programs represent avenues that are not currently available to advertisers in this market and would involve revenue-sharing arrangements with vendors, exact revenue amounts are not guaranteed. However, conservative preliminary estimates suggest that Metro could realize in excess of $2,000,000 during the first full year of implementation of the programs described in Attachment A. As with previous revenue-generating programs, Metro's costs should be limited to administrative time to implement the new programs. If Metro were to enter into heavily administered programs and/or directly manage any of these programs, additional staff may be required.

BACKGROUND

In March 2000, the Board adopted a comprehensive policy now designated as COM 6 that provides specific guidelines regarding Metro's revenue-generating advertising. The policy specifically prohibits the placement of exterior ads on "rail vehicles, BRT vehicles, and other new types of transit service." In naming a number of other acceptable placements for advertising, the policy does not specifically cite locations such as surfaces throughout Metro Rail stations, the inside of subway tunnels or stripes in parking lots.

The policy also specifically prohibits Metro from accepting advertising for alcohol and tobacco products of any kind. Further, the policy prohibits Metro from accepting "non-commercial" advertising; however, it contains an exception allowing governmental entities to purchase space for messages that advance specific government purposes.

In 2005, the Board revised the "new types of transit service" portion of COM 6 to allow ads on Metro Rapid vehicles. This resulted in an increase in revenues of approximately $3.25 million annually. The Board also authorized the Transit Television Network contract, which, in addition to providing on-board television entertainment to Metro bus customers, also generates a guaranteed annual minimum of $100,000 in revenue for the agency.

During FY06, Metro has generated $17.1 million through advertising on bus exteriors and interiors, and $100,000 through advertising on TV monitors in buses. Following are key points regarding the current bus advertising contract:

- Revenues are paid to Metro on a firm, fixed price guarantee, rather than on a revenue-sharing basis. As part of its bid for the current contract, the vendor estimated Metro's portion of the total gross revenues would be 67%, with Vendor expenses accounting for 20% and Vendor profit at 13%.
- "Wrapped" advertising is permitted on no more that 100 vehicles. This number was lowered from 200 vehicles in the previous contract based on Board direction.
- Standard exterior advertising (sides and tails) accounts for nearly 83% of the total revenue amount, or $14,102,620.
- Wrapped advertising makes up more than 17% of total revenue amount, or $2,954,880.

- Interior advertising accounts for $42,500 of the total revenue.
- Metro receives approximately half of the interior space (10 spaces per bus) for its own messages, which are installed at the vendor's expense. Installation would cost Metro an estimated $300,000 per year.
- Metro receives 600 exterior spaces per month for its own ads, increased from 400 in the previous contract. Metro's exterior ads are installed at the vendor's expense.

No revenue-generating ads currently appear in Metro Rail trains, stations, and facilities or in parking lots. Procurement of the next bus advertising contract will begin in Fall 2006, with a contract award to be made in June 2007. As was done with the current contract, staff will review the procurement options and contract structure with the Board prior to release.

New Opportunities

Staff is looking at opportunities that either generate entirely new funding and/or increase revenues in existing programs. The items described in Attachment A would allow staff to pursue several programs that could potentially generate additional revenue in excess of $2 million in the first year (FY07) and substantially more in out years. Revenue potential for items in Attachment B are unknown.

While staff is continually approached with revenue-generating concepts, the potential of proposed initiatives is often relatively small. Metro's most marketable assets, with regard to advertising value, are those viewed most frequently by the general public. While there is a value to reaching our nearly half-million daily customers, it doesn't compare to the value of reaching our 13-million local residents and visitors via the exteriors of our system, as exemplified by the $17.1M annual exterior bus-ad contract. Exploration of new revenue-generating proposals will allow staff to determine the concepts that generate most benefit.

Metro's current bus advertising vendor, CBS Outdoor Group, has expressed interest in testing several advertising forms not covered by their current contract. In addition, several specialty vendors have expressed interest in placing other types of ads on the Metro system.

NEXT STEPS

Upon approval of any items in Attachment A, staff will move aggressively to implement the described pilot programs. Those that prove viable will be included in future formal advertising procurements. Any recommendations for long-term contracts on these items will then be presented to the Board for approval. Further, staff will explore any of the items described in Attachment B as directed by the Board.

