



City Council Report

City Council Meeting: November 11, 2014

Agenda Item: 8-A

To: Mayor and City Council

From: David Martin, Director of Planning and Community Development

Subject: Award of Contract for Bikeshare Installation, Launch and Operations and Related Program Policy Direction

Recommended Action

Staff recommends that the Council:

1. Authorize the City Manager to negotiate and execute a contract with CycleHop, LLC, a Florida-based company in an amount not to exceed \$5,615,567 for the purchase, installation, and operation of a 500-bicycle bike sharing system, with two additional two-year renewal options in the amount of \$4,790,013, for a total amount not to exceed \$10,405,580 over an eight-year period, with future year funding contingent on Council approval and budget adoption;
2. Direct the City Manager to pursue corporate sponsorship funding, either directly or through an agency, to provide a minimum of \$250,000 per year and return to Council for approval of a specific sponsor(s) prior to system launch. Corporate messaging for the sponsor would be displayed on bikeshare bicycles, on-line, in hard copy bikeshare materials and recognition during the system launch.
3. Direct staff to pursue the development of a system identify that is distinct from association with any corporate sponsor, incorporates the color green for sustainability, includes the Metropolitan Transportation Authority (Metro) logo, and provides some opportunities for local expression within a regional system, and to return to Council in January with a recommendation.
4. Provide direction on the proposed rate and membership structure and direct staff to continue to coordinate with Metro and return to Council with a recommended fee resolution.
5. Approve the recommended policy and approach for siting bikeshare stations.
6. Direct the City Attorney to prepare an ordinance prohibiting use of bikeshare station racks except for parking of bikeshare bicycles.

Executive Summary

When the Council adopted the [2011 Bike Action Plan](#), it prioritized the development of a bikeshare system that would offer the community a convenient way to connect with transit and with the districts that are the heart of the Santa Monica community. Council, seeking to implement bikeshare ahead of the arrival of the Exposition Light Rail, directed staff to pursue advancing the funding for the system

from its original allocation period (fiscal years 2016-2018) and appropriated \$50,000 to support that effort.

Over the past 2½ years, staff was successful in advancing the initial funding and has pursued and received additional grant funding and worked with an array of local and regional partners to define a system that would serve local needs and integrate into a future regional system. Following an open, competitive procurement process described in this report, staff recommends that Council authorize a contract with the best bidder, CycleHop, LLC., for the purchase, installation and operation of a bikeshare system based on “smart-bike” equipment and technology provided by Social Bicycles, to include 500 bicycles and 1,000 racks. The technology allows for flexible station size, so the number of stations to be provided would depend on the space available and the number of racks deployed at each one; approximately 65-75 locations are anticipated, serving both central and outlying areas of the city. CycleHop would operate the system on the City’s behalf for up to seven years, at which time a further contract extension could be negotiated. If approved by Council, it is anticipated that Bikeshare bikes would be operating in Santa Monica by next summer (2015), prior to arrival of the Exposition Light Rail. The contract includes a contingency for construction of the system in the amount of \$113,200 (5%).

In addition to the contract award, staff is seeking decisions and direction regarding a number of related tasks required for implementation of the Bikeshare system. These include: authorization to seek corporate sponsorship to supplement anticipated user fees and provide additional financial support for the bikeshare system; review of concepts for system identification and a decision-making strategy following which staff would return to Council with recommendations for the color and system name; development of a user fee and rate structure, which requires a fee resolution; adoption of a station siting policy and approach; and drafting of an ordinance that would restrict use of bikeshare racks to parking for bikeshare system bicycles. Since the system would formally launch after July 1, 2015, associated operating expenses and revenues are presented for initial consideration now, but would be included in the Proposed FY 2015-17 Biennial Budget.

Throughout the development of this program, Santa Monica has been working with Westside Cities Council of Governments cities and Metro to ensure that the bikeshare system created here could serve as the foundation for a regional system, without precluding decision-making by other cities, essentially following the examples of the Washington, D.C. and Boston metro areas. This report recommends a series of specific actions the City Council can take to establish a citywide, bikeshare system, developed with participation from other Cities and regional entities. If this contract is approved, other Westside Cities will have the opportunity to join the program if they are able to secure capital funding and approve a comparable operating cost and revenue structure.

