



DATE: April 8, 2024

TO: Courtney Ruby, Independent Performance Auditor

FROM: Coleen Clementson, Interim Chief Executive Officer

SUBJECT: SANDAG Management Response to the Office of the Independent Performance Auditor's Investigation Report on State Route 125 Toll Operations

Ensuring the public's trust is paramount to the work that we do at SANDAG. It is clear that additional measures should have been taken to safeguard the regional tolling system.

Management has closely reviewed the history of the toll operations project and, consistent with your findings, found that there was a general breakdown in process, project management, and consultant support that led to the current state of affairs. We are continuing to take decisive actions to prevent this from happening again.

In December 2023, SANDAG leadership announced immediate steps to ensure all toll road customers are protected and the integrity of the system is restored. These actions included the assignment of new management over toll operations, increasing staff and resources to address customer inquiries, and the ongoing implementation of an action plan to resolve the current tolling system deficiencies and implement a new back-office system.

Below are responses to the recommendations outlined in the Office of the Independent Performance Auditor's (OIPA's) Investigation Report on SANDAG's State Route 125 Toll Operations:

1. We recommend an independent assessment of the Finance Department's policies, procedures, and practice to ensure adequate internal controls including proper review and supervision over all of SANDAG's financial operations.

The Board of Directors directed OIPA to oversee this independent assessment at its meeting on March 29, 2024.

2. We recommend that SANDAG reconciles the data for the KAPSCH system to ETAN's BOS daily to ensure accurate transmission and posting of customer account data to ETAN's Fastlane.

Management accepts this recommendation and will incorporate it into the Toll Operations Action Plan presented to the Board at its meeting on January 12, 2024.

3. The Board and the public should be provided with an explanation as to why an RFP process was not initiated a year sooner, and why the Board was instead presented with a request to authorize a sole source contract award on January 12, 2024.

Management accepts this recommendation and will incorporate this into the Board report for the April 12, 2024, meeting.

4. The Board should consider a policy that requires a Board report when a multimillion- dollar project is failing to meet its deadlines and deliverables. Such a policy should clearly state under what conditions a report is required, as well as when a report will no longer be required.

Management accepts this recommendation and will incorporate this into the Board's next scheduled review of Board Policies and Bylaws in May 2024.

5. The Board review SANDAG's sole source awards semi-annually to ensure adherence with public procurement laws and practices.

Management accepts this recommendation and will begin presenting this information to the Board on a semi-annual basis, beginning in July 2024.

6. The Board request the Audit Committee and the IPA to include SANDAG's sole source procurement process be included in the IPA's annual work plan for FY 24-25.

The Board of Directors approved this recommendation at its March 29, 2024 meeting.

7. We recommend SANDAG immediately implements daily monitoring to ensure all systems are operating and communication with each other correctly.

Management accepts this recommendation and will incorporate it into the Toll Operations Action Plan presented to the Board at its January 12, 2024, meeting.

8. We recommend SANDAG evaluate with Deloitte and A to Be if the DMV Hold Functionality can be implemented sooner.

Management accepts this recommendation and will incorporate it into the Toll Operations Action Plan presented to the Board at its January 12, 2024, meeting.

9. SANDAG implement a daily reconciliation process between the KAPSCH roadway system and the ETAN Fastlane system be put in place immediately to verify the accuracy of customer charges going forward. This should be coordinated with toll operations and Finance.

Management accepts this recommendation and will incorporate it into the Toll Operations Action Plan presented to the Board at its January 12, 2024, meeting.

10. SANDAG establish a process to address customer concerns related to past account balances that have not been verified or that are not able to be verified. If additional discrepancies in customer account balance are identified, these accounts should be included in this process.

Management has implemented this recommendation as part of the Toll Operations Action Plan presented to the Board at its January 12, 2024, meeting.

Included is a revised version of the Toll Operations Action Plan, which has been updated to reflect the totality of recommendations approved by the SANDAG Board of Directors related to this matter.

Sincerely,



COLEEN CLEMENTSON
Interim Chief Executive Officer

Toll Operations Action Plan

| Timing | Responsible Party | Action | Status |
|----------------------|----------------------------------|--|-------------|
| 2023 | SANDAG | Update procurement policies. (Audit Committee Recommendation #2) | Complete |
| Fall 2023 – Mar 2024 | SANDAG | Provide information to DavisFarr for Annual Independent Financial Audit (FY 2023). | Complete |
| Dec 2023 | SANDAG | Assembled new management team to assist in the assessment, transition, and implementation. | Complete |
| Dec 2023 | SANDAG | Increase customer service staffing levels to respond to customer inquiries. | Complete |
| Jan 2024 | Deloitte | Complete assessment of ETAN system for data migration | Complete |
| Jan 2024 | SANDAG Deloitte/A-to-Be/Fagan | Pending Board approval, execute sole source contract for the Commercial Back Office Migration and Rapid Deployment Project. Execute contract with Fagan to provide technical support through completion. | Complete |
| Jan – Ongoing | SANDAG | Provide information to Office of the Independent Performance Auditor. | Complete |
| Jan – Mar 2024 | SANDAG | Complete assessment of Toll Operations and develop Toll Operations Improvements Plan to address staffing, policies, procedures, structure, and ongoing management of the system. Phase I | Complete |
| Jan-July 2024 | SANDAG Fagan | Complete analysis to verify past account balances. (OIPA Recommendation #10; Audit Committee Recommendation #1) | In Progress |

Toll Operations Action Plan

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|----------------|----------------------------------|--|-------------|
| Jan – Dec 2024 | Deloitte/A-to-Be/Fagan | Transition back-office system from ETAN/HNTB to Deloitte/A-to-Be/Fagan. | In Progress |
| Feb 2024 | Fagan | Complete reconciliation of customer records that did not balance in the general ledger. | Complete |
| April 2024 | SANDAG | Explain to Board why an RFP process was not initiated a year sooner, and why the Board was instead presented with a request to authorize a sole source contract award on January 12, 2024. (OIPA Recommendation #3) | In Progress |
| April 2024 | SANDAG | Initiate daily reconciliation of Kapsch/ETAN data to monitor and verify ongoing accuracy of customer accounts. (OIPA Recommendations #2, 7, and 9; Audit Committee Recommendation #1) | In Progress |
| April 2024 | SANDAG | Launch Contract Management Support Unit to oversee effective administration of awarded contracts, proactively communicate, and help address any contract performance issues. (Audit Committee Recommendation #2) | In Progress |
| April 2024 | SANDAG Deloitte/A-to-Be | Evaluate if DMV Hold Functionality can be implemented as part of New Back-Office System Launch and identify interim collection options. (OIPA Recommendation #8) | In Progress |
| April 2024 | SANDAG Deloitte/A-to-Be/Fagan | Requirements gathering/Outcome Matrix Approval | In Progress |
| May 2024 | SANDAG | Update Board Policies to outline reporting requirements for when a multimillion-dollar project is failing to meet its deadlines and deliverables, including whether or not errors or delays are identified, under what conditions a report is required, as well as when a report will no longer be required. (OIPA Recommendation #4; Audit Committee Recommendation #3) | In Progress |

Toll Operations Action Plan

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|-------------|--|--|-------------|
| May 2024 | SANDAG Deloitte/A- to- Be/Fagan | Data Migration Plan | Scheduled |
| June 2024 | SANDAG | Complete assessment of Toll Operations and develop Toll Operations Improvements Plan to address staffing, policies, procedures, structure, and ongoing management of the system. Phase II | In Progress |
| June 2024 | SANDAG Deloitte/A- to- Be/Fagan | Software integration Testing | Scheduled |
| July 2024 | SANDAG | Provide semi-annual report to Board on Sole Source awards, including the project, underlying reason for the Sole Source award (and demonstrating adherence to public procurement laws), funding source/s, value of the award, and name of the Approving Official. (OIPA Recommendation #5) | Scheduled |
| Sept 2024 | SANDAG Deloitte/A- to- Be/Fagan | User Acceptance testing begins | Scheduled |
| Dec 2024 | SANDAG Deloitte/A-to- Be/Fagan | Launch Phase 1 Deloitte/A-to- Be Back-Office System | Scheduled |
| Summer 2025 | SANDAG Deloitte/A-to- Be/Fagan | Complete implementation of Deloitte/A-to-Be Back-Office System. | Scheduled |

Bold items indicate new actions added by staff based on project development/implementation.

Red items indicate new actions added based on OIPA and/or Audit Committee recommendations.

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Discussion Memo

Attached is a brief project history and timeline of significant events related to the Toll Operations project to help identify when decisions were made, where there were breakdowns in process and/or project management, and ultimately which improvements should be made to prevent this from happening again.

This timeline is not a comprehensive or exhaustive inventory of documents or events associated with the Toll Operations project. It and the rest of this report are based on the best available information known at this time. Links to the source documents are included where possible.

Preliminary Assessment

As part of the Action Plan presented to the Board of Directors at its January 12 meeting, SANDAG management is assessing the entirety of the toll operations and will present the final findings to the Board in summer 2024. Below are preliminary findings based on information currently available.

Project Management

The absence of consistent management and internal technical expertise directly impacted the ability of the agency to oversee consultant work and ensure successful delivery of the toll operations project. There were repeated efforts by staff and regular assurances by ETAN and Kapsch that issues would be addressed; however, the level of personnel turnover and lack of standardized operating procedures resulted in continuous institutional knowledge gaps that led to an overdependence on consultant support.

