

**Board Report**

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**REVISED**  
**OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE**  
**OCTOBER 20, 2022**

**SUBJECT: METRO BIKE SHARE PROGRAM****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

APPROVE the updated Metro Bike Share (MBS) operational model of Privately-Owned and Publicly Managed to improve overall performance and support a more sustainable regional bike share program (Attachment A).

**ISSUE**

In December 2021, the Board approved Motion No. 41 (Attachment B), titled “Improving the Effectiveness and Sustainability of Metro Bike Share”. The Motion directed the CEO to undertake several actions including recommendations to ensure a successful, regional, and sustainable MBS program. Additionally, since the current MBS contract is set to expire in July 2023, approval of the operational model is needed to secure a Contractor/Operator to support the ongoing operation of MBS.

**BACKGROUND**

In June 2015, the Board adopted the Regional Bike Share Implementation Plan for Los Angeles County and awarded a firm fixed price contract (FFP) with milestone payments to Bicycle Transit Systems, Inc. (BTS) for the acquisition of equipment, installation of stations, and operations and maintenance (O&M) of the Metro Countywide Bike Share program. Under current operations, Metro and the City of Los Angeles share capital costs equally (50%-50%) and split the cost of O&M 35% (Metro) and 65% (City of Los Angeles). Metro pays a lower share of O&M because it provides staffing for the management and administration of the program. Metro is also responsible for the planning and station siting implementation. Since the contract award in 2015, MBS has deployed service in Downtown/Central Los Angeles, Westside, and North Hollywood. Previous funding for MBS included City of Los Angeles subsidy, fares, and PC25% to bridge expense gaps. Under current guidelines, Prop C 25% funding is eligible for utilization of the first two years of a demonstration program, which occurred for MBS. Measure M 2% (MM2%) Active Transportation Program funds were also utilized to support MBS capital costs as this is an eligible expense under the MM2% program. As Metro improves the effectiveness and sustainability of the MBS program, staff will ensure that any available

operating-eligible funding will be utilized for non-capital MBS expenses.

The MBS program has always been envisioned as a regional and scalable bike share system that is accessible to Los Angeles County residents and that easily integrates with existing Metro transit services to provide a seamless passenger experience on Metro's transportation system. The first phase of the program launched in Downtown LA in 2016 and subsequently, the City of Pasadena and the Port of Los Angeles (POLA) launched bike share as part of the second phase in 2017. Both entities have since ended their participation in the program. The City of Pasadena withdrew in 2018 based on the amount of operating subsidy required, reallocating resources to other City programs. In 2019, POLA opted to not renew the Memorandum of Understanding (MOU) with Metro to continue being part of MBS for similar reasons. Other local jurisdictions have expressed interest in participating in MBS but declined due to cost considerations.

As of September 2022, 1.5 million trips have been taken, 5.2 million miles have been traveled, and 4.9 million pounds of Carbon Dioxide (CO2) have been averted with MBS.

As with all industries worldwide, the COVID-19 pandemic impacted MBS utilization. Prior to COVID, MBS ridership was growing and had almost surpassed 300,000 rides in FY2020; however, by FY2021, COVID impacts had decreased ridership by over 40%.

As we're emerging from the COVID crisis, ridership has steadily returned. In FY2022, ridership improved to 24%, below the highest pre-COVID levels. Ridership is anticipated to increase in FY2023, with projections that it shall recover to pre-COVID levels by the end of FY2023. This recovery demonstrates the continued value and role of MBS as a local transportation resource, providing a mobility option for residents, visitors, commuters, and workers.

In December 2021, the Board approved Motion No. 41, which focused staff on 1) improving existing MBS operations, and 2) charting a new path for MBS that supports a more regional, sustainable, effective, and successful program. In response to the Motion, several actions have been taken to stabilize and improve existing operations, including the replenishment of the MBS bike fleet, acquisition of GPS equipment fleetwide, and extension of the contract. Work was also undertaken to determine an operational path for MBS that will grow ridership, increase the size and density of the system, provide greater operational flexibility, improve service within economically impacted communities/neighborhoods, enhance equitable access, and ensure a financially and operationally sustainable program for both riders and funding agencies.

