

TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

Thursday,
September 1, 2016

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

Raymond Palacios, Chair
Robert "Barney" Barnwell, III
Luanne Caraway
Brett Graham
Kate Hardy
Blake Ingram
Gary Painter
Guillermo "Memo" Treviño
Johnny Walker

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P R O C E E D I N G S

1
2 MR. PALACIOS: Good morning, ladies and
3 gentlemen. My name is Raymond Palacios, and I'm pleased
4 to open the Board Meeting of the Texas Department of
5 Motor Vehicles.

6 It is 8:03 a.m., and I'm now calling to order
7 the Board Meeting of September 1, 2016 to order. I note
8 for the record that public notice of this meeting,
9 containing all items on the agenda, was filed with the
10 Office of the Secretary of State on August 24, 2016.

11 Before we begin today's meeting, please place
12 all cell phones and other communication devices in the
13 silent mode, and please, as a courtesy to others, do not
14 carry on side conversations or other activities in the
15 meeting room.

16 If you wish to address the Board or speak on an
17 agenda item during today's meeting, please complete a
18 speaker's sheet at the registration table. Please
19 identify on the sheet the specific item you are
20 interested in commenting on and indicate if you wish to
21 appear before the Board and present your comment or if
22 you only wish to have your written comment read into the
23 record. If your comment does not pertain to a specific
24 agenda item, we will take your comment during the general
25 public comment portion of the meeting.

1 Now I have a few announcements to make, really,
2 really happy to make these announcements. On August 23,
3 2016, the Governor made the following appointments to
4 replace our Board members who have resigned: Mr. Brett
5 Graham from Denison, Texas is replacing Marvin Rush for a
6 term set to expire February 1, 2017. Mr. Graham is here
7 to my left. Kate Hardy will be replacing Laura Ryan for
8 a term set to expire February 1, 2021. Kate will not be
9 with us today. And Sheriff Gary Painter will be
10 replacing Gary Swindle for a term set to expire February
11 1, 2021. Sheriff Painter is right in front of me to my
12 left. The Governor also designated me as the presiding
13 officer of the Board to replace Ms. Laura Ryan.

14 So I would now like to begin with a roll call.
15 Board Member Caraway? She is on her way.

16 Board Member Graham?

17 MR. GRAHAM: Present.

18 MR. PALACIOS: Board Member Ingram?

19 MR. INGRAM: Present.

20 MR. PALACIOS: Board Member Painter

21 MR. PAINTER: Here.

22 MR. PALACIOS: Board Member Treviño?

23 MR. TREVIÑO: Here.

24 MR. PALACIOS: Board Member Walker?

25 MR. WALKER: Here.

1 MR. PALACIOS: And let the record reflect that
2 I, Raymond Palacios, am here too. We have a quorum

3 Also, let the record reflect that Board Members
4 Barnwell and Hardy are absent today, and Board Member
5 Caraway is in transit.

6 Before getting into the published agenda, I'd
7 like to note that item 2.E.3 on our agenda, the Household
8 Goods Carrier draft rules, will not be considered today.

9 The chair of the advisory committee on those rules
10 wishes to have additional meeting time prior to the
11 presentation of those rules to the Board.

12 As I mentioned earlier, the Governor recently
13 appointed three Board members, Member Graham, Member
14 Hardy and Member Painter. Board Member Graham represents
15 franchised auto dealers, Board Member Hardy represents
16 vehicle and manufacturing distribution, and Board Member
17 Painter represents law enforcement. I'd like to welcome
18 Members Painter and Graham, who are here with us. I look
19 forward to working with you.

20 I had a chance to meet with them yesterday, and
21 I will tell you they are first class individuals and I
22 know they're going to add great value to this Board and
23 to this agency, and we certainly look forward to working
24 with you and know you'll do a great job with us.

25 MR. PAINTER: Thank you, Chairman.

1 MR. GRAHAM: Thank you.

2 MR. PALACIOS: Let the record reflect that it's
3 8:06 and Board Member Caraway just stepped in.

4 At this point we had another item here, but I
5 don't see Laura, so we'll move on to item 1.B.2 on the
6 agenda and turn it over to our executive director, Ms.
7 Whitney Brewster.

8 MS. BREWSTER: Thank you, Mr. Chairman.

9 I just wanted to take a moment to introduce
10 Sandra Menjivar Suddeath as our new director of Internal
11 Audit. Sandra, are you behind the pillar? Okay, there
12 she is.

13 Our returning Board members know that our
14 previous Internal Auditor was also named Sandra. We
15 really like Sandra, but I think we might be able to save
16 a few dollars by just scratching out the last name on her
17 office door.

18 But anyway, in all seriousness, we are very
19 happy to have Sandra on board. She has a strong
20 background of experience at both the state and federal
21 level. Most recently she was the audit manager for
22 TxDOT, and she has also led audits for the Texas
23 Department of Public Safety and was a senior auditor at
24 the U.S. Department of Transportation.

25 Sandra has only been here since mid July but

1 she and her staff have been very, very busy working on
2 the FY17 internal audit plan which you'll hear more about
3 later on in the agenda. So just please join me in
4 welcoming Sandra.

5 (Applause.)

6 MS. BREWSTER: Moving right along, I'm excited
7 to tell you about several awards that the TxDMV has
8 received since the last Board meeting. Both the American
9 Association of Motor Vehicle Administrators and the Texas
10 Association of State Systems for Computing and
11 Communications, or TASSCC, have recognized the agency for
12 its webDEALER program.

13 TASSCC selected TxDMV for his High Value Impact
14 Excellence Award which recognizes an organization that
15 has clearly demonstrated improved government operations
16 where the benefits impact multiple stakeholders.

17 We also received recognition from AAMVA, the
18 American Association of Motor Vehicle Administrators, at
19 its annual international conference, again for the
20 webDEALER program. The Trailblazer award recognizes
21 innovative changes that positively affect their agency
22 and community and are transferable to other jurisdictions
23 or organizations. We are hopeful that these awards can
24 bring even more attention to webDEALER further driving
25 interest in participating in the program. I'm extremely

1 proud of the webDEALER project team and all of the hard
2 work that they have put into that. It is really a
3 project to be proud of and really has done great things
4 for the agency and its stakeholders.

5 Last, but certainly not least, our very own
6 CIO, Eric Obermier -- Eric, you can stand up -- was
7 recognized by TASSCC with the President's Award, which is
8 given for individual leadership and excellence in
9 information technology. This is a very prestigious award
10 and it recognizes an IT manager who has benefitted his
11 organization through hard work and strong leadership, and
12 that is exactly what Eric Obermier exemplifies. We are
13 grateful for his service and thrilled that he got this
14 award. He was totally shocked, it was fantastic. He
15 didn't realize he was going to get it and he gave an
16 excellent acceptance speech on the fly.

17 MR. INGRAM: Congratulations.

18 (Applause.)

19 MS. BREWSTER: Mr. Chairman, we also have a
20 superstar on the Board that I think we should probably
21 highlight here too. I received this recently in the
22 mail. Our own Johnny Walker is on the cover of the TXTA
23 publication this month. If I could get an autograph,
24 Member Walker. It was very nice to see Member Walker
25 highlighted in that magazine.

1 (General talking and laughter.)

2 MS. BREWSTER: Mr. Chairman, that concludes my
3 remarks. Thank you.

4 MR. PALACIOS: Thank you, Whitney.

5 Now we'll move on to the next section on the
6 agenda, the public comment. I see we have a comment
7 sheet so I'll go into the agenda item. In accordance
8 with Department Administrative Rule, comments to the
9 Board will be limited to three minutes. To assist each
10 speaker, a timer has been provided. The timer light will
11 be green for the first two minutes, yellow for one
12 minute, and then red when your time is over. Individuals
13 cannot accumulate time for other speakers. Comments
14 should be pertinent to the issue stated in the comment
15 card. When addressing the Board, please state your name
16 and affiliation for the record.

17 Please come up.

18 MR. DUNCAN: Mr. Chairman, if I may. David
19 Duncan, general counsel.

20 I'd also like to remind the Board that under
21 the Texas Open Meetings Act, the Board can't comment or
22 deliberate on a public comment that doesn't relate to an
23 item on the posted agenda. This is because the public
24 would not have been on notice that the Board might
25 discuss that subject. If the Board desires, we can

1 schedule any aspect of the commenters' remarks for a
2 future agenda with approval of the chairman.

3 Thank you.

4 MR. WALKER: May I ask what the comment is in
5 regards to?

6 MR. DUNCAN: It's open public comment so it's
7 not related to an item. That's for ones that are related
8 to an item.

9 MR. PALACIOS: The comment is regarding good
10 government and update to Board members from previous
11 comments.

12 MS. BREWSTER: Update to new Board members.

13 MR. PALACIOS: Yes. Update to new Board
14 members.

15 MR. HICKMAN: For the record, my name is Howard
16 Anthony Hickman. I'm a retired enforcement attorney for
17 this agency. For the new Board members, I'm sure
18 management will describe me as a disgruntled former
19 employee. But why am I disgruntled? Let me tell you.

20 In a recent six-month period, according to the
21 agency's own performance measures, agency performance
22 dropped 20 percent. Since the agency was created in
23 2009, it has received \$188,684,137 for IT capital
24 expenditures. What have the people of Texas received for
25 the money? A system that suffered 79 public system

1 crashes in a recent six-month period which is an average
2 of a crash every other day.

3 Every session of the legislature, the agency
4 gets together with various business special interests --
5 last session there were 16 of them -- and spends
6 hundreds of thousands of dollars using dozens of state
7 employees to draft legislation for the benefit of those
8 special interests. This biennium the agency's auditor
9 has already recommended a change to a statute and
10 directed agency staff to draft legislation. Such
11 activities are blatant violations of Texas taxpayers'
12 freedom of association in Chapter 556 of the Texas
13 Government Code.

14 The agency has decided that people who let
15 their Johnson grass go to seed or divert water from
16 artesian wells are so reprehensible that they may not be
17 motor vehicle dealers, but human traffickers, gunrunners
18 and persons convicted of intoxication manslaughter are
19 not.

20 Complaints from licensees, trade associations
21 and financially large licensees are acted on immediately
22 in the name of customer service, usually with a favorable
23 result. Complaints from consumers, unless they complain
24 to a local television station, are relegated to a turn in
25 line which may require a year or more for resolution

1 without any prioritization for the severity of the
2 offense and many times to the detriment of the consumer.

3 After receiving an award from a trade
4 association and a request to change a particular policy,
5 a TxDMV division director directed a rule requiring a
6 safety inspection before a vehicle could be driven off a
7 dealer's lot by a motor vehicle purchaser would no longer
8 be enforced. That's subjecting the consumer and the
9 general public to a potentially unsafe vehicle.

10 You should know that Volkswagen has defrauded
11 32,000 Texans with substandard diesel engines for six
12 model years, yet this agency has not pursued any actions
13 against Volkswagen.

14 Ronald Reagan once said, The problem with
15 government is government. If these facts have not made
16 you disgruntled like me, then you are the problem.

17 We'll talk again at your next meeting, and I've
18 got 32 seconds left. Thank you.

19 MR. PALACIOS: Thank you, Mr. Hickman.

20 I want to go back to a previous item here.
21 Laura, would you come forward, please? Come on and join
22 me here at the front.

23 MS. RYAN: Good morning, everyone.

24 MR. PALACIOS: As we all know, in life change
25 is always inevitable and that's certainly the case for

1 our Board. While we're ecstatic that we have three new
2 Board members, Sheriff Painter, Board Member Graham and
3 Kate Hardy, I will say it is with mixed emotions and
4 trepidation that I do acknowledge the departure of our
5 former Board member, our chairwoman and our leader, Laura
6 Ryan.

7 Laura has been with us since July of 2010, and
8 I will tell you since the time she started here at the
9 inception of this agency, the early years, up until her
10 last Board meeting in June, which was the culmination of
11 just tireless effort to bring together this agency with
12 the legislature and with the Governor's Office, I can
13 tell you that she just worked relentlessly to get this
14 agency to a point to where we are now self-sufficient and
15 we're fiscally sound, and that was not easy. And I will
16 tell you personally during that time Laura went through
17 some hardship, which we all know about, she overcame
18 that, and gave us 110 percent.

19 And I will tell you, Laura, we can never
20 express our gratitude for what you've done for us. What
21 we can do, though, for now is we have few things that we
22 want to give you so hopefully you won't forget us.

23 We have here a gavel and what makes this gavel
24 really, really special is that during the whole time you
25 were chairwoman, and I know you wanted to but not once

1 did you ever hit of any us with it.

2 (General laughter.)

3 MR. PALACIOS: We also have a flag that was
4 flown over the State Capitol last month, and your name
5 plate there.

6 And we also have something from Governor Abbott
7 which reads: In recognition and appreciation for her
8 years of meritorious service to the State of Texas as a
9 member and Board Chair of the Texas Department of Motor
10 Vehicles from 2010 to 2016.

11 MS. RYAN: Thank you very much.

12 (Applause.)

13 MR. PALACIOS: Thank you, on behalf of the
14 Board and the agency, for your leadership, for everything
15 you've done for this agency, for everything you've done
16 for the State of Texas. We are forever grateful. Thank
17 you.

18 (Applause.)

19 MS. RYAN: I just want to say thank you very
20 much to, first off, Governor Abbott for the faith and
21 trust that, again, he gave me. To the Board for their
22 partnership and friendship, patience and not hitting me
23 with the gavel or anything else. And that's Board
24 members present and past; we really have had a great
25 Board throughout the time that I've been here. To the

1 staff, really it's a great team, the directors, the staff
2 all the way through, both here in Austin and the regions.

3 It takes a team. This is not a one-man band and
4 everyone here performs. So thank you. And stakeholders
5 obviously make this agency good and wonderful and have
6 made it what it is.

7 So thank you to everyone who has made my time
8 here, and some of them at time have been trying but
9 great, but that's what makes moving forward. So
10 hopefully I've been able to build a good foundation for
11 everyone. Welcome to the new members.
12 You are really walking into a great agency, it is a great
13 team, so welcome. I'm not going far, so my phone number
14 is still available if you need anything. And as I told
15 staff, I had an opportunity but I'm still going to be one
16 of your biggest cheerleaders and fans and I'm not far and
17 I'll be watching and I'm still here to help.

18 So thank you for everything.

19 (Applause.)

20 MR. PALACIOS: Thanks, Laura. Keep in touch.

21 MR. INGRAM: Are you going to hang out and
22 watch the entire meeting?

23 MS. RYAN: I think I'm moving on. My new
24 responsibilities have not slowed down. I'm off to wreak
25 other havoc somewhere else.

1 (General laughter.)