Alternatively, the City could defer independent actions and wait for Metro to establish a regional system. Metro is currently developing its own business model for regional bikeshare, and plans to issue its own Request for Proposals next year. Santa Monica could avoid the risk of selecting a system that may not integrate easily with the system that Metro may eventually operate throughout the region by declining to award any contract at this time and, instead, wait for Metro to complete its procurement for the regional pilot. Metro has asked Santa Monica to consider this course of action, but in this scenario, the City and the region stand to lose the federal grant funds previously awarded to the Santa Monica project and Santa Monica bikeshare implementation would be delayed by at least a year. The City Council must decide whether to accept the risk of being an early-adopter—that the region may ultimately make different decisions to which Santa Monica would have to adjust for compatibility and regional integration; or the risks of waiting—that available funding will be lost and procurement terms may be less advantageous for the City under a subsequent procurement.

However it arrives in Santa Monica, bikeshare would not only enable more people to enjoy bicycling, but also generate important benefits for mobility, environment and personal health and well-being.

Bikeshare is a key strategy to implement the General Plan goal of not increasing vehicle trips and diversifying vehicle modes utilized by the community. Bikeshare linked with transit, especially regional transit services including rapid bus and the highly anticipated light rail, will provide a high-quality alternative to traffic congestion for many Santa Monica commuters, and bikeshare users also tend to increase their use of transit and walking trips. Bikeshare would complement ongoing investments in light rail and improved bike access to support the City's active transportation goals.

Background

On [August 23, 2011](#), Council reviewed and provided comments on the draft Bike Action Plan, and directed that initiating a regionally-coordinated bikeshare system be included as a high implementation priority. On [November 22, 2011](#), Council approved the Bike Action Plan, directed staff to try to advance funding for a bikeshare system and appropriated \$50,000 to jump-start the project.

On [September 24, 2013](#), staff gave a progress update to Council and explained some of the issues involved with station siting, regional coordination and program funding. An initial feasibility analysis was presented. Council gave strong direction to move forward on the project in Santa Monica while working with regional partners. Council accepted a grant in the amount of \$500,000 for the bikeshare system through an agreement with the South Coast Air Quality Management District Mobile Source Air Pollution Reduction Committee and authorized staff to release a Request for Proposals to procure a bikeshare system and contract operator consistent with Council direction. At the meeting, Council also directed staff to seek potential funding for the forecasted annual operating deficit with the option to pursue advertising/sponsorship revenue to the extent user fee revenue is infeasible or insufficient. The advertising/sponsorship strategy presented at the meeting potentially included measures that would have required a change to current off-site advertising regulations.

The bikeshare system purchase, construction and installation would be funded by funds that are currently appropriated including grants awarded by Metro (\$1,543,000) on September 22, 2011, by AQMD (\$360,000) on September 7, 2012, with the remaining \$361,000 available in CIP funds. The grant awards also include a commitment of in-kind staff match.

Santa Monica's Bikeshare system developed from an extensive process within the Westside Cities Council of Governments (WSCCOG), where high interest has been expressed for a number of years in developing a coordinated bikeshare system that would be affordable, support transit and work well throughout the region. Together, WSCCOG cities conducted a Request for Information process, commented on and reviewed the Request for Proposals and responses submitted, and interviewed all proposers. Individual Councils within the WSCCOG have also approved the concept of seeking operating funding for a system through allowing corporate sponsorship on bikeshare bicycles. The

RFP was crafted with a provision to require the vendor to allow other cities, including WSCCOG cities, to join in the procurement at the same price offered to Santa Monica. The AQMD grant even provides capital funding for up to five stations outside Santa Monica. The WSCCOG cities and other regional stakeholders continue to follow, inform and support this effort.

Discussion

In the 2011 Bike Action Plan, the Council identified development of a bikeshare system as a high implementation priority. The Plan anticipated an initial 250-bicycle system with 25 stations. Since then, the City has secured system equipment and launch funding through two competitive grants and Bike Action Plan implementation funds. Once purchased, this equipment would be the City's property, which the selected vendor would operate on behalf of the City based on the negotiated contract terms. Ongoing operations are anticipated to be funded through a combination of user fees and fees for corporate messaging on the bicycles, website and marketing materials (sponsorship). The City would receive all revenues generated by Bikeshare system, which, once established, are anticipated to be sufficient to provide funding for future system operations as well as enhancements and potentially some small improvements to bicycle safety for the community.

Safety and Health

Bikeshare has safety benefits for the circulation system as a whole because drivers adjust their driving behavior when they expect to be sharing the streets with bicyclists. Experience in other US Cities has demonstrated that crash rates decrease as more people ride. Recent and continuing City investments in bicycle infrastructure and programming in Santa Monica are already reducing the rate of crashes per counted cyclist. The bikeshare operator would reinforce this trend by providing key safety messages on bikes, stations and the website and written materials. The City will continue to develop improved bikeways that encourage people to ride and share the road safely.

