



Legislation Text

File #: 17-0466, **Version:** 1

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Mark Danaj, City Manager

FROM:

Andy Sywak, Economic Vitality Manager

SUBJECT:

Results of On-Demand Electric Vehicle Shuttle RFP and Downtowner Program Update (Economic Vitality Manager Sywak).

RECEIVE REPORT (UPDATE) AND PROVIDE DIRECTION

RECOMMENDATION: Staff recommends that the Council receive the report on the results of the Requests for Proposals (RFP) for on-demand electric shuttle service and possible funding options and provide direction.

EXECUTIVE SUMMARY:

The pilot program with the on-demand electric shuttle service the Downtowner has transported approximately 51,000 passengers in its first eight months of operation. At its July 18, 2017 Council meeting, Council approved a program extension for one year for the service to continue operating out of the Metlox Garage while staff issued an RFP and researched potential funding sources.

Staff received two proposals for citywide service that would range from \$550,000-\$681,000 annually. If the City Council chooses to proceed, staff recommends negotiating with the Downtowner, who submitted the most complete proposal, offering citywide service in a range of \$615,000-\$681,000 using a fleet of Chevy Bolts (all electric vehicles) for this purpose.

After a thorough exploration of potential grant funding sources, staff has identified limited funding sources that would only pay for the shuttle vehicles themselves and not for the operating costs which would most likely constitute the majority of the service cost.

FISCAL IMPLICATIONS:

The fiscal implications vary greatly depending on what action Council takes.

1. Should Council choose to award a contract for city-wide service to the Downtowner, the cost ranges from \$615,000-\$681,000. However, there is no identifiable funding source to award a contract of this amount. A full analysis of funding sources and impacts to other city programs would be needed if this option is selected. Furthermore, any award could potentially impact the perception taxi cab companies have about their agreements with the City which currently total approximately \$107,000.

2. Council could also defer on selecting an awardee into the budget allocation period in 2018 while exploring alternative funding arrangements.

BACKGROUND:

On June 21, 2016, the City Council approved a six-month pilot program for an on-demand electric shuttle program, and authorized the City Manager's office to select a vendor. The shuttle companies operate six-seater electric vehicles that pick up passengers in a defined geographical area for short trips through a ride-hailing mobile app (like Uber/Lyft) for short trips. The service is paid for through advertising revenue (the vehicles are wrapped in large graphics promoting brands). The rides are free for passengers and the viability of the service depends on the vendor's ability to attract sufficient advertising revenue.

The pilot program also authorized the vendor to utilize an unoccupied area at the Metlox garage to store and charge its vehicles. The pilot program was originally approved to be limited to a geographical area west of Sepulveda Boulevard, north to El Segundo and south to Hermosa Beach. The Council expressed concern about the types of advertising to be featured on the vehicles.

After careful consideration, the City Manager's office selected the Downtowner as the vendor for the pilot program. Subsequently, the Downtowner requested, and the City approved, that the eastern boundary of the service area be west of Pacific Avenue to limit wait times. In October of 2016, the Downtowner and the City signed contracts authorizing the program to go forward. The Downtowner installed its charging stations at Metlox in December of 2016 and the pilot program officially launched on February 1, 2017 with six vehicles operating out of the Metlox garage seven days a week from 11 a.m. - 11 p.m.

Since its launch on Feb. 1, 2017 through the end of October, the Downtowner has transported approximately 51,000 passengers and nearly 23,000 total rides (See Attachment 1 - Downtowner Analytics Report for Manhattan Beach Feb. 1 - Oct. 31). Overall, the program has been well received in the community.

July 18, 2017 Council Meeting

With the pilot program set to expire on July 31, 2017, the matter was brought back before the Council on July 18, 2017 to consider extending the program and whether to allow the Downtowner to include alcohol advertising on its vehicles as they had requested. At this meeting, staff also attached information regarding a citywide expansion of the Downtowner with options for either (a) service eastward to Sepulveda; or (b) citywide service that would cost approximately \$647,000-\$840,000 for one year.

At this meeting, the Council voted to extend the current pilot program for one year but declined to change the current agreement to allow for alcohol advertising. The Council also authorized staff to draft and circulate a Request for Proposal (RFP) to extend the current service citywide. The motion also authorized staff to pursue funding mechanisms for citywide service and include grant writers in the process. Council did not rule out using public money and also said that city advertising could be removed from one of the Downtowner vehicles should they need the space.

