



Texas Department *of* Motor Vehicles

HELPING TEXANS GO. HELPING TEXAS GROW.



TxDMV Finance & Audit Committee Meeting

2:00 p.m.
Wednesday, June 10, 2020

AGENDA
FINANCE AND AUDIT COMMITTEE
OPEN MEETING VIA TELEPHONE CONFERENCE CALL*
TEXAS DEPARTMENT OF MOTOR VEHICLES
PURSUANT TO GOVERNOR'S MARCH 16, 2020, TEMPORARY SUSPENSION OF
CERTAIN OPEN MEETING PROVISIONS**
WEDNESDAY, JUNE 10, 2020
2:00 P.M.

THIS MEETING WILL BE HELD REMOTELY VIA TELEPHONE CONFERENCE CALL*

Instructions for accessing the meeting via WebEx:

<https://txdmv.webex.com/txdmv/onstage/g.php?MTID=eb8954293f586b4af656ec620b1a378a0>

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United States Toll Free: 1-844-740-1264

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Link to June 10, 2020, TxDMV Finance and Audit Committee Documents:

<https://www.txdmv.gov/about-us/txdmv-board-meetings>

*The public can listen to the meeting via the WebEx link or the toll-free number listed above. If you have any technical questions about accessing the meeting, please send an email to Board.Tech.Help@txdmv.gov.

**Action by Governor Greg Abbott pursuant to Texas Government Code Section 418.016

All agenda items are subject to possible discussion, questions, consideration, and action by the Finance and Audit Committee of the Board of the Texas Department of Motor Vehicles (Committee). Agenda item numbers are assigned for ease of reference only and do not necessarily reflect the order of their consideration by the Committee. The Committee reserves the right to discuss any items in executive session where authorized by the Open Meetings Act. A quorum of the Board of the Texas Department of Motor Vehicles (Board) may be present at this meeting for information-gathering and discussion. However, Board members who are not Committee members will not vote on any Committee agenda items, nor will any Board action be taken.

1. Roll Call and Establishment of Quorum

2. Pledges of Allegiance - U.S. and Texas

3. Comments and Announcements from Committee Chair

BRIEFINGS

- 5 4. [Accounts Receivable Initiative](#) - Linda M. Flores
- 8 5. [Preliminary FY 2022 - 2023 Legislative Appropriation Request, Baseline and Exceptional Items](#) - Linda M. Flores and Sergio Rey
- 43 6. [Financial Impacts of COVID-19 on TxDMV](#) - Linda M. Flores and Brian Kline
- 51 7. [FY 2021 Internal Audit Risk Assessment](#) - Sandra Menjivar-Suddeath
- 61 8. [Internal Audit Division Status Update](#) - Sandra Menjivar-Suddeath

EXECUTIVE SESSION

- 9. **The Committee may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code, Chapter 551:**
 - **Section 551.071** - Consultation with and advice from legal counsel regarding:
 - pending or contemplated litigation, or a settlement offer;
 - a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Government Code, Chapter 551; or
 - any item on this agenda.
 - **Section 551.074** - Personnel matters.
 - Discussion relating to the appointment, employment, evaluation, reassignment, duties, discipline, and dismissal of personnel.
 - **Section 551.076** - Deliberation Regarding Security Devices or Security Audits; Closed Meeting.
 - the deployment, or specific occasions for implementation, of security personnel or devices; or
 - a security audit.
 - **Section 551.089** - Deliberation Regarding Security Devices or Security Audits; Closed Meeting.
 - security assessments or deployments relating to information resources technology;
 - network security information as described by Section 2059.055(b); or
 - the deployment, or specific occasions for implementation, of security personnel, critical infrastructure, or security devices.

10. Action Items from Executive Session

11. Public Comment

12. Adjournment

The Committee will allow an open comment period to receive public comment on any agenda item or other matter that is under the jurisdiction of the Committee. No action will be taken on matters that are not part of the agenda for the meeting. For subjects that are not otherwise part of the agenda for the meeting, Committee members may respond in accordance with Government Code, Section 551.042 and consider the feasibility of placing the matter on the agenda for a future meeting.

If you want to comment on any agenda item (including an open comment under Item #11), you must send an email to GCO_General@txdmv.gov with one of the following prior to the agenda item being taken up by the Committee:

1. a completed registration form (available on the TxDMV webpage for the Board and other public meetings: <https://www.txdmv.gov/about-us/txdmv-board-meetings>); or
2. the following information:
 - a. the agenda item you wish to comment on;
 - b. your name and address, including your city, state, and zip code; and
 - c. who you are representing.

You must wait for the chairman to call on you before you verbally make your comment via the link or the toll-free number listed above. Each speaker will be limited to three minutes, and time allotted to one speaker may not be reassigned to another speaker.

Agenda items may be presented by the named presenters or other TxDMV staff.

Any individual with a disability who plans to attend this meeting and requires auxiliary aids or services should notify the department as far in advance as possible, but no less than two days in advance, so that appropriate arrangements can be made. Contact David Richards by telephone at (512) 465-1423.

I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements.

CERTIFYING OFFICIAL: Tracey Beaver, General Counsel, (512) 465-5665.



To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 4
Subject: Accounts Receivable Initiative

RECOMMENDATION

Briefing Only

PURPOSE AND EXECUTIVE SUMMARY

To provide an update on the Department's Accounts Receivable Initiative.

FINANCIAL IMPACT

TxDMV Information Technology staff collaborated with Finance staff and have developed a preliminary cost estimate of approximately \$3.5 million for an Accounts Receivable application.

BACKGROUND AND DISCUSSION

The Accounts Receivable Initiative consists of three main activities. First, the Department seeks to engage a third-party consultant to provide an Accounts Receivables Study that will examine the accounts receivable functions within the Department and provide options for improvement. A Request for Qualifications (RFQ) and Finding of Fact Document were submitted to the Governor's Office on May 11, 2020. If the Governor's Office approves, the RFQ will be posted and will be presented to the board for approval this summer.

The second main initiative is ensuring that best practices for accounts receivable functions are followed throughout the Department. The Finance & Administrative Services (FAS) staff provided training to program areas on April 20, 2020. In addition, a professional training instructor has been identified and additional training will be developed for staff, tentatively scheduled for July 28, 2020.

The third part of the Accounts Receivable Initiative is working with Comptroller (CPA) staff to research the cost and feasibility of implementing and utilizing the state's Accounts Receivable module within the Centralized Accounting Payroll/Personnel System (CAPPS). Several meetings have occurred between CPA and TxDMV staff. The initial observation is that the CAPPS Accounts Receivable module is worth considering in conjunction with the recommendations made by the third-party consultant.

Accounts Receivables Initiative

Milestones for Assessment and System Implementation

Status Update 6-10-2020

1. Third Party Assistance – Chapter 2254 of the Texas Government Code requires consulting services more than \$15k to be approved by the Governor’s Office. The Request for Qualifications (RFQ) and a “Finding of Fact Document” justifying the request was sent to the Governor’s Office on May 11, 2020. On May 15, 2020, the Governor’s Office requested additional information from TxDMV which was provided on May 27, 2020. The Department must receive approval from the Governor’s Office prior to releasing the Statement of Work (SOW) to the vendor community. If the Governor’s Office approves, the RFQ will be posted and will be presented to the board for approval this summer. The statement of work contains the following primary requirements:
 - a. Gather and review data on each division’s processes for accounts receivables activities from the Vehicle Titles and Registration Division, Enforcement Division, Finance and Administrative Services Division, Information Technology Services Division, Motor Carrier Division, and the Motor Vehicle Division.
 - b. Evaluate the gathered data and offer step-by-step recommendations to provide consistent and uniform accounts receivable processes across the Department.
 - c. Develop step-by-step recommendations that the Department can consider for a centralized, de-centralized or a hybrid method of managing division accounts receivables utilizing existing TxDMV software applications.
 - d. Provide step-by-step recommendations for additional software needed to better manage division accounts receivables under each method (centralized, de-centralized or hybrid).
2. The Finance and Administrative Services Division developed best practices training to standardize decentralized processes across the agency. Training was held for all divisions in a WebEx meeting on April 20, 2020. The training was well-attended, and the slide show/materials were provided to all for their reference and review. The training material was posted to the intranet on May 29, 2020. Some of the best practices provided during the training included:
 - a. Billing/Invoicing
 - i. Email invoices as opposed to mailing them.
 - ii. Shorten payment terms “Payment Due Upon Receipt”.
 - iii. Have predictable/routine billing schedules.
 - b. Payments
 - i. All check payments must be sent to TxDMV/FAS PO Box 4020.
 - ii. Offer multiple payment options to customers (EFT, credit card, etc.).
 - iii. Cash application process must be accurate and timely.
 - c. Tracking/Reporting Delinquencies
 - i. Review A/R balances regularly...at least once per week.
 - ii. Past due reports should age balances due (current, 30+, 60+, 90+).



- d. Collections Efforts
 - i. Engage in frequent and consistent collections efforts.
 - ii. Phone past due customers. Letters and emails are often less effective.
 - iii. Be calm and professional to prevent customer from becoming defensive.
 - iv. Maintain a Collections Record documenting phone calls, emails, etc.
 - v. If customer gives you a future payment date, mark a calendar for follow-up. If payment is not received when committed by the customer, make another phone call right away.
 - vi. Put delinquent accounts on hold, if possible.
- e. Training
 - i. Create written collections policies and procedures.
 - ii. Train all appropriate staff on collections related policies and procedures.

In addition, a professional training instructor has been identified and additional training will be developed for staff, tentatively scheduled for July 28, 2020. FAS is also working with each of the program areas to ensure that best practices are being performed and align with items discussed in April's training.

3. Centralized Accounting Payroll/Personnel System module for Accounts Receivable (A/R). On March 3, 2020 TxDMV staff met with Comptroller (CPA) staff for a second time for continued discussion about the A/R module. While the A/R module does interface with the General Ledger (G/L) and Cash Receipts (C/R) modules, it does not currently interface with the Accounts Payable (A/P) module. CPA staff feel confident that it could be customized to meet TxDMV's needs including a workaround for refunds processed through accounts payable. CPA staff indicated that implementations take approximately 26 weeks and requires significant time commitments from TxDMV subject matter experts and IT staff.

TxDMV Information Technology (IT) staff collaborated with Finance staff and have developed a preliminary cost estimate of approx. \$3.5 million for an Accounts Receivable application. This information has been developed for inclusion in the TxDMV Preliminary FY 2022-2023 Exceptional Items request. Major items included in this cost estimate are:

One-Time Costs

Estimated CAPPS Implementation Fees to CPA	\$500K
IT Professional Fees (Project Mgr, Business Analyst, Programmers, Tester)	\$1.9M
IT Contingency	\$376K
Professional Fees to Backfill for 4 Accounting Subject Matter Experts	\$478K

Ongoing Annual Costs

2 New Permanent Accounts Receivable Staff	\$111K



To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 5
Subject: Preliminary FY 2022-2023 Legislative Appropriations Request, Baseline and Exceptional Items

RECOMMENDATION

Briefing Only.

PURPOSE AND EXECUTIVE SUMMARY

The Texas Department of Motor Vehicles (TxDMV), to achieve its goals, strategies and objectives during the next biennium, and as the agency looks toward the future, is requesting \$310.8 million in its FY 2022-2023 baseline budget request, which includes a request for capital authority in the amount of \$43.6 million. Additionally, the agency is requesting \$17.1 million in exceptional items.

FINANCIAL IMPACT

TxDmv is a net-revenue-generating agency for the state. The agency's budget request is supported by collections. The staff estimates that TxDMV will collect \$3.9 billion for the State while retaining \$310.8 million for baseline agency operations over the biennium. The majority of the Legislative Appropriations Request (LAR) will be funded from the TxDMV Fund. The LAR also includes General Revenue (GR) funding for baseline and an exceptional item request for the Motor Vehicle Crime Prevention Authority.

BACKGROUND AND DISCUSSION

The preliminary baseline budget request will maintain TxDMV at its current service levels and provide funding for 802 full-time equivalents (FTEs).

The baseline capital budget includes funding for Automation (\$8.1 million), Registration and Title System improvements online service enhancements; replacement of computer equipment in the counties and at TxDMV headquarters (\$12.1 million); cybersecurity projects (\$400k); four fleet vehicles (\$90k); renovations and repairs at the regional service centers (\$500k); and ongoing costs for the Data Center Services contract (\$22.3 million).



Staff is proposing to submit a total of six (6) exceptional items, which if approved, result in increases to the baseline budget. The exceptional item requests total \$17.1 million and include 11.0 FTEs. The exceptional item requests include:

- \$5.2 million for the development of a Complaint Management System
- \$3.5 million for the acquisition and support of an Accounts Receivable System; costs include 2.0 FTEs
- \$6.2 million for the planning and design of a new Building 5 at the TxDMV headquarters campus
- \$1.7 million to open new Regional Service Center substations in Dallas and Houston; costs include 6.0 FTEs
- \$542K to fund 3.0 FTEs and associated operating costs for a Motor Vehicle Crime Prevention Authority (MVCPA) Fee and Refund Unit. This exceptional item would be funded by General Revenue appropriations.

The preliminary LAR will also propose the continuation of five riders that currently exist in the FY 2020-2021 budget. The riders for FY 2022-2023 will include the appropriation of Special License Plate Fees, Unexpended Balance Authority for Automation Funds, Federal Grants and Matching Funds, Headquarters Capital Maintenance, and the carry-forward authority of operating funds between the biennium.

Texas Department of Motor Vehicles



Preliminary FY 2022 – 2023 Legislative Appropriations Request, Baseline and Exceptional Items Summary

Legislative Appropriations Request Process

Legislative Appropriations Request (LAR) - The LAR is the agency's biennial funding budget request. The agency solicits information from all levels of management in order to identify future program needs and situations unique to each division. Advanced planning and comprehensive involvement provides the agency with the most complete budget information.

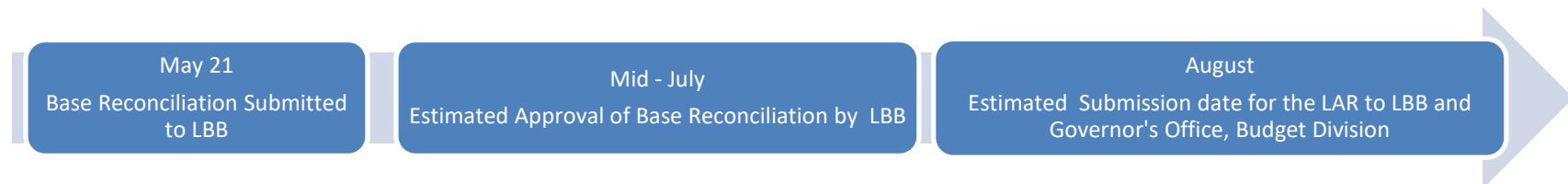
- The LAR begins with the base reconciliation and covers two separate fiscal years. The LAR becomes the basis for consideration of agency funding by the Legislature for the FY 2022-2023 biennium, covering September 1, 2021 through August 31, 2023.

The LAR is divided into two components:

Baseline — funding necessary to maintain existing operations and existing capital projects; and,

Exceptional items — desired services above the baseline request.

Timeline



Baseline Development Process (Base Reconciliation) - The FY 2019-2021 Base Reconciliation requires TxDMV to reconcile its original appropriations by method of finance and the full-time equivalent (FTE) positions to fiscal year 2019 expended, fiscal year 2020 estimated, and fiscal year 2021 budgeted amounts. The following table shows an estimated biennial baseline calculation of approximately \$310.8 million (\$25.6) million in GR for Motor Vehicle Crime Prevention Authority (MVCPA) (previously Automobile Burglary and Theft Prevention Authority (ABTPA)), \$285 million for the TxDMV Fund and the remainder in Federal Funds). These amounts will be sufficient to fund the baseline FY 2022-2023 budget request. The Base Reconciliation was submitted to the Legislative Budget Board (LBB) on May 21, 2020.

