

San Diego Metropolitan Transit System

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 San Diego Metropolitan Transit System (MTS) 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 San Diego County.

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

1. MTS' 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. MTS' status and progress of implementing prior performance audit recommendations
3. MTS' TDA-related functional areas
4. MTS' efficiency and effectiveness through verification and use of performance indicators

1. Compliance with TDA Requirements:

MTS is not in compliance with **three** of the nine applicable requirements outlined in the PUC California Code of Regulations (CCR), and the Caltrans Performance Audit Guidebook. Specifically, the annual fiscal and compliance audit reports submitted during the audit period did not include the required certification stating that TDA funds were expended in accordance with applicable laws and regulations.

In addition, MTS did not provide the required statement of how services and transfers are being coordinated with operators with its TDA claims for FY 2022 through FY 2024. This statement is required by Item #7 of SANDAG's TDA Claim Checklist.

Lastly, while MTS 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.

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2. Prior Audit Recommendation Implementation

MTS has effectively implemented the 2021 triennial performance audit recommendation. MTS has improved transparency in farebox recovery ratio (FRR) reporting by providing detailed revenue breakdowns to SANDAG, aligning with both state and federal requirements, and incorporating eligible revenues in Schedule 8 beginning with the FY24 TDA claim.

3. Functional Review:

MTS consistently monitored performance as part of its general management practices, using established evaluation methodologies, reports, and reporting frequencies to ensure performance updates were communicated to internal departments, management, and the Board throughout the audit period. These reports include the triannual and annual service evaluations, in which MTS management reviews and proactively responds to address improvement opportunities, such as adjusting service levels to respond to budget constraints. To further strengthen MTS' performance and operational practices, one recommendation has been identified and is offered for the agency's consideration regarding Full-Time Equivalent (FTE) data calculated using the TDA standard definition.

4. Verification and Use of Performance Indicators:

One finding has been identified related to MTS' definition and usage of employee count. The method used by MTS to calculate and report on employees does not align with the TDA standard definition as defined in Public Utilities Code - PUC § 99247. MTS should consider using the TDA definition of 2,000 hours per FTE rather relying on a headcount or employee roster to help ensure reporting accuracy and consistency.

During the audit period, MTS showed systemwide recovery as ridership steadily increased, nearing pre-pandemic levels. Operating costs rose due to factors such as higher demand-response services, employee wages, insurance, and vehicle expenses. Despite rising costs, efficiency improved with decreases in operating cost per passenger trip and increases in passengers per service hour and mile. Vehicle service hours per employee remained relatively stable, reflecting MTS's ability to attract both returning and new riders while managing service demands.

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Introduction

As a recipient of Transportation Development Act (TDA) funds, the San Diego Metropolitan Transit System (MTS) 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 MTS 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 MTS' 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 MTS' 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 MTS' implementation of audit recommendations. **(Task 2)**
- Initial and Detailed Review of MTS' 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 MTS' efficiency and effectiveness of its activities **(Task 4)**.

To fulfill these objectives, our approach included conducting interviews with relevant staff, reviewing MTS-provided and publicly available documents, and performing data analysis. The methodology is further detailed in each section, reflecting differences in approach based on the specific objective.

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Overview

The San Diego Metropolitan Transit System (MTS) provides public transportation services throughout the San Diego metropolitan area, serving a population of approximately 3 million residents across more than 3,000 square miles. This includes 570 square miles of urbanized areas and rural communities in East County, connecting cities such as San Diego, Chula Vista, El Cajon, and Imperial Beach.

MTS delivers bus, light rail, and paratransit services through a combination of directly operated and contracted providers. Bus operations are managed by San Diego Transit Corporation (SDTC), an MTS subsidiary, and Transdev, a private contractor that operates a significant portion of fixed-route bus service as well as MTS Access, the agency's paratransit program for eligible riders with disabilities. Light rail services are operated by San Diego Trolley, Inc. (SDTI), another MTS subsidiary, which manages five trolley lines serving more than 60 stations. MTS oversees all system planning, service standards, and operational coordination to maintain consistency and efficiency across all modes.

The system includes nearly 100 bus routes and 65 miles of light rail track, supported by a fleet of over 700 buses, including paratransit vehicles, and more than 170 light rail vehicles. MTS services are structured to meet a range of mobility needs across the region, as detailed below:

- **MTS Bus:** Local bus routes serving the community
- **MTS Rapid:** High-frequency, limited-stop bus service to major attractions and destinations all over San Diego
- **MTS Access:** Complementary door-to-door paratransit service for eligible riders with disabilities
- **MTS Rapid Express:** Peak hour, limited-stop bus service
- **MTS Rural:** Bus services for rural area residents
- **MTS Trolley:** Light rail services that connect San Diego's downtown with East County, University of California San Diego, South Bay, and the Mexican border

Service planning, scheduling, and performance monitoring of all MTS transit services are overseen by MTS staff, in which service adjustments occur three times per year and as needed to improve efficiency and customer service. Governance and policy direction provided by the agency's Board of Directors. The Board is composed of 15 representatives from jurisdictions throughout the region:

Oversight of these services is provided by MTS' Board of Directors, which is composed of 15 representatives from jurisdictions throughout the region:

- Four appointed from the City of San Diego - the Mayor of San Diego and three San Diego City Council Members
- Two appointed from the City of Chula Vista - the Mayor of Chula Vista and a Chula Vista City Council Member
- One appointed from each City Council of Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee
- One appointed from the San Diego County Board of Supervisors

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MTS receives funding from a combination of federal, state, and local sources. Primary revenue streams include allocations from the California Transportation Development Act (TDA), which provides funding from local sales tax for transit operations; Federal Transit Administration (FTA) grants, including Sections 5307 (urbanized area formula), 5337 (state of good repair), and 5339 (bus and bus facilities); TransNet, a regional half-cent sales tax dedicated to transportation projects; and passenger fare revenue. MTS also generates revenue through passenger fares, advertising, property leases, and contracted services. Together, these funding sources support the agency's ongoing operations, system maintenance, capital investments, and service improvements.

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 San Diego Metropolitan Transit System's (MTS) 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 MTS to comply with all applicable requirements as a TDA claimant.

Based on the procedures performed, we validated that MTS fully achieved compliance with 6 of the 9 applicable California state regulations as prescribed by the TDA. The procedures performed determined that three provisions were not fully met:

- **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.
- **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.

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 MTS. The compliance matrix and compliance procedure details are referenced in the **Appendix A**.

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Task 1 –Review of Compliance Requirements

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2. Sources of Information

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

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

3. Metrics

To validate compliance, we utilized the following metrics to evaluate and determine whether MTS 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 MTS maintained supporting documentation to fulfill **six** of the 9 state regulatory requirements during the triennial review period. We also examined MTS’ 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 MTS was **non-compliant** with **three** of the 9 applicable requirements during the FY 2022–FY 2024 audit period:

- **Finding 01 - Fiscal Audit and Compliance Reports Certification:**
MTS’ fiscal audit reports for FY22, FY23, and FY24 did not include the required certification that TDA funds were expended in conformance with applicable laws and regulations.

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- **Finding 02 – TDA Claim Support:**

MTS did not provide the required statement of how services and transfers are being coordinated with operators with its TDA claims for FY22, FY23, and FY24, as required by the TDA claim form.

- **Finding 03 – Retirement Plan Approval:**

MTS 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.

Summary of Findings

From the procedures performed, we identified **three** areas of non-compliance with the California Public Utilities Code (PUC). The following finding identifies the issues and includes recommendations for corrective action:

Finding 01 – Fiscal Audit and Compliance Reports Certification:

The annual fiscal audit reports for FY22, FY23, and FY24 did not include the required certification that TDA funds were expended in conformance with applicable laws and regulations. This certification, mandated by California Public Utilities Code (PUC) § 99245, must explicitly confirm, through a written statement, that funds were used in accordance with the provisions of the TDA and related regulations: "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."

While the audit reports include the financial auditor's opinion on the fair presentation of the financial statements, this opinion does not serve as a substitute for the required compliance certification. The financial auditor's opinion addresses whether the financial information is presented fairly in accordance with generally accepted accounting principles, whereas the compliance certification specifically affirms that TDA funds were expended in accordance with applicable laws and regulations.

Recommendations for Management

We recommend that MTS include in the scope of work for future audit procurements a requirement for the auditor to assess compliance with the Transportation Development Act (TDA) as a distinct component of the engagement. This will ensure the audit includes the required certification that TDA funds were expended in accordance with applicable laws and regulations, clearly presented and separate from the financial opinion.

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Management Response

MTS agrees with the recommendation. Management will strengthen its procedures to ensure MTS's external auditor includes language in the opinion section stating that MTS will comply with PUC 99245 and 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.

Responsible Party: MTS – Deputy CFO

Implementation Date: 12/31/2025

Finding 02 – TDA Claim Support

MTS did not provide the required statement of how services and transfers are being coordinated with operators with its TDA claims for FY 2022 through FY 2024. 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 Regional Transportation Planning Agency (RTPA), implements this requirement through its TDA Claim Manual, which includes a TDA Claim Checklist. Item #7 of the checklist specifically requires "a statement of how services and transfers are being coordinated with operators." While MTS is a member of SANDAG's Social Services Transportation Advisory Council to review and recommend development of accessible transportation, MTS should include the required statement to support compliance with this requirement.

Recommendations for Management

We recommend that MTS ensure all future TDA claim submissions include the required supporting documentation as outlined in SANDAG's TDA Claim Manual and checklist. Specifically, MTS should include the required statement describing how services and transfers are coordinated with other operators, as required by item #7 of the TDA Claim Checklist. To support compliance, MTS should implement internal procedures to review the checklist in its entirety and verify that all applicable items are addressed prior to submission.

Management Response

MTS agrees with the recommendation. Management will strengthen its procedures to ensure MTS includes a Statement of how services and transfers are being coordinated with other operators during the following TDA claim submittal. Specifically, MTS will include the required statement describing how services and transfers are coordinated with other operators, as required by item #7 of the TDA Claim Checklist.

Responsible Party: MTS - Deputy CFO

Implementation Date: 04/30/2026

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Finding 03 – Retirement Plan Approval

MTS 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 MTS appears to be progressing 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 MTS 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

MTS agrees with the recommendation. Management will strengthen its procedures to ensure MTS submits to SANDAG its retirement system (five Actuarial Valuation reports) 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.

Responsible Party: MTS - Deputy CFO

Implementation Date: 04/30/2026

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

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

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Executive Summary

The purpose of Task 2 was to examine San Diego Metropolitan Transit System's (MTS) 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:** MTS 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 that MTS has fulfilled one of one prior audit recommendations.

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 MTS' 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

In order to validate MTS' fulfillment in addressing the prior audit recommendations the following sources of information were collected and reviewed:

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

3. Metrics

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

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- **Fulfilled:** The recommendation has been fully implemented and all required actions have been completed.
- **Partially Fulfilled:** Some actions have been taken, but not all required steps 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 that MTS took the necessary actions to fulfill the prior triennial performance audit recommendations. We also assessed whether MTS has maintained supporting evidence to demonstrate that these actions were effectively implemented.

