

TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

8:05 a.m.
Thursday,
April 7, 2016

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

Laura Ryan, Chair
Raymond Palacios, Vice Chair
Robert "Barney" Barnwell, III
Luanne Caraway
Blake Ingram
Marvin Rush (absent)
Gary Swindle
Memo Treviño
Johnny Walker

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from legal counsel regarding:

1. pending or contemplated litigation, or a settlement offer;
2. a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Government Code, Chapter 551; or
3. any item on this agenda.

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P R O C E E D I N G S

1
2 MS. RYAN: Good morning. Good morning. My
3 name is Laura Ryan. I am pleased to open the board
4 meeting of the Texas Department of Motor Vehicles. It is
5 8:05 a.m. and I am now calling the board meeting for April
6 7, 2016 to order.

7 I want to note for the record that the public
8 notice of this meeting containing all items on the agenda
9 was filed with the Office of the Secretary of State on
10 March 30, 2016. Before we begin today's meeting, please
11 place all cell phones and other communication devices in a
12 silent mode and please as a courtesy to others do not
13 carry on side conversations or other activities in the
14 meeting.

15 If you wish to address the board or speak on an
16 agenda item during today's meeting, please complete a
17 speaker sheet at the registration table. Please identify
18 on the sheet the specific item you are interested in
19 commenting on and indicate if you wish to appear before
20 the board and present your comment or if you wish to only
21 have your written comment read into the record.

22 If your comment does not pertain to a specific
23 agenda item, we will take your comment during the general
24 public comment portion of the meeting. In accordance with
25 Department administration rule, comments to the board will

1 be limited to three minutes. To assist each speaker, a
2 timer has been provided. The timer light will be green
3 for the first two minutes, yellow for one minute, and then
4 red when your time is over.

5 Individuals cannot accumulate time for other
6 speakers. We ask that comments should pertain to the
7 issues stated on the comment card. When addressing the
8 board, please state your name and the affiliation on the
9 record.

10 And now I'd like to take a roll call of the
11 board members. Board member Barnwell?

12 MR. BARNWELL: Present.

13 MS. RYAN: Board member Caraway?

14 MS. CARAWAY: Present.

15 MS. RYAN: Board member Ingram?

16 MR. INGRAM: Present.

17 MS. RYAN: Board member Palacios?

18 MR. PALACIOS: Here.

19 MR. RYAN: Board member Swindle?

20 MR. SWINDLE: Here.

21 MS. RYAN: Board member Trevino?

22 MR. TREVINO: Here.

23 MS. RYAN: And Board member Walker?

24 MR. WALKER: Present.

25 MS. RYAN: And let the record reflect that I,

1 Laura Ryan, am here too and we have a quorum.

2 We will now move to agenda Item 1.B.1 regarding
3 the recognition of service for Board member Marvin Rush.
4 And we wanted to take just a few minutes and share a few
5 thoughts on Marvin and recognize him though he's not
6 present today.

7 When Marvin notified me last month of his
8 decision to resign from the board, he stated that he had
9 had increased demands and other responsibilities of his
10 business, area of his business and that they were taking
11 more of his time and increased responsibilities which made
12 his decision to resign difficult, however, necessary.

13 He wanted to share with the board, asked that I
14 share with the board his appreciation for their support
15 and friendship. And he also wanted me to share on his
16 behalf his appreciation to the Agency staff for their hard
17 work. It's been an honor to serve with Marvin for the
18 past six years. Marvin was one of the original nine
19 members of the board. He was appointed in 2009 by
20 Governor Rick Perry.

21 Marvin is highly respected in the industry for
22 his extraordinary vision and entrepreneurship. Marvin
23 found Rush Enterprises over 50 years ago. Rush
24 Enterprises has over a 130 dealerships and over 5,000
25 employees. He is a member of the American Truck Dealers

1 Board of Directors, National Automobile Dealers
2 Association, and Texas Automobile Dealers Association
3 Truck Division just to name a few.

4 We will miss Marvin on the board and wish him
5 well in all of his future endeavors. David, if you could
6 show what -- on behalf of the Texas Department of Motor
7 Vehicles, we will present him with this Texas flag which
8 was flown over the Capitol by the House of Representatives
9 in appreciation for his service and dedication to the
10 state of the Agency. We thank Marvin and we wish him
11 well.

12 So we will mail that to him with a card and
13 thank him for his service to both the board and the State
14 of Texas. So he was sorry he wasn't able to be here and
15 for his quick resignation.

16 One last bittersweet and unexpected
17 announcement also, about a week ago, we learned that
18 Sandra Vice who is our Director of Internal Audit provided
19 both Raymond and myself her resignation. Sandra Vice who
20 is our Director of Internal Audit has been with the agency
21 for two and a half years. She's done a tremendous job
22 developing that department. She's created a great team
23 and strong processes and has been an asset to both the
24 board and the leadership team here at the Agency.

25 She's done a great job and respected by all.

1 It's hard to lose her, but she shared with me that she's
2 moving on to an area that she enjoys. So with that, we
3 have to wish her well and not be sad that we're losing her
4 which was hard. So we thank her for her fantastic
5 service. She'll be with us for a couple of more weeks,
6 but we wanted to make that announcement.

7 And anything else? She's worked closely with
8 Raymond so I'll share --

9 MR. PALACIOS: No, I would just like to say
10 that Sandra has been a tremendous blessing to this board,
11 to this Agency. I personally have learned tremendously
12 from her. And we will definitely miss you, Sandra, but we
13 wish you all the best as you go forward.

14 MS. RYAN: Okay. So with that, that's all I
15 have. We will move on to 1.B.2 and I will turn it over to
16 Executive Director Brewster.

17 MS. BREWSTER: Thank you, Madam Chair. For the
18 record, Whitney Brewster, Executive Director. I
19 appreciate the opportunity to give the Board an update on
20 the Agency's efforts when it comes to fraud, waste and
21 abuse initiatives going on within the Agency.

22 As you know, there have been recent examples of
23 fraud as it relates to motor vehicle transactions. And
24 some of these have been reported in the media and have
25 resulted in arrests. As I reported to you in the February

1 board meeting, I established an anti-fraud, waste and
2 abuse working group made up of various TxDMV staff from
3 across the Agency to address those issues that we've seen
4 as well as looking forward planning and being proactive in
5 detecting and monitoring.

6 If you will recall, Ms. Vice provided with you
7 a report on consultation services that internal audit
8 provided regarding this topic. One of the items in the
9 report was best practices information when it comes to
10 what a fraud, waste and abuse policy should include. The
11 Prevention and Training subcommittee of the Anti-Fraud,
12 Waste and Abuse working group chaired by our fine HR
13 Director, Sharon Brewer, did the bulk of the work on the
14 policy and brought it to the entire working group for
15 consideration.

16 The full Anti-Fraud, Waste and Abuse working
17 group considered the recommendations by that subcommittee.

18 The working group made some modest changes to it. And
19 then it was reviewed by our Civil Rights Officer as well
20 as Office of General Counsel and approved by me. It was
21 formally adopted by the departments, incorporated into the
22 TxDMV's Human Resources Manual that is located on the
23 Agency's Intranet site and communicated out to all staff
24 on April 1.

25 And a copy of the Agency's new and improved

1 Anti-Fraud, Waste and Abuse Policy can be found on page 3
2 of your board books. The new policy lays out the purpose
3 of the policy, defines what fraud, waste and abuse is,
4 describes employee, supervisor, and division director
5 responsibilities when it comes to reporting and
6 investigating and reporting fraud, waste and abuse, and
7 then it has a specific prohibition against retaliation
8 towards those that report fraud, waste and abuse and lays
9 out that formal complaint process if employees do believe
10 that they are being retaliated against for reporting.

11 I want to thank Ms. Brewer, the Prevention and
12 Training subcommittee and the entire working group for
13 acting swiftly to get a more robust and comprehensive
14 policy in place for the Agency. There are a number of
15 other activities that the working group is considering,
16 including the legislative appropriations request as it
17 pertains to any initiatives that the Agency wishes to move
18 forward with when it comes to fraud, waste and abuse as
19 well as legislative recommendations that this Board will
20 see in the near future.

21 So just wanted again to give an update to the
22 Board on some of the recent activities devoted to
23 combatting fraud, waste and abuse within the Agency and
24 outside the Agency as well. And I'm certainly open to
25 answering any questions that the board members have.

1 MS. RYAN: What has been the response from the
2 Agency employees or directors?

3 MS. BREWSTER: There has been significant buy-
4 in in terms of the new policy and implementation of the
5 Fraud, Waste and Abuse Policy. I think that the entire
6 executive team as well as supervisors within the Agency
7 have embraced this and this is part of the Agency's
8 culture. And we look forward and encourage employees who
9 do detect it to please come forward and let your
10 supervisor know if you are detecting that things are or
11 appear to be of that state.

12 We've -- I'm sorry. Let me just continue. We
13 have spoken with the employees during Conversation Café.
14 It's a forum that we have with employees on an ongoing
15 basis where we talk about Agency's initiatives and just
16 general hot topics within the Agency. And this has been a
17 topic within Conversation Café, and we let them know that
18 this was coming. And again, wanted to let our employees
19 know that we will not tolerate fraud, waste and abuse
20 within this Agency. And if they do detect it, to please
21 come forward because we want to know.

22 MS. RYAN: Okay. Excellent.

23 MS. BREWSTER: Thank you.

24 MS. RYAN: Questions or discussions before we
25 move on?

1 (No response.)

2 MS. RYAN: Okay. All right. Next we will move
3 on to public comment, 1.C. And I do see we have a public
4 comment from Mr. Howard Hickman. If you'll please come
5 forward. Good morning, Mr. Hickman.

6 MR. HICKMAN: Good morning.

7 MS. RYAN: How are you today?

8 MR. HICKMAN: Oh, pretty good. How are you
9 doing this morning?

10 MS. RYAN: Doing well. Thank you.

11 MR. HICKMAN: Do I look at the time?

12 MS. RYAN: Mr. Hickman, I'll remind you you
13 have three minutes please. Thank you. We'll start the
14 timer whenever you're ready, sir.

15 MR. HICKMAN: Okay. And for the record, my
16 name is Howard Anthony Hickman. I'm a retired DMV
17 enforcement attorney. When I was a boy growing up on the
18 farm, there was a saying that the way to get a mule's
19 attention is to strike him between the ears with a two by
20 four. Today we're going to talk about two by fours.

21 Every session of the legislature, TxDMV gets
22 together with various business special interests -- last
23 session there was 16 of them -- and spends hundreds of
24 thousands of dollars using dozens of state employees to
25 analyze legislation and draft bills without any legal

1 authority for such misappropriation of government
2 resources.

3 This biennium TxDMV has sunk to a new low. The
4 Agency's auditor has recommended it change to a statute
5 and directed Agency staff to draft legislation. In my 40
6 years of reading government auditor's reports, I had never
7 seen such a blatant violation of state law by a government
8 auditor and you were foolish enough to ratify this
9 illegality.

10 You and I as the Board authorized within your
11 limited abilities to make recommendation to the
12 legislature but you have no explicit or implicit authority
13 to use state employees to draft legislation or analyze
14 legislation for the Board to use, particularly in
15 association with any business special interest groups.

16 Recommendations are not drafted bills to be
17 pandered and lobbied to legislative members for filing and
18 enacting. These actions are not only immoral but a
19 violation of Texas taxpayers' freedom of association and
20 Chapter 556 of the Texas Government Code.

21 You can try to justify these actions because
22 all other state agencies do them, but they don't. As my
23 mother used to say, If Little Johnny jumps over a cliff
24 for you, other state agencies' bad acts cannot be used to
25 justify your bad conduct.

1 Thirty-plus years ago the limitations of
2 Chapter 556 were in the Appropriations Act. I used the
3 Appropriations Act at Freedom of Association to enjoin UT
4 from engaging in certain political activities. Since that
5 time, there have been two important developments, the
6 development of civil lawsuits under the Racketeer
7 Influenced Corrupt Organizations Act and public interest
8 law foundations.

9 Under RICO, treble damages and attorney's fees
10 are authorized. Since we are talking about your *ultra*
11 *vires* acts, the State does not provide you immunity or
12 indemnity. In short, monetary damages would come out of
13 your personal pocketbooks. As the legal foundations I can
14 think of a couple that would be interesting in pursuing
15 such litigation.

16 In closing, I want to leave you with a
17 quotation attributed to Richard Nixon in 1967 after he
18 lost the presidency in 1960 and the California
19 governorship in 1962, when he decided to run for president
20 in 1968. "I'm tanned, I'm rested, and I'm ready to
21 rumble." It's time TxDMV obeyed the law. At the next
22 meeting we'll talk about more two by fours. And I've got
23 18 seconds. Thank you.

24 MS. RYAN: Thank you.

25 (Pause.)

1 MS. RYAN: Okay. We will move to Items 2A.
2 And we will hear Project and Operations Committee Update
3 and we will hear from Board member and chairman of the
4 Project and Operations Committee, Blake Ingram.

5 MR. INGRAM: Thank you, Madam Chair. Members,
6 the Project and Operations Committee of the TxDMV met on
7 Wednesday, April 6 at 3:00 p.m. here at the headquarters.
8 Mr. Barnwell, Mr. Walker, Chief Swindle, and I attended
9 the meeting.

10 There were three items on the agenda, two which
11 require action by the full Board in today's meeting. I'll
12 provide a brief overview of the items presented to the
13 committee yesterday by staff and invited guests. All of
14 the staff that participated in yesterday's presentations
15 are available today in case you have any follow up
16 questions.

17 The first item was an update on the Project's
18 overseen by the TxDMV EPMO office. These includes the
19 status and scope, schedule and budget of the Agency's
20 priority projects. The briefing also contained an in
21 depth presentation of the RTS outage that occurred this
22 Monday, April 4.

23 So I'll read kind of what the summary that I
24 have here. Staff informed us that the root cause of the
25 outage was a failure of a component of the statewide data

1 center infrastructure that the RTS system relies on.
2 Okay, so I've asked our CIO, Eric Obermeier to also come
3 up and help a little bit with this in just a second, and
4 he also has some guests.

5 I'll continue just briefly. Once the problem
6 was identified and corrected, the RTS returned to normal
7 operations in the afternoon. TxDMV is working closely
8 with the DIR and Deloitte leadership to identify and
9 implement further improvements to technology and processes
10 supporting the RTS system. Gentlemen, thank you very much
11 for coming today.

12 At this point, I just want to throw it open to
13 the Board and see if there's any other questions that the
14 Board may have or Eric, if you have any other questions
15 you want to throw. Any other comments?

16 MR. OBERMEIER: Yes. For the record, my name
17 is Eric Obermeier, CIO for the DMV. With me, I have Mr.
18 Todd Kimbriel from the Department of Information Resources
19 and Mr. Harold Gilchrist who is a representative from ATOS
20 who is one of the DCS vendors who manages all of the
21 infrastructure for the DCS program.

22 I was talking with them beforehand. I let them
23 know that we would probably need to kind of clarify in a
24 little more plainspeak what that really translates to.
25 And with that, I would like to turn it over Mr. Gilchrist

1 to explain further into detail what actually happened.

2 MR. GILCHRIST: Thank you, certainly in a
3 little bit more detail. At 3:00 a.m. Monday morning, an
4 ATOS technician was working to add capacity to the SAN
5 fabric. Those are switches that allowed the served to
6 talk to the SAN.

7 At the end of that, he noticed that a different
8 switch was misconfigured. What he should have done was
9 stop there and created an enterprise change request so
10 that we could go in and advice agencies of the fact that
11 we're going to do that change and implement it at a later
12 date.

13 Instead, what he did was he effected a change
14 to the SAN switch and then reset it, effectively stopping
15 communication between that SAN switch and all the servers.
16 That was the root cause of the outage that we saw on
17 Monday.

18 MALE VOICE: Talk about what SAN is.

19 MR. GILCHRIST: Yeah, SAN -- sorry -- SAN is a
20 storage area network. So you think about it, it's the
21 disk that all the servers use and a bunch of servers
22 connect to that it provides high speed access.

23 So there are numerous follow-up items that
24 we're doing about that. We're -- ATOS has -- and that was
25 an illegal change, and ATOS has an employee policy that

1 will be deal with in this case so to ensure that we don't
2 have employees doing things they're not authorized to do.

3 He was not authorized to execute that CRQ at the time.
4 We're also implementing monitoring so we can be aware of
5 these types of things quicker so we don't go into the
6 operational day. We discover it before that occurs.

7 MR. INGRAM: Thank you very much. Any further
8 questions by the Board?

9 MR. TREVINO: Eric, has the system been fairly
10 stable outside of this incident with the team member doing
11 an unusual act?

12 MR. OBERMEIER: Yes. Thank you for that
13 question. So in the update that we gave yesterday in the
14 Project and Operations Committee meeting, we went back
15 through all the way back to the beginning of the month of
16 December, and we felt that that was the appropriate place
17 to start given we went live with the refactored RTS core
18 system in late November of 2015 so just over Thanksgiving
19 weekend.

20 So in the month of December, the system was --
21 the measured up time between 7:00 a.m. and 6:00 p.m. and
22 we choose those hours because that's when the Point-Of-
23 Sale system that the counties in our regional service
24 centers use, that's the primary hours that they need it,
25 right, core business hours. Any time outside of those

1 hours if the system is up, it really does not provide any
2 real benefit to them.

3 So 7:00 a.m. to 6:00 p.m. uptime for December
4 was 98.92 percent. For January, it was 96.05 percent.
5 That was the biggest drop we had seen. And that was the
6 focus of most of our discussion yesterday as well around
7 the number of incidents that happened, incidents being
8 outages in that month of January. And approximately half
9 of those were also driven by the amount of extreme change
10 that we've had going into the environment.

11 So going live with the new system, we've
12 identified, you know, areas that need to be changed. And
13 in doing so, we were doing multiple application updates.
14 And over the month of December and January alone, we were
15 making updates to the system approximately 48 times.
16 Eleven of those times were to the actual point of
17 application and 37 times were for the actual overnight
18 batch processing jobs that run.

19 All that to say that there's a lot of change
20 going into the system and as we know, any time you lay
21 your hands on a working system, you run a higher risk of
22 when it comes back up of it not working how you would
23 expect it to do. So while we got through about 33 of
24 those -- I'm sorry -- 48 so 43 of those changes without
25 incident, five of those changes actually induced some of

1 those outages.

2 Moving forward to February, we were at 99.64
3 percent. And in March, we were 99.6. Just for a little
4 context, if you calculate the hours between 7:00 a.m. and
5 6:00 p.m., every 15 minutes that you're down, it equates
6 to about 0.1 percent of your uptime. So translated if
7 you're down for an hour, the highest you're going to be
8 able to get is 99.6.

9 MR. INGRAM: Would it be possible to elaborate
10 just a little bit more about the monitoring and the step
11 up in monitoring?

12 MR. GILCHRIST: Sure. Certainly. So you're
13 talking about the monitoring we're going to be doing going
14 forward?

15 MR. INGRAM: Yes, sir.

16 MR. GILCHRIST: Yeah, so we noticed the outage
17 that occurred a couple of months ago was a network switch.
18 And the network switch had a similar issue where it was
19 sending traffic in an incorrect direction and the
20 monitoring was insufficient to detect that. So I've asked
21 the team, I've assigned an enterprise architect to look at
22 the RTS system in general to look at points of resiliency
23 that may not be where we need them to be.

24 But besides that, we're doing a stem to stern
25 review of all the critical infrastructure including the

1 data center power, network, all the different systems to
2 make sure that the monitoring is enabled as it should be
3 so they're able to detect this things faster. We may not
4 be able to prevent the outage, but we should know what
5 happened right away.

6 MR. INGRAM: Okay. Thank you.

7 MR. BARNWELL: We had an employee who had
8 access to make changes. What is to prevent that from
9 happening again and what's being done regarding security
10 for rogue or malicious acts?

11 MR. GILCHRIST: So the system is in a secure
12 data center -- excuse me -- on a secure network. We have
13 a network intrusion protection system that keeps folks
14 outside the area from being able to get into the network
15 and detect it. So for example, that insures that hackers
16 or those sorts of folks can't get to our environment.

17 In this case here what we had is we had a
18 trusted employee who had secure access. He was working on
19 an approved work order. He then went and worked on a
20 device that was not part of the CRQ he should have been
21 working on. The response to that is disciplinary action
22 for the employee and we'll train all our employees about
23 the importance of making sure that they don't do changes
24 outside of what they're authorized to do.

25 Generally speaking in my organization, if

1 somebody executes an illegal change, it's cause for
2 termination.

3 MR. BARNWELL: Let's say that this employee
4 with proper clearance decides he's going to really foul
5 things up. He's going to do what he can to take the
6 system down. It's my understanding and I'd like for you
7 to comment on the backups, the ability to come back online
8 after a catastrophic event.

9 MR. GILCHRIST: Certainly. So in the SAN
10 environment, we have what's called an AV configuration.
11 So the SAN is essentially split in half. Every server has
12 a connection to both sides of the SAN. So in the event
13 that you lost one side, the other side should stay up. In
14 this case here, it would be almost impossible for them to
15 take down both sides. If they took down both sides, we'd
16 know it right away.

17 MR. BARNWELL: Is the SAN in the same physical
18 location?

19 MR. GILCHRIST: In this case here, this was all
20 in the SDC, yes. So we have two data centers.

21 MR. BARNWELL: In San Angelo?

22 MR. GILCHRIST: Yeah, in the San Angelo data
23 center. And we also operate a similar SAN here in the
24 Austin data center.

25 MR. BARNWELL: Okay. So the San Angelo center

1 is a mirror?

2 MR. GILCHRIST: They look exactly the same,
3 yes.

4 MR. BARNWELL: Are they backed up real time or
5 how do they interact and --

6 MR. GILCHRIST: So what happens is we do what's
7 called a replication. So we actually copy the data from
8 one data center to the other continually, and we're only a
9 couple of minutes behind each one. And that's in the
10 event of a disaster situation.

11 MR. BARNWELL: Sure.

12 MR. GILCHRIST: We're able to recover one data
13 center to the other.

14 MR. BARNWELL: Well, there's lots of disasters
15 besides a tornado tearing us up. We've got people and
16 we've got hackers. We've got all kinds of risks out
17 there. So that's what I was wondering about. Thank you
18 very much.

19 MS. CARAWAY: I guess I just want to make a
20 statement from the county's standpoint because, you know,
21 what happened Monday affected 254 counties and every
22 citizen in the offices at that time trying to get work
23 done. So I just want to I guess feel confident that
24 there's some real work going in to making sure that that
25 is a stable environment so that we don't go through those

1 kind of things again or at least very, very rarely.

2 I know we've had a number of outages over the
3 last couple of months where we were down for a short
4 period of time. But when you have a whole day, it's major
5 for our offices. So just a general statement. Thank you.

6 MR. INGRAM: Member Caraway, that was a large
7 emphasis of the meeting yesterday was to --

8 MS. CARAWAY: I'm sure.

9 MR. INGRAM: -- gain confidence that this will,
10 going forward, not happen or happen very, very, very
11 little.

12 MS. CARAWAY: Right.

13 MR. INGRAM: And again, we talked a lot about
14 the steps taken that should help prevent that in the
15 future. So certainly, I believe everyone understands how
16 critical it is when every tax assessor-collector and all
17 the regional officers for TxDMV are pretty much shut down.

18 MR. KIMBRIEL: If I may, one thing that we've
19 implemented as a result of the outages, this RTS system is
20 very complex and there are a lot of moving parts to it.
21 There are a lot of different technologies that constitute
22 the different components of this solution.

23 From a support perspective, we probably have
24 ten or twelve different skill teams that have to be
25 brought to bear in the event that there is some kind of an

1 operational problem. In the past, it typically would have
2 been one skill team that would come in and try and resolve
3 an issue. And if it was not in that particular
4 technology, they would engage a different skilled
5 technology team.

6 And so one of the changes that we've
7 implemented for this system is to have all the technology
8 teams brought to bear immediately. And because of the
9 complexity of the system, a problem in one area may not be
10 actually be realized in that technology stack. It may be
11 a symptom that appears in some other area.

12 So by bringing the complete team to bear when
13 there's a situation really decreases the amount of time
14 that that situation could exist. So that's definitely a
15 change that we've made as well.

16 MR. BARNWELL: Is the TxDMV RTS, et cetera, all
17 of our different applications, where are they on the list
18 of most critical to keep up and running and least
19 critical?

20 MR. KIMBRIEL: Currently they're on the most
21 critical to keep up and running.

22 MR. BARNWELL: Okay. So we're at the top of
23 the list? And you have --

24 MR. KIMBRIEL: There were several applications
25 that are at that level. Some are health and human

1 services, but RTS is at that level now.

2 MR. BARNWELL: Okay.

3 MR. INGRAM: And fair to say that now.
4 Previously they were not so we've upped our status
5 recently.

6 MR. KIMBRIEL: Correct.

7 MR. INGRAM: Right.

8 MR. KIMBRIEL: And as Harold indicated, to have
9 an enterprise architect from the data center team engage
10 on the application side which is typically outside the
11 responsibility of this program is a move that has not been
12 done previously.

13 MR. INGRAM: Uh-huh.

14 MR. KIMBRIEL: So trying to get the program
15 team better understanding of the application layer itself
16 will assist us in being able to ensure that we have
17 maximum uptime.

18 MR. INGRAM: And so the goal is not in the
19 future if we have an event like this, by bringing all the
20 different people together quickly versus just one, if the
21 problem needs all these different people, they're already
22 there and assembled and ready to act versus having one
23 person react but they're not the right person which then
24 you have to call the next person who then has to call the
25 next person so --

1 MR. KIMBRIEL: Right.

2 MR. INGRAM: -- the concept is that if we have
3 one of these, it might last 15 minutes versus all day.
4 Right?

5 MR. KIMBRIEL: Correct. And technology is
6 essentially imperfect. It changes continually. The
7 environment is continually changing as a result of
8 cybersecurity threats where we have to apply patches to,
9 you know, individual servers.

10 We have to change, apply patches to operating
11 systems so all sort of the elements of that technology
12 stack are continually being changed because the vendor
13 community that delivers those products to us are
14 continually changing their products to respond to what's
15 happening in the marketplace from a cybersecurity
16 perspective as well as from a feature functionality
17 perspective.

18 This equipment runs with certain efficiencies.

19 And when we apply these patches, it's intended to
20 increase those efficiencies to provide better performance
21 to the end users, a safer operating environment. And as a
22 result of that continually changing environment, there's
23 always going to be an opportunity for something to go
24 wrong.

25 So while we would love to be able to say there

1 would never be another outage, what we can say is we will
2 respond as quickly as is possible to ensure that if there
3 is an outage it will be a minimal downtime.

4 MS. CARAWAY: I guess one other comment
5 reminded by another tax collector in the room that the
6 timing of these updates is real important in the county
7 TACs offices and as far as first of the month or end of
8 the month is an extremely busy time for us. And so if we
9 could be kind of conscious of that when we move forward,
10 that would be very helpful for us in case there's
11 something that could cause an outage that we're not down
12 at a time that we have more people in the office than
13 normal.

14 MR. KIMBRIEL: Yeah, we can absolutely arrange
15 change windows that are not in the peak times.
16 Absolutely.

17 MS. CARAWAY: That would be great.

18 MR. INGRAM: I think, Member Caraway, that
19 because we have so fewer changes anticipated over the next
20 two months, it will be easier. When you're trying to do
21 48 changes in two months, your windows are pretty narrow.

22 MS. CARAWAY: Right.

23 MR. INGRAM: But absolutely, we did discuss
24 that and we also discussed the fact that we needed to
25 provide more notice to the individual tax assessor-

1 collectors before we make a change, not the Friday before.

2 So that was discussed as well.

3 MS. CARAWAY: Okay. Great. Thank you.

4 MS. RYAN: It's important for both your
5 agencies though also because don't you also do technology
6 patches and upgrades on your individual -- on the servers
7 themselves that don't have anything to do with the RTS
8 system?

9 MR. KIMBRIEL: Correct. And at some time
10 back --

11 MS. RYAN: And do you take stakeholder usage
12 into consideration when you do those technology upgrades
13 if they're not emergency fixes?

14 MR. KIMBRIEL: Correct. Usually those change
15 windows are always pre-authorized by every individual
16 customer that could be impacted by that change.

17 MS. RYAN: Okay. So that's a good point.

18 MR. KIMBRIEL: So we don't --

19 MS. RYAN: Okay.

20 MR. KIMBRIEL: We seek approval for any sort of
21 enterprise infrastructure change that we do that could
22 potentially impact all customers in this program. We
23 always seek approval from the customers to go forward with
24 any, so as Harold said before, approved changes.

25 MS. RYAN: Okay.

1 MR. KIMBRIEL: So it is the customers that
2 participate in that approval process.

3 MS. RYAN: Okay. Thank you.

4 MR. INGRAM: Gentlemen, thank you so much for
5 coming back and helping me explain this because I didn't
6 think I would do a very good job. So thank you very much.

7 MR. KIMBRIEL: Absolutely.

8 MS. RYAN: Thank you for the support.

9 MR. INGRAM: If I may continue, Madam Chair?

10 MS. RYAN: Yes. Absolutely.

11 MR. INGRAM: The next item was an update on
12 facilities presenting by our CFO Linda Flores. Ms. Flores
13 briefed the committee on the status of efforts to obtain
14 alternative space for the motor carrier staff currently at
15 Bull Creek. She also gave us an update on the status of
16 efforts to obtain lease space and separate from TxDOT real
17 estate to Corpus Christi and San Antonio for our regional
18 headquarters.

19 Multiple sites have been located. Next steps
20 include conducting site visits for the proposed locations
21 and performing evaluations for best fit. Physical moves
22 are planned to occur in the summer of 2017.

23 The third item that the committee considered
24 was a staff recommendation regarding the Agency's mission,
25 vision, philosophy and values. The current versions of

1 the statements are on page 6 and 7 of your board books.
2 These Board-created documents are part of the strategic
3 plan submitted to the Legislative Budget Board in the
4 first week of July in even-numbered years.

5 The staff presented the existing statements
6 previously approved by the Board and recommended inclusion
7 of the existing versions of these statements in the
8 upcoming strategic plan without changes. The statements
9 were edited by the Board in the most recent strategic plan
10 in 2014, and the staff did not have any suggested changes
11 from the most recent review.

12 The P&O Committee recommends that the full
13 Board vote to include the existing statements of the
14 Agency's mission, vision, philosophy and values in the
15 2016 Strategic Plan.

16 MS. RYAN: Is there a motion?

17 MR. PALACIOS: I'll second a motion.

18 MS. RYAN: We have a motion by Member Ingram --

19 MR. INGRAM: Sure.

20 MS. RYAN: -- and we have a second by Vice-
21 Chair Palacios. All in favor? Any discussion?

22 (No response.)

23 MS. RYAN: Okay. All in favor, raise your
24 right hand. Motion carries unanimously.

25 MR. INGRAM: The final item that the Committee

1 received a briefing on is the Board's policy document
2 entitled "TxDMV Goals and Objectives." This Board policy
3 document has not been updated and approved by the Board
4 since October of 2011. The staff recommended changes to
5 the document to align it with the mission, vision and
6 values statements we just voted on.

7 A redline of the changes can be seen on pages 9
8 through 14 of your board books, and a clean version
9 follows on page 15 through 19. The committee considered
10 the staff edits to the document and recommends that the
11 full Board adopt the changes as recommended by staff.

12 MS. RYAN: Yes, ma'am.

13 MS. CARAWAY: I move that the Board approve the
14 Project and Operations Committee's recommendation to
15 update the policy "TxDMV Goals and Objectives".

16 MS. RYAN: Motion by Member Caraway.

17 MR. BARNWELL: Second.

18 MS. RYAN: Second by Member Barnwell. Any
19 discussion?

20 (No response.)

21 MS. RYAN: All right. All in favor, raise your
22 right hand. Motion carries unanimously. Okay. Thank
23 you.

24 MR. INGRAM: Members, that concludes my summary
25 of the Project and Operations meeting of April 6, 2016.

1 MS. RYAN: Okay. Thank you. With that, we
2 will move to agenda Item 2.B, Proposals of Rules under 43
3 Texas Administration Code -- Administrative Code, Chapter
4 217, Vehicle Titles and Registration.

5 First, we will hear Agenda Item 2.B.1, Proposed
6 Rules, Briefing from Whitney Brewster, our Executive
7 Director, Linda Flores, Chief Financial Officer and
8 Jeremiah Kuntz, Director of Vehicle Titles and
9 Registration.

10 (Pause.)

11 MS. RYAN: It's all yours.

12 MS. BREWSTER: Thank you, Madam Chair. Members
13 of the Board, Whitney Brewster, Executive Director of the
14 Texas Department of Motor Vehicles. Thank you for the
15 opportunity to provide you with an overall briefing on the
16 four Rule proposals before you today. The Agency is
17 requesting consideration by the Board for posting of the
18 four Rules proposals for public comment.

19 Before I begin, I want to sincerely thank
20 Agency staff for all of -- across the Agency -- the
21 cooperation and assistance of that staff in the logistics
22 of today. You probably saw when you came in today, we had
23 folks out in the parking lot directing traffic to the
24 appropriate places, signing people in for public comment.

25 There was a lot of work that went into the

1 logistics of today, and I want to thank the folks of the
2 Agency for helping in that so that people could be here to
3 provide public comment on the Rules before you today.

4 What is included in these Rule packages are
5 major initiatives to modernize and streamline service
6 delivery when it comes to registration and titling in the
7 state of Texas. Under these Rules, it will be less
8 expensive and more convenient for Texans to renew
9 registration online than it is today.

10 These Rules collectively will help Texas move
11 forward with more modern convenient service delivery
12 options and we believe provide more value for the citizens
13 of this state. We know and understand that there is a
14 great deal of interest in these Rules because of their
15 impact to counties, to industry and to the public across
16 the state. And we felt it was imperative to provide some
17 context as to why we are proposing these initiatives to
18 you today.

19 This first slide shows the Texas state
20 government mission statement. It sums up our charge and
21 what we are responsible for fulfilling which we have
22 included on this slide. I will not read the entire slide
23 to you, but I'll highlight the critical element of the
24 mission and the driving force behind why the Agency is
25 recommending what is contained in these Rules.

1 To honor the public trust, state officials must
2 seek new and innovative ways to meet state government
3 priorities in a fiscally responsible manner. We believe
4 that what is before you today represents just that. The
5 Agency has a vision statement as you just voted on. It's
6 a lofty one, and we recognize that. The Texas Department
7 of Motor Vehicles sets the standard as the premier
8 provider of customer service in the nation. We don't
9 always hit the mark on this. But I attest to you that the
10 men and women of this department most certainly strive
11 daily to attain this vision.

12 The mission of the organization is to serve,
13 protect and advance the citizens and industries in the
14 state with quality motor vehicle-related services, and
15 that is what drives this organization. As this Board is
16 well aware, it was not that long ago that this Agency was
17 created. And it's important to remember where we came
18 from and why we were created to begin with.

19 We were a product of the Sunset review of TxDOT
20 that ultimately resulted in a recommendation that the
21 motor vehicle services of TxDOT be removed and to be stood
22 up as a standalone agency. This bred HB 3097 that passed
23 in the 81st legislative session.

24 You will see here that the author's intent was
25 to promote, quote, promote greater efficiency and

1 accountability in the services provided. You see, we were
2 never meant to maintain the status quo.

3 The 82nd legislature continued with their
4 desire for us to make changes to the way services are
5 delivered when they passed HB 2017 that required -- and we
6 shouldn't take this word lightly -- required the TxDMV to
7 create standards for uniformity and service quality in the
8 state.

9 Next slide, please. The 83rd legislature again
10 passed a significant bill impacting the Agency. HB 2202
11 sponsored by House Transportation Chairman Joe Pickett
12 authorized the TxDMV to establish a processing and
13 handling fee to provide funding to cover the cost of
14 registration services and establish county compensation
15 amounts. It also gave the TxDMV Board the authority to
16 establish deputy types and fees by administrative rule.

17 Some of what you will see here in the Rule
18 packages today implement the provisions of this bill and
19 Ms. Flores and Mr. Kuntz will go into more detail on that
20 in just a moment.

21 Finally, I think it's important to stress that
22 HB 2202 also allowed the entire county road and bridge fee
23 to be deposited to the counties. Previously 30 cents, or
24 3 percent of the county road and bridge fee, was deposited
25 to the credit of the State Highway Fund to cover the

1 TxDMV's costs of assisting the counties in collecting
2 their own local fees.

3 The next slide highlights the statewide
4 increase to the counties that resulted as a result of HB
5 2202 and Chairman's Pickett's efforts. Over the course of
6 the last two fiscal years, the counties have seen an
7 increase of \$14 million. It's important that note that
8 had this bill not been amended to allow for this
9 additional money to go to the counties, this money would
10 have gone into the TxDMV Fund.

11 We often hear that counties have not seen an
12 increase in years. And I'd like to point out that HB 2202
13 did indeed put an additional \$7 million a year towards the
14 counties.

15 Next slide, please. The final piece of
16 legislation that we believe is relevant to why the Agency
17 is moving forward with proposing the initiatives before
18 you today is SB 1512 that established the TxDMV Fund
19 effective September 1 of this year. This bill directed
20 that the fund be created and certain non-registration
21 related fees such as dealer licensing fees and a portion
22 of oversized overweight permitting fees be redirected to
23 the TxDMV Fund.

24 The TxDMV Fund was an effort to provide greater
25 transparency on how the Agency is funded, but also to get

1 the Agency out of being funded from the State Highway Fund
2 and thus allowing for those dollars to be used towards
3 critical infrastructure and maintenance of the state's
4 roads and bridges.

5 It is important to note that the creation of
6 the TxDMV Fund and the processing and handling fee go hand
7 in hand. Those non-registration fees for Agency
8 operations were never intended to cover the Agency's
9 entire appropriation.

10 The processing and handling fee was to cover
11 the gap between those fees going into the TxDMV Fund and
12 what the legislature appropriated for the Agency's
13 operations. Ms. Flores will go into more detail on that
14 in just a moment.

15 Next slide, please. As you can see by the
16 governing documents and legislation that I just spoke
17 about, we were created to make positive changes to the
18 status quo. It is part of who we are, and it's embedded
19 in our culture. This slide represents just a handful of
20 some of the very positive changes in terms of technology
21 that have occurred as a result of this Agency over the
22 course of the last several years.

23 They have had an impact on the services we
24 deliver as well as those of our stakeholders to the
25 citizens of Texas, Web Sub, webDEALER, offering of online

1 temp permits, RTS refactoring, modernizing that system to
2 an updated platform so we can move forward into the future
3 and allow for things that I will talk about in just a
4 minute.

5 NMVITUS, the National Motor Vehicle Title and
6 Information System, this is a consumer protection tool
7 that allows customers to before they purchase a vehicle
8 know if there is a brand on that vehicle that would
9 diminish the value of the vehicle like whether or not it's
10 been flooded, if it's a salvaged vehicle so that they can
11 have that information before they make that critical
12 purchase.

13 The TxDMV call center, upgrades to the network
14 including cabling, T1 lines, county equipment, and in
15 addition, they'll have delivery messaging to better
16 communicate with our customers in the manner and on issues
17 that they want to learn about.

18 Next slide, please. This Agency is seeing the
19 trends occurring around us and have come to the conclusion
20 that the current service delivery model does not support
21 the needs of Texans into the future. Texas has seen and
22 continues to see an increased population growth.

23 Our neighboring county and the one that Member
24 Caraway represents, Hays County is the fastest growing
25 county in Texas and ranks fifth in the nation for fastest

1 growth. When it comes to service delivery of motor
2 vehicle services, we have to keep pace with that type of
3 increase. It's an excellent problem to have to see an
4 increase in population to the state, but we have to be
5 able to be flexible and to adjust.

6 Additionally, the millennials now outpace baby
7 boomers and my generation in the workplace. Millennials
8 characteristically reject traditional methods of service
9 delivery. In general, they have no tolerance for the way
10 things have always been.

11 Finally, there is a high dependence on brick-
12 and-mortar for service delivery that really does not have
13 to be there. Not only are buildings expensive to
14 maintain, but they require personnel to provide service.
15 We believe that there is a better way.

16 The Agency has a vision that does not stop with
17 a consideration of the initiatives contained in the Rules
18 before you today. The Agency is looking forward to other
19 progressive methods and technologies to streamline
20 processes and meet the needs of Texans and the Agency's
21 stakeholders. Self-service kiosks, electronic
22 registration renewal notices, mobile apps for TxDMV
23 services that impact the public, barcoding and QR code
24 technology for streamlining internal processes that
25 ultimately will speed up the way we provide service.

1 Web Lien which would remove electronically
2 liens when the lien has been satisfied so that that title
3 can be issued more quickly to the customer, electric
4 display of registration, self-service online registration
5 tracking, these are the sort of things that we are looking
6 forward to doing. They're not contained in these Rules,
7 but this is the vision of the Agency and the direction
8 that we wish to go.

9 When it comes to the initiatives before you
10 today, there has been extensive outreach to stakeholders.

11 We very much appreciate the feedback that we've received
12 from these stakeholder groups. You'll see here and I
13 won't read all of these to you, but it has been extensive.

14 And I think you would be hard-pressed to find an agency
15 that has done this kind of outreach before a rule has even
16 been proposed for public comment.

17 We very much appreciate the feedback that we've
18 received and we've attempted to address many of the issues
19 raised by these groups in the Rules themselves as well as
20 in the presentation that you will hear today.

21 Next slide, please. In these Rules and through
22 talking with stakeholders, we've identified some
23 challenges that we seek to address in the four Rule
24 packages themselves. The State Highway Fund needs
25 additional money. We've heard that consistently from

1 state leadership.

2 TxDMV funding is needed, and we'll go into that
3 a little bit later and what that means in terms of funding
4 critical Agency operations that without a processing and
5 handling fee would be detrimental to this state. We've
6 heard from the counties that that's a challenge.
7 Compensation to the counties is a challenge for them.
8 We've also heard that the workload in the tax assessor-
9 collector offices is increasing and continues to increase
10 and we've sought to address that through these Rules as
11 well.

12 Some of the shared challenges that we have, the
13 transaction fees for registration are different depending
14 on where you choose to have your transaction done, whether
15 online, in person or through the mail. One of the
16 challenges is trying to minimize the cost to the customer
17 because no one likes to raise fees. And so we've tried to
18 minimize the cost to the customer.

19 A challenge is improving the overall customer
20 service experience. Population growth that I just spoke
21 about and ensuring the public trust and most importantly
22 ensuring the public trust.

23 Next slide, please. So in these Rules, we have
24 some proposed solutions. For the state, these Rules would
25 increase the state highway funding by approximately \$47

1 million a year -- and Ms. Flores will go into that a
2 little bit here in just a moment -- and replace revenue to
3 the TxDMV to cover the cost of statewide registration fees
4 or services, excuse me.

5 For the counties, these Rule proposals increase
6 county compensation for walk-in registration transactions,
7 the most labor intensive types of transactions. It
8 reduces the renewal workload for tax assessor-collector
9 offices when it comes to online services. It continues
10 with the county equipment that the Agency provides out of
11 the TxDMV budget.

12 Under shared solutions, it reduces the online
13 transaction cost for customers to under this proposal less
14 than what it is today. And we believe that is an enormous
15 customer service. It also establishes the performance
16 quality recognition program, which should hopefully
17 improve overall customer service and processing of
18 transactions across the state. And Mr. Kuntz will go into
19 that a little more in a moment.

20 Next slide, please. I'll now turn the time
21 over to Ms. Flores to talk about the financial impact of
22 the Rule proposals before you today.

23 MS. FLORES: Thank you. For the record, Linda
24 Flores, Chief Financial Officer for the Texas Department
25 of Motor Vehicles. This particular slide reflects the

1 current and the proposed impact to the State Highway Fund.

2 Before the processing and handling fee is put in place,
3 the county retains \$1.90 out of the \$50.75 registration
4 fee. So the deposits to Fund Six are approximately \$48.85
5 for every transaction.

6 Once the processing and handling fee is in
7 place, the full \$50.75 are deposited to the State Highway
8 Fund. This results in a net gain to roads and
9 infrastructure of approximately \$47 million a year.

10 MR. BARNWELL: So this is a reduction to the
11 counties of \$47 million?

12 MS. FLORES: No, it's a gain to the State
13 Highway Fund of \$47 million and conversely yes, sir.
14 You're correct.

15 MR. BARNWELL: I think it's a reduction to the
16 counties of \$47 million.

17 MS. FLORES: Correct.

18 MR. BARNWELL: Okay.

19 MS. FLORES: Once the \$1.90 is not there, but
20 the processing and handling fee is put in place, it
21 compensates for that loss.

22 MR. BARNWELL: Yeah, we'll talk more about
23 that. I just wanted to see the \$47 million hickey first
24 and then --

25 MS. FLORES: Yes, sir.

1 MR. BARNWELL: -- we'll talk about --

2 MS. FLORES: You're correct.

3 MR. BARNWELL: -- where we offset it.

4 MS. BREWSTER: Just to clarify, currently the
5 counties are paid out of the registration fee itself.
6 Under the new proposal, that changes. The full amount of
7 the registration fee will go to the State Highway Fund,
8 and that's the increase that you see. The counties will
9 then be paid out of the processing and handling fee
10 itself.

11 MR. BARNWELL: Uh-huh.

12 MS. BREWSTER: Okay.

13 MR. BARNWELL: Yeah, I understand.

14 MS. BREWSTER: I just wanted to make sure that
15 that was very clear.

16 MS. FLORES: This particular slide reflects or
17 depicts the financial impact to the DMV Fund if the
18 processing and handling fee is not in place. As you know,
19 House Bill 2202 and 1512 established the DMV Fund
20 effective September 1, 2016, which is quickly approaching.