In addition to road safety benefits, bikeshare offers significant improvements in personal health to riders. Metro's model estimates the direct benefits of cycling at \$2.00 per mile, with 25% due to avoided vehicle operating and maintenance costs and 75% due to avoided health care expenses.

Helmets and Youth

Cycle Hop would encourage helmet use among all riders and provide a way to make helmets available to everyone who rides. Promotions for the program would include helmet distributions and messaging on the bikes and on stations advising riders to wear helmets. Enforcement of the State of California's helmet law, which requires people under the age of eighteen to wear helmets, will continue to be conducted by the Police Department. Every adult who enters into a contract to rent any Bikeshare

bicycle would be required to ensure that any minor rider of the bicycle is 1) at least 16 years old; 2) at least 5 feet tall; 3) able to reach the ground with both feet when seated on the bike, and; 3) wearing a helmet.

Pursuit of a Regional BikeShare System

As described above, Santa Monica's bikeshare launch has been developed in partnership with the WSCCOG, Metro and other public agencies across the region, and is structured to serve as an expandable pilot project for a regional bikeshare system. The desire to develop a system concept that is easily expandable to a regional system, with a user fee structure that can be self-sustaining, has informed staff's recommendations regarding equipment, contractor selection, technology and other aspects of the system. The proposed system is the most flexible with respect to regional integration because the bicycles and technology allow stations that can be sized for placement in a wider array of locations with the least amount of displacement of sidewalk space, parking spaces and other valuable urban real estate. Other cities selecting "smart bike" technology could use any operator and be compatible.

Staff has held ongoing talks with Metro staff, as Metro has advanced its own efforts to facilitate the launch of a regional system. Metro staff was involved in the Santa Monica RFP review in which the panel selected the Social Bike equipment. Metro considers Santa Monica to be one of its pilot areas for a regional system it hopes to coordinate. A Metro/CalTrans grant (along with an AQMD grant) is providing the initial capital funding for the recommended bikeshare program. Over the past few months, Metro has redoubled its efforts to lead and coordinate bikeshare implementation throughout the region; staff has been participating in those coordination efforts. While there has been some discussion with Metro about their interest in delaying Santa Monica's launch in order to move onto their schedule, staff believes it is advisable to continue to keep the project moving forward based on the schedule that Council requested when approving the 2010 Bike Action Plan and reiterated at the September 24, 2013 meeting. A delay in launching the bikeshare system would not benefit Santa Monica, which would face the loss of \$2 million in grant funding that would expire, jeopardizing the City's ability to procure the desired system without General Fund or other replacement capital.

Nevertheless, launching prior to the rest of the Metro system does not preclude regional system integration. Staff is seeking concurrence from Metro on a price and fee structure and parameters for system identity so that the proposed Santa Monica system may merge as smoothly as possible into the regional system as it develops. System identification components that the Metro Board may adopt in the coming year could include Metro-produced design elements, the Metro logo, a Metro color palette, and specified locations for corporate messaging on the bicycles. If the timing works out, some of these

components may be incorporated into Santa Monica's initial roll-out. Otherwise, staff recommends installing the system as proposed and, at Council direction, adjusting the color, name, sponsorship branding and fee structure later as appropriate in order to integrate into a regional system.

