

# APPENDIX O

## Marilyn Brenneman

---

**From:** Freedman, Nicole  
**Sent:** Tuesday, July 14, 2015 1:12 PM  
**To:** Kubly, Scott  
**Cc:** Nunes-Ueno, Paulo  
**Subject:** Bike Share: Term sheet & Merno with Attachments  
**Attachments:** Memo 4 - EBike Share Research, Contracting Options and Timeline 2015.07.08.doc;  
Attachment 1 - Equipment photos.docx; Attachment 3 - Equipment Research.pdf;  
Attachment 2 Timeline MASTER 2015.07.09.pdf; Term Sheet, Motivate v10, Motivate  
new w NF 2015.07.01.docx

Hi Scott,

As a follow up to yesterday's meeting, please see the following:

- Most up to date term sheet (this version is the one I sent back to them after you and I talked and it incorporated your requests)
- Memo from yesterday summarizing equipment findings and alternate scenarios.
- 3 memo attachments – timeline, equipment photos and equipment research.



Nicole Freedman  
Chief of Active Transportation and Partnerships  
City of Seattle [Department of Transportation](#)  
O: 206.684.4690 M: 206.552.4085  
[Nicole.Freedman@seattle.gov](mailto:Nicole.Freedman@seattle.gov)



MEMORANDUM

**TO** Scott Kubly, Director of Transportation  
**CC** Paulo Nunes-Ueno, Director of Transit and Mobility  
**FROM** Nicole Freedman, Chief of Active Transportation and Partnerships  
**SUBJECT** Bike Share: Equipment, Status Update, Strategies and Timelines  
**DATE** July 13, 2015

We are currently not on track to launch an e-bike share system in 2016. This memo details existing challenges and introduces strategies that can put us back on track. Included in this memo, you will find:

- *Equipment Research* - Summarizes findings showing that equipment is available for a 2016 launch.
- *Motivate* - Provides a status update on Motivate conversations and explains current differences.
- *Scenarios* - Suggests alternate scenarios with associated timelines.

**SUMMARY**

Motivate proposes a 10 station pilot launch in 2016. Remaining stations would launch in 2017.

A 2017 launch seems problematic.

- We believe the Mayor wants an expanded system in 2016.
- Pronto would remain at 50 stations through 2017.
- SDOT would likely need to subsidize Pronto operations through 2017.

It is possible for Seattle to launch a 50+ e-bike share system in 2016.

- *Equipment* - Off-the shelf e-bike share systems exist. Five manufacturers plan to offer systems for summer, 2016. Two already operate sizable systems; one launches in September; and two more plan to deliver for next summer.
- *Procurement* - Viable alternatives to Motivate's proposal exist. These include negotiating an accelerated timeline with Motivate or issuing a formal RFP for equipment and/or operations.

Our window of opportunity is rapidly closing. Equipment lead times average 6-9 months, requiring us to order in January for a late summer launch.

Success factors required a 2016 launch include:

- *Fundraising* - All procurement options, including accepting Motivate's current proposal for a 2017 launch, require funding.
- *Decision Making* - The tight timeline necessitates efficient decision making on key topics.
- *Early Adopter Tolerance* - Seattle, being in the first wave of e-bike share launches, will need to understand and accept early adoption challenges.

## EQUIPMENT

### Research

To understand the industry, I spoke with leading e-bike share experts, identified 16 companies planning systems, and interviewed/communicated at length with 10 manufacturers.

| Manufacturers    | Interview |
|------------------|-----------|
| B-cycle          | Y         |
| Sobi             | Y         |
| Smooove          | Y         |
| GoBike           | Y         |
| Velobility       | Y         |
| JCDecaux         | Y         |
| Beweggen         | Y         |
| Copenhagen Wheel | Y         |
| Bonapark         | Y         |
| Clear Channel    | N/A       |
| Spark Mobility   | Y         |
| NextBike         | Y- N/A    |
| 8D               | Y         |
| Tracetel         | -         |
| Effia (Keolis)   | -         |
| Bicincitta       | -         |
| SkyCube          | -         |
| RideOn           | -         |

| Experts                          | Interview |
|----------------------------------|-----------|
| Lindsay West (Birmingham)        | Y         |
| James Mead (TFL London)          | Y         |
| Paul DeMaio (Bike Share Blog)    | Y         |
| Pia Behrens (Copenhagen)         | Y         |
| Alex Vickers (Motivate)          | Y         |
| Russell Meddin (Bike Share Blog) | Y         |

### Availability

Eighteen equipment manufacturers are in various stages of developing "Generation 4.0" e-bike share system. At least five manufacturers plan to deliver systems for summer 2016; six companies responded to London's tender for a 14-16 station system in late 2016;

- BonoPark and GoBike have 123 and 100 station e-bike share systems operating in Madrid and Copenhagen respectively.
- Beweggen launches a 40 station system in Birmingham in two months.
- Smooove and Velobility are in late pilot stages and plan to begin delivering systems for 2016.