The prior performance audit noted the following issue:

- **Prior Audit Recommendation 01:** MTS 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 MTS 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.

MTS reported that it has implemented a more detailed approach to farebox recovery reporting by providing SANDAG with a complete breakdown of operating and non-operating revenues, clearly indicating which are eligible under the TDA. This began with the FY2024 TDA claim (Schedule 8) and will continue in future submissions. MTS also stated that this level of transparency supports federal reporting to the National Transit Database and allows CPAs to validate the final agency FRR metric with clarity and consistency.

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

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Results

Implementation Status: **Fully Implemented**

Based on the procedures performed, we determined that MTS has fully implemented the one prior audit recommendation. As MTS describes and supports with documented evidence, MTS has taken steps to enhance transparency in farebox recovery ratio (FRR) calculations by providing SANDAG with detailed layers of operating and non-operating revenues and clearly identifying which are eligible for inclusion. This approach supports both traditional and TDA-compliant FRR metrics and aligns with federal reporting requirements, including the National Transit Database. Beginning with the FY24 TDA claim, MTS included the appropriate eligible revenues in Schedule 8 and will continue to do so going forward, ensuring consistency and clarity in FRR reporting for both state and federal stakeholders.

**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 to Assess Efficiency and Effectiveness

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Executive Summary

The purpose of **Tasks 3 and 4** is to provide an independent, objective assessment of MTS' 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 MTS' 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 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 MTS:

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 MTS' Functional Level Review (**Task 3**), the following key procedures were performed:

- Analyzed MTS' website and documentation to identify relevant modes and services (e.g., fixed-route bus, commuter rail, demand response, trolley).
- 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 MTS leadership to understand the organization's structure, strategic planning efforts, and priority functional areas of focus.
- Reviewed documents outlining MTS' 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 to Assess Efficiency and Effectiveness

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For **Task 4**, we evaluated five of MTS' 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 Accidents 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.

During the audit period, MTS adjusted its services in response to evolving operational needs, impacting both bus and rail operations. The agency also undertook targeted initiatives to improve employee retention and recruitment, recognizing workforce stability as a critical factor in service reliability. In addition, MTS updated its Transit Asset Management (TAM) Plan for FY2025 to strengthen its approach to fleet maintenance and asset management. The updated plan outlines strategies for acquiring, operating, maintaining, rehabilitating, and replacing assets, with the goal of ensuring optimal performance, reducing lifecycle costs, and maintaining a state of good repair. This comprehensive approach is designed to support the delivery of safe, reliable, and cost-effective transit services for both current and future riders.

One finding has been identified related to MTS' definition and usage of employee count. The method used by MTS to calculate and report on employees does not align with the TDA standard definition as defined in Public Utilities Code - PUC § 99247. MTS should consider using the TDA definition of 2,000 hours per FTE rather relying on a headcount or employee roster to help ensure reporting accuracy and consistency.

Approach

During the initial phase of the review, we conducted an in-depth review of documentation related to MTS' functional areas, along with information available on the MTS website. This helped provide a clearer understanding of MTS' 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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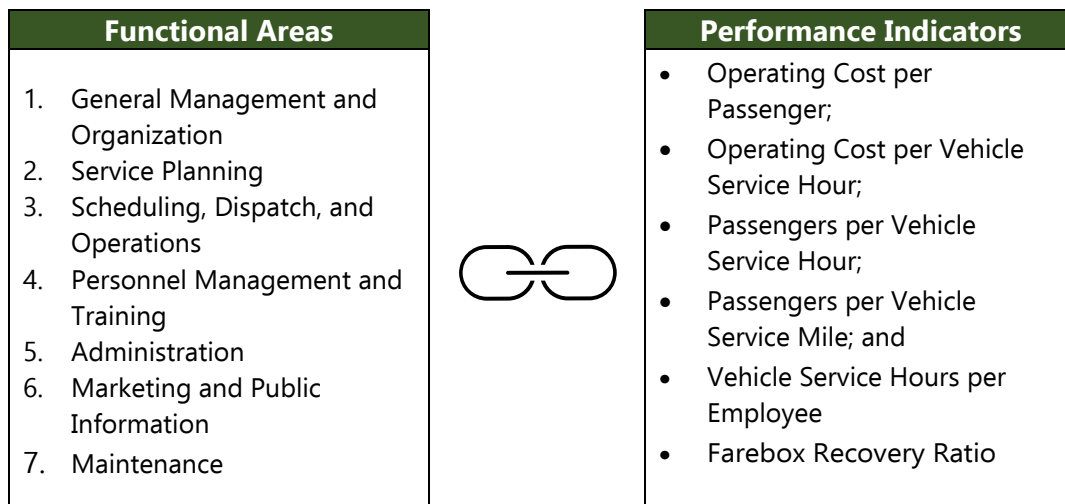
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Tasks 3 and 4 – Review of TDA-Related Functions and Performance Indicators to Assess Efficiency and Effectiveness

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| Documents Reviewed | |
|--|---|
| <ul style="list-style-type: none">• Organizational charts• Policies and procedures• Performance incentive program goals• B-10 forms• Performance monitoring reports• Customer satisfaction survey | <ul style="list-style-type: none">• Budgets• Audited financial statements• Board reports• Labor agreements• Fleet inventory• Service contracts• Transit asset management plan |

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



We then conducted interviews with executive and department 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. The topics for the interviews also included discussion items such as the following:

- Significant changes in leadership, responsibilities, and structure during the scope period
- Strategic planning process
- Internal objectives and goal setting

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

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- Collaboration with the RTPA, SANDAG
- Accomplishments and challenges
- Personnel training and recruitment
- Transit operator oversight and monitoring activities
- Performance indicators and data collection

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 MTS personnel:

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

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

Strategic Planning Framework and Reporting

Metropolitan Transit System (MTS) has established a clear and comprehensive strategic framework that shapes its operations, priorities, and efforts to improve organizational performance. This framework is anchored in MTS mission to enhance the personal mobility of San Deigo metropolitan area residents and visitors by:

- Obtaining maximum benefit for every dollar spent
- Being the community's major public transportation advocate
- Increasing public transportation usage per capita
- Taking a customer-oriented approach
- Implementing capital projects on schedule and within budget
- Offering high-quality public transportation services
- Responding to the community's socioeconomic interests

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

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Affordable Housing and Joint Development

As a contribution to their mission statement, MTS has recognized the need of more affordable housing and continues to seek out joint development projects across its system to repurpose its park and ride lots into affordable housing solutions across the county. During the audit period, two joint development projects were completed, one was started, and one was approved. MTS is in the process of redeveloping or actively looking to redevelop five other properties.

Sustainability and Zero-Emission Transit

In line with its commitment to sustainability and effort to transition to an all zero-emissions bus fleet in 2040, MTS launched an electric Rapid services in 2023 which included the first articulated electric vehicles in MTS' fleet its electric bus fleet. In addition, the Rapid 227 electric bus fleet is charged by an \$8.5 million overhead gantry charging system capable of charging 24 battery-electric buses at a time in just a few hours. MTS is the first North American transit agency to build this type of charging infrastructure.

As service needs and operations increase, MTS plans to meet its capacity needs by adding a sixth bus division. Additionally, MTS is in the process of acquiring parcels for the development of the Clean Transit Advancement Campus (CTAC) in a collaborative effort with SANDAG. The new facility will provide up to 600 new jobs for the local community and provide a strategic location for its future operational service area.

Capital Investment and Revenue Diversification

In planning ahead financially, MTS' FY2025 Capital Improvement Program (CIP) budget of \$250.1 million will fund various projects, including bus and rail maintenance to ensure a state of good repair and funding for the zero-emission bus transition. In total, the funding will incorporate 66 different projects.

In 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provided MTS an apportioned \$220 million to supplement lost revenues and increased expenses due to the pandemic. MTS' long-term goal is to fund operations solely with recurring revenues, however, as the funding from the CARES Act is exhausted and operating costs increase, new revenue streams are being sought after. MTS' Gaslamp Quarter Digital Information Board will be used for advertising and promotion opportunities, along with station naming rights on the Green Line Trolley.

Cleanliness, Beautification, and Passenger Experience

To improve cleanliness, MTS has introduced innovative Big Belly trash receptacles throughout its facilities to improve waste management and maintain cleanliness.

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These modern trash receptacles are designed to efficiently compact trash, reduce overflow, and enhance the overall cleanliness of stations and surrounding areas.

Furthermore, MTS has undertaken a creative approach to beautifying its stations by commissioning and completing murals. These artistic installations not only add visual appeal to the transit environment but also contribute to a sense of community pride and engagement among passengers and local residents.

Safety Enhancements

MTS' commitment to enhancing safety measures and promoting a secure transit environment is evident through its comprehensive safety initiatives and ongoing improvements to ensure the well-being of passengers and staff alike.

During the audit period, MTS updated their Public Transportation Agency Safety Plan (PTASP). The plan is a Federal Transit Administration's (FTA) requirement. Updates to the Rail Safety Plan and Bus Safety Plan were made in 2023 and 2022 respectively. MTS also underwent California Highway Patrol inspections, implemented no smoking policies on revenue vehicles and at bus stops, conducted training drills for bus battery fires, including collaboration with the San Diego Fire Department on Battery Electric Buses (BEBs), and acquired tractors for BEB maintenance. Other safety measures included high voltage trainings, electronic mirror pilots, a Transit Worker Assault Risk Reduction program, a passenger safety awareness campaign, air purification systems for buses, Hazard Communication and Infectious Disease Preparedness plans updates, a Respect the Ride etiquette campaign, improved lighting at stops and stations, additional Code Compliance Inspectors, and new bus shelters.

Workforce Development and Employee Support

A significant part of MTSs strategic initiatives also included fostering a positive work environment and supporting the well-being of its workforce. Examples are highlighted below:

Employee Training and Benefits:

- MTS developed the Customer Service Playbook training program to equip employees with essential customer service skills, implemented split pay differentials, increased behind-the-wheel trainer differentials, and provided first-year employees with 32 hours of paid time off. These measures aim to enhance employee development, recognition, and work-life balance.

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Employee Facilities and Amenities:

- In a bid to improve employee comfort and convenience, MTS installed new bus driver restrooms at two transit centers, addressing the needs of frontline staff and promoting a more conducive work environment.

Morale Enhancement Initiatives:

- MTS has implemented various morale-boosting initiatives, including the planned reestablishment of the Bus Rodeo competition, the construction of a new employee gym and recreation center at the Imperial Avenue Division, Years of Service Recognitions, Safety and Service Awards, and Million Mile Awards. These efforts aim to recognize employee contributions, foster camaraderie, and celebrate achievements within the organization.

Employee Wellness Programs:

- MTS revamped its employee wellness programs to promote physical, mental, and emotional well-being across all departments. This included reimbursements for gym memberships, increased wages for hard-to-fill positions, access to the Employee Assistance Program (EAP) for confidential counseling services, quarterly well-being seminars, and the formation of a new employee engagement committee. These initiatives are designed to support employee health, engagement, and overall job satisfaction.

