TEXAS DEPARTMENT OF MOTOR VEHICLES
BOARD MEETING

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

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:
Guillermo "Memo" Treviño, Chair
Charles Bacarisse (absent)
Stacey Gillman
Brett Graham
Tammy McRae
John Prewitt (absent)
Paul Scott (absent)
Shelley Washburn
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6. Chapter 206, Management
   Amendments, §206.92 and §206.93
   Repeals, §§206.94 and §206.95
   New, §§206.94-206.99
   (Relating to advisory committees and
   implementation of Sunset Advisory Commission's
   Recommendation 1.7) (Proposal Published
   March 1, 2019 - 44 Tex. Reg. 1111)

RULES - PROPOSAL
7. Chapter 215, Motor Vehicle Distribution        64
   Amendments, §§215.88, 215.89, and 215.133
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   (Relating to:
    • Sunset Advisory Commission's recommendations,
      criminal history evaluations consistent with
      Occupations Code, Chapter 53:
      (June 6, 2019 Board Meeting Informal Rules -
      Published on the TxDMV Website
      June 10, 2019 - July 10, 2019)
    • HB 1342, deleting 43 TAC §215.88(i)(2) because
      it mirrors language repealed;
- HB 1667, allowing independent motor vehicle general distinguishing number license holders to perform certain salvage related activities without holding a salvage dealer's license;
- HB 3842, requiring a separate general distinguishing number for most consignment locations;
- SB 604, eliminating representative licenses and adding licensing education and training requirements for independent motor vehicle dealers;
- SB 1217, prohibiting consideration of certain arrests in determining license eligibility; and
- eliminating the 50% ownership threshold for possible department action on a license or application; updating citations; and nonsubstantive grammatical changes.)

8. Chapter 221, Salvage Vehicle Dealers, Salvage Pool Operators and Salvage Vehicle Rebuilders Amendments, §§221.1, 221.2, 221.11, 221.13, 221.15, 221.19, 221.20, 221.41, 221.111, and 221.112
Repeals, §§221.12, 221.113, and 221.114
New, §§221.54, 221.96, 221.116, and 221.117
(Relating to:
- Sunset Advisory Commission's recommendations, criminal history evaluation and guidelines consistent with Occupations Code, Chapter 53 for salvage industry regulation, criminal background of applicant's partner, company principal, officer, or general managers as a qualifying factor for license issuance, and establishing a risk-based approach to salvage vehicle dealer inspections: (June 6, 2019 Board Meeting Informal Rules - Published on the TxDMV Website June 10, 2019 - July 10, 2019);
- SB 1217, prohibiting consideration of certain arrests in determining license eligibility;
- SB 604, eliminating salvage endorsements and salvage agent licenses; authority to set salvage license terms, and prorate fees; cease and desist authority; and
- HB 1667, allowing independent motor vehicle general distinguishing number license holders to perform certain salvage related activities without holding a salvage dealer's license.)

9. Chapter 215, Motor Vehicle Distribution Amendments, §215.83 Chapter 221, Salvage
Vehicle Dealers, Salvage Pool Operators and Salvage Vehicle Rebuilders Amendments, §221.17
(Relating to SB 1200, authority of certain military spouses to engage in a business or occupation in this state)

(Relating to HB 1548, establishing procedure for issuance of license plates to golf carts and off-highway vehicles, charging a fee, and updating statutory citations; HB 3068, use of certain license plates on classic motor vehicles and travel trailers, custom vehicles, street rods, and certain exhibition vehicles; use of embossed disabled veterans' license plates on certain vehicles; and HB 3171, classification and operation of mopeds)

11. Chapter 217, Vehicle Titles and Registration New, §217.15 (Relating to HB 2315, evidence of ownership of temporary housing provided by a government agency in response to a natural disaster or other declared emergency; and automatic issuance of title to travel trailer owned by government agency in certain circumstances)

12. Chapter 217, Vehicle Titles and Registration Amendments, §217.40
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13. Chapter 217, Vehicle Titles and Registration Amendments, §217.27 (Relating to HB 1262, the extended registration of certain trailers not subject to inspection)

14. Chapter 217, Vehicle Titles and Registration Amendments, §217.41 (Relating to HB 643, expanding the county locations at which an application for a disabled parking placard may be submitted)

15. Chapter 217, Vehicle Titles and Registration New, §217.75 (Relating to SB 604, providing Registration and Titling System (RTS) and fraud training and updating statutory citations)
BRIEFINGS AND ACTION ITEMS

16. Committee Appointments
   A. Advisory Committees
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17. Finance and Audit
   A. Recommended FY 2020 Operating Budget
   B. FY 2020 - 2021 Interagency Contract between TxDMV and TxDOT
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      - FY 2019 Audit Recommendation Follow-up
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18. Projects and Operations
   Agency Vision, Mission, Philosophy, Goals and Values in Preparation for Strategic Planning

EXECUTIVE SESSION

19. The Board may enter into closed session under one or more of the following provisions of the Texas Open Meetings Act, Government Code, Chapter 551:
   • Section 551.071
   • Section 551.074
   • Section 551.076
   • Section 551.089

20. Action Items from Executive Session
    none

21. Public Comment
    none

22. Adjournment
    162
MR. TREVIÑO: Good morning. My name is Memo Treviño, and I'm pleased to open the Board meeting of the Texas Department of Motor Vehicles. It is 8:03 a.m., and I am calling the Board meeting for August 8, 2019 to order.

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

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

If you wish to address the Board or speak on an agenda item during today's meeting, please complete a speaker's sheet at the registration table. Please identify on the sheet the specific item you're interested in commenting on and indicate if you wish to appear before the Board and present your comments, or if you only wish to have your written comments read into the record. If your comment does not pertain to a specific agenda item, we'll take your comment during the general public comment portion of the meeting.
In accordance with department administrative rule, comments to the Board will be limited to three minutes. To assist each speaker, a timer has been provided. The timer light will be green for the first two minutes, yellow for one minute, and then red when your time is over. Individuals cannot accumulate time from other speakers. Comments should be pertinent to issues stated on the comment sheet. When addressing the Board, please state your name and affiliation for the record.

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

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

MR. GRAHAM: It wasn't kind.

(General laughter.)

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

And now I'd like to have a roll call of the
Board members.

Member Gillman?

MS. GILLMAN: Present.

MR. TREVIÑO: Member Bacarisse, absent.

Member Graham?

MR. GRAHAM: Present.

MR. TREVIÑO: Member McRae?

MS. McRAE: Here.

MR. TREVIÑO: Member Washburn?

MS. WASHBURN: Here.

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

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

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

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

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

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

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

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

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

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

You know, you don't take your car and say, Honey, I'm going to go steal some stuff, I'm going to
take the family car, and I'll be home later. That's probably not a good idea, because they can track you and they find out who you are. Right? So if you're going to do some major crime, you're going to steal a car, that way they can't trace you.

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

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

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

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Vehicle Crime Prevention Authority, effective September 1, 2019.

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

MS. GILLMAN: We got Gary P. Nunn.

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

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

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

(General laughter.)

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

And so we will move on to the next portion of my report, and you know, our staff is always doing terrific things, and it's just a pleasure to recognize that. The American Association of Motor Vehicle Administrators, AAMVA, Region 2, 2019 conference just happened. Also, I want to mention the awards presented to TxDMV at this year's conference. TxDMV won the Fraud Prevention and Detection Award, Motor Vehicle Agency for
TxDMV FMCSA consumer protection partnership. Amber Ott, enforcement investigator, won the fraud prevention and Detection Award, Individual.

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

(Applause.)

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

In connection with the same program, AAMVA
also recognized Amber Ott -- wow, she took home all the awards -- of the Texas DMV Enforcement Division for her tireless work on these hostage load cases, which proved to be one of the incidents of fraud involving a mover in the United States --

MS. BREWSTER: Largest.

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

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

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

(Applause.)

MR. TREVIÑO: Well done, well done.

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

MS. BREWSTER: Thank you, Mr. Chairman.

Good morning, Mr. Chairman, Board members,
staff and our guests. For the record, Whitney Brewster, executive director.

