TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

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

Lone Star Room
Building 1
4000 Jackson Avenue
Austin, Texas

BOARD MEMBERS:

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

AGENDA ITEM | PAGE
---|---
1. Call to Order | 5
   A. Roll Call and Establishment of Quorum | 5
   B. Comments and Announcements from Chair, Board Members, and Executive Director:
      1. Chair Laura Ryan | 7
         Recognition of Service - Board Member Marvin Rush | 9
      2. Executive Director Whitney Brewster | 13
         Anti-Fraud Initiatives
   C. Public Comment | 13
2. Action Items | 16
   A. Projects and Operations Committee Update: | 16
      1. Consideration of Committee Recommendations Regarding Agency Mission, Vision, Philosophy, and Values in Anticipation of Strategic Plan Submission | 30
      2. Consideration of Committee Recommendations Regarding Updated Board Policy Document "TxDMV Goals and Objectives. | 32
   B. Proposal of Rules Under Title 43, Texas Administrative Code, Chapter 217, Vehicle Titles and Registration: | 34
      1. Proposed Rules Briefing | 34
      2. Subchapter H, Deputies
         Amendment 217.161 | 142
         New Amendment 217.162-217.168 | 142
      3. New Subchapter I, Fees, 217.181 - 217.185 Amendments, Subchapters B, Motor Vehicle Registration, 217.23, 217.24, 217.29, 217.32, 217.52 and 217.53 (includes amendments regarding plate replacement) and C, Registration and Title System, 217.72
         Repeal 217.31 | 71
      4. New Subchapter J, Performance Quality Recognition Program, 217.201 - 217.207 | 132
3. Executive Session | 339
   A. Section 551.071 - Consultation with and advice

ON THE RECORD REPORTING
(512) 450-0342
from legal counsel regarding:
1. pending or contemplated litigation, or a settlement offer;
2. a matter in which the duty of the attorney to the government body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Government Code, Chapter 551; or
3. any item on this agenda.

B. Section 551.074 - Personnel matters
Discussion relating to the appointment, employment, evaluation, reassignment, duties, discipline, and dismissal of personnel.

4. Action Items from Executive Session 339
5. Adjournment 341
MS. RYAN: Good morning. Good morning. My name is Laura Ryan. I am pleased to open the board meeting of the Texas Department of Motor Vehicles. It is 8:05 a.m. and I am now calling the board meeting for April 7, 2016 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 March 30, 2016. Before we begin today's meeting, please place all cell phones and other communication devices in a silent mode and please as a courtesy to others do not carry on side conversations or other activities in the meeting.

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

If your comment does not pertain to a specific agenda item, we will take your comment during the general public comment portion of the meeting. In accordance with Department administration 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 for other
speakers. We ask that comments should pertain to the
issues stated on the comment card. When addressing the
board, please state your name and the affiliation on the
record.

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

MR. BARNWELL: Present.

MS. RYAN: Board member Caraway?

MS. CARAWAY: Present.

MS. RYAN: Board member Ingram?

MR. INGRAM: Present.

MS. RYAN: Board member Palacios?

MR. PALACIOS: Here.

MR. RYAN: Board member Swindle?

MR. SWINDLE: Here.

MS. RYAN: Board member Trevino?

MR. TREVINO: Here.

MS. RYAN: And Board member Walker?

MR. WALKER: Present.

MS. RYAN: And let the record reflect that I,
Laura Ryan, am here too and we have a quorum.

We will now move to agenda Item 1.B.1 regarding the recognition of service for Board member Marvin Rush.

And we wanted to take just a few minutes and share a few thoughts on Marvin and recognize him though he's not present today.

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

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

Marvin is highly respected in the industry for his extraordinary vision and entrepreneurship. Marvin found Rush Enterprises over 50 years ago. Rush Enterprises has over a 130 dealerships and over 5,000 employees. He is a member of the American Truck Dealers
Board of Directors, National Automobile Dealers Association, and Texas Automobile Dealers Association Truck Division just to name a few.

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

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

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

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

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

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

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

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

As you know, there have been recent examples of fraud as it relates to motor vehicle transactions. And some of these have been reported in the media and have resulted in arrests. As I reported to you in the February
board meeting, I established an anti-fraud, waste and abuse working group made up of various TxDMV staff from across the Agency to address those issues that we've seen as well as looking forward planning and being proactive in detecting and monitoring.

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

The full Anti-Fraud, Waste and Abuse working group considered the recommendations by that subcommittee. The working group made some modest changes to it. And then it was reviewed by our Civil Rights Officer as well as Office of General Counsel and approved by me. It was formally adopted by the departments, incorporated into the TxDMV's Human Resources Manual that is located on the Agency's Intranet site and communicated out to all staff on April 1.

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

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

So just wanted again to give an update to the Board on some of the recent activities devoted to combatting fraud, waste and abuse within the Agency and outside the Agency as well. And I'm certainly open to answering any questions that the board members have.
MS. RYAN: What has been the response from the Agency employees or directors?

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

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

MS. RYAN: Okay. Excellent.

MS. BREWSTER: Thank you.

MS. RYAN: Questions or discussions before we move on?
On the record reporting.

(No response.)

Ms. Ryan: Okay. All right. Next we will move on to public comment, I.C. And I do see we have a public comment from Mr. Howard Hickman. If you'll please come forward. Good morning, Mr. Hickman.

Mr. Hickman: Good morning.

Ms. Ryan: How are you today?

Mr. Hickman: Oh, pretty good. How are you doing this morning?

Ms. Ryan: Doing well. Thank you.

Mr. Hickman: Do I look at the time?

Ms. Ryan: Mr. Hickman, I'll remind you you have three minutes please. Thank you. We'll start the timer whenever you're ready, sir.

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

Every session of the legislature, TxDMV gets together with various business special interests -- last session there was 16 of them -- and spends hundreds of thousands of dollars using dozens of state employees to analyze legislation and draft bills without any legal
authority for such misappropriation of government resources.

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

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

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

You can try to justify these actions because all other state agencies do them, but they don't. As my mother used to say, If Little Johnny jumps over a cliff for you, other state agencies' bad acts cannot be used to justify your bad conduct.
Thirty-plus years ago the limitations of Chapter 556 were in the Appropriations Act. I used the Appropriations Act at Freedom of Association to enjoin UT from engaging in certain political activities. Since that time, there have been two important developments, the development of civil lawsuits under the Racketeer Influenced Corrupt Organizations Act and public interest law foundations.

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

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

MS. RYAN: Thank you.

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

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

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

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

So I'll read kind of what the summary that I
have here. Staff informed us that the root cause of the
outage was a failure of a component of the statewide data
center infrastructure that the RTS system relies on.

Okay, so I've asked our CIO, Eric Obermeier to also come up and help a little bit with this in just a second, and he also has some guests.

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

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

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

I was talking with them beforehand. I let them know that we would probably need to kind of clarify in a little more plainspeak what that really translates to. And with that, I would like to turn it over Mr. Gilchrist.
to explain further into detail what actually happened.

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

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

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

MALE VOICE: Talk about what SAN is.

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

So there are numerous follow-up items that we're doing about that. We're -- ATOS has -- and that was an illegal change, and ATOS has an employee policy that
will be dealt with in this case so to ensure that we don't have employees doing things they're not authorized to do. He was not authorized to execute that CRQ at the time. We're also implementing monitoring so we can be aware of these types of things quicker so we don't go into the operational day. We discover it before that occurs.

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

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

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

So in the month of December, the system was -- the measured up time between 7:00 a.m. and 6:00 p.m. and we choose those hours because that's when the Point-Of-Sale system that the counties in our regional service centers use, that's the primary hours that they need it, right, core business hours. Any time outside of those
hours if the system is up, it really does not provide any
real benefit to them.

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

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

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

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

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

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

MR. INGRAM: Yes, sir.

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

But besides that, we're doing a stem to stern review of all the critical infrastructure including the
data center power, network, all the different systems to make sure that the monitoring is enabled as it should be so they're able to detect this things faster. We may not be able to prevent the outage, but we should know what happened right away.

MR. INGRAM: Okay. Thank you.

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

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

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

Generally speaking in my organization, if
somebody executes an illegal change, it's cause for termination.

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

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

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

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

MR. BARNWELL: In San Angelo?

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

MR. BARNWELL: Okay. So the San Angelo center
is a mirror?

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

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

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

MR. BARNWELL: Sure.

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

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

MS. CARAWAY: I guess I just want to make a statement from the county's standpoint because, you know, what happened Monday affected 254 counties and every citizen in the offices at that time trying to get work done. So I just want to I guess feel confident that there's some real work going in to making sure that that is a stable environment so that we don't go through those
kind of things again or at least very, very rarely.

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

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

MS. CARAWAY: I'm sure.

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

MS. CARAWAY: Right.

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

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

From a support perspective, we probably have ten or twelve different skill teams that have to be brought to bear in the event that there is some kind of an
operational problem. In the past, it typically would have been one skill team that would come in and try and resolve an issue. And if it was not in that particular technology, they would engage a different skilled technology team.

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

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

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

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

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

MR. KIMBRIEL: There were several applications that are at that level. Some are health and human
services, but RTS is at that level now.

MR. BARNWELL: Okay.

MR. INGRAM: And fair to say that now.

Previously they were not so we've upped our status recently.

MR. KIMBRIEL: Correct.

MR. INGRAM: Right.

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

MR. INGRAM: Uh-huh.

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

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

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

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

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

This equipment runs with certain efficiencies. And when we apply these patches, it's intended to increase those efficiencies to provide better performance to the end users, a safer operating environment. And as a result of that continually changing environment, there's always going to be an opportunity for something to go wrong.

So while we would love to be able to say there
would never be another outage, what we can say is we will respond as quickly as is possible to ensure that if there is an outage it will be a minimal downtime.

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

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

MS. CARAWAY: That would be great.

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

MS. CARAWAY: Right.

MR. INGRAM: But absolutely, we did discuss that and we also discussed the fact that we needed to provide more notice to the individual tax assessor—
collectors before we make a change, not the Friday before.
So that was discussed as well.

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

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

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

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

    MS. RYAN: Okay. So that's a good point.
    MR. KIMBRIEL: So we don't --
    MS. RYAN: Okay.
    MR. KIMBRIEL: We seek approval for any sort of
enterprise infrastructure change that we do that could
potentially impact all customers in this program. We
always seek approval from the customers to go forward with
any, so as Harold said before, approved changes.

    MS. RYAN: Okay.
MR. KIMBRIEL: So it is the customers that participate in that approval process.

MS. RYAN: Okay. Thank you.

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

MR. KIMBRIEL: Absolutely.

MS. RYAN: Thank you for the support.

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

MS. RYAN: Yes. Absolutely.

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

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

The third item that the committee considered was a staff recommendation regarding the Agency's mission, vision, philosophy and values. The current versions of
the statements are on page 6 and 7 of your board books.

These Board-created documents are part of the strategic plan submitted to the Legislative Budget Board in the first week of July in even-numbered years.

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

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

MS. RYAN: Is there a motion?

MR. PALACIOS: I'll second a motion.

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

MR. INGRAM: Sure.

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

(No response.)

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

MR. INGRAM: The final item that the Committee
received a briefing on is the Board's policy document entitled "TxDMV Goals and Objectives." This Board policy document has not been updated and approved by the Board since October of 2011. The staff recommended changes to the document to align it with the mission, vision and values statements we just voted on.

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

MS. RYAN: Yes, ma'am.

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

MS. RYAN: Motion by Member Caraway.

MR. BARNWELL: Second.

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

(No response.)

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

MR. INGRAM: Members, that concludes my summary of the Project and Operations meeting of April 6, 2016.
MS. RYAN: Okay. Thank you. With that, we will move to agenda Item 2.B, Proposals of Rules under 43 Texas Administration Code -- Administrative Code, Chapter 217, Vehicle Titles and Registration.

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

(Pause.)

MS. RYAN: It's all yours.

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

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

There was a lot of work that went into the
logistics of today, and I want to thank the folks of the Agency for helping in that so that people could be here to provide public comment on the Rules before you today.

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

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

This first slide shows the Texas state government mission statement. It sums up our charge and what we are responsible for fulfilling which we have included on this slide. I will not read the entire slide to you, but I'll highlight the critical element of the mission and the driving force behind why the Agency is recommending what is contained in these Rules.
To honor the public trust, state officials must seek new and innovative ways to meet state government priorities in a fiscally responsible manner. We believe that what is before you today represents just that. The Agency has a vision statement as you just voted on. It's a lofty one, and we recognize that. The Texas Department of Motor Vehicles sets the standard as the premier provider of customer service in the nation. We don't always hit the mark on this. But I attest to you that the men and women of this department most certainly strive daily to attain this vision.

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

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

You will see here that the author's intent was to promote, quote, promote greater efficiency and
accountability in the services provided. You see, we were never meant to maintain the status quo.

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

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

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

Finally, I think it's important to stress that HB 2202 also allowed the entire county road and bridge fee to be deposited to the counties. Previously 30 cents, or 3 percent of the county road and bridge fee, was deposited to the credit of the State Highway Fund to cover the
TxDMV's costs of assisting the counties in collecting their own local fees.

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

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

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

The TxDMV Fund was an effort to provide greater transparency on how the Agency is funded, but also to get
the Agency out of being funded from the State Highway Fund and thus allowing for those dollars to be used towards critical infrastructure and maintenance of the state's roads and bridges.

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

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

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

They have had an impact on the services we deliver as well as those of our stakeholders to the citizens of Texas, Web Sub, webDEALER, offering of online
temp permits, RTS refactoring, modernizing that system to an updated platform so we can move forward into the future and allow for things that I will talk about in just a minute.

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

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

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

Our neighboring county and the one that Member Caraway represents, Hays County is the fastest growing county in Texas and ranks fifth in the nation for fastest
growth. When it comes to service delivery of motor vehicle services, we have to keep pace with that type of increase. It's an excellent problem to have to see an increase in population to the state, but we have to be able to be flexible and to adjust.

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

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

The Agency has a vision that does not stop with a consideration of the initiatives contained in the Rules before you today. The Agency is looking forward to other progressive methods and technologies to streamline processes and meet the needs of Texans and the Agency's stakeholders. Self-service kiosks, electronic registration renewal notices, mobile apps for TxDMV services that impact the public, barcoding and QR code technology for streamlining internal processes that ultimately will speed up the way we provide service.
Web Lien which would remove electronically
liens when the lien has been satisfied so that that title
can be issued more quickly to the customer, electric
display of registration, self-service online registration
tracking, these are the sort of things that we are looking
forward to doing. They're not contained in these Rules,
but this is the vision of the Agency and the direction
that we wish to go.

When it comes to the initiatives before you
today, there has been extensive outreach to stakeholders.
We very much appreciate the feedback that we've received
from these stakeholder groups. You'll see here and I
won't read all of these to you, but it has been extensive.
And I think you would be hard-pressed to find an agency
that has done this kind of outreach before a rule has even
been proposed for public comment.

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

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

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

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

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

Next slide, please. So in these Rules, we have some proposed solutions. For the state, these Rules would increase the state highway funding by approximately $47
million a year -- and Ms. Flores will go into that a
little bit here in just a moment -- and replace revenue to
the TxDMV to cover the cost of statewide registration fees
or services, excuse me.

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

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

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

MS. FLORES: Thank you. For the record, Linda
Flores, Chief Financial Officer for the Texas Department
of Motor Vehicles. This particular slide reflects the
current and the proposed impact to the State Highway Fund. Before the processing and handling fee is put in place, the county retains $1.90 out of the $50.75 registration fee. So the deposits to Fund Six are approximately $48.85 for every transaction.

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

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

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

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

MS. FLORES: Correct.

MR. BARNWELL: Okay.

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

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

MS. FLORES: Yes, sir.
MR. BARNWELL: -- we'll talk about --

MS. FLORES: You're correct.

MR. BARNWELL: -- where we offset it.

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

MR. BARNWELL: Uh-huh.

MS. BREWSTER: Okay.

MR. BARNWELL: Yeah, I understand.

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

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

The revenue specifically will not be sufficient to finance the Agency's operational activities and fringe benefits. The gap is estimated to be about approximately $70 million for the next biennium and the following biennium after that. So if nothing happens, we will end
Fiscal Year '17 with a projected deficit of approximately $4 million.

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

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

MR. BARNWELL: Okay.

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

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

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

MR. BARNWELL: Uh-huh.

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

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

MS. FLORES: Correct. So what the legislative
bill did was to identify certain fees that would be going into the DMV Fund.

MR. BARNWELL: Uh-huh.

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

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

MS. FLORES: Yes, sir.

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

MR. KUNTZ: For the record --

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

MR. KUNTZ: For the record, Jeremiah Kuntz, Director of Vehicle Title and Registration Division. To try and help better understand this chart, when you look
at revenue, the top line, that's cash deposits into the
TxDMV Fund so that's cash available.

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

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

MR. BARNWELL: Okay.

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

MR. BARNWELL: Yeah.

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

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

Thank you.

MR. WALKER: So you said projects, it's not
really projects, is it? Isn't it really the funding of
the operations of the Agency, its salaries, its electric
bills? It's our operating costs. Correct?

MS. FLORES: Correct.

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

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

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

MR. WALKER: The Agency?

MS. FLORES: -- the Agency.

MR. WALKER: Thank you.

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

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

MS. RYAN: Such as?

MS. FLORES: We would be reducing everything
that was not statutorily required for us to do. We would
not finance the county equipment refresh that we normally
do. We would not finance automation projects. We could
maintain the ones that are in flight but new projects
would not be initiated.
We would ultimately have to see whether we needed to reduce staffing at the Agency, specifically in registration because if the fee is not there to support that activity, they would be the first to look at. We have other fees from motor carrier, you know, and they're sufficient to cover motor carrier activities. But if the registration fee is insufficient to finance registration activities here that the department operates, they would be the first to be reviewed.

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

MS. FLORES: You want to take that one?

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

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

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

MR. WALKER: Because the counties will not get
any support from the state. It comes from our agency through this processing and handling fee, is that correct?