For example, the back-office system project reported into 3 different CEOs, 5 Chief Deputies, 6 Toll Operation Directors, and 6 Project Managers over the span of the of the project. Responsibility over toll operations was segmented across the agency and shifted regularly without a recognition for the specialized expertise needed to administer a business unit like this.

To begin building the internal technical expertise needed, SANDAG hired a new Director of Regional Transportation Services in August 2022 with more than 30 years' experience in toll operations and related industries.

In December 2023, the current Chief Deputy CEO, who has more than two decades of private industry experience building and implementing software systems, took over management of Toll Operations from the Chief Financial Officer.

A PMP certified Principal Project Manager with demonstrated expertise in selecting and deploying large-scale technology solutions was designated to oversee implementation of the new back-office system in March 2024. In this role, the SANDAG Project Manager coordinates activities with Project Managers of Deloitte, Fagan and A to Be and reports to a newly formed Steering Committee that monitors project status, conducts regular risk assessments, seeks timely decisions, and strategizes solutions. On the SANDAG side the Committee is composed of The Chief Deputy CEO, CFO (or designee), Director of Toll Operations, and the Director of IT. As a primary function of the Steering Committee, the SANDAG representatives regularly interfaces with, senior representatives from Fagan, Deloitte and A to Be. This ensures a direct and regular line of communication to executive leadership, not only at SANDAG, but at the three firms responsible for implementing the new BOS.

Staff is analyzing any additional organizational structure changes that should be made to ensure successful management of the system as part of the Toll Operations Action Plan.

The steps outlined above are also being applied more broadly across the agency. Management is working with staff to right-size work efforts on all projects to ensure an appropriate level of oversight and use of consultant resources.

Process Improvements

Procurements

SANDAG's procurement process has evolved significantly since 2014 when the work to replace the SR 125 back-office and roadside systems was initiated, particularly with the selection of major technology solutions. Concerns regarding the quality of the technical specifications in the Request for Proposals (RFP) for the back-office system, which included duplicate or contradictory requirements, have been substantiated and likely contributed to the difficulties encountered on the project.

The most impactful changes that have been made since then include:

- Developing a more thorough description of system requirements for inclusion in the scope of work, including using an outcome-based approach to the project methodology;
- Engaging larger evaluation panels with members representing a broader range of subject matter expertise;
- Improved scoring criteria that emphasizes directly related experience and value of the firms being evaluated;
- Requiring custom system demonstrations as part of the selection process, with separate scoring criteria;
- Using a Requirements Traceability Matrix (RTM) that proposing firms must complete and submit as part of their proposal to ensure the solution meets SANDAG's needs.
- More in-depth reference checks, on-site visits to verify proposed system functionality, personal calls to reference contacts to develop a deeper understanding of the project details and performance feedback provided on the written evaluation form.

SANDAG's Contracts and Procurement Services Department also will be launching a new Contract Management Support Unit (CMSU) in 2024. Among its functions, the CMSU will oversee effective administration of awarded contracts. Using regular status reports submitted by project managers, the CMSU will be able to proactively communicate and help address any contract performance issues.

Consistent with the Office of the Independent Auditor (OIPA) recommendation, staff will begin providing a sole source report to the Board on a semi-annual basis that identifies the project, the underlying reason for the sole source award (demonstrating adherence to public procurement laws), the funding source/s, the value of the award, and the name of the approving official.

Financial

Currently, there are two sets of financial operations policies and procedures—one for SANDAG and the other for SR 125. Staff started revising the SR 125 procedures soon after Fastlane went live in June 2022; however, these efforts were paused in 2023 pending final implementation and testing of certain processes.

The new back-office system will include robust financial reporting features that meet or exceed industry best practices. In the meantime, SANDAG staff is implementing alternative reporting mechanisms to ensure continuity and integrity in its financial operations, which includes efforts to establish daily

monitoring and reconciliation of traffic numbers from the roadside system with customer account information. Updates to the procedures are being made to document these alternative reporting mechanisms and any other 'work-around' processes that were used to complete the quarterly and FY 2024 financial statements for toll operations.

The Board has also directed the OIPA to oversee an independent assessment of the Finance Department's policies, procedures, and practices. Pending completion of this review, additional process improvements to strengthen internal controls, including proper review and supervision over SANDAG's financial operations, will be implemented as needed.

Reporting

While there was a general awareness of challenges facing implementation of the back-office system over the past several years—different teams encountered different issues with different components of the system at varying times—there was not a defined reporting structure in place to support timely response and/or elevation of concerns, both across the agency and to the Board.

The Steering Committee in place now ensures regular access to Senior Executives so that issues can be addressed appropriately and staff will be proposing changes to Board Policy to outline reporting requirements for when a multi-million dollar project is failing to meet its deadlines and deliverables, including whether or not errors or delays are identified, under what conditions a report is required, as well as when a report will no longer be required.

Staff also will be bringing forward additional policies for the Board to determine specific procedures related to toll operations, including fees, violations, and collections policies.

Project History

Regional Tolling Operations – Back Office System and Roadside Equipment Replacement Projects

2011 – 2013

SANDAG acquired the franchise lease to operate the South Bay Expressway (SR 125 Toll Road) in December 2011. SANDAG awarded a Task Order to HNTB in August 2011 to perform the SR 125 Due Diligence Evaluation. As part of the due diligence process, it was determined that the legacy back-office system and roadside equipment was outdated and not functioning in accordance with industry standards. The due diligence assessment also considered the I-15 Express Lanes facility, which SANDAG has been operating since 1997. A different back-office system provided by Transcore was in use at the time and the roadside equipment also needed to be replaced.

Work began to replace the legacy back-office systems and roadside equipment for both SR 125 and I-15 in June 2013. As a first step, SANDAG awarded a Task Order to HNTB for Roadway Tolling – Engineering, Design & Construction Management. With technical assistance from HNTB, SANDAG staff estimated the cost to replace and integrate the SR 125 and I-15 back-office systems to be \$30.7 million; the initial cost estimate to replace the roadway equipment was \$28.9 million.

2013 – 2017

To bring the system up to industry standards and consolidate the agency's two existing customer service center systems and operations (SR 125 and I-15) into a new regional back-office system, SANDAG carried out a competitive Request for Proposals in 2016. SANDAG also carried out a competitive Request for Proposals in late 2016/2017 for roadside (toll collection) equipment.

For each procurement, four proposals were evaluated based on firm qualifications, key team qualifications, technical requirements, project plan/implementation, maintenance/software support, and price proposal. The Board approved awarding a contract to ETAN for the back-office system at its meeting on December 16, 2016, and Kapsch TrafficCom USA, Inc. (Kapsch), for roadside equipment at its meeting on December 15, 2017.

2017 – 2022

The back-office system replacement project work began in Spring 2017, with a contracted delivery date of October 2018. The work fell behind schedule due to a combination of factors, including a lack of appropriate resourcing by ETAN, ineffective project management by SANDAG, staff turnover within ETAN and SANDAG, offshore programming delays, and staffing challenges during the COVID-19 pandemic.¹

In May 2019, SANDAG issued to ETAN a Notice to Cure advising ETAN that its delays were beginning to accumulate liquidated damages in the amount of \$3,500 per day of delay and requiring ETAN to submit a cure plan and recovery schedule to reduce additional delays in delivery of the system. When delays continued to accrue, SANDAG advised ETAN on July 22, 2022, that it would begin withholding payments representing a portion of the liquidated damages owed to date. SANDAG issued a second Notice of Event of Default and Notice to Cure on October 5, 2023, to address ongoing deficiencies and delays by ETAN.

¹ ETAN was able to achieve "go live" for the I-15 facility on November 8, 2020, almost two years after the scheduled implementation date.

Work to replace the roadside system equipment began in 2017; this project was contracted to be completed in October 2019. The work on the roadside system also fell behind schedule due to inappropriate resourcing by Kapsch, ineffective project management and staff turnover within SANDAG, resource constraints at Kapsch, as well as supply chain issues, manufacturing delays, and staffing challenges during the COVID-19 pandemic. On January 21, 2020, SANDAG sought assurances from Kapsch that it would be able to achieve the contracted work and demanded that Kapsch submit a detailed recovery schedule demonstrating how it would do so. When Kapsch failed to provide the required assurances, SANDAG issued a Notice to Cure on March 13, 2020².

While the delays were concerning, SANDAG was able to continue toll collection efforts with its existing legacy systems and experienced no notable loss in revenue until late 2021.

At the Board meeting on February 25, 2022, the CEO advised the Board that the SR 125 legacy roadside system had lost critical functionality, resulting in revenue losses projected to be between \$700,000 and \$2 million, and that the cause was, in large part, attributed to delays by Kapsch in deploying the new equipment that would have replaced the deteriorating legacy system. The CEO communicated that SANDAG would be seeking damages from Kapsch to account for this loss and indicated that the agency's Independent Performance Auditor would be investigating the true financial impact.

