

TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

Thursday,
August 8, 2019
8:00 a.m.

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

Guillermo "Memo" Treviño, Chair
Charles Bacarisse (absent)
Stacey Gillman
Brett Graham
Tammy McRae
John Prewitt (absent)
Paul Scott (absent)
Shelley Washburn

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7. Chapter 215, Motor Vehicle Distribution Amendments, §§215.88, 215.89, and 215.133 Repeal, §215.102 New, §215.161 (Relating to: <ul style="list-style-type: none"> • Sunset Advisory Commission's recommendations, criminal history evaluations consistent with Occupations Code, Chapter 53: (June 6, 2019 Board Meeting Informal Rules - Published on the TxDMV Website June 10, 2019 - July 10, 2019) • HB 1342, deleting 43 TAC §215.88(i)(2) because it mirrors language repealed; 	64

- HB 1667, allowing independent motor vehicle general distinguishing number license holders to perform certain salvage related activities without holding a salvage dealer's license;
 - HB 3842, requiring a separate general distinguishing number for most consignment locations;
 - SB 604, eliminating representative licenses and adding licensing education and training requirements for independent motor vehicle dealers;
 - SB 1217, prohibiting consideration of certain arrests in determining license eligibility; and
 - eliminating the 50% ownership threshold for possible department action on a license or application; updating citations; and nonsubstantive grammatical changes.)
8. Chapter 221, Salvage Vehicle Dealers, Salvage Pool Operators and Salvage Vehicle Rebuilders Amendments, §§221.1, 221.2, 221.11, 221.13, 221.15, 221.19, 221.20, 221.41, 221.111, and 221.112 64
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 (Relating to:
- Sunset Advisory Commission's recommendations, criminal history evaluation and guidelines consistent with Occupations Code, Chapter 53 for salvage industry regulation, criminal background of applicant's partner, company principal, officer, or general managers as a qualifying factor for license issuance, and establishing a risk-based approach to salvage vehicle dealer inspections: (June 6, 2019 Board Meeting Informal Rules - Published on the TxDMV Website June 10, 2019 - July 10, 2019);
 - SB 1217, prohibiting consideration of certain arrests in determining license eligibility;
 - SB 604, eliminating salvage endorsements and salvage agent licenses; authority to set salvage license terms, and prorate fees; cease and desist authority; and
 - HB 1667, allowing independent motor vehicle general distinguishing number license holders to perform certain salvage related activities without holding a salvage dealer's license.)
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| 10. | Chapter 217, Vehicle Titles and Registration Amendments, §§217.2, 217.45, and 217.46
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EXECUTIVE SESSION

19.	The Board may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code, Chapter 551:	160
	• Section 551.071	
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	• Section 551.089	
20.	Action Items from Executive Session	none
21.	Public Comment	none
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P R O C E E D I N G S

1
2 MR. TREVIÑO: Good morning. My name is Memo
3 Treviño, and I'm pleased to open the Board meeting of the
4 Texas Department of Motor Vehicles. It is 8:03 a.m., and
5 I am calling the Board meeting for August 8, 2019 to
6 order.

7 I want to note for the record that the public
8 notice of this meeting, containing all items on the
9 agenda, was filed with the Office of the Secretary of
10 State on July 31, 2019.

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
17 an 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're interested
20 in commenting on and indicate if you wish to appear
21 before the Board and present your comments, or if you
22 only wish to have your written comments read into the
23 record. If your comment does not pertain to a specific
24 agenda item, we'll take your comment during the general
25 public comment portion of the meeting.

1 In accordance with department administrative
2 rule, comments to the Board will be limited to three
3 minutes. To assist each speaker, a timer has been
4 provided. The timer light will be green for the first
5 two minutes, yellow for one minute, and then red when
6 your time is over. Individuals cannot accumulate time
7 from other speakers. Comments should be pertinent to
8 issues stated on the comment sheet. When addressing the
9 Board, please state your name and affiliation for the
10 record.

11 Before we begin today, I'd like to remind all
12 presenters and those in attendance of the rules of
13 conduct at our Board meetings. In the department's
14 rules, Section 206.22, the Board Chair is given authority
15 to supervise the conduct of meetings. This includes the
16 authority to determine when a speaker is being disruptive
17 of the meeting or is otherwise violating the timing or
18 presentation rules I just discussed.

19 I ate one of those Kind bars, and one of those
20 things just got stuck in my throat there.

21 MR. GRAHAM: It wasn't kind.

22 (General laughter.)

23 MR. TREVIÑO: No, it wasn't, Member Graham.
24 Thank you very much for pointing that out.

25 And now I'd like to have a roll call of the

1 Board members.

2 Member Gillman?

3 MS. GILLMAN: Present.

4 MR. TREVIÑO: Member Bacarisse, absent.

5 Member Graham?

6 MR. GRAHAM: Present.

7 MR. TREVIÑO: Member McRae?

8 MS. McRAE: Here.

9 MR. TREVIÑO: Member Washburn?

10 MS. WASHBURN: Here.

11 MR. TREVIÑO: And let the record reflect that
12 I, Memo Treviño, am here too, and we have a quorum. And
13 let the record also reflect that Members Bacarisse,
14 Prewitt, and Scott are absent today.

15 Now for the pledges of allegiance to the state
16 and to the United States. Please all stand and honor our
17 country and state with the pledges of allegiance.

18 (Whereupon, the U.S. and Texas pledges were
19 recited.)

20 MR. TREVIÑO: Okay. I'd also like to take a
21 moment now. Many lives were affected last weekend in El
22 Paso, Texas and Dayton, Ohio. Please join me for a
23 moment of silence for each of the victims, their families
24 and loved ones, and our nation, in this moment of
25 national tragedy.

1 (Whereupon, a moment of silence was observed.)

2 MR. TREVIÑO: My thoughts and prayers go with
3 all of them.

4 All right. We'll move on to agenda item
5 number 3. They're not here yet.

6 All right. Then we will move on from agenda
7 item 3, we'll skip it for the moment, and we'll move on
8 to agenda item 4, Chair's Reports.

9 A few weeks ago, I was invited to join
10 Chairman Tommy Hansen of the Texas Automobile Burglary
11 and Theft Prevention Authority, as well as ABTPA Director
12 Bryan Wilson, to meet with Laredo's assistant police
13 chief and ABTPA Board Member Mike Rodriguez, to tour our
14 Laredo Auto Theft Task Force.

15 Now, I don't know if I'm reflective of most
16 citizens of Texas, but I never really thought a lot about
17 auto theft, and I never really connected the dots. I
18 thought auto theft was just a one-off crime, you know,
19 they steal a car, they go and sell it.

20 But it was really illuminating to have these
21 warriors for our state explain to me the connection
22 between auto theft and so many other types of organized
23 crime and all kinds of other things.

24 You know, you don't take your car and say,
25 Honey, I'm going to go steal some stuff, I'm going to

1 take the family car, and I'll be home later. That's
2 probably not a good idea, because they can track you and
3 they find out who you are. Right? So if you're going to
4 do some major crime, you're going to steal a car, that
5 way they can't trace you.

6 And they were really cogently able to explain
7 to me just that connection, and the ability to limit the
8 amount of auto theft has all kinds of benefits all along
9 that whole crime chain, if you will. So by stopping auto
10 theft, you really inhibit organized crime and all kinds
11 of other bad actors' ability to move around and commit
12 crimes in an organized fashion. So it was a great trip,
13 and I just can't say enough about it. I was really
14 impressed by what they were doing down there.

15 Since the ABTPA began cracking down on auto
16 theft in the early 1990s, the number of vehicles stolen
17 has dropped steadily for more than 20 years. Texas has
18 recovered more than 1.5 million for a value of more than
19 \$11.6 billion to Texans.

20 ABTPA unites law enforcement, the insurance
21 industry, and community groups to fight vehicle theft and
22 support recovery efforts. For fiscal year 2019, ABTPA
23 awarded nearly \$13 million in grants to 24 auto theft
24 task forces across Texas. The 86th Legislature expanded
25 the scope of ABTPA and updated its name to the Motor

1 Vehicle Crime Prevention Authority, effective September
2 1, 2019.

3 The MVCPA has partnered with the National
4 Insurance Carriers Crime Bureau, the Insurance Council of
5 Texas, and Texas singer-songwriter Gary P. Nunn to launch
6 a public service campaign to educate the public on the
7 name change and the importance of "If You Like It, Lock
8 It."

9 MS. GILLMAN: We got Gary P. Nunn.

10 MR. TREVIÑO: Yes, we got Gary P. Nunn.

11 Member Gillman will also be participating in
12 those commercials, I think.

13 MR. GRAHAM: Why don't you go ahead and sing
14 it for us.

15 (General laughter.)

16 MR. TREVIÑO: Please get us started early in
17 the morning.

18 And so we will move on to the next portion of
19 my report, and you know, our staff is always doing
20 terrific things, and it's just a pleasure to recognize
21 that. The American Association of Motor Vehicle
22 Administrators, AAMVA, Region 2, 2019 conference just
23 happened. Also, I want to mention the awards presented
24 to TxDMV at this year's conference. TxDMV won the Fraud
25 Prevention and Detection Award, Motor Vehicle Agency for

1 TxDMV FMCSA consumer protection partnership. Amber Ott,
2 enforcement investigator, won the fraud prevention and
3 Detection Award, Individual.

4 Each year AAMVA recognizes an agency that has
5 implemented a new program or initiative to ensure the
6 integrity of the products and services motor vehicle
7 administrators offer to the public, as well as provide
8 recognition to an individual who has made a specific
9 contribution to thwart motor vehicle agency related
10 crime, and I'm very pleased to share that last year Texas
11 DMV and our own Amber Ott received both of these
12 recognitions, respectively. So I think that's a big
13 round of applause.

14 (Applause.)

15 MR. TREVIÑO: AAMVA Fraud Prevention Detection
16 Award for a Motor Vehicle Agency was awarded to Texas DMV
17 for the department's ongoing cooperative effort with the
18 Federal Motor Carrier Safety Administration which allows
19 Texas DMV to enforce federal laws and regulations
20 governing the interstate transportation of household
21 goods. Notably, this endeavor allowed the department to
22 assist almost 200 Texans whose household goods were held
23 hostage by a single moving company, ultimately reuniting
24 them with their possessions.

25 In connection with the same program, AAMVA

1 also recognized Amber Ott -- wow, she took home all the
2 awards -- of the Texas DMV Enforcement Division for her
3 tireless work on these hostage load cases, which proved
4 to be one of the incidents of fraud involving a mover in
5 the United States --

6 MS. BREWSTER: Largest.

7 MR. TREVIÑO: To be one of the largest --
8 okay, that's an important word there -- largest incidents
9 of fraud involving a mover in the United States history.

10 Investigator Ott not only led state-level
11 investigative efforts undertaken by Texas DMV, but also
12 facilitated the development of multiple cases by federal
13 law enforcement agencies through the gathering of
14 documents and interviewing victims and suspects alike.

15 On behalf of the Texas DMV Board and the
16 department, thanks to all these efforts to combat fraud
17 and help make a difference for Texans every day. And
18 congratulations, Amber Ott, for that wonderful work. I
19 don't know if she's here.

20 (Applause.)

21 MR. TREVIÑO: Well done, well done.

22 MR. TREVIÑO: So then we'll just move into
23 Executive Director's Reports. Whitney.

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

25 Good morning, Mr. Chairman, Board members,

1 staff and our guests. For the record, Whitney Brewster,
2 executive director.

3 Mr. Chairman, if I may take just things
4 slightly out of order.

5 MR. TREVIÑO: Please, feel free.

6 MS. BREWSTER: Since you were talking about
7 the AAMVA conference and the awards that both the agency
8 received, as well as Investigator Ott.

9 This past June 24 through 26, the Texas DMV
10 hosted the American Association of Motor Vehicle
11 Administrators Region 2 conference in Houston. And just
12 to let the Board know what AAMVA is, it's our
13 professional association at the national level.

14 It's a nonprofit organization, and it assists
15 with developing model program in motor vehicle
16 administration, law enforcement, and highway safety, and
17 it encourages reciprocity between the states, as well as
18 U.S. territories and Canadian provinces. The association
19 also serves as a liaison with our federal partners as
20 well. Its development and research activities provide
21 guidelines for more productive public service.

22 And so AAMVA has four regions. We are in
23 Region 2, and as the president of the Southern Region, I
24 welcomed more than 400 attendees from across the region
25 to share information about issues of importance to the

1 DMV industry. AAMVA conferences provide excellent
2 opportunities to connect with our colleagues from other
3 states and share industry best practices so that we can
4 all do a better job in what we do.

5 The Texas DMV team led the program development
6 and oversight, assisted with the logistics and planning,
7 and I facilitated the event. We also included our sister
8 agency, the Department of Public Safety. We had some
9 speakers from DPS, as well as invited Executive Director
10 Steve McCraw to speak at the opening ceremony.

11 And I just want to say none of this could have
12 been possible without the excellent conference support
13 from our staff. I'm extremely thankful for our staff in
14 planning a fantastic agenda and incredible events.

15 Tony Hall, from our Vehicle Titles and
16 Registration Division, was our program coordinator, and
17 Wendy Cook, from our Government and Strategic
18 Communications Division, was our logistics coordinator.
19 I'd like to ask them to stand, and if you will join me in
20 giving them a round of applause, I would appreciate it.

21 (Applause.)

22 MS. BREWSTER: This was something above and
23 beyond their daily activities here at the agency, and
24 they just did a tremendous job. I cannot thank them
25 enough for their hard work.

1 I've heard so many times what a wonderful team
2 we have and what a valuable conference it was. I also
3 want to recognize the rest of the conference team who
4 helped on the ground, making sure that things were moving
5 forward with the conference.

6 In addition to Tony and Wendy, we had Tori
7 Nichols from the Compliance and Investigations Division,
8 Monica Hernandez from Finance and Administrative
9 Services, Eliza Posas from Consumer Relations Division,
10 Tom Shindell from our Executive Office, Taurie Randermann
11 from the Government and Strategic Communications
12 Division, and Kimberly Jaso from the Vehicle Titles and
13 Registration Division.

14 We also had various speakers. Our own
15 Jeremiah Kuntz was a speaker -- I know that comes as a
16 shock to y'all -- as well as Candy Sutherland from VTR,
17 and Clint Thompson, also Robert Foster from our
18 Compliance and Investigations Division was also a
19 speaker.

20 Again, if you will join me in recognizing the
21 rest of the team for a job well done. I could not have
22 asked for it to go better.

23 (Applause.)

24 MR. TREVIÑO: And congratulations on your
25 leadership role with that organization. I know that's a

1 lot of work, and it speaks very highly of your efforts in
2 leading that organization. So thank you.

3 MS. BREWSTER: I couldn't do it without a
4 great team at home. So thank you.

5 Moving back to item 5.A, Mr. Chairman, as you
6 may recall, one of the Board's strategic goals for the
7 department is optimize services and innovation.

8 One way the agency is supporting this goal is
9 through the TxDMV's Innovation Program, which is in its
10 second year. The purpose of the program is to foster a
11 greater department-wide culture of innovation across
12 every level of the department.

13 It was created to increase staff interest and
14 participation in making improvements to the department,
15 offer incentives to staff who develop and submit
16 innovative ideas, and recognize the positive changes
17 brought about by employees' innovations. The program
18 organizes innovative idea submissions into three
19 different categories: process improvement, customer
20 service, and cost savings or reduction.

21 Tomorrow afternoon, August 9, we will be
22 holding the second Innovation Program awards celebration
23 from one o'clock here in the Lone Star Room, and we will
24 be recognizing 13 employees from six different divisions
25 who have either submitted innovative ideas or those ideas

1 have been implemented.

2 I certainly would like to extend an invitation
3 to any Board member, if time allows, to attend that. But
4 did want to recognize that we have employees that are
5 doing a tremendous job in terms of trying to bring
6 forward new ideas on ways that we can improve and
7 ultimately be a better department.

8 So with that, I'd be happy to answer any
9 questions that you have.

10 MR. TREVIÑO: Does any of the Board have any
11 questions for Director Brewster?

12 (No response.)

13 MS. BREWSTER: All right. Moving on to item
14 5.B. Members, I'm really proud to be able to give you an
15 update on the Performance Quality Recognition Program.
16 This is a program the department developed a few years
17 ago to recognize the hard work of the tax assessor-
18 collectors and their staff. The Performance Quality
19 Recognition Program is a voluntary program, available for
20 all Texas county tax assessors regardless of size. It's
21 a scalable program, so all of the counties can
22 participate.

23 We strongly believe in celebrating the
24 successes of these offices, and this program is just the
25 opportunity to do that. It recognizes tax assessor-

1 collectors and their staff at three different levels,
2 gold, silver, and bronze, for outstanding performance and
3 efficiency in processing title and registration
4 transactions.

5 So for 2018, seven Texas counties earned
6 Performance Quality Recognition Program awards from the
7 department. And I had the opportunity, along with Deputy
8 Executive Director Shelly Mellott and VTR Director
9 Jeremiah Kuntz, to recognize the gold and silver
10 recipients of the award, and I just thoroughly enjoyed
11 being able to do that.

12 This year's winners for gold are: Bee County,
13 Linda Bridge, Tax Assessor-Collector; Williamson County,
14 Larry Gaddes, Tax Assessor-Collector -- that also happens
15 to be my tax assessor-collector, so that was especially
16 special for me to be able to present that award;
17 Galveston County, Cheryl Johnson, Tax Assessor-Collector,
18 and former TxDMV Board member; Grimes County, Mary Ann
19 Waters, Tax Assessor-Collector.

20 For bronze recognition: Austin County, Kim
21 Rinn, Tax Assessor-Collector; Madison County, Karen M.
22 Lane, Tax Assessor-Collector; and for Waller County,
23 Ellen Contreras Shelburne, Tax Assessor-Collector.

24 Again, I want to thank these counties for
25 going above and beyond. They submitted excellent

1 documentation of the things that they're doing, so much
2 so that we looked at how we might be able to implement
3 some of their ideas at the department. So this is really
4 a great opportunity to bring forth best practices across
5 the tax assessor-collector community, and please join me
6 in congratulating the recipients of the Performance
7 Quality Recognition Program.

8 (Applause.)

9 MR. TREVIÑO: Hear, hear.

10 Member McRae, do you have any comments on
11 that?

12 MS. McRAE: Well, I would just like to say we
13 are very proud of those tax assessor-collectors. They
14 work very hard, and I know that we've had others in the
15 first year that have received the award as well, and we
16 appreciate their hard work and dedication, not only to
17 DMV but to the motoring public of Texas. So
18 congratulations.

19 MR. TREVIÑO: Thank you.

20 MS. BREWSTER: Thank you.

21 Moving on to item 5.D. The doors of the Texas
22 Department of Motor Vehicles first opened November 1,
23 2009. That means we are planning to celebrate ten years
24 of service later this year. With the TxDMV Board meeting
25 coming up on October 3, we are working on events to mark

1 this momentous occasion. Staff is identifying
2 opportunities to have an off-site evening event on
3 October 2, as well as an on-campus luncheon upon
4 conclusion of the October 3, TxDMV Board meeting. Both
5 events would be open to all TxDMV employees and friends
6 of the department, with more details forthcoming soon.

7 With the 86th Legislature passing SB 6604, our
8 Sunset Bill, extending the TxDMV through 2031, we look in
9 the rearview mirror to celebrate our many accomplishments
10 these past ten years, while also looking through the
11 windshield down the road ahead to continue our successes
12 for many years to come.

13 So I'd like you to mark your calendars, and
14 certainly, again, it would be for employees, Board
15 members, and friends of the department, it would be open
16 to all.

17 MR. TREVIÑO: Great.

18 MR. GRAHAM: And hopefully Member Gillman will
19 be able to entertain us with that song that she's working
20 on.

21 MS. GILLMAN: I'll be practicing.

22 MR. GRAHAM: Outstanding. That's exciting.

23 MS. BREWSTER: I look forward to that.

24 MR. Chairman, if there aren't any questions on
25 that item, I'd like at this time to ask Martha Yancey,

1 from our Human Resources Division, to come forward. We
2 would like to recognize our recent retirees and employees
3 who have reached a state service milestone. We celebrate
4 these employees as a show of appreciation for their many
5 years of service to the citizens of the Great State of
6 Texas.

7 Chairman Treviño, Board members, if you would
8 please join me at the front of the dais to congratulate
9 our recipients.

10 MR. TREVIÑO: It would be a pleasure.

11 MS. YANCEY: Good morning. Martha Yancey,
12 Human Resources Division.

13 I am happy to say we have an employee reaching
14 her 20-year state service milestone. Denise Cagle,
15 please join us.

16 (Applause.)

17 MS. YANCEY: Denise came to the Department of
18 Motor Vehicles when the Motor Carrier Division joined the
19 agency in January 2012. Her career with the State of
20 Texas began on July 19, 1999, as a permit officer for the
21 Texas Department of Transportation.

