

DEPARTMENT OF TRANSPORTATION SERVICES
CITY AND COUNTY OF HONOLULU

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Mr. Troy Shimasaki
Acting City Auditor
Office of the City Auditor
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawaii 96707

Dear Mr. Shimasaki:

SUBJECT: Response to Audit of the City and County of Honolulu's
Relationship with Bikeshare Hawaii

Thank you for the opportunity to review, comment on, and respond to this draft audit report. We appreciate the work of the Office of the City Auditor in gathering information, synthesizing data, evaluating records, and recommending courses of action aimed at improving the relationship between the City and Bikeshare Hawaii.

The relationship between the City and Bikeshare Hawaii is built on this vision statement crafted by 200 community stakeholders from the *Honolulu Bikeshare Organizational Study (June 2014)*:

"Bikeshare is not merely a mobility tool. It is a means to achieve an end: to create great urban neighborhoods where people's daily needs can be met within a 20-minute walk, a quick bike ride, or a transit trip. Bikeshare makes it easier to affordably and safely navigate our neighborhoods, unlocking myriad health, economic, and environmental benefits for the broader community."

In the three and a half years since Biki launched in Honolulu, with more than three million rides for commuting, exercise, and recreation, this vision has been fulfilled. There have been great successes, but many lessons learned and need for growth and improvement. This audit report underscores some of these lessons and also points out ways the Department of Transportation Services can improve this partnership, and thereby improve this service provided to the people of Honolulu. Looking forward, the department is considering several options to increase its role in directing bikeshare operations, increasing program oversight, and improving transparency.

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In general, the department offers the following points for your consideration that have shaped past decision-making and current program oversight:

- The City pursued the “administrative non-profit” model for the launch of a Honolulu bikeshare system based on the findings of the 2014 study and because of the low level of risk to the City while acknowledging the offset of the diminished direct control by the City over the bikeshare system;
- Chapter 15, Revised Ordinances of Honolulu, authorizes Complete Streets features, including bicycle corrals, to be placed in parking meter spaces or unmetered parking stalls, and also authorizes the Director of Transportation Services to waive fees for parking spaces used exclusively for Complete Streets features;
- Ordinance 19-29 represents the department’s vision for a framework for a formal permit process, fee structure, operational controls, and equitable access for all shared micromobility vehicle business that operate in Honolulu and desire to operate on City property; the permit fees considered the use of City property balanced against the affordability of the mobility service; this ordinance was enacted with an exemption for Bikeshare Hawaii until such time that the City’s grant agreement is terminated;
- The department does capture data on revenue collected at smart parking meters located island-wide; based on revenue data from meters adjacent to those metered stalls identified in the exhibit labeled “Metered Parking Stalls Replaced by Docking Stations in CY 2019,” the annual revenue loss projections are in some cases overestimated by 3.9 times, and in other cases overestimated by a factor of 19.5;
- The example of advertising on TheBus is not a suitable analogy for advertising on Biki; the department has a contract with a service provider that coordinates all advertising on City buses, and the contractor transfers revenue to the department; the contractor does not pay a concession fee as suggested in the audit report.

We do appreciate the findings of the audit. Specifically, we provide the following responses to the nine recommendations:

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Recommendation:

- 1) *"Establish formal policies and procedures for issuing street usage permits for docking stations, to include the collection of appropriate fees or criteria for exemptions to fee assessment;"*

Response: The department drafted Bill 44 (2019), enacted as Ordinance 19-29, as the formal policy and procedure for issuing shared micromobility vehicle parking permits, and collection of appropriate fees for these permits. These permits authorize organizations like Bikeshare Hawaii, and others, to occupy a parking stall or other area on City property and to provide shared micromobility services to the public. The department has not applied this framework to Bikeshare Hawaii because the exemption in Section 5 of the ordinance. Based on this recommendation, the department may consider the continued utility of the grant agreement and whether early termination of the agreement is feasible and in the best interest of the program.

Recommendation:

- 2) *"Begin assessing and collecting street usage permit fees from Bikeshare Hawaii going forward;"*

Response: Please see previous response.