*Models*

Four types of Generation 4.0 systems exist. Turnkey ad-based systems such as those provided by JC Decaux or Clear Channel are not options for Seattle. Retrofit systems, in which existing bikes are electrified but stations can't charge bikes, increase the operator's burden and are not practical at scale. **Off-the-shelf systems are ideal.**

| Model Type         | Turnkey   | Retrofit  | Partial   | Off-the Shelf                                       |
|--------------------|---|---|---|---|
| <b>Description</b> | Company provides turnkey solution (equipment and operations) in exchange for ad rights. | Electric assist added to existing bikes. Docks and terminals remain unchanged and cannot charge bikes | Manufacturer produces <i>some</i> of the following: bikes, docks, kiosks, software. | Manufacturer produces complete e-bike share system. |
| <b>Pros</b>        |   | Inexpensive<br>Compatible w/ existing   | Customizable  | Most reliable<br>Simple/Fast                        |
| <b>Cons</b>        | Seattle ad rules.   | Docks inability to charge bikes shifts burden to operator and is impractical at scale.                | Interoperability<br>Development time<br>Cost  | Cost  |
| <b>Brand</b>       | JC Decaux<br>Clear Channel  | Copenhagen Wheel<br>JC Decaux <sup>1</sup><br>FlyKly  | Velobility  | Beweggen<br>GoBike<br>BonoPark<br>Smooove           |

*Features*

Generation 4.0 systems incorporate and add to the features on our current Pronto system. Common, new features include:

- *Virtual return* – Ability to lock and return bikes near a full station
- *Customizable pricing* – Ability to charge a premium for electric bikes
- *Smart bikes* – Bikes function independent of kiosk and include electronic display, GPS, navigation, etc.
- *Assist levels* - Multiple levels of assist with on/off capabilities
- *Payment methods*– NFC capabilities, RFID readers, and on-bike screens improve payment methods.
- *Power management* – Most systems hardwired but three can provide or develop solar as needed.
- *Pricing* - Prices range from \$55,000 to \$85,000 per station.

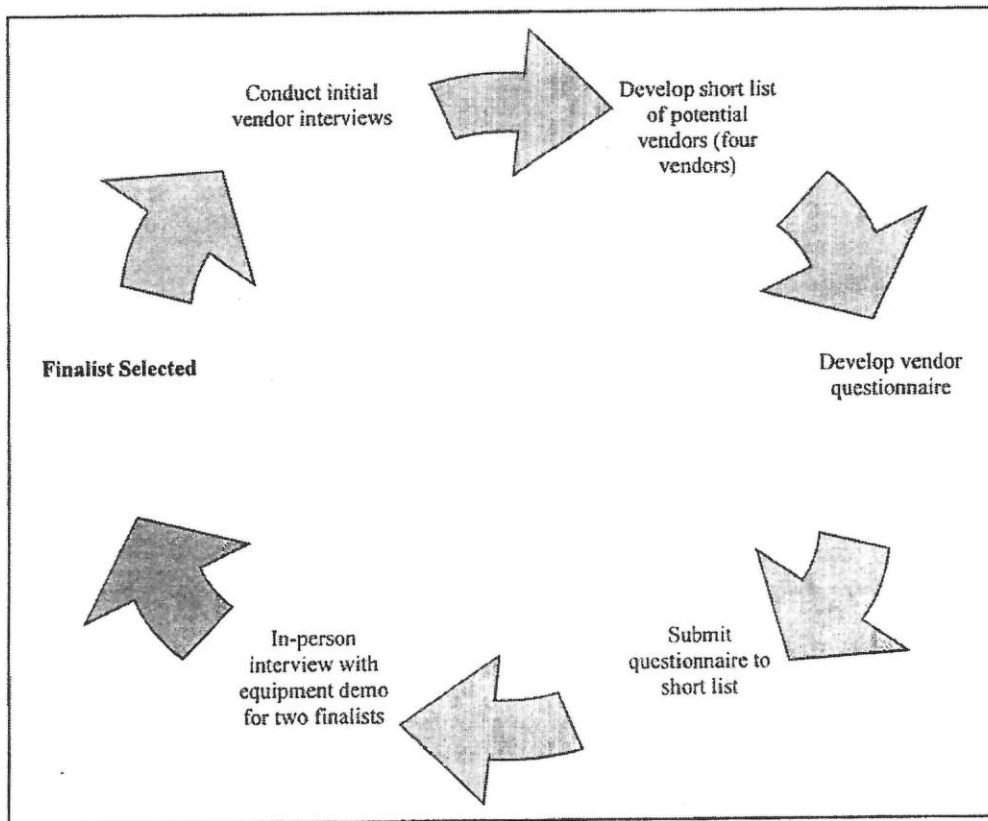
**Given similarities among Generation 4.0 systems, cost, reliability, aesthetics, operations and timing will prove determinate.**

*Process*

Industry leaders with whom I spoke anticipate an open and fair equipment selection process. We have assumed that Motivate would implement the equipment selection process on our behalf, with SDOT making the final decision. **We should ensure their process meets our expectations and complies with FTA rules.**

<sup>1</sup> JC Decaux's retrofit system is unique in that members carry their own battery, thereby eliminating the operational burden. I did not identify any other manufacturer with a similar plan.

