



**March 22, 2017**

**To:** Finance and Administration Committee  
**From:** Darrell Johnson, Chief Executive Officer  
**Subject:** Update on the Day Pass Promotion

**Overview**

The Board of Directors approved a six-month promotional reduction in the price of the day pass in order to support ongoing efforts to improve ridership on the fixed-route bus system. As the six months nears an end, staff has evaluated the initiative and determined it has not met its objective of attracting new riders and it also has resulted in significant impacts on fare revenue. It is recommended that the promotion be discontinued at the end of the promotional period on April 9, 2017.

**Recommendation**

Direct staff to end the promotional reduction in the price of the day pass on April 9, 2017, and return with options to utilize remaining Low Carbon Transit Operations Program funds.

**Background**

The Board of Directors (Board) approved a six-month promotional reduction in the price of the day pass on August 10, 2016, in order to support ongoing efforts to improve ridership on the fixed-route system. The price of the day pass was reduced from \$5.00 to \$4.00 effective with the October 9, 2016, service change. Based on results from a fare study completed in May 2016, the objective was to increase ridership by 600,000 boardings during the promotional period. The fare study also estimated that, due to the \$1.00 decrease in the price of the day pass, fare revenue from the day pass would decrease by \$1,100,000 during the promotional period. The Board approved the use of Low Carbon Transit Operations Program (LCTOP) funds to backfill the estimated loss in fare revenue during the promotional period. The promotional period is scheduled to end on April 9, 2017.

**Discussion**

Staff evaluated the impact of the promotion by comparing ridership during the promotional period from October 9, 2016 through February 28, 2017, to

ridership from the prior year period of October 2015 through February 2016. The prior year period was used as a basis for comparison to eliminate the impacts of seasonality in the ridership data. Ridership was compared using average weekday, Saturday, and Sunday boardings to normalize the data. Rain days were also excluded from the data to further ensure an equal comparison between the two periods.

#### Impact to Day Pass Ridership and Fare Revenue

The promotion has had a positive impact on day-pass ridership, however the overall goal of attracting new riders to the system has not been achieved. Sales of day passes increased by 10.3 percent, and average ridership for day-pass users remained relatively flat for weekday, Saturday, and Sunday ridership during the promotional period. Day-pass ridership was flat despite decreases in fixed-route ridership when compared to the same period last year. The average change in day-pass ridership between the two periods ranged from a drop of 0.5 percent to a rise of 0.5 percent, while systemwide fixed-route ridership fell between 6.5 percent and 8.6 percent.

#### Day Pass Ridership

Average	Promotional Period	Oct. 2015 - Feb 2016	Percent Change	Fixed-Route Ridership
Weekday	27,816	27,947	-0.5%	-6.5%
Saturday	16,789	16,759	0.2%	-8.6%
Sunday	12,460	12,397	0.5%	-8.2%

\* Data for the promotional period is from October 9, 2016 - February 28, 2017

Based on day-pass sales through February 2017, it is estimated that approximately \$1,179,956 in LCTOP funds will be used to backfill fare revenue in support of the promotional day-pass program.

#### Impact to Systemwide Fixed-Route Ridership and Fare Revenue

An analysis of the data has found that despite the day-pass sales remaining flat during the promotional period, ridership for full-fare boardings has dropped substantially, far exceeding the average systemwide declines. This indicates that rather than fulfilling the objective of attracting new riders, the promotion has likely shifted existing riders from paying the full fare to purchasing the discounted day pass.

The chart below shows average ridership for weekday, Saturday, and Sunday for full fare, with the promotional period highlighted in gray.

**Full Fare Average Ridership**

Month/Year	Weekday	Saturday	Sunday
October 2015	23,361	13,147	10,087
November 2015	22,191	12,554	9,044
December 2015	20,314	12,015	8,456
January 2016	20,634	11,607	8,831
February 2016	21,710	12,441	9,671
March 2016	21,510	12,107	8,610
April 2016	21,144	12,269	9,295
May 2016	21,014	11,719	8,876
June 2016	19,668	11,643	8,883
July 2016	19,197	12,562	9,466
August 2016	19,960	12,732	9,984
September 2016	21,198	11,641	8,661
October 2016	18,816	10,917	8,486
November 2016	17,140	9,799	6,583
December 2016	15,931	8,634	6,516
January 2017	15,077	8,482	6,463
February 2017	16,195	8,334	6,532

Ridership for full-fare users has decreased between 23.2 percent and 25.3 percent for the weekday, Saturday, and Sunday full-fare riders when compared to the prior period last year.