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

MR. TREVIÑO: Please, feel free.

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

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

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

And so AAMVA has four regions. We are in Region 2, and as the president of the Southern Region, I welcomed more than 400 attendees from across the region to share information about issues of importance to the
DMV industry. AAMVA conferences provide excellent opportunities to connect with our colleagues from other states and share industry best practices so that we can all do a better job in what we do.

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

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

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

(Applause.)

MS. BREWSTER: This was something above and beyond their daily activities here at the agency, and they just did a tremendous job. I cannot thank them enough for their hard work.
I've heard so many times what a wonderful team we have and what a valuable conference it was. I also want to recognize the rest of the conference team who helped on the ground, making sure that things were moving forward with the conference.

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

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

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

(Applause.)

MR. TREVIÑO: And congratulations on your leadership role with that organization. I know that's a
lot of work, and it speaks very highly of your efforts in leading that organization. So thank you.

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

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

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

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

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

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

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

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

(No response.)

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

We strongly believe in celebrating the successes of these offices, and this program is just the opportunity to do that. It recognizes tax assessor-
collectors and their staff at three different levels, gold, silver, and bronze, for outstanding performance and efficiency in processing title and registration transactions.

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

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

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

Again, I want to thank these counties for going above and beyond. They submitted excellent
documentation of the things that they're doing, so much so that we looked at how we might be able to implement some of their ideas at the department. So this is really a great opportunity to bring forth best practices across the tax assessor-collector community, and please join me in congratulating the recipients of the Performance Quality Recognition Program.

(Applause.)

MR. TREVIÑO: Hear, hear.

Member McRae, do you have any comments on that?

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

MR. TREVIÑO: Thank you.

MS. BREWSTER: Thank you.

Moving on to item 5.D. The doors of the Texas Department of Motor Vehicles first opened November 1, 2009. That means we are planning to celebrate ten years of service later this year. With the TxDMV Board meeting coming up on October 3, we are working on events to mark
this momentous occasion. Staff is identifying opportunities to have an off-site evening event on October 2, as well as an on-campus luncheon upon conclusion of the October 3, TxDMV Board meeting. Both events would be open to all TxDMV employees and friends of the department, with more details forthcoming soon.

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

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

MR. TREVIÑO: Great.

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

MS. GILLMAN: I'll be practicing.

MR. GRAHAM: Outstanding. That's exciting.

MS. BREWSTER: I look forward to that.

MR. Chairman, if there aren't any questions on that item, I'd like at this time to ask Martha Yancey,
from our Human Resources Division, to come forward. We would like to recognize our recent retirees and employees who have reached a state service milestone. We celebrate these employees as a show of appreciation for their many years of service to the citizens of the Great State of Texas.

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

MR. TREVIÑO: It would be a pleasure.

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

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

(Applause.)

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

Throughout her years of service she has mentored numerous permit specialists, as well as being trained in every permit type. In February of this year, she was promoted to lead. Her experience and wealth of
knowledge has proven to be a tremendous asset to the
permit section.

Congratulations, Denise.

(Applause; pause for presentation and photos.)

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

(Applause and cheering.)

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

He is dedicated to the agency and truly enjoys the work
he does here and the people he interacts with every day.
The agency and his team are a source of pride for him,
and he has helped them flourish as they serve the
citizens of Texas.

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

Congratulations, Daniel.

(Applause; pause for presentation and photos.)
MS. YANCEY: And next, David Richards.

(Applause.)

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

Congratulations on 25 years of service.

(Applause; pause for presentation and photos.)

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

(Applause.)

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

He is very knowledgeable of the Motor Carrier
rules, regulations and laws. He is eager to provide the best customer service to both internal and external customers. In addition, Henry is also a published author and is currently working on the completion of this third book.

Congratulations, Henry.

(Applause; pause for presentation and photos.)

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

And last, the following employees recently retired from the department: Mark Zimmerhanzel, Michael Hayes, Mary Homann, and Mary Dominguez.

Thank you.

(Applause.)

MR. TREVIÑO: What kind of book?

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

MR. TREVIÑO: And that just speaks to just the wide range of interests served by our team members. It's
such a pleasure to recognize all the hard work and all
the accomplishments of each one of these in our
relationship with law enforcement and just all the hard
work you do within the industry and the state. So thank
you very much for your service to the State of Texas.

So are we any closer on that earlier agenda item?

MS. BREWSTER: No, Mr. Chair.

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

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

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

The purpose of the amendments is to implement
the Sunset Commission management action recommendation
1.7. That management recommendation requires the Board
to adopt rules establishing advisory committees to
provide expertise for rulemaking and other issues, and to
adopt rules regarding standard committee structure and
operating criteria for those advisory committees.

Additionally, SB 604 removed the Board's exemption from

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

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

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

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

Today we are requesting adoption of rules to repeal the rules that established these two committees and create five new advisory committees. Those five new advisory committees are the Motor Vehicle Industry Regulation Advisory Committee, the Motor Carrier Regulation Advisory Committee, the Vehicle Title and
Registration Advisory Committee, a Consumer Protection Advisory Committee, and a Customer Service Advisory Committee.

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

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

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

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

MS. McRAE: I do.
MR. TREVIÑO: Go ahead.

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

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

And the comments that have come back from that department or from that division are concerning because we are the boots on the ground. We're registering the 24
million vehicles that go through this department each year and feel strongly that the representation needs to be there.

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

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

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

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

MR. TREVIÑO: Why don't you just jump right
MS. BEAVER:  Sure. That was a very good comment. We do consider the tax assessor-collectors to be vital partners to the department, and the Board will be choosing from a list of potential nominees, so the Board will actually be appointing those folks to the advisory committees from that list, so the Board will have that oversight and control of who's actually nominated to those advisory committees.

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

MR. TREVIÑO: Okay. Any other questions?

Member Washburn.

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

MS. BEAVER: That's a great question. So we have on our website a request for folks in the public,
regulated industry and occupations, anybody with interest
or expertise in these particular advisory committees to
submit an application to the department expressing their
interest.

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

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

MR. TREVIÑO: Member Gillman.

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

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

MR. TREVIÑO: And just to get a sense of the
number of people on these committees, how many people are we talking about?

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

    MR. TREVIÑO: Per committee?

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

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

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

    MR. TREVIÑO: Five committees, so ten people,
50 people minimum, before we even start deciding whether they're competent or have the right skills or not. Okay.

Member Gillman.

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

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

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

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

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

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

MR. TREVIÑO: But members can attend those
meetings.

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

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

MR. TREVIÑO: Member Washburn.

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

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

MR. TREVIÑO: Great.

Member Graham.

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

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

MR. TREVIÑO: Member Gillman.

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

MS. BEAVER: That's correct.

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

MS. McRAE: Right, right.

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

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

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

MS. McRAE: Right. Because as I understand -- and correct me if I'm wrong, Tracey -- you receive the applications back and then Whitney will go through those
and then submit a list to us.

MS. BEAVER: Yes, that is correct.

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

MR. TREVIÑO: Please go right ahead.

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

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

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

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

There's really not a lot of desire or applicants to serve. So I think if people step up, I definitely think tax collectors will be represented. I can't see a scenario where you would have so many people
volunteering for this committee that it would somehow push out tax assessor-collectors.

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

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

MS. BREWSTER: Absolutely.

MR. TREVIÑO: And that's one of the reasons that you are on the Board, you know, you're watching it, you're on watch, and you're making sure that your interests are being served, and if you feel that somehow we are overlooking the interests of your constituency, you need to be vocal about that. And that's the main reason that you are here is you are the one who's going to say, Look, that board needs a tax assessor-collector, and we have seven people who have applied and you have not appointed one of those to that subcommittee on customer service? That's a miscarriage of justice, that's something really wrong, we have to go out and
raise all kinds of Cain, just like you're raising Cain right now.

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

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

Member Gillman.

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

MR. TREVIÑO: General Counsel?

MS. GILLMAN: I'm trying real hard.