Through a well-defined strategic planning framework, MTS demonstrates a comprehensive and forward-thinking approach to public transit. By prioritizing efforts toward sustainability, safety, community development, financial resilience, and employee well-being, MTS continues to evolve as a responsive and resilient transit agency. These initiatives underscore its commitment to providing efficient, accessible, and equitable transportation services that meet the current and future needs of the San Diego region.

Measuring Progress Toward Strategic Initiatives

Board Policy No. 42 outlines performance indicators to be measured and evaluated annually to assess progress toward fulfilling MTS' service vision. Performance targets are set to provide MTS' service expectations based on service design, route characteristics, and operating environments. Using these expectations, MTS can identify and assess service decisions to ensure that system objectives are met. A process to review and perform adjustments, if needed, to performance targets is conducted every three years to help keep priorities in balance while continuing to improve performance related to services. Overall system performance is documented in the Annual Performance Monitoring Report.

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The Annual Service Evaluation is performed at the end of each fiscal year to compare and analyze actual performance with the performance targets to identify opportunities for adjustments and improvements. Key indicators such as passengers per revenue hour and subsidy per passenger are examined. The routes in the bottom quartile of each route group for both indicators are identified for further analysis as a low-performing route.

The triannual service evaluation is performed at the conclusion of each regularly schedule service change period, and assists MTS with identifying significant trends, evaluating the results of services changes, and provides a basis for annual performance tracking. Minor and major service changes to MTS bus and trolley services are implemented three times per year to provide an opportunity to:

- 1) Improve the routing, operation, and schedules of the transit system consistent with service evaluation and customer comments
- 2) Implement changes as a result of service plans, including the implementation of new services
- 3) Optimize service according to the MTS service vision
- 4) Adjust service levels according to budget constraints

New service implementations, such as new routes, increased frequencies at key service times, new days of operation, or significant route extensions, are evaluated for their performance for a one-year trial basis before the new service can be approved as a regular service. To be established as a regular service, a Title VI analysis must be completed and presented to the MTS Board of Directors, and the service must be approved. As part of the monitoring process, the Policy 42 Evaluation Criteria is reviewed and reported to the Board of Directors using Performance Monitoring Reports.

These key performance indicators are also part of the annual Performance Incentive Program (PIP) in which departments develop goals related to KPI metrics and operational/capital goals.

Bus and Rail FY24 PIPs included goal themes such as:

- Budget
- KPIs
- Operations/Maintenance
- Safety/Training
- Personnel

At the close of each fiscal year, the Finance and Planning departments, in coordination with the Chief Financial Officer (CFO), review organizational performance results. Following clarification and input from the CFO and department directors or chiefs, the Finance team calculates the total number of established goals, the number of goals achieved, and the resulting completion percentage.

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If a bonus budget was allocated for the fiscal year, financial PIP bonuses are then calculated and distributed accordingly.

MTS tracks performance through a range of reports and KPIs, reviewed at varying intervals from daily to annually. This continuous monitoring approach supports management in evaluating progress toward departmental and agency-wide goals and ensures alignment with MTS' strategic objectives and long-term vision.

Connection to SANDAG's Regional Plan

During interviews, MTS demonstrated a clear understanding of SANDAG's broader strategic role in comparison to MTS' 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."

The coordination between SANDAG and MTS involves aligning goals and strategies, particularly in capital improvement programs and the Regional Transportation Improvement Plan (RTIP). SANDAG oversees the TransNet program, consulting with MTS on operational decisions and project implementation. MTS collaborates with SANDAG and NCTD on grant applications, ensuring alignment with SANDAG's priorities to avoid competition. Quarterly meetings help maintain coordination, especially regarding discretionary grants and funding sources. Regular economic discussions with SANDAG aid in forecasting sales tax revenue and planning ahead for financial alignment.

Internal Controls over Performance Data Collection

In alignment with the *Caltrans' Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities*, we assessed the internal controls in place over MTS' collection of performance-related information, ensuring that reliable data is obtained and maintained to be fairly disclosed in reports by MTS. Specifically, we evaluated MTS' 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.

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We conducted interviews with personnel and examined documentation for bus and trolley operations to assess MTS' data-gathering and validation methodology. Based on our procedures performed, the policies and procedures, roles and responsibilities, specific reports, flow charts, and review and approval processes in place, help to ensure the accuracy of the data collected. Summaries of MTS' processes and procedures to collect and validate material performance indicator data for bus and rail have been provided below.

Passengers

- MTS Buses are equipped with Automatic Passenger Counters (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.
 - For paratransit, transportation operations are managed through Trapeze software. Scheduled pick-ups are arranged the night before, and routes are planned accordingly. Throughout the day, drivers update the status of scheduled pick-ups (e.g., complete, dropped) in Trapeze using onboard tablets. Data from these activities is recorded in Trapeze, and manual logs are submitted by each driver daily. These manual logs are cross-referenced with Trapeze data to ensure accuracy; any discrepancies are investigated and corrected. The contractor provides ridership data in Excel format, which is then shared with MTS for uploading to Power BI for analysis of paratransit data and reporting.
- MTS Trolleys are also equipped with APCs. The data is collected from the APCs and directly sent to SANDAG. The data is then factored to filter data to account for additions or removals related to ridership. A monthly ridership estimate is then produced and provided for MTS' ridership reporting.

Operating Costs

- Operating costs for TDA indicator purposes are collected and validated by MTS. The operating costs for each operator are collected from SAP quarterly and manually entered to their reporting spreadsheet. The reported values are reviewed prior to entry to the spreadsheet and again before being sent to SANDAG. Annually, the reported values are also compared from SAP to MTS' audited financial statements and TDA data requirements related to Article 4 and Article 4.5 are validated by external auditors.

Vehicle Service Hours and Miles

- Bus vehicle service hours and miles are collected using three data sources:

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- 1) Contracted bus schedules from Hastus are loaded into MTS' database for all scheduled miles and trips.
- 2) Transtrack data for contracted services is provided to MTS as an Excel file and manually loaded into MTS' database.
- 3) In-house bus schedules from RTMS/Orbcad are imported nightly into MTS' database.
- Services are then adjusted for added or removed schedules for instances related to events such as added or interrupted routes. These instances are recorded and entered into the data workflow, which then flows into the database calculations used to create MTS' reporting PowerBI tables. Additionally, bus departments create reports each month to report to the team to verify the reported values accuracy when compared to the Power BI values.
- Trolley services hours and miles are manual in nature. Schedules based on the planned services, along with the number of cars and are entered into an Excel spreadsheet. MTS' Central Control uses the Trolley Operation Support Application (TOSA) to track occurrences, such as additions or reductions related to occurrences such as added events or missed trips and enters these occurrences to the Excel spreadsheet. A final summary is produced daily and for the month. To review the data entered for accuracy, the schedule is checked against TOSA, report trips processed by Central Control are reviewed by supervisors for accuracy, and the inputs are reviewed for accuracy and potential outliers. These monthly values are entered to Power BI for reporting.

Employee Hours

- MTS' employee hours for contracted employees are collected using invoices each month. Employee hours for in-house services used for NTD reporting are pulled from their internal system, validated by accounting, and then provided to SANDAG for quarterly reporting. During the audit period MTS provided their employee roster count to SANDAG for Full-Time Equivalent quarterly reporting, however, moving forward in FY26, MTS will begin transitioning to reporting their FTEs based on TDA's definition of 2,000 hours instead of an employee roster count.

Power BI policies and procedures also include internal controls for user access which prevent employees from changing the reporting values. If any errors are identified, the data reviewed is corrected and then pulled from the Power BI tables once updated. All reports are pulled quarterly for review to ensure that the data appears accurate. Any discrepancies are investigated and corrected at the source to ensure the reported values are accurate.

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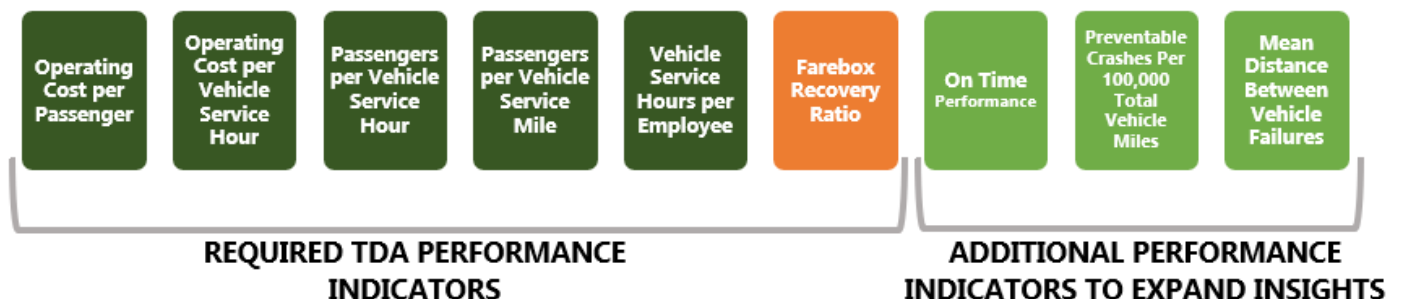
Overall, MTS has implemented structured and consistent procedures for collecting and validating performance indicator data, ensuring the accuracy and reliability of the metrics reported to stakeholders such as the MTS Board of Directors, SANDAG, and the National Transit Database (NTD). These practices 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 MTS' 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

The analysis evaluates both TDA and supplementary non-TDA performance indicators to identify system-wide trends that reflect MTS' 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 MTS' executive and departmental leadership, shown from left to right below:



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Developments Impacting Performance

Drawing from document reviews, discussions with MTS 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

- In 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provided MTS an apportioned \$220 million to supplement lost revenues and increased expenses due to the pandemic. MTS' long-term goal is to fund operations solely with recurring revenues, however, as the funding from the CARES Act is exhausted and operating costs increase, new revenue streams are being sought after.
 - MTS' Gaslamp Quarter Digital Information Board will be used for advertising and promotion opportunities, along with station naming rights on the Green Line Trolley.
- As contribution to their mission statement, MTS has recognized the need of more affordable housing and continues to seek out joint development projects across its system to repurpose its park and ride lots into affordable housing solutions across the county. During the period two joint development projects were completed, one was started, and one was approved. MTS is in the process of redeveloping or actively looking to redevelop five other properties.
- In line with its commitment to sustainability and effort to transition to an all zero-emissions bus fleet in 2040, MTS launched an electric Rapid services in 2023 which included the first articulated electric vehicles in MTS' fleet its electric bus fleet. In addition, the Rapid 227 electric bus fleet is charged by an \$8.5 million overhead gantry charging system capable of charging 24 battery-electric buses at a time in just a few hours. MTS is the first North American transit agency to build this type of charging infrastructure.