21 The revenue specifically will not be sufficient
22 to finance the Agency's operational activities and fringe
23 benefits. The gap is estimated to be about approximately
24 \$70 million for the next biennium and the following
25 biennium after that. So if nothing happens, we will end

1 Fiscal Year '17 with a projected deficit of approximately
2 \$4 million.

3 MR. BARNWELL: What is the nothing, if nothing
4 happens?

5 MS. FLORES: If the processing and handling fee
6 is not put in place --

7 MR. BARNWELL: Okay.

8 MS. FLORES: -- to finance the gap for the
9 Agency's operations.

10 MR. BARNWELL: Could you clarify one thing for
11 me? I was looking here and it's a very -- it's a brief
12 slide. But I see that operating expenditures in odd years
13 are the same and in even years are quite a bit higher.
14 What's moving that?

15 MS. FLORES: The capital appropriations for
16 automation projects are front-loaded in the even year.

17 MR. BARNWELL: Uh-huh.

18 MS. FLORES: So in '18 and '20, we normally
19 receive about \$24 million to finance automation projects.
20 There are zero dollars in the second year of the
21 biennium.

22 MR. BARNWELL: Well, I see that that's
23 increased, but I don't see a total TxDMV revenue increase
24 in respect of that increase in dollars there.

25 MS. FLORES: Correct. So what the legislative

1 bill did was to identify certain fees that would be going
2 into the DMV Fund.

3 MR. BARNWELL: Uh-huh.

4 MS. FLORES: We always knew that there would be
5 a gap because of the amount of revenue collections we
6 anticipated. So before the processing and handling fee is
7 in place, we receive fees from commercial transportation
8 activities, business licenses, some portion of
9 registration fee.

10 MR. BARNWELL: This is the additional
11 automation overhead that we have?

12 MS. FLORES: Yes, sir.

13 MR. BARNWELL: And that was coming from other
14 fees? It did not come from the legislature? I mean,
15 where's the money coming from to pay for this automation?

16 MR. KUNTZ: For the record --

17 MALE VOICE: I got \$168 million in overhead and
18 I have no increase up here in total TxDMV revenue, but I
19 thought I understand that the legislature had in the past
20 funded that. So what we're saying today is that that's
21 not funded any longer? I mean, and that may very well be
22 the case. I'm just asking.

23 MR. KUNTZ: For the record, Jeremiah Kuntz,
24 Director of Vehicle Title and Registration Division. To
25 try and help better understand this chart, when you look

1 at revenue, the top line, that's cash deposits into the
2 TxDMV Fund so that's cash available.

3 Below, the expenditures, that's the authorized
4 appropriated amount that the Agency can expend on its
5 projects. What you're seeing is the cash coming into the
6 fund is not sufficient to cover the authorized
7 expenditures that the legislature said we could spend the
8 money on. That's the gap, if you will, between cash
9 available and what we need to spend funds on.

10 So the processing and handling fee is intended
11 to fill that gap on the cash side to put more cash into
12 the fund to cover those expenditures.

13 MR. BARNWELL: Okay.

14 MR. KUNTZ: The front-loading of the capital,
15 the way that the legislature structured that is they
16 front-loaded it.

17 MR. BARNWELL: Yeah.

18 MR. KUNTZ: And then they'd give you unexpended
19 balance authority so that you can spend whatever you
20 didn't spend in the first year. You carry that forward
21 and can expend it in the first year.

22 MR. BARNWELL: I understand the front-loading
23 and that's cool. I don't have a problem with that. Okay.
24 Thank you.

25 MR. WALKER: So you said projects, it's not

1 really projects, is it? Isn't it really the funding of
2 the operations of the Agency, its salaries, its electric
3 bills? It's our operating costs. Correct?

4 MS. FLORES: Correct.

5 MR. KUNTZ: Yes, sir. The gap is really
6 related to --

7 MR. WALKER: You said from projects and
8 that's --

9 MS. FLORES: It's to fund everything --

10 MR. WALKER: The Agency?

11 MS. FLORES: -- the Agency.

12 MR. WALKER: Thank you.

13 MS. RYAN: So to follow up on Member Walker's
14 question, what happens to that point if the P&H fee does
15 not go into place and we end up with those kinds of
16 numbers?

17 MS. FLORES: The Agency would have to take very
18 drastic measures.

19 MS. RYAN: Such as?

20 MS. FLORES: We would be reducing everything
21 that was not statutorily required for us to do. We would
22 not finance the county equipment refresh that we normally
23 do. We would not finance automation projects. We could
24 maintain the ones that are in flight but new projects
25 would not be initiated.

1 We would ultimately have to see whether we
2 needed to reduce staffing at the Agency, specifically in
3 registration because if the fee is not there to support
4 that activity, they would be the first to look at. We
5 have other fees from motor carrier, you know, and they're
6 sufficient to cover motor carrier activities. But if the
7 registration fee is insufficient to finance registration
8 activities here that the department operates, they would
9 be the first to be reviewed.

10 MR. WALKER: Then let's carry it one step
11 further. If you don't establish the processing and
12 handling fee and Laura's directive was what's going to
13 happen to the Agency basically, but what happens to the
14 counties?

15 MS. FLORES: You want to take that one?

16 MR. KUNTZ: As far as the counties are
17 concerned, without the processing and handling fee, they
18 would continue their operations as today. There would
19 just be no ability for the Agency to support those
20 operations.

21 MR. WALKER: So they wouldn't be funded either?

22 MR. KUNTZ: It would be very difficult to
23 provide any kind of support including issuing renewal
24 notices, doing license plates.

25 MR. WALKER: Because the counties will not get

1 any support from the state. It comes from our agency
2 through this processing and handling fee, is that correct?

3 MS. BREWSTER: Yes, sir.

4 MR. KUNTZ: Yes, sir. We provide toner
5 cartridges, receipt paper. All those things would have to
6 be curtailed.

7 MS. CARAWAY: So what happens to the funding
8 process that's in place now? If something happened that
9 this didn't go through, would the county still receive the
10 \$1.90 --

11 MR. KUNTZ: Yes, ma'am.

12 MS. CARAWAY: -- that they get now?

13 MR. KUNTZ: Yes, ma'am.

14 MS. CARAWAY: So the fees would stay the same
15 that goes to the county --

16 MS. FLORES: Right.

17 MS. CARAWAY: -- if this didn't go through?

18 MR. KUNTZ: Yes, ma'am.

19 MS. CARAWAY: Okay.

20 MR. KUNTZ: This --

21 MS. RYAN: It's just the support or the
22 compensation stays.

23 MS. CARAWAY: That we would get.

24 MS. RYAN: It's just all the other support.

25 MR. KUNTZ: And I want to make sure that we're

1 real clear. Registration services is where license plates
2 are purchased, renewal notices are produced, IT support
3 for the registration and titling system. Those things
4 would all be heavily curtailed and cut back, and we would
5 not be able to provide those to the customers or counties.

6 MR. WALKER: So the \$1.90 does stay to support
7 the counties? That doesn't go away?

8 MR. KUNTZ: That would, but they would be
9 standing alone on their operations. We would not be able
10 to provide them the support that they currently receive.

11 MR. WALKER: Why would the \$1.90 still stay
12 there if it's been rolled into the registration fee today?

13 MR. KUNTZ: The way that House Bill 2202 was
14 structured is upon an action by the Board, the \$1.90 in
15 statute is repealed and replaced with the processing and
16 handling fee.

17 MR. WALKER: Oh, so it says until we rule on
18 the processing and handling fee, the \$1.90 stays?

19 MR. KUNTZ: Yes, sir.

20 MR. BARNWELL: Now, just for clarification,
21 September 1 of 2016 is the effective date of this --

22 MR KUNTZ: Fund.

23 MS. FLORES: Fund.

24 MS. BREWSTER: TxDMV Fund.

25 MR. BARNWELL: TxDMV Fund?

1 MS. BREWSTER: Yes. And we start receiving --

2 MR. BARNWELL: See, I'm not talking the
3 proposed fees at this point.

4 MS. BREWSTER: Right.

5 MR. BARNWELL: And where does the -- if we
6 don't do anything, what happens? The counties still get
7 their \$1.90 because that's the existing fee structure.

8 MR. KUNTZ: Yes, sir.

9 MR. BARNWELL: What happens to DMV's budget?

10 MS. FLORES: We anticipate a deficit of \$4
11 million at the end of '17.

12 MR. BARNWELL: Okay. And --

13 MS. FLORES: And 48 at the end of --

14 MS. BREWSTER: And \$70 million for the next
15 biennium.

16 MR. BARNWELL: Yeah. And that \$70 million
17 includes a number of aggressive, ambitious and I think
18 laudable projects to improve customer service and our
19 ability to service the citizens of Texas, is that right?
20 I mean is that where the \$70 million is?

21 MR. KUNTZ: The \$70 million is the entire
22 registration services of the departments. It includes
23 projects, but it is also the base operation of
24 registration services for the state of Texas.

25 MS. FLORES: It includes overhead, salaries.

1 It's operational expenses.

2 MR. BARNWELL: I see. Okay.

3 MR. PALACIOS: Just for clarification, I guess
4 for Member Barnwell's benefit, the passage of 2202 is
5 predicated or I should say DMV's budget now, the shortfall
6 that we'll have is predicated on the passage of this
7 processing and handling fee so that the \$1.90 -- to your
8 question if nothing happens -- the \$1.90 stays intact.
9 However, DMV funding will diminish, will go away.

10 MS. RYAN: Any other questions?

11 (No response.)

12 MS. RYAN: Okay.

13 MS. FLORES: So moving forward, as Ms. Brewster
14 mentioned, the Agency was or staff was directed to not
15 just put a processing and handling fee increase in front
16 of you but to also look at some efficiencies that we
17 should undertake in order to keep that cost as low as
18 possible --

19 MS. BREWSTER: To keep that processing fee --
20 processing and handling fee as low as possible to the
21 customer.

22 MS. FLORES: -- to the customer. So we had a
23 few months to determine how the Agency could continue to
24 operate but perhaps reduce our Agency operations in order
25 to ensure that we had sufficient revenue to support our

1 Agency operations. So we identified some reductions
2 moving forward into that next biennium '18-'19.

3 The automation fee is being reduced from \$1 to
4 \$0.50 within that processing and handling fee rate. So
5 instead of \$24 million for automation projects, we would
6 be requesting \$12 million for automation projects in the
7 new biennium. We also identified some efficiencies that
8 Jeremiah's going to get into here shortly, but there is an
9 automatic license plate replacement program that is free
10 to the citizens of Texas.

11 And in looking at plate aging, we have
12 identified the fact that a lot of cars don't make it to
13 seven years. They're being traded in ahead of time. It
14 is very rare that a car, that someone keeps their car for
15 longer than seven years.

16 So the proposed Rules do include a component
17 that would remove that automatic free replacement of
18 license plates. That doesn't preclude someone who has a
19 license plate that's beat up or nonreadable from not
20 replacing it, but it removes the free of charge, if you
21 will, for that type of replacement.

22 MR. WALKER: Excuse me. Before you move, may I
23 ask --

24 MS FLORES: Yeah, absolutely.

25 MR. WALKER: You're proposing a \$24 million

1 reduction in automation projects. That's to the
2 automation budget that we currently have in place, or is
3 that if we don't fund a fee or is that just status quo;
4 we're going to reduce projects by \$24 million in order to
5 get the proposed fee down to where it's at today?

6 MS. FLORES: It's what you just said, the
7 latter part. The processing and handling fee is set at
8 such a rate that I will or the Agency will reduce our
9 Agency's budget by approximately \$6 million per year from
10 '18 to '21 to stay withing that processing and handling
11 fee rate.

12 MR. WALKER: So and no disrespect, Linda, but
13 last night I read this book from cover to cover. And
14 there's nowhere in here that the Board, in my mind, has
15 been given financial data that says, This is how we're
16 going to accomplish this fee of \$5.

17 Nowhere does it say, Here's where the money's
18 going to go to or here's where the reduction of costs is
19 going to come in order to fund the Agency. Would you like
20 to show me in this book? Whitney, you're looking at me
21 like I don't know what I'm talking about. But I'm telling
22 you I didn't see it in the book anywhere.

23 And so when you put this \$24 million reduction
24 up here, I think what I heard you say now is that we are
25 going to take -- in order to get this fee to the \$5 level,

1 we're going to take and take \$24 million out of our
2 automation projects going forward. And so am I right or
3 wrong, just --

4 MS. FLORES: You're correct.

5 MR. WALKER: So when you take \$24 million out
6 of the budget, what are we going to take and do away with?

7 MS. BREWSTER: All of the existing projects
8 that are in flight will continue. We will simply do fewer
9 projects moving forward.

10 MR. WALKER: Which fewer projects are we going
11 to cancel?

12 MS. BREWSTER: We do not intend to cancel any
13 of our existing projects, sir.

14 MR. WALKER: So how do you get to \$24 million
15 if you don't cancel a project?

16 MR. KUNTZ: We do not currently have new
17 projects on the books. We would not add new projects to
18 the books at the rate that we've been adding new projects
19 in the past. So in the previous bienniums, we have been
20 adding projects like webDEALER and refactoring and those
21 kinds of projects were all added, and they are already
22 logged on the books. We've been working that project list
23 down as we complete them.

24 What we're projecting in the future is that we
25 would not be adding new projects to the list. The funding

1 for those existing projects is already included in the
2 base budget. It's looking forward we would not be
3 requesting the full \$24 million from the legislature for
4 new projects. We would only ask for \$12 million, and we
5 would curtail how many new projects we ask for going
6 forward.

7 MR. WALKER: We just listened to Ms. Brewster
8 give us a speech that says bienniums, all these younger
9 people are expecting better and more enhanced technology
10 today. I wouldn't disagree with you that we need to maybe
11 cut back on some of the projects, the automations. But
12 are we crippling the Agency and limiting the projects
13 going forward that are going to hinder our ability to be
14 where we need to be?

15 In my world that I live in in the trucking --
16 in my trucking world is if we're not in the newest
17 technology in our business, we're going backwards and our
18 competition is a step ahead of us and we're losing the
19 marketplace. So are we losing marketplace? Are we going
20 backwards by defunding and not being as aggressive in our
21 projects going forward?

22 MS. BREWSTER: We don't believe so. We believe
23 that -- the list of items that I've talked about on the
24 slide, the technologies that we're looking forward to, we
25 believe that we can do those within the -- regardless of

1 those budget cuts. We believe that we can move forward
2 with that.

3 And there's nothing preventing the Agency from
4 if there is an identified need that is a larger ticket
5 item that does not fit within the Agency's appropriation,
6 there's nothing preventing the Agency through the Board
7 from requesting additional funding from the legislature
8 from another revenue source to accomplish those things.

9 MR. TREVINO: Yeah. And since none of the cuts
10 would affect the safety and soundness of our organization
11 or ability to do business, would they, Linda, do you
12 think?

13 MS. FLORES: No, sir.

14 MR. TREVINO: Great.

15 MR. INGRAM: I'll just throw in just to lighten
16 things up a little bit that by eliminating the license
17 plate at seven years because I totally agree with you as a
18 car dealer, nobody should keep their car for seven years.

19 (General laughter.)

20 MR. PALACIOS: I second that.

21 MS. FLORES: Duly noted. Thank you. Moving
22 on, we also looked at taking on additional costs from some
23 of the activities that are proposed. One of the things is
24 that once a processing and handling fee is in place, the
25 Agency now assumes the cost to pay Texas.gov. That,

1 again, is part of the statutory language that established
2 the processing and handling fee.

3 So once the fee's in place, the Agency takes on
4 that \$2 per transaction cost. That's a total of \$69.8
5 million in expenses over a five-year period. We also
6 assume the responsibility to fulfill that online
7 transaction. Currently, that online transaction is
8 processed by each county office. Once the centralization
9 is put in place, the state of Texas DMV is now
10 responsible. That will also come out of our Agency'
11 budget and that's at a cost of \$18.2 million over a five-
12 year period.

13 MR. INGRAM: Quick question on the credit card
14 processing fees, we're specifically talking about credit
15 card, not ACH. Right?

16 MS. FLORES: Correct. That is not --

17 MR. INGRAM: Yeah. So our credit card fee is
18 two bucks?

19 MS. FLORES: Yes.

20 MS. BREWSTER: Just to expand a little bit on
21 that if I may, the Department of Information Resources
22 Board recently took action when it comes to ACH fees. And
23 prior to that action, ACH fees were \$1. Those have been
24 reduced to \$0.25. The Agency is exploring looking at what
25 applications that the Agency has for processing

1 transactions online, how we might better utilize ACH to
2 drive those costs down --

3 MR. WALKER: So how would I do --

4 MS. BREWSTER: -- including online
5 registration. Yes, sir.

6 MR. WALKER: If I were going to do online
7 registration, how would I do an ACH?

8 MR. KUNTZ: Typically what you see for ACH
9 transactions is a bank routing number and a bank account
10 number would be needed in order to process that.

11 Texas.gov has an ACH payment portal and so we would be
12 applying that payment portal to our online transactions.

13 MR. WALKER: How realistic is that with the
14 common John out there to go and give an ACH transfer to do
15 a registration renewal? To date, probably -- how common
16 is that somebody would do an ACH -- I mean, we do ACHs in
17 my office every day.

18 But if I were going to renew my registration, I
19 wouldn't do an ACH. I'd be doing a credit card transaction
20 because it's a credit card number that does that. I don't
21 know that I'd ever give you my bank routing information.

22 MR. KUNTZ: All of the processing that Texas
23 online does is running through secure portals. They have
24 to be in compliance for ACH with NACHA Rules which govern
25 the transactions for ACH. They're also in compliance on

1 their credit card processing so they're using secure
2 portals in order to do that.

3 MR. WALKER: So today, Linda, do you think
4 anybody is doing an ACH transfer on a registration
5 renewal?

6 MS. FLORES: Currently they're not because the
7 only option is to use a credit card.

8 MR. WALKER: Okay. So while we're on this
9 issue right here, when we went to single sticker, okay, we
10 now collect the money for the DPS for the single sticker
11 for their fee for vehicle inspections. So they had no
12 costs associated with that transaction or that credit card
13 that the Texas, whatever they're called --

14 MS. FLORES: Texas.gov.

15 MR. WALKER: -- Texas.gov. So we're absorbing
16 that cost associated with collecting their fee. Why don't
17 we charge them 50 percent of that fee back to DPS so that
18 we can pick back some of our money that we're having to
19 put out to Texas.gov fee?

20 MR. KUNTZ: The Texas.gov fee was unchanged
21 when the inspection fees were added to the registration,
22 the state's portion of inspection fee.

23 MR. WALKER: Define what you said. Unchanged,
24 what do you mean by that?

25 MR. KUNTZ: We have a contract with -- through

1 DIR with NIC USA, which provides the Texas.gov credit card
2 processing. That contract stipulates that it is a \$2 flat
3 fee for registrations that are processed online. And that
4 \$2 fee has always been in place, and it was unchanged with
5 the implementation of Two Steps, One Sticker.

6 MR. WALKER: I don't have a problem that the
7 fee is unchanged. But we are now collecting DPS's money,
8 true or false?

9 MR. KUNTZ: We are, sir, yes.

10 MR. WALKER: So why is DPS not supporting and
11 paying their proportionate share of that transaction cost
12 where we have to go to Texas.gov in order to do the
13 transaction?

14 MR. KUNTZ: Up until this point. the Texas.gov
15 fees were paid as an add-on fee by the customer. The
16 state agencies did not pay any of those fees. It was not
17 accounted for in any of the agencies' appropriations or
18 budgets.

19 MR. INGRAM: Because previously on the
20 inspection, the collections, they collected the money. I
21 mean, DPS never paid for a fee. Right?

22 MR. KUNTZ: That is correct. So prior to Two
23 Steps, One Sticker, the inspections stations charged the
24 full inspection fee amount at the time of inspection.
25 After the bill passage that implemented Two Steps, One

1 Sticker, the customer pays the inspection station their
2 portion of providing the inspection service. The state's
3 portion to cover the cost of administering the inspection
4 program statewide is paid during the registration at the
5 county office.

6 MR. INGRAM: If I can ask, the 69.8, how did we
7 come up with that number?

8 MS. FLORES: We started with the current level
9 of transactions that are processed through Texas.gov and
10 based on some prior trends, we know that online
11 transactions have been increasing exponentially over the
12 last couple of years from 11 percent to 19 percent. So we
13 used a growth factor of approximately 20 percent year-
14 over-year-over-year to determine what our online
15 transactions would be at the Year 2021.

16 It is an aggressive methodology, but with the
17 millennials that are out there and, as Ms. Brewster
18 mentioned, we believe that as more and more people are
19 using their phone to process these transactions, that
20 we'll be seeing that type of activity through online
21 processes.

22 MS. BREWSTER: Additionally, as this Rule
23 proposes, the cost of doing online transactions would be
24 discounted. And therefore, we believe that that would
25 also incentivize the public to process their transactions

1 online. So that is behind that more aggressive percentage
2 growth of online transactions.

3 MR. BARNWELL: Is it 20 percent per year?

4 MS. FLORES: Yes, sir.

5 MR. BARNWELL: Is it year-over-year?

6 MS. FLORES: Year-over-year.

7 MR. BARNWELL: Not 20 percent of 100 percent?

8 MS. FLORES: Correct.

9 MR. KUNTZ: Correct.

10 MR. BARNWELL: It's gone from 11 percent to 19
11 now?

12 MS. FLORES: We're at approximately 19 percent
13 today.

14 MR. BARNWELL: And you expect what next year?

15 MS. FLORES: About 21, 22 percent and then --

16 MR. BARNWELL: And where do you cap it?

17 MS. BREWSTER: 39 Percent.

18 MR. WALKER: And this is credit card
19 transactions?

20 MS. FLORES: Yes.

21 MS. BREWSTER: It's online transactions, sir.

22 MR. WALKER: And so we're capping and saying
23 that 39 is going to be the max?

24 MR. KUNTZ: We're saying that by 2021, that the
25 online transactions would be approximately 39 percent of

1 the total registration transactions.

2 MR. BARNWELL: I think that's really
3 aggressive. What empirical evidence or what do you have
4 besides a flatfooted guess?

5 MS. FLORES: Without any data points, we're
6 having to really stretch, you know, without having a lot
7 of different data points. The online activity has been in
8 place for -- do you know -- several years. But, you know,
9 this is all our best guess at this point.

10 MR. BARNWELL: Well, I understand. And I think
11 everybody, the county, the TACs, the staff, the Board,
12 everybody understands how difficult it is to put in a
13 processing and handling fee and change up the way we've
14 been doing business in such a dramatic fashion based on
15 conjecture.

16 And people are highly concerned -- I'm
17 concerned about the viability of the DMV. And I'm
18 concerned about how these deputies and tax assessor-
19 collectors are going to make it. So the idea here was
20 never to hammer anybody as far as I can tell. And I don't
21 want that to happen.

22 So as we move forward in this rulemaking
23 process, it's important to be checking our hold card from
24 time to time to see where we really are and make -- I
25 think it's incumbent on us to because we're going to be

1 wrong in the guesses. Linda, you're a great guesser, but
2 this many moving parts, you've got to miss something
3 somewhere.

4 MR. PALACIOS: Ms. Brewster, may I ask? Is
5 there any plan in place as we did with the Texas Two Step
6 to encourage consumers and move them towards online?

7 MS. BREWSTER: Yes, sir. And, in fact, that
8 has already begun. The Agency has really stepped up its
9 efforts in terms of utilizing the e-reminder function.
10 And we've seen significant growth with e-reminder and that
11 is that customers have the ability to go online and sign
12 up for e-reminder where they would receive an electronic
13 notification informing the customer when their
14 registration is due and also when they can start the
15 inspection process prior to registration.

16 So that effort is already underway and will
17 continue. And certainly, we're looking at other ways to
18 improve how we get the word out in terms of that
19 functionality.

20 MR. PALACIOS: It would appear to me we'd have
21 to be much more aggressive if we're going to hit that 39
22 percent benchmark.

23 MS. BREWSTER: Yes, sir.

24 MS. CARAWAY: I think another thing too that
25 has to be considered is the service that comes back from

1 that contract, who's going to provide the service. If it
2 begins to get to where that is taking a lot longer than
3 what people are used to with their local county TACs
4 office processing those online renewals, then that growth
5 of online renewals is not going to be 20 percent a year
6 year-over-year --

7 MR. KUNTZ: If I might address the --

8 MS. CARAWAY: -- I don't think.

9 MR. KUNTZ: -- the assumption of growth on the
10 online. One of the things as we were going through this
11 and trying to craft the impact to both the counties and to
12 the DMV was we wanted to make sure that we were
13 conservative in our estimate. And I know that it may
14 sound contrary that we were conservative in estimating a
15 high growth in online.

16 What we understand is that if more folks go
17 online that credit card fee amount that has to be paid to
18 the vendor for providing credit card services will
19 increase. We wanted to make sure that as we estimated the
20 amount of money that would be needed to pay those credit
21 card fees, that we were taking a high-water mark, an
22 aggressive look at how much it would cost to pay those
23 credit card fees.

24 If we do not have as high of a growth in
25 online, then the amount that is needed to support those

1 credit card fees is reduced. Therefore, we're taking a
2 conservative approach to estimating the impact from the
3 online transactions.

4 MR. WALKER: So Linda, what about -- I'm lost
5 in this world. What about, like my wife buys stuff online
6 all the time and she uses like PayPal. What is PayPal?
7 And I'm not putting you on the spot.

8 MS. FLORES: Let the millennial --

9 MR. WALKER: Is that a better --

10 (General laughter.)

11 MR. KUNTZ: I'm sorry. I'm not a millennial.

12 MS. FLORES: That's a nice comment.

13 MR. KUNTZ: I may be close, but I'm not quite
14 millennial.

15 MR. WALKER: Is that a way we can handle a
16 transaction online without paying this high Texas.gov
17 amount fee?

18 MR. KUNTZ: So PayPal or other transaction
19 providers, they are merely credit card processors. So you
20 have, obviously, your credit card companies, Visa,
21 MasterCard, American Express, Discover, those credit card
22 companies. Obviously, when you walk into HEB or you walk
23 into Macy's or somewhere else, the credit card swiping
24 machine is different and it varies by vendor.

25 Those machines are the same thing as PayPal

1 online. PayPal is merely a provider, an interface or an
2 intermediary between the credit card companies and the
3 retailers. So they're just providing that service of
4 running that card and passing those funds on to the credit
5 card companies.

6 MR. INGRAM: But aren't we required to use
7 Texas.gov?

8 MR. KUNTZ: Yes, sir. Under state law, we're
9 required to use Texas.gov. NIC is the vendor that is
10 currently holding that contract with DIR.

11 MR. TREVINO: Yeah. Predictions is very
12 difficult and it may be apples to oranges, but your
13 projections aren't too far off from the banking and
14 financial services industry. You might check with them.
15 I don't have the data in front of me, but they have very
16 aggressive adoption rates for financial services.

17 MR. KUNTZ: Thank you, sir. So moving into
18 some of the proposals that are actually in the agendas.
19 This will cover some of the proposals that are contained
20 in agenda Item 2.B.3. And they're related to some of the
21 savings that we have tried to implement for the counties
22 in processing different types of transactions.

23 The first is a change to the plate replacement
24 cycle that Ms. Flores referenced. Currently today, a
25 vehicle that reaches or a vehicle that has a license plate

1 on it that reaches seven years of age is automatically
2 replaced, whether the license plate is in good condition
3 or not.

4 Anybody that is sending in a registration
5 renewal by mail or online receives that license plate in
6 return from the county by mail. So the counties have to
7 actually package that license plate in an envelope, put
8 postage on it and mail it back to the customer when that
9 customer does an online transaction or a mail-in
10 transaction.

11 By eliminating the automatic replacement of
12 license plates, it removes that obligation for the county
13 tax assessor-collectors to return mail the license plates
14 to the customer that have renewed that registration. The
15 net effective of this is that if the license plate comes
16 to seven years of age, the customer would retain that
17 license plate until such time as they either trade their
18 vehicle in to a dealership and/or they request a new
19 license plate to be put on that vehicle.

20 They can come in at any time and request a new
21 license plate from the tax assessor or collector. This
22 would be in alignment with the way that the statute is
23 currently crafted. Currently, the statute contemplates
24 replacements of license plates, and there's a \$6 fee
25 associated with replacing those license plates in the

1 statute.

2 The state would see a savings and that's part
3 of the savings and the reduction that we have in the
4 budget for the DMV of not having to produce as many
5 license plates going forward. We would reduce that plate
6 production by a small amount each year.

7 MR. WALKER: Stop right there.

8 MR. KUNTZ: Yes, sir.

9 MR. WALKER: And that's where my biggest
10 critique comes.

11 MR. KUNTZ: Yes, sir.

12 MR. WALKER: You're telling me all these great
13 wonderful things that we're going to do, that we can do.
14 And you said there's this savings, but I hadn't seen
15 anything in front of me today that says how much is the
16 state or the Agency going to save by going to a license
17 plate that's going to last on the truck forever or
18 whatever it's going to be, the car.

19 What is that savings? Where's the numbers?
20 You're saying there's going to be savings, but how much is
21 that savings and substantiate those numbers.

22 MS. FLORES: So specifically for not or for
23 eliminating the license plate automatic replacement saves
24 us between a million and a half to two and a half million
25 dollars a year.

1 MR. WALKER: Show me the mechanics for that,
2 Linda.

3 MR. KUNTZ: A set of license plates is
4 approximately \$3.06 per licence plate. Currently, we're
5 projecting that there would be a reduction in the number
6 of license plates that need to be replaced. And I'll
7 actually -- I'll skip ahead to the next slide. These are
8 the --

9 MR. WALKER: If you have that ahead, just say
10 we're going to get to it. I'll wait.

11 MR. KUNTZ: Yeah.

12 MR. WALKER: Okay. I'll wait if you --

13 MR. KUNTZ: Yeah. I'll address that --

14 MR. WALKER: -- if you have a slide that shows
15 that.

16 MR. KUNTZ: I'll address that in the next.

17 MR. WALKER: Okay.

18 MR. KUNTZ: Part of the reason for this change
19 as we looked at this issue, we went and pulled numbers to
20 see what is the age of a license plate out there on the
21 vehicles. This chart depicts the age that we see on
22 vehicles, the license plates that are on vehicles today.

23 As you can see, at two years, you have a little
24 over or between 3.5 and four million license plates that
25 are at that age. By the time you get to seven years, it

1 falls to just under half a million license plates. A lot
2 of people may ask why is this occurring. A few years ago,
3 there was a change in legislation relating to trading
4 vehicles in, not to be confused with Two Steps, One
5 Sticker.

6 We refer to that as sticker scraping when a
7 vehicle is traded in to a dealership. That
8 registration -- the unexpired amount of registration on
9 that vehicle is removed from the vehicle. The license
10 plates are removed from the vehicle, and a new fresh 12
11 months of registration are issued on any vehicle that is
12 resold through a dealership.

13 With that change, what we have seen is that the
14 plate age does not generally get out to seven years
15 because they are being replaced as they're coming in to
16 dealerships and they're being traded in and resold. So
17 we're seeing a churn in the market, if you will, of
18 license plates through that process, and we're not seeing
19 vehicles that are making it to the seven years of age as
20 much as we used to.

21 MR. BARNWELL: Let me ask you a question. I
22 hate to -- well, maybe I don't hate it -- but anyway, it
23 says there's 23,681,000 license plates.

24 MR. KUNTZ: Yes, sir.

25 MR. BARNWELL: So where are the rest of them?

1 MR. KUNTZ: And I did not put it on this chart
2 because it skews the chart dramatically. There are
3 approximately eleven million vehicles that have a license
4 plate between zero and two years.

5 MR. BARNWELL: Okay. All right. I was
6 wondering where that was.

7 MR. KUNTZ: It skews the chart dramatically
8 having that one bar that's extremely large.

9 MR. BARNWELL: I keep trying to catch you,
10 Jeremiah and one of these days, I'm going to. I'm going
11 to find something. I'm going to stay after it.

12 MR. KUNTZ: I'll try and stay ahead. As we
13 calculate the savings to the counties and this we'll take
14 about as it relates to the DMV as well, we looked at this
15 sending a set of license plates in the mail. The postage
16 on that is approximately \$3.74 in hard costs. That's just
17 purely based on the weight of two license plates in an
18 envelope. That's generally the postage that's going to be
19 paid on that.

20 We estimate that an envelope for sending those
21 license plates, it's a large envelope. We're estimating
22 that conservatively at \$0.02 per envelope. And then we're
23 estimating that the county's labor to do that to sit there
24 and take the license plate, stuff them in the envelope, do
25 the transaction is approximately \$1.24 per transaction for

1 savings of approximate \$5 per set of license plates that
2 need to be replaced.

3 As we looked at plate age and look at the
4 trends in how those vehicles are aging out, we estimated
5 that about 135,000 license plates would need to be
6 replaced in the county offices from mail-in and online
7 orders. We did not count the license plates that would
8 have been replaced if they walked in because there's not a
9 savings from the postage and the labor and those things
10 for those license plates.

11 So that 135,000 license plates represents the
12 license plate replacements from walk-in -- I mean from
13 online and mail-in transactions that the county would be
14 required to process and apply postage to. At \$5 per
15 transaction times 135,000 license plates, it's
16 approximately \$675,000 in the first year growing to
17 approximately \$2 million savings by the year 2021.

18 MR. WALKER: Who recognizes this savings, the
19 county or the DMV?

20 MR. KUNTZ: This is a county savings. As we
21 look at this chart and we look at the replacements, we
22 would also see a similar savings for the DMV in not having
23 to produce those license plates. There would be a
24 reduction in the number of license plates that need to be
25 manufactured to be replaced on those vehicles and our

1 current assessment that we have with TDCJ for a license
2 plate set is approximately \$3.06.

3 MS. FLORES: And so for the state overall,
4 there'd be approximately \$12 million savings in the five-
5 year period.

6 MR. KUNTZ: By 2021.

7 MS. FLORES: By 2021.

8 MR. SWINDLE: So let me make sure I understand
9 this. So once you go into this where they're not
10 automatically renewed, it would then strictly be based on
11 a need basis at seven years?

12 MR. KUNTZ: Today customers can come in at any
13 point in time and request a new license plate set and that
14 would be the policy going forward. At any time a customer
15 that needs a license plate to be replaced because it's
16 been damaged or it's worn, they can come in and get a new
17 set of license plates from the county office.

18 MR. SWINDLE: And is there a fee for that? Are
19 they --

20 MR. KUNTZ: There is a \$6 fee assessed by
21 statute.

22 MR. SWINDLE: So that would just continue on so
23 from this point forward, regardless of it was eight or
24 nine years, they would still pay that \$6 fee. And the
25 county would not assume that cost?

1 MR. KUNTZ: Correct. The counties get \$2.50 of
2 that \$6 fee to defer their cost in processing that
3 replacement set of license plates.

4 MR. SWINDLE: Okay. Thank you.

5 MR. KUNTZ: Yes, sir.

6 MR. INGRAM: Just real quick though, Jeremiah,
7 are they charging \$6 today?

8 MR. KUNTZ: Yes, sir. If a customer comes in
9 and requests a new set of license plates, they're assessed
10 a \$6 replacement fee by statute.

11 MR. INGRAM: And counties retain how much?

12 MR. KUNTZ: The counties retain \$2.50 of the \$6
13 and remit the remainder to the state.

14 MR. INGRAM: And that's not changing by the
15 Rules?

16 MR. KUNTZ: That's not changing. That's in the
17 statute and it's unchanged by the Rules.

18 MR. INGRAM: The statute, all right. Thank
19 you.

20 MR. KUNTZ: Yes, sir.

21 MR. WALKER: Would the vanity plates stay
22 permanent also?

23 MR. KUNTZ: Yes, sir.

24 MS. RYAN: Jeremiah, at seven years --

25 MS. FLORES: The process does not change. I'm

1 sorry.

2 MS. RYAN: -- at seven years, do they -- they
3 don't pay the \$6. Correct?

4 MR. KUNTZ: Today they're automatically
5 replaced at seven years at no fee.

6 MS. RYAN: Correct.

7 MR. KUNTZ: Going forward, they would come in
8 whenever they wanted to and request a new set of license
9 plates.

10 MS. RYAN: Okay.

11 MR. WALKER: So simply stated, if license
12 plates become permanent, we give one free license plate so
13 to speak for a new vehicle. After that transaction, there
14 will be no replacement unless the customer pays six bucks
15 to get a replacement?

16 MR. KUNTZ: Yes, sir. The next savings
17 proposal in this Rule package --

18 MS. CARAWAY: Jeremiah, excuse me for
19 interrupting. In the Rules for the plate replacement,
20 it's \$6 plus the \$5 processing and handling?

21 MR. KUNTZ: It is just the \$6. The P&H is not
22 applied to replacement plates.

23 MS. BREWSTER: And we'll get to -- Member
24 Caraway, we'll get to a slide showing those types of
25 transactions that are exempt from the processing and

1 handling fee --

2 MS. CARAWAY: Okay.

3 MS. BREWSTER: -- so that'll be more clearly
4 laid out.

5 MS. CARAWAY: Okay. I had misunderstood. I
6 thought that was added on. Thank you.

7 MR. KUNTZ: Centralized online fulfillment of
8 registration, we've been talking about this as we've been
9 going along. Currently today all registration
10 transactions are processed in the county office. So when
11 a customer goes online and requests a new renewal for
12 their registration sticker, that order for that renewal
13 sticker is sent to the county office. It shows up in a
14 queue in a county work station.

15 The county goes in, approves the transaction
16 and then prints the sticker, stuffs it in an envelope and
17 mails it back. The county is actually responsible for
18 paying the postage. They're responsible for paying the
19 labor and everything associated with returning that
20 sticker to the customer.

21 What this Rule proposes is that the TACs would
22 no longer be required to process those online transactions
23 that are submitted. The revenue from the registration
24 would continue to be deposited to the county accounts.
25 Currently all of that revenue is sent to the counties.

1 The counties can retain that revenue for 34 days, earn
2 interest on it and then they remit it to the state after
3 the 34th day. That process would stay the same.

4 The counties would continue to process the
5 revenue with their normal weekly deposits to the state.
6 The difference being that when a customer orders that
7 renewal online instead of sending the order to the county
8 for fulfilling the sticker printing, that would come to
9 the state and we would use a vendor to bulk print those
10 stickers and do the stuffing and mailing of that process.

11 We would --

12 MR. PALACIOS: Jeremiah, I have a question.
13 What duties would the TAC retain in a situation like this
14 if DMV's fulfilling these other responsibilities?

15 MR. KUNTZ: Their duties retained would be the
16 accounting of the revenue so they would continue to
17 account for their revenue with their normal deposits of
18 everything that they've collected in their office and by
19 mail and remitting that to the state as they do today.

20 So it's really the accounting of the money is
21 what would be retained with the counties. They would not
22 be -- they would not have any other process in the
23 approval of that transaction at this point.

24 MR. WALKER: So if I send my \$56 in today, it
25 goes to Mike Sullivan's office. Mike Sullivan is

1 responsible for my \$56 and send it into the state, the
2 portion and then keeps his portion for road, bridge and
3 county whatever.

4 MR. KUNTZ: Yes, sir.

5 MR. WALKER: Going forward, if I were to mail
6 that same money in, now it would go to a central
7 processing location. Mike Sullivan would never get that
8 in Harris County?

9 MR. KUNTZ: If you did it by mail, it would
10 still go to the county office. So any mail would still be
11 processed in the county office. The physical mail where
12 you open the envelope, take the check out and process
13 that, that process would be retained by the county.

14 MR. WALKER: Why?

15 MR. KUNTZ: The online transactions are the
16 only transactions that are contemplated in this Rule
17 package for centralized processing.

18 MR. WALKER: Why not send all of it to the
19 central processing and take the county out of that
20 transaction cost?

21 MR. KUNTZ: That is an option that we've not
22 evaluated at this point, and we do not have a vendor that
23 we believe is readily available to take that one. For
24 online processing, we have a vendor that is ready to
25 initiate those services as soon as we're ready.

1 MS. RYAN: Jeremiah, is it not also in the
2 statute that we can't do mail? Am I not correct or --

3 MR. KUNTZ: There are some different challenges
4 that come with mail for sure.

5 MS. RYAN: Okay.

6 MS. CARAWAY: Jeremiah, on the fee going to
7 county on the online transaction, that means that the
8 county is going to deal with any returned items. Correct?

9 MR. KUNTZ: Returns or cancelling would still
10 be handled in the exact same way that it is today. So if
11 there's a chargeback on a credit card, that would be
12 handled through the same process that we have today, yes.

13 MS. CARAWAY: So the \$0.25 fee the county gets
14 is to cover that?

15 MR. KUNTZ: Yes. Yes, ma'am. Any other
16 questions?

17 MR. WALKER: So I do have a question. I'm
18 sitting here thinking. I read all these letters last
19 night from Travis County and Bexar County and so forth.
20 And it looks to me like and I read our state numbers. It
21 says this is how many people do it online and this is how
22 many do it in Bexar County.

23 But what about how does this affect a county,
24 let's just take Brewster County. And I mean I don't know
25 how many people live in Brewster County, but it's not a

1 whole lot. They may not have any -- everybody in Brewster
2 County may walk in and do a counter transaction there.

3 So when you have a higher volume of walk-ups
4 there versus our proposed numbers here where the numbers
5 are kind of skewed statewide, how does that affect those
6 smaller counties to do those transactions? Did I make
7 myself clear?

8 MS. CARAWAY: The smaller counties probably
9 will gain from the new P&H because the walk-in customers
10 is \$2.30.

11 MR. WALKER: So they're picking up \$0.20 --
12 they're picking up 0.40 more?

13 MS. CARAWAY: Right.

14 MR. WALKER: So they would pick up because
15 their transactions are walk-ups and they're going to get
16 more money, but the counties where they're not walk-ups,
17 those counties are going to lose?

18 MS. CARAWAY: Right.

19 MR. WALKER: So if we looked at who's --

20 MS. BREWSTER: I'm sorry. We'll get into more
21 detail on the P&H fee later on in the presentation about
22 the specific splits and things of that nature.

23 MR. KUNTZ: So there has been quite a bit of
24 conversation about what the vendor would provide as far as
25 the centralized online processing. And so as such, we've

1 reached out to the vendor to try and ask some additional
2 questions about how they would set up this service.

3 They do offer on demand service which is
4 considered next day. So if we told them we had
5 transactions that needed to go out tomorrow, they would
6 mail those that day. We believe that that is consistent
7 with what we've heard from the counties that they process
8 next day transactions.

9 There are financial penalties associated with
10 that contract. The vendor, as I understand it, has a 1.7
11 percent of their contract amount at risk in escrow. If
12 they have a failure for meeting an SLA of next day
13 turnaround, that escrow is at risk. If they have a second
14 failure within that 13-month period, there's a 10 percent
15 of the invoice penalty that is assessed to the vendor and
16 paid to the state.

17 So there is a heavy penalty financially if they
18 meet the next day turnaround SLA. We have also asked them
19 about the redundancy of services because there's been some
20 concerns about whether or not they'll be able to perform
21 at the same level as the counties.

22 Right now they have disaster recovery. They
23 have a spillover in Pennsylvania so they have a print shop
24 in another state. In case there's ever an incident that
25 shuts down the print shop in Texas, they can send those

1 orders to the Pennsylvania print shop. They can print and
2 deliver those renewals there as well.

3 They also offer some optional services that we
4 would consider as we look at contracting with them. They
5 have what they call fast forward service. In fast forward
6 service, they would take the address that we send them.
7 They would compare it with the forwarding addresses of the
8 United States Postal Service and do validations on
9 addressed to make sure that they have a good address.

10 For that service, there's an automatic address
11 update that could be potentially integrated and updated
12 into RTS. So they could provide us with those updated
13 addresses, but they would automatically forward those in
14 order get a higher accuracy rate on mailing those
15 registration stickers out.

16 For that service, if you opt to that service,
17 you do not pay financial penalties for your bulk postage
18 rate. Right now if you use bulk postage, which we would
19 be getting for doing this service, if you have returned
20 mail, you pay a penalty for the returned mail for your
21 bulk postage rate. This would eliminate that penalty so
22 that we're not liable for any returned registration
23 stickers that come back to the state.

24 We have also discussed with them the ability to
25 help service customers that have concerns about where

1 their sticker is in the process. They have informed us
2 that they have the ability to track if we put bar codes on
3 the registration renewals, that they have the ability to
4 track that transaction all the way through their process.

5 They have bar code readers on their printing
6 machines as well as on their mail processing machines.
7 They have the ability to remove that renewal sticker from
8 the assembly line. They also have the ability to tell us
9 where it was, if it was mailed that day. They also have
10 the ability to give us a scanned image of what exactly was
11 printed on that sticker at that time so we can get some
12 additional quality control that we do not have today and
13 helping inform customers about what happened with their
14 transaction if it is ever lost.

15 We anticipate going forward that we would also
16 make some additional enhancements to our technology to try
17 and offer customers a self-service portal online to give
18 them real time access to be able to go in and check on the
19 status of that sticker.

20 We've anticipated or thought of potentially
21 putting something on the website where a customer could
22 query based on a license plate or a VIN and then it would
23 return the status of where their sticker was in the
24 process, if it had been printed yet, if it had already
25 been mailed, that way they had some understanding about if

1 it had been mailed, that maybe it had gotten lost in the
2 mail to help try and reduce that confusion or the impact
3 to the counties if there's ever a problem with processing
4 those stickers.

5 MS. RYAN: So Jeremiah, one of the concerns I
6 believe during the outreach process was potential overload
7 for calls back to the TAC offices on follow-up of where
8 the stickers were. This self-serve would be able to be
9 implemented in a time frame that would alleviate that
10 concern?

11 MR. KUNTZ: We're hopeful that that is exactly
12 what would happen, that we would have that in time for the
13 implementation of this program.

14 MS. RYAN: At least in discussions so far.

15 MR. KUNTZ: Yes, ma'am.

16 MS. CARAWAY: What about an 800 number or some
17 place for somebody to call? Is that being considered as
18 well? And if so, is it just a one number thing or would
19 it be, you know, because if the whole state's calling that
20 one number, it could be a problem.