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

MS. GILLMAN: I'm interested in having not just the tax collectors for the tax collector specific committee, but as committees come up, having industry
experts in other fields as well. So can language be
modified to try and further encourage or it's
recommended, instead of the word mandated? Is there a
compromise in here to modify the language?

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

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

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

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

MS. BEAVER: Chairman, we did receive some
comments regarding those rules, some folks that would
like to comment today.

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

MS. BEAVER: Yes.

MR. TREVIÑO: Okay. So the name is Michelle French. Is that correct? So if you could step up here. So what do I read into the record, just her name?

MS. BEAVER: And commenters have three minutes.

MR. TREVIÑO: Great.

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

MS. FRENCH: Good morning.

MR. TREVIÑO: Good morning.

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

I just want to reiterate Member McRae's comments. It is so important. I had prepared remarks but I'm not even going to look at that, we're just going
to talk here, and I know I have three minutes, so when my
time is up, it's just up.

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

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

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

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

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

I'm not really sure that that's necessarily a problem either to do that, but I understand the concern. But I do believe it is so important that it is clearly defined that tax assessors, or any other expertise members of the other committees, that tax assessors have a seat at the table, because it is absolutely our goal to make sure that everything that you are trying to accomplish, we want to work right there beside you. And to be able to do that, we've got to be able to provide our expertise, our experience, our both positive and negative, either one.

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

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

Before I call the next commenter up, I would like to make sure that the record reflects how much we respect and we thank the Texas Association of Tax Assessor-Collectors and all the tax assessor-collectors throughout the State of Texas for their hard work.
This agency couldn't run in any way, shape, or form, the State of Texas couldn't operate. We thank you for your service, we recognize all the hard work that you do, and it's an honor to work with you guys.

So we're going to call up now David DeLeon.

Mr. DeLeon, from Bexar County, representing the Bexar County Tax Office.

Mr. DeLeon, welcome.

MR. DeLEON: Good morning.

MR. TREVIÑO: Good morning.

MR. DeLEON: Good morning, Chair and members.

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

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

Again, I believe the tax assessors, like was said by member McRae, should have a voice on this committee and be selected. We believe that we are the frontline people. We know what's being said or the problems we're encountering. We do have a partnership
with the DMV, like it was stated earlier, and the Bexar County Tax Office is here also to offer ourselves as resources. Mr. Uresti has always strived to be the best in the State of Texas by providing the best customer service.

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

Thank you.

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

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

Mr. Palacios, welcome.

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

(General laughter.)

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

We do also feel that a tax assessor-collector
and/or a stakeholder should be part of the advisory committee to truly have a full collaboration with the Texas Department of Motor Vehicles, and we strongly agree that it should be by rule rather than left merely to discussion. So of course, we offer Bexar County as a resource for the advisory committees or work groups.

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

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

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

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

MR. TREVIÑO: Hear, hear.

MR. GRAHAM: Brownie points, all right.

MR. TREVIÑO: Good show, well done.

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

MR. GRAHAM: That's great.

MS. GILLMAN: But I do agree, as well, that stakeholders should be on the committees specific to
their industry, and it would be better by rule than by recommendation that we just have to catch and be present to approve. So that's my opinion.

Thank you.

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

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

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

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

MR. TREVIÑO: Okay. If there's no further comment.
MR. GRAHAM: Let me just try to make sure I'm clear. We as an agency are statutorily required to have advisory committee members with expertise. As this rule stands, those members would be brought to the Board for approval by vote.

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

MS. BEAVER: Tracey Beaver, general counsel.

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

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

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

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

It would be noted that we missed the Sunset
implementation date.

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

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

    MR. TREVIÑO: Any further questions on this?

    MS. BREWSTER: Mr. Chairman.

    MR. TREVIÑO: Executive Director Brewster.

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

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

    So I just wanted to make sure that the Board understood that should the agency bring forward a slate of names for a committee and the Board approved to put those members on the advisory committee, there could be subsequent additions to those committees later down the road.
MS. McRAE: What is the term of the advisory committees?

MS. BEAVER: The term is four years.

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

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

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

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

MR. GRAHAM: So I do have a motion. I have the utmost respect for my fellow members down here. Do you believe that if we pass this as it sits, this helps us achieve a Sunset requirement and then we could work
towards -- as we see how that process works, if you would continue to see an amendment necessary, we could work towards that, would that be acceptable?

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

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

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

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

MR. TREVIÑO: Okay. Any more discussion?

Member Graham, if you have a motion?
MR. GRAHAM: Okay. I move that the Board approve the adoption of the amendments, the repeals and the new sections to Chapter 206, as recommended by staff.

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

MS. WASHBURN: Second.

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

Any further discussion?

(No response.)

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

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

MR. TREVIÑO: We have three votes.

All those opposed same sign.

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

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

But with that, I do want to make very clear that the interests that have been expressed here are extremely important to this Board. I don't know how we
codify that, I don't know how we put that in memory outside of the rules, but it's something that needs to be looked at for each of the committees to make sure that we have proper representation and expertise. That's essential. I know that's the direction from the Governor's Office, and hopefully we can fill that mandate.

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

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

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

That's the responsibility of the Board, to
make sure that we safeguard the interests of the citizens of the State of Texas, and by bringing expertise from different stakeholders in this industry, we are better able to do that.

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

Member Gillman.

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

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

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

But it's really important for the agency to be able to start utilizing the advisory committees as soon as possible, and so we would like to be able to start utilizing and getting that stakeholder and customer feedback through those advisory committees as soon as possible, so if it is acceptable to Chairman Treviño, we could bring those names forward as soon as October.
MR. TREVIÑO: Please do, as soon as you get them.

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

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

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

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

MR. TREVIÑO: Ms. McRae.

MS. McRAE: First of all, I want to just go along with what Michelle French had said earlier. It is an honor to work with the agency. We value our relationship with the department, so that's very important to us. We want to help and partner with this agency to take it to the next level. I've been in this industry for 34 years; Michelle, 36. We just heard from
Bexar County, so we've made a commitment. We have been through different phases.

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

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

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

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

MS. BEAVER: Absolutely.

MR. TREVIÑO: So there will be a list that's
vetted somehow, but then also that list of rejected candidates can also be provided.

MS. McRAE: Okay.

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

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

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

MS. McRAE: Okay.

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

MS. McRAE: Thank you.

MR. TREVIÑO: And thank you, Member McRae. I know these are difficult things, but I really appreciate
having you here and your expertise. It makes this going forward a lot easier because you're vocal and you are right, and thank you very much for your comments.

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

MR. TREVIÑO: And the Governor's Office.

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

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

MS. McRAE: Thank you.

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

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

Moving from that, you know, which is the mundane to something else like this is a difficult transition, but the only person who could have pulled it off easily, I think, would be Gary Painter, because his
life was full of those types of transitions. And we had hoped to open the meeting with a tribute to Gary Painter, but we've been sidetracked, but again, I think this is really a great segue into this in that it reminds us what's really important, and what's really important is family, friendships and the life that you build and the body of work that you build and that's how you're going to be remembered, and I can't think of a better body of work that the work that Gary Painter did.

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

As Sheriff of Midland County he served for an impressive 34 years and four months. I want you guys to let that sink in: 34 years and four months. Former Governor Rick Perry appointed him to the Texas Commission on Jail Standards, where he served for seven years, before Governor Greg Abbott appointed him as a member of the Texas DMV Board, and my great honor was to have served with him.
We are honored to have the Painter family join us today to honor Member Painter's three years of service on the Texas DMV Board. Please stand so we can recognize you.

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

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

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

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

And one of the things that I appreciated so much serving on a board with him was you knew right where you stood. I mean, you might like it and you might not like it, but by God, you knew exactly where you stood with him, and that's a rare thing today in this world, and I just really appreciate it.
And I learned pretty quickly, we would stay somewhere downtown and sometimes we would fly in and try to carpool over, and one morning -- and I presume he was like this his whole life -- but we went out and got a bite to eat that night and we were coming back to the hotel, and I said, Hey, Sheriff, I flew in, I don't have a car, do you mind if I ride in with you in the morning? And he said, Sure, absolutely, that would be great. And I said, Okay, what time you want to meet down here? And he said, Oh, I don't know, I'll probably leave 5:45, 6:00 a.m. I was like, What? And he said, Well, we've got to get there, we've got to get our coffee, we've got to get our day started. And I said, Yeah, well, I'll catch another ride, man. So I take it he was probably an early cracker from day one.

