

TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

Friday,
May 29, 2015

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

Johnny Walker, Chair
Laura Ryan, Vice-Chair
Robert "Barney" Barnwell, III
Luanne Caraway
Blake Ingram
Raymond Palacios
Victor Rodriguez
Marvin Rush
Joseph Slovacek

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P R O C E E D I N G S

1
2 MR. WALKER: Good morning. My name is Johnny
3 Walker. I'm pleased to open this Board meeting of the
4 Texas Department of Motor Vehicles. It is now 8:08, and I
5 now call this Board meeting of May 29, 2015 to order.

6 I want to note for the record that public
7 notice of this meeting, containing all items on the
8 agenda, was filed with the Office of Secretary of State on
9 May 21, 2015.

10 Before we begin today's meeting, please place
11 all cell phones and other communication devices in the
12 silent mode.

13 If you wish to address the Board during today's
14 meeting, please complete a speaker's sheet at the
15 registration table. To comment on an agenda item, please
16 complete a yellow sheet, identify the agenda item that you
17 would like to speak on. If it is not an agenda item, we
18 will take up your comments during the public portion of
19 this meeting.

20 Now I'd like to have a roll call of the board
21 members. Vice Chairman Ryan?

22 (No response.)

23 MR. WALKER: Board Member Barnwell?

24 MR. BARNWELL: Present.

25 MR. WALKER: Board Member Caraway?

1 MS. CARAWAY: Here.

2 MR. WALKER: Board Member Ingram?

3 MR. INGRAM: Here.

4 MR. WALKER: Board Member Palacios?

5 (No response.)

6 MR. WALKER: Board Member Rodriguez?

7 MR. RODRIGUEZ: Present.

8 MR. WALKER: Board Member Rush?

9 (No response.)

10 MR. WALKER: Board Member Slovacek?

11 MR. SLOVACEK: Here.

12 MR. WALKER: Let the record reflect that I,
13 Johnny Walker, am here and we do have a quorum. Let the
14 record reflect also that Vice Chairman Ryan and Board
15 Member Palacios are absent. I think that Mr. Rush, he
16 told me yesterday he will be here, so he may straggle in
17 here. He's 20 blocks away. Thank you. So I'll kind of
18 stall up here for a few minutes and cover some other
19 business.

20 Before I go forward, I'd like to make a couple
21 of comments. Vice Chairman Ryan had a doctor's
22 appointment today and she's going to have some surgery
23 done next week, it's serious but it's not that serious, I
24 guess, and so I would like to ask that everybody please
25 remember her in your prayers. I think next Thursday is

1 when she's having her surgery. I know that she wanted to
2 be here. She is a very active member of the board and she
3 works harder probably than anybody on the board, I think.

4 She's constantly calling me and I know she calls our
5 staff. So keep her in your prayers and thoughts next
6 week.

7 Okay. If no comments, do we have any comments?
8 We do to a specific item?

9 Okay. Let's move to agenda item 1.C, comments,
10 announcements from the chairman, board members and
11 executive director. First off, let's go to Whitney and
12 let her give us an update on our performance metrics.

13 MS. BREWSTER: Thank you. For the record, my
14 name is Whitney Brewster, executive director. I am
15 providing the board with my executive report of the
16 agency's key performance measures. This is the first time
17 the agency has reported on the new key performance
18 measures by quarter, and we are hoping that over time this
19 will better show the agency trends in performance versus
20 what you've been seeing are month to month.

21 Reflected in your board books you will find the
22 executive dashboard for the first quarter, January through
23 March of 2015. The agency has set some pretty aggressive
24 goals for our priority measures and I think you'll see
25 that reflected in the overall dashboard. On each of the

1 agency's goals we are in yellow, and also something to
2 note is that during this time frame the agency had some
3 pretty significant initiatives on its plate. Just to
4 mention a few, single sticker, RTS refactoring, WebDealer,
5 CAPPs financial and CAPPs HR, regional office
6 communication and HQ call center projects, and a
7 legislative session. So these are just a few of the
8 things that have been going on within the agency that you
9 may see reflected in our key performance measures.

10 I am hopeful that as we move forward and as we
11 level set a little bit from all these major initiatives
12 that we will see vast improvement in those measures. You
13 will see the second quarter key performance indicator
14 dashboard at the August board meeting.

15 And with that, I'll conclude my remarks and
16 answer any questions that the board may have.

17 MR. WALKER: Anybody have any comments or
18 questions of Whitney about the performance of the agency?

19 (No response.)

20 MR. WALKER: Okay. I wanted to recognize a
21 couple of people here today for service years. We have
22 Daniel Avitia, Caroline Love. Is Caroline here? I
23 thought she lived at the Capitol. Are we still not
24 working over there? Sandra Vice. I think that you are
25 coming on your one year anniversary with us. We want to

1 thank you for the outstanding job that you're doing, and
2 glad to have you all, so keep up the good work.

3 (Applause.)

4 MR. WALKER: I don't know what Caroline is
5 going to do after the session shuts down here in about a
6 week because she'll be lost. She spends like 24 hours a
7 day over there in that building, walking the halls, and I
8 know she does because I get enough calls that she's over
9 there, people are telling me: I saw her walking down the
10 hall. I think she knows every one of those guys over
11 there on a first name basis, or at least their staff.

12 Let's go to Linda Flores and we'll do our
13 quarterly financial report right now.

14 Before we go, I made a mistake, and I know that
15 they have all been with the agency for about a year,
16 except for Sandra, I think she's been here for two years,
17 but Daniel has been with the state now for 20 years,
18 Sandra has been also with the state for 20 years -- that's
19 pretty amazing, she doesn't even look like she's 20 years
20 old -- and Caroline has been with the state for 10 years.

21 Linda, are you ready?

22 MS. FLORES: Yes, sir. For the record, my name
23 is Linda Flores, I'm the chief financial officer for the
24 agency, and with me is Renita Bankhead, assistant CFO, and
25 we're here to provide an update on the agency's

1 performance for the second quarter ending February 28,
2 2015, and with that, I'll turn it over to Ms. Bankhead.

3 In your board documents you're going to see the
4 revenues collected by the agency year to date. We are
5 continuing to see an increase in our collections over the
6 same period last year, and we're still seeing a consistent
7 trend that we've seen in the past. We're seeing more cars
8 being registered, oversize/overweight permitting is still
9 up, and we're also seeing some additional fees due to
10 dealer license and commercial transportation revenues.

11 MR. RODRIGUEZ: What's the percentage?

12 MS. FLORES: The increase is 8.7 percent over
13 the same time last year.

14 MR. RODRIGUEZ: What figure are we using for
15 projections?

16 MS. FLORES: We are using these -- each fee has
17 its own projection, for registration we're assuming a 2
18 percent growth rate into the next year for '16 and '17.

19 MR. WALKER: So Linda, do we project in our
20 fiscal budget some anticipated growth, and this is in
21 excess of that anticipated growth, or is that just over
22 prior years?

23 MS. FLORES: It's over prior years'
24 expenditures. We're meeting our projections that we
25 provide to the Comptroller's Office every biennium, so

1 we're pretty much on target.

2 MR. WALKER: So are our projections pretty
3 close to the actual numbers then?

4 MS. FLORES: Yes, sir.

5 The one thing on revenues that I'd like to
6 point out, and this is something new, but we are tracking,
7 on page 8 of your board documents, the My Plates contract.

8 As you all know, we revised the second five-year term of
9 the contract so that the business model is different from
10 the first five-year contract. This contract has a
11 provision where the vendor, My Plates, is focused on new
12 sales of new plates as opposed to getting a larger share
13 of renewals, and in this contract the state is receiving a
14 larger share of the renewals on their specialty plates.

15 Under the first five-year term, My Plates did
16 meet their \$25 million obligation to the State of Texas.
17 At the end of the contract they had reached \$27.3 million
18 and that was through November 2014. We will continue to
19 see the revenue collections and make sure that they're
20 able to meet their new obligation to the state, but so far
21 they're tracking well. For the first few months, three
22 months, they've generated \$2.2 million for the state; in
23 the month of March -- which is not in your board books --
24 there was another \$700,000 revenue collected.

25 MR. WALKER: So for the first two months it's

1 \$2.2 million?

2 MS. FLORES: For the first three months under
3 the new contract.

4 We're not trying to do any projections at this
5 time simply because we don't have enough information data
6 points to really track how they're doing because of the
7 new business model that they're working under. But we'll
8 continue to monitor them throughout just to make sure that
9 they are on track.

10 And with that, we'll turn to expenditures for
11 the agency.

12 MS. BANKHEAD: Good morning. For the record,
13 my name is Renita Bankhead, of your staff.

14 Beginning on page 10 of your materials these
15 are the expenditures for the agency as of February 28.
16 Our total expenditures as of the end of February were
17 \$56.7 million. That compares to about \$63 million for
18 this same period last year. In 2014 our expenditures were
19 a little higher because we had higher expenditures for RTS
20 and automation projects. This year we're trending a
21 little lower on those projects.

22 So if you look at the encumbrances which are
23 about \$58 million, most of that is in professional fees
24 and services and a majority of that \$14.6 million is RTS,
25 a little bit of it is what we've set aside to pay for the

1 Data Center. The other large encumbrances are plates
2 which is under purchase contract services which is \$17
3 million, and then grants \$10 million, and almost \$11
4 million and that is ABTPA, and we note that all of those
5 grants have been encumbered. That means they have been
6 obligated so that money is already set aside.

7 At the end of the year, some of these
8 encumbrances, if they are related to grants or any kind of
9 capital purchases, those encumbrances will stay, if
10 they're for services, some of them might lapse, and any
11 other kind of encumbrances for purchases of supplies and
12 that kind of thing, those things will lapse as well.

13 MR. WALKER: Renita, excuse me, I don't mean to
14 interrupt you, but I understand when you said it's
15 encumbered, but have we distributed it also?

16 MS. BANKHEAD: Yes, those grants have been
17 distributed, so they're all set aside.

18 MS. FLORES: They've been awarded.

19 MS. BANKHEAD: They've been awarded.

20 MR. INGRAM: They're not paid.

21 MS. BANKHEAD: Not paid.

22 MR. RODRIGUEZ: They're reimbursed as they're
23 spent.

24 MR. WALKER: So we still have a positive on our
25 cash on hand that has not been disbursed yet.

1 MS. BANKHEAD: Yes, that is correct.

2 MR. WALKER: Does all that money generally get
3 disbursed by the end of the year?

4 MS. FLORES: They usually go into the new
5 fiscal year. By the end of the calendar year, all those
6 dollars are disbursed, but by August 31 not necessarily,
7 but by the end of the calendar year, yes.

8 MR. RODRIGUEZ: They have a high spreading
9 ratio of the grants that are approved in there, somewhere
10 in the area of 98 percent or something like that is what I
11 recall the last report we got. But encumbered means set
12 aside, they're committed funds. They're not reimbursed to
13 the agencies until they have provided the expense reports
14 associated with each claim, and those are either monthly
15 or quarterly, I'm not sure what they're doing right now.

16 MR. WALKER: So we don't just write them a
17 check?

18 MR. RODRIGUEZ: No.

19 MR. WALKER: They have to turn in bills for
20 that?

21 MR. RODRIGUEZ: Right. They're reimbursed on a
22 spent basis. In other words, the agencies have to provide
23 the financials indicating they've been spent, so the first
24 cash out really is at the agencies' expense.

25 MR. WALKER: So if somebody says we're going to

1 hire an additional detective and they have to pay him
2 monthly \$3,000 a month, whatever it might be, so we just
3 monthly pay them?

4 MS. FLORES: It's on a quarterly basis

5 MR. RODRIGUEZ: Based on expenditures. In
6 other words, the city or whomever the recipient of that
7 grant is actually the first out of money entity as opposed
8 to us. They're out of money until we reimburse them.

9 MR. WALKER: Five years, six years, first time
10 I've ever known that. I thought we just granted the money
11 and sent the checks.

12 MS. FLORES: No, sir. And I'm sure that part
13 of their submissions are reviewed to ensure that those
14 activities are eligible under that particular grant award.

15 MR. WALKER: Thank you.

16 MR. BARNWELL: Who reviews that?

17 MS. FLORES: The ABTPA program staff, Brian
18 Wilson and his grant coordinators.

19 MR. BARNWELL: And they look at whether or not
20 the expenditures were appropriate?

21 MS. FLORES: Yes, sir.

22 MR. BARNWELL: And then they tell us that the
23 expenditures were appropriate.

24 MS. FLORES: And then they issue a transaction
25 request to finance and we process it through the

1 accounting system.

2 MR. BARNWELL: So there's no check internally
3 in DMV, we take their representations. And I'm not saying
4 there's anything wrong with that, but I want to understand
5 the process. We take their representations as gospel and
6 that's it.

7 MS. FLORES: I would defer to Brian to address
8 that specific question about the review of the grant
9 expenditures.

10 MR. BARNWELL: Is he the only one who gets
11 grant expenditures?

12 MS. FLORES: Yes, sir.

13 MR. WALKER: No, no.

14 MR. BARNWELL: ABTPA is the only one.

15 MS. FLORES: In this agency he disburses grants
16 to the local law enforcement entities.

17 MS. BREWSTER: Excuse me. Whitney Brewster.
18 With ABTPA Board approval.

19 MR. WALKER: It has to be approved by their
20 board; they make the grants. We evaluate it and then they
21 make the decisions on where the money is granted and we
22 monitor the cash flow of that. I thought we just gave it
23 out at one time.

24 MR. RODRIGUEZ: And it's not a word alone
25 basis, they've got to provide support material for the

1 claims.

2 MR. BARNWELL: And they provide that to ABTPA?

3 MR. RODRIGUEZ: Yes. The claimant agency,
4 whomever that may be. If you've got grantee City A,
5 whatever that is, and they've got to submit their claims
6 with the backup.

7 MR. BARNWELL: Okay. I just wanted to know how
8 that process works. Thank you.

9 MR. WALKER: Let the record reflect that it is
10 8:27 and Board Member Rush is finally here. Okay. Now we
11 can start.

12 (General laughter.)

13 MS. BANKHEAD: Moving on to page 12 of your
14 briefing materials, these are the capital projects. The
15 majority of our capital expenditures, as you can see, is
16 under our automation projects which is primarily RTS
17 refactoring.

18 MR. INGRAM: Could I take you back just one
19 second?

20 MS. FLORES: Sure.

21 MR. INGRAM: So just to clarify, I want to make
22 sure I'm reading it right, your expectation of our lapse
23 at the end of our year is \$6.88 million?

24 MS. FLORES: That's our estimate at this time,
25 yes, sir. And that's after we did a midyear review that

1 you're going to see later on in your packet.

2 MR. INGRAM: I'm sorry to interrupt, just
3 making sure I got it.

4 MR. RODRIGUEZ: That's actually lower than what
5 it's been. Right?

6 MS. FLORES: Absolutely.

7 MR. RODRIGUEZ: Substantially from the previous
8 cycles. Right?

9 MS. FLORES: Yes, sir.

10 MR. INGRAM: That's lower than the previous
11 cycle?

12 MS. FLORES: Yes, sir. I think at one time we
13 lapsed approximately \$16 million.

14 MR. INGRAM: Wow. I don't remember that.
15 Okay, thanks.

16 MR. WALKER: So Linda, going forward, I don't
17 know if this is -- I guess we could insert it right here,
18 but on lapsed funds, when we go to the self-directed
19 independent fund, will we have to lapse that money at that
20 point in time or not?

21 MS. FLORES: All state agencies who receive
22 revenues and who receive budgets and don't spend their
23 budgets, those dollars do lapse into whatever fund they're
24 financed from, so they're considered lapsed unless they're
25 tied to some type of capital project that carries forward

1 into the new year, the new biennium. Most state agencies
2 will lapse at least 3 percent of their operations.

3 MR. WALKER: So that's why Representative
4 Pickett wanted to put that sweep mechanism into our bill
5 there?

6 MS. FLORES: Yes, sir.

7 MS. BREWSTER: Mr. Chairman, with the
8 establishment of the TxDMV Fund, our unspent dollars would
9 lapse into the TxDMV Fund, and then we could potentially
10 be appropriated out of those funds moving forward.

11 MR. WALKER: So it just really lapses into our
12 own fund.

13 MS. FLORES: Correct.

14 MR. WALKER: Not into the general fund.

15 MS. FLORES: It just depends on what your
16 method of financing is. Today we're general revenue, so
17 yes, it would lapse into general revenue. But once the
18 DMV fund is created, then whatever lapses occur would
19 occur in that particular account.

20 MR. RODRIGUEZ: Just to be clear, that's
21 future, number one.

22 MS. FLORES: Future.

23 MR. RODRIGUEZ: And number two, regardless of
24 where it lapses to, we're still tied to a budget that's
25 approved by the legislature.

1 MS. FLORES: Absolutely.

2 MR. INGRAM: It's not a free fall for the
3 money.

4 MS. FLORES: No, at this point it's not.

5 MR. WALKER: We can't have parties?

6 MS. FLORES: No parties.

7 (General laughter.)

8 MS. BANKHEAD: So we're going to move on to the
9 midyear review. The end of February we prepared a midyear
10 review, and as was stated before, we came up with an
11 estimated lapse of \$6.8 million, almost \$6.9 million. Of
12 that, we funded some approved midyear items, and most of
13 those items, the capital items were related to DCF, some
14 other things for the regional offices that we funded from
15 county RTS, and some things that we funded out of our
16 regular capital operating budget.

17 The operating portion was postage for the VTR
18 Division for them to mail their materials. So at the end
19 of our process, we ended up with about \$4.7 million and
20 most of that \$4.7 million that was remaining is county RTS
21 funds. So we're looking to see how we're going to be able
22 to expend those funds or to be able to use those before
23 the end of the year or to investigate some ways to be able
24 to roll those funds forward.

25 And with that, that ends my presentation.

1 MR. WALKER: Thank you, Renita.

2 MS. FLORES: At this time we'd like to go ahead
3 and move on to the appropriations request update, because
4 we do have some good news to share with the board
5 regarding the 2016-17 appropriations request.

6 As you all know, the agency has been heavily
7 involved in the appropriations process. As of May 20 we
8 had performed 174 cost estimates for proposed legislation.
9 This is compared to 147 fiscal notes that we did during
10 the 83rd Legislative Session.

11 And the two large bills that we had that have
12 been addressed is the creation of the DMV Fund which is
13 Senate Bill 1512 by Senator Hancock, and the House Bill 6
14 which is the funds consolidation bill which during the
15 last legislative session ended up abolishing the creation
16 of the DMV Fund. Those two bills have passed. I believe
17 Senate Bill 1512 has gone on to the Governor's Office to
18 be signed, so the agency will have its own DMV Fund in
19 September 1, 2016. House Bill exempted the DMV Fund from
20 being abolished this time around. So those two things
21 aligned perfectly this go-round, so we're going to be a
22 self-sufficient agency in fiscal year 2017.

23 The other thing to share with you is the agency
24 received dollars for a new building, and that's a major
25 win for this agency. We are on our way to being totally

1 self-sufficient as a stand-alone agency, and that's a big
2 win for us. They also gave us money to relocate the staff
3 at Bull Creek because as you know, TxDOT sold that
4 property. There is a sale back lease provision that
5 allows our agency staff to stay there until February 2018,
6 however, if we need to move ahead of that schedule, we
7 have \$1.5 million to relocate our staff, and that's
8 approximately 120 full-time staff out there.

9 MR. WALKER: They have not voted yet on Senate
10 Bill 2, have they?

11 MS. FLORES: House Bill 1 has not gone out.
12 This is conference committee recommendations, so at this
13 point, unless something terrible happens, this is their
14 recommendation.

15 MR. WALKER: Anything can happen over there, I
16 figured out, at the last minute.

17 MS. FLORES: We are very confident that this is
18 going to go through.

19 MR. RODRIGUEZ: On the DMV Fund, it all goes as
20 is and 9/1 we're standing out of that fund right there.
21 It also narrows the window by which we have to pass
22 certain rules on fee assessments and things like that.
23 Right? So we've got to stay on schedule in order to do
24 that because we've got to generate funds in order to self-
25 support.

1 MS. FLORES: And that was why we delayed the
2 creation of the fund until the second year of the biennium
3 because we knew that we wouldn't have everything in place
4 by this September which is year one of the new biennium.

5 MR. RODRIGUEZ: Just so we're all clear.

6 MS. FLORES: Yes, sir. It's important to note
7 that we will have to establish some fees so that they can
8 start being deposited into the fund on day one. There is
9 also a provision for a \$23 million transfer on day one to
10 ensure that we have the cash flow we need to continue to
11 pay bills and pay our staff, so that's also included in
12 those provisions.