## Motivate's Proposed Equipment Selection Process



### MOTIVATE

#### Challenges

Term sheet negotiations with Motivate began on May 8, 2015. Two months on, we lack an agreement. Outstanding previously discussed issues include: price, naming rights, revenue waterfall, operations reserve, and early termination.

Broader and arguably more significant issues include:

- *Timing*— Motivate proposes a 2017 launch. A request for a 2016 launch will introduce complexity and further extend negotiations.<sup>2</sup>
- *Sole Source* – Delaying launch until 2017 weakens the sole source justification submitted.
- *Multiple contracts* -Motivate's request for separate pilot and long-term operations contracts, coupled with a third contract required for short term operations<sup>3</sup>, seems unrealistic if not burdensome. Postponing operations contracting also weakens our negotiating stance.

#### Understanding Motivate's stance

Motivate originally proposed to assume financial risk for a standard, not electric, system. Motivate internalizes electric as an added layer of risk. They seem uncomfortable with and uncommitted to the technology in the context of risk. As such they are approaching our project conservatively. While the emerging market e-bike share market is shaping up to be highly competitive, Motivate seems behind the game.

<sup>2</sup> Motivate has been resistant to this request in the past.

<sup>3</sup> Legal has advised that Pronto cannot simply "assign" us their contract. Based on the length of time

## MOTIVATE'S MODEL

Motivate's proposed model is highly attractive on the surface:

- The City pays no ongoing operating fee, estimated at \$5.0M if competitively bid.
- The City bears no financial risk if revenue projections are not met.

There are multiple reasons for caution as well.

- *Privatization* – “Privatizing” bike share reduces the City’s ability to ensure success. The program is a key Mayoral and SDOT initiative, is widely seen as a public project, promoted as public transportation and an integral part Move Seattle’s transportation goals.
- *Goal misalignment* – Motivate’s goals are not well aligned with ours. Writing a tight contract can help protect the City’s interests. However, contracting is a weak tool for creating a strong partnership. Future needs are unpredictable in the rapidly changing industry, further exposing us to the limits of contracting as substitute for goal alignment.

| Motivate Goals & Objectives   | City of Seattle Goals   |
|---|---|
| Deliver 12% ROI to investors  | Create a citywide electric bike share system to dramatically increase access to transit, reduce SOV trips, increase active transportation and ensure equity.                          |
| Maximize profit   | Represent Mayor and City appropriately  |
| Minimize risk to investors  | Reduce financial risk to City   |
| Maximize System Revenue/ Profit <ul style="list-style-type: none"> <li>• Increase prices to \$175/year</li> <li>• Dis-incentivize commute hour rentals</li> <li>• Introduce dynamic pricing</li> <li>• Increase stations in profitable neighborhoods</li> </ul> | Maximize membership and ridership <ul style="list-style-type: none"> <li>• Moderate pricing with subsidies available</li> <li>• Ensure geographic distribution of stations</li> </ul> |
| Maximize sponsorship by selling naming rights   | Maintain local feel/ discourage over-commercialization  |
| Provide standard bike share system with known costs.  | Introduce electric bikes to increase appeal to residents of all ages and abilities  |
| Minimize Costs <ul style="list-style-type: none"> <li>• Postpone SLA discussion</li> </ul>  | Ensure highest quality service for Seattle residents  |

- *Too Good to Be True?* - Motivate’s “free” model is unproven. Notable cases illuminate its liabilities.
  - Montreal – Aside from PBSC’s equipment issues, Bixi failed to break even operationally. The City of Montreal ultimately paid the difference.
  - Paris – A public battle ensued between JC Decaux and the City of Paris when theft and vandalism exceeded projections. The City ultimately paid for the theft and vandalism.
  - New York City – Software issues delayed the system launch, generated negative publicity and led to lawsuits between the City and operator.
  - In all three cases, the problems may have been exacerbated by a privatized business model which, under stress, promoted antagonism over partnership.

It is unclear whether Motivate’s financial projections are realistic. Motivate calculates \$4.3M in annual revenue from 17,143 annual members and 185,714 casual members paying \$120 and \$9.95 respectively. Sam Schwartz’s BCE analysis for us estimates 11,217 annual members and 78,517 members. At Motivate’s prices revenue would be only \$2.5M<sup>4</sup> Motivate’s methodology is simplistic: it is based solely on Chicago and assumes no price elasticity for annual members. Sam Schwartz’ projections were based on seven similar to slightly larger cities: Minneapolis, DC, Boston, Denver, Chicago, Toronto and Columbus. **Should Motivate fail to make the “free” model work, it would not be unexpected for them to approach the City for financial support, either directly or indirectly through member subsidies.**

<sup>4</sup> Assuming no price elasticity of demand is highly optimistic, but used because it matches Motivate’s assumption.