(General laughter.)

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

MR. TREVIÑO: And I'm sorry to make you stand through all this. If you guys would like to sit, you're welcome to because this may go on from here. I don't know if any other members would like to say anything. If
not, I'd like to read Governor Abbott's letter to the Painter family. I know y'all have seen it, but I'd like the rest of the audience to hear it.

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

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

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

"First Lady Cecilia Abbott and I pray for God's blessing for you and your family today and in the days ahead.
"Sincerely, Greg Abbott, Governor."

Thank you for sharing your husband with us.

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

Thank you for joining us today.

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

So members, if you could join me down below.

(Pause for presentation and photos; applause.)

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

MR. AVITIA: Indeed, Chairman.

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

All right. We're going to move into agenda items 7, 8, and 9 now, and I'll turn it over to Daniel Avitia.
MR. AVITIA: Chairman, with your permission, I'm happy to take up agenda items 7, 8, and 9 together in the interest of time.

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

MR. AVITIA: Very good. Thank you.

Chairman, members, Ms. Brewster, good morning.

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

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

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

Today, however, I'm asking for the Board's support to publish multiple amendments to Chapters 215, Motor Vehicle Distribution, and Chapter 221, Salvage, in the Texas Register for public comment. The changes being proposed are to either implement new legislation from the 86th Legislature or to implement a Sunset Advisory
Commission recommendation. These proposals will implement the following bills or Sunset recommendations.

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

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

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

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

And lastly, the implementation of a Sunset
Advisory Commission recommendation to add risk-based criteria for when the department may conduct a site visit to a salvage dealer location.

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

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

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

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

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

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

MR. GRAHAM: I'll start with agenda item 7. I move that the Board approve the proposed amendments, the repeal and the new section to Chapter 215, agenda item 7,
for publication in the Texas Register for public comment.

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

MS. McRAE: Second.

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

Any further discussion?

(No response.)

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

(A show of hands.)

MR. TREVIÑO: Motion carries unanimously.

That one was easy.

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

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

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

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

MR. TREVIÑO: Member Washburn. We have a second from Member Washburn.
Any further discussion?

(No response.)

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

(A show of hands.)

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

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

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

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

MS. GILLMAN: Second.

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

Any further discussion?

(No response.)

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

(A show of hands.)
MR. TREVIÑO: Motion carries unanimously.

Thank you very much.

Mr. Avitia, is that all?

MR. AVITIA: Members, thank you.

MR. TREVIÑO: Thank you.

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

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

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

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

What these amendments do are provide all of these vehicles a new common definition of an off-highway
vehicle and allow them to be treated for operation
purposes the same so that there's not a differentiation
now between those vehicle classes for operation on
roadways. Primarily, for simplicity, I won't go into all
the different types of operation, but for simplicity,
these vehicles will be allowed for operation on roadways
under 35 miles per hour.

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

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

They would be issued a license plate, and that
license plate is good for the life of that vehicle under
that person's ownership, so if that vehicle is sold to a
new owner, they would then be issued a new license plate
and the $10 fee would be paid at that time, so once
they're issued that license plate, they can continue to
operate with that license plate as long as they own the
vehicle.

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

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

And then finally, House Bill 3171 changed a
statutory reference to the definition of a moped, and we
are making changes to 217.46 to just be consistent with that new statutory definition for a moped.

With that, that completes my presentation.

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

(No response.)

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

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

MR. TREVIÑO: Great.

Any other questions?

(No response.)

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

MS. GILLMAN: Ten.

MR. TREVIÑO: Ten. Thank you, Member Gillman.
Thank you for jumping right in there.

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

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

MR. GRAHAM: Second.

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

(No response.)

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

(A show of hands.)

MR. TREVIÑO: Motion passes unanimously.

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

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

This agenda item is related to a new Section 217.15. This is relating to House Bill 2315 which passed during the last legislative session. This piece of legislation, which we are putting into the Administrative
Code, relates to the evidence of ownership of temporary housing provided by government agencies in response to a natural disaster.

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

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

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

That's my presentation.
MR. TREVIÑO: Terrific.

So any questions for Mr. Kuntz?

(No response.)

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

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

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

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

MR. TREVIÑO: Member Washburn.

Any further discussion?

(No response.)

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

(A show of hands.)

MR. TREVIÑO: Motion carries unanimously.

Item number 12.

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

Before you is agenda item number 12 which is
amendments to Administrative Code 217.40, as well as a new 217.16. These changes to the Administrative Code are related to House Bill 3842, which allows for the issuance of titles and a permit when a dealer goes out of business.

Again, a little bit of back history on this. This is a bill that was filed in response to some dealers that went out of business in not too distant past where titles and registration were not processed by the dealer. So a customer came in, bought a vehicle from the dealer, and the dealer subsequently went out of business. The customer had paid all of their title, registration, taxes to that dealer and the dealer had not timely processed those title applications with the county office, and subsequently the customers were harmed by that in that they had no title ownership to the vehicle that they had purchased. So this legislation was passed in response to those certain circumstances occurring.

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

What will happen is a customer that's been harmed will come in if that dealer has gone out of business.
business, basically they could come into a county office or to a regional service center, which would be our office, or directly to the department here at headquarters, and basically request that the department make a determination as to whether or not the dealership has gone out of business.

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

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

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

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

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

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

(No response.)

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

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

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

MR. GRAHAM: Second.

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

(No response.)

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

(A show of hands.)

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

Mr. Kuntz, you're still here.

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

MR. TREVIÑO: There you go. All right.

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

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

What this bill will allow is those specific trailers or semi-trailers or pulled trailers to receive from one to five years of registration during one transaction, so a customer that has one of these vehicles
can come in and make application for registration and choose between 12 months to 60 months’ worth of registration at that time. They have to choose 12-month increments, they can't choose odd increments like 18 months or something like that, it would be in full year increments.

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

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

With that, that concludes my presentation.

MR. TREVIÑO: Do we have any comments or questions? Member Graham.
MR. GRAHAM: If the trailer -- say a trailer is in year three, it was paid for five and there was a transfer of title to a new ownership, would that go with it or would that be lost?

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

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

(General laughter.)

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

Any other questions for Mr. Kuntz?

(No response.)

MR. TREVIÑO: Mr. Kuntz, I would like to thank staff for looking for any ways to make it easier and just
make things simpler for consumers, so thank you for implementing these rules here.

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

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

MR. TREVIÑO: There we go.

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

MR. TREVIÑO: Yes, we do.

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

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

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

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

Any further discussion?

(No response.)

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

(A show of hands.)

MR. TREVIÑO: And the motion carries unanimously. Great.
And Mr. Kuntz, you're still here.

MR. KUNTZ: I am, and unfortunately, I
misscounted when I said I had two left; I still have two
left.

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

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

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

This was allowed for citizens that were coming
in from out of state previously to make application in
whatever county they were receiving treatment, and this
legislation expands that to other individuals that may
receive in a county and are receiving treatment in a
different county to make application in the county in
which they are receiving treatment for those placards.
Again, something to make it easier on those constituents
that are definitely in hard times that are receiving
treatment, to make it easier for them to go and get a
placard for parking privileges.

MR. TREVIÑO: Any questions for Mr. Kuntz?

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

MR. TREVIÑO: Hear, hear.

Any other comments or questions for Mr. Kuntz?

(No response.)

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

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

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

MR. TREVIÑO: A second from Member Gillman.

Any further discussion?

(No response.)

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

(A show of hands.)

MR. TREVIÑO: Motion carries unanimously.

Mr. Kuntz.

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

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

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

That's very important to us as we're talking
about this. There is a statutory deadline for these rules of December 1, 2019. In order to meet that deadline, these needed to get proposed in this Board meeting in order for the public comment period for it to be taken up and considered before the December 1 deadline, and I do not believe, at this time, that the Board would be meeting before that other than one other meeting, and so this has definitely got a very tight deadline in order to try and make sure that we meet that deadline.

