



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE:** OCTOBER 22, 2024

FROM: OFFICE OF SUSTAINABILITY **WARDS:** ALL
COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT
PUBLIC WORKS DEPARTMENT

SUBJECT: SUBCONTRACT SERVICES AGREEMENT WITH THE RIVERSIDE
TRANSIT AGENCY TO OPERATE, STAFF AND MAINTAIN THE OHMIO
SHUTTLE PILOT PROGRAM IN THE CITY OF RIVERSIDE

ISSUE:

Consider an agreement with the Riverside Transit Agency to operate, staff and maintain three (3) all-electric autonomous shuttles for two-years in the City of Riverside and allowing RTA to contribute \$500,000 towards the operations, staffing and maintenance of the Ohmio Shuttle Pilot Program.

RECOMMENDATIONS:

That the City Council:

1. Approve the Subcontract Services Agreement between the City of Riverside and Riverside Transit Authority (RTA), and
2. Authorize the City Manager, or his designee, to execute the Agreement with RTA including making minor and non-substantive changes.

BACKGROUND:

Beginning in May 2023, the City began discussions with Ohmio, related to a three (3) shuttle, two-year, pilot program sponsored by the City, and to establish Ohmio's international headquarters in the City. The relocation of this business to Riverside offers advanced manufacturing jobs, designates Riverside as the point-of-sale for future business transactions, and establishes a research and development center in the City. These meetings and discussions led to the preparation of a Conceptual Framework Proposal outlining potential terms of an Agreement between the City and Ohmio advancing City Strategic Priorities in Economic Opportunity, Environmental Stewardship, as well as Infrastructure, Mobility and Connectivity.

On November 22, 2023, the City Council approved an Agreement between the City of Riverside and Ohmio, Inc. to establish its international headquarters, advanced manufacturing facility, point of sale, and research and development center for all-electric, autonomous vehicle shuttles in the City of Riverside, and to deploy three, (3) all-electric, autonomous shuttles for a two-year pilot program.

The Agreement provides for:

- **Funding** – This Agreement provided \$2.5 million: \$1.5 million for the lease of shuttles and \$1 million for the operation and maintenance of the Ohmio Shuttle Pilot Program.
- **Assignment** - The City reserved the right to assign/subcontract to another entity. The staff report also referenced efforts underway to reduce the City’s overall costs by leveraging external dollars via grants, other funding sources or partnerships.
- **Workforce and Local Hire** - Ohmio has committed to hire locally and anticipates adding 7 jobs in the first year of operation and at least 25 jobs by year three.
- **Point of Sale** – The estimated price of an Ohmio LIFT is \$300,000. The sales tax in the City of Riverside is 8.75% or \$26,250 per vehicle. The City’s share is 1% or \$3,000 of the tax collected after State and County allocations are taken. The following is an estimate of sales tax generation to the City of Riverside based on projected sales by Ohmio. The estimated amount shown at year five is dependent on various factors including the size of the manufacturing facility, the availability of raw materials, workforce, and the efficiency of the production line and demand.

Production Year	Shuttles Manufactured	Tax Generation
1	50	\$150,000
2	50 - 100	\$150,000 - \$300,000
3	100 - 150	\$300,000 - \$450,000
4	150 - 200	\$450,000 - \$600,000
5	200 - 250	\$600,000 - \$750,000
Total:	550 - 750	\$1,650,000 - \$2,250,000*

City staff began discussions with potential partners including the Riverside Transit Agency. On February 22, 2024, City staff, Ohmio representatives and RTA staff provided the RTA Board with an overview of Ohmio, Inc. This update included the ability of the City to “assign” the agreement to a third party. Accordingly, the RTA Board expressed interest in being involved in the Ohmio pilot and directed RTA staff to discuss terms of an Assignment Agreement with the City of Riverside.

In June of 2024, Ohmio, Inc. signed a lease agreement for 6868 Airport Drive in the City of Riverside.