## SCENARIOS

Expanding our options increases our odds of success. The following options exist.

| Option                                  | Option 1<br>Motivate 2017 Launch   | Option 2<br>Accelerated Motivate<br>2016 Launch  | Option 3<br>Issue combined<br>operator/equipment<br>RFP   | Option 4<br>Issue RFP for<br>equipment and RFP for<br>operations   |
|---|--|--|---|--|
| Description                             | Accept Motivate's terms with minimal updates and launch in 2017.   | Negotiate with Motivate to accelerate timeline for 2016 launch   | City issues one RFP for operator to provide e-bike share system in fall 2016. City will likely need to pay operator and be responsible for funding and fundraising.   | Same as Option 3, but a separate equipment and operations RFP  |
| Launch                                  | Summer 2017  | Fall 2016  | Fall 2016   | Fall 2016  |
| Pros                                    | <ul style="list-style-type: none"> <li>Funding model promised to CBO</li> <li>Minimizes early adopter risk.</li> </ul>   | <ul style="list-style-type: none"> <li>High quality, competent team to pilot system and operate</li> <li>2016 launch</li> </ul>  | <ul style="list-style-type: none"> <li>Open procurement</li> <li>2016 launch</li> <li>City controls timeline and negotiations</li> <li>Operator/ city aligned</li> <li>City responsible for system success</li> </ul>                               | <ul style="list-style-type: none"> <li>City can choose equipment provider</li> <li>Slightly more time than option 3</li> <li>Other same as option 3</li> </ul> |
| Cons                                    | <ul style="list-style-type: none"> <li>City operates Pronto for 2 years with no expansion</li> <li>Negotiate 3 contracts</li> <li>Minimal leverage in negotiations w.r.t pricing, naming rights, SLA's.</li> <li>Procurement issues with equipment and operations</li> </ul> | <ul style="list-style-type: none"> <li>Slow negotiations threatens 2016 launch</li> <li>Exacerbates mis-alignment.</li> <li>Minimal leverage for negotiations</li> <li>Procurement concerns</li> </ul> | <ul style="list-style-type: none"> <li>New financial model for CBO.</li> <li>Very tight timeline</li> <li>Operator chooses equipment</li> <li>City responsible for funding</li> <li>Motivate may not bid</li> <li>Only launch if sponsor</li> </ul> | <ul style="list-style-type: none"> <li>Same as option 3.</li> <li>Two contract</li> </ul>  |
| Projected Costs less Revenue, thru 2017 | <b>\$2.01M</b><br>\$1.7M – Pronto net ops<br>\$57k – Pilot launch<br>\$255k – Pilot ops  | <b>\$??</b><br>\$800k – Pronto net ops<br>??   | <b>\$1.4M</b><br>\$800k – Pronto net ops<br>\$600k – LT annual net ops  | <b>\$1.4M</b><br>\$800k – Pronto net ops<br>\$600k – LT net ops  |

## RECOMMENDATION

- Keep all options open by planning for issuing bid on September 1, 2015 while simultaneously negotiating with Motivate in case of a breakthrough.
- Initiate fundraising and talks with budget to gain support for RFP scenario.

### Attachments:

- Equipment Photos
- Timeline for Scenarios
- Equipment Research Spreadsheet



## Seattle Bike Share Term Sheet

This term sheet is intended to be used to facilitate discussions between the City of Seattle ("City") and Motivate International, Inc. ("Motivate") in order to develop the terms and conditions for an agreement providing the terms for Motivate to launch and operate a bike share system for the City. This term sheet is not legally binding, and all terms are subject to further negotiations and conditions.

Due to the uncertainty in funding, technology and adoption and their impact on operations, the contract will be negotiated in two phases. Motivate and the City will negotiate a future amendment to the contract, during or after the development phase, in order to add detail related to operations. This term sheet is divided into two phases. The "Development Phase Agreement" will be negotiated immediately after term sheet signing and governs the vendor selection, testing, procurement and operation of a pilot system for up to 3-15 months. The "Operating Phase Agreement" governs the full-scale launch and operation of the system and will be updated during the operation of the pilot system. Information as information on capital costs, revenues, operating expenses, system size, public funding and service levels will be gathered during the Development Phase to inform the terms Operating Phase Agreement becomes available