    MS. BREWSTER: Yes, sir.

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

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

    MR. KUNTZ: Yes, ma'am.

    MS. CARAWAY: -- that they get now?

    MR. KUNTZ: Yes, ma'am.

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

    MS. FLORES: Right.

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

    MR. KUNTZ: Yes, ma'am. 

    MS. CARAWAY: Okay.

    MR. KUNTZ: This --

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

    MS. CARAWAY: That we would get.

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

    MR. KUNTZ: And I want to make sure that we're
real clear. Registration services is where license plates are purchased, renewal notices are produced, IT support for the registration and titling system. Those things would all be heavily curtailed and cut back, and we would not be able to provide those to the customers or counties.

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

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

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

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

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

MR. KUNTZ: Yes, sir.

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

MR KUNTZ: Fund.

MS. FLORES: Fund.

MS. BREWSTER: TxDMV Fund.

MR. BARNWELL: TxDMV Fund?
MS. BREWSTER: Yes. And we start receiving --

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

MS. BREWSTER: Right.

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

MR. KUNTZ: Yes, sir.

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

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

MR. BARNWELL: Okay. And --

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

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

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

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

MS. FLORES: It includes overhead, salaries.
It's operational expenses.

MR. BARNWELL: I see. Okay.

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

MS. RYAN: Any other questions?

(No response.)

MS. RYAN: Okay.

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

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

MS. FLORES: -- to the customer. So we had a few months to determine how the Agency could continue to operate but perhaps reduce our Agency operations in order to ensure that we had sufficient revenue to support our
Agency operations. So we identified some reductions moving forward into that next biennium '18-'19.

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

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

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

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

MS FLORES: Yeah, absolutely.

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

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

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

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

And so when you put this $24 million reduction up here, I think what I heard you say now is that we are going to take -- in order to get this fee to the $5 level,
we're going to take and take $24 million out of our automation projects going forward. And so am I right or wrong, just --

   MS. FLORES: You're correct.

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

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

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

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

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

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

   What we're projecting in the future is that we would not be adding new projects to the list. The funding
for those existing projects is already included in the base budget. It's looking forward we would not be requesting the full $24 million from the legislature for new projects. We would only ask for $12 million, and we would curtail how many new projects we ask for going forward.

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

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

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

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

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

MS. FLORES: No, sir.

MR. TREVINO: Great.

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

(General laughter.)

MR. PALACIOS: I second that.

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

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

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

MS. FLORES: Correct. That is not --

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

MS. FLORES: Yes.

MS. BREWSTER: Just to expand a little bit on that if I may, the Department of Information Resources Board recently took action when it comes to ACH fees. And prior to that action, ACH fees were $1. Those have been reduced to $0.25. The Agency is exploring looking at what applications that the Agency has for processing
transactions online, how we might better utilize ACH to
drive those costs down --

MR. WALKER: So how would I do --

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

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

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

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

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

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

MR. KUNTZ: All of the processing that Texas
online does is running through secure portals. They have
to be in compliance for ACH with NACHA Rules which govern
the transactions for ACH. They're also in compliance on
their credit card processing so they're using secure
portals in order to do that.

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

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

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

MS. FLORES: Texas.gov.

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

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

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

MR. KUNTZ: We have a contract with -- through
DIR with NIC USA, which provides the Texas.gov credit card processing. That contract stipulates that it is a $2 flat fee for registrations that are processed online. And that $2 fee has always been in place, and it was unchanged with the implementation of Two Steps, One Sticker.

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

MR. KUNTZ: We are, sir, yes.

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

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

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

MR. KUNTZ: That is correct. So prior to Two Steps, One Sticker, the inspections stations charged the full inspection fee amount at the time of inspection. After the bill passage that implemented Two Steps, One
Sticker, the customer pays the inspection station their portion of providing the inspection service. The state's portion to cover the cost of administering the inspection program statewide is paid during the registration at the county office.

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

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

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

MS. BREWSTER: Additionally, as this Rule proposes, the cost of doing online transactions would be discounted. And therefore, we believe that that would also incentivize the public to process their transactions.
online. So that is behind that more aggressive percentage
growth of online transactions.

MR. BARNWELL: Is it 20 percent per year?
MS. FLORES: Yes, sir.

MR. BARNWELL: Is it year-over-year?
MS. FLORES: Year-over-year.

MR. BARNWELL: Not 20 percent of 100 percent?
MS. FLORES: Correct.

MR. KUNTZ: Correct.

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

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

MR. BARNWELL: And you expect what next year?
MS. FLORES: About 21, 22 percent and then --

MR. BARNWELL: And where do you cap it?
MS. BREWSTER: 39 Percent.

MR. WALKER: And this is credit card
transactions?

MS. FLORES: Yes.

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

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

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

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

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

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

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

So as we move forward in this rulemaking process, it's important to be checking our hold card from time to time to see where we really are and make -- I think it's incumbent on us to because we're going to be
wrong in the guesses. Linda, you're a great guesser, but this many moving parts, you've got to miss something somewhere.

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

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

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

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

MS. BREWSTER: Yes, sir.

MS. CARAWAY: I think another thing too that has to be considered is the service that comes back from
that contract, who's going to provide the service. If it begins to get to where that is taking a lot longer than what people are used to with their local county TACs office processing those online renewals, then that growth of online renewals is not going to be 20 percent a year year-over-year --

MR. KUNTZ: If I might address the --

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

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

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

If we do not have as high of a growth in online, then the amount that is needed to support those
credit card fees is reduced. Therefore, we're taking a
conservative approach to estimating the impact from the
online transactions.

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

MS. FLORES: Let the millennial --

MR. WALKER: Is that a better --

(General laughter.)

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

MS. FLORES: That's a nice comment.

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

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

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

Those machines are the same thing as PayPal
online. PayPal is merely a provider, an interface or an intermediary between the credit card companies and the retailers. So they're just providing that service of running that card and passing those funds on to the credit card companies.

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

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

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

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

The first is a change to the plate replacement cycle that Ms. Flores referenced. Currently today, a vehicle that reaches or a vehicle that has a license plate
on it that reaches seven years of age is automatically replaced, whether the license plate is in good condition or not.

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

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

        They can come in at any time and request a new license plate from the tax assessor or collector. This would be in alignment with the way that the statute is currently crafted. Currently, the statute contemplates replacements of license plates, and there's a $6 fee associated with replacing those license plates in the
The state would see a savings and that's part of the savings and the reduction that we have in the budget for the DMV of not having to produce as many license plates going forward. We would reduce that plate production by a small amount each year.

MR. WALKER: Stop right there.

MR. KUNTZ: Yes, sir.

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

MR. KUNTZ: Yes, sir.

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

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

MS. FLORES: So specifically for not or for eliminating the license plate automatic replacement saves us between a million and a half to two and a half million dollars a year.
MR. WALKER: Show me the mechanics for that, Linda.

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

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

MR. KUNTZ: Yeah.

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

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

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

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

MR. WALKER: Okay.

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

As you can see, at two years, you have a little over or between 3.5 and four million license plates that are at that age. By the time you get to seven years, it
falls to just under half a million license plates. A lot of people may ask why is this occurring. A few years ago, there was a change in legislation relating to trading vehicles in, not to be confused with Two Steps, One Sticker.

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

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

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

MR. KUNTZ: Yes, sir.

MR. BARNWELL: So where are the rest of them?
MR. KUNTZ: And I did not put it on this chart because it skews the chart dramatically. There are approximately eleven million vehicles that have a license plate between zero and two years.

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

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

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

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

We estimate that an envelope for sending those license plates, it's a large envelope. We're estimating that conservatively at $0.02 per envelope. And then we're estimating that the county's labor to do that to sit there and take the license plate, stuff them in the envelope, do the transaction is approximately $1.24 per transaction for
savings of approximate $5 per set of license plates that
need to be replaced.

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

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

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

MR. KUNTZ: This is a county savings. As we
look at this chart and we look at the replacements, we
would also see a similar savings for the DMV in not having
to produce those license plates. There would be a
reduction in the number of license plates that need to be
manufactured to be replaced on those vehicles and our
current assessment that we have with TDCJ for a license plate set is approximately $3.06.

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

    MR. KUNTZ: By 2021.

    MS. FLORES: By 2021.

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

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

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

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

    MR. SWINDLE: So that would just continue on so from this point forward, regardless of it was eight or nine years, they would still pay that $6 fee. And the county would not assume that cost?
MR. KUNTZ: Correct. The counties get $2.50 of that $6 fee to defer their cost in processing that replacement set of license plates.

MR. SWINDLE: Okay. Thank you.

MR. KUNTZ: Yes, sir.

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

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

MR. INGRAM: And counties retain how much?

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

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

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

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

MR. KUNTZ: Yes, sir.

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

MR. KUNTZ: Yes, sir.

MS. RYAN: Jeremiah, at seven years --

MS. FLORES: The process does not change. I'm
Ms. Ryan: -- at seven years, do they -- they don't pay the $6. Correct?

Mr. Kuntz: Today they're automatically replaced at seven years at no fee.

Ms. Ryan: Correct.

Mr. Kuntz: Going forward, they would come in whenever they wanted to and request a new set of license plates.

Ms. Ryan: Okay.

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

Mr. Kuntz: Yes, sir. The next savings proposal in this Rule package --

Ms. Caraway: Jeremiah, excuse me for interrupting. In the Rules for the plate replacement, it's $6 plus the $5 processing and handling?

Mr. Kuntz: It is just the $6. The P&H is not applied to replacement plates.

Ms. Brewster: And we'll get to -- Member Caraway, we'll get to a slide showing those types of transactions that are exempt from the processing and
handling fee --

MS. CARAWAY: Okay.

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

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

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

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

What this Rule proposes is that the TACs would no longer be required to process those online transactions that are submitted. The revenue from the registration would continue to be deposited to the county accounts. Currently all of that revenue is sent to the counties.
The counties can retain that revenue for 34 days, earn interest on it and then they remit it to the state after the 34th day. That process would stay the same.

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

We would --

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

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

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

MR. WALKER: So if I send my $56 in today, it goes to Mike Sullivan's office. Mike Sullivan is
responsible for my $56 and send it into the state, the
portion and then keeps his portion for road, bridge and
county whatever.

MR. KUNTZ: Yes, sir.

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

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

MR. WALKER: Why?

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

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

MR. KUNTZ: That is an option that we've not
evaluated at this point, and we do not have a vendor that
we believe is readily available to take that one. For
online processing, we have a vendor that is ready to
initiate those services as soon as we're ready.
MS. RYAN: Jeremiah, is it not also in the statute that we can't do mail? Am I not correct or --

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

MS. RYAN: Okay.

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

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

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

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

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

But what about how does this affect a county, let's just take Brewster County. And I mean I don't know how many people live in Brewster County, but it's not a
whole lot. They may not have any -- everybody in Brewster County may walk in and do a counter transaction there.

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

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

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

MS. CARAWAY: Right.

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

MS. CARAWAY: Right.

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

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

MR. KUNTZ: So there has been quite a bit of conversation about what the vendor would provide as far as the centralized online processing. And so as such, we've
reached out to the vendor to try and ask some additional questions about how they would set up this service.

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

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

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

Right now they have disaster recovery. They have a spillover in Pennsylvania so they have a print shop in another state. In case there's ever an incident that shuts down the print shop in Texas, they can send those
orders to the Pennsylvania print shop. They can print and
deliver those renewals there as well.

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

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

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

We have also discussed with them the ability to
help service customers that have concerns about where
their sticker is in the process. They have informed us that they have the ability to track if we put bar codes on the registration renewals, that they have the ability to track that transaction all the way through their process.

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

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

We've anticipated or thought of potentially putting something on the website where a customer could query based on a license plate or a VIN and then it would return the status of where their sticker was in the process, if it had been printed yet, if it had already been mailed, that way they had some understanding about if
it had been mailed, that maybe it had gotten lost in the
mail to help try and reduce that confusion or the impact
to the counties if there's ever a problem with processing
those stickers.

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

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

MS. RYAN: At least in discussions so far.

MR. KUNTZ: Yes, ma'am.

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

MR. KUNTZ: We would anticipate that we would
utilize our services that we would not have people calling
the vendor directly. Especially if we had reports coming
from the vendor, we would have that access to be able to
see where that transaction was in the process and triage
it if there was ever an issue. So we would want to be handling those ourselves.

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

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

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

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

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

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

MR. INGRAM: Am I just missing that?

MR. KUNTZ: I thought we did. Did we not?

It's in the preamble. I don't have it right here.
MR. INGRAM: Okay.

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

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

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

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

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

MR. WALKER: How much is that?

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

MR. WALKER: $100? $50?

MR. KUNTZ: I really don't know.

MR. WALKER: $50 million?

MS. BREWSTER: Not $50 million.

MS. RYAN: And probably not $100.

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

MS. BREWSTER: We will certainly -- we're
further researching this. This is as a result and this is why this is not even in your board books is because this is a recent development and something that we are researching currently and certainly can provide you in the very near future.

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

MR. KUNTZ: Which costs?

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

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

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

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

MS. RYAN: This is their program. Correct?

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

MS. RYAN: And they print a bar code on as part
of their printing process?

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

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

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

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

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

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

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

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

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

MR. KUNTZ: What we are anticipating is that
the customer would provide us with a license plate or a
VIN on an online portal and that would query a report that
we get from them that tells us where that was in the
process. Their system has the ability to generate reports to tell you what transactions were completed in a day. We would utilize that report in order to populate an online query system.

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

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

MR. KUNTZ: January 1st of 2017.

MR. BARNWELL: Okay.

MS. RYAN: Any other questions?

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

MS. RYAN: Right.

MS. CARAWAY: But there are other efficiencies
and things that we all need to look at on both sides so.

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

MS. CARAWAY: Right.

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

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

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

MS. CARAWAY: Right.

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

MS. RYAN: Say that again.

MR. KUNTZ: Approximately $47 million.

MS. RYAN: Over what period?

MR. KUNTZ: Five years.

MS. RYAN: Five years.

MR. KUNTZ: By 2021.

MS. RYAN: To the counties?

MR. KUNTZ: To the counties.

MS. CARAWAY: For the online piece?
MR. KUNTZ: For the online, yes, ma'am.

MS. RYAN: Thank you.

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

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

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

MR. KUNTZ: Yes, ma'am.

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

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

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

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

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

MR. KUNTZ: Fifty cents per transaction.

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

ON THE RECORD REPORTING
(512) 450-0342
for that transaction?

MR. KUNTZ: Based --

MR. WALKER: Just the processing and handling fee.

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

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

MR. KUNTZ: Okay.

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

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

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

MR. WALKER: Okay.

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

MR. KUNTZ: Yes, sir, on what it costs the
counties to process an online transaction.

MR. INGRAM: Okay.

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

MR. INGRAM: Correct. Right.

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

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

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

MR. INGRAM: It is weighted though?

MR. KUNTZ: Yes.

MR. INGRAM: Okay.

MR. KUNTZ: Moving on, this will actually detail the processing and handling fee itself. This first slide indicates the types of transactions that would be requiring a processing and handling fee. Initial registration, registration renewal, the International Registration Plan, and temp permits would be the transactions that require a processing and handling fee. All of these the county would receive compensation on all of these.
The International Registration Plan, those transactions are actually processed by the DMV through the IRP system, and the revenue flows through the county. And so for those transactions, the county would continue to get their compensation from the processing and handling fee, but they would not be processing those transactions themselves. They do not do that today. Those are centrally processed through the IRP system.

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

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

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

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

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

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

Exempt vehicles, currently exempt vehicles are exempt from paying registration. And therefore, we would not assess them a processing and handling fee as they are exempt from registration. There is no compensation to the counties in the processing and handling fee.
Today the state is paying them $1.90 for processing those transactions even though there's not a registration transaction that is being assessed. So today they are getting compensated for those, but they would not be receiving any compensation for those going forward.

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

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

MR. INGRAM: Right. Right.

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

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

MR. KUNTZ: It's managing the inventory of
stickers with the county office -- between the counties and that governmental entity.

MR. INGRAM: So their workload is reduced?

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

MR. INGRAM: Right. Okay.

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

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

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

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

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

MR. KUNTZ: Sure.

MS. CARAWAY: -- entities.

MR. INGRAM: What is typical for a large county to have in exempt vehicles? I mean, we talked about the number, but I don't know for like a Dallas or Houston or --
MR. KUNTZ: I wouldn't have the numbers on the number of exempts in that county at my fingertips right now.

MR. INGRAM: Okay.

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

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

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

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

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

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

What they said in the study was that that is part of overhead, and it is counted in their weighted
average cost of providing the other transactions. So they did not line item it out and say specifically that there's a dollar figure associated with the oversight of those deputies.

The final thing here that you see and it really, the only Rule that has this in it is the deputy Rule, Rights to the Full-Service Deputy Title Transaction. And it estimates that the title transactions cost approximately $12.88 for a full-service deputy to process.

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

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

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

MR. PALACIOS: Jeremiah, can you explain the difference between attainment and non-attainment?
MR. KUNTZ: So a non-attainment county is a county that has not attained air quality standards set by the EPA. An attainment is a county that has met air quality standards. So generally non-attainment counties are your large metropolitan counties of the state.

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

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

MR. WALKER: $1.37?

MR. KUNTZ: Yes, sir.

MR. WALKER: So --

MS. RYAN: Per the study.

MR. KUNTZ: Per the study.

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

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

MR. KUNTZ: For us?

MR. WALKER: For us.

MR. KUNTZ: Fifty cents.

MR. WALKER: Fifty cents?

MR. KUNTZ: Yes, sir.

MS. RYAN: In the proposed Rules?

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

MS. RYAN: What cost are you asking? We got
lots of costs floating around.

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

MR. WALKER: Fifty cents?

MR. KUNTZ: Yes, sir.

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

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

MR. KUNTZ: Yes, sir.

MR. WALKER: Right there. Right?

MR. KUNTZ: Yes, sir.

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

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

MR. WALKER: But you can also even go to a central processing of a mail-in and it looks like there would also be a savings. I guess you'd pick up the $1.97
that the county doesn't have to take and work the
transaction. You can do it at a lower cost through a
central processing center, true or false?

