THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: August 18, 2016 **IBA Report Number:** 16-18 REV

City Council Meeting Date: September 20, 2016

Item Number: TBD

Proposed Response to Grand Jury Report:
SAN DIEGO'S BIKESHARING PROGRAM NEEDS HELP

On May 19, 2016 the San Diego County Grand Jury filed a report, directed to the San Diego Mayor and City Council, entitled "SAN DIEGO'S BIKESHARING PROGRAM NEEDS HELP." This Grand Jury report discusses issues related to the bikesharing program's implementation.

The Grand Jury Report includes two findings and two recommendations that were directed to both the Mayor and City Council. One other recommendation was directed to the Metropolitan Transit District, and this recommendation and corresponding finding are not addressed in the proposed response to the Grand Jury.

Per the Grand Jury report, the Mayor and Council are required to provide comments to the Presiding Judge of the San Diego Superior Court on the applicable findings and recommendations within 90 days. However, due to the summer legislative recess, the Mayor's and Council President's offices requested and received extensions for such responses to October 28, 2016.

In responding to each Grand Jury finding, the City is required to either (1) agree with the finding or (2) disagree wholly or partially with the finding. Responses to Grand Jury recommendations must indicate that the recommendation (1) has been implemented; (2) has not yet been implemented, but will be in the future; (3) requires further analysis; or (4) will not be implemented because it is not warranted or is not reasonable. Explanations for responses are requested when applicable.

The IBA's Office worked collaboratively with City staff and the Mayor's Office to develop a proposed joint Council/Mayoral response to the Grand Jury report. The proposed joint response addresses the two findings and two recommendations. On July 27, 2016, the Smart Growth and Land Use Committee recommended approval of the proposed response (with minor wording changes suggested by our Office) to the full City Council. We request Council approval of the

proposed response (see Attachment 1) for submission to the Presiding Judge of the San Diego Superior Court by October 28, 2016.

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APPROVED: Andrea Tevlin
Independent Budget Analyst

Attachments:

1. Proposed City Response to San Diego County Grand Jury Report entitled "SAN DIEGO'S BIKESHARING PROGRAM NEEDS HELP"

2. San Diego County Grand Jury Report entitled "SAN DIEGO'S BIKESHARING PROGRAM NEEDS HELP"

Proposed City Response to
San Diego County Grand Jury Report Entitled
SAN DIEGO'S BIKESHARING PROGRAM NEEDS HELP

Pursuant to California Penal Code section 933(c), the City of San Diego provides the following responses to the findings and recommendations pertaining to the City of San Diego that are included in the above referenced Grand Jury Report:

FINDINGS 01 THROUGH 02

Below are the Mayor and City Council's responses to Findings 01 through 02:

Finding 01: *The success of the bikesharing program is important to achieving the city's planning and climate goals.*

Response: The Mayor and City Council partially disagree with the Grand Jury's finding.

While encouraging and facilitating bicycling is an important component in achieving the City's planning and climate goals, there are many avenues for effectuating the City's goals, including: realizing efficiencies in energy and water usage, enhancing renewable energy generation, increasing the use of zero emissions vehicles, and increasing mass transit usage. Efforts related to bicycling are included in the City's Climate Action Plan Strategy 3, "Bicycling, Walking, Transit & Land Use." Such efforts include street improvements for bicycling, as well as a bikesharing program. A desired outcome of the bikesharing program is to bridge the "one mile" gap between transit stops and destinations.

Finding 02: *To be financially successful, DecoBike needs kiosks in tourist areas including beach communities.*

Response: The Mayor and City Council partially disagree with the Grand Jury's finding.

Although placement of highly visible bike stations in areas with a high volume of visitors (such as beach communities and downtown) would help create a useful, robust network for users and would offset DecoBike's cost of lower revenue bike stations, community concerns and public safety must also be considered. Community members in certain San Diego areas perceive the bikesharing program or prior efforts at placement of bike stations to be incongruent with community character. In some areas existing bike rental establishments have been concerned about competition from DecoBike. These concerns are taken under consideration when choosing station locations. As part of the overall configuration of bike stations in San Diego, additional locations in high-pedestrian areas combined with additional commuter locations will

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help create a financially viable network that will support the goal of connecting community bicycling with existing transit.

RECOMMENDATIONS 16-01 THROUGH 16-02

Recommendation 16-01: *Assign one prominent official to be the single point of contact on bikesharing and refer communications about the program to that spokesperson.*

Response: The recommendation has been implemented.

The City spokesperson will be the Director of Communications. In addition, the Assistant Chief Operating Officer (ACOO) will assist in the coordination to ensure implementation of the program.

