


INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	February 25, 2022
SUBJECT/REPORT NO:	Public Bike Share Program Phased Procurement Process – Sustainable Operations Model and Funding Update (PED20109(e)) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Peter Topalovic (905) 546-2424 Ext. 5129 Trevor Jenkins (905) 546-2424 Ext. 1797
SUBMITTED BY:	Brian Hollingworth Director, Transportation Planning and Parking Planning and Economic Development Department
SIGNATURE:	

Discussion of Appendix "A" and Appendix "B" of this Report in Closed Session is pursuant to Section 9.1, sub-section (i) of the City's Procedural By-law 21-021, as amended, and Section 239(2), sub-section (i) of the Municipal Act, 2001, as amended, as the subject matter pertains to:

- a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the municipality or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.

COUNCIL DIRECTION

On February 10, 2022 the General Issues Committee referred Report PED20109(d) back to staff with the following directives:

- That staff be directed to obtain clarification on the additional information provided regarding the proposal from Hamilton Bike Share as well as a copy of their audited financial statements, and report back to the February 25, 2022 General Issues Committee (Budget) meeting;

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- (b) That Report PED20109(d), respecting the Public Bike Share Program Phased Procurement Process – Sustainable Operations Model and Funding, be DEFERRED to the February 25, 2022 General Issues Committee (Budget) meeting.

The purpose of this Information Report is to provide General Issues Committee with a response to these directives in order to provide clarity and allow for a fully informed decision on Report PED20109(d).

INFORMATION

The Report provides responses to the General Issues Committee (GIC) direction in four main categories:

1. The ability for Hamilton Bike Share Inc. (HBSI) to deliver bike share operations;
2. Clarification of the proposed funding in PED20109(d);
3. Additional supporting information for Confidential Appendix “A” to Report PED20109(d); and,
4. Leveraging Recent Investments, Grants and Sponsorships.

1. The ability for Hamilton Bike Share to deliver bike share operations

Staff in Transportation Planning have reviewed HBSI’s audited financial statements with Staff in Financial Services. The review indicates that HBSI is currently in a positive financial standing. Since re-assuming operations in June 2020, as well as prior to that, HBSI has maintained a positive cash balance demonstrating their ability to exercise good financial planning and multi-year budgeting practices. As part of re-assuming operations in 2020, HBSI became responsible for costs that had previously been paid directly by the previous operator, and no longer received the subsidy that the previous operator had also provided. However, in 2021, it is observed that revenues, including those from sponsorships, did not fully cover operating expenses. HBSI was able to buffer this deficit through the use of reserves from previous years. The overall conclusion of staff is that HBSI should be able to operate the system for their committed contract period to end of December 31, 2022 but in the absence of new revenue sources and/or financial partnerships, would not be sustainable in the longer term.

Looking beyond day to day financial operations, HBSI has been involved in Hamilton Bike Share operations in some capacity for most of the Bike Share’s operating history; first as a sub-contractor to Social Bicycles LLC and then as a sub-contractor to Uber until the ridesharing company brought all their services in-house. The in-house Uber operations were short lived, and in June of 2020, operational control of the Bike Share Program returned to HBSI, this time as a direct contractor to the City of Hamilton.

Throughout its history, HBSI has always remained financially stable as a not-for-profit organization.

HBSI's audited financial statements are included in Appendix "A" attached to this Report. They demonstrate HBSI's historical financial stability and their ability to responsibly use their collected donations, sponsorships, Trillium grants, and other funding to operate the Bike Share system at no cost to the City in an emergency context. While this was financially prudent, it is not sustainable without financial support from the City as recommended in Report PED20109(d).

2. Clarification of the proposed funding in PED20109(d)

Currently the Bike Share system does not receive any funding for operations from the City. HBSI is currently responsible for the following Bike Share operating expenses:

- Fleet maintenance;
- Fleet rebalancing;
- Station maintenance; and,
- Bike Connectivity.

The cost per bike for these activities is approximately \$80 to \$90, per bike, per month. This is in line with the North American average of \$100 per bike, per month.

The capital costs of the Bike Share have always been the responsibility of the City of Hamilton because the City is the owner of the Bike Share system and all of its assets, since the project was launched in 2015.