22 Throughout her years of service she has
23 mentored numerous permit specialists, as well as being
24 trained in every permit type. In February of this year,
25 she was promoted to lead. Her experience and wealth of

1 knowledge has proven to be a tremendous asset to the
2 permit section.

3 Congratulations, Denise.

4 (Applause; pause for presentation and photos.)

5 MS. YANCEY: And the following employees have
6 reached 25 years of state service. First of all, Daniel
7 Avitia.

8 (Applause and cheering.)

9 MS. YANCEY: Twenty-five years. Daniel serves
10 as the director for the Motor Vehicle Division of TxDMV.

11 He is dedicated to the agency and truly enjoys the work
12 he does here and the people he interacts with every day.

13 The agency and his team are a source of pride for him,
14 and he has helped them flourish as they serve the
15 citizens of Texas.

16 As a native Texan, Daniel began his commitment
17 to Texas State Government 25 years ago, and he's held
18 various executive administrator positions in State
19 Government agencies, which include the University of
20 Texas at El Paso, the Texas Department of Assistive and
21 Rehabilitative Services, the Texas Health and Human
22 Services Commission, and the Texas Department of
23 Agriculture.

24 Congratulations, Daniel.

25 (Applause; pause for presentation and photos.)

1 MS. YANCEY: And next, David Richards.

2 (Applause.)

3 MS. YANCEY: David works in the department's
4 Office of General Counsel. He began his state career in
5 1994 and has been an associate general counsel for the
6 DMV since January 2014. David provides legal assistance
7 to the Department of Civil Rights, to the ABTPA, or soon
8 to be Motor Vehicle Crime Prevention Authority, and to
9 the Motor Vehicle Division. On a daily basis he easily
10 manages multiple projects, provides counsel to program
11 clients, and maintains a professional and friendly
12 demeanor. We are thankful to have David as part of our
13 OGC team and the TxDMV.

14 Congratulations on 25 years of service.

15 (Applause; pause for presentation and photos.)

16 MS. YANCEY: And Henry Floyd, also celebrating
17 25 years.

18 (Applause.)

19 MS. YANCEY: Henry is an investigator with the
20 Enforcement Division. He started his state career at the
21 Texas Railroad Commission as a clerk and continued at
22 TxDOT where he promoted to an investigator position.
23 Now, as part of the TxDMV, Henry is a team player who
24 willingly assists his peers and stakeholders alike.

25 He is very knowledgeable of the Motor Carrier

1 rules, regulations and laws. He is eager to provide the
2 best customer service to both internal and external
3 customers. In addition, Henry is also a published author
4 and is currently working on the completion of this third
5 book.

6 Congratulations, Henry.

7 (Applause; pause for presentation and photos.)

8 MS. YANCEY: The following employees reached a
9 state service milestone but were unable to join us this
10 morning. Twenty-years: Tammera Parr-Lamb, Vehicle
11 Titles and Registration Division; Thelma Dufort, Finance
12 and Administrative Services Division. Twenty-five years:
13 Kimberly Draehn, Vehicle Titles and Registration
14 Division.

15 And last, the following employees recently
16 retired from the department: Mark Zimmerhanel, Michael
17 Hayes, Mary Homann, and Mary Dominguez.

18 Thank you.

19 (Applause.)

20 MR. TREVIÑO: What kind of book?

21 MS. BREWSTER: That was new information for me
22 too. I want to follow up with Mr. Floyd on the books
23 that he's been writing. That's such a cool thing.

24 MR. TREVIÑO: And that just speaks to just the
25 wide range of interests served by our team members. It's

1 such a pleasure to recognize all the hard work and all
2 the accomplishments of each one of these in our
3 relationship with law enforcement and just all the hard
4 work you do within the industry and the state. So thank
5 you very much for your service to the State of Texas.

6 So are we any closer on that earlier agenda
7 item?

8 MS. BREWSTER: No, Mr. Chair.

9 MR. TREVIÑO: Okay. So we're going to skip it
10 then, and I guess we'll go into rules. Is that correct?

11 MS. BEAVER: Thank you, Chairman and Board
12 members, Executive Director Brewster. For the record,
13 Tracey Beaver, general counsel.

14 The first item, number 6 on the agenda before
15 you, starts on page 11 of your board book. Before you is
16 a recommendation to approve the adoption of amendments to
17 Subchapter E, Chapter 206, regarding advisory committees.

18 The purpose of the amendments is to implement
19 the Sunset Commission management action recommendation
20 1.7. That management recommendation requires the Board
21 to adopt rules establishing advisory committees to
22 provide expertise for rulemaking and other issues, and to
23 adopt rules regarding standard committee structure and
24 operating criteria for those advisory committees.
25 Additionally, SB 604 removed the Board's exemption from

1 providing balanced representation between the regulated
2 industry and consumers on its advisory committees.

3 The proposed adopted rules clarify that the
4 purpose of the advisory committee is to advise and make
5 recommendations on requests from the department or the
6 Board.

7 The Board appoints members to the advisory
8 committee by selecting from a list of potential members
9 provided by the executive director. The rules speak to
10 the qualifications to serve as a member, the composition
11 of those committees, and the training requirements in
12 terms of service. The advisory committees must also
13 comply with the Open Meetings Act and accept public input
14 and they report advice and recommendations to the Board.

15 The rules would establish five advisory
16 committees. We previously had two advisory committees.
17 Those previous two were the Household Goods Advisory
18 Committee and the Motor Vehicle License Advisory
19 Committee.

20 Today we are requesting adoption of rules to
21 repeal the rules that established these two committees
22 and create five new advisory committees. Those five new
23 advisory committees are the Motor Vehicle Industry
24 Regulation Advisory Committee, the Motor Carrier
25 Regulation Advisory Committee, the Vehicle Title and

1 Registration Advisory Committee, a Consumer Protection
2 Advisory Committee, and a Customer Service Advisory
3 Committee.

4 At the February 7, 2019 Board meeting, staff
5 presented proposed rules, and it was published in the
6 March 1, 2019 issue of the *Texas Register*. We did
7 receive one comments on those proposals from the Tax
8 Assessor-Collectors Association, who expressed concern
9 that the rule did not include a specific statement of who
10 should serve on the committees, and asked that the county
11 tax assessor-collectors be specifically mentioned as an
12 advisory committee member.

13 The department made a conforming change to the
14 rule based on that comment. We clarified that members of
15 the advisory committees who have an interest or expertise
16 in the subject areas of the particular advisory committee
17 would be eligible. We wanted to ensure that tax
18 assessor-collectors knew that they would be eligible to
19 serve on those committees.

20 And with that, the department asks the Board
21 to approve the advisory committee rules for adoption, and
22 I'm open to any questions.

23 MR. TREVIÑO: Does the Board have any
24 questions for Ms. Beaver?

25 MS. McRAE: I do.

1 MR. TREVIÑO: Go ahead.

2 MS. McRAE: I have some concerns. The
3 February Board, of course that predates my time on the
4 Board. And the tax assessor-collectors, we asked to have
5 a member designated to three of those boards, three of
6 those five, and I think that the tax assessor-collectors
7 for these three advisory committees could provide the
8 expertise in some of those areas. One of those is being
9 customer service or customer relations, the other was for
10 the VTR, and of course, then consumer protection.

11 For example, customer service, consumer
12 relations, we feel the pain, we're the boots on the
13 ground, we feel the pain of trying to get through to the
14 help desk on occasion. We've recently encountered some
15 issues where the help desk, I'm not sure what's going on,
16 but when we call in with printers not working or
17 computers down, the question they ask now is how many do
18 you have working. If you have multiple computers or
19 printers working, then we're told, well, you still have
20 others. And so they prioritize based on maybe smaller
21 counties that may have one down or two down or whatever,
22 but it's all relative to the population.

23 And the comments that have come back from that
24 department or from that division are concerning because
25 we are the boots on the ground. We're registering the 24

1 million vehicles that go through this department each
2 year and feel strongly that the representation needs to
3 be there.

4 We would like to partner on those committees
5 to provide our concerns and hopefully work and provide
6 some input. Like Ms. Brewster just said, working through
7 the Performance Recognition, they found some processes
8 maybe that the department would like to implement.

9 So I feel like as a collective group we have a
10 lot of value to bring to these advisory committees and
11 would like to see, especially with the VTR and the
12 customer service, that a tax assessor is named as a
13 member of that committee. I know it says we're eligible
14 but that doesn't mean necessarily that a tax assessor
15 would be selected to serve on that committee.

16 And I think that we have learned that
17 throughout time, you know, administrations come and
18 administrations go, and if it's not in the rule, then we
19 may be overlooked in the future. Just because the Sunset
20 Commission didn't state that we have to serve on the
21 committee doesn't mean that we couldn't or we shouldn't.

22 MS. BEAVER: Great. Thank you for that
23 comment. And if you'd like for me to respond to that
24 now, or if there were other comments first?

25 MR. TREVIÑO: Why don't you just jump right

1 in.

2 MS. BEAVER: Sure. That was a very good
3 comment. We do consider the tax assessor-collectors to
4 be vital partners to the department, and the Board will
5 be choosing from a list of potential nominees, so the
6 Board will actually be appointing those folks to the
7 advisory committees from that list, so the Board will
8 have that oversight and control of who's actually
9 nominated to those advisory committees.

10 We didn't get prescriptive in the rule because
11 then we would open the door up to possibly having other
12 prescriptions in the rule of who would have to be a
13 member. We didn't want to limit the number of tax
14 assessor-collectors or mandate that they also be on the
15 committee, not to say that they wouldn't be, but that was
16 the reasoning of the department.

17 MR. TREVIÑO: Okay. Any other questions?
18 Member Washburn.

19 MS. WASHBURN: So what's the process to make
20 sure that the appropriate stakeholders are on the
21 committees? Like you said nominations. Who's
22 nominating? How do we make sure that we are getting, to
23 her point, the right people on the right committees?

24 MS. BEAVER: That's a great question. So we
25 have on our website a request for folks in the public,

1 regulated industry and occupations, anybody with interest
2 or expertise in these particular advisory committees to
3 submit an application to the department expressing their
4 interest.

5 The rules require the department to have
6 balanced representation from the public and regulated
7 industry and occupations to make sure that we get a good
8 representation on those committees, and also to make sure
9 that there's good geographic diversity from folks all
10 across the state.

11 So when individuals submit those applications
12 to the department, Executive Director Brewster selects
13 folks from those applications, creates a list. Then the
14 Board is able to choose from that list who they nominate
15 to those committees.

16 MR. TREVIÑO: Member Gillman.

17 MS. GILLMAN: Did you say the Board reviews
18 that list in conjunction with the executive director?

19 MS. BEAVER: The executive director creates
20 the list from the names of applicants and then the Board
21 reviews that list for each advisory committee and then in
22 an open meeting will nominate those folks from that list
23 that they would like to have on each advisory committee,
24 so the Board is in control of who's on those committees.

25 MR. TREVIÑO: And just to get a sense of the

1 number of people on these committees, how many people are
2 we talking about?

3 MS. BEAVER: So by statute it can be no more
4 than 24.

5 MR. TREVIÑO: Per committee?

6 MS. BEAVER: Per committee. That's not to say
7 that you have to nominate 24 folks per committee. But in
8 response to our request for applications, the department
9 has already received over 50 applicants for those
10 advisory committees, so there is a good amount of
11 interest in those committees.

12 MR. TREVIÑO: Okay. Fifty applicants. What's
13 your pool that you would see would be optimal for
14 choosing these committees? We have 50 right now. Would
15 it be 100, would it be 70?

16 MS. BEAVER: It really depends on the
17 expertise of each particular applicant and to make sure
18 that we have good diversity geographically and from the
19 industry and occupation and public, so based on each
20 advisory committee, it's up to the Board how many they
21 want to appoint per committee, and it's just important to
22 make sure that we have that geographic diversity and that
23 balanced representation of applicants. And that's a lot
24 of advisory committees, that's five of them.

25 MR. TREVIÑO: Five committees, so ten people,

1 50 people minimum, before we even start deciding whether
2 they're competent or have the right skills or not. Okay.

3 Member Gillman.

4 MS. GILLMAN: I guess is it appropriate to
5 have for each committee, if there is -- for example, the
6 committee for motor carrier, is it appropriate for
7 whoever is on the Board that represents the motor carrier
8 dealers to be on that committee because it's their area
9 of expertise, similar to exactly what Tammy was saying.

10 MR. TREVIÑO: I think there's rules around it.

11 MS. GILLMAN: So rather than the motor carrier
12 or the tax collectors have to submit an application but
13 instead be assigned automatically because it's the area
14 of expertise.

15 MR. TREVIÑO: Ms. Beaver, would you like to
16 jump in there?

17 MS. BEAVER: Sure. Tracey Beaver, general
18 counsel, for the record.

19 The advisory committees, the rules
20 specifically state that Board members are not going to be
21 on those committees because the purpose of those advisory
22 committees are to provide recommendations to the Board
23 based on the expertise and experience from those
24 particular members of the advisory committee.

25 MR. TREVIÑO: But members can attend those

1 meetings.

2 MS. BEAVER: As long as we don't have quorum.

3 MR. GRAHAM: She's got something else to say.

4 MR. TREVIÑO: Member Washburn.

5 MS. WASHBURN: One more question. How are we
6 recruiting so that we get a diverse group?

7 MS. BEAVER: So we did put the message out on
8 the website and also sent out a notice by govDelivery.
9 govDelivery is a system that the department has to send
10 out automated emails to folks who sign up for particular
11 areas of interest with the department. So those emails
12 went out and we did some outreach through some
13 associations.

14 MR. TREVIÑO: Great.

15 Member Graham.

16 MR. GRAHAM: I'm prepared to make a motion,
17 but before I do, I just want to ask Member McRae if she
18 is comfortable with the answer to her question and
19 concern.

20 MS. McRAE: I would like for us to look at
21 this a little more in depth. Well, most of the members
22 that are here today were not around for that February
23 decision by the Board, and I really feel strongly that it
24 would be beneficial to the department and to the motoring
25 public to have these stakeholders named as members of

1 those committees. I feel very strongly about that.

2 MR. TREVIÑO: Member Gillman.

3 MS. GILLMAN: So as it sits, no Board members
4 can be eligible for these committees. You can attend but
5 not be eligible to serve. Is that correct?

6 MS. BEAVER: That's correct.

7 MS. GILLMAN: And, Tammy, your request is that
8 certainly an industry representative, not necessarily a
9 Board member. Is that right?

10 MS. McRAE: Right, right.

11 MS. GILLMAN: For instance, if it was, you
12 know, concerning tax collectors, a committee that is
13 going to be dealing with just that, your request would be
14 that a tax collector be on it.

15 MS. McRAE: Right. A tax collector or
16 multiple tax collectors, depending on the size of the
17 committee, or that there's dealers on committees or the
18 manufacturing industry, whatever it may be, but the
19 stakeholders.

20 MR. TREVIÑO: She's suggesting specific slots
21 on each one of the committees assigned to members of the
22 industry or to people representing those industries.

23 MS. McRAE: Right. Because as I understand --
24 and correct me if I'm wrong, Tracey -- you receive the
25 applications back and then Whitney will go through those

1 and then submit a list to us.

2 MS. BEAVER: Yes, that is correct.

3 MS. BREWSTER: Mr. Chairman, if I may?

4 MR. TREVIÑO: Please go right ahead.

5 MS. BREWSTER: Whitney Brewster, executive
6 director, for the record.

7 We have received a number of applications from
8 tax assessor-collectors or tax assessor-collectors'
9 staff. I cannot imagine a scenario where we do not
10 forward a number of those names to the Board for
11 consideration.

12 So I can assure you that we have received a
13 number of them from the tax assessor-collector community,
14 as well as our stakeholder groups. I believe that
15 through this process in forwarding these names to the
16 Board, it is completely within your control to determine
17 who will serve on those advisory committees.

18 MR. TREVIÑO: Not to make light of your
19 concerns, but generally, it's difficult to fill these
20 committees, at least from a governor appointment
21 standpoint.

22 There's really not a lot of desire or
23 applicants to serve. So I think if people step up, I
24 definitely think tax collectors will be represented. I
25 can't see a scenario where you would have so many people

1 volunteering for this committee that it would somehow
2 push out tax assessor-collectors.

3 I'm talking from logistics. We've got a
4 member of the Governor's Office here, and I know the
5 struggles that they have in filling the committee slots
6 below the board level of most organizations or most state
7 agencies. I just can't see a situation where somehow tax
8 assessor-collectors would be pushed out or there wouldn't
9 be a slot for them.

10 MR. GRAHAM: And if they were pushed out and
11 not assigned a slot, this Board would have the latitude
12 to no vote that situation. Correct?

13 MS. BREWSTER: Absolutely.

14 MR. TREVIÑO: And that's one of the reasons
15 that you are on the Board, you know, you're watching it,
16 you're on watch, and you're making sure that your
17 interests are being served, and if you feel that somehow
18 we are overlooking the interests of your constituency,
19 you need to be vocal about that. And that's the main
20 reason that you are here is you are the one who's going
21 to say, Look, that board needs a tax assessor-collector,
22 and we have seven people who have applied and you have
23 not appointed one of those to that subcommittee on
24 customer service? That's a miscarriage of justice,
25 that's something really wrong, we have to go out and

1 raise all kinds of Cain, just like you're raising Cain
2 right now.

3 The issue that I think General Counsel Beaver
4 is talking about is just that once we start mandating all
5 the slots in these committees, you just go down a rabbit
6 hole that is just never going to end.

7 And tax assessor-collectors are integral to
8 the workings of this organization, without them we
9 couldn't operate, but once you start going down that
10 rabbit hole, and say how come the tax assessor-collectors
11 got one, why don't I have one, you know what I mean, I
12 should have two of those. It just becomes really
13 complicated. And then filling those slots, if you have
14 that mandate it becomes even more complicated for the
15 Governor's Office to get those people in.

16 Member Gillman.

17 MS. GILLMAN: Chairman, can the language be
18 modified to instead of mandated an industry expert can it
19 be strongly recommended?

20 MR. TREVIÑO: General Counsel?

21 MS. GILLMAN: I'm trying real hard.

22 MR. TREVIÑO: I know you're trying real hard.

23 MS. GILLMAN: I'm interested in having not
24 just the tax collectors for the tax collector specific
25 committee, but as committees come up, having industry

1 experts in other fields as well. So can language be
2 modified to try and further encourage or it's
3 recommended, instead of the word mandated? Is there a
4 compromise in here to modify the language?

5 MR. TREVIÑO: General Counsel, I think there
6 is language in there asking for expertise. Right?

7 MS. BEAVER: Thank you, Chairman. Tracey
8 Beaver, general counsel, for the record.

9 There is a statutory requirement in Government
10 Code Chapter 2110 that representatives from industry and
11 occupation be appointed to those advisory committees and
12 that they have equal representation with the public as
13 well, so there's already a mandate by statute that
14 industry and occupation be represented on those
15 committees.

16 MR. TREVIÑO: And again, not to make light,
17 but I cannot see a scenario where Member Gillman or
18 Member McRae would let us get away with not appointing
19 some member of their industry to a subcommittee. Having
20 you guys on watch is a pleasure and an honor, and you
21 guys looking out for your team, I can't see you guys not
22 getting the people you that want on your subcommittees.
23 But that's just a suggestion.

24 MS. BEAVER: Chairman, we did receive some
25 comments regarding those rules, some folks that would

1 like to comment today.

2 MR. TREVIÑO: So do we allow them to comment
3 now? They're not public comments, they're comments on
4 these regs, so do we go into that now?

5 MS. BEAVER: Yes.

6 MR. TREVIÑO: Okay. So the name is Michelle
7 French. Is that correct? So if you could step up here.

8 So what do I read into the record, just her
9 name?

10 MS. BEAVER: And commenters have three
11 minutes.

12 MR. TREVIÑO: Great.

13 Ms. French, welcome. Thank you for coming to
14 join us today.

15 MS. FRENCH: Good morning.

16 MR. TREVIÑO: Good morning.

17 MS. FRENCH: Thank you very much. Chair and
18 Board members, my name is Michelle French and I'm the
19 Denton County tax assessor-collector, and I'm the
20 immediate past president of the Tax Assessor-Collectors
21 Association, and so the letter that you have that was
22 being referred to earlier is when I was president.

23 I just want to reiterate Member McRae's
24 comments. It is so important. I had prepared remarks
25 but I'm not even going to look at that, we're just going

1 to talk here, and I know I have three minutes, so when my
2 time is up, it's just up.

3 As tax assessor-collectors, as Member McRae
4 said, we are boots on the ground. We are in front of
5 those customers day in and day out, and it is our honor
6 and our pleasure. We would not have run for these
7 offices if we did not want to do this.