### Development Phase Agreement Part I

| Contact Topic   | Contract Terms  |
|---|---|
| Scope of Service  | <ul style="list-style-type: none"> <li>Launch and operate a <u>minimum</u> 100 bike, 10 station e-bike pilot in the City of Seattle. <u>Motivate must launch and operate a larger sized system by request by the City, if equipment is available.</u></li> </ul>  |
| Responsibilities of Motivate                              | <ul style="list-style-type: none"> <li>Vendor due diligence and selection <u>via competitive process</u></li> <li>Software load testing and functional testing</li> <li>Hardware reliability and destructive testing</li> <li>Site planning and design</li> <li>Community engagement</li> <li>Inspection of equipment and software</li> <li>Installation of bikes and stations for pilot system</li> <li>Operations and maintenance of pilot system</li> <li>Customer service</li> <li>Marketing of pilot system</li> </ul> |
| Responsibilities of City (in collaboration with Motivate) | <ul style="list-style-type: none"> <li>Vendor due diligence and selection</li> <li>Purchase of equipment</li> <li>Site planning</li> <li>Community engagement</li> </ul>  |

**Comment [FN1]:** The term sheet and contract do need to cover both phase development and operations with a minimum level of detail. However, the need to gather information, SD allow for a second negotiation phase/contract amendment based development phase findings.

Please update language throughout

**Comment [FN2]:** Update language agreement.

|                                       |   |
|---------------------------------------|---|
| Technology Due Diligence Costs        | <ul style="list-style-type: none"> <li>Motivate will invest its own funding for the purposes of vendor due diligence, software testing, and hardware testing. Motivate will dedicate staff from its technology, product development and operations teams to review no fewer than two vendors and make a recommendation to SDOT on a preferred vendor.</li> </ul>  |
| Vendor Selection                      | A vendor selection process and timeline will be determined by the City with input from Motivate.  |
| Failure to Identify a Vendor          | <p>If Motivate and SDOT does not proceed with installation and operation of at least 10 e-bicycle stations by December 31, 2016, are unable to identify an e-bike technology provider that meets the Key Milestones, cost and/or functional requirements for the system, Motivate will be reimbursed by SDOT for 50% of actual direct costs, less full time labor costs and overhead, related to its technology due diligence expenses.</p>   |
| Failure to Launch a Full-Scale System | If SDOT does not to move forward with an e-bike system of at least 1,000 bikes and 100 stations by 2017, Motivate may terminate this agreement at its discretion and be reimbursed for 50% of its actual direct costs, less full time labor costs and overhead, related to the technology due diligence expenses process.   |
| Exclusivity                           | Motivate will be the exclusive operator a bike share system within the municipal boundaries of Seattle. Exclusivity does not apply to private bike share systems and/or scooter share systems.  |
| Term                                  | <p>Development Agreement term Phase will begin at signing of the Development Agreement and will extend through 6-15 months after launch of the pilot system. This may be extended as needed by mutual agreement.</p> <ul style="list-style-type: none"> <li>The City of Seattle reserves the right to terminate for convenience at any time, per city rules, but must pay back Motivate 50% of its actual direct costs, less full time labor costs and overhead, related to the technology due diligence process, direct investment plus 10%</li> <li>Motivate reserves the right to terminate at</li> <li>By the conclusion of the pilot period's term, both parties must mutually agree to move forward to an Operating Agreement or the Development Agreement terminates and the project will be ended and return all equipment returned to the City of Seattle in like-new</li> </ul> |

Comment [FN3]: Per Scott. Mutual investment

|   |   |
|---|---|
|   | <p><u>condition, and pay the City 6 months operations costs.</u></p> <ul style="list-style-type: none"> <li>•</li> </ul>  |
| Equipment                                   | <p>The system will consist of a smart-dock <u>and/or smart-bike</u> system with electric bicycles.</p> <p>The City of Seattle has final decision on equipment and software manufacturer, with input by Motivate.</p>  |
| Capital Funding                             | <p>The pilot equipment will be purchased solely through funds provided by the City of Seattle.</p>  |
| Key Milestones – Pilot Program              | <p>Motivate will make an equipment recommendation to SDOT by November 30, 2015.</p> <ul style="list-style-type: none"> <li>• If no suitable equipment is identified, this deadline will be extended and future deadlines adjusted accordingly.</li> <li>• SDOT will order equipment by December 15, 2015</li> <li>• At least 10 stations with electric bikes will be operational no later than April 30, 2016 in a soft launch pilot to test equipment.</li> <li>• These deadlines will be extended for: <ul style="list-style-type: none"> <li>○ Community and siting issues outside of Motivate's control</li> <li>○ Lack of available technology solution</li> <li>○ Failure of hardware and software to pass QA/QC regime</li> <li>○ Delays in shipment due to vendor's fault</li> <li>○ Vendor lead times that exceed 20 weeks</li> </ul> </li> </ul> <p><u>SDOT can extend deadlines at any time at its discretion.</u></p> |
| Ownership of Pilot System Bike Share Assets | <ul style="list-style-type: none"> <li>• City shall own all physical assets that are purchased, <u>with funds from the following:</u> <ul style="list-style-type: none"> <li>• Government and public agency funds</li> <li>• Philanthropic and service organization grants or loans, such as foundations and non-profit organizations.</li> <li>• Any funding specifically granted to the City</li> <li>• Funds provided by private or public bodies in lieu of City, State or Federal laws, codes or administrative rules, such as funding a bike share station in lieu of off-site parking code requirements.</li> </ul> </li> <li>•</li> </ul>   |