Service Planning

- As service needs and operations increase, MTS plans to meet its capacity needs by adding a sixth bus division, and MTS is in the process of acquiring the MTS Board of Directors approved parcel for the development of the Clean Transit Advancement Campus (CTAC) in a collaborative effort with SANDAG. The new facility will provide up to 600 new jobs for the local community and provide a strategic location for its future operational service area.
- The Mid-Coast Trolley extension was put into service during November 2021, which included an 11-mile extension of the UC San Diego Blue Line Trolley, included 9 new stations with five including parking and 36 trolley cars purchased. Additionally, during FY2023 there was an increase in demand-response services, which was more than originally budgeted.

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Scheduling, Dispatch, and Operations

- MTS incurred two station closures in January 2024, due to significant flooding that caused approximately \$24 million in damage to the Trolley system.
- Ridership was also negatively impacted during May-June 2023 due to strikes at two MTS bus divisions which resulted in a loss of approximately 1.5 million boardings.

Personnel Management and Training

- Due to the opening of the Mid-Coast Trolley extension, an increase of employees occurred, which resulted in salary increases. Additionally, expenses related to employees increased due to the following:
 - A collective bargaining agreement for pay increases for contracted service workers
 - Fringe benefits
 - Pension costs

Administration

- MTS' liability insurance costs increased during the audit period due to external risk factors.
- Transdev and First Transit contracts included increases mainly related to service level increases for fixed route and the paratransit/minibus operations.

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.
- Ridership recovery initiatives such as Free Ride Month, Social Equity Listening Tour, Customer Satisfaction Surveys, and Youth Opportunity Passes were engaged in by MTS.
- Safety initiatives include the implementation of the "Respect the Ride" etiquette campaign and "Think FAST" safety awareness campaign to educate the public on accident prevention while using the transit system, improved lighting at stops and stations, the addition of Code Compliance Inspectors (CCIs), and the installation of new bus shelters.

Maintenance

- In planning ahead financially, MTS' FY2025 Capital Improvement Program (CIP) budget of \$250.1 million will fund various projects, including bus and rail maintenance to ensure a state of good repair and funding for the zero-emission bus transition. In total, the funding will incorporate 66 different projects.

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Performance Indicator Evaluation Introduction

The following section examines MTS' five required performance indicators, as mandated by the Transportation Development Act (TDA), along with the Farebox Recovery Ratio, to assess the efficiency and effectiveness of MTS's operations (**Task 4**). It focuses on explaining the underlying trends in these indicators and identifying the internal and external factors that influenced MTS's performance over the triennial period.

Utilizing the information gathered during document review, MTS' available news releases, and conversations with MTS 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 MTS services and riders. The audit presents performance indicator data for both the previous FY 2019 to FY 2021 audit period and the current FY 2022 to FY 2024 audit period.

The six-year period provides better context to understanding KPI trends given the COVID-19 pandemic's destabilization of ridership and broader economic forces creating more variable costs on MTS operations.

Further, we included the Consumer Price Index (CPI) and the Producer Price Index (PPI) to help explain changes to prices experienced by MTS. 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% in FY22 to 3.1% by FY24).

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The U.S. 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. CPI and PPI provide useful context in which to understand MTS' performance during the current audit period.

- CPI reveals individual riders and employees continued to experience high inflationary pressure on their household budgets.
- PPI reveals the high inflation experienced by MTS during FY 2021 and FY 2022, and then some adjustment as supply chains 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 Light Rail.

Table 1. Systemwide TDA Required Performance Measures¹

| | 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 TDA Statistic | | | | | | | | |
| Operating Cost | \$ 267,034,436 | \$ 281,737,681 | \$ 300,828,674 | \$ 307,114,579 | \$ 344,746,980 | \$ 369,057,313 | 20.2% | 5.5% |
| Total Passengers | 85,367,919 | 71,245,493 | 39,214,848 | 57,616,329 | 68,511,362 | 75,682,800 | 31.4% | -2.0% |
| Vehicle Service Hours | 2,300,891 | 2,195,244 | 2,166,366 | 2,226,776 | 2,111,925 | 2,261,278 | 1.5% | -0.3% |
| Vehicle Service Miles | 34,225,746 | 32,937,391 | 32,665,180 | 34,726,875 | 34,095,978 | 35,936,428 | 3.5% | 0.8% |
| Number of Employees (FTEs) | | 2,522 | 2,389 | 2,317 | 2,356 | 2,493 | 7.6% | -0.2% |
| Verified TDA Key Performance Indicator | | | | | | | | |
| Operating Cost per Passenger Trip | \$ 3.13 | \$ 3.95 | \$ 7.67 | \$ 5.33 | \$ 5.03 | \$ 4.88 | -8.5% | 7.7% |
| Operating Cost per Vehicle Service Hour | \$ 116.06 | \$ 128.34 | \$ 138.86 | \$ 137.92 | \$ 163.24 | \$ 163.21 | 18.3% | 5.8% |
| Passengers per Vehicle Service Hour | 37.1 | 32.5 | 18.1 | 25.9 | 32.4 | 33.5 | 29.4% | -1.7% |
| Passengers per Vehicle Service Mile | 2.5 | 2.2 | 1.2 | 1.7 | 2.0 | 2.1 | 26.9% | -2.8% |
| Vehicle Service Hours per Employee | | 870 | 907 | 961 | 896 | 907 | -5.6% | 0.8% |
| 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% | 3.7% |
| Producer Price Index (U.S. BLS; national; all transportation industries) | 2.79% | -3.32% | 8.61% | 17.27% | -1.98% | -4.00% | 11.3% | 3.2% |

Principal Sources: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"; MTS, agency provided Excel files for FTE documentation

Key points:

- Operating cost per passenger trip decreased 8.5 percent during the current audit period and overall saw 7.7 percent CAGR² over the six-year period.

¹ Number of Employees (FTEs) have been converted from agency provided data about FTEs using the 2,080 hour definition and/or total labor hours by transit mode

² 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 18.3 percent in the current audit period and 5.8 percent CAGR from FY 2019 to FY 2024.
- Passengers per vehicle service hour and mile increased substantially during the current audit period (29.4% and 26.9% respectively) and began to approach pre-pandemic levels of performance at 33.5 passengers per hour and 2.1 passengers per mile by FY 2024.
- Vehicle service hours per employee decreased 5.6 percent during the current audit period and overall remained notably stable seeing 0.8 percent CAGR from FY 2019 to FY 2024.

A closer look at the underlying statistics reveals the following:

- Operating costs increased 20.2 percent in the current audit period, a rate higher than both CPI and PPI, indicating costs have not yet stabilized for MTS and/or the transportation sector in the region.
- Total passengers increased 31.4 percent in the current audit period and as of FY 2024 ridership was back to 88.6 percent of the FY 2019 total (i.e., the last year unaffected by the pandemic), indicating MTS is successfully attracting returning and new riders.

During the audit period, MTS has shown systemwide signs of recovery from the COVID-19 pandemic with an increase in passengers. FY2022 showed the beginning of the recovery, however, due to circumstances such as remote learning in schools, hybrid work schedules, and virus variants, the passenger levels were still impacted early on. Operating costs continued to increase throughout the audit period by 20.2 percent, which can be attributed to several factors that occurred during the period, including items such as:

- **Service increases:** The Mid-Coast Trolley extension was put into service during November 2021, which included an 11-mile extension of the UC San Diego Blue Line Trolley, included 9 new stations with five including parking and 36 trolley cars purchased. Additionally, during FY2023 there was an increase in demand-response services, which was more than originally budgeted.
- **Employee wages:** Due to the opening of the Mid-Coast Trolley extension, an increase of employees occurred, which resulted in salary increases. Additionally, expenses related to employees increased due to the following:
 - A collective bargaining agreement for pay increases for contracted service workers
 - Fringe benefits
 - Pension costs
- **Insurance premiums:** Liability and property insurance premiums
- **Contracted services:** Transdev and First Transit contracts included increases mainly related to service level increases for fixed route and the paratransit/minibus operations. Both contracts have fixed rates based on a monthly fee, and variable rates based on volume of service operated (Note First Transit was acquired by Transdev in 2023 and operates as Transdev).
- **Vehicle Leases:** Costs related to non-revenue vehicle lease expenses.

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- **Other Outside Service Expenses:**
 - Security contract costs
 - Repair and maintenance costs with rail operations related to:
 - Rail vehicle overhaul projects
 - Mid-life overhaul on Light Rail Vehicle (LRV) fleet
 - Contracted tie replacement
 - LRV drive unit overhauls and seat replacements
 - Low-floor fleet conversions
 - Fare system (PRONTO) and information technology (IT) costs
- **Facility repair projects:** Costs related to contracted professional services within bus operations
- **Materials and Supplies:** Vehicle parts and equipment supplies within rail operations
- **Energy costs:** Electricity rate increase, service with Mid-Coast Trolley Extension, Compressed Natural Gas (CNG) increased rate, propane use increase for service increases
- **Lease and travel costs:** Lease expenses for administration building and increase in post-pandemic travel expenses
- **General and Administrative:** Fare materials costs and PRONTO card

Total passengers continued to increase throughout the audit period by 31.4 percent, which can be attributed to the post-pandemic return of in-person operations, including local schools and colleges. Additionally, the Mid-Coast Trolley Expansion and high-attendance events such as San Diego Padres' home games have also contributed to the increase in passengers. Programs to promote ridership were also implemented during the period, which included programs such as Youth Opportunity Passes and Free Ride Day.

Ridership was also negatively impacted during May-June 2023 due to bus driver strikes at two MTS bus divisions which resulted in a loss of approximately 1.5 million boardings. The strikes also lowered the 2023 service hours and miles.

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 Definition³

| | 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 | \$ 267,034,436 | \$ 281,737,681 | \$ 300,828,674 | \$ 307,114,579 | \$ 344,746,980 | \$ 369,057,313 | 20.2% | 5.5% |
| NTD Definition, Farebox Revenues (passenger+organization paid fares) | \$ 92,013,612 | \$ 79,461,491 | \$ 47,913,392 | \$ 56,146,855 | \$ 67,481,023 | \$ 72,228,006 | 28.6% | -4.0% |
| NTD Definition, Net Operating Cost (operating cost - NTD farebox revenues) | \$ 175,020,824 | \$ 202,276,190 | \$ 252,915,282 | \$ 250,967,725 | \$ 277,265,957 | \$ 296,829,307 | 18.3% | 9.2% |
| Total Passengers | 85,367,919 | 71,245,493 | 39,214,848 | 57,616,329 | 68,511,362 | 75,682,800 | 31.4% | -2.0% |
| Fare Performance Indicator | | | | | | | | |
| NTD Definition, Farebox Recovery Ratio | 34.5% | 28.2% | 15.9% | 18.3% | 19.6% | 19.6% | 7.1% | -9.0% |
| NTD Definition, Net Cost per Passenger Trip | \$ 2.05 | \$ 2.84 | \$ 6.45 | \$ 4.36 | \$ 4.05 | \$ 3.92 | -10.0% | |
| Mean Fare per Passenger Trip | \$ 1.08 | \$ 1.12 | \$ 1.22 | \$ 0.97 | \$ 0.98 | \$ 0.95 | -2.1% | -2.0% |
| 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% | 3.7% |
| Producer Price Index (U.S. BLS; national; all transportation industries) | 2.79% | -3.32% | 8.61% | 17.27% | -1.98% | -4.00% | 11.3% | 3.2% |
| Principal Sources: SANDAG, "Form C. NCTD. MTS. Q4 2024.xlsx"; Federal Transit Administration, National Transit Database, 2024 Policy Manual | | | | | | | | |

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

Key Points:

- MTS systemwide fare recovery ratio showed an increase in FY2022 to 18.3%, which then leveled off in FY2023 and FY2024 for a percent change during the period of 7.1%
- The net cost per passenger trip decreased by 10% during the audit period, from \$4.36 to \$3.92.
- The mean fare per passenger trip increased by 2.1%, from \$0.97 to \$0.95.
- MTS' FY24 Annual Performance Report noted the following: The TDA's minimum farebox recovery percentages have been suspended through 2026, due to pandemic impacts on ridership.
 - High inflation on the cost side and lower fare revenue on the income side continue to put a strain on this metric.