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

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

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

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

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

MS. RYAN: And that's savings --

MS. BREWSTER: And just to be clear that the
Rules, as they are proposed, passes on that savings to the
customer. And that is how we are able to invert the
current pricing model for transactions done in this state.

Instead of it being the most expensive right now, online
transactions, it will now become the least expensive
transaction and, in fact, it will be a decrease over what
it is today.

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

MS. BREWSTER: The consumer realizes those
savings. And you are absolutely right. At some point it would be fantastic to be able to also find that same efficiency in the mail-in process.

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

MS. RYAN: You're absolutely right.

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

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

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

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

MR. KUNTZ: The statute says that registration shall be processed through a county office. The way that
this online process would work, the registration fees are still flowing through the county office. With mail, the check would be coming to a centralized location and so there would be challenges of what through means to a county office.

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

MR. KUNTZ: Yes, sir.

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

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

MR. TREVINO: Has that been declining?

MR. KUNTZ: It's relatively steady.

MR. TREVINO: Steady. All right. Thanks.

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

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

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

MR. KUNTZ: Registration is still flowing
through the county.

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

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

MS. RYAN: And the online process.

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

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

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

So it gives weight to the fact that it's still
flowing through the county. It's not a statewide transaction. It's a Hays county registration fee.

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

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

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

As you go down the list, I will not read them
all, but you can see how each of these fees changes
between the current model and the future model. The last
column, the last row that you see is temporary permits.
And you can see right now the counties currently receive
$1.90 on temporary permits. They would receive the full
$5 permit fee in this Rule.

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

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

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

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

MR. PALACIOS: Okay.

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

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

MR. TREVINO: Thanks.

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

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

So as you can see today, customer pays an additional dollar for automation. That is now included in
the processing and handling fee so the customer would see
an increase of $4 on a walk-in transaction, not an
increase of $5. So even though the P&H is $5, that
customer would only see a $4 increase in their total
registration fees.

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

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

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

MR. WALKER: Linda, we've been charging $1 or
the state has been charging $1 automation fee in the prior
ten years I guess. Of the $1 transaction fee that we've
been collecting, how much of that has been going to fund the automation projects?

MS. FLORES: Approximately $24 million a year.

MR. WALKER: How much is that per transaction?

MS. FLORES: A dollar.

MR. WALKER: A dollar?

MS. FLORES: A dollar.

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

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

MR. WALKER: I know.

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

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

MS. FLORES: So --

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

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

MS. WEBSTER: So 50 percent.

MS. FLORES: So for every dollar that we collect, we generate $24 million a year.
MR. WALKER: I got it. How much is being spent on projects?

MS. FLORES: $24 million every two years.

MR. WALKER: All of it?

MS. FLORES: Every two years.

FEMALE VOICE: So half of it.

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

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

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

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

MR. KUNTZ: Going forward.

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

MR. WALKER: So let me ask you this question, and I'm not sure whether David answers this or Whitney, but when the automation fee was put on there, the intent was, Hey, we need to update the Agency because -- and this is prior to the DMV even existing -- was that, Hey, we...
need some money for IT technology to advance the processes out there.

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

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

MR. WALKER: So in reality, almost --

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

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

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

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

MS. BREWSTER: Yes, sir.

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

MS. BREWSTER: That is correct.

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

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

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

MS. RYAN: -- accounted for separately.

MR. WALKER: It does?

MS. RYAN: Yes.

MR. KUNTZ: Yes.

MS. BREWSTER: Yes.

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

MR. KUNTZ: I'll let Linda answer this for information to set up a sub account.
MS. RYAN: I would also add the same question, when it was set as a dollar, I would ask what projects had we identified for the future five years to determine that we needed a dollar. And the same question would be probably none. So I don't know that the dollar was ever determined to be a dollar because we knew exactly what the Agency was going to spend for the next five years and we knew that we needed a dollar.

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

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

MR. KUNTZ: Yes, sir.

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

MS. FLORES: Correct.

MR. WALKER: At any time?

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

MR. KUNTZ: Any other questions on walk-in?

I'll move on the next one.
MR. KUNTZ: Here's the breakdown of online transactions. Online transactions currently represent approximately 18 percent. Today a customer pays the automation fee. They also pay an additional Texas.gov fee of $2. That's for processing that credit card transaction.

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

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

So there was a discount from doing it in a county office as well as a discount to what they're currently paying today for processing that online transaction.
The county would receive $0.25. Texas Online would continue to receive $2. We would receive $0.50. The Automation Fund would get $0.50 as we discussed. And we would anticipate paying the vendor $0.50 for the processing of that transaction.

Are there any questions on this?

MR. WALKER: One question.

MR. KUNTZ: Yes, sir.

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

MR. KUNTZ: Yes, sir.

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

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

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

So we have an existing contract with them.
Today right now it costs us $0.48 to send a renewal notice. That includes the printing of the renewal notice, the stuffing of the renewal notice, the envelope plus a return envelope, two inserts for printing and stuffing in that costs us $0.48 today utilizing that exact same vendor.

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

MR. WALKER: So where's that done?
MR. KUNTZ: Here in Austin today.
MR. WALKER: In Austin?
MR. KUNTZ: Yes, they mail -- we currently mail approximately 24 million registration renewal notices every year.

MS. CARAWAY: So currently a lot of the offices when we do the online, we wait until the funds hit the bank account before they're actually processed. That's --
MR. KUNTZ: Yes, sir or yes, ma'am.
MS. CARAWAY: That's not going to be the case anymore? I mean, they'll process it as soon as it hits the online --
MR. KUNTZ: If the counties would prefer us to put a delay in there, we could put an automatic delay of one day. Again, I said the vendor will print on demand so it's next day at its earliest. In other words, if we said we want you to print the stickers the day after you receive them, that's what they would do. If we tell them to print them next Tuesday, they'll print them on demand on Tuesday.

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

MS. BREWSTER: And we will --

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

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

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

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

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

MR. KUNTZ: Absolutely. And we understand that that's going to be something that we need to make sure
that we’ve got that full process mapped out and discussed with all the county tax assessor-collectors. We know that that’s going to be something that we’ll talk with y’all about and make sure that we’ve got the process nailed down.

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

MR. KUNTZ: Yes, ma’am.

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

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

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

MR. KUNTZ: We’re going to get to that one.

MR. WALKER: So you want me to wait?

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

MR. WALKER: Okay. I was just trying to walk
through the process of where the county gets involved in the process.

    MR. KUNTZ: Yes, sir.

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

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

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

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

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

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

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

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

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

    MR. KUNTZ: So it's a very similar format for a mail-in transaction. A customer pays the automation fee and a mail return fee, if you will, for $52.75. Again,
county keeps $2.90. Automation Funds gets $1. Going forward, that fee, the total transaction fee would be $55.75, $2.30 to the county and $2.20 to the department with $0.50 for automation.

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

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

MALE VOICE: You're doing great, Jeremiah.

MR. KUNTZ: The last slide is the full service deputy. Currently the registration fee, $50.75 plus automation, the full service deputies have a statutory fee of $5 that's listed in the Transportation Code. That brings their total charge to $56.75. County receives
$1.90. The deputy receives their $5. The Automation Fund receives $1.

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

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

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

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

The county would handle oversight I guess, if you will, for the money just like they would for a
substation of their county office. They literally act
just a county substation would in that they send that
revenue in with their daily deposits. Then the county has
some amount of oversight that they need to manage those
entities. They have contracts with them so there's some
oversight associated with overseeing what they're doing.

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

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

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

MS. CARAWAY: Right.

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

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

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

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

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

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

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

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

MR. KUNTZ: Okay. So --

MS. CARAWAY: Okay.

MR. KUNTZ: Overall, the P&H, that was through a lot of analysis looking at what those different transaction costs are, what we see as a potential savings to the county as well as the department in processing more
efficiently, that was just a number that we arrived at in
going through that process of analysis.

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

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

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

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

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

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

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

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

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

MS. CARAWAY: Correct.

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

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

(Whereupon, a short recess was taken.)
MS. RYAN: Okay. It is -- welcome back everyone. It is 11:00, and we have returned from recess and the meeting is back in session. So I will -- if I can have everyone's attention, please. Thank you. The meeting is back in order. Jeremiah, it's all yours.

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

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

What you see here are the members of that working group. We had a cross session of counties represented, and we also have some VTR staff from my shop, myself; William Diggs, who is Regional Services; Amber
Wilson, who is a regional services manager; Gina Gordon, who is a FSR or a field service rep out in the regions; Tim Parlam [phonetic], who is one of our program specialists in VTR; and then Elena Quinn, who is in our Office of General Counsel.

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

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

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

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

So we want to make sure that there's adjustments in the way that the program works to account for the limitations that small and medium counties may have in trying to achieve some of the efficiencies or some of the things that a large county may be able to achieve easier. So that's something that's considered.

In the working group we had extensive discussion about that, and we'll make sure going forward as we put that program together that it makes sure that it has that good flexibility so that we're not singling somebody out and preventing them from actually participating.

The program would have multiple levels of recognition. There was actually an evaluation done by our internal auditor to kind of make recommendations on how to
structure this program. That report that the auditor did actually made some recommendations to have a bronze level, silver level and gold level recognition for the counties.

We anticipate that that would most likely be the recognition levels that we would have in the program. The Rule does not specify the levels of recognition. It just puts in place the criteria that must be considered in creating the program.

The minimum criteria are set in the Rule. The minimum criteria are for baseline performance or what we would potentially consider bronze level performance. And then there would be additional criteria for higher levels for the silver and gold levels of recognition that would be taken into consideration as well.

The Rules outline the minimum criteria. The minimum criteria include timely remitting registration fees collected in accordance with state statute, timely remitting motor vehicle sales tax and penalties again in accordance with state statute, consistently applying statutes, rules and policies governing motor vehicle transactions, and then maintaining the statutorily required bond that the county tax assessor-collectors have for running their operations.

And so that would be minimum criteria for an application for bronze level is maintaining that they are
actually in compliance with state statutes and rules.

For higher levels of recognition, we anticipate that the following criteria could be used in creating the higher levels or the silver and gold levels. Having things such as performs efficiently with low error rates, processing transactions in a timely fashion, having customer feedback programs, and fraud, waste and abuse awareness and prevention programs.

There are also some additional criteria that the Agency may consider adding to those as well for implementing cost saving measures and customer feedback metrics to measure customer satisfaction. I'll take a little bit of a chance here to try and explain how these would be put into some practical applications as we look at things like fraud, waste and abuse or customer feedback.

What we anticipate at this point as we build the program would be for a silver level that there would be something like, Does a county have a fraud, waste and abuse prevention policy in place for their county office. Being able to select yes on that check box and say, Yes, I have a policy in place would be meeting that criteria for silver level.

Then as we look at gold level, we would maybe look at what additional things are you doing to prevent
fraud, waste and abuse. Are you doing regular audits? Is your internal auditor coming in and reviewing you on a regular basis so that would get you kind of into that higher level of recognition.

With customer feedback programs, offering customer feedback to the customers, making sure that you have comment cards, that you have an online portal someplace for customers to provide feedback would potentially be a silver level of recognition.

Having an above average or like 85 percent or better, you know, good or better rating on your customer service feedback would potentially get you into that gold level. So actually taking what you're using in silver level, having that customer feedback mechanism and then actually taking that a step further to say how well are you scoring in that would be where you'd get into that gold level service level.

So that's how we're kind of anticipating structuring this. Obviously, we want to make sure that this program is easy for the counties to make application and we also want to make sure that it is a very objective criteria that we're not inserting a lot of subjectivity into the scoring of those applications as well.

So that's really what we're trying to drive at is to make this a program that is easy to apply for.
Obviously, we don't make it easy to get to gold level. We want that to be a stretch goal.

We want to make sure that customers are seeing some benefit from this program by stretching the goals of the counties and of the regional offices to make sure that they're really stretching to make sure that they're offering the highest level of customer service so that we're getting good customer service to the citizens of Texas.

MR. WALKER: Question?

MR. KUNTZ: Yes, sir.

MR. WALKER: Is this program just inclusive of the tax assessors or is it also the deputies?

MR. KUNTZ: It includes the work of the deputies as well. So the deputy work would be used. So whatever transaction data is needed for processing an application, that would be scored as well.

MS. CARAWAY: So it's for the office?

MR. KUNTZ: It's for the office of the tax assessor-collector. The recognition is at the tax assessor-collector office level. In other words, it's -- and it's very much linked to the tax assessor-collector themselves, their operations and how they're running their business.

MS. RYAN: But the individual business of the
deputy is not under this --

MR KUNTZ: The deputies would not be applying for recognition. The application would be from the tax assessor-collector themselves. But the services that are provided by a deputy would be scored in whatever criteria are there.

MR. PALACIOS: Jeremiah, how difficult is it for the Agency to measure this? I assume it would be annual or every -- how often will we be doing this?

MR. KUNTZ: I'll get into the actual specifics --

MR. PALACIOS: Okay.

MR. KUNTZ: -- of the application process on the next slide.

MR. PALACIOS: Okay.

MR. KUNTZ: On the next slide here, the due date for submission would be October 31 of the application year. The time frame would be for the fiscal year. So we'll be running the evaluation from September 1 to August 31 of the year that they are applying for recognition.

The program requires in the Rule that the county tax assessor-collector must be a sitting tax assessor-collector for a full fiscal year. Most tax assessor-collectors, state official actually take office in January so the first year that they are in office they
would not be eligible because they would not have served in that capacity for a full state fiscal year which starts on September 1 and ends on August 31.

So they would be eligible to apply their second year of office, if you will. The term of the recognition is the term of the office. If the tax assessor-collector is not coming back, if they either resign their post or they are not voted back in during their re-election term, the recognition program would end upon the term of their election cycle. And then if they are re-elected, it would expire one year after their re-election.

So that way the county tax assessor-collectors are not having to apply during their election year and having to make that extra effort. That was something that in the work group came out that they did not want to have to be making an application during their election cycle when they're busy working on their election.

MR. PALACIOS: So back to my question, how practical is this for us to evaluate this for the 254 TACs or whoever elects to sign up for this?

MR. KUNTZ: That is really going to be dependent upon how the program really gets structured and which criteria, how we utilize those criteria, whether or not RTS has ad hoc reports that can run on it or if we're having to do some evaluations.
Obviously, we want to make sure that we create
the program in a way that's simple as possible to
administer. We do not have additional FTEs. We'll have
to do this with the existing FTEs of the Department.
There's not a separate line item budget to, you know,
exceptional item or something to do this program. This
will be something we do with existing resources.

MS. BREWSTER: So just to be clear, the Rule
authorizes the program. The specifics of the program are
yet to be determined, and the Agency will be working on
that.

MR. KUNTZ: And we'll continue working with
that working group as we develop the specifics of the
actual program.

MR. INGRAM: Has the working group considered
or internally have we considered using an outside service
to judge or monitor this program?

MR. KUNTZ: We haven't gotten that far in it.

MR. INGRAM: It's a little early?

MR. KUNTZ: Yeah.

MR. INGRAM: Okay.

MS. BREWSTER: That's certainly a good
suggestion to take under advisement. Thank you.

MR. KUNTZ: And, again, the workload with this
program will be driven by how many counties actually make
application. Obviously, if all 254 made application, then that would be a heavier workload than if, you know, only a handful of them made application.

That concludes that section of the presentation if there's any other questions. If there's not any other questions, I'll move on to the deputy section.

(No response.)

This section of the presentation covers Item 2.B.2 relating to the deputies or the deputies of the county tax assessor-collectors. As was mentioned earlier, House Bill 2202 authorized the Department or the Board to create deputy classification, their duties, obligations, and to set their compensation. These Rules are you taking action on that legislative authority.

The classifications that are contemplated in this Rule are the full-service deputy which is existing in statute -- we would be recreating that in rule -- a dealer deputy which would be a new deputy classification that has never been considered before, limited service deputies, which were also previously in the state statute, and then inspection station deputies which would be a new deputy type that was not previously considered in the state law.

As you can see here, a full-service deputy can do registration, title, permits and other transactions as authorized by the county tax assessor-collector. I think
of this as a menu to choose from. County tax assessor-collectors may authorize them to do all of these transactions or they may curtail and say you can only do certain types of transactions through their contract.

Dealer deputies would have dealers processing title paperwork for vehicles that they sell in their dealership. They would not be required to be open to the public. They would also be able to process registrations for those vehicles as well as processing registration renewals for the general public.

Anybody that walks in off the street that would like to process a renewal, it's authorized for them if they come to agreement with the county that they want to provide that service. That's an option that the dealers would have under this Rule to provide renewal services to the general public. That is the main difference between a full-service deputy and a dealer deputy is the handling of title transactions.

The dealer deputy contemplates that, in the Rule, that they would only be handling their own transactions. A full-service deputy takes walk-in transactions from anybody off the street that's processing a title.

There is nothing in the Rule that precludes a dealer that would like to handle title transactions from
the general public. They could be deputized if the county
would like them to be as a full-service deputy and
therefore, granting them the authority to do transactions
for the general public.

So a dealer has the option of either being a
dealer deputy and only doing their own transactions or
petitioning to the county as a full-service deputy and
doing any transaction from the general public.

MR. WALKER: But that's not what the Rule says.
The Rule says that a dealer deputy cannot do a renewal.

MR. KUNTZ: If you are a dealer deputy, you
have the option to do renewal work.

MR. WALKER: I don't believe that's what the
Rule, when I read last night, it says that they cannot do
renewals.

MR. KUNTZ: David, you want to try and look at
that.

MR. DUNCAN: Yeah.

MS. BREWSTER: Madam Chair, would you like us
to continue to proceed while Mr. Duncan takes a look at
that?

MS. RYAN: Yes, I was going to say can we
continue the presentation and maybe look at that at a
separate opportunity.

MR. KUNTZ: The limited service deputies, they
would continue to do renewal registrations only. That is the only thing that they can process today, and that would be continued into the future. And then inspection station deputies, the new deputy classification, would only be doing renewal work. They would not be doing title work or initial registration or temp permits or any other types of transactions.

