



City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Transportation

Meeting Date: October 21, 2024

Report #:2408-3387

TITLE

Approval of Amendment No. 2 to Contract Number C23184827 with Nomad Transit, LLC (Via) in the Amount of \$1,200,000 for a total not to exceed \$3,801,500 to Continue the City of Palo Alto On-Demand Transit Service through June 2025; Approve a Cost Sharing Agreement with Stanford Research Park to Partially Fund the Service up to \$600,000; and Adopt an Ordinance Amending the FY 2025 Municipal Fee Schedule to Increase Fares; CEQA status – not a project.

RECOMMENDATION

Staff recommends that the Council approve and authorize the City Manager or their designee to:

1. Execute Contract Amendment No. 2 with Nomad Transit, LLC (Via), to provide Palo Alto Link Services, extending the contract term to June 30, 2025, with additional funding of \$1.2 million for a revised not to exceed total of \$3,801,550 (Attachment A); and
2. Execute the attached Cost Sharing Agreement to Receive Funding from Stanford University to Fund Palo Alto Link Services to Stanford Research Park up to \$600,000 annually (Attachment B); and
3. Adoption of an Ordinance to Amend the Fiscal Year 2025 Municipal Fee Schedule (Attachment C) by eliminating discounted fares, increasing fares for Palo Alto Link for single rides for all user types to \$0-4, increasing monthly passes to \$130, and increasing weekly passes to \$40.

EXECUTIVE SUMMARY

The recommended actions continue Palo Alto Link (PAL) services through June 2025, in line with Council action recommending a baseline of funding for on-demand transit services and a standardized fare for all user types.

BACKGROUND

Palo Alto Link provides on-demand transit service Monday—Friday for a 12-hour service span 7:00 am-7:00 pm. The service operates within most of the City, with exceptions only to the east

and west ends that house large open spaces and conservation lands. PAL is utilizing a ten (10) vehicle fleet to provide virtually positioned pick-up and drop-off locations within an acceptable walking distance with the help of a web application. Door-to-door service is available for riders who may require extra assistance. The service addresses first-/last-mile challenges in Palo Alto and provides a convenient and affordable transportation option for residents, employees, and vulnerable/transit-dependent populations. Finding and securing funding partners such as SRP is an integral strategy to establishing a long-term path forward for funding PAL transit services. The City Council approved the contract for this service in December 2022 and further discussed service levels and funding in April 2023 and as part of the FY 2025 budget process in May 2024.

On December 12, 2022, the Council approved a contract with Nomad Transit LLC (Via) to provide on-demand transit services in the amount of \$2,043,000 for up to two years, which the City conducted a formal solicitation for and was primarily funded through the 2016 Measure B Innovative Transit Grant (\$2,000,000)¹. On April 10, 2023, the Council approved contract Amendment No. 1 with Nomad Transit (increasing the NTE to \$2,601,500 while keeping contract expiration date of December 31, 2024) in conjunction with approving a cost-sharing agreement with Stanford Research Park (SRP) to increase the service area of PAL to also serve the SRP, and have the SRP contribute (up to \$372,000 annually) to the City to cover the increased cost of providing an expanded service area².

ANALYSIS

A study session was held with the City Council in FY 2024 to discuss the service levels of this program to discuss the future of the program in light of the sunset of the Innovative Transit Grant. This discussion reviewed the funding necessary to support different levels of services in preparation for the FY 2025 budget process. During the FY 2025 budget process, the Finance Committee and City Council adopted a revised level of service and funding plan including changes to ride fares, partnerships with other agencies, and grant funding to lower the net financial impact on the City's General Fund. The FY 2025 Adopted Budget reflected gross program expenses of \$1.2 million, shy of the \$1.9 million to maintain FY 2024 services levels.