At the Board meeting on April 22, 2022, the CEO provided an update to the Board regarding the revenue losses attributed to the outages in the legacy roadside system. In his presentation to the Board, the Deputy CEO advised that implementation of both the roadside and back-office replacement systems were delayed by almost three years. The Deputy CEO also stated that, given the urgent need to move away from the legacy systems, SANDAG's CEO and other members of Senior Executive Management, had met with the two primary vendors (ETAN and Kapsch) and had received assurances that both new systems – the roadside and back-office system – would “go live” at the end of May 2022, with full system acceptance to occur by December 2022. In conjunction with these project updates, the CEO announced that staffing changes had been made to address leadership failures within the Toll Operations department, including the termination of the former Director of Regional Tolling Operations in March 2022, and assumption of toll road operations responsibility by the CFO while a nationwide search for a qualified Director of Regional Tolling was conducted. The CEO also informed the Board that the agency had retained the services of Fagan Consulting, LLC, a toll operations consultant, to conduct a thorough review the SR 125 operations and to identify recommendations for operational improvements.

Staff worked closely with both ETAN and Kapsch to advance the systems replacement work. As noted in the OIPA Investigation Report, in the May 17, 2022 ‘Combined Roadway/Back Office System Status Report,’ SANDAG staff acknowledged that moving to “go-live” prior to ETAN fulfilling all technical requirements of its contract was not without risk. SANDAG project staff noted reservations regarding unproven elements of the ETAN system so close to “go live,” and also noted that further delays by ETAN would impact the ability of Kapsch to complete replacement of the aging and non-operational legacy roadside equipment. As the former CEO had advised the Board in February of 2022, the agency had experienced significant roadside revenue loss the previous year as the system was technologically outdated and hardware was being sourced through Ebay and other channels due to its age. SANDAG staff were also faced with the looming expiration of the PCI (Payment Card Industry) certification associated with the SR 125 legacy back-office system, meaning that the legacy system would no longer be able to process any credit card transactions for customer account holders or for individuals paying for

² Kapsch was able to achieve “go live” for the I-15 facility on October 1, 2020, one year after the scheduled implementation date and the “go live” date for the SR 125 facility was June 28, 2023, almost four years after scheduled implementation.

trips beginning on June 1, 2022, putting ~~\$450 million~~ \$50 million of revenue at risk and jeopardizing the outstanding bonds on the 125 freeway. Staff noted that it would balance these competing risks by reducing the level of functionality in the back-office system for go-live only, and continue to monitor system reports and customer service issues to identify and mitigate any resulting impacts.

The ETAN system, known as Fastlane, went live for SR 125 on June 5, 2022. In the 'Combined Roadway/Back Office System Project Status Report,' dated June 27, 2022, staff note that "*We are identifying issues, which ETAN is addressing, as they continue to turn on new functions in the back office.*" The report also notes that ETAN was working to address reporting issues and SANDAG staff were meeting with ETAN every day to discuss progress.

2022 – April 2024

As noted above, at the Board meeting on April 22, 2022, the former CEO announced that SANDAG had retained the services of an industry expert (Fagan Consulting) in the prior month to conduct an operational risk assessment of the SR 125, and to provide guidance on improving tolling operations. One of Management's significant concerns at the time Fagan was retained was the fact that ETAN's contract contained an option to develop a back-office system for the future Otay Mesa East Port of Entry (OME) project; staff expressed concerns about exercising this option given ETAN's failure to deliver a fully operational system with all anticipated functions for the SR 125 and I-15 facilities.

As part of their risk assessment, Fagan was asked to provide a recommendation as to whether SANDAG should continue utilizing ETAN for the OME project or consider other vendors. Fagan's report, included as Attachment 5, is notable in that it acknowledges that while certain features/requirements had not yet been implemented, "*the back-office system is installed and operating at SANDAG with no significant issues to date.*" Fagan recommended that SANDAG continue the current contract with ETAN while procuring a new back-office system for the OME project, with a second future phase of that work to include a transition of the existing toll facilities to the same OME back-office system.

Fagan's assessment, which also reflected SANDAG's concerns about ETAN's resourcing, also recommends that SANDAG not attempt to achieve all requirements of the ETAN contract and focus on fixing significant bugs in the system, as "*there is enough existing functionality in place to make this a feasible solution.*" Fagan further cautioned SANDAG to tread lightly on the issue of withholding liquidated damages from ETAN, as a punitive approach could force ETAN to walk away from the project at any time leaving SANDAG without any effective means of collecting tolls on the SR 125.

As the OIPA Investigation Report notes, the Fagan report was shared with Senior Executive Management in July 2022. Consistent with the Fagan recommendations, Senior Executive Management also instructed toll operations staff to continue to work with ETAN to maintain system functionality. Also, in line with Fagan's assessment and recommendations, OME project staff were informed ETAN's system was not scalable to include the facility. The work developing a RFQ *for the Regional back office technical advisor began* until it was determined that the delay in opening OME, a component of the system, provided additional time for Toll Operations to consider a vendor change because the ETAN contract was expiring.

Serious System Failures Uncovered

SANDAG staff focused on working with ETAN to identify and fix bugs in the Fastlane system. As the OIPA Investigation Report acknowledges, the volume of work tickets began to build after the implementation of SR 125 in June of 2022. These issues came to a head in Spring 2023 when SANDAG's Accounting and Finance staff began preparing year-end financial statements for the annual audit and identified issues regarding the accuracy of deferred revenue and accounts receivable. When pushed to resolve these errors on a priority basis, ETAN was unable to identify a solution and, in August

2023, ultimately admitted that it would never be able to resolve the deferred revenue and accounts receivable issues and would never be able to deliver a system to the specifications set forth in the contract.

On October 13, 2023, legal counsel met with the Board in closed session to discuss the status of the back-office system implementation and the potential initiation of litigation. The Board provided direction to counsel and on December 8, 2023, Management returned to the Board with an update on the implementation of the back-office system and advised the Board that they were unable to reconcile certain financial statement account balances, specifically regarding balance sheet items such as the accuracy of the deferred revenue (customer prepaid accounts) and accounts receivable balances. Management advised the Board that out of approximately 90,000 client accounts, approximately 45,000 did not reconcile to the accounting general ledger by a total of \$87,113. After identifying several common system errors, it was found that certain types of transactions in 45,000 customer accounts were not posted through to the General Ledger. Management informed the Board that customer balances did not appear to be incorrect; rather it was the flow of transactions to the general ledger accounting system that were not working. Management identified approximately 10,000 customer accounts that had not yet been reconciled, with a variance of \$8,771.

Management also discussed the immediate need to transition to a new back-office system, given ETAN's admitted inability to resolve the critical general ledger functions within the ETAN system. The Board authorized the execution of a sole source contract with Deloitte Consulting to develop a new back-office system. Work is underway to develop the new system, which is anticipated to be operational in late 2024.