## **DISCUSSION**

In support of MBS and in response to Motion No. 41 (summary update provided in Attachment C), staff conducted several actions to identify the next steps and ensure the continued success and sustainability of the program. As directed in the Motion, 1) a market survey was conducted covering ten (10) national and five (5) international bike share programs; 2) an Industry Forum was held with representatives from the bike share industry, regional Council of Governments, biking-based community groups, as well as local and national bike share operating peers; 3,) a review of equitable access issues has been undertaken, and 4) engagement with stakeholders has been and will

continue to be conducted to ensure that MBS is best positioned to understand and meet the needs of each potential local partner while still maintaining a sustainable regional operation.

The information obtained from the survey (Attachment D), forum, and stakeholder engagement, combined with a review of current MBS operations and lessons learned, helped in determining the path forward. The current operation represents the initial deployment of the program and, as such, there have been “growing pains,” including limited-service deployment, lower-than-anticipated ridership, and program sponsorship delays. Nevertheless, MBS has proven to be a valuable transportation resource to Los Angeles County travelers and residents: cities and communities have and continue to show interest in joining the program, ridership is recovering to pre-COVID levels, and a sponsor was secured, demonstrating that there is interest in MBS from advertisers. While work will continue on all facets of the program within the current contract, staff believes that approval of the updated MBS operational model will help improve overall performance and support a more sustainable regional bike share program consistent with the goals of Motion No. 41. In conjunction with Motion No. 41, some underlying goals that will assist in the management of MBS include:

- Expanding the system equitably and geographically
- Managing the program’s performance and costs to ensure a sustainable regional program
- Growing the benefits of MBS throughout the region’s diverse communities
- Providing customers, residents, and visitors, with a reliable, clean, efficient, affordable, and available transportation/mobility option
- Expanding mobility options to better serve and connect economically impacted communities
- Ensuring equitable access to service, including access to equitable payment methods and fares
- Improving the quality of life for Los Angeles County residents and ensuring that MBS operates as a “good neighbor/community” partner
- Ensuring connectivity to existing and/or planned transit, ATP, and/or micro-mobility services
- Ensuring flexibility and scalability to support temporary needs/special events (i.e., 2028 Olympics)
- Ensuring flexibility to integrate with innovative or alternative solutions (e.g., bike library), improve coordination and enable collaboration with other bike share programs and stakeholders (e.g., Long Beach, Santa Monica), and efficiently deploy new technologies/advancements.

**Program Models and Factors Examined**

Pursuant to Motion No. 41, staff obtained information and examined different operational models to support MBS. The models ranged from continuing the current contract model to full private sector/P3 operations, in-house operations, and hybrid/modified operations. Through the market survey, summarized in Attachment C, four predominant operating models were identified. The table below provides some characteristics for each model.

	<b>Privately Owned &amp; Operated (Privatized)</b>	<b>Non-Profit Operator</b>	<b>Publicly Owned - Privately Operated (Contracted)</b>	<b>Privately Owned - Publicly Managed (Contracted)</b>
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<b>Equipment</b>	Equipment owned by the operator	Potential mixed public/non-profit/for-profit operator ownership	Equipment owned by the agency	Equipment owned and provided by the contractor
<b>Program Cost</b>	Limited to no agency costs	Non-profit manages and/or operates program - may require an agreement and/or initial public agency funding support.	Agency covers all equipment and operating costs - generally highest agency cost model	Agency pays only operating costs - per the market survey, this model, with the exception of the fully privatized model, generally resulted in a lower overall cost to the agency
<b>Program Management</b>	Stations sited and Fares set by the operator. Fares were generally higher than publicly funded systems.	Non-profit with City support responsible for station siting. Non-profit sets fares. Fares were generally higher than the other models.	Stations sited by and Fares set by the agency. Fares were lower than privatized or non-profit models.	Stations sited by and Fares set by the agency. Fares were lower than privatized or non-profit models.
<b>Equity</b>	Equity focused expansion concerns	Expansion is challenging due to funding limitations	Expansion is more challenging due to the need to purchase equipment	Expansion is more streamlined
<b>Agency Control</b>	Less agency control	Less agency control	Greater agency control	Greater agency control

