

Tolling Back Office System Cooperative Agreement and Project Budget Amendment

Overview

At the Board of Directors meeting on February 13, 2026, staff presented an overview of the future regional express lanes system. One of the first steps to prepare for the future network is to strengthen the back-office system for the existing facilities on the Interstate 15 Express Lanes (I-15) and State Route 125 (SR 125).

When the Board last considered the strategy for the back-office system, it directed staff to initiate a three-step plan. This included extending the agency's current back office system contract to maintain continuity of service and revenue collection and mutually agreeing to end our work with Deloitte/A-to-Be for the future BOS system.

The Board also directed staff to explore opportunities to partner with other tolling agencies on back-office system processing.

Key Considerations

For nearly two years, staff has been developing systems requirements to determine what is needed to facilitate our financial reporting, reconciliation, and data migration needs for the I-15 and SR 125 back-office system. Staff has also been engaging with other public agencies to gather insight on proven systems and BOS implementation best practices, including opportunities to partner with public tolling agencies to carry out certain BOS services.

Partnering with public agencies has become more common across California over recent years because they allow agencies to prioritize and maximize public agency goals by sharing technical and operational knowledge, skills, and expertise. Partnerships like these also allow for efficiencies and economies of scale to support reduced costs and can help to make the customer experience more consistent across different facilities.

SANDAG staff engaged several tolling agencies to evaluate which partnership options may be feasible and ultimately found TCA to be best aligned with our operational and timing needs for a transition to a new back-office system.

Action: **Approve**

The Board of Directors is asked to:

1. Authorize the Chief Executive Officer to execute a Cooperative Agreement with the Transportation Corridor Agencies (TCA) for back-office system tolling services for the Interstate 15 (I-15) and State Route 125 (SR 125) toll facilities.
2. Approve the proposed amendments to the FY 2026 Program Budget for the new Regional Back Office System project (Capital Improvement Project Nos. 1400412 and 1400413).

Fiscal Impact:

The proposed budget amendment would reallocate approximately \$11.9 million from Capital Improvement Project (CIP) No. 1400406 to CIP No. 1400412 and \$3.9 million from CIP No. 1400407 to CIP No. 1400413.

Schedule/Scope Impact:

Approval of this proposed budget amendment would allow the project to proceed with establishing a back office system through fiscal years 2026 and 2027.

Transportation Corridor Agencies

The Transportation Corridor Agencies (TCA) are a Joint Powers Authority consisting of two separate and distinct agencies, the Foothill/Eastern Transportation Corridor Agency and the San Joaquin Hills Transportation Corridor Agency, that operate within Orange County “for the purposes of planning, financing, constructing, maintaining, managing and operating thoroughfares and bridges” Government Code § 66484.3). TCA serves as the tolling agency for State Routes 73, 133, 241, and 261, providing planning, capital delivery of roadway tolling and back-office systems, and related tolling management and operational services.

TCA has been operating since 1986 and has two Boards of Directors consisting of elected officials from each of its 17 member cities and the County of Orange. In recent years, TCA has also grown to serve as the tolling agency for other public agencies through the establishment of cooperative partnering agreements. In 2024, TCA partnered with the San Bernadino Transportation Authority (SBCTA) to provide back office and customer services tolling services for the Interstate 10 Express Lanes. TCA is also currently in discussions with the Capital Area Regional Toll Authority (CARTA) about a similar partnership.

Cooperative Agreement – Essential Terms

Under the proposed cooperative agreement, TCA would perform traditional back office system services for the I-15 and SR 125 through the use of their existing BOS vendor. Such services would include toll service transaction processing, toll violation processing, toll account and financial toll reporting, and customer account mailing notices. SANDAG would continue to operate and staff the customer service center and manage the roadway equipment. Below are the key terms that would serve as the foundation for the cooperative agreement.

Term	Description
The Parties	San Diego Association of Governments (SANDAG) - SANDAG is a statutorily-created public agency Transportation Corridor Agencies (TCA) – is composed of the Foothill/Eastern Transportation Corridor Agency, a California Joint Powers Agency, and the San Joaquin Hills Transportation Corridor Agency, a California Joint Powers Agency
Implementation Timeline	Estimated establishment of BOS tolling services will be initiated upon approval of the cooperative agreement with expected transition/go live in Spring 2027.
Key Implementation Task	<p>Within 6 months of execution of cooperative agreement</p> <ul style="list-style-type: none"> • Develop and confirm BOS configuration and other implementation requirements and capture key information in a Business Rules Document • Develop Data Mapping and Migration Strategy and draft Data Migration and Validation Plan • System Integration and Testing Plan to include system data migration test cases <p>Within 9 months of execution of cooperative agreement</p> <ul style="list-style-type: none"> • System Data Migration and Validation • System Integration Testing • Initiation of Customer Service Outreach and Marketing

Term	Description
	Within 12-14 months of execution of cooperative agreement <ul style="list-style-type: none"> • System Training • Go Live
Payment Structure	Payment structure is based on two components: 1) a one-time implementation cost and 2) a fee structure based on cost per transaction (otherwise known as a fee for service model). SANDAG's facilities handle four types of transactions. The fee for each type of transaction ranges from \$0.04 to \$0.65, reflecting the expected level of effort for handling and processing the transaction in the BOS.
Termination Rights	During the Implementation Phase, either Party may terminate upon 30 days' prior written notice. After completion of Implementation Phase, either Party may terminate upon 1 year's prior written notice.