Estimated FY 2022-2023 Base Calculation	
2020 Estimated Expenditures	158,047,088
2021 Budget	172,117,856
Total 2020-2021	330,164,943
Less - TxDMV Automation UB (GR/Fund 0010)	(19,223,148)
Less - Additional ITD Grant Revenue estimated in FY 2020	(181,075)
Estimated FY2022-2023 Baseline	310,760,720

Comparison of FY 2020-2021 to Estimated Baseline for FY 2022-2023

The baseline represents the amount necessary to maintain existing agency operations. The table below depicts the department's current appropriations of \$310.8 million which is estimated to be the same (\$310.8 million) for the upcoming biennium. The Legislative Budget Board (LBB) will approve the baseline target for FY 2022-2023 in late June or July. The overall economic conditions for the state as a result of the COVID-19 event could have a major impact on the targets established by the LBB. It is also anticipated the Legislature may implement a zero-based budget approach for the development of the FY 2022-2023 appropriation request.

Appropriation Summary	Approved Appropriation		Estimated Base Appropriation	
	FY 2020	FY 2021	FY 2022	FY 2023
Goal A: Optimize Services and Systems	99,047,769	91,396,627	99,047,769	91,396,627
Goal B: Protect the Public	20,302,938	19,953,569	20,302,938	19,953,569
Goal C: Indirect Administration	38,402,264	41,657,553	40,402,264	39,657,553
Total Appropriations	157,752,971	153,007,749	159,752,971	151,007,749
Method of Finance				
General Revenue	12,835,851	12,835,851	12,835,851	12,835,851
TxDMV Fund	144,173,370	139,428,148	146,173,370	137,428,148
Federal Reimbursements	743,750	743,750	743,750	743,750
Total Method of Finance	157,752,971	153,007,749	159,752,971	151,007,749
FTE	802	802	802	802

FY 2022-2023 Estimated Revenue Collections by Fund

TxDMV is a net-revenue-generating agency for the state, collecting revenues from registrations, licenses, titles, permits, and credentials. Revenues collected by TxDMV are deposited into the State Highway Fund (Fund 0006), which is the primary source of funding for the state's transportation and infrastructure system; TxDMV Fund (Fund 0010); and General Revenue Fund (Fund 0001). For the FY 2020-2021 biennium, TxDMV estimates it will deposit approximately \$3.75 billion in total revenues: \$3.24 billion to State Highway Fund 0006; \$314 million to TxDMV Fund 0010; and \$202 million to General Revenue Fund 0001. In the FY 2022-2023 biennium, TxDMV projects collections of \$3.33 billion to be deposited to State Highway Fund 0006; \$332 million to TxDMV Fund 0010; and \$213 million to General Revenue Fund 0001.

Expected TxDMV Revenue Collections				
Fund Type	FY 2020	FY 2021	FY 2022	FY 2023
State Highway Fund 0006	\$ 1,610,629,000	\$ 1,626,498,000	\$ 1,653,783,000	\$ 1,679,226,000
TxDMV Fund 0010	\$ 153,826,000	\$ 159,841,000	\$ 164,031,000	\$ 167,832,000
General Revenue Fund 0001	\$ 99,310,000	\$ 102,227,000	\$ 105,362,000	\$ 107,724,000
Total	\$ 1,863,765,000	\$ 1,888,566,000	\$ 1,923,176,000	\$ 1,954,782,000

The table below reflects projected revenues to TxDMV Fund 0010 for the four-year period beginning in FY 2020 broken out by major categories, using moderate growth projections.

TxDMV Revenue Forecast				
Category	FY 2020	FY 2021	FY 2022	FY 2023
Motor Vehicle Titles	\$ 35,570,000	\$ 39,563,000	\$ 40,749,000	\$ 41,972,000
Motor Vehicle Registration	\$ 32,939,000	\$ 34,223,000	\$ 35,080,000	\$ 35,959,000
Motor Carrier - Oversize / Overweight	\$ 15,017,000	\$ 15,317,000	\$ 15,930,000	\$ 16,248,000
Business Dealer Licenses	\$ 6,234,000	\$ 6,701,000	\$ 7,036,000	\$ 7,388,000
Processing and Handling Fee	\$ 54,704,000	\$ 54,488,000	\$ 55,305,000	\$ 56,135,000
Miscellaneous Fees	\$ 9,362,000	\$ 9,549,000	\$ 9,931,000	\$ 10,130,000
Total	\$ 153,826,000	\$ 159,841,000	\$ 164,031,000	\$ 167,832,000

The TxDMV Fund 0010 balance is projected to be at \$201.5 million at the end of the FY 2020-2021 biennium. The table below illustrates that the balance at the end of the FY 2022-2023 biennium will be sufficient to fund the requested exceptional items.

FY 2019-2023 Pro Forma Summary					
	FY 2019 Actual	FY 2020 Estimated	FY 2021 Budgeted	FY 2022 Requested	FY 2023 Requested
Beginning Balance	120,376,647	177,879,702	194,382,146	201,494,998	191,904,155
Capital UB Authority	21,300,224	18,968,806	19,110,107		
ABTPA Grant UB Authority	360,679				
Subtotal	142,037,550	196,848,508	213,492,253	201,494,998	191,904,155
Revenues					
General Revenue (MVCPA)	12,835,851	12,835,851	12,835,851	12,835,851	12,835,851
TxDMV Fund	171,701,323	153,826,000	159,841,000	164,031,000	167,832,000
Federal Reimbursement	224,258	924,825	743,750	743,750	743,750
Total Revenues	184,761,432	167,586,676	173,420,601	177,610,601	181,411,601
Total Income	326,798,982	364,435,184	386,912,854	379,105,599	373,315,756
Obligations					
Operating Expenses	132,044,078	153,747,087	167,883,856	153,349,971	148,516,749
Credit Card Service Fees	4,643,141	4,151,000	4,234,000	4,403,000	4,491,000
Employee Benefits	12,232,061	12,154,951	13,300,000	13,300,000	13,300,000
Total Obligations	148,919,280	170,053,038	185,417,856	171,052,971	166,307,749
Fund Balance					
Exceptional Items					
Exceptional Items TxDMV Fund				15,869,255	715,629
Exceptional Items General Revenue				279,218	263,168
Total Exceptional Items				16,148,473	978,797
Revised Ending Fund Balance	177,879,702	194,382,146	201,494,998	191,904,155	206,029,210

FY 2022-2023 Baseline Budget Appropriations Request by Strategy

The following table illustrates the estimated baseline budget appropriations by strategy. The baseline represents the amount of money necessary to maintain existing operations across the agency. The LBB approves the baseline target for each agency. The key variances between the FY2020-2021 appropriation and the FY 2022-2023 amount are adjustments between strategies. The overall preliminary baseline request amount for FY 2022-2023 remains the same as the FY 2020-2021 biennium.

Items of Appropriations	Appropriation			Preliminary Request			Variance
	FY2020	FY2021	Biennial Total	Base FY 2022	Base FY 2023	Biennial Total	
Goal A. Optimize Services and Systems							
Strategy A.1.1. – Titles, Registrations, and Plates	72,974,245	72,077,418	145,051,663	72,974,245	72,077,418	145,051,663	
Strategy A.1.2. – Vehicle Dealer Licensing	4,169,189	4,182,971	8,352,160	4,169,189	4,182,971	8,352,160	
Strategy A.1.3 – Motor Carrier Permits & Credentials	9,270,184	9,152,569	18,422,753	9,270,184	9,152,569	18,422,753	
Strategy A.1.4 – Technology Enhancement & Automation	9,306,276	2,714,575	12,020,851	9,306,276	2,714,575	12,020,851	
Strategy A.1.5 – Customer Contact Center	3,327,875	3,269,094	6,596,969	3,327,875	3,269,094	6,596,969	
Total, Goal A: Optimize Services and Systems	99,047,769	91,396,627	190,444,396	99,047,769	91,396,627	190,444,396	
Goal B. Protect the Public							
Strategy B.1.1. – Enforcement	7,467,087	7,117,718	14,584,805	7,467,087	7,117,718	14,584,805	
Strategy B.2.1. – Automobile Theft Prevention	12,835,851	12,835,851	25,671,702	12,835,851	12,835,851	25,671,702	
Total, Goal B: Protect the Public	20,302,938	19,953,569	40,256,507	20,302,938	19,953,569	40,256,507	
Goal C: Indirect Administration							
Strategy C.1.1. – Central Administration	8,220,092	8,602,518	16,822,610	8,602,518	8,602,518	17,205,036	382,426
Strategy C.1.2. – Information Resources	26,935,545	25,918,345	52,853,890	26,792,398	25,918,345	52,710,743	(143,147)
Strategy C.1.3. – Other Support Services	3,246,627	7,136,690	10,383,317	5,007,348	5,136,690	10,144,038	(239,279)
Total, Goal C: Indirect Administration	38,402,264	41,657,553	80,059,817	40,402,264	39,657,553	80,059,817	
Total Department of Motor Vehicles	157,752,971	153,007,749	310,760,720	159,752,971	151,007,749	310,760,720	
Method of Finance							
General Revenue (GR) Fund 0001	12,835,851	12,835,851	25,671,702	12,835,851	12,835,851	25,671,702	
Texas Department of Motor Vehicles Fund 0010	144,173,370	139,428,148	283,601,518	146,173,370	137,428,148	283,601,518	
Federal Funds	743,750	743,750	1,487,500	743,750	743,750	1,487,500	
Total Method of Finance	157,752,971	153,007,749	310,760,720	159,752,971	151,007,749	310,760,720	
Full Time Equivalents (FTE)			802.0			802.0	

FY 2022-2023 Capital Budget Project Summary Baseline

The following table illustrates FY 2022-2023 Capital budget:

Capital Budget	Biennial Appropriation	Preliminary Biennial Base Request
	FY 2020-2021	FY 2022-2023
TxDMV Automation System	\$ 6,566,078	\$ 8,133,578
Growth and Enhancement – Agency Operations Support	1,614,996	1,614,996
Technology Replacement and Upgrades - Regional Support for County Tax Assessor Collector Offices	10,025,000	10,025,000
PC Replacement	451,600	541,600
Cybersecurity Initiative Projects	400,000	400,000
Transportation – Replacement Vehicles	180,000	90,000
RSC Maintenance and Repair	500,000	500,000
Consumer Protection and Enforcement Tracking	567,500	-
Infrastructure Improvements	1,000,000	-
Data Center Consolidation	22,288,028	22,288,028
Total Capital Budget	43,593,202	43,593,202
Method of Finance		
Texas Department of Motor Vehicles Fund 0010	\$ 43,593,202	\$ 43,593,202
Total Method of Finance	\$ 43,593,202	\$ 43,593,202

FY 2022-2023 Capital Budget Descriptions

TxDMV Automation – The TxDMV Automation develops information technology assets to improve customer services and improve access to agency programs for customers and the public. This initiative is supported by the \$0.50 automation fee. The FY2022-2023 Automation project will focus on maintenance and upgrades to the Registration and Title System (RTS) and expanding online applications.

Growth and Enhancement – Agency Equipment – This appropriation provides funding for activities that enhance or expand information resources in TxDMV individual program areas. Items included in this appropriation are telephone and communication system replacements and upgrades; and software licenses for enterprise applications.

County Equipment Technology Replacement and Upgrades – This appropriation provides funding to deploy and maintain printers, computers, monitors, laptops, cash drawers, and printer toner deployed at county tax assessor-collector (TAC) offices throughout the state. These funds also maintain connectivity between the county TAC offices and the TxDMV Registration and Title System, as well as connectivity throughout statewide TxDMV offices.

PC Replacement - The PC Replacement project consists of funding for computer, printer and laptops replacement.

Cybersecurity Initiative - This project provides funding for initiatives to improve security for statewide information technology systems.

Vehicles – Funding to provide for the replacement of 4 vehicles. The vehicles would be used to support investigation activities in the Enforcement and Compliance and Investigations (CID) divisions.

RSC Maintenance and Repair – Funding to update a two medium-sized Regional Service Centers (RSC) in order to standardize the look of TxDMV facilities across the state.

Data Center Services – This appropriation supports information technology infrastructure assets and functions through statutorily required participation in the State Data Center maintained by the Texas Department of Information Resources (DIR). The Data Center Services (DCS) program enables state agencies to access data center computing as a managed service. DCS fees are based on a consumption based model with costs varying based on statewide usage of DCS services.

FY 2022-2023 Preliminary Exceptional Item Requests

The following table is a preliminary list of exceptional items that will be requested by TxDMV for the FY 2022-2023 biennium. Exceptional items are those desired services above the baseline request. Detailed information on the exceptional items contained in Appendix A.

Division	Exceptional Item	Description	Biennial Request	
			FTE	Amount
Consumer Relations/ Enforcement/ Motor Carrier/ Motor Vehicle /Information Technology Services	Complaint Management System (CMS)	Develop and maintain a new complaint management system which would include data on the status of complaints, complaint procedures, and documentation of complaints. This item also includes coalescing complaints into a single repository for greater efficiency, instead of the current process of storing complaints in separate systems. Includes costs for funding for external contract services.		5,225,712
Finance & Administrative Services	Accounts Receivables Systems	Deploy the Centralized Accounting and Payroll/Personnel Systems (CAPPS) Accounts Receivables module to allow for better tracking of accounts receivables balances and to help insure that revenue collection is maximized. Currently the collection and monitoring of receivable accounts is done through 18 different applications. However, none of the systems are designed for conducting accounts receivable activities. The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Costs include one-time external contract services, temporary support during deployment, and two (2) ongoing FTEs.	2.0	3,472,958
Finance & Administrative Services	New Building 5	To demolish Building 5 on the TxDMV Camp Hubbard campus and construct a new building in the same location. Based on an assessment completed by the Texas Facilities Commission (TFC), the age and physical condition of Building 5 is such that a tear-down and rebuilding is a more cost-effective approach than repairing and renovating. Funding in the FY 2022-2023 biennium would provide for planning and design services, with construction funding to follow in FY 2024-2025.		6,187,500

Division	Exceptional Item	Description	Biennial Request	
			FTE	Amount
Vehicles, Titles, and Registration (VTR)	New Dallas RSC Substation	To fund a new Dallas Regional Service Center (RSC) substation. The TxDMV Dallas/Carrollton RSC is currently located at 1925 Beltline Road, Suite 100, Carrollton, Texas and is housed in approximately 7,865 square feet of leased space with a staff of 22.5 employees. The Dallas RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve customers, this request is to open a new Dallas RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Dallas. Funding includes the build out of a new facility and operating costs for two (2) additional FTEs.	2.0	700,470
Vehicles, Titles, and Registration (VTR)	New Houston RSC Substation	To fund a new Houston Regional Service Center (RSC) substation. The Houston RSC is currently located at 2110 East Governors Circle, Houston, Texas with a staff of 28.5 employees. The Houston RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve customers, this request is to open a new Houston RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Houston. Funding includes the build out of a new facility and operating costs for four (4) additional FTEs.	4.0	998,244
Motor Vehicle Crime Prevention Authority	Fee and Refund Unit	The Motor Vehicle Crime Prevention Authority (MVCPA) is requesting to add 3 positions to maintain that insurers that sell any form of motor vehicle insurance are aware and comply with the MVCPA Fee requirements. These new positions will provide analysis, audit, outreach and education to insurers. Funding includes salaries and operating costs for three (3) FTEs.	3.0	542,386
Total Exceptional Items			11.00	17,127,270
Totals by Method of Finance				
General Revenue			3.0	542,386
TxDMV Fund			8.0	16,584,884
TOTAL			11.00	17,127,270

Riders

A “rider” is a legislative directive or appropriation inserted in the General Appropriations Act (GAA) following the Items of appropriation for an agency or, in the special or general provisions of the act. A rider provides direction, expansion, restriction, legislative intent, or an appropriation. A rider may be requested by an agency or may be drafted and inserted by the legislature.