DISCUSSION:

RFP Release

City staff released a RFP for citywide service on September 13, 2017. The RFP asked applicants to

propose the number and type of vehicles they would need, and to provide cost estimates for citywide service using private advertising dollars only, public dollars only, or under a public-private partnership under which advertising dollars would recoup some of the service costs. The proposal gave applicants the ability to bid on providing services in Manhattan Beach only or to include Hermosa Beach in the service area as well. Hermosa Beach staff had communicated their desire to be included in this RFP and their inclusion was approved internally because of the potential to achieve lower program costs through a more scalable operation.

A vendor who had previously expressed interest in providing this type of service told City staff that they did not submit a proposal partly due to the uncertainty over whether they would be allowed to advertise alcohol and the City's resistance to this in the past. This company pointed to the fact that the Downtowner has not been able to secure advertising on all of its vehicles to date as justification for why alcohol advertising would be an important incentive to operate in Manhattan Beach.

City staff also included a provision asking whether applicants would be willing to charge riders for the service. Although both RFP respondents indicated that they would be willing to charge riders, city staff has since learned that charging riders a flat fare for a ride would place this service under the auspices of the City's "Vehicle-for-Hire" ordinance provisions which would mean that the Downtowner would be subject to taxicab regulations.

RFP Submittals

The City received two proposals, one from the Downtowner and an Orlando, Florida based company called O-Cartz. Below is a summary of each applicant's RFP:

Downtowner

Number of Vehicles: 6
Type of Vehicles: Chevy Bolts
Estimated Annual Ridership: 119,000
Hours of Operation: 11 a.m. - 11 p.m.
Annual Cost* - \$681,000
Experience in Manhattan Beach and Newport Beach
Active mobile app

O-cartz

Number of Vehicles: 8
Type of Vehicles: Gem Cars
Estimated Annual Ridership: 292,000
Hours of Operation: 11 a.m. - 9 p.m.
Annual Cost* - \$550,000
No experience operating in California
Service mostly based on calls/texts - our understanding is app in development

(*No cost to passengers with public funds)

City staff conducted interviews with both providers. Although O-Cartz had a lower overall bid than the Downtowner, staff determined that the Downtowner's proposal was more complete and demonstrated a greater familiarity with the service area. Furthermore, O-Cartz lacks a proven mobile app and has not operated any service in California. As the current service is completely reliant upon a robust and

dependable mobile app, it is difficult recommending a vendor without this asset. For these reasons, staff recommends proceeding with Downtowner as the preferred vendor should the Council be interested in pursuing a citywide service.

The Downtowner's proposal would replace the six Gem E6 vehicles they currently have in operation with six fully-electric Chevy Bolts. They recommend these vehicles due to their superior speed, mileage (238 miles per charge) and increased battery efficiency which requires reduced charging time. Furthermore, Chevy Bolts would be able to drive on streets with higher speed limits (Sepulveda, Artesia, Aviation and Rosecrans) which the Gem E6s are prohibited from due to the 25 mph speed limit. The Downtowner estimates they can perform 25% more rides with a fleet entirely of Chevy Bolts as compared to Gems.

Under the submitted proposal from the Downtowner, the cost of operating a fleet of six Chevy Bolts for a service that is operational 12 hours a day, 365 days a year would cost \$615,000 for a public-private arrangement in which the Downtowner could sell advertising or \$681,000 were the service to operate on public money alone.

Hermosa Beach Input

After conducting its own analysis, Manhattan Beach staff met with staff from the City of Hermosa Beach to review both proposals. Although supportive of the goals of an on-demand electric vehicle service, Hermosa Beach staff expressed concern over the cost of the service, the number of bids received and expressed concern over potential protests from taxi companies at the imposition of a city-supported rideshare service. Their city's staff also believed that the Hermosa Beach community would prefer Gem E6s over Chevy Bolts as the look and feel of these vehicles better complement the city's identity. For all these reasons, they have declined to be a party to a negotiation of an on-demand electric shuttle service at this time.

