

NORTH COUNTY TRANSIT
SAN DIEGO RAILROAD

March 2, 2026

Susan Huntington
Director, Financial Planning and Budgets
San Diego Association of Governments
401 B. Street, Suite 800
San Diego, CA 92101-4231
Sent Via Electronic Mail: susan.huntington@sandag.org
(Electronically Transmitted – No hard copy will follow)

Re: Fiscal Year 2025 (FY2025) TransNet Operator Eligibility Ratios

Dear Susan Huntington:

The North County Transit District, operating as North County Transit – San Diego Railroad (NCTD), by way of this letter, respectfully requests that the Independent Taxpayer Oversight Committee (ITOC) and San Diego Association of Governments (SANDAG) provide statutory and administrative regulatory relief to NCTD as it relates to the *TransNet* requirements for the reasons stated herein.

Under Section 4(C)(5) of the *TransNet* Extension and Ordinance (Ordinance), to maintain eligibility for the receipt of *TransNet* funds under Section 4(C), a transit operator must limit the increase in its total operating cost per revenue vehicle hour for bus services or the increase in its total operating cost per revenue vehicle mile for rail services from one fiscal year to the next to no more than the increase in the Consumer Price Index for San Diego County over the same period. If there were unusual circumstances in a given fiscal year, the operator may request the approval of the Commission to calculate the requirement as an average over the previous three fiscal years. The operator may also request the approval of the Commission to exclude from the calculation certain cost increases that were due to external events entirely beyond the operator's control, including, but not limited to, increases in the costs of fuel, insurance premiums, or new state or federal mandates.

Request for Exclusion for Bus Services

As permitted by the Ordinance, NCTD is requesting the approval of the Commission to allow the exclusion of bus services cost increases, totaling \$5.9 million, that were due to external events beyond NCTD's control, specifically the increase in the costs for purchased transportation, parts, and materials.

During FY2025, NCTD contracted with MV Transportation (MV) for the operations and maintenance of all bus modes of service (BREEZE, LIFT, FLEX). This contract bears cost escalators at the maximum of the San Diego Consumer Price Index (CPI) year-over-year

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percentage increase or 3%. MV was also reimbursed for the cost of operators and maintenance staff wages, parts, and materials based on actual costs incurred. For FY2025, NCTD's contract with MV was adjusted upward by 3%. Furthermore, similar to prior years, NCTD through its MV contract, continued experiencing bus operators labor shortages and in order to avoid service cancellations, bus operators received increased overtime pay. In addition, during FY2025, vehicle maintenance costs for bus operations increased by \$2 million due to increased costs for parts caused by tariffs and the augmentation of inventory of essential parts by MV at the end of the fiscal year to ensure that sufficient parts were in stock to minimize buses downtime ahead of the insourcing of bus operations. Effective on June 29, 2025, NCTD insourced bus operations and maintenance.

The exclusion of the total aforementioned increases of \$5.9 million will allow NCTD to be in compliance with the Ordinance as illustrated in the calculation below:

| | <u>2025</u> | <u>2024</u> |
|---------------------------------------|--------------|--------------|
| Transportation CPI (San Diego County) | 306.027 | 295.089 |
| Change in CPI | 3.71% | |
| Bus operating costs | \$81,407,790 | \$73,429,201 |
| Revenue vehicle hours | 519,491 | 482,918 |
| Ratio | \$156.71 | \$152.05 |
| Change in ratio | 3.06% | |

Request for Exclusion for Rail Services

As permitted by the Ordinance, NCTD is requesting the approval of the Commission to allow the exclusion of rail services cost increases, totaling \$4.2 million, that were due to external events beyond NCTD’s control, specifically the increase in the costs for salaries and benefits for train engineers and conductors, security costs, materials for COASTER bi-levels, and state-mandated transition to rail zero emission.

In FY2025, NCTD increased the salaries of COASTER conductors and engineers. This employee group had not received a raise in their salary for over three years due to challenges with their bargaining unit representation. The employee group had difficulty identifying a union to represent them, and while they were in between unions, NCTD elected to raise their salaries as an act of good faith.

Fostering and maintaining safe and secure operations is one of NCTD’s top priorities. NCTD has an agreement with the San Diego Sheriff’s Department for the provision of law enforcement services on NCTD property. Based on current security trends and the desire to enhance the safety of our customers and employees, NCTD contracted with an on-call security firm to provide additional security throughout our transit system, which included fixed-post security patrols at various transit centers, roving security patrols on board revenue vehicles, and security during

special events and Padres games. During FY2025, security costs were higher by \$1.3 million compared to FY2024.

Until June 30, 2023, Alstom provided COASTER bi-level materials under Agreement No. 16043, which included a base inventory of spare parts (preventative, corrective, and overhaul materials and supplies). During FY2024, parts provided under the previous Alstom contract were depleted until NCTD’s new vendor, Siemens, completed mobilization. New parts and materials started arriving in FY2025, which increased the costs by \$1 million compared to FY2024.

In September 2020, the Governor of California signed Executive Order N-79-20 that directed the state to require that by 2035, off-road vehicle fleets must be zero-emission. In April 2023, the California Air Resources Board (CARB) passed a new rule aimed at reducing emissions from locomotives when they operate within the state. During FY2025, NCTD engaged the services of a consultant at a cost of \$1.2 million (which was funded with Zero-Emission Transit Capital Program funds) to help identify infrastructure and fleet requirements for the replacement of the current SPRINTER fleet with zero emission rail technology.

The exclusion of the aforementioned increases of \$4.2 million will allow NCTD to be in compliance with the Ordinance as illustrated in the calculation below:

| | <u>2025</u> | <u>2024</u> |
|---------------------------------------|--------------|--------------|
| Transportation CPI (San Diego County) | 306.027 | 295.089 |
| Change in CPI | 3.71% | |
| Rail operating costs | \$73,180,508 | \$72,022,138 |
| Revenue vehicle miles | 898,902 | 912,513 |
| Ratio | \$81.41 | \$78.93 |
| Change in ratio | 3.15% | |

If you have any questions, please feel free to contact me at eparklynch@nctd.org or at (760) 967-2858.

Sincerely,



Eun Park-Lynch
 Chief Financial Officer

cc: Shawn M. Donaghy, Chief Executive Officer, NCTD
 Lori A. Winfree, Deputy Chief Executive Officer/Chief General Counsel, NCTD
 Mary Dover, Chief of Staff, NCTD