13 MR. INGRAM: I don't think I fully understand
14 the Chief's point about changing. What do we have to
15 change?

16 MS. FLORES: Well, right now the fees that
17 we're collecting that happened during the 83rd, all of
18 those fees are being deposited to general revenue, so
19 we're going to pull those fees out of general revenue and
20 make them point to the DMV Fund. However, those fees
21 today are not enough to cover our agency's appropriations,
22 so we will have to establish a new process and handling
23 fee to cover that difference, and really, that process and
24 handling fee is supposed to cover the cost of registration
25 and some infrastructure for the agency, but there's still

1 a gap.

2 So there are certain processes that we have to
3 follow to ensure that we set up that fee, we have to
4 change rules, we have to post it in the Texas Register for
5 public comment, because some of those fees are currently
6 charged today, for example, the \$1 automation fee is
7 currently charged on a person's registration. Once we
8 establish the process and handling fee, that fee moves
9 into that particular process and handling fee and it will
10 not be a stand-alone out here, it will now be part of that
11 process and handling fee. We are going to be sure that it
12 retains its fee so that we can always track that \$1
13 revenue collections, but now it's going to be under the
14 umbrella of the process and handling fee.

15 MR. INGRAM: The other point I'm making is that
16 the passage of this, once we start moving in that
17 direction and the window narrows by which we have to do
18 this in order to be able to have the funding in place to
19 meet the budget needs.

20 MR. WALKER: We've got a long road ahead to
21 work on that deal.

22 MS. FLORES: Yes, sir.

23 MR. WALKER: And there will be committees set
24 up and we've got most stuff in place to start heading that
25 direction, I think.

1 MS. FLORES: And just two more things that we
2 also received funding for, and again, these are very
3 critical to the agency's ability to be a stand-alone
4 agency. For IT, we call it AMSIT -- because we like
5 acronyms -- it's application migration server
6 infrastructure transformation, \$7.5 million, and this is
7 to continue the separation of the agency's servers from
8 TxDOT. And we also got \$2-1/2 million just to stay up
9 with our obligations to the State Data Center.

10 MR. WALKER: So I guess the question, more
11 importantly, is the stuff that we did not get, is there
12 anything in there you think that's going to hurt us going
13 down the road?

14 MS. FLORES: We did not get people that we
15 requested. We requested some additional staff for VTR,
16 for Enforcement and for Administrative Services to run a
17 building.

18 MR. WALKER: So let me ask you a question.
19 This has always confused me. You say you didn't get the
20 people, but as long as I've been doing this up here, we
21 have never, ever fully staffed this agency, and today we
22 have 41 open FTEs. Is that not correct?

23 MS. FLORES: Yes, sir.

24 MR. WALKER: So why do we need people if we
25 have the availability of 41 right now in our bucket?

1 MS. BREWSTER: Mr. Chairman, the vacancies that
2 we have are as a result of natural turnover. We're at
3 about 7.1 percent for this month. For FY '14 we were 9
4 percent, but as this agency has matured, we have been able
5 to recruit and retain folks a lot more effectively. So I
6 think the statewide average for all agencies is 11
7 percent, so the agency is doing a pretty good job in terms
8 of our turnover rate.

9 MR. WALKER: So most state agencies have an 11
10 percent vacancy rate.

11 MS. BREWSTER: That's across the state. Yes,
12 sir.

13 MR. WALKER: So our vacancy at 41 -- we have,
14 I think, 41, isn't it?

15 MS. BREWSTER: For FY '14 it was 9 percent; for
16 this month I think it's something like 7.21 percent.

17 MR. RODRIGUEZ: One of the areas that I thought
18 was shorthanded in terms of personnel was the new
19 operation for hearings.

20 MR. WALKER: The operation for what?

21 MR. RODRIGUEZ: Our hearings.

22 MR. WALKER: Oh, hearings.

23 MR. RODRIGUEZ: So I'm just wondering -- I
24 don't need it right now, but at some point in time maybe
25 we could get a report on how they're doing in terms of

1 hearings.

2 MS. FLORES: Yes, sir.

3 MR. WALKER: Is Daniel on the agenda today?

4 MS. BREWSTER: Edward Sandoval is our Office of
5 Administrative Hearings chief judge, and we'd be happy to
6 give the board a briefing at a future date.

7 MR. RODRIGUEZ: Just wondering how they're
8 managing.

9 MR. WALKER: We should probably get briefed on
10 how that's going. Hadn't really heard since that started
11 up.

12 MS. FLORES: So as you aptly pointed out, we
13 did not receive a few things. We did not get cars, we did
14 not get people and we did not get the cybersecurity
15 services that IT had felt was really important for us to
16 protect our data.

17 For the most part if it's a capital line item
18 that was not approved by an appropriations committee, an
19 agency is not allowed to spend any dollars on those
20 initiatives if we were able to find the dollars. If they
21 are turned down by an appropriations committee, it dies,
22 it is not something that you can take on during the
23 biennium. What we'll do is we'll do what we can do for
24 this coming biennium and then try again the following
25 legislative session.

1 MR. WALKER: So we've always asked for cars, it
2 seems like. I guess that's kind of like my kids when they
3 were in high school, always needing a car, but we always
4 made do with the old one that mom didn't need anymore.
5 But on our replacement vehicles there, Linda, that's not
6 something that encumbers us to not be able to do our job
7 because instead of buying a car don't we just go out and
8 rent a car when somebody needs a car and we have the
9 appropriate funds available to do that?

10 MS. FLORES: Yes, sir, you're correct. And we
11 also provide travel reimbursement if an individual uses
12 their own car; we'll pay them mileage.

13 MR. WALKER: So in our budget, when that
14 happens do we have another line item that says travel
15 expenditures?

16 MS. FLORES: Yes, sir, absolutely.

17 MR. WALKER: So if we would have gotten those
18 cars, we would be over budgeted in that particular line
19 item?

20 MS. FLORES: In some cases we would have had
21 some lapse from those operating, but a lot of times what
22 we'll do is we'll move the dollars around within our
23 budget categories. If they don't need it for travel
24 reimbursement, maybe they can use it to buy other
25 equipment, operating equipment, or repairs. We do a lot

1 of dollars on our vehicle repairs. Those are going up and
2 up and up.

3 MR. RODRIGUEZ: Just one observation, Mr.
4 Chairman. The risk we run when we submit a wide list of
5 needs or wants to the legislature is we get turned down
6 this way, and then we can't do them should we come up with
7 the money at some point, and so we may want to reconsider
8 that approach next time around on some of these things.

9 MS. FLORES: I will say during this session we
10 were inundated with questions from the Legislative Budget
11 Board regarding vehicles. One side approved vehicles, the
12 other -- I think it was House who approved -- Senate
13 approved, House did not, and ultimately it didn't make it,
14 but there was some consideration for vehicles.

15 MR. RODRIGUEZ: Do we have access to the motor
16 pool?

17 MS. FLORES: No, sir. The 43 vehicles that we
18 have is our pool, and their mileage is getting up there.
19 I think probably in the next biennium it's certainly going
20 to be over 150,000 miles per vehicle. So what we try to
21 do is we manage as best we can. We move vehicles around
22 the state. If one part of the state is using the more,
23 then we move those to other areas that are not using them
24 as much, so we try to manage the mileage that way.

25 For the worst of the worst, we do go and seek,

1 if you will, hand-me-downs from other state agencies and
2 we've been successful with that, particularly from DPS.

3 MR. RODRIGUEZ: I just want to say so not only
4 these are budget requests that were declined, but in
5 effect, these are specifically declined items.

6 MS. FLORES: Yes, new vehicles. Yes, sir.

7 MR. WALKER: I had a question. So this totally
8 is getting off in another direction somewhat, but we're on
9 the cars here, and the state doesn't have a motor pool
10 that maintains these cars, we maintain these cars
11 ourselves?

12 MS. FLORES: We maintain the cars ourselves.

13 MR. WALKER: So we have somebody within the
14 agency that says, okay, there's this many miles and the
15 oil needs to be changed and so forth?

16 MS. FLORES: We have one person who manages
17 that and then we contract out with Jiffy Lube or someone
18 to take care of our vehicles.

19 MR. WALKER: So who makes the determination
20 that we go and say, hey, that car, the transmission is
21 slipping in it and it's better that we dispose of the car
22 than let it sit out in the parking lot and deteriorate?

23 MS. FLORES: We have one staff person in my
24 division who manages that, and sometimes he'll go out and
25 have to pick up a stranded staff person -- we've been

1 known to do that -- take it the closest shop and get an
2 assessment.

3 MR. WALKER: So let's just say that we have a
4 car that the transmission is slipping in it and we really
5 ought to dispose of the car, so does he have to take bids
6 on it?

7 MS. FLORES: Well, he'll take it to a shop and
8 they'll make an assessment, and if it's beyond help, then
9 we'll surplus that vehicle -- and there's a state process
10 for that -- and he'll go out to the DPS state offices here
11 in Austin and see if they have anything that they can hand
12 down. And so we'll take a look at that, he'll make an
13 assessment, he'll check out the car, because they'll sell
14 their cars for a lot cheaper, and we'll use that until it
15 dies on the road somewhere.

16 MR. INGRAM: On the hand-down process from DPS,
17 and you make it sound like they're just giving it to us,
18 we're buying it from DPS.

19 MS. FLORES: We're buying it, yes, sir.

20 MR. INGRAM: The funds that we use to actually
21 pay them, where does it come from? It's not allocated.

22 MS. FLORES: We have some money set aside for
23 that type of acquisition.

24 MR. INGRAM: Okay.

25 MR. RODRIGUEZ: Linda, is there a state

1 depreciation policy that we subscribe to?

2 MS. FLORES: Absolutely. And that was a lot of
3 the questions that we received from the Legislative Budget
4 Board. The state has a ten-year/150,000-mile stipulation
5 before you're authorized to receive a new vehicle, and
6 that's what we use for our request.

7 MR. RODRIGUEZ: And do we depreciate these
8 vehicles through a depreciation fund, or is it strictly a
9 line item?

10 MS. FLORES: It's a line item.

11 MR. RODRIGUEZ: Thank you.

12 MS. FLORES: That concludes the update on the
13 appropriations process. Thank you.

14 MR. WALKER: Linda, did you leave me?

15 I'd like to acknowledge Representative Joe
16 Pickett over here. He is the state representative from El
17 Paso. Since Mr. Palacios was not here, he asked that Joe
18 come over and substitute and make sure that El Paso was
19 being taken care of.

20 Representative Pickett has been a very good
21 friend to the agency. He has carried a lot of the
22 legislation that has affected us this session. He has
23 worked diligently -- I know because I have talked to him
24 numerous times myself -- about getting the stuff that the
25 agency needed passed and he is probably one of our best

1 friends over there at the Capitol we have today.

2 And Joe, thank you very much for coming today.
3 We always enjoy having you over here and hearing your
4 comments and seeing how you would like us to push along
5 your bills.

6 So thank you very much, Linda, for your report
7 there.

8 Let's go to why don't we do a legislative
9 update next. I'm going to board item number 4.B.
10 Caroline. And you can tell Mr. Pickett what's been going
11 on over at the Capitol because I'm sure he needs to be
12 enlightened.

13 (General laughter.)

14 MS. LOVE: Good morning. I'm Caroline Love,
15 director of Government and Strategic Communications for
16 the Department of Motor Vehicles. And thank you for
17 having me here this morning. I wanted to give you all a
18 rundown of what has happened during the session and also
19 as it relates to DMV operations.

20 I'll start out with a general overview. There
21 are now three days left in the legislative session and we
22 have a few deadlines at this point. All bills that would
23 have been heard on the floor have been heard and
24 conference committee reports or concurrence with changes
25 are what are up for consideration. All those deadlines

1 will come to a head on Sunday, and then Monday, June 1, is
2 when the legislature plans to adjourn sine die, and the
3 corrections only are what are considered on Monday, so
4 technically, there shouldn't be any substantive changes or
5 additions on Monday.

6 With that, I thought I'd just kind of give a
7 quick rundown of some statistics from the session. A
8 total of 6,476 bills were filed. That includes local
9 bills, big bills, joint resolutions. That's up 6.5
10 percent from the previous session. And there are five
11 priority items that were identified by the governor,
12 including pre-K early education, ethics reform,
13 transportation funding -- which I'll defer to our guest on
14 that one if he wants to say anything on that -- and also
15 some higher education research initiatives, and border
16 security was another one.

17 A lot of those items have either already had
18 legislation passed or have agreements that have been
19 arrived at by the members and they'll be considered
20 further over this weekend. But it appears as though they
21 have reached concurrence on those initiatives, and so
22 therefore, the likelihood of a special session is small at
23 this point, but we'll definitely know more come Monday.

24 Of those 6,476 bills, the Government and
25 Strategic Communications Division monitored at one point

1 or another roughly 1,000 of those, and certainly a lot of
2 those were not of a significant impact but we just wanted
3 to kind of see what might have happened. And as it
4 appears right now, we have identified about 100 bills that
5 have a measurable impact to the agency, and that can be
6 anything from the creation of specialty license plates to
7 simply updating manuals to reflect some of the new changes
8 in law.

9 So to kind of get into the agency impact
10 legislation, I did want to talk about the department's
11 omnibus bill, House Bill 2701 and Senate Bill 1043. So
12 those bills had certainly every intent and they were on
13 track to make it through to consideration on the House and
14 Senate floors, but they just did not meet the proper
15 deadlines to make it there in time. As I had somebody
16 explain it to me, the bills were very good. They were so
17 good that everybody wanted to be a part of it and that's
18 kind of what made them crater.

19 But what was helpful is some of the more
20 critical provisions that were in the bills that we
21 identified as something we would really like to have this
22 session, such as the TxIRP, the Texas International
23 Registration Plan, participants and out-of-state vehicles,
24 those vehicles and trailers were a group that we had a
25 hard time fitting into the single sticker provisions, and

1 so House Bill 1888, by Representative Capriglione, which
2 related to commercial motor vehicle operation was amended
3 in the Senate to include those provisions. So we don't
4 have to require proof of inspection for those groups of
5 vehicles in order to move forward with registration so as
6 not to create a burden on those groups. And that bill was
7 brought up on the House floor yesterday and Representative
8 Capriglione concurred with the Senate amendments, so that
9 is on its way to the governor.

10 In addition, as mentioned earlier by Linda
11 Flores, Senate Bill 1512, by Senator Hancock, recreated
12 the DMV Fund, and Representative Pickett carried that on
13 the House side. There were just a few minor changes on
14 the House side related to the transfers on September 1,
15 2016 to make sure we remain whole, and when that was
16 turned over to the Senate, Senator Hancock concurred with
17 those changes yesterday, so that bill is also on its way
18 to the governor.

19 And very complementary to that is House Bill 6,
20 and that is the funds consolidation bill. That bill, as
21 it passed the House, included the DMV Fund re-creation and
22 also exempted the fund from the funds consolidation
23 provision. In the Senate they changed it on the floor to
24 remove the fund re-creation so as not to be in conflict
25 with Senate Bill 1512, but they did maintain the fund

1 consolidation exemption for the DMV Fund. Therefore,
2 since it was in both chambers, when that bill will likely
3 go to conference committee because it contains several
4 different funds and items, that provision will remain
5 since it was in both the House and Senate versions.

6 MR. WALKER: But there's no chance of a problem
7 going forward there, is there

8 MS. LOVE: Not that I'm aware of, but we'll
9 stay on it. I'll continue to walk those halls and make
10 sure that it stays okay.

11 And on a side note, the other board priority
12 item was the salvage occupational licensing legislation.
13 Both those bills were heard in the House and Senate
14 respective committees but they never did make it to the
15 floor for consideration. It seems as though there were
16 just so many other major items going on this session that
17 they just didn't make it through to fruition, but in
18 talking with our Enforcement Division director, Bill
19 Harbeson, and others, I believe there's many of those
20 provisions that we can address by rule, so we're starting
21 to look at that as well.

22 And Linda had already discussed the budget, so
23 I think we're covered on that one. Some of the other
24 bills that we identified as having a more significant
25 impact, one bill is Senate Bill 1171, by Senator Nichols,

1 which updates the timber permits. It essentially lowers
2 the fee right now from \$1,500 to \$900, and that is an
3 effort to hopefully increase participation in that permit
4 since we've had low participation since it was enacted
5 last session.

6 MR. WALKER: What's the status of that bill?

7 MS. LOVE: It has been passed by both chambers
8 and it's on its way to the governor.

9 MR. WALKER: So we're going to reduce one of
10 our fees, but there's been no participation in that

11 MS. LOVE: Been very low participation, I
12 believe around 40 permits.

13 MR. WALKER: I mean, I may be just jumping
14 ahead on your report here, but I know the concrete people
15 were very concerned about their permit. What's the status
16 on that bill

17 MS. LOVE: Unfortunately, the concrete permit
18 bill never made it. There was only a House filed version
19 and it didn't make it out of the House, so there will be
20 no changes to that bill.

21 Senate Bill 449, by Bettencourt, has been
22 signed by the governor, and as of last Friday, people can
23 register and title auto cycles, and that includes the
24 Polaris Slingshot, so there are a lot of happy Slingshot
25 owners out there right now.

1 In addition, there was Senate Bill 562 which
2 had an allowance for an annual permit on the over-length
3 loads which would be commonly used by utility carriers who
4 have electric poles that are very long. That bill was
5 signed by the governor and effective May 15, and the Motor
6 Carrier Division has already sent out information to the
7 stakeholders to make them aware of that permit
8 availability.

9 Another bill, House Bill 735, by Representative
10 Israel, would have DMV create an annual report, starting
11 next year, on the number of vehicles in the state that are
12 alternatively fueled, so that would be hybrid, electric
13 and compressed natural gas, those types of vehicles would
14 be included.

15 MR. WALKER: Like your car

16 MS. LOVE: My electric car.

17 And then lastly, I wanted to cover the
18 specialty license plate bills because together they do
19 have a rather significant impact on the department. There
20 were several bills filed related to creating new specialty
21 license plates; 32 bills appear to be on their way to the
22 governor for signature, and some of them have already been
23 signed. And if you total up all the plates that would be
24 created by those bills, there will be 57 new specialty
25 license plates that the department will be responsible for

1 creating come January 1 of 2016. And please note, we did
2 ask for that delayed effective date to accommodate our RTS
3 refactoring project and we were very well received by the
4 legislature on that, so most all those bills have that
5 delayed effective date to accommodate that.

6 Of those 57 new plates, 50 are related to
7 military awards or recognitions, and the others are just
8 some random, Texas Medical Center license plate, a
9 Juneteenth license plate, there's one related to canines
10 for cops support, so there's just a few odds and ends
11 plates out there.

12 And that pretty much concludes the summary of
13 what I have. We'll continue to update the board on our
14 progress with implementation. We're very pleased with the
15 outcome of what happened during the session so far. I
16 guess the next few days will be telling. And of course,
17 the governor has until January 21 to decide whether to
18 veto or sign bills or allow bills to go into law without
19 signature, so we'll continue to monitor that process.

20 MR. WALKER: So Caroline, on the statutory
21 plates that are approved by the legislature, are they
22 presented with a design, or is it just sent to us for us
23 to design a plate for them

24 MS. LOVE: Yes, we will work on the designs.

25 MR. WALKER: So there's no design patterns that

1 were put out there

2 MS. LOVE: No.

3 MS. BREWSTER: And just to clarify, Caroline --
4 Whitney Brewster -- it is June 11, not January 21

5 MS. LOVE: Sorry. I guess my brain is a little
6 fried after all.

7 MR. WALKER: So I guess Mr. Pickett, since
8 we're on our legislative, is there anything that you would
9 like to make comments about on the legislative session
10 appropriate to the agency, or has Caroline covered most of
11 it?

12 MR. PICKETT: I'm not used to being grilled, I
13 do the grilling. For the record, my name is Joe Pickett,
14 State Representative from El Paso.

15 What Caroline reported is very accurate. What
16 she didn't say and can't say is all the back stories and
17 the lies. If any of the board members want to know any
18 particulars, please see me after hours, bring an adult
19 beverage, and I'll tell you what the real truth is. With
20 so many bills in such a short period of time, they really
21 do get caught up in a lot of the other politics. 2701,
22 being one of those, was put on a calendar and I watched it
23 stay on the calendar for almost four days trying to get to
24 it. It's just one of those things.

25 Your staff did a good job of breaking up some

1 of the bigger issues and we tried to shepherd other bills.
2 I held special forum meetings trying to pass out bills
3 that we could attach to. My committee is kind of in
4 relationship to the bills that were filed, we had an
5 increase quite a bit too. I think I started off with
6 about 259 House bills and that committee usually hears
7 somewhere around 160 to 180, and that's not counting
8 Senate bills because we try not to count Senate bills at
9 all. I file a bill every year to get rid of the Senate; I
10 can pass the House but I can't get a hearing in the
11 Senate.