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

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

This does apply to both tax assessor-collector employees as well as department employees that we have to have a training program internally for the department for our own employees, as well as offer training for the tax
assessor-collectors that are operating on the system.

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

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

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

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

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

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

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

All of that would count towards that eligibility, but they would get an additional eight months if they have not taken training in order to complete it so that they've got adequate time to complete that.
Any person who is assigned permissions after
the effective date of the rule would be required to
complete that training prior to those permissions being
turned on. So if on the effective date of this rule you
are granted permissions, those permissions would not be
activated until such time as that training has been
completed.

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

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

What that is saying is we actually provide
unique user names and passwords for the training system
itself. We will require that each person that is
completing training to complete it under their log-in
credentials so that we can confirm and make sure that the
training that's completed is associated with that specific employee so that we can map that back to the permissions in RTS to ensure that they have taken that training.

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

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

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

So it is a little bit different of a system than the way that they are granted permissions today. Today a county tax assessor-collector can create permissions through their administrator and they are live to start processing transactions immediately. Under the
new system, once those permissions are created, they would be in that suspense until such time as the department has confirmed that the training has been completed, at which point it would then be activated for them to start performing transactions.

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

And with that, I will entertain any questions.

MR. TREVIÑO: Thank you, Mr. Kuntz.

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

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

MS. McRAE: Well, right now, as Jeremiah stated, we create the profiles and assign permissions based on whatever that job function may be, and that function remains on until such time that they are no
longer employed or change positions within the office itself.

I don't really see a problem with this except I do have a couple of questions. To answer your question, Shelly, as long as the regional service centers and the county tax offices are able to communicate promptly and get them switched on, I think it would work. We just need to make sure those efforts are coordinated that we can get through and that their response is fast.

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

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

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

MR. KUNTZ: If there's things that we need to clarify in the rule, I think we can try and clarify those, if that's a comment that we would like to try and clarify as far as whether or not there's any
accommodation made for an employee that's out on FML.

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

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

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

   But if we need to clarify any type of
accommodations or things like that, the rule does not have those currently in there, there's not an accommodation for a county coming in and asking for an extension on the 90 days, it just has a 90-day provision, and then if the training is not completed that that permission is deactivated.

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

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

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

MS. McRAE: There's a lot.

MR. KUNTZ: There are a lot.

MR. TREVIÑO: Ten, twenty?

MS. McRAE: No.

MR. TREVIÑO: Fifty, sixty?

MR. KUNTZ: I would think that they're probably in the 50 to 60 range.
MR. TREVIÑO: How many users are there?

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

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

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

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

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

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

MS. McRAE: I agree that we would not want it open-ended, but I do think we need to at least allow
for -- and maybe it's just case-by-case. Maybe Tracey could help.

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

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

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

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

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

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

(No response.)

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

MS. McRAE: Okay. I move that the Board approve the proposed new Section 217.75 for publication in the Texas Register for public comment, with an
amendment to provide additional time for an employee to complete training if they are out of the office during that time frame for a reason beyond that employee's control, as determined by the tax assessor-collector. And I feel we need to have a window on that training to prevent any fraud or abuse of that policy, and I guess possible two weeks, 30 days, and that will be determined?

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

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

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

MR. TREVIÑO: Great.

MS. McRAE: Thank you.

MR. GRAHAM: I'll second the motion.
MR. TREVIÑO: Motion by Member McRae, seconded by Member Graham.

I'd like to thank staff for all the hard work. This is a very complex topic and you guys have done a lot of real detailed work on this, and I want to thank staff. And I want to thank Member McRae for that well reasoned amendment.

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

(No response.)

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

(A show of hands.)

MR. TREVIÑO: Motion carries unanimously.

Thank you, Mr. Kuntz.

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

For agenda item 16.B. Legislative and Public Affairs Committee appointment, I'd like to appoint Member Paul Scott to serve as the committee chair. He's not here today, but I'd like to ask him to serve in that capacity.
We move to agenda item 17. Finance and Audit. First we'll hear from Ms. Linda Flores and Mr. Sergio Rey on item 17.A. Recommended FY 2020 Operating Budget. Ms. Flores and Mr. Rey, welcome. MS. FLORES: Good morning. For the record, Linda Flores, chief financial officer for the Texas Department of Motor Vehicles. Today I'm joined at the table by Sergio Rey. He is now the assistant chief financial officer for the division. Prior to his current position, he's been with the agency approximately eight years, serving as the accounting director. Today we're here to present the recommended FY20 operating budget, as well as provide just a really brief overview of the agency's appropriations request and where we landed. This information begins on page 167 of your board materials, and we'll be addressing not only the operating budget, but as well as putting forth three specific contracts for consideration for the Board for approval.

To summarize, the department's requested biannual appropriation request of $321.5- was submitted to the Legislative Budget Board. During the spring this was modified and in May the legislature approved an operating biannual budget of $310.8 million. Our
workforce jumped from 779 to a total of 802, so we were very successful in receiving approval for several exceptional items that included staffing.

We received money for IT, along with 12 FTEs; a consumer protection and tracking system for $567,500; $904,000 for a customer service enhancement, along with 9 FTEs, and this is for the Consumer Relations Division.

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

The final item that we were successful in was $500,000 to help renovate some of our regional service centers, and we've already started those communications
with Jeremiah and his staff to identify a couple of mid-
size regional service centers.

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

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

MR. REY: Crimes.

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

MR. TREVIÑO: Bryan, you taking notes?

(General laughter.)

MS. FLORES: Moving on. Some new riders in
our bill pattern. We were finally successful in allowing
to move unspent state dollars for matching to a grant to
be rolled from one year to the next, and that's a big one
for us. We have a grant that we don't always spend
everything in year one, we need to carry forward into
year two. That rider allows that flexibility.

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

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

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

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

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

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

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

MS. BREWSTER: Mr. Chairman?

MR. TREVIÑO: Go ahead.
MS. BREWSTER: Ms. Flores, do you mind going into what Texas.gov is for our new Board members?

MS. FLORES: Sure. Sorry.

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

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

MS. FLORES: Sure.

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

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

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

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

(General laughter.)

MS. FLORES: That's a big one.
And at this time I'm going to turn it over to Sergio and he's going to give you an overview of the detail for the agency's operating budget.

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

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

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

In administration with $91.7 million, a lot of that is centered on our title and registration areas with VTR, in our functions in the Huntsville operations, and in our digital imaging services.
The next big item is our capital projects of $36.8 million. Much of that, again, tied to our automation projects and our data center services contracts here in the state.

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

MS. FLORES: So let me clarify on that last statement that he made. In agency-wide we set aside the dollars that are generated by the specialty plate vendor. They receive money but we pay them for those services, so that is sitting in agency-wide, and that's in one of our riders as well.

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

First, you're looking at RTS and its focus in working its architecture. Again, data center services being a big item for us in other technology projects.
And as mentioned earlier, our other capital projects deal with the maintenance of our buildings and headquarters, so right there you can see about $4.2 million that we will be seeing in our unexpended balance carryforward for our headquarters so that we can address items here on our campus. And there is a section, a new rider for new money for our regional service centers.

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

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

If you'll turn to page 201, these are what we consider statutorily required contracts. We are required by statute, in some form or fashion, whether it's the Prison Goods Act of 1960-something -- I can't remember the exact year -- we are required to utilize the
Department of Criminal Justice for the production of license plates. We are not allowed to submit requests for proposals to the vendor community for that type of activity.

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

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

The first is with Southwest Research Institute to host an application that manages our federal grant program. It is the Commercial Vehicle Information Exchange Window, and we have had this relationship with this entity since 2014. This $600,000 is our anticipated spend for the upcoming year.
The American Association of Motor Vehicle Administrators contract for $411,000, it's a federal requirement that all state agencies have to check titles. This is a federal requirement. Again, that particular contract has been in place since the inception of the agency. It too has increased over time, and it's based on the usage of people paying the agency's web page to check titles, so if there's more usage, there's more cost.