2 MS. RYAN: I wish you all the best of luck.
3 You don't need me, you're in good hands. Thank you.

4 MR. PALACIOS: Thank you, Laura.

5 Let's move on now to item 2.A. Strike that.

6 At this time we are going into closed session.
7 It is now 8:22 a.m. on September 1, 2016. We'll go into
8 closed session under Texas Government Code Sections
9 551.071 and 551.074. For those of you in the audience, I
10 anticipate being in the executive session for
11 approximately 30 minutes, and we'll reconvene in open
12 session after that.

13 With that, we are recessed from the public
14 meeting and we are going into executive session.

15 (Whereupon, at 8:22 a.m., the meeting was
16 recessed, to reconvene this same day, Thursday, September
17 1, 2016, following conclusion of the executive session.)

18 MR. PALACIOS: It's approximately 9:34 a.m. on
19 September 1, 2016, and the Board of the Texas Department
20 of Motor Vehicles is now in open session. I will note
21 that no action was taken in the closed session.

22 We will move now to agenda item 2, the action
23 and briefing items, beginning with 2.A, Finance & Audit
24 Committee update. As the chair of the Finance & Audit
25 Committee, I'll give a briefing to the full Board.

1 The members of the committee met on Wednesday,
2 August 3, 2016, here at the TxDMV headquarters. I
3 presided over the meeting, which was also attended by
4 Members Caraway and Treviño. The committee considered
5 five agenda items. Three of the items from the committee
6 meeting require action by the full Board.

7 First, agenda item 2.A.1 which is the 2017
8 interagency agreement between TxDOT and TxDMV. The
9 committee was briefed on this item but did not take a
10 recommendation because there were issues yet to be
11 negotiated, and so I'll ask Ms. Brewster to present this
12 item separately. Following that, I will present the
13 remaining two action items considered by the committee,
14 along with the committee's recommendation for Board
15 action. Then I will present updates on the remaining
16 items we were briefed on in the meeting, without
17 repeating the presentations made by staff. All the staff
18 who made those presentations are available today in case
19 you have any followup questions.

20 Ms. Brewster will now present agenda item
21 2.A.1, a fiscal year 2017 interagency agreement between
22 TxDOT and TxDMV.

23 MS. BREWSTER: Thank you, Mr. Chairman, members
24 of the Board.

25 As many of you are aware, TxDMV and TxDOT have

1 an interagency agreement that spells out the rules and
2 responsibilities of each of the agencies regarding
3 various items. We are still at this point dependent on
4 TxDOT in the areas primarily of facilities, as well as
5 technology.

6 Before you, not in your board books but before
7 you, you will find a redlined version of the near final
8 draft of the MOU. I just wanted to briefly explain what
9 the changes are from that is in your board book. The
10 agency has continued to negotiate with TxDOT and this is
11 the final product that we are asking for approval on. I
12 am requesting of you today approval to enter into this
13 MOU with TxDOT for the amount of \$2 million. For those
14 members who were here the last time the Board approved
15 this, it was at \$2.25 million, it is not at \$2 million.

16 Some of the items that have also changed from
17 what is in your board book: it clarifies how TxDOT will
18 separate, clean and archive the TxDMV information from
19 the HR Online system. We are no longer using HR Online,
20 have now moved to CAPPs for our HR needs, as well as our
21 finance needs, so that is one of the items that has been
22 clarified. It also shows the final list of TxDMV IT
23 items to be separated from TxDOT's environments. It also
24 adds a provision for IT staff of both agencies to get
25 together to agree on what servers are shared.

1 Also, it clarifies necessary elements of work
2 authorizations where TxDOT does the work at TxDMV's
3 request. It also corrects the names and titles of key
4 personnel. For instance, the TxDOT IT director recently
5 retired, so there's updated information there. It adds a
6 new appendix, Appendix 2 which deals with billing and how
7 TxDMV and TxDOT will interface on issues of billing. It
8 also gives TxDMV accounting staff 15 days to review
9 billings versus TxDOT's originally proposed five which is
10 in the board books. And then there were some minor fixes
11 and language adjustments.

12 But with that, Mr. Chairman, I am happy to
13 answer any questions that the Board members have.

14 MR. PALACIOS: Board Member Walker.

15 MR. WALKER: For clarification purposes, you
16 said this is a \$2 million contract. I think it's a not
17 to exceed \$2 million contract. Is that not correct?

18 MS. BREWSTER: Yes, sir. Obviously if the
19 agency does not spend or have services that meet that \$2
20 million threshold, the charges to the agency would be
21 less.

22 MR. WALKER: Also, under item 8.B there is some
23 wording there that says TxDOT shall give DMV one year
24 written notice to vacate prior to the date DMV is
25 required to vacate.

1 MS. BREWSTER: Yes, sir.

2 MR. WALKER: So let's just say that we have a
3 legislative session coming up and the day after the
4 session is over, they give us one year to vacate, we
5 would not have any funding to do that so how would we
6 address that?

7 MR. DUNCAN: That is the only instance in this
8 fiscal year where that would be an issue is if would be
9 next summer, and we have some pretty firm commitments
10 from TxDOT's senior management.

11 MR. WALKER: Let's put it in writing.

12 MR. DUNCAN: I understand. But they correctly
13 point out that for us to extend a condition like this
14 beyond the year of the contract is really pretty
15 meaningless, it's a one-year contract.

16 MR. WALKER: This is going to be a one-year
17 contract?

18 MR. DUNCAN: Yes, sir. It runs until August 31
19 of next year. So for me to require them to give notice
20 beyond the term of the contract, if I say you have to
21 give me two years' notice and it's a one-year contract,
22 so their lawyers have objected to that and I've kind of
23 seen their point.

24 MR. WALKER: But it still could put us in a
25 kind of precarious position because they could sell the

1 piece of property two days after the legislative session,
2 we have a one-year contract with a notification clause in
3 there, and at the end of the year we're out of a facility
4 and we have no funding through the legislative
5 appropriations for housing. So it's a critical issue to
6 this agency that we have control of our financial aspect
7 of this prior to the next legislative session. If the
8 legislative session is a two-year deal between sessions,
9 we're not going to be able to get the funding.

10 And I know it's an understanding, maybe,
11 between the agencies and they understand that, and we
12 have two of our prior Board members over on their board
13 today are commissioners, so they understand that also.
14 So it should not be that big a problem, in my mind, that
15 we need to take and put in there that they have to give
16 us a two-year notification of evacuation of the
17 buildings.

18 MR. DUNCAN: At least at a minimum get us two
19 months into the next legislative session.

20 MR. WALKER: Yes.

21 MR. DUNCAN: Well, Ms. Brewster and I will talk
22 to the TxDOT staff.

23 MR. WALKER: Well, I would strongly suggest
24 that we get us into a legislative session so we can get
25 funding should they sell the facilities.

1 MR. DUNCAN: I understand. We will work with
2 very hard to try to get that in there.

3 MR. INGRAM: And is the concept that we don't
4 do a two-year just because we think that the second year
5 the needs will change?

6 MS. BREWSTER: Member Ingram, that is exactly
7 correct. As you know, we have decreased considerably our
8 dependence on TxDOT, and this year we will see that
9 change dramatically as well. As we continue to separate
10 our servers in the TxDOT environments, we will see our
11 dependency on TxDOT decrease in the IT area, and
12 therefore, also the funding necessary to support those
13 services.

14 MR. TREVIÑO: But since this is a one-year
15 agreement, the facilities portion that Member Walker was
16 talking about would almost have to be a separate
17 agreement with them, wouldn't it?

18 MR. DUNCAN: If they would agree to it, we can
19 certainly put it in there. If they would agree to get us
20 to the next legislative session rather than stating as a
21 term of at least one year or to the midpoint of the next
22 legislative session, whichever is later, I think they
23 would agree to that. I'd certainly execute an agreement
24 with that in it.

25 MR. WALKER: So what are we asking for here

1 today, Mr. Palacios?

2 MR. PALACIOS: We are asking for a motion to
3 accept the MOU between TxDOT and DMV as it's presented.

4 MR. DUNCAN: And to give Ms. Brewster the
5 authority to negotiate the final agreement and execute
6 it.

7 MR. INGRAM: I can make that motion. I move
8 that the Board authorize the agency's executive director
9 to negotiate and execute the fiscal year 2017 interagency
10 agreement between the Texas Department of Transportation
11 and the Texas Department of Motor Vehicles, as well as
12 any amendments to the contract, with the approval of the
13 Board chairman, not to exceed \$2 million.

14 MR. TREVIÑO: Second.

15 MR. PALACIOS: Motion by Board Member Ingram,
16 and second by Member Treviño. Any discussion?

17 (No response.)

18 MR. PALACIOS: All in favor please signify by
19 saying aye.

20 (A chorus of ayes.)

21 MR. PALACIOS: Any opposed?

22 (No response.)

23 MR. PALACIOS: The motion carries unanimously.

24 Let's move forward now to the internal audit
25 plan. Ms. Menjivar presented the fiscal year 2017 annual

1 audit plan to the committee on August 3, as well. The
2 Texas Internal Auditing Act requires that an annual audit
3 plan be approved by the agency's governing board. The
4 audit plan is the work plan for the Internal Audit
5 Division. The plan, beginning on page 26 of your
6 briefing book, includes seven proposed reports, audits
7 and advisory services to be done in fiscal year 2017,
8 other Internal Audit Division duties, and four
9 contingency audits and advisory services. It was
10 determined the division would be unable to complete all
11 the proposed audit duties because of staffing, so there
12 may be some reduction in scope of the audits.

13 With that, I'll turn it over to Ms. Menjivar,
14 who, as you all know, is our new internal auditor.
15 Welcome and congratulations on your first Board meeting.

16 MS. MENJIVAR-SUDDEATH: Thank you, sir.

17 Any questions that I can answer?

18 (No response.)

19 MR. PALACIOS: I will note the committee did
20 recommend to the full Board approval of the fiscal year
21 2017 internal audit plan

22 MR. PAINTER: Mr. Chairman, I move that the
23 Board approve the fiscal year 2017 internal audit plan,
24 as recommended by the Finance & Audit Committee.

25 MR. PALACIOS: We have a motion by Board Member

1 Painter. Is there a second?

2 MS. CARAWAY: Second.

3 MR. PALACIOS: Second by Board Member Caraway.

4 All in favor signify by saying aye.

5 (A chorus of ayes.)

6 MR. PALACIOS: Any opposed?

7 (No response.)

8 MR. PALACIOS: The motion carries unanimously.

9 MR. TREVIÑO: Chairman, I have one comment,
10 though, for Ms. Menjivar-Suddeath, that the fund tables
11 and processing and handling fee portion of your plan,
12 that you really spend a lot of time on that. With
13 implementation of any new process, you're going to have
14 issues, but that one is not negotiable, that we do spend
15 the time on that one for sure.

16 MS. MENJIVAR-SUDDEATH: Yes, sir. And we are
17 planning to start working on that in March. That's after
18 the processing and handling fee tables have been
19 established to make sure we have enough time to allow IT
20 and the agency to get used to it. And that is definitely
21 one of the audits we'll make sure that is taken care of
22 this year.

23 MR. TREVIÑO: Thank you.

24 MR. PALACIOS: Thank you.

25 I'll move on to the next item, another item

1 that was covered during our Finance & Audit Committee
2 meeting on August 3. Ms. Flores and her staff briefed
3 the committee on the fiscal year 2017 recommending
4 operating budget. TxDMV develops annual operating
5 budgets based on approved biennial appropriations. This
6 operating budget implements year two of the biennium.
7 The budget reflects the establishment of the TxDMV Fund,
8 is structurally balanced to support recurring expenses
9 and allocates \$192 million to the agency's organization.

10 The major initiatives included in the budget
11 are: implementation of the processing and handling fee,
12 relocation of three divisional services and Bull Creek
13 staff, establishment of the TxDMV Fund, and
14 implementation of the e-LICENSING project and refresh of
15 county IT equipment.

16 The recommended operating budget includes
17 contracts with the Southwest Research Institute and
18 American Association of Motor Vehicle Administrators
19 National Motor Vehicle Title Information System for which
20 staff is specifically requesting Board approval.

21 The purpose of the contract with the Southwest
22 Research Institute at a cost of \$310,000, is to make
23 modifications to the Texas Vehicle Information Exchange
24 Window and the Federal Motor Carrier Safety
25 Administration moves their data to a cloud environment.

1 It modifies some of the web services, changes databases
2 or requirements of the TxCVIEW and the FMCSA's rollout of
3 the new unified carrier registration application.

4 The second contract is the annual National
5 Motor Vehicle Title Information System contract through
6 the American Association of Motor Vehicle Administrators.

7 This program allows the state to report and receive
8 information on branded stolen vehicles and identify VIN
9 and odometer discrepancies. The Finance & Audit
10 Committee recommended approval of this contract at an
11 estimated amount of \$240,000. The agency has since
12 received the final invoice which came in at \$268,075.
13 This is an annual contract and the fee is based on the
14 number of registered vehicles in the state.

15 The committee recommends Board approval of the
16 fiscal year 2017 recommended operating budget, including
17 approval for the executive director to negotiate, execute
18 and sign the routine and required contracts contained in
19 part two of the document.

20 Ms. Flores is here to answer any questions
21 regarding the operating budget.

22 MR. TREVIÑO: Ms. Flores, do you have any
23 concerns with the budget or has anything changed in light
24 of the changing economic conditions of the state, or any
25 comments you'd like to make?

1 MS. FLORES: Thank you, Board Member Treviño.

2 For the record, Linda Flores, chief financial
3 officer for the agency.

4 This budget, as Chairman Palacios indicated, is
5 balanced. We are, as you know, establishing the DMV fund
6 today, but the statewide accounting system is down, so we
7 are unable -- that is not an unusual occurrence, it
8 happens due to rollover, end of one year, beginning of
9 the new fiscal year. We are anxiously waiting for the
10 accounting system to come back up, we know transactions
11 are occurring behind the scenes, but the first order of
12 business is to make sure that the DMV fund receives \$23
13 million in a one-time transfer. We know that that will
14 happen; it may not happen today or tomorrow but certainly
15 we will check every day until it does.

16 This operating budget also provides for
17 anticipated costs that we're going to be incurring in
18 January once the centralized printing and mailing of
19 registrations online occurs.

20 We have taken a very conservative approach in
21 developing this budget, and we will report to you on a
22 routine basis to make sure that you are also informed as
23 far as the agency's operation, so I do not have any
24 concerns today.

25 MR. WALKER: Question. I don't think we've

1 ever talked about this in all the Board meetings we've
2 had, and in the past I assume that the State of Texas has
3 some kind of banking relationship with somebody where
4 they bank, but if they're transferring \$23 million to us,
5 do we need to form a banking relationship through this
6 agency, or the state really keeps the money?

