

North County Transit District

FY 2022–2024 Triennial Performance Audit Report

Prepared for: San Diego Association of Governments

Report Date: August 17, 2025



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Executive Summary

In the State of California, recipients of Transportation Development Act (TDA) funds are required to undergo an independent triennial performance audit to remain eligible for continued funding, as mandated by California Public Utilities Code (PUC) Section 99246. As the designated Regional Transportation Planning Agency (RTPA) for San Diego County, the San Diego Association of Governments (SANDAG) is responsible for ensuring that required audits of TDA recipients are conducted in accordance with state requirements.

To fulfill this requirement, SANDAG engaged Weaver and Tidwell, LLP, along with its subcontractor the Goodman Corporation, LLP, to conduct the Triennial Performance Audit for Fiscal Years (FY) 2022, 2023, and 2024. This report presents the results of the audit covering the period from July 1, 2021, through June 30, 2024. The audit includes an evaluation of the North County Transit District (NCTD), one of the region's primary transit operators and a direct recipient of TDA funding, which supports its fixed-route bus, commuter rail, light rail, and paratransit services in North San Diego County.

Through this triennial performance audit of NCTD, the following was evaluated:

1. NCTD's compliance with the TDA and related sections of the California Administrative Code, including the California Public Utilities Code (PUC) and California Code of Regulations (CCR)
2. NCTD's status and progress of implementing prior performance audit recommendations
3. NCTD's TDA-related functional areas
4. NCTD's efficiency and effectiveness through verification and use of performance indicators

1. Compliance with TDA Requirements

NCTD is not in compliance with **two** of the nine applicable requirements outlined in the PUC California Code of Regulations (CCR), and the Caltrans Performance Audit Guidebook. NCTD did not submit executed contracts with its annual TDA claims as required by Item #14 of SANDAG's TDA Claim Checklist, which is part of the RTPA's implementation of PUC § 99261.

Additionally, while NCTD has developed and begun implementing a plan to fully fund its retirement system within the required 40-year period, the plan had not been submitted to or approved by SANDAG, as required under PUC § 99271. Recommendations have been provided to address each of these compliance gaps and support alignment with applicable statutory and regulatory requirements.

One observation related to PUC § 99245 was identified regarding the lack of clarity in how the required TDA compliance statement is reflected in NCTD's annual fiscal and compliance audit reports. A recommendation has been provided to enhance clarity in future annual reports.

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2. Prior Audit Recommendation Implementation

NCTD has **partially implemented** the one recommendation from the prior Triennial Performance Audit (FY2019-2021). While NCTD began reporting farebox recovery ratios in its FY2022 Annual Comprehensive Financial Report (ACFR) consistent with submissions to the State Controller's Office, NCTD has not fully addressed the broader intent of the recommendation, which called for improved alignment across reporting frameworks and coordination with SANDAG. Further action is needed to ensure consistency, comparability, and regional alignment in farebox recovery reporting.

3. Functional Review

No findings or recommendations have been identified. NCTD demonstrated a strong understanding of its operational environment and strategic priorities, particularly in response to post-pandemic ridership trends, labor market challenges, and shifting regional goals. The agency has made notable progress in insourcing key functions to enhance oversight and operational control while also implementing targeted service adjustments to improve efficiency and responsiveness to customer needs.

4. Performance Indicators

No findings or recommendations have been identified. During the audit period, NCTD experienced mixed but generally positive trends in its services and performance for riders. Recovering from the COVID-19 pandemic, NCTD has shown systemwide signs of recovery with an increase in passengers over the audit period. Vehicle service hours and service miles have decreased since the prior triennial audit period; however, those trends are slowly recovering as NCTD strategically expands and restores services to service areas scaled back during the pandemic. The number of full-time employees also decreased during the audit period; however, discussions with NCTD leadership revealed that this reduction was intentional, aimed at improving efficiency and oversight of personnel. Throughout this period, NCTD has faced operational, financial, and safety challenges but has taken proactive steps to address them, including transitioning from third-party contracts to in-house operations to improve performance in each area.

Subsequent Events

During the performance of the Triennial Performance Audit, NCTD brought bus operations and maintenance of these services in-house, effective June 29, 2025. This initiative was intended to enhance customer and employee experience and improve operational efficiencies through the direct management of operations. While this did not impact the performance audit being reported, this initiative will have a significant impact on the next triennial review.

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Introduction

As a recipient of Transportation Development Act (TDA) funds, the North County Transit District (NCTD) is required under the TDA of 1971 to undergo an independent Triennial Performance Audit. California Public Utilities Code (PUC) Section 99246 mandates this audit to be performed in order for transit operators to remain eligible for continued funding. To fulfill this requirement, SANDAG engaged Weaver and Tidwell, LLP, and its subcontractor The Goodman Corporation, LLP to conduct the audit for Fiscal Years (FY) 2022, 2023, and 2024. The enclosed report presents the state-mandated performance audit of NCTD for the period from July 1, 2021, through June 30, 2024. These requirements of the operators and approach required to assess these requirements are further outlined by the California Department of Transportation (Caltrans), the administrator of TDA funds, in its *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The purpose of the Triennial Performance Audit is to evaluate NCTD's compliance with applicable provisions of the TDA and related regulations, and to assess the efficiency and effectiveness of its operations as a public transit operator. The audit identifies key strengths, areas for improvement, and opportunities to enhance service delivery, financial performance, and overall organizational effectiveness. This process supports ongoing funding eligibility while promoting transparency, accountability, and continuous improvement in the provision of public transportation services.

The following objectives were performed:

- Assessment of NCTD's Compliance with the Transportation Development Act and related sections of the California Administrative Code, including the California Public Utilities Code (PUC) and California Code of Regulations (CCR). **(Task 1)**
- Follow-Up Review of Prior Performance Audit Recommendations and assess NCTD's implementation of audit recommendations. **(Task 2)**
- Initial and Detailed Review of NCTD's TDA-related Functions, consistent with the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities* **(Task 3)**.
- Verification and Use of Performance Indicators to assess NCTD's efficiency and effectiveness of its activities **(Task 4)**.

To fulfill these objectives, our approach included interviews with relevant staff, a review of documents provided by NCTD as well as publicly available materials, and analysis of relevant data. The methodology is further detailed in each section, reflecting differences in approach based on the specific objective.

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Overview

The North County Transit District (NCTD), established in 1975 through California Senate Bill No. 802, is a public transportation agency serving North San Diego County. NCTD operates a multimodal transit system that includes the COASTER commuter rail, SPRINTER hybrid rail, BREEZE bus services, FLEX demand-response, LIFT ADA paratransit and NCTD+ microtransit services. Collectively, these modal services facilitate approximately 9 million passenger trips annually, connecting the communities of Oceanside, Vista, Carlsbad, Encinitas, Solana Beach, Del Mar, San Marcos, Escondido and the City of San Diego as well as portions of the unincorporated areas within San Diego County. NCTD's services include:

- **COASTER Commuter Rail:** The COASTER commuter train runs north and south through San Diego County, serving eight stations between Oceanside and downtown San Diego. COASTER service provides thirty (30) daily trips Monday through Friday with an additional two (2) on Fridays, and twenty (20) daily Saturday and Sunday trips year-round.
- **SPRINTER Hybrid Rail:** The SPRINTER hybrid rail spans 22-miles and connects Oceanside, Vista, San Marcos, and Escondido, serving 15 stations along the Highway 78 corridor. The SPRINTER runs every 30 minutes in each direction Monday through Friday, from approximately 4 a.m. to 9 p.m., with Friday and Saturday trains running later. Saturday, Sunday, and holiday trains operate every 30 minutes between 10 a.m. and 6 p.m. and hourly before 10 a.m. and after 6 p.m.
- **BREEZE Bus System:** The BREEZE bus spans 1,020 square miles in North County San Diego, serving more than 1,600 bus stops over 30 different routes. There are 152 buses in this fleet, including 130 Compressed Natural Gas (CNG) buses, 6 battery electric buses (BEB), 12 fuel cell electric buses (FCEB) and 9 Diesel buses.
- **FLEX On-Demand:** The FLEX bus offers two service types: deviated fixed route and point-deviated fixed-route. The deviated fixed-route follows a set schedule but can travel up to $\frac{3}{4}$ mile off-route for pickups or drop-offs. The point-deviated fixed route also runs on a schedule but only deviates to specific points. FLEX 371 operates as a point-deviated fixed-route between Escondido and Ramona, serving designated areas along the way. FLEX 392 and 395 offer deviated fixed-route service within Camp Pendleton. Reservations are required for trips that do not start or end at a designated stop. Additionally, NCTD operates the COASTER Connection service in the Sorrento Valley area, providing connectivity from the Sorrento Valley COASTER station to major employment centers, University of California, San Diego, and healthcare facilities.

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- **LIFT Paratransit:** LIFT service is available during the same hours and days of operation including holidays as NCTD's BREEZE bus and SPRINTER rail system. LIFT is provided to areas that are within $\frac{3}{4}$ of a mile of an NCTD BREEZE bus route and/or SPRINTER rail station. A LIFT reservationist will advise customers when requested origins and destinations fall outside the NCTD paratransit service area.
- **NCTD + Microtransit:** NCTD+ is NCTD's new on-demand microtransit mode that was introduced on June 10, 2024. Microtransit is one of several mobility solutions included in a category frequently referenced in the San Diego region as "Flexible Fleets." Microtransit utilizes smaller capacity buses and vans to provide on-demand trips within defined service zones. On-demand trips are scheduled through a mobile application or via telephone with typical wait times of less than 20 minutes. All trips must start and end within the same service zone.

NCTD's Board of Directors is composed of elected officials representing the incorporated cities within the district and the County of San Diego. Specifically:

- One representative from each of the following cities: Carlsbad, Del Mar, Encinitas, Escondido, Oceanside, San Marcos, Solana Beach, and Vista.
- One representative from the San Diego County Board of Supervisors, specifically from the Fifth District.
- One non-voting representative from the City of San Diego.
- Each city council and the San Diego County Board of Supervisors appoint their respective representatives to the NCTD Board.
- Alternates may also be appointed to serve in the absence of primary members.

During the audit review period NCTD contracted with MV Transportation for operation and maintenance of its bus services: BREEZE fixed-route buses, FLEX on-demand services, and LIFT paratransit services. Additionally, ADARide provides eligibility and certification services for LIFT customers.

For rail services, NCTD brought the operations and maintenance of its COASTER commuter rail and SPRINTER hybrid rail services under direct management, completing the insourcing process in 2022. In 2023, right of way maintenance for track and signal, as well as facilities, maintenance were also brought in-house. To help support its rail maintenance functions, NCTD maintains agreements with Siemens Mobility to provide parts and materials management services via Technical Support and Materials Management Agreements (TSMMA) for SPRINTER and COASTER vehicles.

Section I: Task 1 - Review of Compliance Requirements

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Task 1 – Review of Compliance Requirements

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Executive Summary

The purpose of the Transportation Development Compliance Review was to validate North County Transit System's (NCTD) compliance with the State of California's Transportation Development Act (TDA), as well as relevant sections of California's Public Utilities Code and the California Code of Regulations, as outlined in the California Department of Transportation (Caltrans) *Performance Audit Guidance for Transit Operators and Regional Transportation Planning Entities*. Caltrans, as the administrator of TDA funds, requires NCTD to comply with all applicable requirements as a TDA claimant.

Based on the procedures performed, we validated that NCTD fully achieved compliance with seven of the nine applicable California state regulations as prescribed by the TDA. The procedures performed determined that two provisions were not fully met:

- **California Public Utilities Code § 99261 as implemented by SANDAG's TDA Claim Manual:** Requires claimants to submit TDA claim forms in compliance with RTPA's rules and regulations.
- **California Public Utilities Code § 99271:** Requires the current cost of the operator's retirement system to be fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPA-approved plan to fully fund the retirement system within 40 years.

Additionally, one observation related to the below provision was identified:

California Public Utilities Code § 99245: Requires claimants to submit certified annual fiscal and compliance audits to the RTPA and State that include a certification that the funds allocated to the claimant were expended in conformance with applicable laws and rules and regulations.

1. Approach

The task included identifying and cataloging each compliance requirement as stated within Caltrans' *Performance Audit Guidance for Transit Operators and Regional Transportation Planning Entities* in alignment with relevant sections of California's Public Utilities Commission and California's Code of Regulations.