| Year | ETAN Procurement | Kapsch Procurement | ETAN Implementation | Kapsch Implementation | ETAN Contract Remedies | Kapsch Contract Remedies | Fagan Assessments | Presentation to Board | Milestones/Events/Other | ETAN Replacement (Deloitte/A to Be) | Date | Description | Exec. Director | Chief resp. for SR 125 | Toll Ops Director | Chief Financial Officer | Finance Director | SANDAG Lead PM | SANDAG PM - ETAN | SANDAG PM - Kapsch | Supporting Document |
|-------------------------|-------------------------|--------------------|---------------------|-----------------------|------------------------|--------------------------|-------------------|-----------------------|-------------------------|-------------------------------------|--------------------|--|----------------|------------------------|-------------------|-------------------------|------------------|----------------|------------------|--------------------|---|
| | | | | | | | | | | | 2011 | | | | | | | | | | |
| 2012 | | | | | | | | | | | January 1, 2012 | SANDAG acquires SBX | Gallegos | Wasmund | Linthicum | N/A | Warrem | Johnson | N/A | N/A | BOD Agenda-2011-12-16 |
| 2013 | | | | | | | | | | | June 28, 2013 | SANDAG awards task order to HNTB for Roadway Tolling Engineering, Design, and Construction Management | Gallegos | Wasmund | Linthicum | N/A | Douzdjian | Johnson | N/A | N/A | HNTB Procurement Supporting Documents |
| | | | | | | | | | | | June 2013 | SANDAG begins efforts to replace of equipment for both SR 125 and I-15 | Gallegos | Wasmund | Linthicum | N/A | Douzdjian | Johnson | N/A | N/A | |
| 2014 | ETAN Procurement | | | | | | | | | | July 1, 2014 | Kick-off meeting with Project Manager (PM) to start Back Office System (BOS) procurement process | Gallegos | Wasmund | Johnson | N/A | Douzdjian | N/A | Driesbach | Jimenez | N/A |
| 2015 | ETAN Procurement | | | | | | | | | | July 24, 2015 | BOD authorizes staff to begin the solicitation process for the BOS replacement | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | BOD Agenda-2015-07-24 |
| | Kapsch Procurement | | | | | | | | | | July 24, 2015 | BOD authorizes staff to begin the solicitation process for the Roadway System replacement | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | |
| 2016 | ETAN Procurement | | | | | | | | | | April 1, 2016 | Final Regional BOS Request for Proposals (RFPs) document approved for publication | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | N/A |
| | ETAN Procurement | | | | | | | | | | April 18, 2016 | Regional BOS RFP is advertised to the public | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | 5006101_SANDAG Regional BOS RFP & release info.pdf |
| | ETAN Procurement | | | | | | | | | | May 3, 2016 | Pre-proposal meeting: Interested vendors are able to ask questions about the information in the RFP | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | N/A |
| | ETAN Procurement | | | | | | | | | | July 14, 2016 | Five proposals are received | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | Proposals |
| | ETAN Procurement | | | | | | | | | | August 22, 2016 | Evaluation panel meets and scores proposal. Four firms shortlisted (firms were determined to be in the competitive range) | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | 5006101 RFP BOS EC Scoring_082216_Competitive Range Short List.pdf |
| | ETAN Procurement | | | | | | | | | | August 30-31, 2016 | Reference checks performed | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | ETAN References.pdf |
| | ETAN Procurement | | | | | | | | | | September 19, 2016 | Proposer interviews: Four firms including ETAN interviewed | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | 5006101 Final Ranking Summary.pdf |
| | ETAN Procurement | | | | | | | | | | September 28, 2016 | Deputy Executive Director and Department Head approves award | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | 5006101 Recommendation Memo.pdf |
| | ETAN Procurement | | | | | | | | | | September 29, 2016 | Notified vendors of award, started negotiation with ETAN | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | Executive Team - 5006101_Notices of Intent.pdf |
| | Kapsch Procurement | | | | | | | | | | October 28, 2016 | BOD authorizes a change to the Roadway System replacement procurement to include replacing the I-15 Roadway System and adding an option to outfit SR 11 with tolling equipment as part of Otay Mesa East (OME) | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | BOD Agenda-2016-10-28.pdf |
| Board Presentation | | | | | | | | | | | December 16, 2016 | Board approves contract award to ETAN for \$28M | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | BOD Agenda-2016-12-16.pdf |
| 2017 | ETAN Implementation | | | | | | | | | | March 27, 2017 | Notice to Proceed issued to ETAN and project kick-off meeting held at SANDAG Toll Operation Center | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | Executive Team - 5006101_NTP.pdf |
| Kapsch Procurement | | | | | | | | | | | May 19, 2017 | Roadway Toll Collection Systems RFP is advertised | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | 5006100_SANDAG Roadway System RFP.pdf |
| Kapsch Procurement | | | | | | | | | | | June 2, 2017 | Pre-proposal meeting: Interested vendors are able to ask questions about the information in the RFP | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | N/A |
| ETAN Implementation | | | | | | | | | | | July 27, 2017 | SANDAG requests assurance from ETAN that BOS guaranteed completion date (12/25/2018) I-15 go-live will be achieved | Gallegos | Kawada | Traynor | N/A | Douzdjian | N/A | Castro | Jimenez | Contract #5006101 - Regional Back Office System Project - SANDAG request for Assurances.pdf |
| Kapsch Procurement | | | | | | | | | | | August 8, 2017 | Four proposals are received | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | Proposals |
| Kapsch Procurement | | | | | | | | | | | August 25, 2017 | Reference checks performed | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | 5006100 SANDAG References Check_082517.pdf |
| Kapsch Procurement | | | | | | | | | | | August 29, 2017 | Evaluation panel meets and scores proposals. All four firms shortlisted (firms were determined to be in the competitive range) | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | 5006100 RFP Roadway System Short List EC Scoring_082917.pdf |
| Kapsch Procurement | | | | | | | | | | | September 14, 2017 | Proposer interviews: Price scored at 30% | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | 5006100 RFP Roadway System Interview EC Scoring_091417.pdf |
| Kapsch Procurement | | | | | | | | | | | September 30, 2017 | Deputy Executive Director and Department Head approves award | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | 5006100_Contractor Approval Recommendation_Procurement |
| Kapsch Procurement | | | | | | | | | | | October 2, 2017 | Notified vendors of award, started negotiations with Kapsch | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | Executive Team - 5006100_Notices of intent.pdf |
| Board Presentation | | | | | | | | | | | December 15, 2017 | Board approves contract award to Kapsch for \$63M | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | 5006100_SANDAG Board Approval_121517.pdf |
| Kapsch Procurement | | | | | | | | | | | December 29, 2017 | Contract finalized and Notice to Proceed issued to Kapsch | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Castro | Jimenez | 5006100_AGMT_Roadway System Standard Agreement with |
| 2018 | ETAN Implementation | | | | | | | | | | April 18, 2018 | Status meeting with ETAN regarding assurances for project completion | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | Draft - ETAN Assurances Follow Up Meeting for 4 18 18 - Proposed |
| ETAN Implementation | | | | | | | | | | | October 1, 2018 | ETAN planned Go-live for I-15 is missed; liquidated damages begin | Vacant | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | N/A |
| 2019 | Event/Other | | | | | | | | | | April 1, 2019 | Technology Project Management Office Created initial focus restricted to ERP | lkhtrata | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | N/A |
| Notice to Cure (ETAN) | | | | | | | | | | | May 30, 2019 | First Notice to Cure issued to ETAN demanding they meet their obligations and prevent further schedule slippage and reduce the cumulative delays to the maximum extent possible | lkhtrata | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | Notice to Cure Letter to ETAN 1.pdf |
| Kapsch Implementation | | | | | | | | | | | June 26, 2019 | Kapsch planned systems acceptance date for SR 125 is missed; liquidated damages begin | lkhtrata | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | |
| Kapsch Implementation | | | | | | | | | | | September 1, 2019 | Kapsch planned Go-Live for I-15 Roadside system is missed; liquidated damages begin | lkhtrata | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | |
| ETAN Implementation | | | | | | | | | | | September 24, 2019 | BOS implementation agreement (TO No. 1 under Agrmnt No. 5006101) is amended (Amend No. 1) to extend time (from 06/26/2019 to 12/31/2020); no change to contract value | lkhtrata | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | BOD-2024-04 Amendment to Task Order ETAN 12/26-5006101-toO1-am1.pdf |
| Kapsch Implementation | | | | | | | | | | | October 1, 2019 | Kapsch planned Go-Live for SR 125 Roadside system is missed; liquidated damages begin | lkhtrata | Kawada | Traynor | N/A | Douzdjian | Driesbach | Zeng | Jimenez | |
| Staffing Changes | | | | | | | | | | | November 1, 2019 | Agency leadership reorganization: Chief Deputy Director assumes responsibility for toll road; Director of Toll Operations is vacant; Director of Finance is appointed CFO | lkhtrata | Linthicum | Schwartz (acting) | Douzdjian | (No position) | Driesbach | Zeng | Jimenez | New-sandag-dept-structure-2019-11.pdf |
| Schedule | | | | | | | | | | | December 3, 2019 | Director of IT informs Schwartz, Lithicum, Ross of Back-Office System Project Delay | lkhtrata | Linthicum | Schwartz (acting) | Douzdjian | (No position) | Driesbach | Zeng | Jimenez | |
| 2020 | Notice to Cure (Kapsch) | | | | | | | | | | January 21, 2020 | SANDAG seeks assurance on project completion and remedy of Kapsch project performance issues | lkhtrata | Linthicum | Schwartz (acting) | Douzdjian | (No position) | Driesbach | Zeng | Jimenez | Kapsch Assurances Letter 01212020.pdf |
| Notice to Cure (Kapsch) | | | | | | | | | | | March 13, 2020 | SANDAG serves Kapsch with Notice to Cure defaults | lkhtrata | Linthicum | Schwartz (acting) | Douzdjian | (No position) | Driesbach | Zeng | Jimenez | SDG-KAP-013_Notice to Cure 20200313.pdf |
| Board Presentation | | | | | | | | | | | April 10, 2020 | SANDAG Board votes to suspend all toll violations on the I-15 and SR 125 due to COVID-19 | lkhtrata | Linthicum | Ross (acting) | Douzdjian | (No position) | Driesbach | Zeng | Jinks | BOD Meeting Minutes-2020-04-10.pdf |
| Notice to Cure (Kapsch) | | | | | | | | | | | June 1, 2020 | Notice of resource and comms deficiencies Kapsch | lkhtrata | Linthicum | Ross (acting) | Douzdjian | (No position) | Driesbach | Zeng | Jinks | Kapsch Staffing and Communications Deficiencies-SDG-KAP-024.pdf |