7 MS. FLORES: State and other local entities
8 have a different form of accounting, it's fund
9 accounting. The Comptroller's Office has bank accounts
10 for all of their treasury operation, so no, we don't have
11 to establish a --

12 MR. WALKER: So we never see the cash.

13 MS. FLORES: We see the cash. We see the cash,
14 yes, sir, we do see the cash.

15 MR. INGRAM: You're not going to actually see
16 it, see it.

17 MS. FLORES: No, not see it, see it. It's
18 going to be on a screen, I hope.

19 MR. WALKER: But we don't have to take this
20 deposit down to Chase Bank or whatever.

21 MS. FLORES: No, sir.

22 (General laughter.)

23 MR. WALKER: I have another question when I was
24 looking through here. Explain to me, when I was looking
25 at our operating budget here, it says capital

1 expenditure, \$9.4 million. It's on page 4, the pie chart
2 at the very bottom of the page.

3 MS. FLORES: Yes, sir.

4 MR. WALKER: What is that comprised of, the
5 capital, because I'm not sure what expenditures would be
6 capital.

7 MS. FLORES: Normally the capital budget
8 includes the county refresh equipment, so that includes
9 printers, routers, anything that in aggregate is over
10 \$100,000. The county refresh alone is appropriated
11 approximately \$5 million a year, so for that particular
12 line item it would include at least \$5 million for
13 capital expenditures.

14 MR. WALKER: We call those capital expenditures
15 because we're buying hard assets that we're going to
16 depreciate?

17 MS. FLORES: Yes, sir.

18 MR. WALKER: And we're going to spend \$9.4
19 million?

20 MS. FLORES: That's just one portion of it.
21 I'm trying to see if there's any other place in the
22 document where I can refer you to. There is not a
23 breakout, but I'm certainly happy to provide that to you.

24 MR. WALKER: Well, I don't need a breakout. I
25 was just kind of curious as to where we spend \$9.4

1 million on capital expenditures. We have not bought any
2 computer equipment, we finished that last project we
3 did -- I can't remember the name of it now.

4 MS. FLORES: The county refresh.

5 MR. WALKER: But that's done now, so where are
6 we spending that \$9.4 million?

7 MS. FLORES: It's actually not done. We're
8 actually carrying forward unspent balances from '16 into
9 '17. We have a contract, we have an agreement in place,
10 but we haven't actually spent the money, so we're going
11 to spend the money in '17, so that's what that capital
12 line item is about.

13 MR. WALKER: Thank you.

14 MS. FLORES: Yes, sir.

15 MR. TREVIÑO: Since it is a balanced budget, do
16 we do our own revenue projections or do we work with
17 someone from the Governor's Office, the state, or the
18 Comptroller to make our revenue projections?

19 MS. FLORES: Member Treviño, we have one
20 vacancy, but we have three revenue estimator positions.
21 We estimate our own revenue estimate but we use
22 information from Dunn & Bradstreet, we have a
23 subscription, we monitor the Wall Street Journal to look
24 at conditions for the Texas economy. We also work with
25 the Comptroller's Office, but more times than not,

1 they're calling us versus us calling them.

2 MR. PALACIOS: Are there any further questions
3 for Ms. Flores?

4 MR. WALKER: One more. Going to page 42, or 7
5 on your budget here, the operating budget, I had a
6 question under the Motor Carrier Division we have 119
7 FTEs and we're budgeting \$7.1 million, however, under
8 Finance and Administration Services -- I guess that would
9 come under your particular part of the department --
10 we're spending \$35 million on 71 FTEs. Why in the world
11 do they make so much more over there in that department
12 than they do over in the Motor Carrier?

13 MS. FLORES: If you'll recall, Mr. Walker, I
14 also oversee the \$25 million contract for the production
15 of license plates, so part of that \$35- is that contract.

16 MR. WALKER: So the license plate contract is
17 under your division over there?

18 MS. FLORES: Yes, sir.

19 MR. WALKER: Okay. Thank you. I thought they
20 just got paid a lot more.

21 (General laughter.)

22 MR. PALACIOS: Okay. Any further questions for
23 Ms. Flores?

24 (No response.)

25 MR. PALACIOS: Hearing none, I'll entertain a

1 motion.

2 MR. TREVIÑO: Mr. Chairman, I move that the
3 Board approve the fiscal year 2017 operating budget, as
4 recommended by the Finance & Audit Committee, with the
5 change in the amount of the National Motor Vehicle Title
6 Information System Contract. I also move that the Board
7 approve delegation to the executive director to execute
8 and sign the routinely required contracts contained in
9 part 2 of the document, and specifically the following
10 two contracts: Southwest Research Institute and American
11 Association of Motor Vehicle Administrators National
12 Motor Vehicle Title Information System.

13 MR. PALACIOS: Motion from Board Member
14 Treviño.

15 MR. INGRAM: Second.

16 MR. PALACIOS: Second from Board Member Ingram.
17 Any discussion?

18 (No response.)

19 MR. PALACIOS: If not, all in favor signify by
20 saying aye.

21 (A chorus of ayes.)

22 MR. PALACIOS: All opposed?

23 (No response.)

24 MR. PALACIOS: The motion carries unanimously.

25 Thank you very much, Ms. Flores.

1 Lastly, I'd like to submit the Finance & Audit
2 Committee report on the non-action briefing items from
3 our meeting.

4 Ms. Flores and her staff briefed the committee
5 on the legislative appropriations request process for the
6 upcoming legislative session, including the timeline,
7 estimated revenue collections by fund, baseline budget
8 appropriations requests by strategy, capital budget
9 project summary baseline, preliminary exception line
10 requests by order of priority, and riders.

11 The LAR was presented to the Finance & Audit
12 Committee at the August 3 meeting. The committee gave
13 approval for staff to make minor changes to the LAR as
14 needed, as well as more significant modifications with
15 approval and input from the executive director and the
16 chairman of the Audit and Finance Committee. The LAR was
17 submitted to the LBB and the Governor's Office, as
18 required, on August 12.

19 The agency's baseline request of \$3,027,800
20 includes several initiatives designed to remain within
21 the projected revenue, including reducing capital
22 expenditures primarily in the automation budget requests.

23 This is offset by increased costs due to the
24 implementation of centralized printing and mailing of
25 online registration renewals and absorbing credit card

1 fees for online registration renewals that were
2 previously borne by the customer.

3 The capital budget includes: funding for
4 automation in the amount of \$11.7 million, primarily for
5 refactoring of the Registration and Titling System;
6 ongoing costs for the Data Center Services of \$16.7
7 million; replacement of computer equipment in the
8 counties and at the TxDMV headquarters, \$11.9 million;
9 funding to relocate one regional service center and to
10 replace aging fleet vehicles in the amount of \$1.5
11 million.

12 Five exceptional items totaling \$40 million and
13 16 full-time equivalents are recommended by the staff.
14 The agency exceptional items include: maintenance and
15 operating costs related to the TxDMV headquarters with a
16 biennial total of \$9.8 million and three FTEs. The
17 agency's exceptional items for new headquarters building
18 was modified prior to submission of the legislative
19 appropriations request.

20 As the interim board chair at the time, I
21 approved, after consultation with the Governor's Office
22 and the executive director, submission of the amended
23 request to reflect only: maintenance costs for the Camp
24 Hubbard Building; creation of a special investigations
25 unit at a biennial total of \$1.9 million and 13 FTEs;

1 matching dollars for the Commercial Vehicle Information
2 Systems Network grants which are available for system and
3 roadside projects that increase safety on the roads and
4 increase efficiency of moving commerce on the roads.
5 TxDMV is the lead agency for the CVISN in Texas. A match
6 of \$262,500 will allow the agency to receive \$1.5 million
7 in federal funds.

8 The exceptional items list also includes a
9 request from the Auto Burglary and Theft Prevention
10 Authority for items to be included in the final TxDMV
11 LAR. The two items are the restoration of the 4 percent
12 general revenue reduction and an additional \$12.6 million
13 per year, \$25.3 million biennial total, generated by a \$2
14 fee imposed on motor vehicle insurance policies for the
15 express purpose of providing additional grant allocations
16 to the agency's grantees.

17 The proposed LAR also includes one new rider
18 which would allow the agency to spend any unexpended
19 balances in the appropriations between the first and
20 second year of a biennium.

21 Furthermore, the fiscal year 2016 quarterly
22 financial report, given by our CFO Linda Flores and her
23 staff, briefed the committee on the fiscal year 2016
24 quarterly financial report through May 31, 2016. The
25 points in that report were: year-to-date revenue

1 collections increased 1.1 percent or \$14.1 million over
2 the same period last year; as of the end of the third
3 quarter, My Plates collections totaled \$8 million towards
4 a \$15 million guarantee; year-to-date expenditures
5 totaled \$88,941,000; over 80 percent of the capital
6 obligations consist of automation costs and funding for
7 the DIR contract for the Data Center Services.

8 Year-to-date obligations for TxDMV mainly
9 consist of anticipated expenses for the RTS refactoring
10 and funding for the e-LICENSING project, formerly known
11 as LACE. The remaining budget in the TxDMV automation as
12 well as other capital projects will be carried forward to
13 2017.

14 Furthermore, on the internal audit side, our
15 internal audit director, Ms. Sandra Menjivar, briefed the
16 committee on the Internal Audit Division status report.
17 The main points in the report: remaining projects in the
18 fiscal year 2016 internal audit plan to include
19 completing the report on the audit efficiency of the
20 Texas Internal Registration Plan compliance audit
21 process; the Drivers' Privacy Protection Act report which
22 was expected to be released to management in August and
23 presented to the Board during fiscal year 2017; the
24 Oversize/Overweight Permitting staff is currently doing
25 field work and expects to the present to the Board during

1 fiscal year 2017; the RTS refactoring and single sticker
2 holds some limitation which carry on over to fiscal year
3 2017; and the fiscal year 2017 internal audit plan which
4 was presented earlier; coordinating an external audit
5 with the State of Office Risk Management for the onsite
6 visit of the Waco Regional Service Center on August 12.

7 I said that all in one breath.

8 (General laughter.)

9 MR. PALACIOS: Do we have any questions
10 regarding any of these items for either Ms. Flores or Ms.
11 Menjivar?

12 MR. WALKER: I have one question.

13 MR. PALACIOS: Yes, Member Walker.

14 MR. WALKER: So I know we do this every time on
15 this 10 percent reduction in GR, and the only GR money
16 that we have is Auto Burglary and Theft. Is it really
17 appropriate to reduce our Auto Burglary and Theft because
18 that money is grant money that was dedicated solely to
19 the purpose of law enforcement and so all that money
20 should be earmarked, tagged. Gary, you ought to be
21 screaming bloody murder that the legislature is trying to
22 take money away from grant money. But that's really not
23 overhead general revenue expenditures in my mind, that's
24 grant money that was dedicated for a specific purpose,
25 not an operating cost. How do you address that?

1 MS. FLORES: All state agencies are provided
2 guidance by the Legislative Budget Board and the
3 Governor's Office to fill out certain schedules. One of
4 the required schedules that we're required to fill out is
5 a 10 percent general revenue reduction. The only program
6 that this agency will have at that time that's financed
7 by general revenue is the Auto Burglary and Theft
8 Prevention program. That is not to say that agencies
9 don't have the ability to identify the fiscal impacts
10 caused by that 10 percent reduction. We will have that
11 opportunity, our first opportunity actually, September 7.

12 It's the first public hearing on our appropriations
13 request. It is held by staff from various legislative
14 offices such as the Governor's Office, the Legislative
15 Budget Board, the Lieutenant Governor's Office, the
16 Speaker's Office. So we will have the opportunity at
17 that that time to tell the story of how this affects the
18 DMV and the ABTPA program.

19 But in order to submit the appropriations
20 request, there is a target that is provided to the
21 agency. If you're not in balance at the time of
22 submission, you will not close; if you do not close, you
23 have not submitted your request, and therefore, you are
24 late. So in order to submit and close, you've got to hit
25 all those targets that they've provided.

1 MR. WALKER: So Linda, I'm not sure I
2 understood exactly what you said in that last portion
3 there, but what if we were take and say that our 10
4 percent reduction is not the overall big picture of the
5 \$2 times the number of insurance policies but if we were
6 to say that the operating expenditures and the 10 percent
7 reduction is our actual operating cost of that
8 particular -- say, Bryan and his staff, five people
9 including Bryan -- so what if we instead of saying the
10 overall is \$40 million that we say that the overall
11 expenditures for that particular agency is \$400,000,
12 \$200,000, whatever it is, and take the 10 percent out of
13 the actual operating costs, that way we give more grant
14 money. That won't cut it?

15 MS. FLORES: The Legislative Budget Board has a
16 formula that they use and it's not based on operating
17 versus different categories. It's you are financed with
18 X amount of money from general revenue, it's \$15 million
19 a year. They're not going to carve out what's operating
20 and redo the formula based on that, they're just looking
21 at the big picture: \$15 million, 10 percent of \$15
22 million, million and a half, whatever it is.

23 So that's how they establish the target which
24 is, again, provided to an agency, and this application
25 budgeting system that they have, when I said you have to

1 balance, there are balancing tools within that
2 application that you have to hit them. You have to be in
3 balance, otherwise, they don't let you close it.

4 MS. BREWSTER: Chairman Palacios, if I may?

5 MR. PALACIOS: Yes.

6 MS. BREWSTER: This is not an atypical
7 exercise, this is something that has been done for quite
8 some time. It is incumbent upon the agencies and
9 stakeholder groups impacted to make a case before the
10 legislature as to what the actual impact is of that
11 reduction. I know that at the hearing that Ms. Flores
12 was just speaking of, Chairman Garcia, who is the chair
13 of the ABTPA Board, intends to be there and to speak to
14 that issue, and so we will continue to send that message
15 when we have opportunities to talk to legislators.

16 MR. WALKER: That's the only question I had,
17 Chairman Palacios.

18 MR. PALACIOS: Thank you, Board Member Walker.
19 Any further questions for Ms. Flores or Ms.
20 Menjivar?

21 (No response.)

22 MR. WALKER: I make a motion that we accept the
23 LAR appropriation request.

24 MR. DUNCAN: Apologies, Mr. Walker. This was
25 not an action item because it's already been submitted,

1 it's a briefing.

2 MR. PALACIOS: It's a briefing item.

3 Thank you very much, ladies.

4 We'll now move on to item 2.B.1, Projects and
5 Operations, and I'd like to call Ms. Judy Sandberg who
6 will address agenda item 2.B.1 on the enterprise projects
7 quarterly report.

8 MS. SANDBERG: Good morning. For the record,
9 I'm Judy Sandberg, Texas Department of Motor Vehicles
10 Enterprise Project Management Office director. I'm
11 providing a briefing on projects; this is the quarterly
12 report of enterprise projects to the Board. I am not
13 seeking any decisions today.