Search for Funding Sources

As part of Council direction, staff researched funding options for the potential citywide shuttle service concurrently with the issuance and analysis of the RFP. Staff contacted the following agencies in search of appropriate grants and funding sources: Air Resources Board, South Coast Air Quality Management District (AQMD), California Department of Transportation (CalTrans), Southern California Association of Governments (SCAG) and the California Energy Commission. Staff examined grant guidelines and had many conversations with grant administrators. Staff also reached out to a local grant writer who has worked with other South Bay cities securing funding sources for their environmental programs.

Upon analysis, staff concluded that the best available funding sources are the Local Government Partnership Program from the Mobile Source Air Pollution Reduction Review Committee (MSRC) and possibly existing AB 2766 Subvention funds if available. However, these funding sources will only provide funding for purchasing vehicles and may not be used to pay for operating costs and maintenance - costs that will constitute the largest costs of any citywide service.

The grant writing firm likewise recommended that the City utilize MSRC funds. Every year the Local Government Partnership Program sets aside a pro-rata share of MSRC funding for each city and county within the South Coast AQMD who participate in the AB 2766 Motor Vehicle Registration Fee Program. The City of Manhattan Beach receives \$50,000 through this arrangement, however, no more than \$10,000 can be spent on one vehicle. The deadline to apply for these funds is March 2,

2018.

The AB 2766 Motor Vehicle Subvention Funds was established in 1990 and provides per capita funding to cities and counties located in the South Coast Air Quality District to reduce motor vehicle air pollution. The guidelines for AB 2766 explicitly allow for the purchase of neighborhood electric vehicles and allow for funds to be spent on the construction and the installation of charging stations. These funds have been used in the past to purchase busses for the Dial-A-Ride service. However, on-going maintenance and upkeep of electric vehicle infrastructure is not an allowable expenditure. The estimated year-end fund balance for this fund is \$157,700.

Although there are several funding sources related to clean energy and clean transportation, there are limited funding sources applicable for the types of vehicles that would be used in any citywide service (Gem E6s and/or Chevy Bolts). For example, neither the California Clean Vehicle Rebate Program or the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (both administered by the Air Resources Board) list Gems as an allowable purchase. The California Clean Vehicle Rebate Program does indicate that a \$2,500 rebate is available for a Chevy Bolt, however, as of June 30, 2017, only qualified lower-income applicants are prioritized for rebates with the rest on a waiting list. Regardless, staff was not able to identify funding sources that pay for operations.

Conclusion & Next Steps

Although the Downtowner service has proved popular in its service area, there remains major funding constraints to rolling it out citywide. Existing funding sources can be used to purchase electric vehicles (either Gem E6s OR Chevy Bolts) but not for operations themselves which could include electricity, maintenance and driver salaries. Charging riders a flat fee for a ride would cause this service to be treated like a taxicab company which would impact the existing agreements the City has with each taxi service. Any possible vendor may very well not want to be regulated as a taxi service as well.

Even if the Council were interested in using the full balance of AB 2766 fund (\$157,700) and the entire amount of MSRC dollars available this funding year (\$50,000), the City would still be at least \$408,000 short of the lowest funding scenario proposed by the Downtowner.

POLICY OPTIONS:

OPTION # 1:

Negotiate closure of current service and terminate current agreement with Downtowner.

OPTION # 2:

Explore alternative service model for consideration at budget time and offer alcohol advertising as a potential incentive to keep Downtowner operational during this time. Authorize staff to undergo a complete review of City allocations to transportation programs to better understand if some of these dollars could be allocated to on-demand electric shuttle service.

PUBLIC OUTREACH/INTEREST:

After analysis, staff determined that public outreach was not required for this issue.

ENVIRONMENTAL REVIEW

Pursuant to the California Environmental Quality Act ("CEQA"), the City has determined that the

proposed project is Statutorily Exempt from the requirements of CEQA and the City's CEQA Guidelines as it is a temporary pilot program for electric shuttles and will not have a significant impact on the environment pursuant to CEQA Guidelines Section 15262 - Feasibility and Planning studies. Staff will return to Council in the future and any further environmental review will be considered at that time.

LEGAL REVIEW

The City Attorney has reviewed this report and determined that no additional legal analysis is necessary.

Attachments:

1. Downtowner Analytics Report for Manhattan Beach Feb. 1 - Oct. 31
2. PowerPoint Presentation