12 (General laughter.)

13 MR. PICKETT: But overall, I think it is a
14 pretty good session, not just DMV but transportation.
15 Sometime today, possibly tomorrow, I may be presenting to
16 the House our final plan on transportation funding. It's
17 going to mean quite a lot of dollars. It's probably going
18 to be the biggest we've ever done, and it's going to be a
19 two-parter. There will be a base that will be set in
20 constitution and we'll also be putting a formula growth
21 factor in the constitution that will go out 15 and 10
22 years, respectively, and then we will be able to extend
23 those in 10-year increments so that we can get some
24 planning capability for TxDOT.

25 So we're not there yet, we've got three days

1 yet to go. Caroline said she didn't think there was a
2 special, and if there's anybody that can cause one in the
3 next three days, he's sitting in front of you. This is
4 the last item on the governor's hot list. I don't really
5 see that happening, but there would be some last-minute
6 maneuvering on some stuff. But overall it was a pretty
7 good session.

8 MR. WALKER: So I have a question for you.

9 MR. PICKETT: Yes, sir.

10 MR. WALKER: I know that the agency is not here
11 to promote legislation and legislation that you and other
12 representatives carry for the agency are kind of cleanup
13 measures to fix things from prior sessions that need to be
14 tweaked, so to speak, so in our omnibus bill I know that
15 the bill is pretty broad and it goes in there and says
16 transportation fixes or whatever it says on the top of it
17 there. Going forward, Joe -- and I learned a whole lot in
18 this session about politics and how you play the game over
19 there, so to speak -- would be better on our omnibus
20 bill -- I mean, everybody was using ours as the mechanism
21 to try to get through the process, would be better to try
22 to restrict our bill to be more specific and put more
23 bills out there, maybe, or is it better to leave one broad
24 bill?

25 MR. PICKETT: Mr. Chairman, I would recommend

1 you doing both. I have no problem, personally, with an
2 omnibus bill. When we can get an omnibus bill out moving
3 quickly, we don't have the same issues. There were other
4 social issues and some hot buttons that pushed 2701 back,
5 so my recommendation would be to do both. It's easier for
6 me, as a chairman, to handle an omnibus bill. As we get
7 later in the session, having shell bills or having backups
8 that are pieced out into three or four different
9 categories does help and we could move those at the same
10 time. So I know that wasn't maybe a definitive answer for
11 you but I would say both the belt and suspenders, I would
12 do both.

13 And every session we have the hindsight. Last
14 session when we passed 2202, we didn't know there was
15 going to be another omnibus bill out there, a funding bill
16 that would have swept all those funds, and so we passed a
17 pretty big omnibus bill last session without any problems,
18 but there was just another one.

19 And your staff did a good job, Mr. Chairman. I
20 bug them a lot. I probably go through your bills in a lot
21 more detail than others have done in the past. Sometimes
22 my colleagues want to play, sometimes they don't; I grill
23 people on their bills, I expect the same. So I find stuff
24 in the different drafts, sometimes we have two and three
25 and four iterations before we have something that we feel

1 confident about passing. And I know I do drive them crazy
2 but we all learn something from it, and I'm getting to
3 know the DMV code pretty closely. I'm here to apply for a
4 license plate for the Taiwan government, if you don't
5 mind; I'd like to get a specialty plate for Taiwan.

6 MR. WALKER: I don't think that was on our
7 agenda today.

8 MR. PICKETT: It's not on your agenda but it's
9 in the code and I'd like to have one.

10 (General laughter.)

11 MR. WALKER: Thank you very much for your
12 comments on Caroline.

13 MR. PICKETT: Caroline, your executive
14 director, Ms. Brewster, and Jeremiah Kuntz, also met with
15 several of your support staff. You guys are almost like
16 DPS, I call them and there's six or seven that have to
17 come at once. It's kind of like DMV, I call Caroline or
18 Whitney, and four or five would show up, so that's okay.

19 MR. RODRIGUEZ: I have a statement and a
20 request, Mr. Chairman. First, I want to say thanks for
21 your service. I know that DMV is just one of many things
22 that pull at you over there, border stuff and everything
23 else, public safety and all that. So you've been up there
24 a long time and I've seen your work, and I just want to
25 tell you and I publicly have an opportunity now to say

1 thank you for your public service.

2 My question is this: what is a preferred adult
3 beverage?

4 MR. PICKETT: For me this time of year it would
5 be probably a Pinot Grigio or something like that.

6 (General laughter.)

7 MR. WALKER: Mr. Pickett, you have also a
8 request to speak, and since we have you up front, you have
9 a request under our open comments to speak on item 5.A
10 which is the Texas Transportation Study, so while I've got
11 you up here. Do you want to wait for the presentation?

12 MR. PICKETT: Yes. Why don't you lay it out.
13 Do you mind if I stay here?

14 MR. WALKER: You can stay there.

15 MR. PICKETT: So I don't have to hide behind
16 that pole. I've got people looking for me, I want to give
17 them a clear shot.

18 (General laughter.)

19 MR. KUNTZ: Good morning, members. For the
20 record, Jeremiah Kuntz, director of Vehicle Titles and
21 Registration Division.

22 I'm presenting for your consideration the final
23 draft of the Texas Transportation Institute's report on
24 the study of the cost to process vehicle registration and
25 title transactions. Today staff is requesting that you

1 take action to accept the report as presented and declare
2 TTI's contractual obligations to submit the report as
3 complete. I want to make sure that we're real clear on
4 the action that we're taking today. Today we are just
5 accepting this report, this is not an action to adopt any
6 fees or propose rules, it's merely the acceptance of the
7 report to fulfill a contractual obligation.

8 As you're aware, DMV entered into a contract
9 with TTI to conduct a study on April 11, 2014. During the
10 83rd Legislative Session, House Bill 2202, as was
11 mentioned, passed granting authority for the board to
12 establish a registration processing and handling fee to
13 cover the cost of the DMV, the counties and their deputies
14 associated with issuing registration. We want to make
15 sure that we're specific. The 2202 processing and
16 handling fee is specific to registrations, it does not
17 cover title transactions. The study itself, while it
18 looked at both the cost of processing registrations and
19 transactions, 2202 merely charges the board with setting a
20 processing and handling fee and establishing compensation
21 for the counties, their deputies, as well as funding for
22 the agency specific to registration transactions alone.

23 The purpose of the study was as follows: to
24 understand and determine the actual costs associated with
25 processing registration and titling transactions in order

1 to determine an appropriate processing and handling fee.
2 This is the first step in actions that will be coming
3 forth between now and we have a timeline of looking at
4 August to have proposed rules in front of the board in
5 order to try and meet a January 1 effective date for a
6 processing and handling fee.

7 I believe if you look in your board packets on
8 page 64 of your briefing book, there's a timeline that
9 tries to back up from a January 1 effective date, so
10 you'll get an idea of the different steps that we'll be
11 taking over the next few to try and institute that
12 processing and handling fee.

13 And I'll get into the report a little bit now.

14 TTI performed site visits at the following counties:
15 Brewster, Dallas, El Paso, Harris, Hidalgo, Howard,
16 Jasper, Refugio, Wheeler, and Williamson. Additionally,
17 TTI performed site visits at various full-service deputies
18 and limited service deputies in Bexar, El Paso, Hidalgo,
19 and Travis counties.

20 The general methodology that TTI used was to
21 gather information about the counties' operating budgets
22 and their costs associated with processing title and
23 registration transactions. Those costs included things
24 such as salary and benefits, equipment and supplies used
25 in processing transactions, postage -- we want to make

1 sure that we're clear that it does include postage; there
2 have been many questions about that -- as well as other
3 operating costs, those operating costs also including
4 rent, utilities, equipment and consumables. This is meant
5 to be a fully loaded cost.

6 They went in and gathered information from the
7 counties on their operating budgets for the county tax
8 assessor-collectors' operations specific to the motor
9 vehicle operations. What TTI did was to attempt, in
10 certain instances where the county tax assessor-collector
11 also processed property tax, to allocate those costs out
12 specifically to the motor vehicle operations and to carve
13 out those costs associated with processing property tax,
14 so it does not include those property tax costs in the
15 report.

16 TTI also conducted time studies and gathered
17 transaction data from DMV. We provided them with
18 transaction data specific to walk-in transactions, online
19 transactions, mail-in transactions, as well as
20 transactions conducted by full-service and limited service
21 deputies for title and registration transactions. Their
22 methodology for calculations allocated the counties'
23 expenses across the transactions. They also then further
24 distributed costs based on the type of transactions
25 method.

1 So they took the total budget -- and I want to
2 make sure that we're clear on how they did their
3 methodology because there's two directions that you could
4 perform this methodology -- they took the total operating
5 budget and then divided it by the number of transactions
6 processed to get down to a per-transaction basis. They
7 did not start from the bottom, i.e., gathering information
8 about costs associated with utilities in the area or
9 general salaries in the area and then try and build into
10 it from that direction, so they actually took county
11 budgets and then divided them by transactions. So all
12 these are based on actual county budgeted dollars, it is
13 not an estimation of what a county's budget should be.

14 MR. WALKER: Does it take into consideration
15 the portion of that work that is related to the DMV with
16 respect to the other people doing other functions of their
17 job?

18 MR. KUNTZ: It is specific to motor vehicle
19 functions, it does not include functions outside of the
20 motor vehicle processing of registration and title
21 transactions, so it is specific to those types of
22 transactions.

23 MR. INGRAM: So how do you split the budget
24 when you have somebody that is doing both activities
25 that's working on multiple things?

1 MR. KUNTZ: TTI allocated that cost based on
2 what the percentage of business reported by the county
3 was. So if the county informed them that 50 percent of
4 the work was being performed for motor vehicle versus 50
5 percent, then they would allocate those costs on a
6 percentage basis. In some instances the counties had
7 specific budgets associated with the motor vehicle
8 operation, and so they would take 100 percent of those
9 costs because they weren't intermingled with the property
10 tax.

11 Finally, TTI calculated a statewide weighted
12 average per transaction and type. When they did this,
13 they did a weighted average based on the transaction
14 volume. Within the actual breakdown of mail-in, online
15 and in-person transaction, they used the time study in
16 order to weight the costs associated with those based on
17 the time that it takes to perform those transactions. So
18 they would just basically take a full workday and
19 basically divide it based on the time it takes to process
20 the transactions so that they could allocate costs even
21 further based on the type of transaction and how long it
22 takes to perform those transactions.

23 So what you end up with is a statewide weighted
24 average for walk-ins at \$2.59, for online at \$1.36, mail-
25 in at \$1.97 for the county tax office. For full-service

1 deputies for registration it's \$4.06, and for a title it's
2 \$12.88. For a limited service deputy for a registration
3 renewal -- that's the only transaction they perform -- it
4 is \$1.11. Again, these are statewide weighted averages.
5 In the back of the report they have specific allocations
6 of costs for each of the counties, so you can actually
7 look and see, based on the size of the county, what those
8 differences are between a large, medium and small county
9 to get a feel for what the different cost variations are
10 per transaction across those counties.

11 MR. WALKER: So let me ask you this -- and I
12 know we don't want to get into too much of the ditches on
13 this thing right now -- does a tax assessor clerk in El
14 Paso County make the same hourly wages as a tax assessor
15 clerk in Harris County and in Wheeler County?

16 MR. KUNTZ: We did not get into the level of
17 detail of what the average salary is. What they did is
18 they took the total salary and wages budget and they
19 divided that by the transactions. So what you'll see,
20 generally, is that in some of the smaller counties you
21 have a higher cost per transaction and generally that is a
22 function not of the salary being paid but because your
23 denominator is the number of transactions, you're
24 spreading those costs over fewer transactions.

25 So obviously, if you have an employee, you have

1 to have an employee that works for a full workday, that
2 salary is set regardless of what their hourly wage is, and
3 then you divide that by the number of transactions that
4 they process in a day. In your high volume counties, your
5 Dallas, your Harris County, they have a whole lot more
6 transactions that they're spreading those costs out over,
7 they have less dead time in the day so you have less
8 capacity, if you will, in that day to process additional
9 transactions. Whereas, in some of the smaller counties
10 you may have more time that elapses between transactions
11 that's not occurring in those counties. That's going to
12 be your single largest driver in the difference between
13 your costs when you look at your small, medium and large
14 counties.

15 MR. WALKER: Well, I guess my question still is
16 do clerks in Harris County make more or less per hour than
17 a clerk in Brewster County?

18 MR. KUNTZ: I don't have that information. We
19 did not gather an hourly wage.

20 MR. WALKER: But the counties set the payroll
21 for their county, the state has nothing to do with that.
22 Right?

23 MR. KUNTZ: We have no influence on it.

24 MR. WALKER: There's the answer to my question.

25 Thanks.

1 MR. RODRIGUEZ: Jeremiah, we'll have an
2 opportunity for those counties to make those specifics
3 known in the process. Once we decide to post a rule out
4 there for vetting, it's during that process that we'll be
5 able to get this information back to us and then arrive at
6 the number, whatever that number may be. This is just a
7 report that we contracted for.

8 MR. KUNTZ: Yes, sir. To that exact point,
9 this report is a starting point, this was in order to
10 gather information to try and understand better what that
11 cost per transaction is so that we can move forward. To
12 me, in any balance sheet there's always an expenditure
13 side and a revenue side, and so this is merely giving us
14 the one side of the equation which is how much does it
15 cost to process transactions so that we can better
16 associate and figure out what that cost is.

17 The processing and handling fee is not the only
18 source of revenue for counties. They have title
19 transaction fees that they're able to retain. There's
20 also a base formula funding that's set in statute that
21 allows them to retain 100 percent of the registrations up
22 to certain levels, and that is a great way to equalize, if
23 you will, for some small counties where their transaction
24 volume would not generate a substantial amount of money to
25 cover those costs. That formula funding helps kind of

1 level the playing field for everybody.

2 Now that we've got kind of a cost estimation,
3 we can plug that into a model and then calculate what the
4 compensation would need to be, based on the formula
5 funding as well as title fees that they get and all of the
6 other fees that they're able to retain, so this is one
7 piece of the pie, if you will.

8 Our steps going forward, as I mentioned, we've
9 got a schedule here. We have a work group of county tax
10 assessor-collectors, as well as other stakeholders, the
11 auto industry, we've got lienholders, rental car industry,
12 that we will be sitting down and going over this report
13 with them next week on the 3rd to try and gather any
14 additional information or observations that they may have
15 on the report, and then to start talking about how to
16 structure the compensation side. There's a multitude of
17 different ways that that compensation could be structured,
18 and so we need to have a good perspective from them on how
19 to move forward with that. But time is definitely of the
20 essence at this point to get this going by January 1.

21 MR. INGRAM: So Jeremiah, I have a question.
22 The numbers, the final numbers that they came up with,
23 they're weighted.

24 MR. KUNTZ: It's a weighted average, statewide
25 weighted average.

1 MR. INGRAM: So I get that, but when I look at
2 the report I can't find the actual numbers for each
3 individual county, so that's what I'm missing. I can't
4 find that.

5 MR. KUNTZ: Let me direct you to the report.
6 I'll just direct you to the last page, it will be the
7 easiest place to try and find that. On page 56 of the
8 report this is Williamson County's. If you look at the
9 very bottom of the report, there's a title that says cost
10 per transaction, and you do not want the weighted cost,
11 it's the cost per transaction, in Williamson County \$2.95
12 for walk-in, mail-in \$2.16, online \$1.39, and a walk-in
13 title \$9.33. Each of the counties have that same row of
14 data there.

15 If you go back one, look at Wheeler County,
16 which is going to be one of your small counties, they have
17 a walk-in cost per transaction of \$15.86 per registration
18 walk-in. Again, that disparity is based on the
19 transaction volume, and they have a very low transaction
20 volume but they have fixed costs, they have to staff an
21 office, they have to pay rent, utilities, all those other
22 things, so they have less transactions to spread that cost
23 out over, and that reflects itself in a much higher per
24 transaction cost.

25 Again, though, when we start looking at their

1 base formula funding that is set out in statute, that is a
2 great way, I guess, for them to get compensated to help
3 out with those fixed costs. That formula funding should
4 be sufficient in those counties to be able to cover that
5 cost.

6 MR. WALKER: Jeremiah, I know through the years
7 I've heard that different counties -- I'm going to use
8 Dallas County, since John Ames is sitting over here -- is
9 that don't some of the counties that have a bigger burden
10 of work contract out to some of the smaller counties to do
11 their work for them, though?

12 MR. KUNTZ: They do not.

13 MR. WALKER: I thought at one time that's what
14 they were looking at.

15 MR. KUNTZ: Statute does allow counties to
16 contract with one another to process online and mail-in
17 transactions. I'm not aware of any counties that have
18 done so to this point. But there is the ability for
19 counties to do each other's work should they enter into an
20 agreement. There's also a provision in law that allows
21 during a natural disaster for adjacent counties to process
22 on behalf of a county that is closed down due to a natural
23 disaster, and that has taken place in the past when we've
24 had counties that are shut down due to hurricanes or
25 flooding or any issues like that.

1 With that, that concludes my presentation.

2 MR. WALKER: Thank you.

3 So I guess I need a motion to accept the
4 report. Is that not correct?

5 MR. RUSH: So moved.

6 MR. BARNWELL: Second.

7 MR. WALKER: So we have a motion by Mr. Rush to
8 accept the report, I have a second by Mr. Barnwell, and at
9 this point in time are there any comments, questions or
10 discussion?

11 (No response.)

12 MR. WALKER: So what I'm going to do is I'm
13 going to take the motion and take the second, but then I'm
14 going to go into the comments, and so we have one public
15 comment that would like to be made prior to the approval
16 of that, and then we could amend the motion at that point
17 in time.

18 So Mr. Pickett, the floor is yours.

19 MR. PICKETT: Mr. Chairman, let me go back a
20 little bit first and tell the board what I proposed in
21 2202 and what comments I made to the legislature and why I
22 think they passed a portion of 2202.

23 The legislature is not an easy sell to give a
24 board the authority that we gave you in 2202. We like
25 specific dollar amounts so that we can debate and discuss

1 and cuss them and decide whether they should go in
2 statute, so this was a big departure to say we're going to
3 let you set the fees on the registration part. I want to
4 make that clear. My selling point that I began with were
5 some of the items that Jeremiah already told you. You can
6 go into an H.E.B. and pay a dollar; the best deal I
7 thought out there was the extra one dollar mail it in,
8 that was my form, that's what I used to do, that was
9 really easy. I would get that registration and I'd make a
10 copy of my insurance, I'd include the extra dollar, send
11 it in, I thought that was a great bargain. And then come
12 along and I tried the online, and now I'm sold, I'm paying
13 two bucks and I love it, and I probably pay for more
14 individual automobile registrations than everybody in this
15 room, pretty close, personally.

16 MR. WALKER: I bet I got you beat.

17 MR. PICKETT: Personally, Mr. Chairman, not as
18 a business expenditure that I can take off my income tax.

19 (General laughter.)

20 MR. PICKETT: So going back to what the
21 legislature proposed was trying to uniform a fee so that
22 we could get maybe persons to go one way or the other.
23 I've read the report and you'll notice that the online
24 registrations are the least of a cost and you can probably
25 make more money there, and I was very surprised two years

1 ago in 2013 what the percentage was. And maybe, Jeremiah,
2 you can tell us what the update is but I thought it was
3 like 14 percent or less that was online, and I just
4 thought nowadays it would be somewhere 30-40 percent.

5 But anyway, we told the legislature that we
6 were going to try to get the fee somewhere whether you
7 went to H.E.B., whether or you mailed it in, whether you
8 did it online or you went into your tax assessor-
9 collector, that there would be a pretty much uniform fee
10 for the registration portion of it.

11 I'm a little frustrated that it's taken so long
12 to get this off the ground, and now we've got an issue
13 with the RTS system and all that. During that time the
14 full-service deputies seem to be where a lot of rub is,
15 and I come from one of those areas that has a full-service
16 deputy model, and you've got the report, you can see that
17 the numbers and what it costs everywhere are different.
18 And my fiduciary duty is to the people that are
19 registering their vehicles, that's where I go first. I'm
20 trying to make it easy, efficient. I also know that the
21 counties have not seen an increase, and without doing a
22 study I suppose that the counties could have used an
23 increase.