ATTACHMENTS

A. New Revenue-Generating Advertising - Options With Known Revenue Potential
B. New Revenue-Generating Advertising - Options With Unknown Revenue Potential
C. Policy COM 6 - Metro System Advertising

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ATTACHMENT A

New Revenue-Generating Advertising – Options with Known Revenue Potential

A-1) Station Prominence - Using adhesive vinyl, a single advertiser decorates large sections of available wall space in a rail station. The effect gives the message prominence when viewed by customers accessing the station. Such displays are typically posted for one month. Metro has at least six subway stations that would make attractive candidates for advertisers interested in a Station Prominence display. Transit systems in New York, Chicago and San Francisco are among those currently permitting this type of advertising.

CBS Outdoor has proposed testing the demand for Station Prominence displays on a revenue-sharing basis at Union Station, 7th Street/Metro Center, Hollywood/Vine and Hollywood/Highland, Universal City and North Hollywood, with 60% of revenue going to Metro. Based on a conservative estimate of having these displays posted just six months out of the year at each station, Metro would net in excess of $1,000,000 in the first year. If demand proves to be greater, revenues would increase.

If approved, Metro will pursue an immediate sole-source arrangement with CBS Outdoor to test Station Prominence advertising from July 2006 to December 2007. If viable, a longer-term option will be included in the next competitive advertising procurement, scheduled to be awarded in June 2007 with an effective date of January 1, 2008.

A-2) Exterior Train Advertising - Using adhesive vinyl, ads are placed on the exteriors of light rail trains in standard poster sizes, on entire doors, or as "wraps" of complete rail cars. Because of their visibility from freeways, the Metro Green Line and Metro Gold Line are both attractive candidates for advertisers interested in exterior train advertising. Transit systems in Portland, Las Vegas, Chicago, Washington DC and Minneapolis are among those currently permitting this type of advertising.

CBS Outdoor has proposed testing the demand for exterior train ads on the Green and Gold Lines on a revenue-sharing basis, with 60% of revenue going to Metro. Based on a conservative estimate of having these displays posted on only 70% of the available space, Metro would net in excess of $1,000,000 in the first year. If demand proves to be greater, revenues would increase.

If approved, Metro will pursue an immediate sole-source arrangement with CBS Outdoor to test Exterior Train advertising from July 2006 to December 2007. If viable, a longer-term option will be included in the next competitive advertising procurement, scheduled to be awarded in June 2007 with an effective date of January 1, 2008.

A-3) Metro Orange Line Advertising - The current policy prohibits the display of ads on the exteriors of Metro Orange Line vehicles. As a number of national advertisers have inquired specifically about this line, it is likely that exterior advertising on the Metro Orange Line could be sold at a premium rate.
CBS Outdoor has expressed interest in testing this demand and has proposed paying Metro a flat fee of $150,000 per year to sell and post standard exterior advertising (sides and tails, maximum of 3 ads per vehicle) on the 30 Orange Line vehicles.

If approved, Metro will pursue an immediate sole-source arrangement for the above with CBS Outdoor to take effect from July 2006 to December 2007. If viable, a longer-term option will be included in the next competitive advertising procurement, scheduled to be awarded in June 2007 with an effective date of January 1, 2008.

A-4) Tunnel Advertising – Through specialized displays, subway passengers are able to see a 15-second advertisement through the window between stations in what appears to be a motion picture on the tunnel wall. Metro has several locations, which would make attractive candidates for tunnel ads, including tunnels between the Hollywood/Highland and Universal City stations, and between Union Station and Civic Center. Transit systems in Atlanta, San Francisco and New York are among those currently permitting Tunnel Advertising.

Two vendors, SideTrack Technologies and SubMedia, have expressed interest in testing the demand for this type of advertising on the Metro Rail system. The vendors would bear all costs for fabrication, installation and maintenance. Based on leasing sites for two installations to each of these vendors on a one-year test basis, Metro could net an estimated $240,000. If demand proves to be substantial, a revenue sharing arrangement could be developed for the future.

If approved, Metro will pursue immediate sole-source arrangements with both vendors to test their systems for a period of 12 to 18 months. If the systems are found to be viable, a separate competitive procurement will be launched to install/expand the systems over a longer term.