Each compliance requirement, along with the validation procedure performed, is documented in a compliance matrix which was used to verify achievement by NCTD. The compliance matrix and compliance procedure details are referenced in the **Appendix A**.

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2. Sources of Information

To validate NCTD’s compliance with the applicable statutes, the following sources of information were collected and reviewed:

- Publicly available information on NCTD’s website, at <https://gonctd.com/>,
- Internal policy manuals and memoranda provided by NCTD staff,
- Observed policies and practices in use, where relevant,
- Interviews with NCTD staff.

3. Metrics

To validate compliance, we utilized the following metrics to evaluate and determine whether NCTD is meeting the applicable California statutes:

- **Compliant** – The area is considered “compliant” if audit procedures identified no findings related to the implementation of the statutory requirements.
- **Non-Compliant** – The area is considered “non-compliant” if one or more statutory requirements were not met.
- **Not Applicable** – The area is considered “not applicable” if the underlying activity or condition addressed by the requirement does not exist and, as a result, the requirement does not apply.

Detailed Audit Procedures and Results

TDA, California’s Public Utilities Code, and California Code of Regulations Compliance

Our review verified that NCTD maintained supporting documentation to fulfill **seven** of the nine state regulatory requirements during the triennial review period. We also examined NCTD’s policies and procedures to assess alignment with California’s Public Utilities Code (PUC). Refer to **Appendix A** for further details on compliance procedures.

Results

Based on the procedures performed, we determined that NCTD was **non-compliant** with **two** of the 9 applicable requirements during the FY 2022–FY 2024 audit period. Additionally, **one** observation was identified:

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Task 1 – Review of Compliance Requirements

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Findings

- **Finding 01 – TDA Claim Support:**

NCTD did not provide copies of executed contracts with its TDA claims for FY22, FY23, and FY24, as required by the TDA claim form.

- **Finding 02 – Retirement Plan Approval:**

NCTD is implementing a plan to fully fund its retirement system within 40 years; however, the plan has not been submitted to or approved by SANDAG as required.

Observations

- **Observation 01 - Fiscal Audit and Compliance Reports Certification:**

While NCTD's Single Audit reports for FY22, FY23, and FY24 included the required certification that TDA funds were expended in conformance with applicable laws and regulation, as mandated by PUC § 99245, there is an opportunity to enhance clarity in future reports to ensure clear fulfillment of the requirement.

Summary of Findings

From the procedures performed, we identified **two** areas of non-compliance with the California Public Utilities Code (PUC). The following findings identify the areas of non-compliance and include recommendations for corrective action:

Finding 01 – TDA Claim Support

NCTD did not provide copies of executed contracts with its TDA claims for FY 2022 through FY 2024, despite operating under a contracted service model. This documentation is required to demonstrate eligibility for TDA funding under the established claims process.

Public Utilities Code (PUC) § 99261 requires that claims for TDA funds be submitted in accordance with the rules and regulations established by the RTPA. SANDAG, in its role as RTPA, implements this requirement through its TDA Claim Manual, which includes a TDA Claim Checklist. Item #14 of the checklist specifically requires "copies of executed contracts...for services provided to the operator by a contractor, if the system is operated by a contractor."

Recommendations for Management

We recommend that NCTD ensure all future TDA claim submissions include the required supporting documentation as outlined in SANDAG's TDA Claim Manual and checklist. Specifically, NCTD should include copies of executed contracts for services provided by a third-party, as required by item #14 of the TDA Claim Checklist. NCTD should implement internal procedures to review the checklist in full and verify that all applicable items are addressed prior to submission.

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Task 1 – Review of Compliance Requirements

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Management Response

NCTD has supplemented its FY2025 TDA claim submission to SANDAG with a copy of the MV Transportation contract documents. This was completed on August 14, 2025. Effective June 29, 2025, all NCTD transit services are directly operated, accordingly, this requirement is not applicable to FY2026 and future year claim submissions to SANDAG. In the future, should any NCTD services return to a contracted model, NCTD will submit a copy of the relevant contract documents to SANDAG with the respective TDA Claim(s).

Responsible Party: Eun Park-Lynch, Chief Financial Officer

Implementation Date: August 14, 2025

Finding 02 – Retirement Plan Approval

NCTD has developed and is implementing a plan to fully fund its employee retirement system within the 40-year timeframe required under Public Utilities Code (PUC) § 99271. However, as of the time of review, the plan had not been submitted to or approved by SANDAG.

PUC § 99271 requires that either the retirement system be fully funded or that the operator implement a funding plan that has been approved by the RTPA. While NCTD appears to be on track with its internal implementation, the absence of formal RTPA approval indicates the statutory requirement has not been fully satisfied.

Recommendations for Management

We recommend that NCTD submit its retirement system funding plan to SANDAG for formal review and approval to ensure full compliance with PUC § 99271. The statute requires RTPA approval for any plan intended to fully fund the retirement system within 40 years.

Management Response

NCTD participates in the CalPERS defined benefit pension program. In accordance with CalPERS procedures, employer contribution requirements (normal cost and unfunded accrued liability) are determined by annual actuarial valuations under state law. NCTD will submit the CalPERS annual valuation reports to SANDAG when released by CalPERS annually and will ensure its inclusion in future TDA claim submissions in accordance with PUC § 99271. Further, NCTD is aware that SANDAG is supplementing the claims process via a newly created Retirement Plan Questionnaire which will be required with future claims submissions. NCTD will complete the questionnaire as requested upon implementation by SANDAG.

Responsible Party: Eun Park-Lynch, Chief Financial Officer

Implementation Date: September 2025

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Task 1 – Review of Compliance Requirements

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Summary of Observations

From our procedures, we identified one observation related to PUC § 99245 concerning the lack of clarity in how the required TDA compliance statement is addressed in NCTD’s annual fiscal and compliance audit reports. A recommendation has been provided to enhance clarity in future annual reports.

Observation 01 – Compliance Certification Clarity

PUC § 99245 requires that the TDA claimants' annual fiscal and compliance audit report include a certification that their TDA funds were expended in conformance with applicable laws and regulations. The implementing guidance in 21 California Code of Regulations (CCR) § 6664 allows this certification to be provided in the form of negative assurance if it references the performance by the independent auditor of each task specified in Sections 6666 or 6667.

Based on inquiry, NCTD’s independent external auditors indicate they incorporated TDA compliance procedures into the broader FY 2022, FY 2023, and FY 2024 Single Audits, which covered multiple federal and state funding sources. In each of these reports, TDA is referenced only in the table of contents.

While the reports include a negative assurance statement that appropriately cites the requirements of 21 CCR § 6664, the absence of a direct reference to TDA within the body of the reports creates uncertainty as to whether the PUC § 99245 certification requirement has been fully met. This lack of explicit linkage between the TDA requirement and the related audit work reduces clarity for report users and may lead to confusion regarding compliance with statutory requirements.

Recommendation

We recommend that, when using the Single Audit to address the PUC § 99245 certification requirement, NCTD ensure their auditor clearly identifies relevant TDA regulations within the body of the report to explicitly link the compliance certification, whether in the form of negative assurance or otherwise, to the performance of each task specified in CCR § 6666 or § 6667, as applicable. This will provide transparency, improve clarity for report users, and reduce potential confusion regarding compliance with statutory requirements.

Management Response: NCTD’s external auditors, Eide Bailly, a national firm of Certified Public Accountants with extensive experience auditing California transit agencies, provided the following response:

NCTD’s single audit report includes the independent audit’s report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with Government Auditing Standard and the Transportation Development Act (GAGAS report).

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Section 6664 provides the audit requirements (in accordance with the referenced 99245 requirement) and notes that "the audit report should include a certification..." but that the certification "may take the form of negative assurance, if it makes reference to the performance by the independent auditor of each of the tasks specified in Section 6666 or 6667." NCTD's "Report on Compliance and Other Matters" portion of the GAGAS report, notes the performance of the requirements in accordance with 6667 of Title 21 of the CCR.

While the statement satisfies the requirements for the TDA, NCTD will request that future Single Audit certifications provide more clarity on NCTD compliance with PUC § 99245.

Responsible Party: Eun Park-Lynch, Chief Financial Officer

Implementation Date: December 2025

Section II: Task 2 - Follow-Up Review of Prior Performance Audit Recommendations

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Executive Summary

The purpose of **Task 2** was to examine North County Transit District's (NCTD) status on fulfilling the recommendations provided in the previous Triennial Performance Audit, which covered the fiscal years 2019–2022. The following audit recommendation was identified in the prior performance audit:

- **Prior Audit Recommendation 01:** NCTD should work with SANDAG TDA staff to achieve greater alignment with respect to the various uses and external reporting of farebox recovery ratio (for example, California TDA eligibility, annual financial accounting, NTD reporting, industry measure).

Based on the procedures performed, we validated NCTD's fulfillment of this one prior audit recommendation.

1. Approach

As part of this task, we reviewed the findings and recommendations from the prior Triennial Performance Audit covering fiscal years 2019–2021, along with NCTD's initial responses to those recommendations. In accordance with Caltrans' *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, we then requested updated responses and supporting documentation to assess the current status of the prior recommendation that was made and determine the extent of progress made since the previous audit. The prior audit follow-up matrix is presented in **Appendix B** and includes the detailed prior audit results and management responses.

2. Sources of Information

To validate NCTD's fulfillment in addressing the prior audit recommendations the following sources of information were collected and reviewed:

- Publicly available information on NCTD's website, at <https://gonctd.com/>,
- Internal policy manuals and memoranda provided by NCTD staff,
- Observed policies and practices in use, where relevant,
- Interviews with NCTD staff.

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3. Metrics

To validate the fulfillment of prior audit recommendations, we used the following metrics to evaluate whether NCTD has implemented the recommended actions:

- **Fully Implemented:** The recommendation has been fully implemented and all required actions have been completed.
- **Partially Implemented:** Some actions have been taken, but not all required recommendation items have been completed.
- **Not Begun:** No significant action has been taken to address the recommendation.

Detailed Audit Procedures and Results

1. Prior Triennial Performance Audit Follow-Up

Our review verified if NCTD took the necessary actions to fulfill the prior triennial performance audit recommendations. We also assessed whether NCTD has maintained supporting evidence to demonstrate that these actions were effectively implemented.

The prior performance audit noted the following issue:

- **Prior Audit Recommendation 01:** NCTD should work with SANDAG TDA staff to achieve greater alignment with respect to the various uses and external reporting of farebox recovery ratio (for example, California TDA eligibility, annual financial accounting, NTD reporting, industry measure).

Prior Audit Recommendation 01

The prior audit recommended that NCTD work with SANDAG TDA staff to achieve greater alignment in the calculation and external reporting of the farebox recovery ratio across various frameworks, including California TDA eligibility, annual financial reporting, NTD reporting, and industry benchmarks. This collaboration was intended to ensure consistent interpretation of farebox recovery definitions, improve regional comparability, and enhance clarity for staff, auditors, and stakeholders.

While NCTD has taken steps to address this recommendation, most notably by now reporting the farebox recovery ratios submitted to the State Controller's Office in the Statistical Section of its FY2022 Annual Comprehensive Financial Report (ACFR), these actions do not fully address the broader goals of alignment and consistency across all reporting requirements.

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Additional opportunities remain to improve coordination with SANDAG, ensure consistent guidance is provided to external auditors, and support regionwide comparability of farebox recovery metrics. In its follow-up response, NCTD stated that it began including farebox recovery ratios in the ACFR based on what is reported to the State Controller’s Office. However, documentation of formal coordination with SANDAG or efforts to reconcile other reporting frameworks were not provided, and a comprehensive, collaborative approach has not yet been established.

Results:

Implementation Status: Partially Implemented

Based on the procedures performed, we determined that NCTD partially implemented the one prior audit recommendation. While NCTD has made progress by including farebox recovery ratios in its FY2022 Annual Comprehensive Financial Report consistent with those submitted to the State Controller’s Office, it has not fully addressed the broader recommendation related to regional alignment, coordination with SANDAG, and consistency across all reporting frameworks. As a result, further action is needed to fully implement the recommendation.

