SUMMARY and FISCAL NOTE*

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** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the Seattle bike share program; authorizing a partial removal of the proviso included in 2016 budget Green Sheet 93-1-A-1; and ratifying and confirming certain prior acts.

Summary and background of the Legislation: This legislation authorizes partial removal of the proviso on bike share included in the 2016 budget to allow SDOT to purchase bike share assets from the non-profit owner for $1.4 million.

Puget Sound Bike Share, doing business as Pronto, launched a bike share system in Seattle in October, 2014. Due to ongoing operating losses brought on by debt service payments and operating overhead, the system is currently insolvent. The City seeks to purchase assets from Pronto and contract directly with the operator to keep bike share operational in Seattle. SDOT needs a portion of the funds allocated in the 2016 budget for bike share to purchase the assets.

Seattle's current system, operated by Pronto, is insolvent for several reasons. In this system, operations are outsourced to a third party (unlike other bike share systems) and this creates substantial overhead costs. Additionally, insufficient funds were raised for the initial equipment purchases and consequently, borrowing costs lead to ongoing debt service payments that contributed to year-end net losses. When overhead costs and debt service payments are removed, the bike share system costs and revenues are comparable with other successful bike share systems around the country. To shift the system to an operational equilibrium where costs are more in line with revenues, and then to proceed with an expansion, the City needs to acquire the portion of the assets that Pronto owns.

The current Pronto system consists of 54 stations, with total assets of approximately $3.0 million. The City already owns 28 of the 54 stations. These 28 stations were purchased with a Federal Transit Authority (FTA) grant of $1.0 million. The remaining 26 bike share stations were purchased by Pronto. The City will use $1.4 million to purchase the 26 stations currently owned by Pronto, as well as remaining assets related to helmet services, station services, bike department, deployment, rebalancing, dispatch and spare station equipment. SDOT intends to contract with Motivate to operate the system in 2016. They will then bring before Council later this year a proposal to expand the system in 2017.

More than 500 cities in five continents including 90 municipalities in the United States operate bike share systems. Seattle, with its well-developed transportation infrastructure, is well positioned to operate a successful bike share system. The current system will not be operational in early 2016 without intervention. In the business plan, the City proposes to transform bike

share into a financially viable system that is integral to Seattle's public transportation infrastructure.

A Phase II expansion would deliver an overhauled system by 2017 featuring an expanded service area (80-150 stations), and practicable financials with the option for minimal to no responsibility for ongoing operations costs. The system will use, retrofit or sell existing equipment, and the possibility exists to introduce generation 4.0 electric bicycle share technology.

The system is expected to generate more than 500,000 trips per year, attract nearly 8,000 annual members and realize approximately $1.35M in annual user revenue. By equilibrium in 2018, the system will recover roughly 100% of operating expenses from sponsorships and user fees.

The two-phase process is as follows:

1. Phase 1 - Acquire Pronto assets – Averts system shutdown. Q1 2016.
2. Phase 1 - Oversee Interim Operations – Effective through procurement. Q1-Q4 2016.
3. Phase 2 - Conduct Procurement – Enables expansion and ensures best outcome. Q2 2016.
4. Phase 2 - Expand System – Funded by approximately $5M in capital investments. Q4 2016 – Q1 2017.
5. Phase 2 - Launch Expanded System – Q2 2017.

2. CAPITAL IMPROVEMENT PROGRAM

_X_ This legislation creates, funds, or amends a CIP Project.

Project Name:	Project I.D.:	Project Location:	Start Date:	End Date:	Total Cost:
Bike Share Expansion	TC367690	Various	Q1-2016	N/A	

3. SUMMARY OF FINANCIAL IMPLICATIONS

_X_ This legislation does not have direct financial implications.

$5.0M was appropriated in the 2016 budget for the Bike Share Expansion project and SDOT is requesting authorization to spend $1.4M for the purpose of purchasing bike share assets from Puget Sound Bike Share.

4. OTHER IMPLICATIONS

a) Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?
Once the city purchases assets, the City will be responsible for contracting with an operator. This will likely include some financial responsibility for operating costs and equipment recapitalization at the end of its useful life.

b) Is there financial cost or other impacts of not implementing the legislation?
The City will likely need to reimburse the FTA and/or WSDOT $1+ million for bike share equipment purchased with grants that require equipment to remain in operation.

c) Does this legislation affect any departments besides the originating department?
No.

d) Is a public hearing required for this legislation?
No.

e) Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?
No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?
No.

g) Does this legislation affect a piece of property?
No.

h) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?
This legislation provides funding for Phase I of the bike share expansion, which is to purchase existing equipment for $1.4M. However, Phase II of the proposed expansion, which will come in front of Council later this year, includes $600K to expand into Southeast Seattle. Additionally, one component of the expansion plan is to offer discounted memberships for low-income customers. And so, although Phase I of the funding does not directly impact vulnerable or disadvantaged communities, the planned expansion will bring bike share into previously unserved low-income communities, and provide discounts that allow more members of the community to take advantage of this service.

i) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.
This legislation does not represent an expansion of the bike share program, but rather partially lifts a proviso on appropriated funds for the bike share program that will allow the system to stay operational through 2016.

j) Other Issues: None.

List attachments/exhibits below: None.