For the FY 2022-2023 LAR, the agency, at minimum, intends to request five riders to assist in its operations.

Riders Previously Approved in FY 2020-2021 and Re-requested for FY 2022-2023

- ***Special License Plate Fees*** – this rider provides additional appropriations each year of the biennium for the purpose of making payments to the contract vendor for the marketing and sale of personalized license plates. The rider also allows for unexpended balances to be carried forward into the next fiscal year of the biennium for the same purposes. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Capital Projects - Automation—Unexpended Balance Authority*** – this rider will allow the agency to spend money appropriated for Automation capital projects during both years of the biennium. The agency is requesting that any unexpended funds appropriated for capital projects at the end of FY 2021 be carried forward to the new biennium beginning FY 2022 for the agency’s use. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Federal Grants and State Matching Funds*** – this rider allows the agency to spend any unexpended balances of state match funds for federal grants from FY 2021 in FY 2022. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Unexpended Balance Authority within the Biennium*** – this rider would allow the agency to spend any unexpended balances in appropriations between the fiscal years. This rider was included in the FY 2020-2021 General Appropriation Act.
- ***Capital Projects - HQ Maintenance—Unexpended Balance Authority*** – this rider will allow the agency to spend money appropriated for capital projects for headquarters maintenance during both years of the biennium. The agency is requesting that any unexpended funds appropriated for capital projects at the end of FY 2021 be carried forward to the new biennium beginning FY 2022 for the agency’s use.

Appendix A – Exceptional Item Detail

2022-2023 LAR Exceptional Item Request Schedule					
Division:	Enforcement		Division Director: Corrie Thompson		
Item Name:	Complaint Management System		Item Priority: 1		
Strategy:	A.1.4 Technology Enhancement and Automation				
Code	Total Exceptional Item Request	Requested			
		2022	2023		
	Objects of Expense:				
2001	Professional Fees & Services (includes DCS)	\$ 2,090,712			
2009	Other Operating Expense	\$ 3,135,000		-	
	Total, Objects of Expense	\$ 5,225,712		-	
	Method of Financing:				
010	TxDMV Fund	\$ 5,225,712		-	
	Total, Method of Finance	\$ 5,225,712		-	
Number of Full-time Equivalent Positions (FTE):					
Detail for Capital Appropriation Items: (included in above amounts)					
5005	Acquisition of Information Resources Technologies	\$ 5,225,712			
	Total, Capital Appropriation Items	\$ 5,225,712	\$	-	
Professional Fee	Acquisition of Information Resource Tech	\$ 2,090,712			
Contract Svcs	Vendor Costs	\$ 3,000,000			
Software	Software	\$ 135,000			
Description/Justification (2000 character limit) <input type="checkbox"/>					
Sunset Recommendation					
Develop and maintain a complaint management system which would include data on the status of complaints, complaint procedures, and documentation of complaints.					

Complaint Management System

As a customer-focused agency, it is important for the department to have easy access to a clear view of its customers' satisfaction, and a key indicator of the customer experience is the number of complaints.

As noted in the department's recent Sunset report, each division has its own complaint handling process without consistent central reporting or analysis of complaint trends. Additionally, complaints are stored in separate individual systems which complicates the ability to capture consistent information across the organization. This approach creates risk that the department may not adequately address complaints and that management does not have the ability to obtain a holistic view of customer service issues. This approach also increases the time to respond and resolve complaints due to the manner in which complaints are managed.

This funding request supports the development and maintenance of a new complaint management system which includes data on the status of complaints, complaint procedures, and documentation of complaints. This request also includes merging complaints into a single repository for greater efficiency, instead of the current process of storing complaints in separate systems. The system will streamline the complaint handling process and allow TxDMV's customers and stakeholders to benefit from reducing the time needed to resolve a complaint. The system will help facilitate the creation a centralized complaint intake process, assist tracking complaints as they move through the process to identify bottlenecks, and enable timely notification to complainants as to progress of their complaint.

Texas Department of Motor Vehicles

2022-23 LAR Exceptional Item Request Schedule

Division:	Finance & Administrative Services	Division Director:	Linda Flores		
Item Name:	CAPPS Accounts Receivable Implemenation	Item Priority:	2		
Strategy:	C.1.1 Central Administration				
Code	Total Exceptional Item Request	Requested			
		2022	2023		
	Objects of Expense:				
1001	Salaries	\$ 111,304	\$ 111,304		
1002	Other Personnel Costs	\$ 557	\$ 557		
2001	Professional Fees & Services (includes DCS)	\$ 3,234,784	\$ -		
2009	Other Operating Expense	\$ 12,226	\$ 2,226		
	Total, Objects of Expense	\$ 3,358,871	\$ 114,087		
	Method of Financing:				
010	TxDMV Fund	\$ 3,358,871	\$ 114,087		
	Total, Method of Finance	\$ 3,358,871	\$ 114,087		
Number of Full-time Equivalent Positions (FTE):					
Detail for Capital Appropriation Items: (included in above amounts)					
5005	Acquisition of Information Resources Technologies	\$ 3,234,784			
	Total, Capital Appropriation Items	\$ 3,234,784	\$ -		
Detail on Object of Expenses and FTEs: (Included above)					
<u>Recommend use of Exceptional Item Cost Worksheet for calculations.</u>					
Salary		FTE	Monthly Salary	FY 2022	FY 2023
	Job Class New Positions				
	Accountant V	1.00	\$ 5,301	\$ 63,616	\$ 63,616
	Accountant III	1.00	\$ 3,974	\$ 47,688	\$ 47,688

Texas Department of Motor Vehicles

2022-23 LAR Exceptional Item Request Schedule

Division:	Finance & Administrative Services	Division Director:	Linda Flores		
Item Name:	CAPPS Accounts Receivable Implemenation	Item Priority:	2		
Strategy:	C.1.1 Central Administration				
Code	Total Exceptional Item Request	Requested			
		2022		2023	
Other Expenses (list line items)		Unit Cost	Units	FY 2022	FY 2023
	Other Operating - Training 1% of salary/yr per FTE		-	\$ 1,113	\$ 1,113
	Other Operating - Cubicles \$5,000 per FTE	\$ 5,000	2.00	\$ 10,000	\$ -
	Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			\$ 1,113	\$ 1,113
	Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			\$ 557	\$ 557
Subtotal, Detail on Object of Expenses and FTEs				\$ 124,087	\$ 114,087
Detail for Capital Appropriation Items: (included above)					
Professional Fees	CAPPS Implementation Fees to CPA	\$ 500,000.00	1	500,000	
Professional Fees	1 Project Manager	\$ 116.00	2,080	241,280	
Professional Fees	1 IT Business Analyst	\$ 106.00	2,080	220,480	
Professional Fees	6 IT Contractor/Programmers	\$ 100.00	12,480	1,248,000	
Professional Fees	1 IT System Integrations Tester	\$ 82.00	2,080	170,560	
Professional Fees	IT Contingency (20%)			376,064	
Professional Fees	1 Temp Staff to Backfill CAPPS Security	\$ 75.00	2,080	156,000	
Professional Fees	1 Temp Staff to Backfill Revenue Acct	\$ 50.00	2,080	104,000	
Professional Fees	1 Temp Staff to Backfill Revenue Acct V	\$ 55.00	2,080	114,400	
Professional Fees	1 Temp Staff to Backfill Revenue Acct IV	\$ 50.00	2,080	104,000	
Professional Fees	Total Professional Fees			3,234,784	-

2022-2023 LAR Exceptional Item Request Schedule				
Division:		Finance & Administrative Services		Division Director: Linda Flores
Item Name:		CAPPS Accounts Receivable Implemenation		Item Priority: 2
Strategy:	C.1.1 Central Administration			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
Description/Justification (2000 character limit) <input type="checkbox"/> <p>At TxDMV, the collection and monitoring of receivable accounts is done through 18 different applications. However, none of the systems are designed for conducting accounts receivable activities. The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Deploying the CAPPS Accounts Receivable module and integrating it with existing TxDMV applications will allow for better tracking of accounts receivable balances and will help insure that revenue collection is maximized. Included in the estimated costs for this project are implementation fees payable to Comptroller of Public Accounts, 1 project manager, 1 IT Business Analyst, 6 IT Programmers, 1 IT System Integrations Tester & 4 additional contractors to backfill the day to day duties of FAS subject matter experts while they work primarily on the CAPPS deployment. Due to the large number of systems TxDMV will be integrating with the CAPPS Accounts Receivable (A/R) module, significant IT programming resources are required. Additionally, once the CAPPS A/R module is live, 2 additional permanent FTE's within the FAS organization will be required to centrally manage the accounts receivable reporting process for the entire Department; while collection efforts continue to remain as decentralized functions within the program areas.</p>				

Accounts Receivable System

At TxDMV, the collection and monitoring of accounts receivable function is spread across six divisions and eighteen (18) different system applications. The divisions include Enforcement, Information Technology Services, Motor Carrier, Motor Vehicle, Vehicle Title and Registration and Finance and Administrative Services. TxDMV has 28 receivable accounts where payments are collected in advance or in arrears of services rendered. The collection and monitoring of receivable accounts are performed through 18 different applications, however none of the systems were designed to manage accounts receivable activities.

The decentralized accounts receivable function and multiple systems have limited TxDMV's ability to properly monitor or conduct accounts receivable activities. Deploying the CAPPS Accounts Receivable (A/R) module and integrating it with existing TxDMV applications will allow for better tracking of accounts receivable balances and will help insure that revenue collection is maximized.

Two additional staff are included in the request to centrally manage, reconcile and report Department-wide accounts receivable.

2022-2023 LAR Exceptional Item Request Schedule				
Division:	FAS	Division Director:	Linda Flores	
Item Name:	Building 5 Replacement	Item Priority:	3	
Strategy:	C.1.3 Other Support Services			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
	Objects of Expense:			
5000	Capital Expenditures	\$ 6,187,500	-	
	Total, Objects of Expense	\$ 6,187,500	-	
	Method of Financing:			
010	TxDMV Fund	\$ 6,187,500	-	
	Total, Method of Finance	\$ 6,187,500	-	
Number of Full-time Equivalent Positions (FTE):				
Detail for Capital Appropriation Items: (included in above amounts)				
5002	Construction of Buildings and Facilities	\$ 6,187,500		
	Total, Capital Appropriation Items	\$ 6,187,500	\$ -	
Detail on Object of Expenses and FTEs: (Included above)				

2022-2023 LAR Exceptional Item Request Schedule				
Division:	FAS	Division Director: Linda Flores		
Item Name:	Building 5 Replacement	Item Priority: 3		
Strategy:	C.1.3 Other Support Services			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
Detail for Capital Appropriation Items: (included above)				
		FY 2022-2023	FY 2024-2025	
	Architectural Engineering Services	\$ 3,750,000	\$ -	
	Environmental Services	\$ 468,750	\$ -	
	Surveying Services	\$ 937,500	\$ -	
	Geotech Engineers	\$ 468,750	\$ -	
	Utility Connections	\$ -	\$ 250,000	
	Demolition and clean up	\$ -	\$ 1,875,000	
	Utility Improvements (CH7)	\$ -	\$ 250,000	
	CH5 Construction	\$ -	\$ 46,875,000	
	Moving Expenses	\$ -	\$ 330,554	
	Swing Space rental for staff	\$ -	\$ 7,200,000	
	New Modular Furniture	\$ -	\$ 1,466,500	
	Contingency	\$ 562,500	\$ 5,824,705	
		\$ 6,187,500	\$ 64,071,759	
Description/Justification (2000 character limit) <input type="checkbox"/>				
<p>In 2019 the department requested the Texas Facilities Commission (TFC) perform multiple building assessments to determine the overall condition (i.e. mechanical, plumbing, electrical, HVAC, environmental quality, etc.) of all buildings located on the Camp Hubbard Campus. On February 26, 2020 TxDMV received the final report and overview of each building's age, size, estimated repair and replacement costs, and then used this information to develop the Facility Condition Index (FCI). FCI is used to determine the physical condition of a facility expressed by the ratio of repair costs to replacement value of the facility (See Exhibit A at the end of this document for FCI details). Building 1 FCI = 153% and Building 5 FCI = 134%. Both building 1 & 5 were built in 1955 and due to their age and current conditions, it is more expensive to repair the buildings than to replace them. Based on these findings, TFC recommends demolishing Building 5 and constructing a new building in the same location. Current building code permits a maximization of the existing space with a 5-story structure at 37,500 sf per floor. The proposed building has a gross square footage of 187,500 which exceeds what DMV currently occupies, 166,158 sf for both buildings 1 and 5. Costs are allocated across two (2) bienniums, with design and planning in FY 2022-2023 and construction in FY 2024-2025.</p>				

Replacement of Building 5

In 2019 the department requested the Texas Facilities Commission (TFC) perform multiple building assessments to determine the overall condition (i.e. mechanical, plumbing, electrical, HVAC, environmental quality, etc.) of all buildings located on the Camp Hubbard Campus. On February 26, 2020 we received the final report and overview of each building's age, size, estimated repair and replacement costs, and then used this information to develop the Facility Condition Index (FCI). FCI is used to determine the physical condition of a facility expressed by the ratio of repair costs to replacement value of the facility (See Exhibit A at the end of this document for FCI details). Building 1 FCI = 153% and Building 5 FCI = 134%. Both building 1 & 5 were built in 1955 and due to their age and current conditions, it is more expensive to repair the buildings than to replace them. Based on these findings, TFC recommends demolishing Building 5 and constructing a new building in the same location. Current building code permits a maximization of the existing space with a 5-story structure at 37,500 sf per floor. The proposed building has a gross square footage of 187,500 which exceeds what DMV currently occupies, 166,158 sf for both buildings 1 and 5.