24 And one of those small things that we did find
25 in 2202 -- and I tried to get Mr. Uresti to name a street

1 after me or a hospital or something and I couldn't get him
2 to do it -- but we did find something in there that is an
3 increase. We took out the 3 percent cost off the top of
4 the \$10 road and bridge fee that was going to TxDOT, we
5 removed that, so that's a 30 cent per transaction increase
6 that began as soon as the bill went effective, but it
7 obviously wasn't even enough to show much of a difference,
8 and that was 30 cents. So if you took the \$1.90 and 30
9 cents, you could argue that counties are getting \$2.10
10 per transaction. Well, I doubt many of them have felt
11 that.

12 So I'm hoping that when we get this all said
13 and done, we can focus on the people that are registering
14 those vehicles, find an efficient way for them to do that,
15 get the counties the monies that they need for performing
16 those services, and I think the toughest part for your
17 board in your decision is what you're going to do with the
18 fees for full-service deputies.

19 I will tell you in my county -- you asked a
20 question, Mr. Chairman, of how much do they pay for the
21 people doing the same work in various counties -- I know
22 it's different but how about if you're not paying anything
23 at all. Well, what do you mean, they're making a savings?

24 No. My particular county, the budget that the tax
25 assessor-collector has pretty much dictates that he or she

1 will need to use full-service deputies for the
2 transactions. And in my county the tax assessor-collector
3 doesn't collect property taxes, and that may be one of the
4 reasons that we have such a reduced staff over other
5 places, it's not part of our model, so the county's budget
6 for the purposes are quite a bit low.

7 So I'm asking or requesting that the full-
8 service deputy model is going to be important in some
9 places around the State of Texas and needs to be
10 maintained. I don't know that \$40 or \$50 for a title
11 transfer is appropriate so that may make some people
12 unhappy, but I think you need to have some flexibility,
13 and I would again urge you to get a registration fee that
14 helps push those of us who want to do the most efficient
15 way to get it done, that means more money to the counties.

16 With that, Mr. Chairman, I'll be calling you
17 about every month to see how you're doing on your
18 timeline. You've called me over the last year and a half
19 or so, we've had several discussions about this, and I
20 have been asked by my colleagues who are involved in this
21 where we are as well. Not all for them forgot that we
22 passed this over two years ago.

23 With that, Mr. Chairman, if you have any
24 questions.

25 MR. WALKER: Well, I have a few comments, and I

1 guess I did have a question. We do have a very tough road
2 ahead of us to sit down, and we have a committee that has
3 already been formed which has some of our board members --
4 Mr. Palacios and Ms. Caraway are both on that -- which
5 will start next week and sit down and start digesting this
6 data. There are also numerous TACs on that working group
7 that are going to sit down and try to come up with a
8 structure and fees, so forth.

9 One of the things that has always been
10 interesting to me -- and I asked this question of Whitney
11 the other day -- was that today we currently charge a
12 dollar to mail it in or -- a dollar to walk up to the
13 counter and \$2 to mail it in or whatever. I think that's
14 right.

15 MR. KUNTZ: It does not cost the customer any
16 additional fees to walk into a county office. If they
17 mail it into a county office, it's an additional dollar.
18 If they go online they actually pay \$3 more because they
19 pay \$2 as the credit card processing fee as well as a mail
20 return fee is really what that dollar is, it's the cost
21 for the county to mail the sticker.

22 MR. WALKER: So I believe a whole lot the way
23 Chairman Pickett does over here is that I mail mine in and
24 go online and do it, but yet 70 percent of the people --
25 and I remember asking this question to somebody on our

1 staff at one time, I said, Well, why would you want to go
2 stand in line at John Ames's office over there for an hour
3 to get that transaction done when I do it in my office and
4 it takes five minutes to do it? And they told me that the
5 reason is because it's cheaper to go stand in line than it
6 is to mail it in.

7 MR. PICKETT: It's a little higher than that,
8 it's about 79 percent, but I'm not sure that it's really
9 the dollar or we just haven't been able to market the
10 differences out there.

11 MR. WALKER: That might be right.

12 MR. PICKETT: It took me a while to do the
13 online, and I, frankly, didn't see how it was going to
14 work when I found out that all you really do need is the
15 last four numbers of your VIN and your license plate
16 number. And I think that may have been my original
17 problem, I don't know my license plate number offhand, and
18 I didn't realize it's on my registration sticker. Maybe
19 if I'd have read it, it would have helped. But I got
20 through the first one and figured out it was there, and
21 yes, I signed up for the little tickler, do you want to be
22 notified next year online, and so it's even going to be
23 easier for me.

24 And so there's probably some marketing things
25 that the agency can do as well, once you get this all said

1 and done. And as far as the counties are concerned, if
2 they agree that the fees and the costs for the online are
3 the most effective for them -- I asked my tax assessor
4 what his situation, and currently he has one person
5 assigned to handle just the online, he has one person
6 assigned with a work station that does the mail-in, and he
7 told me that they're starting to get a little bit busier,
8 but it's a little precarious right now, he can't really
9 pull somebody off the counter yet to do more of those
10 other transactions, he's not there yet. So they're going
11 to need some help transitioning and trying to get all this
12 worked out as well.

13 MR. WALKER: So what you're saying is that
14 somewhat the intent of the bill is that you want us to
15 standardize the transaction fee, whether it's \$2, \$3, \$5,
16 whatever it might be, and come up with one standard fee
17 instead of taking and having multiple fees in order to
18 push the business. In other words, if an online
19 transaction is a dollar versus if they walk up to the
20 counter at Dallas County and charge \$5, that they might be
21 more inclined if it's less, you would rather see it be a
22 standard fee.

23 MR. PICKETT: On the registration, Mr.
24 Chairman. And again, that's where I proposed to the
25 legislature where as now you said that you thought a lot

1 of the people go in there, the 79 percent, is because
2 there's no additional charge. And this wasn't meant to be
3 a tax increase -- and you and I have had that discussion
4 with the former governor and those kind of things -- but
5 we envisioned an across-the-board, not just the full-
6 service deputies, not just the H.E.B.s, not just the
7 online, we envisioned your tax assessor-collector getting
8 a fee as well on top of what it is right now. So that,
9 yes, you made that conscious decision now to go into your
10 tax office knowing it's the same fee if you went online or
11 you mailed it in or you went to H.E.B., and so I don't
12 need to go into my tax assessor-collector because it
13 doesn't save me anything.

14 And we gave you the ability to do whatever that
15 amount. I personally think it would be better if it was
16 kind of uniform on the registration, but it's not
17 something that is hard and fast, but it would help if it
18 was similar, if not the same. So the argument is, okay, I
19 was a little hesitant about the online but it's the same
20 fee. If you were to go to uniform fee, it would take a
21 while before people who are going into their tax assessor-
22 collector realize that there was a fee and they could do
23 it online. You'd see it start to peel off, I'm sure,
24 after six months, a year.

25 I have to tell you the Two Step, One Sticker,

1 I'm not a fan, wasn't a fan. You're kind of lucky I
2 wasn't there to kill that bill when it originally went. I
3 don't like it. I will also tell you that your agency and
4 DPS, whoever gets most of the kudos, it's working pretty
5 well. I expected a lot more complaints than I have
6 gotten; I haven't gotten as many as I anticipated.
7 Obviously, the problems with the commercial trucks and
8 those kind of things, but we'll see. It hasn't been
9 nearly as bad, so even I can learn something.

10 And this is being recorded, I'm sure, so you
11 can play that back if you'd like -- or leak it to the
12 press, that seems to be the norm around here.

13 MR. WALKER: Well, I think it's working pretty
14 well. We're kind of diverting off here, but one of the
15 problems on the same sticker I heard the other day was I
16 have friends of mine -- and you probably saw them in this
17 room -- who have had vehicles that are out of the state,
18 who own ski houses, I guess, in Colorado and they have
19 cars that are registered in Texas, and it's like what are
20 we going to do to get an inspection sticker on our car
21 when it stays at my ski house in Colorado or my ranch,
22 whatever it might be, and I think the legislature fixed
23 that this session also, I believe.

24 MR. PICKETT: Well, actually, you guys had that
25 taken care of. There's a form that says it's out of state

1 and I don't have to get it inspected until I bring it back
2 into Texas, so that's been effective.

3 And it is part of the discussion. I think you
4 need to take in all the other things that you're doing,
5 even though we're here on 2202, that's part of the whole
6 deal as well.

7 MR. WALKER: Well, I think that the counties
8 have done a lot, the tax assessors and everybody, on the
9 single sticker to make that deal work.

10 MR. PICKETT: They're probably getting
11 complaints anyway. What we do, I wouldn't necessarily get
12 a call. Mr. Uresti and the others who will get those
13 anyway when they come up to the counter and they go:
14 You're going to have to have it inspected. And I'm sure
15 Mr. Uresti is being very clear to them that it was Joe
16 Pickett and the legislature that required to that change,
17 so when you come back in another couple of hours, we'll be
18 waiting for you again.

19 MR. WALKER: But I can also tell you this from
20 my personal experience is that when you went to the single
21 sticker, you also found a lot of vehicles that had not
22 been getting inspected that now are being inspected,
23 because I had a customer call me that had 300 pieces of
24 equipment that were not inspected and now they can't
25 register them and they had to go get them inspected.

1 MR. PICKETT: And it maybe shysters out there
2 so it's easier to get a false one -- I'm just kidding.

3 (General laughter.)

4 MR. WALKER: Thank you very much.

5 Go ahead.

6 MR. INGRAM: I would just like to echo and
7 thank you also for your comments with the single sticker,
8 but I think a lot of that goes to Jeremiah. He really put
9 together an excellent campaign to inform the public. And
10 then also I want to echo your comments because I think
11 that that's very relevant in this case is that I don't
12 believe that thus far we've done a great job marketing the
13 online and those other forums, and I think that with
14 Jeremiah at the helm we can make some progress on that.

15 MR. PICKETT: I even asked my tax assessor-
16 collector if he had the ability to put a small little
17 kiosk out in front of his counter because right now you go
18 in and you get in one line to see a person face to face.
19 And I said, Gosh, everybody does this now, even at the
20 legislature you can come register for a bill and all your
21 friends can register for a bill at a little kiosk, there's
22 no reason why you can't have a screen there.

23 I didn't like the self checkouts when they
24 first started. I would go into Home Depot and some of the
25 grocery stores and that really bothered me, and I'd stand

1 in line just so I could have a person take my credit card
2 and be rude to me, so I decided why not just go talk to a
3 machine, and for small purchases and quick in and out, I
4 have changed. And so I think that the more that we offer
5 you'll find out people will go: I don't like it; well,
6 I'm thinking I might try it; well, gosh, that actually
7 works pretty well. And that's been my experience. And so
8 I still think there's a lot of things that tax assessor-
9 collectors can do as well and encourage those kind of
10 things.

11 With that, Mr. Chairman, I'm probably not going
12 to be able to hear some of the comments, but I'm going to
13 ask if I can get a recap from Jeremiah or Caroline. We go
14 in at ten o'clock and there's probably somebody in the
15 State of Texas we haven't recognized their birthday or
16 anniversary yet.

17 MR. WALKER: We have one more person that would
18 like to make a comment. Our executive director, Ms.
19 Brewster, would like to take and make a comment, I think,
20 before you leave.

21 MS. BREWSTER: Thank you, Mr. Chairman.
22 Whitney Brewster.

23 To your comment about looking at different ways
24 to innovate, one thing that the agency has recently
25 established is an innovation and strategic analyst

1 position within the agency to focus on the things that
2 you --

3 MR. PICKETT: What does it pay? I'm looking
4 for a job after Monday.

5 MS. BREWSTER: I'm sorry, it's already been
6 filled actually. Tom Schindell starts on Monday and he's
7 actually in the audience. And I just wanted to point that
8 out because we really are looking at ways that we can
9 change the way that we deliver service in a way that I
10 think keeps up with how our customers want to have service
11 delivery.

12 MR. WALKER: Thank you very much, Mr. Pickett.

13 MR. PICKETT: The last thing I'll leave with
14 you is please adhere to whatever timelines that you set.
15 I really, really hope that we can get this settled with
16 the timelines that you're putting out there to the tax
17 assessor-collectors and the full-service deputies. We've
18 got to get this settled.

19 MR. WALKER: I can answer that question for you
20 because you weren't here for the first part of our
21 financial review and we got \$21 million as a startup into
22 our fund --

23 MR. PICKETT: Twenty-three.

24 MR. WALKER: Twenty-three -- thank you very
25 much for the extra two.

1 MR. PICKETT: Two million is nothing to some
2 folks but to me it is still.

3 MR. WALKER: So after that money is up, we have
4 to live off the money coming out of that, so it needs to
5 be a high priority to the agency because that's how we
6 live.

7 MR. PICKETT: Correct. We don't want to see
8 you in a supplemental budget next session.

9 MR. WALKER: So we will get straight on that.
10 That's why we're starting next week, and I would
11 anticipate that pretty rapidly we will have that thing in
12 place.

13 MR. PICKETT: Thank you. And thank you to your
14 staff this session.

15 MR. WALKER: Thank you very much for your
16 comments, and thank you for your service to the state.
17 And remember, it is your time to buy next time I'm in
18 town.

19 MR. PICKETT: Yes, sir.

20 MR. WALKER: Okay. Let's start here. I've got
21 several other people that would like to comment before we
22 vote on this, and I'm going to call Mr. Ames up first.
23 He's the tax assessor-collector over in Dallas County.

24 John, before you get started -- and I don't
25 mean to be rude or anything, but like how much time do you

1 think you need?

2 MR. AMES: Chairman, I'm elected, so I can take
3 30 seconds or three hours, you choose.

4 MR. WALKER: I don't want three hours.

5 MR. AMES: I just want to make a few comments.

6 MR. WALKER: I've got like eight comments here,
7 so I don't want to be here all day long listening to
8 comments. We're here to listen to the public, obviously,
9 but we would like to restrict those to maybe three minutes
10 if that's possible. I'm not going to put a stop clock on
11 you if you need a few extra seconds to keep going.

12 MR. AMES: I'd just like to say my name is John
13 Ames. I'm the Dallas County tax assessor, and also the
14 president to the Tax Assessor-Collector Association of
15 Texas.

16 So to the board members and audience members, a
17 few of us have had an opportunity to review the study and
18 look at it. We are eager to meet next week with the VTR
19 working group to start the discussions. We understand
20 that the discussions are very important, not only to this
21 agency, because it is your new funding mechanism, but it
22 is extremely important to the county tax offices. As
23 Chairman Pickett stated, the county tax assessors have not
24 had a raise in performing these functions in excess of 20
25 years, and so obviously, in the last 20 years, as you all

1 know -- you all run very prosperous businesses
2 yourselves -- costs have increased. And so it's important
3 that the county tax assessors in this state have a voice
4 at this table. Many of them are here today.

5 We agree with Chairman Pickett that we need to
6 standardize some of these costs so that can encourage
7 people to do more efficient means of registration, go
8 online, do it by mail. Believe it or not, that \$1 and \$2
9 and \$3 fee to do those actually discourages people from
10 doing that which causes them to come into our office. As
11 you can see by the study, it costs more to do something in
12 person than it does online or in a grocery store or by
13 mail, so we certainly encourage that.

14 We also recognize that we have six counties in
15 this state that have the full-service deputy model, and
16 that model is in place in those counties and it's working
17 well for them. We don't want to do anything to discourage
18 that model for those counties; that would be detrimental
19 to their local services for their citizens.

20 So it's important that we recognize that county
21 tax assessors perform this function as agents for the
22 Texas Department of Motor Vehicles, and therefore, should
23 be compensated appropriately for that, so when you are
24 considering the fee -- what are we calling this, Jeremiah?

25 MR. KUNTZ: The processing and handling fee.

1 MR. AMES: -- the processing and handling fee
2 that it be an equal fee that allows this agency to
3 maintain the revenue that they need to run but also allows
4 the tax assessors who perform these duties on your behalf
5 to maintain their offices at the level that the public
6 expects.

7 Now, because Chairman Pickett mentioned the
8 single sticker, I will say this. Single sticker has been
9 a little difficult in our offices. It started out a
10 little bit rough, it's gotten much better. It's still a
11 problem. We are spending much more time with the public
12 than we have in the past. That hurts efficiencies in the
13 county tax office, so ways to find better efficiencies in
14 registration and titles, ways to find additional revenue
15 sources so that we can help manage the citizens better is
16 very important.

17 This sync up year with single sticker is going
18 to be the ramp-up to next year. Next year is going to be
19 an extremely difficult year with single sticker because
20 the county tax assessors and all the efforts that DMV does
21 with their Two Step program and their media campaign --
22 and I have to applaud them, they did a great campaign, and
23 if I hear the jingle one more time, I think I'll shoot my
24 foot -- but I will say it really lies on the backs of the
25 county tax offices to educate the citizens about single

1 sticker. County tax assessors have probably spoken to
2 more Lions Clubs, Rotary Clubs, you name it clubs, trying
3 to get messages about single sticker out than you can
4 imagine, and to this day it amazes me that we have people
5 that come in and say: I have no idea what's this all
6 about. And so it has put a huge burden on our offices and
7 will continue for at least the next 24 months, and so ways
8 to increase efficiencies in other areas is going to be
9 very important for the county assessors.

10 So we look forward to working with the agency,
11 we look forward to working with the VTR committee next
12 week and the working group, and we know that together we
13 can get this solved so that all parties will be pleased
14 with the results. Thank you.

15 MR. WALKER: Thank you very much, John.
16 Appreciate your time. And I know what you're talking
17 about all the phone calls. You wouldn't believe how many
18 people call me and ask me about how do I do this now. I
19 tell them just read the directions.

20 MR. AMES: Well, the first draft of the
21 information had your cell phone number and then it got
22 removed on the second draft.

23 (General laughter.)

24 MR. WALKER: I'm glad. I think everybody that
25 has my cell phone called me.

1 I think I have next is it Albert Uresti? Did I
2 pronounce that right?

3 MR. URESTI: Close enough, sir.

4 MR. WALKER: Thank you. And you are the tax
5 assessor-collector for Bexar County, San Antonio?

6 MR. URESTI: Yes, sir.

7 Well, thank you for allowing me to speak here.
8 And we understand that this draft is just a start,
9 however, it has huge implications, and particularly in
10 Bexar County, and a lot of it, as Chairman Pickett
11 mentioned and as John mentioned, is that because we have
12 title service companies in Bexar County and they do a
13 large percentage of our work as far as titles, about 40
14 percent. Additionally, in El Paso they're doing about 60
15 percent, and in Austin I guess they're doing about 30
16 percent.

17 So we understand that there will probably be
18 increases, however, we're here to -- I guess the rallying
19 cry has been for Austin, they came up with a slogan: No
20 decrease in the increase that's going to be allocated to
21 the tax assessors and to the counties.

22 Bexar County has a unique business plan that's
23 been in effect for 40 years, and so it's not something
24 that's being tried, some are new and different counties,
25 but in our county it's been there for 40 years and now the

1 changes that are being proposed -- again, I understand
2 that we're just starting but I also know what the mindset
3 is of DMV -- and what is being proposed is elimination of
4 a convenience fee for these title service companies, and
5 so they need that in order to survive.

6 In Bexar County we have 21 locations. There's
7 no way that Bexar County can afford to open 21 additional
8 locations, so if there are a lot of restrictions put on
9 them, in essence, what you're going to do is close down 21
10 locations that are a convenience to the citizens of San
11 Antonio and Bexar County. So we would ask that you
12 consider that.

13 The other thing I may put out there is there's
14 some company from New York and they're doing registrations
15 here in the State of Texas, and I have talked to DMV about
16 it several times, and they have told me that they are a
17 regulatory agency, not an enforcement agency, but yet that
18 company from New York is doing this and then they want to
19 go and regulate the title service companies which have
20 roots here in Texas, which pay property taxes, which
21 employ people here in our state. So if you're going to do
22 one, you need to do everything.

23 So again, I do want to thank Representative
24 Pickett. I do want to thank Jeremiah because he has had
25 open communications with me and he's been receptive. We

1 don't always agree, obviously, but I would just ask that
2 you really consider helping Bexar County, Austin, Hidalgo,
3 El Paso, and I forget what the other two counties are,
4 Cameron and Wilson. These people rely heavily on the
5 full-service title service companies.

6 Thank you.

7 MR. WALKER: Excuse me, Albert. You have a
8 request also to speak on item 4.C.3. Do you want to just
9 kind of address this now?

10 MR. URESTI: This is really what we have come
11 for, and I think we have several companies here.

12 MS. CARAWAY: Albert, the reference to the New
13 York company, that's the online company that's doing the
14 renewals online?