And then finally -- and this will segue into the next agenda item -- is the interagency agreement between the agency, Texas Department of Motor Vehicles, and the Texas Department of Transportation. Since its inception since 2009 there has been a memorandum of agreement or an interagency agreement between us and TxDOT for particular services that they provide to us and that we utilize, and that we provide to them. So that particular agreement I'll have more detail for the next item, but that's in place. The amount that we are estimating to spend is a million per year, and that's in line with what we've been spending for the last two years.

And with that, I would recommend that the Board approve the delegation to Ms. Brewster to execute and finalize these three contracts. And with that, I'm
happy to address any questions.

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

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

MS. FLORES: Yes, ma'am.

MS. GILLMAN: What was '19?

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

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

MS. FLORES: So in this chart we're dealing with budget to budget, so in '18-19 we had $332- and in '20-21 we add the two years together, so it's down by approximately $20 million. That $20 million specifically was because of the shift in not having to pay Texas.gov.

We had estimated to spend about $10 million on credit card fees, so our '19 budget, if you exclude that, would be roughly about $160-. I hope that addresses the question.

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

MS. FLORES: Correct.

MS. GILLMAN: Okay. Thank you.
MR. TREVIÑO: Any other questions?

(No response.)

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

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

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

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

MR. TREVIÑO: Member Washburn.

Any further discussion?

(No response.)

MR. TREVIÑO: Hearing none, I'll call for a vote. All those in favor please signify by raising your hand.
(A show of hands.)

MR. TREVIÑO: Motion carries unanimously.

Thank you.

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

MS. FLORES: $4.1 billion.

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

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

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

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

MR. TREVIÑO: Yes, go right ahead.

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

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

MR. TREVIÑO: Please stand and be recognized.

Thank you.

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

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

MR. TREVIÑO:  Hear, hear.

(Applause.)

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

MS. FLORES:  Thank you.

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

(General talking and laughter.)

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

The materials begin on page 220 of the board books.

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

TxDMV has negotiated and executed an interagency contract with TxDOT since we became an agency in 2009. This contract is necessary because we share facilities and we need to cooperate on different programs
and issues, such as the routing of overweight vehicles. The interagency contract sets TxDMV's maximum amount at $1 million per fiscal year, and it also sets TxDOT's maximum payment amount at $1 million per fiscal year, and neither agency makes a profit under this contract.

TxDMV redlined the current interagency contract to indicate the changes that we want to make at this time. We deleted language that is no longer needed. For example, we've completed certain projects and we've implemented work groups. We've added language to improve the coordination between the two agencies and we updated information. TxDOT recently provided us with their redlines, however, TxDMV staff need a chance to discuss these changes internally before we address these in a public way.

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

I'd be happy to answer any questions.

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

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

MS. FLORES: We're specifically requesting the Board's approval to delegate the finalization of this agreement to Ms. Brewster. What I just passed out to you
was the actual redlines that we're proposing.

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

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

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

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

So as we've taken on more of the responsibility, our payment to TxDOT has decreased, however, the payment from TxDOT to DMV has remained the same, a million per year. So that kind of just gives you
some background about the agreements between the two agencies.

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

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

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

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

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

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

MR. GRAHAM: I will add that I move that the Board authorize the agency's executive director to
negotiate and execute the fiscal years 2020-2021 interagency contract between the Texas Department of Transportation and the Texas Department of Motor Vehicles; however, any changes to the draft provided in the board book are subject to the approval of the Board chairman.

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

MS. McRAE: Second.

MR. TREVIÑO: A second from Member McRae.

Thank you.

So any further discussion?

(No response.)

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

(A show of hands.)

MR. TREVIÑO: Motion carries unanimously.

Thank you.

Whitney, you have approval and good negotiating.

MS. BREWSTER: Thank you.

MR. TREVIÑO: All right. And we will move on to agenda item 17.C., which is presented by Ms. Sandra Menjivar-Suddeath.
Ms. Menjivar-Suddeath, welcome. Always a pleasure to see you.

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

MR. TREVIÑO: Hold on to your wallet.

MS. FLORES: She needs to worry.

(General laughter.)

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

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

The reason for that is the agency always has unforeseen risks, and in previous years the way we've dealt with that is setting aside hours for management requests or Board requests.
In fiscal year '18 we set aside 300 hours; the special requests that came in ended up being 650 hours. So in fiscal year '19 we increased it to 650 hours, and we received two special requests, one related to procurement and contract management, the other one related to accounts receivable, and those two engagements are roughly about 1400 hours.

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

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

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

The seven engagements include four risk-based engagements and three required engagements. The three required engagements include an annual activities report by the State Auditor's Office, so by November 1 we have
to submit to the State Auditor's Office, the Governor's Office and the Legislative Budget Board a summary of all the activities we did in the previous fiscal year.

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

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

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

So those are the seven engagements that we have in the plan. What you'll notice from the slide is
we've also tied it to something called COSO, the COSO framework. COSO, if you're familiar with SOX testing, it is the foundation of SOX testing. Basically it's an internal controls framework, and we have a thing called the COSO, and we have a thing called the COSO cube, which is that. Basically, the COSO framework ties the operating, reporting and compliance objectives of an organization to a control framework.

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

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

And so we've tied our audit plan to those components so that way you can see that we're getting coverage for the entire framework, as well as tying it to our strategic plan.
And I'm sorry, I'm a little bit nerdy about COSO, I really enjoy it. I can spend hours talking about it, to the detriment, probably, of my staff.

MR. TREVIÑO: Who doesn't love COSO, really.

(General laughter.)

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

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

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

The next one is patch management. So patch management is the actual patching of servers, applications, things to that, to make sure that they're
up to date. Something to note on the patch management audit, this was one of the engagements that was identified in the Texas DMV cybersecurity roadmap.

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

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

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

And then finally, we have an advisory service. So the advisory service is something that is informational basis, it was a request for management to put on the plan, it is a high-risk area. High risk does not mean that it's a problem area, it just means that
it's something that's important and critical to the agency, so we put it on the plan. But it will be looking at different strategies and information to provide back to the department on how to continue combating temporary tag fraud.

Any questions on the engagements?

(No response.)

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

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

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

So the division would like to start monitoring key risks for the department and identifying and
providing reporting to the Board and executive management on some of those key risk areas. Those include fraud indicators, payments, ghost employees, things to that regard, do we have anything like that. The regional service centers, looking at their transactions, is there any fraud being committed there. Procurement and contract monitoring management, looking at some high risk potential procurements and identifying ways to ensure that we can mitigate or help mitigate risk. And then looking at IT Division. IT plays a very critical role in our agency and so we want to make sure that we can partner with IT and help monitor any key activities in that area.

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

And then we'll be doing team central reporting, so our application has a lot of reporting that we use for the department and so we're still configuring that reporting, and so that will be an initiative for us.
And then we also are very focused on staff development plans and training. I meet with my staff monthly to talk about their goals and how to help them progress to the next level, whether that's to be the next chief auditor or just get to the next level. We're kind of homing in that process and changing that area, so we'll be focusing on that.

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

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

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

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

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

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

So that's the audit plan.

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

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

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

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

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

(Applause.)

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

MR. TREVIÑO: Does anybody have any questions?

(No response.)

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

MS. MENJIVAR-SUDDEATH: Absolutely.

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

MS. MENJIVAR-SUDDEATH: I think so. We'll hopefully see how this upcoming fiscal year goes with the six-month audit plan. I think going to the six-month audit plan will help us kind of make sure that we are adequately resourced and we can actually meet the needs
of the department, but if not, we'll definitely have a
correspondence about it.

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

Any other questions?

(No response.)

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

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

MS. GILLMAN: Second.

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

Any further discussion?

(No response.)

MR. TREVIÑO: Hearing none, call for the vote.

All in favor please signify by raising your hand.

(A show of hands.)

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

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

MS. MENJIVAR-SUDDEATH: Okay. So item 17.D.
is just the Internal Audit Division status update. It is
on page 276 of your board book, and it is a briefing item only.