| Year | Event/Other | ETAN Procurement | Kapsch Procurement | ETAN Implementation | Kapsch Implementation | ETAN Contract Remedies | Kapsch Contract Remedies | Fagan Assessments | Presentation to Board | Milestones/Events/Other | ETAN Replacement (Deloitte/A to Be) | Date | Description | Exec. Director | Chief resp. for SR 125 | Toll Ops Director | Chief Financial Officer | Finance Director | SANDAG Lead PM | SANDAG PM - ETAN | SANDAG PM - Kapsch | Supporting Document | |
|-----------------------|-------------------------|------------------|--------------------|---------------------|-----------------------|------------------------|--------------------------|-------------------|-----------------------|-------------------------|-------------------------------------|---|---|--|------------------------|-------------------|-------------------------|------------------|-----------------|------------------|---|---|--|
| | | | | | | | | | | | | | | | | | | | | | | | |
| 2020 | Notice to Cure (Kapsch) | | | | | | | | | | | September 8, 2020 | Kapsch served with Notice of Intent to recover liquidated damages | lkhrrata | Linthicum | Ross (acting) | Douzdjian | (No position) | Driesbach | Zeng | Jinks | | |
| | Kapsch Implementation | | | | | | | | | | | October 1, 2020 | I-15 roadside system (Kapsch) actual go-live | lkhrrata | Linthicum | Ross | Douzdjian | (No position) | Driesbach | Zeng | Jinks | | |
| | ETAN Implementation | | | | | | | | | | | November 8, 2020 | ETAN FastLane system goes Live on I-15 (system up and running) | lkhrrata | Linthicum | Ross | Douzdjian | (No position) | Driesbach | Zeng | Jinks | | |
| | ETAN Implementation | | | | | | | | | | | December 1, 2020 | BOS implementation agreement (TO No. 1 under Agrmnt No. 5006101) is amended (Amend No. 2) to extend time (from 12/31/2020 to 12/31/2021); no change to contract value | lkhrrata | Linthicum | Ross | Douzdjian | (No position) | Driesbach | Zeng | Jinks | ETAN AM2 to TO1 under 5006101.pdf | |
| 2021 | Event/Other | | | | | | | | | | | January 5, 2021 | Reinstatement of toll violations (COVID): Board approved at its December 18,2020 meeting | lkhrrata | Linthicum | Ross | Douzdjian | (No position) | Driesbach | Zeng | Jinks | BOD Meeting Minutes-2020-12-18 | |
| | ETAN Implementation | | | | | | | | | | | March 16, 2021 | Payment Card Industry Data Security Standard (PCI) Audit: Passed with compensating | lkhrrata | Linthicum | Ross | Douzdjian | (No position) | Driesbach | Zeng | Jinks | SANDAG - 20220316 - ROC_Final.pdf | |
| | | | | | | | | | | | | June 14, 2021 | Finance supervisor confirms via email daily reconciliation is occurring on I-15 | lkhrrata | Linthicum | Ross | Douzdjian | Wallace | Driesbach | Zeng | Jinks | Email - daily payment reconciliation.pdf | |
| | Event/Other | | | | | | | | | | | June 21 - Sept. 21, 2021 | SANDAG's roadway system \$1.8M revenue loss toll collection equipment displacement | lkhrrata | Linthicum | Ross | Douzdjian | Wallace | Driesbach | Zeng | Jinks | | |
| | Event/Other | | | | | | | | | | | September 22, 2021 | Ryan Ross, Dir. RTS notifies Jim Linthicum, Chief Dep Eng & Const of revenue loss on SR 125 due to toll collection equipment displacement | lkhrrata | Linthicum | Ross | Douzdjian | Wallace | Driesbach | Zeng | Jinks | Ross_Timeline_125.pdf | |
| | Board Notification | | | | | | | | | | | | September 24, 2021 | CEO notifies Board OME open by 2024 | lkhrrata | Linthicum | Ross | Douzdjian | Wallace | Driesbach | Zeng | Jinks | |
| | ETAN LD Strategy | | | | | | | | | | | September 30, 2021 | SANDAG retains outside counsel to support liquidated damages recovery | lkhrrata | Linthicum | Ross | Douzdjian | Wallace | Driesbach | Zeng | Jinks | | |
| ETAN Implementation | | | | | | | | | | | | December 30, 2021 | BOS implementation agreement (TO No. 1 under Agrmnt No. 5006101) is amended (Amend No. 3) to extend time (from 12/31/2021 to 12/31/2022) | lkhrrata | Linthicum | Ross | Douzdjian | Wallace | Driesbach | Zeng | Jinks | S954478_ETAN AM3 to TO1 under 5006101.pdf | |
| 2022 | Staffing Changes | | | | | | | | | | | February 1, 2022 | Executive management structure modified: Project management Office Reorganization Toll Operations Ray Major (PMO) and Andre Douzjian, Operations | lkhrrata | Douzdjian | Ross | Douzdjian | Wallace | Driesbach | Zeng | Jinks | | |
| | Board Notification | | | | | | | | | | | February 11, 2022 | CEO notifies Board OME open by 2024 | lkhrrata | Douzdjian | Ross | Douzdjian | Wallace | Parris (acting) | Zeng | Jinks | | |
| | Assessment | | | | | | | | | | | March 1, 2022 | Fagan Hired to do an SR 125 Toll Operational Risk Assessment | lkhrrata | Douzdjian | Ross | Douzdjian | Wallace | Parris | Zeng | Jinks | S1000973_Fagan RON.pdf | |
| | Event/Other | | | | | | | | | | | March 17, 2022 | OME team notified that ETAN will not be able to be used for OME and that an alternate solution will need to be procured | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | | |
| | ETAN Implementation | | | | | | | | | | | April 21, 2022 | Meeting with ETAN Execs Steve Levine CEO, Georgio Fondoni CTO, Tom Shivers Atty, Ben Clarke, and Michael Sinha; SANDAG Team Ray Major and Coleen Clemenson, Dep CEOs; Andre Doudjain, CFO, Bill Parris, Jiqin Zeng; HNTB Theresa Weeks | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | | |
| | Board Presentation | | | | | | | | | | | | April 22, 2022 | Ray Major notifies Board of issues with Tolling System and new PMO processes | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | BOD Meeting Minutes-2022.04.22 |
| | ETAN Implementation | | | | | | | | | | | May 1, 2022 | ETAN Back-Office Go Live 1 - SR 125 - SCRAPPED - Data Quality Control | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | | |
| | Assessment | | | | | | | | | | | | May 6, 2022 | Agreement is executed w/ Fagan for the SR 125 Toll Operational Risk Assessment | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | S1000973_agmt_Fagan.pdf |
| | ETAN Implementation | | | | | | | | | | | June 5, 2022 | ETAN Back-Office Go Live 2 - SR 125 | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | | |
| | Fagan Findings | | | | | | | | | | | June 30, 2022 | SR 125 Discussion: Hasan discussed preliminary findings form Fagan report with the Executive Team | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | June.30.2022 SR 125 dicussion meeting.pdf | |
| | Fagan Findings | | | | | | | | | | | July 5, 2022 | CFO email to FAGAN about preliminary findings report and ETAN | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | July.5.2022_email_Draft report.pdf | |
| | Assessment | | | | | | | | | | | July 7, 2022 | Fagan report (dated 07/07/2022) issued: recommends continuing with ETAN while procuring a new BOS for OME | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | SANDAG BOS Assessment and Recommendations Fagan.pdf | |
| | ETAN - LD Retention | | | | | | | | | | | July 20-26, 2022 | HNTB 2022 notification regarding ETAN invoice | lkhrrata | Douzdjian | Vacant | Douzdjian | Wallace | Parris | Zeng | Jinks | HNTB notification emails.pdf | |
| Staffing Change | | | | | | | | | | | August 15, 2022 | Lucinda Broussard hired as Director of Regional Transportation Services | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Zeng | Jinks | | | |
| ETAN Implementation | | | | | | | | | | | November 1, 2022 | Met with ETAN to review vendor proposed schedule for fixing top 35 major bugs (Attendees: Andre, Bill, Lucinda, Emily, Ian; ETAN: Tom Shivers, Mike Drummond, Steve Levine, Michale Sinha, Yousif Abouharb) | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Zeng | Jinks | SANDAG Ops Punch List & Collections Schedule Nov.1.2022.pdf | | |
| 2023 | ETAN Implementation | | | | | | | | | | | January 1, 2023 | BOS implementation agreement (Task Order No. 1 under Agrmnt No. 5006101) is amended (Amend No.4) to extend time (from 12/31/2021 to 12/31/2023) | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Zeng | Jinks | S1111476_ETAN AM4 to TO1 under 5006101.pdf | |
| | ETAN Replacement | | | | | | | | | | | April 20, 2023 | Market Research/Deloitte/A2B Demo: Andre Douzjian, Lucinda Broussard, Bill Paris, Bill Mount, Michael Bertram, Ian Castellana, Stan Glowacki, Lisbeth Howard, Alex Estrella, Allan Kosup (DOT), Karen Jewel (DOT), Maurice Cunanan | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Bertram | Jinks | Toll System Demos - Deloitte & AtoBe.pdf | |
| | ETAN Replacement | | | | | | | | | | | May 9, 2023 | Toll system demo: Emovis/Andre Douzjian, Lucinda Broussard, Bill Paris, Bill Mount, Michael Bertram, Ian Castellana, Stan Glowacki, Lisbeth Howard, Alex Estrella, Allan Kosup (DOT), Karen Jewel (DOT), Maurice Cunanan | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Bertram | Jinks | Toll System Demos - Emovis.pdf | |
| | ETAN Replacement | | | | | | | | | | | May 11, 2023 | Neology Demo- Andre Douzjian, Lucinda Broussard, Bill Paris, Bill Mount, Michael Bertram, Ian Castellana, Stan Glowacki, Lisbeth Howard, Alex Estrella, Allan Kosup (DOT), Karen Jewel (DOT), Maurice Cunanan | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Bertram | Jinks | Toll System Demos - Neology.pdf | |
| | Kapsch Implementation | | | | | | | | | | | June 28, 2023 | Kapsch Go Live SR 125 | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Bertram | Jinks | | |
| | Kapsch Implementation | | | | | | | | | | | May 2022 - Jun 30, 2023 | Kapsch operational revenue losses on SR 125 (\$1.8M) | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/Warrem | Parris | Bertram | Jinks | Kapsch Lost Revenue Summary 2023-12-04 | |
| | Kapsch Implementation | | | | | | | | | | | August 1, 2023 | Kapsch starts Operational Acceptance Testing (OAT) for I-15 | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/Warrem | Parris | Bertram | Jinks | | |
| | ETAN Implementation | | | | | | | | | | | August 25, 2023 | Met with ETAN and was told they would never produce financial reports (Attendees: SANDAG: Andre, Lauren, Lucinda, Mabelle, Lisbeth, Leeanne; HNTB: Theresa Weeks; ETAN: Pam Jones Accountant, Michael Sinha President, Tom Shivers Atty | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/Warrem | Parris | Bertram | Jinks | | |
| | Board Meeting | | | | | | | | | | | September 8, 2023 | Board meeting OIPA's (Mary K) review, Courtney's appointment, Hasan's review | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/ | Parris | Bertram | Jinks | BOD Meeting Minutes-2023-09-08 | |
| | Board Meeting | | | | | | | | | | | September 22, 2023 | Board meeting road user charge alternative | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/ | Parris | Bertram | Jinks | BOD Meeting Minutes_2023-09-22 | |
| Kapsch Implementation | | | | | | | | | | | September 30, 2023 | Kapsch completes OAT for I-15 | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/ Warrem | Parris | Bertram | Jinks | | | |
| Notice to Cure (ETAN) | | | | | | | | | | | October 5, 2023 | Second Notice to Cure letter issued to ETAN | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/ Warrem | Parris | Bertram | Jinks | ETAN Notice 2_10 05 23.pdf | | |
| Board Presentation | | | | | | | | | | | October 13, 2023 | Informed Board in closed session regarding ETAN's inability to produce financial reports | lkhrrata | Douzdjian | Broussard | Douzdjian | Wallace/ Warrem | Parris | Bertram | Jinks | BOD Meeting Minutes-2023-10-13 | | |