On August 22, 2024, the RTA Board gave RTA Executive Director the authority to sign an Agreement with the City of Riverside to operate, staff and maintain the Ohmio Shuttle Pilot Program. The RTA Executive Director signed and delivered the Agreement to the City on September 27, 2024.

DISCUSSION:

Upon the signing the Agreement with Ohmio in November 2023, staff began exploring two key areas: assignment and reducing costs via partnership, grants and/or identifying other funding sources.

Assignment: The Agreement being considered would assign the operations, staffing and maintenance of the Ohmio Shuttle Pilot Program to RTA given the Agreement between the City and

Ohmio allows the City to assign to another entity. Specifically, subsection 7.4.1 provides that “the City reserves the right to assign and/or subcontract any right, interest, or obligation in or under this Agreement to any other entity at any time. Upon such assignment or subcontract, Ohmio’s obligations to the City in or under this Agreement shall be transferred to such assignee/subcontractor.” The RTA Board authorized the Executive Director to sign an agreement with the City to take on the operations, staffing and maintenance of the Ohmio Pilot Program along with splitting the associated costs.

External Funding - The City Council approved an Agreement that provided \$2.5 million: \$1.5 million towards the lease of three shuttles and \$1 million toward the operation, staffing and maintenance of the shuttles. The City identified Air Quality Management District funding that can be used to reduce the costs of the shuttle leases by \$1 million. The Agreement with RTA being considered would reduce City costs by \$500,000 with RTA splitting the costs for operations, staffing and maintenance, as depicted in the Table below.

Table 1: Updated Ohmio Costs

	Original Approved City Funding	New External Funding	Updated City Costs	Cost savings to the City
Shuttle Lease	\$1.5 million	\$1 million AQMD funds	\$500,000	\$1 million
Operations & Maintenance	\$1 million	\$500,000 RTA funds	\$500,000*	\$500,000*
Total	\$2.5 million	\$1.5 million	\$1 million	\$1.5 million

*Assumes approval of the Assignment Agreement with RTA.

With the approval of the subject agreement, the City’s original \$2.5 million commitment to fund the Ohmio Shuttle Pilot Program can be further reduced by \$500,000. The Agreement with RTA combined with AQMD funding will reduce the City’s costs by \$1.5 million overall.

The Agreement provides for the following:

- Scope of Services – RTA’s responsibilities include day-to-day operations and management, safety operators, maintenance and repair, training, compliance and shuttle routes.
- Compensation – The City and RTA are to split the costs of the operation, staffing and maintenance of the Ohmio Shuttle Pilot Program.
- Identification of Key Personnel
- Communication Protocol

Purchasing Resolution No. 24101, Section 702 allows an exception to Competitive Procurement through the Informal Procurement and Formal Procurement, and shall not be required, (g) “Where payment for Services is to be made to a Federal, State, and/or other public entity.”

The Purchasing Manager concurs that the agreement is in compliance with Purchasing Resolution No. 24101.

The Ohmio shuttles are designed to operate on low-speed roads. The specific travel capabilities and permissions for the shuttles will be determined based on the route, the approval from the NHTSA, California DMV, City of Riverside and any other relevant local regulations or restrictions. The maximum speed capability of the Ohmio shuttles is 31 mph, but the typical maximum speed on deployment is 15.5 mph. However, the actual speed, type of traffic, and areas where the shuttles will operate (e.g., mixed traffic, closed roads, neighborhoods only, etc.) will be defined based on the

route selection, regulatory approvals, and the safety considerations of each specific deployment scenario. Preliminary potential routes identified for the first year of the Ohmio Shuttle Pilot Program include the Riverside Airport (January through May), Downtown Riverside (June through August) and UC Riverside (September through December). Potential shuttle routes require roadways rated at 25 MPH. Additional considerations in the selection of the routes include “first-mile/last-mile” connection for transit riders, college campuses, healthcare facilities, downtown, parks, senior and community centers, designated food deserts, commercial shopping centers, proximity to EV charging infrastructure and avoiding impacts to RTA’s existing route system.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 3 – Economic Opportunity** (Access to Transportation, Choices, Green Fleet and Systems and Smart City Ecosystem); **Strategic Priority 4 – Environmental Stewardship** (Implement proactive policies and measures to ensure all residents breath healthy and clean air, Implement the requisite measures to achieve citywide carbon neutrality no later than 2040); and **Strategic Priority 6 – Infrastructure, Mobility and Connectivity** (Access to Transportation, Choices, Green Fleet and Systems and Smart City Ecosystem).