Section III: Tasks 3 and 4 - Review of TDA-Related Functions and Performance Indicators to Assess Efficiency and Effectiveness

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Tasks 3 and 4 - Review of TDA-Related Functions and Performance Indicators

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Executive Summary

The purpose of **Tasks 3 and 4** is to provide an independent, objective assessment of NCTD's TDA-related functions through an initial and detailed review, consistent with the Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities (**Task 3**), and to examine the verification and use of performance indicators to evaluate the efficiency and effectiveness of NCTD's activities (**Task 4**), as defined and required by the California Public Utilities Code (PUC). Transit operators that receive Transportation Development Act (TDA) funds are required to undergo triennial performance audits in the State of California. Triennial performance audits are a requirement for the continued receipt of State TDA funds for public transit under California Public Utilities Code (PUC) Section 99246. Triennial Performance Audits also provide management of a transit operator with information to assess the contributions of their programs and activities in the past three years, as well as present helpful insights to management for future use.

In alignment with the *Caltrans' Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, we reviewed the following functional areas of NCTD for Task 3:

1. General Management and Organization
2. Service Planning
3. Scheduling, Dispatch, and Operations
4. Personnel Management and Training
5. Administration
6. Marketing and Public Information
7. Maintenance

To conduct NCTD's Functional Level Review (**Task 3**), the following key procedures were performed:

- Analyzed NCTD's website and documentation to identify relevant modes and services (e.g., fixed-route bus, commuter rail, demand response, hybrid rail).
- Assessed a combination of TDA-required and non TDA-required performance indicators for each mode and systemwide, identifying key trends to inform and assist interview question development.
- Conducted interviews with NCTD leadership to understand the organization's structure, strategic planning efforts, and priority functional areas of focus.
- Reviewed documents outlining NCTD's strategic priorities, business initiatives, and divisional goals.
- Interviewed modal management teams using performance data-driven questions aligned with the seven TDA functional areas listed above.
- Assessed internal controls over the collection and validation of performance data required by TDA.

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Tasks 3 and 4 - Review of TDA-Related Functions and Performance Indicators

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For **Task 4**, we evaluated five of NCTD's performance indicators and the Farebox Recovery Ratio, as required by PUC Section 99246 and identified in PUC Section 99247. The five required indicators include:

1. Operating Cost per Passenger
2. Operating Cost per Vehicle Service Hour
3. Passengers per Vehicle Service Hour
4. Passengers per Vehicle Service Mile
5. Vehicle Service Hours per Employee

In line with the Performance Audit Guidebook, we also verified three additional indicators: On-Time Performance, Preventable Crashes per 100,000 Total Vehicle Miles, and Mean Distance Between Vehicle Failures. For each indicator and the Farebox Recovery Ratio, we collected supporting documentation and calculated and verified results for fiscal years 2022, 2023, and 2024.

Overall, NCTD demonstrated a strong understanding of its operational environment and strategic priorities, particularly in response to post-pandemic ridership trends, labor market challenges, and shifting regional goals. The agency has made notable progress in insourcing key functions to enhance oversight and operational control while also implementing targeted service adjustments to improve efficiency and responsiveness to customer needs. Performance outcomes during the audit period were mixed but overall trending upward. Key metrics, including several TDA-required indicators, show signs of recovery since the COVID-19 pandemic. Since the pandemic, NCTD has faced operational, financial, and safety challenges but has taken proactive steps to address them, including transitioning from third-party contracts to in-house operations to improve performance in each area.

Approach

During the initial phase of the review, we conducted an in-depth review of documentation related to NCTD's seven functional areas, along with information available on the NCTD website. This helped provide an understanding of NCTD's current operations and the extent to which transit-related functions and activities are carried out by the operator. The documents reviewed included, but were not limited to, the following:

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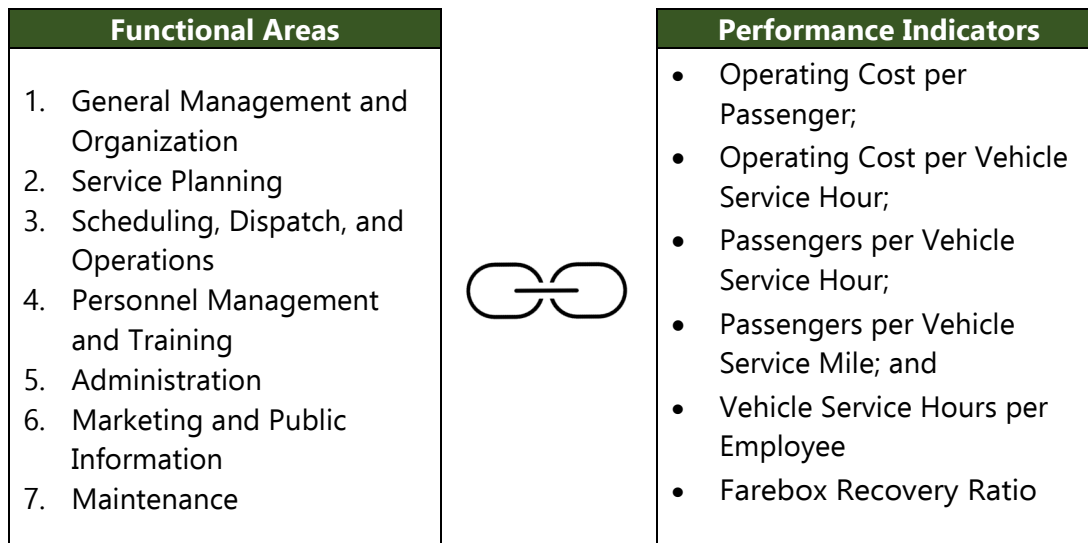
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Documents Reviewed	
<ul style="list-style-type: none">• Organizational charts• Policies and procedures• Performance reports• B-10 forms• Performance monitoring reports and source documentation• Customer satisfaction survey• Budgets	<ul style="list-style-type: none">• Audited financial statements• Board reports• Labor agreements• Fleet inventory• Service contracts• Transit asset management plan• Training plans• Capital Improvement Plan

Next, utilizing the Transportation Development Act (TDA) required performance indicators and the farebox recovery ratio, we conducted a trend analysis to identify system-wide and mode-specific performance patterns across NCTD. This analysis informed and shaped the focus of our subsequent interviews, enabling a more targeted evaluation of the relationships and linkages between NCTD's performance indicator data and the seven following functional areas as shown below:



We then conducted interviews with executive and modal leadership to gain an understanding of the agency's strategic direction and goals, relationship with SANDAG (the RTPA), significant events over the audit period, and explanation and reasoning for changes and trends identified in our performance indicator analysis in relation to the seven functional areas. Interview topics also included the following discussion items:

- Significant changes in leadership, responsibilities, and structure during the audit period
- Strategic planning process, including internal business objectives and strategic goal setting
- Collaboration with SANDAG, including any assistance received

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- Accomplishments and challenges
- Internal control evaluation of TDA-required performance indicators

Following the interviews, we obtained and examined additional documentation related to organizational goals and priorities, service changes, performance data collection and validation, employee training, and maintenance practices, among others. Further, we requested the following three additional performance indicators to add to our trend analysis in alignment with the information and context gathered in conversations with NCTD personnel:

- On Time Performance
- Preventable Crashes Per 100,000 Total Vehicle Miles
- Mean Distance Between Vehicle Failures

The insights and context shared by NCTD personnel helped the audit team better understand how performance indicators are connected to and influenced by the seven functional areas, while also reflecting NCTD's broader agency-wide priorities, as outlined below.

Strategic Planning Framework and Reporting

North County Transit District (NCTD) has established a clear and comprehensive strategic framework that shapes its operations, priorities, and efforts to improve organizational performance. This framework is anchored in NCTD's mission to "Operate an environmentally sustainable and fiscally responsible transit network that provides seamless mobility for all while achieving organizational and operational excellence." It ensures that long-term goals are consistently aligned with day-to-day decision-making, while also supporting regional transportation priorities and meeting state and federal requirements.

NCTD staff, its Board of Directors, customers, and other key stakeholders help inform and identify several *Strategic Areas of Focus*¹ on an annual basis. NCTD's operating expenditures and capital investments are intended to directly support the *Strategic Areas of Focus*. This is accomplished through *Strategic Business Initiatives*, which are reported to the Board of Directors on a quarterly basis. Further, NCTD's *Divisional Goals* set specific benchmarks to measure progress toward meeting the objectives articulated in the *Strategic Areas of Focus*. These areas of focus and business initiatives over the audit period included:

¹ Adopted FY2023 Operating Budget and FY2023-FY2027 Capital Improvement Program

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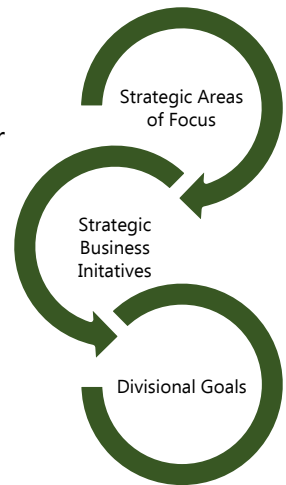
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Organizational Realignment and Improvement

- Implement organizational changes that will support goals established for the direct operations of all services
- Implement the foundational elements required to establish a strong Training and Organizational Development Department
- Implement new business systems and eliminate redundant systems and labor-intensive processes
- Foster stronger culture of collaboration, administrative excellence, and enhanced understanding of safety and risk management
- Establish District-wide Quality Plan and Key Performance Indicators Program



Plan for Economic Slowdown or Recession

- Ensure budget includes a solid contingency plan

Grow Ridership and Improve Service Quality

- Advance projects that can be implemented quickly to enhance the customer riding experience
- Improve SPRINTER fleet reliability and availability
- Implement a micro-transit service pilot program
- Enhance safety and security resources on revenue vehicles and at facilities

Advance Expense Optimization and Productivity Improvements

- Closely scrutinize all new agreements to fully understand long-term impacts
- Identify areas where expenses can be reduced
- Leverage current and future technology investments
- Seek partnerships to reduce costs while simultaneously improving services
- Advance implementation of business system and process improvements

Diversify Revenue Sources

- Continue to advance strategic redevelopment projects
- Implement naming rights agreements

Fund and Successfully Implement State-of-Good-Repair and Priority Capital Needs

- Secure funding for key San Diego Subdivision and Escondido Subdivision improvements

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- Develop funding strategy to implement priority projects from BREEZE Speed and Reliability Study
- Advance the delivery of projects and improve project reporting

Expand Outreach Efforts and Strategic Partnerships

- Enhance proactive communications with key stakeholders
- Enhance collaboration with public agencies to support mutually beneficial goals

Measuring Progress Toward Strategic Initiatives

In addition to the *Strategic Business Initiatives*, the *Strategic Areas of Focus* are supported by a series of metrics across all NCTD divisions that set specific goals to measure progress toward meeting the objectives articulated in the areas of focus.

NCTD divisions report progress to NCTD leadership and the Board of Directors through several types of reports, including the *Transit Operations Performance Report*, the *Quarterly Financial Report*, the *Monthly Departmental Budget to Actual Reports*, and the *Quarterly Capital Project Report*.

Connection to SANDAG's Regional Plan

During interviews, NCTD staff demonstrated a clear understanding of SANDAG's broader strategic role in comparison to NCTD's operational focus. As the Regional Transportation Planning Agency (RTPA), SANDAG takes a long-term, region-wide approach to strategy development, centered on goals including sustainability, equity, and system efficiency and has recently turned its internal strategy inward to focus on foundational improvements through its "Focus on Fundamental Strategy." NCTD has similarly shifted its focus inward, emphasizing service reliability, operational stability, and cost management over expansion. NCTD implements services to align with the broader framework developed and established by SANDAG.

Looking Forward

Starting in FY 2025, NCTD's strategic framework became centered around its guiding principle: its "*North Star*." This concept serves as a foundation for how the Agency will prioritize business initiatives and capital projects going forward. The *North Star* reflects NCTD's ongoing commitment to the communities it serves, its customers, the environment, and its workforce, helping to focus agency resources and actions in support of these core values:

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Source: Adopted FY2025 Operating Budget and FY2025-FY2029 Capital Improvement Program

Internal Controls over Performance Data Collection

In alignment with the *Caltrans' Performance Audit Guidance for Transit Operators and Regional Transportation Planning Entities*, we assessed the internal controls in place over NCTD's collection of performance-related information, ensuring that reliable data are obtained and maintained to be fairly disclosed in reports by NCTD. Specifically, we evaluated NCTD's processes to collect and validate data for the five required TDA performance indicators:

- Operating Cost per Passenger;
- Operating Cost per Vehicle Service Hour;
- Passengers per Vehicle Service Hour;
- Passengers per Vehicle Service Mile; and
- Vehicle Service Hours per Employee.