A closer look at the underlying statistics reveals the following:

- Operating costs continued to increase during the audit period, while ridership also grew each year post-pandemic.
- Despite ridership gains, the farebox recovery ratio remains below the 20% requirement due to rising operating costs.
- As CARES Act and ARP funds are depleted, MTS anticipates higher financial pressures, which will continue to impact the farebox recovery ratio.
- MTS plans to use its operating deficit reserve funds to balance the operating budget until those reserves are exhausted.

³ The National Transit Database (NTD) defines the farebox recovery ratio as the percentage of operating expenses covered by fare revenue.

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- The systemwide performance indicators provide insight into overall performance across all transit modes, with required TDA indicators grouped by mode to show both current audit period and pre-pandemic performance for comparison.
- Systemwide, MTS' farebox recovery ratio increased to 18.3% in FY2022 and stabilized through FY2023 and FY2024, reflecting a 7.1% improvement over the period.
- The net cost per passenger trip decreased by 10% to \$3.92, while the mean fare per passenger trip increased by 2.1% to \$0.95.
- The FY2024 Annual Performance Report noted the temporary suspension of TDA's minimum farebox recovery requirement until 2026, in recognition of pandemic-related ridership impacts.
- Inflation and lower fare revenues continue to strain the farebox recovery ratio, creating ongoing financial challenges for MTS as it works to manage rising costs and recovering ridership levels.

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 MTS' individual services according to their respective transit modes.

| Motorbus (MB) | Commuter Bus (CB) | Demand Response (DR) | Light Rail (LR) |
|---|---|---|--|
| <ul style="list-style-type: none">•MTS Bus (directly operated and contracted)•MTS Rapid Bus•MTS Rural Bus•Sorrento Valley Coaster Connection (for current audit period; now operated by NCTD directly) | <ul style="list-style-type: none">•MTS Commuter Express | <ul style="list-style-type: none">•MTS Access (paratransit) | <ul style="list-style-type: none">•Light Rail Trolley (blue, orange, green, and copper lines)•Vintage Trolley (silver line) |

Figure 1. MTS' Services in Grouped Transit Modes

Operating Cost per Passenger

Operating cost per passenger trip measures how much it costs MTS 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.

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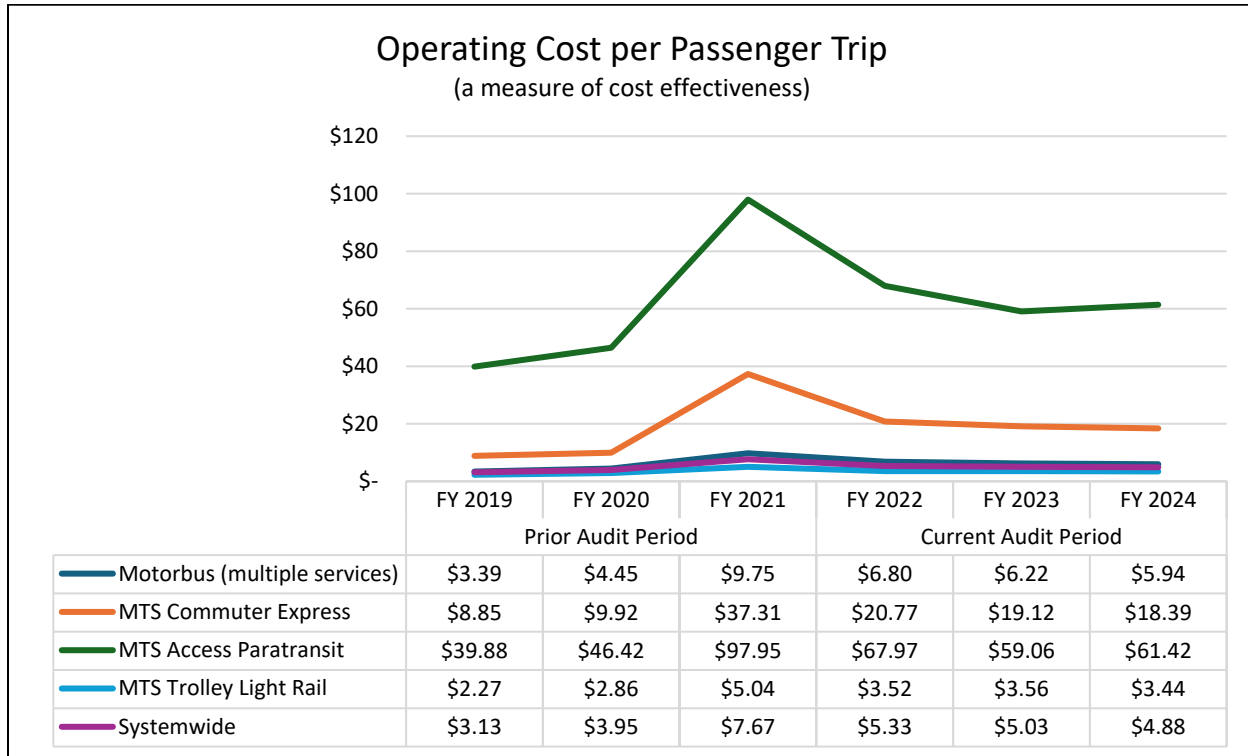


Figure 2. Operating Cost per Passenger Trip

Source: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"

Key points:

- Operating cost per passenger decreased approximately 8 percent this audit period.
- Operating cost per passenger increased 56 percent since 2019.
- MTS' operating cost per passenger have not fully recovered to the pre-pandemic FY 2019 level of \$3.13 but improved year-over-year.

A closer look at the underlying statistics reveals the following:

- The operating cost per passenger showed a downward trend throughout the audit period, indicating signs of post-pandemic recovery despite a 56% increase in total operating costs since 2019.
 - Contributing factors to this trend include service expansions, increased maintenance, rising employee wages, contracted operations, higher passenger volumes, and effective cost management, bringing operating costs per passenger closer to pre-pandemic levels.

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- Commuter-focused services across the transit industry have experienced a slower return of ridership due to the growth of flexible and hybrid work schedules, which reduce the potential pool of riders and contribute to more variable local congestion patterns.
- At MTS specifically, operating cost per passenger decreased by approximately 8% during the audit period, with steady year-over-year improvement, though costs have not yet returned to the pre-pandemic level of \$3.13 in FY 2019.

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.

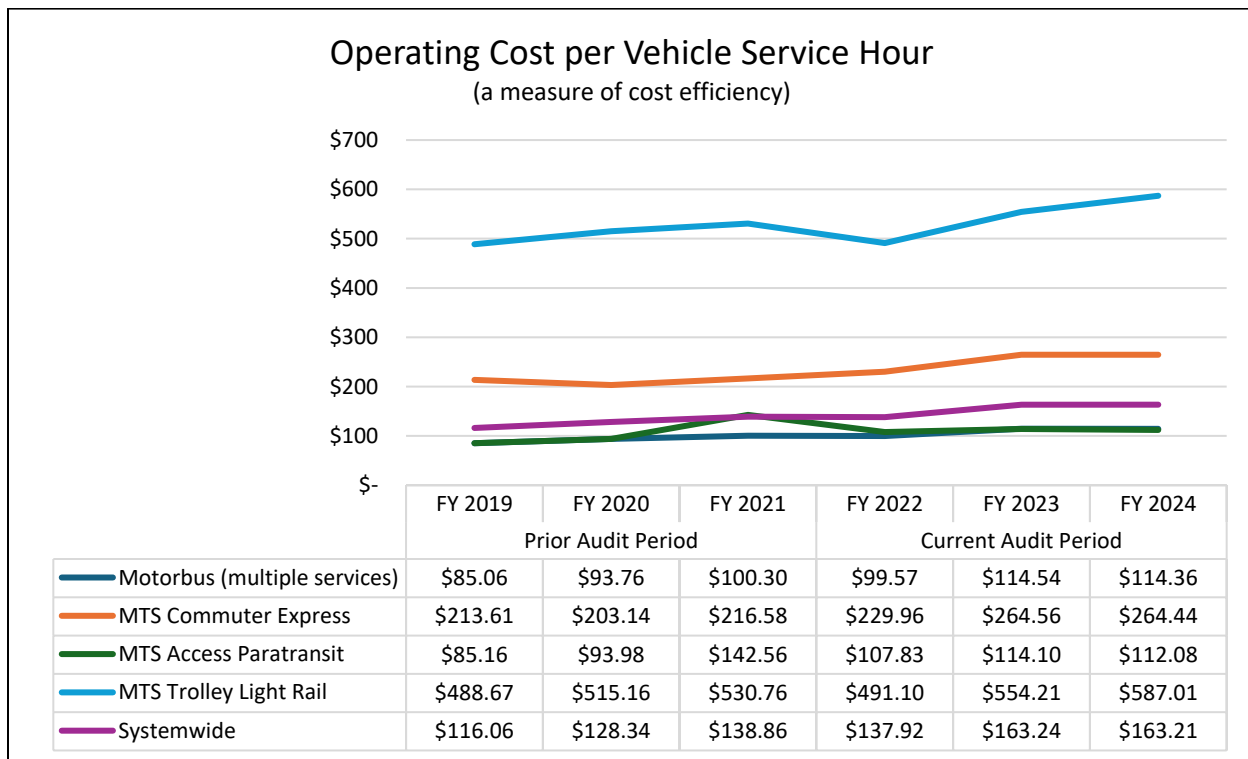


Figure 3. Operating Cost per Vehicle Service Hour

Source: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"

Key Points:

- Operating cost per vehicle service hour have increased approximately 18 percent this audit period.
- Operating cost per vehicle service hour has increased 41 percent since 2019.

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- Operating cost per vehicle service hour increased at a rate higher than CPI or PPI. From FY 2023 to FY 2024 the most apparent continued increase in cost per hour is for MTS Trolley Light Rail modes.

