CITY OF

NEWPORT BEACH

City Council Staff Report

November 18, 2025
Agenda Item No. 7

TO:	HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
FROM:	David A. Webb, Public Works Director - 949-644-3311, dawebb@newportbeachca.gov
PREPARED BY:	Kevin Riley, Acting City Traffic Engineer - 949-644-3329, kriley@newportbeachca.gov
TITLE:	Approval of Purchase Agreement with Model 1 Commercial Vehicles, Inc. for Six New Trolley Vehicles for the Balboa Island/Corona del Mar Local Area Transit Service

ABSTRACT:

Staff requests the City Council's approval of a purchase agreement with Model 1 Commercial Vehicles, Inc. DBA Creative Bus Sales, Inc. (Model 1) of Indianapolis, Indiana, for six new trolley vehicles. At the City Council's May 13, 2025, Study Session, the City Council approved the expansion of the city trolley program, referred to as the Balboa Island/Corona del Mar Local Area Transit Service. Building on the success of the Balboa Peninsula Trolley, the City of Newport Beach (City) applied and successfully secured Measure M2 Project V funding in the amount of $2,624,060 from the Orange County Transportation Authority (OCTA) that will be used to purchase the necessary trolleys and run the expanded summer trolley service from 2027 to 2031.

RECOMMENDATIONS:

a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;

b) Approve Budget Amendment No. 26-039 to appropriate $2,624,060 in new revenue and expenditures from OCTA to Account Nos. 1230053-431150-26T14 and 1230053-980000-26T14, respectively, and to appropriate $1,012,521.14 in additional expenditures to Account No. 01201938-980000-26T14, funded by the General Fund Capital Improvement Program reserves and the Equipment Maintenance Internal Service Fund reserves; and

c) Approve a Purchase Agreement with Model 1 Commercial Vehicles, Inc. DBA Creative Bus Sales, Inc. for a total not-to-exceed amount of $2,321,340.24, for six new trolley vehicles and authorize the Mayor and City Clerk to execute the agreement.

DISCUSSION:

In November 2024, OCTA released a call for projects for City-run Local Transit Circulators and the City submitted an application for a Balboa Island/Corona del Mar local microtransit program (on-demand service). At that time, the City was in the middle of preparing a Mobility Study to look at how best to provide local circulating service in the Balboa Island/Corona del Mar area. During the process of the study, the City Council Ad-Hoc Transit, Transportation, Parking and Mobility Committee (Committee) provided review, discussion and guidance. The Committee's guidance resulted in expanding alternatives beyond microtransit, and ultimately a traditional fixed-route trolley circulator service similar to the Balboa Peninsula Trolley was determined to be the best option to meet the study area's mobility needs. The City Council approved the expansion of the trolley program, referred to as the Balboa Island/Corona del Mar Local Area Transit Service, at the May 13, 2025, City Council Study Session.

Staff then replaced the previous microtransit OCTA application with a revised grant application for a traditional fixed-route service. The City Council approved the supporting Resolution No. 2025-56 for the grant submittal at the September 9, 2025, meeting. The OCTA Board then approved the City's Project V application for $2,624,060 of grant funding at their October 27,2025, meeting. The grant funds support marketing ($18,000), capital ($1,620,000) and operating ($986,060). The City's match rate for the grant is a minimum of 10%.

Pursuant to OCTA's Measure M2 guidelines and the City's procurement policy, the City issued a request for bids, which closed on October 27, 2025, and received one bid from Model 1 Commercial Vehicles, Inc. DBA Creative Bus Sales, Inc. (Model 1) to provide six new trolleys manufactured by Hometown. Please note that the manufacturer of trolley vehicles, Hometown Manufacturing (Hometown), is the same manufacturer as the trolleys that currently serve the Balboa Peninsula Trolley program.

Model 1's total proposed not-to-exceed cost of $2,321,340.24 is broken into the following capital cost components:

- The purchase cost, including delivery, of six new Hometown Villager 178 CNG vehicles with all specified trolley upgrades/options;
- 25% deposit paid to Model 1 at the time of vehicle purchase (City will seek reimbursement of OCTA Project V funds in second year of the grant);
- Financing spread over the third to the seventh year of the total seven-year grant period;
- Faithful performance bond for covering the balance due for trolley purchase;
- Sales tax of 7.75%;
- DMV documentation fees;
- Tire recycling fees.

The City intends to commence with the purchase of the six new trolley vehicles upon approval of the purchase agreement. The anticipated delivery is March 2027, due to an anticipated long lead time (12-14 months) to manufacture the trolley vehicles, which is in time for the commencement of the newly expanded operation in Summer 2027. The City will increase its operation to a total of 11 trolley vehicles with this purchase.

FISCAL IMPACT:

Pursuant to OCTA guidelines, the City formally solicited competitive quotes for a total of six trolleys as part of this expansion program. The total cost for the purchase of the six trolleys, including a faithful performance bond, is $2,321,340.24. The City will pay a 25% deposit of $571,333.56 and a faithful performance bond of $36,000 to Model 1 before the end of calendar year 2025. The remaining balance will be due upon delivery, which is anticipated in the spring of 2027. The City plans to finance the balance due at a competitive rate secured upon receipt of the trolleys. The capital lease financing will be presented to the City Council for consideration in approximately 12 to 18 months.

The OCTA grant requires a 10% local match. However, the cost of the trolleys is approximately $701,000 higher than originally anticipated. As a result, the City's match for the purchase of the trolleys is approximately 36%. The City intends to seek additional grant funding from OCTA to offset a portion of these additional costs. Nevertheless, the budget amendment includes sufficient funding should OCTA not increase the amount of capital funding beyond the original grant award.

The budget amendment also includes funding for the operating portion of the grant, which assumes a 10% local match.

The following table summarizes the funding for the capital purchase of the trolleys (including an estimated $200,000 in interest expense associated with the capital lease) and operations:

	Grant Funded	City Portion	Total
Capital	1,620,000.00	900,959.14	2,520,959.14
Operating	986,060.00	109,562.00	1,095,622.00
Marketing	18,000.00	2,000.00	20,000.00
	2,624,060.00	1,012,521.14	3,636,581.14

The budget amendment includes funding from the OCTA grant. The City's portion of the project is funded by the General Fund Capital Improvement Program reserves and the Equipment Maintenance Internal Service Fund reserves.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

Attachment A – Budget Amendment No. 26-039
Attachment B – Purchase Agreement