15 MR. URESTI: Yes. And you're having the same
16 problem over there too. Right?

17 MS. CARAWAY: We've had a couple, yes.

18 MR. URESTI: And the other thing I did want to
19 say, this is a unique opportunity for me to get to talk to
20 the board as a whole, so that's the other reason why I
21 talked.

22 MR. WALKER: We're always all ears, so come see
23 us anytime.

24 Next I'd like to call -- let me ask a question
25 here. I have Stanley Wilson is here to speak. Where's

1 Stanley? And you're here to speak on the study? And I
2 have Paul Villarreal, the deputy fee study. And then I
3 have Anthony Lazzari, and you're asking to speak on 4.C.3,
4 but you want to talk on 5.A. I just want to make sure
5 because you have it on paper differently. And I guess
6 it's going to be the same with Steven Palacios? So you
7 want me to just take you off then. Thanks. And I have
8 Michael McDonald, and Mike, you want to speak on, it says
9 4.C, but the same topic. And I have somebody right here,
10 and I don't want to exclude somebody, but let me see,
11 Anthony Lazzari.

12 (General talking and laughter.)

13 MR. WALKER: So let's go with Paul Villarreal
14 first.

15 MR. VILLARREAL: Good morning. It's good to be
16 here. I'm the county tax assessor-collector for Hidalgo
17 County, and it's an honor for me to be here.

18 MR. WALKER: Victor Rodriguez wasn't your ride
19 home, was he?

20 MR. VILLARREAL: I'm supposed to follow him,
21 you know, because he can drive fast, I can go behind him.

22 MR. WALKER: He's always in a hurry.

23 (General laughter.)

24 MR. VILLARREAL: But it's an honor to be here.
25 I've been with the county tax office since 1985, so I'm

1 actually going on about 30 years. I became the tax
2 assessor-collector in 2013, so I've been able to see
3 what's happening here. At that time I was working for the
4 TxDOT regional office in the Pharr Region. So I
5 appreciate the Department of Motor Vehicles, and Jeremiah
6 and his staff have been doing a great job.

7 The only thing I want to let you know a little
8 bit about our county. In our county I have 550,000
9 registered vehicles and it's always good to work together
10 because I want to bring in funds to the county and to the
11 State of Texas. I think we have the greatest state in the
12 United States so I really appreciate this state. The only
13 thing is like in the Two Step, One Sticker program there,
14 I like it, the only thing is that any time that somebody
15 creates a statute, out of your board I might have two or
16 three of your kids working for me, so I have 550,000
17 vehicles, so when you create a statute that means it's an
18 automatic workload for my staff. So if I want to
19 compensate them with more work, it's taking us longer just
20 to process that transaction and get that customer out.

21 I live by the border so my crowd is a little
22 bit rougher sometimes in that area, so what I don't like
23 is that I just put more workload on my staff and I don't
24 compensate them. Every time that you give monies to the
25 general fund, when I go out there they say I don't have

1 any money. We've been with the county for 30 years and
2 we've been understaffed since then.

3 At one time I had heard that maybe one time
4 there was going to be maybe a dollar to be for the sole
5 purpose of the tax assessor-collectors, so I don't have to
6 pile up all the work on my employees. Every time I get
7 something new, I have to pile it up on the head cashier,
8 the accountant, the bookkeeper. Now actually I'm doing
9 free work for like the Department of Public Safety. I
10 don't mind doing it, the only thing is that when I want
11 to -- like I said, I might have three of your kids working
12 for me so they're doing more work and I want to compensate
13 them with maybe a little bit more salary but I can't.

14 The rest of the departments in our county, they
15 themselves, they're always getting good money; my guys, I
16 think they're getting paid about \$26,000 when the other
17 departments are getting \$40-, \$50-, \$60,000. So every
18 time that I've got 550,000 more on the Two Step, these
19 guys are getting 40-something thousand dollars, I'm just
20 getting more work for my staff.

21 So those are the things that maybe in the
22 future you might want to consider if you put anything for
23 the county to try to separate something for the tax
24 assessor's office to use because I didn't get any more
25 money. There was a mailout that was done, I think 20,000

1 for renewals went out. Well, if people send me \$72
2 instead of the 80-some cents, I have to use the paper, the
3 toner, I have to use postage from whatever I have, so I
4 have to go back and ask for more.

5 I like the process. The only thing is that in
6 the future try to see if you can put something new for the
7 sole purpose of the tax assessors so we can create other
8 positions there and they can go ahead and take care of
9 this process and I don't have to pile up everything on the
10 staff that I've had for years.

11 And as far as the full-service deputies, I do
12 have one, they're thinking of opening another one, and if
13 we can compensate them maybe by them getting a little bit
14 extra, like Mr. Uresti was saying, that would be great. I
15 know El Paso, Travis County, Bexar County and some other
16 counties, they're trying to help us and the reason they're
17 helping us out is because they don't give us enough staff.

18 My priority is customer service but if I don't have
19 enough staff, now with this adding the Two Step, I have a
20 scofflaw program so I have to check first before I can
21 give you a registration or renewal that you don't have any
22 tickets outstanding for the county. I had approximately
23 about 200,000 tickets out there outstanding, about \$40
24 million, so I have to make sure I bring in those monies.
25 But my priority is bringing in the renewals for the state

1 and the county because that's where I get my money, and of
2 course, I get a little money also from the scofflaw. I'm
3 in support of trying to get a little bit more money for
4 our counties and also hopefully the full service they can
5 get a little bit more.

6 If the people are willing to pay the extra
7 money so they don't have to wait in line for us, I guess
8 that would be their priority. I know that in my area out
9 of 100 percent maybe 30 percent of those people don't have
10 computers like everybody else where they can go online and
11 get it done. So some of those people, they're just set
12 that they're not going to take off from my office unless
13 they see that receipt that says Texas DMV. That's going
14 to make it seem like, well, I already did my part. And
15 some of them, like I said, they might not have computers,
16 there's colonias, there's other areas that are going to be
17 a little bit low income, but the majority of the people
18 out there are coming up with doing it online, and I guess
19 that's good too.

20 MR. WALKER: Thank you very much. Appreciate
21 your comments, and we'll take all that into consideration.

22 MR. VILLARREAL: Thank you.

23 MR. WALKER: Next I'd like to call up Anthony
24 Lazzari.

25 MR. INGRAM: I have a couple of questions for

1 Jeremiah real quick. When they're registering online,
2 I've never done that -- with dealer plates I don't do a
3 lot of registrations -- so how do you check the insurance,
4 the liability?

5 MR. KUNTZ: For the record, Jeremiah Kuntz,
6 director of VTR.

7 The online system has an interface with what is
8 known as TexasSure which is the insurance database, and so
9 when that VIN is entered in, it actually goes out and
10 looks for a current insurance policy for that vehicle, and
11 if it returns it, you're allowed to proceed with
12 registering online.

13 MR. INGRAM: And then the second question is
14 that the website where that is done or the page or
15 whatever it is, is it a mobile friendly page? Is it
16 something that looks readable on a mobile?

17 MR. KUNTZ: I have to check and see. I'm
18 assuming you're referring to what's known as responsive
19 design where it changes everything. I'd have to go back
20 and look. I'm not sure at this point if it's an actual
21 responsive design, but that's something that we could
22 definitely look at.

23 MR. INGRAM: I would like to look at that,
24 because at this point when you look at, I know on my site
25 we're at about 65 percent using mobile and I just really

1 think that's where it's going.

2 MR. KUNTZ: That's something that we can
3 definitely take a look at. There's a lot of technology
4 projects that the agency is taking on right now and that's
5 something that could be looked at and considered.

6 MR. DUNCAN: Member Ingram, if I may. David
7 Duncan, general counsel.

8 The contract that is actually procured by the
9 Texas Department of Insurance, we're a participant in that
10 contract for that TexasSure system, is being re-let, and
11 when it's re-let, that could be something that we could
12 explore with the new vendor.

13 MR. WALKER: Before we move forward, I need to
14 correct the record real quick. As of 9:45, roughly, we
15 lost Board Member Victor Rodriguez. He left, he had
16 another meeting he had to attend this afternoon, so let
17 the record reflect that he's no longer in attendance.
18 Thank you.

19 Eric Obermier, with our agency here, would like
20 to make a comment.

21 MR. OBERMIER: Yes. For the record, Eric
22 Obermier, CIO for the DMV.

23 To address your question, Member Ingram, the
24 website is not currently that mobile friendly so it would
25 require zooming in and scrolling around to do those kinds

1 of registrations at this point. That is one of the other
2 items that we have on our long list of items to improve
3 within the organization to improve overall customer
4 service as a whole to make more of those services friendly
5 to mobile devices out there. Because we understand that
6 more and more of the customers today are doing those kinds
7 of transactions, even when they're in their house, from a
8 tablet, not necessarily sitting in front of a computer
9 screen.

10 MR. INGRAM: Thank you.

11 MR. WALKER: Mr. Lazzari.

12 MR. LAZZARI: Just for the record, Anthony
13 Lazzari. I'm president of San Antonio Auto Title.

14 I just want to kind of reiterate after Albert
15 did come up, I represent the title services in Bexar
16 County, I'll try to represent them. I myself have six
17 stores, there's 21 currently in Bexar County, and just to
18 say that it's very, very important for you all to allow us
19 to continue to operate our business in the capacity that
20 we're able to do it. If you're going to cap us, what's
21 going to end up happening for us is we're going to end up
22 closing down. So the 21 title services that are in Bexar
23 County are going to have to basically shut down, which is
24 about 80 employees.

25 The other thing that's important to notice --

1 and it's also in the report -- is that with that shutdown
2 the influx is going to go somewhere, and they're going to
3 go to the tax assessor's office. He doesn't have the
4 capability to do that right now. So we're providing a
5 service to the consumer which we charge them for that and
6 we need to continue to be able to do that.

7 For myself, for our employees, I didn't just
8 give them a job, I gave them a career, so we provide
9 401(k), medical. I have two girls that are coming up in
10 June, they've been with the company for 35 years, so San
11 Antonio Auto Title Service has been in existence for 43
12 years, so the title services for full-service deputies
13 have been connected with the county tax assessor for a
14 very long time. You guys putting caps on this stuff would
15 really, really detriment our business, it would shut us
16 down. So we're asking you guys to take that into
17 consideration.

18 And aside from that, when you take us out of
19 the equation -- and I understand that some counties do not
20 have full-service deputies so some of the counties might
21 not understand what we provide to counties like Albert's
22 county, Bexar County. You know, we offer them a great
23 service. We provide probably a third or more of their
24 total revenues to them, and for that, they don't have to
25 do much outside of that, but we have to be able to

1 continue to operate in our capacity.

2 And also for that, we're providing another
3 convenience for the customer that doesn't have to go to
4 maybe one of the four locations that they have. We've got
5 locations all over town they can go to. So you're really
6 going to detriment the taxpayer because if that happens,
7 we're going to be pushed back, we're going to have to shut
8 down. Overload is going to have to go somewhere, it's
9 going to go to them. They don't have the employees, the
10 capabilities right now to process those transactions.

11 Anybody have any questions for me?

12 MR. INGRAM: I have one. So again, I'm not
13 really familiar with this model because it doesn't exist
14 where I am.

15 MR. LAZZARI: That's why I'm here because not
16 very many tax assessors have it.

17 MR. INGRAM: Can you give me a list of items
18 that you perform for the tax office?

19 MR. LAZZARI: We perform the same duties that
20 your county tax assessor does, with some limitations, but
21 we are basically a sub-category, or we're deputized for
22 the county, so we do title transfers, registration
23 stickers, we provide information that people need. A lot
24 of the phone calls, can you imagine how many phone calls?
25 I just have six stores, I'm the biggest one in Bexar

1 County, but there's 21 of us total, so can you imagine the
2 influx of calls alone that come in that we provide for the
3 taxpayer that calls in, they don't understand what's going
4 on, they don't understand the process, they don't
5 understand the Two Step program, they don't understand all
6 of the application process about how to fill out and what
7 they have to pay for. So those are all things that we
8 also do.

9 So in answer to your question, we provide
10 almost the exact same services that the county provides,
11 with a few exceptions. We can't do those handicapped
12 placards, those ones that you hang that you see, we can't
13 do those. We can't do visibility plates, but all the
14 other functions we provide, as well as notary service.

15 MS. CARAWAY: Can you tell me what your charges
16 are?

17 MR. WALKER: That's exactly my question.

18 MR. LAZZARI: They're listed in the report. Our
19 charges are \$12 for the registration and everybody is a
20 little different, but you're going to see between \$10 and
21 \$12 on registration and you're going to see between \$25
22 and \$30 on title transfers.

23 MS. CARAWAY: I'm sorry. What about other
24 services that you supply, do you charge extra for those as
25 well?

1 MR. LAZZARI: Well, we have other services.
2 Yes, depending on what they are, if we're doing copies or
3 if we're doing notary and stuff like that, yes, we do
4 charge in addition to that. But those services for the
5 title and registration and the transfer, those are our
6 sole source of income, so with caps on there, we can't
7 operate efficiently on that level. That would be like
8 them coming to you guys and saying, hey, you guys are
9 getting \$10 a transaction at DMV but guess what, we're
10 going to cut you down to \$2, so you lose 80 percent of
11 your revenue. We can't operate like that; we're on the
12 same page, we can't operate like that.

13 MR. WALKER: So you're \$12.50 on a
14 registration. That does or does not include the \$1.90 tax
15 assessor fee?

16 MR. LAZZARI: That's a good question. I can't
17 answer that.

18 MR. KUNTZ: For the record, Jeremiah Kuntz. On
19 page 24 there's a table of the current fees that are being
20 charged at the full-service deputy locations. Those fees
21 are in addition to any registration fees that the customer
22 would be required to pay, the base registration fee being
23 \$50.75, if there are any local county fees like the \$10
24 road and bridge fee, \$1.50 child safety seat fee, there's
25 a \$1 DPS fee and a \$1 automation fee. These fees would be

1 in addition to all of those, so this is what has been
2 referred to very frequently a convenience fee that is
3 assessed by the full-service deputy.

4 The \$1.90 that you're referring to that the
5 county is compensated comes out of the \$50.75 registration
6 fee, so when a customer pays \$50.75, \$1.90 goes to the
7 county, \$48.85 goes to the State of Texas and the State
8 Highway Fund, so you peel that off and they retain that
9 \$1.90 at the county level. So when a transaction does
10 occur at a full-service deputy, the full-service deputy
11 would get the convenience fee that they assess, the county
12 would still get the \$1.90 off of the registration
13 transaction.

14 MR. LAZZARI: Do you have any more questions?
15 Do you have a bottle of Johnny Walker?

16 MR. WALKER: I do but I saved that for
17 Representative Pickett and I later.

18 (General laughter.)

19 MR. LAZZARI: Thank you for your time.

20 MR. WALKER: Thank you very much for coming in.

21 Next let's call Stanley Wilson with Travis
22 County. You didn't have to travel as far, Stanley.

23 MR. WILSON: Good morning. For the record, my
24 name is Stanley Wilson, Travis County associate deputy of
25 revenue management, here representing Bruce Enfant. Bruce

1 is testifying this morning in front of the legislature.
2 He had planned to be here but didn't make it, so I had to
3 sign up to speak.

4 The model that we're using for our full-service
5 deputies is a model that's been in action for about 35
6 years within Travis County, 35 to 40 years. It's a tried
7 and true method. If you stop that model that we're
8 currently using -- and we've been using it, like I said,
9 for over 30 years. I've been in this position with Travis
10 County now for 23 years myself. I've been responsible for
11 interacting with the full-service deputies.

12 The cost to us, if we had to shut them down,
13 would be 20 additional staff. My model that I'm using
14 currently by using full-service deputies, I have the
15 lowest number -- we register over one million vehicles in
16 Travis County right now -- I have the lowest amount of
17 staff for the county by using the model that I'm using
18 with the title services. And I'm doing that because, like
19 I said, they're doing about 30 percent of our business,
20 and with them doing 30 percent of that business, that
21 allows me to have less staff that I'm charging to the
22 county. I would have to bring that work back in. Not
23 only am I having to do the staff, I would have to get a
24 place to put those people.

25 We already did a cost estimate. Just to bring

1 that work back in-house it would be over a million dollars
2 to the county, not considering what we would pay for space
3 needs to get the people to do that. Plus I'd have to get
4 additional computers from DMV to do that work.

5 We're happy with what Jeremiah and them have
6 done, I appreciate them for what they're doing, however,
7 the model we have and the people that are using that
8 service, they're using it as a convenience, they're not
9 using it because they can't get to our office, they're
10 using it because we have five locations in Travis County,
11 those other four locations that are there, the title
12 services are more convenient for people to get to than
13 coming to one of my locations. If they come to my
14 location, I have people standing in line at two of my
15 satellite offices right now, I don't have enough staff to
16 accommodate the folks.

17 You also will notice that most of my walk-in
18 customers at the end of the month, they're there because
19 they don't have credit cards, they're there because they
20 don't have computers, it's not because they can't get
21 online, it's the fact that they don't have the ability to
22 get online. Most of my customers walking in are state
23 workers and they're there because their pay cycle only
24 allows them their money at the end of the month to come I
25 and register their vehicle. And that's why the model that

1 we're using works so well for us because of the
2 convenience of going to other places.

3 One more thing I'd like to point out -- that's
4 pretty much it. Any questions?

5 MR. WALKER: I've got one question. What
6 percent of your volume is being pushed through the outside
7 deputies?

8 MR. WILSON: Thirty percent.

9 MR. WALKER: Thirty percent?

10 MR. WILSON: Yes, sir.

11 MR. WALKER: All right. Thanks.

12 MR. WILSON: Twenty percent of my
13 registrations.

14 MR. WALKER: How many people do you have
15 internally that do the transactions right now?

16 MR. WILSON: Fifty-seven.

17 MR. WALKER: Fifty-seven?

18 MR. WILSON: Yes, sir. That's including me,
19 but I don't touch any of that work.

20 MR. WALKER: Thank you very much. Appreciate
21 your time today.

22 MR. INGRAM: Quick question for Jeremiah. The
23 system doing it through internet, they'll take a debit
24 card, or is it just strictly credit cards?

25 MR. KUNTZ: It takes a credit card.

1 MR. INGRAM: It takes a credit card.

2 MR. KUNTZ: Correct.

3 MR. INGRAM: A debit card won't work.

4 MR. KUNTZ: If you have a Visa debit card, then
5 it would work, yes. As long as you have a Visa,
6 MasterCard, I believe we take American Express and
7 Discover.

8 MR. INGRAM: How about like PayPal?

9 MR. KUNTZ: We do not accept PayPal. I do not
10 believe we have ACH set up currently for online. Those
11 are additional things that could be added by the vendor,
12 but those are not currently available.

13 MR. INGRAM: Those are massive hindrances to
14 getting more adoption to going online.

15 MR. KUNTZ: Those are things that the agency
16 could look at. There are some opportunities to do that.
17 I'm not aware of anyone in the state right now that takes
18 PayPal. We have a vendor that has a contract with DIR to
19 provide credit card processing services for all state
20 agencies. If you do an online application and take
21 electronic payments, you're required to use them unless
22 you have an exemption. Currently NICUSA is the vendor
23 that has that contract, and so it takes negotiations with
24 them on the fees and everything else to be able to add
25 additional services.

1 But we do have other payment options that are
2 available for some of our other fees and permits that we
3 issue, and we've been going through a process of
4 evaluating all of those to see about whether or not ACH
5 and other electronic payment means are an option for us.
6 We're going to something that's called Common Checkout
7 with them, and we've been going through a process with all
8 of our applications to move to that Common Checkout.

9 MR. WALKER: I'd like to call now Michael
10 McDonald. Mike, you're speaking on 5.A. Right?

11 MR. McDONALD: Yes. I'll try to follow up with
12 what Mr. Uresti and Mr. Lazzari had to say.

13 About our businesses, it's purely a
14 convenience, and no one is forced to come to our
15 businesses.

16 MR. WALKER: Excuse me. Can I get you to state
17 your name for the record and who you're with?

18 MR. McDONALD: Yes, sir. Michael McDonald,
19 with Texas Auto Title.

20 MR. WALKER: Texas Auto Title?

21 MR. McDONALD: Yes, sir.

22 MR. WALKER: And you're where?

23 MR. McDONALD: Bexar County, Texas.

24 MR. WALKER: Okay. Thank you.

25 MR. McDONALD: No one is forced to come to us,

1 we're strictly a convenience. For example, I have an auto
2 dealer that's next door to me, he chooses to go to the
3 county. We're open Saturdays, we're open after hours.
4 People come in, they pull up to the front door. A lady
5 leaving at three o'clock with four kids, it saves her from
6 going downtown. It's a convenience. We get on the phone,
7 we call their insurance company, have them fax their
8 insurance when they need proof of insurance. We follow
9 through with anything they might need to help them.