Based on the assessment conducted, the Privately Owned/Publicly Managed alternative is the best model for meeting the motion’s goals of equity, scalability, expansion, affordability/cost, and efficiency. This model affords Metro and its partner jurisdictions control over siting and fares consistent with the current model while creating efficiencies in terms of overall cost and incentivizing ridership as a factor in managing the contract.

**Proposed Metro Bike Share Operational Model**

The proposed operational model, most closely aligned with the Privately Owned - Publicly Managed model, will result in contracted service, but rather than the existing FFP milestone-based contract, the new contract would be performance-based with defined requirements. Payment may be based on a more defined fixed unit rate reimbursement/subsidy model (for example, price per ride or station) and/or other similarly negotiated factors that would take into account performance/service levels, availability, and ridership considerations, with the objective of better aligning the goals, performance

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and cost of the program between the contractor and Metro. Additionally, staff is proposing that Metro no longer own or directly purchase MBS equipment; the equipment would instead be provided by the contractor who will also be responsible for managing the operations of MBS pursuant to the defined performance and service level requirements. It is anticipated that the transfer of ownership will not only reduce the need for Metro to incur direct capital costs but will streamline expansion and system improvements. This proposed model is not new as similar deployments are successfully operating in Paris, Barcelona, and Mexico City. Of the national programs, many operate under a fully privatized model, which is not recommended due to equity, fare, and agency management/oversight concerns. The proposed model seeks to blend some of the lower cost benefits of the privatized model while still providing agency oversight on the deployment and management of the system.

The objective of this model is to realign roles and responsibilities. Metro and our partners would focus on performance, while the contractor would provide the industry expertise required to efficiently operate and maintain the service and ensure the system is kept up to date. The model will ensure that Metro retains management oversight and control over certain key elements of MBS, such as fare structure, bike availability, system performance, and station placements. Retaining this oversight and control is important to ensure that MBS is operating in support of Metro's and not the operator's goals. Retention of these rights will ensure that Metro can advance MBS expansion into EFCs as well as investigate and implement new tiered-based fare structures to improve system access for reduced fare riders. Additionally, examining tiered-based fare pricing opportunities may allow Metro to better support and connect customers to transit infrastructure for their fixed or multi-modal trips in an effort to improve the overall transit experience (e.g. providing a bike fare discount for vanpool customers, monthly pass holders, etc.). Metro will engage with its partner agencies and contractor to ensure system and ridership growth, as well as innovations that can improve service and potentially lower operating costs. It is anticipated that this model will increase flexibility, provide greater transparency, improve performance, and cost management, and spur ridership and system growth beyond current partners and locations. These benefits are anticipated to encourage and enable a more efficient and effective expansion of MBS into a regional program. (Attachment A)

Staff anticipates that this model will enable a more effective and efficient expansion of MBS. Through discussions with local stakeholders, it has become clear that the expansion of MBS into other cities has stalled due to cost considerations. Staff expects that this model will result in a reduction in overall cost that will enable a more substantive dialog with interested stakeholders and result in an expansion of the program into areas outside of the City of Los Angeles. Any discussions on modification to the current cost-sharing formula are pending and will be conducted in a more informed manner once the cost associated with the new model has been negotiated.

## **EQUITY PLATFORM**

The approval of the proposed MBS operational Privately Owned-Publicly Managed model will realign roles and responsibilities, and ensure Metro retains management control over certain key elements of MBS, such as fare structure, bike availability, system performance, and station placements.