14 For your reference, handouts related to this
15 briefing begin on page 91 in your briefing books. If you
16 turn to page 92, the first page of the actual briefing,
17 you'll find a dashboard of one of the projects I'll be
18 reporting on today, the application migration and server
19 infrastructure transformation project, also known as
20 AMSIT. I'd like to spend just a few moments orienting
21 you to the information that's on this dashboard. There
22 is one dashboard featuring the eight projects on which I
23 will be reporting today.

24 In the upper left-hand corner of each dashboard
25 you'll find the full name of the project and its acronym.

1 Along the top row we attempt to provide basic
2 information about the benefits to the public and to the
3 agency for each project. Beneath that row you'll find a
4 general description of the project and the name of the
5 project manager, the business owner in TxDMV, and the
6 executive sponsor, as well as the project end date.

7 In the center you'll find the actual dashboard
8 and on these dashboards we use rather standard
9 red/yellow/green indicators that are used in project
10 management, with green being good indicating all systems
11 are go, yellow being something of a caution light that
12 there's something to pay attention to and watch there,
13 and red being a warning light that something may be close
14 to getting behind schedule or over budget or there is
15 some very high risk that needs to be paid attention to.

16 To the right of the dashboard we typically list
17 the general phases of the project and a checkmark
18 indicates that phase is completed. Then we use the
19 standard red/yellow/green indicators for each phase to
20 provide an update on that phase.

21 In the third row you'll find, from left to
22 right, information about the budget, the total budget,
23 expenditures and encumbrances to date, and then the
24 remaining budget. Then to the right of that some
25 information showing how many staff hours we had planned

1 to spend and what the rate of consumption of those hours
2 is. And then change requests, just an indicator of how
3 many times we're changing the project.

4 And finally, on the bottom row on the left side
5 we try to list accomplishments for the previous 30 days,
6 planned achievements for the next 30 days, provide an
7 indicator of the most significant risks and issues, and
8 either the mitigation strategies or corrective actions
9 being taken.

10 So that's just to let you know the kind of
11 information that's included on each one of these
12 dashboards. Also, to assist you in interpreting these
13 dashboards, a glossary of terms and acronyms is provided
14 on page 101 of your briefing book.

15 So I'll proceed on to an update on the AMSIT
16 project. TxDMV was appropriated \$7.3 million during the
17 84th Session of the Texas Legislature to accomplish this
18 project. The purpose of the project is to complete the
19 separation of TxDMV's applications and data from the
20 Texas Department of Transportation, or TxDOT, data center
21 and to move them on to servers in the Department of
22 Information Resources Data Center Services by the end of
23 the biennium, August 31, 2017.

24 Some transformation work has already been
25 completed by TxDMV's Information Technology Services

1 Division, or IT, as part of other projects, but about 30
2 servers containing TxDMV applications and data remain in
3 the TxDOT data center. In March 2016, TxDMV awarded a
4 contract for services to NTT Data to plan, organize and
5 execute the actual transfer of applications and data and
6 the transformation onto servers in the Data Center.

7 The vendor kickoff meeting was held on March
8 24, 2016. By June 2016, TxDMV was concerned by the slow
9 progress on expected deliverables, so on July 7, 2016,
10 TxDMV issued a cure letter to the services vendor. The
11 services vendor cured all items in the letter by early
12 March as follows: they provided a project plan, they
13 provided all the vendor staff listed in the proposal for
14 the percent of time listed in their proposal, and they
15 provided a report of hours worked to date by vendor staff
16 assigned to the project.

17 The project is on schedule, approximately 61
18 percent of the project work remains to be completed, with
19 about 67 percent of the project schedule remaining. The
20 project is under budget. The services vendor offered
21 TxDMV a credit of \$531,895 for work already completed by
22 TxDMV IT.

23 The project scope is yellow because the
24 services vendor reports they have gained clarity on
25 TxDMV's requirements for moving files from Novell servers

1 to Windows servers and for moving from file transfer
2 protocol to secure file transfer protocol. While this
3 does not expand the scope of work, it may expand the
4 complexity, time to complete and the cost. That said, we
5 anticipate that cost will be less than the credit offered
6 for work already completed by TxDMV. We anticipate other
7 expenses not currently known may be identified as we
8 proceed, but we believe the project can be completed well
9 within the approved budget.

10 Any questions about the AMSIT?

11 MR. PALACIOS: Yes, Ms. Sandberg. Were there
12 any damages that were incurred to this agency as a result
13 of the, I guess, deficiencies that led up to the cure
14 letter being sent out?

15 MS. SANDBERG: No specific damages at that
16 point. I believe the early intervention and not allowing
17 the schedule delay to become prolonged, and the fact that
18 the vendor did respond and cured all of the items in the
19 letter. We are still within schedule and we still have
20 the ability to finish the project on time. If we had
21 allowed it to go unaddressed, we would have been at
22 extreme risk of not completing on schedule, and
23 therefore, not effectively using the funds appropriated
24 by the legislature.

25 MR. PALACIOS: Thank you.

1 MS. SANDBERG: You're welcome.

2 MR. INGRAM: Judy, one quick question. The
3 credit is not currently part of your expenditures and
4 encumbrances. Correct?

5 MS. SANDBERG: Correct.

6 MR. INGRAM: Okay. So if the change order does
7 not come in higher than that credit, then we shouldn't
8 see a big change there.

9 MS. SANDBERG: I beg your pardon. Allow me to
10 correct my answer. It is part of the encumbrance. It
11 was part of the original purchase order encumbrance, so
12 where we are in moving forward is we're currently looking
13 at the vendor is providing a proposal to do the
14 additional complex work that I described earlier related
15 to the moving from Novell servers to Windows servers.
16 They may request a cost increase for that amount. We're
17 still in the process of working through the purchase
18 order process with purchasing, and ultimately we will not
19 pay that \$500,000-plus that they have provided a credit
20 for but it has not actually been removed from the
21 encumbered purchase order at this time.

22 MR. INGRAM: Right. And so I think you
23 answered the question. I may have asked it in a bad way.
24 But out of your \$1.65 million, that is the original
25 contract, it does not look at the credit that's currently

1 sitting out there.

2 MS. SANDBERG: Yes, sir. They are crediting
3 against the original contract.

4 MR. INGRAM: Right. Okay. I was just making
5 sure that that's the case. Thank you.

6 MS. SANDBERG: All right. Well, moving on to
7 page 92, the physical security project. The Texas
8 Legislature appropriated \$813,000 to TxDMV to improve
9 system security at the 16 TxDMV regional service centers,
10 or RSCs. The project will provide increased safety for
11 ht public who visit these sites, the employees and
12 protection of assets. The project will also further
13 TxDMV's separation from TxDOT by installing TxDMV's own
14 physical security system at the 16 RSCs. The system
15 includes badging of staff, keypad entry for staff and
16 collection of entrance and exit data, video surveillance
17 with monitoring consoles, and 24-hour monitoring with
18 alarms for intruder entry.

19 The project manager is coordinating with IT,
20 the information security officer, the Vehicle Titles and
21 Registration Division, TxDMV facilities who coordinate
22 with building landlords, TxDOT and the vendor to plan and
23 complete this project. To date, installation is complete
24 in Austin, Houston, Dallas and Fort Worth. Site prep
25 walk-throughs remain for El Paso, Midland, Lubbock and

1 Amarillo, and are planned to be completed by September 9.

2 Wichita Falls and Abilene are on schedule to be
3 completed by September 30.

4 The three offices, Corpus Christi, Pharr and
5 San Antonio, are at the end of the schedule in March
6 2017, pending outcome of their relocation. This morning
7 we had new information about a final location on Corpus
8 Christi, so that will allow us to work with Ms. Flores's
9 staff on finalizing the installation of the security
10 equipment at that new location.

11 The project schedule is on target. The planned
12 completion date is March 31, 2017, with a contingency
13 through August 31, 2017 due to the three offices that
14 we'll be relocating. The project is within budget.
15 Contingency funds are being spent on unanticipated site
16 prep items discovered during walk-throughs. Some
17 examples that we've discovered are in Wichita Falls we
18 needed to install additional power to be able to
19 accommodate the new security system, in Waco we needed to
20 install a steel exterior door to support the intruder
21 alert system, and some offices are requiring additional
22 cabling in order to support the new system.

23 Any questions about physical security?

24 MR. PALACIOS: Yes, Ms. Sandberg. Is this
25 project coordinated with other agencies that already may

1 have these security systems in place? Are we following,
2 I guess, whatever vendors they may have used, or are we
3 going independent?

4 MS. SANDBERG: Well, I do not know what
5 coordination might have been done before the contract was
6 awarded to the vendor. The contract had already been
7 awarded by the time EPMO received the project. This may
8 not be answering your question. We are coordinating with
9 TxDOT because they are the landlords for some of these
10 facilities, and they have expressed interest in the type
11 of equipment that we are installing and have asked many
12 questions and asked for information about that type of
13 equipment. We've also received an inquiry from the
14 Florida DMV asking for information about the equipment
15 that's being installed, and we are responding to those
16 requests. At this point, that's the extent of any
17 intergovernmental agency coordination.

18 MR. TREVIÑO: But we are following basic
19 guidelines, security protocols, it's nothing above and
20 beyond?

21 MS. SANDBERG: Yes, that's my understanding.
22 The agency's information security officer has been
23 heavily engaged from the outset, participated in pre-
24 award walk-throughs, and also helped participate in
25 identifying the requirements. I will defer to our award-

1 winning CIO if he would like to add any information.

2 MR. OBERMIER: Thank you, Ms. Sandberg.

3 For the record, my name is Eric Obermier, CIO
4 for the DMV.

5 So I believe this question came up in some
6 prior meetings as well, Member Treviño, and we are
7 installing the standard systems that you would see
8 employed anywhere. The only difference may be possibly
9 the brand, but it's all your traditional equipment such
10 as badge readers on doors that you want leading to any of
11 the secure areas, including exterior doors, cameras, not
12 everywhere but in some of the key locations, fire alarms,
13 all of those other services, in fact, that you would see
14 with many of the other state office buildings across the
15 state.

16 MS. SANDBERG: Moving on to page 94, the
17 FileNet project. FileNet is a software tool that serves
18 as a document repository and allows TxDMV to capture,
19 manage and share documents and document images. The
20 current version of FileNet is reaching end of life and
21 needed to be upgraded to Version 8. The scope of the
22 project included the following components: moving 80
23 million FileNet records from TxDOT data center to the DIR
24 Data Center; updating Kofax, an image product that
25 collects documents in various forms and transforms them

1 into accurate retrievable images; training TxDMV staff on
2 the new image viewer; performing a full round of system
3 testing, user acceptance testing and load testing; and
4 staff from Finance, all 16 regional service centers, VTR
5 and IT participated in the testing.

6 On August 19, 2016, TxDMV staff, including IT,
7 VTR and EPMO, successfully completed moving the last of
8 80 million FileNet records from TxDOT to the new Data
9 Center and moved TxDMV from FileNet P6 to Version P8.
10 About 3 million color images were not successfully
11 migrated but they are still retrievable and viewable on
12 the TxDOT servers. Adjacent, the technical vendor,
13 acknowledged an error in their algorithm and offered to
14 move the 3 million records during September and October
15 at no additional cost. After that is complete, the
16 project will be a candidate for closure. The project is
17 under budget.

18 Any questions about FileNet?

19 MR. OBERMIER: If I can add just one
20 clarification to Ms. Sandberg's statement about the 3
21 million records that need to still be transferred over.
22 Those are older documents, they are color images, and
23 that's where the trouble came in, if you will. Most of
24 all of our images that are in FileNet are actually black
25 and white. So the 3 million documents were caught early

1 on and errored out, but kept moving forward knowing that
2 the exposure there being that the documents were in
3 excess of five years old, and based on the types of
4 documents, not going to be needed in the short term, and
5 even if they are needed in the short term on an exception
6 basis, we still have access to them in the FileNet P6
7 installation. We will not be shutting that system down
8 until we have all of the images moved over successfully.

9 On the actual of the cut-over weekend, the last
10 of the 80 million images or so that Ms. Sandberg was
11 referencing, we had about 217,000 still to get done that
12 weekend, so those were all moved over and only 81 of
13 those failed, but again, with 81 documents, at that point
14 we just made a decision to just go ahead and plan to move
15 those manually because it will take more time to go and
16 figure out what went wrong with the automation script
17 than it would to just export the documents from P6 and
18 move it into P8.

19 MS. SANDBERG: Thank you, Mr. Obermier.

20 Moving on to page 95, Licensing,
21 Administration, Consumer Affairs and Enforcement, the
22 LACE replacement project, will replace the existing
23 system used by in-house staff only with a modern highly
24 configurable web-based system which will be known as the
25 e-LICENSING system. The plan benefits include improved

1 customer service, online sales service for applying for
2 and renewing dealer licenses, reduced support costs, and
3 integrated case management between the Motor Vehicles
4 Division, Enforcement, and the Office of Administrative
5 Hearings.

6 TxDMV selected Salesforce, a commercial off-
7 the-shelf software which can be configured to meet
8 TxDMV's requirements. The new system will be used to
9 manage: licensing activities of dealers, manufacturers,
10 distributors, in-transit operators, and others; to track
11 litigated contested cases arising from dealer-
12 manufacturer disputes and license protest; manage Lemon
13 Law cases; legislation passed to assist buyers and
14 manufacturers with new vehicle warranty performance;
15 track fees paid for licenses, civil penalties and Lemon
16 Law filing fees; facilitate TxDMV agency-wide Public
17 Information Act requests; integrate case management and
18 those public information requests; add additional self-
19 service functionality to improved service turnaround time
20 and increase consistency of service.

21 Although TxDMV acquired a commercial off-the-
22 shelf software, it needed to be configured to meet
23 TxDMV's specific needs, so TxDMV hired a services vendor
24 with expertise in Salesforce implementations to plan,
25 organize and coordinate the gathering of configuration

1 requirements, design, configure, test and deploy.
2 Requirements, design and configuration are in the final
3 states, integration consistence testing is on target to
4 end by tomorrow, September 2. TxDMV will begin user
5 acceptance testing on September 23.

6 The department is responsible for
7 organizational change management. This includes public
8 information, communication with external stakeholders and
9 partners, announcements to employees, changes in business
10 processes and standard operating procedures, training on
11 the new e-LICENSING system for both employees and
12 external users of e-LICENSING. Education materials
13 include webinars on how to use e-LICENSING, frequently
14 asked questions, downloadable desk aids, a day one
15 command center, and a call center supported by CRD, IT,
16 VTR, MVD and Enforcement.

17 The go live is one month behind schedule. The
18 system will deploy the weekend of October 28 and go live
19 on November 1. It was originally planned to go live on
20 September 23, 2016. The project is within the budget
21 approved by the Board.

22 Any questions about e-LICENSING?

23 MR. TREVIÑO: All this information resides on
24 our services. Right? Is that correct? Or TxDOT
25 servers?

1 MS. SANDBERG: This information has been moved
2 into the Data Center, I believe, and the new Salesforce
3 system will be in a cloud. I'll defer to Mr. Obermier.