MR. BARNWELL: Jeremiah, the sureties vary from a very low amount to a lot of money. How are these surety bonds going to be set?

MR. KUNTZ: So right here, the way that the Rule lays it out, as you can see for a full-service deputy, the amounts that are set in the Rule are between $100,000 and $2 million as determined by the county tax assessor-collector. So the county tax assessor-collector would look at that full service deputy, determine the risk profile and then assess a surety bond based on what they believe is an appropriate bond amount.

So Ms. Caraway, Member Caraway was referring to this earlier in the testimony that the tax assessor-collectors in the state of Texas are personally liable for all taxes and fees owed to the state of Texas. When they deputize somebody, they are still liable for all those fees.

Even though they have outsourced that business
to another entity, they themselves are personally liable.
The surety bond is what protects the tax assessor-collector should there ever be an issue with that deputy that they are protected in any fees or taxes that are owed to the state.

MR. BARNWELL: There have been occasions where deputies have done some things that were illegal, fraud and other things. Does the surety bond protect the tax assessor-collector for that? Can we collect against that?

MR. KUNTZ: That is the intent of the surety bond. Right now --

MR. BARNWELL: Beyond fees. I'm talking about fraudulently issued titles and things of that nature.

MR. KUNTZ: If there is a liability of that deputy, that liability is with the county tax assessor-collector ultimately, and the county tax assessor-collector would be the one that is liable for what is owed to the state of Texas in fees, taxes.

MR. BARNWELL: Who writes these bonds

MR. KUNTZ: There are various financial institutions --

MR. BARNWELL: Just insurance companies and financial institutions?

MR. KUNTZ: Yes, sir.

MR. BARNWELL: And you pick one you like?
MR. KUNTZ: Yes, sir.

MR. BARNWELL: Are there any requirements regarding the financial stability of these surety bond companies?

MR. KUNTZ: Not in these Rules. I will also say that in some instances we are aware that the full-service deputies have put cash in escrow accounts to serve as the surety bond as well. So it really varies county by county. But we don't have any insight as to what requirements the counties have for the financial stability of the surety bond issuer.

MR. BARNWELL: Okay. All right. Thank you.

MR. DUNCAN: If I may return to your question, Member Walker, David Duncan, General Counsel, if you'll look on your board books at pages 94 and 95, 217.166(e) says that dealer deputies may not otherwise offer initial registration services right before the section about renewals.

The renewal say a county tax assessor-collector may authorize a dealer deputy to provide motor vehicle registration renewal services and goes on to say if they offer registration renewal services, they must offer services to the general public.

MR. WALKER: So they can offer renewal services?
MR. DUNCAN: Yes, sir.

MR. WALKER: Because I thought it was kind of weird when I read it --

MR. DUNCAN: It may not. It was right before it so that's probably what might have caught your eye.

MR. KUNTZ: So the provision that was just referenced for initial registration, they can process those for their own transactions, but they would not be processing initial registration to the general public.

Initial registration is tied to the title application so generally when somebody applies for title, there's an initial registration that occurs at the same time as title. So when a dealer sells a vehicle, they would process, if they're a dealer deputy, they would process the title and initial registration on behalf of the buyer. But they would not be providing initial registrations for transactions that they did not do.

So if there's a private party sale to citizens sell or trade vehicle -- I mean, when a citizen sells a vehicle to another, they would not be able to walk into a dealer deputy office and perfect that transaction in a dealer deputy's office. They would have to go to a county or a full-service deputy to do that.

But as I said, a dealer may opt if they so choose to become a full-service deputy location if that's
something they desire.

MS. BREWSTER: And if that is something that
the county choose to deputize them to do.

MR. KUNTZ: Correct.

MR. WALKER: Does the county have to deputize
them to do each of these deputies?

MS. BREWSTER: Yes, sir.

MR. KUNTZ: It is the full discretion of the
county as to whether or not they deputize another entity
to be a deputy.

MR. WALKER: Well, and the reason that it kind
of caught me strange when I read it last night was that an
inspection station can actually be deputized so that when
you go get your inspection done, you can do your renewal
all at the same time.

So I was thinking well, probably a big
percentage of people go to a car dealership which is a
dealer to get their cars, you know, inspected. Why
wouldn't you do it there which I thought, well, if a
dealer can't do a renewal, why wouldn't he do it under the
inspection station.

So a dealer can be actually a dealer deputy and
an inspection deputy, or can it be one and the same?

MR. KUNTZ: If they are already a dealer
deputy, they would not need to be an inspection deputy.
But if they only wanted to provide renewal services, they
could if they are a certified inspection station. Again,
that is a criteria that the dealer have a certified
inspection station within their dealership. Then they
could apply as an inspection deputy.

MR. WALKER: So if he's a inspection deputy, he
couldn't do titles?

MR. KUNTZ: Correct.

MR. WALKER: But if he's a dealer deputy, he
can do titles and renewals and inspection?

MR. KUNTZ: As long as the inspection being as
long as he's a certified inspector, he could do the
inspection as well.

MR. WALKER: With the DPS?

MR. KUNTZ: Yes.

MR. PALACIOS: Jeremiah, I'd like some
clarification here on renewals. Now, we're talking about
a dealer, I guess, having the ability to do the initial
registration. Now, when a customer, an existing customer,
comes back for a renewal, are they eligible to do that or
is that outside of their scope?

MR. KUNTZ: So long as the county, and
according to the Rule, so long as the county has
authorized the dealership to do renewal work, then they
could provide the renewal service, but again, they would
have to provide those to anybody that came in the office.

    MR. PALACIOS: Okay.

    MR. KUNTZ: The way the Rule structured is if you opt to provide renewal services, you must provide renewal services to anybody from the general public that wants to do a renewal at your dealership.

    MR. PALACIOS: Okay. So if you open it up to your customers, then it has to be open to the general public as well --

    MR. KUNTZ: Yes, sir.

    MR. PALACIOS: -- for renewals?

    MR. KUNTZ: Yes, sir.

    MR. PALACIOS: Except if you're an inspection, a certified inspection station?

    MR. KUNTZ: If you're an inspection station, the same thing applies. You would be open for anybody that's coming in to get an inspection. You would be providing that renewal service to them.

    MR. PALACIOS: Okay.

    MR. KUNTZ: All right. So and we kind of skipped over this, but I want to go back to the compensation. And actually, before I do that real quick, on the bond amount, the one thing I wanted to make mention of is we had extensive stakeholder input as we went through the rulemaking on this.
One of the things that we heard from the full-service deputies was that the original proposal for setting the bond amount would have been too burdensome on those entities. The way that we had looked at crafting that bond language would have required that bond to be set based on a percentage of the transaction volume that that full-service deputy is doing in a year.

We removed that language from these Rules and we went back to the language that you see here which is, at the discretion of the county, the amount can be set between $100,000 and $2 million and it is purely at the discretion of the county. There is not automatic setting of that bond amount based on the percentage of transactions that they're processing.

So I just wanted to make sure that that was clear because I know that there was discussions around that during the working groups. And I wanted to make sure that the audience was aware that there is no longer a percentage requirement for that bond to be set.

MS. RYAN: And Jeremiah, since the TACs are liable, did we also receive the same and consistent feedback from the TACs that they were comfortable with a dollar amount and not the percentage that was --

MR. KUNTZ: Yes. The range, we received feedback that those ranges were in the current ranges that
they require today.

MS. RYAN: Okay.

MS. CARAWAY: And the bonds that are currently in place with county TACs or a full-service deputy or a limited service deputy, whatever, if they're less than this amount, does this take effect when the Rules take effect or when those bonds expire? Does that make sense?

So like I have a company that has a $50,000 bond instead of $100,000 bond. How does that --

MR. DUNCAN: Well, two points to that, Ms. Caraway. A, we'd be very interested in that as a comment because we did reach out to a couple of the counties to ask them about their bonding -- you know, a couple of the larger counties -- to ask them about their bonding amounts for the full-service deputies and even asked about the limited service as well to make sure we weren't out of line on limited service.

So we'd be very interested in knowing that in a comment. And beyond that, in terms of the applicability, we have set -- because the new, at least the full-service deputy rules, they require a contract to be entered. And that contract is not required to be entered until January 1 of next year. So all this fall, it's going to be status quo on the deputy operational side.

So the bonding amounts would not -- the way
we're going to write the effective date of the Rule the
way we plan to is that none of the operational
requirements would be effective until January 1. But
these Rules are going to have very complicated effective
dates because of RTS programming and just other, you know,
issues with allowing people time to comply.

The TAC recognition program, for example, you
know, there's deadlines that extend out over, you know,
months and years. So this is not going to be our typical
as soon as we submit it to the register the clock starts
ticking and then they become effective. The effective
date sections of these Rules are going to be quite long.

MS. CARAWAY: Okay.

MR. WALKER: Was there a -- and I apologize. I
got buried in this other deal -- is there the TAC decides
the bonding amount that the deputies have to have?

MS. BREWSTER: Yes, sir.

MR. KUNTZ: Yes, sir.

MS. BREWSTER: Within this framework.

MR. WALKER: And they do that discretionary
based up on the volume of business? Is that how they
determine that?

MR. KUNTZ: It's completely up to the
discretion of the county TACs. The Rule does not specify
what criteria the tax assessor-collector will utilize in
setting that bond amount. It merely says that a tax assessor-collector, they choose an amount between $100,000 and $2 million.

MR. WALKER: So have we gone out there and said, What do you charge? Do you put limits on that? How do you determine that?

MS. CARAWAY: Your county has their own way right now.

MR. DUNCAN: If I may, Member Walker, we have spoken to one large county that has full-service deputies. And they informed us that they converse with their county auditor and other staff within the county. The bond is really set. Again, it's not something that we're telling them even how to do the calculation.

The bond is set to protect them. So for them, it's an assessment of risk. It's like buying insurance. How much insurance do I need? Well, how much risk am I comfortable living with? So they do talk to other internal county staff that have knowledge of the county's assessment of their risk and that's my understanding of how they have set the bonds heretofore.

MS. RYAN: And if I may, to keep things moving also, this is where the public comment feedback is, as Mr. Duncan said, if limits or guidelines or grandfathered timelines are important during this time frame, the Agency

ON THE RECORD REPORTING
(512) 450-0342
would love to hear that comment and suggestions which will be considered.

And if things need to be revised or additional depth or definition needs to be put in here, this would be the time frame that that input would need to go in and to be considered.

MS. BREWSTER: That's absolutely correct.

MS. RYAN: Right. Okay.

MS. CARAWAY: And these full-service deputies would have to contract both with the county and with --

MR. KUNTZ: So we're getting to that.

MS. CARAWAY: Oh, I'm sorry. Okay. Sorry.

Jumping ahead.

MR. WALKER: But has there ever been --

MS. RYAN: I'm just trying to keep us moving.

Trying, Luanne.

MS. CARAWAY: I know.

(General laughter.)

MR. WALKER: Has a county ever filed against one of these bonds?

MS. CARAWAY: I think so. On a full-service?

MR. KUNTZ: We know that county bonds have been filed against, but we're not aware of full-service deputies --

MS. RYAN: Jeremiah, is that data you can
research and get back to us as a Board?

MR. KUNTZ: We can.

MS. RYAN: Okay. That would be great information that you could get back to us, please.

MS. BREWSTER: And that certainly would be good information coming from counties who have full-service deputies --

MS. RYAN: Yes.

MS. BREWSTER: -- because you might not have insight into that information.

MS. RYAN: If you all, if the staff could please get us that data back, we'd appreciate it. Thank you.

MR. KUNTZ: So starting back at the top, I kind of skipped over this part, the compensation. The way that the statute is contemplated is the Board has the discretion to set the duties, obligations and as well set the compensation for these deputies.

The compensation in the Rule is up to $15 on a title for a full-service deputy, $5 for registration and you saw a lot of that breakdown in the processing and handling fee and how that plays in the processing and handling fee. And then $5 for a temporary permit.

All those fees must be published in a place in the full-service deputy location that the public can see.
what fees are required to be paid. For a vehicle that is
requiring a title and registration, the $15 and the $5
registration would be combined for a total of $20 in
compensation for the full-service deputy processing that
transaction.

MR. INGRAM: So I'm confused. I thought the
registration part of it was set by statute.

MR. KUNTZ: The registration, the part in
Transportation Code 520 previous to this statute change,
the statute actually stated that $5 could be charged by
full-service deputy for a registration transaction. When
you take action on these deputi
goes away and it is replaced with whatever fees y'all set.

MR. INGRAM: Okay.

MR. KUNTZ: But that fee has been set by
statute previously as $5.

MR. INGRAM: Okay.

MR. KUNTZ: The obligations, the obligations of
the deputy, they must be fully trained and deemed
competent by the tax assessor-collector to perform the
services. And there's a requirement for a contract
between the county and the DMV. This is something that
has come up recently in light of some issues that have
come up recently.

And the full-service deputies utilize a full
registration and titling services system. And so in the use of that and the access of that system, we are proposing that we be a party to that contract because they have full access to the registration and titling system so that we are now a party to that and understand where their access is and what they're doing. The only way that we can do that is through that contract.

Are there any questions about full-service deputies?

MS. RYAN: Who would write that contract?

MR. KUNTZ: We anticipate that we would work with the county tax assessor-collectors to craft a blanket template contract, if you will, and then it would be negotiated with the full-service deputies if there were any additional provisions that the county would like added to that.

So the Rule contemplates that there's some baseline provisions that would be required in the contract and then that there's some discretion to add additional provisions if the county so chooses that they would like to have added.

MS. RYAN: So we envision one fairly uniform contract for --

MR. KUNTZ: Yes, ma'am.

MS. RYAN: -- full-service?
MR. PALACIOS: Jeremiah, I guess going forward in this contract, will DMV have any discretion as to who has access to -- who we distribute these RTS systems to or is that going to be left up to the TACs to decide fully who they deputize?

MR. KUNTZ: It would be up to the tax assessor-collectors on whether or not to deputize them. We would put our requirements for entering into an agreement in that contract and those would be our stipulations so long as they agree to those stipulations.

MR. PALACIOS: Okay.

MR. WALKER: Wasn't there some talk at some point in time where we were going to take and not provide the equipment anymore to some of the deputies?

MR. KUNTZ: So there's never been a contemplation that a full-service deputy would not utilize the registration and titling system, the Point-of-Sales system that the county tax assessor-collectors utilize.

There was talk at one point in time with refactoring about whether or not the counties would be able to use their own county work stations and then use the Point-of-Sales system on their own work stations. And we've not been able to implement that because of some of the limitations we have on the technology side. It's something that we've looked at and we'll continue to look
at. But at this time, we don't have immediate plans to --

MR. WALKER: But I think it was on the limited deputies also. We were looking at it because they all had a computer sitting at their countertop and we were going to not provide them.

MR. KUNTZ: The limited service deputies, and we'll get into that, they utilize WebSub, which is a web-based application and they already use their own computers.

MR. WALKER: So we're not providing that equipment anymore to those?

MR. KUNTZ: Correct.

MR. WALKER: Okay.

MR. KUNTZ: Yes, sir. A full-service deputy has a direct connection to RTS. We provide that network connectivity. They get a work station from us. They provide a lease payment for those. There's an annual lease payment that they pay to the state for that work station. But all of the support, the network connectivity, all of that is through the TxDMV network.

MR. TREVINO: So a full-service deputy has the exact same access, the exact same -- just like a county officer? They mirror a county officer?

MR. KUNTZ: They mirror a substation of a county office, yes.
MR. TREVINO: Okay.

MS. CARAWAY: And does that lease cover the full cost of the T1 line and all that connectivity issue?

MR. KUNTZ: I'd have to go back and look and see exactly how much of the cost it covers. Any other questions on full-service deputies?

(No response.)

MR. KUNTZ: Dealer deputies, this is a new deputy classification as we discussed. Very similar layout here in walking through this. Compensation would be $15 for a title, $1 for registration or registration renewal. So for a new vehicle sale, a total fee of $16 if there's both title and registration on that transaction.

The surety bond mirrors the full-service deputy surety bond of no less than $100,000 or more than $200,000 -- I mean, $2 million as determined by the tax assessor-collector. So it's the same surety bonding amount.

They must be trained and deemed competent to perform services. There is not a requirement for a contract for dealer deputies. That question has come up as to why are you not requiring a contract for them. Dealer deputies are required to be a licensed dealer through the Department.

We already have the ability to have oversight
over dealerships through their license. We have administrative procedures that we have with dealers if they are not performing transactions in accordance with state law. So there's already a mechanism, if you will, to oversee the dealer's activities and ensure that they're complying with all the requirements of state law.

The system that they would be using would be webDEALER. It is not a full RTS registration titling system access point. Those transactions still flow through the county and there's still an approval step for dealer transactions in the county office. So they do not have full access to be able to go in and alter a transaction or change a transaction within the registration titling system without any approval from the county offices.

MR. WALKER: Do we allow for a cash deposit on the bond?

MR. KUNTZ: We've not considered that that would not be allowed.

MR. WALKER: What would not be what?

MR. KUNTZ: That that would be allowed.

MR. DUNCAN: We could clarify that again in the adoption in response to some comments, but our understanding is that it's currently allowed by the counties and that there are several that do have a cash
We have bonds on stuff. We put up cash because we don't want to pay an insurance company a bunch of chunk of money.

And it's whatever risk is acceptable to the county and how they best choose to recognize that. So we could clarify what a bond means and cover that pretty easily.

With respect to the obligations, "must be trained and deemed competent to perform services."

Yes, sir.

Who is that?

So there's multiple --

Who's going to designate this trained person or persons?

So there's multiple training that occur particularly as we've rolled out webDEALER to the dealerships. We have gone out and done training. The counties have done training. The main distinction here is that the county has deemed that they are competent to provide the service, whether they've taken -- they've read the user manual, whether they've taken in-person training. And that is up to --

So we've really shifted that off
to the tax assessor-collectors.

MR. KUNTZ: The tax --

MR. BARNWELL: And if they want to appoint a dealer deputy who has no clue how to even spell deputy, then they can.