To ensure that the recommended model advances equity, staff used a Rapid Equity Assessment Tool for further analysis. Results indicate that the model will allow Metro to maintain low bike share fares. MBS will ensure that participants of the LIFE and Reduced Fares programs continue to have access to service with continued discounted fare media. The reduction of operations and maintenance costs

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for Metro and partners will also allow the program to be implemented in more equity focused areas. This recommendation will benefit communities that would like to have MBS but have found that the current cost and program type are prohibitive. Additionally, Metro is committed to continue outreach and coordination activities with neighborhoods and community-based organizations in support of ensuring robust representation from EFCs and marginalized communities and will investigate the best path forward toward the effective integration of adaptive and accessible bikes as the MBS program evolves to meet agency goals and customer needs.

The operational model will not only continue to enhance the service MBS currently serves in the EFC communities of Downtown/Central Los Angeles, Westside, and North Hollywood (Attachment E), but will encourage and enable a more efficient, and effective expansion of MBS into a regional program.

### **DETERMINATION OF SAFETY IMPACT**

Metro's safety standards will be improved through the approval of this recommendation by ensuring the continued operation of a safe and secure bike share program.

### **FINANCIAL IMPACT**

Approval of this recommendation will not impact the FY2023 budget, since funding for this program is from Measure M 2%, City of Los Angeles subsidy, fares, and operating-eligible funding to bridge any gaps, and is already included under Cost Center 4540. There is no immediate impact on the current budget and no budget amendment will be required. Staff will continue to seek new and/or alternative funding, including grants and sponsorship opportunities, to support future MBS capital and operational costs. Staff will ensure that any available operating-eligible funding will be utilized for non-capital MBS expenses.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

MBS program supports the following Vision 2028 Strategic Plan Goals:

1. Provide a high-quality mobility option that enables people to spend less time traveling.
2. Deliver an outstanding trip experience for all users of the transportation system.
3. Enhance communities and lives through mobility and access to opportunity.
4. Transform LA County through regional collaboration and national leadership.
5. Provide responsive, accountable, and trustworthy governance within the organization.

### **ALTERNATIVES CONSIDERED**

The Board may choose not to approve the updated MBS operational model; however, this alternative is not recommended. The current contract is scheduled to end on July 30, 2023, and the MBS program will not be operational without a new contract in place. MBS operated successfully through the COVID-19 pandemic without any reduction in service and is now on track to recover most, if not all, ridership. Approval of the updated model is needed to provide seamless service and this path forward has the greatest potential of reducing cost while ensuring the appropriate degree of authority over key components of MBS. Other models will either increase costs or require Metro to relinquish authority, neither of which will support the Board's goals as outlined in Motion No. 41.

## **NEXT STEPS**

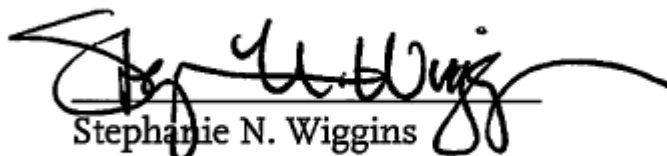
Upon Board approval of the current action, staff will prepare and release the appropriate procurement action for the MBS program focused on the updated MBS operational model. Staff will report back on the results of the procurement action at the time of award of the new contract.

## **ATTACHMENTS**

- A - Privately Owned - Publicly Managed Model Summary
- B - Motion 41 - Improving the Effectiveness and Sustainability of Metro Bike Share
- C - Motion 41 - Summary Update
- D - Market Survey Tables 1 and 2
- E - Metro EFC Map 2022

Prepared by: Paula Carvajal-Paez, Senior Director, Countywide Planning & Development, (213) 922-4258  
Ken Coleman, DEO Shared Mobility, (213) 922-2951  
Shahrzad Amiri, Deputy Chief Operations Officer - Shared Mobility,  
(213) 922-3061

Reviewed by: Conan Cheung, Chief Operations Officer, (213) 922-2920



Stephanie N. Wiggins  
Chief Executive Officer