10 And like I said, looking at the model study
11 which was \$4.06 for a registration, they're basically
12 cutting our convenience fee in half. We don't operate on
13 a 50 percent profit, not even close. I mean, it would
14 shut us down completely. And I just wanted to let you
15 know that it would be detrimental to our business, I
16 believe the tax collecting in Bexar County, it would be
17 detrimental to it, and it would be a great inconvenience
18 on the people of Bexar County, when we are simply a choice
19 that they choose to come to us, they don't have to.

20 Our fees are marked up on the wall, they know
21 there's a service fee when they come in. They come every
22 year. You know, you get a registration sticker once a
23 year. They choose to come back, you build a clientele.
24 They're businesses that have been built with our time, our
25 money over years, and it just would be completely

1 detrimental to us if they did cap at what we could charge
2 for a convenience fee. And I conclude at that.

3 Are there any questions?

4 MR. WALKER: I have one question. What are you
5 fees for your registration?

6 MR. McDONALD: For a registration fee is \$10
7 and for a title transfer is \$29. And I don't think I was
8 one of the title services in the study.

9 MR. WALKER: That's why I asked, I looked.
10 Thank you very much. I appreciate your time.

11 MR. McDONALD: You're very welcome.

12 MR. URESTI: Mr. Chairman?

13 MR. WALKER: Yes, sir.

14 MR. URESTI: Can I have 30 seconds more, just
15 one quick thing?

16 MR. WALKER: Yes.

17 MR. URESTI: Albert Uresti, Bexar County tax
18 assessor.

19 I know one of the concerns of the DMV Board and
20 I believe of DMV is that perhaps excessive charges. I can
21 tell you, as the Bexar County tax assessor, and I've made
22 this perfectly clear to all the owners of the title
23 service companies, if I catch anyone, any company in Bexar
24 County that is gouging our citizens, I will shut them
25 down. They have 24 hours notice is all I have to give

1 them, don't have to check with anybody else, and I'll shut
2 them down. And they will tell you that I have made that
3 perfectly clear. So I just wanted to stress that to you
4 that we do have a strong monitoring system in Bexar
5 County.

6 MR. WALKER: Thank you.

7 One of the comments that has been told to us is
8 that in the fee study that was done it does not take into
9 consideration outside services, the cost of operating a
10 title service, it is strictly -- and I don't think that
11 this agency was tasked by the legislature or the statute
12 to go out and assess what it costs to run private
13 businesses. The government is not typically in the
14 business of setting private enterprise's fees, I don't
15 want them setting my fees, so what we did was we primarily
16 looked at the cost fee studies that it costs to operate to
17 State of Texas's operations.

18 MR. KUNTZ: For the record, Jeremiah Kuntz.

19 The study was charged with looking at full-
20 service deputies, and while this is a private entity, they
21 are private companies, obviously private companies can
22 work for profit, the study and the amount that is
23 reflected in the report, the \$4.06, I believe, that was
24 referred to, is purely a cost for providing that
25 transaction, it does not take into consideration profit

1 margin. So I do want to make sure that we're very clear
2 there, TTI did not go in and make any assessments of any
3 profit margins.

4 The one thing that I do want to make sure that
5 we're clear, though, is that while these entities are
6 private entities, they are performing a governmental
7 function and they have to contract with a governmental
8 entity. There are many numerous private entities that
9 enter into contracts with government and provide
10 governmental functions, and those entities are still bound
11 by the State of Texas's statutes in how they may operate
12 and do business.

13 At this point the legislature, through 2202,
14 vested with this board the authority to set the
15 compensation levels that may be retained or charged by a
16 full-service deputy, limited-service deputy and county,
17 and through that you are charged with setting those
18 amounts. Obviously, those amounts are not being set
19 today. This report was merely the first step, as we've
20 referred, to try and assess what the cost of entering into
21 those contracts would be on a per transaction basis. That
22 does not limit your authority or ability to set a fee at
23 that amount, you still have full discretion to set
24 whatever fee you deem is appropriate for providing those
25 services.

1 MR. WALKER: Thank you, Jeremiah.

2 MR. BARNWELL: Call the question.

3 MR. WALKER: Call for the question. Thank you
4 very much.

5 So we have a motion by Mr. Rush, a second by
6 Mr. Barnwell, I think we have exhausted the comment
7 section of it, so all in favor of accepting the report,
8 signify by saying aye.

9 (A chorus of ayes.)

10 MR. WALKER: All opposed, same sign.

11 (No response.)

12 MR. WALKER: Motion carries, the agency will
13 accept the study.

14 I'd like to move on real quick to item 6.B.2
15 here, if I could real quick. Mr. Harbeson, could you come
16 forward?

17 I know I'm kind of jumping all over the table
18 today but I'm trying to accommodate the public so that
19 they don't have to sit here all day and wait for us.
20 There's somebody that wants to comment on this, so before
21 we go into executive session, I'm going to let you do this
22 so that I can hear their comments and then go into
23 executive session so they can leave if they want to.
24 6.B.2, Chapter 217, Vehicle Titles and Registrations.

25 MR. HARBESON: Yes, Mr. Chairman. My name is

1 Bill Harbeson. I'm the director of the Enforcement
2 Division.

3 If I could ask, were you trying to accommodate
4 Mr. Kieschnick?

5 MR. WALKER: I am.

6 MR. HARBESON: He's actually here to testify on
7 6.B.1, a section of that.

8 MR. WALKER: Can we cover both of these?

9 MR. HARBESON: We can. I think Mr. Avitia, and
10 the person carrying most of the water on 6.B.1 is Mr.
11 Duncan.

12 MR. WALKER: I'm sorry?

13 MR. HARBESON: Mr. Duncan is carrying 6.B.1
14 because it was his staff that actually championed this
15 part of the agenda.

16 MR. WALKER: So Mr. Kieschnick, you're wanting
17 to comment on 6.B.1. Is that correct?

18 MR. KIESCHNICK: (Speaking from audience.)
19 Yes, I am.

20 MR. WALKER: Okay. I'm sorry. I want to
21 correct that.

22 Why don't you let us lay out 6.B.1 first, and
23 then you can make your comments, because I don't know that
24 the board will know exactly what you're going to talk on.

25 MR. DUNCAN: Mr. Chairman, members, David

1 Duncan, general counsel.

2 As part of our ongoing rule reviews and going
3 through our rules and cleaning them up that we've been
4 working on for over a year, we took on 215 which is
5 obviously a major chapter of great interest to a large
6 portion of our regulated community. What we did on this
7 rule is we met extensively with Bill's staff and Daniel's
8 staff, my folks did for months, and worked on numerous
9 drafts of this rule.

10 We've shared copies of the rule with TADA,
11 TIADA, the motor home folks, Gulf States got a copy, and
12 we did that to prepare them because when you open this
13 thing up it looks really daunting, it looks like we've
14 changed lots and lots of stuff, but a lot of it is just
15 cleanup and reordering, the same thing we did when we
16 redid the VTR rules. There's a good summary beginning on
17 page 178 of your board books, and it talks about the
18 various subchapters and the changes that we made.

19 I'll leave it to Bill and Daniel to talk about
20 the things that they think are a little more substantive,
21 and one in particular that I believe that the TAC from
22 South Texas is here to comment on.

23 MR. HARBESON: Yes. Again, my name is Bill
24 Harbeson.

25 As David has pointed out, we went through the

1 chapter from start to finish, did a lot of reorganization.

2 There were some suggested changes in the advertising area
3 that were in large part based on our discussions with
4 TADA. We simplified some rules there and then we added
5 some other some rules where we were having difficulty.

6 Another particular area, and why Mr. Kieschnick
7 is here from Corpus, during the course of our reviews we
8 had a case that arose down in his area and he got very
9 much involved, to his credit, to try to protect his
10 constituents. We had a dealer that was selling a lot of
11 cars and not transferring titles. And during the
12 legislative session I met with Mr. Kieschnick and his
13 representative, and the question came is what can we do to
14 stop this.

15 And the problem was the case was well into the
16 administrative process and we were looking at ways to
17 possibly stop it, and looking at the rules, one of the
18 areas was the ability for the agency to order one of these
19 dealers that's having particularly big problems, how can
20 we more quickly stop him from taking advantage of
21 consumers. And the statute provides the agency with the
22 ability to order a cease and desist order, that is, to
23 immediately go in, and more particularly, an emergency
24 cease or ex parte cease and desist where without any sort
25 of hearing but based on an affidavit, the agency could go

1 in and stop this dealer until a hearing could be held so
2 that more consumers couldn't be taken advantage of.

3 So with that ability set out in the statute, I
4 talked to the legislator and Mr. Kieschnick and as part of
5 this rule review we've included section where the board
6 will delegate down to the director of the Motor Vehicle
7 Division the ability, upon presentation of evidence by
8 means of an affidavit, to actually order a dealer to cease
9 business until a hearing could be held. This would be an
10 extraordinary remedy that we would seek, and indeed, it
11 would be difficult to obtain such an order except in
12 extraordinary situations such as this where day-in and
13 day-out this dealer was taking advantage by taking
14 people's money, taking people's trade-ins, and not
15 transferring titles.

16 So Mr. Kieschnick was very involved in trying
17 to help, and again, was faced with the same frustration we
18 were of what can we do in a situation like this. So he
19 asked if he could come up and testify in support of this
20 particular section because of the situation he went
21 through down in Nueces County.

22 MR. WALKER: So I gather what's happening is
23 that somebody is selling cars and holding the titles and
24 not transferring those titles so that they don't have to
25 go out and repossess them, all they've got to do is go

1 pick them up?

2 MR. HARBESON: It's a little worse than that.
3 He actually was buying cars from other dealers so he had
4 possession of the vehicles. He would then sell the
5 vehicle and not pay the dealer that sold him the cars, the
6 auctions, individuals that sold him the cars, he was
7 keeping the money, and so the titles actually in some of
8 these situations were being held by other dealers who had
9 wholesaled the vehicles to him.

10 MR. WALKER: And he's not in jail?

11 MR. HARBESON: No, sir. And that was the
12 frustration, because we also tried to sell this case or
13 present it to the local DA, and we do that in situations
14 like this, and frankly, it's just a matter of not having
15 enough resources to get a DA interested in a case like
16 this.

17 MR. WALKER: That's stealing.

18 MR. HARBESON: Yes, sir. It could be
19 characterized as stealing.

20 MR. WALKER: And the DA doesn't want to
21 prosecute thieves?

22 MR. HARBESON: I think the difficulty is
23 because the car was placed in his possession and the
24 dealer actually has the ability to make this right by
25 getting the money together, paying off the titleholder,

1 getting the title then transferred. It's just a difficult
2 case to pursue and prove up.

3 MR. WALKER: So how do you tell a thief to quit
4 being a thief and accomplish anything through a cease and
5 desist order?

6 MR. HARBESON: Well, the cease and desist order
7 would in some way stop him from obtaining vehicles, such
8 as going through the auctions because the auctions would
9 see the license -- the auctions were looking for an excuse
10 not to sell him the car. It would at least provide law
11 enforcement the ability, the guy on the street to see that
12 he's actually operating with an order over him saying he
13 shouldn't be operating.

14 MR. WALKER: And what if he does continue to
15 operate, then where do we go? We have an Enforcement
16 Division, obviously.

17 MR. HARBESON: We then would go through the
18 AG's office or the DA's office to ask for assistance in
19 that situation.

20 MR. WALKER: Any more questions for Mr.
21 Harbeson real quick before we go to comments?

22 (No response.)

23 MR. WALKER: Mr. Kieschnick, you can come
24 forward now. State your name and tell us who you're with,
25 please. It is now 10:40.

1 MR. KIESCHNICK: Yes. I'm Kevin Kieschnick,
2 Nieces County tax assessor collector.

3 We actually had about, I want to say the number
4 was 141 complaints on this particular dealership, and it
5 started to unravel around the June-August time frame of
6 last year, and we started the process, the administrative
7 process. And the problem is that what this guy did then
8 is he would file appeals and he would be able to continue
9 to sell vehicles through that appeal process, and that's
10 the reason why we're requesting the cease and desist for
11 somebody who is doing this type of transaction.

12 The problem on the DA side -- and I'm not going
13 to speak for the DA, but this is really what we see with
14 general title fraud as a whole -- we tried to address
15 legislatively and increase the penalty because there's
16 really not much penalty attached to this statutorily for
17 failing to sell a vehicle without a title.. I believe the
18 penalty is \$50. That's a slap on the wrist. And so we
19 tried to address that through the legislative process as
20 well, but the problem is that, yes, we can put a lot out
21 there but it doesn't matter if you don't have a DA or your
22 DA doesn't have the staff to go out and pursue these
23 crimes when you've got higher profile crimes such as
24 essentially violent crimes, for example, that are going to
25 take priority over these and getting these to the books

1 takes quite some time to get somebody to get interested.

2 Montgomery County is probably the exception to
3 that rule where they actually have a prosecutor and
4 somebody assigned to actually go after title fraud and
5 those sorts of things, but most other counties don't have
6 those kind of resources because they don't have the tax
7 base to support it.

8 And so what we're really trying to do is stop
9 this in its tracks before it gets further down the road.
10 We can't force anybody to prosecute these things but if we
11 can somehow get a tool in place to where we can get them
12 stopped so they can't purchase vehicles, the dealers will
13 know that that particular dealerships GDN has been revoked
14 or has been a cease and desist, then there's no obligation
15 for them to continue to do business with them.

16 Primarily what we were seeing was he was
17 purchasing vehicles through a floor plan, not paying
18 those, and then transferring those vehicles off. So guess
19 what we got to do? We get to go through and basically get
20 these vehicles titled through a bonded process because
21 there's still liens out there. You've got two victims
22 now: you've got the victim who purchased the vehicle and
23 you've got the victim who still had prior interest in that
24 vehicle who wasn't paid off. And so it catches us in a
25 rock and a hard place.

1 Most of these vehicles are \$2-, \$3-, \$4,000
2 vehicles. These people don't have the income or the
3 ability to hire an attorney to go after him, and it's not
4 lucrative for an attorney to go after him from the
5 standpoint. And this guy is gone by now. He has a
6 history of doing this in the past.

7 So these are the reasons why we want to go
8 after and these are the people who the cease and desist
9 would be used for, it's not somebody who had a onesie,
10 twosie kind of thing, but somebody who's obviously had
11 issues. And we've also had local media involved and try
12 to get them so people would know not to buy cars from this
13 guy, but it just depends if they paid attention.

14 MR. WALKER: Who was the damaged party in most
15 of these cases, the consumer that bought the car and lost
16 the car?

17 MR. KIESCHNICK: It's really three. You've got
18 the State of Texas because this guy also wasn't turning in
19 the sales tax because he wasn't registering the vehicle,
20 so the Department wasn't getting the money they're due.
21 This guy was pocketing that money. You've got the person
22 who probably wasn't paid off or the lienholder who wasn't
23 paid off, and then you've got the party who's got a
24 vehicle. And I had one person who during this time frame
25 for some reason their vehicle got impounded because it

1 showed a different owner on record because he never
2 transferred the title. And so they've been paying for
3 temporary plates, the 30-day temporary permits, so they're
4 having to continue to shell out that money for those
5 temporary permits while this goes through.

6 MR. WALKER: So there's no financial interest
7 involved in this either.

8 MR. KIESCHNICK: They're probably are. I know
9 that Alice Chevrolet, I want to say that they had eight or
10 nine vehicles that he got from them that were not
11 purchased. I know that Sames Crow Ford in Corpus Christi
12 had eight or nine vehicles as well; those are just going
13 to be a loss for them as well. And then you've got the
14 individuals, and then there's the ones that we don't know
15 about that are still just driving unregistered. These are
16 just the numbers we know of.

17 MR. HARBESON: Mr. Chairman, unfortunately in
18 some of these cases people have traded in cars that were
19 subject to liens, so there's yet another set of people
20 that are being injured by this. Some of these consumers
21 have a car they bought and they traded in a car that was
22 subject to a lien. Of course, when they buy it, the hope
23 is that the dealer is going to be paying off, as part of
24 what they gave them, the outstanding lien on the trade-in,
25 so those are also involved in some of these cases.

1 MR. KIESCHNICK: You hit the nail on the head,
2 but getting somebody to go after them is the hard part.

3 MR. WALKER: So I've got to be careful what I'm
4 going to say now. I'm not so sure a cease and desist
5 order is going to prevent this from happening again in the
6 future because the guy just disappears.

7 MR. KIESCHNICK: Well, it potentially can when
8 you put that cease and desist attached to the GDN because
9 now the dealers know that his GDN has been essentially
10 revoked.

11 MR. WALKER: Well, like I'm sure that like
12 deputies, for example, we require them to be bonded by the
13 State of Texas in order to prevent a deputy from stealing
14 somebody's title or that kind of thing. So I guess auto
15 dealers are not required to be bonded?

16 MR. HARBESON: Yes, sir. Bill Harbeson.
17 They're required to have a \$25,000 bond to be licensed,
18 and in this particular situation -- and fortunately, this
19 doesn't happen very often that one of these dealers goes
20 in this direction, but that \$25,000 just doesn't last very
21 long in a situation like this.

22 MR. WALKER: This guy did have a bond in place?

23 MR. HARBESON: They have to have a bond to be
24 licensed. Yes, sir.

25 MR. WALKER: And so have they expended the

1 bond?

2 MR. HARBESON: I don't have any knowledge of
3 that, but I would expect that particularly with the number
4 of vehicles that we have involved in this, I'm sure that
5 bond has been looked to, but I can find that out for you.

6 MR. WALKER: Maybe would it not be more
7 appropriate to require a larger bond so that a bonding
8 company would take and look at the character of the dealer
9 before they issued the bond? They did that in the
10 trucking industry, they went from a \$10,000 bond to a
11 \$100,000 bond to keep trucking companies from doing
12 exactly this kind of thing.

13 MR. KIESCHNICK: In my opinion, I think that
14 would help, I think that would help tremendously. But
15 what you need to remember, though, is had we had a cease
16 and desist in effect, what happened was this guy, because
17 he was able to keep his license essentially through the
18 peak period which is February-March-April when tax refunds
19 are coming through, and he was able to stifle the process
20 through appeals, we were still able to get our hands on
21 him during that period because he was very much selling
22 cars during that time period and there wasn't a darn thing
23 we could do to stop it.

24 MR. WALKER: Does he have brick and mortar?

25 MR. KIESCHNICK: Yes. And he was also

1 curbstoning as well, we know that for a fact. We know
2 that he was selling vehicles out of the trunk of his car
3 on the sidewalks and on Sundays.

4 MS. BREWSTER: Mr. Chairman, if I might.
5 Whitney Brewster.

6 Is the delegation of cease and desist authority
7 going to be completely eliminate title fraud in these sort
8 of instances? The answer is no, but this is one step
9 forward for the agency. It allows us to move more quickly
10 and it also makes it more difficult for the dealer that's
11 committing these egregious acts.

12 So to your point, no, it's not going to
13 completely eliminate the issue but it will make it more
14 difficult and it will allow us to move more quickly.

15 MR. INGRAM: So if I may, I have a quick
16 question. So you have to file an affidavit. Who has to
17 file the affidavit, anybody? Can I file an affidavit on
18 my best competitor? I mean, who does the affidavit and
19 what kind of fact checking goes into the affidavit before
20 somebody would issue a cease and desist?

21 MR. HARBESON: My name is Bill Harbeson again.
22 The affidavit would be filed by staff, and in the cases
23 where we have actually done this, it would be an
24 investigator. And where we've had problems with this is
25 to meet the statutory burden for getting one of these

1 issued, we have to show immediate and irreparable harm to
2 the public, so it would be like an emergency TRO. So to
3 get it, it's difficult, so we would have to present that
4 to the division director of the DMV. And the statute
5 provides that the board can do this but the board can
6 delegate, and of course, the real problem is are we going
7 to have an immediate and irreparable danger to the public
8 three months from now. These are normally based on our
9 finding that he's turning and burning today, and so
10 therefore, we need to do something today.

11 The order that's issued, if this passes, by the
12 director, the requirement is that he has an immediate
13 ability to seek a hearing to determine whether it
14 continues in existence during the course of the hearing.

15 MR. INGRAM: And is that at SOAH, the hearing?

16 MR. HARBESON: The hearing on whether it
17 remains in effect would be at SOAH. And if the case was
18 already filed and going at SOAH, we would go to SOAH.
19 This is only in those situations prior to us actually
20 invoking SOAH's jurisdiction and having that judge
21 handling the case, so it's a very limited number of
22 situations where we'd ever even have an opportunity to use
23 this.