21 MR. KUNTZ: We would anticipate that we would
22 utilize our services that we would not have people calling
23 the vendor directly. Especially if we had reports coming
24 from the vendor, we would have that access to be able to
25 see where that transaction was in the process and triage

1 it if there was ever an issue. So we would want to be
2 handling those ourselves.

3 MS. CARAWAY: So you're saying the calls coming
4 to DMV and not to the county TACs office or are you saying
5 calling the county?

6 MR. KUNTZ: Yes, ma'am. We have a 1-800 number
7 right now for the DMV and we have a call center that is
8 staffed. We take these calls today.

9 MR. INGRAM: So, Jeremiah, you've -- itemizing
10 all of the savings for the centralized online fulfillment
11 for the counties, you've calculated it I guess at \$18.2
12 million? That's going back a bit to Slide 18, but I
13 assume that's the number. Right?

14 MR. KUNTZ: That is not the savings to the
15 county. That is what we would pay for providing that
16 service. The vendor, we've estimated at \$0.50 per
17 transaction, it would be the vendor cost for providing the
18 service. And that's what that \$18.2 million represents.

19 MR. INGRAM: So then how do we calculate it
20 what it would save the counties?

21 MR. KUNTZ: It's the difference between -- yes,
22 we have savings for the counties on what they would save.

23 MR. INGRAM: Am I just missing that?

24 MR. KUNTZ: I thought we did. Did we not?
25 It's in the preamble. I don't have it right here.

1 MR. INGRAM: Okay.

2 MS. BREWSTER: It's in your board book then in
3 the preamble.

4 MR. KUNTZ: We'll get that in just a second.

5 MS. BREWSTER: We'll get that information for
6 you, Member Ingram.

7 MR. WALKER: So did you take into consideration
8 what the cost would be to come up with the IT in order to
9 give the public information to say what's the status of my
10 sticker?

11 MR. KUNTZ: I don't have an exact cost on that,
12 but we're looking at that right now to get a level of
13 effort on that. We do not believe it would be
14 substantial.

15 MR. WALKER: How much is that?

16 MR. KUNTZ: I don't have a -- I couldn't give
17 you a dollar figure on it.

18 MR. WALKER: \$100? \$50?

19 MR. KUNTZ: I really don't know.

20 MR. WALKER: \$50 million?

21 MS. BREWSTER: Not \$50 million.

22 MS. RYAN: And probably not \$100.

23 MR. WALKER: Not substantial is relevant. It
24 could be anywhere.

25 MS. BREWSTER: We will certainly -- we're

1 further researching this. This is as a result and this is
2 why this is not even in your board books is because this
3 is a recent development and something that we are
4 researching currently and certainly can provide you in the
5 very near future.

6 MR. TREVINO: But would the vendor pick up a
7 lot of those costs in the back end?

8 MR. KUNTZ: Which costs?

9 MR. TREVINO: On being able to spot where it is
10 in the process?

11 MR. KUNTZ: They already have the ability to --
12 their system already is capturing that. If you provide a
13 bar code, their system will capture all of that and can
14 generate reports.

15 MR. TREVINO: So the ability to track this,
16 they would be the ones picking up the cost of being able
17 to track that?

18 MR. KUNTZ: The hardware costs is already
19 included in what we have received as a quote from them.

20 MS. RYAN: This is their program. Correct?

21 MR. KUNTZ: So they already have a tracking
22 system in their technology. So they already have the
23 ability if you have a bar code, they have the ability to
24 track that transaction through their process.

25 MS. RYAN: And they print a bar code on as part

1 of their printing process?

2 MR. KUNTZ: Yes, we would alter the
3 registration sticker to have a bar code on it so that it
4 could be tracked through the process.

5 MR. WALKER: Yeah, but how does the consumer
6 get the bar code?

7 MS. RYAN: Based on your need, we would query
8 your need.

9 MR. KUNTZ: They would not need the bar code.
10 They would need something like their license plate number.

11 MR. WALKER: This is for an online transaction.
12 Right?

13 MS. RYAN: Correct. But you'd go online and
14 query your license plate number and since they printed it,
15 that's what they'd track you in the system.

16 MR. KUNTZ: They would associate the bar code
17 to the license plate number.

18 MS. RYAN: It's like a FedEx tracking. Your
19 license plate number's your FedEx tracking number.

20 MR. WALKER: So my license plate number is what
21 I would give them, not a bar code number?

22 MR. KUNTZ: What we are anticipating is that
23 the customer would provide us with a license plate or a
24 VIN on an online portal and that would query a report that
25 we get from them that tells us where that was in the

1 process. Their system has the ability to generate reports
2 to tell you what transactions were completed in a day. We
3 would utilize that report in order to populate an online
4 query system.

5 MS. RYAN: What we're doing is giving pretty
6 much the face that would allow the customer to go in with
7 their VIN or license plate number. The vendor, since
8 they're doing all the work, would provide the reporting to
9 say it's been mailed or it's at the post office similar to
10 a FedEx piece. So the tracking number you'd your VIN or
11 your license plate number.

12 MR. BARNWELL: What's the implementation date
13 on this centralized online fulfillment?

14 MR. KUNTZ: January 1st of 2017.

15 MR. BARNWELL: Okay.

16 MS. RYAN: Any other questions?

17 MS. CARAWAY: I guess the only other thing I'd
18 say is that in talking to other county TACs offices that
19 they don't believe that the savings on this would come
20 anywhere near their revenue loss. I think there's other
21 things as well, but I'm just letting you know what I'm
22 hearing from out there that they don't believe the savings
23 on this would offset, you know.

24 MS. RYAN: Right.

25 MS. CARAWAY: But there are other efficiencies

1 and things that we all need to look at on both sides so.

2 MS. RYAN: And respectfully, I think the
3 revenue subtraction or loss is being shown respectfully on
4 the discount to the consumer. So the revenue is equal
5 there. Right? I think it's the efficiency piece --

6 MS. CARAWAY: Right.

7 MS. RYAN: Yeah. The math is there. It's the
8 other pieces.

9 MS. CARAWAY: But I understand the impact. The
10 impact, I think, is with pure dollars, yeah.

11 MS. RYAN: Where we're trying to understand and
12 get all our heads around. I agree with that.

13 MS. CARAWAY: Right.

14 MR. KUNTZ: So to answer the question, we're
15 estimating approximately \$47 million in savings between
16 now and 2021 for the counties for not having to process --

17 MS. RYAN: Say that again.

18 MR. KUNTZ: Approximately \$47 million.

19 MS. RYAN: Over what period?

20 MR. KUNTZ: Five years.

21 MS. RYAN: Five years.

22 MR. KUNTZ: By 2021.

23 MS. RYAN: To the counties?

24 MR. KUNTZ: To the counties.

25 MS. CARAWAY: For the online piece?

1 MR. KUNTZ: For the online, yes, ma'am.

2 MS. RYAN: Thank you.

3 MR. WALKER: Because they won't have to handle
4 those transactions. They'll be handled through the
5 central processor?

6 MR. KUNTZ: Yes. And we -- that number is
7 utilizing the \$1.36 estimated cost from the TTI study. So
8 it's the \$1.37 times the number of online transactions
9 would be the cost savings to the counties.

10 MS. CARAWAY: Based on a 20 percent year-on-
11 year growth?

12 MR. KUNTZ: Yes, ma'am.

13 MR. WALKER: So what does an online transaction
14 cost? Don't get into the \$56 part of it. What does it
15 cost us to do an -- estimate to do an online transaction?

16 MR. KUNTZ: In the county or by the vendor?

17 MR. WALKER: By the county -- by the state.
18 Who's going to pay for the online transaction?

19 MR. KUNTZ: Going forward, the state would take
20 the cost of the fulfillment of the printing, stuffing and
21 mailing of the sticker to the customer.

22 MR. WALKER: And how much is that going to
23 cost? That's my question.

24 MR. KUNTZ: Fifty cents per transaction.

25 MR. WALKER: Fifty cents, and what do we charge

1 for that transaction?

2 MR. KUNTZ: Based --

3 MR. WALKER: Just the processing and handling
4 fee.

5 MR. KUNTZ: Eighty-five percent of the vehicles
6 on the roadway pay approximately \$50.75 in base
7 registration plus additional add-on fees like the \$10
8 county road and bridge fee, DPS \$1.50 -- I mean, the DPS
9 \$1, the \$1 child safety fee.

10 MR. WALKER: I guess my question is differently
11 than what you're answering.

12 MR. KUNTZ: Okay.

13 MR. WALKER: How much is the Department of
14 Motor Vehicles going to recognize and profit off of that
15 transaction?

16 MS. RYAN: Well, you're going to explain the
17 fees in a second. Do you want to get to that slide?

18 MS. BREWSTER: We will get to that in the next
19 slide. We will get to that right now in just a moment.

20 MR. WALKER: Okay.

21 MR. INGRAM: Just to follow up real quick, the
22 \$47 million is based on the \$1.37 times the estimated
23 online transactions. And the \$1.37 is the estimate per
24 TTI of the study?

25 MR. KUNTZ: Yes, sir, on what it costs the

1 counties to process an online transaction.

2 MR. INGRAM: Okay.

3 MR. KUNTZ: If it costs more than that, then
4 the savings would be greater.

5 MR. INGRAM: Correct. Right.

6 MR. KUNTZ: If it costs less than that, the
7 savings would be less.

8 MR. INGRAM: And the TTI study, it's honestly
9 been, I've read it three times, but it's been a while
10 since I read it recently. But they took the averages.
11 Right? That's an average across --

12 MR KUNTZ: It is a statewide average. It's a
13 weighted statewide average.

14 MR. INGRAM: It is weighted though?

15 MR. KUNTZ: Yes.

16 MR. INGRAM: Okay.

17 MR. KUNTZ: Moving on, this will actually
18 detail the processing and handling fee itself. This first
19 slide indicates the types of transactions that would be
20 requiring a processing and handling fee. Initial
21 registration, registration renewal, the International
22 Registration Plan, and temp permits would be the
23 transactions that require a processing and handling fee.
24 All of these the county would receive compensation on all
25 of these.

1 The International Registration Plan, those
2 transactions are actually processed by the DMV through the
3 IRP system, and the revenue flows through the county. And
4 so for those transactions, the county would continue to
5 get their compensation from the processing and handling
6 fee, but they would not be processing those transactions
7 themselves. They do not do that today. Those are
8 centrally processed through the IRP system.

9 Initial registration and registration renewal
10 would continue to be -- would require the processing and
11 handling fee. And then temp permits are issued by the
12 county, their deputies, our regional service centers and
13 online. And so in all of those instances, the processing
14 and handling fee would be applied, but the entity that
15 processes that transaction for a temp permit would retain
16 the full amount of the \$5 processing and handling fee.

17 The registration transactions that are exempt
18 from the processing and handling fee are listed here.
19 They includes things as the replacement registration
20 sticker, registration transfers -- I'm going to skip
21 exempts and come back to those in just a second -- vehicle
22 transit permits, replacement license plates as we
23 discussed before, registration correction receipts,
24 duplicate receipts, inquiry receipts, inspection fee
25 receipts, and the exchange of license plates for which no

1 registration fee is assessed.

2 There are times where license plates are
3 exchanged and there's not a registration fee that's
4 assessed, such as when they're moving from specialty
5 plates to general issued plates and those kinds of things.

6 MR. PALACIOS: Jeremiah, I have a question on
7 these fees. I assume these are all set in the statute and
8 will not change?

9 MR. KUNTZ: And that's what I wanted to try and
10 address is things like replacement registration stickers,
11 transfers, transit permits, replacement license plates,
12 those all have statutory fees that are assessed and the
13 counties get specific compensation in accordance with the
14 statute for those types of transactions.

15 There are some like duplicate receipts is at
16 \$2. They would continue to get the full \$2 amount. There
17 are some fees where there's a no fee correction. Those
18 there would be not be any fees. Obviously, if there's a
19 no fee correction from an error that occurred, there is
20 not a fee for processing that transaction as well, okay.

21 Exempt vehicles, currently exempt vehicles are
22 exempt from paying registration. And therefore, we would
23 not assess them a processing and handling fee as they are
24 exempt from registration. There is no compensation to the
25 counties in the processing and handling fee.

1 Today the state is paying them \$1.90 for
2 processing those transactions even though there's not a
3 registration transaction that is being assessed. So today
4 they are getting compensated for those, but they would not
5 be receiving any compensation for those going forward.

6 MR. INGRAM: Is there any way to fix that? I
7 mean, is there some way that they can either not have the
8 expense or the --

9 MR. KUNTZ: It is difficult in that without the
10 registration fee being applied and there not being a
11 processing and handling fee, there's nothing to pay them
12 from.

13 MR. INGRAM: Right. Right.

14 MR. KUNTZ: There is an option for counties to
15 utilize Web Sub and actually outsource that work to the
16 governmental entity that is requesting that. We know that
17 there are counties that are utilizing that system and
18 having the governmental entities like your city fleet
19 managers, your county fleet managers actually print their
20 own stickers and do that transaction themselves in order
21 to take that work out of the county offices.

22 MR. INGRAM: So if they use Web Sub, then what
23 work are they doing on exempt at that point or is that
24 just going straight here?

25 MR. KUNTZ: It's managing the inventory of

1 stickers with the county office -- between the counties
2 and that governmental entity.

3 MR. INGRAM: So their workload is reduced?

4 MR. KUNTZ: It would take those customers out
5 of their county lines.

6 MR. INGRAM: Right. Okay.

7 MS. CARAWAY: So basically that addresses your
8 comment earlier about DPS being involved in the process is
9 we're doing that work for DPS for no benefit for us.

10 MR. KUNTZ: And there are approximately 250,000
11 exempt vehicles statewide so it is approximately 1 percent
12 of the total volume of vehicles statewide of \$24 million.

13 MR. WALKER: And those are pretty much state or
14 city vehicles?

15 MR. KUNTZ: State, city and county. You get
16 school districts, law enforcement, state agencies, police
17 entities, fire departments, those kinds of entities.

18 MS. CARAWAY: And very plain to see the large
19 counties get hit the hardest on the exempt --

20 MR. KUNTZ: Sure.

21 MS. CARAWAY: -- entities.

22 MR. INGRAM: What is typical for a large county
23 to have in exempt vehicles? I mean, we talked about the
24 number, but I don't know for like a Dallas or Houston
25 or --

1 MR. KUNTZ: I wouldn't have the numbers on the
2 number of exempts in that county at my fingertips right
3 now.

4 MR. INGRAM: Okay.

5 MR. KUNTZ: I'd have to pull a report on that.

6 MR. INGRAM: I'm sure somebody will tell us
7 eventually.

8 MS. CARAWAY: Travis County just said 30,000
9 for them.

10 MR. KUNTZ: So the TTI study, the TTI study
11 that was conducted lists the following costs. As you can
12 see here, they estimated a statewide weighted average cost
13 for a county walk-in transaction of \$2.59. They estimated
14 the county online to be \$1.37 for fulfilling that online
15 request. And then county mail to be \$1.97 for the
16 counties that are processing mail.

17 Limited service registration renewals, that's
18 all they process is registration renewals. They estimated
19 it at \$1.11 to process those by a limited service deputy.

20 Full-service deputies, they estimated that it cost a
21 full-service deputy \$4.09. TTI did not for any of these
22 deputy transactions evaluate what the county cost is for
23 overseeing their deputies. So they did not estimate that.

24 What they said in the study was that that is
25 part of overhead, and it is counted in their weighted

1 average cost of providing the other transactions. So they
2 did not line item it out and say specifically that there's
3 a dollar figure associated with the oversight of those
4 deputies.

5 The final thing here that you see and it
6 really, the only Rule that has this in it is the deputy
7 Rule, Rights to the Full-Service Deputy Title Transaction.

8 And it estimates that the title transactions cost
9 approximately \$12.88 for a full-service deputy to process.

10 I want to remind you that the processing and handling fee
11 will have no impact on the counties' processing assessment
12 that they get to keep from a title transaction.

13 State law assesses either a \$33 title fee in
14 the non-attainment counties of the state and a \$28 fee in
15 the attainment counties of the state. And out of that \$33
16 or \$28, the county retains \$5 for processing that title.
17 That is statutorily set and we are not changing that at
18 all in this Rule package.

19 MS. WEBSTER: And that's important to know
20 because based on some feedback that we've gotten, there
21 may be some confusion in some of the counties on that
22 topic so we just wanted to clarify that that is unchanged
23 in these Rule packages.

24 MR. PALACIOS: Jeremiah, can you explain the
25 difference between attainment and non-attainment?

1 MR. KUNTZ: So a non-attainment county is a
2 county that has not attained air quality standards set by
3 the EPA. An attainment is a county that has met air
4 quality standards. So generally non-attainment counties
5 are your large metropolitan counties of the state.

6 MR. WALKER: What did you say while ago the
7 cost of the online transactions are?

8 MR. KUNTZ: The cost for an online is \$1.37.

9 MR. WALKER: \$1.37?

10 MR. KUNTZ: Yes, sir.

11 MR. WALKER: So --

12 MS. RYAN: Per the study.

13 MR. KUNTZ: Per the study.

14 MS. RYAN: Is that what you're asking?

15 MR. WALKER: No, no, no. No, not for the
16 study. What did we say we think an online costs us?

17 MR. KUNTZ: For us?

18 MR. WALKER: For us.

19 MR. KUNTZ: Fifty cents.

20 MR. WALKER: Fifty cents?

21 MR. KUNTZ: Yes, sir.

22 MS. RYAN: In the proposed Rules?

23 MR. KUNTZ: In the proposed Rules. Well,
24 that's what we estimate it will cost using the vendor.

25 MS. RYAN: What cost are you asking? We got

1 lots of costs floating around.

2 MR. KUNTZ: Today the counties are compensated
3 \$2.90. They have an estimated cost of \$1.37. And then
4 using a vendor for centralized processing, we estimate the
5 cost to the state to be \$0.50.

6 MR. WALKER: Fifty cents?

7 MR. KUNTZ: Yes, sir.

8 MS. RYAN: And the savings right now in the
9 proposed Rules is being passed on to the --

10 MR. WALKER: So where I'm trying to go with
11 this is that TTI study shows that a county mail-in, the
12 cost to handle a mail-in is \$1.97.

13 MR. KUNTZ: Yes, sir.

14 MR. WALKER: Right there. Right?

15 MR. KUNTZ: Yes, sir.

16 MR. WALKER: If you took that same transaction
17 and did it online and took it to a central processing
18 center instead of doing it at the county, you're telling
19 me it's \$0.50. So there is a \$1.47 savings by going
20 through a central processing --

21 MR. KUNTZ: If you convert a mail-in customer
22 to an online customer, that's exactly what we're saying.

23 MR. WALKER: But you can also even go to a
24 central processing of a mail-in and it looks like there
25 would also be a savings. I guess you'd pick up the \$1.97

1 that the county doesn't have to take and work the
2 transaction. You can do it at a lower cost through a
3 central processing center, true or false?

4 MR. KUNTZ: We have not estimated what a vendor
5 would charge us to do centralized mail-in at this time.
6 We do not have that number so I would not be able to tell
7 you exactly what it would cost us for a vendor to do the
8 mail-in. We know what it would cost us for online.

9 MS. CARAWAY: And that's plus postage. Right?

10 MR. KUNTZ: It includes postage of \$0.38.8 for
11 bulk rate, yes. \$0.50 including postage.

12 MS. CARAWAY: So \$0.50 includes postage? Okay.

13 MR. WALKER There's a huge savings there, huge.

14 MS. RYAN: And that's savings --

15 MS. BREWSTER: And just to be clear that the
16 Rules, as they are proposed, passes on that savings to the
17 customer. And that is how we are able to invert the
18 current pricing model for transactions done in this state.
19 Instead of it being the most expensive right now, online
20 transactions, it will now become the least expensive
21 transaction and, in fact, it will be a decrease over what
22 it is today.

23 MR. WALKER: But that's just to the consumer.
24 The consumer realizes those savings.

25 MS. BREWSTER: The consumer realizes those

1 savings. And you are absolutely right. At some point it
2 would be fantastic to be able to also find that same
3 efficiency in the mail-in process.

4 MR. WALKER: Well, if you're going to go to
5 these low transaction processing and handling fees, you're
6 going to have to get as much savings as possible.

7 MS. RYAN: You're absolutely right.

8 MR. WALKER: And so you've got to transition as
9 much of this to the lower cost factors instead of --

10 MS. RYAN: You're right. And as I said earlier
11 and Jeremiah can address it, it's my understanding that
12 the Agency's looked at it. However, there are some
13 barriers to also do it for mail-in right now, and they
14 need to continue to do some due diligence to get to that
15 point.

16 But I do believe, as Whitney addressed, that
17 there is a future vision to continue to look at those
18 efficiencies and to continue to have conversations with
19 stakeholders and the TAC offices and things like that.
20 But you're right. All those things have to be looked at.

21 MR. WALKER: But you're saying there is a
22 questionable statutory limit to us providing that mail-in
23 service maybe?

24 MR. KUNTZ: The statute says that registration
25 shall be processed through a county office. The way that

1 this online process would work, the registration fees are
2 still flowing through the county office. With mail, the
3 check would be coming to a centralized location and so
4 there would be challenges of what through means to a
5 county office.

6 MR. WALKER: So if we wanted to look at that,
7 we would need to address that through a statutory,
8 somebody looking at it statutorily?

9 MR. KUNTZ: Yes, sir.

10 MR. TREVINO: Has mail been declining in
11 importance though over time? Has the number of mail, you
12 know --

13 MR. KUNTZ: It's approximately 7 to 8 percent.

14 MR. TREVINO: Has that been declining?

15 MR. KUNTZ: It's relatively steady.

16 MR. TREVINO: Steady. All right. Thanks.

17 MR. WALKER: But it's 18 percent in Bexar
18 County I think, wasn't it?

19 MR. KUNTZ: That's the statewide average. It
20 varies county by county. All of these percentages vary
21 county by county.

22 MS. CARAWAY: So what you're saying on the
23 online since the funds are going through the county, that
24 takes care of the statutory requirement of it --

25 MR. KUNTZ: Registration is still flowing

1 through the county.

2 MS. CARAWAY: Even though we don't actually
3 touch the registration itself?

4 MR. KUNTZ: The fulfillment is being done
5 centrally, but the actual registration is flowing through
6 the county.

7 MS. RYAN: And the online process.

8 MR. BARNWELL: So you're comfortable with that,
9 Mr. Duncan?

10 MR. DUNCAN: David Duncan, General Counsel.
11 Yes, Member Barnwell, we're confident that the flow of
12 the -- all we're doing basically is we're taking a piece
13 of information off of that online transaction. The piece
14 of information is this person needs a sticker at this
15 address. The money, the transaction itself flows through
16 the county system, in RTS to the system the way it would
17 have before.

18 MR. KUNTZ: The other thing to point out is
19 that all of the registration fees locally would still be
20 assessed at that local level. In other words, if you're a
21 Hays County resident, then the registration is based off
22 your residency and so it is still assessing the county's
23 specific registration amount for what Hays County says the
24 registration should be for their local fees.

25 So it gives weight to the fact that it's still

1 flowing through the county. It's not a statewide
2 transaction. It's a Hays county registration fee.

3 MS. BREWSTER: I think it's important to note
4 that when the TTI study was conducted, this was well
5 before the Agency started looking at efficiencies for the
6 Agency as well as counties. These costs do not include
7 the efficiency measures and savings that we spoke about
8 earlier. This was a snapshot in time well before that
9 effort began.

10 MR. KUNTZ: So moving on, this is a comparison
11 of the current fee structure for the counties and their
12 deputies and the future state of the compensation that
13 would be listed in the Rule. As you can see, the percent
14 represents the percent of transactions that are processed
15 in that manner.

16 So as you see, walk-in transactions represent
17 approximately 64 percent and the registration's done
18 statewide. The county currently receives \$1.90 for that
19 transaction. They would receive \$2.30 under the proposed
20 Rule. Online, 18 percent, \$2.90 goes to \$0.25 and that's
21 to cover that cost, as Member Caraway alluded to, for
22 processing the funding of the registration and handling
23 the issues associated with refunds, those kinds of things
24 that they would be responsible for doing.

25 As you go down the list, I will not read them

1 all, but you can see how each of these fees changes
2 between the current model and the future model. The last
3 column, the last row that you see is temporary permits.
4 And you can see right now the counties currently receive
5 \$1.90 on temporary permits. They would receive the full
6 \$5 permit fee in this Rule.

7 MR. PALACIOS: Jeremiah, I have a question. I
8 know it's early on with dealer/deputy with the webDEALER,
9 but what's your projection going forward on the
10 dealer/deputy percentage and your projections on
11 inspection deputies?

12 MR. KUNTZ: Unfortunately, I'd be throwing
13 darts at a wall to try and predict that. And really I
14 would not know where those would come from, if those would
15 be coming from walk-ins or online. It's very difficult to
16 try and predict where those transaction shifts would
17 occur. So we've not done any --

18 MR. PALACIOS: But we have some history now
19 with webDEALER.

20 MR. KUNTZ: We do. We know how many
21 transactions have been processed through webDEALER. The
22 package still requires that the county deputize a dealer
23 so just because they're using webDEALER does not mean that
24 they're necessarily a deputy of the county. And we can
25 talk about that a little bit more in detail when we get to

1 the deputy provision.

2 MR. PALACIOS: Okay.

3 MR. TREVINO: Jeremiah, your breakdowns for
4 percent of each of these different line items, is that for
5 2015? What data did you use?

6 MR. KUNTZ: Yes, that's 2015. That's our most
7 current.

8 MR. TREVINO: Thanks.

9 MR. KUNTZ: As you can see, this is a
10 comparison of what the customer would actually see and
11 what the counties get in compensation. So walking through
12 this walk-in and we've got these set up for each of the
13 different transaction types. I will try and move through
14 these quickly as we go through these.

15 As you can see here, a customer currently pays
16 approximately \$51.75 for that registration. We have
17 excluded all of the other add-on fees like the county road
18 and bridge and those kinds of things to simplify these
19 graphs down. So there are obviously additional fees that
20 are outside of this, but we really wanted to hone in on
21 the fees that are actually being collected as add-on fees
22 today that become part of the processing and handling fee
23 tomorrow.

24 So as you can see today, customer pays an
25 additional dollar for automation. That is now included in

1 the processing and handling fee so the customer would see
2 an increase of \$4 on a walk-in transaction, not an
3 increase of \$5. So even though the P&H is \$5, that
4 customer would only see a \$4 increase in their total
5 registration fees.

6 The county keeps \$1.90 from that transaction.
7 The Automation Fund is sent \$1. It's a dedicated fund.
8 And the State Highway Fund would get \$48.85. Going
9 forward, the county compensation would go to \$2.30 on a
10 walk-in transaction. That is paid from the P&H fee
11 itself. The DMV would receive \$2.20 and then \$0.50 would
12 be set aside for automation projects going forward.

13 The Board was given the authority and the
14 latitude in the statute to dictate how much is set aside
15 for automation projects in a range between \$0.50 and \$1.
16 So this would have the Board putting aside \$0.50 for
17 automation projects, and that would be in line with the
18 amount that we would be looking for appropriation for the
19 automation projects.

20 Any questions on walking through these? And I
21 can try and walk through the other ones quickly giving
22 that explanation.

23 MR. WALKER: Linda, we've been charging \$1 or
24 the state has been charging \$1 automation fee in the prior
25 ten years I guess. Of the \$1 transaction fee that we've

1 been collecting, how much of that has been going to fund
2 the automation projects?

3 MS. FLORES: Approximately \$24 million a year.

4 MR. WALKER: How much is that per transaction?

5 MS. FLORES: A dollar.

6 MR. WALKER: A dollar?

7 MS. FLORES: A dollar.

8 MR. WALKER: So we've been using all of the
9 dollar?

10 MS. FLORES: No, sir. It's been collected.
11 We've been generating --

12 MR. WALKER: I know.

13 MS. FLORES: -- or collecting \$24 million a
14 year.

15 MR. WALKER: I know that. How much of it have
16 we been using? That's my question.

17 MS. FLORES: So --

18 MR. WALKER: Of the dollar, how much is being
19 used to find projects?

20 MS. FLORES: So if you look at our two-year
21 budget, we've collected \$48 million. We've been
22 appropriated \$24 million.

23 MS. WEBSTER: So 50 percent.

24 MS. FLORES: So for every dollar that we
25 collect, we generate \$24 million a year.

1 MR. WALKER: I got it. How much is being spent
2 on projects?

3 MS. FLORES: \$24 million every two years.

4 MR. WALKER: All of it?

5 MS. FLORES: Every two years.

6 FEMALE VOICE: So half of it.

7 MS. FLORES: So just because we collected
8 doesn't mean it's appropriated to us.

9 MR. WALKER: So \$0.50 of that's going away?

10 MS. FLORES: So then we'll be collecting
11 approximately \$12 million a year and spending \$12 million
12 every two years. So \$6 million a year.

13 MR. WALKER: And that's enough to fund the
14 automation projects that we have?

15 MR. KUNTZ: Going forward.

16 MS. FLORES: Going forward, we'll be looking at
17 automation projects that people will bring, you know,
18 forward for evaluation, but it does not preclude us
19 completing those projects that are in flight today. We
20 have --

21 MR. WALKER: So let me ask you this question,
22 and I'm not sure whether David answers this or Whitney,
23 but when the automation fee was put on there, the intent
24 was, Hey, we need to update the Agency because -- and this
25 is prior to the DMV even existing -- was that, Hey, we

1 need some money for IT technology to advance the processes
2 out there.

3 So they put this \$1 fee, the legislature did,
4 on there to say, Okay, here's some money to fund
5 automations, IT projects and so forth. So going forward,
6 is this automation fee -- I know it says it's between
7 \$0.50 and \$1. We've been collecting all of the \$1. But
8 going forward, we're never going to list automation again.
9 Correct? It's just going to be a P&H fee?

10 MS. BREWSTER: Yes, sir. That's correct. It
11 will not be line-itemed --

12 MR. WALKER: So in reality, almost --

13 MS. BREWSTER: It will not be line itemed out.
14 It will be -- it'll say processing and handling.

15 MR. WALKER: So the public will never see that
16 there's an automation fee that even exists. Behind the
17 scenes, there's something in the statute that we know
18 that, Hey, we can go get between \$0.50 and \$1. but I
19 don't even know that that's necessary anymore because
20 we're allowed to get a processing and handling fee which
21 could include the automation projects or IT technology.
22 Is that not correct?

23 MS. BREWSTER: The Board has the authority to
24 set the automation fee between \$0.50 and \$1. So if the
25 Board so chose to change that amount, they certainly could

1 in the future.

2 MR. WALKER: But it is really now a part of the
3 processing and handling fee?

4 MS. BREWSTER: Yes, sir.

5 MR. WALKER: It's not an automation fee
6 anymore?

7 MS. BREWSTER: That is correct.

8 MR. KUNTZ: It is a set-aside, so the way the
9 statute structure is the Board dictates how much of the
10 processing and handling fee will be set aside in a sub
11 account within DMV for the purposes of supporting of
12 automation projects.

13 MS. RYAN: For our accounting purposes though,
14 it always has to be set aside and --

15 MR. KUNTZ: It has to be accounted for and set
16 aside.

17 MS. RYAN: -- accounted for separately.

18 MR. WALKER: It does?

19 MS. RYAN: Yes.

20 MR. KUNTZ: Yes.

21 MS. BREWSTER: Yes.

22 MS. RYAN: Yes, it always has to be accounted
23 for separately.

24 MR. KUNTZ: I'll let Linda answer this for
25 information to set up a sub account.

1 MS. RYAN: I would also add the same question,
2 when it was set as a dollar, I would ask what projects had
3 we identified for the future five years to determine that
4 we needed a dollar. And the same question would be
5 probably none. So I don't know that the dollar was ever
6 determined to be a dollar because we knew exactly what the
7 Agency was going to spend for the next five years and we
8 knew that we needed a dollar.

9 So I think that the same aspect was there when
10 it was set at a dollar versus \$0.50.

11 MR. INGRAM: And it's fair to say that if we
12 had an important project that we did not have enough money
13 for, we could go to the LBB with an exceptional request.
14 Is that true?

15 MR. KUNTZ: Yes, sir.

16 MS. RYAN: This Board also has the authority to
17 raise that amount should this Board or a future Board
18 choose that that was a necessary action. Correct? Is
19 that correct?

20 MS. FLORES: Correct.

21 MR. WALKER: At any time?

22 MS. RYAN: That is the discretion of this
23 Agency's Board.

24 MR. KUNTZ: Any other questions on walk-in?
25 I'll move on the next one.

1 (No response.)

2 MR. KUNTZ: Here's the breakdown of online
3 transactions. Online transactions currently represent
4 approximately 18 percent. Today a customer pays the
5 automation fee. They also pay an additional Texas.gov fee
6 of \$2. That's for processing that credit card
7 transaction.

8 And then they pay a mail-in fee. I like to
9 affectionately refer to this as the mail return fee. It's
10 really to help defray the cost of returning the sticker
11 back to the customer. So today, a customer pays \$54.75
12 for an online transaction. County receives \$2.90 of that,
13 \$2 goes to the vendor, Texas Online, and then \$1 is set
14 aside as we just discussed in the automation fund.

15 Moving forward, there would be a processing and
16 handling fee. The customer would be afforded \$1.25
17 discount to their processing and handling fee for
18 processing that transaction online bringing their total
19 assessment to \$54.50, a net savings of \$0.25 from what
20 they pay today and \$1.25 cheaper than what it would cost
21 tomorrow to do it in a county office.

22 So there was a discount from doing it in a
23 county office as well as a discount to what they're
24 currently paying today for processing that online
25 transaction.

1 The county would receive \$0.25. Texas Online
2 would continue to receive \$2. We would receive \$0.50.
3 The Automation Fund would get \$0.50 as we discussed. And
4 we would anticipate paying the vendor \$0.50 for the
5 processing of that transaction.

6 Are there any questions on this?

7 MR. WALKER: One question.

8 MR. KUNTZ: Yes, sir.

9 MR. WALKER: The \$0.50 for the vendor
10 fulfillment?

11 MR. KUNTZ: Yes, sir.

12 MR. WALKER: How do we know that? Have we gone
13 to them and said, Hey, what would the price of this be?

14 MR. KUNTZ: Yes. There's two data points that
15 I have on that. One is we have a DIR contract or DIR has
16 a contract with Xerox to provide these services currently.
17 If Xerox provides the services requested, we're required
18 to utilize that contract as a state agency.

19 They currently process all of our title
20 transactions. They print the titles and mail them.
21 They're also starting right now going to be doing all of
22 our renewal notice mailing. They currently print all of
23 our renewal notices, and then they will be mailing those
24 as well.

25 So we have an existing contract with them.

1 Today right now it costs us \$0.48 to send a renewal
2 notice. That includes the printing of the renewal notice,
3 the stuffing of the renewal notice, the envelope plus a
4 return envelope, two inserts for printing and stuffing in
5 that costs us \$0.48 today utilizing that exact same
6 vendor.

7 Processing stickers would only be the printing
8 of one piece of paper, the sticker paper, folding it,
9 stuffing it. There would not be any return envelope
10 necessary for mailing a sticker. It would just be the
11 outside envelope, and we anticipate it would be right in
12 line with what it costs us do the renewal notice.

13 MR. WALKER: So where's that done?

14 MR. KUNTZ: Here in Austin today.

15 MR. WALKER: In Austin?

16 MR. KUNTZ: Yes, they mail -- we currently mail
17 approximately 24 million registration renewal notices
18 every year.

19 MS. CARAWAY: So currently a lot of the offices
20 when we do the online, we wait until the funds hit the
21 bank account before they're actually processed. That's --

22 MR. KUNTZ: Yes, sir or yes, ma'am.

23 MS. CARAWAY: That's not going to be the case
24 anymore? I mean, they'll process it as soon as it hits
25 the online --

1 MR. KUNTZ: If the counties would prefer us to
2 put a delay in there, we could put an automatic delay of
3 one day. Again, I said the vendor will print on demand so
4 it's next day at its earliest. In other words, if we said
5 we want you to print the stickers the day after you
6 receive them, that's what they would do. If we tell them
7 to print them next Tuesday, they'll print them on demand
8 on Tuesday.

9 So it is merely a factor of what is -- how much
10 time would the counties like in order to be able to
11 process that payment. We could put that as an automatic
12 delay into the process so that they hold those
13 transactions and mail them at that time.

14 MS. BREWSTER: And we will --

15 MS. CARAWAY: So it's something that maybe
16 could be discussed --

17 MR. KUNTZ: Yes, ma'am. Absolutely.

18 MS. CARAWAY: -- at the point that we --

19 MS. BREWSTER: We would welcome that in the
20 public comment period. Any information on that would be
21 very helpful.

22 MS. CARAWAY: It's just thinking about returns,
23 you know.

24 MR. KUNTZ: Absolutely. And we understand that
25 that's going to be something that we need to make sure

1 that we've got that full process mapped out and discussed
2 with all the county tax assessor-collectors. We know that
3 that's going to be something that we'll talk with y'all
4 about and make sure that we've got the process nailed
5 down.

6 MS. CARAWAY: Because it's even surprising
7 using e-checks, like we use e-checks for property tax
8 payments and such, those even get returned.

9 MR. KUNTZ: Yes, ma'am.

10 MS. CARAWAY: And so you know, just that fear
11 that you're not going to get your funds --

12 MR. KUNTZ: We would also welcome in the public
13 comment period, the rates that the counties experiencing
14 on either chargebacks or bounced e-checks. That would
15 definitely help us in making determinations about what the
16 impact is to the county.

17 MR. WALKER: So let's kind of go backwards a
18 little bit or maybe I'm getting ahead of you on a
19 dealer/deputy where I go buy a brand new car from
20 Raymond's car dealership.

21 MR. KUNTZ: We're going to get to that one.

22 MR. WALKER: So you want me to wait?

23 MR. KUNTZ: When we get to the dealers, it
24 would probably be a whole lot easier to answer it there.

25 MR. WALKER: Okay. I was just trying to walk

1 through the process of where the county gets involved in
2 the process.

3 MR. KUNTZ: Yes, sir.

4 MS. RYAN: I was going to take recess if we
5 don't get to a point --

6 MR. WALKER: That's probably a good idea.

7 MS. RYAN: Well, how much longer do you have,
8 Jeremiah?

9 MR. KUNTZ: If I could get through the next
10 couple of slides, there's a natural break point in the
11 presentation that we could --

12 MS. RYAN: Okay. If we don't think you can get
13 to the next couple of slides, then I'm going to, if you
14 don't mind, give everyone a quick break. So I'll give you
15 a shot. And if not, I'm going to --

16 MR. KUNTZ: For me, it won't take very long.

17 MS. RYAN: I'm going to give everyone a recess.
18 Fair enough? Okay.

19 MR. WALKER: Then I won't ask any questions.

20 MS. RYAN: No, no. Feel free, Johnny. I
21 didn't mean that. I just think we're going to have people
22 squirming. Go ahead.

23 MR. KUNTZ: So it's a very similar format for a
24 mail-in transaction. A customer pays the automation fee
25 and a mail return fee, if you will, for \$52.75. Again,

1 county keeps \$2.90. Automation Funds gets \$1. Going
2 forward, that fee, the total transaction fee would be
3 \$55.75, \$2.30 to the county and \$2.20 to the department
4 with \$0.50 for automation.

5 This slide represents the current limited
6 service deputy as well as what we'll discuss for
7 inspection deputies and dealer deputies that are
8 processing registration transactions. Currently, limited
9 service deputies charge their fee as an add-on fee on top
10 of registration so they pay \$1 there. The automation fee
11 is also assessed for \$52.75. County receives \$1.90. The
12 deputy receives their \$1. The Automation Fund receives
13 \$1.

14 Going forward, it would be \$55. The P&H would
15 be \$5. There would no longer be an add-on fee for the
16 limited service deputy. Their compensation would come out
17 of the processing and handling fee. The county would
18 receive \$1.30. The deputy would receive \$1, \$2.20 to DMV,
19 and \$0.50 to the Automation Fund.

20 MALE VOICE: You're doing great, Jeremiah.

21 MR. KUNTZ: The last slide is the full service
22 deputy. Currently the registration fee, \$50.75 plus
23 automation, the full service deputies have a statutory fee
24 of \$5 that's listed in the Transportation Code. That
25 brings their total charge to \$56.75. County receives

1 \$1.90. The deputy receives their \$5. The Automation Fund
2 receives \$1.

3 Going forward, the processing and handling fee
4 would be \$5. There would be an additional convenience fee
5 for full-service deputies of \$4 -- this is where we get a
6 little bit complicated -- for \$59.75. The county would
7 receive \$1.30, and the deputy would receive \$5. They
8 would get the \$4 of the convenience fee plus \$1 out of the
9 processing and handing fee bringing their total
10 compensation to \$5.

11 TxDMV would receive \$2.20 and the Automation
12 Fund would be dedicated \$0.50. Are there any questions?

13 MR. PALACIOS: I'm going to ruin your streak
14 here, Jeremiah. What is the counties, I guess, their
15 duties in a situation like this as well as I guess using a
16 dealer deputy or a limited deputy?

17 MR. KUNTZ: So for full-service deputies, a
18 full-service deputy has a work station. They have a
19 terminal for RTS. They have a direct network connection
20 into the network. They process transactions as if they
21 are a substation of the county office. The county is not
22 required to approve those transactions. They go in just
23 like if the county was processing those in.

24 The county would handle oversight I guess, if
25 you will, for the money just like they would for a

1 substation of their county office. They literally act
2 just a county substation would in that they send that
3 revenue in with their daily deposits. Then the county has
4 some amount of oversight that they need to manage those
5 entities. They have contracts with them so there's some
6 oversight associated with overseeing what they're doing.

7 But as far as the actual approval of those
8 transactions, there is not an additional step. Once that
9 transaction's entered into RTS, it's entered just as if a
10 county substation was entering it in.

11 MS. CARAWAY: I would just add to that that
12 there is audit-type work to be done, you know, to make
13 sure that the inventory and stuff that you've assigned out
14 to that full-service deputy is being accounted for
15 properly and --

16 MR. KUNTZ: And that's the oversight that I was
17 referring to.

18 MS. CARAWAY: Right.

19 MR. KUNTZ: They need to manage a number the
20 license plates and stickers and forms and such that are
21 issued to that entity to endure that, you know, they've
22 got good inventory.

23 MR. INGRAM: But theoretically, right, it would
24 have to be less work on the tax assessor-collector. Why
25 would you do it if it was --

1 MS. CARAWAY: Right.

2 MR. INGRAM: Right. So it has to be some less.

3 MS. CARAWAY: Well, and it is convenience to
4 that full-service deputy, you know, especially a dealer
5 deputy is what I'm thinking about, you know, to service
6 their customers in that manner.

7 MR. KUNTZ: There is definitely a difference
8 from the dealer deputies and the full-service deputies and
9 we'll definitely get into that as we proceed with the
10 presentation.

11 MS. CARAWAY: Jeremiah, one question that I've
12 had is where did the \$5 amount come from? Why is it \$5
13 and not some other figure?

14 MR. KUNTZ: Currently in the statute, there is
15 a \$5 fee that is listed in the statute for registration
16 transactions for --

17 MS. CARAWAY: Okay. I'm not talking about --
18 I'm just talking about the P&H fee in general, not the
19 full-service deputy fee of \$5.

20 MR. KUNTZ: Okay. So --

21 MS. CARAWAY: Okay.

22 MR. KUNTZ: Overall, the P&H, that was through
23 a lot of analysis looking at what those different
24 transaction costs are, what we see as a potential savings
25 to the county as well as the department in processing more

1 efficiently, that was just a number that we arrived at in
2 going through that process of analysis.

3 MS. CARAWAY: So there's nothing on the Agency
4 that keeps the Agency from deciding to make it \$6 or some
5 other figure besides \$5?

6 MR. KUNTZ: There is not a statutory limitation
7 on what the Board may adopt for that fee. The statute
8 contemplates that the Board has full discretion on setting
9 that processing and handling fee. If the Board decides
10 that they would like it to be more or less, that is the
11 discretion of the Board. There's not a statutory
12 limitation.

13 MR. WALKER: But the real answer should be is
14 that this is how statutorily the legislators in the last
15 session said that this Agency is to fund its operations is
16 through a processing and handling fee. So the real answer
17 should be is there's a gap in the amount of money that we
18 bring in from all the other fees that we collect in the
19 Agency

20 Linda needs to know or if she does know what
21 that number is that needed to be disclosed and say, Okay,
22 to get to this, we're going to have to charge this much in
23 order to meet the gap to fund the Agency in order to make
24 things status quo or we're going to cut costs to get us
25 down to this number. Or we anticipate increased costs and

1 we've got to this to get to there.

2 MS. RYAN: I think that's what I heard Jeremiah
3 say.

4 MR. KUNTZ: And the approach that was taken
5 here was to tackle the gap from both sides to both make
6 cuts as well as to have the processing and handling fee
7 bring in additional revenue. So rather than just increase
8 the processing and handling fee to fill the entire gap, we
9 looked at the budget, tightened our belt, tried to find
10 where we could cut costs so that we could drive down what
11 that processing and handling fee needed to be.

12 MR. WALKER: Which is what we should have done.

13 MS. CARAWAY: I think just one other comment I
14 would like to make on Raymond's question a while ago is
15 that anything that goes out to those deputies, the county
16 tax collector is personally liable for those funds so --

17 MR. PALACIOS: They still have to maintain the
18 bond requirements and so forth.

19 MS. CARAWAY: Correct.

20 MR. KUNTZ: And we'll get into all of that
21 later in the presentation.

22 MS. RYAN: Okay. We will be at recess. If we
23 could have everyone back quickly so five, ten minutes at
24 the most, please. Thank you.

25 (Whereupon, a short recess was taken.)