4 MR. OBERMIER: Correct. It is going to be
5 actually running in the Salesforce cloud environment, but
6 it is also encrypted and only TxDMV staff will have
7 access to the data. The way the Salesforce platform
8 works is their staff have full access to the
9 infrastructure to do any of the platform upgrades, things
10 like that, bring servers up and down as needed for
11 handling load, but they do not have access to TxDMV's
12 customer data.

13 MR. TREVIÑO: And you're comfortable with the
14 security protocols and they haven't had any breaches,
15 material breaches?

16 MR. OBERMIER: So as part of all of our
17 projects that we work on here, we include Information
18 Security Officer Joshua Kuntz and we include that role
19 early on in the phases to make sure that whatever designs
20 or architectures or services that are going to be
21 contemplated within all of our information security
22 manuals, as well as comply with the Texas Administrative
23 Code, Section 202, which is all around the information
24 security standards.

25 MR. TREVIÑO: Thank you.

1 MR. WALKER: Judy, looking at your dashboard,
2 this is the first time we've seen it formatted like this.
3 We haven't gotten it in this format before, I don't
4 think, have we?

5 MS. SANDBERG: Only one other time, I believe.

6 MR. WALKER: This is a great dashboard to look
7 at. The only question that I have that I'm trying to
8 look at these is can you tell me where our start date and
9 our estimated finish date is on this dashboard that says
10 where's the timeline of when it started and when is it
11 finishing and where are we with respect to that. I'm
12 trying, as you go through this, kind of question where
13 are we with respect. Where is that? Tell me where it
14 is.

15 MS. SANDBERG: I believe that you have
16 identified a need for improvement in the dashboard,
17 because we do show the project end date but I don't
18 believe that we're showing the project start date. So in
19 the next version of this, I will add that.

20 MR. WALKER: Well, I'd just like to see where
21 we're at with respect to where we should be, and it may
22 be in here and maybe I'm just not catching it.

23 MS. SANDBERG: The schedule, there's only an
24 indicator of red/yellow/green on the timeline. But we
25 could certainly add, I think, a very small -- it would

1 only take up a small portion of the real estate to show
2 you, for example, a bar graph of what the start and end
3 date is and where we are at the current point in time.
4 Do you think that would help, something like that?

5 MR. WALKER: I would just like to see that. I
6 mean, some of this stuff, this one box over here, I'm not
7 even real sure what it's about, this project change
8 requests and that box there. Explain that box to me,
9 maybe.

10 MS. SANDBERG: That box is just an indicator of
11 how many change requests have been presented to the
12 executive governance team, and change requests usually
13 center around a change in cost, perhaps adding some level
14 of work that was not originally anticipated, asking for
15 changes in timelines and things of that nature. I think
16 the schedule that you requested would probably be of more
17 value.

18 MR. WALKER: Could we maybe take the change
19 orders and put under the expected budget over here or
20 within the budget items? Because a change order affects
21 your budget expenditures, maybe just include it over in
22 that deal, but kind of give us a timeline of start date
23 and where we're supposed to be with respect to a
24 timeline.

25 MS. SANDBERG: Yes, sir.

1 MR. WALKER: But otherwise, it's great. It
2 tells me everything I need to know to look at this, and
3 it's the best I've seen.

4 MS. SANDBERG: I'm so glad. Well, thank you
5 very much. We will work to make it better to meet your
6 needs. That's a great suggestion.

7 MR. TREVIÑO: It is good. And just a point on
8 the changes, the change doesn't show materiality, some
9 changes are minor, some changes are major, so you may
10 show one change but you don't know what that change is.
11 It's a good data point, if you see a lot of changes, it
12 shows you there may be issues with the project, but it
13 doesn't incorporate the materiality of that change.

14 MS. SANDBERG: You're right. It doesn't really
15 provide you context.

16 MR. TREVIÑO: But it's a good box, it tells you
17 something.

18 MS. SANDBERG: All right. Thank you very much.
19 We will make that improvement.

20 Moving on to page 96, Single Sticker Phase II.
21 House Bill 2305, passed during the 82nd Session of the
22 Texas Legislature, eliminated the inspection sticker
23 resulting in a single sticker system. Vehicle
24 registration is now dependent on obtaining passing a
25 vehicle inspection. Phase I, implemented on March 14,

1 2015, required most vehicle inspection and registration
2 dates to be aligned or synced up. Phase II, implemented
3 on March 1, 2016, established the 90-day inspection
4 window for vehicle registration and the 180-day
5 inspection window for used vehicle dealers.

6 House Bill 1888, passed during the 84th
7 Legislative Session, removed the inspection compliance
8 requirement at time of registration for apportioned and
9 token trailers. This legislation does not apply to token
10 trailers registered in multi-year fleet registration.
11 This requires a change in the Texas International
12 Registration Plan, TxIRP system, which is used by the
13 Motor Carrier Division. TxIRP is maintained by an
14 external vendor rather than TxDMV IT.

15 At the meeting on November 3, 2015, the TxDMV
16 Board authorized the executive director to award a
17 contract to the Explore vendor to update TxIRP with
18 functionality required by House Bill 1888. The TxIRP
19 enhancements will provide increased customer service
20 through real-time electronic query of the inspection
21 database, increased efficiency in the verification of
22 inspection and emission compliance, streamlining the
23 process and management of vehicle inspection stickers,
24 reducing cost, and potentially reducing fraud by
25 electronic verification of inspection.

1 Until implemented, the Motor Carrier Division
2 will continue the current manual process. The automation
3 of TxIRP for single sticker will allow the suspension and
4 cancellation of registration for multi-year fleet,
5 forestry vehicles and rental trailers due to the lack of
6 inspection or failing inspection.

7 The project end date is July 2017. The Explore
8 vendor projects completion of system changes by or before
9 May 2017, so the project is ahead of schedule.

10 Any questions?

11 (No response.)

12 MS. SANDBERG: All right. Moving on to page
13 97, Refactored Registration and Titling System project.
14 TxDMV's RTS refactoring project refreshed RTS technology
15 by modernizing the core RTS system from COBOL to Java,
16 moving the application and data off the mainframe onto
17 servers in the DIR Data Center, and improving business
18 intelligence reporting capabilities using a software
19 called Cognos.

20 Achievements to date include: completed
21 refactoring of RTS point of sale used by the counties in
22 May 2015; implemented Cognos business analytics reports
23 in July 2015; completed deployment of refactored RTS
24 point of sale to all 254 county tax assessor-collector
25 offices in October 2015; moved RTS and data off the

1 mainframe in November 2015; repaired almost 500
2 production defects, some existing and some newly
3 introduced; redeployed the enhanced name search feature
4 in RTS point of sale in May 2016. It was originally
5 deployed in 2015 in December but was rolled back due to
6 low performance. The search feature is still in
7 production but is under review for additional
8 improvements.

9 Completed year-one release schedule as of
10 August 31, 2016, yesterday. Releases included
11 legislative mandates, such as Single Sticker I and II,
12 enhancements to RTS point of sale and new or improved
13 Cognos reports.

14 Work left to do: knowledge transfer from the
15 vendor to TxDMV IT, and the year two release schedule to
16 be completed August 31, 2017.

17 The project is on schedule and within budget.
18 The contract with the services vendor has been renewed
19 for an additional one year, from September 1, 2016
20 through August 31, 2017.

21 Any questions?

22 MR. INGRAM: I have a quick question probably
23 for maybe Eric. At one point we talked back in May --
24 this goes back a ways -- when we had an outage and they
25 changed our service level and they took us, I guess, to

1 platinum level, whatever that is -- gold, platinum, I
2 don't know. Are we still at that level? And I guess the
3 secondary question if we are, did they end up charging us
4 for it.

5 MR. OBERMIER: No, sir. I think we're probably
6 talking about a couple of different topics at the same
7 time. One is the level at which our RTS storage was on
8 with one of the external storage systems. They have
9 certain service levels within there. That was moved to
10 platinum and they have not been charging us for the
11 platinum rate, mainly because it's now basically
12 performing at the same level it was performing at what
13 was considered a gold level on the prior storage system
14 that was actually being replaced. So when they migrated
15 us to the newer storage system because it used slightly
16 different algorithms on where we're sharing the storage
17 with other agencies as well, so when you're sharing that,
18 how the algorithm determines who gets priority is
19 different, so once they realized that, they did move us
20 to the higher level.

21 MR. INGRAM: Thank you. And I guess another
22 question, and this goes to when we discussed the projects
23 on the 29th, Luanne, you had mentioned that you had an
24 outage or you believed that there was an outage that day.
25 Was it performance or outage, or the same?

1 MS. CARAWAY: It was a sporadic outage but it
2 was, I think, more performance.

3 MR. OBERMIER: Right. I can go into a little
4 bit of that. So to go back to first answer in the
5 context of what is Department of Information Resources
6 and DCS doing as it relates to our services. Whenever we
7 have any issues like the intermittent issue or the
8 sporadic one that Ms. Caraway is talking about, DIR and
9 all of their support staff immediate come to the
10 conference bridge. As you may recall from some prior
11 meetings, the way the typical incident response call
12 would go is wherever the first indicator of the problem
13 was, that would be the only technology tower that might
14 come to the conference bridge, if it's a server issue,
15 only the server person would get on the phone, and then
16 they find out maybe it's looking more like a network,
17 then they've got to chase the network person down.

18 The response to any RTS issue ever since a few
19 months ago when we had Mr. Todd Kimbriel here at that
20 point, the interim executive director of DIR, the
21 response ever since then and will continue to be that
22 whenever there is an RTS issue that we report, all of the
23 technology towers join the bridge right away, and they
24 only dismiss them with our approval when we absolutely
25 know whatever issue might have been going on, if it's

1 still going on, has nothing to do with that area.

2 And now going back to the issue that happened,
3 I believe, on the 29th, if that was Monday. We do have
4 an issue that seems to be repeating. It's typically the
5 first business day of a week and it's typically between
6 the 10:00 a.m. and 11:00 a.m. hour, if it happens. I say
7 if it happens because we'll get on a conference bridge
8 every Monday to see what is going to happen and sometimes
9 it doesn't happen. That's kind of the watched pot never
10 boils.

11 In this case it did happen, we saw a blip of
12 three seconds of servers not talking to each other, two
13 critical servers not actually communicating with each
14 other, and that caused kind of a chain reaction, it looks
15 like from initial analysis, of transactions that were in
16 flight. Does not affect every work station, does not
17 affect every office, does not affect every county. In
18 this case we took, I think, a total of about 25 calls
19 around that incident. To give you further context,
20 typically when we have a statewide issue, we'll get so
21 many calls in queue that there's no way we can answer
22 them. The good news is that we'll put a message on the
23 phone to let the counties know that we are aware of the
24 issue and working on it, whatever it is.

25 But all this to say we are zeroing in, with the

1 assistance of Deloitte, the Department of Information
2 Resources staff, including the Data Center Services
3 staff, to every Monday going in, based on what we learned
4 from the prior one, applying additional filters and
5 packet captures to try and further isolate what the issue
6 is that is coming back every Monday. The good news is
7 they seem to be short lived when they do occur and in
8 most cases, even if it does affect the county offices,
9 it's a subset of stations within that county office. For
10 instance, one of the busier offices in Harris County I
11 think had just three of their work stations impacted by
12 this issue in that one office.

13 MR. INGRAM: Internally, do we classify that
14 outage differently? Do we classify it internally as a
15 performance issue or as an outage, or is there a
16 difference?

17 MR. OBERMIER: That is correct. We would
18 classify that as just an overall performance issue since
19 it does not impact all work stations or even all
20 counties. So if we ever classify it as a true outage,
21 that means it wasn't available for anybody in any respect
22 to serve customers.

23 MR. INGRAM: And I know at one time back in the
24 spring or early summer we had some charts or graphs that
25 indicated the number of issues that we had, and I should

1 have thought to ask you this, and I apologize, on the
2 29th, but that might be nice to see something similar
3 like that in the future.

4 MR. OBERMIER: Absolutely. For the month of
5 August, just closing yesterday, we will get the graphs
6 updated and we will get that out.

7 MR. INGRAM: And the graphs, do they only have
8 the outages or they have also both problems?

9 MR. OBERMIER: Actually just the outages. We
10 can include a table that would show other incidents, if
11 you will, that may have impacted one or more of the
12 county offices but not all of them. So anytime we would
13 have what we classify as just an overall system
14 performance issue, we can just include those in table.
15 That would be harder to graph.

16 MR. INGRAM: That would be fine. I don't need
17 a graph but I'd like to have that.

18 MS. SANDBERG: Moving on to page 98, TxDMV Fund
19 and Processing and Handling Fee project. The 83rd
20 Legislative Session passed House Bill 2202 to establish
21 the TxDMV Fund and to authorize the TxDMV Board to
22 establish rules for a processing and handling fee. The
23 84th Texas Legislative Session passed Senate Bill 1512 to
24 recreate the TxDMV Fund established in House Bill 2202
25 and to establish that only revenue received on or after

1 September 1, 2016 will be deposited to the fund. On June
2 27, 2016, the TxDMV Board adopted rules regarding the
3 processing and handling fee.

4 The purpose of this project is to identify all
5 applications used by TxDMV affected by the changes in law
6 and rules and to coordinate with TxDMV business areas, IT
7 and vendors to update those applications, to coordinate
8 with Government and Strategic Communications with
9 releases public information, to coordinate training,
10 orientation or other information necessary to assist
11 county offices and other application users to navigate
12 the system changes.

13 Code to establish the TxDMV Fund was deployed
14 last weekend on August 28 and was in production on
15 Monday, August 29. Implementation of the P&H fee is
16 tracking about three business days behind schedule. All
17 coding was to be completed last Friday, August 26. It
18 was completed on August 31, delaying the start of
19 integration testing which was planned for August 29.
20 Delay in preparing the integration test environment also
21 delayed the start of testing. Current projections are
22 testing will begin today, September 1. It is still
23 possible to recover the schedule and to deploy P&H into
24 production on October 23, 2016, as planned, but the
25 tolerance for risk and issues is extremely low, as there

1 is currently only one week of buffer remaining in the
2 schedule.

3 Any questions about this project?

4 MR. WALKER: Yes. This is kind of a new
5 project, so to speak. I mean, I don't even really kind
6 of think of it as a project, but I guess I'm sitting here
7 thinking, well, it is because something has to be done.
8 So like what is our timeline on this? I mean, we just
9 approved it two months ago at the last Board meeting, and
10 what's the expected completion date? There's no
11 expenditures, I guess, really so to speak on cost, is
12 there?