2022-2023 LAR Exceptional Item Request Schedule					
Division:		Vehicle Titles & Registration		Division Director: Jeremiah Kuntz	
Item Name:		Dallas Regional Service Center Substation		Item Priority: 4	
Strategy:		A.1.1 Titles Registration and Plates			
Code	Total Exceptional Item Request	Requested			
		2022	2023		
	Objects of Expense:				
1001	Salaries	\$ 110,702	\$ 110,702		
1002	Other Personnel Costs	\$ 554	\$ 554		
2001	Professional Fees & Services (includes DCS)	\$ 50,000	\$ -		
2003	Consumable Supplies	\$ 600	\$ 600		
2005	Travel	\$ 6,400	\$ 6,400		
2006	Rent - Building	\$ 122,100	\$ 122,100		
2009	Other Operating Expense	\$ 17,484	\$ 2,274		
5000	Capital Expenditures	\$ 150,000	\$ -		
	Total, Objects of Expense	\$ 457,840	\$ 242,630		
	Method of Financing:				
010	TxDMV Fund	457,840	242,630		
	Total, Method of Finance	457,840	242,630		
Number of Full-time Equivalent Positions (FTE):		2.0	2.0		
Detail for Capital Appropriation Items: (included in above amounts)					
5005	Acquisition of Information Resources Technologies	\$ 50,000			
7000	Data Center Consolidation Services	\$ -	\$ -		
	Total, Capital Appropriation Items	\$ 50,000	\$ -		
Detail on Object of Expenses and FTEs: (Included above)					
<u>Recommend use of Exceptional Item Cost Worksheet for calculations.</u>					
Salary		FTE	Monthly Salary	FY 2022	FY 2023
	Job Class New Positions				
	Manager II	1.00	6,066	72,789	72,789
	Customer Service Rep III	1.00	3,159	37,913	37,913
		-	-	-	-

2022-2023 LAR Exceptional Item Request Schedule					
Division:	Vehicle Titles & Registration			Division Director:	Jeremiah Kuntz
Item Name:	Dallas Regional Service Center Substation			Item Priority:	4
Strategy:	A.1.1 Titles Registration and Plates				
Code	Total Exceptional Item Request			Requested	
				2022	2023
Travel	Supervisor travel = \$200/day*16 days/year			6,400	6,400
Other Expenses (list line items)		Unit Cost	Units	FY 2022	FY 2023
	Consumable Supplies \$300/yr per FTE	300	2.00	600	600
	Other Operating - share of xerox rental \$30/FTE	30	2.00	60	60
	Other Operating - Training 1% of salary/yr per FTE	0	-	1,107	1,107
	Other Operating - Chair \$350 per FTE	350	2.00	700	
	Other Operating - Computer, printer, monitor phone	2,255	2.00	4,510	
	Other Operating - Cubicles \$5,000 per FTE	5,000	2.00	10,000	
	Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			1,107	1,107
	Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			554	554
Subtotal, Detail on Object of Expenses and FTEs				\$ 135,740	\$ 120,530
Detail for Capital Appropriation Items: (included above)					
	Buildout of new location			100,000	
	Furniture			50,000	

2022-2023 LAR Exceptional Item Request Schedule				
Division: Vehicle Titles & Registration		Division Director: Jeremiah Kuntz		
Item Name: Dallas Regional Service Center Substation		Item Priority: 4		
Strategy:	A.1.1 Titles Registration and Plates			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
Description/Justification (2000 character limit) <input type="checkbox"/>				
<p>The TxDMV Dallas/Carrollton Regional Service Center (RSC) is currently located at 1925 Beltline Road, Suite 100, Carrollton, Texas and is housed in approximately 7,865 square feet of leased space with a staff of 22.5 employees. The Dallas RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve our customers, the Vehicle Titles and Registration Division is recommending we open a new Dallas RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Dallas. It is estimated that approximately 50% of the current Dallas RSC customer base would utilize the new location. An additional supervisor would be required to oversee the location. One existing coordinator and half of the existing staff would be reassigned to the new location. One additional customer service representative is needed to adequately staff the new</p>				
External/Internal Factors (2000 character limit)				
<p>Texas added more population in the past twelve months than any other state. The growth is forecasted to continue at, or above, the current rate. Much of this population settled, and will continue to settle, in the Dallas-Fort Worth metroplex. As the population expands, the demands for the services of TxDMV regional service centers also increases. Additional resources are required, as described herein, to meet those demands proactively to ensure the department continues to provide exceptional services to its customers. By creating a third location in the metroplex rather than expanding our current location, the department will be positioned closer to its customers, thereby enhancing the customer experience, reducing traffic congestion, and protecting the environment.</p>				

Dallas Regional Service Center Substation

The **Dallas RSC** is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve our customers, the Vehicle Titles and Registration Division is recommending a new Dallas RSC substation office. An analysis of historical customer flow indicates the new location is best situated in southeast Dallas. It is estimated that approximately 50% of the current Dallas RSC customer base would utilize the new location. Two new staff are included in this request--a supervisor would be required to oversee the location and one additional customer service representative. Existing staff would also be reassigned to adequately staff the new location.

2022-2023 LAR Exceptional Item Request Schedule					
Division:	Vehicle Titles & Registration			Division Director: Jeremiah Kuntz	
Item Name:	Houston Regional Service Center Substation			Item Priority: 5	
Strategy:	A.1.1 Titles Registration and Plates				
Code	Total Exceptional Item Request	Requested			
		2022	2023		
	Objects of Expense:				
1001	Salaries	\$ 186,516	\$ 186,516		
1002	Other Personnel Costs	\$ 936	\$ 936		
2001	Professional Fees & Services (includes DCS)	\$ 50,000	\$ -		
2003	Consumable Supplies	\$ 1,200	\$ 1,200		
2005	Travel	\$ 6,400	\$ 6,400		
2006	Rent - Building	\$ 160,000	\$ 160,000		
2009	Other Operating Expense	\$ 34,280	\$ 3,860		
5000	Capital Expenditures	\$ 200,000	\$ -		
	Total, Objects of Expense	\$ 639,332	\$ 358,912		
	Method of Financing:				
010	TxDMV Fund	\$ 639,332	\$ 358,912		
	Total, Method of Finance	\$ 639,332	\$ 358,912		
Number of Full-time Equivalent Positions (FTE):		4.0	4.0		
Detail for Capital Appropriation Items: (included in above amounts)					
5005	Acquisition of Information Resources Technologies	\$ 50,000			
7000	Data Center Consolidation Services	\$ -	\$ -		
	Total, Capital Appropriation Items	\$ 50,000	\$ -		
Detail on Object of Expenses and FTEs: (Included above)					
<u>Recommend use of Exceptional Item Cost Worksheet for calculations.</u>					
Salary		FTE	Monthly Salary	FY 2022	FY 2023
	Job Class New Positions				
	Manager II	1.00	6,066	72,792	72,792
	Customer Service Rep III	3.00	3,159	113,724	113,724
		-	-	-	-

2022-2023 LAR Exceptional Item Request Schedule					
Division:	Vehicle Titles & Registration			Division Director:	Jeremiah Kuntz
Item Name:	Houston Regional Service Center Substation			Item Priority:	5
Strategy:	A.1.1 Titles Registration and Plates				
Code	Total Exceptional Item Request			Requested	
				2022	2023
Travel	Supervisor travel = \$200/day*16 days/year			6,400	6,400
Other Expenses (list line items)		Unit Cost	Units	FY 2022	FY 2023
	Consumable Supplies \$300/yr per FTE	300	4.00	1,200	1,200
	Other Operating - share of xerox rental \$30/FTE	30	4.00	120	120
	Other Operating - Training 1% of salary/yr per FTE	0	-	1,870	1,870
	Other Operating - Chair \$350 per FTE	350	4.00	1,400	
	Other Operating - Computer, printer, monitor phone	2,255	4.00	9,020	
	Other Operating - Cubicles \$5,000 per FTE	5,000	4.00	20,000	
	Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			1,870	1,870
	Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			936	936
Subtotal, Detail on Object of Expenses and FTEs				\$ 229,332	\$ 198,912
Detail for Capital Appropriation Items: (included above)					
	Buildout of new location			150,000	
	Furniture			50,000	

2022-2023 LAR Exceptional Item Request Schedule				
Division:		Vehicle Titles & Registration		Division Director: Jeremiah Kuntz
Item Name:		Houston Regional Service Center Substation		Item Priority: 5
Strategy:	A.1.1 Titles Registration and Plates			
Code	Total Exceptional Item Request			Requested
				2022 2023
Description/Justification (2000 character limit) <input type="checkbox"/>				
<p>The Houston Regional Service Center (RSC) is currently located at 2110 East Governors Circle, Houston, Texas with a staff of 28.5 employees. The Houston RSC is expected to outgrow their current facility by 2028. In anticipation of future growth, and to better serve our customers, Vehicle Titles and Registration Division is recommending we open a new Houston RSC substation office. An analysis of historical customer flow indicates the new location is best fit in southeast Houston. It is estimated that approximately 50% of the current Houston RSC customer base would utilize the new location. An additional supervisor would be required to oversee the location. One existing coordinator and one-third of the existing staff would be reassigned to the new location. Three additional customer service representatives are needed to adequately staff the new location.</p>				

Houston Regional Service Center Substation

As the Texas population expands, the demands for the services of TxDMV regional service centers in the Houston metroplex also increases. Additional resources are required to meet those demands proactively to ensure the department continues to provide exceptional services to its customers. By creating a second location in the Houston area rather than expanding the current location, the department will be positioned closer to its customers, thereby reducing wait times, traffic congestion and protecting the environment.

2022-2023 LAR Exceptional Item Request Schedule				
Division:	MVCPA		Division Director: Bryan Wilson	
Item Name:	MVCPA Fee and Refund Unit		Item Priority: 6	
Strategy:	B.2.1 Motor Vehicle Crime Prevention Unit			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
	Objects of Expense:			
1001	Salaries	255,783	255,783	
1002	Other Personnel Costs	1,279	1,279	
2003	Consumable Supplies	900	900	
2009	Other Operating Expense	21,256	5,206	
	Total, Objects of Expense	279,218	263,168	
	Method of Financing:			
001	General Revenue	279,218	263,168	
	Total, Method of Finance	279,218	263,168	
Number of Full-time Equivalent Positions (FTE):				
Detail for Capital Appropriation Items: (included in above amounts)				
5005	Acquisition of Information Resources Technologies	\$ -		
7000	Data Center Consolidation Services	\$ -	\$ -	
	Total, Capital Appropriation Items	\$ -	\$ -	
Detail on Object of Expenses and FTEs: (Included above)				

2022-2023 LAR Exceptional Item Request Schedule					
Division:	MVCPA	Division Director: Bryan Wilson			
Item Name:	MVCPA Fee and Refund Unit	Item Priority: 6			
Strategy:	B.2.1 Motor Vehicle Crime Prevention Unit				
Code	Total Exceptional Item Request	Requested			
		2022	2023		
Salary		FTE	Monthly Salary	FY 2022	FY 2023
	Job Class New Positions				
	Program Specialist IV	1.00	4,956	59,473	59,473
	Tax Auditor V	1.00	6,942	83,298	83,298
	Tax Auditor Manager	1.00	9,418	113,012	113,012
Travel	Method of calculation				-
Other Expenses (list line items)		Unit Cost	Units	FY 2022	FY 2023
	Consumable Supplies \$300/yr. per FTE	300	3.00	900	900
	Other Operating - share of xerox rental \$30/FTE	30	3.00	90	90
	Other Operating - Training 1% of salary/yr. per FTE	0	3.00	2,558	2,558
	Other Operating - Chair \$350 per FTE	350	3.00	1,050	-
	Other Operating - Cubicles \$5,000 per FTE	5,000	3.00	15,000	-
	Other Operating - Payroll Health Contribution 1% (Legislatively Mandated)			2,558	2,558
	Other Personnel - Employee Retirement Contribution .5% (Legislatively Mandated)			1,279	1,279
	Travel			-	15,000
Subtotal, Detail on Object of Expenses and FTEs				\$ 279,218	\$ 278,168
Detail for Capital Appropriation Items: (included above)					

2022-2023 LAR Exceptional Item Request Schedule				
Division:	MVCPA	Division Director:	Bryan Wilson	
Item Name:	MVCPA Fee and Refund Unit	Item Priority:	6	
Strategy:	B.2.1 Motor Vehicle Crime Prevention Unit			
Code	Total Exceptional Item Request	Requested		
		2022	2023	
Description/Justification (2000 character limit) <input type="checkbox"/> <p>The Texas Department of Motor Vehicles (TxDMV) Motor Vehicle Crime Prevention Authority (MVCPA) is requesting to add 3 MVCPA employees to maintain that insurers that sell any form of motor vehicle insurance are aware and comply with the MVCPA Fee requirements. These new positions will provide analysis, audit, outreach and education to insurers. Hire 3 employees (Tax Audit Manager, Tax Auditor, and Program Specialist) to create the Motor Vehicle Crime Prevention Insurance fee collections unit. Texas Department of Motor Vehicles–MVCPA employees will closely coordinate with the Comptroller of Public Accounts, the Texas Department of Insurance and the Office of Attorney General to improve the collection of the fee paid by insurers. The employees will ensure equitable collection practices to provide fair market conditions for all insurers. The Program Specialist will assist insurers with the MVCPA fee compliance. The other employees' focus accurate and timely collections and refunds of fees. All positions will be funded through MVCPA appropriations. Estimated cost include fringe, travel equipment, and supplies.</p>				

Motor Vehicle Crime Prevention Authority (MVCPA) Fee and Refund Unit

In 2019, the Auto Burglary Theft Prevention Authority name changed to the Motor Vehicle Crime Prevention Authority (MVCPA) and its responsibilities were expanded to include **fraud-related motor vehicle crime**. The insurance fee increased to \$4 with 20% to be appropriated to the Authority and 60% going to emergency and trauma centers. MVCPA works with the Comptroller of Public Accounts, Texas Department of Insurance (TDI), insurance companies and insurance trade associations to ensure all motor vehicle insurers are in full compliance with the law regarding the collection of the fee.

The goal of this request is to create the Motor Vehicle Crime Prevention Insurance Fee and Refund Unit. The employees will ensure equitable collection practices to provide fair market conditions for all insurers. The unit will also assist insurers with the MVCPA fee compliance and focus on accurate and timely collections and refunds of fees. All positions will be funded through MVCPA appropriations.



To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Linda M. Flores, CPA, Chief Financial Officer, Finance & Administrative Services Division Director
Agenda Item: 6
Subject: Financial Impacts of COVID-19 on TxDMV

RECOMMENDATION

Briefing Only

PURPOSE AND EXECUTIVE SUMMARY

TxDMV is required by the Legislative Budget Board and the Governor's Office to prepare monthly reports on the financial impact to TxDMV from the COVID-19 event. The monthly reporting addresses the impact on revenue collections and on expenditures for COVID-19 response. TxDMV is also required to submit a 5% savings plan for its General Revenue funded appropriation in response to the economic conditions resulting from the COVID-19 event.

FINANCIAL IMPACT

The COVID-19 event has impacted TxDMV financially in three distinct areas: revenue collections, expenditures for COVID-19 response, and mandated appropriation reductions.

BACKGROUND AND DISCUSSION

REVENUE DISCUSSION

In response to requests from the Legislative Budget Board and other entities, TxDMV has developed new estimated FY 2020 revenue changes from previous projections used for board reporting. TxDMV has actual revenue information for September 2019 to April 2020 (eight months) and uses estimates for May through August 2020 (four months). Current expectations include:

- a loss of \$16,628,000 to General Revenue Fund 0001;
- a loss of \$94,883,000 to State Highway Fund 0006; and
- a loss of \$22,334,000 to TxDMV Fund 0010.

The figures above are elaborated in tabular format in the Financial Impact of COVID 19 Supplement. TxDMV considered numerous factors when putting the figures together. We will update monthly estimates with monthly actuals as each month progresses.

**** TxDMV will continue to monitor and update actual revenues, activity, and projections on an ongoing basis. ****

The analysis considers the use of various guidelines, etc., recommending adjustments to business activity. It is, then, followed by incorporating proclamations from the Texas governor stating that certain fees/permits are suspended or outright waived from March 16 until 60 days after TxDMV notifies the public that its services have re-commenced as normal; this includes the reopening of county tax assessor-collector offices and TxDMV regional service centers to in-person customer activity. It is assumed, for this analysis, that TxDMV and county activity will resume as normal on June 1, with most fee or permit suspensions and waivers ending July 31.

Even though many fee streams are not directly affected or named by the national, state, or local measures, the economic changes will affect many fee collections. It is assumed that TxDMV revenue collections will see an interim decrease but will not return to previously projected levels even within the current fiscal year.

The currently expected changes in revenue were developed with the methodologies discussed and numbered one through seven in the Financial Impact of COVID 19 Supplement.