Recommendation 16-02: *Instruct that prominent official to work with the San Diego City Transportation and Stormwater Department and local planning groups in beach communities to site bikeshare stations where needed for DecoBike to succeed.*

Response: The recommendation has not yet been implemented, but will be implemented in the future.

The City's partnership with DecoBike provides for cooperation in the placement of bike stations. Based on prior feedback from the community, City staff has been working in partnership with DecoBike to identify 17-24 new sites in the La Jolla, Mission Beach, Mission Bay, and Pacific Beach communities. Information on the planned sites was discussed at the July 27, 2016 Smart Growth and Land Use Committee meeting, at which there was opportunity for the public to provide comments. The City spokesperson will provide communications support to Transportation and Storm Water staff who will serve as the main community contact in implementation of the new sites. The implementation is expected to be completed in August and September 2016.

SAN DIEGO'S BIKESHARING PROGRAM NEEDS HELP

SUMMARY

The City of San Diego's 2013 Bicycle Master Plan calls for a bikesharing program to offer cyclists the opportunity to rent a bicycle from an unattended docking station, ride it wherever they want within the network, and return it to any station with an open dock. Bikesharing offers affordable access to bikes for short-distance trips in urban areas, connecting employment, transit stops, commercial districts, and local attractions. It is a green program, helping to reduce traffic congestion, noise, and air pollution, while promoting public health.

Bikesharing station on Broadway in downtown San Diego
(Photo by 2015/2016 Grand Jury)

A bikesharing program is also part of San Diego's Climate Action Plan and the regional transportation and bicycle plans. Local community plans all promote increased bicycle use to ease traffic congestion and improve air quality, and those that have been updated recently (e.g., Ocean Beach) specifically call for bikesharing.

In 2013, San Diego entered into a Corporate Partnership Agreement for a bikesharing program. The partner, DecoBike LLC, provided approximately $8 million in infrastructure investment in return for the ability to sell advertising on the bikes and kiosks. San Diego receives a commission on gross advertising and bike rental revenue. DecoBike receives no public funds.

To both fulfill the program's green goals and succeed financially, stations must be where cyclists need them. This includes not just the urban core and employment centers, but also parks and other local attractions, beach communities, and transit stops. The 2015/2016 San Diego County Grand Jury found, however, that the Metropolitan Transit System (MTS) and some beach communities have been uncooperative.

Bikesharing's success is important to San Diego, but if DecoBike cannot site kiosks where they will further the program's planning and financial goals, it will fail. San Diego would then find it very difficult to locate another bikeshare company to enter this market without significant subsidies. The Grand Jury recommends that San Diego and Metropolitan Transit System officials allow kiosks where they are needed to ensure

success. The Grand Jury also recommends that the Mayor for the City of San Diego assign one prominent official to be the City's single point of contact for the program, with authority to actively and vocally promote bikesharing.

INTRODUCTION

The Grand Jury studied the implementation of the San Diego Bicycle Master Plan and their Corporate Partnership Agreement for a bikesharing program. The investigation focused on the current status of bikesharing in San Diego and obstacles to its success.

PROCEDURE

The Grand Jury reviewed reports on bikesharing in the United States and other countries. They also examined San Diego's Corporate Partnership Agreement and Implementation Plan for a bikesharing program. Finally, the Grand Jury examined the role of bicycles and bikesharing in the mobility elements of regional and local plans, including:

- San Diego Association of Governments (SANDAG) regional planning documents, including *Riding to 2050: San Diego Regional Bicycle Plan, San Diego Forward: The Regional Plan*, and its Sustainable Communities Strategy
- The San Diego *Bicycle Master Plan* and *Climate Action Plan*
- Local community plans for Downtown, Balboa Park, Old Town, Ocean Beach, Pacific Beach, and La Jolla

In addition, the Grand Jury interviewed representatives of:

- San Diego Transportation and Stormwater Department (responsible for implementation of the Bicycle Master Plan)
- San Diego Corporate Partnerships and Development Department
- San Diego Bicycle Advisory Committee
- Metropolitan Transit System
- DecoBike, LLC

DISCUSSION

In December 2013, the San Diego City Council adopted an update to the Bicycle Master Plan (Plan).[1] The Plan sets policy for the development and maintenance of the city's bicycle network over the next twenty years.[2] The Transportation and Stormwater Department administers and implements the Plan, aided by the San Diego Bicycle Advisory Committee.