We conducted interviews with personnel and examined documentation across each service mode (BREEZE, FLEX, LIFT, COASTER, & SPRINTER) to assess NCTD's data-gathering and validation methodology, including policies and procedures, roles and responsibilities, specific reports, and review and approval process. NCTD performs similar processes and procedures to collect and validate material performance indicator data for each mode on a monthly basis. These processes and procedures are described for specific performance indicator data below.

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Passengers

- Currently, SPRINTER is the only rail mode that is equipped with an Automatic Passenger Counter (APC). An APC system uses sensors, typically installed at vehicle doors, to accurately record the number of passengers boarding and alighting at each stop. APCs improve data accuracy compared to manual counts and enable more responsive, data-informed service adjustments. The BREEZE service also has APC on its buses, with 100% of BREEZE buses becoming officially equipped with APCs in July 2024.
 - To validate APC ridership data, NCTD personnel review video recordings from the BREEZE and SPRINTER every two weeks, comparing them to the APC-recorded passenger counts to ensure accuracy and consistency between the two sources.
 - During the scope period, a hardware-related issue was identified in the SPRINTER APCs in FY 2023. NCTD diagnosed and resolved the hardware-related issue, engaging with its National Transit Database (NTD) analyst to implement an adjusted methodology to capture SPRINTER ridership more accurately during the impacted timeframe. However, this methodology is pending approval with the NTD.
- Modes without passenger counters, either due to the limited nature of passengers (FLEX & LIFT) or the pending adoption of APCs (COASTER), utilize different methods to count passengers, such as manual onboard counts by conductors and data collected through scheduling software.
 - For the COASTER, ridership data is first documented by conductors on the COASTER Delay Reports, which report the passengers manually counted by conductors on a per train, per day basis. The Delay Reports are then reviewed and approved by the conductor's supervisor before being sent to the Service Planning Department for review and tabulation into an Excel sheet.
 - For FLEX and LIFT, ridership data is derived from trip scheduling systems. For LIFT, passenger boardings, no-shows, and cancellations are recorded using Trapeze software, which manages all paratransit bookings and coordinates with on-board systems to verify completed trips. FLEX ridership data is similarly captured, logging both fixed-route and deviation-based pickups.

NCTD's Service Planning Department is responsible for tabulating ridership data into an Excel worksheet, with Senior Transit Planners reviewing the data for accuracy and completeness.

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Operating Costs

- Operating costs for TDA Indicator purposes are collected and validated by NCTD's accounting and finance department's month-end review process. Operating costs are tabulated by modal service, with adjustments made to align with TDA 4.0 and TDA 4.5 requirements. Specifically, operating costs are adjusted to exclude depreciation, amortization, subsidies for commuter rail services operated on railroad lines under the jurisdiction of the Federal Railroad Administration, direct costs for providing charter services, vehicle lease costs, and principal and interest payments on capital projects funded with certificates of participation from total operating expenses.

Vehicle Service Hours and Miles

- The process for collecting and validating vehicle service hours and miles across all modes begins with NCTD reviewing the scheduled service hours and miles planned for the upcoming month, whether operated by NCTD or MV Transportation. At the end of the month, NCTD receives reports detailing any delays or schedule changes, which are reviewed by staff from Transit Planning, Finance, and Maintenance of Equipment. These reviews ensure that any necessary adjustments are made to the planned service hours and miles and reflect the actual service delivered, capturing accurate data based on events that occurred during the month.

Overall, NCTD has implemented structured and consistent procedures for collecting and validating performance indicator data, ensuring the accuracy and reliability of the metrics reported to stakeholders such as the NCTD Board of Directors, SANDAG, and the National Transit Database (NTD). These practices also support the efficacy of the performance trend and functional-level analysis presented in the following section.

Performance Data Indicator Trends and Functional Level Review

This section of the report focuses on the evaluation of trends and significant changes to NCTD's performance indicators through the lens of the seven functional areas outlined in the *Caltrans' Performance Audit Guidance for Transit Operators and Regional Transportation Planning Entities*.

1. General Management and Organization
2. Service Planning
3. Scheduling, Dispatch, and Operations
4. Personnel Management and Training
5. Administration
6. Marketing and Public Information
7. Maintenance

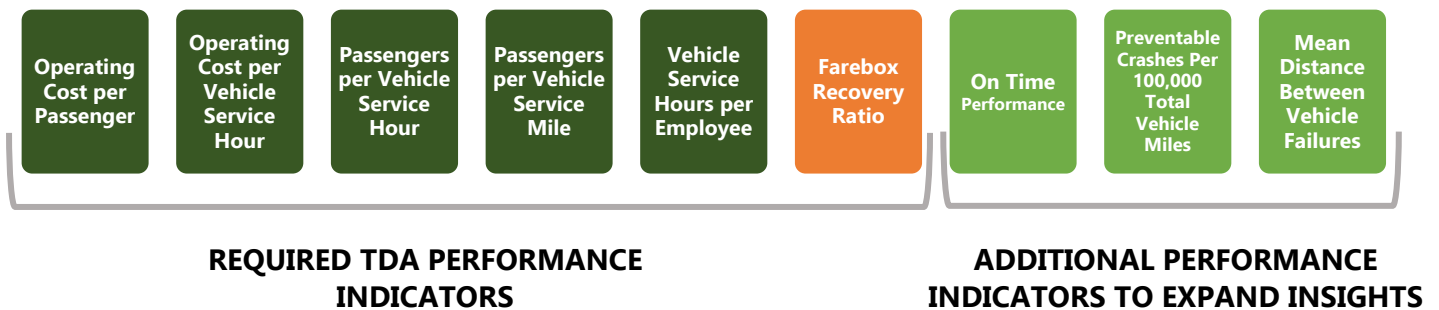
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The analysis evaluates both TDA and supplementary non-TDA performance indicators to identify system-wide trends that reflect NCTD's overall efficiency and effectiveness. At both the systemwide and modal levels, we assessed the **five required TDA performance indicators**, the farebox recovery ratio, and three additional indicators developed from interview insights with NCTD's executive and departmental leadership, shown from left to right below:



Developments Impacting Performance

Drawing from document reviews, discussions with NCTD modal and executive leadership, and input from the RTPA (SANDAG), we identified a number of developments during the audit period that simultaneously impacted one or more of the seven functional areas above and had a corresponding impact on related performance indicators:

General Management and Organization

- Slowing sales tax revenues have emphasized the importance of diversifying revenue sources and managing expenses, leading NCTD to focus on maintaining current services rather than pursuing rapid expansion.
- In June 2022, NCTD transitioned COASTER and SPRINTER rail operations and maintenance from an external contractor to in-house operations.
- On June 25, 2023, NCTD completed its rail insourcing initiative by bringing facilities maintenance, maintenance-of-way, and signal functions in-house.

Service Planning

- Based on customer feedback and ridership analysis, NCTD expanded the LIFT paratransit service area to eliminate coverage gaps known as "donut holes", typically between one and ten square miles within the BREEZE core service area.
- Also based on customer input and ridership analysis, COASTER service was expanded in October 2021 for both weekdays and weekends, enhancing access to recreational activities and service industry employment along the corridor between Oceanside and San Diego.

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Scheduling, Dispatch, and Operations

- In April 2022, bus operator staffing shortages resulted in temporary reductions in BREEZE bus service frequency. NCTD worked with its contractor, MV Transportation (MV), to actively recruit new operators, with NCTD and MV offering new hire bonuses and increasing wages to attract new operators. These services were gradually restored through 2023 and 2024, in alignment with customer demand and other operational considerations.
- As of July 2024, 100% of BREEZE buses have been equipped with Automatic Passenger Counters, improving service data collection and planning.

Personnel Management and Training

- In 2021, NCTD implemented a 15% wage increase for contracted bus operators to attract and retain staff, responding to California's rising minimum wage and competitive labor market.

Administration

- NCTD's liability insurance costs increased during the audit period due to external risk factors, such as the 2020 Los Angeles wildfires, which influenced the broader insurance market.
- MV transportation costs increased in August 2022 as a result of reaching a new labor agreement with the Teamsters Union Local 542, with the full cost of the increased wages and benefits being borne by NCTD.

Marketing and Public Information

- In September 2021, NCTD and MTS jointly launched PRONTO, an integrated fare system allowing for seamless travel and fare payment across both agencies and intermodal services in San Diego.
- In July 2022, NCTD implemented the regional Youth Opportunity Pass program (YOP), allowing youth under 19 to ride for free through SANDAG funding.²
- Following the pandemic, ridership trends have shifted: while commuting ridership is gradually recovering, leisure ridership (e.g., for games, concerts, and festivals) is seeing more significant growth, especially among families.

Maintenance

- The SPRINTER rail line, now over two decades old, is facing rising maintenance costs due to the growing difficulty of obtaining replacement parts. Because SPRINTER uses specialized components sourced exclusively from Europe, lead times can extend up to two years.

² Revenue from this program is not classified as fare revenue.

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Performance Indicator Evaluation Introduction

The next section discusses our evaluation of NCTD’s five required performance indicators as required by the Transportation Development Act (TDA) and the Farebox Recovery Ratio, with a focus on explaining the reasoning behind performance indicator trends and highlighting the several internal and external factors that influenced NCTD performance indicators over the triennial period. Utilizing the information gathered during document review, NCTD’s available news releases, and conversations with NCTD executive leadership and management, we connected changes in performance indicator trends to events that occurred over the scope period in alignment with the seven functional areas outlined in the *Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*.

The audit period reflects mixed but generally improving outcomes for NCTD services and riders. This report presents key performance indicator (KPI) data for both the previous FY 2019 to FY 2021 triennial audit period and the current FY 2022 to FY 2024 triennial audit period. The six-year period provides more complete context to understanding KPI trends given the COVID-19 pandemic’s destabilization of ridership and broader economic forces creating more variable costs on NCTD operations.

Further, we included the Consumer Price Index (CPI) and the Producer Price Index (PPI) to help explain changes to prices experienced by NCTD. Specifically:

Consumer Price Index (CPI)	Measures the average change over time in the prices paid by consumers for a representative basket of consumer goods and services. The CPI measures inflation as experienced by consumers in their day-to-day living expenses.
Producer Price Index (PPI)	Tracks the prices that producers and manufacturers receive for their goods from retailers and distributors. The PPI rises when producers and manufacturers charge higher prices for their products, likely to offset the rising costs of raw material or distribution.

According to the U.S. Bureau of Labor Statistics (U.S. BLS), the Consumer Price Index (CPI) for urban residents of the San Diego-Carlsbad region experienced 15.9 percent inflation from FY 2022 to FY 2024 (decreasing from 7.7 percent in FY22 to 3.1 percent by FY24). The U.S. Bureau of Labor Statistics (BLS) measures costs to economic producers using the Producer Price Index (PPI). Nationally, PPI for the entire transportation sector experienced 11.3 percent increase from FY 2022 to FY 2024. A close look at PPI reveals the transportation sector experienced 17.3 percent inflation in FY 2022 and then two years of modest decline – 2 percent decrease in FY 2023 and 4 percent decrease in FY 2024.

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CPI and PPI provide useful context in which to understand NCTD’s performance during the current audit period.

- 1CPI reveals individual riders and employees continued to experience high inflationary pressure on their household budgets.
- PPI reveals the high inflation experienced by NCTD during FY 2021 and FY 2022, and then some adjustment as supply chains and labor pools entered a more stable period in FY 2023 and FY 2024.

Systemwide TDA Required Measures

Table 1 documents the five performance indicators required for TDA audits. A summary of high-level trends during the audit period reflects all of NCTD’s modes reported to NTD, which includes Motor Bus, Commuter Bus, Demand Response, and Hybrid Rail.