MR. KUNTZ: That is their discretion if they deem that person is competent --

MR. BARNWELL: Because they're personally liable for any mess ups that might happen, is that correct?

MR. KUNTZ: And that is not a change from today. That's the way it's handled today.

MR. BARNWELL: Okay. I'm fine with that. That's accountability so I'm fine with that. Okay. Thanks.

MR. KUNTZ: We do not have any minimum training requirements, if you will, on hours of training or anything that are in this Rule.

MS. CARAWAY: But they still contract with the county if that's what the county chooses? It's just there's no --

MR. KUNTZ: Absolutely.

MS. CARAWAY: -- interaction with DMV on that?

MR. KUNTZ: Absolutely. Limited service deputy, again, $1 for registration renewal. That's the
only transaction a limited service deputy can provide is a renewal. A surety bond is different here. It's no less than $2,500 or no more than $1 million.

The risk profile on limited service deputies as we've seen with the counties is less. They're not handling the sales tax dollars that are collected on a title transaction from a sale of a vehicle. They're only collecting the registration amounts so there is a smaller risk profile, if you will, for limited service deputies.

Again, they must be trained and deemed competent. The system that they utilize is WebSub, which is web-based application that they run on their own computers. We know that there's at least one limited service deputy that has a fully integrated solution.

They've put it into their Point-Of-Sale system and they've got an interface that they interface with WebSub. But they use their own computer equipment. And if they so choose and want to create their own interfaces, they can do that as well.

The final deputy is an inspection deputy. Again, they have a $1 registration renewal. Renewals are the only work they can do. They cannot do title transactions. Again, the surety bond is very similar to the limited service of $2,500, no more than $1 million. They must be trained and deemed competent.
They must be a certified or licensed inspector as determined by DPS. They must maintain that certification as a certified inspector. The system that they would utilize going forward would be WebSub. We would consider that to be the same application as a limited service deputy. And they would be required to provide their own computers and printers for the printing of the stickers.

MS. CARAWAY: And how do we know if they're licensed by DPS? Is there a real time database?

MR. KUNTZ: I'd have to go to DPS and ask them what kind of reporting they have on the certified inspectors, but we could check into that.

MS. CARAWAY: Yeah, it seems like we would need to know like if somebody's been cut off --

MR. KUNTZ: Yes, ma'am.

MS. CARAWAY: That sort of thing.

MR. KUNTZ: Or some kind of notification --

MS. CARAWAY: Right.

MR. KUNTZ: -- if they've been cut off.

MS. CARAWAY: Right.

MR. KUNTZ: Are there any other questions on deputies? This is the last slide on the deputy section.

MR. WALKER: The limited, the dollar transaction, what are they currently getting?
MR. KUNTZ: A dollar by statute.

MR. WALKER: So there's no change?

MR. KUNTZ: Correct.

(Pause.)

MR. KUNTZ: The next section of my presentation will cover agenda Item 2.B.5. These are really the other -- I'm going to try and broadly categorize these -- the miscellaneous provisions that are contained in the final Rule. I will go through these very quickly. If there are some more specific questions or you'd like me to address any issues from the Rule, I can do that.

But kind of to hit the high points, there's a change in even trades today. A customer who trades vehicles with another customer of equal value, if Linda and I decided we wanted to trade vehicles, there is no sales tax consideration for trading vehicles, exchanging vehicles. I don't know that she wants my truck, but I may be interested in her Lexus. I don't know.

(General laughter.)

MR. KUNTZ: In that scenario, what this Rule contemplates is that both of us would be required to show up in person at the county office to process that transaction. Today, we have a weakness in our process in that somebody can claim that they did an even trade even if they did not. They can put that on that 130-U, which
is the title application, and it is very difficult to monitor and to catch those.

This is an effort to try and crack down on fraud that we have seen that is occurring where people are claiming to have even trades when they do indeed not. We have seen on the back end where somebody's claimed to have even trades where the subsequent vehicle never comes in for the title transaction, and we can see it is maintained in the previous owner's name going forward. Therefore, we know that that was not a legitimate even trade.

This is a very important provision for us on cracking down on fraud that we've seen recently that we're trying to make sure it does not happen going forward. So this is a preventative measure.

I'm sorry. There we go. Another major change in this Rule package is to implement some legislation that passed during legislative session, one thing being that concealed handgun licenses may be used as identification documents when processing state transactions.

We require an identification document, such as a driver's license or other government forms of ID when processing a title transaction. We are adding a concealed handgun license as an acceptable form of ID to this Rule. We have already implemented that through procedure with the county TACs offices as well as our regional offices.
This is perfecting the Rule to be in compliance with state law.

There are also various other changes to implement various bills that passed during the legislative session that we just came out of the 84th session. That completes that portion of my section. I'm going to turn it back over to Whitney.

MS. BREWSTER: Thank you, Jeremiah. Madam Chair, Members of the Board, in closing, I want to draw your attention to this slide. This is language from the preamble. And I will read this one, and it says, If any commenter submits written comments disagreeing with the Department's position regarding economic impact, the Department strongly recommends including documentation to support any stated negative financial revenue or cost implications. Such documentation will aid in the Board's decision-making process and could include detailed financial statements, business plans, budgets, or other items necessary to demonstrate the stated impact.

As we've gone through this presentation, there have been a lot of assumptions made by the Agency. Did we get them all 100 percent right? The answer is likely no. And so we encourage those that believe that they are going to be negatively impacted to give us information, objective information regarding their financials, their
business plans, et cetera to show us how it will harm them.

We've heard anecdotally this Rule is great for us. This is going to be harmful for us. That's very hard for the Agency to really determine what is the best amount to recommend to the Agency or to the Board for consideration. And so we are asking very explicitly in the preamble, please provide that financial information to us so that we can make a good solid recommendation to the Board.

I do want to state, however, you're going to hear a lot of comments about fees I'm sure, and I'm going to stop talking so those that are here trying to make public comment can get up here and start doing so. But I do want to remind the Board that these initiatives are not just about fees.

These initiatives are about creating efficiencies, driving down costs, utilizing more modernized processes and most importantly, providing better services to the citizens of the state of Texas. And so I just encourage you to keep that in mind as we're going through this process that it's not just about the fee. It's a much bigger picture. And so with that, that concludes our comments. And we're happy to answer any additional questions that the Board has.
MS. RYAN: I do have a question. David, is somebody does submit financial information that they feel needs to be kept confidential, does the Agency have a way to do that if they're concerned?

MR. DUNCAN: Yes, Madam Chair. And in fact, we cover that in the preamble. We --

MS. RYAN: I saw that. I just would like to understand it.

MR. DUNCAN: -- talk about the structures of the Public Information Act. We encourage the commenters submitting confidential information to make it confidential, which would require under the PIA that we, if we should get a request that would encompass that information, that we submit it to the Attorney General's Office for an opinion and then notify them, the submitter who marked it confidential, that an opinion has been requested so they can go make their own arguments to the Attorney General as well.

MS. RYAN: Okay. So as we ask so that we can make those decisions, there is a way to provide us with that information as well as respect their concerns for that confidentiality?

MR. DUNCAN: Yes, ma'am.

MS. RYAN: Okay. Thank you. Any other questions?
(No response.)

MS. RYAN: Okay. With that, progress. We will move to agenda Item 2.B.2 and we will address Subchapter H, Deputies. We will start with public comments. I'd like to remind everyone who signed up to speak that you will have three minutes. Our time people will remind you, will remind each speaker when their time is up as will the lights on the timekeeping device.

As I call you up, I'll call a couple at a time to speed things up if that's okay. We have a couple comment cards where commenters have asked to have their comments read into the record versus speaking. And I have asked David Duncan, our General Counsel, to read those into the record before we start with anybody that would like to present.

So I will give David the time first to read those comments into the record.

MR. DUNCAN: Members, just an update. This is a new process that we've tried for this meeting knowing that there was a great deal of interest in this and knowing that some folks don't like to get up and speak. They'd rather just enter a comment.

So we provided the option which we've not done before folks could check either I wish to appear before the Board or I do not wish to appear but I want to have my
name and comment included in the record. If you've testified at the legislature, you've seen this before. This is how the legislature does it in legislative committees.

And so what I have before me on Item 2.B.2, the Deputies is a handful of comments. Now, if you're in the audience and I read your name as someone who said they didn't want to appear and that was a mistake, please let us know and we'll get it up to the Chair and she can allow you to go up and have your three minutes. But I will read through these.

First, Richard Salas of the Bexar County Tax Office registered as in opposition to 2.B.2. Billy Davidson of Austin registered support and her comment is, The title offices do not need to be closed. Where will the girls find jobs? The wait at the county offices are too long.

John Ames of Dallas County stated he did not wish to appear and is in opposition to the Deputy Rules. And his comment is, I do not believe that the DMV staff has properly worked with or incorporated consideration of tax assessor-collectors' comments and input. Marcos Pena, the Austin County Tax Office is opposed to the Rules and is opposed to the Rule change represented in this Item.

And Bruce Stidham of the Tax Assessor-
Collectors Association, he's from Sherman, Texas is opposed to the Rule changes and he states it's on TAC -- excuse me -- tax assessor-collector compensation. I believe this may have actually been a comment that was meant for 2.B.3. So I think when we come to 2.B.3, I'm going to read this one again just so I can't be wrong.

And those are all the non-speaker comments that we had for the record.

MS. RYAN: Okay. Thank you.

MR. WALKER: Did that last person speak for themselves or are they speaking for the association?

MR. DUNCAN: He states that representing, he says Tax Assessor-Collector Association.

MS. CARAWAY: I don't think so.

MR. DUNCAN: That's what he wrote.

MS. CARAWAY: Yeah. I think he was here on this -- there is here someone for the association. That's why I say that.

MS. RYAN: Okay. David DeLeon, DeLeon, and if I mispronounce your name, I'm going to apologize in advance. If you can come forward, please, and then Albert Urnesti.

MS. CARAWAY: Uresti.

MS. RYAN: Uresti. I have -- so David, if you can start and then Albert, you'll be next. And I have
Luanne at my side to correct me.

   MS. CARAWAY: Sorry.

   MS. RYAN: That's okay. David, if you could please state your name and who you're with, please.

   MR. DeLEON: Okay. My name is David DeLeon. I'm the director of --

   MS. RYAN: I'm going to ask to start the timer.

   MR. DeLEON: Oh, I'm sorry.

   MS. RYAN: Thank you.

   MR. DeLEON: I won't take the whole three minutes.

   MS. RYAN: You're welcome to.

   MR. DeLEON: Yes, my name is David DeLeon. I work for the Bexar County Tax Office. I'm the director of motor vehicles, and I am here just basically to state the proposals the DMV is proposing will create a hardship for Bexar County and some of the larger counties with the proposals that -- our tax assessor Albert Uresti has submitted -- has proposed -- has submitted a proposal which I believe will allow the Board and the DMV to maintain -- I mean, to attain its goals of getting revenue and be self-sufficient and also not hurt the counties.

   Thank you.

   MS. RYAN: Thank you. Mr. Uresti, if you'll give our timekeeper just one second. She'll let you know
when it's okay. You're okay.

MR. URESTI: Are you ready? I'm opposed to the full-service deputy.

MS. RYAN: If you'll start -- I'm sorry. If you'll state your name.

MR. URESTI: I'm opposed to the Rule.

MS. RYAN: State your name and who you're with, please.

MR. URESTI: Albert Uresti, Bexar County Tax Assessor. And also it's referencing I think that second one they put that they were in favor, but I think they really meant to put I was opposed. I just want to clarify that for you.

We have 21 full-service deputies in Bexar County, and we have 42 limited deputies. It's a model that I inherited, but it's worked well. I also want to, you know, I know there's been different innuendos about the work that they perform.

As the Bexar County Tax Assessor, I have the authority, the sole authority to be able to oppose any of these title services that don't perform in a manner that is conducive to what we're trying to do and I can close them within 24 hours without any questions, without any authority from anybody else. So I just want to clarify that so when things are said about full-service deputies,
they serve at the pleasure of the tax assessor. And I have a lot of them here so we've talked about this before.

One of the things that as this study was done, I believe it had 64 percent of the transactions, title transactions, were done by walk-ins. And in Bexar County, that's not the case. We only have 30 percent, and the reason for that is because 40 percent of our title transfers are done by the full-service title companies. In Travis County, I believe it's 30 to 40 percent. In El Paso, they're at 60 percent.

So the implications of the exchanges are going to be drastic. Also, on the title registrations, which takes into account the full-service deputies and the limited service deputies such as the HEBs, they're doing about 48 percent of the transactions in Bexar County. Again, it is a drastic change.

These companies have been in service for -- some of them for close to 40 years. I believe in Austin, Travis County, I have one that's for 50 years. So again, these restrictions are beyond what other private businesses are required to provide. I don't -- you know, I'm not -- I can't tell you I have a long history of DMV, but I don't remember DMV -- I don't remember any government agency requiring five years of audited financials.
I mean, I don't even know what an audited financial is. I mean, so I don't think any of my title service companies have that. So really I think if you want to put them out of business, just tell them, Hey, you know what, we want to close you down. But don't put these restrictions on them that are just, you know, they're just way beyond what is necessary.

I'm elected. You know, I hear about the oversight by the state. I'm elected by two million people, almost two million people. Trust me, if I'm doing something wrong, I will be elected out. I don't need anyone to oversee my work as providing customer service.

I understand the state wants to do customer service, and I applaud them for that. I've made a lot of friends through the DMV. And I think that their work is sincere and I think they want to provide the customer service but so do we.

I can tell you that we have developed programs in Bexar County that no one other county in the state of Texas has done. Jeremiah can tell you that we have been on the cutting edge. Any program they want us to do, we do it even when other counties have failed. I've loaned my employees to DMV for over three months.

So customer service is my priority and keeping families in their homes is also my priority. So I just
wanted to mention that. You know, if there was a reason
to do it, I'd say, you know, the full-service title
companies were not performing as they should, I would
close them down. And so I think that's just as important
for y'all to know. Thank you.

MS. RYAN: Thank you. Are there any questions?

MR. WALKER: I have a question of our staff I
guess.

MS. RYAN: Okay.

MR. WALKER: Not Albert, but he made a comment
that the deputies are required to have a full-service
audited financial. Where did that come from?

MR. DUNCAN: Mr. Walker, Dave Duncan, General
Counsel. In the Rules as they're currently drafted, which
is the draft proposal, in the section about the contract,
it states that there are requirements that are necessary.

One of them is the full-service deputy must
make its audited financial statement available to the
Department for review only on request. And it also states
that they must maintain and retain all documentation
pertaining to operations as a full-service deputy for a
period of four years. There's no five-year requirement
for audited financials. If we receive the previous years,
that would be sufficient.

MR. WALKER: So well, we really need to look at
that. But you're requiring audit -- if you're -- hold on.

MS. RYAN: You didn't say audited financials. You said financials. Correct?

MR. WALKER: He said audited.

MR. DUNCAN: Yeah, audited.

MR. WALKER: He said audited.

MS. RYAN: Audited, but an audited financial for one year upon request. Correct? And then four years of records. Correct?

MR. WALKER: Yeah, but an audited financial of any small business is going to cost $15,000 to $30,000.

MALE VOICE: That's true.

MR. WALKER: I mean, these guys are million-dollar companies and smaller, you can't ask a company that size to have audited financials.

MS. RYAN: So I think that would be a comment that should come in from those businesses, but I think --

MR. WALKER: So that's a change -- is that a change in the Rule?

MR. DUNCAN: It would be, yes. Again, this is a new Rule, this is a draft of a proposal.

MS. RYAN: So I think that comment, but I also think based on some of the investigations and that fraud that has gone on recently and the access that that particular deputy has directly into the county system,
they are the same as a regional county, a regional office. I think some accountability and structure has to be built in.

So I think there's a balance. I think the comment's fair, right. But I think the comment comes in and the balance has to be considered within those Rules because of the access they have directly into the state system.

MR. URESTI: I believe that Bexar County would like --

MS. RYAN: If you'll please come to the podium, sir.

MR. URESTI: Since I have 52 seconds left, I wanted to add one thing that I forgot to mention.

MS. RYAN: Well, I think you're actually red, but we'll --

MR. URESTI: With us, also we have our district attorney's office who writes up our contracts for the tax assessors. And I can tell you we go through them with a fine tooth comb. They're designed to protect the citizens. They're designed to protect the county. And they're designed to protect the full-service companies.

To need a third party into the contracts, I don't understand why we do that because I tell you I have a lot of faith in the -- what do we have, 150 attorneys in
the district attorney's office, somewhere around there.

MALE VOICE: 165.

MR. URESTI: I'm sorry.

MALE VOICE: 165.

MR. URESTI: 155. I have a lot of confidence in my people in Bexar County to draw up a contract that's going to protect the citizens of Bexar County. Thank you.

MS. RYAN: Mr. Uresti, may I ask you a question while you're up there, please? How often -- how many full-service deputies did you say you had?

MR. URESTI: We have 21 full-service deputy companies and --

MS. RYAN: And on an annual basis, how often do you audit each one of those deputies?

MR. URESTI: David goes out -- I don't know how often he goes out. I mean, that should be more of a question that he'd have to --

MS. RYAN: What is your standard if you have had them --

MR. URESTI: I'd have to refer to David Duncan.

MS. RYAN: So on an annual basis, you don't have a standard that you would do that?

MR. URESTI: No, we don't have a standard. No, ma'am.

MS. RYAN: Okay.
MR. URESTI: That's correct.

MR. INGRAM: And I have a question as well.

MS. RYAN: Thank you.

MR. INGRAM: So first of all, how long have you been the tax assessor for Bexar County?

MR. URESTI: I'm going on my fourth year.

MR. INGRAM: Fourth year, congratulations.

MR. URESTI: Thank you.

MR. INGRAM: Yeah. Have you ever had a situation where you had a problem with a full-service deputy where you had to close them down or take action?

MR. URESTI: No, sir.