13 MS. SANDBERG: It's an unfunded project. The
14 governance team actually authorized us to proceed with
15 this as a coordinated effort as a project in April, and
16 originally when the work was under consideration, it was
17 thought that some of the applications with projects in
18 flight, this could be incorporated into those projects.
19 But we found that it might be a more efficient approach
20 if we had a project manager oversee all those coordinated
21 efforts and to make sure that we identified every
22 application. Some of the applications, in fact, we
23 identified had no project in flight, had no project
24 manager, so I think it's been valuable to have a
25 coordinated effort to make sure that all of the

1 applications that needed to be updated were, and that any
2 way that they interact with each other or affect each
3 other was also considered.

4 It has been a very short timeline, we did start
5 in April, we started gathering requirements immediately.

6 We made some assumptions on what we thought might happen
7 at the June 27 Board meeting. There were some slight
8 alterations to requirements and design that the adoption
9 of the rules changed, but we adapted and adjusted to
10 that. IT and the vendor have worked together on RTS and
11 staff have worked on webDEALER and some of the other
12 applications.

13 We've known for several months that the TxDMV
14 Fund had to be implemented by September 1, so
15 requirements gathering on that actually had started
16 before April, and so fortunately, we had a little bit of
17 lead time on that, and thanks to yeoman's efforts by
18 staff, it was actually deployed on time.

19 MR. WALKER: So I guess my question would be --
20 and I thought about this when I was listening to you
21 start on this -- was that I don't ever remember this
22 being a project because it's never been on here before.
23 I think of the projects as RTS and those kind of things
24 like that. But as I was sitting mentally going through
25 the process, I'm thinking like, well, yeah, there would

1 be functions, timelines to try to get this thing
2 implemented and so forth, that's the correct way to
3 manage it. But the implementation of this is going to be
4 rather quickly, I would think, so I would assume that at
5 the next Board meeting we will be told that this project
6 is completed? Help me out with that.

7 MS. BREWSTER: Member Walker, if you'll recall,
8 the implementation date of the processing and handling
9 fee itself is January 1, and so the end date would exceed
10 that date. In addition to the application programming,
11 there are significant communications pieces of the
12 project as well to make sure that we have communicated
13 effectively with our stakeholder groups as well as the
14 public on the processing and handling fee. So it is not
15 specific to the IT applications themselves, the effort
16 is, I think, more comprehensive.

17 MR. WALKER: So I'm trying to visualize in my
18 mind here what the Board -- obviously we're concerned
19 about getting this done. Where did Linda go? Linda is
20 already in the process of setting up the bank account, so
21 to speak, but getting the money transferred and getting
22 the IT technology switched over. Is it really a project?

23 MS. BREWSTER: So Member Walker, one of the
24 things -- and maybe Ms. Sandberg can go into a little bit
25 more about what the governance team does to consider a

1 project. Typically, it touches multiple divisions, if
2 it's not just division-specific, if it's more enterprise
3 related, which this obviously is. And also, another
4 consideration is the dollar amount associated with a
5 project. If it reaches a certain threshold, we consider
6 it as a governance team project. So it may not be the
7 conventional project that you have historically seen but
8 it certainly meets the threshold of an enterprise
9 project.

10 MR. WALKER: And I would probably agree with
11 you on that. Thanks very much.

12 MR. PALACIOS: I would like some clarity,
13 though, on this project or whatever we're calling it.
14 Obviously we knew this would, I guess, initially have to
15 be in place by September 1. Can you give me some clarity
16 as to why this is an unfunded project and we don't even
17 have a budget for it? How are we paying for this?

18 MS. SANDBERG: We were not allocated specific
19 funds to implement the technology piece of this and so
20 part of the cost has been staff time who are already
21 salaried employees who have worked on this. We have had
22 some contractors working on this. To your point, it has
23 been something of a hybrid effort because some of the
24 contractors who worked, for example, on the RTS changes
25 that were necessary are a part of the RTS refactoring

1 project, so we have been able to incorporate staff and
2 contractors who were already on board to work on projects
3 related to these applications in order to accomplish this
4 work.

5 With the RTS project in particular, what
6 enables us to do that is because that particular project
7 includes a release schedule, and TxDMV has the latitude
8 to determine the content of that release schedule. And
9 the executive steering committee for the RTS refactoring
10 project approves the content of that release schedule, so
11 this became one of the items in that release schedule
12 that became covered, if you will, by that team that was
13 already in place.

14 MS. BREWSTER: Mr. Chairman, just in short.
15 The projects already in flight, like RTS, like webDEALER,
16 there was money within those budgets that was used to
17 accommodate the additional changes to be made. So
18 although it was no specific funding source for processing
19 and handling, TxDMV Fund, there was money within other
20 budgets and the ability to incorporate and fold them in
21 to be able to cover those costs.

22 MR. PALACIOS: Okay. Find the money.

23 MR. TREVIÑO: But just to go over the timeline
24 again. So we've deployed it September 1, but we're not
25 live with it. Correct? That happens January 1. Can you

1 go over what deploy and when we're actually going to be
2 fully live with this project?

3 MS. FLORES: I want to make sure that we
4 delineate between the two because there's two things
5 going on. One we established the fund and we've got fees
6 that are already going in there. Okay? Two, you
7 approved the processing and handling fee but it goes into
8 effect January 1. I had to have the fund set up to
9 receive the fees that are being deposited today. The
10 processing and handling fee goes into effect in January,
11 I won't see those fees start to come in until mid January
12 sometime because there's a lag.

13 MR. OBERMIER: If I can add to that as well.
14 So for the processing and handling fee portion, that
15 coding will go into production October 24. The reason we
16 have to have that running in the RTS system before
17 January 1 is the system needs to know how to correctly
18 calculate whatever the registration renewal fees would be
19 for vehicles expiring January 1 and later because we
20 start processing those 90 days in advance, they're
21 printed about 60 days in advance and then put in the
22 mail. So we already had to have the logic in the system
23 to be able to account for that.

24 MR. KUNTZ: For the record, Jeremiah Kuntz,
25 Vehicle Titles and Registration Division.

1 To add on to what Eric said, IVTRS will also
2 allow a customer to renew online up to 60 days before
3 their expiration of their registration, so November 1
4 technically we may have people that come online on IVTRS
5 to renew their registration early and the system has to
6 be able to correctly calculate those fees for those
7 January renewals that are renewing in November.

8 MS. FLORES: And the coding will tell it where
9 to push it to.

10 MR. KUNTZ: So we could start seeing revenue as
11 early as November from the P&H coming into the DMV Fund.

12 MR. WALKER: I guess what would have been
13 accommodatable to the Board here since this is a new
14 project, so to speak, would have been to see maybe a
15 timeline that says we're going to start this project,
16 these are the things that we're going to implement along
17 the way, and this is our expected date of completion
18 where we're going to attach to the RTS system here, we've
19 got to do this and this and this. That's where my
20 questions really come from is what does the project
21 encompass and what's our expected timeline of getting it
22 done.

23 MS. BREWSTER: Member Walker, we can certainly
24 provide the Board with that, we have that information.
25 We'd be happy to do so.

1 MR. WALKER: Okay. Thanks.

2 MR. TREVIÑO: And given that timeline that you
3 just articulated, you're comfortable that you will have
4 time to fully test, given the dates that you've got
5 coming up. Right? It's mission critical, it's a big
6 deal.

7 MR. OBERMIER: Yes, sir. So while we did get
8 started a little bit late on integration testing, we did
9 get confirmation that that did indeed commence this
10 morning, that we do believe that there is still time.

11 MR. INGRAM: Well, comfortable seems like a
12 strong word.

13 (General laughter.)

14 MS. FLORES: But I do want to make sure you
15 know we did test the DMV Fund. Like I said, I know
16 things are happening behind the scenes; the system is
17 down but we know transactions are going and they're going
18 in the right bucket.

19 MR. OBERMIER: And if I can again just clarify,
20 it's not our system that's down.

21 MR. WALKER: We're just short that \$23 million
22 in there is the only thing we're missing.

23 MS. FLORES: It's the statewide accounting
24 system that's down, as expected.

25 MS. SANDBERG: Any other questions?

1 MR. PALACIOS: Please proceed.

2 MS. SANDBERG: Okay. Last project is on page
3 99, webDEALER. The award-winning project is the first of
4 its kind in the nation and allows a vehicle title to be
5 created, stored and transferred in electronic form,
6 improving the speed and accuracy of the titling process.

7 To date, functionality for new vehicles, used vehicles,
8 commercial fleet buyer, adoption improvements and TxDMV
9 Fund functionality have been implemented, and a module
10 for WebSalvage is being piloted by a salvage dealer. One
11 of the main goals of WebSalvage is to achieve a faster
12 turnaround time for the issuance of salvage and non-
13 repairable vehicle titles while making the submission and
14 approval process easier for salve pool operators,
15 insurance companies and TxDMV.

16 The WebSalvage pilot started on August 1, with
17 Copart's New Braunfels location. VTR and Copart have
18 been in constant communication to ensure users understand
19 how to use the application and that the application is
20 functioning as expected. VTR is also using the pilot
21 phase to fully implement and streamline new procedures to
22 ensure timely processing of the electronic applications.

23 Copart currently has three users at the pilot location
24 authorized to submit applications. A total of 363
25 transactions were submitted in August. VTR has met the

1 goal of reviewing applications the same day they are
2 submitted and approving them the same day the ownership
3 evidence is received from Copart.

4 The criteria for a successful pilot included
5 receiving a continual increase of transactions from
6 Copart, VTR maintaining the current turnaround time on
7 processing applications, and no discovery of major
8 defects in the application. Satisfaction of these
9 criteria will determine the conclusion of the pilot and a
10 timeline for statewide implementation.

11 Future plans for salvage include the ability to
12 pay fees by use of an automated payment gateway, using
13 Texas.gov as the provider. The Board of the Texas
14 Department of Information Resources recently voted to
15 reduce the Texas.gov cost per ACH transaction to 25 cents
16 from \$1 for all systems used by state agencies. This
17 allowed TxDMV to withdraw its waiver request for an
18 exception to the process and to use Texas.gov in a future
19 enhancement to webDEALER Salvage with a date to be
20 determined.

21 Any questions about webDEALER?

22 MR. PALACIOS: I have a question, it's probably
23 for Jeremiah, though. Jeremiah, I was just wondering if
24 you could, I guess, let us know how the participation
25 rate is progressing regarding the usage of the webDEALER

1 software for dealers, used car dealers and so forth.

2 MR. KUNTZ: For webDEALER we continue to have
3 increased usage. The number of applications that are
4 submitted to the counties has continued to grow as we
5 move forward. I don't have the exact numbers right in
6 front of me on the total number of dealers that are
7 participating, but I do believe that we added, I believe
8 it was 20 this last month coming on to webDEALER. So we
9 are having increased participation by the counties and by
10 dealers and I know that our numbers for this year exceed
11 a million transactions for this year alone, I believe
12 we're getting closer to a million and a half for this
13 year, transactions that are being processed in webDEALER.
14 So we continue to have growth in the usage of webDEALER
15 statewide.

16 MR. PALACIOS: I'm just a little concerned.
17 When you rolled this out, we had, I guess, an upward
18 trend, obviously, in usage, and do you know if that's
19 leveled off now? Because I can tell just in the market
20 that I'm in that participation isn't anywhere where we
21 had expected.

22 MR. KUNTZ: Participation definitely varies
23 county to county. We have continued to see transaction
24 volume continue to rise, just total number of
25 transactions that are processed through the system, but

1 we can get you the specific details. And I've got some
2 executive dashboards that I watch on that, so I would be
3 more than happy to provide those to you to show you where
4 we are as far as number of transactions, counties and
5 dealers.

6 MR. PALACIOS: Are there any efforts, I guess,
7 to promote usage of the software?

8 MR. KUNTZ: You know, we continue to work with
9 the counties on that through the regional offices. We
10 definitely had a major effort to get all of what we refer
11 to as our DTA dealers off of the old system which was the
12 jump drive system that the dealers used to utilize.
13 We've moved off of that, 100 percent of our dealers are
14 off of that old system, and so there was a large push to
15 move them over. Since then, we have not had a major
16 initiative to really go out and market this, as we have
17 been focusing on the WebSalvage application and getting
18 it up and running. And so we could definitely take a
19 look at some additional outreach to dealers as well as
20 the counties.

21 We have some further enhancements that will be
22 coming later on that we will be working on once the
23 processing and handling fee has been implemented in
24 webDEALER as well as RTS. So we've got phases to move
25 the e-Tags or the buyer's tag system over into webDEALER,

1 as well as an e-Title functionality for webDEALER that
2 will improve the dealerships' usage of that. So we
3 continue to monitor and look for ways to try and increase
4 usage, and so we can definitely reinvigorate that some
5 more.

6 MS. BREWSTER: Mr. Chairman, if I may. I don't
7 want to give the impression that we are not promoting it
8 at all. Obviously, whenever we have an opportunity
9 before an association, any dealer trainings that are
10 offered, we take advantage of those opportunities to let
11 the dealers know that this is available and it's
12 available statewide for both franchise and independent
13 dealers, as well as, obviously, those releases that are
14 to come, like the salvage release.

15 MR. WALKER: So if it's available statewide, I
16 don't understand why there wouldn't be just a line
17 outside your door waiting to sign up to say I want to do
18 this because it streamlines their ability to do their
19 job. I mean, maybe you two guys up here that sell cars
20 can tell me.

21 MS. BREWSTER: Member Walker, if I may. That
22 is a county decision as to whether or not those dealers
23 want to use webDEALER within their county, so you have
24 some of those counties that are very open to using the
25 system and then there are those that may be a little bit

1 resistant to change.

2 MR. PALACIOS: So do we actually have counties
3 that have prohibited usage of the webDEALER software?

4 MR. KUNTZ: I don't know. I don't have any
5 information or data that I could point that says that I
6 have counties that have outright rejected. There are
7 varying degrees of requirements that we have heard about.

8 I have heard that in some counties they require dealers
9 to process at least 100 transactions a month to be able
10 to qualify, so it really depends county by county on what
11 kind of requirements they put in place or how they
12 evaluate usage. We could definitely have some additional
13 discussions with the counties about what they're doing as
14 far as bringing on dealers, if they have any restrictions
15 that they've placed on those dealerships.

16 MS. SANDBERG: I think also there's been some
17 issues with some of the dealers that just don't want to
18 do that in their office. I have a number of used car
19 dealers that we're trying to get on and they're kind of
20 refusing. They may not have internet or people to do the
21 work, I don't know what the deal is, but we do have some
22 that just refuse to do it.

23 MR. INGRAM: And to your point, Board Member
24 Walker, if you've been lucky enough to have a title clerk
25 that's been with you for a long time, making that shift,

1 that change to doing something differently -- title
2 clerks, they like to do it, like this is the way they're
3 going to do it and they do it this way.

4 MR. WALKER: Dinosaurs.

5 MR. INGRAM: Well, no. They're called valued
6 long-term employees.

7 (General laughter.)