A closer look at the underlying statistics reveals the following:

- The operating cost per vehicle service hour increased by approximately 18% during the audit period and has risen by 41% since 2019, largely due to ongoing operating cost increases.
- In 2023, MTS' contracted fixed-route bus service experienced strikes at two bus divisions, resulting in approximately 1.5 million fewer boardings.
- Rail service costs rose during the audit period due to the Mid-Coast Trolley expansion, which added employees, service hours and miles, and significant capital projects including mid-life overhauls of the light rail fleet, contracted tie replacements, drive unit overhauls, seat replacements, and low-floor fleet conversions.
- To complement the Mid-Coast Trolley extension, MTS implemented major service changes to bus and rail routes, approved by the Board in March 2021, including:
 - UC San Diego Blue Line
 - Route 8 (extension and increased frequency)
 - Route 27 (added Sunday service and increased Saturday frequency)
 - Route 43 (new route)
 - Route 140 (new route; discontinued 15-minute weekday overlap)
 - Rapid 201/202 (route change)
 - Route 985 (new route)
- Following an annual service review, additional changes were approved by the Board in December 2022, including the discontinuation of Route 140. These changes added service miles and hours through new routes, service extensions, and increased frequencies.
- In March 2023, Iris Rapid replaced Route 950 as a permanent route, increasing frequency and service hours. The Board approved waiving the usual 12-month trial period under Policy 42 to expedite service improvements.
- In 2023, MTS discontinued the Sorrento Valley Coaster Connection (SVCC) due to operational challenges during peak hours, staffing shortages, and high projected replacement costs for the aging fleet.
- The most significant cost increases were observed in the Trolley Light Rail modes during FY 2023 and FY 2024, driven by service expansions and operational adjustments to meet evolving community needs.

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Passengers 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.

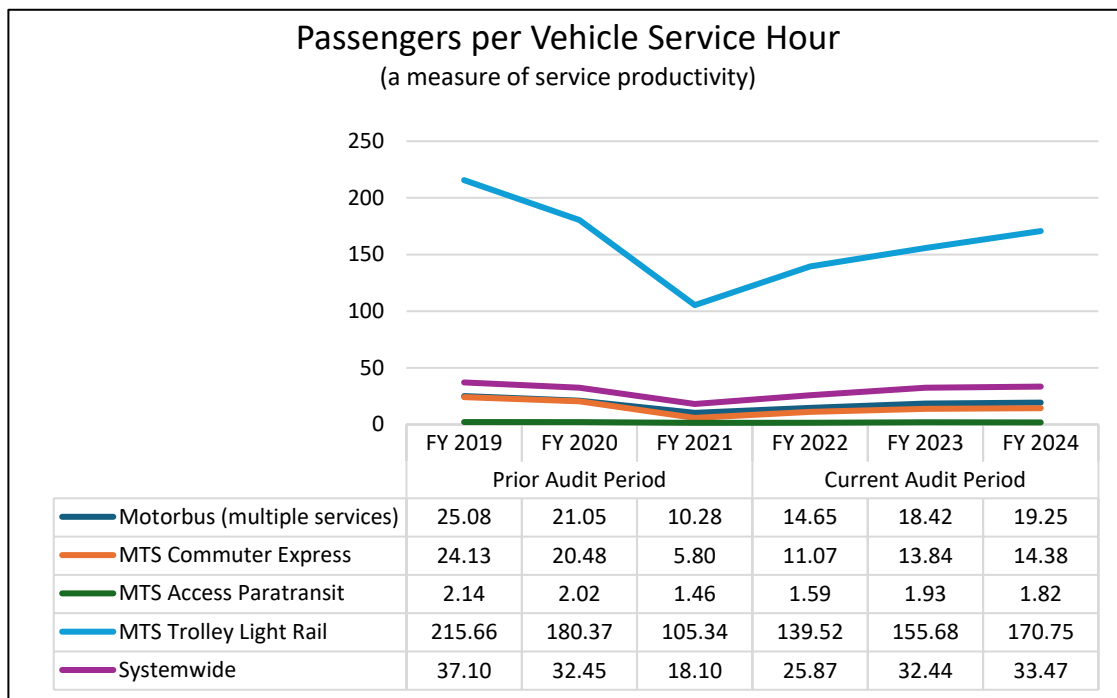


Figure 4. *Passengers per Vehicle Service Hour*

Source: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"

Key Points:

- Passengers per vehicle service hour increased approximately 29 percent this audit period.
- MTS Commuter Express experienced the slowest improvement and remains 40 percent lower in FY 2024 as in FY 2019. As mentioned above, 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. Hybrid or flexible schedules influence the potential pool of riders for a commuter express service. The industry is also seeing more variable local congestion patterns and commuter behavior.
- Total passengers increased 31.4 percent in the current audit period and as of FY 2024 ridership was back to 88.6 percent of the FY 2019 total (i.e., the last year unaffected by the pandemic), indicating MTS is successfully attracting returning and new riders.

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A closer look at the underlying statistics reveals the following:

- Passengers per vehicle service hour at MTS consistently increased throughout the audit period, reflecting a steady rebound in ridership post-pandemic.
- In FY2024, Express Bus Route 950 was discontinued and replaced mid-year with Rapid Route 227, as noted in the Policy 42 Performance Monitoring Report.
- Service adjustments and expansions throughout the audit period demonstrate MTS' adaptability to evolving ridership demands.
- Commuter-focused services across the transit industry have seen a slower return of ridership due to the rise of flexible and hybrid work schedules.
- MTS experienced increased ridership driven by service expansions, ridership recovery initiatives (such as Free Ride Month, the Social Equity Listening Tour, Customer Satisfaction Surveys, and Youth Opportunity Passes), and the introduction of new services.
- While ridership has not yet returned to pre-pandemic levels, it continues to improve, with total passengers increasing by 31.4% during the audit period, reaching 88.6% of FY2019 levels by FY2024.
- Commuter Express services showed the slowest recovery, with ridership remaining 40% lower in FY2024 compared to FY2019.

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. *See following page for Passengers per Vehicle Service Mile chart.*

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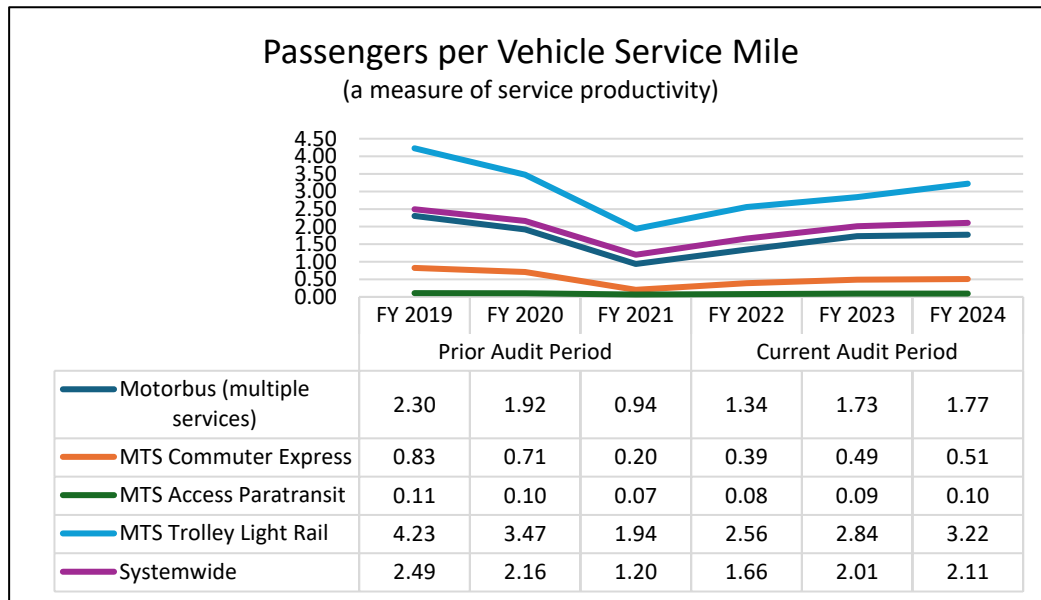


Figure 5. *Passengers per Vehicle Service Mile*

Source: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx"

Key Points:

- Passengers per vehicle service mile increased approximately 27 percent during the audit period.
- Passengers per vehicle service mile continue to be 16 percent lower in 2024 than in 2019.
- MTS sustained transit services during the pandemic and continues to sustain and improve services. Sustaining services is a public service and a prerequisite to attracting former riders and new riders. MTS' performance based on passengers per mile and hour continues to increase year-over-year.

A closer look at the underlying statistics reveals the following:

- Passengers per vehicle service mile at MTS increased throughout the audit period, mirroring the upward trend in passengers per vehicle service hour.
- Ridership gains were driven by service expansions and adjustments, resulting in system-wide increases trending toward pre-pandemic levels.
- Passengers per vehicle service mile increased by approximately 27% during the audit period but remained 16% below FY2019 levels as of 2024.
- MTS' sustained and enhanced transit services during and after the pandemic have been key to attracting both returning and new riders.
- Performance metrics continue to show year-over-year growth in passengers per mile and per hour, reflecting ongoing recovery.

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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.

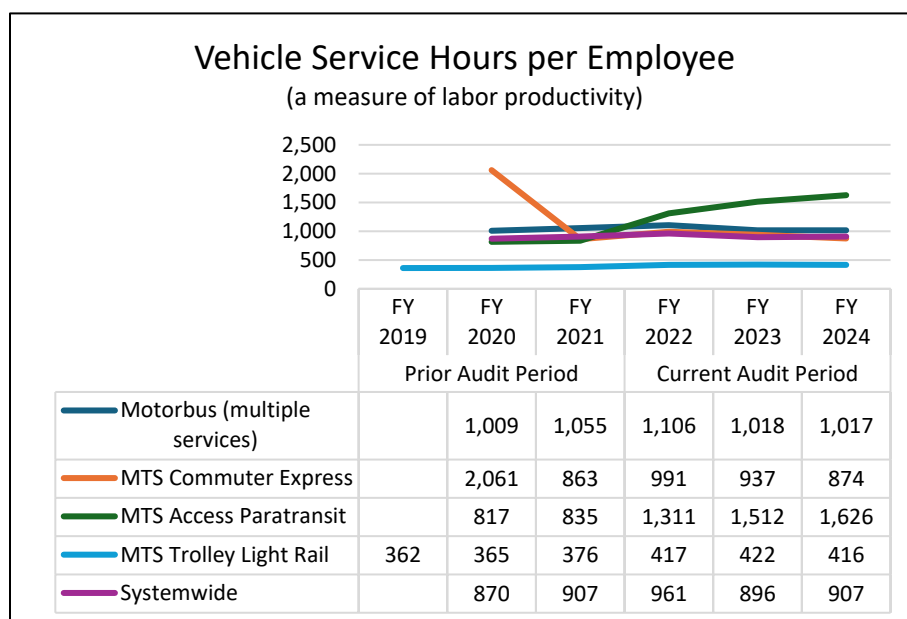


Figure 6. Vehicle Service Hours per Employee

Source: SANDAG, "Form C_NCTD_MTS_Q4 2024.xlsx", agency provided Excel files for FTE documentation

Note: MTS data for FY 2019 did not include FTE information for all motorbus modes split out by mode and DO or PT.