MR. INGRAM: No. And when you talked about the fact that you were opposed and you made sort of the -- the comment was you were just opposed to the requirements, but you were kind of vague about why. Is there specific things that you're opposed to? It would be helpful if I knew like are you opposed to the fact that they're going to be a third party to a contract with us. Or what is it exactly you're opposed to?

MR. URESTI: What I'm opposed to, you know, I'm very pro-business I guess. But by the same token, I'm also a strong believer in government oversight so kind of like at both extremes.

MR. INGRAM: Well, that's a weird combo there.
MR. URESTI: I know. Well, you know, I guess it's kind of like an Independent I guess. But anyway, these companies are in business. They're market-driven, you know. I have people that stand in my office because they don't want to pay $1 to HEB. I mean, I could tell you that for a fact. That's not exaggeration.

So when they go to the full-service title companies and they're paying, you know, $5 or $10 or $15, that is the choice of the citizen. That's a convenience fee. Now, I don't have a problem with setting limits. You know, if y'all want to set a limit of, you know, $15 for registrations and $30 for title transfers, I'm okay with that.

But a $5 registration and $15 title limit, I think those are too stringent and I think it's going to put them out of business. And when they're out of business, that means I'm going to have to handle an extra 40 percent of the work.

MR. INGRAM: So if I say you feel like that the actual limits are what you're unhappy with? The rest of it you're okay?

MR. URESTI: Well, rightly or wrongly, I get a sense that there's an effort to put the full-service title companies out of business. Is that right, is that wrong, I can't tell you for sure. I can only tell you what my
feelings are. And I think when you put everything together, that's what I see.

MR. INGRAM: Thank you.

MS. RYAN: Thank you. Okay. Thank you. Any more questions before I call the next --

MR. WALKER: No, but I'll make a comment through, Albert. And I can promise you I don't think it is anybody's intention on this Board or in this Agency to put anybody out of business. That has never been -- I've never hard those words so that's not what we're

MR. URESTI: Yeah. I wasn't referring to the Board.

MR. WALKER: Yeah.

MS. RYAN: I would agree with that. Thank you. Thank you, Johnny. Okay. Ruben Gonzalez, if you'll approach the podium, please and Bruce Elfant, if you would get ready to be next. And Mr. Gonzalez, if you'll please state your name and who you're with before you start and let the timekeeper tell you when she's ready. Thank you.

MR. GONZALEZ: Good afternoon --

MS. RYAN: Yes, sir. Unfortunately, yes, sir.

(General laughter.)

MR. GONZALEZ: -- Chair, Board Members. My name is -- I'm in a different time zone -- my name is Ruben Gonzalez, and I'm from the county tax assessor-
collector from El Paso. I've been in office about 13 months. And there's a couple of things that I'm concerned about. One of my concerns is the fees of office. In doing the pre-calculations that are estimated for 2017, we have already identified a shortage of fees to our county totaling about $325,000 less that we would receive on our budget.

What I'm very greatly concerned more so is we have a scofflaw program in El Paso that is the best or maybe that's working well, one of the best in the state possibly. But if the scofflaw program internet registration concepts comes to centralized in Austin, we may potentially lose some revenue there.

Right now in the last fiscal year, we were able to collect close to $2 million in scofflaw fines. It's working very successfully in El Paso County. I would like to propose if possibly we be given an option of whether to participate in this program or not because that's one of the weaknesses in working the internet registration concept that DMV is proposing.

It would impact us tremendously because the only ones that they will be interested in are the ones where they have a notification notation in the database to reject it from being enforced into the scofflaw program that's available in El Paso. So I'm concerned about that.
If we were to close down our full-service offices, it would impact us tremendously. And if we were to close them down, for us to maintain our services, we would have to pick up our fees, our fees of office from $1.90 to approximately $7.30 just to maintain the level of services and prevent us from increasing property taxes in El Paso. So I'm concerned about that.

There are other different options available that I think I'm going to be putting in writing and submitting it to the Board for consideration. As a matter of fact, there's more than one suggestion for consideration that I'd like to definitely submit to the Board for consideration.

I am in full support of the performance measures that are being put in place. I inherited an office that pretty much the quality of work was poor. And I am promoting that now to improve the services for our constituents in El Paso County so it kind of falls into place. I've already initiated a lot of initiatives to improve customer services in our office and expand the accessibility to the taxpayers.

However, the fees of office I am very concerned about. The road and bridge formula that Ms. Whitney Brewster talked about regarding the $0.30 is the option of road and bridge fee, that is commendable because we
received over $194,000 new dollars. But the bridge formula itself needs to be addressed because we have not received -- the last time it was addressed was $360,000 a year back in the 1980s.

MS. RYAN: Thank you.

MR. GONZALEZ: And that needs to pick up so --

MS. RYAN: Thank you.

MR. GONZALEZ: -- those are my concerns.

MS. RYAN: Thank you.

MR. GONZALEZ: Thank you very much for the time.

MR. INGRAM: And one follow-up question. You had mentioned at the beginning that you felt like that the Rules as proposed would be a deficit to your tax assessor office by $325,000. Is that correct?

MR. GONZALEZ: Yes, sir.

MR. INGRAM: Per year?

MR. GONZALEZ: For now, just the initial cost, just putting the numbers on the proposed fee adjustments that are being proposed.

MR. INGRAM: And so that's not a net number because you also would have some cost savings with the plan. So is that net or is that just the gross number that you're going to lose?

MR. GONZALEZ: We would have some cost savings
in the mail-in and the replacement programs that are being proposed. But in saving there, it allows me to transfer some of those bodies to other services because our traffic is increasing. Our volume, our registrations are picking up. So it would allow me to stabilize and adjust those figures.

MR. INGRAM: Okay.

MR. GONZALEZ: But the fees of the office is what I'm concerned about, whether it's $1.30 from a $1.90. There's a big gap there. $0.25 for internet registrations doesn't make sense. What makes sense maybe is kicking it up a little bit more, but then again, what's acceptable? $5.50 might be a good increase, but maybe not.

So I think y'all need to kind of research that a little bit better because there has been no consideration for the cost of living adjustments, no consideration for the cost of banking transactions that are affected on a daily routine with our offices.

So there's other things that should be concerned and I think I would want to submit those in writing for your consideration.

MS. RYAN: And I would appreciate that. And then also, just to clarify, there's nothing regarding the scofflaw law in that centralization regarded in these
proposed Rules. So we appreciate the comments, but that's not under the authority of this Board.

MR. GONZALEZ: That's what I noticed in the report that they didn't seem to be concerned about counties that were implementing the scofflaw. But it is a factor because it plays hand in hand with the registration process.

MS. RYAN: We understand there are some responsibilities that the counties require the tax offices from a workload standpoint, and that needs to be taken into consideration. But it's not something that we can actually factor into the compensations directly. But we do understand. So we just wanted to clarify.

And Whitney or Jeremiah, if there's anything to add, please feel free.

MR. WALKER: So there is no correlation between their scoffs and our scoffs. Right?

MS. RYAN: Correct.

MR. KUNTZ: Just to clarify, we have a scofflaw program that is administered through the registration and titling system. The counties, municipalities may provide us with information about which registration transactions should be blocked. The online process automatically takes that into consideration and will block somebody from doing an online transaction if there is a scofflaw that is
notated on their record.

    I believe that what he's referring to is they have a separate program, a separate application outside of the registration and titling system that they utilize in order to block registrations that is not -- they are not providing us information into RTS to have RTS do the blocks. And so that's why he's raising that issue over centralized online processing.

    MS. RYAN:  Okay. Thank you.

    MR. GONZALEZ:  That's why I asked for an option because the present program is a little bit conflicting and sometimes it doesn't work.

    MS. RYAN:  Okay. Thank you very much.

    MR. PALACIOS:  I have a question for Mr. Gonzalez. Mr. Gonzalez, regarding the shortfall that you're talking about, the $325,000, can you tell me currently of the revenues that you receive, the $1.90 and the $5 that you collect and I would assume goes into county coffers, how much -- what percentage of that is remitted back to your department?

    MR. GONZALEZ:  Well, all the funds that we collect as part of our business goes to the general fund. So the only thing I work off from a budget standpoint is what they allocate for employee salaries and fees.

    My budget is like $3.5 million a year. Out of
that amount, my operational cost budget is $180,000. So
with that $180,000, I have to do the equipment, the
computer stuff, paper, everything that I need to make the
office function. But as overall budget for my department
is about $3.5 million. But the majority of it with the
exception of $180,000 is for employee salaries, fringe
benefits and things of that nature.

MR. PALACIOS: Okay. So your budget is 3.5 So
what do you collect from the titles and registrations?

MR. GONZALEZ: Well, overall, we're the
department that collects the most revenue for the county.
We collected during the last fiscal year close to $337
million for the county, our department. That includes
taxes, road and bridge fees overall.

MR. PALACIOS: Okay. Yeah, I was trying to get
more specific as to the title and registration revenue
that you collect as --

MR. GONZALEZ: It's in the range of about $15
million.

MR. PALACIOS: Fifteen?

MR. GONZALEZ: $15-20 million a year.

MR. PALACIOS: Okay.

MR. WALKER: And that's in the fees?

MR. GONZALEZ: Registration fees and title fees
and optional road and bridge fees and toll road fees,
things of that nature.

MR. PALACIOS: Okay. And regarding your comment on the full-service deputies because I know El Paso uses them extensively, do you have any plans to add limited deputies in the city?

MR. GONZALEZ: At this point in time, no, sir. Not limited. I don't think there's a purpose for them at this point in time in El Paso.

MR. PALACIOS: Okay.

MR. GONZALEZ: Because we have 17 office locations now in El Paso County which provides the accessibility to the taxpayers. So I don't foresee any additional offices being opened up at this point in time.

MR. PALACIOS: Thank you.

MS. RYAN: Thank you.

MR. DUNCAN: Madam Chair, if could just interject for a moment. I just want to point out to the Board Members so you keep, you know, keep the Rule packages straight in your head. A large portion of the commentary that Mr. Gonzalez was just giving was about the next Rule.

MS. RYAN: Yes.

MR. DUNCAN: So I want to point that out both for him and for the upcoming commenters. If you want to speak on more than one Rule, you can speak on more than
one Rule. You don't have to get it all out of -- he actually spoke to two other Rules. He also spoke to the Tax Standards Rule which is later.

So you know, all the public commenters, try to limit it just to deputies at this point so the Board can just hear about and deliberate on that so we don't confuse our -- you guys are already deliberating on the Fee Rule and it's next.

MS. RYAN: So just so everyone understands we will move through the deputies. The plan is to then vote on that Rule package. We will then address the next agenda item, hear comment on that, hopefully move through that quickly, vote on that Rule package. And we feel that that will be the most efficient so --

MR. WALKER: So what we're addressing right now is strictly --

MS. RYAN: Deputies.

MR. WALKER: -- just deputies?

MS. RYAN: Only as it's broken on the agenda. We figured that would be most efficient for us to work through.

MR. WALKER: And I thought that, but he made a comment that they do not use limited service deputies in El Paso. Is that -- that's what he said?

MS. RYAN: Yes.
MR. WALKER: So is that common? I mean, I don't know how many counties don't or do or do not use limited deputies.

MR. KUNTZ: It varies county by county. Again, it is up to the discretion of the county as to whether or not they deputize anybody to provide limited or full-service deputy services. It's not a requirement so no, not all 254 counties offer deputy services in their county.

MR. GONZALEZ: At one point, they were in place, sir, but they didn't like it after a while. And that was during the term of my predecessor. He had it available I think in Albertson's had that services available, but they didn't like it. After on, they just got out of the business.

MS. RYAN: Thank you.

MR. WALKER: How far back was that?

MR. GONZALEZ: I would say maybe five, ten years ago maybe.

MS. RYAN: Okay. Thank you.

MR. WALKER: So they didn't like it, who is they?

MS. RYAN: The limited service deputies.

MR. GONZALEZ: The limited service --

MR. WALKER: The grocery store didn't like to
collect the money?

MR. GONZALEZ: That was Alberton's. Yes, sir.

They didn't like the requirements.

MS. RYAN: Okay. Thank you. Okay. Mr. Elfant? Thank you. And since there seems to be
questions, if the speaks could keep their eye on the timer
and keep your comments to the three minutes. Since the
Board does seem to be engaging, there seems to be
opportunities so if you wouldn't mind, please. Thank you.

MR. ELFANT: Thank you. Good afternoon. And
I'm Bruce Elfant. I'm the Travis County Tax Assessor.
Welcome back to Austin. Travis County has partnered with
our title companies for 56 years. You could say that
we've been outsourcing government work way before it was
cool. We've been doing this a very long time, and it's
worked well for Travis County.

These companies process more than 100,000
titles for our office each year. They have all
unequivocally stated that the $15 title fee would put them
out of business. This fee was based on three-year-old
data in the TTI study that didn't consider the differences
in costs between the companies within Travis County, and
there was no mechanism to adjust for increased costs.

As a matter of fact, at a couple of meetings,
Board actually looks at costs again. So if you set a fee that's really close to their profit cap and you don't raise it for several years, that's going to be a problem for the title companies.

If you do that to counties, we absorb it, we eat it. We've been eating the $1.90 for years and years. We don't go out of business. But if they don't make a profit, they go out of business. If these companies did go out of business, it would cost Travis County taxpayers more than a million dollars plus space to bring these hundred thousand titles back in house. We estimate it would take 17 FTEs to do this work that's currently being handled by our four title companies.

There's language in this proposal that states that there's only six counties that operate title companies and that most of the counties have done just find without them. Well, I would argue that the counties with the auto title companies actually offer our constituents better service and more options to avoid long lines at TACs office locations.

Our auto title companies have greatly benefitted our citizens and many of our auto dealers for more than a half century, and we think this is a good model and it's saving taxpayer dollars.

There was also language in the proposal that
counties if they wanted to could just supplement the auto

1 title companies if the $15 was going to be enough. Two
2 issues, one, that would cost Travis County and other
3 counties more money that we currently don't have to pay
4 out in my mind for no good reason.
5
6 And the second issue is I've talked to a couple
7 of attorneys who are very familiar with county government
8 issues who say that it's probably not lawful for counties
9 to provide that kind of supplement to auto title services.
10 So I just think that that would be a nonstarter on the
11 county level and probably legally too.
12
13 It's been argued that inspection stations are a
14 great example of the state capping fees for services. I
15 disagree. Inspection stickers aren't their profit
16 centers. They thrive on auto repairs and maintenance
17 along with selling lots of headlights and windshield
18 wipers.
19
20 The profit center for the title companies are
21 titles. That's all they do. Their expenses are variable
22 and they're increasing and their profit margins are
23 regulated by the free market. I would urge you to either
24 set a fee that would ensure that our title companies canc
25 continue to serve our community at least until the Board
26 would revisit fees or do what you did with the bonds.
27
28 And we're very appreciative what y'all did with
the bonds. You set a range and you delegated to the counties the ability to decide within that range. And Travis County was asked. We conferred with our auditor and our county attorney. I would never do anything without conferring with both of them because I want their advice to make sure that we're adequately protected, me and the county.

I would encourage you to set a range on the fees and allow the county tax assessors to set the actual fee within the county. We look forward to working with y'all on this issue. I'm encouraged by the fact that y'all have said you're not going to let these companies go out of business. So let's figure out a way to make that happen. So thank y'all very much.

MS. RYAN: Thank you. Questions? I would like to ask the same question. What is your process for auditing the full-service deputies that you have?

MR. ELFANT: We audit every three months.

MS. RYAN: And how many full-service deputies do you have?

MR. ELFANT: We have four companies, and we audit them every three months. I'm looking at Stan to make sure I'm getting this right.

MS. RYAN: And what does your audit entail?

MR. ELFANT: I'm going to need Stan.
MS. RYAN: Okay. Thank you.

MR. ELFANT: Stan Wilson is my Director of Motor Vehicles for Travis County.

MS. RYAN: Thank you.

MR. ELFANT: He's been with us for 20-some-odd years.

MR. WILSON: Good morning. Stan Wilson, Travis County Tax Office. Our audit, we go out every three or four months and do a full audit. We go over any inventory they have, plates, stickers, anything that they sold. We go back through registrations, look at the registration, go back through title apps, look at title apps, look for any signatures that are not there.

We then go back and talk to them about anything that's not done properly and make sure they bring those things up to date.

MR. INGRAM: So a quick question then, how long have these four companies been full-service deputies?

MR. WILSON: I've been here 24 years. They've been with me the whole 24 years that I've been here.

MR. INGRAM: All four of them?

MR. WILSON: All four, yeah.

MR. ELFANT: They go back 56 years.

MR. WILSON: Right.

MR. ELFANT: The first one started in 1960.
MR. INGRAM: Is there a process to add more or I mean, I'm surprised that there's just the same four for all that time.

MR. WILSON: Yeah. We have had additional people come in and ask. With us, we expended, we added four offices of our own. And with those additional four offices, we had no need to add any other title services. So we have stopped at what we currently have.

So the growth of Travis County presents a need for us because we also use the HEB stores. And between the HEB stores doing the registration for us and the title services, we've already taken up a basic area of Austin that needs to be serviced.

The only thing that we really have a need for right now is the west side of Austin that we don't have an office at.

MS. CARAWAY: So do those four full-service have more than one office each?

MR. WILSON: No, each one of them only one -- originally, Universal had two offices.

MS. CARAWAY: Uh-huh.

MR. WILSON: Fifteen years ago they sold that office to Austin Title Company, which is the office I think where it's going right now. That office was bought by them and continued to do business when Universal sold
it to them.

So those are the only four title -- we originally started with three, went to the fourth one when Universal sold to Austin Title Company. But that's the only thing that I've had in 24 years.

MS. CARAWAY: So it's four offices?

MR. WILSON: We've had no problems with those offices in 24 years.

MS. RYAN: So did you say you've had no problems with those offices?

MR. WILSON: No problems. I think there's been some misinformation communicated in that that office was closed six months ago. To date, there has been no charges brought against that office. The funds that were in question at that office are in Travis County's Treasurer's Office.

