



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Ristow
Jim Shannon

SUBJECT: East San José Microtransit
Pilot

DATE: March 30, 2026

Approved

Date:

4/8/26

COUNCIL DISTRICTS: 5, 7, 8

RECOMMENDATION

- (a) Adopt a resolution authorizing the City Manager or her designee to negotiate and execute a contract retroactive from March 25, 2026, with Nomad Transit, LLC for the design, development, and operation of a microtransit service in East San José, in an amount not to exceed \$3,366,000.
- (b) Adopt the following 2025-2026 Funding Source Resolution and Appropriation Ordinance amendments in the Construction Excise Tax Fund:
 - (1) Increase the estimate for Revenue from Local Agencies by \$191,000;
 - (2) Establish the East San José Microtransit appropriation to the Department of Transportation in the amount of \$331,000; and
 - (3) Decrease the Ending Fund Balance by \$140,000.

SUMMARY AND OUTCOME

Staff is seeking authority to negotiate and execute a contract retroactively with Nomad Transit, LLC (Nomad) (a wholly owned subsidiary of Via Transportation) to work with the City and community partners to design an on-demand, technology-enabled microtransit service (Pa'Lante) in East San José and operate that service on behalf the City. The agreement term would be retroactive from March 25, 2026. Pa'Lante will operate a fleet of six battery-electric passenger vans, including two wheelchair-accessible vans. The budget also accounts for two spare electric vehicles to ensure continuous service in case of maintenance or other operational needs. The contract, funded by a grant awarded to the City by the Santa Clara Valley Transportation Authority's (VTA) Measure B Innovative Transit Service Model Cycle 2 program, will not exceed \$3.4 million.

BACKGROUND

An on-demand, community-designed shuttle was one of the top recommendations of the City's Emerging Mobility Action Plan (Plan),¹ adopted in April 2022. When implemented effectively, microtransit could complement public transit and expand options for those who: do not bike or scoot, cannot walk a half mile or more between a bus stop and their destination, or seek to travel to areas not well served by public transit. With adoption of the Plan, staff began to explore the possibility of establishing a microtransit service in San José.

Staff gathered input from community organizations and leaders and lessons learned from other services. Those included Los Angeles' Metro Micro program, which began in 2020, and three VTA-funded microtransit services launched in Milpitas and Morgan Hill in 2022 and Palo Alto in 2023. Staff considered how the microtransit service might complement other grant-funded transportation programs the City has committed to in East San José, including expanding bikeshare to that community and piloting a mobility wallet program for very low-income residents. Community agencies cited that the microtransit service could help seniors living in East San José more easily access needed services within the service area, which is in alignment with the Transportation and Aviation City Service Area desired outcomes to implement "effective and equitable transportation modes that promote a strong economy", and a "safe and secure transportation system that enhances community livability." Further, San José's eastside community leaders saw the microtransit service as a way to close a gap created by the elimination of a planned light rail station in the Ocala neighborhood on the Eastridge to BART light rail extension project. The result was Pa'Lante: a proposed all-electric, on-demand microtransit service in an 11-square-mile area of East San José.

ANALYSIS

The City pursued multiple potential funding sources through grant application submittals at the county, state, and federal levels. One of these submittals required identification of an operating partner, and all submittals benefitted from the level of clarity about services, costs, and operations that resulted from naming a specific partner.

In early 2025, the City submitted a grant application to VTA's Measure B Innovative Transit Services Competitive Grant ("Measure B Grant") entitled "PA'LANTE (Moving Forward): An Innovative, Hyper-Local, Community-Driven Transit Solution for East San José." The proposal named Via Transportation as the City's partner.

The City Council has previously authorized the negotiation and execution of grant agreements with VTA for the expenditure of 2016 Measure B Grant funds. In 2019, the

¹ <https://www.sanjoseca.gov/your-government/departments-offices/transportation/projects-planning/emerging-mobility-action-plan>

City Council adopted Resolution No. 79004, authorizing the City Manager or her designee to negotiate and execute agreements with VTA for the receipt of funds and administration of 2016 VTA Measure B sales tax programs, including the Innovative Transit Service Models program. On September 5, 2025, VTA’s Board of Directors awarded a \$3.5 million grant to the City for Pa’Lante and the City executed an agreement with VTA on March 25, 2026, which governs the allocation of grant funds for Pa’Lante.

The City Council action requested in this memorandum will authorize execution of a contract with Nomad. Nomad offered to upgrade the program’s vehicles from five-seaters to seven-seaters at no extra cost, provided that the City’s vehicles are part of their bulk order and that the agreement is backdated to March 25, 2026. An effective date of March 25, 2026, will also ensure that the Department of Transportation can maintain its schedule to launch the service by the end of the calendar year and maximize the overlap with other East San José grant-funded transportation programs² in the same service area. The microtransit service will operate for 21 months and the pilot will be funded by the \$3.5 million VTA grant and the City’s \$871,721 match. The City’s Transportation Director, or his authorized designees, will manage Pa’Lante, including this subcontractor contract.

