



**STAFF REPORT
ACTION REQUIRED
With Confidential Attachment**

Restructuring the Relationship with BIXI Toronto Inc.

Date:	April 9, 2013
To:	Executive Committee
From:	General Manager, Transportation Services
Wards:	All
Reason for Confidential Information:	This report involves the security of property belonging to the City or one of its agencies, boards, and commissions.
Reference Number:	P:\2013\Cluster B\TRA\TIM\ex13004tim

SUMMARY

The City entered into a 10-year agreement with BIXI Toronto Inc. to implement Toronto's public bicycle program as a municipal capital facility for transportation and recreational purposes. From an operational perspective the BIXI public bicycle program has been very successful. In a very short time it has become an important part of the transportation mix in the downtown area with 4,630 paid subscribers and more than 1.3 million bicycle trips generated since the program launched. BIXI is also a key component of the transportation plan being developed for the Pan Am Games. However, after almost two years of operation BIXI Toronto's current business plan is experiencing difficulty in covering its operating costs, primarily due to the cost of servicing a 100 percent debt-financed asset-base. To protect the City's financial interest, the Confidential Attachment to this report presents options for restructuring the City's relationship with BIXI, in accordance with the terms of the Agreement between the City and BIXI Toronto Inc. The Confidential Attachment will be distributed in advance of the April 23, 2013 meeting of Executive Committee.

RECOMMENDATION

The General Manager, Transportation Services recommends that:

1. City Council adopt the confidential recommendations as contained in the Confidential Attachment to this report with respect to the BIXI public bicycle program.
2. City Council direct staff to report back to the June 19, 2013 meeting of the Public Works and Infrastructure Committee on the status of the BIXI public bicycle program.
3. City Council direct that the recommendations and information contained in the Confidential Attachment remain confidential as information respecting the security of the property of the City.

Financial Impact

City Council previously approved entering into an agreement for the provision of the BIXI public bicycle program and provided a loan guarantee for a 10-year term loan in the amount of up to \$4.8 million to pay for the program's capital assets as a municipal capital facility for transportation and recreational purposes. BIXI borrowed \$4.5 million and the loan balance as at December 31, 2012 was \$3.9 million. Staff have been advised that BIXI Toronto Inc. has incurred financial difficulties due to an unsupportable debt load and a seasonal cash flow shortage that has occurred during the winter months. To protect the City's financial interest, the Confidential Attachment to this report presents options for restructuring the City's relationship with BIXI, in accordance with the terms of the Agreement between the City and BIXI Toronto Inc.

The Deputy City Manager and Chief Financial Officer has reviewed this report and concurs with the financial impact information.

DECISION HISTORY

City Council, on August 5 and 6, 2009, authorized the General Manager, Transportation Services, in consultation with the City Solicitor, to undertake negotiations with the Public Bike System Company to develop a proposal to implement and operate a Toronto public bicycle system.

The staff report and Council's decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.PW25.21>

The negotiations resulted in a proposal by Public Bike System Company to assume the start-up capital investment in the public bicycle infrastructure (bicycles and bicycle stations) and to fund the operating costs and loan repayment through operating revenues

(sponsorship and user fee revenues). In return, the City would share the financial risk through the provision of a capital loan guarantee for the full amount of the capital loan, not to exceed \$4.8 million.

City Council, on May 11 and 12, 2010, adopted the staff report, Proposed Public Bicycle Program which, among other things:

- Declared the public bicycle program to be a municipal capital facility pursuant to Section 252 of the *City of Toronto Act, 2006*;
- Authorized staff to finalize the agreement with Public Bike System Company (PBSC) for the supply and operation of a public bicycle program for a term of ten years; and
- Authorized a capital loan guarantee for the ten-year term.

The staff report and Council's decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.PW32.8>

BIXI Toronto Inc. launched the public bicycle program on May 3, 2011. Shortly after the launch of the BIXI Toronto program, Public Works and Infrastructure Committee, on June 23, 2011, referred Agenda Item PW5.11, Expansion of the Toronto Public Bicycle Program (BIXI Toronto), to the Acting General Manager of Transportation Services for a report to the Public Works and Infrastructure Committee on a proposal to expand BIXI Toronto beyond 80 stations and 1,000 bicycles.

The Public Works and Infrastructure Committee's decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2011.PW5.11>

ISSUE BACKGROUND

Public bicycle or bike-sharing programs provide a service similar to public transit service. The bicycles are used for one-way trips, picked up at one location and dropped off at another. Each bicycle is used several times per day by different people. Regular users who purchase a membership for periods ranging from one month to one year have 24-7 access to the bicycles, 365 days of the year. Casual users of the service, such as tourists, can purchase 24-hour access to the BIXI bike-sharing service for a one-day fee (\$5 in Toronto). There is no trip fee or additional cost to the user if the bicycle is returned to a bicycle parking station within 30 minutes. Users can make several trips in a single day without incurring additional costs as long as each trip is 30 minutes or less.

COMMENTS

Public Bike System Company was created by the City of Montreal to develop and operate a public bicycle program in Montreal. PBSC developed all aspects of the BIXI system and has sold the BIXI system and support services to many cities, including London, U.K., Melbourne, New York, Boston, and Minneapolis. BIXI Toronto Inc. is a company created by and wholly owned by PBSC to operate the public bicycle program in Toronto.

The BIXI program has quickly become an important part of Toronto's transportation system. Despite the small size of the current service area, BIXI has 4,630 paid subscribers and has generated more than 1.3 million bike trips in the first 18 months. Increasing the number of trips made by bicycle supports the City's Official Plan and environmental goals. The public bicycle program is a key component of the transportation plan being developed for the Pan Am Games. BIXI also provides an economical and convenient option for tourists visiting the City's cultural and entertainment destinations in the downtown area.

PBSC is in the process of restructuring by selling the part of their business that manufactures and sells the BIXI system and services to other cities. When the sale is completed all aspects of the BIXI system, including sales and service to cities worldwide will be owned by a private company. PBSC's narrowed mandate will be to continue operating Montreal's BIXI program.

Further, BIXI Toronto's current business plan is experiencing difficulty in covering its operating costs, primarily due to the cost of servicing a 100 percent debt-financed asset-base. To protect the City's financial interest, the Confidential Attachment to this report presents the financial and legal implications of restructuring the City's relationship with BIXI, in accordance with the terms of the Agreement between the City and BIXI Toronto Inc. The Confidential Attachment will be distributed in advance of the April 23, 2013 meeting of Executive Committee.

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ATTACHMENT

ATTACHMENT 1 – Confidential Information