| Year | ETAN Procurement | Kapsch Procurement | ETAN Implementation | Kapsch Implementation | ETAN Contract Remedies | Kapsch Contract Remedies | Fagan Assessments | Presentation to Board | Milestones/Events/Other | ETAN Replacement (Deloitte/A to Be) | Date | Description | Exec. Director | Chief resp. for SR 125 | Toll Ops Director | Chief Financial Officer | Finance Director | SANDAG Lead PM | SANDAG PM - ETAN | SANDAG PM - Kapsch | Supporting Document |
|------|------------------|--------------------|---------------------|-----------------------|------------------------|--------------------------|-------------------|-----------------------|-------------------------|-------------------------------------|-------------------|---|----------------|------------------------|-------------------|-------------------------|------------------|----------------|------------------|--------------------|---|
| | | | | | | | | | | | October 15, 2023 | Site visit to A to Be to validate replacement system functionality meets SANDAG tolling requirements Lucinda Broussard, Ray Major | Ikhata | Douzdjian | Broussard | Douzdjian | Wallace/ Warren | Parris | Bertram | Jinks | |
| | | | | | | | | | | | December 8, 2023 | CFO's presentation to the Board regarding general ledger issues (Item No. 15) | Ikhata | Douzdjian | Broussard | Douzdjian | Wallace | Parris | Bertram | Jinks | Agenda Item 15 - Toll_Road_Operations_Assessment.pdf |
| | | | | | | | | | | | January 12, 2024 | Board approves extension of ETAN contract to support system migration and continue operations (\$100k per month) | Vacant | Major | Broussard | Douzdjian | Wallace | Parris | Bertram | Jinks | BOD Meeting Minutes-2024-01-12 |
| | | | | | | | | | | | January 26, 2024 | Board approves \$50k credit for HNTB support | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Bertram | Bertram | BOD Meeting Minutes-2024-01-26 |
| | | | | | | | | | | | February 1, 2024 | Implemented changes to PM structure | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | |
| | | | | | | | | | | | February 1, 2024 | Kapsch starts OAT for SR 125 | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | Letter - SR 125 Operational and Acceptance Testing – Entry Criteria App |
| | | | | | | | | | | | February 20, 2024 | ETAN extension (Add scope, terms, and date) | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | 5006101 AM4 Contract Amendment - signed.pdf |
| | | | | | | | | | | | March 5, 2024 | BOS implementation agreement (TO No. 1 under Agrmnt No. 5006101) is amended (Amend No. 5) to extend time (to 11/30/2024) | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | SANDAG Control 5006101 AM5 Contract Amendment_ 03-01-24 - signed.pdf |
| | | | | | | | | | | | March 9, 2024 | SANDAG signs contract for replacement system to replace ETAN with Deloitte | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | Agreement 6000052_Deloitte Consulting.pdf |
| | | | | | | | | | | | March 26, 2024 | Original ETAN contract end date | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | |
| | | | | | | | | | | | March 31, 2024 | Kapsch completes OAT for SR 125 | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | |
| | | | | | | | | | | | April 8, 2024 | Deloitte responds to SANDAG's request to fastrack DMV Holds | Clementson | Major | Broussard | Douzdjian | Vettese | Parris | Rumbolo | Bertram | |

*This timeline is not a comprehensive or exhaustive inventory of documents or events associated with the Toll Operations project.

Responses to Board Questions

1. How was ETAN selected?

On July 24, 2015, and in accordance with Board Policy No. 016 (Procurement of Services), the Board authorized staff to begin the solicitation process for the back-office system replacement. The solicitation documents were developed by SANDAG staff with technical assistance from HNTB and the Request for Proposals (RFP) was released on April 18, 2016.

Almost 900 vendors were notified of the opportunity and 56 vendors downloaded the proposal documents. The following five vendors submitted proposals:

- Cofiroute USA, LLC
- Cognizant Technology Solutions US Corporation
- Cubic Transportation Systems, Inc.
- ETAN Industries, LLC
- TransCore, LP

On August 22, 2016, the evaluation panel met to consider the proposals and, based on criteria set forth in the RFP, select the vendors to advance for interviews and further evaluation. The evaluation panel for this solicitation was composed of three SANDAG staff members and, in compliance with Board Policy No. 016, one member from outside the agency:

- Principal Technology Program Manager, SANDAG (Separated employment in Jan. 2022)
- Business Operations Program Manager, SANDAG (Separated employment in Mar. 2022)
- Senior Accountant, SANDAG (Separated employment in Aug. 2019)
- Toll Operations Manager, Riverside County Transportation Commission

The written proposals submitted by the responsive vendors were evaluated using the following criteria, as determined by the contract analyst and project manager, and set forth in the RFP:

- Firm qualifications (0.5 weight)
- Key team qualifications (1.25 weight)
- Approach to technical requirements (3.0 weight)
- Approach to project plan and implementation (1.25 weight)
- Approach to maintenance and software support service and performance requirements (1.0 weight) and
- Price proposal (3.0 weight).

The following four firms were short-listed by the evaluation panel to proceed to the interview stage:

- Cofiroute USA, LLC (Total weighted short-list score = 257.5)
- Cubic Transportation Systems, Inc. (Total weighted short-list score = 274.2)
- ETAN Industries, LLC (Total weighted short-list score = 262.4)
- TransCore, LP (Total weighted short-list score = 283.1)

On September 19 and 20, 2016, the evaluation panel conducted interviews with the four firms. Again, using the criteria set forth in the RFP, the panel members each scored the four firms which resulted in the following rankings:

- 1 – ETAN Industries, LLC (Total weighted score = 355.5)
- 2 – TransCore, LP (Total weighted score = 239.6)
- 3 – Cubic Transportation Systems, Inc. (Total weighted score = 228.1)
- 4 – Cofiroute USA, LLC (Total weighted score = 216.4)

The Lead Contracts and Procurement Analyst assigned to this project conducted reference checks on the four short-listed firms in accordance with Board Policy No. 016 and the solicitation requirements. The highest-ranking vendor after interviews, ETAN Industries LLC (ETAN), received the highest scores from references, with one former client noting, *“ETAN Industries is a very professional organization, and the staff is easy to work with. The staff understood the project and deliverables. Our project was very successful from the customer service level to reports and customer reconciliation.”*

The Lead Contracts and Procurement Analyst also conducted debarment checks to ensure that all firms were eligible to enter into a public contract and performed a fiscal responsibility analysis utilizing an “Altman Z-Score” methodology, which takes into account profitability, leverage, liquidity, solvency and activity to predict whether a company has a high degree of probability of being insolvent. No issues were identified.

Once all responsibility requirements were met, SANDAG staff sought and received approval from the Chief Deputy Executive Director at the time to engage in cost negotiations with the highest-ranking proposer, ETAN Industries, LLC.

At its meeting on December 16, 2016, the Board approved the contract award to ETAN in the amount of \$28 million, which was \$2.7 million less than the SANDAG cost estimate. ETAN met all insurance and bonding requirements for the contract; the contract was fully executed on March 27, 2017.

2. How was Kapsch selected?

On July 24, 2015, and in accordance with Board Policy No. 016, the Board authorized staff to begin the solicitation for the Roadway Toll Collection System replacement, known as roadside equipment. After the Board’s approval, staff identified additional projects that would benefit from the solicitation so returned to the Board to request to add these to the scope of services.