|   |   |
|---|---|
| Station Location Siting, Design, and Permitting | <p>City will provide support for site planning with a single <u>or minimal</u> points of contact for the permit review process.</p> <p>SDOT will not require permits on bikes, stations, kiosks, etc. City will facilitate siting of such assets. City will waive all permit fees and provide expedited permitting approvals.</p> <p>Motivate staff will be available to attend up to three (3) public meetings in advance of the pilot system as requested.</p> <p>The City of Seattle will make the final decision on station location for the pilot system.</p> <p>For installation of the pilot system <u>in Seattle</u>, Motivate will be paid installation fees of <u>\$335-2500 per docking pointstation</u> - as specified in the PSBS contract. <u>Additional direct costs will be paid to Motivate for direct costs to hardwire any stations.</u></p> |
| Pilot Pricing                                   | <p>Pilot system will be available to Pronto members as part of their existing membership</p>  |
| Operations and Maintenance                      | <p>Motivate will operate the system at a minimum from 6:00am to 10:00pm to allow for testing and maintenance overnight. Hours will be adjusted to allow for more hours of availability if maintenance and testing requirements can be done in shorter windows.</p> <p>Motivate will move up to 3 stations for free during the pilot phase.</p> <p>Motivate will be paid <u>for operations of pilot stations in Seattle</u> on a per-dock basis. <u>Fee is for the pilot program equal to \$125 per docking point per month, which is equivalent to the existing PSBS contract.</u></p>  |
| Call Center                                     | <p>Customer service will be provided through the existing Pronto customer service channels.</p>   |
| Parking Meter Revenue                           | <p>Motivate is not responsible for replacement of lost parking meter revenue for stations in the pilot system.</p>  |
| Data  | <p>All data generated by the Program will be <u>jointly owned by the City of Seattle and subject to city privacy policy.</u></p>  |
| Liability                                       | <p>Motivate shall defend, indemnify, and hold the City of Seattle and its officers and employees harmless to the fullest extent permitted by law.</p>   |

Comment [FN4]: Nf confirm with Alysa if this is possible.

|             |  |
|-------------|--|
| Termination | <p>The City has the right to declare Motivate in default under material circumstances, as well as cure period, outlined in the contract.</p> <p>Upon expiration or termination of this agreement, Motivate will remove all equipment owned by Motivate and restore City property, deliver all records and final financial statements, and re-assign permits, as needed. Equipment purchased with public funds will be returned to the City in good order.</p> <p>The City reserves the right to terminate for convenience per City rules but must pay back Motivate 50% of its actual direct costs, less full time labor costs and overhead, related to the technology due diligence process, e obligated to compensate Motivate as discussed in the "term" section above by paying back Motivate's investment plus 10%.</p> |
|-------------|--|

**Operating Phase Agreement Part II**

| Contact Topic                | Contract Terms   |
|------------------------------|--|
| Scope of Service             | Launch, installation, operation, and maintenance of e-bike share system with at least 1,000 bikes and 100 stations in the municipal boundaries of Seattle.   |
| Responsibilities of Motivate | <ul style="list-style-type: none"> <li>• Brand development</li> <li>• Station location siting, design, and permitting (by request of City)</li> <li>• Purchase and inspection of equipment and software</li> <li>• Installation of bikes and stations</li> <li>• Marketing, membership sales, and sponsorship</li> <li>• Operations and maintenance of bike share system</li> <li>• Customer service</li> <li>• Ongoing operations activities</li> <li>• <u>Maintain operating reserve equal to 12 months operations cost</u></li> </ul> |
| Term                         | <p>Ten-year term <del>with renewals upon mutual agreement of the City and Motivate of up to an additional 10 years total.</del> The city and Motivate agree to use mutual best efforts to make the system financially viable.</p> <ul style="list-style-type: none"> <li>• After 30 months, Motivate can serve notice to terminate the contract if operating at a financial loss. Motivate will continue to operate the system for at least 180 days from notice.</li> </ul>   |

Comment [FN5]: Don't believe City has option for 20 year contract. Will check.