Table 1. Systemwide TDA Required Performance Measures

	Prior Audit Period			Current Audit Period			Percent Change	CAGR
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2022-2024	FY 2019-
Verified TDA Statistics								
Operating Cost	\$ 96,871,863	\$ 101,850,971	\$ 103,403,117	\$ 119,218,575	\$ 136,743,167	\$ 149,032,128	25.0%	7.4%
Total Passengers	10,382,243	8,274,282	4,457,762	5,933,932	6,688,858	7,742,033	30.5%	-4.8%
Vehicle Service Hours	555,989	534,404	503,335	496,256	481,860	518,489	4.5%	-1.2%
Vehicle Service Miles	7,936,655	7,348,261	6,986,616	7,114,217	6,946,671	7,040,765	-1.0%	-2.0%
Number of Employees (FTEs)	760	725	714	690	672	646	-6.4%	-2.7%
Verified TDA Key Performance Indicators								
Operating Cost per Passenger Trip	\$ 9.33	\$ 12.31	\$ 23.20	\$ 20.09	\$ 20.44	\$ 19.25	-4.2%	12.8%
Operating Cost per Vehicle Service Hour	\$ 174.23	\$ 190.59	\$ 205.44	\$ 240.24	\$ 283.78	\$ 287.44	19.6%	8.7%
Passengers per Vehicle Service Hour	18.7	15.5	8.9	12.0	13.9	14.9	24.9%	-3.7%
Passengers per Vehicle Service Mile	1.3	1.1	0.6	0.8	1.0	1.1	31.8%	-2.9%
Vehicle Service Hours per Employee	732	737	705	719	717	803	11.6%	1.6%
Contextual Economic Measures								
Consumer Price Index (U.S. BLS; San Diego-Carlsbad, CA; all urban)	2.35%	1.50%	5.21%	7.71%	5.11%	3.12%	15.9%	4.8%
Producer Price Index (U.S. BLS; national; all transportation industries)	2.79%	-3.32%	8.61%	17.27%	-1.98%	-4.00%	11.3%	
Principal Sources: SANDAG, "Form C NCTD MTS Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual; North County Transit District Transit Operations Performance Report								

Principal Sources: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual; North County Transit District Transit Operations Performance Report

Key points:

- Operating cost per passenger trip decreased 4.2 percent during the current audit period and overall saw 12.8 percent compound annual growth rate (CAGR)³ over the six-year period.

³ CAGR, or Compound Annual Growth Rate, is used to measure the average annual rate of change in a specific value over a multi-year period. CAGR represents how a metric (like ridership or operating expenses) has grown or declined consistently over time, as if it had increased or decreased at the same rate each year, even if actual year-to-year changes varied.

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- Operating cost per vehicle service hour increased 19.6 percent in the current audit period and 8.7 percent CAGR from FY 2019 to FY 2024.
- Passengers per vehicle service hour and mile increased substantially during the current audit period (24.9 and 31.8 percent increase, respectively), and began to approach pre-pandemic levels of performance at 14.9 passengers per hour and 1.1 passengers per mile by FY 2024.
- Vehicle service hours per employee increased 11.6 percent during the current audit period and grew steadily over the six-year period with a 1.6 percent CAGR from FY 2019 to FY 2024.

A closer look at the underlying statistics reveals the following:

- Operating costs increased 25.0 percent in the current audit period, a rate higher than both CPI and PPI, indicating costs have not yet stabilized for NCTD and/or the transportation sector in the region.
- Total passengers increased 30.5 percent in the current audit period, and as of FY 2024, ridership was back to 74.5 percent of the FY 2019 total (i.e., the last year unaffected by the pandemic), indicating NCTD is successfully rebuilding its ridership.

Farebox Recovery Ratio

The farebox recovery ratio measures the percentage of operating costs covered by passenger fare revenue. It indicates how much of a transit agency's expenses are recovered directly from riders, reflecting the financial sustainability of the service. A higher ratio suggests greater cost recovery from fares, while a lower ratio may highlight reliance on subsidies or fare-free programs. The Transportation Development Act (TDA) has a requirement of 20 percent when serving an urbanized area. However, the penalties associated with the TDA farebox recovery ratio, which was first suspended in 2020 by California Assembly Bill 90, have been suspended through 2026 due to the continued, gradual recovery of operations from the COVID-19 pandemic.

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Table 2. Systemwide Fare Recovery – NTD Definition⁴

	Prior Audit Period			Current Audit Period			Percent Change	CAGR
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2022-2024	FY 2019-2024
Verified Statistic								
Operating Cost	\$ 96,871,863	\$ 101,850,971	\$ 103,403,117	\$ 119,218,575	\$ 136,743,167	\$ 149,032,128	25.0%	7.4%
NTD Definition, Farebox Revenues (passenger+organization paid fares)	\$ 15,529,375	\$ 12,815,386	\$ 5,463,220	\$ 8,742,131	\$ 11,282,372	\$ 11,972,416	37.0%	-4.2%
NTD Definition, Net Operating Cost (operating cost - NTD farebox revenues)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Total Passengers	10,382,243	8,274,282	4,457,762	5,933,932	6,688,858	7,742,033	30.5%	-4.8%
Fare Performance Indicator								
NTD Definition, Farebox Recovery Ratio	16.0%	12.6%	5.3%	7.3%	8.3%	8.0%	9.6%	-10.9%
NTD Definition, Net Cost per Passenger Trip	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-
Mean Fare per Passenger Trip	\$ 9.33	\$ 12.31	\$ 23.20	\$ 20.09	\$ 20.44	\$ 19.25	-4.2%	12.8%
Contextual Economic Measures								
Consumer Price Index (U.S. BLS; San Diego-Carlsbad, CA; all urban)	2.35%	1.50%	5.21%	7.71%	5.11%	3.12%	15.9%	4.8%
Producer Price Index (U.S. BLS; national; all transportation industries)	2.79%	-3.32%	8.61%	17.27%	-1.98%	-4.00%	11.3%	-

Key points:

- NCTD systemwide fare recovery ratio declined from 16 percent in FY 2019 to 8 percent in FY 2024; however, the fare recovery ratio has begun to steadily increase since FY 2022.
- Despite a slight increase from FY 2021–2023, the CAGR from FY 2019 to FY 2024 is -10.9 percent, reflecting less cost recovery from fares over time.

A closer look at the underlying statistics reveals the following:

- Farebox revenue and operating costs are not directly correlated. Several external factors have driven up operating costs, including increased wages necessary to stay competitive and comply with collective bargaining agreements, general inflation, and a rise in agency liability insurance premiums.
- Regarding fare revenue, efforts to boost ridership through programs such as PRONTO and the Youth Opportunity Pass (YOP) can also impact fare revenue figures. These initiatives either fully subsidize fares or limit charges to riders once a pass threshold is reached (as with PRONTO), making it difficult to draw a clear connection between ridership and revenue.
- Additionally, while increased family ridership may lead to higher fare revenue from paying passengers, it is important to note that children under five and Youth Opportunity Pass (YOP) holders ride free, which affects the fare revenue amount collected and reported.

TDA Required Performance Indicators

The next section of this report assesses and evaluates the five required TDA performance indicators within the context of the seven functional areas outlined above. To provide clarity and context for the upcoming analysis, the chart below groups NCTD's individual services according to their respective transit modes.

⁴ The National Transit Database (NTD) defines the farebox recovery ratio as the percentage of operating expenses covered by fare revenue.

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Motorbus (MB)	Commuter Rail (CR)	Demand Response (DR)	Hybrid Rail (YR)
<ul style="list-style-type: none"> •NCTD Breeze (Purchased Transportation bus routes) •NCTD Flex (Purchased Transportation Shuttle Service) 	<ul style="list-style-type: none"> •NCTD Coaster 	<ul style="list-style-type: none"> •NCTD Lift (ADA* Service) •Americans with Disabilities Act 	<ul style="list-style-type: none"> •NCTD Sprinter

Figure 1. NCTD' Services in Grouped Transit Modes

Operating Cost per Passenger

Operating cost per passenger trip measures how much it costs NCTD to provide service for each individual rider. It reflects the efficiency of operations by dividing total operating expenses by the number of passenger trips. A lower cost could indicate more efficient service delivery, while a higher cost may point to rising expenses, lower ridership, or both.

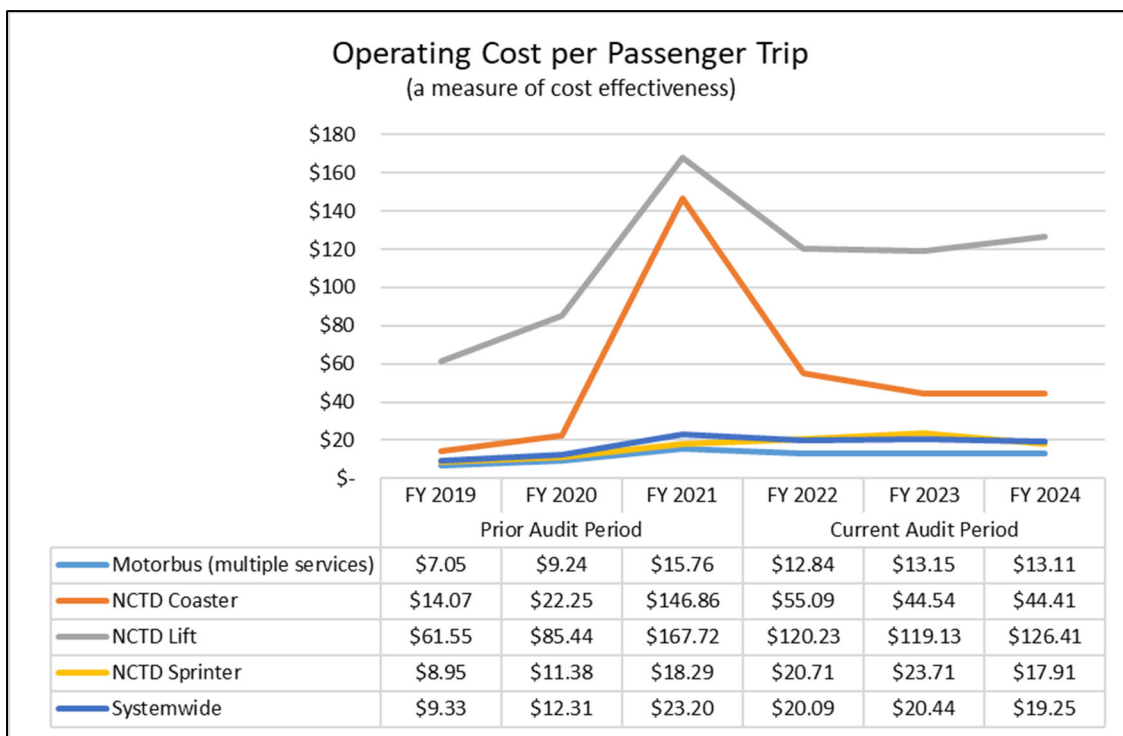


Figure 2. Operating Cost per Passenger Trip

Principal Sources: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual

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Key points:

- Operating cost per passenger decreased approximately 4 percent during this audit period (FY 22 – FY 24).
- Operating cost per passenger has increased 206 percent since FY 2019.
- NCTD systemwide operating cost per passenger more than doubled after COVID-19 and are starting to show decreases this audit period but has not shown substantial decreases towards the pre-pandemic FY 2019 level of \$9.33.

A closer look at the underlying statistics reveals the following:

- A return to pre-pandemic lifestyles for many people has translated to systemwide increases in ridership levels for NCTD. Specifically, trends in family ridership rose post-pandemic, with families riding public transit to leisure events. Further, new initiatives implemented over the scope period to increase ridership, such as the YOP, weekend and service area expansions to Bus and Rail modes, and the PRONTO Pass program incentivized many San Diegans to take public transit.
- Systemwide ridership data may have been impacted by the hardware related issue identified in the SPRINTER APCs in FY 2023. As mentioned in the previous section, NCTD diagnosed and resolved the hardware-related issue, engaging with its National Transit Database (NTD) analyst to implement an adjusted methodology to capture SPRINTER ridership more accurately during the impacted timeframe. However, this methodology is pending approval with the NTD.
- As stated above, many increases in operating costs were outside of NCTD's control during the audit period; however, the transition to in-house operations from contracted operations for SPRINTER and COASTER in FY 2022-23 was completed by NCTD in part to maintain more control over operations and to build efficiencies long-term. As such, the systemwide operating cost per passenger indicator is beginning to gradually trend downward as operations streamline and ridership continues to grow.
- Bus operations are fully operated by NCTD effective June 29, 2025, allowing greater control over all modes for NCTD.

Overall, while NCTD's operating cost per passenger trip has decreased by approximately 4 percent during the current audit period, it remains significantly higher than pre-pandemic levels, with a 206 percent increase since 2019. This gradual improvement reflects growing ridership, expanded services, and NCTD's transition toward in-house operations, which is expected to enhance long-term efficiency and cost control.

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Operating Cost per Vehicle Service Hour

Operating cost per vehicle service hour measures the cost incurred by a transit agency to operate a vehicle for one hour of scheduled service. Higher costs may indicate increased operational expenses or inefficiencies, while lower costs suggest more economical service provision.