A-5) Parking Stripe Advertising - In this program, adhesive strips are placed on the stripes delineating spaces in parking lots. Each strip contains a message visible to people as they enter and exit their cars. A number of parking lots at Metro Rail stations are attractive candidates for this marketing concept, including North Hollywood, Universal City, Wardlow, Willow, Aviation, El Segundo, Artesia, Del Amo, Florence, Sierra Madre Villa, and Lincoln Heights/Cypress Park.

Parking Stripe Advertising, an outside vendor, has expressed an interest in testing the demand for this type of advertising at Metro Rail stations, with 20% of revenue going to Metro. Based on a conservative estimate of having these displays posted on 3,000 spaces for six months out of the year, Metro would net an estimated $108,000. If demand proves to be greater, revenues would increase accordingly.

If approved, Metro will pursue an immediate sole-source arrangement with Parking Stripe Advertising to test the demand for this program over a period of 12 to 18 months. If the program is found to be viable, a separate competitive procurement will be launched to implement the program over a longer term.

ATTACHMENT B

New Revenue-Generating Advertising – Options with Unknown Revenue Potential

B-1) Modify Content Restrictions - All advertising contracts require adherence to the content restrictions in the COM 6 Policy. Among these restrictions is a prohibition of alcohol and tobacco ads of any kind.

Revising this policy to permit advertising for beer, wine and other malt beverage products has the potential to increase Metro's revenues in two ways. First, it is likely to increase the amount of funding that can be generated under the revenue-sharing programs described above. Second, it is likely to increase vendor bids during Metro's next formal advertising procurement, which is scheduled to begin in Fall 2006. It should be noted that the ground floor of Union Station (an area not controlled by Metro) currently has a station saturation-type ad for a beer advertiser.

B-2) Expand Vending Contracts – Currently Metro's vending efforts focus primarily on its own employees. An opportunity exists to contract vending on our entire system – targeting patrons at our facilities. Metro has not encouraged vending on the system because of the negative impacts in trash and maintenance. However, if revenues are sufficient, the benefits may outweigh the disadvantages. The revenues expected to be generated by this concept are unknown.

B-3) Product Promotions, Placement and Sampling – With the complexities of today's media market, more and more advertisers are moving from traditional ads toward more non-conventional means. Staff actively courts promotional partners to cross-promote services and events. A recent example is STOMP – which gave discounts to Metro customers as part of cross promotion. Currently, most efforts have been transacted through trade. Metro could formalize this practice and/or contract with an outside firm to represent the agency and make a more concerted effort to generate revenue in this area. Additionally, a fee structure could be established for system distribution of samples, information or materials that would leverage our customer base to outside parties. Revenues for this type of service are unknown.

B-4) Web and WiFi – Several revenue opportunities exist in the areas of electronic marketing. Metro has one of the more frequented web sites in the region. This may provide opportunities for ad sales. Furthermore, Metro is investigating the provision of WiFi (wireless internet) to its customers. Similar to hotels, this service may be provided to Metro customers on a fee basis. Metro could contract with an outside vendor and split subscription revenues. Metrolink and other agencies around the country are testing this service. Revenue implications are yet to be determined.

B-5) Wholesale Service Sponsors – Metro provides multiple services that may be marketable for sponsorship. While Metro's practice is to designate all services 'Metro' to aid customer identification, some services may be pulled out and repackaged with a sponsor. As an example, envision the "Pepsi Freeway Service Patrol" or the "Citibank Gold Line." Current board policy requires 100% cost recovery on any type of special service. This policy may have to be revisited for new services. However, Metro does have several existing services that may provide sponsorship opportunities. Revenue implications are yet to be determined.

B-6) Product Licensing – Metro now possesses an extremely high brand awareness and design identity that may be marketable to some retailers. More and more, Metro imagery is being appropriated by outside parties with no compensation to the agency. HGTV used a variation of a Metro bus to promote a new show; Matchbox produced a Metro Local vehicle to be sold – in both situations Metro was neither contacted nor compensated. New York has been extremely successful in merchandising its subway stops. Metro has been meeting with outside retailers and could pursue licensing agreements much more actively and pursue unauthorized use more aggressively. Revenue potential for licensing is unknown.