EXPENDITURE DISCUSSION

Through the end of April 2020 TxDMV expended a total of \$796,841 in response to COVID-19. The expenditures are primarily from staff time for planning and preparation of COVID-19 response activities, the acquisition of personal protective equipment (PPE) items for employees and customers, cleaning supplies, and facility preparation activities such as cleaning and defogging services and the installation of plexiglass partitions for public areas.

The total projected cost for COVID-19 response is estimated to be \$1,577,509 through the end of FY 2020. The year-end estimate assumes continued staff time through the middle of June and continued cleaning services and cleaning supply/PPE replenishment through the end of the fiscal year.

A detailed month-by-month obligation table is included in the Financial Impact of COVID-19 Supplement.

MANDATED GENERAL REVENUE APPROPRIATION SAVINGS PLAN DISCUSSION

On May 20, 2020, the Legislature provided a communication to all state agencies to engage in prudent fiscal management as a response to the economic conditions during the COVID-19 pandemic. Included in the communication is a specific request that all agencies submit a five percent savings plan for all General Revenue appropriations for the FY 2020-2021 biennium.

TxDMV has one General Revenue appropriation for the Motor Vehicle Crime Prevention Authority (MVCPA). The appropriation provides funding for five MVCPA employees, administrative costs, and grants to local law enforcement agencies.

The FY 2020-2021 General Revenue appropriation amount for MVCPA is \$25,671,702. The total amount is divided over two fiscal years at \$12,835,851 per fiscal year. A 5% savings plan is \$1,283,585, or \$641,792, per year that must be identified for reduction during the FY 2020-2021 biennium.

MVCPA has begun working with the Motor Vehicle Crime Prevention Authority Board and its local law enforcement grantees to formulate reduction options and assess the impact reductions may have on activities and initiatives that have already begun for the FY 2020-2021 biennium.



Financial Impacts of COVID-19

REVENUE FORECASTS

The red figures shown in the table below are the changes from FY 2020 revenue projections. The table compares "Original Forecast FY 2020" to new estimates impacted by the COVID-19 pandemic -- "COVID-19 Forecast FY 2020".

Combined Revenue (Funds 0001, 0006, and 0010)	Original Forecast FY 2020	COVID-19 Forecast FY 2020	Variance from Original Forecast to COVID-19 Forecast
Motor Vehicle Certificates of Title	\$ 89,338,000	\$ 74,521,845	\$ (14,816,155)
Motor Vehicle Registration	\$ 1,619,278,000	\$ 1,540,159,098	\$ (79,118,902)
Motor Carrier - Oversize/Overweight	\$ 204,420,000	\$ 170,594,473	\$ (33,825,527)
Motor Carrier Credentialing	\$ 6,161,000	\$ 5,678,104	\$ (482,896)
Business Dealer Licenses	\$ 8,065,000	\$ 6,233,562	\$ (1,831,438)
Miscellaneous Revenue	\$ 13,386,090	\$ 11,875,495	\$ (1,510,595)
Processing and Handling Fee	\$ 56,963,000	\$ 54,703,792	\$ (2,259,208)
Total Combined Funds	\$ 1,997,611,090	\$ 1,863,766,369	\$ (133,844,721)
General Revenue Fund (Fund 0001)	Original Forecast FY 2020	COVID-19 Forecast FY 2020	Variance from Original Forecast to COVID-19 Forecast
Motor Vehicle Certificates of Title	\$ 36,375,000	\$ 31,663,136	\$ (4,711,864)
Motor Vehicle Registration	\$ 16,938,000	\$ 15,443,488	\$ (1,494,512)
Motor Carrier - Oversize/Overweight	\$ 53,381,000	\$ 44,013,371	\$ (9,367,629)
Motor Carrier Credentialing	\$ 6,161,000	\$ 5,678,104	\$ (482,896)
Miscellaneous Revenue	\$ 3,084,000	\$ 2,513,257	\$ (570,743)
Total General Revenue Fund	\$ 115,939,000	\$ 99,311,356	\$ (16,627,644)
State Highway Fund (Fund 0006)	Original Forecast FY 2020	COVID-19 Forecast FY 2020	Variance from Original Forecast to COVID-19 Forecast
Motor Vehicle Certificates of Title	\$ 8,671,000	\$ 7,288,218	\$ (1,382,782)
Motor Vehicle Registration	\$ 1,563,226,000	\$ 1,491,776,835	\$ (71,449,165)
Motor Carrier - Oversize/Overweight	\$ 133,615,000	\$ 111,564,227	\$ (22,050,773)
Total State Highway Fund	\$ 1,705,512,000	\$ 1,610,629,279	\$ (94,882,721)
TxDMV Fund (Fund 0010)	Original Forecast FY 2020	COVID-19 Forecast FY 2020	Variance from Original Forecast to COVID-19 Forecast
Motor Vehicle Certificates of Title	\$ 44,292,000	\$ 35,570,491	\$ (8,721,509)
Motor Vehicle Registration	\$ 39,114,000	\$ 32,938,776	\$ (6,175,224)
Motor Carrier - Oversize/Overweight	\$ 17,424,000	\$ 15,016,874	\$ (2,407,126)
Business Dealer Licenses	\$ 8,065,000	\$ 6,233,562	\$ (1,831,438)
Miscellaneous Revenue (includes credit-card service fees)	\$ 10,302,090	\$ 9,362,239	\$ (939,851)
Processing and Handling Fee	\$ 56,963,000	\$ 54,703,792	\$ (2,259,208)
Total TxDMV Fund	\$ 176,160,090	\$ 153,825,733	\$ (22,334,357)

Projected FY 2020 Revenue Impact of TxDMV Fees Waived or Postposed

Fee	Statutory Citation	Fund	Payer of Fee	Waived/Postponed	Fee-Loss Estimate
Delinquent Title Transfer Penalty	501.146(a)	0010	Dealer	waived	\$ (1,140,000)
Delinquent Title Transfer Penalty	501.146	0010	Individual	waived	\$ (5,138,000)
Temporary Permit (72-hour)	502.094(c)(2)	0006	Motor Carrier	waived*	\$ (2,113,000)
Temporary Permit (144-hour)	502.094(c)(2)	0006	Motor Carrier	waived*	\$ (5,395,000)
Temporary Permit (30-Day)	502.095(e)(2)(B)	0006	Individual	waived*	\$ (6,024,000)
Processing and Handling Fee	502.1911(b)	0010	Individual	postponed/waived	\$ (1,345,000)
Annual-Registration Fee	502.252-502.256	0006	Individual	postponed	\$-
					\$ (21,155,000)

Of the \$133.8 million decline in projected revenue presented on page 1, the majority is attributed to a decline in economic activity (including lower oil prices) rather than from a direct waiver of fees. It is assumed, for this analysis, that the annual-registration fee (showing a zero-dollar loss above), and other fees collected at the time of registration, will be collected during the current fiscal year within 60 days after the resumption of normal operations; therefore, there is no loss in revenue from these fees simply due to the proclamation postponing such fees.

* This fee was waived per Governor's proclamation (30-day) and for vehicles engaged in virus-relief efforts (72-hour and 144-hour).

Forecast Methodology

1. Titles: Reflects the March and April drops in these fees. Assumes a 30% drop in overall vehicle sales from FY 2019 (resulting in a 30% drop in original-title issuance) from May 1 to August 31, along with a resulting decrease in the \$5 buyer's-tag collections on 57% of anticipated sales. April is likely to be the month with the highest percentage year-over-year decline, due to business closures and a full-month-effect of early stay-at-home orders. For the remaining months of FY 2020, we expect vehicle sales to increase (from April), as businesses reopen and economic activity picks up. We assume a continued 100% loss in delinquent title transfer penalty revenue (which started March 16) from May 1 to the assumed July 31 due to those fees being temporarily waived per Governor's proclamation. We assume 20% decreases in revenues from FY 2019 collections to all other title fees, including salvage-title issuance (\$8) and rebuilt-salvage title issuance (\$65), from May 1 to August 31.

2. Registration: Annual registrations expiring March 31, April 30, May 31, and June 30 are postponed until the assumed July 31 due date per Governor's proclamation, though some customers have been registering and will register by mail, online, or open county offices (and deputies) before July 31 anyway. It is estimated that 25% will renew online in the month of original expiration, and 25% will renew in person or by mail in the month of original expiration. 85% of remaining registrations will renew by the July 31 deadline, evenly divided between June and July when regular business is resumed. 30% will renew online; and 70% will renew in a county office, by mail, or through a deputy from May through August. 80% of registrations will pay the \$1 Reg-DPS fee (proof of financial responsibility; the fee is not paid on trailers, for example). We assume a near-complete loss of temporary-permit revenue (which started March 16) from May 1 to the assumed July 31, per Governor's proclamation that 30-day permits will not, again, be required until August 1, and that 72-hour and 144-hour permits will not be required during the entire state-of-emergency period for vehicles



engaged in virus-relief efforts. Revenue from all other fees is estimated to be 80% of FY 2019 collections from May 1 to August 31.

(As stated above, this analysis assumes the resumption of normal operations on June 1, with postponed registrations due by July 31. Most registration revenues can be held by the counties for up to 34 days per Transportation Code Section 502.198. Therefore, even if point-of-sale customer activity starts to pick up, some of these revenues won't be remitted to TxDMV and hit the State's accounting systems until 34 days after the customer transaction. The resumption of normal operations past June 1 will move some expected FY 2020 revenue collections into FY 2021 or could result in registration-revenue losses rather than simply delays, depending on the timing.)

3. Oversize/overweight (motor-carrier) permits: Reflects the March and April drops in these fees. Due mostly to a combination of lowered economic activity and lowered oil prices, assumptions include a 25% decrease in revenues from projections for May, with a return to 85% of previous internal projections from June 1 to August 31.

Per Governor's proclamation, some motor-carrier permits are not required for vehicles engaged in virus-relief efforts during the state-of-emergency period. Even though the state of emergency is expected to last at least to August 31, the effect of this proclamation on revenue is assumed to be very low because motor carriers will still use the same vehicles for non-virus-relief efforts and would need permits for such activities.

4. Motor-carrier credentialing: The bulk of this money is the \$2.7 million Unified Carrier Registration (UCR) revenue, all of which has already been allocated to Texas and deposited to General Revenue Fund 0001. Reflects the March and April drops in non-UCR fees (for example, the \$10-per-vehicle-per-year motor-carrier credentialing-system fee). We assume a 20% decrease in non-UCR-fee revenues from projections for May, with a return to 85% of previous internal projections from June 1 to August 31.

5. Business dealer licenses: Reflects the March and April drops in these fees. Assumptions include a 20% decrease in business dealer licensing revenue from previous internal projections (due to fewer dealer-license purchases in the industry) for May, with a return to 85% of previous internal projections from June 1 to August 31.

6. Processing and Handling (P&H) fee: Some dynamics described in no. 2 above, because this fee is associated with the issuance of regular vehicle registrations and temporary permits. There will be a catch-up in this fee for annual registrations by the end of the fiscal year; but not from temporary-permit transactions, because those permits were mostly waived (starting March 16) to the assumed July 31 per Governor's proclamation. The associated loss in P&H-fee revenue from temporary-permit transactions not taking place is permanent until August 1. As we increase the P&H fee online usage to 30% of annual-registration-renewal transactions through August 31, a downward effect occurs on TxDMV Fund 0010. The TxDMV Fund receives \$1.50 of the \$3.75 P&H fee for online transactions (discounted by \$1.00 for online transactions). The TxDMV Fund receives \$2.45 of the \$4.75 P&H fee for county-walk-in, mail-in, and deputy transactions.

7. Miscellaneous fees: These fees are not named directly in the Governor's proclamations. Except for county leased workstations, we assume a 10% decrease from previous internal projections in the various revenue streams due to decreases in economic activity from May 1 to June 30, readjusting closer to 100% from July 1 to August 31. The chief revenue drivers in this multi-fee category are credit-card service fees and interest on the TxDMV Fund.



Texas Department of Motor Vehicles

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EXPENDITURE IMPACTS OF COVID-19 PANDEMIC

The total expended amount related to COVID-19 response through the end of April is \$796,841. The estimated total cost impact for FY 2020 based on data through the end of April reporting period is \$1,577,509.

The FY 2020 estimated total cost impact is \$1,577,509. Cost projections for cleaning services and facility preparation services, such as the installation of plexiglass barriers, have increased as TxDMV gained further information on how to respond to the event and developed specific implementation activities to ensure the safety of customers and employees.

In addition, TxDMV has increased its planned acquisitions of personal protective equipment, such as face masks and gloves, to ensure a safe environment for all employees and customers. The overall non-payroll cost projections for FY 2020 is approximately \$690,000 for FY 2020.

The following table provides monthly actuals for March and April by Object of Expense and expenditure estimates for the remaining months of FY 2020.

TxDMV COVID 19 Obligations by Month								



The FY 2020-2021 General Revenue appropriation amount for MVCPA is \$25,671,702. A 5% savings plan equals \$1,283,585 that must be identified for reduction during the FY 2020-2021 biennium.

The majority of the MVCPA appropriation (96%) is allocated to grants to local law enforcement agencies. The remaining 4% provides for routine administrative costs such as salaries for five employees, copier rental, consumables, training, promotional items and computer software costs.

The 24 agencies that receive MVCPA grant funds support almost 250 law enforcement officers, and from the taskforces created through the grant funds, there are 129 participating police and sheriff agencies within the MVCPA program.

MVCPA is actively working with the Motor Vehicle Crime Prevention Authority Board and its grantees to develop possible options for reducing the grants portion of the MVCPA appropriation. The local law enforcement agencies that receive MVCPA grant funding will be examining their grant-funded budgets and will consider deferring equipment purchases and reducing travel expenditures to meet funding reduction targets. MVCPA and its grantees are also assessing the impact of reductions on their activities and initiatives that have already begun for the biennium.



Texas Department of Motor Vehicles

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STATE OF TEXAS

May 20, 2020

To: State Agency Board/Commission Chairs
State Agency Heads/Executive Directors
Appellate Court Justices and Judges
Chancellors, Presidents, and Directors of Institutions and Agencies of Higher Education

Please accept our sincere thanks for the incredible work provided by your agencies and institutions and the dedication you have shown to help the state through this troubling time. Each agency has taken on the challenge and worked tirelessly to ensure that essential services are provided to Texans in need. Know that we are committed to prioritizing the public health of our state.

As you have no doubt seen, there is significant economic uncertainty not only in this state but across the country and around the world. We are confident that Texas will get back to work and continue leading the nation in job growth, economic innovation, and business creation. However, it will take months until we know the true extent of the economic ramifications of COVID-19, and how combating this virus will impact state finances. To prepare for this economic shock, we must take action today to ensure that the state can continue providing the essential government services that Texans expect.

To achieve that goal, every state agency and institution of higher education must engage in prudent fiscal management efforts. Savings achieved in the current biennium are not only necessary to offset current year revenue losses, the savings will provide for the smoothest path toward recovery as you provide necessary services to Texans. Some cost saving strategies that agencies should pursue that will not affect the state's response to COVID-19 include foregoing any capital expenditures that can be deferred, any avoidable travel expenditures, any administrative expenses that are not mission critical, and keeping unfilled any open positions that are not essential to the COVID-19 response. These savings should be lapsed to the Treasury.

Additionally, we request each state agency and institution of higher education submit a plan identifying savings that will reduce your general and general revenue related appropriations by five percent for the 2020-2021 biennium. Please submit this plan to the Legislative Budget Board and the Office of the Governor by June 15, 2020.