Key points:

- Vehicle service hours per employee decreased approximately 6 percent during the current audit period. However, vehicle service hours per employee increased 0.8 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.

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A closer look at the underlying statistics reveals the following:

- Vehicle service hours per employee at MTS remained relatively steady during the audit period, decreasing by approximately 6%, but showing a slight increase of 0.8% when compared to FY2019 levels.
- MTS Access Paratransit saw an increase in both service hours and employee numbers, reflecting higher demand for demand-response services post-pandemic. From FY2021 to FY2024, staffing grew from 88 to 106 employees, with service miles increasing from 73,654 to 172,124.
- Commuter Express services experienced a decline in ridership during the pandemic and have shown slower recovery, largely due to the rise of hybrid work schedules and remote work opportunities reducing commuter demand.
- In May-June 2023, bus driver strikes at two MTS bus divisions resulted in significant service disruptions and an estimated loss of approximately 1.5 million boardings.

Three Additional Performance Indicators

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

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

Specifically, MTS 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.

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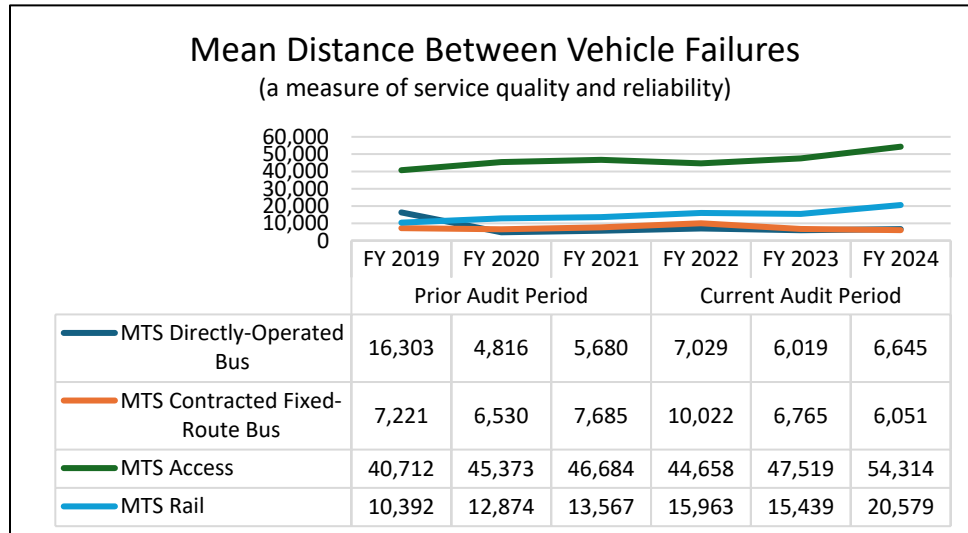


Figure 7. Mean Distance Between Vehicle Failures by MTS Mode

Source: MTS, Fiscal Year, Performance Monitoring Reports to the Board of Directors

Key points:

- MTS' miles between vehicle failures generally improved over the course of six years. MTS Rail and MTS Access saw the most consistent improvement. Directly operated bus saw the most variability in miles between failures but by FY 2023 and FY 2024 both directly-operated bus and contract-operated bus see a similar level of about 6,000-6,600 miles between vehicle breakdowns.
- Per MTS, "In this metric, a higher number is better: it means the fleet is traveling farther between breakdowns. Consistent with the National Transit Database definition, a "failure" is a mechanical failure of a vehicle that prevents the start or completion of a trip due to safety, because vehicle movement is limited, or because policy requires removal from service."

A closer look at the underlying statistics reveals the following:

- MTS' focus on maintenance has contributed to systemwide improvements, guided by an updated plan that outlines strategies for asset acquisition, operation, maintenance, rehabilitation, and replacement.
- The maintenance strategy aims to ensure optimal performance, reduce lifecycle costs, and maintain assets in a state of good repair.
- Over the six-year period, MTS improved miles between vehicle failures, with MTS Rail and MTS Access showing the most consistent progress.

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- Directly-operated buses initially showed variability, but by FY2023 and FY2024, both directly-operated and contract-operated buses reached similar levels of approximately 6,000 to 6,600 miles between breakdowns.
- The emphasis on maintenance has been instrumental in enhancing vehicle reliability and overall system performance.

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.

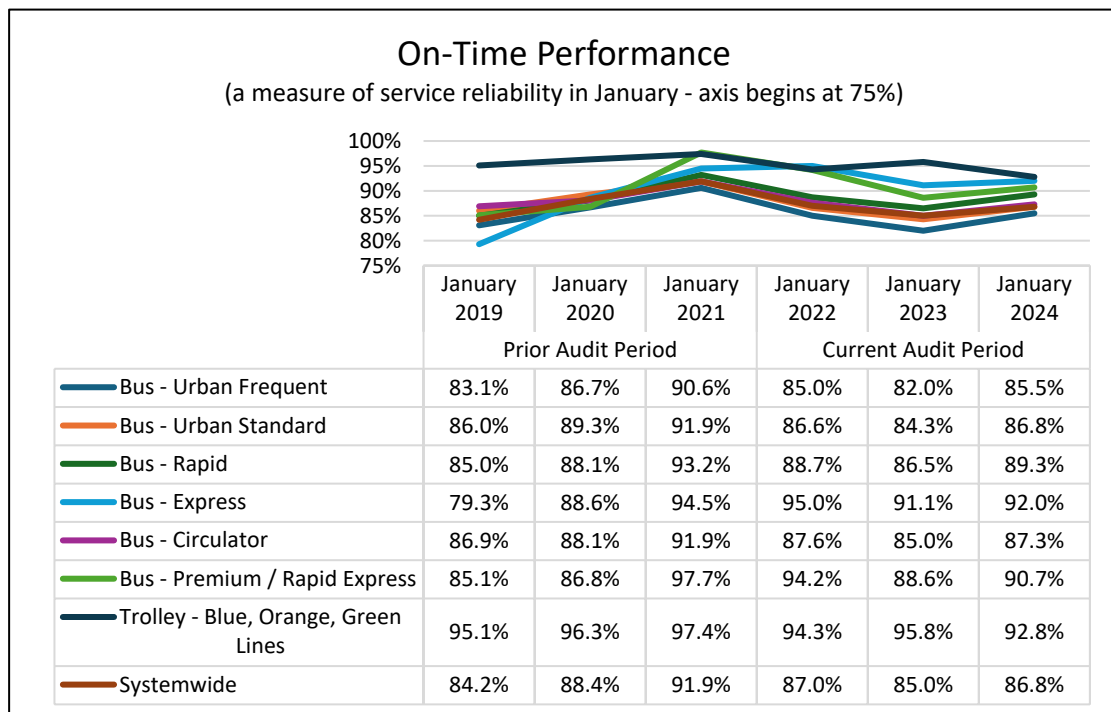


Figure 8. On-Time Performance by MTS Mode

Source: MTS, January by Year, Performance Monitoring Reports to the Board of Directors

Key Points:

- On-time Performance (OTP) is a measure of schedule adherence. Riders expect and appreciate knowing when the transit vehicle will arrive. Transit operators appreciate reasonable schedules constructed based on actual typical travel conditions, intersection traffic signals, etc.

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The COVID-19 pandemic disrupted travel patterns and stay-at-home orders. Transit agencies, including MTS, continued to operate transit services as an essential service and experience significantly more consistent travel conditions – and consistent on-time performance.

- The current audit period saw MTS' services begin to see moderate OTP decline due to the new normal of returning congestion, but as of January 2024 every mode remained at a higher performance level of OTP than pre-pandemic.
- "On-time performance (OTP) is measured at each bus timepoint for every trip; buses departing timepoints within 0-5 minutes of the scheduled time are considered to be "on-time."
 - Trolley trips arriving at their end terminal within 0-5 minutes of the scheduled time are considered to be "on-time." OTP is measured by service change period in order to show the results of scheduling changes. MTS' goal for on-time performance is 85% for Urban Frequent and Rapid bus routes, and 90% for Trolley and all other bus route categories. Each route is continually evaluated to determine if performance below the target is a result of issues that MTS controls, such as driver performance or scheduling, or situations outside MTS' direct control, such as construction, traffic congestion, and passenger issues. Performance of fixed bus routes is heavily impacted by construction, stop signs and stop lights, and traffic when they travel through high density corridors."
- FY2022 Note by MTS: "While most categories remain above their goal, returning traffic congestion is again impacting routes in the urbanized area. Since passenger volumes on buses haven't return to pre-pandemic levels, dwell times are having less impact on OTP in the short-term."
- FY2023 Note by MTS: "This metric is resuming pre-pandemic levels, partly due to increasing ridership, but also because worsening congestion in the urban areas is putting downward pressure on OTP for route categories that operate mostly in the urban street environment."

A closer look at the underlying statistics reveals the following:

- Ridership was negatively impacted during May-June 2023 due to bus driver strikes at two MTS bus divisions, resulting in a loss of approximately 1.5 million boardings.
- Service expansions and adjustments to meet evolving rider needs and changing traffic patterns may have also influenced on-time performance (OTP).
- On-time performance is a key metric for transit operations, with MTS setting OTP targets of 85% for Urban Frequent and Rapid bus routes and 90% for Trolley and other routes.

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- In FY2022, MTS achieved satisfactory OTP levels, though urban routes were affected by post-pandemic traffic congestion.
- In FY2023, OTP levels returned to pre-pandemic standards despite continued increases in ridership and worsening urban congestion.
- Factors such as service adjustments, growing traffic, and bus driver strikes contributed to variability in OTP performance during the audit period.

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.

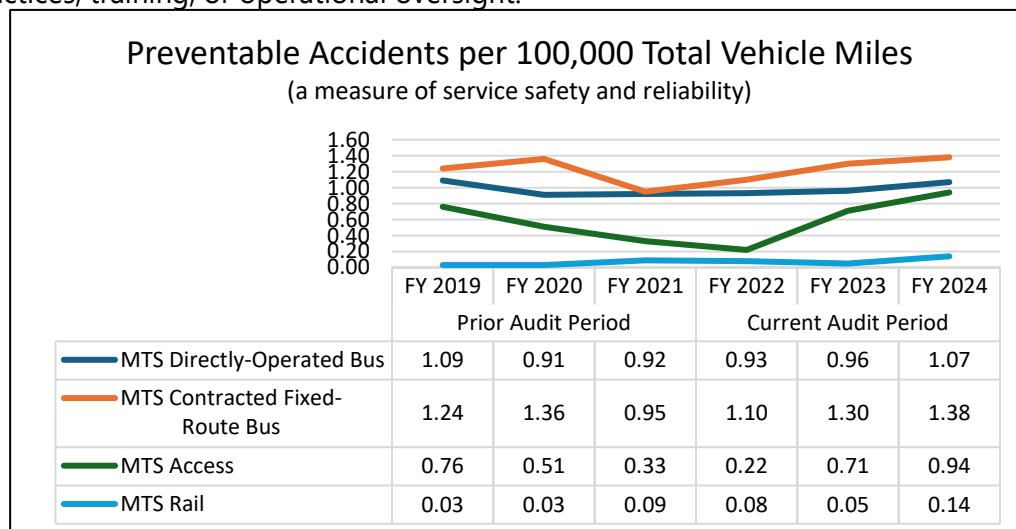


Figure 9. Preventable Accidents per 100,000 Total Vehicle Miles by MTS Mode

Source: MTS, Fiscal Year, Performance Monitoring Reports to the Board of Directors

Key points:

- MTS experienced a modest increase in the number of preventable accidents per 100,000 total vehicle miles during the current audit period. The decline in safety performance applies to every mode but is most pronounced for the MTS Access from FY2022 to FY 2024.
- Per MTS, "Preventable accidents are defined as those in which MTS safety staff determined that the bus or train operator did not do everything possible to avoid an accident. It does not necessarily indicate that the MTS operator was at-fault or cited."