Recommendation:

- 3) *"Begin assessing and collecting concessionaire fees under Chapter 28, ROH;"*

Response: Please see previous response. Ordinance 19-29 also amends Section 28-3.3, ROH, and exempts shared micromobility permit holders from public bids for concessions or concession spaces, including parking stalls, set aside for shared micromobility vehicles business.

Recommendation:

- 4) *"Formally calculate and monitor lost revenue from converting metered parking stalls to bike docking stations;"*

Response: The department does capture data on revenue collected at smart parking meters located island-wide and we can calculate and monitor lost revenue from converting metered parking stalls to bike docking stations. For

example, in the exhibit labeled "Metered Parking Stalls Replaced by Docking Stations in CY 2019," the annual revenue loss projections for parking meters nos. 634 and 635 are \$4,851 each. The actual revenue collected for parking meters nos. 647, 648, 649, and 650, located on the same block, for calendar year 2019 range from \$249 to \$659.

In Kakaako, the annual revenue loss projections for parking meters nos. 2440 and 2441 are \$9,702 each. The actual revenue collected for parking meters nos. 2437, 2438, and 2439, located immediately adjacent to the Biki station, for calendar year 2019 range from \$703 to \$1,002.

In Waikiki, the annual revenue loss projections for parking meter nos. 4662, 4663, and 4664 are \$14,112. The actual revenue collected for parking meters nos. 4659, 4660, and 4661, located immediately adjacent to the Biki station, for calendar year 2019 range from \$3,080 to \$3,622.

While the department acknowledges that calculating and monitoring lost revenue is important in evaluating the effectiveness of the bikeshare program, the department considers the projections of annual revenue loss from converted parking stalls in the audit report overstated.

Recommendation:

- 5) *"Negotiate sponsorship status that allows the city the place messaging on Biki bikes;"*

Response: The department had not previously considered this and will certainly negotiate this option for City message placement on Biki bikes.

Recommendation:

- 6) *"Revisit terms of its grant agreement with Bikeshare Hawaii to include opportunities for the city to share in revenues, similar to other city programs and best practices;"*

Response: In consideration of the nascent program in a proof-of-concept phase, the department had not previously considered this. Based on this recommendation, the department may reconsider the continued utility of the grant agreement and whether an amendment requiring a City-share of program revenues should be pursued.

Recommendation:

- 7) *“Coordinate with Bikeshare Hawaii and explore opportunities for revenue enhancements through an advertising or sponsorship program.”*

Response: In consideration of the nascent program in a proof-of-concept phase, the department had not previously considered this. The department will dialogue with Bikeshare Hawaii, and other mobility stakeholders, to determine how best to effectuate this.

Recommendation:

- 8) *“Implement monitoring procedures in accordance with its grant agreement with Bikeshare Hawaii that include quarterly financial reports, progress payment reports, semiannual grant monitoring reviews, final payment report, effective records retention, maintaining audit and inspection records, detailed equipment records, maintaining records documenting expansion requests.”*

Response: The department acknowledges that improved monitoring procedures are necessary for improved accountability and transparency. Some reports, like progress payment reports, are difficult to collect as all funding authorized under the grant agreement have been disbursed and expended.

Based on this recommendation, the department may reconsider the continued utility of the grant agreement and whether early termination of the agreement is feasible and in the best interest of the program.

Recommendation:

- 9) *“Better track and report overall performance of the bikeshare program in order to improve service delivery.”*

Response: The department agrees with this recommendation. The department will dialogue with Bikeshare Hawaii, and other mobility stakeholders, to determine how best to effectuate this.

In addition to these responses, the department also draws your attention to minor corrections to the names of divisions and branches referenced in the audit report.

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The greatest lesson learned since the launch of Biki is how the people of Honolulu value and rely on this bikeshare service. Even during this pandemic, there are a core group of riders who continue to travel by Biki as a primary and preferred mobility option. Department of Transportation Services is committed to adopting the necessary changes and reforms to ensure this essential service remains available as part of the City's multimodal transportation network.

Thank you again for this opportunity to review and comment. Should you have any questions, please contact me at 768-8303.

Sincerely,



Jon Y. Nouchi
Acting Director

APPROVED:



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Roy K. Amemiya, Jr.
Managing Director