8 As elected officials, it is so important to us
9 to make sure that we provide the services that we are
10 constitutionally and statutorily required to provide, and
11 one of those statutory requirements is, obviously, as a
12 statutory agent of the Department of Motor Vehicles, we
13 provide those services on behalf of DMV.

14 We are partners together to be able to provide
15 those services, and that is our absolute goal is to
16 ensure everything that we do that we are able to assist
17 our constituents, our mutual constituents, our mutual
18 customers.

19 We want to be there for them, and honestly, we
20 want to be there for you. We want to be able to partner
21 with you to be able to bring about the various
22 improvements in technology, in services, in everything
23 that you have a goal to do, we have a goal to do. It is
24 something that I think that we can all partner together,
25 which is why it's so important to us that we do have

1 membership on these committees.

2 I understand exactly what you're saying, I
3 understand the concept of, well, if the tax assessors
4 have this, then why don't we have this. I get that.

5 I'm not really sure that that's necessarily a
6 problem either to do that, but I understand the concern.

7 But I do believe it is so important that it is clearly
8 defined that tax assessors, or any other expertise
9 members of the other committees, that tax assessors have
10 a seat at the table, because it is absolutely our goal to
11 make sure that everything that you are trying to
12 accomplish, we want to work right there beside you. And
13 to be able to do that, we've got to be able to provide
14 our expertise, our experience, our both positive and
15 negative, either one.

16 Allow us to be able to serve you, allow us to
17 be able to partner with you so that we all can move in
18 the same direction together.

19 MR. TREVIÑO: Great. Thank you very much, Ms.
20 French.

21 Before I call the next commenter up, I would
22 like to make sure that the record reflects how much we
23 respect and we thank the Texas Association of Tax
24 Assessor-Collectors and all the tax assessor-collectors
25 throughout the State of Texas for their hard work.

1 This agency couldn't run in any way, shape, or
2 form, the State of Texas couldn't operate. We thank you
3 for your service, we recognize all the hard work that you
4 do, and it's an honor to work with you guys.

5 So we're going to call up now David DeLeon.
6 Mr. DeLeon, from Bexar County, representing the Bexar
7 County Tax Office.

8 Mr. DeLeon, welcome.

9 MR. DeLEON: Good morning.

10 MR. TREVIÑO: Good morning.

11 MR. DeLEON: Good morning, Chair and members.

12 My name is David DeLeon. I'm the director of motor
13 vehicles for the Bexar County Tax Office. I've been in
14 that office for going on 38 years this coming September
15 of this year.

16 And the reason I'm here, like I guess it's
17 already been said, new amendment 206.96, it's an advisory
18 committee that's being created to advise and make
19 recommendations to the Board, as requested, on issues
20 related to vehicle titles and registrations.

21 Again, I believe the tax assessors, like was
22 said by member McRae, should have a voice on this
23 committee and be selected. We believe that we are the
24 frontline people. We know what's being said or the
25 problems we're encountering. We do have a partnership

1 with the DMV, like it was stated earlier, and the Bexar
2 County Tax Office is here also to offer ourselves as
3 resources. Mr. Uresti has always strived to be the best
4 in the State of Texas by providing the best customer
5 service.

6 And again, to reiterate, like Member McRae
7 stated earlier, that the tax assessors should have a
8 voice and be selected on these advisory committees.
9 Thank you.

10 MR. TREVIÑO: Thank you, Mr. DeLeon. Thank
11 you for your comments.

12 Now come up Mr. Stephan Palacios. Mr.
13 Palacios, also from San Antonio, I believe, Bexar County.

14 Mr. Palacios, welcome.

15 MR. PALACIOS: Hello. Stephan Palacios, chief
16 deputy of operations, Bexar County. So we still have a
17 Palacios present.

18 (General laughter.)

19 MR. PALACIOS: I just wanted to say good
20 morning and congratulations to the new Board. I know
21 there's a few people missing, but I guess it's been a
22 while since I've been here because there's a lot of new
23 faces, and I just wanted to say congratulations and good
24 to have y'all here.

25 We do also feel that a tax assessor-collector

1 and/or a stakeholder should be part of the advisory
2 committee to truly have a full collaboration with the
3 Texas Department of Motor Vehicles, and we strongly agree
4 that it should be by rule rather than left merely to
5 discussion. So of course, we offer Bexar County as a
6 resource for the advisory committees or work groups.

7 But mostly I just wanted to say
8 congratulations and thank you.

9 MR. TREVIÑO: Thank you very much for your
10 comments, Mr. Palacios.

11 Do we have any other questions for staff? Ms.
12 Gillman.

13 MS. GILLMAN: I just wanted to take the
14 opportunity to thank Mr. DeLeon and Mr. Palacios in Bexar
15 County. I'm a car dealer for the last 25 to 30 years in
16 San Antonio, and appreciate all the work that you do and
17 for coming forward.

18 MR. TREVIÑO: Hear, hear.

19 MR. GRAHAM: Brownie points, all right.

20 MR. TREVIÑO: Good show, well done.

21 MS. GILLMAN: I have never had a chance to say
22 thank you before.

23 MR. GRAHAM: That's great.

24 MS. GILLMAN: But I do agree, as well, that
25 stakeholders should be on the committees specific to

1 their industry, and it would be better by rule than by
2 recommendation that we just have to catch and be present
3 to approve. So that's my opinion.

4 Thank you.

5 MS. BEAVER: Chairman, Tracey Beaver, general
6 counsel, for the record.

7 The time frame for the rule proposal is March
8 1, 2019, that it was published in the *Texas Register*. If
9 the rules go forward today through adoption, they would
10 be published in the *Texas Register* at the end of the
11 month.

12 Since that recommendation was that the
13 department establish advisory committees by September 1
14 of 2019, if the rules are amended today and go forward
15 with another proposal, I just wanted to give you an
16 update on that time frame. And also, just to clarify to
17 an earlier question from Member Gillman, the Sunset
18 Advisory Commission actually recommended that Board
19 members not be participants in those committees.

20 MR. TREVIÑO: Great, Ms. Beaver. And thank
21 you very much for that concise early review of the rules
22 surrounding this in the background, so thank you very
23 much.

24 MR. TREVIÑO: Okay. If there's no further
25 comment.

1 MR. GRAHAM: Let me just try to make sure I'm
2 clear. We as an agency are statutorily required to have
3 advisory committee members with expertise. As this rule
4 stands, those members would be brought to the Board for
5 approval by vote.

6 The concern that I'm hearing is that there are
7 Board members who would like requirements around who is
8 on that committee, that advisory committee. If this rule
9 does not pass -- this was one of the Sunset
10 recommendations. If this ends up back for some more work
11 and does not pass today, does that create the department
12 any issues with the legislature in regards to Sunset
13 recommendations that were required by September?

14 MS. BEAVER: Tracey Beaver, general counsel.

15 If the rules aren't adopted today, then we
16 would miss the Sunset Commission's deadline of September
17 1, 2019, to create an advisory committee.

18 MR. GRAHAM: And is there any backlash to
19 missing that deadline?

20 MS. BEAVER: Just that we would miss the
21 Sunset recommendations time frames given to the
22 department.

23 MS. BREWSTER: Mr. Chairman. Whitney
24 Brewster, executive director.

25 It would be noted that we missed the Sunset

1 implementation date.

2 MS. McRAE: Tracey, can I ask a question,
3 please? If it was not passed today, what is the time
4 frame that it would be posted or could be posted and
5 could be adopted?

6 MS. BEAVER: The proposal, depending on the
7 amendments, could go before the Board in October or
8 December and then it could go up for adoption at the
9 subsequent meeting, depending on the number of comments,
10 so it would be spring for adoption.

11 MR. TREVIÑO: Any further questions on this?

12 MS. BREWSTER: Mr. Chairman.

13 MR. TREVIÑO: Executive Director Brewster.

14 MS. BREWSTER: Thank you. I'll just add one
15 more thing.

16 The agency's intent was to keep the
17 application process open so that as new applications come
18 in that they could be continuously considered for
19 appointment to the advisory committees.

20 So I just wanted to make sure that the Board
21 understood that should the agency bring forward a slate
22 of names for a committee and the Board approved to put
23 those members on the advisory committee, there could be
24 subsequent additions to those committees later down the
25 road.

1 MS. McRAE: What is the term of the advisory
2 committees?

3 MS. BEAVER: The term is four years.

4 MR. GRAHAM: And so, Whitney, were you
5 saying -- well, let me ask a question. If a rule is
6 passed and the Board would like to make a change or
7 amend, for instance, if this passed and the Board decided
8 at some point in the future to have requirements around
9 who serves on those advisory committees, does that have
10 to start from scratch, or can an amendment to a rule come
11 through this Board?

12 MS. BEAVER: So an amendment to a rule would
13 go through the same process where it would be proposed
14 under formal rulemaking and then also go through adoption
15 for rulemaking.

16 MS. GILLMAN: So the rule could continue as it
17 was passed with an amendment worked through the same
18 process to the rule.

19 MS. BEAVER: Exactly. After the effective
20 date of the adopted rule, a new proposal can be pushed
21 forward to the Board.

22 MR. GRAHAM: So I do have a motion. I have
23 the utmost respect for my fellow members down here. Do
24 you believe that if we pass this as it sits, this helps
25 us achieve a Sunset requirement and then we could work

1 towards -- as we see how that process works, if you would
2 continue to see an amendment necessary, we could work
3 towards that, would that be acceptable?

4 MS. McRAE: Before I answer your question, I
5 have a question of Tracey.

6 Could an amendment to the rule be this
7 requirement that we're asking for today, that it be
8 placed in rule to have representation from each
9 stakeholder in the industry and the tax assessor-
10 collectors? Is that one of those amendments that could
11 be made?

12 MS. BEAVER: We did receive a comment from the
13 Tax Assessor-Collectors Association asking that they be
14 appointed a member, so we could make a change to the
15 adopted rule in response to that comment without having
16 to re-propose.

17 However, if we open that up to other
18 industries and occupations and got more specific in the
19 rule, we would have to re-propose that, and the Sunset
20 recommendation implementation date of September is
21 something that the State Auditor's Office may review for
22 the agency to see if we were in compliance with that time
23 frame.

24 MR. TREVIÑO: Okay. Any more discussion?

25 Member Graham, if you have a motion?

1 MR. GRAHAM: Okay. I move that the Board
2 approve the adoption of the amendments, the repeals and
3 the new sections to Chapter 206, as recommended by staff.

4 MR. TREVIÑO: Great. We have a motion from
5 Member Graham. Do we have a second?

6 MS. WASHBURN: Second.

7 MR. TREVIÑO: Member Washburn. We have a
8 second from Member Washburn.

9 Any further discussion?

10 (No response.)

11 MR. TREVIÑO: Hearing none, I call for the
12 vote. All those in favor please signify by raising your
13 hand.

14 (A show of hands: Members Graham, Treviño,
15 Washburn.)

16 MR. TREVIÑO: We have three votes.

17 All those opposed same sign.

18 (A show of hands: Members Gillman and McRae.)

19 MR. TREVIÑO: Two votes. So let the record
20 show that Members Graham, Washburn and Treviño voted for,
21 and Gillman and McRae against. Motion passes. Thank you
22 very much.

23 But with that, I do want to make very clear
24 that the interests that have been expressed here are
25 extremely important to this Board. I don't know how we

1 codify that, I don't know how we put that in memory
2 outside of the rules, but it's something that needs to be
3 looked at for each of the committees to make sure that we
4 have proper representation and expertise. That's
5 essential. I know that's the direction from the
6 Governor's Office, and hopefully we can fill that
7 mandate.

8 MS. BREWSTER: Mr. Chairman, I echo your
9 comments in terms of ensuring that we have proper
10 representation on the Board. I too want to thank the tax
11 assessor-collectors for the work that they do. It is
12 extremely important to the department. We could not do
13 it without them or without their input on how we can do
14 things better.

15 In response to your question about how do we
16 codify this, it is in the record. We keep record of
17 these meetings, it has been noted in the minutes or will
18 be noted in the minutes, and so I just wanted to share
19 that and remind the Board that we will have that for
20 public record.

21 MR. TREVIÑO: But it also reminds us of the
22 duty of this Board which there is a letter and a spirit
23 of the law, and the letter of the law is very specific,
24 and the spirit of the law is where we can interpret that.

25 That's the responsibility of the Board, to

1 make sure that we safeguard the interests of the citizens
2 of the State of Texas, and by bringing expertise from
3 different stakeholders in this industry, we are better
4 able to do that.

5 So that really puts a lot more pressure on
6 you, I totally understand that, on everyone here at the
7 table, but that's our job. Our job is to watch and to
8 try and do the best job that we can.

9 Member Gillman.

10 MS. GILLMAN: Remind me, Whitney, when will
11 your recommendations for the committee members be
12 submitted to us.

13 MS. BREWSTER: Whitney Brewster, executive
14 director, for the record.

15 Member Gillman, we could start as early as
16 submitting names to the Board for consideration in
17 October. As I stated previously, we would keep that open
18 ended as we receive more members.

19 But it's really important for the agency to be
20 able to start utilizing the advisory committees as soon
21 as possible, and so we would like to be able to start
22 utilizing and getting that stakeholder and customer
23 feedback through those advisory committees as soon as
24 possible, so if it is acceptable to Chairman Treviño, we
25 could bring those names forward as soon as October.

1 MR. TREVIÑO: Please do, as soon as you get
2 them.

3 MS. GILLMAN: So it's whatever applications
4 you have on file right now before October.

5 MS. BREWSTER: Member Gillman, we received one
6 as early as this morning. We are continuing to receive
7 them, and so I imagine that this would be a rather fluid
8 process in terms of new applications that are coming in,
9 but we will bring those forward to the Board for
10 consideration.

11 MR. TREVIÑO: And that application process is
12 always open. Is that correct? I mean, we may not be
13 able to fill a slot if we have 12 members and those 12
14 members are filled, but we will always consider people
15 applying.

16 MS. McRAE: And I have just a couple more
17 questions.

18 MR. TREVIÑO: Ms. McRae.

19 MS. McRAE: First of all, I want to just go
20 along with what Michelle French had said earlier. It is
21 an honor to work with the agency. We value our
22 relationship with the department, so that's very
23 important to us. We want to help and partner with this
24 agency to take it to the next level. I've been in this
25 industry for 34 years; Michelle, 36. We just heard from

1 Bexar County, so we've made a commitment. We have been
2 through different phases.

3 Unfortunately, I'm telling our age, but we all
4 predated RTS. Now I think RTS is outdated and we want to
5 be there to help and make those decisions to provide that
6 expertise to take it to the next level. We want to be a
7 part of that.

8 But I do have a question. Will the full list
9 come before the Board before it's vetted maybe by the
10 department? Will we see that list, the entire list?

11 MS. BEAVER: The list will be something that
12 Executive Director Brewster provides to the Board, so
13 some analysis will be done before that list is provided
14 to the Board to make sure, for example, that there is
15 equal representation from industry and occupation and
16 public and to make sure that the broad list is we're not
17 having several people on the same committees and that
18 there is that geographic diversity for those members. So
19 there will be a list that Executive Director Brewster
20 provides in order to have that already set out for the
21 Board.

22 MR. TREVIÑO: But you can also share the list
23 of the candidates that were rejected, can't you?

24 MS. BEAVER: Absolutely.

25 MR. TREVIÑO: So there will be a list that's

1 vetted somehow, but then also that list of rejected
2 candidates can also be provided.

3 MS. McRAE: Okay.

4 MS. BEAVER: And some of the candidates, even
5 though they may not be selected for the committee at that
6 time may not actually be rejected, just to clarify. It
7 might just be that we have enough of a certain type of
8 industry on a committee or that we may need subcommittees
9 for those committees in the future, and so some of that
10 expertise might be saved for later.

11 MS. McRAE: And how will you determine or who
12 will determine the number that's necessary for each
13 committee?

14 MS. BEAVER: The Board will make that final
15 determination for each committee.

16 MS. McRAE: Okay.

17 MR. TREVIÑO: And I think we'll rely on
18 recommendations from staff first, and then if we somehow
19 disagree with that, if they say six and we say 30, well,
20 then there's a big difference and we need to talk about
21 it. But recommendations from staff is generally the
22 process, I would think. Right?

23 MS. McRAE: Thank you.

24 MR. TREVIÑO: And thank you, Member McRae. I
25 know these are difficult things, but I really appreciate

1 having you here and your expertise. It makes this going
2 forward a lot easier because you're vocal and you are
3 right, and thank you very much for your comments.

4 MR. GRAHAM: And this was a high priority for
5 the Sunset Commission. I remember very vividly the
6 discussions around this topic.

7 MR. TREVIÑO: And the Governor's Office.

8 MR. GRAHAM: Yes, and the Governor's Office,
9 it was a high priority. I know they're looking right
10 now, I can see here.

11 But I just want to say that was the reason I
12 supported that motion. I'll also say that if there are
13 any needed adjustments whatsoever, we can absolutely do
14 that and I'll support you on that all the way.

15 MS. McRAE: Thank you.

16 MR. TREVIÑO: Great. Well, let's move on
17 because we've got a full agenda, we're going to be here
18 for a while.

19 We're going to jump back in here for a second,
20 we're going to jump out of order again, but just bear
21 with me for a moment.

22 Moving from that, you know, which is the
23 mundane to something else like this is a difficult
24 transition, but the only person who could have pulled it
25 off easily, I think, would be Gary Painter, because his

1 life was full of those types of transitions. And we had
2 hoped to open the meeting with a tribute to Gary Painter,
3 but we've been sidetracked, but again, I think this is
4 really a great segue into this in that it reminds us
5 what's really important, and what's really important is
6 family, friendships and the life that you build and the
7 body of work that you build and that's how you're going
8 to be remembered, and I can't think of a better body of
9 work that the work that Gary Painter did.

10 We lost the legendary Texas lawman over
11 Memorial Day weekend. Member Painter was a preeminent
12 public servant. From the moment he enlisted in the U.S.
13 Marine Corps in 1966, he began a lifelong commitment to
14 serve and protect others, first around the world serving
15 two tours of duty in Vietnam and then back home
16 throughout his distinguished law enforcement career in
17 Midland County.

18 As Sheriff of Midland County he served for an
19 impressive 34 years and four months. I want you guys to
20 let that sink in: 34 years and four months. Former
21 Governor Rick Perry appointed him to the Texas Commission
22 on Jail Standards, where he served for seven years,
23 before Governor Greg Abbott appointed him as a member of
24 the Texas DMV Board, and my great honor was to have
25 served with him.

1 We are honored to have the Painter family join
2 us today to honor Member Painter's three years of service
3 on the Texas DMV Board. Please stand so we can recognize
4 you.

5 We have Member Painter's wife Patsy Painter,
6 his son Justin and his wife Tonya, his daughters Jennifer
7 Painter and Sandy Stewart, and granddaughters Emily
8 Painter and Brianna Painter.

9 At this time I'd like to ask any Board members
10 if they'd like to say a few words.

11 MR. GRAHAM: Well, the Sheriff and I came on
12 at the same time, so we kind of cut our teeth together,
13 and I really enjoyed my two years working with Sheriff
14 Painter.

15 You've got large men, and then you've got men
16 who own the room, but when you get a large man that owns
17 the room, you've got something special. He owned the
18 room when he walked in. You knew exactly who he was and
19 what his place was in that room.

20 And one of the things that I appreciated so
21 much serving on a board with him was you knew right where
22 you stood. I mean, you might like it and you might not
23 like it, but by God, you knew exactly where you stood
24 with him, and that's a rare thing today in this world,
25 and I just really appreciate it.

1 And I learned pretty quickly, we would stay
2 somewhere downtown and sometimes we would fly in and try
3 to carpool over, and one morning -- and I presume he was
4 like this his whole life -- but we went out and got a
5 bite to eat that night and we were coming back to the
6 hotel, and I said, Hey, Sheriff, I flew in, I don't have
7 a car, do you mind if I ride in with you in the morning?

8 And he said, Sure, absolutely, that would be great. And
9 I said, Okay, what time you want to meet down here? And
10 he said, Oh, I don't know, I'll probably leave 5:45, 6:00
11 a.m. I was like, What? And he said, Well, we've got to
12 get there, we've got to get our coffee, we've got to get
13 our day started. And I said, Yeah, well, I'll catch
14 another ride, man. So I take it he was probably an early
15 cracker from day one.

16 (General laughter.)

17 MR. GRAHAM: But I really came to appreciate
18 everything he stood for in life, on this Board, as a
19 Texas lawman, and I'm going to miss him, and I know you
20 do too. So thanks for sharing him with us for that
21 amount of time.

22 MR. TREVIÑO: And I'm sorry to make you stand
23 through all this. If you guys would like to sit, you're
24 welcome to because this may go on from here. I don't
25 know if any other members would like to say anything. If

1 not, I'd like to read Governor Abbott's letter to the
2 Painter family. I know y'all have seen it, but I'd like
3 the rest of the audience to hear it.