Vendor/Operator Selection Process

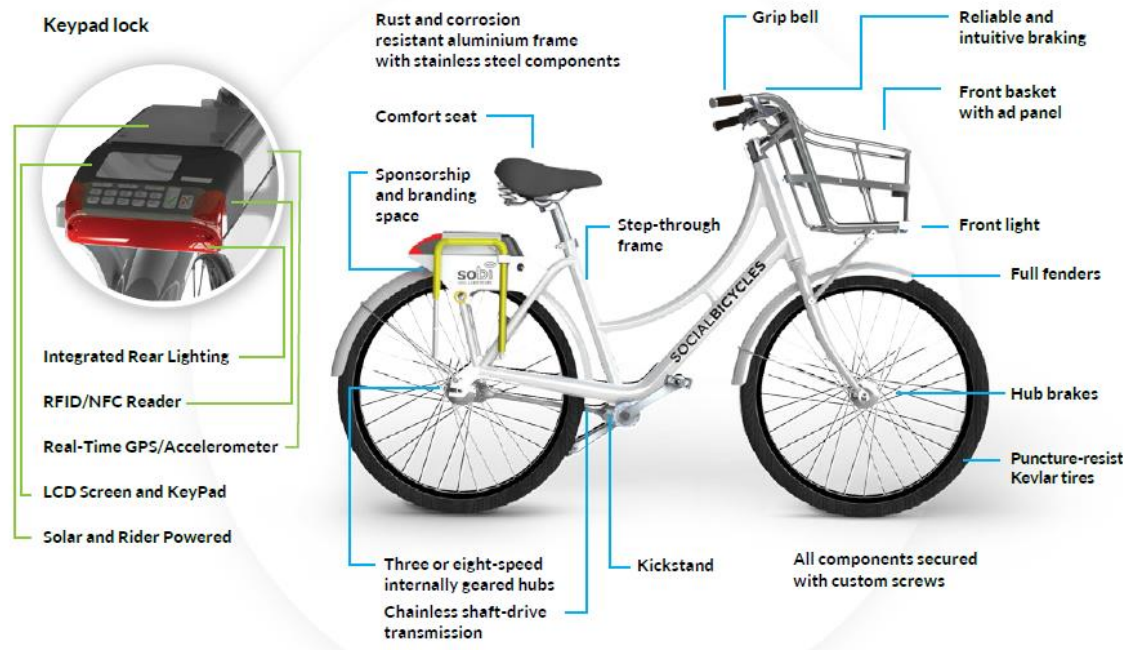
On February 28, 2014, the City published a Request for Proposals to install and operate a bikeshare system. Seven proposals, representing all major American bikeshare firms and one European vendor, were received and evaluated by a selection committee including local representatives (Public Works, PCD, CCS, SMC, DTSM, Inc.), Westside Cities (West Hollywood, Culver City, Beverly Hills, LA), Metro and UCLA Transportation. Consistent with the criteria that were provided in the RFP, all proposals were evaluated based on the proposed equipment, competitive pricing, understanding of the project's scope, direct experience on similar projects, approach to the work and to regional integration, customer service approach, technical competence, qualifications of the proposed staff, and the ability to meet the required time frames. System installation and start-up costs were all proposed within the amount covered by the grant, although some, like the selected vendor, were able to propose more bikes and racks within that cost. The operational costs were considered on a per-bike basis in order to make a fair comparison of proposals. Proposals generally ranged between about \$2,000-\$3,000 per bike, with one outlier, which did not include some necessary expenses, at \$1,041/bike.

All seven teams were interviewed by a panel including City and regional agency staff members and local stakeholders, rating each bidder based on the above criteria. Two of the proposers, CycleHop, LLC., and Social Bicycles, emerged as finalists following this process. Both proposed to use equipment and software manufactured by Social Bicycles (SoBi). The review team favored the Social Bicycles system over others reviewed for a number of reasons including its comfortable design, integrated hardware developed and owned directly by Social Bicycles, open interfaces for programmers, and advanced communications and information capability (Attachment A).

SoBi's "smart-bike" system (one in which the technology for renting, releasing and locking the bicycles is on the bikes rather than on the racks) was also preferred for its advantage in offering a lower per-station capital cost than was anticipated because it does not require that a pay kiosk be incorporated into each station. Instead, each bike is capable of accepting payments and releasing the bike-locking mechanism independently via a mobile, web and administrative software that interacts with the smart-bike hardware. People who are not registered can sign up on-line using a computer or mobile device, at one of 20 outdoor pay kiosks at the larger, more central stations, or at bikeshare partners including the Bike Center, City transit store and potentially other local businesses. Once registered, users can

initiate rentals by walking up to any bicycle. Without need for a kiosk, smaller stations, consisting of as few as 4 racks, are feasible. If a customer returns to find no bikeshare rack available, the bicycle can be locked up nearby. System operators can locate the bike through its GPS and retrieve it for rebalancing. SoBi Stations can fit into busy centers or quiet residential areas without being intrusive. The system's flexibility is also one of its key values for regional integration, since bikes are locked to standard racks and do not require specialized docking stations for pick-up or returns.

What is a smart-bike?



As a group, the evaluation team preferred this type of system over the type of “smart-rack” systems deployed in most US bikeshare programs, in which stations consist of a pay kiosk integrated with locking racks. Some firms that proposed the more traditional systems had more experience operating US bikeshare systems, but many of those systems have unresolved challenges providing service area coverage and establishing fiscal stability.

Because favorable pricing for SoBi's system components allowed more equipment to be procured within the grant funding amount, as part of the procurement process both finalists were asked to submit Best and Final Offers for a 500-bike system, with 1,000 racks to be deployed in an unspecified number of stations (approximately 65-75), 20 kiosks and large and small identification signs. This would allow more complete citywide coverage than was anticipated in either the original grant application (250 bikes) or the RFP (350 bikes), increasing the system's potential to serve the entire Santa Monica community and to generate revenue that covers a larger amount of the program costs.