Given the importance of the state's response to COVID-19 and the continuity of critical government functions, the following are excluded from the five percent reduction:

- Appropriations to the Texas Division of Emergency Management, the Texas Department of State Health Services, the Texas Workforce Commission, the Texas Military Department, and the Texas Department of Public Safety;



To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sandra Menjivar-Suddeath, Internal Audit Division Director
Agenda Item: 7
Subject: FY 2021 Internal Audit Risk Assessment

RECOMMENDATION

Briefing Only – No recommendation.

PURPOSE AND EXECUTIVE SUMMARY

At the end of each fiscal year, the internal audit plan is approved for the upcoming year to be in compliance with the Texas Internal Audit Act (Texas Government Code 2102.008). The internal audit plan is developed by conducting an annual risk assessment that evaluates and reviews each risk in the Department. The risk assessment identifies high risk areas within the Department using an approved risk guidance that looks at the impact and likelihood of each risk occurring as well as any potential mitigation that already exist. The risk assessment also includes identifying available hours for the upcoming fiscal year.

The briefing item is to provide information on themes that have already been identified in this year's risk assessment as well as the available hours for next year to help prepare the Board for its approval of the internal audit plan in August.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

At the end of each fiscal year, the internal audit plan is approved for the upcoming year to be in compliance with the Texas Internal Audit Act (Texas Government Code 2102.008). The internal audit plan is developed by conducting an annual risk assessment that evaluates and reviews each risk in the Department. The risk assessment identifies high risk areas within the Department using an approved risk guidance that looks at the impact and likelihood of each risk occurring as well as any potential mitigation that already exist. Specifically, each risk is reviewed using the following factors:

- Revenue or expense impact
- Asset or liability impact
- Operational effectiveness and efficiency impact
- Legal or regulatory impact
- Brand or reputational impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization

- Control design strength

The briefing item is to provide information on themes that have already been identified in this year's risk assessment.

The themes include:

- Transformation
- Information Technology
- Human Resources
- Procurement and Supply Chain Management

The risk assessment also includes available hours for the upcoming fiscal year. Currently, the Internal Audit Division anticipates spending 2000 hours on engagements, 775 hours on added value services, and 325 hours on required items.



**Texas Department
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Fiscal Year (FY) 2021 First Half Internal Audit Risk Assessment

Internal Audit Division

June 2020

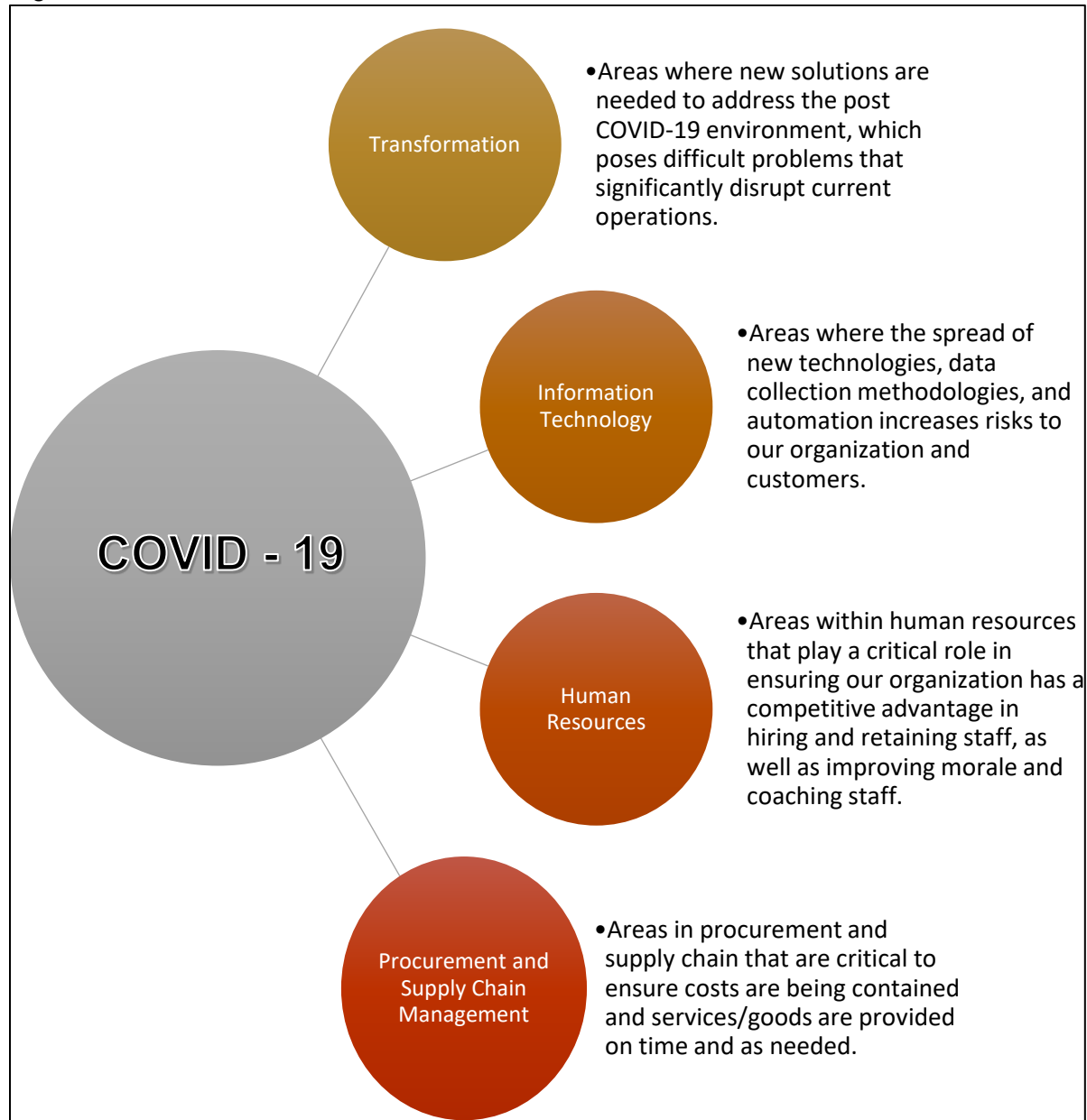
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FY 2021 First Half Risk Assessment

For the fiscal year (FY) 2021 risk assessment, the Internal Audit Division (IAD) is still evaluating the risks that will be part of the first half audit plan. However, IAD identified four key themes that will shape the audit plan as denoted in figure 1.

Figure 1. FY 2021 Risk Assessment Themes and Definition



These themes, as captured in figure 1, have key areas that will be explored and evaluated during the next audit cycle. These key areas will be areas of potential engagements in the upcoming fiscal year.

Each of these themes and risk areas were impacted by COVID-19. COVID-19 forced the State and the Department to respond quickly to a high impact and unexpected risk. The impacts of COVID-19 are still being felt and processes continue to be disrupted.

Hours Analysis

As part of developing the audit plan, the risk assessment includes identifying the available hours for audit and advisory service engagements, as well as for added value services. Added value services are the additional duties taken on by the division to help provide governance and advice to the Department.

The hours below represent the available hours for the first half of the fiscal year. Hours were calculated using historical data and auditor's judgement. Hours are estimates and could be adjusted throughout the year.

Added Value Services Hours

IAD is setting aside 775 hours for added value services including the following items:

- *External Audit Liaison* – coordinating with staff to ensure external entities receive all required assistance and information - 100 hours
- *Key Risk Indicators* – monitoring and reporting on measures for fraud, regional service centers, information technology, and procurement and contract management areas - 75 hours
- *Fraud, Waste, and Abuse* - reviewing, tracking, and investigating any internal allegations, including those received through the State Auditor's Office Hotline - 400 hours
- *Work group participation* - participating in work groups to help identify any unforeseen risk in enterprise projects or activities - 50 hours
- *Ad hoc advisory* – hours set aside to address any short-term assessment or information requests by staff during the first half of the fiscal year - 150 hours

Engagement Hours

IAD anticipates having 2000 hours available for internal audit and advisory engagements. These hours do not include the 325 hours already dedicated to completing required internal audit items, such as quality assurance and improvement program report, annual audit report, self-assessment report for peer review, and internal audit follow-up.

Risk Assessment Scope and Methodology

Scope

The internal audit risk assessment covers all risks identified for fiscal year 2021 (September 1, 2020 – August 31, 2021).

Risk Assessment

Risk Methodology

The audit plan was developed using a risk-based methodology, which incorporated input from TxDMV board members, executive management, division management, and risks identified by audit staff through previous fiscal year engagements and observations. IAD also analyzed TxDMV information and reviewed internal audit and industry publications to identify and rank potential audit topics by risk. In addition, IAD collected information on the potential controls that were in place to mitigate the identified risks.

Each risk was reviewed using approved Department risk guidance that included the following factors:

- Revenue or expense impact
- Asset or liability impact
- Operational effectiveness and efficiency impact
- Legal or regulatory impact
- Brand or reputational impact
- Degree of change in the program, function, or process
- Degree of complexity
- Degree of centralization
- Control design strength

260 Department risks have been identified through the risk assessment, including an additional 63 risks that had not been identified in previous risk assessments or were new risks due to the changing environments. Each risk identified will be scored using the above factors over the next couple of months to determine the engagements that will be conducted in the first half of fiscal year 2021.

The risk scores ranged from zero, which is the lowest risk score, to ten, which is the highest risk score. Table 1 provides information on the risk scores for each item.

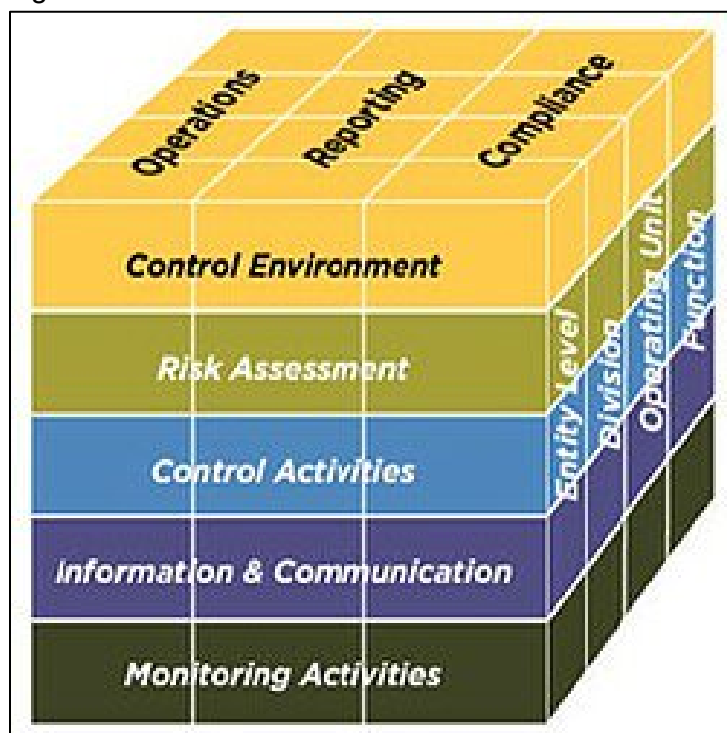
Table 1. Risk Scores

Very Low Risk	Low Risk	Medium Risk	High Risk	Very High Risk
0 - 1.5	1.5 – 2.5	2.5 – 3.5	3.5 – 4.5	4.5 +

Committee of Sponsoring Organizations of the Treadway Commission (COSO) Methodology

Once all risks are reviewed and ranked, the audit team will evaluate each risk using the COSO *Internal Control – Integrated Framework*. The framework integrates three broad objectives (Operations, Reporting, and Compliance) and ties those objectives to risks and controls through five internal control components and four structural levels as depicted in Figure 2, COSO cube. The COSO cube depicts how the internal controls framework has a direct relationship between objectives, the components needed to achieve objectives, and a typical organizational structure.

Figure 2. COSO Cube



The definition for the COSO Internal Control Components are as follows:

- **Control Environment:** The foundation for an internal control system. The Control Environment is a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. It provides the discipline and structure

to help an entity achieve its objectives. The TxDMV Board and executive management establish the tone at the top regarding the importance of internal control including expected standards of conduct.

- **Risk Assessment:** The processes used to determine how risk is to be managed. TxDMV management assesses the risks facing the entity as it seeks to achieve its objectives.
- **Control Activities:** The actions TxDMV management established through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes information systems.
- **Information and Communication:** The quality of information TxDMV management and staff generate and use to communicate and support the internal control system on an ongoing and iterative basis.
- **Monitoring:** The activities TxDMV management established to assess the quality of performance over time. The activities include ongoing evaluations, separate evaluations, or some combination of the two. The activities are used to ascertain whether each of the five components of internal control, are present and functioning.



Board Meeting Date: 6/10/2020
BRIEFING

To: Finance & Audit Committee, Texas Department of Motor Vehicles Board
From: Sandra Menjivar-Suddeath, Internal Audit Division Director
Agenda Item: 8
Subject: Internal Audit Division Status

RECOMMENDATION

Briefing Only – No recommendation.

PURPOSE AND EXECUTIVE SUMMARY

The status update provides information on current Internal Audit Division (IAD) activities. The June 2020 update contains the fiscal year (FY) 2020 Internal Audit Plan status, external coordination efforts, and divisional activities.

FINANCIAL IMPACT

None.

BACKGROUND AND DISCUSSION

At every Texas Department of Motor Vehicles Board meeting, IAD provides an update and status on current activities, including the Internal Audit Plan status. The Internal Audit Plan status includes information on the engagement type, the objective(s), anticipated report release date, any results, and the current audit phase. For the June 2020 update, the IAD is providing information on the FY 2020 Internal Audit Plan status, external coordination efforts, and divisions activities to celebrate Internal Audit Month.

- IAD is working on four engagements, which are on schedule to be completed on time.
- IAD is currently facilitating one external engagement.
- IAD celebrated Internal Audit Month with an agency-wide Bingo game. IAD is recognizing the staff that participated and helped in the bingo game.

Internal Audit Division Status

Fiscal Year (FY) 2020 Audit Plan Status

Engagement	Description and Results	Status
Law Enforcement Information Request	An advisory service to review law enforcement information request processes throughout the Department. The engagement will begin reporting in June. No results to report.	Fieldwork Anticipated release: August 2020
Payment Card Industry Compliance – Requirement 2	An audit to determine whether the Department is compliant with replacing vendor-supplied defaults for system passwords and other security parameters.	Planning Anticipated release: September 2020
FY 2021 Risk Assessment and First Six Month Internal Audit Plan	An engagement to identify high risk areas that may warrant review in fiscal year 2021. Risk assessment themes were provided in a previous agenda item.	Fieldwork Anticipated release: August 2020
FY 2020 Internal Audit Follow Up	This engagement verifies if outstanding audit recommendations have been fully implemented. IAD is reviewing recommendations that were due or implemented between June 1 and August 31, 2020. Due to COVID – 19, IAD will bypass the reporting of third quarter implementation and provide combined reporting for third and fourth quarter.	Fieldwork Anticipated release: September 2020

External Coordination

- The Texas Comptroller of Public Accounts submitted an engagement letter to the Department in May 2020 announcing an overpayment recovery audit. The audit covers detection, confirmation and collection of the potential overpayment made to vendors. The letter is attached.

Internal Audit Month Celebration

- IAD staff created an agency wide bingo game to celebrate and learn about Internal Audit during the month of May! The following TxDMV staff submitted a bingo card and participated in Internal Audit Month:
 - Yvonne Murray, Finance & Administrative Services Division
 - Sergio Ray, Finance & Administrative Services Division
 - Sarah Alexander, Consumer Relations Division
 - Lisa Martinez, Enforcement Division
 - Connie Green, Finance & Administrative Services Division
 - Grady Meyer, Motor Carrier Division
 - Tammy Gomez, Motor Carrier Division
- A special thanks to Government & Strategic Communication Division Director Caroline Love and staff Bob Dashman for helping post the videos that corresponded with the bingo card.

**GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**

P.O. Box 13528 • Austin, TX 78711-3528

May 15, 2020

Ms. Linda Flores
Chief Financial Officer
Texas Department of Motor Vehicles
4000 Jackson Ave.
Austin, Texas 78758-4183

Dear Ms. Flores:

The Texas Comptroller of Public Accounts (Comptroller) has selected the Texas Department of Motor Vehicles (Department) for an overpayment recovery audit. This audit is required by Texas Government Code, Chapter 2115.

The statute requires the Comptroller's office to contract services to conduct recovery audits at state agencies and institutions of higher education with biennial expenditures totaling more than \$50 million. General Appropriations Act (2012-13), Article IX, Section 8.02(f), appropriates 50 percent of recovered state funds to the agency. Agencies then pay the contractor's fee out of their portion of the recovered funds.

The audit covers detection, confirmation and collection of the Department's overpayments made to vendors. These overpayments may result from duplicate payments; invoice errors; pricing errors; failure to apply discounts, rebates, or other allowances; failure to comply with a purchasing agreement; or any other errors that the Comptroller's office believes would create an economic benefit for the state, if recovered. The audit covers payments made during fiscal 2015 through fiscal 2019.

In order to identify overpayments, the audit includes a review of the Department's accounts payable and purchasing records including verification of invoice terms and conditions, discounts and related regulatory matters. This audit also includes an examination of the Department's purchasing and payment documentation that is stored on media such as electronic files, data files, imaged records, paper records and other related records. State expenditures paid using federal funds are included in the audit population; however, any money recovered from those expenditures is subject to federal rules regarding recovered funds.

AudiTec Solutions, Inc. (AudiTec) will conduct the recovery audits for our program. The Department must provide copies of the required documentation to AudiTec, in order to conduct the recovery audit in its offices. The negotiated fee is 22.5 percent of each recovered payment, if the Department is able to provide all documentation

electronically to AudiTec. If the Department is not able to provide all documentation electronically and AudiTec staff must travel to the Department's headquarters, then the negotiated fee is 26 percent of each recovered payment. We can send a copy of our contract at your request.

Derik Montique is your agency contact for the recovery audit. He will contact you, or your designee, soon to set up a planning meeting and schedule a date to begin the audit. Enclosed you will find a copy of the Pre-Audit Planning Guide (Guide) and program procedures. The Guide assists AudiTec staff in conducting the audit. The procedures address audit responsibilities for both AudiTec and the Department. In addition, the Comptroller's office has published [Recovery of Certain State Agency Overpayments \(FPP B.002\)](#), a policy and procedure document addressing overpayments. Complete the Guide questions and review both the program procedures and FPP B.002 before the planning meeting.

During the planning meeting, we will discuss the recovery audit process, go over your answers to the Guide and answer any questions about the audit. Please ensure the appropriate staff attends, including: a data expert for your internal accounting system, a member of your accounts payable department, your agency's internal auditor and any other personnel you believe should attend.

If you have any questions about the audit process, please contact somaia.farag@cpa.texas.gov or 512-475-0479.

Sincerely,



Clarisse Roquemore
Manager, Statewide Fiscal Oversight
Fiscal Management Division
Texas Comptroller of Public Accounts

Enclosures

cc: Somaia Farag, Supervisor, Expenditure Audit, Statewide Fiscal Oversight, Texas
Comptroller of Public Accounts

Board Policy Documents

Governance Process (10/13/11)

Strategic Planning (10/13/11)

Board Vision (4/7/16)

Agency Boundaries (9/13/12)

KPIs (9/12/14)

Texas Department of Motor Vehicles TxDMV Board Governance Policy

1. PURPOSE

The directives presented in this policy address board governance of the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. The TxDMV Board Governance Policy shall be one that is comprehensive and pioneering in its scope.

3. POLICY

3.1. TxDMV Board Governing Style

The Board shall govern according to the following general principles: (a) a vision for the agency, (b) diversity in points of view, (c) strategic leadership, providing day-to-day detail as necessary to achieve the agency vision, (d) clear distinction of Board and Executive Director roles, (e) collective decision making, (f) react proactively rather than reactively and with a strategic approach. Accordingly:

3.1.1. The Board shall provide strategic leadership to TxDMV. In order to do this, the Board shall:

3.1.1.1. Be proactive and visionary in its thinking.

3.1.1.2. Encourage thoughtful deliberation, incorporating a diversity of viewpoints.

3.1.1.3. Work together as colleagues, encouraging mutual support and good humor.

3.1.1.4. Have the courage to lead and make difficult decisions.

3.1.1.5. Listen to the customers and stakeholders needs and objectives.

3.1.1.6. Anticipate the future, keeping informed of issues and trends that may affect the mission and organizational health of the TxDMV.

3.1.1.7. Make decisions based on an understanding that is developed by appropriate and complete stakeholder participation in the process of identifying the needs of the motoring public, motor vehicle industries,

and best practices in accordance with the mission and vision of the agency.

- 3.1.1.8. Commit to excellence in governance, including periodic monitoring, assessing and improving its own performance.
- 3.1.2. The Board shall create the linkage between the Board and the operations of the agency, via the Executive Director when policy or a directive is in order.
- 3.1.3. The Board shall cultivate a sense of group responsibility, accepting responsibility for excellence in governance. The Board shall be the initiator of policy, not merely respond to staff initiatives. The Board shall not use the expertise of individual members to substitute for the judgment of the board, although the expertise of individual members may be used to enhance the understanding of the Board as a body.
- 3.1.4. The Board shall govern the agency through the careful establishment of policies reflecting the board's values and perspectives, always focusing on the goals to be achieved and not the day-to-day administrative functions.
- 3.1.5. Continual Board development shall include orientation of new Board members in the board's governance process and periodic board discussion of how to improve its governance process.
- 3.1.6. The Board members shall fulfill group obligations, encouraging member involvement.
- 3.1.7. The Board shall evaluate its processes and performances periodically and make improvements as necessary to achieve premier governance standards.
- 3.1.8. Members shall respect confidentiality as is appropriate to issues of a sensitive nature.

3.2. TxDMV Board Primary Functions/Characteristics

TxDMV Board Governance can be seen as evolving over time. The system must be flexible and evolutionary. The functions and characteristics of the TxDMV governance system are:

- 3.2.1. Outreach
 - 3.2.1.1. Monitoring emerging trends, needs, expectations, and problems from the motoring public and the motor vehicle industries.
 - 3.2.1.2. Soliciting input from a broad base of stakeholders.

3.2.2. Stewardship

- 3.2.2.1. Challenging the framework and vision of the agency.
- 3.2.2.2. Maintaining a forward looking perspective.
- 3.2.2.3. Ensuring the evolution, capacity and robustness of the agency so it remains flexible and nimble.

3.2.3. Oversight of Operational Structure and Operations

- 3.2.3.1. Accountability functions.
- 3.2.3.2. Fiduciary responsibility.
- 3.2.3.3. Checks and balances on operations from a policy perspective.
- 3.2.3.4. Protecting the integrity of the agency.

3.2.4. Ambassadorial and Legitimizing

- 3.2.4.1. Promotion of the organization to the external stakeholders, including the Texas Legislature, based on the vision of the agency.
- 3.2.4.2. Ensuring the interests of a broad network of stakeholders are represented.
- 3.2.4.3. Board members lend their positional, professional and personal credibility to the organization through their position on the board.

3.2.5. Self-reflection and Assessment

- 3.2.5.1. Regular reviews of the functions and effectiveness of the Board itself.
- 3.2.5.2. Assessing the level of trust within the Board and the effectiveness of the group processes.

3.3. Board Governance Investment

Because poor governance costs more than learning to govern well, the Board shall invest in its governance capacity. Accordingly:

- 3.3.1. Board skills, methods, and supports shall be sufficient to ensure governing with excellence.

- 3.3.1.1. Training and retraining shall be used liberally to orient new members, as well as maintain and increase existing member skills and understanding.
- 3.3.1.2. Outside monitoring assistance shall be arranged so that the board can exercise confident control over agency performance. This includes, but is not limited to, financial audits.
- 3.3.1.3. Outreach mechanisms shall be used as needed to ensure the Board's ability to listen to stakeholder viewpoints and values.
- 3.3.1.4. Other activities as needed to ensure the Board's ability to fulfill its ethical and legal obligations and to represent and link to the motoring public and the various motor vehicle industries.
- 3.3.2. The Board shall establish its cost of governance and it will be integrated into strategic planning and the agency's annual budgeting process.

3.4. Practice Discipline and Assess Performance

The Board shall ensure the integrity of the board's process by practicing discipline in Board behavior and continuously working to improve its performance. Accordingly:

- 3.4.1. The assigned result is that the Board operates consistently with its own rules and those legitimately imposed on it from outside the organization.
 - 3.4.1.1. Meeting discussion content shall consist solely of issues that clearly belong to the Board to decide or to monitor according to policy, rule and law. Meeting discussion shall be focused on performance targets, performance boundaries, action on items of Board authority such as conduct of administrative hearings, proposal, discussion and approval of administrative rule-making and discussion and approval of all strategic planning and fiscal matters of the agency.
 - 3.4.1.2. Board discussion during meetings shall be limited to topics posted on the agenda.
 - 3.4.1.3. Adequate time shall be given for deliberation which shall be respectful, brief, and to the point.
- 3.4.2. The Board shall strengthen its governing capacity by periodically assessing its own performance with respect to its governance model. Possible areas of assessment include, but are not limited to, the following:
 - 3.4.2.1. Are we clear and in agreement about mission and purpose?

- 3.4.2.2. Are values shared?
- 3.4.2.3. Do we have a strong orientation for our new members?
- 3.4.2.4. What goals have we set and how well are we accomplishing them?
- 3.4.2.5. What can we do as a board to improve our performance in these areas?
- 3.4.2.6. Are we providing clear and relevant direction to the Executive Director, stakeholders and partners of the TxDMV?
- 3.4.3. The Board Chair shall periodically promote regular evaluation and feedback to the whole Board on the level of its effectiveness.

Texas Department of Motor Vehicles Strategic Planning Policy

1. PURPOSE

The directives presented in this policy address the annual Strategic Planning process at the Texas Department of Motor Vehicles (TxDMV).

2. SCOPE

The directives presented in this policy apply to the TxDMV Board and TxDMV agency personnel who interact with the Board. TxDMV Strategic Planning Policy attempts to develop, document and expand its policy that is comprehensive in its scope in regards to the strategic planning process of the Board and the Department beyond that of the state strategic planning process.

3. POLICY

3.1. TxDMV Board Strategic Planning

This policy describes the context for strategic planning at TxDMV and the way in which the strategic plan shall be developed and communicated.

- 3.1.1. The Board is responsible for the strategic direction of the organization, which includes the vision, mission, values, strategic goals, and strategic objectives.
- 3.1.2. TxDMV shall use a 5-year strategic planning cycle, which shall be reviewed and updated annually, or as needed.
- 3.1.3. The 5-year strategic plan shall be informed by but not confined by requirements and directions of state and other funding bodies.
- 3.1.4. In developing strategic directions, the Board shall seek input from stakeholders, the industries served, and the public.
- 3.1.5. The Board shall:
 - 3.1.5.1. Ensure that it reviews the identification of and communication with its stakeholders at least annually.
 - 3.1.5.2. Discuss with agency staff, representatives of the industries served, and the public before determining or substantially changing strategic directions.

- 3.1.5.3. Ensure it receives continuous input about strategic directions and agency performance through periodic reporting processes.
- 3.1.6. The Board is responsible for a 5-year strategic plan that shall identify the key priorities and objectives of the organization, including but not limited to:
 - 3.1.6.1. The creation of meaningful vision, mission, and values statements.
 - 3.1.6.2. The establishment of a Customer Value Proposition that clearly articulates essential customer expectations.
 - 3.1.6.3. A Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis, to be updated annually.
 - 3.1.6.4. An assessment of external factors or trends (i.e., customer needs, political factors, economic factors, industry trends, technology factors, uncertainties, etc.)
 - 3.1.6.5. Development of the specific goals and objectives the Department must achieve and a timeline for action.
 - 3.1.6.6. Identification of the key performance indicators to measure success and the initiatives that shall drive results.
 - 3.1.6.7. Engage staff at all levels of the organization, through the executive director, in the development of the strategic plan through surveys, interviews, focus groups, and regular communication.
 - 3.1.6.8. Ensure the strategic planning process produces the data necessary for LBB/GOBPP state required compliance while expanding and enhancing the strategic plan to support the needs of the TxDMV. The overall strategic plan shall be used as a tool for strategic management.
- 3.1.7. The Board delegates to the Executive Director the responsibility for **implementing** the agency's strategic direction through the development of agency wide and divisional operational plans.

Texas Department of Motor Vehicles TxDMV Goals and Objectives

1. PURPOSE

The information presented in this policy addresses the goals and key objectives of the Board of the Texas Department of Motor Vehicles (TxDMV) as they relate to the mission, vision, and values of the TxDMV.

2. SCOPE

The scope of this policy is to define the desired state the TxDMV Board is working to achieve. This policy is designed to be inspirational in outlining the desired state of the agency that supports the TxDMV Board vision and meeting agency goals.

3. TxDMV MISSION

To serve, protect and advance the citizens and industries in the state with quality motor vehicle related services.

4. TxDMV VISION

The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.

5. TxDMV VALUES

To earn the trust and faith of all citizens of Texas with transparency, efficiency, excellence, accountability, and putting stakeholders first.

- 5.1. Transparency** – Being open and inclusive in all we do.
- 5.2. Efficiency** – Being good stewards of state resources by providing products and services in the most cost-effective manner possible.
- 5.3. Excellence** – Working diligently to achieve the highest standards.
- 5.4. Accountability** – Accepting responsibility for all we do, collectively and as individuals.
- 5.5. Stakeholders** – Putting customers and stakeholders first, always.

6. TxDMV GOALS

6.1. GOAL 1 – Performance Driven

The TxDMV shall be a performance driven agency in its operations whether it is in customer service, licensing, permitting, enforcement or rule-making. At all times the TxDMV shall mirror in its performance the expectations of its customers and stakeholder by effective, efficient, customer-focused, on-time, fair, predictable and thorough service or decisions.

6.1.1. Key Objective 1

The TxDMV shall be an agency that is retail-oriented in its approach. To accomplish this orientation TxDMV shall concentrate the focus of the agency on:

- 6.1.1.1. Delivering its products and services to all of its customers and stakeholders in a manner that recognizes that their needs come first. These needs must be positively and proactively met. TxDMV works for and with its customers and stakeholders, not the other way around.
- 6.1.1.2. Operating the agency's licensing and registration functions in a manner akin to how a private, for-profit business. As a private, for-profit business, TxDMV would have to listen to its customers and stakeholders and implement best practices to meet their needs or its services would no longer be profitable or necessary. Act and react in a manner that understands how to perform without a government safety net and going out of business.
- 6.1.1.3. Simplify the production and distribution processes and ease of doing business with the TxDMV. Adapting and maintaining a business value of continuous improvement is central to TxDMV operations and processes.
- 6.1.1.4. All operations of the TxDMV shall stand on their own merits operationally and financially. If a current process does not make sense then TxDMV shall work within legislative and legal constraints to redesign or discard it. If a current process does not make or save money for the state and/or its customers or stakeholders then TxDMV shall work within legislative and legal constraints to redesign or discard it. TxDMV shall operate as efficiently and effective as possible in terms of financial and personnel needs. Divisions should focus on cost savings without sacrificing performance. Division directors are accountable for meeting these needs and applicable measures. All division directors are collectively responsible for the performance of TxDMV as a whole.
- 6.1.1.5. Focus on revenue generation for transportation needs as well as the needs of its customers.
- 6.1.1.6. Decisions regarding the TxDMV divisions should be based on the overriding business need of each division to meet or provide a specific service demand, with the understanding and coordination of overarching agency-wide needs.