Up to now, HBSI has been able to operate the Bike Share system at no cost to the City through a combination of grants, sponsorship, and user fees, and other one-time revenues. This is not a financially sustainable model, and does not allow for investments required to operate and maintain a quality bike share system.

Under the Partnership model, the City's proposed contribution would cover the same items as listed above, at approximately half of the budgeted costs of system operations. The expected operations cost per bike, per month, is \$85 and the City will contribute \$40 per bike, per month (\$28 for operating and \$12 for connectivity fees).

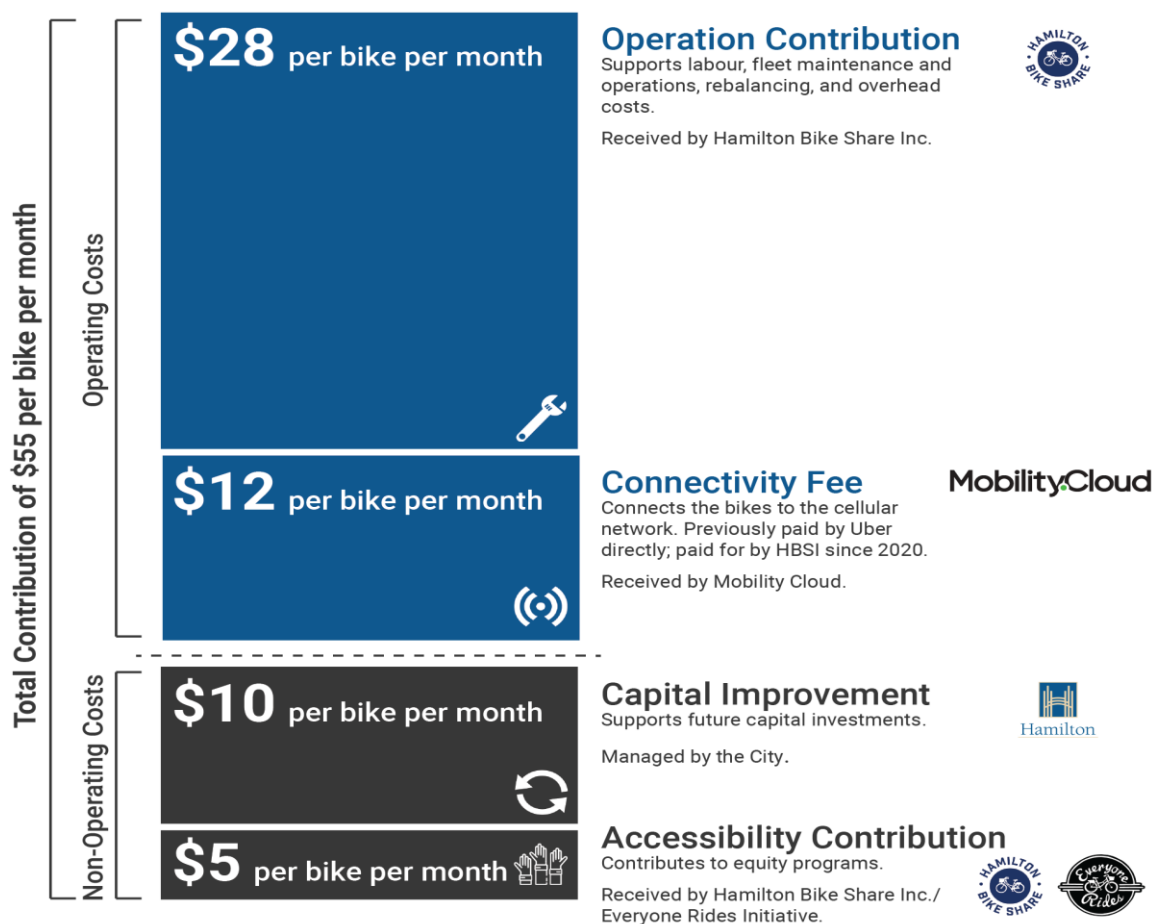
The remaining \$15 per bike, per month, is a non-operational contribution by the City and it will go to ensure state of good repair of the City-owned assets (\$10 per bike, per month) and to the Everyone Rides Initiative (ERI) in the form of the accessibility and equity fee (\$5 per bike, per month).