1 MS. RYAN: Okay. It is -- welcome back
2 everyone. It is 11:00, and we have returned from recess
3 and the meeting is back in session. So I will -- if I can
4 have everyone's attention, please. Thank you. The
5 meeting is back in order. Jeremiah, it's all yours.

6 MR. KUNTZ: Thank you, Madam Chair. The next
7 section of the presentation will cover Agenda Item 2.B.4,
8 which relates to the Performance Quality and Recognition
9 Program. This is a new program that the Agency has been
10 working to help develop. Earlier one of the things that
11 we talked about was insuring the public trust. We also
12 talked about the requirement in statute to set standards
13 for the titling and registration services.

14 This program is intended to address that issue
15 of establishing standards. And so in order to try and
16 prepare for creating this program, we requested that the
17 Tax Assessor-Collector Association give us recommendations
18 on some tax assessor-collectors that could participate in
19 a working group to help us craft the rules around creating
20 a new program to recognize counties for their performance
21 in providing registration and titling services statewide.

22 What you see here are the members of that
23 working group. We had a cross session of counties
24 represented, and we also have some VTR staff from my shop,
25 myself; William Diggs, who is Regional Services; Amber

1 Wilson, who is a regional services manager; Gina Gordon,
2 who is a FSR or a field service rep out in the regions;
3 Tim Parlam [phonetic], who is one of our program
4 specialists in VTR; and then Elena Quinn, who is in our
5 Office of General Counsel.

6 The working group was charged with providing
7 input on the development of this program and the rules to
8 recognize outstanding performance and efficiency in
9 processing title and registration transactions in a county
10 tax assessor-collector office. You know, through a lot of
11 discussion, we have heard, So why are you doing just for
12 the counties? What are you doing for yourselves as well?

13 And I can assure you that while this program
14 does not recognize the regional offices, we have been
15 undergoing an extensive initiative within VTR to develop
16 standard operating procedures for the regional offices.
17 They have been working amongst themselves through
18 committees working on title fraud, those kinds of things
19 to try and help prevent fraud that's occurring.

20 And so they have an entire initiative dedicated
21 just to the regional centers to address performance in our
22 own offices. We have 16 regional offices spread across
23 the state. We employ almost 200 individuals in those
24 offices, and we want to ensure that they are having the
25 same standards for operating that the counties have in

1 providing those services as well.

2 The program, this program is a voluntary
3 program for the county tax assessor-collectors. It is an
4 application program. They would apply to be recognized.
5 There's not a requirement for them to put in an
6 application. We anticipate that we would have flexibility
7 for meeting criteria to account for small, medium and
8 large counties so we are already thinking ahead about how
9 to make sure that the criteria does not limit small
10 counties from being able to achieve excellence.

11 So we want to make sure that there's
12 adjustments in the way that the program works to account
13 for the limitations that small and medium counties may
14 have in trying to achieve some of the efficiencies or some
15 of the things that a large county may be able to achieve
16 easier. So that's something that's considered.

17 In the working group we had extensive
18 discussion about that, and we'll make sure going forward
19 as we put that program together that it makes sure that it
20 has that good flexibility so that we're not singling
21 somebody out and preventing them from actually
22 participating.

23 The program would have multiple levels of
24 recognition. There was actually an evaluation done by our
25 internal auditor to kind of make recommendations on how to

1 structure this program. That report that the auditor did
2 actually made some recommendations to have a bronze level,
3 silver level and gold level recognition for the counties.

4 We anticipate that that would most likely be
5 the recognition levels that we would have in the program.

6 The Rule does not specify the levels of recognition. It
7 just puts in place the criteria that must be considered in
8 creating the program.

9 The minimum criteria are set in the Rule. The
10 minimum criteria are for baseline performance or what we
11 would potentially consider bronze level performance. And
12 then there would be additional criteria for higher levels
13 for the silver and gold levels of recognition that would
14 be taken into consideration as well.

15 The Rules outline the minimum criteria. The
16 minimum criteria include timely remitting registration
17 fees collected in accordance with state statute, timely
18 remitting motor vehicle sales tax and penalties again in
19 accordance with state statute, consistently applying
20 statutes, rules and policies governing motor vehicle
21 transactions, and then maintaining the statutorily
22 required bond that the county tax assessor-collectors have
23 for running their operations.

24 And so that would be minimum criteria for an
25 application for bronze level is maintaining that they are

1 actually in compliance with state statutes and rules.

2 For higher levels of recognition, we anticipate
3 that the following criteria could be used in creating the
4 higher levels or the silver and gold levels. Having
5 things such as performs efficiently with low error rates,
6 processing transactions in a timely fashion, having
7 customer feedback programs, and fraud, waste and abuse
8 awareness and prevention programs.

9 There are also some additional criteria that
10 the Agency may consider adding to those as well for
11 implementing cost saving measures and customer feedback
12 metrics to measure customer satisfaction. I'll take a
13 little bit of a chance here to try and explain how these
14 would be put into some practical applications as we look
15 at things like fraud, waste and abuse or customer
16 feedback.

17 What we anticipate at this point as we build
18 the program would be for a silver level that there would
19 be something like, Does a county have a fraud, waste and
20 abuse prevention policy in place for their county office.

21 Being able to select yes on that check box and say, Yes,
22 I have a policy in place would be meeting that criteria
23 for silver level.

24 Then as we look at gold level, we would maybe
25 look at what additional things are you doing to prevent

1 fraud, waste and abuse. Are you doing regular audits? Is
2 your internal auditor coming in and reviewing you on a
3 regular basis so that would get you kind of into that
4 higher level of recognition.

5 With customer feedback programs, offering
6 customer feedback to the customers, making sure that you
7 have comment cards, that you have an online portal
8 someplace for customers to provide feedback would
9 potentially be a silver level of recognition.

10 Having an above average or like 85 percent or
11 better, you know, good or better rating on your customer
12 service feedback would potentially get you into that gold
13 level. So actually taking what you're using in silver
14 level, having that customer feedback mechanism and then
15 actually taking that a step further to say how well are
16 you scoring in that would be where you'd get into that
17 gold level service level.

18 So that's how we're kind of anticipating
19 structuring this. Obviously, we want to make sure that
20 this program is easy for the counties to make application
21 and we also want to make sure that it is a very objective
22 criteria that we're not inserting a lot of subjectivity
23 into the scoring of those applications as well.

24 So that's really what we're trying to drive at
25 is to make this a program that is easy to apply for.

1 Obviously, we don't make it easy to get to gold level. We
2 want that to be a stretch goal.

3 We want to make sure that customers are seeing
4 some benefit from this program by stretching the goals of
5 the counties and of the regional offices to make sure that
6 they're really stretching to make sure that they're
7 offering the highest level of customer service so that
8 we're getting good customer service to the citizens of
9 Texas.

10 MR. WALKER: Question?

11 MR. KUNTZ: Yes, sir.

12 MR. WALKER: Is this program just inclusive of
13 the tax assessors or is it also the deputies?

14 MR. KUNTZ: It includes the work of the
15 deputies as well. So the deputy work would be used. So
16 whatever transaction data is needed for processing an
17 application, that would be scored as well.

18 MS. CARAWAY: So it's for the office?

19 MR. KUNTZ: It's for the office of the tax
20 assessor-collector. The recognition is at the tax
21 assessor-collector office level. In other words, it's --
22 and it's very much linked to the tax assessor-collector
23 themselves, their operations and how they're running their
24 business.

25 MS. RYAN: But the individual business of the

1 deputy is not under this --

2 MR KUNTZ: The deputies would not be applying
3 for recognition. The application would be from the tax
4 assessor-collector themselves. But the services that are
5 provided by a deputy would be scored in whatever criteria
6 are there.

7 MR. PALACIOS: Jeremiah, how difficult is it
8 for the Agency to measure this? I assume it would be
9 annual or every -- how often will we be doing this?

10 MR. KUNTZ: I'll get into the actual
11 specifics --

12 MR. PALACIOS: Okay.

13 MR. KUNTZ: -- of the application process on
14 the next slide.

15 MR. PALACIOS: Okay.

16 MR. KUNTZ: On the next slide here, the due
17 date for submission would be October 31 of the application
18 year. The time frame would be for the fiscal year. So
19 we'll be running the evaluation from September 1 to August
20 31 of the year that they are applying for recognition.

21 The program requires in the Rule that the
22 county tax assessor-collector must be a sitting tax
23 assessor-collector for a full fiscal year. Most tax
24 assessor-collectors, state official actually take office
25 in January so the first year that they are in office they

1 would not be eligible because they would not have served
2 in that capacity for a full state fiscal year which starts
3 on September 1 and ends on August 31.

4 So they would be eligible to apply their second
5 year of office, if you will. The term of the recognition
6 is the term of the office. If the tax assessor-collector
7 is not coming back, if they either resign their post or
8 they are not voted back in during their re-election term,
9 the recognition program would end upon the term of their
10 election cycle. And then if they are re-elected, it would
11 expire one year after their re-election.

12 So that way the county tax assessor-collectors
13 are not having to apply during their election year and
14 having to make that extra effort. That was something that
15 in the work group came out that they did not want to have
16 to be making an application during their election cycle
17 when they're busy working on their election.

18 MR. PALACIOS: So back to my question, how
19 practical is this for us to evaluate this for the 254 TACs
20 or whoever elects to sign up for this?

21 MR. KUNTZ: That is really going to be
22 dependent upon how the program really gets structured and
23 which criteria, how we utilize those criteria, whether or
24 not RTS has ad hoc reports that can run on it or if we're
25 having to do some evaluations.

1 Obviously, we want to make sure that we create
2 the program in a way that's simple as possible to
3 administer. We do not have additional FTEs. We'll have
4 to do this with the existing FTEs of the Department.
5 There's not a separate line item budget to, you know,
6 exceptional item or something to do this program. This
7 will be something we do with existing resources.

8 MS. BREWSTER: So just to be clear, the Rule
9 authorizes the program. The specifics of the program are
10 yet to be determined, and the Agency will be working on
11 that.

12 MR. KUNTZ: And we'll continue working with
13 that working group as we develop the specifics of the
14 actual program.

15 MR. INGRAM: Has the working group considered
16 or internally have we considered using an outside service
17 to judge or monitor this program?

18 MR. KUNTZ: We haven't gotten that far in it.

19 MR. INGRAM: It's a little early?

20 MR. KUNTZ: Yeah.

21 MR. INGRAM: Okay.

22 MS. BREWSTER: That's certainly a good
23 suggestion to take under advisement. Thank you.

24 MR. KUNTZ: And, again, the workload with this
25 program will be driven by how many counties actually make

1 application. Obviously, if all 254 made application, then
2 that would be a heavier workload than if, you know, only a
3 handful of them made application.

4 That concludes that section of the presentation
5 if there's any other questions. If there's not any other
6 questions, I'll move on to the deputy section.

7 (No response.)

8 This section of the presentation covers Item
9 2.B.2 relating to the deputies or the deputies of the
10 county tax assessor-collectors. As was mentioned earlier,
11 House Bill 2202 authorized the Department or the Board to
12 create deputy classification, their duties, obligations,
13 and to set their compensation. These Rules are you taking
14 action on that legislative authority.

15 The classifications that are contemplated in
16 this Rule are the full-service deputy which is existing in
17 statute -- we would be recreating that in rule -- a dealer
18 deputy which would be a new deputy classification that has
19 never been considered before, limited service deputies,
20 which were also previously in the state statute, and then
21 inspection station deputies which would be a new deputy
22 type that was not previously considered in the state law.

23 As you can see here, a full-service deputy can
24 do registration, title, permits and other transactions as
25 authorized by the county tax assessor-collector. I think

1 of this as a menu to choose from. County tax assessor-
2 collectors may authorize them to do all of these
3 transactions or they may curtail and say you can only do
4 certain types of transactions through their contract.

5 Dealer deputies would have dealers processing
6 title paperwork for vehicles that they sell in their
7 dealership. They would not be required to be open to the
8 public. They would also be able to process registrations
9 for those vehicles as well as processing registration
10 renewals for the general public.

11 Anybody that walks in off the street that would
12 like to process a renewal, it's authorized for them if
13 they come to agreement with the county that they want to
14 provide that service. That's an option that the dealers
15 would have under this Rule to provide renewal services to
16 the general public. That is the main difference between a
17 full-service deputy and a dealer deputy is the handling of
18 title transactions.

19 The dealer deputy contemplates that, in the
20 Rule, that they would only be handling their own
21 transactions. A full-service deputy takes walk-in
22 transactions from anybody off the street that's processing
23 a title.

24 There is nothing in the Rule that precludes a
25 dealer that would like to handle title transactions from

1 the general public. They could be deputized if the county
2 would like them to be as a full-service deputy and
3 therefore, granting them the authority to do transactions
4 for the general public.

5 So a dealer has the option of either being a
6 dealer deputy and only doing their own transactions or
7 petitioning to the county as a full-service deputy and
8 doing any transaction from the general public.

9 MR. WALKER: But that's not what the Rule says.
10 The Rule says that a dealer deputy cannot do a renewal.

11 MR. KUNTZ: If you are a dealer deputy, you
12 have the option to do renewal work.

13 MR. WALKER: I don't believe that's what the
14 Rule, when I read last night, it says that they cannot do
15 renewals.

16 MR. KUNTZ: David, you want to try and look at
17 that.

18 MR. DUNCAN: Yeah.

19 MS. BREWSTER: Madam Chair, would you like us
20 to continue to proceed while Mr. Duncan takes a look at
21 that?

22 MS. RYAN: Yes, I was going to say can we
23 continue the presentation and maybe look at that at a
24 separate opportunity.

25 MR. KUNTZ: The limited service deputies, they

1 would continue to do renewal registrations only. That is
2 the only thing that they can process today, and that would
3 be continued into the future. And then inspection station
4 deputies, the new deputy classification, would only be
5 doing renewal work. They would not be doing title work or
6 initial registration or temp permits or any other types of
7 transactions.

8 MR. BARNWELL: Jeremiah, the sureties vary from
9 a very low amount to a lot of money. How are these surety
10 bonds going to be set?

11 MR. KUNTZ: So right here, the way that the
12 Rule lays it out, as you can see for a full-service
13 deputy, the amounts that are set in the Rule are between
14 \$100,000 and \$2 million as determined by the county tax
15 assessor-collector. So the county tax assessor-collector
16 would look at that full service deputy, determine the risk
17 profile and then assess a surety bond based on what they
18 believe is an appropriate bond amount.

19 So Ms. Caraway, Member Caraway was referring to
20 this earlier in the testimony that the tax assessor-
21 collectors in the state of Texas are personally liable for
22 all taxes and fees owed to the state of Texas. When they
23 deputize somebody, they are still liable for all those
24 fees.

25 Even though they have outsourced that business

1 to another entity, they themselves are personally liable.

2 The surety bond is what protects the tax assessor-
3 collector should there ever be an issue with that deputy
4 that they are protected in any fees or taxes that are owed
5 to the state.

6 MR. BARNWELL: There have been occasions where
7 deputies have done some things that were illegal, fraud
8 and other things. Does the surety bond protect the tax
9 assessor-collector for that? Can we collect against that?

10 MR. KUNTZ: That is the intent of the surety
11 bond. Right now --

12 MR. BARNWELL: Beyond fees. I'm talking about
13 fraudulently issued titles and things of that nature.

14 MR. KUNTZ: If there is a liability of that
15 deputy, that liability is with the county tax assessor-
16 collector ultimately, and the county tax assessor-
17 collector would be the one that is liable for what is owed
18 to the state of Texas in fees, taxes.

19 MR. BARNWELL: Who writes these bonds

20 MR. KUNTZ: There are various financial
21 institutions --

22 MR. BARNWELL: Just insurance companies and
23 financial institutions?

24 MR. KUNTZ: Yes, sir.

25 MR. BARNWELL: And you pick one you like?

1 MR. KUNTZ: Yes, sir.

2 MR. BARNWELL: Are there any requirements
3 regarding the financial stability of these surety bond
4 companies?

5 MR. KUNTZ: Not in these Rules. I will also
6 say that in some instances we are aware that the full-
7 service deputies have put cash in escrow accounts to serve
8 as the surety bond as well. So it really varies county by
9 county. But we don't have any insight as to what
10 requirements the counties have for the financial stability
11 of the surety bond issuer.

12 MR. BARNWELL: Okay. All right. Thank you.

13 MR. DUNCAN: If I may return to your question,
14 Member Walker, David Duncan, General Counsel, if you'll
15 look on your board books at pages 94 and 95, 217.166(e)
16 says that dealer deputies may not otherwise offer initial
17 registration services right before the section about
18 renewals.

19 The renewal say a county tax assessor-collector
20 may authorize a dealer deputy to provide motor vehicle
21 registration renewal services and goes on to say if they
22 offer registration renewal services, they must offer
23 services to the general public.

24 MR. WALKER: So they can offer renewal
25 services?

1 MR. DUNCAN: Yes, sir.

2 MR. WALKER: Because I thought it was kind of
3 weird when I read it --

4 MR. DUNCAN: It may not. It was right before
5 it so that's probably what might have caught your eye.

6 MR. KUNTZ: So the provision that was just
7 referenced for initial registration, they can process
8 those for their own transactions, but they would not be
9 processing initial registration to the general public.

10 Initial registration is tied to the title
11 application so generally when somebody applies for title,
12 there's an initial registration that occurs at the same
13 time as title. So when a dealer sells a vehicle, they
14 would process, if they're a dealer deputy, they would
15 process the title and initial registration on behalf of
16 the buyer. But they would not be providing initial
17 registrations for transactions that they did not do.

18 So if there's a private party sale to citizens
19 sell or trade vehicle -- I mean, when a citizen sells a
20 vehicle to another, they would not be able to walk into a
21 dealer deputy office and perfect that transaction in a
22 dealer deputy's office. They would have to go to a county
23 or a full-service deputy to do that.

24 But as I said, a dealer may opt if they so
25 choose to become a full-service deputy location if that's

1 something they desire.

2 MS. BREWSTER: And if that is something that
3 the county choose to deputize them to do.

4 MR. KUNTZ: Correct.

5 MR. WALKER: Does the county have to deputize
6 them to do each of these deputies?

7 MS. BREWSTER: Yes, sir.

8 MR. KUNTZ: It is the full discretion of the
9 county as to whether or not they deputize another entity
10 to be a deputy.

11 MR. WALKER: Well, and the reason that it kind
12 of caught me strange when I read it last night was that an
13 inspection station can actually be deputized so that when
14 you go get your inspection done, you can do your renewal
15 all at the same time.

16 So I was thinking well, probably a big
17 percentage of people go to a car dealership which is a
18 dealer to get their cars, you know, inspected. Why
19 wouldn't you do it there which I thought, well, if a
20 dealer can't do a renewal, why wouldn't he do it under the
21 inspection station.

22 So a dealer can be actually a dealer deputy and
23 an inspection deputy, or can it be one and the same?

24 MR. KUNTZ: If they are already a dealer
25 deputy, they would not need to be an inspection deputy.

1 But if they only wanted to provide renewal services, they
2 could if they are a certified inspection station. Again,
3 that is a criteria that the dealer have a certified
4 inspection station within their dealership. Then they
5 could apply as an inspection deputy.

6 MR. WALKER: So if he's a inspection deputy, he
7 couldn't do titles?

8 MR. KUNTZ: Correct.

9 MR. WALKER: But if he's a dealer deputy, he
10 can do titles and renewals and inspection?

11 MR. KUNTZ: As long as the inspection being as
12 long as he's a certified inspector, he could do the
13 inspection as well.

14 MR. WALKER: With the DPS?

15 MR. KUNTZ: Yes.

16 MR. PALACIOS: Jeremiah, I'd like some
17 clarification here on renewals. Now, we're talking about
18 a dealer, I guess, having the ability to do the initial
19 registration. Now, when a customer, an existing customer,
20 comes back for a renewal, are they eligible to do that or
21 is that outside of their scope?

22 MR. KUNTZ: So long as the county, and
23 according to the Rule, so long as the county has
24 authorized the dealership to do renewal work, then they
25 could provide the renewal service, but again, they would

1 have to provide those to anybody that came in the office.

2 MR. PALACIOS: Okay.

3 MR. KUNTZ: The way the Rule structured is if
4 you opt to provide renewal services, you must provide
5 renewal services to anybody from the general public that
6 wants to do a renewal at your dealership.

7 MR. PALACIOS: Okay. So if you open it up to
8 your customers, then it has to be open to the general
9 public as well --

10 MR. KUNTZ: Yes, sir.

11 MR. PALACIOS: -- for renewals?

12 MR. KUNTZ: Yes, sir.

13 MR. PALACIOS: Except if you're an inspection,
14 a certified inspection station?

15 MR. KUNTZ: If you're an inspection station,
16 the same thing applies. You would be open for anybody
17 that's coming in to get an inspection. You would be
18 providing that renewal service to them.

19 MR. PALACIOS: Okay.

20 MR. KUNTZ: All right. So and we kind of
21 skipped over this, but I want to go back to the
22 compensation. And actually, before I do that real quick,
23 on the bond amount, the one thing I wanted to make mention
24 of is we had extensive stakeholder input as we went
25 through the rulemaking on this.

1 One of the things that we heard from the full-
2 service deputies was that the original proposal for
3 setting the bond amount would have been too burdensome on
4 those entities. The way that we had looked at crafting
5 that bond language would have required that bond to be set
6 based on a percentage of the transaction volume that that
7 full-service deputy is doing in a year.

8 We removed that language from these Rules and
9 we went back to the language that you see here which is,
10 at the discretion of the county, the amount can be set
11 between \$100,000 and \$2 million and it is purely at the
12 discretion of the county. There is not automatic setting
13 of that bond amount based on the percentage of
14 transactions that they're processing.

15 So I just wanted to make sure that that was
16 clear because I know that there was discussions around
17 that during the working groups. And I wanted to make sure
18 that the audience was aware that there is no longer a
19 percentage requirement for that bond to be set.

20 MS. RYAN: And Jeremiah, since the TACs are
21 liable, did we also receive the same and consistent
22 feedback from the TACs that they were comfortable with a
23 dollar amount and not the percentage that was --

24 MR. KUNTZ: Yes. The range, we received
25 feedback that those ranges were in the current ranges that

1 they require today.

2 MS. RYAN: Okay.

3 MS. CARAWAY: And the bonds that are currently
4 in place with county TACs or a full-service deputy or a
5 limited service deputy, whatever, if they're less than
6 this amount, does this take effect when the Rules take
7 effect or when those bonds expire? Does that make sense?

8 So like I have a company that has a \$50,000
9 bond instead of \$100,000 bond. How does that --

10 MR. DUNCAN: Well, two points to that, Ms.
11 Caraway. A, we'd be very interested in that as a comment
12 because we did reach out to a couple of the counties to
13 ask them about their bonding -- you know, a couple of the
14 larger counties -- to ask them about their bonding amounts
15 for the full-service deputies and even asked about the
16 limited service as well to make sure we weren't out of
17 line on limited service.

18 So we'd be very interested in knowing that in a
19 comment. And beyond that, in terms of the applicability,
20 we have set -- because the new, at least the full-service
21 deputy rules, they require a contract to be entered. And
22 that contract is not required to be entered until January
23 1 of next year. So all this fall, it's going to be status
24 quo on the deputy operational side.

25 So the bonding amounts would not -- the way

1 we're going to write the effective date of the Rule the
2 way we plan to is that none of the operational
3 requirements would be effective until January 1. But
4 these Rules are going to have very complicated effective
5 dates because of RTS programming and just other, you know,
6 issues with allowing people time to comply.

7 The TAC recognition program, for example, you
8 know, there's deadlines that extend out over, you know,
9 months and years. So this is not going to be our typical
10 as soon as we submit it to the register the clock starts
11 ticking and then they become effective. The effective
12 date sections of these Rules are going to be quite long.

13 MS. CARAWAY: Okay.

14 MR. WALKER: Was there a -- and I apologize. I
15 got buried in this other deal -- is there the TAC decides
16 the bonding amount that the deputies have to have?

17 MS. BREWSTER: Yes, sir.

18 MR. KUNTZ: Yes, sir.

19 MS. BREWSTER: Within this framework.

20 MR. WALKER: And they do that discretionary
21 based up on the volume of business? Is that how they
22 determine that?

23 MR. KUNTZ: It's completely up to the
24 discretion of the county TACs. The Rule does not specify
25 what criteria the tax assessor-collector will utilize in

1 setting that bond amount. It merely says that a tax
2 assessor-collector, they choose an amount between \$100,000
3 and \$2 million.

4 MR. WALKER: So have we gone out there and
5 said, What do you charge? Do you put limits on that? How
6 do you determine that?

7 MS. CARAWAY: Your county has their own way
8 right now.

9 MR. DUNCAN: If I may, Member Walker, we have
10 spoken to one large county that has full-service deputies.

11 And they informed us that they converse with their county
12 auditor and other staff within the county. The bond is
13 really set. Again, it's not something that we're telling
14 them even how to do the calculation.

15 The bond is set to protect them. So for them,
16 it's an assessment of risk. It's like buying insurance.
17 How much insurance do I need? Well, how much risk am I
18 comfortable living with? So they do talk to other
19 internal county staff that have knowledge of the county's
20 assessment of their risk and that's my understanding of
21 how they have set the bonds heretofore.

22 MS. RYAN: And if I may, to keep things moving
23 also, this is where the public comment feedback is, as Mr.
24 Duncan said, if limits or guidelines or grandfathered
25 timelines are important during this time frame, the Agency

1 would love to hear that comment and suggestions which will
2 be considered.

3 And if things need to be revised or additional
4 depth or definition needs to be put in here, this would be
5 the time frame that that input would need to go in and to
6 be considered.

7 MS. BREWSTER: That's absolutely correct.

8 MS. RYAN: Right. Okay.

9 MS. CARAWAY: And these full-service deputies
10 would have to contract both with the county and with --

11 MR. KUNTZ: So we're getting to that.

12 MS. CARAWAY: Oh, I'm sorry. Okay. Sorry.

13 Jumping ahead.

14 MR. WALKER: But has there ever been --

15 MS. RYAN: I'm just trying to keep us moving.

16 Trying, Luanne.

17 MS. CARAWAY: I know.

18 (General laughter.)

19 MR. WALKER: Has a county ever filed against
20 one of these bonds?

21 MS. CARAWAY: I think so. On a full-service?

22 MR. KUNTZ: We know that county bonds have been
23 filed against, but we're not aware of full-service
24 deputies --

25 MS. RYAN: Jeremiah, is that data you can

1 research and get back to us as a Board?

2 MR. KUNTZ: We can.

3 MS. RYAN: Okay. That would be great
4 information that you could get back to us, please.

5 MS. BREWSTER: And that certainly would be good
6 information coming from counties who have full-service
7 deputies --

8 MS. RYAN: Yes.

9 MS. BREWSTER: -- because you might not have
10 insight into that information.

11 MS. RYAN: If you all, if the staff could
12 please get us that data back, we'd appreciate it. Thank
13 you.

14 MR. KUNTZ: So starting back at the top, I kind
15 of skipped over this part, the compensation. The way that
16 the statute is contemplated is the Board has the
17 discretion to set the duties, obligations and as well set
18 the compensation for these deputies.

19 The compensation in the Rule is up to \$15 on a
20 title for a full-service deputy, \$5 for registration and
21 you saw a lot of that breakdown in the processing and
22 handling fee and how that plays in the processing and
23 handling fee. And then \$5 for a temporary permit.

24 All those fees must be published in a place in
25 the full-service deputy location that the public can see

1 what fees are required to be paid. For a vehicle that is
2 requiring a title and registration, the \$15 and the \$5
3 registration would be combined for a total of \$20 in
4 compensation for the full-service deputy processing that
5 transaction.

6 MR. INGRAM: So I'm confused. I thought the
7 registration part of it was set by statute.

8 MR. KUNTZ: The registration, the part in
9 Transportation Code 520 previous to this statute change,
10 the statute actually stated that \$5 could be charged by
11 full-service deputy for a registration transaction. When
12 you take action on these deputies, that section of Code
13 goes away and it is replaced with whatever fees y'all set.

14 MR. INGRAM: Okay.

15 MR. KUNTZ: But that fee has been set by
16 statute previously as \$5.

17 MR. INGRAM: Okay.

18 MR. KUNTZ: The obligations, the obligations of
19 the deputy, they must be fully trained and deemed
20 competent by the tax assessor-collector to perform the
21 services. And there's a requirement for a contract
22 between the county and the DMV. This is something that
23 has come up recently in light of some issues that have
24 come up recently.

25 And the full-service deputies utilize a full

1 registration and titling services system. And so in the
2 use of that and the access of that system, we are
3 proposing that we be a party to that contract because they
4 have full access to the registration and titling system so
5 that we are now a party to that and understand where their
6 access is and what they're doing. The only way that we
7 can do that is through that contract.

8 Are there any questions about full-service
9 deputies?

10 MS. RYAN: Who would write that contract?

11 MR. KUNTZ: We anticipate that we would work
12 with the county tax assessor-collectors to craft a blanket
13 template contract, if you will, and then it would be
14 negotiated with the full-service deputies if there were
15 any additional provisions that the county would like added
16 to that.

17 So the Rule contemplates that there's some
18 baseline provisions that would be required in the contract
19 and then that there's some discretion to add additional
20 provisions if the county so chooses that they would like
21 to have added.

22 MS. RYAN: So we envision one fairly uniform
23 contract for --

24 MR. KUNTZ: Yes, ma'am.

25 MS. RYAN: -- full-service?

1 MR. PALACIOS: Jeremiah, I guess going forward
2 in this contract, will DMV have any discretion as to who
3 has access to -- who we distribute these RTS systems to or
4 is that going to be left up to the TACs to decide fully
5 who they deputize?

6 MR. KUNTZ: It would be up to the tax assessor-
7 collectors on whether or not to deputize them. We would
8 put our requirements for entering into an agreement in
9 that contract and those would be our stipulations so long
10 as they agree to those stipulations.

11 MR. PALACIOS: Okay.

12 MR. WALKER: Wasn't there some talk at some
13 point in time where we were going to take and not provide
14 the equipment anymore to some of the deputies?

15 MR. KUNTZ: So there's never been a
16 contemplation that a full-service deputy would not utilize
17 the registration and titling system, the Point-of-Sales
18 system that the county tax assessor-collectors utilize.

19 There was talk at one point in time with
20 refactoring about whether or not the counties would be
21 able to use their own county work stations and then use
22 the Point-of-Sales system on their own work stations. And
23 we've not been able to implement that because of some of
24 the limitations we have on the technology side. It's
25 something that we've looked at and we'll continue to look

1 at. But at this time, we don't have immediate plans to --

2 MR. WALKER: But I think it was on the limited
3 deputies also. We were looking at it because they all had
4 a computer sitting at their countertop and we were going
5 to not provide them.

6 MR. KUNTZ: The limited service deputies, and
7 we'll get into that, they utilize WebSub, which is a web-
8 based application and they already use their own
9 computers.

10 MR. WALKER: So we're not providing that
11 equipment anymore to those?

12 MR. KUNTZ: Correct.

13 MR. WALKER: Okay.

14 MR. KUNTZ: Yes, sir. A full-service deputy
15 has a direct connection to RTS. We provide that network
16 connectivity. They get a work station from us. They
17 provide a lease payment for those. There's an annual
18 lease payment that they pay to the state for that work
19 station. But all of the support, the network
20 connectivity, all of that is through the TxDMV network.

21 MR. TREVINO: So a full-service deputy has the
22 exact same access, the exact same -- just like a county
23 officer? They mirror a county officer?

24 MR. KUNTZ: They mirror a substation of a
25 county office, yes.

1 MR. TREVINO: Okay.

2 MS. CARAWAY: And does that lease cover the
3 full cost of the T1 line and all that connectivity issue?

4 MR. KUNTZ: I'd have to go back and look and
5 see exactly how much of the cost it covers. Any other
6 questions on full-service deputies?

7 (No response.)

8 MR. KUNTZ: Dealer deputies, this is a new
9 deputy classification as we discussed. Very similar
10 layout here in walking through this. Compensation would
11 be \$15 for a title, \$1 for registration or registration
12 renewal. So for a new vehicle sale, a total fee of \$16 if
13 there's both title and registration on that transaction.

14 The surety bond mirrors the full-service deputy
15 surety bond of no less than \$100,000 or more than
16 \$200,000 -- I mean, \$2 million as determined by the tax
17 assessor-collector. So it's the same surety bonding
18 amount.

19 They must be trained and deemed competent to
20 perform services. There is not a requirement for a
21 contract for dealer deputies. That question has come up
22 as to why are you not requiring a contract for them.
23 Dealer deputies are required to be a licensed dealer
24 through the Department.

25 We already have the ability to have oversight

1 over dealerships through their license. We have
2 administrative procedures that we have with dealers if
3 they are not performing transactions in accordance with
4 state law. So there's already a mechanism, if you will,
5 to oversee the dealer's activities and ensure that they're
6 complying with all the requirements of state law.

7 The system that they would be using would be
8 webDEALER. It is not a full RTS registration titling
9 system access point. Those transactions still flow
10 through the county and there's still an approval step for
11 dealer transactions in the county office. So they do not
12 have full access to be able to go in and alter a
13 transaction or change a transaction within the
14 registration titling system without any approval from the
15 county offices.

16 MR. WALKER: Do we allow for a cash deposit on
17 the bond?

18 MR. KUNTZ: We've not considered that that
19 would not be allowed.

20 MR. WALKER: What would not be what?

21 MR. KUNTZ: That that would be allowed.

22 MR. DUNCAN: We could clarify that again in the
23 adoption in response to some comments, but our
24 understanding is that it's currently allowed by the
25 counties and that there are several that do have a cash

1 deposit in lieu of a bond and --

2 MR. WALKER: We have bonds on stuff. We put up
3 cash because we don't want to pay an insurance company a
4 bunch of chunk of money.

5 MR. DUNCAN: And it's whatever risk is
6 acceptable to the county and how they best choose to
7 recognize that. So we could clarify what a bond means and
8 cover that pretty easily.

9 MR. BARNWELL: With respect to the obligations,
10 "must be trained and deemed competent to perform
11 services."

12 MR. KUNTZ: Yes, sir.

13 MR. BARNWELL: Who is that?

14 MR. KUNTZ: So there's multiple --

15 MR. BARNWELL: Who's going to designate this
16 trained person or persons?

17 MR. KUNTZ: So there's multiple training that
18 occur particularly as we've rolled out webDEALER to the
19 dealerships. We have gone out and done training. The
20 counties have done training. The main distinction here is
21 that the county has deemed that they are competent to
22 provide the service, whether they've taken -- they've read
23 the user manual, whether they've taken in-person training.
24 And that is up to --

25 MR. BARNWELL: So we've really shifted that off

1 to the tax assessor-collectors.

2 MR. KUNTZ: The tax --

3 MR. BARNWELL: And if they want to appoint a
4 dealer deputy who has no clue how to even spell deputy,
5 then they can.

6 MR. KUNTZ: That is their discretion if they
7 deem that person is competent --

8 MR. BARNWELL: Because they're personally
9 liable for any mess ups that might happen, is that
10 correct?

11 MR. KUNTZ: And that is not a change from
12 today. That's the way it's handled today.

13 MR. BARNWELL: Okay. I'm fine with that.
14 That's accountability so I'm fine with that. Okay.
15 Thanks.

16 MR. KUNTZ: We do not have any minimum training
17 requirements, if you will, on hours of training or
18 anything that are in this Rule.

19 MS. CARAWAY: But they still contract with the
20 county if that's what the county chooses? It's just
21 there's no --

22 MR. KUNTZ: Absolutely.

23 MS. CARAWAY: -- interaction with DMV on that?

24 MR. KUNTZ: Absolutely. Limited service
25 deputy, again, \$1 for registration renewal. That's the

1 only transaction a limited service deputy can provide is a
2 renewal. A surety bond is different here. It's no less
3 than \$2,500 or no more than \$1 million.

4 The risk profile on limited service deputies as
5 we've seen with the counties is less. They're not
6 handling the sales tax dollars that are collected on a
7 title transaction from a sale of a vehicle. They're only
8 collecting the registration amounts so there is a smaller
9 risk profile, if you will, for limited service deputies.

10 Again, they must be trained and deemed
11 competent. The system that they utilize is WebSub, which
12 is web-based application that they run on their own
13 computers. We know that there's at least one limited
14 service deputy that has a fully integrated solution.

15 They've put it into their Point-Of-Sale system
16 and they've got an interface that they interface with
17 WebSub. But they use their own computer equipment. And
18 if they so choose and want to create their own interfaces,
19 they can do that as well.

20 The final deputy is an inspection deputy.
21 Again, they have a \$1 registration renewal. Renewals are
22 the only work they can do. They cannot do title
23 transactions. Again, the surety bond is very similar to
24 the limited service of \$2,500, no more than \$1 million.
25 They must be trained and deemed competent.

1 They must be a certified or licensed inspector
2 as determined by DPS. They must maintain that
3 certification as a certified inspector. The system that
4 they would utilize going forward would be WebSub. We
5 would consider that to be the same application as a
6 limited service deputy. And they would be required to
7 provide their own computers and printers for the printing
8 of the stickers.

9 MS. CARAWAY: And how do we know if they're
10 licensed by DPS? Is there a real time database?

11 MR. KUNTZ: I'd have to go to DPS and ask them
12 what kind of reporting they have on the certified
13 inspectors, but we could check into that.

14 MS. CARAWAY: Yeah, it seems like we would need
15 to know like if somebody's been cut off --

16 MR. KUNTZ: Yes, ma'am.

17 MS. CARAWAY: That sort of thing.

18 MR. KUNTZ: Or some kind of notification --

19 MS. CARAWAY: Right.

20 MR. KUNTZ: -- if they've been cut off.

21 MS. CARAWAY: Right.

22 MR. KUNTZ: Are there any other questions on
23 deputies? This is the last slide on the deputy section.

24 MR. WALKER: The limited, the dollar
25 transaction, what are they currently getting?

1 MR. KUNTZ: A dollar by statute.

2 MR. WALKER: So there's no change?

3 MR. KUNTZ: Correct.

4 (Pause.)

5 MR. KUNTZ: The next section of my presentation
6 will cover agenda Item 2.B.5. These are really the
7 other -- I'm going to try and broadly categorize these --
8 the miscellaneous provisions that are contained in the
9 final Rule. I will go through these very quickly. If
10 there are some more specific questions or you'd like me to
11 address any issues from the Rule, I can do that.

12 But kind of to hit the high points, there's a
13 change in even trades today. A customer who trades
14 vehicles with another customer of equal value, if Linda
15 and I decided we wanted to trade vehicles, there is no
16 sales tax consideration for trading vehicles, exchanging
17 vehicles. I don't know that she wants my truck, but I may
18 be interested in her Lexus. I don't know.

19 (General laughter.)

20 MR. KUNTZ: In that scenario, what this Rule
21 contemplates is that both of us would be required to show
22 up in person at the county office to process that
23 transaction. Today, we have a weakness in our process in
24 that somebody can claim that they did an even trade even
25 if they did not. They can put that on that 130-U, which

1 is the title application, and it is very difficult to
2 monitor and to catch those.

3 This is an effort to try and crack down on
4 fraud that we have seen that is occurring where people are
5 claiming to have even trades when they do indeed not. We
6 have seen on the back end where somebody's claimed to have
7 even trades where the subsequent vehicle never comes in
8 for the title transaction, and we can see it is maintained
9 in the previous owner's name going forward. Therefore, we
10 know that that was not a legitimate even trade.

11 This is a very important provision for us on
12 cracking down on fraud that we've seen recently that we're
13 trying to make sure it does not happen going forward. So
14 this is a preventative measure.

15 I'm sorry. There we go. Another major change
16 in this Rule package is to implement some legislation that
17 passed during legislative session, one thing being that
18 concealed handgun licenses may be used as identification
19 documents when processing state transactions.

20 We require an identification document, such as
21 a driver's license or other government forms of ID when
22 processing a title transaction. We are adding a concealed
23 handgun license as an acceptable form of ID to this Rule.

24 We have already implemented that through procedure with
25 the county TACs offices as well as our regional offices.

1 This is perfecting the Rule to be in compliance with state
2 law.

3 There are also various other changes to
4 implement various bills that passed during the legislative
5 session that we just came out of the 84th session. That
6 completes that portion of my section. I'm going to turn
7 it back over to Whitney.

8 MS. BREWSTER: Thank you, Jeremiah. Madam
9 Chair, Members of the Board, in closing, I want to draw
10 your attention to this slide. This is language from the
11 preamble. And I will read this one, and it says, If any
12 commenters submits written comments disagreeing with the
13 Department's position regarding economic impact, the
14 Department strongly recommends including documentation to
15 support any stated negative financial revenue or cost
16 implications. Such documentation will aid in the Board's
17 decision-making process and could include detailed
18 financial statements, business plans, budgets, or other
19 items necessary to demonstrate the stated impact.

20 As we've gone through this presentation, there
21 have been a lot of assumptions made by the Agency. Did we
22 get them all 100 percent right? The answer is likely no.

23 And so we encourage those that believe that they are
24 going to be negatively impacted to give us information,
25 objective information regarding their financials, their

1 business plans, et cetera to show us how it will harm
2 them.

3 We've heard anecdotally this Rule is great for
4 us. This is going to be harmful for us. That's very hard
5 for the Agency to really determine what is the best amount
6 to recommend to the Agency or to the Board for
7 consideration. And so we are asking very explicitly in
8 the preamble, please provide that financial information to
9 us so that we can make a good solid recommendation to the
10 Board.

11 I do want to state, however, you're going to
12 hear a lot of comments about fees I'm sure, and I'm going
13 to stop talking so those that are here trying to make
14 public comment can get up here and start doing so. But I
15 do want to remind the Board that these initiatives are not
16 just about fees.

17 These initiatives are about creating
18 efficiencies, driving down costs, utilizing more
19 modernized processes and most importantly, providing
20 better services to the citizens of the state of Texas.
21 And so I just encourage you to keep that in mind as we're
22 going through this process that it's not just about the
23 fee. It's a much bigger picture. And so with that, that
24 concludes our comments. And we're happy to answer any
25 additional questions that the Board has.

1 MS. RYAN: I do have a question. David, is
2 somebody does submit financial information that they feel
3 needs to be kept confidential, does the Agency have a way
4 to do that if they're concerned?

5 MR. DUNCAN: Yes, Madam Chair. And in fact, we
6 cover that in the preamble. We --

7 MS. RYAN: I saw that. I just would like to
8 understand it.

9 MR. DUNCAN: -- talk about the structures of
10 the Public Information Act. We encourage the commenters
11 submitting confidential information to make it
12 confidential, which would require under the PIA that we,
13 if we should get a request that would encompass that
14 information, that we submit it to the Attorney General's
15 Office for an opinion and then notify them, the submitter
16 who marked it confidential, that an opinion has been
17 requested so they can go make their own arguments to the
18 Attorney General as well.

19 MS. RYAN: Okay. So as we ask so that we can
20 make those decisions, there is a way to provide us with
21 that information as well as respect their concerns for
22 that confidentiality?

23 MR. DUNCAN: Yes, ma'am.

24 MS. RYAN: Okay. Thank you. Any other
25 questions?

1 (No response.)

2 MS. RYAN: Okay. With that, progress. We will
3 move to agenda Item 2.B.2 and we will address Subchapter
4 H, Deputies. We will start with public comments. I'd
5 like to remind everyone who signed up to speak that you
6 will have three minutes. Our time people will remind you,
7 will remind each speaker when their time is up as will the
8 lights on the timekeeping device.

9 As I call you up, I'll call a couple at a time
10 to speed things up if that's okay. We have a couple
11 comment cards where commenters have asked to have their
12 comments read into the record versus speaking. And I have
13 asked David Duncan, our General Counsel, to read those
14 into the record before we start with anybody that would
15 like to present.

16 So I will give David the time first to read
17 those comments into the record.

18 MR. DUNCAN: Members, just an update. This is
19 a new process that we've tried for this meeting knowing
20 that there was a great deal of interest in this and
21 knowing that some folks don't like to get up and speak.
22 They'd rather just enter a comment.

23 So we provided the option which we've not done
24 before folks could check either I wish to appear before
25 the Board or I do not wish to appear but I want to have my

1 name and comment included in the record. If you've
2 testified at the legislature, you've seen this before.
3 This is how the legislature does it in legislative
4 committees.

5 And so what I have before me on Item 2.B.2, the
6 Deputies is a handful of comments. Now, if you're in the
7 audience and I read your name as someone who said they
8 didn't want to appear and that was a mistake, please let
9 us know and we'll get it up to the Chair and she can allow
10 you to go up and have your three minutes. But I will read
11 through these.

12 First, Richard Salas of the Bexar County Tax
13 Office registered as in opposition to 2.B.2. Billy
14 Davidson of Austin registered support and her comment is,
15 The title offices do not need to be closed. Where will
16 the girls find jobs? The wait at the county offices are
17 too long.

18 John Ames of Dallas County stated he did not
19 wish to appear and is in opposition to the Deputy Rules.
20 And his comment is, I do not believe that the DMV staff
21 has properly worked with or incorporated consideration of
22 tax assessor-collectors' comments and input. Marcos Pena,
23 the Austin County Tax Office is opposed to the Rules and
24 is opposed to the Rule change represented in this Item.

25 And Bruce Stidham of the Tax Assessor-

1 Collectors Association, he's from Sherman, Texas is
2 opposed to the Rule changes and he states it's on TAC --
3 excuse me -- tax assessor-collector compensation. I
4 believe this may have actually been a comment that was
5 meant for 2.B.3. So I think when we come to 2.B.3, I'm
6 going to read this one again just so I can't be wrong.

7 And those are all the non-speaker comments that
8 we had for the record.

9 MS. RYAN: Okay. Thank you.

10 MR. WALKER: Did that last person speak for
11 themselves or are they speaking for the association?

12 MR. DUNCAN: He states that representing, he
13 says Tax Assessor-Collector Association.

14 MS. CARAWAY: I don't think so.

15 MR. DUNCAN: That's what he wrote.

16 MS. CARAWAY: Yeah. I think he was here on
17 this -- there is here someone for the association. That's
18 why I say that.