At its meeting on October 28, 2016, the Board authorized a change to the planned solicitation which increased the cost estimate and expanded the scope of services to include replacing the Interstate 15 (I-15) Express Lanes Roadway Toll Collection System and adding an option to outfit State Route 11 (SR 11) with roadway tolling equipment in conjunction with the development of the Otay Mesa East Port of Entry. The solicitation documents were developed by SANDAG staff with technical assistance from HNTB, and the RFP was released on May 19, 2017. Almost 2,000 vendors were notified of the opportunity and 70 vendors downloaded the proposal documents. The following four vendors submitted proposals:

- Kapsch TrafficCom IVHS Inc.
- Neology, Inc.
- Parsons_Indra Joint Venture
- TransCore, LP

On August 29, 2017, the evaluation panel met to consider the proposals and, based on criteria set forth in the RFP, select the vendors to advance for interviews and further evaluation. The evaluation panel for this solicitation was composed of four SANDAG staff members and, in compliance with Board Policy No. 016, one member from outside the agency:

- Principal Technology Program Manager, SANDAG (Separated employment in Jan. 2022)

- Senior Technology Program Analyst, SANDAG (Separated employment in Mar. 2020)
- Associate Systems Engineer, SANDAG
- Maintenance and Facilities Supervisor, SANDAG
- Project Engineer, California Department of Transportation

The written proposals submitted by the responsive vendors were evaluated using the following criteria, as set forth in the RFP:

- Firm qualifications (0.75 weight)
- Key team qualifications (1.0 weight)
- Approach to technical requirements (3.5 weight)
- Approach to project plan and implementation (1.0 weight)
- Approach to maintenance and software support service and performance requirements (1.25 weight)
- Price proposal (2.5 weight)

During the week of September 11-14, 2017, interviews of the four firms were conducted by the evaluation panel. Again, using the criteria set forth in the RFP, the evaluation panel members each scored the firms which resulted in the following rankings:

- 1 – Kapsch TrafficCom IVHS Inc. (Total weighted score = 394.2)
- 2 – TransCore, LP (Total weighted score = 337.6)
- 3 – Parsons_Indra Joint Venture (Total weighted score = 313.9)
- 4 – Neology, Inc. (Total weighted score = 310.9)

The Lead Contracts and Procurement Analyst assigned to this project conducted reference checks on the four short-listed firms in accordance with Board Policy No. 016 and the solicitation requirements. The highest-ranking vendor, Kapsch TrafficCom IVHS Inc. (Kapsch), received satisfactory to excellent scores on key facets of projects for the Washington State Department of Transportation (ORT Express Lanes and Maintenance) and the Rhode Island Turnpike and Bridge Authority (Mixed Mode Toll System and Maintenance).

The Lead Contracts and Procurement analyst also conducted debarment checks to ensure that all firms were eligible to enter into a public contract and performed a fiscal responsibility analysis utilizing an “Altman Z-Score” methodology, which takes into account profitability, leverage, liquidity, solvency, and activity to predict whether a company has a high degree of probability of being insolvent. No issues were identified.

Once all responsibility requirements were met, SANDAG staff sought and received approval from the Chief Deputy Executive Director to engage in cost negotiations with the highest-ranking proposer, Kapsch.

At its meeting on December 15, 2017, the Board approved the contract award to Kapsch for a total amount not to exceed \$63 million. Kapsch met all insurance and bonding requirements for the contract; the contract was fully executed on December 29, 2017.

3. Why go live with the ETAN Fastlane system if it was not ready to be deployed?

ETAN implemented its Fastlane system in two phases. The first was on the I-15 Express Lanes facility with a go-live date in November 2020. Staff started identifying issues regarding ETANs ability to produce

financial reports from November 2020 through 2021; thus, staff used some of the reliable reports from Fastlane and other source documents for financial reporting while ETAN was continuing to fix bugs.

In a May 2022 project report, staff noted that they had reservations regarding unproven elements of the ETAN system so close to “going live.” However, staff also recognized that further delays to launch would impact the ability of Kapsch to complete the replacement of the legacy roadside equipment on SR-125 (which could result in revenue losses if the old equipment continued to fail) and beginning December 2022, the legacy system could no longer be certified to transmit or store credit card information resulting in SANDAG losing the ability to process credit cards transactions. This would lead to a potential loss of \$50 million in tolling revenue per year. Eventually SANDAG would not have sufficient funds to make principal and interest payments on the bonds and would trigger a payment default. The Agency would most likely lose its AAA rating making future borrowings much more expensive for other SANDAG projects.

Countering this was the fact that ETAN had provided the critical elements needed for the system to function; such as the ability to set up accounts, hold deposits, process payments, send out notices/correspondence/statements, track transactions, interface with banks, track inventory, etc.

Ultimately, staff concluded that they would balance these competing risks by reducing the level of functionality in the back-office system for go-live only, and continue to monitor system reports and customer service issues to identify and mitigate any resulting impacts going forward.

4. What happened between July 2022 and October 2023? Why wasn't the Board made aware and why wasn't an RFP prepared?

There have been ongoing challenges with implementation of the back-office system since before it was launched. At the same time, there was also a general expectation and assurances that ETAN would be able to resolve the issues to the extent needed to operate the system until another vendor could be identified.

The July 2022 report from Fagan Consulting, LLC (Fagan), a tolling-industry expert who had conducted an SR 125 Toll Operational Risk Assessment for SANDAG, confirmed this understanding. Fagan outlined four options for addressing Management's concerns about the ETAN Fastlane system, and for achieving a back-office system for the existing I-15 and SR 125 facilities, and the soon-to-be constructed Otay Mesa East (OME) project.

After considering the pros and cons of the various options outlined by Fagan, the former CEO decided to pursue a parallel process which included 1) preparing for a procurement to select and implement a new regional back-office system, and 2) continuing the current contract with ETAN, focusing on fixing significant bugs and ensuring core functionality of the Fastlane system, but not attempting to achieve all requirements of the ETAN contract as *“there is enough existing functionality in place to make this a feasible solution.”*

Path 1: At the time, the former CEO had announced that the OME project was expected to open in September 2024. This established the timeline for conducting a procurement and implementation of the replacement back-office system. However, ongoing negotiations with our federal partners regarding the OME project continues to delay the finalization of the specifications of the OME back office. However, ongoing negotiations with our federal partners regarding the OME project continue to delay the finalization of the specifications of the OME back office.

Path 2: To hold ETAN accountable, SANDAG began to withhold payments (liquidated damages) from ETAN in July 2022 due to the delay of delivery of the back-office system. A new Director of Regional Transportation Services was also hired to oversee the ongoing implementation and acceptance of the new system. The Director established project goals and expectations for consultant performance, and in

2023, started exploring options for contracting with another California Toll Operators Committee (CTOC) vendor to assume operations.

SANDAG staff worked diligently and in good faith with ETAN for an extended period of time to achieve the expected system functionality. In the months following go-live of Fastlane in June 2022, Accounting and Finance staff, and other project team members, continued to meet with ETAN on a regular basis to discuss and address functional issues that were preventing them from obtaining data necessary for periodic reconciliations and other accounting functions. There were also monthly project status meetings between SANDAG Management, SANDAG staff, and HNTB representatives. At ETAN's continued assurance, staff trusted that the system issues would eventually be resolved.

In early July 2023, SANDAG staff began to express serious doubts about ETAN's ability to produce the necessary financial reports and were concerned about upcoming FY 2023 year-end reporting activities. SANDAG's Chief Financial Officer (CFO) intervened and immediately instructed ETAN to prioritize the financial reporting components of the Fastlane system. ETAN responded by assigning additional resources to the project. As part of this response, a lead accountant from ETAN worked onsite at SANDAG for three days in late July 2023, side-by-side with Accounting and Finance staff, to fully understand the issues and requirements. In addition, a senior-level certified public accountant from HNTB who had also been the CFO of SBX and had a unique depth of familiarity with SR125 financial operations and the Fastlane system issues, was asked to work exclusively on assisting and overseeing the accounting reconciliation work until it was complete¹.

Despite these additional resources and work efforts, ETAN was unable to resolve the programming errors in the Fastlane system. ETAN executives informed the SANDAG CFO and other SANDAG staff on August 25, 2023, that the Fastlane system would never be capable of producing the financial reports that had been specified in the project requirements. This admittance by ETAN prompted the CFO to immediately report the magnitude of the issue to the former CEO, and steps were initiated to advise the Board. A closed session item was held during the October 13, 2023, Board meeting regarding this matter.

When ETAN notified SANDAG that it would never be able to deliver a system to the specifications set forth in the contract in late August 2023, staff determined that a sole source would be necessary to mitigate the risk of continuing work with ETAN.

5. What is the status of customer accounts? Who is affected by the tolling software failures?

SANDAG has implemented a robust and thorough sampling process to confirm customer account balances to a 99% confidence level. Since early January 2024, staff have been analyzing, confirming, and resolving any discrepancies or anomalies in customer accounts to ensure they are accurate. This work is expected to be completed in July 2024.

During the June 2022 migration to the ETAN Fastlane system, the technology used to transfer customer account balances functioned as expected and the moment-in-time transfer from the old system was successful. Although it is an industry standard, moment-in-time approaches require review and correction of accounts that had transactions during the migration. The transfer period contained a three weeks lag where customer transactions weren't initially captured. Consequently, we made corrections to reflect the accurate activity in this period, ensuring the beginning account balances were updated to include all transactions that occurred during the migration process.