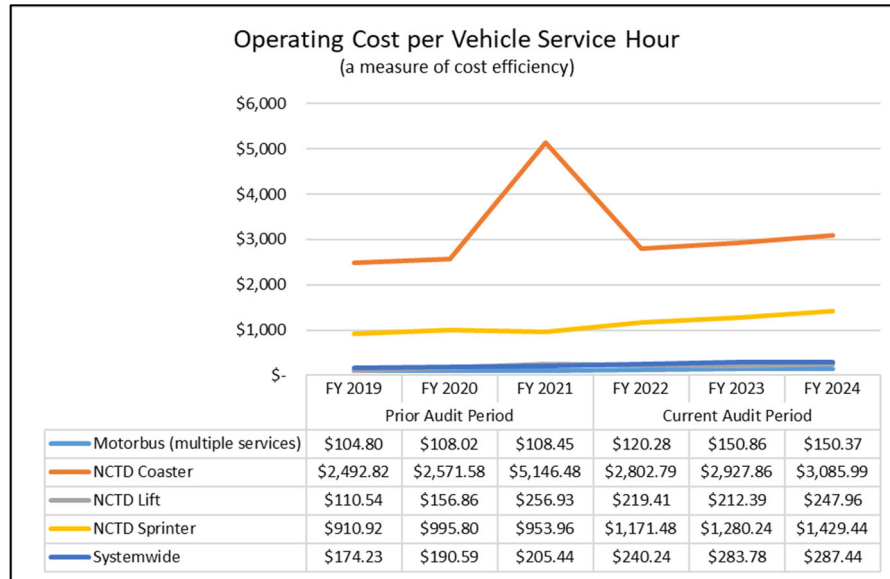


Figure 3. Operating Cost per Vehicle Service Hour

Principal Sources: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual

Key points:

- Operating cost per vehicle service hour has increased approximately 19 percent during this audit period.
- Operating cost per vehicle service hour has increased 65 percent since 2019.
- Operating cost per vehicle service hour increased at a rate higher than CPI or PPI. During COVID-19, NCTD COASTER saw the highest spike in cost per vehicle service hour, driven by ballooning costs and decreased service. However, NCTD quickly began recovering its vehicle service hours, which began reducing Operating Cost per Vehicle Service Hour towards a rate of increase found similar to pre-pandemic levels.

A closer look at the underlying statistics reveals the following:

- While many operating cost increases during the audit period were beyond NCTD's control, the completed insourcing of Rail operations and the planned insourcing of Bus operations are expected to help stabilize controllable expenses by giving NCTD greater oversight and enabling long-term operational efficiencies.

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- Changes to service hours for NCTD can be attributed to both service expansion and service contraction at both the Bus and Rail level. Operator shortages during the audit period prompted NCTD to decrease service frequency. Specifically, during April 2022, NCTD temporarily reduced service frequency on several BREEZE routes due to a nationwide bus operator shortage. As bus operators' pandemic concern eased, NCTD increased wages, and NCTD attracted more candidates through its willingness to provide paid training for non-experienced personnel, the gap of required versus actual operators has decreased significantly since FY 2021.
- In October 2021, COASTER service increased to 30 daily weekday trips with an additional two trips on Fridays and 20 daily weekend trips. COASTER's vehicle service hours increased 124 percent from the prior triennial period, which is reflected in the operating cost per vehicle service hour indicator for FY 2022-24.
- In October 2022, service frequency began to increase and restore on BREEZE, introducing Sunday service to certain BREEZE routes while extending others throughout FY 2024, increasing service miles overall during the audit period.
- Further, LIFT's service expansion in FY 2022 also increased LIFT's service hours during the audit period.

Overall, the operating cost per vehicle service hour has continued to increase during both the current and prior triennial audit period, outpacing both CPI and PPI. While pandemic-related service disruptions and cost increases initially drove this performance indicator upward, NCTD's efforts to restore and expand service, address operator shortages, and improve operational efficiency have helped stabilize this metric.

Passengers per Vehicle Service Hour

Passengers per vehicle service hour measures the average number of riders served for each hour a transit vehicle is in operation. Higher values suggest more effective use of service hours, while lower values may indicate underutilized service or declining ridership.

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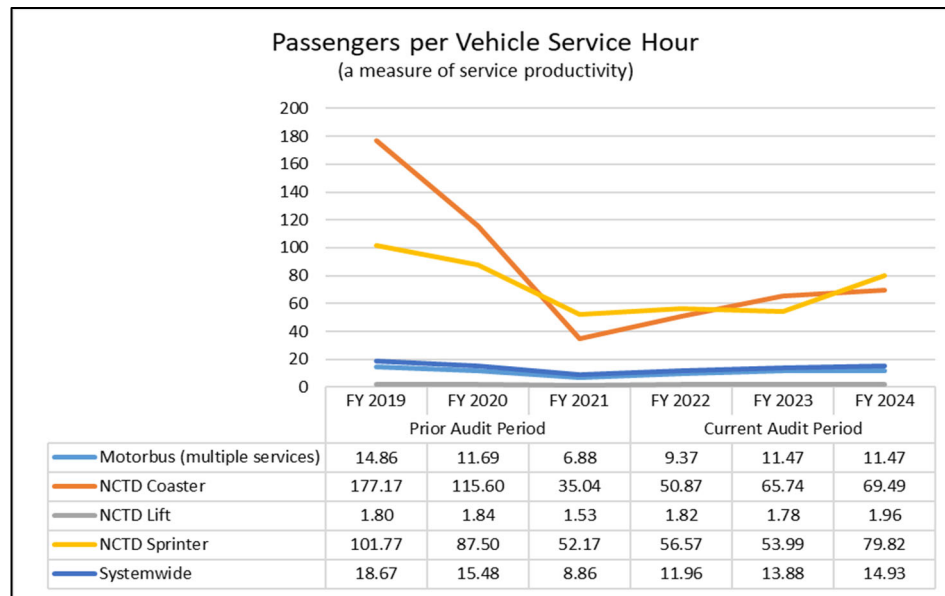


Figure 4. *Passengers per Vehicle Service Hour*

Principal Sources: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual

Key points:

- Passengers per vehicle service hour increased approximately 25 percent this audit period.
- NCTD COASTER experienced the slowest improvement; however, both passenger count and vehicle service hours have increased since the prior triennial period.
- Total passengers increased 30.5 percent in the current audit period, but as of FY 2024 ridership, was still only 75 percent of its FY 2019 total (i.e., the last year unaffected by the pandemic).

A closer look at the underlying statistics reveals the following:

- As stated above, NCTD's vehicle service hours have undergone a series of increases and decreases, indicating NCTD's adaptability to evolving ridership demands and needs of San Diegans, including both riders and employees.
- Commuter-focused services across the transit industry have seen a similar slower return of ridership demand post-COVID. This is generally understood to be attributable to the more flexible or hybrid work schedules of a small percent of commuters. However, NCTD has experienced increased ridership due to service expansions, changing trends in ridership (e.g., more family ridership to leisure events), and the implementation of new services as discussed above. This shows that ridership, while not at pre-pandemic levels, is still increasing.

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Overall, passengers per vehicle service hour increased by approximately 25 percent during the audit period, reflecting a positive trend in service productivity. Although ridership has not yet returned to pre-pandemic levels, reaching only 75 percent of FY 2019 totals, continued growth, driven by service expansions and shifting rider patterns, signals a steady recovery. Systemwide improvements suggest NCTD is effectively aligning service delivery with evolving rider demand.

Passengers per Vehicle Service Mile

Passengers per vehicle service mile measures the average number of riders carried for each mile a transit vehicle operates in service. This metric reflects the efficiency of service utilization over distance, with higher values indicating stronger demand and more productive use of service miles. Lower values may point to underutilized routes, low-density service areas, or changes in travel behavior.

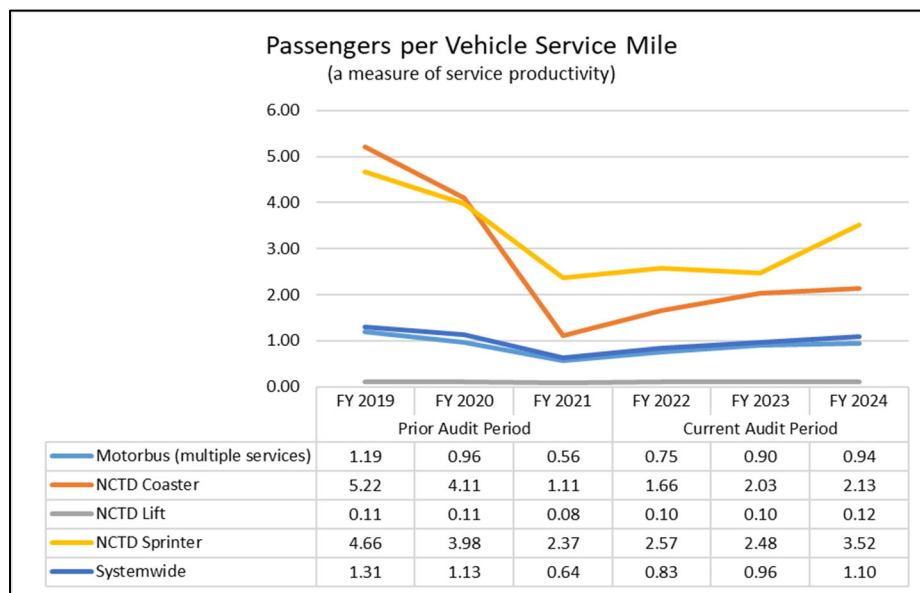


Figure 5. Passengers per Vehicle Service Mile

Principal Sources: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual

Key points:

- Passengers per vehicle service mile increased approximately 32 percent over the audit period.
- Passengers per vehicle service mile continue to be 16 percent lower in 2024 than in 2019, albeit the indicator is gradually increasing.

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A closer look at the underlying statistics reveals the following:

- Similar to changes in service hours, service miles have adjusted in response to changes in service expansions and contractions. Systemwide, service miles are increasing gradually.
- NCTD has experienced increased ridership due to targeted service expansions, changing trends in ridership, and the implementation of new services as discussed above.
- NCTD's performance based on both passengers per mile and hour continues to increase year-over-year, heading towards pre-pandemic levels.

Passengers per vehicle service mile increased over the audit period, reflecting growing ridership and more efficient service utilization. While the metric remains 16 percent below 2019 levels, it has shown consistent year-over-year improvement as service miles expand and rider demand recovers. Continued growth in this indicator suggests that NCTD is making progress toward restoring pre-pandemic productivity levels.

Vehicle Service Hours per Employee

Vehicle service hours per employee measures the number of hours transit vehicles are in service relative to the number of employees. This metric helps assess workforce productivity and operational efficiency, indicating how effectively labor resources are being utilized to deliver service. Higher values suggest greater output per employee, while lower values may point to staffing inefficiencies or underutilized labor.

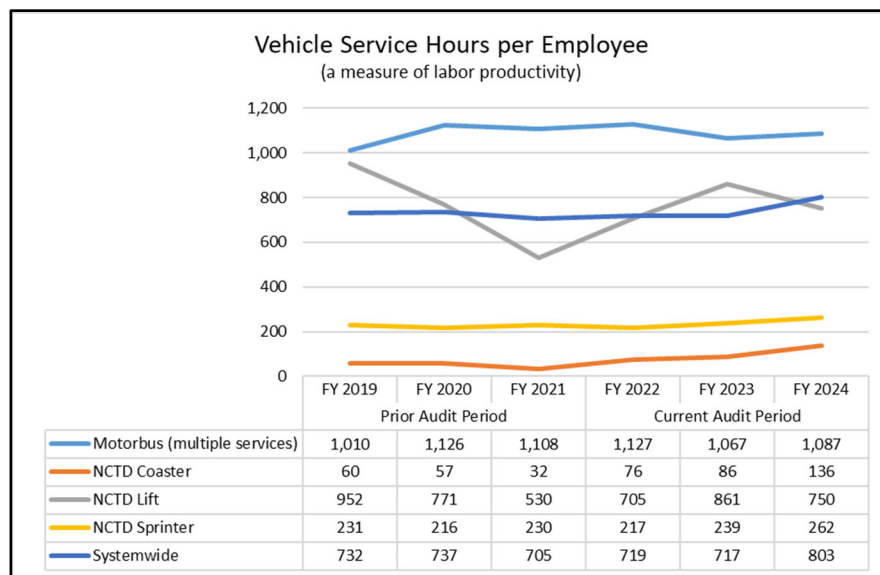


Figure 6. Vehicle Service Hours per Employee

Principal Sources: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual

Key points:

- Vehicle service hours per employee decreased approximately 4 percent during the current audit period.