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The \$55 per bike, per month, is made up of four distinct funding components (described graphically in Figure 1):

- Operations Fee (\$28 per bike, per month);
- Connectivity Fee (\$12 per bike, per month);
- Capital Enhancement/State of Good Repair (\$10 per bike, per month); and,
- Accessibility Fee (\$5 per bike, per month).

Figure 1: Bike Share funding request breakdown



In 2022, this per bike, per month, breakdown would be pro-rated for eight months of operations from when the operating budget is approved by Council and the new operations contract is signed by HBSI. In addition, the Cash in-Lieu of parking fund will be used to cover the capital enhancement/reserve fee for 2022 of \$10 per bike, per month. Therefore, the total maximum upset limit required from the 2022 operating budget will be \$324 K based on the following breakdown:

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Table 1: Maximum upset limit for City Contribution to the Bike Share Program in 2022

Fee	Number of Bikes (maximum)	Fee per bike, per month (eight months)	Total Contribution
Operations Contribution	900	\$28	\$201,600
Connectivity Fee	900	\$12	\$86,400
Capital Improvement Contribution	900	\$10 (to be funded from cash in lieu of parking reserve for net zero impact to 2022 operating budget)	\$0 (Net)
Accessibility Contribution	900	\$5	\$36,000
Total cost in 2022			\$324,000

3. Additional supporting information in Confidential Appendix “A”

During the in-camera session of GIC on February 10, 2022, there was a discussion of confidential Appendix “A”. One of the main topics raised in this discussion was that more information was required. In order to better inform Council, staff have summarized HBSI’s previous financial statements and worked with HBSI to understand projected go-forward revenues and expenses matched to the proposed budget for 2022. A new more detailed summary of 2018 to 2021 Revenues, Expenditures and Net Assets, and 2022 Forecasts can be found in Appendix “B” attached to this Report. It should be noted that HBSI was not always the direct contracted operator of the Bike Share Program and the City and HBSI were not privy to the finances of Social Bicycles, Uber and Jump; therefore, resulting in an incomplete financial picture between 2015 and 2020. In addition, the impacts of COVID-19 need to be acknowledged when reviewing past and future projections.

This more fulsome analysis summarizes the financial statements submitted to GIC from HBSI, including the audited statements, and further demonstrates the ability for HBSI to operate the Bike Share Program sustainably for the City with the proposed contributions outlined in Report PED20109(d).

The table in Appendix “B”, attached to this Report, also shows that HBSI received settlement money from Uber/Jump in 2019, just as the City did in 2020, and used that money to offset operational deficits in future years. HBSI’s ability to responsibly use various revenue sources in 2019 and 2020, including grants, sponsorships and user fees, enabled the organization to continue operating the Program through the pandemic and into 2022.

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A further conclusion can also be extrapolated from this data, which is that the City was able to leverage its relationships with the private sector to receive some of the biggest private sector contributions per capita of any bike share system in North America. This allowed the City and its residents to enjoy a bike share service for seven years with no operating cost contribution, due to the estimated to be \$3 M to \$5 M investment from Social Bicycles, Uber, Jump, sponsorships and grants.

4. Leveraging Recent Investments, Grants and Sponsorships

Several Council decisions have resulted in major system improvements between 2019 and 2022, which will set the Bike Share Program up for success, if GIC decides to approve the funding request proposed in PED20109(d). This includes:

Grant Funding	Grant Amount	Grantor
Complete refurbishment of all Bike Share stations, racks and signs	\$234,000	OMCC – Ontario Municipal Commuter Cycling grant
Bike Share controller upgrade	\$380,000	OMCC – Ontario Municipal Commuter Cycling grant
Everyone Rides Initiative equity program grant	\$700,000	Ontario Trillium Foundation

The City’s contribution of \$324 K in operational funding support in 2022, if approved by GIC, will leverage recent grants totalling a \$1.3 M, as well as, private sector sponsorships valued at approximately \$383 K in the same period.

As this Report addresses the issue respecting Item ABL, the Public Bike Share Program Phased Procurement Process, be identified as completed and removed from the Public Works Committee Outstanding Business List.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report PED20109(e) CONFIDENTIAL HBSI’s Financial Statements, 2018-2021

Appendix “B” to Report PED20109(e) CONFIDENTIAL Summary of 2018 to 2021 Revenues, Expenditures and Net Assets, and 2022 Forecasts

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