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REPORT TO COUNCIL

SUBJECT

Receive Information Regarding Potential Shuttle Options and Authorize City Manager to Apply for Micro Transit Grants With 50% Maximum Local Match

BACKGROUND

In 2023, Council proposed a Study Issue to “Evaluate Range of Options for Shuttle Service and Alternative Transportation Options for Fremont and Homestead High School Students Who Live in North Sunnyvale” (Study Issue DPW 23-06). Staff began preparing the scope of work as the first step in the process to hire a consultant and has a target completion date of August 2025. Study Issue DPW 23-06 is planned to evaluate various potential transportation options including but not limited to partnering with neighboring cities on any existing shuttle service, expanding Valley Transportation Authority (VTA) bus service, working with Fremont Union High School District (FUHSD) on school buses, and partnering with existing ride share companies. The study would survey students and parents on transportation needs, evaluate estimated costs, funding sources, populations served, and other factors.

At the January 9, 2024 Council meeting, FUHSD Board Member Rod Sinks presented an overview of the Silicon Valley Hopper (SV Hopper) shuttle and asked Council to apply to the California State Transportation Agency (CalSTA) for a Transit & Intercity Rail Capital Program (TIRCP) grant to join the SV Hopper program. There was a sense of urgency as Mr. Sinks’ understanding of grant timing was that Sunnyvale could apply for a grant in the first quarter of 2024, obtain grant in the second quarter of 2024, and be operational by the third quarter of 2024. On March 12, 2024, the State published preliminary guidelines for the TIRCP grant and a tentative application due date of July 23, 2024.

At the January 9th meeting, Council directed staff to evaluate options for an on-demand shuttle service in Sunnyvale like the SV Hopper. Council also asked staff to identify potential funding sources and consider replacing Study Issue DPW 23-06 with this effort, with a focus on being prepared to apply for near-term grant opportunities.

EXISTING POLICY **GENERAL PLAN**

GOAL LT-2 Environmentally sustainable land use and transportation planning and development

-Support the Sustainable vision by incorporating sustainable features into land use and transportation decisions and practices.

GOAL LT-3 An effective multimodal transportation system-Offer the community a variety of transportation modes for local travel that are also integrated with the regional transportation system and land use pattern. Favor accommodation of alternative modes to the automobile as a means to enhance efficient transit use, bicycling, and walking and corresponding benefits to the environment, person-throughput, and qualitative improvements to the transportation system environment.

POLICY LT-3.4 Require large employers to develop and maintain transportation demand management programs to reduce the number of vehicle trips generated by their employees.

POLICY LT-3.6 Promote modes of travel and actions that provide safe access to city streets and reduce single-occupant vehicle trips and trip lengths locally and regionally.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment.

DISCUSSION

In July 2022, CalSTA awarded about a \$8.5 million TIRCP grant to Santa Clara and Cupertino. The TIRCP grant includes a four-year term and uses an electric shuttle fleet to support greenhouse gas emission reductions. The TIRCP grant required a 50 percent local match to cover the approximately four-year \$17 million cost for the SV Hopper (about \$4 million per year). In September 2022, Cupertino accepted the grant on behalf of Cupertino and Santa Clara. On March 7, 2023, Cupertino authorized their City Manager to execute the necessary agreement to receive the grant and approve an agreement with Via to operate the SV Hopper.

SV Hopper launched in Cupertino in July 2023, in the southern part of Santa Clara in November 2023, and will expand to the northern part of the Santa Clara in 2024. SV Hopper hours are 7am - 7 pm (M-F) and 9 am-5 pm (Saturday). Fares are \$1.75 for students and seniors 65+, low-income individuals (Cal Fresh or Medicare/Medicaid Card) or disabled individuals. Fares for other riders are \$3.50 one way. The cities subsidize about \$10 per ride and grant funding covers an additional \$10 per ride. Upon grant expiration, alternative funding sources may need to be found to continue to support the program.

At the January 9, 2024 Council meeting, FUHSD Board Member Rod Sinks presented an overview SV Hopper and asked Council to apply for a TIRCP grant so that Sunnyvale could join the SV Hopper program. Mr. Sinks also encouraged Council to use the SV Hopper operator, VIA, as a partner in applying for the grant. Council directed staff to research grants to fund the SV Hopper expansion into Sunnyvale and assess whether work on Study Issue DPW 23-06 should continue.

In addition to Mr. Sinks’ request, other community members also advocated for shuttle services to support certain community members such as students, the unhoused, downtown visitors, and low-income senior citizens. Staff researched potential shuttle options and funding sources to identify programs that would meet the needs addressed by community members.