4 "Dear Painter Family, Please accept my
5 condolences on the passing of Sheriff Gary Wayne Painter.

6 "As the Sheriff of Midland County and a Board
7 member of the Texas Department of Motor Vehicles, Gary
8 dedicated his life to others and left an indelible mark
9 in Midland County and our great state, serving and
10 sacrificing for the cause of liberty. Texas would not be
11 the land of excellence that it is without the service of
12 those who work tirelessly, putting themselves on the
13 front lines, while fulfilling their solemn duty to put
14 the safety of others before their own.

15 "I'm proud to call Gary a fellow Texan, and as
16 you remember his life, I am certain you will be proud of
17 all that he accomplished and stood for. He represented
18 the best of the Lone Star State. His love for his family
19 and friends will never be forgotten and I'm certain that
20 he will be greatly missed. I know you will be comforted
21 by the legacy of Gary and the lasting memories he leaves
22 behind.

23 "First Lady Cecilia Abbott and I pray for
24 God's blessing for you and your family today and in the
25 days ahead.

1 "Sincerely, Greg Abbott, Governor."

2 Thank you for sharing your husband with us.

3 I'm moved particularly by Governor Abbott's words: "He
4 represented the best of the Lone Star State." That aptly
5 describes Sheriff Painter.

6 Thank you for joining us today.

7 Department staff arranged for a Texas flag to
8 be flown at the State Capitol on none other than June 14,
9 which is Flag Day, to honor Member Painter's patriotism
10 and lifelong commitment to his community and country. I
11 would like to present you with the framed flag,
12 certificate and Governor's letter on behalf of the Texas
13 Department of Motor Vehicles.

14 So members, if you could join me down below.

15 (Pause for presentation and photos; applause.)

16 MR. TREVIÑO: Daniel, that's going to be a
17 tough one to follow.

18 MR. AVITIA: Indeed, Chairman.

19 MR. TREVIÑO: I would take a break but we have
20 a very full agenda, so I think we need to just keep
21 plowing ahead, and I think Sheriff Painter would be the
22 first one to yell at us if we didn't.

23 All right. We're going to move into agenda
24 items 7, 8, and 9 now, and I'll turn it over to Daniel
25 Avitia.

1 MR. AVITIA: Chairman, with your permission,
2 I'm happy to take up agenda items 7, 8, and 9 together in
3 the interest of time.

4 MR. TREVIÑO: Yes, please, go right ahead.

5 MR. AVITIA: Very good. Thank you.

6 Chairman, members, Ms. Brewster, good morning.

7 For the record, Daniel Avitia, director of the Motor
8 Vehicle Division. With me this morning is Mr. Dave
9 Richards with the Office of General Counsel.

10 Agenda items 7, 8, and 9 detail proposed rule
11 changes that can be found on pages 27 to 74 of your board
12 books.

13 Before we begin, members, your agenda
14 references proposed rules relating to criminal history
15 and fitness for all license types. Those rules have been
16 pulled from consideration today and will hopefully be
17 proposed and considered at the October Board meeting. We
18 are in ongoing discussion with the Governor's Office to
19 finalize a draft for your review.

20 Today, however, I'm asking for the Board's
21 support to publish multiple amendments to Chapters 215,
22 Motor Vehicle Distribution, and Chapter 221, Salvage, in
23 the *Texas Register* for public comment. The changes being
24 proposed are to either implement new legislation from the
25 86th Legislature or to implement a Sunset Advisory

1 Commission recommendation. These proposals will
2 implement the following bills or Sunset recommendations.

3 The first is Senate Bill 1200 which provides
4 military spouses the opportunity to operate as a salvage
5 dealer or motor vehicle industry license holder if he or
6 she is verified to be actively licensed and in good
7 standing in another state with substantially equivalent
8 licensing requirements.

9 House Bill 3842, which clarifies that a dealer
10 must hold a valid General Distinguishing Number for a
11 consignment location.

12 Then House Bill 1667, which allows independent
13 motor vehicle dealers to perform salvage functions
14 without also having to obtain a salvage dealer's license.

15 Senate Bill 604 contains several provisions
16 recommended by the Sunset Advisory Commission. Those
17 include adding license training requirements for
18 independent motor vehicle dealers, eliminating
19 representative and salvage agent licenses, eliminating
20 salvage license endorsements to create a single salvage
21 license, and authorizing the Board to set salvage license
22 terms. Currently the license term is for one year; we'd
23 be proposing to make two years, less cumbersome for all
24 of our license holders in that industry.

25 And lastly, the implementation of a Sunset

1 Advisory Commission recommendation to add risk-based
2 criteria for when the department may conduct a site visit
3 to a salvage dealer location.

4 I believe it is important to get the
5 rulemaking process underway as these proposed changes
6 will provide cost savings for both our license holders
7 and our department, make the licensing process more
8 efficient, and will improve public safety.

9 Again, members, I request your support to
10 proceed with publication in the *Texas Register* so we may
11 begin to receive comments from our stakeholders and move
12 forward in the formal rulemaking process.

13 Members, this concludes my remarks on agenda
14 items 7, 8, and 9. I'm certainly happy to answer any
15 questions you may have.

16 MR. TREVIÑO: All right. Is there any
17 questions for Daniel Avitia?

18 MR. GRAHAM: So I think because of the wording
19 we may need to do each one of these individually.

20 MR. TREVIÑO: I think each motion will have to
21 be done individually. That's correct. So if the members
22 are prepared to do that, I'd appreciate that.

23 MR. GRAHAM: I'll start with agenda item 7. I
24 move that the Board approve the proposed amendments, the
25 repeal and the new section to Chapter 215, agenda item 7,

1 for publication in the *Texas Register* for public comment.

2 MR. TREVIÑO: Great. We have a motion from
3 Member Graham. Do we have a second?

4 MS. McRAE: Second.

5 MR. TREVIÑO: We've got a second from Member
6 McRae.

7 Any further discussion?

8 (No response.)

9 MR. TREVIÑO: I'll call for the vote. All in
10 favor please raise your right hand.

11 (A show of hands.)

12 MR. TREVIÑO: Motion carries unanimously.
13 That one was easy.

14 Now does anybody have a motion for agenda item
15 number 8 .

16 MS. McRAE: I move that the Board approve the
17 proposed amendments, the repeal and the new section to
18 Chapter 221, agenda item 8, for publication in the *Texas*
19 *Register* for public comment.

20 MR. TREVIÑO: Great. We have a motion from
21 Member McRae. Do we have a second?

22 (Member Washburn raised her hand to second the
23 motion.)

24 MR. TREVIÑO: Member Washburn. We have a
25 second from Member Washburn.

1 Any further discussion?

2 (No response.)

3 MR. TREVIÑO: Hearing none, I'll call for a
4 vote. All those in favor please signify by raising your
5 hand.

6 (A show of hands.)

7 MR. TREVIÑO: Motion carries unanimously. All
8 those opposed, none. Carries unanimously.

9 Do we have a motion for agenda item 9, Section
10 215.83?

11 MS. WASHBURN: I move that the Board approve
12 the proposed amendments to Section 215.83 and 221.17,
13 agenda item 9, for publication in the *Texas Register* for
14 public comment.

15 MR. TREVIÑO: Okay. We have a motion from
16 Board Member Washburn. Do we have a second?

17 MS. GILLMAN: Second.

18 MR. TREVIÑO: Member Gillman, second from
19 Member Gillman.

20 Any further discussion?

21 (No response.)

22 MR. TREVIÑO: Hearing none, I'll call for the
23 vote. All those in favor please signify by raising your
24 hand.

25 (A show of hands.)

1 MR. TREVIÑO: Motion carries unanimously.

2 Thank you very much.

3 Mr. Avitia, is that all?

4 MR. AVITIA: Members, thank you.

5 MR. TREVIÑO: Thank you.

6 We will now move on to agenda item number 10
7 for rules for Sections 217.2, 217.45, and 217.46,
8 presented by Mr. Jeremiah Kuntz.

9 MR. KUNTZ: Good morning, members. For the
10 record, Jeremiah Kuntz, director of the Vehicle Titles
11 and Registration Division.

12 Before you for your consideration are rules
13 amending 217.2, 217.45, and 217.46. These rules are
14 being brought before you for consideration for proposal
15 for public comment. They are relating to three different
16 pieces of legislation that passed during the 86th
17 Legislative Session, House Bill 1548, House Bill 3068,
18 and House Bill 3117.

19 The rules relate primarily to off-highway
20 vehicles. The statute changed some provisions related to
21 various types of off-highway vehicles, golf carts, ATVs,
22 ROVs, utility vehicles, and a new type of off-highway
23 vehicle, a sandrail.

24 What these amendments do are provide all of
25 these vehicles a new common definition of an off-highway

1 vehicle and allow them to be treated for operation
2 purposes the same so that there's not a differentiation
3 now between those vehicle classes for operation on
4 roadways. Primarily, for simplicity, I won't go into all
5 the different types of operation, but for simplicity,
6 these vehicles will be allowed for operation on roadways
7 under 35 miles per hour.

8 The thing that is being done here is we are
9 allowing for a license plate to be issued to all of these
10 vehicles, that was in accordance with the statute. Prior
11 to this, golf carts were the only vehicles that were
12 authorized to be issued a license plate, so these rules
13 will now allow for the issuance of an off-highway vehicle
14 license plate to all of these vehicle classes and the fee
15 is to be set by rule. We have set the fee consistent
16 with the previous golf cart plate which is being set at
17 \$10 for all these vehicles.

18 In addition to that, it makes clarifications
19 as to the restrictions on these license plates. They
20 cannot be personalized, they cannot be transferred, and
21 they are a one-time issue license plate. So this is not
22 registration for these vehicles, they would not come in
23 every year and reapply for registration.

24 They would be issued a license plate, and that
25 license plate is good for the life of that vehicle under

1 that person's ownership, so if that vehicle is sold to a
2 new owner, they would then be issued a new license plate
3 and the \$10 fee would be paid at that time, so once
4 they're issued that license plate, they can continue to
5 operate with that license plate as long as they own the
6 vehicle.

7 The other amendments for this rule relate
8 to -- I'll go to the next bill -- House Bill 3068. This
9 bill actually changed an existing allowance that we had
10 for the reuse of antique license plates, so prior to this
11 statute, individuals could use old embossed license
12 plates that they maybe found or had that were very old,
13 older than 25 years, and use them on a classic vehicle or
14 an antique vehicle.

15 What this bill did was allow for individuals
16 that have a qualifying license plate, a disabled
17 veteran's license plate, they have found an old disabled
18 veteran's license plate that's embossed, this statute
19 will allow them to reuse that disabled veteran's license
20 plate on a classic vehicle as well, so they can use those
21 old embossed disabled veteran's license plates. So we're
22 making our rules consistent with statutory authorization
23 for use of those old license plates.

24 And then finally, House Bill 3171 changed a
25 statutory reference to the definition of a moped, and we

1 are making changes to 217.46 to just be consistent with
2 that new statutory definition for a moped.

3 With that, that completes my presentation.

4 MR. TREVIÑO: Good. Are there any questions
5 for Mr. Kuntz?

6 (No response.)

7 MR. TREVIÑO: The off-road vehicle license
8 plate, though, that allows counties to pass that
9 ordinance. Right? That's not blanket-wide across the
10 State of Texas, it's up to the cities or counties.

11 MR. KUNTZ: I didn't get into a whole lot of
12 the specifics of the statutory provisions related to
13 operation, but, yes, there are provisions in statute that
14 allow for county or city ordinances for the allowance of
15 these vehicles to be operated in their jurisdictions. So
16 it is not a given that you can operate these statewide,
17 it's still up to the locals in determining operation for
18 those particular vehicle types.

19 MR. TREVIÑO: Great.

20 Any other questions?

21 (No response.)

22 MR. TREVIÑO: Hearing none, the chair would
23 entertain a motion for item --

24 MS. GILLMAN: Ten.

25 MR. TREVIÑO: Ten. Thank you, Member Gillman.

1 Thank you for jumping right in there.

2 MS. GILLMAN: Chairman, I move that the Board
3 approve the proposed amendments to Sections 217.2,
4 217.45, and 217.46 for publication in the *Texas Register*
5 for public comment.

6 MR. TREVIÑO: Great. We have a motion from
7 Board Member Gillman. Do we have a second?

8 MR. GRAHAM: Second.

9 MR. TREVIÑO: Second from Member Graham.
10 Any further discussion?

11 (No response.)

12 MR. TREVIÑO: Hearing none, I call for the
13 vote. All those in favor please signify by raising your
14 hand.

15 (A show of hands.)

16 MR. TREVIÑO: Motion passes unanimously.

17 Great. You also have agenda item number 11 on
18 here as well.

19 MR. KUNTZ: Again for the record, Jeremiah
20 Kuntz, director of the Vehicle Titles and Registration
21 Division. I'll be here for the next few here.

22 This agenda item is related to a new Section
23 217.15. This is relating to House Bill 2315 which passed
24 during the last legislative session. This piece of
25 legislation, which we are putting into the Administrative

1 Code, relates to the evidence of ownership of temporary
2 housing provided by government agencies in response to a
3 natural disaster.

4 Just a little bit of history. During
5 Hurricane Harvey there were efforts by FEMA, through the
6 General Land Office, to provide travel trailers as
7 temporary housing for those that were impacted by the
8 hurricane. There was some back and forth just on how
9 those needed to be titled, whether or not those trailers
10 needed to apply for titles through a county tax assessor-
11 collector's office.

12 This legislation was passed in response to
13 that to provide a streamlined process to governmental
14 agencies that will allow them to apply for title directly
15 to the department for waiving of those title fees and so
16 that they can be issued exempt license plates for those
17 travel trailers in the time of a natural disaster.

18 The agency is putting into rule the process by
19 which those governmental agencies would apply to the
20 department directly, and we would apply the standards for
21 title application that are laid out in this rule to issue
22 those titles as expeditiously as possible to those
23 individual agencies so they could get those trailers to
24 those impacted during a natural disaster.

25 That's my presentation.

1 MR. TREVIÑO: Terrific.

2 So any questions for Mr. Kuntz?

3 (No response.)

4 MR. TREVIÑO: Hearing none, the chair would
5 entertain a motion for agenda item number 11.

6 MS. GILLMAN: Mr. Chairman, I move that the
7 Board approve the proposed new Section 217.15 for
8 publication in the *Texas Register* for public comment.

9 MR. TREVIÑO: Great. We have a motion from
10 Member Gillman. Do we have a second?

11 (Member Washburn raised her hand to second the
12 motion.)

13 MR. TREVIÑO: Member Washburn.

14 Any further discussion?

15 (No response.)

16 MR. TREVIÑO: Hearing none, I call for the
17 vote. All those in favor please signify by raising your
18 hand.

19 (A show of hands.)

20 MR. TREVIÑO: Motion carries unanimously.

21 Item number 12.

22 MR. KUNTZ: Again for the record, Jeremiah
23 Kuntz, director of the Vehicle Titles and Registration
24 Division.

25 Before you is agenda item number 12 which is

1 amendments to Administrative Code 217.40, as well as a
2 new 217.16. These changes to the Administrative Code are
3 related to House Bill 3842, which allows for the issuance
4 of titles and a permit when a dealer goes out of
5 business.

6 Again, a little bit of back history on this.
7 This is a bill that was filed in response to some dealers
8 that went out of business in not too distant past where
9 titles and registration were not processed by the dealer.

10 So a customer came in, bought a vehicle from
11 the dealer, and the dealer subsequently went out of
12 business. The customer had paid all of their title,
13 registration, taxes to that dealer and the dealer had not
14 timely processed those title applications with the county
15 office, and subsequently the customers were harmed by
16 that in that they had no title ownership to the vehicle
17 that they had purchased. So this legislation was passed
18 in response to those certain circumstances occurring.

19 The bill requires the department to determine
20 what is out of business, and so these rules are laying
21 out in our Administrative Code the standard by which the
22 department will determine that a dealer has gone out of
23 business.

24 What will happen is a customer that's been
25 harmed will come in if that dealer has gone out of

1 business, basically they could come into a county office
2 or to a regional service center, which would be our
3 office, or directly to the department here at
4 headquarters, and basically request that the department
5 make a determination as to whether or not the dealership
6 has gone out of business.

7 For the purposes of this section, we have
8 defined "gone out of business" as the dealer's license
9 has been closed or is expired or operations have ceased
10 at the licensed location, as determined by the
11 department.

12 So this would be something our Enforcement
13 Division investigators could potentially go out to a
14 location, maybe they see that the location has been
15 boarded up, maybe they see there's no vehicles there,
16 they can't get in contact with the dealership, there
17 could be any number of different circumstances that they
18 observe as they're trying to determine whether or not the
19 dealer has gone out of business.

20 We would then make a determination as the
21 department as to whether or not that dealer has gone out
22 of business. If it has been made that they're out of
23 business, then the title and registration fees would be
24 waived at the time of application for title and
25 registration so that that person would not have to pay

1 again for those title and registration fees.

2 The rule also allows for that person to
3 receive a 30-day permit free of charge while all of this
4 is going on so that they can continue to operate that
5 vehicle during that time that a determination is being
6 made.

7 I'd be more than happy to answer any
8 questions. That completes my presentation.

9 MR. TREVIÑO: Does anyone have any questions
10 for Mr. Kuntz?

11 (No response.)

12 MR. TREVIÑO: Hearing none, I would entertain
13 a motion.

14 MS. McRAE: Chairman, I'd like to make a
15 motion on item 12. I move that the Board approve the
16 proposed new Section 217.16 and amendments to Section
17 217.40 for publication in the *Texas Register* for public
18 comment.

19 MR. TREVIÑO: Great. We have a motion from
20 Member McRae. Do we have a second?

21 MR. GRAHAM: Second.

22 MR. TREVIÑO: Second from Member Graham.

23 Any further discussion?

24 (No response.)

25 MR. TREVIÑO: Hearing none, I call for the

1 vote. All those in favor please signify by raising your
2 hand.

3 (A show of hands.)

4 MR. TREVIÑO: Motion carries unanimously, let
5 the record show.

6 Mr. Kuntz, you're still here.

7 MR. KUNTZ: I am. I think I still have two
8 more.

9 MR. TREVIÑO: There you go. All right.

10 MR. KUNTZ: Again for the record, Jeremiah
11 Kuntz, director of the Vehicle Titles and Registration
12 Division.

13 Before you is agenda item 13, which is
14 amendments to Administrative Code 217.27. These are
15 relating to House Bill 1262 which passed during the 86th
16 Legislative Session, and that bill allows for extended
17 registration of certain vehicles not subject to
18 inspection, and to be more specific, the vehicles covered
19 in that piece of legislation not subject to inspection
20 were trailers under 7,500 pounds that do not have to
21 receive an inspection.

22 What this bill will allow is those specific
23 trailers or semi-trailers or pulled trailers to receive
24 from one to five years of registration during one
25 transaction, so a customer that has one of these vehicles

1 can come in and make application for registration and
2 choose between 12 months to 60 months' worth of
3 registration at that time. They have to choose 12-month
4 increments, they can't choose odd increments like 18
5 months or something like that, it would be in full year
6 increments.

7 All of the registration fees would be owed at
8 the time that they make that application so any local
9 fees that are due would be all due at that time, so if
10 they chose to register for 24 months, for example, they
11 would actually pay two full years' worth of registration,
12 both state registration as well as any local fees that
13 were owed, the only difference being that they would only
14 pay one processing and handling fee since there's only
15 one transaction that is being processed at that time.

16 So the benefit to the customers is that they
17 have less interactions where they have to come in every
18 year, potentially, to get those trailers registered and
19 they would have the benefit of only paying one processing
20 and handling fee at that time, and so it would simplify
21 that process for those customers opting to take that
22 multi-year registration.

23 With that, that concludes my presentation.

24 MR. TREVIÑO: Do we have any comments or
25 questions? Member Graham.

1 MR. GRAHAM: If the trailer -- say a trailer
2 is in year three, it was paid for five and there was a
3 transfer of title to a new ownership, would that go with
4 it or would that be lost?

5 MR. KUNTZ: So we have provisions that allow
6 for full year increments to be refunded to customers, so
7 if they've paid for five years and they've only used
8 three years, so long as they have not started the first
9 day of that third year of registration, any unused full
10 12-month registration can be refunded to them.

11 MR. GRAHAM: Got it. I'd just like to tell
12 the Board that we run a lot of trailers in our business.
13 My wife has told me this is very, very important to her,
14 and so I plead with you and make the case that this is
15 going to be really good for the consumers and taxpayers
16 of Texas and my wife, and that would be very helpful to
17 me. Thank you.

18 (General laughter.)