- 6.1.1.7. Developing and regularly updating a long-range Statewide Plan describing total system needs, establishing overarching statewide goals, and ensuring progress toward those goals.
- 6.1.1.8. The TxDMV shall establish a transparent, well-defined, and understandable system of project management within the TxDMV that integrates project milestones, forecasts, and priorities.
- 6.1.1.9. The TxDMV shall develop detailed work programs driven by milestones for major projects and other statewide goals for all TxDMV divisions.
- 6.1.1.10. The TxDMV, with input from stakeholders and policymakers, shall measure and report on progress in meeting goals and milestones for major projects and other statewide goals.

6.2. GOAL 2 – Optimized Services and Innovation

The TxDMV shall be an innovative, forward thinking agency that looks for ways to promote the economic well-being and development of the industries it serves as well as the State of Texas within the legislative boundaries that have been established for the agency.

6.2.1. Key Objective 1

The TxDMV shall achieve operational, cultural, structural and financial independence from other state agencies.

- 6.2.1.1. Build the TxDMV identity. This means that TxDMV shall make customers aware of what services we offer and how they can take advantage of those services.
- 6.2.1.2. Build the TxDMV brand. This means that TxDMV shall reach out to the stakeholders, industries we serve and the public, being proactive in addressing and anticipating their needs.
- 6.2.1.3. Determine immediate, future, and long term facility and capital needs. TxDMV needs its own stand-alone facility and IT system as soon as possible. In connection with these needs, TxDMV shall identify efficient and effective ways to pay for them without unduly burdening either the state, its customers or stakeholders.
- 6.2.1.4. All regulations, enforcement actions and decision at TxDMV shall be made in a timely, fair and predictable manner.

6.2.2. Key Objective 2

Provide continuous education training on business trends in the industry with a particular emphasis on activities in Texas.

6.2.3. Key Objective 3

Provide continuous outreach services to all customers and stakeholders to access their respective needs and wants. This includes helping frame legislative or regulatory issues for consideration by other bodies including the legislature.

6.2.4. Key Objective 4

Examine all fees to determine their individual worth and reasonableness of amount. No fee shall be charged that cannot be defended financially and operationally.

6.3. GOAL 3 – Customer-centric

The TxDMV shall be a customer-centric agency that delivers today's services and decisions in a positive, solution-seeking manner while ensuring continuous, consistent and meaningful public and stakeholder involvement in shaping the TxDMV of tomorrow.

6.3.1. Key Objective 1

The TxDMV shall seek to serve its customer base through a creative and retail oriented approach to support the needs of its industries and customers.

6.3.2. Key Objective 2

The TxDMV shall develop and implement a public involvement policy that guides and encourages meaningful public involvement efforts agency-wide.

6.3.3. Key Objective 3

The TxDMV shall develop standard procedures for documenting, tracking, and analyzing customer complaint data. Successful problem resolution metrics should be monitored to support continuous improvement activities that shall permanently improve customer facing processes.

6.3.4. Key Objective 4

The TxDMV shall provide a formal process for staff with similar responsibilities to share best practices information.

6.3.5. Key Objective 5

The TxDMV shall provide central coordination of the Department's outreach campaigns.

6.3.6. Key Objective 6

The TxDMV shall develop and expand user friendly, convenient, and efficient website applications.

6.3.7. Key Objective 7

TxDMV shall timely meet all legislative requests and mandates.

Agency Operational Boundaries as Defined by Department Policies of the TxDMV Board (Board)

The Board is responsible for the policy direction of the agency. The Board's official connection to the day-to-day operation of the Texas Department of Motor Vehicles (TxDMV) and the conduct of its business is through the Executive Director of the TxDMV (ED) who is appointed by the Board and serves at its pleasure. The authority and accountability for the day-to-day operations of the agency and all members of the staff, except those members who report directly to the Board, is the sole responsibility of the ED.

In accordance with its policy-making authority the Board has established the following policy boundaries for the agency. The intent of the boundaries is not to limit the ability of the ED and agency staff to manage the day-to-day operations of the agency. To the contrary, the intent of the boundaries is to more clearly define the roles and responsibilities of the Board and the ED so as to liberate the staff from any uncertainty as to limitations on their authority to act in the best interest of the agency. The ED and staff should have certainty that they can operate on a daily basis as they see fit without having to worry about prior Board consultation or subsequent Board reversal of their acts.

The ED and all agency employees shall act at all times in an exemplary manner consistent with the responsibilities and expectations vested in their positions. The ED and all agency employees shall act in a manner consistent with Board policies as well as with those practices, activities, decisions, and organizational circumstances that are legal, prudent, and ethical. It is the responsibility of the ED to ensure that all agency employees adhere to these boundaries.

Accordingly, the TxDMV boundaries are as follows:

1. The day-to-day operations of the agency should be conducted in a manner consistent with the vision, mission, values, strategic framework, and performance metrics as established by the Board. These elements must not be disregarded or jeopardized in any way.
2. A team-oriented approach must be followed on all enterprise-wide decisions to ensure openness and transparency both internally and externally.
3. The agency must guard against allowing any financial conditions and decision which risk adverse fiscal consequences, compromise Board financial priorities, or fail to

show an acceptable level of foresight as related to the needs and benefits of agency initiatives.

4. The agency must provide timely, accurate, and honest information that will afford the Board, public, stakeholders, executive branch and the legislature the best ability to evaluate all sides of an issue or opportunity before forming an opinion or taking action on it. Any information provided that is intentionally untimely, inaccurate, misleading or one-sided will not be tolerated.
5. The agency must take all reasonable care to avoid or identify in a timely manner all conflicts of interest or even the appearance of impropriety in awarding purchases, negotiating contracts or in hiring employees.
6. The agency must maintain adequate administrative policies and procedures that are understandable and aid in staff recruitment, development and retention.
7. The agency must maintain an organizational structure that develops and promotes the program areas from an enterprise-wide perspective. No organizational silos or sub-agencies will be allowed. We are the TxDMV.
8. The agency must empower its entire staff to deliver a positive customer experience to every TxDMV customer, stakeholder or vendor to reduce their effort and make it easier for them to do business with the TxDMV.
9. The agency must at all times look to flattening its organizational structure to reduce cost as technology advances allow.
10. Agency staff shall anticipate and resolve all issues timely.
11. The agency must maximize the deployment and utilization of all of its assets – people, processes and capital equipment – in order to fully succeed.
12. The agency must not waste the goodwill and respect of our customers, stakeholders, executive branch and legislature. All communication shall be proper, honest, and transparent with timely follow-up when appropriate.
13. The agency should focus its work efforts to create value, make sure that processes, programs, or projects are properly designed, budgeted and vetted as appropriate with outside stakeholders to ensure our assumptions are correct so positive value continues to be created by the actions of the TxDMV.
14. The ED through his or her staff is responsible for the ongoing monitoring of all program and fiscal authorities and providing information to the Board to keep it apprised of all program progress and fiscal activities. This self-assessment must result in a product that adequately describes the accomplishment of all program

goals, objectives and outcomes as well as proposals to correct any identified problems.

15. In advance of all policy decisions that the Board is expected to make, the ED will provide pertinent information and ensure board members understand issues/matters related to the pending policy decision. Additionally, the ED or designee will develop a process for planning activities to be performed leading up to that particular policy decision and the timeframe for conducting these planning activities. It is imperative that the planning process describes not only when Board consideration will be expected but also when prior Board consultation and involvement in each planning activity will occur.
16. In seeking clarification on informational items Board members may directly approach the ED or his or her designee to obtain information to supplement, upgrade or enhance their knowledge and improve the Board's decision-making. Any Board member requests that require substantive work should come to the Board or Committee Chairs for direction.
17. The agency must seek stakeholder input as appropriate on matters that might affect them prior to public presentation of same to the Board.
18. The agency must measure results, track progress, and report out timely and consistently.
19. The ED and staff shall have the courage to admit a mistake or failure.
20. The ED and staff shall celebrate successes!

The Board expects the ED to work with agency staff to develop their written interpretation of each of the boundaries. The ED will then present this written interpretation to the Board prior to discussion between the Board and ED on the interpretation. The Board reserves the right to accept, reject or modify any interpretation. The intent is that the Board and the ED will come to a mutually agreeable interpretation of agency boundaries that will then form the basis of additional written thought on the part of the ED and staff as to how these boundaries will influence the actions of the agency.

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Performance Driven	Effective and efficient services	1	Average processing time for new franchise license applications	45 days	35 days		MVD
		2	Average processing time for franchise renewals	11 days	5 days		MVD
		3	Average processing time of franchise license amendments	20 days	8 days		MVD
		4	Average processing time for new Dealer's General Distinguishing Number (GDN) license applications	35 days	17 days		MVD
		5	Average processing time for GDN renewals	14 days	7 days		MVD
		6	Average processing time for GDN license amendments	19 days	7 days		MVD
		7	Average turnaround time for single-trip routed permits	33.88 mins	32 mins		MCD
		8	Average turnaround time for intrastate authority application processing	1.47 days	1.4 days		MCD
		9	Average turnaround time for apportioned registration renewal applications processing	2 days	2 days		MCD
		10	Average turnaround time to issue salvage or non-repairable vehicle titles	5 days	4 days		VTR
		11	Average time to complete motor vehicle complaints with no contested case proceeding	131 days	120 days		ENF
		12	Average time to complete motor vehicle complaints with contested case proceeding	434 days	400 days		ENF
		13	Average time to complete salvage complaints with no contested case proceeding	131 days	120 days		ENF
		14	Average time to complete salvage complaints with contested case proceeding	434 days	400 days		ENF
		15	Average time to complete motor carrier complaints with no contested case proceeding	297 days	145 days		ENF
		16	Average time to complete motor carrier complaints with contested case proceeding	133 days	120 days		ENF
		17	Average time to complete household goods complaints with no contested case proceeding	432 days	145 days		ENF
		18	Average time to complete household goods complaints with contested case proceeding	371 days	180 days		ENF
		19	Average time to complete Oversize/Overweight (OS/OW) complaints with no contested case proceeding	40 days	35 days		ENF
		20	Average time to complete OS/OW complaints with contested case proceeding	265 days	250 days		ENF
		21	Percent of lemon law cases resolved prior to referral for hearing	76%	60%		ENF
		22	Average time to complete lemon law cases where no hearing is held	147 days	65 days		ENF
		23	Average time to complete lemon law cases where hearing is held	222 days	150 days		ENF
		24	Percent of total renewals and net cost of registration renewal: A. Online B. Mail C. In Person	A. 15% B. 5% C. 80%	A. 16% B. 5% C. 79%		VTR
		25	Total dealer title applications: A. Through Webdealer B. Tax Office	Baseline in development	A. 5% B. 95%		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Optimized Services and Innovation		26	Percent of total lien titles issued: A. Electronic Lien Title B. Standard Lien Title	A. 16% B. 84%	A. 20% B. 80%		VTR
		27	Percent of total OS/OW permits: A. Online (self-issued) B. Online (MCD-issued) C. Phone D. Mail E. Fax	A. 57.47% B. 23.03% C. 11.33% D. 1.76% E. 6.4%	A. 58% or greater B. 25% or greater C. 10% or less D. 1.7% or less E. 5.3% or less		MCD
		28	Average time to complete lemon law and warranty performance cases after referral	Baseline in development	25 days		OAH
		29	Average time to issue a decision after closing the record of hearing	Baseline in development	30 days		OAH
	Implement appropriate best practices	30	Percent of audit recommendations implemented	Baseline in development	90% annual goal for these recommendations which Internal Audit included in a follow-up audit		IAD
	Continuous business process improvement and realignment	31	Percent of projects approved by the agency's governance team that finish within originally estimated time (annual)	57%	100%		EPMO
		32	Percent of projects approved by the agency's governance team that finish within originally estimated budget (annual)	71%	100%		EPMO/ FAS
		33	Percent of monitoring reports submitted to Texas Quality Assurance Team (TXQAT) by or before the due date	79%	100%		EPMO
		34	Percent of project manager compliance with EPMD project management standards based upon internal quality assurance reviews	Baseline in development	100%		EPMD
	Executive ownership and accountability for results	35	Percent of employees due a performance evaluation during the month that were completed on time by division.	Baseline in development	100%		HR
		36	Percent of goals accomplished as stated in the directors performance evaluation	Baseline in development	Measure annually at the end of the fiscal year		EXEC
	Organizational culture of continuous improvement and creativity	37	Employees who rate job satisfaction as above average as scored by the Survey of Employee Engagement (SEE)	3.47 (SEE 2012)	3.65	3.60 (SEE 2013)	HR
		38	Increase in the overall SEE score	337 (SEE 2012)	360	351 (SEE 2013)	HR
Focus on the internal customer	Focus on the internal customer	39	Percent of favorable responses from customer satisfaction surveys	Baseline in development	90%		EPMD
		40	Annual agency voluntary turnover rate	6.5% (FY 2013)	5.0%		HR
	Increase transparency with external customers	41	Number of education programs conducted and number of stakeholders/customers attending education programs	4.48/80.61	4/80		MCD
		42	Number of education programs conducted and number of stakeholders/customers attending education programs	36/335	42/390		VTR
		43	Number of eLearning training modules available online through the Learning Management System and number of modules completed by stakeholders/customers	eLearning Modules Available - 28 Completed - 735	Available - 31 Completed - 814		VTR

GOAL	STRATEGY	#	MEASURE	Baseline	Target	Actual	OWNER
Customer Center	Excellent Service Delivery	44	Number of Shows and Exhibits attended to educate stakeholders/customers about TxDMV services and programs	6	7		MVD
		45	Number of education programs conducted and number of stakeholders/customers attending education programs	3/250	3/250		ENF
		46	Number of education programs conducted and number of stakeholders/customers attending education programs	3/150	4/300		ABTPA
		47	Percent of customers and stakeholders who express above average satisfaction with communications to and from TxDMV	Baseline in development	80%		All Divisions
		48	Average hold time	9 min	9 min		CRD
		49	Abandoned call rate	22%	20%		CRD
		50	Average hold time	Baseline in development	1 min		ITS
		51	Abandoned call rate	Baseline in development	5%		ITS
		52	Average hold time	Credentialing - 1.6 minutes Permits - 2.08 minutes CFS - 54.38 seconds	Credentialing - 1.5 minutes Permits - 2 minutes CFS - 50 seconds		MCD
		53	Abandoned call rate	Credentialing - 7% Permits - 6.42% CFS - 5.63%	Credentialing - 6% Permits - 5% CFS - 5%		MCD
Key:		Critical	Off Target		On target		Not yet started
Vision: The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation.							
Mission: To serve, protect, and advance the citizens and industries in the state with quality motor vehicle related services.							
Philosophy: The Texas Department of Motor Vehicles is customer-focused and performance driven. We are dedicated to providing services in an efficient, effective and progressive manner as good stewards of state resources. With feedback from our customers, stakeholders and employees, we work to continuously improve our operations, increase customer satisfaction and provide a consumer friendly atmosphere.							
Values: We at the Texas Department of Motor Vehicles are committed to: TEXAS-Transparency, Efficiency, EXcellence, Accountability, and Stakeholders.							