This item aligns with each of the five Cross-Cutting Threads as follows:

- 1. Community Trust** – The agreement allows for the testing and validation of safety and efficient transportation management. Autonomous vehicles, with their precision and consistent performance, have the potential to reduce traffic accidents caused by human error, enhancing safety for all road users, and contributing to a safer Riverside. Autonomous shuttles can contribute to better traffic management and congestion reduction in the city, improving overall transportation efficiency.
- 2. Equity** – Ohmio’s all-electric autonomous shuttles have climate and air quality benefits. The shuttles have zero tail pipe emissions and cleaner transportation means cleaner air and better health for all.
- 3. Fiscal Responsibility** – The agreement would reduce the cost to operate the Ohmio Shuttle Pilot Program by \$500,000 through cost sharing with the RTA.
- 4. Innovation** – The agreement positions Riverside as a testbed for new and emerging technology. The Ohmio all-electric, autonomous shuttles provide an inventive and sustainable solution to meet the need for “first-mile/last-mile” connection for transit riders in the community. The agreement would be one of the first partnerships of its kind in the US, with a City and Transit Agency, deploying all-electric, autonomous shuttles. Further, the shuttles manufactured by Ohmio in Riverside will be the first end-to-end, all-electric autonomous shuttles manufactured from the ground up in the United States.
- 5. Sustainability & Resiliency** – The deployment of a zero-emission shuttle adds to the changing transportation needs of the community. With the addition of autonomous vehicles, Riverside will have the opportunity to rethink urban design and planning, leading to more efficient use of road space and potentially reducing the need for parking infrastructure. Using all-electric vehicles will also help to reduce greenhouse gas emissions positively contributing to air quality and support sustainability efforts like reaching carbon neutrality.

FISCAL IMPACT:

The total fiscal impact of this action is \$500,000. The funds for the City's portion are budgeted and available in the General Fund, CD-Economic Development, Ohmio Electric Shuttles account number 2815001-453041.

The incorporation of or RTA's contribution of \$500,000 to the Ohmio agreement will reduce the fiscal impact to the City by the same amount. The original impact to the City was \$1,000,000 for operations, staffing and maintenance.

The partnership with Ohmio, Inc. offers a variety of economic opportunities and revenue streams that stand to benefit the City:

- **Point of Sale Revenue and Scaling Production** is estimated to generate approximately \$150,000 in the first year of Ohmio's operations, ramping up to potential revenue in excess of \$1,650,000 by the fifth year of operations.
- **Job Creation and Workforce Development** will lead to increased local employment, higher consumer spending, job multiplier effects, and the attraction of a skilled workforce. These factors contribute to a more robust and dynamic local economy, generating revenue, fostering business growth, and enhancing the overall quality of life for Riverside residents.
- **Strategic and Promotional Partnerships** established through the collaboration with Ohmio are anticipated to create avenues for increased business activity and investment, potentially leading to job creation, enhanced consumer spending, and greater tax revenues.
- **External Funding Opportunities:** The partnership with Ohmio opens doors to multiple federal and state grants, further aiding funding opportunities for initiatives related to green technology, workforce development, and electric vehicle infrastructure. These grants, combined with potential revenue from shuttle branding, fares, and private partnerships, offer avenues to defray costs and enhance economic sustainability.

In coordination with: Public Works Department
Community and Economic Development Director

Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Prepared by: Rafael Guzman, Assistant City Manager
Approved by: Rafael Guzman, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachment: Subcontract Services Agreement