19 MR. TREVIÑO: Do we need to strike his wife
20 from the record? No. Thank you. She's a consumer, so
21 I'm glad we got those comments in there.

22 Any other questions for Mr. Kuntz?

23 (No response.)

24 MR. TREVIÑO: Mr. Kuntz, I would like to thank
25 staff for looking for any ways to make it easier and just

1 make things simpler for consumers, so thank you for
2 implementing these rules here.

3 So with that, I'll call for a motion.

4 MS. McRAE: Well, I would like to make that
5 motion.

6 MR. TREVIÑO: There we go.

7 MS. McRAE: We want to please Mrs. Graham
8 there, and the rest of our motoring public.

9 MR. TREVIÑO: Yes, we do.

10 MS. McRAE: I move that the Board approve the
11 proposed amendments to Section 217.27 for publication in
12 the *Texas Register* for public comment.

13 MR. TREVIÑO: We have an enthusiastic motion
14 from Member McRae.

15 MR. GRAHAM: Yes. I'll second the motion.

16 MR. TREVIÑO: There we go. Member Graham
17 jumping right in there. Well done.

18 Any further discussion?

19 (No response.)

20 MR. TREVIÑO: Hearing none, I call for the
21 vote. All those in favor please signify by raising your
22 hand.

23 (A show of hands.)

24 MR. TREVIÑO: And the motion carries
25 unanimously. Great.

1 And Mr. Kuntz, you're still here.

2 MR. KUNTZ: I am, and unfortunately, I
3 miscounted when I said I had two left; I still have two
4 left.

5 Again for the record, Jeremiah Kuntz, director
6 of the Vehicle Titles and Registration Division.

7 Before you is agenda item number 14, which is
8 amendments to Administrative Code 217.41. This is
9 implementing changes related to House Bill 643 from the
10 86th Legislative Session, expanding the county locations
11 at which an application for a disabled parking placard
12 may be submitted.

13 These are pretty simple amendments to the
14 Administrative Code, and it expands that a person who is
15 receiving treatment in a county can apply for a disabled
16 placard in the county in which they're receiving
17 treatment.

18 This was allowed for citizens that were coming
19 in from out of state previously to make application in
20 whatever county they were receiving treatment, and this
21 legislation expands that to other individuals that may
22 receive in a county and are receiving treatment in a
23 different county to make application in the county in
24 which they are receiving treatment for those placards.
25 Again, something to make it easier on those constituents

1 that are definitely in hard times that are receiving
2 treatment, to make it easier for them to go and get a
3 placard for parking privileges.

4 MR. TREVIÑO: Any questions for Mr. Kuntz?

5 MS. McRAE: I would just like to say I think
6 this is an outstanding change to the rule because living
7 in a county where people are coming to receive treatment
8 in neighboring counties, this is something that we see
9 all the time, so I think this is an excellent change to
10 that rule.

11 MR. TREVIÑO: Hear, hear.

12 Any other comments or questions for Mr. Kuntz?

13 (No response.)

14 MR. TREVIÑO: Hearing none, the chair would
15 entertain a motion.

16 MS. WASHBURN: I move that the Board approve
17 the proposed amendments to Section 217.41 for publication
18 in the *Texas Register* for public comment.

19 MR. TREVIÑO: We have a motion from Member
20 Washburn. Do we have a second?

21 MR. TREVIÑO: A second from Member Gillman.

22 Any further discussion?

23 (No response.)

24 MR. TREVIÑO: Hearing none, I'll call for the
25 vote. All those in favor please signify by raising your

1 hand.

2 (A show of hands.)

3 MR. TREVIÑO: Motion carries unanimously.

4 Mr. Kuntz.

5 MR. KUNTZ: Again for the record, Jeremiah
6 Kuntz, director of the Vehicle Titles and Registration
7 Division.

8 Before you is my last agenda item, agenda item
9 number 15, which is a new Section 217.75. This new
10 section in the Administrative Code relates to Senate Bill
11 604 which was the department's Sunset legislation, and it
12 is specifically relating to fraud training as well as
13 other training that is required of both county tax
14 assessor-collector employees as well as DMV employees
15 that would be required prior to accessing the
16 Registration and Titling System and performing
17 transactions.

18 The new section is to implement Transportation
19 Code 520.023, which was added by Senate Bill 604, which
20 requires the department to implement training on the
21 department's automated Registration and Titling System.
22 Senate Bill 604, Sections 4.04 and 4.06 requires the
23 department to adopt rules to implement the training
24 program required by 520.023 by December 1 of 2019.

25 That's very important to us as we're talking

1 about this. There is a statutory deadline for these
2 rules of December 1, 2019. In order to meet that
3 deadline, these needed to get proposed in this Board
4 meeting in order for the public comment period for it to
5 be taken up and considered before the December 1
6 deadline, and I do not believe, at this time, that the
7 Board would be meeting before that other than one other
8 meeting, and so this has definitely got a very tight
9 deadline in order to try and make sure that we meet that
10 deadline.

11 I will go through some of these changes just
12 because there a little bit more involved than some of the
13 other rules that we were covering, but I do want to cover
14 some of these because I think that it's very important
15 for the county tax assessor-collectors to know how we've
16 laid these changes out so that there's an understanding
17 of the Board, as well as the tax assessor-collectors, of
18 how we're looking to implement these.

19 So 217.75(a) establishes the requirement that
20 a person perform registration or titling through RTS must
21 complete the training.

22 This does apply to both tax assessor-collector
23 employees as well as department employees that we have to
24 have a training program internally for the department for
25 our own employees, as well as offer training for the tax

1 assessor-collectors that are operating on the system.

2 217.75(b) specifies training will be available
3 through the department's online training system for the
4 county tax assessor-collectors. The training that the
5 tax assessor-collectors are taking is available online.

6 That will be the system that we're relying
7 upon in order to determine what permissions they are
8 authorized to have in the system. Our employees have our
9 own internal training as well as our own online system
10 that we would potentially have them take training on, in
11 addition to possibly taking training on that system
12 that's out there as well.

13 .75(c) clarifies that a person must pass each
14 training course associated with the level of permission
15 that the person will be granted in RTS by the tax
16 assessor-collector or tax assessor-collector's system
17 administrator based on their job duties.

18 What this is really laying out is we have very
19 specific training modules. My staff is going through
20 right now and looking at those specific modules and
21 mapping those back to the permissions that are out there
22 that an employee may be given and there will be a mapping
23 that basically outlines if you have this kind of
24 permission, this is the training module that you'll be
25 required to take before that permission is available to

1 you.

2 .75(d) -- this is very important and wanted to
3 really cover this one for sure -- establishes the timing
4 for completion of the required training. While the rules
5 had to be adopted by December 1, the rule does allow for
6 a phasing in of this training for existing employees and
7 it puts in an effective date that the training must be
8 taken by August 31 of 2020.

9 And so based on what we are anticipating the
10 effective date of the rules, that the tax assessor-
11 collectors will get approximately eight months to go out
12 and take this training or any training that they have not
13 taken yet.

14 Any training that they have already completed
15 in that online system will already count, they won't have
16 to go back and retake training that we already have
17 documented in that system, and so if we can see that they
18 have already completed that training, they will not have
19 to re-complete that training after this rule goes into
20 effect.

21 All of that would count towards that
22 eligibility, but they would get an additional eight
23 months if they have not taken training in order to
24 complete it so that they've got adequate time to complete
25 that.

1 Any person who is assigned permissions after
2 the effective date of the rule would be required to
3 complete that training prior to those permissions being
4 turned on. So if on the effective date of this rule you
5 are granted permissions, those permissions would not be
6 activated until such time as that training has been
7 completed.

8 We also added one other provision for any new
9 training that is developed. If there is new training
10 developed by the department specific to a permission that
11 is out there, that new training would allow any existing
12 employees 90 days to complete that training, so if
13 they've already got that permission and there's new
14 training that's made available, they would have a 90-day
15 time period in order to complete that training for
16 anything going forward as well.

17 217.75(e) requires a person to use their
18 assigned training identifier to assure both the tax
19 assessor-collector and the department can confirm that
20 individual successfully completed the training.

21 What that is saying is we actually provide
22 unique user names and passwords for the training system
23 itself. We will require that each person that is
24 completing training to complete it under their log-in
25 credentials so that we can confirm and make sure that the

1 training that's completed is associated with that
2 specific employee so that we can map that back to the
3 permissions in RTS to ensure that they have taken that
4 training.

5 We will not allow them to log in under
6 somebody else's credentials and make statements that
7 they've completed the training under somebody else's
8 credentials, they will have to complete that training
9 under their own credentials to get credit.

10 And then subsection (f) specifies that the tax
11 assessor-collector's system administrator will create RTS
12 accounts, which is what they do today, and assign
13 permissions.

14 The way the system will be programmed is they
15 will create accounts, assign permissions. Those will be
16 in a suspense state until the training has been completed
17 and confirmed by the department. At such time the
18 department would turn those permissions on, and they
19 would be granted that access to start performing
20 transactions.

21 So it is a little bit different of a system
22 than the way that they are granted permissions today.
23 Today a county tax assessor-collector can create
24 permissions through their administrator and they are live
25 to start processing transactions immediately. Under the

1 new system, once those permissions are created, they
2 would be in that suspense until such time as the
3 department has confirmed that the training has been
4 completed, at which point it would then be activated for
5 them to start performing transactions.

6 The way that we are looking at doing that is
7 that once the training has been completed, the system
8 administrator or the employee would contact the
9 department's regional service center, we would verify
10 that the training has been completed, and once we see
11 that it is completed, those staff in the regional service
12 center would be able to turn on that employee's
13 permissions so that we can try and expedite that as fast
14 as possible.

15 And with that, I will entertain any questions.

16 MR. TREVIÑO: Thank you, Mr. Kuntz.

17 Are there any questions of Mr. Kuntz? Member
18 Washburn.

19 MS. WASHBURN: This is really a question for
20 Member McRae. It sounds like a lot of turning on and off
21 of permissions. How does that affect your team?

22 MS. McRAE: Well, right now, as Jeremiah
23 stated, we create the profiles and assign permissions
24 based on whatever that job function may be, and that
25 function remains on until such time that they are no

1 longer employed or change positions within the office
2 itself.

3 I don't really see a problem with this except
4 I do have a couple of questions. To answer your
5 question, Shelly, as long as the regional service centers
6 and the county tax offices are able to communicate
7 promptly and get them switched on, I think it would work.

8 We just need to make sure those efforts are coordinated
9 that we can get through and that their response is fast.

10 MS. WASHBURN: Just the concern is that, you
11 know, one day somebody's permission is turned off and
12 they can't help a consumer.

13 MS. McRAE: Right. Would we be notified if
14 the permissions were for some reason? And I'm going back
15 to the 90-day window for any new training that would be
16 available.

17 If a county tax assessor had someone out for
18 FMLA-related reasons or anything along those lines and
19 they were unable, is that something that we would be able
20 to reach out on a case-by-case basis if that individual
21 was not able to complete it within the 90 days?

22 MR. KUNTZ: If there's things that we need to
23 clarify in the rule, I think we can try and clarify
24 those, if that's a comment that we would like to try and
25 clarify as far as whether or not there's any

1 accommodation made for an employee that's out on FML.

2 The rule is drafted right now, it just has a
3 90-day provision from the time the training is made
4 available for any existing employee that has that
5 permission that's currently activated to take that
6 training. If the training is not completed, the rule
7 lays out that those permissions would be turned off.

8 I do want to make sure that I am very clear
9 that the employee is not going to be turned off in
10 totality. So the way that the system is set up is there
11 are specific permissions for each and every type of
12 transaction or different type of functionality in the
13 system, and so what we are doing is mapping back those
14 specific permissions to specific training.

15 So if there is a new training module that
16 comes out that is specific to one permission but that
17 employee has taken all of the other permissions, they are
18 not going to be kicked off the system. That one
19 permission would be the only permission that is
20 inactivated, if you will, so they would have that 90 days
21 to get that training specific to that one type of
22 transaction, but it would not terminate their access, if
23 you will. So I did want to make sure that we're very
24 clear on that.

25 But if we need to clarify any type of

1 accommodations or things like that, the rule does not
2 have those currently in there, there's not an
3 accommodation for a county coming in and asking for an
4 extension on the 90 days, it just has a 90-day provision,
5 and then if the training is not completed that that
6 permission is deactivated.

7 MS. McRAE: I would like to see us incorporate
8 something along those lines, and I'm sure we would want
9 to make sure that not for any reason but if they're out
10 on FMLA or something beyond their control, that we allow
11 for that, because I know I have a lot of people that
12 would fall into that category from time to time.

13 MS. BEAVER: And we could take a recess if you
14 would like some assistance in drafting some new language
15 for that proposal so that we can provide that in a motion
16 for the Board as well.

17 MR. TREVIÑO: How many permissions are we
18 talking about?

19 MS. McRAE: There's a lot.

20 MR. KUNTZ: There are a lot.

21 MR. TREVIÑO: Ten, twenty?

22 MS. McRAE: No.

23 MR. TREVIÑO: Fifty, sixty?

24 MR. KUNTZ: I would think that they're
25 probably in the 50 to 60 range.

1 MR. TREVIÑO: How many users are there?

2 MR. KUNTZ: We have over 3,000 users.

3 MR. TREVIÑO: 3,000 users. This is going to
4 be a complex thing to manage, so adding more complexity
5 to it and giving wiggle room just makes it more difficult
6 to implement.

7 Not saying that there's always going to be
8 exceptions, but I think those could be handled some other
9 way than in statute or in codifying it in rules here.
10 Just something to think about.

11 Would you like to make a motion or change the
12 language?

13 MS. McRAE: Yes, if we could recess briefly?

14 MR. TREVIÑO: The only suggestion I've got is
15 to please keep in mind the complexity of managing this
16 and putting any kind of wiggle room -- you think about a
17 bell curve, right, you're on the far side of that bell
18 curve is a well managed, excellent organization, and you
19 have obviously, just mathematically, there is somebody
20 who is on the other end of that, and how will they use
21 that wiggle room to make this even complex task even more
22 complex where they're going to have to adjudicate that or
23 decide.

24 MS. McRAE: I agree that we would not want it
25 open-ended, but I do think we need to at least allow

1 for -- and maybe it's just case-by-case. Maybe Tracey
2 could help.

3 MR. TREVIÑO: I think it would be a good time
4 to take a recess. We're going to take a five-minute
5 recess to allow Member McRae to jump in there. That's
6 what it's for, that's your job.

7 (Whereupon, at 10:03 a.m., a brief recess was
8 taken.)

9 MR. TREVIÑO: We are back in session, so is
10 there anything I need to read, General Counsel?

11 MS. BEAVER: Thank you, Chairman. Just the
12 time and that we're back on the record.

13 MR. TREVIÑO: Very good. It is 10:20, and we
14 are back in session. All members are here, so very good.

15 Mr. Kuntz, you finished your presentation and
16 we had a little bit of discussion. Is there any other
17 discussion around this topic which is, I believe, agenda
18 item 15, rule proposals for Section 217.75? Any other
19 discussion around this? Questions?

20 (No response.)

21 MR. TREVIÑO: If not, I would call for a
22 motion.

23 MS. McRAE: Okay. I move that the Board
24 approve the proposed new Section 217.75 for publication
25 in the *Texas Register* for public comment, with an

1 amendment to provide additional time for an employee to
2 complete training if they are out of the office during
3 that time frame for a reason beyond that employee's
4 control, as determined by the tax assessor-collector.
5 And I feel we need to have a window on that training to
6 prevent any fraud or abuse of that policy, and I guess
7 possible two weeks, 30 days, and that will be determined?

8 MR. TREVIÑO: Staff will take that under
9 consideration and amend that and add the time frame, or
10 do we have to be specific around that?

11 MS. BEAVER: Tracey Beaver, general counsel,
12 for the record.

13 We will take that into consideration and draft
14 some proposed new language. The Board does not have to
15 officially approve the proposal before we file it with
16 the *Texas Register*, but we'll take that feedback comment
17 and then amend the rule appropriately, in consultation
18 with our IT department, to make sure that this type of
19 programming is possible, and in consultation with the
20 director of VTR to make sure that this is something
21 that's doable, and move forward with making those
22 amendments prior to proposing.

23 MR. TREVIÑO: Great.

24 MS. McRAE: Thank you.

25 MR. GRAHAM: I'll second the motion.

1 MR. TREVIÑO: Motion by Member McRae, seconded
2 by Member Graham.

3 I'd like to thank staff for all the hard work.

4 This is a very complex topic and you guys have done a
5 lot of real detailed work on this, and I want to thank
6 staff. And I want to thank Member McRae for that well
7 reasoned amendment.

8 So we have a motion and a second. Any further
9 discussion?

10 (No response.)

11 MR. TREVIÑO: Then I'd call for the vote. All
12 those in favor please signify by raising your hand.

13 (A show of hands.)

14 MR. TREVIÑO: Motion carries unanimously.

15 Thank you, Mr. Kuntz.

16 We're now going into briefings and action
17 items. 16.A. Advisory Committees. No. Okay. Sorry
18 about that. All right. We're moving to 16.B.
19 Legislative and Public Affairs Committee. We'll address
20 item 16.A. at a future Board meeting.

21 For agenda item 16.B. Legislative and Public
22 Affairs Committee appointment, I'd like to appoint Member
23 Paul Scott to serve as the committee chair. He's not
24 here today, but I'd like to ask him to serve in that
25 capacity.

1 We move to agenda item 17. Finance and Audit.

2 First we'll hear from Ms. Linda Flores and Mr. Sergio
3 Rey on item 17.A. Recommended FY 2020 Operating Budget.

4 Ms. Flores and Mr. Rey, welcome.

5 MS. FLORES: Good morning. For the record,
6 Linda Flores, chief financial officer for the Texas
7 Department of Motor Vehicles.

8 Today I'm joined at the table by Sergio Rey.
9 He is now the assistant chief financial officer for the
10 division. Prior to his current position, he's been with
11 the agency approximately eight years, serving as the
12 accounting director.

13 Today we're here to present the recommended
14 FY20 operating budget, as well as provide just a really
15 brief overview of the agency's appropriations request and
16 where we landed. This information begins on page 167 of
17 your board materials, and we'll be addressing not only
18 the operating budget, but as well as putting forth three
19 specific contracts for consideration for the Board for
20 approval.

21 To summarize, the department's requested
22 biannual appropriation request of \$321.5- was submitted
23 to the Legislative Budget Board. During the spring this
24 was modified and in May the legislature approved an
25 operating biannual budget of \$310.8 million. Our

1 workforce jumped from 779 to a total of 802, so we were
2 very successful in receiving approval for several
3 exceptional items that included staffing.

4 We received money for IT, along with 12 FTEs;
5 a consumer protection and tracking system for \$567.5-;
6 \$904,000 for a customer service enhancement, along with 9
7 FTEs, and this is for the Consumer Relations Division.

8 They also approved increasing our budget for
9 reimbursing the Comptroller's Office for its general
10 revenue spend in providing services to state agencies.
11 So for example, the Office of the Attorney General
12 provides some services to agencies, the Comptroller
13 provides services, the State Library provides services,
14 so they're all funded with general revenue, so anyone who
15 is not funded with general revenue, like we are,
16 reimburses the general revenue for those type of
17 services. So it's increasing. I have seen this jump
18 from, I think when I started here it was about \$200,000,
19 and so now we are spending over a million a year, and so
20 because of that we have to request an exceptional item,
21 and we were fortunate to receive that appropriation
22 authority.

23 The final item that we were successful in was
24 \$500,000 to help renovate some of our regional service
25 centers, and we've already started those communications

1 with Jeremiah and his staff to identify a couple of mid-
2 size regional service centers.

3 So with the plus side, there is also a minus
4 side that we did not receive, and we've covered some of
5 these: \$5.1 million in our base request for headquarters
6 renovations; \$6.6- and \$17.4 million, both associated
7 with the Auto Burglary and Theft Prevention program.

8 We were not successful, we were very close but
9 we just couldn't make it over the finish line. Third
10 time may be the charm for this particular program, so for
11 the 87th Legislative Session, I'm sure we'll be providing
12 another request for an exceptional item for grants
13 associated with Auto Burglary and Theft Prevention. They
14 had a name change, so that's why you don't see ABTPA.
15 Starting September 1 it will be the Motor Vehicle --

16 MR. REY: Crimes.

17 MS. FLORES: Crimes. Thank you. I think of
18 CPA, you know CPA, it's a different CPA. This is Motor
19 Vehicle Crime Prevention Authority. But I think I'm
20 going to have to send Bryan to ethics training; there's a
21 requirement for all CPAs to have four hours of ethics
22 training every two years.

23 MR. TREVIÑO: Bryan, you taking notes?

24 (General laughter.)