24 MR. SLOVACEK: Bill, what are we asked to do
25 today?

1 MR. HARBESON: Actually, today we're just
2 presenting the package for publication, and this was a
3 rather controversial part of the package in 215, so we
4 wanted to bring this to your attention, and Mr.
5 Kieschnick, again, because he had actually suffered
6 through this situation and when we were discussing tools,
7 as Ms. Brewster suggested, this is just another tool that
8 we're asking to have in our toolbox to use in these
9 situations.

10 MR. SLOVACEK: Do we need a motion?

11 MR. WALKER: To post the rule.

12 MR. KIESCHNICK: And we actually were going to
13 file legislation on this but we opted to go the rule route
14 first. If the board so chooses to not go this route, then
15 we'll probably file legislation next session to try to
16 stiffen it up somehow.

17 MR. RUSH: If you increase it to \$100,000 or
18 \$200,000 --

19 MR. WALKER: Marvin, turn your mic on.

20 MR. RUSH: Oh, I'm sorry. If you increase it
21 to \$100- or \$200,000, a lot of guys can still get that
22 bond, and what's that going to do if your guy does 25 cars
23 or 30 cars? You know what I mean?

24 MR. KIESCHNICK: It's just going to help. I
25 mean, it's not going to solve it.

1 MR. RUSH: It's not going to really stop
2 anything. There ought to be some other things we could do
3 to shut it down.

4 MR. KIESCHNICK: Well, that's why we want the
5 cease and desist.

6 MR. RUSH: I understand. But I don't think a
7 \$100- or \$200,000 bond is going to make a difference. A
8 crook is a crook and he's going to figure out a way to get
9 around it.

10 MR. WALKER: Put him in jail.

11 MR. RUSH: I understand. Put him in jail.

12 MR. WALKER: That's where they need to be.

13 MR. KIESCHNICK: I mean, I agree, but since
14 that's not working right now, we've got to come up with a
15 plan B.

16 MR. RUSH: I just think there needs to be some
17 other rules. I don't know what they are. I've been a
18 dealer since I was 16 years old, so I've seen a lot of
19 these things come and go in my lifetime.

20 MR. WALKER: That's only 30 years.

21 MR. RUSH: Let's see, 16 from 77 is what, 59?

22 MR. BARNWELL: I need a calculator.

23 (General laughter.)

24 MR. WALKER: I need a motion. I guess you want
25 to post this for comments.

1 MR. HARBESON: Unless the board had any other
2 questions about the 215 package.

3 MR. WALKER: Well, do you want to do 215 and
4 then we'll do 217 separate?

5 MR. HARBESON: Yes, sir.

6 MR. WALKER: I need a motion.

7 MR. RUSH: Well, what have we agreed on?

8 MR. BARNWELL: It's just for publication.

9 MR. WALKER: We just want to post it for public
10 comments is what we want to do.

11 MR. RUSH: I think there needs to be a lot more
12 bond than that, myself. It depends what cars. Today ten
13 cars is an easy quarter of a million, half a million
14 dollars. I think it's stupid to have a \$25,000, \$50,000
15 bond, because if they're going to be a crook, they're
16 going to be a crook.

17 MR. WALKER: I think Ms. Brewster would like to
18 make a comment about the statutory requirements of
19 bonding.

20 MS. BREWSTER: Whitney Brewster, for the
21 record.

22 The board nor the agency has the authority to
23 set the bond requirement, so that would be a statutory
24 change that would need to occur.

25 (General talking.)

1 MR. SLOVACEK: I move we post the item.

2 MR. WALKER: We have a motion to post for
3 public comment. I need a second.

4 MR. BARNWELL: Second.

5 MR. WALKER: We have a second from Mr.
6 Barnwell. Any comments?

7 (No response.)

8 MR. WALKER: All in favor signify by saying
9 aye.

10 (A chorus of ayes.)

11 MR. WALKER: All opposed same sign.

12 (No response.)

13 MR. WALKER: Motion carries unanimously.

14 Let's go to Mr. Harbeson, your item 6.B.2, real
15 quick on Chapter 217, please.

16 Mr. Kieschnick, thank you very much for your
17 comments. Appreciate you coming in here today from
18 Corpus.

19 MR. HARBESON: Yes. Item B.2 is a request to
20 publish for public comment amendments to Chapter 217. The
21 board may remember sometime ago we amended Chapter 215
22 that delegated certain order authority down to the
23 division director level, and these were cases that were
24 not tried at SOAH, cases not on the merit, these were
25 agreed orders, dismissals and default orders. Because

1 we've started to generate more cases in the salvage area,
2 we noticed that we hadn't at that time also delegated down
3 orders in the 217 area which handles these salvage
4 disciplinary cases.

5 So this amendment would delegate, as we did in
6 the 215 area, orders that were not tried at SOAH to the
7 division director level, cases that were not on the
8 merits. Again, those were agreed orders, settlements,
9 dismissals and default orders.

10 MR. SLOVACEK: I move we post this for public
11 comments.

12 MS. RUSH: Second.

13 MR. WALKER: We have a motion by Mr. Slovacek
14 to post Chapter 217, Vehicle Titles and Registration, we
15 have a second by Mr. Rush. Any comments?

16 (No response.)

17 MR. WALKER: All in favor signify by saying
18 aye.

19 (A chorus of ayes.)

20 MR. WALKER: All opposed same sign.

21 (No response.)

22 MR. WALKER: Motion carries unanimously.

23 Let's go real quick to Sandra Vice. Are you
24 still here? How long is it going to take you to give your
25 Internal Audit report?

1 MS. VICE: About five minutes.

2 MR. WALKER: Five minutes? You got it. Come
3 on. Let's go to item 4.A.2.

4 MS. VICE: For the record, I'm Sandra Vice,
5 Internal Audit director.

6 And on page 27 of your board book is the
7 internal audit status update that I'll be speaking from.
8 I'm going to present the status of audits in the current
9 audit plan, and then I'm going to give an update on an
10 external audit, and then I'm going to provide the results
11 of the division's first peer review.

12 So starting with the audit plan, we are still
13 completing work on the audit of titling processes and we
14 plan to provide you a report at the next board meeting.
15 We have also started another audit, it is one of the
16 agency's administration of agency's rules and statutes
17 through the tax assessor-collectors. There's a copy of
18 the engagement letter on page 28.

19 MR. WALKER: Excuse me, Sandra, just a second.

20 MS. VICE: Yes, sir.

21 MR. WALKER: I need to let the record reflect
22 that at 10:57 Mr. Slovacek has left the room to take care
23 of some personal business, he'll be right back.

24 MS. VICE: One of the audit objectives is to
25 compile TAC practices for the titling registration work

1 group, that's been mentioned today, for their
2 consideration in developing a TAC gold standard, and we
3 will provide a report to the board on that audit at the
4 end of August.

5 I wanted to share with you some good news. We
6 have undergone a quality assurance and improvement program
7 review. On page 30 is the results of that. It's two
8 pieces. One is an internal assessment which our division
9 does, and we have to do that on an annual basis and report
10 to you the results. And the other is an external
11 assessment where we have an independent team of auditors
12 come in and look at us, and that has to be done every
13 three years.

14 I want to report that on the external
15 assessment we had a team of two experienced auditors from
16 the Department of Family and Protective Services and the
17 Texas Workforce Commission. They were Hector Lozano and
18 Luis Solis, and they have concluded that the Internal
19 Audit Division is complying with Internal Audit Standards
20 and the Texas Internal Auditing Act. They have given us a
21 rating of pass, which I mentioned previously was our goal
22 and is the highest rating that an internal audit division
23 can receive.

24 Over here I want to recognize and commend my
25 team members, Arby Gonzalez and Derek Miller. If you'll

1 stand, please. They're smart and they're hardworking and
2 through their efforts we were able to get a pass. I also
3 want to thank the board for your guidance and your advice
4 and your support, and finally, the executive team and DMV
5 staff. They have a desire for continuous improvement
6 which is what auditors like to see, and they are very
7 cooperative. Very happy to report that.

8 The final item in my update is to let you know
9 that the State Auditor's Office has performed a portion of
10 the financial audit that they do annually on the state's
11 books basically. They do some of that work here at the
12 Department of Motor Vehicles, and for FY 2014 they had one
13 finding. It's included in my update. The agency has
14 already reported that they have implemented the
15 recommendation regarding that finding. The State
16 Auditor's Office plans to come in this year and follow up
17 on that finding.

18 That concludes my update. I'm available for
19 any questions.

20 MR. WALKER: Well, I don't have any questions
21 but I do have a comment.

22 MS. VICE: Yes, sir.

23 MR. WALKER: And that is that Board Member
24 Palacios is not here today, and he heads up our Finance
25 and Audit Committee, and so you kind of come directly

1 under his oversight and supervision. He was quite adamant
2 that I make sure that I make some comments that
3 acknowledge you and your team and that this report came
4 back absolutely glowing in favor that our auditors are, in
5 fact, doing an excellent job and so forth. So thank you
6 very much for the job you do, Sandra, you and your team of
7 guys. We appreciate that. And Mr. Palacios sends his
8 acknowledgment also. He couldn't be here today, he had a
9 meeting with the governor of New Mexico.

10 Thank you very much.

11 MR. WALKER: David, since you're sitting right
12 here, under 6.A.1, Chapter 206, Management.

13 MR. DUNCAN: I can do that.

14 MR. WALKER: And Jeremiah, why don't you come
15 on up here and we're going to hit both of these, 6.A.1 and
16 2 and I've got 3 also. And Jimmy, get ready.

17 MR. DUNCAN: David Duncan, TxDMV general
18 counsel again. Mr. Chairman, thank you, members.

19 This is an adoption package for a rule review
20 and rework of Chapter 206 which is the board's Management
21 chapter. It contains things like the rules that apply to
22 how your board meetings are held and comment times for
23 people, that sort of thing.

24 This is an unusual adoption in that we had
25 originally proposed to delete a subchapter of this. While

1 we were starting to do rule reviews on some other
2 chapters, we discovered that there were some cross-
3 references to that subchapter, so for now we're going to
4 go ahead and not adopt the repeal of a subchapter. As we
5 go forward and review those other subchapters, we're
6 probably going to look at repealing this later, but for
7 right now the one big change in this one is that we're
8 putting something back in that we had proposed to take
9 out.

10 Other than that, this was all cleanup and
11 reordering of the rule. We repealed some outdated or no
12 longer necessary provisions. We received no comments,
13 which is not surprising, pretty bland rule. And with
14 that, I would request your adoption of the rule changes
15 and the rule review.

16 MR. WALKER: I'd like to make a motion that we
17 adopt item 6.A.1 for the chapter on Management. I need a
18 second.

19 MS. CARAWAY: Second.

20 MR. WALKER: We have a second by Ms. Caraway.
21 Any comments?

22 (No response.)

23 MR. WALKER: All in favor signify by saying
24 aye.

25 (A chorus of ayes.)

1 MR. WALKER: Same sign opposed.

2 (No response.)

3 MR. WALKER: Motion carries unanimously.

4 Mr. Slovacek, you're back in the room, I think
5 you can come back up here. Let the record reflect it is
6 11:04 and Mr. Slovacek is back in the room, and now Mr.
7 Barnwell can exit if he wants so that I still have a
8 quorum.

9 MR. BARNWELL: That's okay.

10 MR. WALKER: You're going to wait.

11 MR. BARNWELL: I'm a young pup as you are, by
12 gosh.

13 MR. WALKER: Let's go to 6.A.2, Chapter 217,
14 Jeremiah Kuntz.

15 MR. KUNTZ: For the record, Jeremiah Kuntz,
16 director of Vehicle Titles and Registration.

17 Before you for final adoption is amendments to
18 Chapter 217, Vehicle Titles and Registration, Vehicle
19 Registration Insignia. This, as you are probably aware,
20 will fix an issue that we are anticipating relating to the
21 single sticker program. When new vehicles are sold, they
22 are given a two-year inspection but there's not a
23 requirement for a two-year registration sticker to be
24 applied to those vehicles. That presents a potential
25 problem for the registration and the inspection to be out

1 of sync, and so in order to try and resolve that to
2 prevent any second year registration issues for a
3 consumer, we proposed these rules that would require a
4 two-year registration be issued on a new vehicle to
5 coincide with the two-year inspection that is issued on
6 that vehicle at the same time.

7 We posted those rules, they were published in
8 February. We received one comment from TADA in support of
9 the rule, and we're looking to move forward with final
10 adoption.

11 MR. RUSH: Can I ask a question?

12 MR. KUNTZ: Yes, sir.

13 MR. RUSH: I've always run on a dealer plate,
14 so do I get the two-year sticker? Dealer plate is issued
15 once a year.

16 MR. KUNTZ: Your dealer plate is actually able
17 to be moved around from vehicle to vehicle.

18 MR. RUSH: As long as it's got a sticker on it,
19 you're okay?

20 MR. KUNTZ: Correct. And so it would be
21 unaffected by this.

22 MR. WALKER: So we need a motion to adopt item
23 6.A.2, Chapter 217, Motor Vehicles and Registration, two-
24 year extensions on the registration.

25 MR. RUSH: I make the motion.

1 MR. WALKER: We have a motion from Mr. Rush.
2 I'll make the second, Mr. Barnwell. I haven't got to do
3 that yet. Any comments?

4 (No response.)

5 MR. WALKER: All in favor signify by saying
6 aye.

7 (A chorus of ayes.)

8 MR. WALKER: All opposed same sign.

9 (No response.)

10 MR. WALKER: Motion carries unanimously.

11 Let's go to, while we've got Jeremiah sitting
12 up there, knock out 5.E, please.

13 MR. KUNTZ: Members, before you we have a
14 single license plate for your consideration. This license
15 plate is the World Wildlife Fund redesign, it is a My
16 Plates proposed plate. As you will see, this is the
17 original plate which is the plate that you see on the
18 right-hand side of the board. It is being redesigned with
19 the new logo for the World Wildlife Fund, that's the plate
20 that you see over here on the left.

21 MR. SLOVACEK: Had we already approved the
22 first one?

23 MR. KUNTZ: The first one is in production
24 today, so this is purely a redesign of the existing plate.

25 MR. SLOVACEK: I move we approve it.

1 MR. RUSH: Second.

2 MR. WALKER: We have a motion from Mr.
3 Slovacek, we have a second from Mr. Rush to move forward
4 with the redesign of the Wildlife Federation plate. Any
5 comments, any questions?

6 (No response.)

7 MR. WALKER: All in favor signify by saying
8 aye.

9 (A chorus of ayes.)

10 MR. WALKER: All opposed same sign.

11 (No response.)

12 MR. WALKER: Motion carries unanimously.

13 Mr. Archer, let's go to you real quick under
14 item 6.A.3.

15 MR. ARCHER: Members of the Board, for the
16 record, my name is Jimmy Archer. I'm director of the
17 Motor Carrier Division.

18 For the board's consideration, this is
19 requested adoption of amendments to the following rules to
20 be published in the Texas Register related to oversize and
21 overweight vehicles. 43 Texas Administrative Code,
22 Sections 219.1 through 219.3, Sections 219.11 through
23 219.17, Section 219.30, Sections 219.41 through 219.45,
24 Sections 219.61 through 219.64, Section 219.82 and Section
25 219.124 through 219.126.

1 The proposed amendments were presented to the
2 board at the February board meeting and the changes to
3 these rules are not substantive in nature but are general
4 cleanup and do the following: they change references from
5 TxDOT to Texas Department of Motor Vehicles where
6 applicable, they change references to Motor Carrier
7 Division to the correct authority under statute, change
8 Texas Transportation Commission references to the Texas
9 DMV Board, change references to the old Chapter 28 to new
10 Chapter 219, and Chapter 18 to Chapter 218, revise
11 terminology to be consistent with other department rules
12 and current practices, as well as add, delete and modify
13 certain definitions, and eliminate redundancy by removing
14 some language from the chapter that is already in the
15 Transportation Code, as well as ensuring that rules are
16 consistent with law.

17 Again, these rules were presented to you at the
18 February 13 board meeting and published in the Register on
19 March 6, with the comment period ending on April 6, and no
20 comments were received. If the proposed amendments are
21 adopted by the board, staff anticipates publication in the
22 Texas Register on or about June 19, with an effective date
23 of June 28.

24 I respectfully ask that the board approve this
25 adoption.

1 MR. BARNWELL: Mr. Chairman, I move that the
2 proposed amendments be approved for publication.

3 MR. WALKER: We have a motion from Mr. Barnwell
4 to accept the proposal.

5 MR. INGRAM: Are we publishing or are we
6 adopting?

7 MR. WALKER: Adopting. I'm sorry. Thank you,
8 Blake. Adopting the rules.

9 We have a motion from Mr. Barnwell. I need a
10 second.

11 MS. CARAWAY: Second.

12 MR. WALKER: We have a second from Ms. Caraway.
13 Any questions or comments?

14 (No response.)

15 MR. WALKER: All in favor signify by saying
16 aye.

17 (A chorus of ayes.)

18 MR. WALKER: All opposed same sign.

19 (No response.)

20 MR. WALKER: Motion carries unanimously.

21 Mr. Kuntz, I have a question for you. I think
22 we have covered item 4.C.3. Are there any additional
23 comments that you need to make on the deputy rule fee
24 update? I don't have it that we did that but we've kind
25 of exhausted the topic. I don't know if there's anything

1 else you want to go over.

2 MR. KUNTZ: For the record, Jeremiah Kuntz,
3 director of Vehicle Titles and Registration.

4 Item C.3, Deputy fee rule update, just a quick
5 update, as we said earlier, we'll be having a working
6 group meeting on the 3rd and we'll be taking up and
7 considering that. We've already got the agenda set for
8 that and have notified the work group members. That's
9 really the extent. We didn't cover a lot of the topics
10 that we'll be talking about on item 5.A.

11 MR. WALKER: And that committee is starting and
12 they're meeting when, Ms. Caraway? Thursday next week, or
13 Wednesday?

14 MR. KUNTZ: It's the 3rd, and I believe the
15 meeting starts at one o'clock.

16 MR. WALKER: June 3 at 1:00.

17 MR. KUNTZ: From 1:00 to 5:00, I believe is
18 what we've got it scheduled for.

19 MR. WALKER: Okay. Thank you very much.

20 Ms. Flores, do you have anything further to
21 talk about on the headquarters relocation?

22 Linda, are you limping? Is that too much
23 tennis or golf, which is it?

24 MS. FLORES: Zumba.

25 (General laughter.)

1 MS. FLORES: For the record, Linda Flores, CFO
2 for the Texas Department of Motor Vehicles.

3 I've already kind of briefed you about the
4 facility. The only thing I can provide is that we are
5 setting up a meeting between Ms. Brewster and the
6 executive director from Texas Facilities Commission next
7 week to discuss next steps for the acquisition of a
8 building. And as you know, Bull Creek has been sold, we
9 do have a three-year leaseback. We are supposed to
10 provide 12 months' notice if we vacate sooner than that
11 three-year lease.

12 MR. WALKER: So I have just a real quick
13 question. What do we anticipate a timeline on finding,
14 identifying a piece of property, getting architectural
15 drawings and building a facility? Because in this budget
16 deal it shows that to be completed by 2016, I think, and I
17 don't know that that's possible.

18 MS. FLORES: Normally the acquisition of land
19 and the construction of a brand new building is in excess
20 of four years, so that is what the discussion is going to
21 be with the executive director next week of Texas
22 Facilities Commission because there is an alternative
23 option and that is to find a shell building somewhere with
24 an Austin address -- that was one of the requirements that
25 we were given -- and renovate it to our specifications, if

1 you will. And that would be a lot quicker than going out
2 and identifying nine acres, between nine and eleven acres
3 of land that we would need.

4 MS. BREWSTER: Mr. Chairman. Whitney Brewster,
5 for the record.

6 I think we'll know a lot more after we have
7 that meeting with Mr. Hildebrandi.

8 MR. WALKER: When is that meeting?

9 MS. BREWSTER: It's next week.

10 MS. FLORES: June 4.

11 MS. BREWSTER: Thank you.

12 MR. WALKER: Do I need to come here June 3 and
13 4?

14 MS. BREWSTER: Mr. Chairman, you're always
15 welcome to attend any meeting you would like, but it is
16 not required. Now that believe that we will get the
17 funding for a new facility, just working out between the
18 two agencies what those next steps are and what kind of
19 timing we're looking at.

20 MR. WALKER: So how much latitude or authority
21 do we have in the actual selection of the location?

22 MS. FLORES: We will have a place at the table
23 to make that decision.

24 MR. WALKER: And I guess the next question
25 which is somewhat relevant, I think, is have we done a

1 demographic survey of our employees to say where do most
2 of our people reside?