19 MS. RYAN: Okay. David DeLeon, DeLeon, and if
20 I mispronounce your name, I'm going to apologize in
21 advance. If you can come forward, please, and then Albert
22 Urnesti.

23 MS. CARAWAY: Uresti.

24 MS. RYAN: Uresti. I have -- so David, if you
25 can start and then Albert, you'll be next. And I have

1 Luanne at my side to correct me.

2 MS. CARAWAY: Sorry.

3 MS. RYAN: That's okay. David, if you could
4 please state your name and who you're with, please.

5 MR. DeLEON: Okay. My name is David DeLeon.
6 I'm the director of --

7 MS. RYAN: I'm going to ask to start the timer.

8 MR. DeLEON: Oh, I'm sorry.

9 MS. RYAN: Thank you.

10 MR. DeLEON: I won't take the whole three
11 minutes.

12 MS. RYAN: You're welcome to.

13 MR. DeLEON: Yes, my name is David DeLeon. I
14 work for the Bexar County Tax Office. I'm the director of
15 motor vehicles, and I am here just basically to state the
16 proposals the DMV is proposing will create a hardship for
17 Bexar County and some of the larger counties with the
18 proposals that -- our tax assessor Albert Uresti has
19 submitted -- has proposed -- has submitted a proposal
20 which I believe will allow the Board and the DMV to
21 maintain -- I mean, to attain its goals of getting revenue
22 and be self-sufficient and also not hurt the counties.
23 Thank you.

24 MS. RYAN: Thank you. Mr. Uresti, if you'll
25 give our timekeeper just one second. She'll let you know

1 when it's okay. You're okay.

2 MR. URESTI: Are you ready? I'm opposed to the
3 full-service deputy.

4 MS. RYAN: If you'll start -- I'm sorry. If
5 you'll state your name.

6 MR. URESTI: I'm opposed to the Rule.

7 MS. RYAN: State your name and who you're with,
8 please.

9 MR. URESTI: Albert Uresti, Bexar County Tax
10 Assessor. And also it's referencing I think that second
11 one they put that they were in favor, but I think they
12 really meant to put I was opposed. I just want to clarify
13 that for you.

14 We have 21 full-service deputies in Bexar
15 County, and we have 42 limited deputies. It's a model
16 that I inherited, but it's worked well. I also want to,
17 you know, I know there's been different innuendos about
18 the work that they perform.

19 As the Bexar County Tax Assessor, I have the
20 authority, the sole authority to be able to oppose any of
21 these title services that don't perform in a manner that
22 is conducive to what we're trying to do and I can close
23 them within 24 hours without any questions, without any
24 authority from anybody else. So I just want to clarify
25 that so when things are said about full-service deputies,

1 they serve at the pleasure of the tax assessor. And I
2 have a lot of them here so we've talked about this before.

3 One of the things that as this study was done,
4 I believe it had 64 percent of the transactions, title
5 transactions, were done by walk-ins. And in Bexar County,
6 that's not the case. We only have 30 percent, and the
7 reason for that is because 40 percent of our title
8 transfers are done by the full-service title companies.
9 In Travis County, I believe it's 30 to 40 percent. In El
10 Paso, they're at 60 percent.

11 So the implications of the exchanges are going
12 to be drastic. Also, on the title registrations, which
13 takes into account the full-service deputies and the
14 limited service deputies such as the HEBs, they're doing
15 about 48 percent of the transactions in Bexar County.
16 Again, it is a drastic change.

17 These companies have been in service for --
18 some of them for close to 40 years. I believe in Austin,
19 Travis County, I have one that's for 50 years. So again,
20 these restrictions are beyond what other private
21 businesses are required to provide. I don't -- you know,
22 I'm not -- I can't tell you I have a long history of DMV,
23 but I don't remember DMV -- I don't remember any
24 government agency requiring five years of audited
25 financials.

1 I mean, I don't even know what an audited
2 financial is. I mean, so I don't think any of my title
3 service companies have that. So really I think if you
4 want to put them out of business, just tell them, Hey, you
5 know what, we want to close you down. But don't put these
6 restrictions on them that are just, you know, they're just
7 way beyond what is necessary.

8 I'm elected. You know, I hear about the
9 oversight by the state. I'm elected by two million
10 people, almost two million people. Trust me, if I'm doing
11 something wrong, I will be elected out. I don't need
12 anyone to oversee my work as providing customer service.

13 I understand the state wants to do customer
14 service, and I applaud them for that. I've made a lot of
15 friends through the DMV. And I think that their work is
16 sincere and I think they want to provide the customer
17 service but so do we.

18 I can tell you that we have developed programs
19 in Bexar County that no one other county in the state of
20 Texas has done. Jeremiah can tell you that we have been
21 on the cutting edge. Any program they want us to do, we
22 do it even when other counties have failed. I've loaned
23 my employees to DMV for over three months.

24 So customer service is my priority and keeping
25 families in their homes is also my priority. So I just

1 wanted to mention that. You know, if there was a reason
2 to do it, I'd say, you know, the full-service title
3 companies were not performing as they should, I would
4 close them down. And so I think that's just as important
5 for y'all to know. Thank you.

6 MS. RYAN: Thank you. Are there any questions?

7 MR. WALKER: I have a question of our staff I
8 guess.

9 MS. RYAN: Okay.

10 MR. WALKER: Not Albert, but he made a comment
11 that the deputies are required to have a full-service
12 audited financial. Where did that come from?

13 MR. DUNCAN: Mr. Walker, Dave Duncan, General
14 Counsel. In the Rules as they're currently drafted, which
15 is the draft proposal, in the section about the contract,
16 it states that there are requirements that are necessary.

17 One of them is the full-service deputy must
18 make its audited financial statement available to the
19 Department for review only on request. And it also states
20 that they must maintain and retain all documentation
21 pertaining to operations as a full-service deputy for a
22 period of four years. There's no five-year requirement
23 for audited financials. If we receive the previous years,
24 that would be sufficient.

25 MR. WALKER: So well, we really need to look at

1 that. But you're requiring audit -- if you're -- hold on.

2 MS. RYAN: You didn't say audited financials.
3 You said financials. Correct?

4 MR. WALKER: He said audited.

5 MR. DUNCAN: Yeah, audited.

6 MR. WALKER: He said audited.

7 MS. RYAN: Audited, but an audited financial
8 for one year upon request. Correct? And then four years
9 of records. Correct?

10 MR. WALKER: Yeah, but an audited financial of
11 any small business is going to cost \$15,000 to \$30,000.

12 MALE VOICE: That's true.

13 MR. WALKER: I mean, these guys are million-
14 dollar companies and smaller, you can't ask a company that
15 size to have audited financials.

16 MS. RYAN: So I think that would be a comment
17 that should come in from those businesses, but I think --

18 MR. WALKER: So that's a change -- is that a
19 change in the Rule?

20 MR. DUNCAN: It would be, yes. Again, this is
21 a new Rule, this is a draft of a proposal.

22 MS. RYAN: So I think that comment, but I also
23 think based on some of the investigations and that fraud
24 that has gone on recently and the access that that
25 particular deputy has directly into the county system,

1 they are the same as a regional county, a regional office.

2 I think some accountability and structure has to be built
3 in.

4 So I think there's a balance. I think the
5 comment's fair, right. But I think the comment comes in
6 and the balance has to be considered within those Rules
7 because of the access they have directly into the state
8 system.

9 MR. URESTI: I believe that Bexar County would
10 like --

11 MS. RYAN: If you'll please come to the podium,
12 sir.

13 MR. URESTI: Since I have 52 seconds left, I
14 wanted to add one thing that I forgot to mention.

15 MS. RYAN: Well, I think you're actually red,
16 but we'll --

17 MR. URESTI: With us, also we have our district
18 attorney's office who writes up our contracts for the tax
19 assessors. And I can tell you we go through them with a
20 fine tooth comb. They're designed to protect the
21 citizens. They're designed to protect the county. And
22 they're designed to protect the full-service companies.

23 To need a third party into the contracts, I
24 don't understand why we do that because I tell you I have
25 a lot of faith in the -- what do we have, 150 attorneys in

1 the district attorney's office, somewhere around there.

2 MALE VOICE: 165.

3 MR. URESTI: I'm sorry.

4 MALE VOICE: 165.

5 MR URESTI: 155. I have a lot of confidence in
6 my people in Bexar County to draw up a contract that's
7 going to protect the citizens of Bexar County. Thank you.

8 MS. RYAN: Mr. Uresti, may I ask you a question
9 while you're up there, please? How often -- how many
10 full-service deputies did you say you had?

11 MR. URESTI: We have 21 full-service deputy
12 companies and --

13 MS. RYAN: And on an annual basis, how often do
14 you audit each one of those deputies?

15 MR. URESTI: David goes out -- I don't know how
16 often he goes out. I mean, that should be more of a
17 question that he'd have to --

18 MS. RYAN: What is your standard if you have
19 had them --

20 MR. URESTI: I'd have to refer to David Duncan.

21 MS. RYAN: So on an annual basis, you don't
22 have a standard that you would do that?

23 MR. URESTI: No, we don't have a standard. No,
24 ma'am.

25 MS. RYAN: Okay.

1 MR. URESTI: That's correct.

2 MR. INGRAM: And I have a question as well.

3 MS. RYAN: Thank you.

4 MR. INGRAM: So first of all, how long have you
5 been the tax assessor for Bexar County?

6 MR. URESTI: I'm going on my fourth year.

7 MR. INGRAM: Fourth year, congratulations.

8 MR. URESTI: Thank you.

9 MR. INGRAM: Yeah. Have you ever had a
10 situation where you had a problem with a full-service
11 deputy where you had to close them down or take action?

12 MR. URESTI: No, sir.

13 MR. INGRAM: No. And when you talked about the
14 fact that you were opposed and you made sort of the -- the
15 comment was you were just opposed to the requirements, but
16 you were kind of vague about why. Is there specific
17 things that you're opposed to? It would be helpful if I
18 knew like are you opposed to the fact that they're going
19 to be a third party to a contract with us. Or what is it
20 exactly you're opposed to?

21 MR. URESTI: What I'm opposed to, you know, I'm
22 very pro-business I guess. But by the same token, I'm
23 also a strong believer in government oversight so kind of
24 like at both extremes.

25 MR. INGRAM: Well, that's a weird combo there.

1 MR. URESTI: I know. Well, you know, I guess
2 it's kind of like an Independent I guess. But anyway,
3 these companies are in business. They're market-driven,
4 you know. I have people that stand in my office because
5 they don't want to pay \$1 to HEB. I mean, I could tell
6 you that for a fact. That's not exaggeration.

7 So when they go to the full-service title
8 companies and they're paying, you know, \$5 or \$10 or \$15,
9 that is the choice of the citizen. That's a convenience
10 fee. Now, I don't have a problem with setting limits.
11 You know, if y'all want to set a limit of, you know, \$15
12 for registrations and \$30 for title transfers, I'm okay
13 with that.

14 But a \$5 registration and \$15 title limit, I
15 think those are too stringent and I think it's going to
16 put them out of business. And when they're out of
17 business, that means I'm going to have to handle an extra
18 40 percent of the work.

19 MR. INGRAM: So if I say you feel like that the
20 actual limits are what you're unhappy with? The rest of
21 it you're okay?

22 MR. URESTI: Well, rightly or wrongly, I get a
23 sense that there's an effort to put the full-service title
24 companies out of business. Is that right, is that wrong,
25 I can't tell you for sure. I can only tell you what my

1 feelings are. And I think when you put everything
2 together, that's what I see.

3 MR. INGRAM: Thank you.

4 MS. RYAN: Thank you. Okay. Thank you. Any
5 more questions before I call the next --

6 MR. WALKER: No, but I'll make a comment
7 though, Albert. And I can promise you I don't think it is
8 anybody's intention on this Board or in this Agency to put
9 anybody out of business. That has never been -- I've
10 never heard those words so that's not what we're

11 MR. URESTI: Yeah. I wasn't referring to the
12 Board.

13 MR. WALKER: Yeah.

14 MS. RYAN: I would agree with that. Thank you.
15 Thank you, Johnny. Okay. Ruben Gonzalez, if you'll
16 approach the podium, please and Bruce Elfant, if you would
17 get ready to be next. And Mr. Gonzalez, if you'll please
18 state your name and who you're with before you start and
19 let the timekeeper tell you when she's ready. Thank you.

20 MR. GONZALEZ: Good afternoon --

21 MS. RYAN: Yes, sir. Unfortunately, yes, sir.

22 (General laughter.)

23 MR. GONZALEZ: -- Chair, Board Members. My
24 name is -- I'm in a different time zone -- my name is
25 Ruben Gonzalez, and I'm from the county tax assessor-

1 collector from El Paso. I've been in office about 13
2 months. And there's a couple of things that I'm concerned
3 about. One of my concerns is the fees of office. In
4 doing the pre-calculations that are estimated for 2017, we
5 have already identified a shortage of fees to our county
6 totaling about \$325,000 less that we would receive on our
7 budget.

8 What I'm very greatly concerned more so is we
9 have a scofflaw program in El Paso that is the best or
10 maybe that's working well, one of the best in the state
11 possibly. But if the scofflaw program internet
12 registration concepts comes to centralized in Austin, we
13 may potentially lose some revenue there.

14 Right now in the last fiscal year, we were able
15 to collect close to \$2 million in scofflaw fines. It's
16 working very successfully in El Paso County. I would like
17 to propose if possibly we be given an option of whether to
18 participate in this program or not because that's one of
19 the weaknesses in working the internet registration
20 concept that DMV is proposing.

21 It would impact us tremendously because the
22 only ones that they will be interested in are the ones
23 where they have a notification notation in the database to
24 reject it from being enforced into the scofflaw program
25 that's available in El Paso. So I'm concerned about that.

1 If we were to close down our full-service
2 offices, it would impact us tremendously. And if we were
3 to close them down, for us to maintain our services, we
4 would have to pick up our fees, our fees of office from
5 \$1.90 to approximately \$7.30 just to maintain the level of
6 services and prevent us from increasing property taxes in
7 El Paso. So I'm concerned about that.

8 There are other different options available
9 that I think I'm going to be putting in writing and
10 submitting it to the Board for consideration. As a matter
11 of fact, there's more than one suggestion for
12 consideration that I'd like to definitely submit to the
13 Board for consideration.

14 I am in full support of the performance
15 measures that are being put in place. I inherited an
16 office that pretty much the quality of work was poor. And
17 I am promoting that now to improve the services for our
18 constituents in El Paso County so it kind of falls into
19 place. I've already initiated a lot of initiatives to
20 improve customer services in our office and expand the
21 accessibility to the taxpayers.

22 However, the fees of office I am very concerned
23 about. The road and bridge formula that Ms. Whitney
24 Brewster talked about regarding the \$0.30 is the option of
25 road and bridge fee, that is commendable because we

1 received over \$194,000 new dollars. But the bridge
2 formula itself needs to be addressed because we have not
3 received -- the last time it was addressed was \$360,000 a
4 year back in the 1980s.

5 MS. RYAN: Thank you.

6 MR. GONZALEZ: And that needs to pick up so --

7 MS. RYAN: Thank you.

8 MR. GONZALEZ: -- those are my concerns.

9 MS. RYAN: Thank you.

10 MR. GONZALEZ: Thank you very much for the
11 time.

12 MR. INGRAM: And one follow-up question. You
13 had mentioned at the beginning that you felt like that the
14 Rules as proposed would be a deficit to your tax assessor
15 office by \$325,000. Is that correct?

16 MR. GONZALEZ: Yes, sir.

17 MR. INGRAM: Per year?

18 MR. GONZALEZ: For now, just the initial cost,
19 just putting the numbers on the proposed fee adjustments
20 that are being proposed.

21 MR. INGRAM: And so that's not a net number
22 because you also would have some cost savings with the
23 plan. So is that net or is that just the gross number
24 that you're going to lose?

25 MR. GONZALEZ: We would have some cost savings

1 in the mail-in and the replacement programs that are being
2 proposed. But in saving there, it allows me to transfer
3 some of those bodies to other services because our traffic
4 is increasing. Our volume, our registrations are picking
5 up. So it would allow me to stabilize and adjust those
6 figures.

7 MR. INGRAM: Okay.

8 MR. GONZALEZ: But the fees of the office is
9 what I'm concerned about, whether it's \$1.30 from a \$1.90.
10 There's a big gap there. \$0.25 for internet
11 registrations doesn't make sense. What makes sense maybe
12 is kicking it up a little bit more, but then again, what's
13 acceptable? \$5.50 might be a good increase, but maybe
14 not.

15 So I think y'all need to kind of research that
16 a little bit better because there has been no
17 consideration for the cost of living adjustments, no
18 consideration for the cost of banking transactions that
19 are affected on a daily routine with our offices.

20 So there's other things that should be
21 concerned and I think I would want to submit those in
22 writing for your consideration.

23 MS. RYAN: And I would appreciate that. And
24 then also, just to clarify, there's nothing regarding the
25 scofflaw law in that centralization regarded in these

1 proposed Rules. So we appreciate the comments, but that's
2 not under the authority of this Board.

3 MR. GONZALEZ: That's what I noticed in the
4 report that they didn't seem to be concerned about
5 counties that were implementing the scofflaw. But it is a
6 factor because it plays hand in hand with the registration
7 process.

8 MS. RYAN: We understand there are some
9 responsibilities that the counties require the tax offices
10 from a workload standpoint, and that needs to be taken
11 into consideration. But it's not something that we can
12 actually factor into the compensations directly. But we
13 do understand. So we just wanted to clarify.

14 And Whitney or Jeremiah, if there's anything to
15 add, please feel free.

16 MR. WALKER: So there is no correlation between
17 their scoffs and our scoffs. Right?

18 MS. RYAN: Correct.

19 MR. KUNTZ: Just to clarify, we have a scofflaw
20 program that is administered through the registration and
21 titling system. The counties, municipalities may provide
22 us with information about which registration transactions
23 should be blocked. The online process automatically takes
24 that into consideration and will block somebody from doing
25 an online transaction if there is a scofflaw that is

1 notated on their record.

2 I believe that what he's referring to is they
3 have a separate program, a separate application outside of
4 the registration and titling system that they utilize in
5 order to block registrations that is not -- they are not
6 providing us information into RTS to have RTS do the
7 blocks. And so that's why he's raising that issue over
8 centralized online processing.

9 MS. RYAN: Okay. Thank you.

10 MR. GONZALEZ: That's why I asked for an option
11 because the present program is a little bit conflicting
12 and sometimes it doesn't work.

13 MS. RYAN: Okay. Thank you very much.

14 MR. PALACIOS: I have a question for Mr.
15 Gonzalez. Mr. Gonzalez, regarding the shortfall that
16 you're talking about, the \$325,000, can you tell me
17 currently of the revenues that you receive, the \$1.90 and
18 the \$5 that you collect and I would assume goes into
19 county coffers, how much -- what percentage of that is
20 remitted back to your department?

21 MR. GONZALEZ: Well, all the funds that we
22 collect as part of our business goes to the general fund.

23 So the only thing I work off from a budget standpoint is
24 what they allocate for employee salaries and fees.

25 My budget is like \$3.5 million a year. Out of

1 that amount, my operational cost budget is \$180,000. So
2 with that \$180,000, I have to do the equipment, the
3 computer stuff, paper, everything that I need to make the
4 office function. But as overall budget for my department
5 is about \$3.5 million. But the majority of it with the
6 exception of \$180,000 is for employee salaries, fringe
7 benefits and things of that nature.

8 MR. PALACIOS: Okay. So your budget is 3.5 So
9 what do you collect from the titles and registrations?

10 MR. GONZALEZ: Well, overall, we're the
11 department that collects the most revenue for the county.

12 We collected during the last fiscal year close to \$337
13 million for the county, our department. That includes
14 taxes, road and bridge fees overall.

15 MR. PALACIOS: Okay. Yeah, I was trying to get
16 more specific as to the title and registration revenue
17 that you collect as --

18 MR. GONZALEZ: It's in the range of about \$15
19 million.

20 MR. PALACIOS: Fifteen?

21 MR. GONZALEZ: \$15-20 million a year.

22 MR. PALACIOS: Okay.

23 MR. WALKER: And that's in the fees?

24 MR. GONZALEZ: Registration fees and title fees
25 and optional road and bridge fees and toll road fees,

1 things of that nature.

2 MR. PALACIOS: Okay. And regarding your
3 comment on the full-service deputies because I know El
4 Paso uses them extensively, do you have any plans to add
5 limited deputies in the city?

6 MR. GONZALEZ: At this point in time, no, sir.
7 Not limited. I don't think there's a purpose for them at
8 this point in time in El Paso.

9 MR. PALACIOS: Okay.

10 MR. GONZALEZ: Because we have 17 office
11 locations now in El Paso County which provides the
12 accessibility to the taxpayers. So I don't foresee any
13 additional offices being opened up at this point in time.

14 MR. PALACIOS: Thank you.

15 MS. RYAN: Thank you.

16 MR. DUNCAN: Madam Chair, if could just
17 interject for a moment. I just want to point out to the
18 Board Members so you keep, you know, keep the Rule
19 packages straight in your head. A large portion of the
20 commentary that Mr. Gonzalez was just giving was about the
21 next Rule.

22 MS. RYAN: Yes.

23 MR. DUNCAN: So I want to point that out both
24 for him and for the upcoming commenters. If you want to
25 speak on more than one Rule, you can speak on more than

1 one Rule. You don't have to get it all out of -- he
2 actually spoke to two other Rules. He also spoke to the
3 Tax Standards Rule which is later.

4 So you know, all the public commenters, try to
5 limit it just to deputies at this point so the Board can
6 just hear about and deliberate on that so we don't confuse
7 our -- you guys are already deliberating on the Fee Rule
8 and it's next.

9 MS. RYAN: So just so everyone understands we
10 will move through the deputies. The plan is to then vote
11 on that Rule package. We will then address the next
12 agenda item, hear comment on that, hopefully move through
13 that quickly, vote on that Rule package. And we feel that
14 that will be the most efficient so --

15 MR. WALKER: So what we're addressing right now
16 is strictly --

17 MS. RYAN: Deputies.

18 MR. WALKER: -- just deputies?

19 MS. RYAN: Only as it's broken on the agenda.
20 We figured that would be most efficient for us to work
21 through.

22 MR. WALKER: And I thought that, but he made a
23 comment that they do not use limited service deputies in
24 El Paso. Is that -- that's what he said?

25 MS. RYAN: Yes.

1 MR. WALKER: So is that common? I mean, I
2 don't know how many counties don't or do or do not use
3 limited deputies.

4 MR. KUNTZ: It varies county by county. Again,
5 it is up to the discretion of the county as to whether or
6 not they deputize anybody to provide limited or full-
7 service deputy services. It's not a requirement so no,
8 not all 254 counties offer deputy services in their
9 county.

10 MR. GONZALEZ: At one point, they were in
11 place, sir, but they didn't like it after a while. And
12 that was during the term of my predecessor. He had it
13 available I think in Albertson's had that services
14 available, but they didn't like it. After on, they just
15 got out of the business.

16 MS. RYAN: Thank you.

17 MR. WALKER: How far back was that?

18 MR. GONZALEZ: I would say maybe five, ten
19 years ago maybe.

20 MS. RYAN: Okay. Thank you.

21 MR. WALKER: So they didn't like it, who is
22 they?

23 MS. RYAN: The limited service deputies.

24 MR. GONZALEZ: The limited service --

25 MR. WALKER: The grocery store didn't like to

1 collect the money?

2 MR. GONZALEZ: That was Alberton's. Yes, sir.
3 They didn't like the requirements.

4 MS. RYAN: Okay. Thank you. Okay. Mr.
5 Elfant? Thank you. And since there seems to be
6 questions, if the speaks could keep their eye on the timer
7 and keep your comments to the three minutes. Since the
8 Board does seem to be engaging, there seems to be
9 opportunities so if you wouldn't mind, please. Thank you.

10 MR. ELFANT: Thank you. Good afternoon. And
11 I'm Bruce Elfant. I'm the Travis County Tax Assessor.
12 Welcome back to Austin. Travis County has partnered with
13 our title companies for 56 years. You could say that
14 we've been outsourcing government work way before it was
15 cool. We've been doing this a very long time, and it's
16 worked well for Travis County.

17 These companies process more than 100,000
18 titles for our office each year. They have all
19 unequivocally stated that the \$15 title fee would put them
20 out of business. This fee was based on three-year-old
21 data in the TTI study that didn't consider the differences
22 in costs between the companies within Travis County, and
23 there was no mechanism to adjust for increased costs.

24 As a matter of fact, at a couple of meetings,
25 we heard that it might be a very long time before the

1 Board actually looks at costs again. So if you set a fee
2 that's really close to their profit cap and you don't
3 raise it for several years, that's going to be a problem
4 for the title companies.

5 If you do that to counties, we absorb it, we
6 eat it. We've been eating the \$1.90 for years and years.

7 We don't go out of business. But if they don't make a
8 profit, they go out of business. If these companies did
9 go out of business, it would cost Travis County taxpayers
10 more than a million dollars plus space to bring these
11 hundred thousand titles back in house. We estimate it
12 would take 17 FTEs to do this work that's currently being
13 handled by our four title companies.

14 There's language in this proposal that states
15 that there's only six counties that operate title
16 companies and that most of the counties have done just
17 find without them. Well, I would argue that the counties
18 with the auto title companies actually offer our
19 constituents better service and more options to avoid long
20 lines at TACs office locations.

21 Our auto title companies have greatly
22 benefitted our citizens and many of our auto dealers for
23 more than a half century, and we think this is a good
24 model and it's saving taxpayer dollars.

25 There was also language in the proposal that

1 counties if they wanted to could just supplement the auto
2 title companies if the \$15 was going to be enough. Two
3 issues, one, that would cost Travis County and other
4 counties more money that we currently don't have to pay
5 out in my mind for no good reason.

6 And the second issue is I've talked to a couple
7 of attorneys who are very familiar with county government
8 issues who say that it's probably not lawful for counties
9 to provide that kind of supplement to auto title services.

10 So I just think that that would be a nonstarter on the
11 county level and probably legally too.

12 It's been argued that inspection stations are a
13 great example of the state capping fees for services. I
14 disagree. Inspection stickers aren't their profit
15 centers. They thrive on auto repairs and maintenance
16 along with selling lots of headlights and windshield
17 wipers.

18 The profit center for the title companies are
19 titles. That's all they do. Their expenses are variable
20 and they're increasing and their profit margins are
21 regulated by the free market. I would urge you to either
22 set a fee that would ensure that our title companies can
23 continue to serve our community at least until the Board
24 would revisit fees or do what you did with the bonds.

25 And we're very appreciative what y'all did with

1 the bonds. You set a range and you delegated to the
2 counties the ability to decide within that range. And
3 Travis County was asked. We conferred with our auditor
4 and our county attorney. I would never do anything
5 without conferring with both of them because I want their
6 advice to make sure that we're adequately protected, me
7 and the county.

8 I would encourage you to set a range on the
9 fees and allow the county tax assessors to set the actual
10 fee within the county. We look forward to working with
11 y'all on this issue. I'm encouraged by the fact that
12 y'all have said you're not going to let these companies go
13 out of business. So let's figure out a way to make that
14 happen. So thank y'all very much.

15 MS. RYAN: Thank you. Questions? I would like
16 to ask the same question. What is your process for
17 auditing the full-service deputies that you have?

18 MR. ELFANT: We audit every three months.

19 MS. RYAN: And how many full-service deputies
20 do you have?

21 MR. ELFANT: We have four companies, and we
22 audit them every three months. Im looking at Stan to make
23 sure I'm getting this right.

24 MS. RYAN: And what does your audit entail?

25 MR. ELFANT: I'm going to need Stan.

1 MS. RYAN: Okay. Thank you.

2 MR. ELFANT: Stan Wilson is my Director of
3 Motor Vehicles for Travis County.

4 MS. RYAN: Thank you.

5 MR. ELFANT: He's been with us for 20-some-odd
6 years.

7 MR. WILSON: Good morning. Stan Wilson, Travis
8 County Tax Office. Our audit, we go out every three or
9 four months and do a full audit. We go over any inventory
10 they have, plates, stickers, anything that they sold. We
11 go back through registrations, look at the registration,
12 go back through title apps, look at title apps, look for
13 any signatures that are not there.

14 We then go back and talk to them about anything
15 that's not done properly and make sure they bring those
16 things up to date.

17 MR. INGRAM: So a quick question then, how long
18 have these four companies been full-service deputies?

19 MR. WILSON: I've been here 24 years. They've
20 been with me the whole 24 years that I've been here.

21 MR. INGRAM: All four of them?

22 MR. WILSON: All four, yeah.

23 MR. ELFANT: They go back 56 years.

24 MR. WILSON: Right.

25 MR. ELFANT: The first one started in 1960.

1 MR. INGRAM: Is there a process to add more or
2 I mean, I'm surprised that there's just the same four for
3 all that time.

4 MR. WILSON: Yeah. We have had additional
5 people come in and ask. With us, we expended, we added
6 four offices of our own. And with those additional four
7 offices, we had no need to add any other title services.
8 So we have stopped at what we currently have.

9 So the growth of Travis County presents a need
10 for us because we also use the HEB stores. And between
11 the HEB stores doing the registration for us and the title
12 services, we've already taken up a basic area of Austin
13 that needs to be serviced.

14 The only thing that we really have a need for
15 right now is the west side of Austin that we don't have an
16 office at.

17 MS. CARAWAY: So do those four full-service
18 have more than one office each?

19 MR. WILSON: No, each one of them only one --
20 originally, Universal had two offices.

21 MS. CARAWAY: Uh-huh.

22 MR. WILSON: Fifteen years ago they sold that
23 office to Austin Title Company, which is the office I
24 think where it's going right now. That office was bought
25 by them and continued to do business when Universal sold

1 it to them.

2 So those are the only four title -- we
3 originally started with three, went to the fourth one when
4 Universal sold to Austin Title Company. But that's the
5 only thing that I've had in 24 years.

6 MS. CARAWAY: So it's four offices?

7 MR. WILSON: We've had no problems with those
8 offices in 24 years.

9 MS. RYAN: So did you say you've had no
10 problems with those offices?

11 MR. WILSON: No problems. I think there's been
12 some misinformation communicated in that that office was
13 closed six months ago. To date, there has been no charges
14 brought against that office. The funds that were in
15 question at that office are in Travis County's Treasurer's
16 Office.

17 The day that that office was closed, those
18 funds were taken by the Controller's Office, taken to the
19 Travis County Treasurer's Office and told it would remain
20 there until the investigation was closed. There are no
21 missing funds. Travis County's tax assessor is whole.
22 DMV is whole.

23 MS. RYAN: Okay. One other question, you said
24 you've had people come and ask to be deputized --

25 MR. WILSON: Yes.

1 MS. RYAN: -- for full-service and you've
2 chosen not to.

3 MR. WILSON: Correct.

4 MS. RYAN: What criteria do you decide that you
5 don't need? Because competition is -- so you say it's a
6 free market. Competition is a great thing in the free
7 market. Why have you chosen and what criteria do you use
8 not to deputize?

9 MR. WALKER: Excellent question.

10 MR. WILSON: I look at the need of the office.
11 And with the expansion that we were doing with the other
12 four offices that I brought on board and I do intent to
13 expand those offices even more, there will be no need to
14 add any more private businesses to do that.

15 MS. RYAN: How about the need of the consumer?

16 MR. WILSON: The need of the consumer, to date,
17 we have taken care of every need that they have met except
18 for like say west Austin which we don't have a place there
19 to put there right now.

20 MS. RYAN: Okay.

21 MR. INGRAM: So why don't you, like try to
22 solicit another full-service deputy for west Austin? I
23 don't understand the --

24 MR. WILSON: Currently, the Rule that we're
25 talking about right now, you don't know where you're going

1 with this.

2 MR. INGRAM: Right.

3 MR. WILSON: I don't want to have anyone expend
4 money, open up a business and then come to find out that
5 these Rules will put them out of business. So I've told
6 them for the last three years that we've been working on
7 this, I will not let you do anything because I'm not going
8 to put you in a position that you go out and expend
9 capital and then you come back and say, You caused me to
10 expend this saying that I'll be in business and you guys
11 shut them down.

12 MR. ELFANT: That may very well be a great
13 idea. Let's get past all this and make sure that we have
14 some stability for these companies. And, you know, we do
15 need more coverage out in west Travis County and that may
16 be something we consider. In my time, and I'm only a
17 first term, but nobody's approached me during my time
18 about wanting to become a title service so I haven't had
19 to make any decisions like that.

20 MR. INGRAM: And I'm probably behind the curve
21 a little bit. You had one office that has been shut down?

22 MR. WILSON: Austin Title Service, they have
23 been shut down due to a raid between the Controller's
24 Office and DMV. They went out that day, confiscated all
25 the records, confiscated all the equipment, shut them

1 down. They have been out of business essentially for the
2 last six months.

3 MR. INGRAM: Is that one of the four?

4 MR. WILSON: That's one of the four. And right
5 now today, they are trying to hold on, waiting for some
6 charges to come forward, waiting for something to come.
7 We went to the district attorney's just last week.
8 There's been nothing brought to the district attorney
9 against them. And they are barely holding on waiting for
10 something to happen.

11 MR. WALKER: Excuse me, Mr. Duncan, is this not
12 an ongoing investigation that we shouldn't really be
13 talking about?

14 MS. RYAN: Yeah. That's why I've moved on.

15 MR. DUNCAN: Yes.

16 MR. INGRAM: I'm not going to ask any more.

17 MS. RYAN: Yeah, I've moved on.

18 MR. PALACIOS: I have a question in another
19 area, Mr. Elfant. We're talking a lot about full-service
20 deputies. Are you in favor or an advocate of moving
21 consumers more towards the online registration process?

22 MR. ELFANT: Oh absolutely. Absolutely. And I
23 had saved those comments for the fee issue.

24 MR. PALACIOS: Okay.

25 MR. ELFANT: You're not going to have a better

1 friend than Travis County in pushing people online. Our
2 motto is, Skip the trip and bail on the mail. We don't
3 need more people in our lobby. We want the people who are
4 willing and able to go online for their property taxes,
5 for their vehicle registration. And I'm hoping in the
6 near future, we can get a bill passed for online voter
7 registration.

8 We want to get rid of the paper, and we want to
9 allow people the convenience to be able to do this without
10 having to come to the tax office.

11 MR. PALACIOS: Thank you.

12 MS. RYAN: Thank you. Any other --

13 MR. TREVINO: What do you see as the adoption
14 rates -- I'm sorry -- what are you seeing for adoption
15 rates for online, people migrating to that?

16 MR. ELFANT: I don't know what the -- do you
17 know what number is? I was told that we're one of the
18 highest in the state. I mean, we have a social media
19 program in Travis County to encourage people to go online.
20 On our Channel 17 we're pushing it. We're regularly
21 pushing it through our local broadcast media.

22 MR. TREVINO: It's been successful.

23 MR. ELFANT: Oh, thank you.

24 MR. TREVINO: I'm asking. That's a question.

25 (General laughter.)

1 MR. WILSON: And we've done mail-outs. When we
2 were returning stickers, we put a thing in there asking
3 them to go to the online system. We're right now about 20
4 percent of our registration is done online and we're
5 pushing it. I mean, I don't want them in my office. I'd
6 rather you do it online and stay out of my office.

7 MR. ELFANT: I mean, it's a behavioral thing.
8 It's going to take a while. It's kind of like the airline
9 industry. Y'all remember -- well, some of y'all do. Not
10 all of you -- but you remember if you wanted to go
11 somewhere, you had to go to the airport or a travel agent
12 and write a paper check and get a paper bill, a paper
13 ticket back.

14 It took 20 years for the airline industry to
15 successfully move all of us to get our tickets online. So
16 it's not going to be fast, but it is essential. We've got
17 to get there.

18 MR. SWINDLE: Just one last question. So if
19 you had your druthers, you had mentioned that you would
20 want the tax assessor-collector to set the rates for the
21 title fees that it's being charged as opposed to the \$15
22 that would put them out of business.

23 So in Travis County today, what would you set
24 the rate at?

25 MR. ELFANT: I don't know. I'd have to evaluate

1 that.

2 MR. SWINDLE: But would the four -- would
3 everyone be treated -- would all of your current four
4 companies that are operating, would they be allowed to set
5 the same fee or would you set it up differently for each
6 company? So that would be a question.

7 MR. ELFANT: I think that's a very good
8 question, and I don't have an answer for that today
9 because I haven't been given that authority so I haven't
10 thought about it. Actually the first time I thought about
11 this proposal was when we saw the new proposal for the
12 bond amounts.

13 And I thought, Wow, if y'all could set a range
14 for the bond amounts and delegate to the tax assessors to
15 work with their county attorney and auditor to get the
16 right amount, we certainly could do that for fees as well.

17 And we would consult with the title companies and with
18 our counsel and auditor and come up with a good answer
19 that would allow them to work and let the free market do
20 its will.

21 I mean, if these people aren't providing good
22 service or charging too much, they're not going to go
23 there. They'll go out of business.

24 MR. SWINDLE: But you have heard from them that
25 the \$15 will put them out of business?

1 MR. ELFANT: Absolutely. I've heard from all
2 of them that the \$15 is too small a cap. I mean, the \$15
3 was contemplated three years ago, and they've had
4 increased costs. The cost of real estate in Travis County
5 is nuts. Just for rents, for owning property, that by
6 itself has increased their costs substantially I'm sure.

7 And so when we set something, we've got to give
8 them some breathing room. Otherwise, they're going to be
9 coming back to you every year saying we need some relief
10 and y'all are going to want to look at this every year.
11 So we've got to figure out a way to allow the market to
12 work. And if the market's working well, they're going to
13 be limited by what their customers are willing to do.

14 MS. RYAN: Mr. Elfant, would it be fair to say
15 that if you went out and doubled the number of your full-
16 service deputies, the fees in and of itself with that
17 competition would lower themselves without us even
18 assessing it?

19 MR. ELFANT: I think that's a very valid point.
20 I think that's a very valid point, and once we get
21 stabilized here, I'm certainly willing to look at adding
22 folks. I hadn't contemplated it because nobody's asked me
23 in four years. But I think that's a good point. But if
24 we're going to talk fair market, free market --

25 MS. RYAN: But the competition might address --

1 MR. ELFANT: Yeah.

2 MS. RYAN: -- efficiencies within their own
3 operations themselves.

4 MR. ELFANT: Over the last three years, we got
5 the feeling that the DMV was kind of pushing us in the
6 opposite direction. So if this is something that --

7 MS. RYAN: Understood.

8 MR. ELFANT: -- y'all are supporting and
9 promoting, we certainly would be happy to sit down and
10 look at it.

11 MS. RYAN: Okay.

12 MR. INGRAM: And then one last question for me,
13 you've talked a lot about the cap. So anything else in
14 the Rule package for the dealer deputies or the deputies,
15 full-service deputies? Are we okay with the rest of it?

16 MR. ELFANT: I have some concerns, but I
17 haven't -- I got to look at the 300 pages last night and
18 so I'm not quite there yet. The three-party agreements is
19 something new.

20 And to me, when I've looked at it, it looked
21 like the stuff that we see out of Washington were we're
22 overregulating people. But we'll provide more specific
23 answers through our comments when we've had a chance to
24 really look at it and understand better --

25 MR. INGRAM: Sure.

1 MR. ELFANT: -- what it means. But we want to
2 keep the minimum amount of regulation that we can, but we
3 want to have enough to protect the state, the county, our
4 constituents. And we've just got to figure out what that
5 balance is.

6 MR. INGRAM: Thank you.

7 MS. RYAN: Thank you.

8 MR. WALKER: I have a two-part question.

9 MR. ELFANT: I'm a little nervous now.

10 MR. WALKER: I'm going to ask the first part,
11 what percentage of your transactions are done at the
12 county office versus at the dealers --

13 MR. ELFANT: Of the title transactions, about a
14 third. About 100,000 are done through the title
15 companies.

16 MR. WALKER: And so 70 percent of them are
17 being done outside of that?

18 MR. ELFANT: At the tax office, yes.

19 MR. WALKER: And so my next question would be
20 wouldn't it be unfair to the citizens of Travis County
21 because the citizens of Travis County are being forced to
22 use an outside service maybe at a higher fee than what
23 they're paying over here in Hays County where Ms. Caraway
24 over here is doing 90 percent of those transactions at a
25 lower cost than what they're paying over in Travis County

1 at the dealer deputies?

2 MR. ELFANT: I think that's a good question.
3 Nobody's forcing anybody. Anybody can come to our office
4 at any time.

5 MR. WALKER: Well, you'd be forcing me to go to
6 their office if you're not providing the service --

7 MR. ELFANT: I'm providing the service. I just
8 said we do 70 percent of the titles in Travis County.

9 MR. WALKER: I thought you said you did 30
10 percent.

11 MR. ELFANT: No, we do 70 percent. The title
12 companies do 100,000 --

13 MR. WALKER: Oh, I thought you said 30 percent.
14 I'm sorry.

15 MR. ELFANT: -- 30 percent. So our consumers,
16 our constituents have every opportunity to come into our
17 office. They're going to wait longer because we have long
18 lines or --

19 MR. WALKER: Okay. I'm sorry. I thought you
20 said 30 percent.

21 MR. ELFANT: No, no. Seventy percent are still
22 in our office, but 30 percent, 100,000 titles would
23 require substantial resources to bring back in. And we're
24 hoping that we can avoid that.

25 MR. PALACIOS: Mr. Elfant, I do have a follow-

1 up question to --

2 MR. ELFANT: Sure.

3 MR. PALACIOS: -- Mr. Walker's, Member Walker's
4 question. 254 counties in Texas, it looks like four to
5 six are really the counties in question here regarding
6 utilization of full-service deputies. I guess either the
7 other 248 counties have it wrong or you have it right.
8 I'm a little confused. Can you kind of help me out here?

9 MR. ELFANT: No, I wasn't there in the
10 beginning. I wasn't there when it happened. I was two
11 years old in 1960 so I can't tell you how this happened.
12 And maybe Mr. Aleshire's closer to -- oh, well, Stan
13 wasn't there either, but he's been --

14 (General laughter.)

15 MR. ELFANT: Maybe he was.

16 MR. WILSON: If you would look at my overall
17 numbers as far as staff and for the number of transactions
18 that we do in Travis County, you would see that my
19 personnel costs are lower compared to across the state.

20 Look at anyone that's doing similar numbers to
21 me and you will notice that my personnel costs are lower
22 than anyone's. And that's because of our full-service
23 deputies. If I did not have full-service deputies, the 20
24 additional staff that we're talking about right now, I
25 would have them on payroll and they would have been there

1 for the last 20 years.

2 But because of the use of full-service
3 deputies, the model that we're using, because of that, I
4 can keep the county cost overall lower. I don't have the
5 cost of a brick and mortar. I don't have all those costs
6 have gone away because I'm pushing that out to private
7 industry. And that's why we chose that model.

8 MR. INGRAM: And I get the choice. It's your
9 choice. That's essentially a tax that you're passing on
10 to the residents of Travis County because you took it all
11 in-house. Yes, your expenses would go up, but you'd be,
12 you know --

13 MR. WALKER: Revenues.

14 MR. INGRAM: -- your revenues would go up
15 and --

16 MR. ELFANT: Well, property tax is mandatory.
17 You have to pay that. This tax, you get to choose whether
18 to pay it or not. I mean, you don't have to go to the
19 title companies. You just don't --

20 MR. WILSON: Right. You can --

21 MR. INGRAM: You know, that's a little bit
22 unfair. If I'm going to have to wait an hour in your
23 line -- I don't know if it's an hour. I'm just making
24 that up, but --

25 MR. ELFANT: Actually it's closer to an hour

1 and a half.

2 MR. INGRAM: Okay. Well, if I have to wait an
3 hour and a half, then you are forcing me to go to this
4 service.

5 MS. RYAN: Okay. Any --

6 MR. ELFANT: I don't even know if I want to go
7 there --

8 MR. INGRAM: I'm sorry.

9 MR. ELFANT: -- but a lot of this has to do
10 with mandates placed on us --

11 MS. RYAN: Yes. So

12 MR. ELFANT: -- by various different agencies
13 that have increased our time, our wait time. And it's
14 really out of my control.

15 MR. INGRAM: Yeah.

16 MR. ELFANT: And this is an option for people
17 who don't have the time and want to pay a little bit more.
18 And I guess we could take away that option, then our
19 lines would be even longer.

20 MS. RYAN: Thank you. Thank you for your
21 comments.

22 MR. ELFANT: Thank you.

23 MS. RYAN: Okay. To keep everyone in a really
24 good mood, we're going to take a 30-minute lunch break.
25 So our office -- so I do want to let Sandy Harris know and

1 Cathy Talcott, you're going to be up next. We are going
2 to adhere to 30 minutes.

3 We have let the café, which is right across the
4 court here, know that we will have extra guests. And so
5 if you'd like to grab lunch there, please do so. They are
6 prepared. And so we will meet back here exactly no later
7 than ten after 1:00. Thank you. We'll be in recess. It
8 is now 12:38.

9 (Whereupon, a short recess was taken.)

10 MS. RYAN: Okay. Thank you We are returning
11 from lunch and recess. It is now 1:16 and I call the
12 meeting to order. I'd like to call Sandy Harris and Cathy
13 Talcott will be up next.

14 MS. HARRIS: My name is Sandy Harris. And I'm
15 here representing Universal Auto Title here from Austin,
16 Texas. My mother and father opened up Universal while I
17 was still in high school in 1980. My father had worked at
18 car dealerships for 30 years and he saw the need for this
19 sort of service business.

20 They started the business with one employee and
21 one office space on Justin Lane. We still rent that same
22 office space on Justin Lane but now then we have three
23 office spaces, and we have ten employees. Our employees
24 have been very loyal to us over the years, some here as
25 many as 25 years. My brother runs the office daily and so

1 it's truly a family business.

