



**November 13, 2024**

**To:** Finance and Administration Committee  
**From:** Darrell E. Johnson, Chief Executive Officer  
**Subject:** Amendment to Fare Policy

A handwritten signature in blue ink, appearing to read "Darrell E. Johnson", with the word "For" written in smaller letters above the signature.

**Overview**

The Orange County Transportation Authority is modernizing its fare collection system, with the new Rider Validation System anticipated to be implemented in summer 2025. The new system will enhance customer convenience, improve fare validation, and provide greater flexibility for introducing new fare products. Staff is recommending amendments to the existing fare policy to incorporate daily and monthly fare caps as well as a free transfer period. The recommended changes promote fare equity and streamline payment options for riders.

**Recommendations**

- A. Approve the implementation of daily and monthly fare caps at the current cost of passes, which is \$5 for the day pass and \$69 for the monthly pass.
- B. Approve the implementation of a free two-hour transfer period.
- C. Approve Orange County Transportation Authority's Schedule of Tariffs dated November 25, 2024.

**Background**

The Orange County Transportation Authority (OCTA) has been working towards modernizing the way in which it collects passenger fares. In 2018, OCTA installed onboard mobile ticketing validators across its fixed-route fleet, allowing for mobile ticketing validation. This initial investment laid the foundation for the development of the Rider Validation System (RVS), which aims to provide better customer fare payment experience, enhance rider validation, and offer greater flexibility in fare policy.

On October 24, 2023, the Board of Directors approved the RVS project by awarding a contract to INIT Innovations in Transportation, Inc. for the design and implementation of the RVS. Currently, OCTA is in the process of finalizing the design of the RVS, with the goal of implementing the system in summer 2025. As part of this process, staff has also reviewed the fare policy and is making recommendations to ensure that riders pay the best and lowest possible fare and ensuring fare equity.

***Discussion***

The implementation of the RVS offers significant improvements to OCTA's fare collection system. One of the most important features is the flexibility in fare policy. One of the more popular fare policy options utilized by modern fare collection systems is fare capping. Fare capping ensures that riders only pay for the trips they take, with daily and monthly fare limits that automatically apply once usage thresholds are met.

**Benefits to Rider of Implementing Fare Capping**

Fare capping is a passenger-focused fare system designed to ease the financial burden of up-front monthly pass purchases. With fare capping, passengers pay for individual trips (OCTA's regular fare is \$2) until they reach a daily or monthly cap. OCTA is recommending utilizing the existing daily and monthly pass amounts as caps, so this would translate to a \$5 daily cap and a \$69 monthly cap for regular fare riders. Once these caps are reached, all additional trips within the period are free, ensuring that no rider pays more than the cost of a pass and no rider is required to pay the upfront cost of a pass. This is especially beneficial for low-income riders who may not have the funds to purchase monthly passes in advance or cannot commit to regular travel. It also accommodates unbanked riders, who often face challenges with digital fare systems. By allowing riders to pay as they go, fare capping ensures equitable access to the best fare prices, removing the disadvantage faced by those who cannot afford up-front costs. This approach aligns OCTA with other transit agencies like the San Diego Metropolitan Transit System and Los Angeles Metro in promoting fare equity and financial accessibility.

- **Current fare system:** OCTA's current fare system requires riders to purchase paper passes with magnetic strip or mobile tickets, offering options such as single fares, day passes, and 30-day rolling passes. Riders must purchase these passes in advance, which can be inconvenient for low-income and infrequent riders who may not know how often they will travel or cannot afford the up-front \$69 cost of a monthly pass.

- Proposed future system with fare capping: Under the new system, riders will pay per trip until they reach a set daily or monthly fare cap, ensuring they always receive the best and lowest fare without the need to purchase a pass in advance. This approach reduces financial barriers for those who may not be able to afford a monthly pass upfront or are uncertain about how frequently they will travel. In addition, the new fare system, known as RVS, automatically calculates the fare and applies the cap once it is reached, allowing riders to enjoy unlimited free trips for the remainder of the day or month.

#### Benefits to Rider of Implementing a Two-Hour Free Transfer

It is anticipated that implementing a two-hour free transfer period for riders will improve affordability for riders by allowing them to make multiple stops within two hours without being charged additional rides thereby reducing their overall travel costs. It is also anticipated that a flexible transfer policy will make public transit more attractive to riders thereby potentially increasing daily boardings.

#### Revenue Impact of Fare Capping and Two-Hour Free Transfer

The introduction of fare capping and a two-hour transfer will impact fare revenue by allowing riders to make multiple trips without additional cost once thresholds are met. It is anticipated that there will be a reduction in annual fare revenue primarily due to the implementation of a fare cap on the 30-day pass and the implementation of the two-hour free transfer. This is due to some riders underutilizing the 30-day pass based on the monthly cost of \$69 and it is anticipated that some riders will no longer reach the daily fare cap of \$5 due to the two-hour free transfer. The anticipated annual reduction in fare revenue will be \$2 million, which represents 8.7 percent of current fare revenue. This reduction would not impact OCTA's ability to deliver the current level of bus service.

#### Accessibility for Unbanked and Underbanked Riders

OCTA is committed to ensuring that the RVS is accessible to all riders, including unbanked and underbanked. The term "underbanked" refers to individuals who may have a bank account but still depend on non-traditional financial services for their needs. To accommodate riders without full access to traditional banking, OCTA will allow them to add cash to their smart cards or mobile accounts at select retail locations or directly at the OCTA store. This ensures that all riders, regardless of their banking status, can benefit from the recommended changes to the fare policy.

***Summary***

Staff recommends the Board of Directors authorize the Chief Executive Officer to implement daily and monthly fare caps at the current cost of passes and a free two-hour transfer period for the Orange County Transportation Authority's fixed-route bus system. In addition, staff is recommending the Board of Directors approve the Orange County Transportation Authority's Schedule of Tariffs dated November 25, 2024, for the updated fare policy for the Orange County Transportation Authority's fixed-route bus system.

***Attachments***

- A. Orange County Transportation Authority Schedule of Tariffs, Effective July 9, 2025, Red-Lined Version
- B. Orange County Transportation Authority Schedule of Tariffs, Effective July 9, 2025

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