|                           |   |
|---------------------------|---|
|                           | <p>Motivate must provide the city funding for 6 months operations, from contract termination, at \$125/dock month.</p> <ul style="list-style-type: none"> <li>The City of Seattle reserves the right to terminate for convenience but must pay back all outstanding equity to Motivate, Inc plus a 12% IRR since inception</li> </ul>   |
| Revenue Share             | <p>The detailed revenue share arrangement with SDOT will be determined in the Operating Phase Agreement following final decisions on system size, equipment, and pricing and pilot data on operating cost and usage. Revenue share will be set so that Motivate achieves at least a 12% IRR on its equity investment</p> <p>Motivate will provide system level annual financials to the city in order for the city to review revenues and understand the financial health of the program. Financials will include: Revenue by source, total direct costs, corporate overhead.</p> <p>Revenue to the City will be reinvested into the system via a recapitalization fund, subsidized memberships, new stations or other.</p>   |
| Full-Scale System Funding | <p>The City of Seattle intends to provide \$15m (\$10m federal funding and \$5m City funding) to purchase the bikes, stations and spare parts. Motivate will invest \$3m to purchase equipment and/or cover launch costs (cover) technology due diligence, planning, installation and start-up costs in the pilot and full launch phases. The City of Seattle may proceed with less funding, as needed, but in no case is Motivate obligated to operate the system if it launches with fewer than 1,000 bikes. Motivate can reduce its equity commitment in a proportion equal to the proportion below \$15m that is funded by the City.</p> <p>Equipment order will be confirmed/adjusted based on equipment vendor's pricing and final amount of available funds.</p> |
| Expansion Funding         | <p>The City of Seattle may purchase stations to expand up to 550 stations within Seattle, provided</p> <ul style="list-style-type: none"> <li>average system station density exceeds 3 stations per square mile and</li> <li>No station is more than 1 mile from another station.</li> <li>City maintains a minimum 1 bike: 2 docks ratio</li> </ul> <p>Motivate will install stations and operate the system at no additional costs</p>  |
| Launch Date               | <p>Full-system launch dates will be based on the outcome and experience during pilot phase and will be included in the Operating</p>  |

Comment [FN6]: Unfortunately Scott is not comfortable with this. He does not want to be in a position of auditing finances and he is requiring more concrete terms how. He requested that you show a model for costs – how much would it cost if a standard bike share. What is best estimate of additional per dock fee for electric. Then provide 100% up to xx docks; 80% up to YY docks and 20% beyond YY docks.

Comment [FN7]: Need to keep initial language proposed to FTA.

|                                |   |
|--------------------------------|---|
|                                | <p>Agreement, but at least 50% of stations must be launched and operational by August 2017 with 100% of stations launched by December, 2017.</p>  |
| Advertising and Sponsorships   | <p>Motivate will work with the City to develop a mutually acceptable title sponsorship pricing package, including ranges for the primary sponsorship opportunities, and the City will actively cooperate with Motivate to assist with the solicitation of major sponsors. Naming rights will be priced at a premium of at least 10% over full benefits without naming rights and Motivate will have the right to sell the naming rights if a sponsor is willing to pay at least 10% greater than a package without naming rights.</p> <p>Sponsorship and advertising on digital assets can be done at Motivate's discretion but may not be in any "prohibited categories" as described above.</p> <p>Recognition of Sponsor and other sponsors on the Equipment shall be in accordance with local laws on outdoor advertising.</p> <p>The City of Seattle shall give consent to the title sponsor has final decision over sponsors and may reject any sponsor. If the City of Seattle declines to give consent to a proposed sponsor, it should give Motivate an opportunity to discuss with the City of Seattle and an opportunity to meet the City of Seattle's articulated objections.</p> |
| Ownership of Bike Share Assets | <p>City shall own all physical assets that are purchased, with funds from the following:</p> <ul style="list-style-type: none"> <li>Government and public agency funds</li> <li>Philanthropic and service organization grants or loans, such as foundations and non-profit organizations.</li> <li>Any funding specifically granted to the City</li> <li>Funds provided by private or public bodies in lieu of City, State or Federal laws, codes or administrative rules, such as funding a bike share station in lieu of off-site parking code requirements.</li> </ul> <p>During the term of the contract, City will provide Motivate with the right to use its equipment at no cost. Motivate is obligated to maintain the City's equipment in a state-of-good repair throughout the term.</p> <p>The City may request Motivate take ownership of stations at no cost at any time.</p>  |

Comment [FNS]: Talk in person on this. Scott has alternative ideas I need to share.

|   |   |
|---|---|
| Brand Development                               | <p>Motivate will develop the system name, <u>in partnership with the City</u>, subject to approval by the City, not to be unreasonably withheld. Motivate color scheme, logo, and placement on system assets to be finalized within 8 weeks of identifying the sponsor. Once complete, Motivate will develop brand standards and design templates for all system elements, including, for example, keys, decals, webpage, and system map design. <u>Marketing will take place with strong city participation including approval of campaigns, etc.</u></p>  |
| Station Location Siting, Design, and Permitting | <p>City will provide support for site planning with a single point of contact for the permit review process.</p> <p>SDOT will not require permits on bikes, stations, kiosks, etc. City will facilitate siting of such assets. City will waive all permit fees and provide expedited permitting approvals.</p> <p>Motivate staff will be available to attend up to ten (10) public meetings as requested.</p> <p>The City of Seattle will make the final decision on station location for 80% of the stations. Stations will be located within a service area and shared with Motivate prior to the signing of the Operating Phase Agreement.</p> <p>Motivate can select the approximate location of 20% of stations.</p>   |
| Website and Smartphone Application              | <p>Website and mobile application shall comply with the Payment Card Industry Data Security Standards.</p> <p>Motivate provide and maintain a website and smartphone application.</p> <p>Website includes the following: eligibility information, membership information, rates, and schedules, payment information and membership processing, methods for members to update their information, member agreement, map with available stations, Frequently Asked Questions, safety requirements, merchandise page, and news/blogs.</p> <p>The website shall include an open API that allows for development of third party applications, data visualizations and other tools to help enhance users' experience and to further the understanding of the System and bike share systems as a whole.</p> |