3 MS. FLORES: We have.

4 MR. WALKER: And where would that be?

5 MS. FLORES: Seventy percent of our staff live
6 up north.

7 MS. BREWSTER: North Austin, 30 percent south.

8 MS. FLORES: And 30 percent are south.

9 MR. WALKER: Nobody central?

10 MS. FLORES: I'm sure there are some central
11 folks around.

12 MR. WALKER: Okay. Well, I'm excited about the
13 prospects of this project going forward.

14 MS. FLORES: Yes, sir. So are we. Thank you.

15 MR. WALKER: And let's bring Ms. Judy Sandberg.

16 MS. SANDBERG: Good morning. For the record,
17 Judy Sandberg, director of the Enterprise Project
18 Management Office.

19 I'm here this morning to provide you an update
20 on selected enterprise projects that are in progress, and
21 later in the agenda we will be presenting an item for your
22 consideration regarding the LACE project.

23 I'm referring to information that is in your
24 briefing book beginning on page 52 and proceeding to page
25 53. I'm happy to report to you that since September 1 we

1 have closed four projects: one regarding active directory
2 in the email password sync which closed in April, single
3 sticker phase 1 closed in March, a portion of our
4 communications program --

5 (General talking and laughter.)

6 MR. WALKER: Excuse me, Judy. I'm sorry.

7 MS. SANDBERG: That's quite all right.

8 MR. BARNWELL: Are you okay, Judy?

9 MS. SANDBERG: I think I can carry on.

10 MR. BARNWELL: I know I'm not.

11 MR. WALKER: I was trying to wake him up; he
12 was sleeping down there.

13 MS. SANDBERG: Well, I know this is
14 scintillating.

15 Communications project, the headquarters
16 portion of the communications project which was the
17 installation of the new VoIP telephones and cabling has
18 actually been completed, and as you know, temp permits was
19 completed in October.

20 And I am also very pleased to report to you
21 that two of the agency's projects were nominated for Best
22 of Texas Awards, and one of those projects, NMVTIS, was
23 actually selected as the winner for the best application
24 serving the public, and so agency staff will be attending
25 those ceremonies soon to receive that award on behalf of

1 the entire agency. Temp permit was also nominated for
2 best application serving an agency's business needs.

3 Moving on, I wanted to let you know that we
4 have started working on single sticker phase 2. We are in
5 the process of hiring a project manager, but learning
6 lessons from our previous project on single sticker, we've
7 already begun working with staff and involving a business
8 analyst to start defining requirements for this second
9 phase of single sticker, and our governance team actually
10 approved the formal project for phase 2. We are waiting
11 for the final results of legislation to determine the
12 impacts that might be involved with our Motor Carrier
13 Division in order to fully know what the requirements for
14 phase 2 may involve, but we are getting started on phase
15 2.

16 The WebDealer project is moving along in a
17 green state. We, on May 10 implemented a new phase, the
18 commercial fleet buyers portion, successfully, and we are
19 moving on to the next phase which is salvage which we've
20 already begun work on, gathering requirements, I think
21 we're nearing completion of gathering requirements, so we
22 continue to move forward with WebDealer.

23 We had a milestone event since we last met, the
24 100,000th title was actually issued out of WebDealer, and
25 both VTR staff and the change management staff from our

1 Government and Strategic Communication group have been
2 focusing specifically on how to improve adoption trends.
3 Earlier our executive director referred to key performance
4 indicators. One of those for VTR is the adoption rate,
5 and they are a little above the target of 5 percent,
6 achieving 5.56 percent.

7 Moving on to the refactoring of RTS, first
8 speaking about phase 1 which is, as you know, implementing
9 refactored point of sale, the product actually used by the
10 regional service centers and the counties. We are on
11 target in having implemented that over the last couple of
12 weeks, and all of the regional service centers, except
13 Wichita Falls. Wichita Falls will be scheduled in the
14 near future. We are proceeding with one county this
15 weekend. We were scheduled to proceed with four counties.

16 Lessons that we learned in deploying to the
17 regional service centers made us realize that we needed to
18 really streamline our deployment process, and so the
19 executives discussed this with the project team during the
20 last week and also coordinated with the five counties who
21 were originally included in our pilot phase 1-B that was
22 to deploy this weekend and decided it would be best to
23 proceed with one county, that's Bell County. And Jeremiah
24 coordinated with Bell County and they have been willing to
25 proceed this weekend. We have started deployment

1 activities already today, and several agency staff, as
2 well as staff from our vendor, Deloitte, will be on site
3 at the four offices at Bell County this weekend and again
4 on Monday to help ensure things proceed smoothly.

5 After we get through the deployment to Bell
6 County, we'll reassess how that went, what new lessons did
7 we learn, have we further streamlined that deployment to
8 the point to make sure that we provide a good experience
9 for the counties and that we provide as much support as
10 possible for them as they transition to using the new
11 refactored RTS. We'll revisit the rest of the schedule
12 for deployment of the counties and we will share that
13 information with you and with Laura Ryan. We've
14 coordinated closely with her on some of these changes in
15 the schedule, and we'll be sure to keep you informed.

16 We're also coordinating closely, keeping the
17 county offices informed about our plans. We'll know more
18 after we get through the Bell County deployment this
19 weekend exactly what the impacts to the rest of the
20 schedule will be next week.

21 Moving on to phase 2 of the refactored RTS
22 project, which is actually moving the data off of the
23 mainframe onto the new server environments, we've reported
24 to you previously that we've experienced some schedule
25 slippage, particularly in the area of testing. We have

1 seen a delay in the integration testing to be performed by
2 Deloitte. They've encountered some pretty extensive, very
3 challenging and difficult technical issues with the COBOL
4 programming that they need to move off the mainframe.

5 Staff from our IT division have been very
6 involved in assisting with that, but that has presented a
7 domino effect, delaying not only the completion of the
8 integration testing, that's now had an impact on systems
9 testing, and we also believe -- in fact, Deloitte has
10 communicated to us a suggested revised schedule to extend
11 time persistence testing and postpone the start of user
12 acceptance testing.

13 So Deloitte still believes that they can meet
14 the August 3 date for moving off of the mainframe. We are
15 concerned that it may be at risk, but we will be having
16 some meetings this week within the agency to really
17 seriously look at that schedule. We've been very focused
18 on the point of sale deployment for counties, and after we
19 get through this weekend we will really focus on this new
20 testing schedule proposed by Deloitte to determine what
21 our options are.

22 That brings me to the LACE project which, as
23 you know, has been delayed. We've reported that also to
24 you in the past. It's currently been delayed while we go
25 through some procurement processes to get a services

1 vendor onboard. We're approaching a point where we may be
2 able to award a services contract, but because we're still
3 in those negotiation stages, there's a limited amount of
4 information that I can share about some of the specifics
5 related to that. We do know that we are facing some
6 budget constraints and later on the agenda we actually
7 have an item for your consideration regarding the budget
8 and the contracts associated with the LACE project.

9 That concludes my presentation. Do you have
10 any questions?

11 MR. INGRAM: Judy, I have one question. On the
12 LACE, I can't remember, are we actually hiring someone to
13 rewrite LACE or are we just simply moving LACE as is?
14 Because I know it's a different program, different
15 language, different everything.

16 MS. SANDBERG: We're not actually moving LACE,
17 we are actually looking at trying to find a product that
18 may be partially built that could then be customized, so
19 not necessarily writing it from scratch but definitely
20 replacing the current.

21 MR. INGRAM: So it's a full replacement, we're
22 just trying to find something in the can that can be
23 modified.

24 MS. SANDBERG: Yes, that's right.

25 MR. INGRAM: Thank you.

1 MR. WALKER: Okay. Judy, thank you very, very
2 much, and I don't know that anybody in the room or anybody
3 on the board realizes how much that you, and I think Laura
4 may be watching on TV today, but I know the two of you
5 have really, really been troopers and stepped up to work
6 very hard. I know that you're with Ms. Ryan at least
7 weekly on a conference call as to the status of all these
8 projects.

9 So Laura, if you're out there watching online,
10 I want to thank you also for all that you're doing for the
11 agency for keeping on top of these projects and keeping
12 them pretty much all in a green light or yellow light
13 section over there.

14 And before I take a break here -- which I'm
15 fixing to do right now -- I also want to thank Mr.
16 Slovacek over here. We're coming to the end of our
17 legislative session, and I know that Joe was working very
18 closely with Caroline and his committee over there for all
19 that, and so you'll get to sit back, Joe, and kind of take
20 a little bit of a breather there and leave Caroline alone
21 and let her get back to what she needs to do. So thank
22 you for all you did during the session. I appreciate
23 that.

24 And with that, I think what we're fixing to do
25 is it is now 11:29, we're fixing to go into a closed

1 session of the board. This is under Section 551.071 and
2 Section 551.074 of the Government Code.

3 For those in the audience, I anticipate that we
4 probably are going to be in there for 30 to 45 minutes.
5 They told me about an hour but I think I'm going to
6 probably wing that back somewhat. And I don't think that
7 there's a whole lot of business, we've pretty much
8 conducted most of the business today, I think we have two
9 items left that we will need to come back and talk about
10 after that, but I don't anticipate a whole lot of time.

11 MS. BREWSTER: Three items.

12 MR. WALKER: There's three items that we need
13 to finish up, but I don't anticipate. So I thank all of
14 you for attending today, and we're going to go into
15 executive session and we'll be back out in about 45
16 minutes.

17 (Whereupon, at 11:29 a.m., the meeting was
18 recessed, to reconvene this same day, Friday, May 29,
19 2015, following conclusion of the executive session.)

20 MR. WALKER: It is now approximately 12:33 on
21 May 29, 2015 The Board of the Texas Department of Motor
22 Vehicles is now in open session. We want to note for the
23 record that no action was taken in the closed session.

24 So let's now move on to item number 5.B,
25 Licensing, administration, consumer affairs and

1 enforcement, LACE. Judy Sandberg, please come forward.
2 Thank you.

3 MS. SANDBERG: Judy Sandberg.

4 Members, you have seen the LACE replacement
5 project on the ETMO project tracking reports for several
6 years. You will recall that the project has been delayed
7 several times due to conflicting priorities and other
8 project schedules, however, we are now at the point of
9 soliciting and negotiating contracts for the various
10 components of the project and wish to seek your
11 concurrence with the staff's proposed contracting
12 approach.

13 We plan to obtain a primary services contractor
14 to perform the upgrade of the system, an independent
15 verification and validation contractor to oversee the
16 primary services provider, just as we have done with RTS
17 refactoring project, and through additional contracts
18 obtain the software necessary to support the upgraded LACE
19 system.

20 While we cannot get into specifics about the
21 dollars available for the various components of the
22 project, we are aware that the budget for this project may
23 need to increase. Our CFO, Ms. Flores, is aware of this
24 fact and has identified sufficient funds in the automation
25 budget to cover any needed additional expense.

1 The anticipated contracts are all delegated to
2 the executive director for signature under the board's
3 existing contract delegation document, since all services
4 and software will be obtained through the existing DIR
5 vendor agreements. However, staff wanted to ensure that
6 the board sees this group of contracts, as they will
7 exceed \$1 million together, and the recent directive from
8 Governor Abbott directs that all state agency contracts in
9 excess of \$1 million should be signed by the board chair
10 or expressly delegated.

11 We are available to answer questions, although
12 we may pause for consultation with general counsel and/or
13 purchasing experts if the answer would reveal any of our
14 negotiating positions on the various contracts.

15 MR. WALKER: Do we have a motion?

16 MR. RUSH: I move to authorize the agency's
17 executive director, or her designee, to select best value
18 vendors for elements of the LACE replacement project
19 funded by the TxDMV automation fund, and to negotiate and
20 execute appropriation contracts with those vendors in
21 consultation with the chairman and the vice chair.

22 MR. WALKER: We have a motion. Do we have a
23 second?

24 MR. INGRAM: Second.

25 MR. WALKER: Any questions, comments?

1 (No response.)

2 MR. WALKER: All in favor signify by saying
3 aye.

4 (A chorus of ayes.)

5 MR. WALKER: All opposed same sign.

6 (No response.)

7 MR. WALKER: Motion carries unanimously.

8 Let's go to item 5.C, Linda Flores on the Waco
9 facility, I believe.

10 MS. FLORES: Linda Flores, CFO for the
11 Department of Motor Vehicles. Good afternoon

12 I'm here before you to request board approval
13 to enter into a second five-year term lease at the Waco
14 Regional Service Center. This regional service center
15 houses approximately eight FTEs with a square footage of
16 2,300 square feet. The property is located at 2203 Austin
17 Avenue in Waco, Texas.

18 The rent is expected to start out at
19 approximately \$39,000 in the upcoming fiscal year, and by
20 the end of the five-year term it's supposed to go up to
21 about \$44,000. A CTI is automatically built into the
22 lease term and we estimate that CTI to be approximately
23 \$1,200 per year. Consumer price index. The lease payment
24 is not inclusive of utilities, janitorial general
25 maintenance which is handled separately.

1 I'm available to answer any questions.

2 MR. WALKER: What's the total value of the
3 contract?

4 MS. FLORES: \$209.131.

5 MR. WALKER: So that's why it takes board
6 action then.

7 MS. FLORES: Yes, sir.

8 MR. WALKER: Do I have a motion to enter into
9 the lease contract in Waco?

10 MR. BARNWELL: I move to authorize the agency's
11 executive director, or her designee, to negotiate and
12 execute, in conjunction with the Texas Facilities
13 Commission, a contract renewal for the Waco Regional
14 Service Center lease for an additional five-year term,
15 effective September 1, 2015 through August 31, 2020. In
16 addition, I also move to authorize the agency's executive
17 director to approve any amendments to that contract with
18 the approval of the chairman.

19 MR. WALKER: We have a motion. Do we have a
20 second?

21 MR. RUSH: Second.

22 MR. WALKER: We have a second by Mr. Rush. Any
23 comments or questions?

24 (No response.)

25 MR. INGRAM: I have just one comment. The

1 square footage again?

2 MS. FLORES: 2,300 square feet.

3 MR. INGRAM: That was my only question.

4 MR. WALKER: All in favor signify by saying
5 aye.

6 (A chorus of ayes.)

7 MR. WALKER: All opposed same sign.

8 (No response.)

9 MR. WALKER: Motion carries unanimously.
10 Let's go to item 5.D, security services
11 contract, regional service centers.

12 MS. FLORES: For the record, Linda Flores, CFO
13 for the agency. With me is Jeremiah Kuntz, director of
14 VTR, and Eric Obermier, the chief information officer for
15 the agency. This is a collaborative effort between the
16 three areas, and we're requesting authority for the
17 agency's executive director, or her designee, to determine
18 best value vendor to install security systems in all 16
19 regional service centers.

20 Staff has been in the process of visiting each
21 regional service for the last two weeks. Today is the
22 last day where the purchasing staff will come back to
23 Austin, they've been visiting each center to perform site
24 visits of the physical locations and what's going to be
25 required for the potential bidders to include in their

1 bid.

2 This is a capital item that was appropriated to
3 the agency during the current biennium and it will provide
4 cameras, badge entry, emergency door releases, 24-hour
5 security monitoring, as well as courier services for
6 Dallas, San Antonio, Fort Worth and Houston and El Paso.

7 And we're available to answer any questions
8 that you may have.

9 MR. WALKER: I have a question before we put it
10 up for vote. I heard you say vendors, so I'm going to
11 assume that we're going to bid each location individually,
12 or are we bidding it as one group?

13 MS. FLORES: It is one group, and the potential
14 bidders will be required to make all of those site visits
15 if they want to be included in that bid award, or
16 considered in that bid.

17 MR. WALKER: So it has to be somebody capable
18 for doing work in multiple cities?

19 MS. FLORES: Yes, sir.

20 MR. WALKER: And did we look at the alternative
21 of, say, bid it in Houston and bid it in Dallas and bid it
22 in Austin individually?

23 MS. FLORES: We did not.

24 MR. WALKER: Would that not be a more prudent
25 inexpensive way to do it where we have local vendors do

1 the work instead of a big chain that travels around?

2 MS. FLORES: I'm going to ask David Chambers,
3 the director of Purchasing, to come to the table.

4 MR. CHAMBERS: For the record, my name is David
5 Chambers, and I'm the director of Purchasing.

6 The reason we did not consider using multiple
7 bidding sources is to ensure that we had consistent
8 equipment in all locations so we could have consecutive
9 monitoring in all the facilities.

10 MR. WALKER: Well, I don't think the staff
11 would like my recommendation, but my recommendation would
12 be that before we make a determination on this, we
13 probably ought to go back and look at individual bids for
14 the locations separately and see how that fares price-
15 wise. I mean, I can buy a Peterbilt truck in Dallas from
16 a dealer there and get one in San Antonio.

17 MR. RUSH: No, you can't, same owner.

18 MR. WALKER: I'm saying I'm going to get the
19 same quality of product at both places is what I'm trying
20 to say.

21 MR. RUSH: But you don't get the same price
22 because of price fixing.

23 (General laughter.)

24 MR. WALKER: Let's take a break for just one
25 second.

1 (Whereupon, a brief recess was taken.)

2 MR. WALKER: So we're back on the record here.

3 So let's go back and just kind of clarify, Linda, if we
4 could, on the vendor selection process, would you please?

5 MS. FLORES: Yes, sir. So we have multiple
6 vendors who are performing site visits and they're just
7 taking a look at the physical locations to determine
8 what's going to be needed with the way of the cabling, the
9 electrical boxes, to install the specified equipment that
10 we have requested. Once they do that, they complete that
11 process, they're going to go back to their offices and put
12 together their bid. They will submit those bids to the
13 agency and we'll evaluate those bids and determine what is
14 the best value for the State of Texas with regards to the
15 installation of this equipment. It could be one vendor,
16 it could be multiple vendors.

17 So what we're asking is the board to authorize
18 the executive director to negotiate and execute, in
19 consultation with the board chair, the appropriate
20 contract for these services within the budget amount that
21 the agency has been appropriated.

22 MR. WALKER: So I'm onboard right now, now that
23 we've discussed that it is multiple vendors and multiple
24 locations.

25 So do we have a motion to allow the executive

1 director to have this authority?

2 MR. RUSH: I make a motion.

3 MR. WALKER: Somebody has the script. Luanne
4 does.

5 MS. CARAWAY: I do. I move to authorize the
6 agency's executive director, or her designee, to select
7 the best value vendor or vendors to provide security
8 systems and services for the 16 TxDMV regional service
9 centers, and to negotiate and execute, in consultation
10 with the board chairman, appropriate contracts to obtain
11 those services within the budget amounts previously
12 approved by the board.

13 MR. WALKER: We have a motion by Ms. Caraway.
14 Do we have a second?

15 MR. BARNWELL: Second.

16 MR. WALKER: We have a second by Mr. Barnwell.
17 Any further comments or questions?

18 (No response.)

19 MR. WALKER: I have a question. This is for
20 all 16 facilities?

21 MS. FLORES: Yes, sir.

22 MR. WALKER: We did not put in a system when we
23 did Houston here recently?

24 MS. FLORES: What we put in was just basic
25 cabling in anticipation of the monitoring and security

1 system.

2 MR. WALKER: But we did put in the card key
3 system and everything in Houston, did we not?

4 MS. FLORES: That's not in there yet.

5 MR. WALKER: It's not in there yet. Okay.

6 MS. FLORES: We have real keys.

7 MR. WALKER: I knew that we had concern that we
8 were going to get that done; I thought it had gotten done.

9 All in favor signify by saying aye.

10 (A chorus of ayes.)

11 MR. WALKER: All opposed same sign.

12 (No response.)

13 MR. WALKER: Motion carries.

14 And I think that that pretty much concludes
15 everything on today's agenda, and if that's the case, I
16 will take a motion.

17 MR. INGRAM: So moved.

18 MR. RUSH: Second.

19 MR. WALKER: Multiples. Nobody is enthusiastic
20 about that, are they? So we have a motion by Mr. Blake
21 Ingram and I have a second by Mr. Rush.

22 All in favor signify by saying aye.

23 (A chorus of ayes.)

24 MR. WALKER: Thank you very much. Appreciate
25 your time.

1 (Whereupon, at 12:49 p.m., the meeting was
2 concluded.)
3

C E R T I F I C A T E

MEETING OF: TxDMV Board

LOCATION: Austin, Texas

DATE: May 29, 2015

I do hereby certify that the foregoing pages,
numbers 1 through 155, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Nancy H. King before the
Texas Department of Motor Vehicles.

/s/ Nancy H. King 06/08/2015

On the Record Reporting
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