We are aware of isolated incidents of customers being mischarged, which we addressed as soon as we were made aware (i.e. the 100 transactions cited in the Investigation Report and December 8, 2023,

¹ Accounting and Finance staff performed FY 2022 year-end financial reporting activities using data from the prior legacy system; this explains the 12-month timeline between go-live and the determination of system failure.

Board report). However, based on the information we have at this time, it appears that the software failures are primarily a general ledger issue and not a customer account issue.

The December 8, 2023, Board report on this item explained that:

“SANDAG staff reviewed approximately 90,000 customer accounts and found that 55,000 accounts had transaction(s) that did not match between what the customers see on their account statements and what the internal accounting system document (known as the general ledger) was showing. Based on further review of approximately 45,000 of those customer accounts, it was confirmed that the error was on the internal accounting side of the system; the customer account balances were accurate.”

The Fagan assessments and Investigation Report are consistent with this finding.

6. What is HNTB’s role? Did HNTB notify SANDAG staff in July 2022 that they would no longer recommend ETAN's invoices for approval? If so, why did SANDAG continue approving invoices?

SANDAG does not currently have an active contract with HNTB related to toll operations. Below is a history of their prior contract awards related to the project.

Consulting Services – SR 125 Transition Services Support

In August 2011, HNTB was selected to document the ongoing services needed to operate the SR-125 facility, provide recommendations on delivery of those services, and support with onboarding any contracted services or staff. HNTB was selected as the most qualified On-Call firm based on reviewing the Statement of Qualifications submitted at the master contract level which was in line with current practices and procedures in 2011. This work was issued under HNTB’s competitively awarded On-Call Engineering Services contract (5000923 Task Order 73). The period of performance was 08/25/2011 to 12/31/2012.

The work under this task order included determining the physical nature and condition of the roadway/bridges, building facilities and other assets; the preliminary costs for additional construction work planned as part of the franchise or contractually agreed to by SBX, such as a new flyover ramp to SR-11 and SR-905 connector; the validity of costs and structure for the operations and maintenance program; and a life-cycle and gap assessment for the tolling system including violation processing and all aspects of revenue collection.

Consulting Services – SR 125 Program/Project Management & General Engineering Support Services

In December 2012, HNTB was selected to provide program management and general engineering support related to SR 125. HNTB was selected as the most qualified On-Call firm based on reviewing the Statement of Qualifications submitted at the master contract level which was in line with current practices and procedures in 2012. This work was issued under HNTB’s competitively awarded On-Call Environmental Planning and Architect and Engineering Design Services contract (5001901 Task Order 1). The period of performance was 12/18/2012 to 05/30/2018.

The work under this task order included developing engineering scopes of work; coordinating the phasing and implementation of projects within the corridor; providing technical review of engineering documents; right-of-way, utility coordination, asset management; providing program/project schedule tracking, progress reports, and budget/financial tracking.

Consulting Services – Roadway Tolling, Design & Construction Management Services

In June 2013, HNTB was selected on the justification that it was logical follow-on work since HNTB had performed initial work on 5000923 TO 73 and 5001901 TO 1 (SR 125 Program/Project Management & GEC Support Services). This justification and HNTB’s qualifications were documented in the A&E Firm Recommendation Form in accordance with the policies and procedures in place in 2013. This work was

issued under HNTB's competitively awarded On-Call Environmental Planning and Architect and Engineering Design Services contract (5001901 Task Order 8). The period of performance was 06/28/2013 to 10/31/2018.

The work required under this task order scope of services included the required plans, designs, and specifications for tolling roadway components and control systems (inclusive of customer service and violations capture/processing operations); as-needed negotiations/procurement support; and construction/implementation management of the identified tolling improvements to facilitate the immediate need to address SR 125 deficiencies, integrate the I-15 and SR 125 facilities, and to provide plans for construction of future priced roadways.

This work continued under HNTB's competitively awarded On-Call Architect and Engineering Design Consulting Services contract (5007812 Task Order 9). The period of performance was 03/05/2018 to 08/02/2022.

In summer 2022, Contracts & Procurement staff determined that the remaining work was more suited to a non-A&E contract, so the work was transitioned to HNTB's competitively awarded On-Call ITS Category A, Tolling Systems Advisory Services contract (5004863 Task Order 5) utilizing a sole source justification. The ITS contracts were designed specifically for systems, and the language around intellectual property and data was more robust than the language in the A&E contract. The period of performance was 08/03/2022 to 02/28/2024.

The work required under this task order scope of services included continued efforts on the Roadway System project system design, testing, field installation, commissioning, and system acceptance of the new Roadway Toll Collection System for the I-15 Express Lanes and SR 125 South Bay Expressway.

Consulting Services, Toll Violation Collection Business Process Improvement Services

In September 2018, HNTB was selected based on a secondary task order competition where 2 proposals were received. This work was issued under HNTB's competitively awarded On-Call ITS Category A, Tolling Systems Advisory Services contract (5004863 Task Order 1). The period of performance was 09/17/2018 to 06/30/2021.

The work required under this task order scope of services included identifying violation collection best practices, developing recommendations and plans for the implementation of identified best practices, drafting administrative policies and user guides to improve tolling business processes, and examining the full revenue cycle including in-lane processing with an emphasis on the improvement of violation collection processing.

Owner's Representation Services for the Regional Back Office System Implementation

In September 2018, HNTB was selected on the justification that it was logical follow-on work since HNTB had performed initial work on 5000923 TO 73 and 5001901 TO 1 (SR 125 Program/Project Management & GEC Support Services). This work was issued under a new sole source contract (5005573). The period of performance was 09/21/2018 to 01/31/2024.

The work required under this contract included implementation support services for the BOS project including additional oversight tasks for installation, training, testing, transition, Go-Live and post Go-Live support services.

Notice to Cure

On May 30, 2019, SANDAG issued a Notice to Cure, notifying ETAN that liquidated damages would be assessed. SANDAG determined that it was appropriate to deduct from the invoiced amounts a portion of the liquidated damages owed by ETAN and opted to retain 50% of the invoiced amounts as liquidated damages.

2022 Notification

The SANDAG PM was notified by email on July 20, 2022, that HNTB had concerns about signing cover sheets included in the requests for payment/invoices submitted by ETAN due to ETAN's statement in the invoice submittal that all work reflected in the invoice had been completed to contractual specifications while HNTB and SANDAG had concerns about ETAN's performance. HNTB recommended adding an explanatory note to the invoice cover sheets to clarify that the authorization to invoice did not constitute approval of the milestones referenced in the invoice, and that SANDAG had approved the deferral of certain requirements to after go-live but before system acceptance. Additionally, HNTB recommended that the cover sheet note the liquidated damages incurred to date.

HNTB's recommendations were shared by the PM with a SANDAG attorney and the SANDAG CFO. As a result, neither SANDAG nor HNTB signed the ETAN invoice. Instead, SANDAG stated its concerns about ETAN's performance on the work reflected in the invoice in a letter dated June 22, 2022, to ETAN, noting that because of ETAN's deficiencies SANDAG was withholding fifty percent of the invoiced amount as liquidated damages and reserving all rights to pursue additional amounts including additional liquidated damages, damages for breach of contract and damages for defective workmanship.

7. How was the 64/36 revenue split between SR 125 and I-15 determined?

There is documentation that shows the history of the 64/36 split between the SR-125 and I-15 which is updated on an annual basis based on the active FasTrak accounts on each roadway. There has been turnover in the Accounting Department and the accountant that was asked to provide the documentation was not aware of the split. Once the question was elevated to the Manager, the documentation was provided to OIPA.

8. Why was the DMV hold not operational?

The DMV hold process does not work in the ETAN Fastlane system. SANDAG continues to issue debt notices to violators and these amounts are being recorded in SANDAG's financials (Aging Report). If the debt goes unpaid by violators, SANDAG will send notices to the DMV in the future to assist in recovering payment. Once DMV accepts the violations for the hold, they are added to the car registration for that year. The hold will prevent customers from obtaining a valid registration unless all fines and fees are paid.

We have asked Deloitte/A to Be to provide options and related costs to expedite the DMV Hold functionality in the new system and will keep the Board updated. It is currently scheduled to be available in 2025.

9. Can we stop tolling on the SR 125? / Bond Situation?

SANDAG currently has \$167 million in Series A SANDAG South Bay Expressway Revenue Bonds. One of the legally binding covenants of those bonds is that SANDAG maintain at least 1.5 times debt service coverage ratio (DSCR); that is, at least \$1.50 in net toll revenues (after the payment of operating and maintenance costs) against \$1.00 in annual debt service. If SANDAG stops collecting tolls on the roadway, the agency would not be able to maintain its DSCR and would be in default on its bonds. Additionally, SANDAG eventually would not have sufficient funds to make principal and interest payments on the bonds and would trigger a payment default.

If SANDAG defaults on our bonds, the agency would be downgraded by the rating agencies (Fitch and S&P) and subject to lawsuit(s) from the Trustee on behalf of bondholders to exercise the rights and remedies available to them. A default event could also make future borrowings much more expensive.