Selected Operator: CycleHop, LLC

Based on careful review and evaluation of the Best and Final Offers, staff is requesting authorization to execute an agreement with CycleHop, LLC for installation and launch of the project and for the ongoing operation of the bikeshare system for up to seven years (three years plus two two-year extension options). CycleHop's per-bike annual cost is proposed at \$2,190 for the 500-bicycle system. In addition to the equipment that was determined to be the best fit for Santa Monica, CycleHop's team was determined to have superior experience with bikeshare start-ups and operations, including B-cycle systems in Denver and Broward County, station siting and installation in Chicago, and a Hoboken (NJ) pilot project, as well as with related projects including bike rental operations and commuter bike centers, including the Santa Monica Bike Center. The firm has won major regional bikeshare contracts, with planning and implementation underway in Tampa (FL), Phoenix (AZ), Atlanta (GA), Orlando (FL) and Ontario, Canada. This experience was reflected in a more thorough and realistic proposal and in the assembly of an experienced start-up and operations team, which is anticipated to result in a high level of customer service. CycleHop had a strong approach to regional integration and also identified a sufficient number of disadvantaged business subcontractors to comply with Federal requirements for the grant-funded portion of the project.

The recommended terms (Attachment B) are advantageous for the City in that they include acquiring high quality equipment with enough stock to serve the entire city, sufficient resources and incentives for the operators to maintain the City-owned bikeshare equipment, and mechanisms for the City to monitor the quality of user experience and enhance the system as needed over time. The proposed portion of the contract for purchase and installation of the system is in the amount of \$2,264,000, including contingency. The operational amount for the first year is up to \$1,095,140, with established 2% annual increases, which also covers equipment maintenance and replacement during the contract term.

Bikeshare Rates and Revenue Structure

The proposed rate structure is intended to encourage people to ride bikes in Santa Monica by providing an affordable transportation option, without the need to purchase, maintain, or store a bicycle. In most cities where bikeshare exists, including highly-utilized, popular systems such as Capitol Bikes (Washington, D.C.), Citibike (NYC) and Divvy Bike (Chicago), user fees cover only a portion of the operational costs. In all of these cases, a very low charge to members, with mostly free, unlimited use thereafter in increments of up to 30 minutes, has meant that even popular systems with high bicycle usage are financially challenged. As Bikeshare is a form of transit, many cities opt to keep user fees low and their systems have ongoing structural deficits, which are generally resolved through subsidies,

along with significant levels of outdoor advertising and sponsorships. However, cities are beginning to conclude that these rate structures pose a long-term burden. There is discussion amongst bikeshare experts and operators across the country about converting to fee structures that are more similar to the one being proposed herein.

The rate structure of the proposed Santa Monica system, which may be used as a model for the region, relies on user fees to fund a much greater proportion of the cost while at the same time providing a membership with daily free time with advantages for regular users and the lowest one-trip short ride cost of any major US system. Whereas the feasibility study anticipated that user fees would cover 27-42% of cost, the proposed rate structure is expected to generate fees to cover 85% or more of anticipated operating costs (Attachment C). It accomplishes this through reducing initial minimum and one-time user fees but eliminating the unlimited free usage that is hampering other systems' financial performance. Monthly memberships would be offered, with a discount for those paying upfront for a full year and further encouragement to combine bikeshare with transit by offering a discount when a monthly membership is purchased in conjunction with BBB transit cards or passes. As shown in the table below, a low monthly price would include either one or two hours daily, after which the user would be charged the regular rate of \$2 per 20 minutes. For casual users, there would be a low entry rate of \$2 for the first twenty minutes, and the same \$2 for each 20 minutes thereafter (\$6 hourly). Based on this principle, when bikes are in use, they are generating revenue. The more time that the bikes are utilized, the more revenue the system generates.

The other advantage of the proposed rate system is that it is simple and immediately understandable to customers, reducing customer confusion and complaints when charges exceed their expectations. Complicated pricing and "surprise" charges have posed problems for other major systems.

Proposed Bikeshare User Fee Rate Structure

Plan	Advertised Rate	Minimum
Casual Users	\$2 per 20 min	20min
Monthly Membership 1 hour free riding time per day	\$20 per month	2 months
Monthly Membership 2 hours free riding time per day	\$25 per month	2 months

Bike & Bus Combo 1 hour free riding time per day (add-on to bus charges)	\$15 per month	1 month
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City staff has shared this proposed fee structure with Metro bikeshare staff and has asked that it be considered as they review alternatives and develop a recommendation for a regional fee structure. Council is asked to approve the fee structure in concept. Staff will return with a fee resolution at an appropriate time prior to launching the bikeshare system.