Staff recommends approval of contract amendment #2 with Nomad Transit which reflects revised program costs to \$1.5M for FY 2025; this included \$0.3M in carryover funding from FY 2024 and a recommended total contract increase of \$1.2M. Amendment #2 to the Nomad Transit contract will continue PAL on-demand transit operations until the end of FY 2025. This contract recommends a service level that maintains Palo Alto Link on-demand transit service Monday—Friday for a 12-hour service span 7:00 am-7:00 pm, however, will result in an estimated 3-5 minutes or longer pick-up time; an estimated 20% to 25% increase in wait times for a ride pick-up.

¹ CMR #14959,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=59018&repo=r-704298fc>

² CMR #2303-1128,
<https://portal.laserfiche.com/Portal/DocView.aspx?id=65894&repo=r-704298fc>

FY 2025 services funded by this contract amendment align with the FY 2025 Adopted Budget and reflect the following sources of funding and recommended additional actions in this report:

- Transportation for Clean Grant (TFCA) of \$441,000, administered by the Metropolitan Transportation Commission (MTC) and Valley Transportation Authority (VTA for electrifying its accessible van fleet and for continued operations of the PAL Service.
- Recommended approval of cost-sharing agreement with Stanford Research Park (SRP) with a new cost basis methodology using a usage-based model. SRP will pay a pro-rata amount based upon the total monthly cost of the service and the percentage of trips to and from the SRP up to an annual maximum of \$600,000. This reflects a significant change from the current funding of \$372,000 annually. Upon Council action, the new agreement (Attachment B) will be in effect from September 1, 2024, to August 31, 2025.
- Recommended amending the FY 2025 Municipal Fee Schedule for 'On-Demand Transit Fares' increasing the fare for one-way fares from \$0-\$3.50 to \$0-\$4.00, increasing the Monthly Pass from \$65 to \$130, increasing Weekly Passes from \$20 to \$40, and eliminating discounted fares. This fare increase was discussed as part of the necessary funding strategies during the FY 2025 budget process and the recommended changes to the FY 2025 municipal fee schedule adjusts the fees (Attachment C). As noted in the ordinance, the fee increases will come into effect 30 days after the Council approves the ordinance. Outreach efforts to notify the public of the increase will occur through the City's website and notifications on the PAL app to inform riders of any fare changes.

FISCAL/RESOURCE IMPACT

The FY 2025 Adopted Operating Budget has sufficient funding to cover the increase in contract costs with no additional budgetary action required. The FY 2025 Adopted Budget includes \$1.26 million in expenses with \$764,000 in estimated revenues to support this program, resulting in \$500,000 in net General Fund support. The estimated revenues reflect \$441,000 in one-time grant funding from the Transportation Fund for Clean Air (TFCA), an additional \$243,000 in SRP contributions, and \$80,000 in additional fare revenue.

Due to PAL being an on-demand service, revenues from the SRP and the fares can fluctuate with demand for service. In addition, the revised contract with SRP may result in up to \$600,000 annually as noted above, however, as it is only a partial year and demand based, current budget assumptions reflect a more conservative revenue estimate more closely aligned with prior year funding levels. Staff will closely monitor PAL activity and bring forward budgetary adjustments to Council as needed with the expectation that the \$500,000 in the City's General Fund support will not be increased in FY 2025.

Ongoing, this program will continue to be evaluated annually as part of the budget process, this is a one year contract extension and therefore further actions would need to be brought forward for Council approval to continue services in FY 2026.

STAKEHOLDER ENGAGEMENT

Public engagement is ongoing since the program launched on March 7, 2023. Stakeholders targeted for notification of the now standard fare increase to \$4 for all user types include Caltrain riders, commuters to Palo Alto, service providers targeting older adults, senior living communities, senior living communities, youth service providers, neighborhood groups, etc. Community engagement and marketing activities include tabling at community events and destinations and social media campaigns.

ENVIRONMENTAL REVIEW

Council action on this item is not a project as defined by CEQA under CEQA regulation 15061(b)(3).

ATTACHMENTS

Attachment A: Nomad Transit LLC (Via) Contract; C23184827 Amendment #2

Attachment B: Stanford Research Park Cost Sharing Agreement No. 63080569

Attachment C: Ordinance Amending the FY25 Municipal Fee

APPROVED BY:

Philip Kamhi, Chief Transportation Official