Table 1 - Spending Plan by Fiscal Year

Expenses	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029**	Total
Staffing	\$5,000	\$35,649	\$36,200	\$0	\$76,849
Contractor Services (Nomad)	\$186,000	\$1,870,000	\$1,310,000	\$0	\$3,366,000
Other Non-Personal/Equipment*	\$0	\$0	\$10,245	\$0	\$10,245
Staffing (City Match)	\$40,000	\$176,951	\$176,400	\$40,047	\$433,398
Other Non-Personal/Equipment (City Match)	\$100,000	\$190,000	\$140,323	\$8,000	\$438,323
TOTAL	\$331,000	\$2,272,600	\$1,673,168	\$48,047	\$4,324,815
Revenue Reimbursement	\$191,000	\$1,905,649	\$1,356,445	\$0	\$3,453,094

* Other non-personal/equipment costs include electricity, several small contracts with community-based organizations, marketing consultant services, as well as expenses such as translation, interpretation, stipends, and facility rentals.

** The microtransit service will operate for 21 months. Depending on when Pa’Lante launches, the service may conclude at the end of FY 2027-2028 or the beginning of FY 2028-2029.

² East San José grant-funded transportation programs include the Bikeshare on Mayfair project and the East San José Mobility Equity Project, budgeted under the Construction Excise Tax Fund.

Racial Equity Impact Analysis

Approving this agreement would help realize one of the top recommendations of the City's Emerging Mobility Action Plan. That plan, a companion to Move San José³ provides strategic direction on how the City should manage new mobility services and technologies, such as microtransit, to advance the City's transportation, environment, and racial and social equity goals. One of the Plan's top six recommendations was to create community-designed transportation services that complement public transit, such as Pa'Lante.

Climate Smart San José Analysis

This contract will expand affordable, sustainable mobility choices other than single-occupancy, gas-powered vehicles in San José. Pa'Lante will close first/last mile gaps in public service and enhance the ability of residents to get to key destinations within the service area without needing to drive a single-occupancy vehicle. All Pa'Lante's vehicles will be fully electric. The City also intends to hire Pa'Lante's drivers from the service area, creating local jobs.

EVALUATION AND FOLLOW-UP

The Administration will report on Pa'Lante's progress in its regular updates to the Transportation and Environment Committee.

FISCAL IMPACTS

The total cost for the East San José Microtransit pilot project is anticipated to be \$4.3 million. The microtransit services will be provided for 21 months and the pilot will conclude during FY 2028-2029. The project will be funded by a VTA Measure B grant agreement, which was signed and executed on March 25, 2026, in the amount of \$3.5 million and has a City match of \$871,721. All costs will be funded upfront in the Construction Excise Tax Fund and then reimbursed accordingly from the VTA grant.

A majority of the grant will be used to fund a multi-year agreement with Nomad, in the amount of \$3.4 million, to design and operate a microtransit service. Additional project costs include City staff time and non-personal/equipment costs related to community engagement and grant administration.

Included in this memorandum are recommendations to establish the East San José Microtransit appropriation in the amount of \$331,000 for costs anticipated for the

³ <https://www.sanjoseca.gov/your-government/departments-offices/transportation/projects-planning/move-san-jos>

remainder of 2025-2026, offset by grant revenues of \$191,000 and a local match within the Construction Excise Tax Fund of \$140,000. Recommendations will be included in future budget processes in subsequent years to recognize the grant revenue and remaining project costs into 2028-2029.

At this time, there are no anticipated operating and maintenance costs associated with this project. If no additional outside funding is secured to extend the service beyond the grant period, the program will conclude with the termination of this grant.

BUDGET REFERENCE

Fund #	Appn. #	Appropriation Name	Current Total Appropriation	Contract Amount	Recommended Budget Action	2025-2027 Adopted Biennial Capital Budget Page	Last Budget Action (Date, Ord. No.)
465	R090	Revenue from Local Agencies	\$11,743,056	N/A	\$191,000	869	10/21/2025 25-356
465	NEW	East San José Microtransit	N/A	\$186,000	\$331,000	N/A	N/A
465	8999	Ending Fund Balance	\$206,950	N/A	(\$140,000)	893	2/10/2026 31308

COORDINATION

This memorandum has been coordinated with the City Attorney's Office and the Planning, Building, and Code Enforcement Department.

PUBLIC OUTREACH

This memorandum will be posted on the City Council Agenda website for the April 21, 2026 City Council meeting.

BOARD, COMMISSION, COMMITTEE RECOMMENDATION AND INPUT

No board, commission, or committee recommendation or input is associated with this action.


CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.


PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
JOHN RISTOW
Director, Department of Transportation


JIM SHANNON
Budget Director

I hereby certify that there will be available for appropriation in the Construction Excise Tax Fund in the Fiscal Year 2025-2026 moneys in excess of those heretofore appropriated wherefrom, said excess being at least \$191,000.


JIM SHANNON
Budget Director

For questions, please contact Laura Stuchinsky, Associate Transportation Specialist, Emerging Mobility Program Lead, Department of Transportation, at Laura.Stuchinsky@sanjoseca.gov.