Shuttle Funding Sources

Based on Council’s direction, staff began researching the TIRCP grant opportunity. The State issued the TIRCP grant cycle on March 12, 2024. While staff monitored the TIRCP grant timing, other funding sources were identified. Below are funding options for Council’s consideration:

- TIRCP Grant-The state announced the 2024 TIRCP grant application cycle on March 12, 2024. The tentative guidelines state the program will fund projects starting with FY 2024-25 and ending with FY 2028-29. The tentative schedule has an application due date of July 23, 2024. Even though the application is due in July, staff would begin work on the application in early April as the

official call for projects will be released on April 23, 2024. TIRCP is funded each year through Cap-and-Trade auction proceeds. As such, CalSTA has not released the overall funding amount available for this grant cycle.

Grant guidelines state that the grant could have up to a five-year term and require a 50% local match. This local match takes the form of a 50% of contract costs where TIRCP funds may cover up to 50% of a micro transit program cost (i.e. vehicles, maintenance, and transit service), and the remaining 50% of the cost must be provided by the grantee.

Staff could work with VIA on the grant application and could exempt VIA from a competitive selection process by using an agreement provided by a purchasing cooperative, and designate VIA as the vendor for the program.

- Environmental Protection Agency (EPA) Climate Pollution Reduction Grant-The City, in partnership with the Valley Transportation Agency (VTA) and the cities of Gilroy, Morgan Hill, Milpitas, San Jose and San Benito, are in the process of submitting for a grant that could be used for a Citywide shuttle. Since the grant did not require matching funds, staff submitted a proposal to VTA for a citywide shuttle with comparable hours and rates to the SV Hopper so VTA can submit in time for the application deadline of April 1, 2024. Even though a local match is not currently required, as VTA may advise, as it learns more about the process, that applicant cities include a local match to maximize grant attractiveness. Staff expects grant recipients to be announced in late summer 2024.
- FUHSD- City staff briefly discussed funding for a student-only shuttle with FUHSD staff. FUHSD staff said that providing shuttles for students participating in after school activities is not a typical district function and no other district is providing this type of service. FUHSD staff also said that they may not have enough demand to justify a student-only shuttle as they would need to prepare a needs assessment to determine the specific need. If the City would like to explore this further, staff would need more time to discuss program details and funding sources.

Shuttle Options and Potential Costs

While there is no one perfect shuttle solution to meet the diverse needs identified by community members at and since the January 9th Council meeting (community engagement on this topic has not taken place), staff identified some options, listed below, for Council consideration:

- Citywide Shuttle-Similar to SV Hopper and would serve all Sunnyvale residents, employees, and visitors. Program could be designed to operate 6 days per week for 12 hours a day. This is the most expensive option as it would serve the greatest number of people and cover the entire City. This option may be able to be funded with grant funds and a local match.

If the City were to be awarded a TIRCP grant, there would be a 50% local funding match requirement but no competitive procurement requirement from the grantor. Staff would examine the benefits of joining Cupertino's VIA contract or contracting directly with VIA based on grant requirements and timing.

Cost for this type of program could be between \$3-\$4 million per year for the entire program. Assuming the City obtains a grant that covers 50% of the cost, the City would be responsible for about \$1.5M to \$2M per year. VIA provided a rough estimate showing that each ride could require a subsidy of almost \$20 assuming about 2,250 rides per week and using the same fares

as SV Hopper. Assuming City obtains a grant that funds 50% of the cost, the City would be subsidizing each ride by about \$10 for the duration of the grant, and would be responsible for finding future grants or covering the full subsidy cost thereafter.

If the City were to be awarded the EPA grant, there may be no local match funding requirement, but the City would need to do a competitive bidding process to identify an operator. The EPA grant would fund approximately \$24M to operate the shuttle program for a five-year period, including funding for a new staff person to help manage the program.