The day that that office was closed, those funds were taken by the Controller's Office, taken to the Travis County Treasurer's Office and told it would remain there until the investigation was closed. There are no missing funds. Travis County's tax assessor is whole. DMV is whole.

MS. RYAN: Okay. One other question, you said you've had people come and ask to be deputized --

MR. WILSON: Yes.
MS. RYAN: -- for full-service and you've chosen not to.

MR. WILSON: Correct.

MS. RYAN: What criteria do you decide that you don't need? Because competition is -- so you say it's a free market. Competition is a great thing in the free market. Why have you chosen and what criteria do you use not to deputize?

MR. WALKER: Excellent question.

MR. WILSON: I look at the need of the office. And with the expansion that we were doing with the other four offices that I brought on board and I do intent to expand those offices even more, there will be no need to add any more private businesses to do that.

MS. RYAN: How about the need of the consumer?

MR. WILSON: The need of the consumer, to date, we have taken care of every need that they have met except for like say west Austin which we don't have a place there to put there right now.

MS. RYAN: Okay.

MR. INGRAM: So why don't you, like try to solicit another full-service deputy for west Austin? I don't understand the --

MR. WILSON: Currently, the Rule that we're talking about right now, you don't know where you're going
with this.

MR. INGRAM: Right.

MR. WILSON: I don't want to have anyone expend money, open up a business and then come to find out that these Rules will put them out of business. So I've told them for the last three years that we've been working on this, I will not let you do anything because I'm not going to put you in a position that you go out and expend capital and then you come back and say, You caused me to expend this saying that I'll be in business and you guys shut them down.

MR. ELFANT: That may very well be a great idea. Let's get past all this and make sure that we have some stability for these companies. And, you know, we do need more coverage out in west Travis County and that may be something we consider. In my time, and I'm only a first termer, but nobody's approached me during my time about wanting to become a title service so I haven't had to make any decisions like that.

MR. INGRAM: And I'm probably behind the curve a little bit. You had one office that has been shut down?

MR. WILSON: Austin Title Service, they have been shut down due to a raid between the Controller's Office and DMV. They went out that day, confiscated all the records, confiscated all the equipment, shut them
They have been out of business essentially for the last six months.

MR. INGRAM: Is that one of the four?

MR. WILSON: That's one of the four. And right now today, they are trying to hold on, waiting for some charges to come forward, waiting for something to come. We went to the district attorney's just last week. There's been nothing brought to the district attorney against them. And they are barely holding on waiting for something to happen.

MR. WALKER: Excuse me, Mr. Duncan, is this not an ongoing investigation that we shouldn't really be talking about?

MS. RYAN: Yeah. That's why I've moved on.

MR. DUNCAN: Yes.

MR. INGRAM: I'm not going to ask any more.

MS. RYAN: Yeah, I've moved on.

MR. PALACIOS: I have a question in another area, Mr. Elfant. We're talking a lot about full-service deputies. Are you in favor or an advocate of moving consumers more towards the online registration process?

MR. ELFANT: Oh absolutely. Absolutely. And I had saved those comments for the fee issue.

MR. PALACIOS: Okay.

MR. ELFANT: You're not going to have a better
friend than Travis County in pushing people online. Our motto is, Skip the trip and bail on the mail. We don't need more people in our lobby. We want the people who are willing and able to go online for their property taxes, for their vehicle registration. And I'm hoping in the near future, we can get a bill passed for online voter registration.

We want to get rid of the paper, and we want to allow people the convenience to be able to do this without having to come to the tax office.

MR. PALACIOS: Thank you.

MS. RYAN: Thank you. Any other --

MR. TREVINO: What do you see as the adoption rates -- I'm sorry -- what are you seeing for adoption rates for online, people migrating to that?

MR. ELFANT: I don't know what the -- do you know what number is? I was told that we're one of the highest in the state. I mean, we have a social media program in Travis County to encourage people to go online. On our Channel 17 we're pushing it. We're regularly pushing it through our local broadcast media.

MR. TREVINO: It's been successful.

MR. ELFANT: Oh, thank you.

MR. TREVINO: I'm asking. That's a question.

(General laughter.)
MR. WILSON: And we've done mail-outs. When we were returning stickers, we put a thing in there asking them to go to the online system. We're right now about 20 percent of our registration is done online and we're pushing it. I mean, I don't want them in my office. I'd rather you do it online and stay out of my office.

MR. ELFANT: I mean, it's a behavioral thing. It's going to take a while. It's kind of like the airline industry. Y'all remember -- well, some of y'all do. Not all of you -- but you remember if you wanted to go somewhere, you had to go to the airport or a travel agent and write a paper check and get a paper bill, a paper ticket back.

It took 20 years for the airline industry to successfully move all of us to get our tickets online. So it's not going to be fast, but it is essential. We've got to get there.

MR. SWINDLE: Just one last question. So if you had your druthers, you had mentioned that you would want the tax assessor-collector to set the rates for the title fees that it's being charged as opposed to the $15 that would put them out of business.

So in Travis County today, what would you set the rate at?

MR. ELFANT: I don't know. I'd have to evaluate
that.

MR. SWINDLE: But would the four -- would everyone be treated -- would all of your current four companies that are operating, would they be allowed to set the same fee or would you set it up differently for each company? So that would be a question.

MR. ELFANT: I think that's a very good question, and I don't have an answer for that today because I haven't been given that authority so I haven't thought about it. Actually the first time I thought about this proposal was when we saw the new proposal for the bond amounts.

And I thought, Wow, if y'all could set a range for the bond amounts and delegate to the tax assessors to work with their county attorney and auditor to get the right amount, we certainly could do that for fees as well. And we would consult with the title companies and with our counsel and auditor and come up with a good answer that would allow them to work and let the free market do its will.

I mean, if these people aren't providing good service or charging too much, they're not going to go there. They'll go out of business.

MR. SWINDLE: But you have heard from them that the $15 will put them out of business?
MR. ELFANT: Absolutely. I've heard from all of them that the $15 is too small a cap. I mean, the $15 was contemplated three years ago, and they've had increased costs. The cost of real estate in Travis County is nuts. Just for rents, for owning property, that by itself has increased their costs substantially I'm sure.

And so when we set something, we've got to give them some breathing room. Otherwise, they're going to be coming back to you every year saying we need some relief and y'all are going to want to look at this every year. So we've got to figure out a way to allow the market to work. And if the market's working well, they're going to be limited by what their customers are willing to do.

MS. RYAN: Mr. Elfant, would it be fair to say that if you went out and doubled the number of your full-service deputies, the fees in and of itself with that competition would lower themselves without us even assessing it?

MR. ELFANT: I think that's a very valid point. I think that's a very valid point, and once we get stabilized here, I'm certainly willing to look at adding folks. I hadn't contemplated it because nobody's asked me in four years. But I think that's a good point. But if we're going to talk fair market, free market --

MS. RYAN: But the competition might address --
MR. ELFANT: Yeah.

MS. RYAN: -- efficiencies within their own operations themselves.

MR. ELFANT: Over the last three years, we got the feeling that the DMV was kind of pushing us in the opposite direction. So if this is something that --

MS. RYAN: Understood.

MR. ELFANT: -- y'all are supporting and promoting, we certainly would be happy to sit down and look at it.

MS. RYAN: Okay.

MR. INGRAM: And then one last question for me, you've talked a lot about the cap. So anything else in the Rule package for the dealer deputies or the deputies, full-service deputies? Are we okay with the rest of it?

MR. ELFANT: I have some concerns, but I haven't -- I got to look at the 300 pages last night and so I'm not quite there yet. The three-party agreements is something new.

And to me, when I've looked at it, it looked like the stuff that we see out of Washington were we're overregulating people. But we'll provide more specific answers through our comments when we've had a chance to really look at it and understand better --

MR. INGRAM: Sure.
MR. ELFANT: -- what it means. But we want to keep the minimum amount of regulation that we can, but we want to have enough to protect the state, the county, our constituents. And we've just got to figure out what that balance is.

MR. INGRAM: Thank you.

MS. RYAN: Thank you.

MR. WALKER: I have a two-part question.

MR. ELFANT: I'm a little nervous now.

MR. WALKER: I'm going to ask the first part, what percentage of your transactions are done at the county office versus at the dealers --

MR. ELFANT: Of the title transactions, about a third. About 100,000 are done through the title companies.

MR. WALKER: And so 70 percent of them are being done outside of that?

MR. ELFANT: At the tax office, yes.

MR. WALKER: And so my next question would be wouldn't it be unfair to the citizens of Travis County because the citizens of Travis County are being forced to use an outside service maybe at a higher fee than what they're paying over here in Hays County where Ms. Caraway over here is doing 90 percent of those transactions at a lower cost than what they're paying over in Travis County
at the dealer deputies?

MR. ELFANT: I think that's a good question.

Nobody's forcing anybody. Anybody can come to our office at any time.

MR. WALKER: Well, you'd be forcing me to go to their office if you're not providing the service --

MR. ELFANT: I'm providing the service. I just said we do 70 percent of the titles in Travis County.

MR. WALKER: I thought you said you did 30 percent.

MR. ELFANT: No, we do 70 percent. The title companies do 100,000 --

MR. WALKER: Oh, I thought you said 30 percent. I'm sorry.

MR. ELFANT: -- 30 percent. So our consumers, our constituents have every opportunity to come into our office. They're going to wait longer because we have long lines or --

MR. WALKER: Okay. I'm sorry. I thought you said 30 percent.

MR. ELFANT: No, no. Seventy percent are still in our office, but 30 percent, 100,000 titles would require substantial resources to bring back in. And we're hoping that we can avoid that.

MR. PALACIOS: Mr. Elfant, I do have a follow-
up question to --

MR. ELFANT: Sure.

MR. PALACIOS: -- Mr. Walker's, Member Walker's question. 254 counties in Texas, it looks like four to six are really the counties in question here regarding utilization of full-service deputies. I guess either the other 248 counties have it wrong or you have it right. I'm a little confused. Can you kind of help me out here?

MR. ELFANT: No, I wasn't there in the beginning. I wasn't there when it happened. I was two years old in 1960 so I can't tell you how this happened. And maybe Mr. Aleshire's closer to -- oh, well, Stan wasn't there either, but he's been --

(General laughter.)

MR. ELFANT: Maybe he was.

MR. WILSON: If you would look at my overall numbers as far as staff and for the number of transactions that we do in Travis County, you would see that my personnel costs are lower compared to across the state. Look at anyone that's doing similar numbers to me and you will notice that my personnel costs are lower than anyone's. And that's because of our full-service deputies. If I did not have full-service deputies, the 20 additional staff that we're talking about right now, I would have them on payroll and they would have been there
for the last 20 years.

But because of the use of full-service
deputies, the model that we're using, because of that, I
can keep the county cost overall lower. I don't have the
cost of a brick and mortar. I don't have all those costs
have gone away because I'm pushing that out to private
industry. And that's why we chose that model.

MR. INGRAM: And I get the choice. It's your
choice. That's essentially a tax that you're passing on
to the residents of Travis County because you took it all
in-house. Yes, your expenses would go up, but you'd be,
you know --

MR. WALKER: Revenues.

MR. INGRAM: -- your revenues would go up
and --

MR. ELFANT: Well, property tax is mandatory.
You have to pay that. This tax, you get to choose whether
to pay it or not. I mean, you don't have to go to the
title companies. You just don't --

MR. WILSON: Right. You can --

MR. INGRAM: You know, that's a little bit
unfair. If I'm going to have to wait an hour in your
line -- I don't know if it's an hour. I'm just making
that up, but --

MR. ELFANT: Actually it's closer to an hour
and a half.

MR. INGRAM: Okay. Well, if I have to wait an hour and a half, then you are forcing me to go to this service.

MS. RYAN: Okay. Any --

MR. ELFANT: I don't even know if I want to go there --

MR. INGRAM: I'm sorry.

MR. ELFANT: -- but a lot of this has to do with mandates placed on us --

MS. RYAN: Yes. So

MR. ELFANT: -- by various different agencies that have increased our time, our wait time. And it's really out of my control.

MR. INGRAM: Yeah.

MR. ELFANT: And this is an option for people who don't have the time and want to pay a little bit more. And I guess we could take away that option, then our lines would be even longer.

MS. RYAN: Thank you. Thank you for your comments.

MR. ELFANT: Thank you.

MS. RYAN: Okay. To keep everyone in a really good mood, we're going to take a 30-minute lunch break.

So our office -- so I do want to let Sandy Harris know and
Cathy Talcott, you're going to be up next. We are going
to adhere to 30 minutes.

We have let the café, which is right across the
court here, know that we will have extra guests. And so
if you'd like to grab lunch there, please do so. They are
prepared. And so we will meet back here exactly no later
than ten after 1:00. Thank you. We'll be in recess. It
is now 12:38.

(Whereupon, a short recess was taken.)

MS. RYAN: Okay. Thank you. We are returning
from lunch and recess. It is now 1:16 and I call the
meeting to order. I'd like to call Sandy Harris and Cathy
Talcott will be up next.

MS. HARRIS: My name is Sandy Harris. And I'm
here representing Universal Auto Title here from Austin,
Texas. My mother and father opened up Universal while I
was still in high school in 1980. My father had worked at
car dealerships for 30 years and he saw the need for this
sort of service business.

They started the business with one employee and
one office space on Justin Lane. We still rent that same
office space on Justin Lane but now then we have three
office spaces, and we have ten employees. Our employees
have been very loyal to us over the years, some here as
many as 25 years. My brother runs the office daily and so
it's truly a family business.

Out of our ten employees, eight of us are well over 50 years old. And if our business has to close its doors, I kind of feel safe in saying that these older employees will have a hard time finding other employment. So these are ten people whose livelihood depends on this one small business.

We have a large clientele of repeat business, all of whom know that they can easily go to the county, get the same transactions processed with no service charge and still they choose to come to us, free enterprise at its finest. We have a number of automobile dealers that depend on us to turn around their transactions so that they in turn can get their money. We estimate that conservatively 75 percent of our title transactions are for our dealers.

In our 36 years of business, we've only raised our service fee two times and with the fees that are being proposed in this Rule, there's no way that we can keep our doors open. We've run these numbers every way that we can figure out, and we don't see how that DMV would think that this is no economic impact to us.

Using the $15 title fee and the $5 registration fee, we'll see a conservative loss of 33 percent of our revenue. And this 33 percent loss doesn't include a
number of transactions that aren't tracked and don't have a processing and handling fee like, you know, replacements and corrected titles and RPOs and title-only deals.

We are a for-profit small business. We have to make a profit to be able to cover expenses such as attorney fees for being involved in this process and the large sum of money that we lost after being shut down for seven days and the income that we lost this past Monday when the RTS system was down. Payroll and other operating expenses continue on.

In regards to the proposed new 217.163 where the full-service deputies --

FEMALE VOICE: Time.

MS. HARRIS: Can I continue that --

MS. RYAN: How close are you?

MS. HARRIS: -- where the full-service deputies sign a three-party agreement with Texas DMV and the tax collector, the terms and conditions of the use of the RTS system is a bad rule. We saw the effects of this Rule.

The RTS was shut off to us for seven days with no warning and no justification. Our business was just shut down. After a full six days, we were presented with a contract to sign, and if we wanted the RTS turned back on, we had to sign the contract.

MS. RYAN: Ma'am, are you close? Are you
MS. HARRIS: Yes, I am.

MS. RYAN: Okay. And is that relevant to the Rules?

MS. HARRIS: Yes.

MS. RYAN: Okay.

MS. HARRIS: One of the stipulations in the contract stated that DMV may and could shut off RTS access at their sole discretion. This seems to be a violation of due process, and we think that this Rule needs to be addressed.

As a small business, we pride ourselves in our service to our customers and we take our role as deputies for the county very seriously. We'd like to stay in business. And we would ask today that you consider proposing a fee schedule that would allow us to keep our doors open. Thank you.

MS. RYAN: Thank you.

MR. SWINDLE: I have a question.

MS. RYAN: Absolutely.

MR. SWINDLE: Can you tell us what tell us what y'all are currently charging for the registration and for the titles?

MS. HARRIS: We charge $20 for a title transfer and $10 for a registration.
MR. SWINDLE: And you mentioned that you've done that -- you've only raised fees twice?

MS. HARRIS: In 36 years.

MR. SWINDLE: In 36 years?

MS. HARRIS: Yes, sir.

MR. SWINDLE: Thank you.

MS. HARRIS: You're welcome.

MR. INGRAM: We still have a few more questions. Sorry. Don't run off.

MR. WALKER: How do you charge $10 for registration when the statute sets it at $5?

MS. HARRIS: We've done that for a number of years.

MR. WALKER: Isn't that statutorily set at $5?

I'm sorry.

MS. HARRIS: Our attorney, Bill Aleshire said that he would address that.

MS. RYAN: Okay. I'd like to -- and David, is -- I'll clarify this question to you, David and it's a follow-up. Statute is $5 for registration and is silent on title, is that not correct?

MR. DUNCAN: That's correct.

MS. RYAN: And can you clarify for me then what -- if it's silent, can you even charge a fee?

MR. DUNCAN: From our review of attorney
general opinions and case law going back into the '20s, fees are -- if there's no statement of a fee, a fee can't be charged. That's what it says.

MS. RYAN: And is that our interpretation or --

MR. DUNCAN: The attorney general, the primary attorney general opinion was done by Attorney General Maddox in 1985. It's -- okay, I need my glasses -- 346 and I'll just quote from it. It's very short, "It has long been established that unless a fee is provided by law for an official service required to be performed and the amount is fixed by law, a fee may not be charged. Furthermore, fee statutes are strictly construed and fees are not permitted by implication."

That's the AG opinion on that question.

MS. RYAN: Okay. All right.

MR. INGRAM: So just to -- let me make sure I understood that because I'm not sure. So in the current Rules and statutes, there's no set amount for full-service deputies to do title transfers. Is that right?

MR. DUNCAN: Right.

MR. INGRAM: And so if there's nothing in set, that AG ruling basically says that they can't charge anything.

MR. DUNCAN: That's the implication of that AG ruling, yes.
MR. BARNWELL: So there's nothing in there about titles for full-service deputies?