[1] http://dockets.sandiego.gov/sirepub/cache/2/01zitmfa2djcd1ny402mwvr0/606841041920160240022231.pdf

[2] Bicycle Master Plan https://www.sandiego.gov/sites/default/files/legacy/planning/programs/transportation/mobility/pdf/bicycle_master_plan_final_dec_2013.pdf

The Plan aims to create a city where bicycling is a viable travel choice, particularly for trips of less than five miles. It includes bikesharing to provide safe and convenient access to bicycles for short trips. The Plan also notes that downtown San Diego and the beach communities are excellent candidates for a bikesharing program because of the relatively flat topography and high volume of visitors.[3] Bikesharing is a green program, helping to reduce traffic congestion, noise, and air pollution, while promoting public health and economic development.[4]

SANDAG's Regional Plan[5] and San Diego's Climate Action Plan[6] also include bikesharing. All of San Diego's community plans embrace alternative and active means of travel, including bicycling and bicycle infrastructure. Communities such as Ocean Beach have recently updated their plans specifically to incorporate bikesharing.

San Diego's Bikesharing Program

In September 2012, San Diego's Corporate Partnership Program (CPP),[7] in collaboration with the Transportation and Stormwater Department, developed a Request for Sponsorship (RFS) for a partner to develop, install, market and maintain a privately-funded bikesharing program. DecoBike, LLC, was chosen as the city's "Official Bike Share Provider" based on their proposal, and their successful unsubsidized program in Miami Beach. They were the only bikesharing company to respond to the RFS that has successfully operated a program without public funds.

The Corporate Partnership Agreement (CPA), executed in July 2013, granted DecoBike exclusive rights to sell advertising on bikeshare kiosks and bicycles (an exemption from the city's sign regulations), as well as permission to encroach into the public right-of-way for installing and maintaining bikesharing stations at specific sites approved by the city (an exemption from right-of-way encroachment permit requirements).

DecoBike agreed to pay a Marketing Rights Fee that consists of a commission on their total gross advertising revenue (including advertising on kiosks/bicycles *not* on city property), plus a share of the gross income from bike rentals and system memberships, less the cost of repair or replacement of stolen or vandalized equipment and an allowance for the amount of time bicycles or stations are out of service. The total commission owed is set at $25,000 for the first year, with a minimum guaranteed payment of $50,000 in year two, gradually climbing to $175,000 by year ten. In addition, DecoBike must offer discounted membership to city employees, retirees, and their families.

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[3] Ibid, p. 115

[4] Sheehan, Susan A. et al, *Public Bikesharing in North America During a Period of Rapid Expansion: Understanding Business Models, Industry Trends and User Impacts*, Mineta Transportation Institute, 2014, p. 13.

[5] http://www.sdforward.com/pdfs/RP_final/The%20Plan%20-%20combined.pdf

[6] https://www.sandiego.gov/sites/default/files/final_december_2015_cap.pdf

[7] The CPP seeks opportunities for corporations to fund municipal services and facilities without subsidies. In exchange, the corporate partner gains access to the city's marketing potential.

In San Diego, bikesharing costs vary depending on whether the ride is a short jaunt or a daily ritual:

Short-term Rental	Cost	Annual Membership	Cost
1/2 hour	$5	Unlimited 30-minute rides	$125
1 hour	$7	Unlimited 60-minute rides	$199
2 hours	$12		
1 week	$35		
1 month	$50		

San Diego's bikesharing stations are flexible, with IT-based demand-responsive capability and touch screen kiosks. The number of docks in a station can be adjusted to meet local demand. An app for smart phones or Internet shows the location of each kiosk and how many bikes/open docks are available. DecoBike monitors availability in real time and constantly makes adjustments to ensure the availability of bikes and open docks at all stations.

Implementation

Roll-out of the bikesharing program was scheduled in early 2014, with 115 Phase I stations planned for Downtown, Uptown, Mission Valley, Ocean Beach, Pacific Beach, La Jolla, and San Ysidro. DecoBike presented an Implementation Plan that showed the proposed location of each station. The Transportation Engineering Operations staff reviewed each location for potential conflicts with other city goals (e.g., kiosks cannot block accessibility on sidewalks).

Implementation was delayed because manufacturing and community outreach took longer than anticipated. Outreach efforts were hampered because community meetings occurred during the period when the city's communications staff was being reorganized into a single department. The first 85 stations became operational in January 2015. 80% of those initial stations had to be moved, some because they were underperforming (not enough customers), some because there was too much shade for the solar-powered kiosks, some because adjacent property owners objected. Most were moved to an alternate location within two blocks.