B-7) Facility Naming – Facility naming is quite common in the private sector – especially in the professional sports world. Metro has yet to engage in this as a revenue stream. However, Metro does have some extremely marketable facilities in prime locations that may be of interest to outside entities. Many of the contracts are very long term. Revenue potential for selling naming rights of Metro facilities is unknown, yet extremely promising. Metro would structure the contract to recoup costs associated with renaming of facilities.

ATTACHMENT C

COMMUNICATIONS POLICY COM-6

METRO SYSTEM ADVERTISING

POLICY STATEMENT

The Los Angeles County Metropolitan Transportation Authority (Metro) has determined that allowing revenue-generating advertising which does not compromise public or employee safety to be placed in designated areas on its transit properties is a responsible means of maximizing use of the authority's capital investments. Therefore Metro may enter into contracts with outside vendors to sell and display advertising on Metro buses, trains and transit facilities for the sole purpose of generating revenue. Issuance of such contracts must be in accordance with Metro's procurement policies and approved by Metro's Board of Directors. Locations for revenue-generating advertising may include but are not limited to: interiors and exteriors of buses, interiors of rail cars, interiors of rail stations, and fixed outdoor displays on Metro property. Metro shall not place or allow any exterior advertising on its rail vehicles, BRT vehicles, or other new types of transit service. Metro reserves the right to reject any advertising based upon its guidelines for acceptable advertising content contained in this policy statement.

Metro has further determined that advertising on its own properties is a valuable means of communicating with its customers. Therefore Metro explains and promotes its transit services through the dissemination of information onboard the Metro Bus and Metro Rail systems. 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 Chief Communications Officer or their designee.

PURPOSE

To clearly define the use of Metro's revenue-generating advertising space and informational advertising space throughout the Metro System.

APPLICATION

This policy and its procedures apply to all Metro employees, consultants and Board members.

1.0 PROCEDURES

The display of paid (revenue-generating) advertising carries with it a responsibility to protect the agency from potential litigation and to recognize the potential association of advertising images with Metro services while simultaneously respecting First Amendment principles. The agency addresses these issues through the responsible and consistent application of written criteria for advertising acceptability. It is not Metro's intent to create a public forum through the acceptance of advertising.

At the same time, Metro's ability to reach its customers directly is crucial to adequate dissemination of transit information to the public. Any use of the unique distribution channels at its command (such as allotments of interior and exterior bus advertising space as well as on-board "take-one" boxes and in-station Variable Message Signs) for purposes unrelated to customer information or retention is to be avoided, as it effectively "pre-empts" the availability of transit information to the public. Metro's Communications department administers the use of these unique distribution channels as part of its overall responsibility for customer communication.

1.1 Revenue-Generating Advertising

Metro contracts with outside vendors to sell and display advertising on bus and rail vehicles and facilities for the sole purpose of generating revenue. Metro does not sell or post advertising directly. 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 no more than 90% of the available space covered by the contract for revenue-generating advertising, reserving the remaining available space for Metro's own transit-related information.

Locations for revenue-generating advertising may include, but are not limited to: exterior surface areas of buses (see restrictions in Section 1.1.5 below), interior display frames in bus and rail vehicles, back-lit map cases inside Metro Rail stations, automated public toilets and other fixed outdoor displays on Metro property, electronic Variable Message Signs (VMS) on Metro Rail platforms, banner ads on Metro's website, space in Metro's printed brochures, timetables and other publications and printed materials, and any other location approved by Metro's Board of Directors. Metro shall not place or allow any exterior advertising on its rail vehicles, BRT vehicles, or other new types of transit service.

Content restrictions for advertising displayed through these arrangements are as follows:

<u>1.1.1 Alcohol and Tobacco Advertising</u>

Advertising of all alcohol and tobacco products is prohibited.

1.1.2 Non-Commercial Advertising

Metro does not accept advertising from non-governmental entities if the subject matter and intent of said advertising is non-commercial. Specifically, acceptable advertising must promote for sale, lease or other form of financial benefit a product, service, event or other property interest in primarily a commercial manner for primarily a commercial purpose.