Timeline

It is estimated that transitioning BOS tolling services to TCA would be achievable within a 12 to 14-month period. This would require SANDAG to accept TCA's back-office system tolling business rules, which are largely consistent with our own but would enable SANDAG to better align with industry best practices. In general, adopting TCA's business rules would update and streamline existing workflow, tolling collection, and account management processes related to: tolling transactions account management processing, customer website functionalities, payment processing and reporting, and customer account violation processes.

The other deliverables that will be key to maintaining the anticipated timeline will be the data migration and system integration components. Data migration will be a critical piece to determining what customer account information is able to be carried over to the new system. In addition, the time and complexity of converting all historical customer data is cost prohibitive. To meet the anticipated timeline, the current plan is to migrate customer data for the past three years, excluding accounts with negative balances. This could impact our ability to collect violation revenues after the BOS transition. Staff will bring a future item to the Board to discuss options for what could be done to help address and/or mitigate this.

System integration refers to the connection between the roadside equipment and back office system; i.e. making sure the roadway and back-office system can talk to each other. TCA has experience working with various roadside systems, including our current roadside system vendor. Based on the terms of the agreement, it is anticipated that data migration efforts will be completed within 6 months followed by system integration efforts. Assuming another 6 months to test the system and prepare customers for the transition, the expected go live for the new BOS is anticipated for spring 2027.

Cost

The TCA cost model includes two components: 1) a one-time implementation cost and 2) a fee structure based on cost per transaction (otherwise known as a fee for service model).

The one-time implementation costs are associated with standing up the expected BOS tolling services by using TCA's existing BOS vendor. Implementation costs also include internal TCA staff cost allocated for

working and coordinating with SANDAG staff to confirm that SANDAG's business needs are met. This stage involves critical input from SANDAG's toll operations and finance staff.

The original anticipated cost of moving to a new BOS was \$33.7 million. By partnering with TCA, the total implementation cost is expected to be approximately \$15.8 million. This includes approximately \$7 million for initial one-time costs; approximately \$6.8 in SANDAG staff and consultant supporting services; and approximately \$2 million for contingency costs spread over FY 2026 and FY 2027.

The fee for service model establishes a base fee plus a fee per transaction (or trip) that must be recorded in the BOS. SANDAG's facilities handle four types of transactions. The fee for each type of transaction ranges from \$0.04 to \$0.65, reflecting the expected level of effort for handling and processing the transaction in the BOS.

Partnership with TCA

Partnering with TCA provides an opportunity to bring in technical experts whose primary function is to plan, develop, implement, and operate transportation tolling systems. Shifting to this new business model would offer the following benefits:

- **Proven BOS expertise and practices** - BOS services will be established under an existing system that is already in operation. This approach will eliminate the need to develop a new BOS, which comes with technical risks and complexities. Through this process, SANDAG will leverage TCA's experience and apply lessons learned to reduce and manage project implementation risks during the data migration, system testing, and other key implementation efforts.
- **Leverage collaboration for technical and operational knowledge transfer** - SANDAG will utilize TCA's experience and expertise in managing and operating a BOS to improve staff's internal capacity and competencies for managing complex BOS projects. This approach will help to inform our work on the future regional express lanes system and also provide an opportunity for a coordinated approach to examine advancements in tolling technology and implementing best practices.
- **Maximize capital investment** - This approach provides an opportunity for SANDAG to reduce the need for upfront capital expenditure costs by about \$11-19 million. The cooperative agreement structure will allow SANDAG to only pay for the services needed.
- **Reporting** - This approach provides an opportunity to leverage the use of a BOS with proven tolling transactions and reporting functionality that are aligned with existing state of California tolling practices. This includes processing DMV holds and toll account management and reporting functionality necessary for reconciling toll transactions with other toll agency operators. This will allow SANDAG to move towards more standardized reporting practices necessary to meet SANDAG's tolling financial data reporting and payment reconciliation processes (consistent with previous audit recommendations).
- **Customer experience** - By partnering with TCA, SANDAG would adopt industry best practices and offer improvements in customer services account management that are more efficient and accountable, while maintaining focus on meeting the needs of SANDAG's tolling customers.

Proposed FY 2026 Program Budget Amendment

The proposed budget amendment would transfer funding from the existing project CIPs (including savings from the Deloitte contract) to new project CIPs that would support the BOS transition to TCA. Specifically, the proposed budget amendment would reallocate approximately \$11.9 million from Capital Improvement Project No. 1400406 to CIP No. 1400412 and \$3.9 million from CIP No. 1400407 to CIP No. 1400413 (Attachment 1).

If approved, the project funding will allow for continued back-office tolling operations under the existing vendor while allowing staff to proceed with carrying out the next steps to establish back-office system tolling services with TCA by spring 2027.

Next Steps

Pending approval by the SANDAG and TCA Boards, SANDAG will finalize and execute the cooperative agreement with TCA and initiate work on the transition. Over the coming months, staff will bring various updates to keep the Board informed on implementation status and seek guidance related to implementation of the planned business rules.

Clint Peace, Senior Director of Capital Delivery

- Attachments:
1. CIP No. 1400406: New SR 125 Regional Tolling Back-Office System
 2. CIP No. 1400407: New I-15 Regional Tolling Back-Office System
 3. CIP No. 1400412: SR 125 Regional Tolling BOS Solution
 4. CIP No. 1400413: I-15 Regional Tolling BOS Solution