25 MS. FLORES: Moving on. Some new riders in

1 our bill pattern. We were finally successful in allowing
2 to move unspent state dollars for matching to a grant to
3 be rolled from one year to the next, and that's a big one
4 for us. We have a grant that we don't always spend
5 everything in year one, we need to carry forward into
6 year two. That rider allows that flexibility.

7 We had some capital items, and you'll see that
8 in the next two, where, again, we had a capital system
9 where we just couldn't complete, so they're giving us the
10 authority to move those dollars forward so that we can
11 wrap it up.

12 While we didn't get some of our capital
13 funding for headquarters, they allow us to roll over what
14 we're not spending this year in '19 into the next
15 biennium, and that's key because I believe we're going to
16 roll forward at least \$2 million that I'm aware of.

17 We have some big-ticket items in front of us,
18 we're already aware. We've been doing some assessments
19 on these buildings. Don't look too closely, but some of
20 the tiles above your head may be drooping and my require
21 attention in the near future.

22 We also received UB balance, unexpended
23 balance between the biennium for the agency as a whole,
24 so anything that we don't spend in one year, we get to
25 carry forward in the next year, and that's a very large

1 accomplishment for us.

2 And finally, there was a bill, House Bill 1711
3 by Paddie, that passed during the session, and we
4 received appropriations to address that rider. This is a
5 contingency rider. It provides a million four to
6 implement digital plates for the agency, along with two
7 FTEs for VTR, Vehicle Titles and Registration. So with
8 that, we'll be working with Jeremiah and his staff to
9 help implement that in the next session.

10 This provides you an appropriations history
11 trend. You'll see in '18-19, the current one, we spiked
12 and then we've come back down. The primary difference is
13 in this biennium we had assumed when we implemented our
14 processing and handling fee at \$4.75 that we would be
15 making payments to Texas.gov.

16 Things changed, the business model changed,
17 and instead, Texas.gov retained a portion of the revenue
18 so I didn't have to make any payments. When an agency
19 makes a payment, they have to have appropriation
20 authority. Because I didn't have to make that payment,
21 the money lapsed in this biennium. So we addressed that
22 during our session, everybody was aware, so we're not
23 going to miss it.

24 MS. BREWSTER: Mr. Chairman?

25 MR. TREVIÑO: Go ahead.

1 MS. BREWSTER: Ms. Flores, do you mind going
2 into what Texas.gov is for our new Board members?

3 MS. FLORES: Sure. Sorry.

4 So the state's agencies are required to use an
5 online portal that's operated by the oversight of the
6 Department of Information Resources. They in turn
7 contracted with an entity called Texas.gov. Before they
8 were Texas.gov, I think they were called Nicusa, and they
9 provide online payment portals to counties and cities and
10 other governmental entities.

11 MR. TREVIÑO: Great. Thank you for that
12 clarification.

13 MS. FLORES: Sure.

14 Our biannual revenue collections, we collect a
15 lot of money for the State of Texas, including TxDOT.
16 Again, you can see the upward trends. We estimate to
17 collect \$4.10 billion, \$2 billion a year, primarily for
18 roads and Fund 6.

19 MR. TREVIÑO: I'm sorry. What was that number
20 again?

21 MS. FLORES: \$4.1 billion, with a B.

22 MR. TREVIÑO: I just wanted to hear you say it
23 again, that's all.

24 (General laughter.)

25 MS. FLORES: That's a big one.

1 And at this time I'm going to turn it over to
2 Sergio and he's going to give you an overview of the
3 detail for the agency's operating budget.

4 MR. REY: For the record, Sergio Rey,
5 assistant chief financial officer.

6 To kind of segue on the topic of revenue as it
7 relates to the operating budget, on this slide, and with
8 more details on your document on page 182, you will see
9 that DMV does expect to have sufficient collections to
10 cover our obligations for the year, so we'll see in the
11 upcoming year \$173 million specifically for the DMV Fund,
12 and towards the right you'll see how our obligations for
13 the next fiscal year 2020 total up with not only the
14 appropriations but also with our fringe benefits and our
15 unexpended balances carried forward from this current
16 year to the next.

17 So in summary, our operating budget for this
18 upcoming year in 2020 is in more detail on page 185, but
19 this illustration covers our \$169.9 million that we are
20 looking as obligations in 2020. As you can see, the
21 majority of these obligations lie with our programs.

22 In administration with \$91.7 million, a lot of
23 that is centered on our title and registration areas with
24 VTR, in our functions in the Huntsville operations, and
25 in our digital imaging services.

1 The next big item is our capital projects of
2 \$36.8 million. Much of that, again, tied to our
3 automation projects and our data center services
4 contracts here in the state.

5 Just to kind of clarify on agency-wide, again,
6 kind of segueing on earlier conversation regarding our
7 credit card services, agency-wide covers \$4.3 million of
8 that is what our new obligation will be, and our special
9 plates appropriation covers another \$5 million in that
10 agency-wide bucket.

11 MS. FLORES: So let me clarify on that last
12 statement that he made. In agency-wide we set aside the
13 dollars that are generated by the specialty plate vendor.

14 They receive money but we pay them for those services,
15 so that is sitting in agency-wide, and that's in one of
16 our riders as well.

17 MR. REY: And to cover more description or a
18 pictorial description of our capital budget, this graph
19 here, coming from page 194, kind of covers as far as what
20 our automation obligations or what we're looking for in
21 not just automation but all our capital projects for this
22 upcoming fiscal year.

23 First, you're looking at RTS and its focus in
24 working its architecture. Again, data center services
25 being a big item for us in other technology projects.

1 And as mentioned earlier, our other capital projects deal
2 with the maintenance of our buildings and headquarters,
3 so right there you can see about \$4.2 million that we
4 will be seeing in our unexpended balance carryforward for
5 our headquarters so that we can address items here on our
6 campus. And there is a section, a new rider for new
7 money for our regional service centers.

8 MS. FLORES: So now I'm going to address --
9 this was not presented in your June board materials --
10 we're going to be moving on to page 199 of your board
11 book, and I'm going to give you a brief overview of
12 contracts.

13 In the upcoming fiscal year the agency is
14 going to execute approximately 203 new and renewals of
15 contracts, and you can see up there 14 are over \$200,000,
16 six between \$100- and \$200-, 153 contracts that are less
17 than \$100,000, 15 contracts for IT staff augmentation
18 that are provided by pre-approved contracts from the
19 Department of Information Resources, and then the last
20 are what I call 15 statutorily required contracts.

21 If you'll turn to page 201, these are what we
22 consider statutorily required contracts. We are required
23 by statute, in some form or fashion, whether it's the
24 Prison Goods Act of 1960--something -- I can't remember
25 the exact year -- we are required to utilize the

1 Department of Criminal Justice for the production of
2 license plates. We are not allowed to submit requests
3 for proposals to the vendor community for that type of
4 activity.

5 There are other services that we're required
6 to utilize other agencies. DIR is one for data center
7 services, the State Office of Risk Management for our
8 vehicle insurance and property liability. We're also
9 required to utilize the State Comptroller's Office for
10 certain services. These are not brought to the Board for
11 your approval; however, we do list them so that you're
12 aware of some of those agreements between us and other
13 state agencies.

14 The contracts that are over \$200,000, by Board
15 resolution, are brought to the Board for consideration
16 and approval. In every operating budget you will see
17 what we anticipate to bring to the Board for execution.
18 So on page 200 you will see the three contracts that we
19 are presenting for your consideration and approval.

20 The first is with Southwest Research Institute
21 to host an application that manages our federal grant
22 program. It is the Commercial Vehicle Information
23 Exchange Window, and we have had this relationship with
24 this entity since 2014. This \$600,000 is our anticipated
25 spend for the upcoming year.

1 The American Association of Motor Vehicle
2 Administrators contract for \$411,000, it's a federal
3 requirement that all state agencies have to check titles.

4 This is a federal requirement. Again, that particular
5 contract has been in place since the inception of the
6 agency. It too has increased over time, and it's based
7 on the usage of people paying the agency's web page to
8 check titles, so if there's more usage, there's more
9 cost.

10 And then finally -- and this will segue into
11 the next agenda item -- is the interagency agreement
12 between the agency, Texas Department of Motor Vehicles,
13 and the Texas Department of Transportation.

14 Since its inception since 2009 there has been
15 a memorandum of agreement or an interagency agreement
16 between us and TxDOT for particular services that they
17 provide to us and that we utilize, and that we provide to
18 them. So that particular agreement I'll have more detail
19 for the next item, but that's in place. The amount that
20 we are estimating to spend is a million per year, and
21 that's in line with what we've been spending for the last
22 two years.

23 And with that, I would recommend that the
24 Board approve the delegation to Ms. Brewster to execute
25 and finalize these three contracts. And with that, I'm

1 happy to address any questions.

2 MR. TREVIÑO: Okay. Member Gillman, jump
3 right in.

4 MS. GILLMAN: I was just going to ask back on
5 page 189, the operating budget, total \$169 million.

6 MS. FLORES: Yes, ma'am.

7 MS. GILLMAN: What was '19?

8 MS. FLORES: It was roughly in line, we had
9 not been fluctuating. Other than that \$20 million that
10 you saw a dip between '18-19 and '20-21.

11 MS. GILLMAN: You may have already said '19
12 and I just missed it. I just was wondering.

13 MS. FLORES: So in this chart we're dealing
14 with budget to budget, so in '18-19 we had \$332- and in
15 '20-21 we add the two years together, so it's down by
16 approximately \$20 million. That \$20 million specifically
17 was because of the shift in not having to pay Texas.gov.
18 We had estimated to spend about \$10 million on credit
19 card fees, so our '19 budget, if you exclude that, would
20 be roughly about \$160-. I hope that addresses the
21 question.

22 MS. GILLMAN: So it's going to go from about
23 \$160- to \$169-.

24 MS. FLORES: Correct.

25 MS. GILLMAN: Okay. Thank you.

1 MR. TREVIÑO: Any other questions?

2 (No response.)

3 MR. TREVIÑO: Okay. With that, the chair
4 would entertain a motion.

5 MR. GRAHAM: Mr. Chairman, I move that the
6 Board approve the fiscal year 2020 operating budget, as
7 presented, including the delegation to the executive
8 director to negotiate, execute and sign the routine and
9 required contracts contained in the recommended fiscal
10 year 2020 operating budget, including any amendments, and
11 the specific approval of the following contracts,
12 including any amendments, after consultation with the
13 Board chairman: Southwest Research Institute, American
14 Association of Motor Vehicle Administrators, and National
15 Motor Vehicle Title Information System.

16 MR. TREVIÑO: We have a motion from Member
17 Graham. Do we have a second?

18 (Member Washburn raised her hand to second the
19 motion.)

20 MR. TREVIÑO: Member Washburn.

21 Any further discussion?

22 (No response.)

23 MR. TREVIÑO: Hearing none, I'll call for a
24 vote. All those in favor please signify by raising your
25 hand.

1 (A show of hands.)

2 MR. TREVIÑO: Motion carries unanimously.

3 Thank you.

4 The one thing I would add, you know, the
5 revenue you raise is roughly \$4.2 billion is what you
6 suggested for the biennium. Correct?

7 MS. FLORES: \$4.1 billion.

8 MR. TREVIÑO: \$4.1 billion. At the end of the
9 day, that money doesn't just appear, it comes from the
10 citizens of the State of Texas, and so your \$170 million
11 budget, as you're well aware, we're stewards of those
12 resources and trying to get the best value you can. I
13 know you're well aware of that, but I wanted to make sure
14 that the record is clear.

15 MS. FLORES: Absolutely. And I think some of
16 my speaking points on another agenda item will address
17 that as well.

18 MR. TREVIÑO: Great. Thank you very much, Ms.
19 Flores.

20 MS. FLORES: Chairman, if I could, with your
21 indulgence.

22 MR. TREVIÑO: Yes, go right ahead.

23 MS. FLORES: If I could, before we move on to
24 17.B.

25 MR. TREVIÑO: Of course, sure.

1 MS. FLORES: If I could just recognize the
2 staff who supported this agency, and not only during the
3 fiscal year but with the day-to-day activities and
4 functions putting together our operating budget, our
5 appropriations request, I'd like to do that at this time.
6 They're sitting back in the back, I can barely see them,
7 but I would ask that they stand. I have our budget
8 staff.

9 MR. TREVIÑO: Please stand and be recognized.
10 Thank you.

11 MS. FLORES: And the revenue estimators,
12 there's three of them -- I can barely see them. And to
13 that note, they're behind the scenes working the numbers,
14 you will never see them, but without my revenue
15 estimators and my expenditures staff here, we could not
16 have analyzed and compiled 230 fiscal notes and analyzed
17 approximately 50 bills.

18 As well as the rest of the agency, the staff
19 from our divisions, you know, Motor Carrier, Motor
20 Vehicle, ABTPA -- I include Bryan in that -- everyone
21 came together during this legislative session, they
22 knocked on the right doors, they kept to the story line
23 of what we needed, not necessarily what we wanted but
24 what we needed, and we've been the most successful that
25 I've ever seen this agency.

1 So thank you all.

2 MR. TREVIÑO: Hear, hear.

3 (Applause.)

4 MR. TREVIÑO: Ms. Flores, thank you for
5 recognizing them, and I apologize for not recognizing
6 them first. Thank you very much.

7 MS. FLORES: Thank you.

8 MR. TREVIÑO: Okay. Next we'll hear from Ms.
9 Flores and Ms. Aline Aucoin on agenda item 17.B. Am I
10 pronouncing that correctly?

11 (General talking and laughter.)

12 MS. AUCOIN: For the record, my name is Aline
13 Aucoin, associate general counsel.

14 The materials begin on page 220 of the board
15 books.

16 The department is requesting the Board to
17 authorize Executive Director Whitney Brewster to
18 negotiate any final changes to the proposed agency
19 contract between TxDMV and the Texas Department of
20 Transportation, also known as TxDOT, and to execute the
21 contract with the approval of Chairman Treviño.

22 TxDMV has negotiated and executed an
23 interagency contract with TxDOT since we became an agency
24 in 2009. This contract is necessary because we share
25 facilities and we need to cooperate on different programs

1 and issues, such as the routing of overweight vehicles.
2 The interagency contract sets TxDMV's maximum amount at
3 \$1 million per fiscal year, and it also sets TxDOT's
4 maximum payment amount at \$1 million per fiscal year, and
5 neither agency makes a profit under this contract.

6 TxDMV redlined the current interagency
7 contract to indicate the changes that we want to make at
8 this time. We deleted language that is no longer needed.

9 For example, we've completed certain projects and we've
10 implemented work groups. We've added language to improve
11 the coordination between the two agencies and we updated
12 information. TxDOT recently provided us with their
13 redlines, however, TxDMV staff need a chance to discuss
14 these changes internally before we address these in a
15 public way.

16 In August of 2017, the Board also delegated
17 authority to Executive Director Whitney Brewster to
18 negotiate any final changes to the interagency contract
19 with the approval of the Board chairman.

20 I'd be happy to answer any questions.

21 MS. FLORES: If I may, before we move on.

22 MR. TREVIÑO: Ms. Flores, jump right in.

23 MS. FLORES: We're specifically requesting the
24 Board's approval to delegate the finalization of this
25 agreement to Ms. Brewster. What I just passed out to you

1 was the actual redlines that we're proposing.

2 In your board material on page 221, or if
3 you're looking on line, when the Word document was
4 converted into PDF, it hid, if you will, the actual
5 redlines, so what I passed out is the actual redline of
6 those changes that we're recommending.

7 To Aline's point, we have received the redline
8 from TxDOT but we're still reviewing that and that
9 remains to be addressed.

10 Also, to give you some context to this
11 agreement, as I mentioned before, we've had an agreement
12 in place since November 2009 when this agency was
13 created.

14 The appropriations at that time needed to be
15 transferred to the DMV. That MOU laid out appropriations
16 of \$147.7 million. It also listed out that TxDOT would
17 be responsible for continuing operations to help the
18 agency stand up. In '11 that payment was a not to exceed
19 of \$7.2 million, and as the agency stood up, that number
20 has declined over time to the point where we're at in
21 '18-19, '20-21 of \$1 million per year.

22 So as we've taken on more of the
23 responsibility, our payment to TxDOT has decreased,
24 however, the payment from TxDOT to DMV has remained the
25 same, a million per year. So that kind of just gives you

1 some background about the agreements between the two
2 agencies.

3 And when I started, there was a contract
4 attorney from TxDOT that indicated that this memorandum
5 of understanding needed to be in place because it was a
6 matter of respect, of respect between the two agencies.

7 At times it's been a one-way street, but over
8 time, you know, we're both growing into our shoes, if you
9 will, and so now we're at the point where we're
10 finalizing the last items where we have some kind of
11 agreement with TxDOT. At some point in the future we
12 will truly be a standalone agency with our own destiny
13 ahead of us. How about that?

14 MR. TREVIÑO: Great. Thank you very much. I
15 think this Board recognizes that we have a friendly but
16 complex relationship with TxDOT, and I thank staff for
17 working on this.

18 So any other comments or questions for Ms.
19 Flores or Ms. Aucoin?

20 MR. GRAHAM: I have a friendly and complex
21 motion.

22 MR. TREVIÑO: There you go. That would be
23 useful.

24 MR. GRAHAM: I will add that I move that the
25 Board authorize the agency's executive director to

1 negotiate and execute the fiscal years 2020-2021
2 interagency contract between the Texas Department of
3 Transportation and the Texas Department of Motor
4 Vehicles; however, any changes to the draft provided in
5 the board book are subject to the approval of the Board
6 chairman.

7 MR. TREVIÑO: Great. We have a motion from
8 Member Graham. Do we have a second?

9 MS. McRAE: Second.

10 MR. TREVIÑO: A second from Member McRae.

11 Thank you.

12 So any further discussion?

13 (No response.)

14 MR. TREVIÑO: Hearing none, I call for the
15 vote. All those in favor please signify by raising your
16 hand.

17 (A show of hands.)

18 MR. TREVIÑO: Motion carries unanimously.

19 Thank you.

20 Whitney, you have approval and good
21 negotiating.

22 MS. BREWSTER: Thank you.

23 MR. TREVIÑO: All right. And we will move on
24 to agenda item 17.C., which is presented by Ms. Sandra
25 Menjivar-Suddeath.

1 Ms. Menjivar-Suddeath, welcome. Always a
2 pleasure to see you.

3 MS. MENJIVAR-SUDDEATH: Sorry. I'm getting
4 surrounded by finance folks, so that worries me a little
5 bit.

6 MR. TREVIÑO: Hold on to your wallet.

7 MS. FLORES: She needs to worry.

8 (General laughter.)

9 MS. MENJIVAR-SUDDEATH: Good morning, Board
10 members. For the record, Sandra Menjivar-Suddeath. I'm
11 presenting item 17.C., which is the fiscal year 2020
12 internal audit plan. It is on page 265 of your board
13 book, and I am requesting Board approval on this.

14 The internal audit plan is required to be
15 approved by the Board by Texas Government Code 2102,
16 which is known as the Texas Internal Auditing Act. The
17 plan in front of you has all the potential engagements
18 for the fiscal year, as well as the hours allocated for
19 the first half and second half; however, we've only
20 really planned for the first six months of the fiscal
21 year.

22 The reason for that is the agency always has
23 unforeseen risks, and in previous years the way we've
24 dealt with that is setting aside hours for management
25 requests or Board requests.

1 In fiscal year '18 we set aside 300 hours; the
2 special requests that came in ended up being 650 hours.
3 So in fiscal year '19 we increased it to 650 hours, and
4 we received two special requests, one related to
5 procurement and contract management, the other one
6 related to accounts receivable, and those two engagements
7 are roughly about 1400 hours.

8 So what that causes us in Internal Audit, it
9 causes resources used in our division, we have to manage
10 multiple projects at the same time, and we can't always
11 address risk as quickly as we'd like for the agency.

12 So we've transitioned to a six-month audit
13 plan, after discussions with the Board chair, Finance and
14 Audit Committee chair, and the executive director, so
15 what that means is in early 2020 we will come back and
16 ask for permission to start the second half of the fiscal
17 year audit plan.

18 So for the first part of the fiscal year audit
19 plan, we have seven engagements listed, as well as four
20 divisional initiatives and four added value services that
21 I'll provide information on.

22 The seven engagements include four risk-based
23 engagements and three required engagements. The three
24 required engagements include an annual activities report
25 by the State Auditor's Office, so by November 1 we have

1 to submit to the State Auditor's Office, the Governor's
2 Office and the Legislative Budget Board a summary of all
3 the activities we did in the previous fiscal year.

4 We also have to do our internal assessment, so
5 for us to be able to say we are in compliance with audit
6 standards and that our work can be relied on, we have to
7 internally assess ourselves, make sure that we're in
8 compliance with audit standards, and our quality
9 assurance and internal assessment also includes
10 information on how we performed against our key
11 performance indicators as well as a capability model,
12 that I'll provide more information in October about.