The operator, with agreement from the City, could develop incentives, special offers and assistance for low-income users to attract new users and encourage the widest possible range of opportunities to use the system. Over time, if projections are met, opportunities to provide these kinds of subsidies may be possible from system revenues collected by the City.

CycleHop conducted a study of other similar systems as well as the characteristics of bike usage in Santa Monica. For purposes of revenue estimation and system funding, based on the experience of other systems, the proposed system size, the mild weather conditions and other community characteristics, a conservative estimate of 60,000 casual users and 5,000 members annually, translating to 2,000 annual trips per bike, was used.

The following summarizes the projected annual operational costs and revenues.

Operating Budget Summary (Year 1):	
Contract Operating Expenses	\$1,095,140
<u>City Direct Administrative Costs</u>	<u>\$196,000</u>
Total Operating Cost	\$1,291,140
User Fees	\$1,260,000
<u>Sponsorship/Advertising Fees</u>	<u>\$250,000</u>
Total Operating Revenue	\$1,510,000

The table above estimates a relatively low shortfall from potential user fees in terms of covering the cost of the system's operation. However, Year 1 may not be a typical year because it generally takes time to build up regular user base for the system, and initial fare incentives may be required. The experience in other cities indicates that sponsorship for the program is necessary to off-set program costs. For Santa Monica, sponsorship will be important to ensure repayment of the initial use of General Fund money.

The bikeshare program will require additional City staff for program administration, the cost of which is included in the overall operating budget starting at \$196,000 in Year 1. This includes salaries and wages for a staff administrator position, administrative support and expenses. Initial operating revenue and expenses will be included in the Proposed FY2015-17 Biennial Budget.

By year seven, based on a 2% annual cost increase, contract operating costs would increase by \$138,166 (see table below). The projected revenue would still be expected to offset the operating expenses with these increases, based on conservative assumptions for ridership. Because ridership may well exceed expectations, the contract terms include specific triggers for a budget re-opener if the scale of services significantly exceeds expectations. Any budget increase would require Council approval.

#	ANNUAL OPERATING BUDGET FOR A 500-BIKE SYSTEM	YR1	YR2	YR3	YR4	YR5	YR6	YR7
	OPERATING EXPENSES							
1	Staffing	\$513,888	\$524,166	\$534,649	\$545,342	\$556,249	\$567,374	\$578,721
2	Admin: HR, IT, Finance, Professional Services	\$102,780	\$104,836	\$106,932	\$109,071	\$111,252	\$113,477	\$115,747
3	Marketing and PR	\$90,000	\$91,800	\$93,636	\$95,509	\$97,419	\$99,367	\$101,355
4	Facility: Rent, Utilities, Office Supplies	\$60,000	\$61,200	\$62,424	\$63,672	\$64,946	\$66,245	\$67,570
5	Communications	\$12,000	\$12,240	\$12,485	\$12,734	\$12,989	\$13,249	\$13,514
6	Parts & Replacements	\$37,500	\$38,250	\$39,015	\$39,795	\$40,591	\$41,403	\$42,231
7	Auto: Lease, Fuel, Maintenance	\$36,000	\$36,720	\$37,454	\$38,203	\$38,968	\$39,747	\$40,542
8	Insurance: Liability, Property, Auto, W-Com	\$73,572	\$75,043	\$76,544	\$78,075	\$79,637	\$81,229	\$82,854
9	Bank & Credit Card Processing Fees	\$43,400	\$44,268	\$45,153	\$46,056	\$46,978	\$47,917	\$48,875
10	Equipment Support and Connectivity Fees	\$108,000	\$110,160	\$112,363	\$114,610	\$116,903	\$119,241	\$121,626
11	Membership Fulfillment	\$18,000	\$18,360	\$18,727	\$19,102	\$19,484	\$19,873	\$20,271
12	TOTAL OPERATING EXPENSES	\$1,095,140	\$1,117,043	\$1,139,384	\$1,162,171	\$1,185,415	\$1,209,123	\$1,233,306

Service Level Agreements

As specified in the RFP, CycleHop is required to provide a high level of service in terms of system operability, customer relations, equipment maintenance, rebalancing of stations to ensure bicycle availability, and cleanliness of stations and bicycles. Staff proposes requiring specific thresholds for each of these categories in the operations contract (Attachment D). A system for measuring and monitoring is also proposed, with responsibilities both for the vendor and for the City staff administrator, who would verify the condition of the bikeshare system in the field on a regular basis.