2 Out of our ten employees, eight of us are well
3 over 50 years old. And if our business has to close its
4 doors, I kind of feel safe in saying that these older
5 employees will have a hard time finding other employment.

6 So these are ten people whose livelihood depends on this
7 one small business.

8 We have a large clientele of repeat business,
9 all of whom know that they can easily go to the county,
10 get the same transactions processed with no service charge
11 and still they choose to come to us, free enterprise at
12 its finest. We have a number of automobile dealers that
13 depend on us to turn around their transactions so that
14 they in turn can get their money. We estimate that
15 conservatively 75 percent of our title transactions are
16 for our dealers.

17 In our 36 years of business, we've only raised
18 our service fee two times and with the fees that are being
19 proposed in this Rule, there's no way that we can keep our
20 doors open. We've run these numbers every way that we can
21 figure out, and we don't see how that DMV would think that
22 this is no economic impact to us.

23 Using the \$15 title fee and the \$5 registration
24 fee, we'll see a conservative loss of 33 percent of our
25 revenue. And this 33 percent loss doesn't include a

1 number of transactions that aren't tracked and don't have
2 a processing and handling fee like, you know, replacements
3 and corrected titles and RPOs and title-only deals.

4 We are a for-profit small business. We have to
5 make a profit to be able to cover expenses such as
6 attorney fees for being involved in this process and the
7 large sum of money that we lost after being shut down for
8 seven days and the income that we lost this past Monday
9 when the RTS system was down. Payroll and other operating
10 expenses continue on.

11 In regards to the proposed new 217.163 where
12 the full-service deputies --

13 FEMALE VOICE: Time.

14 MS. HARRIS: Can I continue that --

15 MS. RYAN: How close are you?

16 MS. HARRIS: -- where the full-service deputies
17 sign a three-party agreement with Texas DMV and the tax
18 collector, the terms and conditions of the use of the RTS
19 system is a bad rule. We saw the effects of this Rule.

20 The RTS was shut off to us for seven days with
21 no warning and no justification. Our business was just
22 shut down. After a full six days, we were presented with
23 a contract to sign, and if we wanted the RTS turned back
24 on, we had to sign the contract.

25 MS. RYAN: Ma'am, are you close? Are you

1 close?

2 MS. HARRIS: Yes, I am.

3 MS. RYAN: Okay. And is that relevant to the
4 Rules?

5 MS. HARRIS: Yes.

6 MS. RYAN: Okay.

7 MS. HARRIS: One of the stipulations in the
8 contract stated that DMV may and could shut off RTS access
9 at their sole discretion. This seems to be a violation of
10 due process, and we think that this Rule needs to be
11 addressed.

12 As a small business, we pride ourselves in our
13 service to our customers and we take our role as deputies
14 for the county very seriously. We'd like to stay in
15 business. And we would ask today that you consider
16 proposing a fee schedule that would allow us to keep our
17 doors open. Thank you.

18 MS. RYAN: Thank you.

19 MR. SWINDLE: I have a question.

20 MS. RYAN: Absolutely.

21 MR. SWINDLE: Can you tell us what tell us what
22 y'all are currently charging for the registration and for
23 the titles?

24 MS. HARRIS: We charge \$20 for a title transfer
25 and \$10 for a registration.

1 MR. SWINDLE: And you mentioned that you've
2 done that -- you've only raised fees twice?

3 MS. HARRIS: In 36 years.

4 MR. SWINDLE: In 36 years?

5 MS. HARRIS: Yes, sir.

6 MR. SWINDLE: Thank you.

7 MS. HARRIS: You're welcome.

8 MR. INGRAM: We still have a few more
9 questions. Sorry. Don't run off.

10 MR. WALKER: How do you charge \$10 for
11 registration when the statute sets it at \$5?

12 MS. HARRIS: We've done that for a number of
13 years.

14 MR. WALKER: Isn't that statutorily set at \$5?
15 I'm sorry.

16 MS. HARRIS: Our attorney, Bill Aleshire said
17 that he would address that.

18 MS. RYAN: Okay. I'd like to -- and David,
19 is -- I'll clarify this question to you, David and it's a
20 follow-up. Statute is \$5 for registration and is silent
21 on title, is that not correct?

22 MR. DUNCAN: That's correct.

23 MS. RYAN: And can you clarify for me then
24 what -- if it's silent, can you even charge a fee?

25 MR. DUNCAN: From our review of attorney

1 general opinions and case law going back into the '20s,
2 fees are -- if there's no statement of a fee, a fee can't
3 be charged. That's what it says.

4 MS. RYAN: And is that our interpretation or --

5 MR. DUNCAN: The attorney general, the primary
6 attorney general opinion was done by Attorney General
7 Maddox in 1985. It's -- okay, I need my glasses -- 346
8 and I'll just quote from it. It's very short, "It has
9 long been established that unless a fee is provided by law
10 for an official service required to be performed and the
11 amount is fixed by law, a fee may not be charged.
12 Furthermore, fee statutes are strictly construed and fees
13 are not permitted by implication."

14 That's the AG opinion on that question.

15 MS. RYAN: Okay. All right.

16 MR. INGRAM: So just to -- let me make sure I
17 understood that because I'm not sure. So in the current
18 Rules and statutes, there's no set amount for full-service
19 deputies to do title transfers. Is that right?

20 MR. DUNCAN: Right.

21 MR. INGRAM: And so if there's nothing in set,
22 that AG ruling basically says that they can't charge
23 anything.

24 MR. DUNCAN: That's the implication of that AG
25 ruling, yes.

1 MR. BARNWELL: So there's nothing in there
2 about titles for full-service deputies?

3 MR. DUNCAN: Correct.

4 MR. BARNWELL: Are full-service deputies the
5 agents of the TACs?

6 MR. DUNCAN: Yes, they're performing their
7 work.

8 MR. BARNWELL: And so they're performing their
9 work under the TAC. So wouldn't they be allowed to charge
10 the same as the TAC. Just an argumentative question I
11 know, but isn't that a potential shelter or --

12 MR. DUNCAN: I believe they give the TAC on the
13 titles. I mean, they give the current TAC the titles.

14 MR. KUNTZ: For a title in the statute under
15 Chapter 501, as I referenced earlier, a customer pays \$33
16 in a non-attainment county or \$28 in an attainment county.
17 The county receives compensation of \$5 from that title
18 fee. That is the only fee that we can see that is
19 authorized in the statute relating to a title and for the
20 processing of such title.

21 MR. DUNCAN: And back to the original question
22 about, you know, existing statute and statutory, you know,
23 standard can if the statutory construction into state law
24 and the Code construction act in it predecessors. You
25 know, the legislature not only writes codes. There

1 actually is a code about how to interpret and apply codes.

2 And when the legislature speaks to something,
3 so there was a section that will be effectively repealed
4 if the Board adopts these Rules that spoke to compensation
5 for full-service deputies for performing a registration
6 transaction.

7 So you know, where the legislatures goes in and
8 speaks to something specific, like if you're a full-
9 service deputy and you're doing this service, you can
10 charge X. The presumption is they knew whatever else they
11 would be authorized to do and by not speaking to it at
12 all, by not setting a fee, there is no fee.

13 MR. BARNWELL: Okay. Thank you.

14 MS. RYAN: All right. Thank you.

15 MR. INGRAM: Ms. Harris, I have one -- I'm
16 sorry. So what your business is doing is basically
17 providing a service to the consumer. Right?

18 MS. HARRIS: Yes, sir.

19 MR. INGRAM: But you're providing a state
20 service because you're handling the titling and the
21 registration. So you're providing a service for the state
22 of Texas?

23 MS. HARRIS: Yes, sir.

24 MR. INGRAM: So does it make sense that because
25 you seem like you're objectionable to being in a contract

1 with the state of Texas, but yet you are providing state
2 services. So why should you not be -- why do you think
3 that you should be exempt from that?

4 MS. HARRIS: I don't think that we should be
5 exempt from a contract. I just think that it needs to be
6 looked at just because of our recent experience with it.

7 MR. INGRAM: Okay. So you're not opposed to
8 just being in a contract?

9 MS. HARRIS: Contract, correct.

10 MR. INGRAM: No. It's just, maybe just --

11 MS. HARRIS: Just that specific part of it.

12 MR. INGRAM: Right. Okay. Now I understand.

13 Thank you so much.

14 MS. HARRIS: You're welcome.

15 MR. WALKER: So one more question.

16 (General laughter.)

17 MR. INGRAM: This is like exercise. We're
18 going to let you get this far away and then we're going to
19 call you back.

20 MS. RYAN: Just hang tight with us.

21 MR. WALKER: So you do more than titles and
22 registrations. Correct?

23 MS. HARRIS: We do everything that the county
24 office can do.

25 MR. WALKER: Outside of what the county office

1 does, what else do you do?

2 MS. HARRIS: Nothing.

3 MR. WALKER: Do you charge to do a notary?

4 MS. HARRIS: No.

5 MR. WALKER: So the only fees that your company
6 charges, if I were to do an audit on your company, would
7 be a charge for registration 20 bucks -- I mean 10
8 bucks -- and 30 dollars -- what was it?

9 MS. HARRIS: Twenty.

10 MR. WALKER: Twenty for a title transfer.

11 That's it. That's the only source of revenue you have?

12 MS. HARRIS: We have -- it's broken down. We
13 have \$20 for a title. We have \$30 for a salvage title,
14 \$10 on permits, \$6 on replacement plates, \$6 on placards.

15 So a number of those things that don't have a processing
16 and handling fee.

17 And as I understand it, we're obligated to do
18 everything that the county does when the people come in
19 there. So there's a number of things that it looks like
20 to me we won't even be able to charge for it all.

21 MR. WALKER: Well, it's been our understanding
22 I think in some of the meetings that we've had is that you
23 have other services that you provide like maybe a notary
24 fee. We charge \$5 for a notary fee or --

25 MS. HARRIS: Some do. We don't.

1 MR. WALKER: Okay. And that's my question to
2 you. So your sole source of revenue for your operation is
3 in addition to the fee that we charge here.

4 MS. HARRIS: Yes, sir.

5 MR. WALKER: That the state charges? Thank
6 you.

7 MS. HARRIS: You're welcome.

8 MS. RYAN: Any other questions? Don't go to --
9 okay, I think we're done. All right. Thank you. All
10 right. Cathy Talcott.

11 MS. TALCOTT: Thank you. Good afternoon and
12 thank you for that lunch break, Chair Ryan. It was great.
13 My name is Cathy Talcott. I'm here to represent the Tax
14 Assessor-Collectors Association. I've been asked
15 officially to speak on their behalf. I do serve on their
16 Board of Directors. I'm the internal vice-president. Our
17 president Midget Sherman regrets that she was unable to be
18 here today.

19 On behalf of the Tax Assessor-Collectors
20 Association, it is requested that it be noted in the
21 records of this meeting that the Association has concerns
22 regarding the Rules for deputies. The Association will be
23 offering a more formal and official comment during the
24 required written comment period. Thank you.

25 MS. RYAN: Thank you.

1 MR. WALKER: Wow. That's nice and sweet.

2 MS. RYAN: Any questions?

3 MR. BARNWELL: Question, Johnny?

4 MR. WALKER: No, nothing.

5 (General laughter.)

6 MR. WALKER: That was right to the point. I
7 got it all.

8 MS. RYAN: Okay. All right. Thank you.
9 Sharon Fry, and if Bill Aleshire would be ready next.

10 MS. FRY: I'm Sharon Fry, and this is my
11 husband Webb [phonetic] Fry. We are the owners of Fry
12 Auto Title Service here in Austin, Texas. And we would
13 just like to express the ramifications that the proposed
14 Rules would have on Fry Title.

15 Since 1960, Fry Title has been providing
16 registration and title services for Travis County
17 taxpayers. We have worked side by side with Travis County
18 Tax Office and the DMV to offer these services for 50 plus
19 years. At the proposed rates, we would no longer be able
20 to survive and continue the business that has taken
21 decades to develop and be an option that the taxpayers
22 have.

23 For example, if we apply the proposed rates to
24 our projected number of transactions for 2016 and after
25 deducting the cost of running our business, the impact to

1 our bottom line would be a decrease of 300 percent and
2 putting the business in a net loss position. The amount
3 of the net loss would not allow us to continue paying the
4 salaries, the rent, and all the other associated costs of
5 doing business.

6 If we projected the rates out to 2017 and we
7 assumed an increase in our number of transactions, the
8 increase in volume still would not absorb the net loss
9 position. This also doesn't factor in the increased cost
10 of doing business from year to year. It is, however,
11 unrealistic to project an increase in the volume of our
12 business as the webDEALER and the inspection deputies come
13 online and the push for the public to turn to online
14 registrations.

15 If these Rules are adopted, Fry Title will no
16 longer exist and all the employees as well as ourselves
17 will be unemployed. We have both as well as our employees
18 devoted our careers and our livelihoods to this business.

19 Some of our employees have been with us up to close to 30
20 years. We currently rent our office space, and we would
21 not be able to fulfill the terms of our leases as well as
22 other contracts that our business has entered into.

23 For many decades, we have offered our service
24 to taxpayers and built relationships within our community
25 that depend on us to help them. Our customers are not

1 forced to use Fry Title Services for their registration
2 and title needs, but they choose to of their own free will
3 and pay the additional convenience fee.

4 If the public had objections to our convenience
5 fees, they would not use our services and we would not
6 have been in business for 50 plus years. To show the
7 support of our business, we have signed statements from
8 our customers that read as follows, As a customer of Fry
9 Auto Titles Service, I am a supporter of private title
10 services to process my title and registration needs and do
11 not object to the service fees currently being charged. I
12 believe -- I'm sorry.

13 FEMALE VOICE: It's past time.

14 MS. RYAN: Are you close, ma'am?

15 MS. FRY: Yeah.

16 MS. RYAN: Okay. Go ahead.

17 MS. FRY: I believe the laws changes that would
18 regulate their fees would force them to permanently close
19 their businesses are not warranted.

20 For decades, Fry Title and DMV have worked as
21 well as the Tax Office have worked together to better
22 serve our community and we encourage you to not consider
23 imposing these restrictions that would eliminate the
24 choices that the taxpayers currently have for decades and
25 the relationship we have with the Tax Collector's Office

1 and the DMV will continue and not continue on the path to
2 fix a relationship that is not broken.

3 MALE VOICE: Questions?

4 MS. RYAN: I do. How many offices do you have?

5 MS. FRY: We have the one location.

6 MS. RYAN: Okay. And when you do your
7 calculations of the reduction in fees or in I guess you
8 said you'd have a loss position with these fees, does that
9 also not create -- have you taken into consideration
10 innovation and efficiencies and the possibility that you
11 might be able to survive yet maybe change your own
12 business model?

13 MS. FRY: We are running our business model
14 very lean, and we are constantly and have over all of the
15 years looked at the efficiencies of our operations and we
16 are very streamlined and really are not in a position to
17 cut anything else other than personnel. And at that
18 point, it would do nothing but do a disservice to our
19 customers and the community.

20 MR. INGRAM: What percentage of your business
21 is dealers?

22 MS. FRY: Our percentage of dealers is we're
23 approximately 50/50 between dealers and the general
24 public.

25 MR. INGRAM: Okay.

1 MR. SWINDLE: And what's your fee structure?

2 MS. FRY: For title transfers, it varies. Our
3 maximum cap is \$40 on title transfers, \$10 on
4 registrations, \$5 for placards, et cetera.

5 MR. WALKER: What is a placard? I don't even
6 know what that is.

7 MS. RYAN: Handicapped.

8 MR. WALKER: Oh. Wait a minute. You're
9 charging for handicap placards?

10 MS. FRY: A convenience fee.

11 MR. WALKER: You can't do that. You cannot do
12 that. This Agency was sued and lost a lawsuit for
13 \$40-something million for charging an additional handling
14 fee on placards. That is federally against the law, and
15 we've been there.

16 Did we know this was going on?

17 MS. RYAN: Nope. Well, we don't -- there's a
18 lot -- the deputies are responsibilities of the TAC
19 offices, so the Agency doesn't know a lot of things that
20 go on with regard to the deputies.

21 MS. FRY: Well, we are not charging for the
22 placard. We are charging for --

23 MR. WALKER: Neither was --

24 MS. RYAN: It doesn't --

25 MR. WALKER: Neither was the DMV, but the State

1 of Texas lost a lawsuit that cost the state taxpayers
2 \$28 million.

3 MS. FRY: There is no charge for a permanent
4 placard.

5 MS. RYAN: Ma'am, I think what you're hearing
6 is I guess we'd suggest you look into it. And we're not
7 providing legal advice. I think what you're hearing is
8 that we're suggesting you look into it. Right?

9 What I would -- a question I had is you said
10 that your title, there's a varying -- you're sliding up to
11 \$40. How do you determine what you charge when you said
12 you had a range to charge on title transfers, was that
13 correct?

14 MS. FRY: We charge the general public -- our
15 fee to the public is \$40 per transfer. We have various --
16 we have other fees that we charge our dealers based on
17 their enormous volume of work that we do for them. The
18 needs of the public versus the dealers also varies to the
19 amount of effort and what is involved in transferring
20 their titles.

21 MS. RYAN: So there is a lower fee for title
22 transfer based on volume right now with a dealer customer?
23 And what is the lowest fee to a dealer customer?

24 MS. FRY: Seven dollars.

25 MS. RYAN: Okay. And what's the highest to a

1 dealer customer?

2 MS. FRY: For a dealer?

3 MS. RYAN: Yes, ma'am.

4 MS. FRY: Would be \$14.

5 MS. RYAN: Okay. Thank you very much.

6 MR. INGRAM: I have just one quick question
7 because this is all new to me. I'm from Dallas, so we
8 don't have full-service deputies. It's interesting that
9 you charge \$40 for a title transfer, but the other person
10 that came up from Travis charged \$20. So it's just
11 interesting that, you know, free market not --

12 MR. FRY: Right. That's the difference in a
13 free market in our society. Businesses have the liberty
14 of choosing what they need to charge to operate a
15 business.

16 MR. INGRAM: Could you also say, though, the
17 customer is not well aware that there's a cheaper
18 alternative that perhaps --

19 MS. FRY: Absolutely. They -- absolutely.

20 MR. INGRAM: How would a customer --

21 MS. FRY: There is no --

22 MR. INGRAM: From a customer standpoint, I'm
23 not trying to be argumentative. I'm just trying to
24 imagine myself as I need to get my transfer transferred
25 and I don't want to wait in the hour-and-a-half line. So

1 I doubt very seriously I would call all the different
2 title -- I guess the four different ones and find out what
3 you guys charge each. But you see where I'm going with
4 that? It's just --

5 MS. FRY: Unbelievable as this may sound, we
6 answer call after call every day from the public getting
7 quotes on what our fee is. And I know that they call the
8 other title services, and they do shop.

9 MR. INGRAM: Yeah. Interesting. Okay. Thank
10 you so much.

11 MS. FRY: Sure.

12 MS. RYAN: Any other questions?

13 (No response.)

14 MS. RYAN: Okay. Thank you very much.

15 MS. FRY: Thank you. Mr. Aleshire?

16 MR. ALESHIRE: Good afternoon. My name is Bill
17 Aleshire. I had been retained by the full-service
18 deputies in San Antonio and in Austin to assist them with
19 this Rule issue. My perspective is different than most,
20 because I served as Travis County tax collector from 1980-
21 85 and then Travis County judge and dealing with state
22 unfunded mandates for 12 years after that.

23 I represent these small businesses. I wanted
24 them to come here, and there are many of them here that
25 may not speak today. But they're real people, and their

1 businesses are not going to survive if this Rule is
2 adopted as it is.

3 First of all, I want to say I thank you for
4 your public service. I don't want my frank criticism of
5 this Rule to be interpreted any other way than or to
6 contradict it all or be unappreciative of your public
7 service.

8 When I took office in 1980, I didn't know there
9 was a full-service deputy or Loretta Fry, who had been
10 there for a long time, and a couple of the others that had
11 been there with the Republican tax collector before me and
12 the 30-some-odd year tax collector Fritz Robinson who had
13 been there before them.

14 But what you see here is that -- and I want to
15 make sure that you understand how these work and they work
16 the same in San Antonio as they do here in Austin. They
17 collect the statutory fee and they turn 100 percent of all
18 of that including the processing and handling over to the
19 tax collector daily.

20 The convenience fee that they charge on top of
21 that is voluntarily paid by their customers. The
22 customers do not have to use this service if they don't
23 want to, but that charge that they make is what is
24 necessary for them to be able to survive.

25 Each office is different. In Austin, they're

1 spread out north -- it used to be east -- south and west.

2 The dynamics are very different. Where Ms. Fry's place
3 is is one of the most expensive real estate markets in
4 Austin on South Lamar. The Cesar Chavez place was not as
5 expensive. Another one, they own their building and
6 they're not charging rent and trying to work that into the
7 price.

8 So there is need for some flexibility in this
9 regard and one size fits all does not work throughout even
10 the state of Texas. We do about a third of the titles in
11 Travis County, about 40 percent in San Antonio. But the
12 Rule on its face, based on what our customers are charging
13 would about cut their revenue in half as a group.

14 Interfering in the marketplace with this
15 arbitrary price-fixing Rule, capping their price for title
16 transactions serves no public interest at all. The
17 customers who come to the private title services know they
18 pay extra and don't mind one bit. I realize that
19 theoretically you may think that they're forced to go
20 here. They aren't, and so --

21 FEMALE VOICE: Time.

22 MR. ALESHIRE: Oh, I'm very sorry. I'm not --

23 MS. RYAN: Are you close?

24 MR. ALESHIRE: Ma'am?

25 MS. RYAN: Are you close to finishing your

1 comments?

2 MR. ALESHIRE: Yes, ma'am. There's a -- I
3 would point out to you that this saves tax dollars.
4 Allowing this operation of full-service deputies to have
5 voluntary payments means that other taxpayers -- the
6 notion of having the tax assessor-collector take tax
7 revenue out to pay for this doesn't make a lot of sense
8 when you've got that -- there's two other things about
9 this Rule that if I could just quickly say.

10 MS. RYAN: Quickly, please.

11 MR. ALESHIRE: It's already been mentioned that
12 you've got audited financial statements. I promise you
13 none of my clients have audited financial statements.
14 They do have QuickBooks and they can produce a balance
15 sheet and they can do P&L. And I have tried for a year to
16 try to figure out a way to share this information with you
17 and with your staff. And we are concerned about
18 confidentiality even between my employees.

19 The other thing is on the contract. You have a
20 very harsh, I think, unconstitutional requirement in there
21 that the RTS feed can be cut off to any of these
22 businesses, basically shut these businesses down merely
23 because they're under investigation. No finding, no
24 hearing, no probable cause, no due process.

25 And I fear it because I saw what happened here

1 in Travis County with Universal Title for which there was
2 no justification at all for putting them out of business
3 for a week. None at all, but it took us a week to prove
4 it. And they were shut down the entire time.

5 That provision reminds me of something out of
6 Alice in Wonderland which is, Chop off their heads and
7 then give them a trial, but your Rule doesn't even give
8 them a trial. Now I have two suggestions for you of how
9 to fix this. You've got to go ahead and adopt your Rule
10 for your own financing.

11 But you don't have to make the full-service
12 deputy Rule effective in January. You could make it in
13 September of next year and give us a chance to go to the
14 legislature and see if we can't get relief. And the other
15 possibility is as it's been suggested, let the local tax
16 collector set the limit for what their deputies can
17 charge. And let us work with you on improving
18 accountability and oversight without draconian meanness --

19 MS. RYAN: Thank you.

20 MR. ALESHIRE: -- in the Rules.

21 MS. RYAN: I do have a question for you. What
22 is your opinion on what we just asked a minute ago? You
23 said you had a comment. It is our General Counsel's
24 opinion that at this point based on the \$5 in statute for
25 title and that in statute that -- or for registration and

1 in title, that there's no ability for registration and
2 nothing for title that they shouldn't be charging anything
3 or over \$5.

4 And that maybe it's been going on for a long
5 time, but that it's a business built on something that
6 shouldn't have been built on it. You said you were going
7 to comment on that.

8 MR. ALESHIRE: For 56 years it's been going on.
9 Our position is that the entire -- a fee is mandatory. A
10 fee is mandatory. And the entire fee, 100 percent of it,
11 no portion has been retained by our clients. The entire
12 statutory fee has been charged and turned over to the tax
13 collector in both of these counties.

14 My answer to you is that what my clients charge
15 for their existence for them to be able to be there and to
16 have the convenience for people to have an option to use
17 them is not a fee. It's not a fee at all. It's a price
18 for their convenience of being there. It is not
19 mandatory. None of those customers have to even walk in
20 that door. And if they don't want to pay that, they don't
21 have to.

22 MR. PALACIOS: I have a question, Mr. Aleshire.
23 Now you made a comment stating that consumers actually --
24 taxpayers save money by using these entities. And I just
25 need you to explain that because my understanding is well,

1 the way it is now, the consumer still pays the \$1.90 to
2 the tax assessor and he pays money on top of that in these
3 six counties. So how is that a savings to the customer?

4 MR. ALESHIRE: I don't know about the other
5 four counties, but I can tell you in Bexer and Travis
6 County, they're paying -- the customer that goes to our
7 client's places of business pay the entire fee as if they
8 were going to the tax office. They'd pay that fee and
9 it's all turned over. Then they pay this convenience
10 charge to our clients.

11 And the point that I was making about that, in
12 the Rules proposal, it says, well, you might go ahead and
13 adopt the \$15 limit as to what our clients could charge
14 them and retain, but the tax collector could contract with
15 us out of tax funds to supplement that.

16 Now, I hear that maybe that is or is not
17 illegal, but it doesn't make any economic sense. If
18 you're not a customer of one of my clients' businesses,
19 why should you be paying any taxes so that my customers
20 have it more convenient, especially when the customers
21 have indicated for decades that they're willing to pay
22 extra out of their own pocket.

23 MR. PALACIOS: So are you suggesting then that
24 the county not receive any reimbursement, that all the
25 funds go directly to the deputies? I mean --

1 MR. ALESHIRE: No, Mr. Palacios, I'm not. I --

2 MR. PALACIOS: -- because I'm still confused
3 here because of what --

4 MR. ALESHIRE: I suggested to you that what we
5 had been doing, the way it works now is the county
6 receives -- whatever the fees are the county receives
7 whatever the split is between the state and the county,
8 that goes on as if it was a transaction that occurred in
9 the tax office.

10 It is the private money that these customers
11 who want the convenience of full-service deputy businesses
12 that they pay extra and it's for their convenience. It
13 wouldn't make sense to cap that and then have tax money
14 come back into the full-service deputies to make up for
15 the artificially low fee. That wouldn't make sense at
16 all, but that's what's in the proposal.

17 If I didn't answer your question --

18 MR. PALACIOS: Well, you answered my question.
19 I'm not sure I'd necessarily understand or agree with
20 your logic, but you've answered it.

21 MS. RYAN: Any --

22 MR. WALKER: David, how hard would it be for
23 you to read the statute to me that directs the Agency to
24 set these fees?

25 MR. DUNCAN: I'll get it. I don't have it.

1 MS. RYAN: Can we find it and keep going? Is
2 that okay?

3 MR. WALKER: Because he's alluded to the fact
4 that he doesn't think that we were directed to do that. I
5 want to see what the statute says.

6 MR. ALESHIRE: I was suggesting to you that if
7 nothing else, you could set the timing for when this Rule
8 becomes effective.

9 MR. WALKER: But, I mean, we were --

10 MS. RYAN: I understand. I understand that
11 that's a recommendation that we adjust. I understand that
12 you're suggesting we adjust the timing of implementation
13 and we --

14 MR. ALESHIRE: Just for the full-service.

15 MS. RYAN: We understand that comment.

16 MR. WALKER: But I think that the Agency has
17 been mandated by the legislature to set that fee is what
18 my understanding is and maybe I'm wrong.

19 MS. RYAN: I don't think he's -- the processing
20 and handling fee, I think what he's referring to is the
21 fee for the titles, for the deputies.

22 MR. ALESHIRE: You may be right now.

23 MS. RYAN: Right. So --

24 MR. ALESHIRE: I was talking about what the law
25 is and has been for 56 years.

1 MS. RYAN: Okay. Thank you.

2 MR. ALESHIRE: Yes, ma'am.

3 MR. DUNCAN: In response to Member Walker's
4 question, the statute under which this Rule going forward
5 or this proposal is being proffered to the Board, "The
6 Board by rule shall prescribe the classification types of
7 deputies performing titling and registration duties, the
8 duties and obligations of deputies, the type and amount of
9 any bonds that may be required by a county assessor-
10 collector for a deputy to perform titling and registration
11 service duties and the fees that may be charged or
12 retained by deputies."

13 MR. WALKER: So it answers the question that we
14 are mandated to set the fees charged by deputies.

15 MR. DUNCAN: Yes.

16 MS. RYAN: Thank you. Okay. Thank you. Good
17 question. Thank you. All right. I misunderstood. Tony
18 Lazari. Did I pronounce that correctly? And Paul and --
19 it's got Pablo and Paul in parenthesis Villarreal, Junior
20 will be up next.

21 MR. LAZARI: Hello. My name is Tony Lazari.
22 And I was going to read something, but I'll just go ahead
23 and just kind of tell you about the reason why I'm up
24 here --

25 MR. INGRAM: I'm sorry. Who are you --

1 MS. RYAN: Sir, if you could identify who
2 you're with, please.

3 MR. INGRAM: Yes.

4 MR. LAZARI: I'm sorry. I'm titles services in
5 Bexar County, Texas, and I have six title services and 25
6 employees.

7 MS. RYAN: And the name of your company?

8 MR. LAZARI: Six.

9 MS. RYAN: Name of your company?

10 MR. LAZARI: San Antonio Auto Title and Tisdale
11 Title Services.

12 MS. RYAN: Thank you.

13 MR. LAZARI: So I have six. The reason why I'm
14 up here is because we are opposed to the \$5 and the \$15.
15 Obviously, you guys have already heard if you have those
16 numbers in place, we're out of business. It's just real
17 simple. There's no and, ifs, or buts about it. We can
18 provide you with all the financial documents, all the
19 data, all the backup. It doesn't make any difference.
20 We're out of business.

21 So the reason why I'm up here is I'm going to
22 just tell you what some of these other people might not
23 have told you. And that I have 25 employees. I provide a
24 little bit more for my employees maybe than they do. I
25 provide 100 percent group medical. I provide 401(k) and I

1 match it 100 percent. So what I've done is I've created
2 not just a job, but I've created a career for these girls.

3 And actually, yeah, they're all women. I don't think --
4 yeah, we have one gentleman.

5 So the point being is that some of these girls
6 have been at San Antonio Auto Title and Tisdale Title
7 Services been in business for 38 years. I've owned them
8 for 23. I have five staffers that have been in business
9 as title clerks for 38 years. I have over 10 that have
10 been in business with me for over 20, so that speaks
11 volumes on me taking care of my employees.

12 So in order for me to be able to take care of
13 my employees and continue for me to run my business and
14 not put more burdens on the tax assessor's office for
15 employees that get jobs, get benefits, have a career, the
16 \$5 and the \$15 just will not cut it.

17 And the other thing we brought is obviously as
18 Fry had to, we have petitions also that we have signed.
19 98 percent of my customers signed those petitions that
20 came in my store. I have those petitions with me right
21 here.

22 We've already talked about how we can fix it.
23 Either you guys can grandfather us and let the tax
24 assessors make their own choices. It's a pretty simple
25 fix, but if we don't get some kind of relief and I'm sure

1 I don't know how many of y'all are small business owners
2 on the Board. I'm going to say probably four or five.
3 Then you guys really understand what I'm talking about
4 when I have employees like that.

5 Other than that, I don't have any other thing
6 to say. But Ms. Brewster did say one thing when she
7 started off in her presentation, she also did say that the
8 tax assessors already are looking for relief. They
9 already have enough volumes of business it can't do
10 anymore.

11 If we have the \$5 and the \$15 imposed on us and
12 we go out of business, they're just going to have more
13 work and they can't handle that. Do you guys have any
14 questions?

15 MR. BARNWELL: I have a question. You say that
16 the \$5 and \$15 doesn't work, and we've heard that
17 repeatedly.

18 MR. LAZARI: Yes, sir.

19 MR. BARNWELL: It begs the question what does
20 work?

21 MR. LAZARI: For us right now what works is \$30
22 and \$15.

23 MR. BARNWELL: \$30 and \$15?

24 MR. LAZARI: Yes, sir. \$15 for registrations,
25 between \$12 and \$15 for registrations and \$30 for title

1 transfers. Now, that works for me. What works for me
2 might not work for Fry, but those are the numbers that
3 work for me. And so I can only speak for myself. I can't
4 speak for --

5 MR. BARNWELL: I understand.

6 MR. LAZARI: -- any other titles services in
7 Bexar County.

8 MR. BARNWELL: Okay.

9 MR. LAZARI: Yes, sir.

10 MR. WALKER: So how would you ever expect us to
11 set the fees when your fee is \$15 and \$30, his is \$10 and
12 \$40 --

13 MR. LAZARI: We don't.

14 MR. WALKER: -- hers is \$10 and \$20. I mean,
15 y'all want to --

16 MR. LAZARI: That's what we're asking for.
17 We're asking for you guys to let the tax assessor in the
18 county, let him set it. You're letting him set the --

19 MR. WALKER: So how do I --

20 MR. LAZARI: -- the bond limit so let's let him
21 set the fees limit.

22 MR. PALACIOS: Mr. Duncan, again, the statute
23 put that responsibility on DMV, not --

24 MR. WALKER: That's correct.

25 MR. PALACIOS: -- the TACs? I know these are

1 legal questions. I'm sorry. I'm just --

2 MR. DUNCAN: That's correct. However, it does
3 say we're supposed to set the bonds and we're giving a
4 range of bonds and allowing the counties to do that. So I
5 don't want to say two different things on two different
6 subjects. We're setting a range for the bond.

7 MS. RYAN: I will say we have the
8 responsibility to also consider the consumer and --

9 MR. DUNCAN: Did I answer your question, Mr.
10 Walker? Okay. I was hoping you weren't going to ask me
11 anything, but I knew you would.

12 MR. LAZARI: Do I have any other questions from
13 anybody? Thank you for your time.

14 MS. RYAN: Thank you. All right. Welcome.

15 MR. VILLARREAL: Thank you. My name is Pablo
16 "Paul" Villarreal, Jr. I'm the Hidalgo County Tax
17 Assessor-Collector. And I've been with the county since
18 1985 so I've been there for 30 years. And I always had a
19 great relationship with TxDOT, you know, Jeremiah,
20 Brittney, and I appreciate what you do.

21 I know that salary must be good. I'm on three
22 state boards and three local boards, so haven't gotten
23 past zero but I enjoyed also serving too. So being here,
24 I just want to let you know that I do have two full-
25 service titles in my county, and I appreciate what they

1 do.

2 Sometimes three, let's say ten years ago I had
3 about 300,000 vehicles. Today I have about 574,000.
4 Sometimes your governing body doesn't give you the
5 personnel so that's why sometimes you need to go out there
6 and find other sources to help you. And why do we have to
7 do that? Well, I'm an elected official and it's about
8 customer service.

9 And when the customer -- let me give you a good
10 example. On Monday, I had the county judge call me and I
11 had to send somebody out there to the commissioner to
12 explain why we were down. Luckily, I saw that you had
13 three people here this morning to address it so I'll go
14 back out there and says, Look, I know that sometimes it
15 happens, but just to minimize there being -- customers
16 complain, you know.

17 They'll complain and say I just won my election
18 by 74 percent of the votes in March so maybe people are
19 saying I think we did the wrong thing. We voted for the
20 wrong guy. Look, he's got the office shut down. But it's
21 part of the system. You know, sometimes -- I don't think
22 that we've been down that often so I think it's working
23 great. And like Ms. Ryan was saying that eventually we're
24 going to get to where it's better.

25 But I just wanted to say that as far as Hidalgo

1 County having two full-services, I was waiting too because
2 right now in bigger counties they're charging a little bit
3 more because of demand. The leasing and things like that
4 are more expensive. In my area, the gentleman is moving
5 down to another office because he's expanding the people.

6 In our office right now I get about 45,000 people more or
7 less in my office per month.

8 And if you have the same staff that you had
9 about ten years ago, then that's a problem, you know. So
10 we are, tax assessors, we have to look and see how we can
11 provide services. We're not trying to grow somewhere over
12 there because I love helping them there. But if we can
13 help them by somebody providing those services.

14 In this case, I was waiting to see what happens
15 because I haven't been able to attract any more other
16 full-services. They were actually charging \$5 for
17 registration and \$5 for titles and both is \$10. So I can
18 see the point for the other elected officials that have
19 bigger offices.

20 If you're going to -- I have seven offices in
21 my county -- so if you're going to just have a limited
22 area, then I'm going to have, like I said, 45,000 per
23 month. And I live by the border so not everybody in my
24 county is online. Our people out there, they want to be
25 there. I don't care if they're there an hour or two, but

1 they want to have a receipt when they leave.

2 So hopefully, in the future, we're also pushing
3 for e-checks where people can do it online. So I'm doing
4 the same thing. I went through Bruce right here in Travis
5 County. I think they're doing a great job too. And I
6 want to try to see if I can promote more of the people
7 doing things online.

8 MS. RYAN: Thank you.

9 MR. VILLARREAL: But I just want to let you
10 know that I do appreciate what these full-service are
11 doing for our county.

12 MS. RYAN: Thank you.

13 MR. VILLARREAL: Thank you.

14 MS. RYAN: Any questions?

15 MR. INGRAM: I have one question.

16 MR. VILLARREAL: Great.

17 MR. INGRAM: Sorry.

18 MR. VILLARREAL: Great. I wanted to exceed my
19 three minutes too, so ask me.

20 MR. INGRAM: Okay. So the full-service
21 deputies that you have now, are these full-service
22 deputies that you've placed, that you've brought in and
23 set up or were they there prior to that?

24 MR. VILLARREAL: Well, I became the tax
25 assessor-collector in 2013. So there was one office there

1 at the time when Mr. Barrera was there, and the second one
2 was when I went ahead and became the tax assessor in 2013.

3 So, yes, the second one -- and they're doing a good job,
4 so they're under me now.

5 And, of course, you know, I think we have a
6 great relationship, and I always ask them to treat the
7 taxpayer just like if it was me as the tax assessor,
8 representing the county. And I think they're doing a good
9 job.

10 MR. INGRAM: Can you explain the decision-
11 making process where you're at that point where you're
12 struggling -- obviously, you need help; that's why you
13 brought the second one in --

14 MR. VILLARREAL: Uh-huh.

15 MR. INGRAM: -- versus going to the county
16 commissioner and saying, I need more people?

17 MR. VILLARREAL: Well, I always do. This
18 year -- as a matter of fact, in the previous two tax
19 assessor-collector, Mr. Rosio Trevino [phonetic], which
20 was -- he was there from 1972 through '96, and then
21 Armando from '97 through 2012. When I came in, I went
22 personally to the Commissioners' Court. I have a great
23 relationship with them, but sometimes the county's growing
24 so they don't have funds and I have to understand that.

25 But I went before them and I stood there and I

1 said, Look, I need six people. And they said, Well, Paul,
2 can you bring it back? I said, No, no. I need to let you
3 know because the taxpayers are the ones that pay our
4 paychecks. They're the ones that need services. They
5 don't need to be in our office one or two hours. I need
6 to send them back to their home or back to their job so I
7 need six more people.

8 So I stood there until they actually gave me
9 six people because I said, Well, we don't have any money.

10 They said, Well, what do you mean you don't have money?

11 I just brought you \$178 million just for the county
12 itself and I collect over a billion with other entities.
13 So they were able to give me those six people. And what I
14 did with those six people, I opened the two major offices
15 that I have and I created express lanes for renewals only.

16 So people are happy for that. But sometimes
17 you have to do that. But right now, being efficient, you
18 know, for five years, the county did not provide any
19 salary increases for my staff so I mean, you're tied up,
20 you know. So if there's no more money, then we ended up
21 with the Two Step, Two Sticker Program that allows us to
22 do more work, delay the process, because taxpayers want to
23 know why we change the laws.

24 And they always blame me for doing that. As
25 soon as Paul Villarreal came in, he started changing all

1 the laws. And I said, No, those are mandates that we have
2 to follow. But every time you do a mandate, you know, it
3 would be nice if you would consider maybe \$1 for, you
4 know, there's so many fees that you have for the
5 automation for DPS. Now we're doing work for DPS right
6 now for free. Get me \$1 from there so we can use it for
7 the sole purpose of the tax assessor because see, we don't
8 get employees from --

9 MS. RYAN: Thank you. I'm going to keep you
10 focused please. Thank you.

11 MR. PALACIOS: I have one more question to
12 follow up on.

13 MR. INGRAM: If you don't mind, then --

14 MR. PALACIOS: Yeah, go ahead.

15 MS. RYAN: Yeah. I'm going to let Blake follow
16 up, but --

17 MR. INGRAM: Just a quick follow-up, so
18 congratulations on getting the six people. It sounds like
19 you really stood firm and got what you needed.

20 MR. VILLARREAL: Thank you.

21 MR. INGRAM: So I guess the question that I
22 have for you were you aware prior to coming today that the
23 county has actually been receiving extra money from the
24 DMV from the funds, that they are, in fact, getting more
25 money?

1 MR. VILLARREAL: Yes, I know. I know that.

2 MR. INGRAM: Okay.

3 MR. VILLARREAL: I've seen that. You know, I
4 see where they're trying to do the best they can. You
5 know, they're trying to get some from here and put it over
6 here, you know. And I'm here to work with all of you, you
7 know. I was the customer service supervisor at your
8 Region 4 for two years. I was in charge of nine counties.

9 So it's about just letting you know what
10 happens in our county, why sometimes we have to come over
11 and tell you and working together. So really, I know that
12 I don't see a problem where we -- we've had a great
13 relationship.

14 MR. INGRAM: Okay.

15 MR. VILLARREAL: And why? Because we bring in
16 millions of dollars to our state of Texas.

17 MR. INGRAM: Thank you for your comments.

18 MR. PALACIOS: Okay. I want to follow up on
19 Member Ingram's questions there. You had mentioned
20 earlier that you had 300,000 transactions and that's gone
21 up now to 575,000?

22 MR. VILLARREAL: We're 574,000 vehicles in
23 Hidalgo County.

24 MR. PALACIOS: Okay. So it's almost doubled.
25 So in essence, your revenue has doubled over the course

1 of, I don't know, two years, three years or whatever that
2 is.

3 MR. VILLARREAL: That is true. Very good.

4 MR. PALACIOS: Okay. But, again, you said that
5 your staff has remained level at ten. And so I'll ask the
6 same question I asked the tax assessor from El Paso. What
7 percentage of that revenue then that you're collecting now
8 actually stays in your office?

9 MR. VILLARREAL: Well, that's a good question
10 because sometimes when I'm hearing you saying we're
11 bringing a lot of money to the county, I think it's great
12 you're doing a lot of adjustments. But when you're at the
13 county level, the governing body most of the time when it
14 goes to the general fund and you go out there and ask for
15 more things that you need, normally and bigger counties,
16 maybe they don't have that problem, but smaller counties
17 like -- we're the eighth largest one -- they'll say we
18 don't have funds, okay.

19 So you could put maybe \$10, \$20 return to the
20 thing, but if they don't give you the money in order for
21 your to get more people, that's why, you know, sometimes,
22 you know, we have to find other sources. It would be
23 great if they say, Okay, they're giving us more money
24 through the registrations and I can say, Well, please give
25 me more people so I can go ahead and make sure that I see

1 this area so instead of piling it up on the same employee
2 all the time. But that's what happens sometimes.

3 So that's why we have to find somebody else to
4 provide the service because the customer in the lobby
5 doesn't care where it's coming from says, The tax
6 assessor's doing a bad job. And it's about customer
7 service. So it does happen where -- luckily, on that one,
8 I did get those six people. But the other two people
9 behind that could never do it so I think it was just
10 something --

11 MS. RYAN: With regard, we did address at one
12 point. I think it came up. Somebody agreed. I don't
13 remember which one. The full-service deputies are agents
14 of the TAC office.

15 MR. VILLARREAL: Yes, ma'am.

16 MS. RYAN: And so in that regard, how often do
17 you put out an RFP or what is the process? Do you go out
18 and try to find the most competitive innovative businesses
19 that are going to bring the best ideas, the most
20 businesses that are going to bring technology, customer
21 service and do it in the most cost efficient manner so
22 that -- I mean, we've got a spread of fees here that are
23 all over the board.

24 So as agencies in a government situation, we
25 have to put RFPs out to bring that type of thing. Why

1 wouldn't as TAC offices, you have to do that with full-
2 service deputies? Or well, I'm guessing now.

3 MR. VILLARREAL: Well, right now --

4 MS. RYAN: Do you do that?

5 MR. VILLARREAL: Well, we just -- I inherited
6 the first one and then we opened another one. But right
7 now, you know, with \$5, you know, you couldn't really get
8 anybody else to participate. So maybe in the future, you
9 know --

10 MS. RYAN: Well, it's all over the board right
11 now.

12 MR. VILLARREAL: Well, I mean --

13 MS. RYAN: Have you done that in the past let
14 me ask. Let's go backwards.

15 MR. VILLARREAL: I think the ones that I have
16 the most that I've attracted is the limited deputies.

17 MS. RYAN: I'm sorry. Could you stay on the
18 full-service. With the ones you have, have you done that
19 in the past?

20 MR. VILLARREAL: Have I done what? I'm sorry.

21 MS. RYAN: Gone out with an RFP to try to gain
22 that or have you considered that process?

23 MR. VILLARREAL: No, not right now. No.

24 MS. RYAN: Is that an option?

25 MR. VILLARREAL: It could be an option in the

1 future, yes. What I'm about is just to try and provide
2 better services to our people, and I think we've done a
3 great job. The only thing is that the county's growing so
4 people will complain that the lobbies are full. Sometimes
5 we have --

6 MS. RYAN: Okay.

7 MR. VILLARREAL: -- lines up to the outside,
8 but overall, you know, we're here -- personally, I'm here
9 to make sure that we work together and see what we can do
10 to resolve it.