13 And finally, we'll have the Internal Audit
14 follow-up. So Internal Audit does continuous monitoring
15 of follow-up, so when an audit recommendation is issued
16 to the department, whether it is Internal Audit or an
17 external entity, we monitor that continuously.

18 And so the divisions and the department are
19 required to provide status updates, implementation plans,
20 things to that, for us to review. And so we review those
21 as they come and then we provide a quarterly status to
22 the Board on how well we've been implementing the
23 recommendations.

24 So those are the seven engagements that we
25 have in the plan. What you'll notice from the slide is

1 we've also tied it to something called COSO, the COSO
2 framework. COSO, if you're familiar with SOX testing, it
3 is the foundation of SOX testing. Basically it's an
4 internal controls framework, and we have a thing called
5 the COSO, and we have a thing called the COSO cube, which
6 is that. Basically, the COSO framework ties the
7 operating, reporting and compliance objectives of an
8 organization to a control framework.

9 You have five key integral parts of that
10 framework. One is control environment which is your tone
11 at the top. So we're talking about culture, the board
12 strategy, things to that regard. The next is the risk
13 assessment aspect.

14 Risk assessment is are you actually evaluating
15 our risks and identifying the controls you need. Then
16 you have control activities which is our bread and
17 butter, the processes and procedures, those type of
18 items. And then you have information and communication,
19 how well are things being communicated on the controls.
20 And finally, monitoring activities, how well are you
21 monitoring that.

22 And so we've tied our audit plan to those
23 components so that way you can see that we're getting
24 coverage for the entire framework, as well as tying it to
25 our strategic plan.

1 And I'm sorry, I'm a little bit nerdy about
2 COSO, I really enjoy it. I can spend hours talking about
3 it, to the detriment, probably, of my staff.

4 MR. TREVIÑO: Who doesn't love COSO, really.
5 (General laughter.)

6 MS. MENJIVAR-SUDDEATH: So kind of getting
7 into the risk-based engagements. We have four
8 engagements that we are planning to do in the first six
9 months.

10 The first one we list as the application
11 services section. This engagement will evaluate how the
12 section prioritizes and balances the support needs of the
13 agency. So the application services section plays a
14 critical role in our agency. They support all our
15 programming for webDEALER, RTS, any applications we use
16 in-house.

17 We actually have done an organizational
18 assessment of that section as an advisory service in
19 2017, so this is kind of now our chance to come back in
20 and review it as an audit and see how well some of the
21 information we provided them, how well things are going
22 in that section.

23 The next one is patch management. So patch
24 management is the actual patching of servers,
25 applications, things to that, to make sure that they're

1 up to date. Something to note on the patch management
2 audit, this was one of the engagements that was
3 identified in the Texas DMV cybersecurity roadmap.

4 As a reminder, that is a confidential
5 document, but that roadmap provides information on how
6 the department is going to effectively handle
7 cybersecurity, as well as how Internal Audit is going to
8 be part of that. And so that's one of the audits that
9 was in that plan and so we put it on our audit plan.

10 The next one is title registration customer
11 support. So we have multiple divisions that answer
12 questions and provide support for titles and registration
13 programs. We've had a change in the department on how
14 some of those are handled.

15 We used to have a help desk in IT. That
16 function has been pushed out to Consumer Relations
17 Division, Vehicle Titles and Registration, and Finance
18 and Administrative Services, so we want to see how that
19 transition has gone, as well as the consistency of
20 customer support through those divisions.

21 And then finally, we have an advisory service.

22 So the advisory service is something that is
23 informational basis, it was a request for management to
24 put on the plan, it is a high-risk area. High risk does
25 not mean that it's a problem area, it just means that

1 it's something that's important and critical to the
2 agency, so we put it on the plan. But it will be looking
3 at different strategies and information to provide back
4 to the department on how to continue combating temporary
5 tag fraud.

6 Any questions on the engagements?

7 (No response.)

8 MS. MENJIVAR-SUDDEATH: I just want to give a
9 summary of our other stuff that we do because most people
10 think we only do audits, but we do a lot more.

11 So our divisional initiatives for the first
12 six months include implementing SB 65. Senate Bill 65 is
13 actually changing our annual audit plan requirements. We
14 are required now to consider methods for monitoring
15 contracts and procurements, and so we will be looking and
16 evaluating how do we do that.

17 Other state agencies, what they do is they add
18 a contract audit into their plan. Because we're a
19 smaller division, we don't think that's really the most
20 effective use of our resources, and so we're looking at
21 more bigger plans or something else to evaluate on a
22 continuous basis, which kind of leads into our key risk
23 indicators.

24 So the division would like to start monitoring
25 key risks for the department and identifying and

1 providing reporting to the Board and executive management
2 on some of those key risk areas. Those include fraud
3 indicators, payments, ghost employees, things to that
4 regard, do we have anything like that. The regional
5 service centers, looking at their transactions, is there
6 any fraud being committed there. Procurement and
7 contract monitoring management, looking at some high risk
8 potential procurements and identifying ways to ensure
9 that we can mitigate or help mitigate risk. And then
10 looking at IT Division. IT plays a very critical role in
11 our agency and so we want to make sure that we can
12 partner with IT and help monitor any key activities in
13 that area.

14 We'll also be working on a cybersecurity
15 co-sourcing -- which I bother Ms. Rosas every day
16 about -- but the cybersecurity co-sourcing is a
17 procurement that we will be asking for audit services for
18 people to come in and do specific auditing related to
19 some very specific cybersecurity issues, encryption,
20 cryptography, things that our staff don't really have the
21 expertise for.

22 And then we'll be doing team central
23 reporting, so our application has a lot of reporting that
24 we use for the department and so we're still configuring
25 that reporting, and so that will be an initiative for us.

1 And then we also are very focused on staff
2 development plans and training. I meet with my staff
3 monthly to talk about their goals and how to help them
4 progress to the next level, whether that's to be the next
5 chief auditor or just get to the next level. We're kind
6 of homing in that process and changing that area, so
7 we'll be focusing on that.

8 For added value services, we will be working
9 continuously to work on fraud, waste and abuse items.
10 Internal Audit is responsible for receiving and
11 investigating internal fraud, waste and abuse.

12 That also includes the complaints we receive
13 from the State Auditor's Office hotline. Some of those
14 complaints are not really internal fraud but we still
15 need to review them and refer to them to the divisions
16 that need to actually handle them.

17 We will continue to work on external
18 coordination efforts. So we've been audited multiple
19 times, so as those external auditors come in, we actually
20 help coordinate those efforts for the department.

21 We've set aside about 150 hours for ad hoc
22 advisory, so as policy reviews, things like that come up,
23 we can actually help address them. For example, this
24 past fiscal year, ABTPA asked us to look at their grant
25 checklist and provide information on potential risk areas

1 that they may have missed.

2 And then we do work group participations. We
3 participate in every work group as an advisor just to
4 help identify potential risks.

5 And finally, department training. We're doing
6 a lot of training on what is audit, what is fraud, things
7 like that. We're actually starting a new training called
8 Audit 101 to help people understand what audit is and
9 that audit is really here to help you.

10 So that's the audit plan.

11 I'm going to take a minute -- and Ms. Flores
12 kind of stole my thunder -- to recognize my staff. So
13 over the past few months, my staff and I have been
14 meeting pretty much every week for at least two hours to
15 talk about the audit plan and identify the risks that
16 will be on there.

17 We collected 102 risks and controls, from
18 interviews, from our own staff, from the DMV information
19 such as the TOAP work groups, and then industry
20 publications. We evaluated those risks using the risk
21 guidelines, we provided scoring for that, and we had some
22 very heated and good discussions over all those risks and
23 what should be on the plan.

24 So I want to take a second to recognize my
25 staff. I don't know, they're somewhere over there, but

1 if they could stand.

2 MR. TREVIÑO: Please stand and be recognized,
3 everybody. Everyone is here?

4 MS. MENJIVAR-SUDDEATH: So we've had a lot of
5 projects this year, but they took the time to really
6 focus in on risk assessment, and even our intern, I think
7 I've converted her into an internal auditor. She
8 understands risk and can talk about it.

9 (Applause.)

10 MS. MENJIVAR-SUDDEATH: So that concludes my
11 presentation. Are there any questions on the internal
12 audit plan?

13 MR. TREVIÑO: Does anybody have any questions?

14 (No response.)

15 MR. TREVIÑO: So has staff been supportive of
16 your mission?

17 MS. MENJIVAR-SUDDEATH: Absolutely.

18 MR. TREVIÑO: And do you feel that you have
19 the resources necessary to secure the safety and
20 soundness of this organization?

21 MS. MENJIVAR-SUDDEATH: I think so. We'll
22 hopefully see how this upcoming fiscal year goes with the
23 six-month audit plan. I think going to the six-month
24 audit plan will help us kind of make sure that we are
25 adequately resourced and we can actually meet the needs

1 of the department, but if not, we'll definitely have a
2 conversation about it.

3 MR. TREVIÑO: Great, good. Okay, that's good
4 for now.

5 Any other questions?

6 (No response.)

7 MR. TREVIÑO: So with that, I think the chair
8 would entertain a motion. We have to approve your audit
9 plan, don't we?

10 MS. WASHBURN: I move that the Board approve
11 the fiscal year 2020 internal audit plan.

12 MS. GILLMAN: Second.

13 MR. TREVIÑO: Great. We have a motion from
14 Member Washburn, we have a second from Member Gillman.

15 Any further discussion?

16 (No response.)

17 MR. TREVIÑO: Hearing none, call for the vote.
18 All in favor please signify by raising your hand.

19 (A show of hands.)

20 MR. TREVIÑO: Five votes, the motion carries
21 unanimously. Great.

22 We will now move into agenda item 17.D. Ms.
23 Menjivar-Suddeath, please continue.

24 MS. MENJIVAR-SUDDEATH: Okay. So item 17.D.
25 is just the Internal Audit Division status update. It is

1 on page 276 of your board book, and it is a briefing item
2 only.

3 The Internal Audit Division status update
4 includes six internal engagements, three that we have
5 completed and three that are in reporting phase, as well
6 as four external coordination efforts.

7 So the three we have completed is the 2020
8 internal audit plan. I won't give you any more
9 information about COSO or anything about that. We also
10 completed the fiscal year 2019 Internal Audit follow-up
11 and the procurement and contract management audit, and
12 I'll provide a little bit more information on those two
13 engagements.

14 And so for the fiscal year 2019 Internal Audit
15 follow-up, the report is on page 278 of your board book.

16 The objective was to verify the implementation status of
17 outstanding audit recommendations that were due from July
18 2, 2018 to May 31, 2019.

19 In that time period we had 62 internal and
20 external audit recommendations that were due; 25 were
21 from external entities such as the State Auditor's
22 Office, State Office of Risk Management, and the
23 Comptroller, and 37 were internal.

24 We had an overall implementation rate of 90
25 percent, which continues to be pretty high overall

1 statewide. From peers' experiences, usually agencies do
2 not implement when they say they're going to implement.
3 The agency implemented all 25 external audit
4 recommendations.

5 The caveat with that is we've only had eleven
6 of those fully implemented by the external entities, so
7 that means the entity has come back and said, yes, these
8 are fully implemented. The other 14 have been reviewed
9 by Internal Audit.

10 We agree that the actions that were on the
11 recommendation and management action plan have been done,
12 but we're not closing them fully because of the fact that
13 it is issued by an external entity so we really don't
14 know their risk appetite and we aren't comfortable with
15 saying, yes, it's fully closed, and then having the
16 department have to come back and reassess that.

17 This just gives you a high level picture of
18 the recommendations that are started, completed, and
19 their ratings of high and low. Some of the ones that are
20 related to started, there were six that haven't been
21 fully implemented, one of them has already been closed by
22 my division. The section resubmitted their information,
23 so we'll be reporting that out in the fourth quarter
24 memo.

25 Any questions on the follow-up?

1 MR. TREVIÑO: Does the Board have any
2 questions?

3 (No response.)

4 MS. MENJIVAR-SUDDEATH: So we will move on to
5 procurement and contract management, and I have with me
6 Ms. Flores and Ms. Debra Rosas, the purchasing director,
7 to address any questions you may have on the audit
8 itself.

9 MR. TREVIÑO: What page does that begin on?

10 MS. MENJIVAR-SUDDEATH: It's on page 291.

11 MR. TREVIÑO: 291. Thank you.

12 MS. MENJIVAR-SUDDEATH: The engagement was led
13 by Jason Gonzalez and team member Jacob Geray. Mr.
14 Gonzalez is on vacation, a much-deserved vacation, so I
15 will be presenting the report for him.

16 The procurement and contract management have
17 two objectives. The first objective was to determine if
18 the procurement process was achieving its desired
19 outcomes, and the second was if the contract management
20 process was achieving desired outcomes. Our scope of our
21 project was from September 1, 2017 to February 2019, so
22 we had 18 months of data that we could pull and do
23 analysis.

24 So this slide kind of provides the overall
25 picture of the procurement process and the areas where we

1 identified concerns. The overall maturity rating for the
2 engagement was a two, which means the processes could be
3 done, were followed by similar employees, but the results
4 weren't consistent. We also found that the processes
5 were not fully documented and had not been sufficiently
6 evaluated for risk.

7 The reason for that rating is because we had
8 four audit results related both to the procurement side
9 and the contracting side that resulted in eight audit
10 recommendations, six high and two low.

11 And just as a reminder, a high means that's
12 not within the tolerance that we expected and so we will
13 be coming back and retesting that recommendation when it
14 comes due, so we will be redoing the analysis and seeing
15 if the issue had been corrected.

16 The lows mean that divisions still will have
17 to submit analysis to us and we will review it but we
18 don't have to go back and retest it. So every audit
19 recommendation we issue we review to ensure that it's
20 addressing the risk that it identified.

21 So we also had two observations in this
22 report, and I will kind of get into the details of that.

23 So the four audit results are depicted in the picture,
24 but I'll kind of walk you guys through the procurement
25 process and discuss the issues identified as we go.

1 So the first thing when a request is made for
2 goods and services, the division submits something to
3 purchasing for that. This is where we had one of our
4 first results. What we identified -- and the results are
5 on page 301 of your board book -- what we identified is
6 that about 32 percent of the requisitions the department
7 receives are related to office supplies, and the
8 divisions are actually submitting multiple office supply
9 requisitions a month.

10 We analyzed that it's an average of 29 office
11 supplies requisitions a month, which I think we have
12 about 14 or 15 divisions, so divisions are submitting
13 multiple ones. What this causes is a bottleneck in our
14 purchasing department.

15 We analyzed and determined that we're spending
16 about \$72,000 of salary to expend out \$87,000 of office
17 supplies a year, so it's not as effective as it could be.

18 So we made a recommendation to purchasing, which
19 purchasing agrees, that we start consolidating that.

20 We put together a purchasing strategy where we
21 can take the high volume low transactions and start maybe
22 putting them once a month they could be submitted or once
23 a quarter, something to that regard, whatever the
24 department chooses, to help with inefficiencies in the
25 purchasing section.

1 So once the division submits a requisition, it
2 goes to the budget analysts for review to ensure that
3 it's appropriate, we have the funding for it. We had no
4 issues with that section, so it has a nice green box.

5 But once it moves on, after it leaves the
6 budget section it goes to the purchasing staff for actual
7 assignment. This is where we have our second part of our
8 audit result one.

9 What we expected, from discussions from
10 management, is that as the purchasing gets more complex,
11 more difficult, those senior purchasers would be the ones
12 handling that. What we found was that wasn't necessarily
13 the case. The purchasing staff assignments varied in
14 average cost, total amount purchased and the amount of
15 requisitions processed per month.

16 For example, the contract specialist who was
17 responsible for developing and monitoring contracts was
18 actually processing more requisitions than the rest of
19 the staff, so they were averaging about 25 a month, while
20 the purchasers 1, 2 and 3 were between 10 and 20. So
21 that didn't align with what we expected. In addition, it
22 potentially caused issues with the assignments themselves
23 and what is being focused on in the division.

24 So this is where we issued our second
25 recommendation. This was to develop and document a

1 process on how assignments are given to the purchasing
2 staff, and the purchasing section agreed and they're in
3 the process of implementing something and their due date
4 is September 1, 2019.

5 Once the requisition is assigned, the
6 purchasing staff actually execute the purchase and
7 contract order, and this is here, again, we had the third
8 part of our first result.

9 What we identified was the purchasing staff
10 are deciding what needs to go to general counsel for
11 review. This brings a potential risk to the agency as
12 potentially high-risk contracts are not getting the
13 proper review from our general counsel. Partially this
14 was done because we have one contract attorney in the
15 agency -- you've met her -- and we have a lot of
16 contracts in this agency, so a way to deal with that is
17 we had allowed the procurement staff which contracts go
18 to them.

19 We made a recommendation that we do more of a
20 risk-based approach where certain levels, whether it's
21 volume or complexity, things to that regard, go to
22 general counsel for review, and then the other ones go
23 through. Both general counsel and purchasing agree with
24 this, and they have a due date of September 31 to put
25 together that process.

1 So moving on to audit result two. Once the
2 purchase order or contract is executed, the purchasing
3 section had something called a peer review process. The
4 peer review process is to ensure that the purchase order
5 or contract was done within the applicable laws and
6 regulations. And this result begins on page 304 of your
7 board book.

8 What we found was the peer review checklist
9 overall had the majority of requirements to ensure that
10 they were within state law and regulations, however,
11 there were two things missing from the checklist. One
12 was conflict of interest information, and two was
13 franchising tax. So those things have to be reviewed to
14 ensure that it's done within the applicable laws and
15 regulation.

16 The other thing we noticed is that the peer
17 review process was not as effective as it could be, as 17
18 out of 33, which was our sample size, did not have all
19 required information and documentation.

20 In addition, the peer review process was being
21 conducted six days after the purchase had been executed,
22 so at that point the control is not as effective as it
23 could be because the purchase has already occurred and so
24 we don't really know if it was purchased with applicable
25 laws and regulations.

1 So we issued two audit recommendations related
2 to that. One was, A, revise the checklist, and the
3 second was actually develop a process to monitor the peer
4 review and ensure that it's being done timely. Obviously
5 six days was not timely for us. Management agreed and
6 both of those audit recommendations will be completed by
7 the end of the fiscal year.

8 Once the peer review checklist is done, for
9 some of the contracts we actually have to report to the
10 Legislative Budget Board. I believe it's anything above
11 \$50,000 has to be reported on the Legislative Budget
12 Board website.

13 So now overall it's improved since our
14 previous State Auditor's Office audit, but we still had
15 some missing procurements. We found that six out of 122
16 purchase orders that should have been on the website were
17 missing from the website.

18 Three of them were incorrectly coded so that's
19 why we didn't pick it up in our original sample, and so
20 Finance has gone back and fixed those and has put in
21 three more. Because it's LBB reporting, we went ahead
22 and made a recommendation to require a reconciliation
23 process to ensure that all of the ones related to LBB
24 will be put on the LBB website.

25 So once we're done with reporting to the LBB,

1 almost simultaneously, the divisions have assigned a
2 contract monitor to monitor the contract and the purchase
3 order, so in the agency each division has contract
4 monitors that are responsible for the day-to-day review
5 and management of that contract.

6 We have purchasing staff that are responsible
7 for the oversight and the assistance to the contract
8 monitors. This is where we have our third audit result
9 as we found some areas of improvement with contract
10 monitoring.

11 Specifically, we selected a sample of ten
12 active contracts worth \$36 million. When we went to talk
13 to the purchasing staff or the people that were assigned
14 to monitor the contract in the purchasing staff, the
15 purchasing staff were not aware that they were actually
16 responsible for monitoring the contract, nor had they
17 been working with the contract monitors to ensure that
18 deliverables were being met.

19 I will caveat that when we talked to them at a
20 high level about the responsibilities of the purchasing
21 staff, they were aware that they are responsible for
22 actually monitoring the contracts.

23 When we went to talk to the contract monitors,
24 we found no evidence that existed that the contracts were
25 being monitored for the reporting requirements such as

1 activity reports, status reports, and that is a
2 requirement both in our Texas DMV Contract Handbook and
3 the Comptroller's Contract Handbook Guide.

4 The final thing that we identified is that
5 some of the contract monitors were managing contracts
6 that were over \$5 million. This is an important number
7 because at \$5 million, they're required to be certified
8 contract managers with the state, so two out of four did
9 not have that certification.

10 So we issued two recommendations, both of them
11 high, relating to improving the monitoring process for
12 the contract management function, as well as obtaining
13 the training needed.

14 The two observations we had, the first is
15 related to the system that the purchasing information
16 goes into, so we used the Centralized Payroll and
17 Personnel -- it's called CAPPS.