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A closer look at the underlying statistics reveals the following:

- MTS maintained a strong focus on safety through updates to the Rail Safety Plan in 2023 and the Bus Safety Plan in 2022.
- Increases in safety-related performance metrics during the audit period may be linked to higher service miles, service changes, and evolving traffic patterns.
- Safety performance for MTS Contracted Fixed-Route Bus and MTS Access declined during the pandemic in FY2021 and FY2022 but rebounded to slightly above FY2019 and FY2020 levels.
- The tapering of data suggests a modest improvement in safety outcomes during the initial post-pandemic years.
- Factors contributing to these trends include MTS' service adjustments and temporarily reduced roadway congestion during and after the pandemic.

Conclusion

The FY2022 through FY2024 audit period under review has shown significant changes for MTS. The return to work and school, along with post-pandemic economic impacts have shown an increase in ridership trending towards pre-pandemic operations. The opening of the Mid-Trolley extension and promotions to encourage more riders have also assisted in bringing additional riders back to MTS' transportation offerings.

However, operational costs have also continued to rise due to multiple pressures related to employee wages and benefits, insurance premiums, contracted services, leases, security contracts, repairs, maintenance, energy, and others. MTS' efforts to increase its revenues through alternate revenue streams, using projects such as their joint development projects, which provide critical housing needs for the region, and the Gaslamp Quarter Digital Information Board which will provide assistance as MTS' CARES and ARP funds are exhausted and an operating deficit nears.

MTS' focus on continuous performance monitoring, safety and cleanliness, employee morale, and zero emissions buses showed a unified approach to continue to improve operations. The performance monitoring performed daily, weekly, monthly, quarterly, and annually all contribute to the efforts of MTS to reach their PIP goals. The regular monitoring of preventable accidents also helps with safety improvements, along with completed CHP Inspections, an implemented passenger safety awareness campaign (Think FAST), safety drills and trainings, risk reduction program development for reducing transit worker assaults, contracted security, and even video mirrors on select buses. \$3 million of Capital Improvement Project (CIP) funds were allocated to five new projects to address priorities identified from the Social Equity Listening Tour, including improves to cleanliness, shelter, lighting and more.

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MTS continues to strengthen employee retention and morale through several key initiatives, including enhanced wellness programs, increased wages for hard-to-fill positions, the formation of a new employee engagement committee, expanded operator training courses, and recognition awards for safe drivers, maintenance staff, and support service employees. Additional recruiting and marketing efforts are also underway to attract new talent. Lastly, as MTS advances its zero-emissions bus transition, improvements to the overhead gantry charging system and the development of the Clean Transit Advancement Campus, in coordination with SANDAG, will support MTS' goals and increase its operational capacity.

Overall, MTS has shown continuous effort and progress towards improving post-pandemic as evidenced during the audit period. Their focus on performance, community, and quality services has helped MTS pursue their goals and achieve key milestones along the way. As MTS continues to recover ridership, strategic planning will be necessary to address the increasing costs of operations and the pending deficit. MTS continues to show their ability to adapt, through service changes, transit-oriented development plans, safety improvements, employee retention and recruitment, technology, and even customer relationships. It is through these efforts and focused strategies that MTS will continue to improve and provide quality transit to their customers and community.

Results

Based on the procedures performed, we determined that MTS was **non-compliant** with **one** performance-related requirement during the FY 2022–FY 2024 audit period:

Summary of Findings

From the procedures performed, we identified **one** finding of non-compliance related to MTS' calculation and reporting of Full-Time Equivalent (FTE) data under the Transportation Development Act (TDA). While reporting requirements were generally met, the method used by MTS to calculate and report on employee count does not align with the TDA standard definition, which could lead to inaccurate or inconsistent reporting.

The following finding identifies this area of improvement and includes recommendations to help strengthen compliance and promote standardized reporting practices.

Finding 04 – Data Reporting Related to Full-Time Equivalent (FTE)

MTS does not currently use the standard TDA definition of 2,000 hours per Full-Time Equivalent (FTE) as required by Caltrans' Performance Audit Guidebook for Transit Operators and Regional Transportation Planning Entities and PUC § 99247, when reporting data to SANDAG. Instead, MTS uses headcount or employee rosters to report data.

The Performance Guidebook requires that operators define their internal performance measures consistently with the definition listed at PUC § 99247, including vehicle service hours per employee.

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

Report Date: August 17, 2025

PUC § 99247 defines employees as "2,000 person-hours of work in one year constitute one employee."

Recommendation:

We recommend MTS ensure Full-Time Equivalent (FTE) data reported to SANDAG is calculated using the TDA standard definition of 2,000 hours per FTE, rather than relying on a headcount or employee roster. Aligning with this definition will help ensure the accuracy and consistency of reported data and maintain compliance with TDA reporting requirements.

Accurate and standardized reporting of FTE data will support clearer performance assessments, strengthen compliance with TDA guidelines, and promote uniform reporting practices across the region.

Management Response

MTS agrees with the recommendation. Management will strengthen its procedures and will be corrected with the submittal of FY25 report and future reports to reflect the standard TDA definition of 2,000 hours per Full-Time Equivalent (FTE).

Responsible Party: MTS - Deputy CFO

Implementation Date: 04/30/2026

Appendix A

Task 1 – Review of Compliance Requirements Matrix

San Diego Metropolitan Transit System

FY 2022–2024 Triennial Performance Audit Report

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: FY22: January 27, 2023 FY23: January 31, 2024 FY24: January 28, 2025 | 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: November 3, 2022 FY23: November 2, 2023 FY24: November 7, 2024 Although the annual fiscal audit reports for FY22, FY23, and FY24 were submitted timely, they did not include the required certification that TDA funds were expended in conformance with applicable laws and regulations. This certification, mandated by PUC § 99245, must explicitly confirm that funds were used in accordance with the provisions of the TDA and related regulations. While the audit reports include the auditor's financial opinion on the fairness of the financial statements, this opinion does not serve as a substitute for the required compliance certification. The financial opinion addresses whether the financial information is presented fairly in accordance with generally accepted accounting principles, whereas the compliance certification specifically affirms that TDA funds were expended in accordance with applicable laws and regulations. | Non-Compliant |

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Appendix A: Task 1 – Review of Compliance Requirements Matrix

Report Date: August 17, 2025

| 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. | First Transit, Copley Park: FY22: 11/16/2022 FY23: 03/14/2023 FY24: 03/21/2024 Transdev Services, El Cajon: FY22: 02/23/2022 FY23: 03/09/2023 FY24: 03/20/2024 Imperial Ave: FY22: 08/12/2022 FY23: 08/08/2023 FY24: 07/18/2024 Keamy Mesa: FY22: 07/13/2022 FY23: 07/27/2023 FY24: 08/13/2024 Transdev Services, South Bay: FY22: 04/07/2022 FY23: 04/12/2023 FY24: 04/24/2024 | Compliant |

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Appendix A: Task 1 – Review of Compliance Requirements Matrix

Report Date: August 17, 2025

| Code Reference | Requirement | Verification | Result |
|----------------|---|---|---|
| PUC § 99261 | Transportation Planning Agency Regulations: Claims for TDA funds are submitted in compliance with RTPA's rules and regulations for such claims. | MTS did not provide the required statement of how services and transfers are being coordinated with operators with its TDA claims for FY 2022 through FY 2024. 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 #7 of the checklist specifically requires "a statement of how services and transfers are being coordinated with operators." | Non-Compliant |
| PUC § 99266 | Budget Changes: Operating budget has not increased by more than 15% over the preceding year unless reasonable justification has been provided. | FY22: 8.9% FY23: 10.4% FY24: 7% | 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. | MTS' definition of 9 of the 10 performance measures are consistent with PUC § 992447. However, MTS defines and reports on the performance measurement, vehicle service hours per employee, using employee headcount or rosters, instead of using the PUC definition of "2,000 person-hours of work in one year constitute one employee." | Non-Compliant – Refer to Section III – Tasks 3&4 for details. |

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Appendix A: Task 1 – Review of Compliance Requirements Matrix

Report Date: August 17, 2025

| 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: 18.3% FY23: 19.6% FY24: 19.6% Although MTS 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, MTS 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. | MTS 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 MTS 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. | MTS 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

San Diego Metropolitan Transit System

FY 2022–2024 Triennial Performance Audit Report

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 |
|---|--------------|--|---|--------------------------|
| MTS can provide all of the various layers of operating and non-operating revenues with SANDAG and delineate which are eligible for inclusion within the farebox recovery ratio (FRR) for complete transparency in the calculation. MTS will then have a complete set of metrics that have the traditionally calculated FRR as well as an FRR that includes other eligible sources of revenues. This transparency will be needed as we work with the Federal Transit Administration and their calculations of FRR in the annual National Transit Database report, and it will provide insight to our CPAs as they validate the calculation of our final agency FRR metric. | None - New | MTS has begun to, and will continue to, provide all of the various layers of operating and non-operating revenues with SANDAG and delineate which are eligible for inclusion within the farebox recovery ratio (FRR) for complete transparency in the calculation. MTS will then have a complete set of metrics that have the traditionally calculated FRR as well as an FRR that includes other eligible sources of revenues. This transparency is also now needed as we work with the Federal Transit Administration and their calculations of FRR in the annual National Transit Database report, and it will provide insight to our CPAs as they validate the calculation of our final agency FRR metric. MTS has included the appropriate operating and non-operating revenues which are eligible for inclusion within the farebox recovery ratio (FRR) as part of the TDA claim process in schedule 8. This began with the FY24 TDA claim submittal and will continue going forward. | Based on the procedures performed, we determined that MTS has fully implemented the one prior audit recommendation. As MTS describes and supports with documented evidence, MTS has taken steps to enhance transparency in farebox recovery ratio (FRR) calculations by providing SANDAG with detailed layers of operating and non-operating revenues and clearly identifying which are eligible for inclusion. This approach supports both traditional and TDA-compliant FRR metrics and aligns with federal reporting requirements, including the National Transit Database. Beginning with the FY24 TDA claim, MTS included the appropriate eligible revenues in Schedule 8 and will continue to do so going forward, ensuring consistency and clarity in FRR reporting for both state and federal stakeholders. | Fully Implemented |