11 MS. RYAN: And I appreciate it. I think we all
12 appreciate that.

13 MR. PALACIOS: One last question. So again,
14 you said, your deputies are charging \$5 registration and
15 \$5 for title. Is that --

16 MR. VILLARREAL: Yes. It'll be \$10 if they do
17 both.

18 MR. PALACIOS: So if we're going to \$5 and \$15,
19 what's the --

20 MR. VILLARREAL: I mean, that's going to be
21 good for them definitely, you know.

22 MR. PALACIOS: Okay.

23 MR. VILLARREAL: But I know that, like I was
24 also -- you know, I consider the bigger counties because
25 they definitely, you know, need to keep the -- I just

1 would hate for them to close their offices and for Arthur
2 over here to get another 20,000 people in his office
3 where, you know, you don't have enough people to do the
4 service and get them out as soon as possible. But I'm
5 considerate about, you know, what's happening in my county
6 which is smaller.

7 MR. TREVINO: Mr. Villarreal, do you audit or
8 evaluate your full-service deputies at all?

9 MR. VILLARREAL: Yes, we do send out some of my
10 staff. I've had to -- I did employ another accountant in
11 the motor vehicle that strictly looks at that. And, of
12 course, we're very close to them so every time that --
13 monthly, we have, all my supervisors from all my offices
14 and we also bring one of the supervisors to be part of it.

15 And we audit what they're doing and we actually
16 audit, you know, from day to day to make sure that
17 everybody is bringing in the proper paperwork to their
18 offices. Because there's other people -- in my area,
19 there might be a little bit more fraud so we always try to
20 look at it and make sure that somebody's not trying to
21 pass something. And we look and see if something's not
22 right and if it's with the same person and we try to look
23 at it. Yes, and if there's anything out there, we'll sit
24 down and try to make sure that everything's proper.

25 MS. RYAN: Has anyone failed?

1 MR. VILLARREAL: Excuse me.

2 MS. RYAN: Has anyone failed an audit?

3 MR. VILLARREAL: No, no, no, no. There's a
4 couple of things that sometimes when somebody I don't
5 like, something that I don't like, I'll bring him in.
6 I'll say, Look what happened here and I'll make sure. You
7 have to do the same thing like abide by the state law and
8 you're representing me. So they've been doing pretty good
9 so thank God for that.

10 MS. RYAN: Great. Thank you. Thank you very
11 much.

12 MR. VILLARREAL: Thanks so much.

13 MS. RYAN: Thank you. Okay. Michael McDonald,
14 please?

15 MR. WALKER: How many more you got?

16 MS. RYAN: Three. And Tom Menchaca?

17 FEMALE VOICE: Menchaca.

18 MS. RYAN: I apologize. Sorry. And Stanley
19 Wilson.

20 (General laughter.)

21 MS. RYAN: I'm sorry. What was that? Oh. He
22 has spoke. Okay. I was just putting that away. Okay.
23 All right.

24 MR. McDONALD: Hello. My name is Mike
25 McDonald, and I represent Texas Auto Title in San Antonio.

1 And I've heard everybody come up here and say that the \$5
2 and \$15 would put us out of business. And yes, it would
3 and I know you've heard that enough.

4 I want to tell you about some of the services
5 that we do provide. It's not just a shorter line. It's
6 closer to -- usually it's people within our vicinity,
7 dealers, people that live in the neighborhood, convenience
8 as far as coming home from work. We're right there. They
9 can pull right up to the door. They walk in ten feet to
10 buy their sticker.

11 Elderly people, in some cases, not all the
12 time, I'll go out and put their plates on their car. You
13 know, I'll put the sticker on their windshield. They're
14 getting a full service deal. It's not just a shorter
15 line. If it's worth it to them, they pay the fee. If
16 it's not, they'll go to the county, but it's not just a
17 shorter line. So I mean, I want y'all to take that into
18 consideration too.

19 We really strive to give these people service.
20 We want them to come back. I would say that 90 percent
21 of my business is repeat customers. You know, they come
22 back to me. I'll get in the car and go pick up a dealer's
23 title work. I'll bring it back. I'll deliver it to him.
24 you know, it's whatever I can do to get their business,
25 but it is a service business. So thank you very much.

1 MR. INGRAM: I'm sorry.

2 MR. McDONALD: Yes, sir.

3 MR. INGRAM: Since we've asked everybody else,
4 I'm kind of curious now. Just what do you charge for
5 the --

6 MR. McDONALD: I charge \$10 for registration
7 and I charge \$15 to \$25 for a title. And excuse me, \$29
8 for a salvage title.

9 MS. RYAN: What causes the range?

10 MR. McDONALD: \$15 to a dealer, \$10 to \$15 for
11 a dealer. If I have to go pick up the work, you know, it
12 might be 30 minutes, gas money, whatever, I'll charge them
13 \$10 if they have a bunch, \$15 if they have two. If they
14 have one title they need desperately that day and I have
15 to make a trip, I'm going to charge them the \$25, you
16 know. If I'm able to even go get in the car and go do it
17 that day, I try to.

18 The customer that comes in, they're going to be
19 \$25. If they have a salvage title, it's \$29, the
20 individual customer. You know, I, too, had people sign,
21 you know, the form stating that the -- I have not had one
22 person say, Oh, no, I don't like your fee. I mean,
23 literally, you're such a convenience. What would I do --
24 say a dealer, and they're small dealers, they sold a car.
25 They need their white slip to get paid on it from the

1 bank. I mean, boom, they can get it that day.

2 MR. WALKER: So I'm a small business owner.

3 MR. McDONALD: Yes, sir.

4 MR. WALKER: And I do oil field trucking. And
5 in today's world, like it went away.

6 MR. McDONALD: Right.

7 MR. WALKER: So we have to look at being
8 innovative and how do we change our business and with our
9 millennials and so forth. So let's think about your
10 business here for a second. I think statutorily we have
11 been told to set the fee to the public.

12 MR. McDONALD: Yes, sir.

13 MR. WALKER: Okay. But you just mentioned
14 something to me that says you've said you've went and
15 picked up these titles or the applications from the car
16 dealer and you take them back to their house or you take
17 it to somebody's house.

18 Nothing in the law I don't think says that you
19 can't charge a service charge to go out here and a courier
20 to pick up and bring it back, is there, David? I mean,
21 you'd be competing with me maybe because I own a --

22 MR. DUNCAN: In fact, the way the Rule's
23 currently drafted, it's clear that they can charge for
24 things that don't require the use of --

25 MR. WALKER: So maybe you charge the \$10

1 registration, but, Hey, we pick up and deliver and that's
2 going to be \$25. I'll pick it up at your house and mail
3 you --

4 MR. McDONALD: You know I don't say I'm going
5 to charge you \$15 because you're so many miles. It's just
6 here's what the fee is. You need it picked up and I --

7 MR. WALKER: Well, but look at it differently.

8 MR. McDONALD: Okay.

9 MR. WALKER: If we set this service and these
10 fees or whatever they are going to be --

11 MR. McDONALD: Right.

12 MR. WALKER: You just innovatively think about
13 how can I take and modify my business to operate within
14 the criteria of the law which says, Hey, we're going to
15 offer a pick up and delivery service. It's 25 bucks. We
16 come to your house, pick it up and do it or your
17 dealership. And now you've picked up the revenue, but
18 it's not under the titling and the registration fees that
19 we're mandated by law to --

20 MR. McDONALD: That's a possibility.

21 MR. WALKER: So just go there and think about
22 that when you finish up the day here.

23 MR. McDONALD: Yeah, I will. I will.

24 MR. PALACIOS: Member Walker, that's actually a
25 practice in El Paso.

1 MR. WALKER: There you go.

2 MR. PALACIOS: They do exactly the same thing.

3 MR. McDONALD: You know, and then that's very
4 probable that I might do that, but right now, you know, I
5 charge you \$10 a title. You can call me up, Hey, Mike, I
6 got --

7 MR. WALKER: If you charge \$10, I don't think
8 there's anything that says you can't charge for a notary
9 public signature. Hey, you have to notarize. We charge
10 five bucks for that. We're not going to --

11 MS. RYAN: I think the Rule just states you
12 have to post all fees.

13 MR. WALKER: Yep.

14 MS. RYAN: And, again, I think what we've asked
15 through the public comment --

16 MR. WALKER: Adjust your business model just
17 like we've done.

18 MS. RYAN: -- is to go back and everybody go
19 back --

20 MR. McDONALD: And that's -- you know, I've
21 rolled it over in my mind. If everything's like I said \$5
22 and \$15, I will be out of business. It's not a matter of
23 fact. I mean it is a matter of fact. I can't -- unless I
24 can, you know, charge for running and getting the title or
25 picking it up.

1 MR. WALKER: I would have told you I was going
2 to be out of business if oil prices went to 30 bucks a
3 barrel, but I'm still around and we're still profitable
4 so.

5 MR. McDONALD: All right. Thank you very much.

6 MS. RYAN: Thank you. Thank you very much.
7 All right. Tom Menchaca? I think I got it right this
8 time.

9 MR. INGRAM: I'm just going to start off by
10 saying, can I call you Tom?

11 (General laughter.)

12 MR. MENCHACA: Well, my name is Tom Menchaca
13 and I represent River City Auto Title in San Antonio. I'm
14 kind of one of the newbies. I just started my fourth year
15 so kind of learning all the ropes. But since, you know,
16 prior to this, I was a car dealer for 30 years.

17 But anyway, so I had a little insight in how it
18 works because I used --

19 MR. INGRAM: I wish you wouldn't say that in
20 that way where you're like embarrassed by that.

21 MR. MENCHACA: I started when I was five. And
22 so I always use the full-service deputies when I had my
23 car business. So anyway, so when I got into this
24 industry, I knew I had to do something creative and
25 innovative so I figured that baked into this market so I

1 thought, Well, what can I do? Well, I'll cut my fees.
2 Now I cut them. Well, I'll offer free pick up and
3 delivery so that's what I do.

4 I have to change my oil once a month, drive
5 5,000 miles a month. But, you know, it's a service we
6 provide and when I'm in the office, elderly people are in
7 there. I put their sticker on their plates for them.
8 Customers love us, you know. I can't tell you every day
9 how many people say, I'm so glad y'all are here. We just
10 love what you do, and I'm so glad you're here.

11 They bring us cookies, and they bring us all
12 kinds of stuff. It's amazing. So we're developing
13 relationships in the community. A lot of people live in
14 the area, but a lot of people work in the area. So it's
15 convenient for them. We stay open a little bit later than
16 most people so we catch that traffic, and then we're open
17 on Saturday.

18 So I don't mind working hard, you know. So my
19 wife asked me the other day -- she wants to retire next
20 year -- she said, When are you going to retire? And I
21 thought to myself, why? You know, I don't have any
22 hobbies, you know. What I like is working. So we'll see
23 what happens there; besides, the honey-do list -- I'm not
24 a handyman.

25 But anyway, we also -- what we have to do is,

1 you know, if somebody gives us a bad check, we got to go
2 hunt it down, but we still have to pay the money in the
3 next morning, you know, because I don't want to do
4 anything to make Albert Uresti mad. You see how big he
5 is. Mr. Prosser's even bigger than him. I'm afraid he
6 might whip up on me. But they run a good ship there, and
7 we respect them. We know that we have to do -- you know,
8 stay within the guidelines or suffer the consequences and
9 I'm too old for that. Tell me what I got to do, and I'm
10 going to do it, you know, even if it hurts.

11 So we'd like for y'all to at least consider
12 having a little bit of leeway on the fees. If you could
13 do that, it would help us because if it gets set now and
14 then, you know, a couple -- two, three more years, of
15 course, my girls always want a raise, you know, and rent
16 goes up and, you know, all expenses goes up, you know. So
17 if we set it now and it's locked in, you know, we have a
18 little bit of flexibility, you know. We have a -- we can
19 flex with the times, you know.

20 Anyway, whatever you do to help us, we'd really
21 appreciate it. Any questions?

22 MS. CARAWAY: What are your fees?

23 MR. MENCHACA: We charge \$10 for registration
24 sticker and \$20 for the title transfer. And, of course,
25 dealers, depending on the volume are a lot less and, you

1 know, even picking up and delivering, you know. But like
2 I say, I don't pay myself much money.

3 MS. RYAN: Any other questions?

4 MR. MENCHACA: Any more?

5 (No response.)

6 MR. MENCHACA: Thank you.

7 MS. RYAN: Okay. Thank you very much. That
8 includes our public comment on Deputies. So with that,
9 we'll either have discussion if there's any other
10 questions or I will entertain a motion.

11 MR. WALKER: I'd like to make a motion that we
12 move forward with the posting of the proposed Rule for
13 Deputies as it stands today.

14 MS. RYAN: Okay. I have a motion from Member
15 Walker. Do I have a second?

16 MR. INGRAM: I'll second that. I think that we
17 need to get to the public comment section, and a lot of
18 people have expressed a desire to look at it closer and to
19 provide us written comments. And I think that we need to
20 move forward with getting those written comments so we can
21 digest them in a setting that's not sitting here in a
22 meeting where we're having to just think really quick.

23 So we really need to get those public comments
24 so that we can truly assess what everyone is saying and
25 weigh it all out properly. So the only way that's going

1 to happen is if we publish these and get those comments.

2 MS. RYAN: Okay. We have a second from Member
3 Ingram.

4 MR. TREVINO: Can we have a discussion?

5 MS. RYAN: Absolutely. Discussion.

6 MR. TREVINO: I just want to make it very clear
7 that there is no way anybody's desire to put anyone out of
8 business, but we do have a statutory mandate to balance,
9 you know, all these different and various issues. But I
10 just wanted to make sure that that was very clear that
11 there was no intent in any way, shape, or form.

12 MS. RYAN: I second that.

13 MR. WALKER: I have a question, David.

14 MR. DUNCAN: Yes, sir.

15 MR. WALKER: So after we post, and I've been
16 here long enough, I should know better, but how much
17 latitude does the Board have without going back and
18 reposting the Rule to make changes to a proposed Rule
19 coming back from a public notice?

20 MR. DUNCAN: Quite a lot. The way the
21 Administrative Procedure Act works, the only reason you
22 would need to repost a Rule is if it governs new subjects
23 or new persons. And so one of the things we're being very
24 clear about in this Rule -- we're trying to put it in a
25 different typeface and make it really stand out -- is

1 these fees or bonds or other, you know, if there are a
2 number set in these Rules, they might go up or down.

3 So if you like the way it is, comment if you
4 like the way it is. If you want it to go up, say you want
5 it to go up. If you want it to go down, say that.

6 MR. WALKER: So we have enough latitude, we can
7 come back and say, Okay, we're going to go to \$5 and \$4 or
8 \$50 and \$10 --

9 MR. DUNCAN: Yes.

10 MR. WALKER: -- without any reposting problems?
11 Or we could say we're going to grandfather or not
12 grandfather existing people?

13 MR. DUNCAN: We'd have to look at some of those
14 concepts, but yes, I think you could -- as long as you can
15 govern somebody new.

16 MR. WALKER: So by doing what we're doing right
17 now, we can get the process moving, but we can still make
18 adjustments, whereas, not doing anything is not going to
19 solve the problem?

20 MR. DUNCAN: That's the very essence of
21 rulemaking is you take comments and you're required by --
22 it's not that we, you know, we choose to respond to
23 comments. We have to respond to comments.

24 MR. WALKER: Thank you.

25 MS. CARAWAY: Can I ask a question as well? So

1 we have the 30-day comment period. Correct?

2 MR. DUNCAN: Correct.

3 MS. CARAWAY: And then a rule would have to be
4 adopted by when?

5 MR. DUNCAN: Absolutely adopted the target is
6 we plan to, no matter how voluminous the comments are, we
7 plan to have it ready to come back to you in the June
8 meeting. If for some reason that meeting should happen to
9 be rescheduled, there -- I mean, Jeremiah and possibly
10 even Eric might have to talk to -- there are things we
11 have to work out with our RTS contractor to get
12 programming in place.

13 There are other contractors like the people
14 that mail our registration renewals that have to -- those
15 have to go out way in advance. So there are timelines
16 that are on the back end of this that have nothing to do
17 with the work that me and my lawyers do. And can we get
18 the Rules done and, you know, stay up late and get the
19 comments responded to? Yes.

20 But if it starts affecting the programming
21 periods and things like that so pushing the back end,
22 pushing that June meeting much beyond July sometimes.

23 MS. CARAWAY: I guess the reason I'm asking is
24 because we've had a letter presented, and I've had
25 comments made to me about additional working groups to

1 look at this and to work on different aspects of these.
2 And I know 30 days is not very long.

3 MR. DUNCAN: And also keep in mind there are
4 some aspects of this Rule I mentioned earlier, the deputy
5 contracts for the full-service deputy contracts, we hadn't
6 planned on making those effective until January anyway.

7 So if there are aspects of the Rules that are
8 not driven heavily by RTS, then, you know, some of those
9 might have more time. We just have to in light of
10 whatever it is they're asking about that they'd like more
11 dialogue on, we just have to look at it and go, Okay, that
12 one's going to be easy or something else is going to be
13 hard.

14 MS. CARAWAY: Well, of course, I think the big
15 one is the, and we're not there yet but the fees.

16 MR. DUNCAN: The actual fees.

17 MS. CARAWAY: And that's where a lot of my
18 question is coming from as far as I've had a lot of input
19 from a lot of different directions, different six counties
20 feeling different ways and that sort of thing and so
21 that's why I'm kind of asking some of that is to kind of
22 clarify my mind.

23 MR. KUNTZ: Board Member Caraway, if I may, one
24 of the other considerations that we have in this is
25 effective September 1, the TxDMV Fund is created.

1 MS. CARAWAY: Right.

2 MR. KUNTZ: Our source of funding for the
3 Agency is solely from that fund for the fiscal year of
4 2017. The longer we go without making some of these
5 changes go into effect, the more of a financial impact
6 that it has on us because those months click by without
7 revenue coming into the fund.

8 So just something to be aware of as we move
9 forward that that is one of the things that is driving the
10 timeline on this.

11 MR. INGRAM: But driving the timeline on the
12 Deputy Rules, the ones that we just discussed?

13 MR. KUNTZ: As we've talked about, there are a
14 lot of things that are interwoven between these Rules.
15 While the Deputy Rule itself has its own set of issues
16 that are going on, it is definitely linked with the other
17 Rules on specifically the processing and handling fee
18 because the compensation issue is tied together.

19 MS. RYAN: If I may --

20 MS. CARAWAY: I'm sorry.

21 MS. RYAN: No, no, no. It's a great question.
22 Don't -- unless it's -- let me throw this out because I
23 think these questions are important. I think why we're
24 asking is for folks to make a decision. But I think
25 timing on when it hits a meeting or an agenda might be

1 relevant to the types of comments we get.

2 And then based on the types of comments that
3 come in and the type of feedback or determination that the
4 Agency may need to make recommendations to the Board and
5 then the type of stakeholder outreach that may need to
6 take place and the speed in that may determine whether
7 something may need to be delayed. And then that type of
8 determination would have to be assessed and how it would
9 impact the Agency.

10 I think those are types of things that we can't
11 hypothetically determine sitting here today not knowing
12 what may or may not come in. So I think what is fair to
13 say is that the comments will be assessed. They need to
14 come in.

15 The more information and details and specific
16 that the comments can be will help the Agency assess what
17 recommendations are being requested and then the Agency
18 can assess whether those can be accommodated, how they
19 will impact the Agency. And then the Agency staff can
20 make recommendations to the Board and the Board can then
21 assess those recommendations.

22 And that's really the model that has to occur
23 expeditedly because there is a major financial impact to
24 this Agency that this Board has the responsibility to
25 manage. And I think that's probably what we're -- the

1 process we're trying to work through all mentally and
2 verbally before we try to make a decision on how to vote.

3 Each one of us I think is weighing that I think is what I
4 hear if I'm speaking for all of us.

5 MR. WALKER: Yes. But I'd like to modify if I
6 could my --

7 MS. RYAN: Okay. Before you say anything, if
8 he's going to do that, do we have to take the first and
9 the second? No. Okay, then go ahead.

10 MR. WALKER: Well --

11 MS. RYAN: If you're modifying your motion.

12 MR. WALKER: I'd like to strike one line in
13 there, David, and I don't have it in front of me.

14 MS. RYAN: Okay. The motion?

15 MR. WALKER: Yeah. Well, not in the motion,
16 but actually in the Rule. The line that says that the
17 deputies must provide audited financials. I would like
18 to, in my proposal, I would like to strike that line
19 because an audited financial for a small business is just
20 way, way, what it's going to cost. These guys can't
21 afford that.

22 MS. RYAN: Well, then you're modifying your
23 motion.

24 MR. WALKER: That's what I want to do is I want
25 to modify my motion.

1 MS. RYAN: that's what I said, if he's
2 modifying -- okay.

3 MR. WALKER: I would like to modify my motion
4 to strike the line where the deputies are required to
5 provide --

6 MS. RYAN: Well, won't that come in -- that's
7 going to come in --

8 MALE VOICE: In that case, you'd say a compiled
9 financial statement.

10 MR. WALKER: Compiled financials are fine, not
11 audited because audited means you have to bring in a CPA
12 firm and have a full audit. And they will not touch you
13 for less than 15 to 25,000 bucks to do that.

14 MR. TREVINO: Why don't we ask staff to come
15 back with a recommendation?

16 MS. RYAN: Yeah. Or let the public comment --
17 I would let the public comments come. I mean, it's your
18 motion, but I would let the public comments come back in
19 and then there may be a reason they did that or not. I
20 don't know. Whitney, go ahead.

21 MR. BARNWELL: I think they did it because they
22 needed to understand what was going on, but that's why we
23 have the public comments.

24 MS. RYAN: Whitney -- yeah, Whitney --

25 MR. BARNWELL: I want to ask you how, David,

1 how comfortable you are with having a mandate to set fees
2 from the state and moving that, establishing a range
3 instead of a fee? We have a range of bond of numbers. We
4 have the potential, although it's certainly subject to a
5 lot of discussion for full-service deputies to have a
6 range as well. Maybe TACs said. I don't know. That's
7 just -- and I'm just speculating about that, but is that
8 even legal?

9 MR. DUNCAN: That's something we -- I mean,
10 that's just been presented for the first time today. We'd
11 like to look at that and just --

12 MR. BARNWELL: I think that's important, but my
13 problem is that we have an extraordinarily complex bunch
14 of fees here and we have a lot of changes going on. We've
15 got some deleterious effects on a lot of people, you know.
16 You can just say, Well, that's too bad, but those people
17 still have lives to live.

18 And this was not going into effect until
19 January for the full-service deputies. To your point,
20 Jeremiah, you said that, Well, it's a real complex thing
21 and it's all tied up together, but it wasn't going into
22 effect until January so why are we dealing with it now?

23 Why do we have to deal with full-service
24 deputies now? I'm not saying I don't want to deal with
25 it. I'm saying that this is a complex matter with an

1 awful lot of public interest. And I'm just wondering
2 where do we go from here and are we required to do this in
3 a hurry-up fashion?

4 MR. KUNTZ: The reason we're taking it up now
5 is that there are downstream, as Mr. Duncan referred to,
6 downstream changes that need to occur in our IT systems to
7 accommodate these changes.

8 MR. BARNWELL: For the full-service deputies?

9 MR. KUNTZ: For all of these. As we --

10 MR. BARNWELL: For all the fees?

11 MR. KUNTZ: As we set these fees, the way that
12 it is currently drafted, we would need to account for this
13 in the RTS system so that we can put in place the correct
14 accounting for all of these fees and make sure that RTS is
15 handling all of that.

16 MR. BARNWELL: I understand. You've got a lot
17 of work to do once it's approved.

18 MR. KUNTZ: Yes, sir.

19 MR. BARNWELL: Okay. Having said that, I think
20 that, and you all know this, but I want to re-emphasize
21 that to me this is extremely important to get this right
22 the first time because if we don't, it may be as much as a
23 year before we can fix it. That's a long time to hold
24 your breath.

25 So I don't want people having to hold their

1 breath for a year when it could have been fixed early on
2 with an extraordinary effort on our parts.

3 MR. WALKER: But we're not setting any fees in
4 the classes on this particular Rule right here. Right?

5 MR. INGRAM: We are.

6 MR. BARNWELL: Oh, yeah.

7 MR. WALKER: There is a fee in there?

8 MR. BARNWELL: Oh, yeah.

9 MR. KUNTZ: The amount of compensation --

10 MR. BARNWELL: So that's the issue we've been
11 told repeatedly that it's not -- they can't live with it.

12 Whether they can live with it or not, I don't know.

13 That's the testimony. That's the comments and it's all
14 anecdotal at this point. I want to see some numbers. I
15 know the staff wants to see some numbers, and I'd prefer
16 for them to look at it than me.

17 But, you know, we do have some fee issues here.

18 So I'm all right it. I just wanted to make that
19 statement and I'll leave it with that. And I'll second --

20 MR. WALKER: So I'm going to --

21 MR. BARNWELL: I'll second your change. Do I
22 have to third it?

23 MR. WALKER: So here's what we need to do.

24 (General laughter.)

25 MR. WALKER: So I think what we're going to do,

1 I think what I'm going to do is I'm going to let my motion
2 go the way it is.

3 MR. BARNWELL: You mean originally?

4 MR. WALKER: Original the way it is, because
5 Lena [phonetic] suggests that we let the -- voice it to us
6 if we make that change when it comes back to us.

7 MR. BARNWELL: Yeah.

8 MR. WALKER: And let them kind of come up with
9 a better --

10 MR. TREVINO: An alternate language.

11 MR. WALKER: -- an alternate language that is
12 satisfactory to them. If you're listening to what I'm
13 saying, Bill Aleshire and whoever else is out there.

14 MR. TREVINO: Listen to the comment period and
15 have staff come back with recommendations after the
16 comment period.

17 MR. BARNWELL: Okay. Call for the question.

18 MR. INGRAM: Well, I'm sorry. I have one more
19 and this is more a question to the staff. I know in the
20 past when we've tried to identify costs for the dull-
21 service deputies, we've asked for the audited financials
22 which I don't think exist.

23 In the comment period now, if we vote to
24 publish, do you want the compiled financials instead? You
25 want to get -- what do you want to help look at that?

1 MR. BARNWELL: Let me comment on that because
2 the audited financials are only required upon demand by
3 the DMV. They're not required for the approval of their
4 fees or proof of their fee structure as I understand it.

5 MS. BREWSTER: Members Ingram and Barnwell, I
6 just want to go back to what the preamble says. And what
7 the preamble says is, "Documentation to support any stated
8 negative financial revenue or cost implications." This
9 would be any documentation, financial statements, business
10 plans, budgets, or other items necessary to demonstrate
11 the stated impact.

12 And nothing in there says an audited
13 financial --

14 MS. RYAN: I think somebody mentioned QuickBook
15 balance sheets. That'll work.

16 MS. BREWSTER: Absolutely. The Rule does.
17 We've heard your concern with that. We've noted that. We
18 will certainly come back with a recommendation on changing
19 that language. But for the public comment period, we are
20 not asking for audited financials. Please give us what
21 you can.

22 MR. INGRAM: That's what I wanted to hear.
23 Thank you.

24 MS. BREWSTER: Thank you.

25 MR. WALKER: And that makes me happy.

1 MS. RYAN: And we've had a call for the
2 question. Any other --

3 (No response.)

4 MS. RYAN: Okay. All in favor? We have a
5 motion by Member Walker, a second by Member Ingram. All
6 in favor for Item 2.B.2. for Deputies to post the Rules as
7 proposed, raise your right hand, please.

8 Okay. We have all in favor from Member Walker,
9 Trevino, Ingram, Swindle, Palacios and Ryan and Barnwell.

10 All opposed?

11 Member Caraway.

12 Motion carries, what do we have -- eight of
13 us -- 7 to 1. Okay. Thank you.

14 MR. TREVINO: Madam Chairman, I would just like
15 to thank staff for all of their hard work on this. I know
16 there's a lot of room for honest citizens to disagree.
17 But I know you had the best interest of the state of Texas
18 in mind and I would like to thank you for all your hard
19 work.

20 MS. RYAN: Thank you. all right. Moving on to
21 Items 2.B.3. I would like to call up Martin Martinez and
22 Richard Salas.

23 MR. DUNCAN: Ms. Ryan?

24 MS. RYAN: Yes.

25 MR. DUNCAN: If you'd like to proceed as we did

1 before, I'll do the --

2 MS. RYAN: Oh, yes. I'm sorry. Correct.

3 MR. DUNCAN: That's all right.

4 MS. RYAN: We're going to start with
5 everything -- so if both of you could be ready to go, that
6 would be great. And we still start with the comments from
7 the public that did not want to speak but wanted their
8 comments to be read into the record. Thank you, David.

9 MR. DUNCAN: Yes, ma'am. There were folks who
10 did not wish to speak. First, Barry Gattis from
11 Georgetown, Williamson County Tax Office supports the
12 Rule. Williamson County Tax Office is in support of the
13 proposed changes.

14 Billy Davison of Austin supports the Rule.
15 Handling fees by independent offices must be charged to
16 cover expenses and profit. The convenience is well worth
17 the fees. And John Ames of Dallas County opposes the
18 Rule. The proposed compensation structure is harmful to
19 Texas counties and will further deteriorate our abilities
20 to serve Texas vehicle owners. That's all, ma'am.

21 MS. RYAN: Okay. Thank you very much. Dustin
22 Martinez, please. Thank you.

23 MR. MARTINEZ: Yes, ma'am. I didn't anticipate
24 to spend my whole day here, but --

25 MR. WALKER: We didn't either.

1 MR. MARTINEZ: It happens.

2 MS. RYAN: I apologize.

3 MR. MARTINEZ: I was just a member of the
4 public. I read an article or read something on the radio
5 yesterday on KLBJ and I thought I'd come in and make a
6 comment about it. So my name is Dustin Martinez and I'm a
7 resident of Travis County. I was listening to a segment
8 yesterday, felt it was my civic duty to come and speak my
9 opinion.

10 First and foremost, as an individual who uses
11 the services of these private third-party businesses, I am
12 not for the DMV's plan to make these private businesses
13 lower their service charge so much that it would give them
14 no other option as to close up shop. This would not only
15 hurt the small business, it would also hurt the consumer
16 by taking away their choices as to where they renew their
17 registration.

18 By closing up shop, more Texans would be out of
19 a job. Most of these Texans have families to support,
20 which would be a devastating blow if this proposal is
21 passed. Once these businesses close, the consumer is left
22 with very few options, renew online or go to the county
23 for those services.

24 I also have no doubt in my mind that the county
25 would be able to pick up the burden, but why does it have

1 to? Why would you use taxpayer dollars to hire additional
2 people to do a job that's already being done pretty darn
3 well. As Tax Assessor Elfant laid out, the four plus
4 million dollars per year price tag onto the taxpayer, all
5 I could think of were better ways that that taxpayer money
6 could be spent.

7 The county could use that money to fix much
8 needed infrastructure, like roads and sidewalks. They can
9 put that money towards hiring public safety individuals to
10 make our community safer. And there are four million
11 other ways, \$4 million could be spent rather than on new
12 hires to provide a service that's already being done.

13 Texas is supposed to be the most business-
14 friendly state in the nation. Essentially forcing these
15 businesses to close shop by making it impossible to
16 operate says otherwise. I urge you as a Board to
17 reconsider this plan that will hurt the cause of private
18 business at the expense of the taxpayer.

19 I had wanted to mention a slide from Ms.
20 Brewster's PowerPoint about the whole millennial thing.
21 As a millennial, I understand the target to get us to go
22 online and to renew our registration online, but
23 millennials, we're broke. We're not buying cars. We
24 can't afford a car so we're using alternative methods.

25 What I would be focused on is our older

1 generations that are still buying cars and are still using
2 the older methods like going to renew their registration
3 at the county or these third-party services. I've done it
4 online and I've gone to the third-party and I've gotten a
5 really good outcome on both.

6 I think it's worth the convenience charge to go
7 to a third party servicer. It's worth the wait. There's
8 no wait time, you know. You get what you need and you get
9 out. And they have extended hours. And they're just
10 there for the consumer, and I think it's important to have
11 that competition instead of having just one outlet, the
12 county. Thank you.

13 MS. RYAN: Thank you. Thank you for being
14 here. Okay.

15 MR. SALAS: Good afternoon. My name is Richard
16 Salas. I'm with the Bexar County Tax Office. My boss is
17 Mr. Albert Uresti, and I'm the manager of our customer and
18 public informations. So I hear firsthand from a lot of
19 taxpayers the face of our county when the taxpayers call
20 in, correspondence, e-mails. We average anywhere between
21 1,500 to 2,000 calls a day with a staff of about, in my
22 department, about 25 and half of that telephone
23 representatives.

24 So I want to kind of touch base on a customer
25 service aspect since that's my title. Aside from some of

1 the numbers and I could briefly touch on the fact that I
2 briefly reviewed the analysis and I think it's somewhat
3 flawed from proposal on deputies to some of the figures
4 that are being proposed, how much the counties are going
5 to be able to retain.

6 The TTI study showed that it does cost on
7 average \$2.59 for the counties to process registration
8 transactions. I know the analysis states differently, but
9 the TTI study also indicated that it didn't take into
10 account some of the aspects of labor costs, for example,
11 clerks who are cross-trained property tax clerks handling
12 registrations, things of that nature.

13 We don't have scofflaw in Bexar County as well
14 as some of the other counties I believe that it's going to
15 primarily impact. So I think that's where some of the
16 analysis is flawed. Also, in retrospect, the overall cost
17 when we run the numbers, we anticipate using the primary
18 counties that have these full-service and limited title
19 service deputies a negative or a detriment of about \$7.6
20 million.

21 So in the end, it is going to have a detriment
22 to counties, small businesses and as well as taxpayers.
23 So I think I would ask that y'all would carefully review
24 some of our proposals. We've actually come up with a plan
25 I think Mr. Uresti has provided and carefully consider

1 that that may be a benefit for everyone.

2 And so I think there's been a great partnership
3 with a lot of the title service companies. There's
4 precedent there. They provide a vital service to the
5 counties that have them. And from a customer service
6 aspect, I think the taxpayers want that and expect that.
7 I know we're trying to push towards online and other
8 avenues, but at the same time we need to keep servicing
9 our seniors and other demographics of all counties. So
10 thank you.

11 MS. RYAN: Thank you. Any questions? Sir, how
12 long have you been with the TAC office?

13 MR. SALAS: Two years.

14 MS. RYAN: Okay. Do you know the model that's,
15 the structure that's within the TAC office right now? Are
16 you -- do you have any -- how long has that structure been
17 that way?

18 MR. SALAS: Well, historically, at least for
19 the last 40 years that I'm aware of.

20 MS. RYAN: Okay.

21 MR. SALAS: Now, personally I have used a title
22 service company.

23 MS. RYAN: Okay.

24 MR. SALAS: Now, I've actually used both. So
25 it's a great convenience I think to many taxpayers.

1 MS. RYAN: Without the -- I mean, with just the
2 structure within what goes on in the office within the TAC
3 office? Remove the deputies --

4 MR. SALAS: Okay.

5 MS. RYAN: -- the title service.

6 MR. SALAS: So --

7 MS. RYAN: How the work that gets done, the
8 processes that are getting done, how long has that process
9 gone on? Somebody walks up to a counter, I mean, what
10 goes on that process?

11 MR. SALAS: Well, it's more than a few minutes
12 time now. Of course, I would probably have to defer to
13 our motor vehicle director as far as the actual processes,
14 but from what I've observed, it's within a few minutes.
15 We've actually implemented systems to expedite that. Of
16 course, the queuing system that adopted the DPS queuing
17 system --

18 MS. RYAN: Okay.

19 MR. SALAS: -- within all of our offices. So
20 you know, but with the growth of the county, I mean, I
21 think there's these full unlimited service deputies play a
22 vital part in supplementing that.

23 MS. RYAN: So you've found in some -- while
24 you've been there, you've found ways to create
25 efficiencies already?

1 MR. SALAS: Oh, yes. Yeah. We've --

2 MS. RYAN: So it's fair to say -- is it fair to
3 say that if you go back and continue to get -- innovation
4 can continue to drive efficiencies within the TAC office
5 portion of your business?

6 MR. SALAS: Yes, but I think there's
7 limitations obviously with the, you know, county budgets.
8 You know, we're at the behest of county commissioners. I
9 think all tax assessors --

10 MS. RYAN: And their processes for
11 convenience --

12 MR. SALAS: And so as far as processes, yes,
13 you know, we've implemented some changes --

14 MS. RYAN: Okay.

15 MR. SALAS: -- and become a lot more efficient.
16 You know, we get a lot of compliments, but at the same
17 time, you know, I think that we need to have that option
18 of full- and limited-service deputies.

19 MS. RYAN: And we've addressed that. I
20 understand. Thank you

21 MR. SALAS: Yeah, and the fact is too is that
22 we've proposed the ranges. I think that Mr. Walker had
23 mentioned even working groups for the last year or so with
24 various options, and I agree. I think with Mr. Uresti
25 that we're not proposing that it would be uncapped. I

1 think there needs to be some kind of cap, but I think
2 there needs to be a range and allowing them to function
3 because, you know, we keep referring to the law or the
4 statute. You know, this \$5 fee was set back at the 74th
5 legislature, you know, 20 years ago. So counties have
6 been operating at that fee --

7 MS. RYAN: The \$5 -- are you referring to the
8 process and handling fee?

9 MR. SALAS: The \$5 fee, yes.

10 MS. RYAN: The process and handling fee that --

11 MR. SALAS: The current fee of \$5.

12 MS. RYAN: Which --

13 MR. WALKER: Registration.

14 MR. SALAS: Registration to allow deputies to
15 retain was set over 20 years ago.

16 MS. RYAN: So are you -- okay.

17 MR. SALAS: Okay. So you know, I'm not sure if
18 any business is operating under the same fee from 20 years
19 ago, you know.

20 MS. RYAN: Okay. Thank you.

21 MR. WALKER: Truckers are.

22 MR. SALAS: Yeah. So then you understand the
23 impact. Thank you.

24 MS. RYAN: I understand. Thank you so much.
25 Okay. David DeLeon and Mike Sullivan will be up next.

1 Thank you.

2 MR. DeLEON: Hello. My name is David DeLeon.
3 I'm the Director of Motor Vehicles for Bexar County.
4 Hello again, everyone. I have been working in Bexar
5 County office since 1981, beginning as an entry-level
6 deputy to my present position, Director of Motor Vehicles.

7 Through the years, I've seen changes when this Agency was
8 under TxDOT which is now DMV.

9 I remember when at one time DMV transactions
10 were processed by TxDOT. That responsibility was given to
11 the tax assessors years later. At the same time, other
12 additional responsibilities have been transferred to our
13 tax office. At the same time, compensation's always been
14 the same, \$1.90. We've had NMVITUS. We are now under
15 Two-Step Single Sticker. We are processing exempt license
16 plates, additional responsibility which we didn't have
17 before.

18 Now, I know a question was asked earlier, Bexar
19 County has between 22,000 and 24,000 exempt vehicles that
20 we have to process now. At the same time, during this
21 time, the compensation was still \$1.90. I know Mr. Uresti
22 submitted a proposal, again to generate revenue for this
23 Agency at the same time to generate revenue for the
24 counties. I believe this proposal would work. Please
25 review it. Thank you.

1 MS. RYAN: Thank you. Any questions?

2 (No response.)

3 MS. RYAN: Okay. Thank you. Mr. Sullivan?

4 MR. SULLIVAN:

5 MS. RYAN: Yes, ma'am. Deputy, Chair and
6 Members, I'm Mike Sullivan, Harris County Tax Assessor-
7 Collector. Let me first say that while I'm a member of
8 TACA, my comments are my own. This is not the speech I
9 intended to give. My initial comments were going to be
10 critical of the Agency and the process and somewhat
11 personal.

12 However, prior to entering politics, I was a
13 successful small business owner for almost 40 years.
14 Therefore, I try to approach issues from a business point
15 of view and not a personal view. I understand that the
16 Agency has no funding. It has to go find it.

17 The proposed Rule for processing and handling
18 is scheduled to go into effect September 1. This budget
19 impact for Harris County appears to be negative \$1.7
20 million in its first year. But to be honest, the Rule has
21 just been made public, and we're still evaluating our
22 numbers and making our analysis. The number could be
23 higher or it could be lower.

24 So regardless, our budget's been set by
25 Commissioners' Court and certainly cannot be changed on

1 such short notice. I am as interested as anyone in
2 operational efficiencies. Heck, I campaigned on embracing
3 technology, improving customer service and advocating for
4 the taxpayer when I ran for office four years ago. Some
5 of the Agency's proposals would actually help me fulfill
6 my goals.

7 However, if there is a reduction in commissions
8 paid to tax assessor-collectors, there should be a
9 corresponding reduction of cost to taxpayers.

10 Additionally, one of the stated expectations of the
11 proposed Rule would be to improve customer service. Now,
12 that could imply to someone that doesn't know what we do
13 that services provided more from my office or by my office
14 are inadequate, and I can tell you that nothing could be
15 further from the truth.

16 I conduct customer surveys. My customers are
17 satisfied. The real test is at the polls. In the recent
18 March primary, I received the highest number of votes in
19 Harris County in both contested and uncontested races.
20 I've improved relations with the dealer community, and
21 they couldn't be happy. And that's in Harris County
22 though, not across the state.

23 I've reduced dealer processing time from three
24 weeks to three days due to my own efficiencies. As a
25 matter of fact, they tell me that service from my office

1 hasn't been this good since the days of now Senator
2 Bettencourt, and I'm proud of that.

3 Finally, let me tell you what I've done locally
4 in Harris County. Look, I'm a partner with TxDMV and I'm
5 proud of that and I respect our relationship. I spent
6 \$50,000 last year on radio commercials advertising the One
7 Sticker program and another \$25,000 on billboards
8 combined with free PSAs that I had to go out and solicit.

9 Luckily, the media community was receptive and agreed to
10 do it.

11 I also spend more than \$150,000 a year every
12 year on my own special investigations unit headed up by
13 law enforcement in Harris County that I have to pay for.
14 They constantly find fraud, incomplete and inaccurate
15 information on titles. My comments today are brief and I
16 respectfully reserve the right to come back and give
17 additional remarks as my team and I review the four
18 proposed Rules.

19 In closing, I don't envy the job before you.
20 I've been in your position. I was a Bush appointee to a
21 state water group and a Perry appointee to a task force.
22 I know the hard work. Like you, I volunteered my time. I
23 know this can be difficult.

24 Now while I was waiting -- that's why I'm
25 holding my BlackBerry. While I was waiting, I received a

1 letter from taxpayer William Underwood at 1:28, "When a
2 line takes two hours to get through for registration for
3 new residents, your state is doing something wrong. Your
4 goal of making this a pleasant process was not achieved."

5 Signed William Underwood.

6 Thank you.

7 MS. RYAN: Thank you. Any questions?

8 MR. INGRAM: Mr. Sullivan, I have one quick
9 question. Some of the processes that you've implemented
10 to dramatically alter the look of what's happening in
11 Harris County, can you just give me like a just a very
12 high-level synopsis of what you've done?

13 MR. SULLIVAN: I'm going to defer to my
14 Director of Auto Services. I'm a policy expert --

15 MR. INGRAM: Yes, sir.

16 MR. SULLIVAN: -- professed self-policy expert,
17 but not the technical guy. I lead the division for the
18 Agency and do what I can to help. But this is Deputy
19 Peck, and she's answer briefly.

20 MR. INGRAM: Okay. Great. Thank you.

21 MR. SULLIVAN: Yeah, repeat the question,
22 please.

23 MR. INGRAM: I'm just looking to see since
24 you've become the tax assessor, you know, just on a high-
25 level, what have you done to improve efficiencies and

1 become more productive?

2 MS. PECK: Well, I think some of it was with
3 the help of the DMV, some of the technology that they've
4 brought forward. It was a struggle I will say that at
5 first. webDEALER, for example, when Mr. Sullivan was
6 saying that he took it from three weeks processing into
7 three days processing. It was because of that.

8 We on our own brought in ACH. The Board was
9 talking about that earlier today. We don't charge our
10 dealers for that. But being able to get those funds
11 immediately has cut down on any refund request or any
12 errors that the dealers have made in the calculation of
13 their fees. That would always jackknife all of our work
14 when the fees were incorrect because our clerks would have
15 to stop processing, fill out the form, go to accounting.

16 So we've cut that out with the ACH. So when
17 the work is processed over the Internet, we go and we grab
18 the funds. So that's just really helped tremendously.
19 It's been hard to find efficiencies in the branches
20 because of a lot of the work that we're having to do right
21 now.

22 NMVITUS has been mentioned. That's jackknifing
23 our line Single Sticker. The rejections from Single
24 Stickers -- I know your question was, you know, what
25 efficiency have we gained -- it seems like we're taking

1 three steps back now because we were gaining efficiencies
2 when he brought technology. A lot of it, just faster
3 computers. He was able to bring in more staff so that we
4 could process some of the technology or efficiency that we
5 gained.

6 Our branches were built in the mid-80s. We
7 only have a certain number of windows. When they're full
8 and you have this many people trying to get into this much
9 space. So we didn't have extra windows so we actually
10 ordered more RTS machines and put them out in the lobby.
11 So as part of an efficiency, we built windows in the
12 lobby, but there's no window. So is this answering your
13 question?

