TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager
SUBJECT: Stanford University Line U Agreement

BRIEFING ITEM

RECOMMENDED ACTION(S):
Consider receiving report on negotiations with Stanford University concerning Line U.

BACKGROUND/RATIONALE:
On August 9, 2017, the AC Transit Board of Directors authorized the General Manager to enter into an agreement with Stanford University for continued Line U service. At that meeting, the Board expressed concern over the escalation in the District’s financial contribution to Line U operating costs since its inception in 2004 when there was no financial commitment from the District. The Board was also concerned over the timing of the renewal of the contract with Stanford, three weeks before the previous contract expired.

Based on Board comments the General Manager directed staff to continue discussions with the University to improve the District’s terms of the proposed contract. The main goal as set by the General Manager was to have the District return to the 2004 cost distribution levels with the University assuming the cost in addition to its established 30% contribution and a fixed Regional Measure 2 (RM-2) contribution of $311,238.

In 2004, as part of an agreement with the University and the Metropolitan Transportation Commission (MTC), the District agreed to operate Line U service but did not financially contribute to funding the service.

Through recent negotiations staff learned that a significant portion of U line ridership is utilized serving Stanford Hospital employees. Given the benefit to Hospital employees, the District and the University agreed to request that the Hospital financially contribute a similar amount to Line U operations. Furthermore, the University agreed to meet and confer with representatives from the Hospital to present a proposal to share costs. With the expansion of facilities, the Hospital is obligated to contribute $50,000 annually to the District as part of its conditions of approval for expanding. However, both the District and the University concluded that the contribution should be increased and commensurate with the Hospital’s share of Line U ridership. A cost-distribution proposal is detailed below.

As a result of negotiations between the District staff and Stanford University Parking & Transportation Services (the University) staff, District staff has reached tentative terms with the University and the Stanford Medical Center (the Hospital) to fully fund the District’s Line U service less the fixed Regional Measure 2 (RM-2) contribution from the Metropolitan
Transportation Commission (MTC). Pending Board approval, the terms of the tentative agreement have AC Transit providing no financial contribution, while the cost of the service is divided between the University, the Hospital and RM-2 as follows:

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>MTC</td>
<td>$ 311,238</td>
</tr>
<tr>
<td>University</td>
<td>$ 239,211</td>
</tr>
<tr>
<td>Hospital</td>
<td>$ 239,211</td>
</tr>
<tr>
<td>District</td>
<td>$ -</td>
</tr>
<tr>
<td>Total</td>
<td>$ 789,660</td>
</tr>
</tbody>
</table>

With the previous agreement expiring on September 1, 2017, the District and the University are bound to a month-to-month continuation of the previous agreement until both parties finalize an agreement. Some remaining items to negotiate include an escalation factor to match the increasing rate of the cost of service and a term duration for the agreement. If the two parties cannot come to a resolution, the University understands that the District would follow the proper protocols to terminate the service per the terms of the previous contract. Staff will return for the Board approval of the Hospital and the University agreements.

**BUDGETARY/FISCAL IMPACT:**

The cost to operate the service is $789,660 annually based on a fully-allocated hourly rate of $214/hour. Per the tentative agreement with the University and the Hospital, the District’s financial commitment toward the service will be zero dollars.

**ADVANTAGES/DISADVANTAGES:**

The advantage of entering into an agreement with the University and the Hospital is that the District is able to provide commuter express bus service across the Dumbarton Bridge for some residents in the service area to a major employment and traffic generator. The District would pay none of the cost to provide the service due to financial contributions from MTC, the University and the Hospital.

The term and the escalation of the agreements still need to be finalized and could result in some financial exposure for the District should operating costs increase.

**ALTERNATIVES ANALYSIS:**

Since the District is not responsible for any cost of the service, there are no alternatives to provide the service that are more advantageous to the District. However, as stated above, the term and escalation of the agreements must still be finalized. A reasonable and expedited solution would be to enter into three year agreements with each entity instead of six year
agreements. This would allow the District to renegotiate contributions with both entities prior to expiration of the agreements and prior to any significant operating cost increases.

PRIOR RELEVANT BOARD ACTION/POLICIES:
SR 17-232 – Transit Service Agreement between AC Transit and Stanford University

ATTACHMENTS:
None

Approved by: Ramakrishna Pochiraju, Executive Director of Planning and Engineering
Reviewed by: Robert del Rosario, Director of Service Development and Planning
Prepared by: Howard Der, Dumbarton Express Administrator