Operator Incentives

The proposed contract contains two mechanisms to encourage operator performance in terms of promoting and increasing ridership and system operation and maintenance. Within the bid amount contained in the Best and Final offer, a \$25,000 incentive (included in the Marketing and PR line item above) is offered for exceeding ridership projections as follows: \$10,000 if memberships exceed the 5,000 projected by 10%; \$10,000 if casual users exceed the projection of 60,000 system users by 10%; an additional \$5,000 if either of those numbers exceeds the projection by 15%.

The service level incentive was included as an RFP requirement for vendor agreement, and states that 10% of the monthly operating contract amount would be held back and paid upon verification that the performance thresholds in the contract's service level agreements (SLAs) have been met. Staff will develop a fair and equitable system for vendor reporting, staff inspection, and remediation of unacceptable service so that the operator maintains the highest levels of service and the City has a well-functioning system with clean, operable bicycles.

Corporate Sponsorship Process

Pursuant to Council's direction on [September 24, 2013](#), staff is pursuing corporate sponsorship to fill the gap in the operational cost of the bikeshare system. Additional revenue to augment user fees through corporate messaging is proposed to be consistent with Big Blue Bus advertising guidelines. Accordingly, messages may appear on the bikes and website, but not on fixed, permanent signs at the stations or elsewhere in the public right of way.

Through a contract with Global Green funded by the AQMD grant, options and potential revenue from a variety of sponsorship levels have been explored. Global Green made inquiries with a number of larger companies to gauge their interest in the opportunity to help finance the bikeshare program in exchange for having their company logo on bikes, the website and other promotional materials and for featuring their support at launch events. Staff directed Global Green in their discussions with potential sponsors to exclude offers for logo placement on fixed structures in the public right-of-way (i.e., signs, kiosks, racks) in order to adhere to the City's traditional policy to prohibit this type of advertising and to avoid the need to amend the Code in regard to off-site advertising regulations (Attachment E).

The initial results of Global Green's inquiries indicate that Santa Monica is indeed an attractive market, particularly due to the large number of visitors in the Downtown and beach areas, where the largest number of bicycles sporting their corporate logo would be visible by many for a large part of each day, and for most days throughout the year. Santa Monica's climate and tourist economy give it an edge over systems established in other locations without those advantages. Staff plans to issue a RFP to select a firm or agency that would obtain sponsorships with a goal of bringing the recommended sponsor(s) to the Council for approval prior to the system launch. The amount is anticipated to be between \$250,000 and \$500,000 annually, with preference for a longer-term commitment of at least three years or preferably five years. Council direction to continue on this course of action is requested in this report.

Marketing/System identification

Santa Monica's Bikeshare system is expected to function eventually as part of a larger regional system, developing in conjunction with Metro and other regional partners. For that reason, staff recommends that Santa Monica's system identification and identity reflect regional considerations as well as the City's individual character.

Metro is currently developing a proposal for regional system identification, but it is not expected be adopted by the Metro Board in time to meet production deadlines. Metro staff plan to recommend using the color green and incorporating the Metro logo, to suggest the link to regional transit, for bikeshare systems within its umbrella. There may be other aspects to their identity elements, but they are not currently available.

To maintain the project schedule and set up a compatible situation, staff recommends that the Council approve green as the system color at this time along the lines of Metro's proposed direction for identification. Staff will then work with CycleHop and its marketing consultant, Phelps, to develop a proposal for the specific shade of green and a system name that could blend with other potential system names for regional cohesion. Staff also recommends that the design include the Metro logo. If Council supports this direction, Phelps will develop this concept into a more detailed system identity for Council consideration within the next two months.

Station and Bicycle Design and Equipment

The bikeshare stations included in the system launch would range in size between four and potentially 20 racks. All would be provided on public property, which is a grant requirement. As a "smart bike" system, the station equipment is highly simplified. Essentially, the stations consist of branded bike racks and some form of identification sign, although racks in some residential areas may be installed without signage if preferred. In addition, some larger stations in high-activity areas would include pay kiosks. With the exception of the kiosks, station pieces have no electronic components. Kiosks are solar-powered as are the bicycle computers.

Parking docks are modular, and do not have to be linked to one another, allowing single racks to be added or subtracted as needed and configurations to adapt to site specific conditions and needs. The ability to deploy more, smaller stations offers better user access and can make it easier to locate and integrate with other street design features and services.