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

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

And so for the fiscal year 2019 Internal Audit follow-up, the report is on page 278 of your board book. The objective was to verify the implementation status of outstanding audit recommendations that were due from July 2, 2018 to May 31, 2019.

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

We had an overall implementation rate of 90 percent, which continues to be pretty high overall.
statewide. From peers' experiences, usually agencies do not implement when they say they're going to implement. The agency implemented all 25 external audit recommendations.

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

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

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

Any questions on the follow-up?
MR. TREVIÑO: Does the Board have any questions?

(No response.)

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

MR. TREVIÑO: What page does that begin on?

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

MR. TREVIÑO: 291. Thank you.

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

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

So this slide kind of provides the overall picture of the procurement process and the areas where we
identified concerns. The overall maturity rating for the
engagement was a two, which means the processes could be
done, were followed by similar employees, but the results
weren't consistent. We also found that the processes
were not fully documented and had not been sufficiently
evaluated for risk.

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

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

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

So we also had two observations in this
report, and I will kind of get into the details of that.
So the four audit results are depicted in the picture,
but I'll kind of walk you guys through the procurement
process and discuss the issues identified as we go.
So the first thing when a request is made for goods and services, the division submits something to purchasing for that. This is where we had one of our first results. What we identified -- and the results are on page 301 of your board book -- what we identified is that about 32 percent of the requisitions the department receives are related to office supplies, and the divisions are actually submitting multiple office supply requisitions a month.

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

We analyzed and determined that we're spending about $72,000 of salary to expend out $87,000 of office supplies a year, so it's not as effective as it could be. So we made a recommendation to purchasing, which purchasing agrees, that we start consolidating that.

We put together a purchasing strategy where we can take the high volume low transactions and start maybe putting them once a month they could be submitted or once a quarter, something to that regard, whatever the department chooses, to help with inefficiencies in the purchasing section.
So once the division submits a requisition, it goes to the budget analysts for review to ensure that it's appropriate, we have the funding for it. We had no issues with that section, so it has a nice green box.

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

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

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

So this is where we issued our second recommendation. This was to develop and document a
process on how assignments are given to the purchasing staff, and the purchasing section agreed and they're in the process of implementing something and their due date is September 1, 2019.

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

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

We made a recommendation that we do more of a risk-based approach where certain levels, whether it's volume or complexity, things to that regard, go to general counsel for review, and then the other ones go through. Both general counsel and purchasing agree with this, and they have a due date of September 31 to put together that process.
So moving on to audit result two. Once the purchase order or contract is executed, the purchasing section had something called a peer review process. The peer review process is to ensure that the purchase order or contract was done within the applicable laws and regulations. And this result begins on page 304 of your board book.

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

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

In addition, the peer review process was being conducted six days after the purchase had been executed, so at that point the control is not as effective as it could be because the purchase has already occurred and so we don't really know if it was purchased with applicable laws and regulations.
So we issued two audit recommendations related to that. One was, A, revise the checklist, and the second was actually develop a process to monitor the peer review and ensure that it's being done timely. Obviously six days was not timely for us. Management agreed and both of those audit recommendations will be completed by the end of the fiscal year.

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

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

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

So once we're done with reporting to the LBB,
almost simultaneously, the divisions have assigned a contract monitor to monitor the contract and the purchase order, so in the agency each division has contract monitors that are responsible for the day-to-day review and management of that contract.

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

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

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

When we went to talk to the contract monitors, we found no evidence that existed that the contracts were being monitored for the reporting requirements such as
activity reports, status reports, and that is a requirement both in our Texas DMV Contract Handbook and the Comptroller's Contract Handbook Guide.

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

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

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

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

MS. MENJIVAR-SUDDDEATH: This system is not managed by our department, it is managed by the Comptroller, so when we need things to be updated in that system, we have to put in a service request to get them to agree to it. The Comptroller decides when and if they will do that service request.
And the reason I bring this up is because our staff spent a lot of time pulling reports from CAPPS to be able to do this analysis. We ended up having to put five different reports together to get the analysis for this report.

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

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

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

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

MR. TREVIÑO: Okay. Ms. Menjivar-Suddeath, thank you for that report.
Does the Board have any questions on this audit? Member Washburn.

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

MS. MENJIVAR-SUDEATH: I'll let Linda answer that.

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

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

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

This is a group of eight individuals, and the State Auditor came in and issued their report in '18, so their work started in '17. Based on their review, it demonstrated that we were substantially compliant with acquiring -- there were some contracts that they were
looking at, one of them was the specialty plate vendor, but we were mostly in compliance; however, that report did highlight some areas and processes that we needed to look at that needed attention.

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

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

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

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

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

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

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

The other one has to do with contract monitoring. To me that's an even heavier lift because as an end user you ask, I need a service for text messaging. You send it to procurement, they get it for you, all of a sudden you're getting text messages.

But as the end user you also have a
responsibility to ensure the text messages in the right language, you know, whatever parameters you've established. You're the front line to make sure that you're getting the service that you asked for.

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

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

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

But this is a very uncomfortable report for me personally. I know that our staff are committed to making this change, but I'm also going to need the
We are also looking at resources, but until we're fully staffed, it's hard to say whether or not we need more people. I need to get to the point where we're fully staffed, and we just onboarded a new contract specialist on August 1, I have another person starting August 12, after that I think I've got two more left to go.

MR. TREVIÑO: Any other comments from staff?

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

MR. TREVIÑO: Director Brewster.

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

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

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

It is the intent of agency staff, along with
Internal Audit, in the October meeting -- if acceptable to Mr. Chairman -- and subsequent meetings to provide ongoing updates to the Board on where we are and how we are progressing so that you are aware of how we are tracking to the dates and the commitments that we have made in the report.

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

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

MR. TREVIÑO: Great. Thank you very much. Any other questions, comments?

MS. MENJIVAR-SUDEATH: Can I just add one
thing?

MR. TREVIÑO: Please go ahead.

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

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

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

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

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

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

MR. TREVIÑO: That's right.

(General laughter.)

MS. MENJIVAR-SUDDEATH: I knew you were going to bring that up.

MR. TREVIÑO: Member Washburn.

MS. WASHBURN: So you're never going to have every audit come out perfectly, so you guys, I can tell by your reaction how you feel about this and that you will take the actions necessary.

I also know procurement is tough. They are never the most popular people in the organization, so I get how that goes too. So I appreciate you guys taking it seriously, and you'll get there.

MS. FLORES: Yes, ma'am. Thank you.

MR. TREVIÑO: These are serious audit findings, but I think I speak for the Board that we're gratified that you guys have moved expeditiously in trying to address these issues.

And also it's very comforting that this is a
whole agency-wide response to this problem. It doesn't appear to be pointing fingers at specific persons or specific agencies, everybody is sharing responsibility, and also appears to be sharing responsibility for finding a solution to this, and it seems like the agency is trying to adopt a culture of compliance around this and not simply saying, hey, it was Bob, Bob did it, Bob has got to go, everything will be fine if Bob is replaced. I apologize. Guillermo was responsible and Guillermo needs to be replaced. I apologize.

But these are serious issues, and the key to this, in my mind, is the response and also your continuous monitoring of this. So we're inclined to saying we have no reason to doubt that you guys won't be able to do this.

Everything you guys have accomplished, you guys seem to take on and get these things accomplished. But your reporting on this is going to be essential, and so following up on these deadlines and everything, going forward that we get good reporting from you, I don't see why this doesn't help us become a stronger agency, and like I said, this culture of compliance that will be spread out throughout all departments.

MS. MENJIVAR-SUDEATH: And we will follow up. I just wanted to make a comment. Our system actually
prompts at three o'clock in the morning for status
updates, so they are going to be very aware.

     MR. TREVIÑO: We're not going to get those
texts, are we?

     (General laughter.)

     MS. MENJIVAR-SUDDSDEATH: No, not texts. But
we'll be getting information from them and providing it
to the Board, hopefully in early 2020 since most of these
recommendations will close in the first quarter, and so
once the quarter closes, we do our full analysis and
provide that memorandum to the Board.

