Divided Report for Council Bill 118618
For Consideration at Full Council on March 14, 2016

Council Bill 118618 authorizes a partial budget proviso lift that would allow SDOT to purchase the assets of Pronto Bike Share for $1.4 million. The proposed legislation was discussed during the February 2nd, February 19th, and March 1st meetings of the Sustainability and Transportation Committee.

At the March 1st meeting, the Committee recommended approval of CB 118618 to Full Council by a vote of 4 to 2.

In Favor	4 (Johnson, Juarez, O'Brien, Sawant)
Opposed	2 (Burgess, Herbold)
Abstaining	0 (None)

Statement in favor of CB 118618

Councilmembers O'Brien, Johnson, Juarez, and Sawant

Most of Council is in agreement that bike share is essential to serve the transportation needs of Seattle's residents and visitors. A robust bike share system has succeeded in many cities, including New York, Miami, San Francisco, Chicago, and Washington, D.C., to name a few. The question remains whether bike share should be a public or private system in Seattle.

Only one municipality has a completely private system – New York City – which is sustained through a massively larger population, high usage by tourists, and a distinctly concentrated network in the wealthier areas of the City. In contrast, a public system that incorporates community input will result in a more sustainable and equitable system for our city, and will complement our burgeoning public transportation network of bus and light rail. Bike-share and associated infrastructure should not be relegated to an attraction for cycle-inclined tourists; this is an investment to increase the transportation choices this city offers to residents.

At the end of the day, Seattle City Council will spend at least $1 million dollars no matter the decision: either we spend $1.4 million to acquire Pronto's assets – and hold significant leverage on what an expansion of bike-share would encompass – or we let Pronto fail and repay a $1 million Federal Grant contingent upon Pronto's active operations. $400,000 is certainly a worthy initial investment to ensure bike-share is a key component of our long-term transportation plans as a city and Pronto is already showing promise.

Preserving Pronto as it currently exists – rather than letting our current system fail and losing existing ridership, membership, and infrastructure – will allow the City greater leverage and flexibility in determining what the future system looks like. This leverage will allow for increased accountability and council stewardship through the forthcoming RFP process, which will help ensure a more cost effective system that serves a greater portion of Seattle residents.

With public support, bike share will expand, increase membership, and continue to be an integral piece of our transit system. Let's make a modest investment that will go a long way towards meeting our goals as a city; one with equitable access to a healthy, environmentally friendly bike infrastructure that serves the transportation needs of residents desperate for options to get out of gridlock. All other modes of transportation have experienced similar growing pains. Now is the time for us to invest in sustainable transportation.

Statement opposed to CB 118618

Councilmembers Burgess and Herbold

In adopting the 2016 budget last November, the City Council reserved $5 million of transportation funds to support the expansion of the Pronto bike share service; however, the Council prohibited spending these funds until SDOT presented a business plan and a financial analysis of the long-term operations of the system.

Now, Council Bill 118618 proposes that the Council lift the restriction on $1.4 million of these funds so the City can acquire Pronto's assets and take ownership of the system. By purchasing Pronto, the City will assume on-going financial responsibility for the system.

SDOT apparently first learned of Pronto's financial problems in early 2015 as reflected in the City's application for a federal Tiger grant. The Council should have been immediately informed of this material fact, but wasn't.

In December 2015, after the Council had imposed the budget restriction the previous month, SDOT paid $305,000 to Pronto to sustain their operations, violating the spirit and the intent of the budget proviso.

SDOT argues that authorizing the expenditure of another $1.4 million, for a total of $1.7 million, would allow Pronto to continue its current level of service through the end of 2016. In addition to these funds, it is estimated by SDOT that future City investments could be as high as $4 million or more to expand the system to the desired number of stations.

While a bike sharing program has the potential to be an important, and desired, element of our transportation network, the current system is insolvent and lacks the ridership and revenue to be financially viable. In essence, the Council is being asked to invest in Pronto's rescue from insolvency so a better and more financially viable service can be developed. Despite the passionate advocacy by some in favor of such a rescue, the risks of investing without a specific plan of action in hand or a clear understanding of the City's financial exposure are exceedingly high. Such a rescue does not reflect the level of care the Council should exhibit as it exercises its fiduciary responsibilities to the taxpayers of Seattle.

The potential financial risk to the city is evident in the failure of the Pronto service to achieve its original ridership or revenue projections as illustrated in the following table.

Pronto Original Projections Compared to Actual First Year Performance

	Total Trips	Trips Per Bike	Total Membership	Casual Members	Total Revenue
1st Year Original Projections	446,000	2.40	4,000	20,500	$860,000
1st Year Actual Performance	142,846	0.78	3,000	33,000	$613,000
Variance	-68%	-67%	-25%	+61%	-29%

Based on these facts, and because of the financial risk to the City, the Council should adopt Amendment #4 which would allow for repayment, if necessary, of the approximately $850,000 depreciated federal transportation grant while maintaining the proviso on the remaining funds, approximately $4 million, to support a future public-private partnership for bike sharing. This approach would substantially reduce financial risk and allow the City to develop a public-private partnership with the clear expectation that no City funding would be required for future operating revenue and that the public and private parties would appropriately share responsibility for capital expenses. This is a more prudent and wise course to follow.

If a public-private partnership has not been developed by the end of 2016 or the full amount is not needed, the remaining restricted funds should be used for high-priority pedestrian and bicycle infrastructure safety projects.