

**Metro**Los Angeles County
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metro.net**EXECUTIVE MANAGEMENT COMMITTEE
JANUARY 15, 2015****SUBJECT: REVENUE-GENERATING WEBSITE ADVERTISING****ACTION: APPROVE PILOT PROJECT****RECOMMENDATION**

Authorize the CEO to enter into a non-competitive service agreement with Google, Inc. for a 12-month pilot program to place revenue-generating advertising on Metro's website, *metro.net*.

ISSUE

The Board has asked staff to explore ways to generate additional revenue for Metro through advertising. Metro's website receives approximately 3.4 million page views per month. Metro has met with Google Inc. regarding a version of their online advertising service specifically designed to help government agencies generate revenue through their websites, and Google has proposed a 12-month pilot project to place paid ads on *metro.net*. There is no cost to Metro to implement this program. Metro would receive as much as 80% of the revenue collected. No revenue is guaranteed. Based on its previous experience, Google estimates that revenue to Metro during the 12-month pilot project would total approximately \$347,800.

DISCUSSION

In August 2014, staff reported to the Board on several potential ways to increase revenue through advertising. One of the methods cited was to place paid advertising on Metro's website which attracts approximately 3.4 million page views per month.

Staff subsequently explored this concept with Google, Inc, which has a well-established service for placing ads onto websites. Using such a service allows Metro a "turnkey" operation which places paid ads on the site and generates revenue immediately, without the need to develop its own online platform to host such content or a sales operation to solicit advertisers.

Google has developed a version of their “Ad Exchange” and “AdSense for Search” online advertising services specifically to help government agencies generate revenue through their websites and has proposed a 12-month pilot project to place paid ads on *metro.net*. There is no cost to Metro to implement this program. Metro would receive 80% of all revenue collected for “Ad Exchange” advertising and 51% of all revenue collected for “AdSense for Search” advertising. Google has suggested placing ads on the following *metro.net* pages and provided estimates of revenue to Metro during the 12-month pilot project based on its previous experience:

<u>Location</u>	<u>Est.12-month Revenue</u>
Home Page	\$102,900
Trip Planner	\$239,100
The Source	\$ 3,600
Misc. Other Pages	<u>\$ 2,200</u>
	\$347,800

As is common with online content, the ads are dynamically generated. Ads seen by each visitor to the site are selected specifically for that user based on their browsing history. Therefore, two visitors might look at the same page on *metro.net* but see different ads. No ad is actually embedded in the pages of Metro’s website.

Google provides a number of controls to filter advertisements; these controls would be used to assure that ads adhere to the Content Guidelines in Metro’s advertising policy. The controls include:

- Ad Safe Filtering – All ads that will appear will be “family safe.”
- Category Filtering – Metro will be able to filter out any specific categories of advertising according to its Content Guidelines.
- URL Ad Filter – If necessary, Metro also will be able to delete any single advertisement should its appearance generate concerns.

DETERMINATION OF SAFETY IMPACT

Implementation of this pilot project does not affect the incidence of injuries or healthful conditions for patrons or employees. Therefore, approval will have no impact on safety.

FINANCIAL IMPACT

This pilot project is estimated to generate \$347,800 in revenue to Metro over its 12-month duration. No revenue is guaranteed.

Impact to Budget

This is a revenue-generating agreement and as such does not draw funds from a project or cost center budget. The revenue generated is eligible for all expenses including bus and rail operating and capital expenditures.

ALTERNATIVES CONSIDERED

1. Decline to enter into this pilot program. This is not recommended as there is no cost to Metro, the program can be implemented quickly, and revenue to Metro is estimated at \$347,800 over 12 months.
2. Issue an RFP for online advertising services now without implementing a pilot program. This is not recommended as the pilot program can be implemented within 30 days of approval, and will inform the deliverables of a longer-term RFP.

NEXT STEPS

If approved by the Board, staff will implement the pilot program as described above. Staff anticipates that advertising will begin appearing on the website within 30 days of the Board's approval of the pilot project. Staff will assess the project after six months and after 12 months, and if appropriate, issue an RFP to place revenue-generating advertising on Metro's website on an on-going basis.

ATTACHMENT

A. Procurement Summary

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PROCUREMENT SUMMARY

REVENUE GENERATING WEBSITE ADVERTISING

1.	Contract Number: PS1571405661	
2.	Recommended Vendor: Google, Inc.	
3.	Type of Procurement (check one): <input type="checkbox"/> IFB <input checked="" type="checkbox"/> RFP <input type="checkbox"/> RFP-A&E <input checked="" type="checkbox"/> Non-Competitive <input type="checkbox"/> Modification <input type="checkbox"/> Task Order	
4.	Procurement Dates:	
	A. Issued: N/A	
	B. Advertised/Publicized: N/A	
	C. Pre-proposal/Pre-Bid Conference: N/A	
	D. Proposals/Bids Due: N/A	
	E. Pre-Qualification Completed: N/A	
	F. Conflict of Interest Form Submitted to Ethics: N/A	
	G. Protest Period End Date: N/A	
5.	Solicitations Picked up/Downloaded: 0	Bids/Proposals Received: 1
6.	Contract Administrator: Linda Rickert	Telephone Number: 213-922-4186
7.	Project Manager: Warren Morse	Telephone Number: 213-922-5661

A. Procurement Background

This Board Action is to award a non-competitive revenue contract to Google in support of a pilot program to post advertising on the Metro website.

B. Evaluation of Proposals/Bids

One proposal was received and reviewed by Metro executive staff. Their evaluation is appropriate and consistent with criteria developed for other, similar procurements.

Qualifications Summary of Firms Within the Competitive Range:**Google, Inc.**

Google, Inc. has established skills as an Internet provider. Google is one of the key search engines on the Internet and is familiar to the general public. Google, Inc. has developed a specialty program to provide income for government agencies.

C. Cost/Price Analysis

This is a revenue generating procurement that is no-cost to Metro. Google would forward up to 80% of the revenue collected to Metro and anticipates the 12 month project could raise \$347,800 for Metro.

D. Background on Recommended Contractor

Google, Inc. is a well-recognized Internet entity. The firm was incorporated in 1998 and is headquartered in Mountain View, California. Google has been at the front of Internet developments with Gmail, Google Drive, Chrome OS and other hardware and software developments. Google operates in 70 offices in more than 40 countries.

E. Small Business Participation

The Diversity & Economic Opportunity Department (DEOD) did not establish a Small Business Enterprise (SBE) goal for this revenue-generating procurement. The project manager confirmed that the financial obligation of the advertising contract is limited exclusively to returning revenue to Metro. The contractor does not derive income from Metro, but from payments made by third party advertisers, to which a subcontracting goal cannot be applied.