Exception: Governmental entities, meaning public entities specifically created by government action, may purchase advertising space for messages that advance specific government purposes. It is Metro's intent that government advertising will not be used for comment on issues of public debate.

1.1.3 Other Subject Matter Restrictions

Advertising may not be displayed if its content:
Promotes or relates to an illegal activity;
Contains language which is obscene, vulgar, profane or scatological;
Contains images, copy or concepts that actively denigrate a specific ethnic or gender group;
Contains images, copy or concepts that actively denigrate public transportation; or
Contains 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.

1.1.4 Metro's Right of Rejection

Beyond the above, Metro's vendors may review advertising content according to their own guidelines of acceptability. Metro does not screen individual ads submitted to its vendors prior to posting unless specifically requested to do so by the vendors. Nevertheless, 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. Decisions regarding the rejection or removal of advertising are made by the Chief Communications Officer or their designee based upon the criteria in this policy statement.

1.1.5 Vinyl Window Graphics

To ensure the safety and security of passengers, operators and law enforcement officers, advertising displays which employ vinyl window graphics are restricted from obscuring window surfaces on Metro vehicles as follows:
Buses: No more than 30% of the vehicle's total window surface, and no more than 50% of the window surface of any bus side, may be covered by vinyl window graphics. (Note: this excludes the front window surface, which may not be covered in any manner.)
Rail Cars: No exterior advertising is permitted on rail cars.
Metro Rapid: No wrapped advertising, bus backs or oversized king ads are permitted on Metro Rapid vehicles.

1.2 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). These distribution channels include, but are not limited to: "take-one" boxes on board Metro Buses and Metro Rail trains, "take-one" racks at Metro Customer Centers, back-lit and non-lit map cases inside Metro Rail stations and on Metro Bus Stop poles, advertising kiosks at select Metro Rail stations, electronic Variable Message Signs (VMS) on Metro Rail platforms, and interior rail posters on board Metro Rail trains.

In addition, as specified in Section 1.1, Metro has the use of an allotment of exterior and interior bus advertising space at no charge by agreement with the vendor that sells all remaining interior and exterior bus advertising space under a revenue-generating agreement.

Acceptable information for these distribution channels is categorized as follows:

1.2.1 Regular Transit Information

Regular transit information is prepared by the Metro's Communications department in accordance with its annual strategic planning process as well as upon request from other internal departments. Regular transit information includes, but is not limited to: service features and changes, fare information and changes, safety and security messages, maps and explanations of related transportation services.

1.2.2 Cross-Promotional Information

On an occasional basis and only when space is available, Metro's Communications Department may use Metro's distribution channels to participate in cross-promotional opportunities that offer a direct opportunity to promote use of transit. Any materials distributed for this purpose must prominently include promotion of Metro services (i.e. "Go Metro to Fiesta Broadway"). 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 Communications Department, provide an equivalent or greater value in cross-promotional benefits (i.e. advertising space, editorial space, etc.). Any cross-promotional arrangement must be approved by the Chief Communications Officer or their designee based upon the criteria in this policy statement.

1.2.3 "Added Value" Materials

On an occasional basis and only when space is available, Metro's Communications Department may use Metro's distribution channels to provide "added value" materials to its customers. Such materials must present a specific and time-dated offer uniquely provided for Metro Bus and Metro Rail customers (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 Communications Department to indicate that the offer is specifically designed for Metro Bus and Metro Rail customers. 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 Communications Department, provide an equivalent or greater value in cross-promotional benefits (i.e. advertising space, editorial space, etc.). Any added value programs must be approved by the Chief Communications Officer or their designee based upon the criteria in this policy statement.

2.0 DEFINITION OF TERMS

Added Value Materials: Informational advertising which offers a tangible benefit to patrons as a means of rewarding and retaining customers (i.e., a money-saving discount).

Cross-Promotion: A cooperative partnership in which two or more entities work together with the goal of jointly promoting their respective services.

Exterior King Ad: Large ad measuring 144" x 30" displayed on the sides of Metro Buses. King ads are directly applied to the bus with adhesive vinyl.

Exterior Tail light or "Tail" Ad: Smaller ad measuring 48" x 15 ½" or 72" x 21" displayed on the rear of Metro Buses. Tail ads are directly applied to the bus with adhesive vinyl.