Comment [FN9]: Nf to confirm internally with Alyse



|                                   |   |
|-----------------------------------|---|
|                                   | <p>Limited integration with ORCA card will be available by full system launch. ORCA card holders and bike share annual members will be able to use their ORCA card to rent a bicycle.</p>   |
| <p>Pricing</p>                    | <p>Motivate must offer an annual membership with up to 30 minutes of daily ride time for a maximum of \$149/year paid annually or \$14.95/month based on a 12-month contract. Motivate can raise the price at CPI +2% at its discretion annually. Additional increases beyond this amount will only be granted if Motivate shows, as verified by a CPA, that the current pricing structure does not cover costs and a revised annual pricing scheme would address profitability issues. The price of the annual pass described above will be set at Motivate's discretion at launch based on a budget developed from the pilot phase operating experience.</p> <p>Motivate will create programs with SDOT to provide lower cost products for targeted low-income populations. Motivate will make available annual memberships to low-income residents who make less than 200% of the poverty line. The pricing will be set at \$5 per year month with 30 minutes free and be able to be increased by CPI + 2% at Motivate's discretion. The City will be responsible for validating people's eligibility for the program.</p> <p>Motivate may develop other products to meet these and other goals: a) increase system utilization; b) increase system revenue; c) low-carbon solution to system rebalancing; d) align trip pricing with the operational cost of that trip; e) reduce barriers to entry</p> |
| <p>Operations and Maintenance</p> | <p>Motivate will operate the system 24 hours/day, 7 days/week.</p> <p>Motivate will provide station moves equal to 10% of total stations, per year at no cost, to the City of Seattle.</p> <p>Additional moves of stations required by the City will be charged at actual direct costs for the move. City not responsible for station moves requested by public or private utilities.</p> <p>Service levels will be developed during the pilot phase and be included in the Operating Agreement.</p>  |

Comment [FN10]: 30 minutes daily ride time or per trip?

Comment [FN11]: Scott needs to set maximum for annual members for trips, minutes 30-60 and 60-90.

|                                     |   |
|-------------------------------------|---|
| Call Center                         | <p>Customer service available 24 hours per day, 7 days per week.</p> <p>Customer service available through phone and email in multiple languages designated by the City</p> <p>Operators are knowledgeable to answer questions and provide information concerning, among other things, membership process, membership prices, billing, crashes, comments, complaints, helmet rentals, malfunction problems, and location of stations.</p> <p>In addition to the call center hours for the public, Motivate will have a single point of contact available to the City by phone, 24 hours per day, seven days per week, 365 days per year.</p> <p>Call center SLAs to be developed for the Operating Agreement <u>based on standard retail call center requirements and more strict than in existing Motivate contract.</u></p> |
| Parking Meter Revenue               | <p>Motivate is not responsible for replacement of lost parking meter revenue.</p> <p>Motivate will locate stations in parking spots only in absence of other options.</p>   |
| Licensing and Intellectual Property | <p>City will license Motivate to use the City's trademarks, logos, and other intellectual property rights to create, market, promote, distribute, and sell goods and services to operate and promote the Program.</p> <p>Motivate will not claim any ownership over the City's Program Name or other trademarks.</p>  |
| Community Programs                  | <p>At Motivate's cost, Motivate will implement a community internship/apprenticeship/job training program <u>for 10-15 people at an estimated 10-20 hours per week/ 52 weeks per year, modelled after programs in Chicago and other systems with effective programs.</u> I</p>  |
| ADA                                 | <p>Motivate will comply with all ADA requirements.</p>  |
| Data                                | <p>All data generated by the Program will be owned by the City of Seattle and Motivate.</p>   |
| Liability                           | <p>Motivate shall defend, indemnify, and hold the City of Seattle and its officers and employees harmless to the fullest extent permitted by law.</p>   |

|                                  |  |
|----------------------------------|--|
| <p>Termination</p>               | <p>The City has the right to declare Motivate in default under material circumstances, as well as cure period, outlined in the contract.</p> <p>Upon expiration or termination of this agreement, Motivate will remove all equipment owned by Motivate and restore City property, deliver all records and final financial statements, and re-assign permits, as needed. Equipment purchased with public funds will be returned to the City in good order.</p> <p>The City reserves the right to terminate for convenience per City rules but is obligated to compensate Motivate as discussed in the "term" section above.</p> |
| <p><u>Dispute resolution</u></p> | <p><u>Motivate and SDOT agree to use a 3<sup>rd</sup> party for non-binding dispute resolution.</u></p>  |