14 MR. INGRAM: It's totally answering my
15 question. And I just -- I wanted to hear a success story,
16 you know. I was needing a success story for the day. So
17 a quick question then, on deputy dealers, are you also
18 doing independence as deputy dealers or --

19 MS. PECK: We have one pilot.

20 MR. INGRAM: You have one pilot.

21 MS. PECK: Well, your buddy. Actually, when we
22 were out there training, I think he had you on the phone.

23 MR. INGRAM: Yes, he did.

24 MS. PECK: We actually just really got up and
25 running. The end of December we trained all of our new

1 car dealers. We had 154 I believe. We got a late start
2 on that because we have so much inventory that he's
3 personally liable for. We had to have an inventory
4 solution that Jeremiah, Whitney, Shelly, Eric helped build
5 for us. We have an old system that we build in-house, but
6 it had to be able to speak to the webDEALER program now so
7 that we would know the thousands and thousands of dollars
8 he's got all around the county --

9 MR. INGRAM: Right.

10 MS. PECK: -- who had it.

11 MR. INGRAM: Right.

12 MS. PECK: So when that got finished, we made a
13 commitment if you can get that inventory solution to us in
14 30 days, we'll bring up our dealers. And that's what we
15 did. I mean, we put people out in the field that we
16 brought -- anyway, were there.

17 So now our next step and our priority is going
18 to be our independent dealers. But it's not going to be
19 every single one of them.

20 MR. INGRAM: No, I don't expect it to be.

21 MS. PECK: Right. It's, you know, the
22 reputable companies that do a lot of business.

23 MR. INGRAM: We're all reputable. It's just
24 like, you know, it's the bigger ones.

25 MS. PECK: That can get funded, creditworthy,

1 reliable. You know, that's our next step, and we're going
2 to aggressively attack that as well because if we can get
3 them processing in a different way, then that is removing
4 a lot of the people out of our branches.

5 MR. INGRAM: Well, I thank you so much for
6 that. And it was somewhat self-serving, but it was also
7 key to the whole point of the conversation of trying to
8 find efficiencies and trying to find ways to do things
9 better, smarter, faster. And so that's why I wanted to
10 hear it. Thank you so much.

11 MS. PECK: You're very welcome.

12 MR. INGRAM: Congratulations.

13 MR. PALACIOS: Mr. Sullivan, I do have a
14 question for you. Can you give us a little more
15 specificity as to the exact issues that you have for in
16 disagreement with our proposal or the DMV's proposal?

17 MR. SULLIVAN: It's early, Member. It's early,
18 but let me give you -- this may answer your question
19 indirectly, but it's my perspective of it. Let me tell
20 you what our volume is rather than getting it from staff.

21 I know they'll give you the same numbers I do.

22 In 2015, as of December 2015, we had 1.99
23 million walk-in accounts, 1.99 million, 633,000 Internet
24 transactions, 271,000 mail-in transactions, 828,000
25 limited service deputy transactions. I can go on and on,

1 but you see the complexity of it.

2 Now, getting people out of line for that
3 registration renewal that takes five to six, seven minutes
4 is great, but with six to eight to 10,000 people a month
5 year after year moving to Harris County, those
6 transactions, transferring those titles is a 20- to 25-
7 minute transaction. It's a manual process, multiple pages
8 of paperwork.

9 We've actually put a line greeter at the front
10 of the line to review paperwork so that when people get to
11 the window, they at least found -- they've already found
12 out the needed a document notarized or another signature,
13 whatever the case may be. But I say all that because if
14 someone shows up from Exxon Mobile with one or two titles,
15 then that's 20 to 30 to 40 minutes.

16 And to give you an idea of technology,
17 innovation, efficiency, we've all heard about Exxon Mobile
18 moving to Harris County, moving to Houston bringing 10,000
19 jobs. We went out and worked with them onsite on their
20 campus and their employees made online appointments with
21 us. And we maybe had half a dozen employees out there for
22 six to seven weeks. Pretty cool. That's the stuff I want
23 to be known for.

24 MR. INGRAM: How do you handle your exempt
25 fleets? Are you currently doing those in-house or?

1 MS. PECK: Yes. We are. That is another phase
2 that we're trying to get to. It's on our priority level,
3 we did about, what, 18,000 exempts. We are considering
4 setting them up as a subcontractor, but we're also kind of
5 waiting to see if there's going to be any legislation
6 because we have been hearing rumors of perhaps that they
7 won't even need a sticker, a registration sticker anymore
8 so --

9 MR. INGRAM: Gotcha. All right. Thank you.
10 It's on the radar. Got it.

11 MR. TREVINO: I've got one more question. And
12 on webDEALER, I was really interested on your comments
13 there. Over time as you start implementing this and
14 you've already started the process, what percentage of
15 your overall business do you think will migrate to
16 something like that?

17 MS. PECK: It's really difficult to tell. I
18 only have one example of a business entity that we're
19 starting on webDEALER and that's the one independent. You
20 know, we've got 100 percent of our new car dealers that
21 are part of the Houston Automobile Dealers Association,
22 and they all seem to love it. So I really don't know how
23 I can put a number to that because I still feel that we
24 are really new at this. We just got them up and running
25 in December.

1 MR. INGRAM: But you have more than just one on
2 webDEALER. You just have one that's a dealer deputy. Or
3 do you just have one webDEALER --

4 MS. PECK: Independent?

5 MR. INGRAM: Yeah.

6 MS. PECK: Just one.

7 MR. INGRAM: Just one. Okay.

8 MS. PECK: Yeah. We have two commercial fleet
9 buyers that we just brought up --

10 MR. TREVINO: But your plan is to migrate a lot
11 more, right, over time?

12 MS. PECK: Oh, absolutely. Absolutely. You
13 know, also consider we're having to go out and train any
14 of these people. And Harris County being huge, I mean, we
15 can spend Peggy, Margaret, there's, you know, a dozen of
16 us that are crisscrossing the county and it can take us
17 three hours just to get across town.

18 MR. TREVINO: Yeah, I understand the
19 complexities. I was just wondering, you know, what you
20 thought about it and how you felt? Are you optimistic
21 that it was going to be very significant on how you do
22 your business?

23 MS. PECK: Very optimistic. Very, very
24 optimistic.

25 MR. WALKER: You said you had two million walk-

1 ins and you had 600,000 online registrations?

2 MR. SULLIVAN: Yes, sir.

3 MR. WALKER: How did Houston or Harris County
4 get so far out front on online registrations from the
5 state's average?

6 MR. SULLIVAN: I have no idea. I'll be honest
7 with you. Keep in mind I came into office four years ago.
8 I'm just learning. The main thing I do is have the best
9 people in the business with me.

10 MR. WALKER: Jeremiah, I'm looking at 18 and if
11 I look at those numbers there, that's about 30 percent.
12 Is that right?

13 MR. KUNTZ: As we've said, the percentages vary
14 wildly across the state from county to county on the
15 percentage of individuals that choose to go online versus
16 walk in to a county office.

17 MR. WALKER: More millennials in Houston.

18 MS. RYAN: Well, wasn't Harris County one of
19 the first counties to have an online process?

20 MR. KUNTZ: All of the counties had the ability
21 to do online transactions at the same time. There were
22 quite a few counties that were not offering it. A couple
23 of sessions ago it was mandated that all 254 counties
24 participate in the online registration process.

25 MS. RYAN: Or they went after it more

1 aggressively then. Maybe that is what I assumed.

2 MR. WALKER: So you said at the beginning of
3 your speech while ago that you were -- your first profile
4 number is a negative \$1 million.

5 MR. SULLIVAN: \$1.7, sir.

6 MR. WALKER: Oh, \$1.7. And that's for the
7 year?

8 MR. SULLIVAN: Yes, sir. Calendar year, based
9 on 2015 calendar year transactions.

10 MR. WALKER: And you used -- I'm kind of
11 confused at how you got there because we're taking the
12 registration fee from \$1.90 up to \$2.30. It's an
13 increase.

14 MR. SULLIVAN: Well, clearly, we still are
15 massaging the numbers.

16 MR. WALKER: 1.7- --

17 MR. SULLIVAN: Yeah. I'm not trying to mislead
18 the Board. Trust me. I'm really not. We're still
19 massaging the numbers. We know, you know, we met with Ms.
20 Ryan.

21 MS. RYAN: Is it revenue or it met?

22 MR. SULLIVAN: -- but we met with the Chair the
23 other day and, you know, we all expect less envelopes,
24 less postage, et cetera. We'll plug those numbers in. We
25 want to do nothing but be open and transparent, you know.

1 Another way that we have driven people to the
2 Internet is that I'm a prolific social media guy. And we
3 do Facebook and tweets. Your office has received a number
4 of tweets for @TxDMV during this meeting because that's
5 what we do. So we send messages out proactively. A lot
6 of people talk about it. We've got three years of doing
7 it, and I think it makes a difference.

8 But if the number goes down, we'll be very
9 honest and very frank about it. We are not here to beat
10 up the TxDMV Board. We're just not here for that.

11 MR. WALKER: I'm just trying to get to how you
12 got to the \$1.7 --

13 MS. PECK: It was the \$1.90 that you mentioned,
14 the \$1.90 --

15 MR. WALKER: What now?

16 MS. PECK: The \$1.90 that you mentioned --

17 MR. WALKER: Yes.

18 MS. PECK: -- it's for Internet when the
19 proposed revenue to the tax offices would be \$0.25. So
20 \$1.90 plus \$1 for the mail-in so \$2.90 to \$0.25. That's
21 the \$1.7 million revenue loss.

22 MS. RYAN: So it's a revenue change?

23 MS. PECK: Revenue loss, yes.

24 MS. RYAN: Okay. That's the question I had.
25 Revenue change, okay.

1 MR. WALKER: Not --

2 MS. RYAN: Not loss. It's not a --

3 MR. WALKER: It's not an operating cost loss?

4 MS. PECK: Right. It's a revenue --

5 MS. RYAN: Revenue loss.

6 MR. WALKER: We're trying to get to operating
7 costs.

8 MS. PECK: Okay.

9 MS. RYAN: Okay. No, that clarification's very
10 helpful.

11 MS. PECK: It's still a high number.

12 MS. RYAN: I understand. May I ask one more
13 question? Your model does not use full-service deputies?

14 MS. SULLIVAN: We do not. I inherited an
15 office that does not have any full-service deputies in the
16 county. I've been mildly receptive to the idea of doing
17 it, but every time I look at it, I see obstacles. At the
18 end of the day, I'm responsible. Harris County
19 Commissioners' Court is responsible.

20 We think we could do a better job cheaper than
21 full-service deputies. And we don't criticize any county
22 that uses them. They just don't work for us. I'm the
23 fourth tax assessor in four years at Harris County when I
24 was first elected due to some people resigning and
25 appointments. I'll tell you the Commissioners' Court has

1 been fully supportive in maintaining this current business
2 model.

3 MS. RYAN: Okay. That's helpful. I was taking
4 notes. I appreciate it.

5 MS. SULLIVAN: So I'm accountable to the Court.

6 MS. RYAN: I understand. Thank you.

7 MS. SULLIVAN: Yes, ma'am. Thank you. I'm not
8 trying to run away. I just don't want any --

9 MS. RYAN: No, no, no. I'm -- any other
10 questions?

11 (No response.)

12 MS. RYAN: Okay. Thank you very much.

13 MR. SULLIVAN: Thank you very much.

14 MS. RYAN: Okay. Albert Uresti and Ruben
15 Gonzalez would be next.

16 MR. URESTI: Members of the Board, we had given
17 you all -- I had forwarded an alternate plan, but the
18 numbers were changed on this. This was Tuesday or
19 Wednesday. So we've incorporated those numbers, and there
20 is one I had to change my pencil today because I didn't
21 have any way to print it so just forgive me for that.

22 MS. RYAN: So this is different than what was
23 forwarded to us previously?

24 MR. URESTI: Yes, ma'am. It's a little bit
25 different because DMV changed the numbers. So I had to

1 change mine. I'm here opposed to the proposed P&H fees --

2 MS. RYAN: I'm sorry. Can you stop that for a
3 second? Stop the timer. You said -- did we change
4 numbers, Whitney, please?

5 MS. BREWSTER: Madam Chair, Members of the
6 Board, I am not aware of numbers changing.

7 MS. RYAN: Not aware? Okay. Thank you.

8 FEMALE VOICE: Okay. Feel free, sir.

9 MS. RYAN: No, he's saying because we changed
10 numbers, but I understand. Okay. Feel free. I'm sorry.

11 MR. URESTI: No, they did change the numbers.
12 I can tell you where they changed them.

13 MS. RYAN: Okay. Okay, please.

14 MR. URESTI: Because for instance, where they
15 had a -- and my counter's not running, is that right?

16 MS. RYAN: No.

17 MR. URESTI: So the proposed state portion of
18 the fees, that's now \$0.50. Also, the main changes were
19 where they changed I think mail. DMV had it at 2 percent,
20 and they changed it to 8 percent. The limited, I believe,
21 was at 9 percent and they changed it to 5 percent. Was
22 there any other changes --

23 MS. RYAN: The percent of those, the fee --

24 MR. URESTI: Statewide.

25 MS. RYAN: I understand. So that was -- I see

1 where you changed your numbers. I understand. You can go
2 ahead and start.

3 MR. URESTI: Okay. All right. So I just
4 wanted to make that clear because --

5 MS. RYAN: I appreciate that.

6 MR. URESTI: -- I'm like Mike Sullivan. I
7 don't want to mislead the Board in any way.

8 MS. RYAN: I appreciate that. You ready?

9 MR. URESTI: And by the way, I do want to thank
10 the Board for all the work that y'all do and as well as
11 DMV. We may not always agree, but I think our hearts are
12 in the same place and with the same goal, which is to
13 serve the citizens better.

14 MS. RYAN: Thank you.

15 MR. URESTI: This plan that I'm submitting to
16 you under the proposal by DMV, the counties statewide are
17 going to lose over \$7-1/2 million and that's using DMV's
18 numbers. So again, that's what they're going to lose.
19 They're going to lose over \$7-1/2 million. Bexar County
20 is going to lose about \$938,000.

21 With my plan, again, using the new numbers,
22 it'll give an increase statewide over \$237,000. So this
23 is with the \$5 increase proposed fee by DMV. Also, the
24 percentages used by the State do not apply to several
25 counties, including Bexar County.

1 For example, on the walk-in, DMV is using 64
2 percent; whereas, Bexar County's only 30 percent. On the
3 online, it's 18. We're 15, and it goes on down the line.

4 So I think it's important to point that out as well as to
5 how it impacts us negatively.

6 I know one of the things that has been
7 mentioned a lot about is the license plates, about the
8 savings, but that can be done now. It should have been
9 done a long time ago so it's not like it has its
10 contingent upon these adoptions of these new plans. So
11 again, that could have been done many years ago.

12 As a matter of fact, I know David DeLeon has
13 advocated that many times over the last ten years. So I
14 wanted to point that out as well. We understand the need
15 for change in cost savings, and no one is more dedicated
16 to this than Bexar County. I can assure you of that. And
17 bricks and mortars, that's been mentioned also. We don't
18 want to increase bricks and mortar, which is why we have
19 21 full-service deputies.

20 Also, on the online savings, I know there's
21 been a lot of talk about the savings to the consumer, to
22 the citizen. The only savings to the consumer by what
23 you're charging right now is \$0.25. So what the numbers
24 that you're seeing is when they talk about discounts and
25 what have you is after the \$5 increase is adopted. But if

1 you take what the citizen is paying right now and then
2 after the \$5 -- with the increase, they're only going to
3 save \$0.25.

4 So I think it's important to point that out as
5 well. If you look at the chart I gave you, if you'll look
6 at the last page, you'll see where we calculated where
7 it's \$7-1/2 million for the counties statewide and
8 \$938,000 of loss for Bexar County. And so again, with the
9 switch, it would be \$237,000 profit -- well, not profit,
10 but \$237,000 in additional fees for the counties
11 statewide.

12 But, again, thank you. Thank you for
13 everything that you do. I know y'all have been here all
14 day and ready to go home. So if you'll adopt my plan and
15 we can all go home, everybody would be happy. Thank you.

16 MR. WALKER: I have another question. When you
17 make the statement that even our own numbers shows that it
18 is \$7.5 million less to the counties?

19 MR. URESTI: Yes, sir.

20 MR. WALKER: That may be revenue, but we have
21 shifted -- the workload has been shifted from the counties
22 to our Agency to do that work. So we may have taken some
23 money away from you, but you're not having to do the work
24 anymore either. Is that not true?

25 MR. URESTI: Well, if you're talking about the

1 online, which I'm assuming that's what you're referring
2 to.

3 MR. WALKER: Yes, I am.

4 MR. URESTI: Okay. So let's take that example.

5 If we're losing \$938,000 in revenue, even if we use the
6 maximum number of personnel that are working on it, let's
7 say six, really it's between two and three, but we'll say
8 six just for the sake of argument. That's \$240,000 of
9 what we pay our employees. So we're still losing the
10 \$938,000. There's still a net loss there.

11 MR. PALACIOS: But you also have the cost of
12 the plates and postage and so forth that needs to be
13 calculated?

14 MR. URESTI: Again, the plates, the plates has
15 nothing to with this plan. The plates can be done -- you
16 can do that today. It's not part of the plan.

17 MS. RYAN: And we mean, plates in general --

18 MR. URESTI: That's been advocated for for ten
19 years.

20 MS. RYAN: -- to produce --

21 MR. URESTI: I'm sorry, ma'am.

22 MR. URESTI: The cost of the plates to produce.
23 Correct?

24 MR. WALKER: No, I think he said the handling
25 of those. They don't have to handle them anymore.

1 MR. PALACIOS: Right. Well, they don't have to
2 ship them out, the --

3 MS. RYAN: Oh.

4 MR. PALACIOS: -- postage and so forth, the
5 handling, the envelopes and all that. I guess they
6 calculated, the DMV calculated it \$7.2 million over five
7 years. So there's obviously a cost savings, I mean, is
8 there --

9 MR. URESTI: Yes, obviously. Yes, sir.

10 MR. PALACIOS: Okay.

11 MR. WALKER: So it's really not like, Oh, this
12 is going to cost us \$7-1/2 million because theoretically,
13 you guys should be able to cut some costs because we've
14 reduced your workforce and workload, have we not? Laura,
15 you're --

16 MS. RYAN: Yes.

17 MR. URESTI: You know, we don't have access to
18 all the numbers so I can only tell you what using what the
19 numbers that I've been given, trying to calculate as best
20 as I can and using -- I mean, we're trying to be as
21 accurate as possible. I mean, we've worked on this thing
22 for days trying to come up with the most accurate numbers.
23 And what we see is a revenue loss to the counties
24 statewide of \$7-1/2 million.

25 The other thing too that I would -- and I'm

1 sure Xerox is a great company. I really do. But I have
2 to wonder if they're going to handle \$4.2 million
3 registrations for -- I think Jeremiah, it's \$0.48. Right?
4 Isn't that what you had told us.

5 MR. KUNTZ: \$0.50.

6 MR. URESTI: Okay, so it went up. So it's
7 \$0.50. So if that's the case, I don't see how Xerox is
8 going to do \$4.2 million for \$2 million. I mean, maybe
9 they can. Maybe they're a lot better than I think they
10 are.

11 But at the end of the day, we're still going to
12 have customers coming to us because people are used to
13 going to the tax office. When they have a problem, they
14 don't go call Xerox. They come looking for Mike Sullivan.

15 They come looking for Bruce Elfant, and they come looking
16 for Albert Uresti and for Luanne Caraway.

17 So I don't know enough about the program, but I
18 really, really have a lot of reservations about can they
19 do \$4.2 million reservations for \$2 million.

20 MS. CARAWAY: Albert, when you did your
21 calculation, did you take into account not having to mail
22 the license plates? I wasn't clear on how you answered
23 Mr. Palacios a while ago.

24 MR. URESTI: No.

25 MS. CARAWAY: No. So that's still a cost

1 savings that would be calculated in when you did your
2 final numbers?

3 MR. URESTI: Right. That's why -- this is a
4 revenue --

5 MS. CARAWAY: Yeah. No, I understand.

6 MR. URESTI: -- less revenue.

7 MS. CARAWAY: Right.

8 MR. URESTI: You know, we don't have all the
9 numbers so I can't really tell you exactly what it, you
10 know, what the --

11 MS. CARAWAY: I gotcha. I just wanted to make
12 sure I was understanding.

13 MR. URESTI: I know. I don't want to mislead
14 you guys.

15 MS. RYAN: So I have a question, too.

16 MR. URESTI: Yes, ma'am.

17 MS. RYAN: When we look at the centralization
18 of the fulfillment and there's a service level agreement
19 and they do this for other organizations and the mailing,
20 that efficiency in volume is what they do. And that
21 efficiency creates the discount because when you have 250
22 people of any process do it 250 different ways, there is
23 no efficiency. And when you don't have efficiency, it
24 increases expense.

25 So when you can pull it into one place, it

1 becomes a lot less expensive. And as an Agency, that
2 savings is being passed on to the citizens of the Texas.
3 And that's how, though it's only \$0.25 now, as the Agency
4 is able to find, with the way this is structured,
5 increased efficiencies within our own Agency, we hope that
6 technology and innovation within our own organization
7 would be able to drive that even lower at some point if we
8 ever could find it.

9 And what we're asking over the next 30 days
10 through the public comment period is the TAC offices while
11 we understand -- and I'm with an organization with Toyota
12 that there is no -- there's always better. There's no
13 best, only better. Right? It's kaizen; you're always
14 looking for improvement.

15 So I understand you all run great
16 organizations, but you're always looking for improvements.

17 But you go back and look at where there might be savings
18 or re-innovation and then come to see where we can pass
19 that on and we work together there. But I think -- and I
20 read your proposal and the cover letter and what you sent.

21 And to say that, to keep it in place in 254
22 organizations when we can do it for \$0.50 versus either
23 \$2.90 or even, you know, \$1.60, the efficiency is for
24 \$0.50. And that savings is not coming back to us. It's
25 going to the citizens of Texas right now. So I think

1 that's where we may have a pretty large disconnect.

2 MR. URESTI: And in my proposal I do have it
3 less for the Internet usage because I know the goal is to
4 drive people towards the Internet. It's not --

5 MS. RYAN: But it's -- you want \$1.60 to do a
6 process --

7 MR. URESTI: Right. That's what I said.

8 MS. RYAN: -- that we know we can do for \$0.50.

9 MR. URESTI: Right.

10 MR. INGRAM: And I think a great analogy of
11 that is the --

12 MS. RYAN: Right. That's the concern.

13 MR. INGRAM: The analogy is the Amazon
14 Fulfillment Center. I mean, when you look at what they
15 can pull a product and ship it --

16 MS. RYAN: Right.

17 MR. INGRAM: -- it's so much more efficient
18 from that one centralized place versus having all the
19 different people trying to ship things from different
20 places. So it's just -- there is that economies of scale
21 there.

22 MR. KUNTZ: If I might --

23 MS. RYAN: But we may look -- well, we'll look
24 at it.

25 MR. KUNTZ: If I might, we have vendors that

1 mail out 23 million registration renewals for us today at
2 \$0.48 a transaction. So we know in direct comparison
3 doing 23 million or 24 million registration renewal
4 notices a year, it can be done for that price.

5 MS. RYAN: Right. And we hope that with the
6 comments on the slide where there's other services that
7 they can provide the customers, that that's beneficial.
8 So I think, I mean, the time I think is beneficial and we
9 can look it.

10 And the Agency will analyze it and get feedback
11 back to the Board. But I think those are going to be hard
12 to overcome when you're asking the Board to consider
13 something for \$1.60 when the Agency's proposing that state
14 can do it for \$0.50.

15 MR. URESTI: I did want to leave you real quick
16 with a feel-good story since --

17 MS. RYAN: Yes.

18 MR. URESTI: -- since Harris County got to
19 leave one.

20 MS. RYAN: Yes.

21 MR. URESTI: Two things is that, you know, on
22 our lines, you know, we're talking about having
23 efficiency. We've not installed a queuing system for our
24 customers. We've redesigned all of our lines. We've
25 installed seating and literally -- and I don't exaggerate

1 because my staff can tell you -- literally we get
2 thousands of compliments on the work that we do.

3 The other thing that we've done and it has
4 nothing to do with auto, but it's for taxes. Because you
5 know by law, the state mandates that senior citizens,
6 disabled, disabled veterans can pay their taxes in four
7 installments per year. Bexar County is the only county of
8 254 counties that has a ten-month payment plan for senior
9 citizens. And I can tell you it's gone a long way. So
10 those are two feel-good stories for y'all. Thank you.

11 MS. RYAN: Thank you very much. Mr. Gonzalez,
12 Ruben Gonazalez and Cathy Talcott will be up next.

13 MR. GONZALEZ: Thank you again. I think what
14 I'm going to do is I'm going to go ahead and yield
15 submitting my comments in writing.

16 MS. RYAN: Okay.

17 MR. GONZALEZ: I will share this with you that
18 in looking at the online proposal that DMV will take over,
19 we did realize your proposed savings over \$131,000 just by
20 them taking over that. And it'll be beneficial to us
21 because we can transfer those personnel to other duties so
22 we are seeing some positivity there.

23 But I think I'd prefer to relate to you and
24 share with you my comments in writing. I'm a better
25 writer than a speaker so I'll yield to the written

1 communication --

2 MS. RYAN: Okay.

3 MR. GONZALEZ: -- and write them to you, okay?

4 MS. RYAN: Thank you very much.

5 MR. GONZALEZ: Thank you very much.

6 MS. RYAN: Thank you.

7 MR. WALKER: Thank you for those comments.

8 MS. RYAN: Thank you. Ms. Talcott?

9 MS. TALCOTT: Yes, Cathy Talcott. And mine's
10 short and sweet. You've heard this before. On behalf of
11 the Tax Assessor-Collectors Association, it is requested
12 that it be noted in the records of this meeting that the
13 Association has concerns regarding the proposed Rules for
14 processing and handling fees.

15 The Association will be offering a more formal
16 and official comment during the required written comment
17 period. Thank you.

18 MS. RYAN: Thank you very much. Questions?

19 (No response.)

20 MS. RYAN: Okay. Tony Lazari and Bill Aleshire
21 will be after him.

22 MALE VOICE: I think Mr. Lazari's out.

23 MS. RYAN: Okay.

24 MR. INGRAM: We got the last one of them.

25 (General laughter.)

1 MR. ALESHIRE: No. I do -- again, Bill
2 Aleshire on behalf of the full-service deputies in Bexar
3 County and Travis County. I want to first say that we're
4 heartened by some of the comments that were made today.
5 It's difficult sometimes when you're on the outside and
6 government's coming in trying to help you to wonder if
7 they are. And I really appreciate the comments today.
8 There's not an intent to do away with my clients'
9 businesses and for you to listen.

10 And what I want to use this short time for
11 concerning the fees is at the time the TTI study was done,
12 I only represented the four title companies here in Austin
13 and we cooperated. I accumulated financial information in
14 a cumulative way trying to protect the individual
15 confidentiality of each one of those companies.

16 They're in competition with each other, and
17 they don't want their financials released to the public.
18 I visited with David. We have since last summer been
19 trying to find a way from our side to share information so
20 you can see some real numbers and you don't just hear
21 people say, You're going to put me out of business, that
22 we can show you why.

23 But there are concerns in the law as to whether
24 we just voluntarily turn stuff over, in other words,
25 voluntarily released it, whether or not we can keep it

1 confidential even if you take it to the Attorney General.

2 So I wanted to make that point.

3 I want you to be a little suspicious of the TTI
4 study. Please don't just take it as gospel. There's a
5 lot of estimating and stuff in there. It wasn't an audit.

6 They didn't go in and first of all, one of the things
7 that they did in that study was to do kind of a time and
8 motion or stopwatch kind of thing of how long it takes to
9 do a license plate renewal or how long it takes to do a
10 title.

11 They didn't observe any of my full-service
12 deputies to come up with that figure. And so it can --
13 ours are walk-ins and we have dealers. Dealer package
14 comes in, they go faster than Grandma, you know, renewing
15 her license plate and wants to talk or has something
16 complicated, you know. They're from out of state as was
17 mentioned earlier.

18 So the other thing is that the cost figures we
19 were able to give were from 2013. They're already three
20 years old. And I can guarantee my clients, all of them,
21 have experienced inflation. So within that study and the
22 rational basis on which you have come up with these fee
23 estimates, we think they're substantially wrong, that \$5
24 is not right or even the \$4. Or the \$12 is not right when
25 it relates to our clients.

1 I ask you to just be suspicious. We'll give
2 more detailed comments in the comment period. And one
3 last thing is when you go study Hidalgo County and Dallas
4 County and Harris County and Travis County and you average
5 the figures all together, you're missing a lot of the
6 insight if you really want to make sure that the
7 businesses are given a fair shake as to what they're up
8 against.

9 The prices are different here in Austin, Texas,
10 believe me, on taxes and the real estate and so forth than
11 they are in Hidalgo. And if you average them, you're
12 killing us all from the top. So just be a little
13 suspicious as you go through this process. And I very
14 much thank you for your time.

15 MS. RYAN: Thank you. Questions?

16 (No response.)

17 MS. RYAN: Okay. Mr. Elfant, please.

18 MR. ELFANT: In the interest of time, I'll
19 pass.

20 MS. RYAN: Okay. Thank you, sir. Melissa
21 Martinez? Melissa Lynn Martinez? Okay.

22 MR. DUNCAN: Sorry, Madam Chairman. Ms.
23 Martinez approached me in the interim between the two
24 Rules and mentioned that she had filled out the wrong
25 comment card. So she left her comments in writing, and

1 we'll put them in the record with the Deputy Rule, which
2 is what she wanted to comment on.

3 MS. RYAN: Okay.

4 MR. DUNCAN: So she said she would just go
5 ahead and go.

6 MS. RYAN: Okay. And I'm going to mess this up
7 again, Tom Menchaca?

8 MALE VOICE: Menchaca,

9 MS. RYAN: Menchaca. I'm sorry, Menchaca. The
10 N messes me up. Okay. And Michael McDonald?

11 MALE VOICE: He left.

12 MS. RYAN: Okay. So that is the end of our
13 public comment for our 2.B.2 -- no, 2.B.3.

14 MR. WALKER: Madam Chairman?

15 MS. RYAN: Yes, sir.

16 MR. WALKER: Before we move forward on this
17 here, there is one person that I would like to --

18 MALE VOICE: Please go in the mike.

19 MR. WALKER: I was using hers.

20 (General laughter.)

21 MS. RYAN: Hers doesn't count.

22 MR. BARNWELL: Didn't help, did it? Didn't
23 help, I know it didn't help.

24 MR. WALKER: There is one person that I would
25 like to hear from that we haven't from today and that is

1 Ms. Flores who we have heard from, but when we talk about
2 this processing and handling fee, this has -- we've heard
3 everybody talk about they can't live with it from outside
4 of this Agency.

5 But I haven't heard from internally within our
6 own Agency from Ms. Flores her opinion, her expert opinion
7 as the financial guru of this Agency that this processing
8 and handling fee meets the needs and the requirements of
9 this Agency going forward. Am I making sense to you?

10 MS. RYAN: You mean the amount that's been set?

11 MR. WALKER: Isn't that what we're talking
12 about --

13 MS. RYAN: Yes. Is that what you're asking
14 though?

15 MR. WALKER: Yes, ma'am. Because this Agency
16 has to live off of that difference in there, the \$2.20 or
17 \$2.30, whatever it is. So nobody's addressed today that
18 says, Hey, that's enough or that's too much or we've got a
19 buffer in there from us nor did we see any financial
20 numbers given to us in our Board packet that says the
21 needs of the Agency are X and this is how much we're going
22 to take on based on the demographics of this percentage in
23 the next three years, five years, going on to online. Our
24 revenue stream is going to increase or so forth. Am I --

25 MS. RYAN: I understand.

1 MR. WALKER: And Lynn, I'm not trying to put
2 you on the block, but it's important to me as a Board
3 member that I know that this fee will meet the needs of
4 the Agency.

5 MS. RYAN: I'm going to let Linda and Whitney
6 address that I believe.

7 MS. FLORES: The short answer, yes. Does it
8 provide sufficient revenue for our headquarters building,
9 no. What this process -- proposed processing and handling
10 fee split of approximately \$2.70 provides \$12 million
11 every other year for automation projects as well as cover
12 the Agency's operations.

13 It's still very fluid with all the different
14 components to online transactions, the Agency taking that
15 on. As you mentioned earlier, these are all our best
16 guesstimates. If the processing and handling fee is in
17 place, we have an estimated net income at the end of '17
18 of approximately \$17 million. Moving into the next
19 biennium --

20 MR. WALKER: \$17 million?

21 MS. FLORES: \$17 million. Moving into the next
22 biennium, we'll have \$9. The biennium after that, it
23 drops down to about \$7 million. Best practices for any
24 fund administrator in a governmental setting will tell you
25 you should always maintain an ending fund balance of at

1 least three months' worth of your first three months of
2 cash flow.

3 This Agency's monthly bills are about \$10
4 million a month. So am I meeting best practice of having
5 three months' worth of cash flow in the bank? No. Is it
6 enough to cover our Agency operations? Yes.

7 MS. RYAN: Can I ask a question? In time once
8 we get established and the fund is in place, best case
9 scenario or had it been there all along and it went into
10 effect September 1, would it look different? I know
11 that's a crystal ball question.

12 MS. FLORES: Well, the other thing I should
13 remind everyone is when the legislators established the
14 DMV Fund, they gave us a one-time influx of \$23 million to
15 help us with our cash flow needs because we knew that
16 those fees would not be in place. So that \$23 million is
17 actually creating that \$17 million fund balance. If we
18 didn't have that, the story would look different.

19 MR. WALKER: How bad would it look?

20 MS. FLORES: About \$5 million in the hole.

21 MR. WALKER: So if we're \$5 million in the
22 hole, but we're making that up because we got a spiff from
23 the legislature, the processing and handling fee is not
24 enough to fund the Agency?

25 MS. FLORES: Not in '17 but moving forward it

1 should --

2 MR. WALKER: So the other question I have is --
3 and I'm not -- I don't want anybody to think I'm saying,
4 Well, we need money to go build a new building -- but it's
5 kind of like my kids that might live in my house that
6 don't have any cost of rent. And we don't have rental
7 costs at these facilities here. We're living for free
8 under mom and dad's, TxDOT's, umbrella. We don't pay any
9 rent. Right?

10 MS. FLORES: Correct.

11 MR. WALKER: So if we were to be really
12 standing on our own and having to pay rent for facilities,
13 which if TxDOT sells these buildings or they just say,
14 Hey, y'all have lived under our roof long enough and it's
15 now time to go find your own place, what would that cost
16 the Agency and where that money come from?

17 MS. FLORES: I think our preliminary estimates
18 were that it would cost us about \$6 million a year, \$3
19 million to pay off the debt or, you know, a 30-year
20 amortization plus another \$3 million just for operating a
21 major headquarters facility. It would not be out of the
22 realm of possibility that this Agency could go out and
23 request general revenue for a headquarters building.

24 The last legislative session did approve a
25 headquarters, to sell some debt for a headquarters

1 building out of general revenue dedicated.

2 MR. WALKER: But we were going to have to pay
3 that back?

4 MS. FLORES: Yes.

5 MR. WALKER: So that money has to come from
6 somewhere?

7 MS. FLORES: Yes.

8 MS. RYAN: If I may, I also asked that same
9 question. I was also told we can't build a surplus so
10 the -- and since we don't have that current debt, we can't
11 put that expense into the fee now because it is not a
12 current expense.

13 So at the time we understand that we're going
14 to have that expense, the Agency will have to build that
15 in. This Board will have to consider and address that.
16 And if it can't come out of a current expenditure or fund,
17 then this Board will have to address whether the fee goes
18 up at that particular time. But we can't add into the fee
19 today something that we don't have an expense for.

20 So you're right and I asked the same thing, but
21 we can't accrue for it. We can't build a surplus. So at
22 the time we have a clear understanding of what that
23 expense is going to cost the Agency, then Linda's going to
24 have to do an analysis, help us understand where that
25 money's going to come from.

1 If it's not in the current Agency's expense
2 channel, then they'll make a recommendation to the Board
3 and the Board will have to make a decision.

4 MR. WALKER: So in the regional number that we
5 got, we got \$1.8 million at the last legislative session
6 to fund the movement of the Bull Creek facility. Wasn't
7 it \$1.8?

8 MS. FLORES: \$1.5.

9 MR. WALKER: \$1.5 --

10 MS. FLORES: For Bull Creek.

11 MR. WALKER: -- to move Bull Creek and to
12 facilitate three new --

13 MS. FLORES: Plus another million four for
14 three.

15 MR. WALKER: And so when we move regional
16 facilities under our own umbrella there, we're going to
17 have to start paying rent.

18 MS. FLORES: So we've taken that into
19 account --

20 MR. WALKER: That's my question.

21 MS. FLORES: -- those ongoing costs, yes, sir.

22 MR. WALKER: So that has been taken into
23 consideration that there will be rent going forward after
24 this biennium on those?

25 MS. FLORES: Absolutely.

1 MR. WALKER: Okay.

2 MS. BREWSTER: Madam Chair, if I might?

3 MS. RYAN: Yes, ma'am.

4 MS. BREWSTER: What these projections and what
5 Ms. Flores indicated in the numbers, what they don't
6 contemplate are future efficiencies gained by the Agency.

7 So I just want -- I want the Board to be very aware that
8 the Agency is going to continue to look for ways to reduce
9 its costs, and therefore, freeing up additional funding
10 mechanisms.

11 So this is based on efficiencies that we are
12 proposing to you today. But this by no means is the end-
13 all be-all for efficiencies within this Agency and that
14 effort going forward.

15 MS. FLORES: So I guess that's my direction is
16 to go find more.

17 (General laughter.)

18 MS. BREWSTER: That's the direction for all of
19 us is to go find more.

20 MR. WALKER: So what percentage of our
21 operating budget is as far as overhead salaries, salaries
22 and --

23 MS. FLORES: Ours are approximately \$36 million
24 a year.

25 MR. WALKER: What percentage of our operating

1 budget is that? That includes your worker's compensation,
2 your health benefits, all that?

3 MS. FLORES: Oh, no.

4 MR. WALKER: What does it cost us for FT --

5 MS. FLORES: Benefits are another \$11-1/2
6 million a year. So if I look at my pro forma, it's
7 about --

8 MR. WALKER: And when we look at the cost of
9 our employees, we look at what Social Security costs, what
10 sell health shares, what 401 costs. What is our loaded
11 cost on those employees costing the overall operation?

12 MS. FLORES: Well, Jeremiah --

13 MR. KUNTZ: Financial calculator.

14 MS. FLORES: It's roughly 31 percent.

15 MR. WALKER: So 31 percent is salaries?

16 MS. FLORES: Salaries and benefits.

17 MR. WALKER: The loaded salary number.

18 MS. FLORES: Yes.

19 MR. WALKER: Which isn't too bad. So I heard
20 you say I think we can do it, but it's going to have to be
21 just tough and tight?

22 MS. FLORES: Tight.

23 MR. BARNWELL: Madam Chairman, I'd like to
24 propose a motion. I move that the Board approve the
25 proposed amendments to Sections 217.23, 217.24, 217.29,

1 217.32, 217.52, 217.53 and 217.72, Repeal of 217.31 and
2 last but not least, New Subchapter I, Sections 217.181
3 through 217.185 to Chapter 217 regarding Fees for
4 Publication in the Texas Register for Public Comment,

5 MR. INGRAM: Could you repeat that?

6 (General laughter.)

7 MS. RYAN: We have a motion from Member
8 Barnwell.

9 MR. SWINDLE: Second.

10 MS. RYAN: And a second from Member Swindle.
11 Any discussion?

12 (No response.)

13 MS. RYAN: Okay. All in favor, raise your
14 right hand, please? We have all in favor Member Walker,
15 Member Trevino, Member Barnwell, Member Ingram, Member
16 Swindle, Palacios and Ryan. All opposed? Member Caraway.
17 Motion carries, 7 to 1. Thank you.

18 Okay. We're going to move to Item 2.B.4,
19 Recognition Program. We have one public comment. Cathy
20 Talcott? Welcome back.

21 MS. TALCOTT: Thank you. I'd say this is this
22 same song, third verse. On behalf of the Tax Assessor-
23 Collectors Association, it is requested that it be noted
24 in the records of this meeting that the Association has
25 concerns regarding the proposed Rules for Quality

1 Recognition Program.

2 The Association will be offering a more formal
3 and official comment during the required written comment
4 period.

5 MS. RYAN: Thank you. Okay.

6 MR. SWINDLE: Madam Chairman?

7 MS. RYAN: Yes, sir.

8 MR. SWINDLE: I have a motion.

9 MS. RYAN: Yes, sir.

10 MR. SWINDLE: Okay. I move that the Board
11 approve the proposed New Subchapter J, Sections 217.201
12 through 217.207 to Chapter 217 regarding the Performance
13 Quality Recognition program for publication in the Texas
14 Register for public comment.

15 MS. RYAN: Thank you. I have a motion form
16 Member Swindle. Second from Member Trevino. Discussion?

17 (No response.)

18 MS. RYAN: Okay. No discussion. All in favor,
19 raise your right hand.

20 (A chorus of ayes.)

21 MS. RYAN: Motion carries unanimously. Thank
22 you very much. Okay. We will move to 2.B.5. David, I
23 don't have a folder on public comment, is that correct?

24 MR. DUNCAN: That is correct.

25 MS. RYAN: Okay. We have no public comment.

1 Any discussion?

2 (No response.)

3 MS. RYAN: I'll entertain a motion, then.

4 MR. PALACIOS: I move the Board approve the
5 proposed amendments to Section 217.2 through 217.5,
6 217.7.26, 217.33.4, 217.43, 217.45, 217.46, 217.54,
7 217.55, 217.8 and 217.123 to Chapter 217 regarding Motor
8 Vehicle Titles, Motor Vehicle Registration, Non-reparable
9 and Salvage Motor Vehicles and Motor Vehicle Record
10 Information for publication in the Texas Register for
11 public comment.

12 MS. RYAN: Okay. We have a motion Member
13 Palacios. Second from Member Caraway. Any discussion?

14 MR. BARNWELL: I'd just like to say that I note
15 that was a very fine motion.

16 (General laughter.)

17 MR. PALACIOS: Thank you.

18 MS. RYAN: And we have a compliment from Member
19 Barnwell.

20 MR. PALACIOS: Put that in the record, too.

21 MS. RYAN: All in favor -- no discussion, all
22 in favor, raise your right hand.

23 (A chorus of ayes.)

24 MS. RYAN: Motion carries unanimously. Thank
25 you. Okay. We are going to have a fairly quick Executive

1 Session. Okay. We are going to be -- we're going to move
2 to Item 3 on the agenda. We are going into closed session
3 now. It is 3:44 p.m. on April 7, 2016. We will go into
4 closed session under Texas Government Code, Sections
5 551.071 and 551.074. For those of you in the audience, I
6 anticipate being in Executive Session for approximately 30
7 minutes and we'll reconvene in open session after that.
8 With that, we are in recess with the public meeting and we
9 are going into Executive Session.

10 (Whereupon, at 3:44 p.m., the Board met in
11 executive session.)

12 MS. RYAN: All right. Thank you. It's
13 approximately 4:12 p.m. on April 7 and the Board of the
14 Texas Department of Motor Vehicles is now in open session.

15 I want to note that no action was taken in closed
16 session.

17 I'd like to take a couple of minutes and return
18 to Item 1.B.1, Comments and Announcements. Many of you
19 read last week in the Tyler News that Chief Swindle will
20 be retiring, and I'd like to return the mike to him.

21 MR. SWINDLE: Well, thank you, Madam Chairman.
22 After the first of the year, I made the decision, after
23 33 years in law enforcement service to the Tyler Police
24 Department along with 16 years of chief, that I would be
25 retiring as of June 10. And immediately upon that

1 retirement, I notified the Governor's Office -- and just
2 to consider the position that I'm assigned to is a law
3 enforcement position.

4 And I notified the Governor's Office and
5 submitting the letter of resignation, and it was accepted
6 effective June 1. So I just wanted to say that my time on
7 the Board, however it was short, I can sincerely say and
8 speak of how committed these Board members are. They
9 truly love this organization and the state of Texas and
10 they sincerely do a great job for the state volunteering
11 their time.

12 So I just wanted to say thank y'all for the
13 ones here and for freely accepting me as a member of this
14 Board. And then certainly the staff and the Executive
15 Director, from the day one when I came in for training, I
16 can tell you how impressed I was with them and their
17 professionalism, dedication to the job and that's lasted
18 this entire time.

19 And so I know there's some tough meetings ahead
20 of you guys and tough times -- not really tough times, but
21 just maybe long meetings ahead. But certainly I'll keep
22 up and wish y'all the best because June 1 is my last
23 official part of this Board. So thank you very much.

24 MS. RYAN: Thank you. Thank you for your time.
25 We could have a chair with your name on it. You're still

1 here for the 27th.

2 MR. SWINDLE: Well, thank you. Maybe I'll come
3 back and speak on the topic.

4 (General laughter.)

5 MS. RYAN: Thank you very much for your time
6 and your service. I'm sorry?

7 MR. WALKER: I think I was told at one point
8 while I was chairman that you could continue to serve
9 until your replacement is --

10 MS. RYAN: I think that is as long as you're in
11 the position that you represent.

12 MR. WALKER: Oh, qualified --

13 MS. RYAN: Yes. Within the position that you
14 represent.

15 But thank you for the service. It's been a
16 pleasure working with you, even though limited.

17 (Applause.)

18 MR. WALKER: Madam Chair, may I make a motion
19 to make a motion that we're adjourned?

20 MS. RYAN: I will accept that motion. We have
21 a motion and a second. All in favor?

22 (A chorus of ayes.)

23 MS. RYAN: Meeting is adjourned. Thank you.

24 (Whereupon, at 4:15 p.m., the meeting was
25 adjourned.)

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MEETING OF: TxDMV Board
LOCATION: Austin, Texas
DATE: April 7, 2016

I do hereby certify that the foregoing pages, numbers 1 through 342, 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.

Dipti Patel 4/21/2016
(Transcriber) (Date)

On the Record Reporting
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