18 MS. FLORES: Centralized Accounting and
19 Payroll/Personnel System.

20 MS. MENJIVAR-SUDDEATH: This system is not
21 managed by our department, it is managed by the
22 Comptroller, so when we need things to be updated in that
23 system, we have to put in a service request to get them
24 to agree to it. The Comptroller decides when and if they
25 will do that service request.

1 And the reason I bring this up is because our
2 staff spent a lot of time pulling reports from CAPPs to
3 be able to do this analysis. We ended up having to put
4 five different reports together to get the analysis for
5 this report.

6 Something else to note is that when we
7 initially looked at the reports, we looked at them as
8 PDFs and it had all the information we needed. When we
9 went back to pull them as Excel documents, the
10 information was actually missing from the Excel
11 documents. So we had to find a workaround using an HTML
12 to pull the information out.

13 So this is not a very easy reporting system to
14 actually monitor that, and I want to make sure everyone
15 is aware of that because that does hinder monitoring
16 processes.

17 The final observation, we found two files for
18 our sample that were purchase order files that had been
19 accidentally archived that were active purchasing items.
20 We just want to make sure that our agency ensures that
21 any active contracts are not accidentally archived. So
22 that was our second observation.

23 So with that, I'll open it up to questions.

24 MR. TREVIÑO: Okay. Ms. Menjivar-Suddeath,
25 thank you for that report.

1 Does the Board have any questions on this
2 audit? Member Washburn.

3 MS. WASHBURN: So do you feel generally these
4 are process problems and not people problems? Skill
5 problems, is maybe a better way to put that.

6 MS. MENJIVAR-SUDDEATH: I'll let Linda answer
7 that.

8 MS. FLORES: For the record, Linda Flores,
9 chief financial officer.

10 So I had mentioned before that I would address
11 Chairman Treviño's question about ensuring that we're
12 good stewards of our dollars.

13 This is the fifth audit that we've been
14 participating in. Unlike the private sector where the
15 private company asks an internal auditor come in and do a
16 review of their financial statements, we're provided a
17 couple of days' notice: Hey, State Auditor is coming to
18 town, make room. We've been audited by CPA, Comptroller,
19 Internal Audit, and I want to kind of give you some
20 context about the procurement process.

21 This is a group of eight individuals, and the
22 State Auditor came in and issued their report in '18, so
23 their work started in '17. Based on their review, it
24 demonstrated that we were substantially compliant with
25 acquiring -- there were some contracts that they were

1 looking at, one of them was the specialty plate vendor,
2 but we were mostly in compliance; however, that report
3 did highlight some areas and processes that we needed to
4 look at that needed attention.

5 So at that time, Whitney and I asked Sandra to
6 look at coming and doing a follow-up, so this audit is a
7 follow-up. During the same time, that particular section
8 of eight experienced 50 percent turnover, including the
9 purchasing director.

10 And so Debra's start date was February 1 of
11 this year, and she's had to roll up her sleeves and
12 really get into contracting. Her expertise is in
13 contracting; the previous director was in purchasing,
14 that was his skill set. So there is a difference.

15 In addition, with Whitney's approval, I've
16 been able to reorganize that section into two units,
17 purchasing for maybe two individuals, two staff people,
18 three contract specialists.

19 Scrutinizing contracts, governmental contracts
20 is nothing new. If you've seen newspaper headlines,
21 there's always the governmental entity paid \$300 for a
22 \$10 hammer. That always makes good sound bites. But as
23 the person responsible for this function, I need to
24 ensure that we're using the public's funds for goods and
25 services that are acquired in compliance with state law,

1 regulations, in order to ensure that we have the public's
2 trust.

3 We've taken some steps to address the issues
4 that Sandra has provided, but all of those findings or
5 results have been impacted in some form or fashion with
6 significant turnover and the skill sets.

7 With that turnover, though, we have an
8 opportunity to try to hire the most qualified individuals
9 that we can for this particular function, knowing that
10 that scrutiny is not going to go away. So having at
11 least three contract specialists will go a long way
12 towards ensuring that we are managing this process.

13 There has to also be a mind shift for this
14 whole agency, as well. When it comes to not sending in
15 requests for office supplies on a daily basis but having
16 scheduled times when they can send in a request, it's
17 going to be a big change for our agency. So I'm going to
18 have to organize and communicate that change. Change is
19 hard. That in particular is going to be a major shift.

20 The other one has to do with contract
21 monitoring. To me that's an even heavier lift because as
22 an end user you ask, I need a service for text messaging.

23 You send it to procurement, they get it for you, all of
24 a sudden you're getting text messages.

25 But as the end user you also have a

1 responsibility to ensure the text messages in the right
2 language, you know, whatever parameters you've
3 established. You're the front line to make sure that
4 you're getting the service that you asked for.

5 I don't believe that that mindset is out there
6 in the divisions, so there's going to have to be a lot of
7 training and support from my co-workers to ensure that
8 when I tag that person as a contract monitor that that
9 support is in there, whether it's in their performance
10 review or just these are the expectations for you when
11 you're using that service and I'm going to require that
12 you report to purchasing on a monthly, quarterly basis
13 that you're receiving the service that we're paying for.

14 That is another change for this agency. We're
15 going to be sending people to training. I will find the
16 money to send them to training, so that is not going to
17 be an excuse. But getting staff to attend is also a
18 commitment on their part.

19 The reporting element, we've got that under
20 control. I have another section in the division who is
21 following up on making sure that those reporting elements
22 are adhered to. That will continue.

23 But this is a very uncomfortable report for me
24 personally. I know that our staff are committed to
25 making this change, but I'm also going to need the

1 support from the agency.

2 We are also looking at resources, but until
3 we're fully staffed, it's hard to say whether or not we
4 need more people. I need to get to the point where we're
5 fully staffed, and we just onboarded a new contract
6 specialist on August 1, I have another person starting
7 August 12, after that I think I've got two more left to
8 go.

9 MR. TREVIÑO: Any other comments from staff?

10 MS. BREWSTER: Mr. Chairman, if I may?

11 MR. TREVIÑO: Director Brewster.

12 MS. BREWSTER: Whitney Brewster, executive
13 director, for the record.

14 First, I want to thank Ms. Menjivar-Suddeath
15 and her team for doing this audit, because it brings
16 attention to areas where we need to make improvements.
17 So I really appreciate the work that they do and the
18 function of Internal Audit in our agency, because it does
19 help us to be better.

20 I also want to say that we agree with the
21 findings and recommendations in the report. We take them
22 very seriously and we are addressing those items with
23 urgency, and we will be transparent with you on how we
24 are progressing in meeting the recommendations.

25 It is the intent of agency staff, along with

1 Internal Audit, in the October meeting -- if acceptable
2 to Mr. Chairman -- and subsequent meetings to provide
3 ongoing updates to the Board on where we are and how we
4 are progressing so that you are aware of how we are
5 tracking to the dates and the commitments that we have
6 made in the report.

7 I also want to address what Ms. Flores was
8 talking about in terms of needing support across the
9 agency, and I consider that my job, to help stress the
10 urgency that our staff are monitoring those and have the
11 training necessary to be able to appropriately monitor
12 those contracts so that we have the assurances that we
13 are being good stewards of state dollars.

14 And so with that, I know that there are some
15 shifts that need to be made in the mindset of the
16 organization overall as it comes to this, however, we are
17 committed to making sure that that occurs, and if
18 additional resources are necessary after Ms. Flores and
19 Ms. Rosas fill the staff in the procurement section, if
20 we need additional staff, we will find additional staff
21 to ensure that we are doing what we need to do in this
22 area.

23 MR. TREVIÑO: Great. Thank you very much.

24 Any other questions, comments?

25 MS. MENJIVAR-SUDDEATH: Can I just add one

1 thing?

2 MR. TREVIÑO: Please go ahead.

3 MS. MENJIVAR-SUDDEATH: I want to echo what
4 Ms. Brewster just said and commend Ms. Brewster and Ms.
5 Flores, because once the State Auditor's Office was gone
6 and we were found mostly in compliance with the contract
7 deliverable terms, there was an identification that we
8 may have had some process issues, and so they both
9 reached out to Internal Audit and asked for this, and
10 it's not very typical for that to occur.

11 The other thing is as issues were being
12 identified, we were briefing Ms. Brewster and Ms. Flores,
13 and Ms. Rosas when she started, and actions started
14 occurring before we were even done with the report.

15 So some of the reasons you're seeing these due
16 dates so early on is because once we notified them, they
17 started putting together a plan on how to fix it, and I
18 commend them for that, because that's not typically how
19 it's done.

20 Most wait till the end of the report
21 completely to be done and then say, well, it's going to
22 take us two years to implement it. That's not the
23 culture of this agency or anything like that, so I want
24 to make sure that everyone is aware of that because it's
25 an uncomfortable report for Ms. Flores but I think

1 there's a lot of positives that come out of this.

2 MR. TREVIÑO: Ms. Flores, did you have
3 anything else to add?

4 MS. FLORES: I wanted to say I guess I'm
5 getting my money's worth for providing two FTEs to
6 Internal Audit. I will never let them forget that.

7 MR. TREVIÑO: That's right.

8 (General laughter.)

9 MS. MENJIVAR-SUDDEATH: I knew you were going
10 to bring that up.

11 MR. TREVIÑO: Member Washburn.

12 MS. WASHBURN: So you're never going to have
13 every audit come out perfectly, so you guys, I can tell
14 by your reaction how you feel about this and that you
15 will take the actions necessary.

16 I also know procurement is tough. They are
17 never the most popular people in the organization, so I
18 get how that goes too. So I appreciate you guys taking
19 it seriously, and you'll get there.

20 MS. FLORES: Yes, ma'am. Thank you.

21 MR. TREVIÑO: These are serious audit
22 findings, but I think I speak for the Board that we're
23 gratified that you guys have moved expeditiously in
24 trying to address these issues.

25 And also it's very comforting that this is a

1 whole agency-wide response to this problem. It doesn't
2 appear to be pointing fingers at specific persons or
3 specific agencies, everybody is sharing responsibility,
4 and also appears to be sharing responsibility for finding
5 a solution to this, and it seems like the agency is
6 trying to adopt a culture of compliance around this and
7 not simply saying, hey, it was Bob, Bob did it, Bob has
8 got to go, everything will be fine if Bob is replaced. I
9 apologize. Guillermo was responsible and Guillermo needs
10 to be replaced. I apologize.

11 But these are serious issues, and the key to
12 this, in my mind, is the response and also your
13 continuous monitoring of this. So we're inclined to
14 saying we have no reason to doubt that you guys won't be
15 able to do this.

16 Everything you guys have accomplished, you
17 guys seem to take on and get these things accomplished.
18 But your reporting on this is going to be essential, and
19 so following up on these deadlines and everything, going
20 forward that we get good reporting from you, I don't see
21 why this doesn't help us become a stronger agency, and
22 like I said, this culture of compliance that will be
23 spread out throughout all departments.

24 MS. MENJIVAR-SUDDEATH: And we will follow up.
25 I just wanted to make a comment. Our system actually

1 prompts at three o'clock in the morning for status
2 updates, so they are going to be very aware.

3 MR. TREVIÑO: We're not going to get those
4 texts, are we?

5 (General laughter.)

6 MS. MENJIVAR-SUDDEATH: No, not texts. But
7 we'll be getting information from them and providing it
8 to the Board, hopefully in early 2020 since most of these
9 recommendations will close in the first quarter, and so
10 once the quarter closes, we do our full analysis and
11 provide that memorandum to the Board.

12 MR. TREVIÑO: So I think I speak for the Board
13 that we're concerned by these findings, but we're also
14 very gratified by your response and more to come on this,
15 and we know that you guys will address these
16 expeditiously.

17 And also, the Board represents the citizens of
18 Texas, and we do our level best to try and make sure that
19 the money is well spent, et cetera, all these things, and
20 you represent us.

21 So the work that you do, Internal Audit, is
22 essential for us to perform our tasks, and what I do
23 appreciate is you appear to be a member of the team and
24 not sort of that person who is not part of the team --
25 let me just put it that way.

1 But the way everybody responds to your work
2 and sees you as a resource, as opposed to an enemy, I
3 think speaks volumes for the work that you do. So thank
4 you very much.

5 MS. MENJIVAR-SUDDEATH: I appreciate that.
6 It's the culture.

7 MR. TREVIÑO: Great. All right.
8 Any other questions, comments?

9 (No response.)

10 MR. TREVIÑO: If not, thank you very much for
11 your report.

12 MS. MENJIVAR-SUDDEATH: I actually have a
13 couple more to go.

14 MR. TREVIÑO: More, let's keep going. Okay,
15 more. Great.

16 MS. MENJIVAR-SUDDEATH: No more reports.

17 MR. TREVIÑO: Sounds like Jeremiah Kuntz.
18 Okay, keep going.

19 (General talking and laughter.)

20 MS. MENJIVAR-SUDDEATH: We have three reports
21 that are in the reporting phase that we'll be sending out
22 to the Finance and Audit Committee for review at the end
23 of August and then the full Board in September.

24 That includes the accounts receivable advisory
25 service, the Compliance and Investigations Division

1 audit, and the payment card industry audit, and so we
2 will be presenting those in the October Board meeting.

3 And then finally, we've had four external
4 coordination efforts that we've been helping with. The
5 first is the Federal Highway Administration, the heavy
6 vehicle use tax review. This is done in the Motor
7 Carrier Division. We were found fully compliant with the
8 heavy vehicle use tax review, and they actually
9 identified a couple of best practices that we had.

10 We've also sent the third quarter coordination
11 of investigation letter to the State Auditor's Office.
12 The Texas Comptroller of Public Accounts is here for a
13 contract audit, which we've mentioned before; this is
14 number five, as Ms. Flores mentioned. And then the State
15 Auditor's Office, we will doing a demonstration of
16 webDEALER for them as part of quality assurance next
17 week.

18 So that concludes my report.

19 MR. TREVIÑO: Thank you very much, Ms.
20 Menjivar-Suddeath, for that report.

21 And I apologize to Bob.

22 (General laughter.)

23 MR. TREVIÑO: So now we move to agenda item 18
24 and turn it over to Tom Shindell.

25 Mr. Shindell, welcome. It's a pleasure to see

1 you. Jump right in there.

2 MR. SHINDELL: Good to see you as well.

3 Good morning, Chairman Treviño, distinguished
4 Board members, and Executive Director Brewster. For the
5 record, my name is Tom Shindell, and I'm the department's
6 innovation and strategy analyst.

7 I am briefing the Board on item 18, which can
8 be found on page 316 of your board book, which includes
9 two components: the department's vision, mission,
10 philosophy, goals and values, and the department's
11 methodology for strategic planning.

12 On April 7, 2016, the Board adopted the
13 department's current vision, mission, philosophy, goals
14 and values, and you were given the opportunity to see if
15 you wanted to make any updates or changes to those, and
16 we didn't receive any feedback, and the staff
17 recommendation is that we just maintain the current
18 vision, mission, philosophy, goals and values because we
19 think they're wonderful and work.

20 Somebody looks perplexed up there. Is there
21 something that you're not finding or needing?

22 MR. TREVIÑO: No. I'm fine.

23 MR. SHINDELL: I just wanted to check and make
24 sure.

25 Is there any discussion on this, because if

1 not, I'll move on. That was the first item was just to
2 brief you.

3 MR. TREVIÑO: Any questions or comments?

4 (No response.)

5 MR. TREVIÑO: Mr. Shindell, keep plowing away.

6 MR. SHINDELL: Then zipping right along, then
7 the second thing is at the executive workshop last year
8 the executive team outlined a new eleven-step strategic
9 planning process methodology that we're going to follow
10 which we hope will produce a more logical, timely and
11 effective process for developing our strategic plan, and
12 I would like to provide you with a brief overview of the
13 new strategic planning process.

14 You have a copy of the strategic planning
15 process overview table on page 317 of your board book,
16 and if you're a more visual person, there's a flow chart
17 of the strategic planning process for fiscal years 2022
18 to 2023 on page 318 of your board book, so you have a
19 choice.

20 Basically, there are eleven steps, and we just
21 finished the first one, which is making sure that we have
22 a current vision, mission, philosophy, goals and values.

23 The next step will take place in September, and the
24 executive team will be developing a list of strategic
25 goals and activities for the agency to pursue over the

1 next two to five years.

2 Then on the next day we will go ahead and
3 prioritize those, and when we get done with those, we
4 will be reporting those back to the Projects and
5 Operations Committee so that we can obtain your feedback
6 on that as well, so just so you know, you guys will be
7 involved.

8 In October the executive team is going to
9 review our balanced scorecard to make sure it's aligned
10 with our strategic goals and activities that have been
11 proposed. In November the executive team will review
12 division initiatives and projects.

13 In December we will review the information
14 technology roadmap, and again making sure that we all
15 understand what those initiatives are and how they fit
16 in. In January we will review our performance measures
17 and key performance indicators, again making sure that
18 they are aligned.

19 And then in February we will do the last part
20 of the all the preparation work before we actually start
21 preparing our strategic plan, and on February 28 we're
22 literally going to go through all those components one
23 more time to make sure they all fit together and they're
24 aligned. To sort of borrow an audit term, we'll be
25 ticking and tying those things to make sure that they are

1 all are aligned and fit together.

2 The reason why we wanted to get it all done by
3 February is that generally we get our directions from the
4 Office of the Governor and the Legislative Budget Board
5 in March about how we're supposed to prepare our
6 strategic plan.

7 So the way we've set up our strategic planning
8 process going forward is we will have all the information
9 gathered and prepared before we even get the directions
10 so we can go right into preparing the strategic plan.

11 After that we will prepare our legislative
12 appropriations request for the Legislative Budget Board,
13 and when we do that, that will complete the eleven steps
14 that we need to do to submit our strategic plan and
15 submit our legislative appropriations request.

16 Do y'all have any questions at this time?

17 MR. TREVIÑO: Does the Board have any
18 questions, comments?

19 (No response.)

20 MR. SHINDELL: Okay. Thank you very much.
21 That concludes my briefing.

22 MR. TREVIÑO: Mr. Shindell, don't consider
23 silence from the Board a reflection, it's just the report
24 is very thorough and it's very complete and well done,
25 well done.

1 MR. SHINDELL: No worries, no worries. Thank
2 you. I appreciate it.

3 MR. TREVIÑO: Thank you.

4 All right. So that concludes. Do we have any
5 public comments or anything that we need to do for the
6 moment? We're good?

7 MS. BEAVER: No public comments.

8 MR. TREVIÑO: Okay. So now we're going to
9 move into executive session. At this time the Board
10 requests that all non Board members -- no, that's the
11 wrong one.

12 MR. GRAHAM: Wait a minute. We can make all
13 non Board members go into executive session and we can
14 leave?

15 MR. TREVIÑO: Yes. That would be a great
16 idea.

17 MR. GRAHAM: All right. All of you, right
18 back there.

19 (General talking and laughter.)

20 MR. TREVIÑO: We are going to going to closed
21 session. It is now approximately 11:43 a.m. on August 8,
22 2019. We will go into closed session under Texas
23 Government Code Sections 551.071, 551.074, 551.076, and
24 551.089.

25 For those of you in the audience, I anticipate

1 being in executive session for approximately --

2 MS. BEAVER: I would guess approximately an
3 hour and a half.

4 MR. TREVIÑO: -- an hour and a half. And we
5 will reconvene in open session after that.

6 With that, we are recessed from the public
7 meeting and we're going into executive session.

8 (Whereupon, at 11:43 a.m., the meeting was
9 recessed, to reconvene this same day, Thursday, August 8,
10 2019, following conclusion of the executive session.)

11 MR. TREVIÑO: It is approximately 1:36 p.m.,
12 and the Board of the Texas DMV is now back in open
13 session.

14 The Board will now take up item 20. Action
15 items from executive session. There are no action items
16 arising from executive session that the Board must act
17 upon in open session pursuant to Section 551.102 of the
18 Texas Government Code.

19 And so with that, no comment sheets, we're
20 good to go. Unless there's any further business, I'd
21 like to entertain a motion to adjourn.

22 MR. GRAHAM: So moved.

23 MS. McRAE: Second.

24 MR. TREVIÑO: Okay. We've got Member Graham,
25 Member McRae. All in favor?

1 (A show of hands.)

2 MR. TREVIÑO: Let the record show it is a
3 unanimous vote. It is now 1:37 p.m., and we are now
4 formally adjourned. Thank you very much.

5 (Whereupon, at 1:37 p.m., the meeting was
6 adjourned.)

C E R T I F I C A T E

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3 MEETING OF: TxDMV Board

4 LOCATION: Austin, Texas

5 DATE: August 8, 2019

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 162, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal
9 recording made by electronic recording by Nancy H. King
10 before the Texas Department of Motor Vehicles.

11 DATE: August 15, 2019
12
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15
16

17 /s/ Nancy H. King
18 (Transcriber)
19

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