The bikes included in the contract cost are designed with step-through frames, 8-speed gear hubs, shaft-drive transmissions, internal brake and gear wiring, fenders, puncture resistant tires, cargo

baskets and real-time global positioning. The on-bike computers will have the ability to read the type of card technology used by the Metro TAP passes.

Siting and Authorization

Bikeshare stations may be located at sidewalk or street level, depending on the opportunities provided within existing street configurations. In general, it is preferable for stations to be placed where bicycle routes are available and where the cyclist can begin the journey safely and merge comfortably into traffic. Stations should be easily visible from major streets and important sites, such as major bus stops, Expo stations, the Third Street Promenade, parks, hotels, libraries and other popular attractions. When specific sites are chosen, staff will consider issues such as clearance from curbs, driveways and utilities, maintaining ADA access, proximity and/or need to relocate existing items on the street, solar access for bike/kiosk recharging, and access for street and sidewalk cleaning.

Staff is requesting Council authorization of a station siting process by which staff will determine the precise location of stations (Attachment F). Council input is requested on the draft siting map to ensure that bikeshare access is generally being provided as Council intends (Attachment G). Staff will then finalize specific locations in the public right of way subject to a process that includes approval by the Department of Public Works. Stations on public property owned or managed by a specific department (libraries, parks) would be sited in coordination with that department. Staff would obtain any required authorization from the Coastal Commission prior to installation of any stations in the Coastal Zone, and if stations are proposed on State beach property, the appropriate approvals will be obtained.

Municipal Code Amendment Requirements

Because the “smart-bike” system utilizes racks that are designed for the bikes but are essentially regular bike racks, staff is requesting direction to prepare an amendment to the Municipal Code to prohibit the use of these designated bikeshare stations by other non-bikeshare purposes. Staff will also consider whether other ordinance changes may be required and will bring the proposed ordinance forward to Council prior to system operation.

Contract terms

The procurement was conducted jointly for capital expenses and operations to ensure an optimal cost for the total equipment purchase, installation and operations. The contract includes a total of seven years of operation consisting of three initial years and two additional two-year options. It includes a two-month operating advance and 10% retention (discussed above) to ensure service standards are met. The equipment purchasing terms address the need for an initial deposit by requiring the City to

pay 50% of equipment costs up front and the balance on delivery. Security to ensure delivery will be negotiated. Attachment B includes these and other key contract terms.

Schedule

Following contract execution, the system is expected to be operational in approximately eight to nine months, with the goal of a summer debut. The full schedule, which includes the station siting, equipment manufacturing, marketing development and launch preparation, is detailed in Attachment H. Staff's plan to return to Council in January to confirm the system identity is necessary to maintain the launch schedule by providing specific instructions to the manufacturers for the bike's color and name. If authorized by the Council, the pre-launch publicity would begin immediately.

Alternatives

As an alternative to the actions recommended in the report, the Council may consider postponing the implementation of a BikeShare program in order to become part of the regional rollout being developed by Metro. In this case, it is likely that BikeShare would be delayed in Santa Monica by at least two years and the City would lose the CalTrans and AQMD grant funding (approximately \$2 million total, which is recommended in this report for the equipment purchase). The City would then follow Metro's lead in regard to system identification, fee structure, sponsorship and equipment.

Financial Impacts & Budget Actions

The contract to be awarded to CycleHop, LLC for the purchase, construction, installation, and operation of the 500-bicycle sharing system is for an amount not to exceed \$10,405,580. Funds for the purchase and installation of the bike sharing system are available in the FY 2014-15 Capital Improvement Program budget in the following accounts:

C204073.589100	\$ 1,543,000
C204073.589200	\$ 300,000
C204073.589300	\$ 360,000
C017024.589000	<u>\$ 61,000</u>
	\$ 2,264,000

Expenditures related to the ongoing operations of the 500-bicycle sharing system will cost the City \$8,141,580 over a seven year period. The projected revenues from user fees and advertising/sponsorship fees are anticipated to generate \$1,510,000 annually. The General Fund will provide the initial year's funds to support the operating costs, and those funds will be paid back in

following years. Budget authority will be requested in the FY2015-17 biennial budget for Council approval. Future year funding is contingent on Council approval and budget adoption.

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Approved:

Forwarded to Council:

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Attachments:

- A. [System Equipment and Plans](#)
- B. [Proposed Contract Term Sheet](#)
- C. [Rate Structure and Revenue Projections](#)
- D. [Service Standards \(Service Level Agreements\)](#)
- E. [Sponsor/Advertising Opportunities](#)
- F. [Recommended Station Siting Policy and Guidelines](#)
- G. [Draft Map of Potential Station Sites](#)
- H. [Draft Project Schedule](#)