     MR. TREVIÑO: So I think I speak for the Board
that we're concerned by these findings, but we're also
very gratified by your response and more to come on this,
and we know that you guys will address these
expeditiously.

     And also, the Board represents the citizens of
Texas, and we do our level best to try and make sure that
the money is well spent, et cetera, all these things, and
you represent us.

     So the work that you do, Internal Audit, is
essential for us to perform our tasks, and what I do
appreciate is you appear to be a member of the team and
not sort of that person who is not part of the team --
let me just put it that way.
But the way everybody responds to your work and sees you as a resource, as opposed to an enemy, I think speaks volumes for the work that you do. So thank you very much.

MS. MENJIVAR-SUDDEATH: I appreciate that. It's the culture.

MR. TREVIÑO: Great. All right. Any other questions, comments?

(No response.)

MR. TREVIÑO: If not, thank you very much for your report.

MS. MENJIVAR-SUDDEATH: I actually have a couple more to go.

MR. TREVIÑO: More, let's keep going. Okay, more. Great.

MS. MENJIVAR-SUDDEATH: No more reports.

MR. TREVIÑO: Sounds like Jeremiah Kuntz. Okay, keep going.

(General talking and laughter.)

MS. MENJIVAR-SUDDEATH: We have three reports that are in the reporting phase that we'll be sending out to the Finance and Audit Committee for review at the end of August and then the full Board in September.

That includes the accounts receivable advisory service, the Compliance and Investigations Division
audit, and the payment card industry audit, and so we will be presenting those in the October Board meeting.

And then finally, we've had four external coordination efforts that we've been helping with. The first is the Federal Highway Administration, the heavy vehicle use tax review. This is done in the Motor Carrier Division. We were found fully compliant with the heavy vehicle use tax review, and they actually identified a couple of best practices that we had.

We've also sent the third quarter coordination of investigation letter to the State Auditor's Office. The Texas Comptroller of Public Accounts is here for a contract audit, which we've mentioned before; this is number five, as Ms. Flores mentioned. And then the State Auditor's Office, we will doing a demonstration of webDEALER for them as part of quality assurance next week.

So that concludes my report.

MR. TREVIÑO: Thank you very much, Ms. Menjivar-Suádeath, for that report.

And I apologize to Bob.

(General laughter.)

MR. TREVIÑO: So now we move to agenda item 18 and turn it over to Tom Shindell.

Mr. Shindell, welcome. It's a pleasure to see
you. Jump right in there.

MR. SHINDELL: Good to see you as well.

Good morning, Chairman Treviño, distinguished Board members, and Executive Director Brewster. For the record, my name is Tom Shindell, and I'm the department's innovation and strategy analyst.

I am briefing the Board on item 18, which can be found on page 316 of your board book, which includes two components: the department's vision, mission, philosophy, goals and values, and the department's methodology for strategic planning.

On April 7, 2016, the Board adopted the department's current vision, mission, philosophy, goals and values, and you were given the opportunity to see if you wanted to make any updates or changes to those, and we didn't receive any feedback, and the staff recommendation is that we just maintain the current vision, mission, philosophy, goals and values because we think they're wonderful and work.

Somebody looks perplexed up there. Is there something that you're not finding or needing?

MR. TREVIÑO: No. I'm fine.

MR. SHINDELL: I just wanted to check and make sure.

Is there any discussion on this, because if
not, I'll move on. That was the first item was just to
brief you.

MR. TREVIÑO: Any questions or comments?

(No response.)

MR. TREVIÑO: Mr. Shindell, keep plowing away.

MR. SHINDELL: Then zipping right along, then
the second thing is at the executive workshop last year
the executive team outlined a new eleven-step strategic
planning process methodology that we're going to follow
which we hope will produce a more logical, timely and
effective process for developing our strategic plan, and
I would like to provide you with a brief overview of the
new strategic planning process.

You have a copy of the strategic planning
process overview table on page 317 of your board book,
and if you're a more visual person, there's a flow chart
of the strategic planning process for fiscal years 2022
to 2023 on page 318 of your board book, so you have a
choice.

Basically, there are eleven steps, and we just
finished the first one, which is making sure that we have
a current vision, mission, philosophy, goals and values.
The next step will take place in September, and the
executive team will be developing a list of strategic
goals and activities for the agency to pursue over the
next two to five years.

Then on the next day we will go ahead and prioritize those, and when we get done with those, we will be reporting those back to the Projects and Operations Committee so that we can obtain your feedback on that as well, so just so you know, you guys will be involved.

In October the executive team is going to review our balanced scorecard to make sure it's aligned with our strategic goals and activities that have been proposed. In November the executive team will review division initiatives and projects.

In December we will review the information technology roadmap, and again making sure that we all understand what those initiatives are and how they fit in. In January we will review our performance measures and key performance indicators, again making sure that they are aligned.

And then in February we will do the last part of the all the preparation work before we actually start preparing our strategic plan, and on February 28 we're literally going to go through all those components one more time to make sure they all fit together and they're aligned. To sort of borrow an audit term, we'll be ticking and tying those things to make sure that they are
all are aligned and fit together.

The reason why we wanted to get it all done by February is that generally we get our directions from the Office of the Governor and the Legislative Budget Board in March about how we're supposed to prepare our strategic plan.

So the way we've set up our strategic planning process going forward is we will have all the information gathered and prepared before we even get the directions so we can go right into preparing the strategic plan.

After that we will prepare our legislative appropriations request for the Legislative Budget Board, and when we do that, that will complete the eleven steps that we need to do to submit our strategic plan and submit our legislative appropriations request.

Do y'all have any questions at this time?

MR. TREVIÑO: Does the Board have any questions, comments?

(No response.)

MR. SHINDELL: Okay. Thank you very much. That concludes my briefing.

MR. TREVIÑO: Mr. Shindell, don't consider silence from the Board a reflection, it's just the report is very thorough and it's very complete and well done,
MR. SHINDELL: No worries, no worries. Thank you. I appreciate it.

MR. TREVIÑO: Thank you.

All right. So that concludes. Do we have any public comments or anything that we need to do for the moment? We're good?

MS. BEAVER: No public comments.

MR. TREVIÑO: Okay. So now we're going to move into executive session. At this time the Board requests that all non Board members -- no, that's the wrong one.

MR. GRAHAM: Wait a minute. We can make all non Board members go into executive session and we can leave?

MR. TREVIÑO: Yes. That would be a great idea.

MR. GRAHAM: All right. All of you, right back there.

(General talking and laughter.)

MR. TREVIÑO: We are going to going to closed session. It is now approximately 11:43 a.m. on August 8, 2019. We will go into closed session under Texas Government Code Sections 551.071, 551.074, 551.076, and 551.089.

For those of you in the audience, I anticipate
being in executive session for approximately --

MS. BEAVER: I would guess approximately an

hour and a half.

MR. TREVIÑO: -- an hour and a half. And we

will reconvene in open session after that.

With that, we are recessed from the public

meeting and we're going into executive session.

(Whereupon, at 11:43 a.m., the meeting was

recessed, to reconvene this same day, Thursday, August 8,

2019, following conclusion of the executive session.)

MR. TREVIÑO: It is approximately 1:36 p.m.,

and the Board of the Texas DMV is now back in open

session.

The Board will now take up item 20. Action

items from executive session. There are no action items

arising from executive session that the Board must act

upon in open session pursuant to Section 551.102 of the

Texas Government Code.

And so with that, no comment sheets, we're
good to go. Unless there's any further business, I'd

like to entertain a motion to adjourn.

MR. GRAHAM: So moved.

MS. McRAE: Second.

MR. TREVIÑO: Okay. We've got Member Graham,

Member McRae. All in favor?
(A show of hands.)

MR. TREVIÑO: Let the record show it is a unanimous vote. It is now 1:37 p.m., and we are now formally adjourned. Thank you very much.

(Whereupon, at 1:37 p.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TxDMV Board
LOCATION: Austin, Texas
DATE: August 8, 2019

I do hereby certify that the foregoing pages, numbers 1 through 162, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

DATE: August 15, 2019

/s/ Nancy H. King
(Transcriber)

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