Governmental Entities: Public entities specifically created by government action.

Interior Bus Car Card: A 28" x 11" poster that mounts above the seats in Metro Buses to provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.

Interior Rail Poster: A 21" x 22 ¼" poster that mounts in frames on the walls of Metro Rail cars, used to display Metro Rail System Maps and provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.

Map Cases: Fixed cases in Metro Rail stations that hold a 46¾" x 46¾" display, usually back-lit. Used to display Metro Rail System Maps and provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.

Non-Commercial Advertising: A public service announcement, event notification, political statement or other message which does not have as its primary purpose to propose a commercial transaction.

Take-One: A printed brochure measuring 3½" x 8½" placed inside Metro Buses or Metro Rail trains, used to provide information on fares, routes, safety, pass & token sales locations, service changes and other matters relevant to the use of the Metro System.

Take One Box: A metal rack or plastic holder installed on the interior of Metro Buses and Metro Rail trains designed to hold approximately 40 take-ones. Many Metro Buses have a multi-pocket rack in addition to 2 plastic take-one boxes; most Metro Rail cars have from 2 to 6 plastic take-one boxes.

Variable Message Signs (VMS): Electronic sign boards in Metro Rail stations controlled from the Rail Operations Control Center that scroll through a series of written messages. Used to provide information on safety, pass & token sales locations, service changes, emergency announcements and other matters relevant to the use of the Metro System.

Vinyl Window Graphics: An adhesive vinyl super-graphic which covers a portion of the window surface of a bus or rail vehicle. Such graphics are manufactured to be largely transparent to those inside the vehicle, permitting passengers to see outside through the graphics.

3.0 RESPONSIBILITIES

Communications Department: Prepares all messages and materials for dissemination on board Metro Buses and Metro Rail trains; administers the distribution/display of transit information; tracks/coordinates the availability and use of Metro's unique information distribution channels.

Mailroom: Distributes quantities of take-ones to Metro Operating Divisions and Customer Centers according to distribution list prepared by project managers in Communications.

Operators and Service Attendants: Physically place take-ones on buses/trains for distribution to the public.

Advertising Vendors: Sell, post and maintain all revenue-generating advertising on Metro properties; implement Metro's policies on revenue-generating advertising; post all Metro informational advertising according to instructions from Metro Marketing Department.

Chief Communications Officer (or designee): Reviews and approves/rejects all cross-promotions and added value programs using Metro's unique distribution channels based upon the criteria in this policy statement; enforces Metro's right to reject and/or order removal of revenue-generating advertising based upon the criteria in this policy statement.

4.0 FLOWCHART

Not Applicable

5.0 REFERENCES

Not Applicable

6.0 ATTACHMENTS

Not Applicable

7.0 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.

Amending Motion by Mayor Antonio R. Villaraigosa

Executive Management & Audit Committee

Item 38 – Advertising Policy

I MOVE THAT the MTA Board adopt the CEO recommendation with the following amendments:

1. Pursue additional advertising revenue:

   A. Direct the CEO to immediately implement pilot programs for the following items in Attachment B

      B-2 Expand vending contracts
      B-3 Product promotions, placement and sampling
      B-4 Website and WiFi (including Gateway building)
      B-5 Wholesale service sponsors
      B-6 Product licensing
      B-7 Facility naming

   B. Establish a combined minimum revenue target of $10 million for fiscal year 2006-2007 for all pilot programs (B-2 through B-7)

2. Direct the CEO to establish a revised revenue sharing agreement whereby MTA receives at least 65% of all advertising revenue for all new and future contracts

3. Direct the CEO to report back quarterly to EMAC with revenue update

Amending Motion by Director Richard Katz

Executive Management & Audit Committee

Item 38 – Advertising Policy

I MOVE THAT the MTA Board:

1. Amend CEO recommendation to establish a combined minimum revenue target of $4 million for fiscal year 2006-2007 for all pilot programs (A-1 through A-5)

2. Direct the CEO and County Counsel to amend the current bus advertising contract to allow the current contractor and future bidders to submit bids to "wrap" up to 25% of the MTA's bus fleet, subject to final Board approval