



PUBLIC WORKS DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: June 18, 2019

Subject

Implementation of an 18-month pilot program for on-demand community shuttle with Via.

Recommended Action

1. Authorize staff to pursue developing an 18-month pilot program (Alternative A), for an on-demand shuttle at a not-to-exceed cost of \$1.75M to be included in the FY19/20 operating budget; and
2. Find that the use of formal competitive bidding procedures is not practical for the 18-month pilot program because Via is the sole source provider of a community shuttle program at this time and direct the City Manager to dispense with City bidding requirements pursuant to the Cupertino Municipal Code § 3.22.060.
3. Direct the City Attorney to enter into contract negotiations with Via for subsequent Council consideration.

Background

At the April 16, 2019 Council meeting, staff presented results of a 2018 Community survey, in addition to information regarding various shuttle options for Cupertino. Council expressed enthusiasm regarding a proposed pilot program such as one provided by Via, for an on-demand, turn-key community shuttle where all assets are provided by the vendor. At that meeting Council requested the community shuttle be included in the operating budget for consideration and prioritization with other projects. At a subsequent meeting on April 30, 2019 Council requested that the community shuttle be discussed alongside but separate from the operating budget discussion. At that meeting Council members expressed concern about the cost of the program in light of other budget priorities. This staff report includes revised lower-cost options for Council consideration.

At the April 30, 2019 Council meeting, Councilmembers expressed interest in considering a partnership with ride-sharing companies Lyft or Uber as a less costly option. Staff is not recommending pursuing this at this time, primarily due to negative feedback from the Mountain View Transportation Management Association (TMA) who is currently engaged in a "Mid-Day Mobility Pilot Program." According to representatives of the

TMA, ride-share companies have not provided trip data anticipated by the TMA. The cost of these types of programs are also direct subsidies of trips, utilizing a coupon code that passengers use until the funds are used. It has been difficult for the TMA to assess how long a given sum of money will last, which is why they are offering the program only during mid-day hours. The lack of data has also brought up questions regarding whether or not trips were shared rides as intended.

Discussion

Due to Council feedback, staff has pursued less costly options for consideration included as Alternatives A, B, and C in this report. The proposed alternatives achieve cost savings via higher fares, and by only offering fare discounts to low-income riders and De Anza College students. This has lowered the overall cost considerably for Alternative A, from the previously shown amount of \$2.2M for the 18-month pilot to \$1.75M and potentially far less, \$1,160,000, if the utilization rate of 3.5 is achieved, shown in Attachment A. A “utilization rate” is the average number of passengers in a van per-hour. A higher utilization rate indicates a more cost-effective shuttle program with fewer private vehicles on Cupertino roadways.

An additional alternative, Alternative B, is presented with a \$6 fare, 8 transit vehicles, and even lower cost. For both alternatives staff is recommending setting a not-to-exceed contract amount to enable flexibility to reduce fares in the event that higher fares result in low ridership, and poor cost-effectiveness.

Alternatives for Consideration:

Alternative A: This alternative reduces the cost of the program by setting a \$5 fare, and by offering discounts to only low-income riders and De Anza College Students to maximize fare box recovery (the original proposal included discounts to seniors and all students). This alternative uses 10 vehicles and the projected cost is \$1.16M for the 18-month pilot program. This cost is based on an average utilization rate of 3.5. As the true cost is dependent upon ridership, and higher fares may deter ridership, a not-to-exceed amount of \$1.75M is suggested to provide staff with the ability to reduce fares to improve ridership and cost-effectiveness if ridership is low due to higher fares. If the utilization rate is 3.5 or higher, and riders are undeterred by higher fares, allocated funds within the \$1.75M envelope would not be expended. As part of this alternative, staff would pursue grant opportunities during the course of the pilot program to subsidize the cost-to-city to the maximum extent practicable.

Alternative B: This alternative would have a \$6 fare, with a total of 8 vehicles, and also only offer two reduced fare programs. This alternative has a projected cost-to-city of \$882,000 for the 18-month pilot program. Staff would pursue grant opportunities to offset costs as with the previous alternative and would recommend a not-to-exceed amount of \$1.5M to reduce fares if necessary to maintain the target average utilization of 3.5.