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- However, vehicle service hours per employee increased 8 percent from FY 2019 to FY 2024. Vehicle service hours per employee remained relatively stable throughout both this audit period and the previous audit period, with the exception of COASTER, which showed an increase from 60 service hours per employee in 2019, to 136 in 2024. This was caused by the number of service hours increasing over the period, while the number of full-time equivalents (FTEs) dropped over the period.

A closer look at the underlying statistics reveals the following:

- Changes in NCTD's service hours during the audit period reflect both expansions and contractions across bus and rail services. Operator shortages in early 2022 led to temporary reductions in service frequency on several BREEZE routes. However, as pandemic concerns eased, NCTD's wage increases and paid training programs helped significantly reduce the operator gap since FY 2021.
- Notably, COASTER service expanded in October 2021 to 30 weekday trips and additional weekend service, resulting in a 124 percent increase in vehicle service hours compared to the previous audit period. Service restoration efforts for BREEZE began in October 2022, including the introduction of Sunday service and route extensions, contributing to overall service hour growth through FY 2024. Additionally, LIFT's service area expansion in FY 2022 led to increased service hours during the audit period.
- Interviews with NCTD leadership indicated the initiative to become more operationally efficient and thoughtfully expand the work force in an effort to maintain services with the resources currently available. NCTD's FTE count decreased by approximately 90 personnel systemwide from the prior triennial audit period; however, management did not report any operational or administrative concerns with a decreased FTE count.

Vehicle service hours per employee remained generally stable over the audit period, reflecting NCTD's focus on maintaining operational efficiency despite workforce fluctuations. Overall, the data suggests that NCTD is effectively managing labor resources while pursuing strategic service improvements.

Three Additional Performance Indicators

As a result of our interviews with NCTD executive and departmental leadership, document review, preliminary performance indicator trend analysis, and discussions with SANDAG, we identified three additional performance indicators to further analyze NCTD's cost-saving initiatives during the audit period in response to reduced funding sources:

- On Time Performance
- Preventable Crashes Per 100,000 Total Vehicle Miles
- Mean Distance Between Vehicle Failures

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Specifically, NCTD management indicated that the agency took proactive steps to optimize operations, improve workforce efficiency, and enhance fleet reliability in order to maintain service levels despite financial constraints, as depicted below:

Mean Distance Between Vehicle Failures

Mean Distance Between Vehicle Failures measures the average number of miles a transit vehicle travels before experiencing a mechanical failure that disrupts service. This metric serves as an indicator of fleet reliability and maintenance effectiveness. Higher values suggest better vehicle performance and fewer service interruptions, while lower values may indicate maintenance issues or aging equipment.

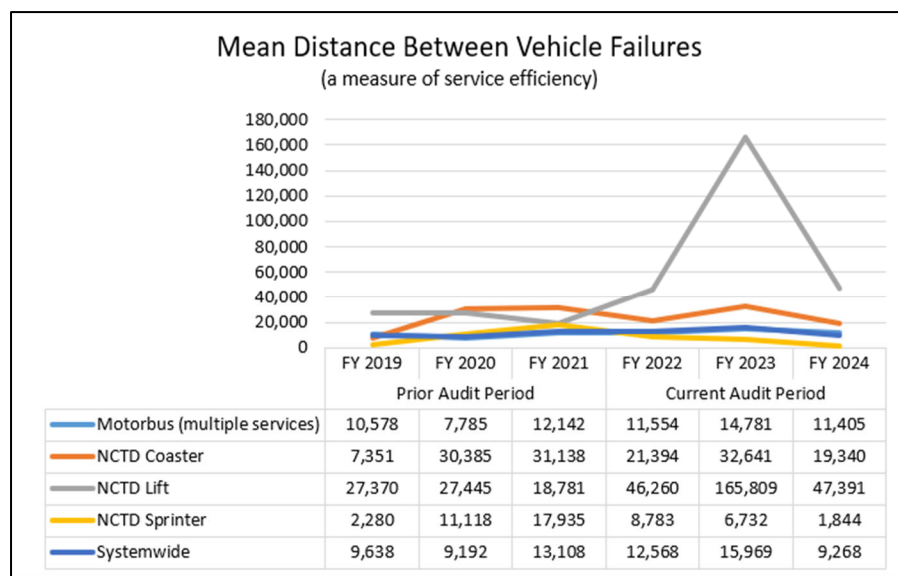


Figure 7. Mean Distance Between Vehicle Failures by NCTD Mode

Source: North County Transit District Transit Operations Performance Report

Key points:

- NCTD's miles between vehicle failures fluctuated significantly over the six-year audit period.
- The most notable improvements were observed with NCTD LIFT, which saw a 73 percent increase, and COASTER, which experienced a 163 percent increase. These indicator gains were largely driven by increased vehicle service miles and a general reduction in mechanical failures.
- NCTD Bus performance remained relatively stable, with a modest 8 percent increase in the distance traveled between failures.
- In contrast, SPRINTER was the only mode to show a decline, with a 19 percent decrease in miles between failures during the audit period and a sharp 79 percent drop compared to 2019 levels.

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A closer look at the underlying statistics reveals the following:

- While the mean distance between failures for Bus operations did not decline, its relative stability can be attributed to strong coordination between the Bus operations and maintenance teams. These teams prioritized strategic vehicle assignments and enhanced preventative maintenance efforts to reduce the risk of service disruptions, which is particularly important given the reduction in available fleet.
- The reduction in available fleet reduction was driven by the expiration of Compressed Natural Gas (CNG) tanks on several buses, which led to the early retirement of a portion of the fleet before vehicles could be replaced. As a result, existing buses remained in service longer, making preventative maintenance more critical.
- Safety reports and discussions with NCTD management indicate that the sharp decline in SPRINTER's miles between vehicle failures is largely due to its aging fleet and specialized vehicle components. Many SPRINTER parts have lead times of up to two years, creating ongoing maintenance challenges. While staff work diligently to keep enough vehicles operational to meet current schedules, the SPRINTER hybrid rail system is expected to be phased out within the next seven years.

NCTD's mean distance between vehicle failures varied across modes during the audit period, reflecting differences in fleet age, maintenance strategies, and operational demands. While LIFT and COASTER showed significant reliability improvements, and Bus performance remained stable despite certain fleet constraints, SPRINTER experienced a notable decline due to aging equipment and long lead times for specialized parts. Continued investment in preventative maintenance, parts inventory management, and eventual fleet renewal will be essential to sustaining and improving reliability.

On-Time Performance

On-time performance (OTP) measures how reliably a transit service adheres to its scheduled arrival and departure times. It reflects the efficiency and consistency of operations and is a key indicator of service quality. High OTP levels typically lead to increased rider satisfaction and trust in the transit system.

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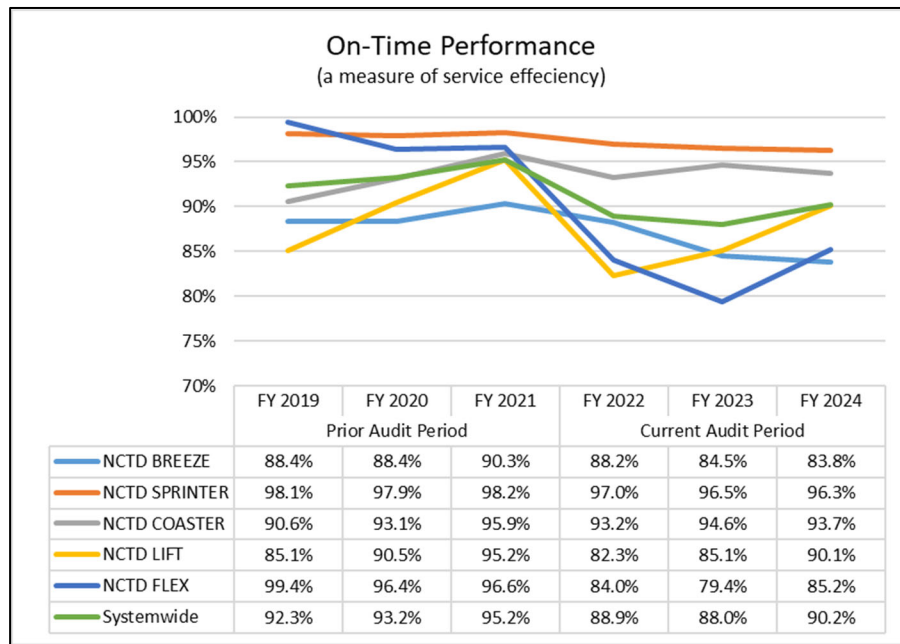


Figure 8. On-Time Performance by NCTD Mode

Source: North County Transit District Transit Operations Performance Report

Key points:

- During the current audit period, NCTD's services experienced varied outcomes in on-time performance (OTP). Certain modes, including COASTER, LIFT, and FLEX, showed improvements in OTP, while BREEZE and SPRINTER experienced slight decreases, partly due to the resurgence of congestion as part of the new normal, post-pandemic.
- Notably, although FLEX improved by 1.2 percent in this audit period, its overall OTP has declined by 14.2 percent over the past six years, down from 99.4 percent in 2019.

A closer look at the underlying statistics reveals the following:

- Temporary bus operator shortages in 2022 led to reduced service frequencies for BREEZE and FLEX, which likely impacted on-time performance (OTP), as the integration of new bus operators inherently requires time for training and acclimation. FTE counts are continuing to rise for BREEZE and FLEX.
- OTP standards are defined in the contractual agreements for services operated by MV Transportation. During the audit period, both LIFT and FLEX fell short of their respective OTP requirements (92 percent for LIFT and 95 percent for FLEX), supporting NCTD's decision to bring bus operations in-house to enhance oversight and operational control.

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- SPINTER's increasing maintenance needs and increased difficulty sourcing replacement parts from Europe with long lead times contributed to operational delays, impacting this mode's OTP.
- NCTD's decision to bring rail operations, facilities maintenance, and signal functions in-house (completed in June 2023) is a significant organizational shift that will likely contribute to long-term improvements in OTP for COASTER and SPINTER, fostering oversight improvement and response time.

NCTD's on-time performance during the audit period showed mixed results. While some modes improved, others such as BREEZE and SPINTER faced challenges due to the resurgence of traffic congestion nationwide and maintenance delays. However, recent and planned organizational changes, including insourcing efforts, along with recovering staffing levels, position NCTD to support long-term improvements in service reliability.

Preventable Accidents per 100,000 Total Vehicle Miles

Preventable Accidents per 100,000 Total Vehicle Miles is a safety performance metric that measures how many accidents, determined to be preventable, occur for every 100,000 miles a transit vehicle travels. It reflects the effectiveness of operator training, safety protocols, and overall risk management. Lower values indicate stronger safety performance and better operator behavior, while higher rates may point to issues in driving practices, training, or operational oversight.