8 MR. WALKER: I have some of those.

9 MR. INGRAM: But you know, change is difficult
10 and so on the dealer side that's one part of it. But on
11 the tax assessor -- and I can't really speak to it but I
12 can give you my impression -- is that especially in the
13 larger counties there is this balancing act that the tax
14 assessors are having to do with putting enough people
15 handling the paper transaction and putting enough people
16 handling the digital transactions, and if they don't get
17 that process right, then it can actually be even more
18 difficult to do it digitally because if they understaffed
19 the digital section -- would you agree that it's a
20 different process? Right? So you don't have the same
21 person doing both necessarily. I'm sure in a smaller one
22 you would, yes. But you possibly could have this person
23 only does digital and if you don't have enough people
24 there, well, then the time to get that process can be
25 quite slow.

1 MR. WALKER: So I guess you told me something I
2 didn't know is that when the dealer goes into the system
3 and enters the information that the information from
4 there goes to the tax assessor-collector's office, and
5 they still have to take and approve and update the
6 process instead of it just being automated into the big
7 box.

8 MR. INGRAM: You're at the mercy of the tax
9 assessor-collector to approve it.

10 Going to that same thing is that there seems to
11 be sometimes a difference in how a tax assessor-collector
12 clerk might look at a paper deal versus a digital deal.
13 A good example is that there might be a small technical
14 error on a paper deal that can be fixed quite easily by a
15 clerk that's right at the counter, but if it's digital,
16 they've got to completely reject that deal, send it back
17 to me, and I've got to fix it and then resubmit it. So
18 you can see where the long-term valued employees might be
19 hesitant.

20 MR. WALKER: So that brings another question
21 that I have that I didn't realize. So on a full service
22 deputy, when a full service deputy basically does the
23 same process in his office, does that still go back to
24 the tax assessor-collector's office again?

25 MR. KUNTZ: You're highlighting the difference

1 between the two systems. webDEALER is an electronic
2 title application submission system, it is not an RTS
3 workstation, so the only thing that webDEALER does is it
4 captures the information and submits it to a county for
5 the county to review and approve the transaction.

6 There's still a review process. The documents are
7 scanned into the system, the clerk in the county office
8 can still review those documents, they're just reviewing
9 them in a digital format rather than in paper. So they
10 review all the documentation and then they approve that
11 transaction.

12 At that point it puts that transaction into the
13 registration and titling system, so it actually pushes it
14 into the system.

15 With the full service deputies, the full
16 service deputies have an RTS workstation. When they
17 approve that transaction, it is approved as if a county
18 clerk had approved that transaction. So there isn't a
19 secondary review by the headquarters office of the county
20 to review those transactions, they're approved just as if
21 a substation of the county had approved the transaction.

22 They're just going in and making sure that the till
23 balances with the transactions that were approved, but
24 that's the only thing that is reviewed in a county
25 office, they're not going back over all that

1 documentation and re-reviewing it and approving it in
2 RTS.

3 MR. WALKER: I thought it was going straight
4 into the system.

5 MR. KUNTZ: webDEALER does not go straight in,
6 there is a pause at the county office for review.

7 MR. WALKER: Basically I just don't have to go
8 down and stand in line to go give them the information,
9 I'm just going to do it at the office.

10 MR. KUNTZ: You're getting in line digitally.

11 MR. WALKER: But somebody still has to approve
12 it and go back and question maybe an error.

13 MR. KUNTZ: Yes, sir.

14 MR. WALKER: I got it.

15 MR. TREVIÑO: How does H.E.B.'s blackout dates
16 affect this project?

17 MR. KUNTZ: H.E.B.'s blackout dates?

18 MR. TREVIÑO: In the document that we have, it
19 says, Risks and issues -- at least the one I have -- the
20 required H.E.B. blackout dates and release dates is a
21 risk. And then it's mitigated so it's good because it's
22 been taken care of, but I don't understand how that
23 affects.

24 MR. KUNTZ: So we have limited service deputies
25 like H.E.B. that utilize WebSub which is a registration

1 renewal system. Most of our limited service deputy
2 partners utilize the web interface that is available.
3 They just go to a URL on their workstation and it pulls
4 up the WebSub application and they process. H.E.B. built
5 an interface system that is embedded into their point of
6 sale system, so it is actually embedded into their
7 system. Any time we change our system, like with the P&H
8 where we require a different fee structure, they have to
9 go into their system and update their system as well.
10 And so their blackout dates for their software upgrades
11 impact our ability for them to be up and ready at the
12 same time as our system.

13 MR. INGRAM: Could you speak just a little bit
14 more about our efforts to start using Texas.gov in terms
15 of timeline, specifically timeline.

16 MR. KUNTZ: So Texas.gov, we actually had a
17 deployment of one of the phases with Texas.gov that
18 happened at the same time as the DMV Fund. We actually
19 migrated our system for online registration renewals to
20 what is referred to as common checkout. That was an
21 upgrade to their newest platform for processing the
22 credit card transactions. We have phase of webDEALER
23 that will integrate a payment functionality into the
24 webDEALER application. I do not have the dates
25 specifically on that integration but we are looking at

1 utilizing ACH and potentially credit cards for some of
2 those transactions. Particularly we've been evaluating
3 ACH, but that is a phase that we have for webDEALER.

4 We have multiple other applications that we are
5 looking to have credit cards added onto. I believe Linda
6 Flores might have some additional information on some of
7 those other applications.

8 MR. INGRAM: So no idea yet on the timeline for
9 the webDEALER part of that. I'm sure there is a timeline
10 perhaps.

11 MS. SANDBERG: There is a timeline, it's just
12 not included on your dashboard, and I apologize, I don't
13 remember off the top of my head what that is.

14 MR. INGRAM: No problem.

15 So the other question is that once that rolls
16 out, is that something that the tax assessor-collectors
17 are going to have an option to use or are they going to
18 be required to use it? How is that going to work?

19 MR. KUNTZ: The way that we have looked at the
20 centralized payment functionality for webDEALER is that
21 that would be an option that the counties and dealers
22 could opt into if they choose to use that. We would not
23 require them, like if you already have an ACH with the
24 county, we would not require those ACH agreements to be
25 canceled and then to use only the application. You could

1 continue to use your separate ACH process outside of
2 webDEALER.

3 MR. PALACIOS: Any further questions for
4 Jeremiah or Ms. Sandberg on webDealer?

5 MS. SANDBERG: I have one last item that if I
6 may draw your attention to on page 99 for webDEALER.
7 You'll notice in the upper left-hand corner, the project
8 end date is now showing as April 30, 2018. This is a new
9 end date since I last reported to you. The last time I
10 reported to you, the project end date was February 2017,
11 and that was to complete all of the remaining phases,
12 some of which we've been discussing, e-Tag, and the e-
13 Titles as well as the centralized payment processing
14 module.

15 We've found that over the past year, year and a
16 half, we've inserted other requirements into the
17 webDEALER project, including single sticker, the adoption
18 improvements release, as well as the TxDMV Fund and
19 processing and handling fee, and that's required us to
20 insert those in before some of these other phases. So
21 the executive steering committee for webDEALER took a
22 long look at the remaining work to be done, the staff
23 capacity for doing all of this work, we looked at
24 multiple options for how to complete the project, and
25 ultimately, both the executive steering committee and the

1 executive governance team approved the option that
2 extended the project end date out to April 2018.

3 This is within the budget that has been
4 approved by the Legislative Budget Board for us to use on
5 the project. There are some increased costs on
6 contractors but we'll still be within our approved plan
7 budget even with this date extension.

8 We've also coordinated with the Texas Quality
9 Assurance Team, who has some oversight responsibility for
10 the webDEALER project because of the duration and because
11 it exceeds \$1 million in cost. They accepted our
12 explanation and had no further questions, so we have
13 reported that to them as well. But I did want to make
14 you aware of that because that is a change since I last
15 reported to you.

16 MR. WALKER: And how much would that be,
17 roughly?

18 MS. SANDBERG: I'm sorry. I should have been
19 prepared to answer that question. I don't have the exact
20 dollar amount for additional contractor costs, but I can
21 get that for you and provide that for you post-meeting,
22 if that's acceptable.

23 MR. WALKER: I'm sure Linda will find the
24 money.

25 MS. SANDBERG: She already has.

1 The last thing in my report today for you is
2 during last fiscal year, September 1 through August 31,
3 TxDMV governance team closed three projects: in January
4 they closed the regional office telecommunications
5 project, in March the RTS name parsing project, and in
6 July the headquarters communications project.

7 That concludes my briefing. Do you have any
8 other questions?

9 (No response.)

10 MS. SANDBERG: Thank you for your time.

11 MR. PALACIOS: Thank you, Ms. Sandberg.

12 MR. INGRAM: Thank you very much.

13 MR. PALACIOS: I'll just note that Board Member
14 Walker stepped out.

15 Okay. Let's move on now to item 2.B.2 on the
16 agenda, the facilities update that will be given by Ms.
17 Flores.

18 MS. FLORES: Thank you, Board members. This is
19 a briefing item, no action is requested.

20 Just to remind everyone, the Texas Department
21 of Motor Vehicles received a special line item
22 appropriation to move two mid-sized regional service
23 centers. We were appropriated about a million-four.
24 However, we were able to identify a small regional office
25 that could be moved as well within the approved budget.

1 The three offices chosen were Corpus, the regional office
2 in Corpus Christi, Pharr, Texas, and San Antonio, Texas.

3 Late yesterday we did receive the approved
4 executed lease for the Corpus Christi Regional Office.
5 They will be housed within a larger organization, the
6 Regional Transit Authority, located across from the city
7 hall in Corpus Christi, Texas. The address, I believe,
8 is 601 Staples. That particular office houses six of our
9 employees and we will have approximately 3,000 square
10 feet. And having the executed lease is important to us
11 so that we can start the logistics of the physical moves
12 and installing badge readers and our security cameras.

13 For the other two regional offices, again, just
14 kind of to level set everyone, we issued a request for
15 proposals back in January of this year, it closed in
16 March of this year. For San Antonio we've looked at four
17 different properties and we have another -- actually,
18 we've looked at seven different properties, and in Pharr
19 we've looked at six different properties. We are still
20 looking for space for these two regional offices.

21 The Pharr Regional Service Center is a little
22 bit closer. We're actually waiting on some drawings from
23 a potential site to determine whether or not our 14 FTEs
24 will be accommodated within a retail space. More
25 importantly, for both of these offices is the need to

1 have enough parking for large 18-wheel trucks to come in
2 in case they need permits. So that seems to be the
3 hurdle we're having to overcome for the two offices in
4 San Antonio and in Pharr.

5 MR. PALACIOS: I'm going to interrupt you for a
6 second and let the record reflect that Board Member
7 Walker has returned.

8 MS. FLORES: We are working very closely with
9 the Texas Facilities Commission, and at this point for
10 the two regional offices in Pharr and San Antonio, we
11 will probably need to escalate our concerns within that
12 commission and I already have an email in to our point of
13 contact there. And that's where we're at.

14 MR. WALKER: Ms. Flores, let me make a comment.
15 I appreciate that the agency is concerned about the
16 trucking industry being able to have access to those
17 offices to get those permits, but in reality, we had that
18 same concern down in Houston, I bet if you did a survey
19 you'd find out that 18-wheelers really don't go to any of
20 our offices to pick up that stuff, to be honest with you.

21 MS. FLORES: Well, I can tell you specifically
22 for the Pharr Regional Service Center, our regional
23 service center manager indicated that there were a lot of
24 trucks that come through his particular location. It's
25 probably because they're close to the border and so

1 there's a lot of activity down in Pharr.

2 In San Antonio, yes, we still have some concern
3 to have the large trucks come by, but in this particular
4 location it's more about the parking.

5 But more to come, and that concludes my
6 briefing.

7 MR. PALACIOS: Thank you, Ms. Flores.

8 Any questions for Ms. Flores the facilities
9 update?

10 (No response.)

11 MR. PALACIOS: Thank you.

12 Let's move on now to agenda item 2.C, the
13 legislative and public affairs briefing that will be
14 given by Ms. Caroline Love.

15 MS. LOVE: Good morning. My name is Caroline
16 Love. I am the director of the Government and Strategic
17 Communications Division, and today I'll be giving you all
18 a briefing on implementation of legislation passed by the
19 84th Legislature, as well as an update on the efforts
20 related to the 85th Legislative Session upcoming in 2017.
21 You can find my briefing materials on page 102 of your
22 board book.

23 The last time that I was before the Board
24 giving an update on this was in February, and we have
25 seen quite a bit of activity since then. At that time we

1 had 34 bills that had been fully implemented and 37 that
2 remained to be implemented. Now we are up to 51 bills
3 being fully implemented, with 20 that are to be
4 implemented still, and that's a little bit of an uptick
5 from what you see in your board book because we've had
6 some activity within the last week or so.

7 And so I'll kind of give you an overview of
8 what remains to be done. There is one bill, House Bill
9 315, which created the "In God We Trust" specialty
10 license plate that is still awaiting an \$8,000 deposit
11 that's required by the law.

12 And there was another one, House Bill 2424 that
13 is noted in your book that allows insurance companies to
14 get refunds for any amounts that they overpaid related to
15 the Auto Burglary and Theft Prevention Authority fee. We
16 have received the guidance that we needed on that from
17 the Comptroller's Office, and so we have now implemented
18 that process and that one is considered implemented.

19 And then, of course, we have two pretty
20 significant bills that are effective today. One has
21 already been mentioned pretty extensively by our CFO and
22 others which is Senate Bill 1512 related to the
23 recreation of the Texas Department of Motor Vehicles
24 Fund, and so that is out there today.

25 And then in addition, we also had House Bill

1 735 by Representative Israel that's effective today,
2 which requires the department to submit a report to the
3 legislature on the number of alternatively fueled
4 vehicles that are registered in the state. That one has
5 an authority for the Board to adopt rules related to
6 providing that report, and those rules will be considered
7 by you all later today.

8 And then we have 16 remaining bills to be
9 implemented. Many are done from a practical standpoint,
10 however, there's small things such as an update to a
11 brochure which is in the works for all the military
12 specialty license plates. So there are just a very few
13 items that remain to be implemented and we're well on our
14 way with those.

15 So that is the update on the items from the
16 84th Legislative Session. Are there any questions about
17 that portion?

18 MR. PALACIOS: Yes. Ms. Love, of the 16 items
19 that you have that remain to be implemented, can you just
20 go over the top priority items?

21 MS. LOVE: Sure. So as I mentioned, ten of
22 those are related to the military specialty license
23 plates that are available and they're new plates that are
24 available right now to the public but the brochure that
25 details all of those plates is in the final review

1 process and should be approved very shortly.

2 The other six bills that remain, they are
3 actually some that just require manual updates related to
4 various small items, and one is related to items that
5 will be considered in the Chapter 215 rules that will
6 also be up for consideration later today.