**Full Fare Ridership**

Average	Promotional Period	Oct. 2015 - Feb 2016	Percent Change	Fixed-Route Ridership
Weekday	16,632	21,642	-23.2%	-6.5%
Saturday	9,233	12,353	-25.3%	-8.6%
Sunday	6,916	9,218	-25.0%	-8.2%

\* Data for the promotional period is from October 9, 2016 - February 28, 2017

Decreases in full-fare ridership have caused an additional concern in that the migration away from the full fare to the day pass has significantly reduced the systemwide average fare revenue per boarding for the fixed-route system. The average fare revenue per boarding has decreased 4.9 percent from \$1.03 in September 2016 (the month prior to the promotion) to \$0.98 in February 2017. Since a full-fare boarding has the highest average fare revenue per boarding, any substantial reduction in full-fare boardings can greatly impact the average fare revenue per boarding for the system. In the case of a rider migrating from the full fare to a day pass, the average fare revenue per boarding for a full-fare rider is \$2.00; however, the average fare revenue per boarding for a day-pass rider is approximately \$1.25. As a result, on average the Orange County Transportation Authority (OCTA) is receiving approximately \$0.75 less per boarding from a rider that has migrated from the full fare to a day pass. In the

case of a rider that used to pay for a transfer during a trip and is now using a day pass, OCTA is losing the entire full fare of \$2.00 for the transfer.

Based on the reduction in systemwide average fare revenue per boarding, the estimated impact to future revenue from decreases in full-fare ridership is approximately \$1.9 million per year, which would be a 4.2 percent decrease in fixed-route fare revenue. This decline would worsen the multi-year decline in fare revenue that OCTA is currently experiencing. Utilizing LCTOP funds to backfill a fare reduction for existing riders is not possible because it fails to meet one of the program's criteria which is a reduction of greenhouse gas emissions by removing vehicles from the road. As previously noted, the promotional day-pass reduction has resulted in shifting existing riders from one fare media to another and does not appear to have attracted new riders. Continuing to offer the day pass at a reduced price would further impact declining funding necessary to operate overall fixed-route service, as well as OCTA's ability to meet the state-mandated 20 percent farebox recovery requirement.

Because the promotion has failed to meet its objective of increasing ridership, and has negatively impacted fare revenue that cannot be backfilled using LCTOP funding, staff recommends allowing the day-pass promotion to end effective April 9, 2017. It is estimated that after funding the day-pass promotion, approximately \$3.3 million in LCTOP funds will be available for future efforts to improve ridership. Based on Board direction, staff would return with recommendations for future use of the remaining LCTOP funds. Staff will evaluate additional opportunities to use the funds, and future considerations could include targeted fare reductions for colleges and universities and/or expansion of service.

### ***Summary***

The Board approved a six-month promotional reduction in the price of the day pass in order to support ongoing efforts to improve ridership on the fixed-route system. Though the promotion has helped average weekday, Saturday, and Sunday day-pass ridership, it failed to meet the goal of increasing overall ridership, and the system continues to experience a drop in boardings. The data indicates that the promotion shifted existing riders from paying full fare to purchasing the discounted day pass, which has negatively impacted fare revenue and the financial condition of the bus system. As a result, staff recommends allowing the day pass promotion to end on April 9, 2017, and that staff return to the Board with additional opportunities for use of the LCTOP funds.

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***Attachment***

None.

**Prepared by:**

A handwritten signature in black ink, appearing to read 'Sean Murdock', with a stylized, sweeping flourish at the end.

Sean Murdock  
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**Approved by:**

A handwritten signature in blue ink, appearing to read 'Andrew Oftelie', with a stylized, flowing script.

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