In their first year of operation, DecoBike installed 97 stations and sold 103,640 rides. Of those, 23% were by members and 77% were casual users. (Nationwide, casual bikeshare users accounted for 92% of rides in 2012[8]). 45% of DecoBike members live in the urban core (zip code 92101), 12% in the Hillcrest area (92103), 10% in North Park (92104) and the remainder in other areas. The best-performing locations are located along the waterfront (bay and ocean) and near Balboa Park.

Eventually DecoBike plans a total of 180 stations within the city, but it is also negotiating with other cities and property owners (such as shopping centers, colleges and

[8] Sheehan et al, supra, note 4, p. 1

universities). They do not envision a continuous stream of kiosks throughout the metropolitan area, but webs connecting employment and village centers, parks, local attractions, transit stops and commercial districts, with a high density of highly visible installations within each web.

A survey of sixteen U.S. bikesharing programs shows that location is critical to their success in terms of number of members and rides (short- and long-term) to generate revenue. 50% of operators reported that tourist locations (e.g., hotels, waterfronts) generated the greatest membership, followed by urban sites adjacent to public transit (31%). Those urban/transit sites generated the greatest ridership (67%), while 20% of rides were associated with linear greenways or boardwalks. In 53% of the programs surveyed, tourist locations produced the greatest revenue, followed by urban/transit sites (27%) and recreational areas such as parks (13%).[9]

To succeed in San Diego, bikesharing needs access to all these locations, but DecoBike has run into obstacles at all of them. For example, while kiosks are located throughout the urban core, they are not co-located with transit stops, which is crucial to the program's goal of solving the "last mile" issue and connecting to public transportation. The Metropolitan Transit System (MTS) has been uncooperative in allowing bikeshare stations near transit stops. The SANDAG (MTS' parent agency) Regional Bicycle Plan calls for a bikesharing program that would partner with MTS and local governments.[10] MTS needs to come to the table.

DecoBike station next to the beach in Ocean Beach (Photo by 2015-2016 Grand Jury)

There are underperforming stations that need to be moved, but city officials have resisted. In addition, desirable locations, downtown, have not been approved.

Capturing the tourist market has been difficult for several reasons. The city has objected to additional kiosks in Balboa Park. Old Town Transit Center is another ideal location that MTS has repeatedly rejected. While Ocean Beach has embraced bikesharing and would like more stations, its narrow streets and sidewalks make kiosk placement difficult.

Two local beach communities (Pacific Beach and Mission Beach) have opposed bikesharing because some citizens fear it would compete with tourist use of local bike rental shops. To the extent that bikesharing targets casual tourist riders, there may be some competition, although no rental shop has offered proof of income loss. However,

[9] Sheehan et al, supra note 4, p. 44
[10] San Diego Association of Governments, Riding to 2050: San Diego Regional Bicycle Plan (2010), p. 49 http://www.sandag.org/uploads/projectid/projectid_353_10862.pdf

the two rental options are very different operationally. Bike rental shops typically provide comfortable, adjustable bikes appropriately sized for riders, including children, and come with helmets and sometimes bike locks. Rental shops also typically offer accessories such as baby seats and trailers. DecoBikes are all the same size (although the seat height is adjustable) and have only three speeds. Also, traditional bike rentals usually must be returned within normal business hours to the same location they were rented, while bikesharing is available 24/7 at multiple locations. In fact, 44% of DecoBike's Pacific Beach boardwalk rentals occur outside bike shop business hours.

Research in cities with established bikesharing programs shows that they improve public awareness of cycling as a transportation alternative and thus increase overall bicycle use. Many subscribers could eventually trade up for a comfortable, custom-fit bike, increasing bike shop business.[11]

Bikeshare station at Embarcadero Marina Park North
(Photo by 2015-2016 Grand Jury)

Some Pacific Beach residents believe the bikeshare kiosks will be an eyesore on their iconic boardwalk. This is obviously a question of personal taste. Others believe the boardwalk is the perfect place for multiple bikesharing stations. The Unified Port of San Diego has received no complaints about the kiosks on their bayfront; on the contrary, the port is highly supportive of the program.

Moreover, Pacific Beach's priorities in their ongoing effort to become an EcoDistrict include becoming a community where residents can safely walk, bike and skate, and offering alternative community transit options.[12] Bikesharing is a public transit option that should be available to all users.