Alternative C: This alternative would not allocate any funds to the community shuttle pilot program at this time. Staff would return to Council if grant funds become available to discuss next steps, including a local funding match required by most grants, generally ranging from 10% - 12% of the total project cost.

Bay Area Air Quality Management District (BAAQMD) Grant

A grant funding opportunity has emerged from BAAQMD, called the Pilot Trip Reduction program, intended for on-demand shuttle pilots. Unfortunately, cities are not eligible applicants and to qualify the Santa Clara Valley Transportation Authority (VTA) would have to apply on the City's behalf. VTA has indicated initial support and interest in discussing the project further and will be meeting with Cupertino staff to discuss. The grant is a competitive grant that will compete against similar projects within the San Francisco Bay Area and has a maximum award of \$1.5M over a 12 month period. If VTA agrees to apply, and if the City's application is selected for award, reimbursement payments would be made on a monthly basis by BAAQMD. Under this arrangement, the City would still administer the project, with funding provided through VTA's grant proceeds received from BAAQMD. According to BAAQMD, the grant is anticipated to open in June 2019 with notification to awardees as early as September/October 2019, with grant funds distributed as early as December 2019.

Sole Source Justification

Via is currently the only known vendor providing a turn-key community shuttle solution, where transit vehicles, operations, on-demand technology, staffing, planning, fuel, and customer service are included and managed by one company. Other vendors exist that provide on-demand technology to existing transit fleets, and vendors exist that lease transit vehicles, and management separately, no competitors exist that include all services in one program. The benefits of a turn-key program include potentially lower costs, and less City staff time required to manage multiple vendors. For this reason staff and the City Manager are recommending sole-sourcing the 18-month pilot program to Via under Municipal Code section 3.22.060 as no known competition exists. If at the conclusion of the 18-month pilot program Council desires to make the community shuttle program permanent, staff would evaluate the number of turn-key community shuttle vendors in the hope that a request for proposals would solicit competitive interest.

Next Steps

If Council authorizes Alternative A as recommended or Alternative B, staff will begin contract negotiations immediately with Via and if a subsequently negotiated contract is authorized by Council, Via could begin system planning, procurement of transit vehicles, refinement of the system area map, begin hiring, etc. within a relatively short period of time. Actual shuttle service could begin as early as October 2019. For either Alternative A or B, staff would report back to Council on a monthly basis until the shuttle is implemented and then quarterly to review public comment, utilization rate, grant status and estimated costs. If Council elects not to proceed with a community shuttle at this time staff will return to Council with additional information as grant funds become available.

Sustainability Impact

A community shuttle will likely reduce single occupant vehicle (SOV) miles traveled in Cupertino with a corresponding reduction in greenhouse gas emissions (GHG). On demand shuttles would make it easier to access the growing San Francisco Bay Area rail network. The proposed pilot program uses vans that have bicycle racks, helping bicyclists make stressful connections and also providing rides for cyclists during inclement weather.

Fiscal Impact

If Council elects to proceed with the staff recommendation, Alternative A, the projected cost is \$1,160,000, however that figure will vary depending on the utilization rate, impacting the true cost-to-city. For that reason staff is asking for a \$1.75M not-to-exceed amount, to provide flexibility to gradually reduce fares if ridership is too low. The envelope of funds provides flexibility to maintain the target average utilization rate of 3.5. The fiscal impact of Alternative B is projected to be \$882,000 with a not-to-exceed amount suggested at \$1.5M, also to enable fare and cost effectiveness optimization. For Alternative A or B staff would pursue all grant opportunities and any funds awarded, such as the BAAQMD Pilot Trip Reduction program with a maximum award of \$1.5M over a 12 month period, would be used to reduce the overall cost-to-city and remaining funds previously allocated by Council would not be expended.

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Reviewed by: Roger Lee, Acting Director of Public Works

Approved for Submission by: Deborah Feng, City Manager

Attachments:

A - Revised Fares & Cost to City

B – Community Shuttle Council Staff Report (4-16-19)