- **Student-only Shuttle**-This option would be limited to serving high school students in the afternoon with a focus on transporting students to their homes after school activities such as sports, band, clubs, etc. This option would not be eligible for grant funding and would need to be funded with General Fund monies and in partnership with the schools. This type of program, with limited hours and not offered in the summer months, could be operated for an estimated cost of about \$500,000 per year, according to an estimate provided by VIA.
- **Peery Park Rides**-This option is fully funded and will provide last-mile trips between Sunnyvale Caltrain station and Peery Park during commuting hours and provide a flexible transportation option to other destinations during off-peak hours. This is a joint pilot project between VTA and the City. Peery Park Rides is intended to be flexible, allowing the network to dynamically adapt and respond to demand in real-time by using optimized routes and maximizing passengers per vehicle trip. Total cost for this program is almost \$2 million for a two-year pilot program. The City's share is \$500,000. Peery Park Rides will begin in fall 2024 and will be free to riders in the service area. Staff will evaluate how this shuttle service is used and will closely monitor user trends. Data from Peery Park Rides may inform what other services are needed.
- **Rideshare Company**-This option would explore contracting with a rideshare company to design a rideshare credit program to serve a certain population based on the needs identified by community members. If Council wishes to serve low-income seniors or students, staff would work with a rideshare company to create a program to serve that community. The program could start with a \$100,000 cost per year; usage and demand could be assessed with the potential to expand the program in the future if warranted.
- **Additional Full Time Position**-If the City is successful in obtaining a grant and implements a Citywide shuttle or if Council wishes to implement a student-only shuttle or issue rideshare credits, a new position will need to be added to manage the new program at a fully loaded cost of about \$190,000 per year. As part of the EPA grant application a new position to manage the program was included for the five-year implementation period. Other alternatives would require City funded staffing.

Staff is developing the City's FY 2024/25 Recommended Budget. Staff is prioritizing new service level adjustments and evaluating the long-term budget impact of new positions and initiatives such as the Climate Action Playbook and other efforts. Council Policy 7.1A Budget Policies, A1.13 states that all competing requests for City resources should be weighed within the formal annual budget process. If Council wishes to fund a shuttle program, an exemption will have to be issued as this item is being considered outside the current budget development process.

Based on staff's research, potential funding sources and potential budget impacts, staff recommends that

Council authorize the City Manager to apply for a TIRCP grant in July 2024 for a Citywide Shuttle and consider pausing work on Study Issue DPW 23-06 until the TIRCP or EPA grants are awarded. If the City is successful in obtaining any of the grants (TIRCP OR EPA), Study Issue DPW 23-06 could be considered complete and the \$150,000 currently budgeted for this issue could be used for the newly created shuttle program. Staff would also return to Council with a full cost impact of accepting the grant prior to executing a grant agreement.

NEXT STEPS

- City staff to apply for EPA grant
- City to apply for TIRCP grant
- Staff to return to Council if either EPA or TIRCP grant is awarded for council approval of grant acceptance
- If City is unsuccessful in obtaining either grant, work on Study Issue DPW 23-06 will resume

FISCAL IMPACT

Although adoption of staff's recommendation does not have an immediate financial impact, it is expected that implementation of a shuttle program will require additional funding. Project 836340-Transportation and General Fund Grant Matching, has a current balance of about \$2.4 million that could be used as a potential matching source should staff apply for grants requiring a local match. If staff applies for a grant that requires more \$2.4M in local match, staff would ask Council for a Budget Modification to increase the available funds in this this project prior to applying for the grant. If a grant is awarded to the City, Staff would return to Council for approval of funding sources and the 20-year budget impact. The most likely source of funds for a City-funded shuttle program or local match would be the General Fund.

PUBLIC CONTACT

Public contact was made by posting the Council meeting agenda on the City's official-notice bulletin board at City Hall, at the Sunnyvale Public Library and in the Department of Public Safety Lobby. In addition, the agenda and this report are available at the NOVA Workforce Services reception desk located on the first floor of City Hall at 456 W. Olive Avenue (during normal business hours), and on the City's website.

ALTERNATIVES

1. Authorize City Manager to apply for Micro Transit Grants with up to a 50% maximum local match.
2. Pause work on Study Issue DPW 23-06 until Environmental Protection Agency or Transit & Intercity Rail Capital Program Grants are announced.
3. Direct staff to explore a student-only shuttle for afternoon school hours with school district sharing 50% of cost.
4. Other Council direction.

STAFF RECOMMENDATION

Alternatives 1 and 2: (1) Direct City Manager to apply for micro transit grants with maximum 50% local match; and (2) pause work on Study issue DPW 23-06 until the Environmental Protection Agency (EPA) or Transit & Intercity Rail Capital Program Grants grants are announced. If the City is successful in obtaining either grant, Study Issue DPW 23-06 can be deemed complete.

Based on staff's research and understanding of the SV Hopper model, staff believes there is an opportunity to fund a Citywide shuttle with EPA and/or TIRCP grants. If the City is successful in obtaining either the EPA or TIRCP grants, work on Study Issue DPW 23-06 could be deemed complete as students will be able to use a Citywide shuttle implemented with the with the grant.

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