DecoBike has been unable to install any kiosks in La Jolla due to community claims they are an eyesore and would take up too much valuable public sidewalk, park, and parking space.[13] Yet the *La Jolla Community Plan and Local Coastal Program Land Use Plan* includes, in its Transportation System element: 4 "Implement the City's Bicycle Master Plan that provides user friendly, safe and continuous bicycle access throughout La Jolla, for both leisure and work-oriented trips."[14]

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[11] Sheehan, et al, supra note 4, p. 164
[12] http://ecodistricts.org/wp-content/uploads/2014/04/FINAL-DRAFTV4_resource-guide-2014-10.pdf
[13] "Year in review," *La Jolla Light*, December 24, 2014; Minutes, La Jolla Community Planning Association, June 5, 2014.
[14] https://www.sandiego.gov/sites/default/files/lajollacommunityplanaug2014.pdf
La Jolla Community Plan and Local Coastal Program Land Use Plan, August 2014, p. 2.

Some critics allege that DecoBike is cherry-picking lucrative tourist and beach locations instead of focusing on sites that would get commuters out of cars. Yet most bikesharing programs around the world begin with a tourism base, and San Diego's success is dependent on both sets of users. Short-term rentals are more lucrative, and without city subsidies are necessary for DecoBike to recoup their $8 million investment in San Diego. Bikesharing programs in northern cities, such as Minneapolis, are seasonal, and cannot survive without significant public subsidies or grant funds. San Diego's climate and year-round tourism were touted in the RFS as justification for an unsubsidized program.

Long-term memberships help fulfill climate and transportation planning goals to get people out of their cars for short trips. Roughly 70% of the initial installations are located in urban locations that could further those goals if co-located with transit stops. And, to the extent that a tourist may have driven a short distance if a bikeshare were not available, the program gets people out of cars.

When residents complain to their elected officials about the presence of bikesharing stations, they receive inconsistent responses. One official may tell them to talk to DecoBike, another to contact the Transportation and Stormwater Department. Some promise to help them block the program in their neighborhood. Regardless of officials' responses to their constituents, the message to DecoBike is not to install kiosks in those areas, regardless of their importance to program success.

San Diego approved this program and should support it wholeheartedly to meet planning and climate goals. The city should speak with one voice expressing that support, preferably through one prominent spokesperson in the mayor's office. City leaders need to remind people in the beach communities that bicycling is an important 21st century transportation mode that replaces car trips and relieves traffic congestion, thus improving air quality and public health, and that bikesharing is an established transportation option in more than 800 cities worldwide.

If the model of a non-subsidized partnership fails, the city will need to provide a subsidy or find another company willing to enter the market. Either would be extremely difficult. When Chicago's first bikeshare partner, privately owned and operated B-cycle failed, the city had to pay full start-up costs of $6.1 million for the successor company.[15]

FACTS AND FINDINGS

Fact: Promotion of bicycling in general and bikesharing in particular, is part of every city's and the County of San Diego's planning documents.

Fact: San Diego's Climate Action Plan calls for a bikesharing program.

Fact: In 2013, the city entered into a 10-year Corporate Partnership Agreement (CPA) with DecoBike, LLC.

[15] "Chicago is overpaying for Divvy," *Chicago Tribune*, August 26, 2014.

Fact: DecoBike receives no public funding under the CPA.

Finding 01: The success of the bikesharing program is important to achieving the city's planning and climate goals.

Fact: Much of DecoBike's rental income comes from casual, short-term rentals.

Finding 02: To be financially successful, DecoBike needs kiosks in tourist areas including beach communities.

Fact: To meet planning goals, DecoBike kiosks need to be located at or near transit stops.

Finding 03: The Metropolitan Transit System has resisted placing bikeshare kiosks at transit stations.

RECOMMENDATIONS

The 2015/2016 San Diego County Grand Jury recommends that the Mayor and City Council for the City of San Diego:

16-01: Assign one prominent official to be the single point of contact on bikesharing and refer communications about the program to that spokesperson.

16-02: Instruct that prominent official to work with the San Diego City Transportation and Stormwater Department and local planning groups in beach communities to site bikeshare stations where needed for DecoBike to succeed.

The 2015/2016 San Diego County Grand Jury recommends that the Metropolitan Transit System:

16-03: Work cooperatively with DecoBike LLC to remove obstacles to placing bikeshare stations near transit stops.

REQUIREMENTS AND INSTRUCTIONS

The California Penal Code §933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made *no later than 90 days* after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official (e.g. District Attorney, Sheriff, etc.), such comment shall be made *within 60 days* to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code §933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

(a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
    (1) The respondent agrees with the finding
    (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.

(b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
    (1) The recommendation has been implemented, with a summary regarding the implemented action.
    (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
    (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
    (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

(c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code §933.05 are required from the:

Responding Agency	Recommendations	Date
Mayor, City of San Diego	**16-01, 16-02**	**8/29/16**
City Council, City of San Diego	**16-01, 16-02**	**8/29/16**
Metropolitan Transit District	**16-03**	**8/29/16**