7 MR. PALACIOS: Anyone have any questions for
8 Ms. Love?

9 (No response.)

10 MR. PALACIOS: Thank you very much.

11 MS. LOVE: Sure. The next item that I have as
12 well relates to the process for the 85th Legislative
13 Session, and one of the things that the Transportation
14 Code charges the DMV Board with is considering
15 opportunities for improvement to the recommended changes
16 in statute that might help with agency functions and
17 operations. What the code states is: The Board shall
18 consider ways in which the department's operations may be
19 improved and may periodically report to the legislature
20 concerning potential statutory changes that would improve
21 the operation of the department.

22 And what the Government and Strategic
23 Communications Division has been doing for the past
24 several months is working with all of the divisions to
25 obtain feedback and ideas on what items should be

1 considered for this type of improvement, and we are in
2 the process of finalizing those items internally. Within
3 the next week or so we'll be starting to reach out to
4 stakeholders so we can start getting that feedback. And
5 then at that point, I'll be working with the Legislative
6 Committee of this Board and then we'll have a report to
7 the Board likely around the November meeting, around the
8 November time frame.

9 There are some key dates that it wanted to
10 mention related to the upcoming session. November 8 is
11 election day, and if you're interested, early voting will
12 begin October 4. The bill pre-filing for the 85th
13 Legislative Session begins November 14, and then the
14 first day of the session is January 10 of 2017.

15 And that concludes my remarks. If there's any
16 questions, I'm happy to answer them. Thank you.

17 MR. PALACIOS: Thank you, Ms. Love.

18 Let's move on to the next agenda item. We have
19 a contested case that will be presented by Mr. Daniel
20 Avitia.

21 MR. DUNCAN: Members, David Duncan, general
22 counsel.

23 While Mr. Avitia and Mr. Herring are getting
24 situated, I'd like to inform the Board that the two
25 parties' counsel have presented us with an oral

1 presentation waiver which means they're not going to get
2 up -- that's why the timer is gone. And they both signed
3 a statement.

4 "The parties in the above-referenced case
5 jointly advise the Texas Department of Motor Vehicles
6 Board that neither party will present oral arguments
7 during the September 1, 2016 Board meeting. The parties
8 agree that the written materials before the Board
9 properly reflect their respective positions and that
10 additional oral presentations would tend to be
11 repetitive. Neither party waives any rights, including
12 but not limited to the right to file a motion for
13 rehearing or the right to appeal these proceedings."

14 And it's signed by Howard Rose, attorney for
15 Autobahn Imports d/b/a Land Rover of Fort Worth, and Colm
16 Moran who is the attorney for Jaguar Land Rover North
17 America.

18 MR. AVITIA: Mr. Duncan, thank you.

19 Chairman, Board members, Ms. Brewster, good
20 morning. For the record, my name is Daniel Avitia. I am
21 the director of the Motor Vehicle Division. Alongside me
22 this morning is Mr. Ken Herring. He is a staff attorney
23 with the Motor Vehicle Division, as well as the attorney
24 assigned to review this matter.

25 Agenda item number 2.D, which can be found on

1 page 106 of your board books, is being presented for the
2 Board's consideration to adopt a final order. The
3 proposed order aligns with the State Office of
4 Administrative Hearings judge's proposal and
5 recommendations to the Board. Item 2.D is a franchised
6 contested case regarding Autobahn d/b/a Land Rover of
7 Forth Worth v. Jaguar Land Rover North America. The
8 matter had a proceeding conducted by judges of the State
9 Office of Administrative Hearings.

10 The complainant, a franchised dealer, filed a
11 case against the respondent, a licensed manufacturer,
12 alleging three separate violations of the Texas
13 Occupations Code. The complainant filed a motion for
14 summary disposition requesting that the case be decided
15 against the respondent as a matter of law without a full
16 contested case hearing. The SOAH judges granted the
17 complainant's motion and ruled against the respondent as
18 to two of the violations. After getting this ruling, the
19 complainant withdrew the remaining violation.

20 By law, the Board can change findings,
21 conclusions or orders issued by a SOAH judge when change
22 is justified under Texas Government Code 2001.058(e).
23 Staff has reviewed this matter and finds that 2001.058(e)
24 justifications are not present in this case. That is to
25 say that: one, the SOAH judge did not fail to properly

1 apply or interpret applicable law, agency rules, written
2 policies or prior administrative decisions; two, there is
3 not a prior administrative decision on which a SOAH judge
4 relied on that is incorrect or should be changed; and
5 finally, third, there is not a technical error in a
6 finding of fact that should be changed.

7 After staff's review of all the documents that
8 are before the Board today, staff recommends that the
9 Board issue an order which adopts the judge's proposed
10 findings of facts and conclusions of law. Staff has
11 prepared a final order for your consideration, again,
12 which aligns with the judge's proposal and
13 recommendations to the Board.

14 Mr. Herring and I are happy to answer any
15 questions you may have.

16 MR. WALKER: The way I read this last night
17 when I was reading the book is that the parties have
18 agreed on this on both sides, have they not? Did I read
19 that wrong?

20 MR. AVITIA: The parties have agreed not to
21 present oral arguments today. The matter is before the
22 Board for consideration.

23 MR. WALKER: So what is being asked by the
24 parties here today?

25 MR. HERRING: The parties and the staff are

1 requesting that you issue the order that was recommended
2 by staff. The parties aren't necessarily saying that
3 they agree to the order but they are satisfied that their
4 written presentations represent their opinions on both
5 sides of this order and that you can make your judgment
6 based on the written presentation without the need of an
7 oral presentation as well.

8 This is Ken Herring speaking.

9 MR. PAINTER: You're saying the administrative
10 law judge has issued a ruling.

11 MR. HERRING: Correct.

12 MR. PAINTER: And they had their arguments.

13 MR. HERRING: They had their arguments against
14 it, they presented those arguments in writing in the
15 forms of exceptions, and they also have the option after
16 you've presented an order to file a motion for a hearing
17 and go through other steps of appeal, and they will rely
18 on those steps of appeal as opposed to having oral
19 arguments here today.

20 MR. WALKER: So they really didn't want to come
21 and orally argue this in front of us, they just want to
22 put it in a written format and say we'd like you to
23 reevaluate what the SOAH judge determined?

24 MR. HERRING: Assuming that they choose to go
25 through the appeals process, yes. I won't speak for

1 them, but other than say they agreed that neither side
2 would appear today and they would rely on their
3 presentations of exceptions that applies to the
4 administrative law judge, and if they decided to appeal
5 your decision, they would rely on the process of motions
6 for rehearing and further appeal.

7 MR. WALKER: David, is this not like some of
8 the deals that we have done in electronic format in the
9 past maybe, where we've gotten requests.

10 MR. DUNCAN: On motions for rehearing.

11 MR. WALKER: I mean, I'm confused. Are they
12 asking for a motion to rehear and here's the facts?

13 MR. DUNCAN: So this is a very straightforward
14 presentation of a PFD. The judge has rendered a proposal
15 for decision. Mr. Avitia has properly laid out that the
16 Board's discretion in overturning a PFD is very limited
17 by the Government Code 2001.058(e), and the staff is
18 requesting that you adopt the PFD essentially exactly as
19 it's written because there's no grounds to overturn it.

20 MR. WALKER: That's the way I read it and
21 that's my understanding, which we've never in all the
22 years seen something as unusual as this in this requested
23 format without somebody being here to argue the case.

24 MR. AVITIA: That is correct. Essentially what
25 typically happens is you'll have representation from both

1 parties presenting oral arguments for your consideration,
2 and essentially what the parties have agreed to, again,
3 as Mr. Duncan mentioned, is not to present oral arguments
4 today. That is the only difference in the discussion
5 that we're having today versus what we usually present to
6 you.

7 MR. PALACIOS: So what is before us now is, I
8 guess, whether or not we want to concur with the staff
9 and go along with the ALJ's recommendation.

10 MR. WALKER: You have to. There's no way to
11 overrule it. There's no evidence being presented to
12 change the facts of the SOAH judge.

13 MR. INGRAM: Well, you could theoretically take
14 a look at the response by the respondent and look at that
15 and make a determination that there is a case. I'm not
16 saying that there is. I'm just saying that there is some
17 option.

18 MR. WALKER: But it ought to be his
19 responsibility, as far as I'm concerned. If he wants to
20 bring it before this Board and argue those points, he
21 ought to be here to argue those before this Board.

22 MR. INGRAM: I guess you could argue, though --
23 I mean, I'm not being argumentative -- sounds bad, I
24 guess I am.

25 (General laughter.)

1 MR. INGRAM: I guess you could say that they
2 have, in fact, made the presentation by the response.

3 MR. PALACIOS: And then the other argument is
4 the complainant is not here to argue either, so neither
5 party is here.

6 MR. AVITIA: That is correct.

7 MR. INGRAM: The next action beyond this
8 ruling, whichever way it may go, for these individuals
9 would be to ask for a rehearing?

10 MR. AVITIA: Correct. They could request a
11 motion for rehearing for your consideration.

12 MR. WALKER: I would like to make a motion that
13 the Board accept the advice of our staff which would be
14 to let the SOAH decision stand as it is on its merits and
15 that's there been no evidence presented otherwise to
16 overturn or to change the SOAH decision, is the way I see
17 it.

18 MR. PAINTER: Second.

19 MR. PALACIOS: There's a motion by Board Member
20 Walker to accept the ALJ's conclusions and follow the
21 amended PFD, seconded by Board Member Painter. Any
22 discussion?

23 (No response.)

24 MR. PALACIOS: All in favor raise your right
25 hand.

1 (A chorus of ayes.)

2 MR. PALACIOS: All opposed.

3 (No response.)

4 MR. PALACIOS: The motion is unanimous.

5 Thank you very much, Mr. Avitia.

6 MR. AVITIA: Members, thank you.

7 MR. PALACIOS: Mr. Herring, thank you.

8 Let's move on, we're getting towards the end
9 here, folks. We're going to move on to agenda item 2.E,
10 proposals of the rules under Title 43, Texas
11 Administrative Code. Mr. Avitia and Mr. Kuntz will give
12 us a briefing.

13 MR. DUNCAN: If you don't mind, Daniel, I'll
14 kick this one off as well.

15 David Duncan, general counsel again.

16 The E.1 on the agenda, the 215 rules, is a
17 little bit unusual in that this is the third attempt at
18 proposing this package. We brought it to you twice
19 before. One time we just ran out of time, and then this
20 last time we ran out of time because we ran out of Board
21 members, so we couldn't have a quorum in time to get
22 these in front of you.

23 We have worked extensively with the regulated
24 community in both rounds of the proposal of this rule and
25 we were fully prepared to have an adoption package that

1 resolved all of the issues we could resolve in those
2 rules. And so with all of that history, we called
3 Chairman Palacios and asked his permission to publish
4 this by permission.

5 Chairman Walker, you may remember approving
6 that a handful of times.

7 It's unusual, but the Government Code does not
8 require boards to approval rules for proposal, only
9 adoption. We typically would like to bring these to you,
10 but with the history of these rules and having been
11 proposed twice before, we thought it really wouldn't be
12 that big a deal to go ahead and propose theme one more
13 time. And that will also give us a little bit of extra
14 time and we may be able to bring the adoption back to the
15 November Board meeting.

16 So I just wanted to give that background and
17 note that this is not an action item for proposal.

18 MR. PALACIOS: Thank you.

19 Let's move on then to item 2.E.2.

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

22 Before you we have amendments to Chapter 217.9
23 of the Administrative Code. These rules are for your
24 consideration for approval to be published for public
25 comment. The impetus of these rules actually resulted

1 from an initiative that the Title Services Section of my
2 division had conducted this last fiscal year relating to
3 improving all of our title forms. We have consolidated
4 some of those title forms and there was actually a title
5 form number that was listed in this section of the
6 Administrative Code that needed to be removed because
7 that form will no longer be utilized, it has been
8 consolidated with another form.

9 So as we opened up this section of the
10 Administrative Code, there were some additional items
11 that needed to be clarified, so the amendments before you
12 are for clarification purposes, they are non-substantive
13 in their nature.

14 Mr. Chairman, would you like me to continue
15 with the other ones?

16 MR. PALACIOS: Yes, please proceed.

17 MR. KUNTZ: The next package of rules is
18 217.57. This is a result of House Bill 735 from the 84th
19 Legislative Session. You heard Caroline Love refer to
20 this. This is the report for the alternatively fueled
21 vehicles; this is a report that is required to given to
22 the legislature annually. That bill required us to adopt
23 rules to implement that report, so these rules are merely
24 to require the agency to submit that report to the
25 legislature annually.

1 I can go through all these but I bet you can
2 read them, the final amendments are to various sections
3 of 217. These are a result of the rule review process
4 that the General Counsel's Office has undergone. All of
5 these changes to these various sections of 217 are non-
6 substantive in nature, they are clerical changes to that
7 code for your consideration.

8 MR. PALACIOS: Thank you. We need a motion,
9 please.

10 MR. WALKER: All of this is just some cleanup
11 stuff?

12 MR. KUNTZ: Yes, sir.

13 MR. TREVIÑO: I move we adopt changes as
14 presented by staff.

15 MR. WALKER: Second.

16 MR. INGRAM: To clarify, we're publishing.
17 Correct?

18 MR. KUNTZ: For publication.

19 MR. PALACIOS: We have a motion from Board
20 Member Treviño, second by Board Member Walker. All in
21 favor please signify by raising your right hand.

22 (A chorus of ayes.)

23 MR. PALACIOS: All opposed.

24 (No response.)

25 MR. PALACIOS: Motion carries unanimously.

1 Thank you, Mr. Kuntz.

2 Item 2.E.3 has been removed from the agenda, as
3 we previously mentioned.

4 MR. WALKER: I make a motion to adjourn, Mr.
5 Chairman.

6 MR. PALACIOS: Wait a minute, there's got to e
7 something here, it's not 12:00 yet.

8 I just want to make an announcement. The Board
9 will be meeting on November 3, that is a Thursday.

10 If there's no other items to be discussed here,
11 no other agenda items, I guess you made a motion to
12 adjourn.

13 MR. GRAHAM: Second.

14 MR. PALACIOS: Motion by Board Member Walker.
15 You've already contributed. Thank you, Mr. Graham.

16 Board adjourned.

17 (Whereupon, at 11:52 a.m., the meeting of the
18 Board of the Texas Department of Motor Vehicles was
19 adjourned.)

C E R T I F I C A T E

MEETING OF: Texas Department of Motor Vehicles

LOCATION: Austin, Texas

DATE: September 1, 2016

I do hereby certify that the foregoing pages, numbers 1 through 112, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

/s/ Nancy H. King 09/08/16
(Transcriber) (Date)

On the Record Reporting
3636 Executive Cntr Dr., G22
Austin, Texas 78731