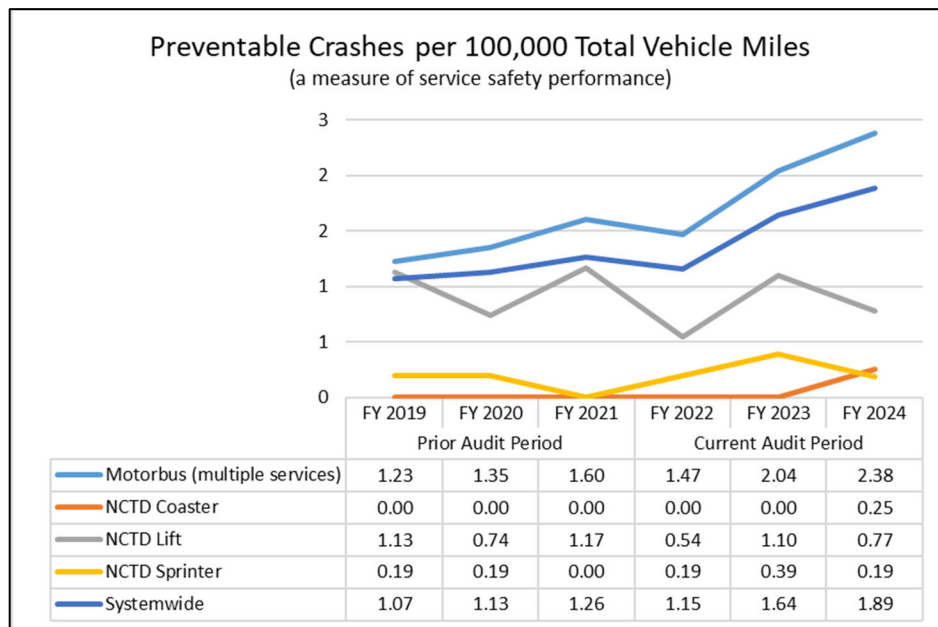


Figure 9. Preventable Accidents per 100,000 Total Vehicle Miles by NCTD Mode

Source: North County Transit District Transit Operations Performance Report

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Key points:

- Systemwide, NCTD experienced a 76 percent increase in preventable accidents since 2019.
- SPRINTER and LIFT demonstrated a decrease in preventable accidents per 100,000 vehicle miles, with the other modes showing a sizeable increase. However, LIFT experienced an increase in preventable accidents in FY 2023.
- MOTORBUS, specifically, demonstrated a 62 percent increase in preventable accidents. This trend remains similar over the 6 year period, with substantial increases in preventable accidents per 100,000 total vehicle miles for Bus service modes.

A closer look at the underlying statistics reveals the following:

- BREEZE and FLEX, which are currently operated by MV Transportation, largely exceeded the contractual standards for preventable accidents over the audit period. For example, BREEZE's preventable accident goal is 55; however, BREEZE encountered 122 preventable accidents in FY 2024.
- Safety reports indicated that the preventable accidents for the Bus service lines can be mostly attributed to the increase in "Bus vs. Object" accidents, which are situations where a bus collides with a fixed or stationary object³. The primary root cause of these accidents are poor observations, which is associated with perceived sense of urgency as well as lack of situational awareness.
 - NCTD reported collaboration efforts with MV Transportation to mitigate these behaviors with the individual employees, including reinforcement of application of defensive driving fundamentals.
- Future efforts to insource bus operations may lead to improvements as NCTD begins to maintain more control over operations and to build efficiencies long-term.

NCTD's preventable accident rate has risen significantly since 2019, particularly among bus service modes, pointing to persistent safety challenges tied to operator performance and oversight. While some modes like SPRINTER and LIFT have shown safety improvements, the high incidence of "Bus vs. Object" accidents on BREEZE and FLEX highlights the need for stronger training and situational awareness. NCTD's collaboration with MV Transportation and its plans to insource bus operations may support long-term improvements in safety performance and operational control.

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Conclusion

Over the audit period, NCTD has demonstrated resilience and strategic adaptation amid a challenging operating environment marked by slowing sales tax revenues and ongoing pandemic recovery.

The organization's focus on sustaining current service levels rather than pursuing rapid expansion reflects their emphasis on operational stability, which also mirrors SANDAG's current strategic approach to "Focus on Fundamentals."

NCTD has made clear progress in improving efficiency and effectiveness. A significant organizational milestone was achieved with the successful transition of COASTER and SPRINTER rail operations, as well as facilities maintenance and related functions, from external contractors to in-house management. This insourcing initiative, completed by mid-2023, is expected to strengthen operational control, enhance efficiency, and support long-term cost containment.

Financial performance shows signs of gradual recovery. Although operating cost per passenger trip remains substantially higher than pre-pandemic levels, it has decreased modestly by about 4 percent during the current audit period. This improvement coincides with ridership growth, expanded services, and the benefits of insourcing.

The PRONTO integrated fare system and YOP have supported ridership recovery, specifically, particularly among youth and leisure riders. Operating costs per vehicle service hour continue to rise, outpacing inflation indices, but efforts to improve efficiencies through insourcing and employee count optimization could help stabilize controllable costs.

Maintenance and reliability present mixed outcomes. Significant reliability improvements on bus services and COASTER contrast with ongoing challenges on SPRINTER due to aging infrastructure and lengthy parts procurement timelines. Continued investment in preventative maintenance and eventual fleet renewal for SPRINTER will likely enhance service reliability.

On-time performance remains variable across modes, impacted by nationwide traffic congestion and maintenance delays, but organizational changes are expected to drive long-term improvements. Preventable crash rates have increased significantly, especially within bus operations. Continued collaborative efforts with contractors and insourcing plans are positioned to improve oversight, training, and safety outcomes over time.

NCTD experienced ongoing financial challenges throughout the audit period. Rising costs continue to outpace both the Consumer Price Index (CPI) and the Producer Price Index (PPI), driven by inflation, wage adjustments, and increases in insurance premiums.

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Farebox recovery remains well below pre-pandemic levels, declining from 16 percent in FY 2019 to 8 percent in FY 2024, due in part to fare subsidy programs and changing ridership patterns.

NCTD's service planning efforts have addressed coverage gaps and expanded recreational and employment access, exemplified by LIFT service area expansions and COASTER service enhancements. Staffing challenges, such as bus operator shortages, have been mitigated progressively through wage increases and other personnel initiatives, helping to stabilize service delivery.

Appendix A

Task 1 – Review of Compliance Requirements Matrix

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Appendix A: Task 1 – Review of Compliance Requirements Matrix

Report Date: August 17, 2025

Code Reference	Requirement	Verification	Result
PUC § 99243	Uniform System of Accounts and Records: Annual reports based on the Uniform System of Accounts and Records established by the State Controller. Report is due to the State Controller within seven (7) months after the end of the fiscal year (on or before January 31).	State Controller Submittal Dates for NCTD and transit contractors: FY22: December 29, 2022 FY23: December 18, 2023 FY24: December 20, 2024	Compliant
PUC § 99245	Annual Fiscal Audit: Certified annual fiscal and compliance audits are submitted to the RTPA and State Controller within 180 days of the end of the fiscal year (December 31), or receive 90-day extension (March 31). The report shall include a certification that the funds allocated to the claimant pursuant to this chapter were expended in conformance with applicable laws and rules and regulations.	Annual Fiscal Audit Submittal Dates: FY22: December 29, 2022 FY23: December 18, 2023 FY24: December 20, 2024 The annual fiscal audit reports for FY22, FY23, and FY24 were submitted timely and NCTD fulfilled all PUC § 99245 statutory requirements. However, an observation has been identified to enhance clarity related to the required PUC § 99245 TDA-compliance certification. NCTD's certification was addressed through a negative assurance statement in their Single Audit reports. However, assessment of TDA funds is referenced only in the table of contents of the Single Audit reports and not explicitly within the body of the reports, resulting in an unclear connection between the certification and the related audit work. This lack of explicit reference reduces clarity for report users and may create confusion regarding compliance with statutory requirements.	Compliant – Observation Identified

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Code Reference	Requirement	Verification	Result
PUC § 99251	CHP Certifications: Following inspection of the operator’s terminal, CHP has certified operator’s compliance with Vehicle Code 1808.1 within 13 months prior to each TDA claim submittal.	2022 (MV Transportation): East Facility 7/29/2022 West Facility 7/22/2022 2023 (MV Transportation): East Facility 7/21/2023 West Facility 7/13/2023 2024 (MV Transportation): East Facility 7/25/2024 West Facility 7/03/2024	Compliant
PUC § 99261	Transportation Planning Agency Regulations: Claims for TDA funds are submitted in compliance with RTPA's rules and regulations for such claims.	<p>NCTD did not provide copies of executed contracts with its TDA claims for FY 2022 through FY 2024, despite operating under a contracted service model. This documentation is required to demonstrate eligibility for TDA funding under the established claims process.</p> <p>Public Utilities Code (PUC) § 99261 requires that claims for TDA funds be submitted in accordance with the rules and regulations established by the RTPA. SANDAG, in its role as RTPA, implements this requirement through its TDA Claim Manual, which includes a TDA Claim Checklist. Item #14 of the checklist specifically requires “copies of executed contracts...for services provided to the operator by a contractor, if the system is operated by a contractor.”</p>	Non-Compliant

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Appendix A: Task 1 – Review of Compliance Requirements Matrix

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Code Reference	Requirement	Verification	Result
PUC § 99266	Budget Changes: Operating budget has not increased by more than 15% over the preceding year unless reasonable justification has been provided.	<p>FY22: 13.57% FY23: 17.6% FY24: 9.0%</p> <p>NCTD justified its increase in operating expenses to 17.6 percent in FY2023, exceeding the 15 percent threshold, as primarily due to the phased insourcing of rail operations and facilities maintenance. This transition led to short-term duplicative costs and startup staffing expenses.</p>	Compliant
PUC § 99247	Performance Measures Definitions: The operator's definition of performance measures are consistent with Public Utilities Code Section 99247, including (a) operating cost, (b) operating cost per passenger, (c) operating cost per vehicle service hour, (d) passengers per vehicle service hour, (e) passengers per vehicle service mile, (f) total passengers, (g) transit vehicle, (h) vehicle service hours, (i) vehicle service miles, and (j) vehicle service hours per employee.	NCTD's definition of performance measures are consistent with PUC § 992447. NCTD's operating statistics are collected and performance measures are calculated in accordance with PUC requirements.	Compliant

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Code Reference	Requirement	Verification	Result
PUC §§ 99268.2 99268.3 99268.4 99268.5 99269	Revenue Ratios: Operator has maintained a ratio of fare revenues to operating costs at least equal to: 20% for urban areas, and 10% for services for elderly and disabled persons.	FY22: 9.9% FY23: 11.6% FY24: 11.3% Although NCTD did not meet the required 20% farebox recovery ratio, California Senate Bill (SB 125) exempts transit operators from penalties for not meeting certain TDA requirements, including farebox ratio, for fiscal years 2019–20 through 2025–26. As a result, NCTD remains eligible for funding despite not meeting the ratio during the audit period.	Compliant
PUC § 99271	Employee Retirement System: The current cost of the operator's retirement system is fully funded with respect to the officers and employees of its public transportation system, or the operator is implementing an RTPA-approved plan to fully fund the retirement system within 40 years.	NCTD has developed and is implementing a plan to fully fund its employee retirement system within the 40-year timeframe required under Public Utilities Code (PUC) § 99271. However, as of the time of review, the plan had not been submitted to or approved by SANDAG. PUC § 99271 requires that either the retirement system be fully funded or that the operator implement a funding plan that has been approved by the RTPA. While NCTD appears to be on track with its internal implementation, the absence of formal RTPA approval means the statutory requirement has not been fully satisfied.	Non-Compliant
CCR - 6754 (a)(3)	Federal Funding: If the operator received STA funds, the operator makes full use of funds available from the Federal Transit Administration before TDA claims are granted.	NCTD draws down federal funds as federally funded budget items are incurred.	Compliant

Appendix B
Task 2 – Follow-Up Review of Prior Performance Audit
Recommendations Matrix

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Appendix B: Task 2 – Follow-Up Review of Prior Performance Audit Recommendations Matrix

Report Date: August 17, 2025

Prior Management Responses	Prior Status	Follow-Up Management Responses - Corrective actions taken to address prior recommendations	Validation	Results
NCTD already performs the calculations of Farebox Recovery Ratio utilizing local support and the exclusions allowed by TDA (Ratio) and reports this Ratio annually in the State Controller's Office reports. The Ratios reported to the State Controller's Office are for all modes of service combined (BREEZE, COASTER, SPRINTER, FLEX) and for paratransit; the Ratio is not reported individually by mode, except paratransit (LIFT). The statistical section in NCTD's Annual Comprehensive Financial Report (ACFR) reports statistical data by modes of service; therefore, the Ratio reported to the State Controller's is not reported in the ACFR since it is not mode specific. However, NCTD may start reporting the Ratio with in its next ACFR but it will not be mode specific and rather be labeled as "Fixed Route" and "Paratransit".	None - New	<i>Beginning with the FY2022 Audited Annual Comprehensive Financial Report in the Statistical Section, NCTD has been reporting the Farebox Recovery Ratios as reported to the State Controller's Office.</i>	Based on the procedures performed, we determined that NCTD partially implemented the one prior audit recommendation. While NCTD has made progress by including farebox recovery ratios in its FY2022 Annual Comprehensive Financial Report consistent with those submitted to the State Controller's Office, it has not fully addressed the broader recommendation related to regional alignment, coordination with SANDAG, and consistency across all reporting frameworks. As a result, further action is needed to fully implement the recommendation.	Partially Implemented