MR. DUNCAN: Correct.

MR. BARNWELL: Are full-service deputies the agents of the TACs?

MR. DUNCAN: Yes, they're performing their work.

MR. BARNWELL: And so they're performing their work under the TAC. So wouldn't they be allowed to charge the same as the TAC. Just an argumentative question I know, but isn't that a potential shelter or --

MR. DUNCAN: I believe they give the TAC on the titles. I mean, they give the current TAC the titles.

MR. KUNTZ: For a title in the statute under Chapter 501, as I referenced earlier, a customer pays $33 in a non-attainment county or $28 in an attainment county. The county receives compensation of $5 from that title fee. That is the only fee that we can see that is authorized in the statute relating to a title and for the processing of such title.

MR. DUNCAN: And back to the original question about, you know, existing statute and statutory, you know, standard can if the statutory construction into state law and the Code construction act in it predecessors. You know, the legislature not only writes codes. There
actually is a code about how to interpret and apply codes.

And when the legislature speaks to something, so there was a section that will be effectively repealed if the Board adopts these Rules that spoke to compensation for full-service deputies for performing a registration transaction.

So you know, where the legislatures goes in and speaks to something specific, like if you're a full-service deputy and you're doing this service, you can charge X. The presumption is they knew whatever else they would be authorized to do and by not speaking to it at all, by not setting a fee, there is no fee.

MR. BARNWELL: Okay. Thank you.

MS. RYAN: All right. Thank you.

MR. INGRAM: Ms. Harris, I have one -- I'm sorry. So what your business is doing is basically providing a service to the consumer. Right?

MS. HARRIS: Yes, sir.

MR. INGRAM: But you're providing a state service because you're handling the titling and the registration. So you're providing a service for the state of Texas?

MS. HARRIS: Yes, sir.

MR. INGRAM: So does it make sense that because you seem like you're objectionable to being in a contract
with the state of Texas, but yet you are providing state services. So why should you not be -- why do you think that you should be exempt from that?

    MS. HARRIS: I don't think that we should be exempt from a contract. I just think that it needs to be looked at just because of our recent experience with it.

    MR. INGRAM: Okay. So you're not opposed to just being in a contract?

    MS. HARRIS: Contract, correct.

    MR. INGRAM: No. It's just, maybe just --

    MS. HARRIS: Just that specific part of it.


Thank you so much.

    MS. HARRIS: You're welcome.

    MR. WALKER: So one more question.

    (General laughter.)

    MR. INGRAM: This is like exercise. We're going to let you get this far away and then we're going to call you back.

    MS. RYAN: Just hang tight with us.

    MR. WALKER: So you do more than titles and registrations. Correct?

    MS. HARRIS: We do everything that the county office can do.

    MR. WALKER: Outside of what the county office
does, what else do you do?

    MS. HARRIS:  Nothing.

MR. WALKER:  Do you charge to do a notary?

    MS. HARRIS:  No.

MR. WALKER:  So the only fees that your company
charges, if I were to do an audit on your company, would
be a charge for registration 20 bucks -- I mean 10
bucks -- and 30 dollars -- what was it?

    MS. HARRIS:  Twenty.

MR. WALKER:  Twenty for a title transfer.

That's it. That's the only source of revenue you have?

    MS. HARRIS:  We have -- it's broken down. We
have $20 for a title. We have $30 for a salvage title,
$10 on permits, $6 on replacement plates, $6 on placards.
So a number of those things that don't have a processing
and handling fee.

    And as I understand it, we're obligated to do
everything that the county does when the people come in
there. So there's a number of things that it looks like
to me we won't even be able to charge for it all.

    MR. WALKER:  Well, it's been our understanding
I think in some of the meetings that we've had is that you
have other services that you provide like maybe a notary
fee. We charge $5 for a notary fee or --

    MS. HARRIS:  Some do. We don't.
MR. WALKER: Okay. And that's my question to you. So your sole source of revenue for your operation is in addition to the fee that we charge here.

MS. HARRIS: Yes, sir.

MR. WALKER: That the state charges? Thank you.

MS. HARRIS: You're welcome.

MS. RYAN: Any other questions? Don't go to -- okay, I think we're done. All right. Thank you. All right. Cathy Talcott.

MS. TALCOTT: Thank you. Good afternoon and thank you for that lunch break, Chair Ryan. It was great. My name is Cathy Talcott. I'm here to represent the Tax Assessor-Collectors Association. I've been asked officially to speak on their behalf. I do serve on their Board of Directors. I'm the internal vice-president. Our president Midget Sherman regrets that she was unable to be here today.

On behalf of the Tax Assessor-Collectors Association, it is requested that it be noted in the records of this meeting that the Association has concerns regarding the Rules for deputies. The Association will be offering a more formal and official comment during the required written comment period. Thank you.

MS. RYAN: Thank you.
MR. WALKER: Wow. That's nice and sweet.

MS. RYAN: Any questions?

MR. BARNWELL: Question, Johnny?

MR. WALKER: No, nothing.

(General laughter.)

MR. WALKER: That was right to the point. I got it all.

MS. RYAN: Okay. All right. Thank you. Sharon Fry, and if Bill Aleshire would be ready next.

MS. FRY: I'm Sharon Fry, and this is my husband Webb [phonetic] Fry. We are the owners of Fry Auto Title Service here in Austin, Texas. And we would just like to express the ramifications that the proposed Rules would have on Fry Title.

Since 1960, Fry Title has been providing registration and title services for Travis County taxpayers. We have worked side by side with Travis County Tax Office and the DMV to offer these services for 50 plus years. At the proposed rates, we would no longer be able to survive and continue the business that has taken decades to develop and be an option that the taxpayers have.

For example, if we apply the proposed rates to our projected number of transactions for 2016 and after deducting the cost of running our business, the impact to
our bottom line would be a decrease of 300 percent and putting the business in a net loss position. The amount of the net loss would not allow us to continue paying the salaries, the rent, and all the other associated costs of doing business.

If we projected the rates out to 2017 and we assumed an increase in our number of transactions, the increase in volume still would not absorb the net loss position. This also doesn't factor in the increased cost of doing business from year to year. It is, however, unrealistic to project an increase in the volume of our business as the webDEALER and the inspection deputies come online and the push for the public to turn to online registrations.

If these Rules are adopted, Fry Title will no longer exist and all the employees as well as ourselves will be unemployed. We have both as well as our employees devoted our careers and our livelihoods to this business. Some of our employees have been with us up to close to 30 years. We currently rent our office space, and we would not be able to fulfill the terms of our leases as well as other contracts that our business has entered into.

For many decades, we have offered our service to taxpayers and built relationships within our community that depend on us to help them. Our customers are not
forced to use Fry Title Services for their registration
and title needs, but they choose to of their own free will
and pay the additional convenience fee.

If the public had objections to our convenience
fees, they would not use our services and we would not
have been in business for 50 plus years. To show the
support of our business, we have signed statements from
our customers that read as follows, As a customer of Fry
Auto Titles Service, I am a supporter of private title
services to process my title and registration needs and do
not object to the service fees currently being charged. I
believe -- I'm sorry.

FEMALE VOICE: It's past time.

MS. RYAN: Are you close, ma'am?

MS. FRY: Yeah.

MS. RYAN: Okay. Go ahead.

MS. FRY: I believe the laws changes that would
regulate their fees would force them to permanently close
their businesses are not warranted.

For decades, Fry Title and DMV have worked as
well as the Tax Office have worked together to better
serve our community and we encourage you to not consider
imposing these restrictions that would eliminate the
choices that the taxpayers currently have for decades and
the relationship we have with the Tax Collector's Office
and the DMV will continue and not continue on the path to
fix a relationship that is not broken.

MALE VOICE: Questions?

MS. RYAN: I do. How many offices do you have?

MS. FRY: We have the one location.

MS. RYAN: Okay. And when you do your
calculations of the reduction in fees or in I guess you
said you'd have a loss position with these fees, does that
also not create -- have you taken into consideration
innovation and efficiencies and the possibility that you
might be able to survive yet maybe change your own
business model?

MS. FRY: We are running our business model
very lean, and we are constantly and have over all of the
years looked at the efficiencies of our operations and we
are very streamlined and really are not in a position to
cut anything else other than personnel. And at that
point, it would do nothing but do a disservice to our
customers and the community.

MR. INGRAM: What percentage of your business
is dealers?

MS. FRY: Our percentage of dealers is we're
approximately 50/50 between dealers and the general
public.

MR. INGRAM: Okay.
MR. SWINDLE: And what's your fee structure?

MS. FRY: For title transfers, it varies. Our maximum cap is $40 on title transfers, $10 on registrations, $5 for placards, et cetera.

MR. WALKER: What is a placard? I don't even know what that is.

MS. RYAN: Handicapped.

MR. WALKER: Oh. Wait a minute. You're charging for handicap placards?

MS. FRY: A convenience fee.

MR. WALKER: You can't do that. You cannot do that. This Agency was sued and lost a lawsuit for $40-something million for charging an additional handling fee on placards. That is federally against the law, and we've been there.

Did we know this was going on?

MS. RYAN: Nope. Well, we don't -- there's a lot -- the deputies are responsibilities of the TAC offices, so the Agency doesn't know a lot of things that go on with regard to the deputies.

MS. FRY: Well, we are not charging for the placard. We are charging for --

MR. WALKER: Neither was --

MS. RYAN: It doesn't --

MR. WALKER: Neither was the DMV, but the State
of Texas lost a lawsuit that cost the state taxpayers $28 million.

MS. FRY: There is no charge for a permanent placard.

MS. RYAN: Ma'am, I think what you're hearing is I guess we'd suggest you look into it. And we're not providing legal advice. I think what you're hearing is that we're suggesting you look into it. Right?

What I would -- a question I had is you said that your title, there's a varying -- you're sliding up to $40. How do you determine what you charge when you said you had a range to charge on title transfers, was that correct?

MS. FRY: We charge the general public -- our fee to the public is $40 per transfer. We have various -- we have other fees that we charge our dealers based on their enormous volume of work that we do for them. The needs of the public versus the dealers also varies to the amount of effort and what is involved in transferring their titles.

MS. RYAN: So there is a lower fee for title transfer based on volume right now with a dealer customer? And what is the lowest fee to a dealer customer?

MS. FRY: Seven dollars.

MS. RYAN: Okay. And what's the highest to a
dealer customer?

MS. FRY: For a dealer?

MS. RYAN: Yes, ma'am.

MS. FRY: Would be $14.

MS. RYAN: Okay. Thank you very much.

MR. INGRAM: I have just one quick question because this is all new to me. I'm from Dallas, so we don't have full-service deputies. It's interesting that you charge $40 for a title transfer, but the other person that came up from Travis charged $20. So it's just interesting that, you know, free market not --

MR. FRY: Right. That's the difference in a free market in our society. Businesses have the liberty of choosing what they need to charge to operate a business.

MR. INGRAM: Could you also say, though, the customer is not well aware that there's a cheaper alternative that perhaps --

MS. FRY: Absolutely. They -- absolutely.

MR. INGRAM: How would a customer --

MS. FRY: There is no --

MR. INGRAM: From a customer standpoint, I'm not trying to be argumentative. I'm just trying to imagine myself as I need to get my transfer transferred and I don't want to wait in the hour-and-a-half line. So
I doubt very seriously I would call all the different
title -- I guess the four different ones and find out what
you guys charge each. But you see where I'm going with
that? It's just --

MS. FRY: Unbelievable as this may sound, we
answer call after call every day from the public getting
quotes on what our fee is. And I know that they call the
other title services, and they do shop.

MR. INGRAM: Yeah. Interesting. Okay. Thank
you so much.

MS. FRY: Sure.

MS. RYAN: Any other questions?

(No response.)

MS. RYAN: Okay. Thank you very much.

MS. FRY: Thank you. Mr. Aleshire?

MR. ALESHIRE: Good afternoon. My name is Bill
Aleshire. I had been retained by the full-service
deputies in San Antonio and in Austin to assist them with
this Rule issue. My perspective is different than most,
because I served as Travis County tax collector from 1980-
85 and then Travis County judge and dealing with state
unfunded mandates for 12 years after that.

I represent these small businesses. I wanted
them to come here, and there are many of them here that
may not speak today. But they're real people, and their
businesses are not going to survive if this Rule is
adopted as it is.

First of all, I want to say I thank you for
your public service. I don't want my frank criticism of
this Rule to be interpreted any other way than or to
contradict it all or be unappreciative of your public
service.

When I took office in 1980, I didn't know there
was a full-service deputy or Loretta Fry, who had been
there for a long time, and a couple of the others that had
been there with the Republican tax collector before me and
the 30-some-odd year tax collector Fritz Robinson who had
been there before them.

But what you see here is that -- and I want to
make sure that you understand how these work and they work
the same in San Antonio as they do here in Austin. They
collect the statutory fee and they turn 100 percent of all
of that including the processing and handling over to the
tax collector daily.

The convenience fee that they charge on top of
that is voluntarily paid by their customers. The
customers do not have to use this service if they don't
want to, but that charge that they make is what is
necessary for them to be able to survive.

Each office if different. In Austin, they're
spread out north -- it used to be east -- south and west.

The dynamics are very different. Where Ms. Fry's place is is one of the most expensive real estate markets in Austin on South Lamar. The Cesar Chavez place was not as expensive. Another one, they own their building and they're not charging rent and trying to work that into the price.

So there is need for some flexibility in this regard and one size fits all does not work throughout even the state of Texas. We do about a third of the titles in Travis County, about 40 percent in San Antonio. But the Rule on its face, based on what our customers are charging would about cut their revenue in half as a group.

Interfering in the marketplace with this arbitrary price-fixing Rule, capping their price for title transactions serves no public interest at all. The customers who come to the private title services know they pay extra and don't mind one bit. I realize that theoretically you may think that they're forced to go here. They aren't, and so --

FEMALE VOICE: Time.

MR. ALESHIRE: Oh, I'm very sorry. I'm not --

MS. RYAN: Are you close?

MR. ALESHIRE: Ma'am?

MS. RYAN: Are you close to finishing your
MR. ALESHIRE: Yes, ma'am. There's a -- I would point out to you that this saves tax dollars. Allowing this operation of full-service deputies to have voluntary payments means that other taxpayers -- the notion of having the tax assessor-collector take tax revenue out to pay for this doesn't make a lot of sense when you've got that -- there's two other things about this Rule that if I could just quickly say.

MS. RYAN: Quickly, please.

MR. ALESHIRE: It's already been mentioned that you've got audited financial statements. I promise you none of my clients have audited financial statements. They do have QuickBooks and they can produce a balance sheet and they can do P&L. And I have tried for a year to try to figure out a way to share this information with you and with your staff. And we are concerned about confidentiality even between my employees.

The other thing is on the contract. You have a very harsh, I think, unconstitutional requirement in there that the RTS feed can be cut off to any of these businesses, basically shut these businesses down merely because they're under investigation. No finding, no hearing, no probable cause, no due process.

And I fear it because I saw what happened here
in Travis County with Universal Title for which there was no justification at all for putting them out of business for a week. None at all, but it took us a week to prove it. And they were shut down the entire time.

That provision reminds me of something out of Alice in Wonderland which is, Chop off their heads and then give them a trial, but your Rule doesn't even give them a trial. Now I have two suggestions for you of how to fix this. You've got to go ahead and adopt your Rule for your own financing.

But you don't have to make the full-service deputy Rule effective in January. You could make it in September of next year and give us a chance to go to the legislature and see if we can't get relief. And the other possibility is as it's been suggested, let the local tax collector set the limit for what their deputies can charge. And let us work with you on improving accountability and oversight without draconian meanness --

MS. RYAN: Thank you.

MR. ALESHIRE: -- in the Rules.

MS. RYAN: I do have a question for you. What is your opinion on what we just asked a minute ago? You said you had a comment. It is our General Counsel's opinion that at this point based on the $5 in statute for title and that in statute that -- or for registration and
in title, that there's no ability for registration and nothing for title that they shouldn't be charging anything or over $5.

And that maybe it's been going on for a long time, but that it's a business built on something that shouldn't have been built on it. You said you were going to comment on that.

MR. ALESHIRE: For 56 years it's been going on. Our position is that the entire -- a fee is mandatory. A fee is mandatory. And the entire fee, 100 percent of it, no portion has been retained by our clients. The entire statutory fee has been charged and turned over to the tax collector in both of these counties.

My answer to you is that what my clients charge for their existence for them to be able to be there and to have the convenience for people to have an option to use them is not a fee. It's not a fee at all. It's a price for their convenience of being there. It is not mandatory. None of those customers have to even walk in that door. And if they don't want to pay that, they don't have to.

MR. PALACIOS: I have a question, Mr. Aleshire. Now you made a comment stating that consumers actually -- taxpayers save money by using these entities. And I just need you to explain that because my understanding is well,
the way it is now, the consumer still pays the $1.90 to
the tax assessor and he pays money on top of that in these
six counties. So how is that a savings to the customer?

MR. ALESHIRE: I don't know about the other
four counties, but I can tell you in Bexer and Travis
County, they're paying -- the customer that goes to our
client's places of business pay the entire fee as if they
were going to the tax office. They'd pay that fee and
it's all turned over. Then they pay this convenience
charge to our clients.

And the point that I was making about that, in
the Rules proposal, it says, well, you might go ahead and
adopt the $15 limit as to what our clients could charge
them and retain, but the tax collector could contract with
us out of tax funds to supplement that.

Now, I hear that maybe that is or is not
illegal, but it doesn't make any economic sense. If
you're not a customer of one of my clients' businesses,
why should you be paying any taxes so that my customers
have it more convenient, especially when the customers
have indicated for decades that they're willing to pay
extra out of their own pocket.

MR. PALACIOS: So are you suggesting then that
the county not receive any reimbursement, that all the
funds go directly to the deputies? I mean --
MR. ALESHIRE: No, Mr. Palacios, I'm not. I --

MR. PALACIOS: -- because I'm still confused

here because of what --

MR. ALESHIRE: I suggested to you that what we
had been doing, the way it works now is the county
receives -- whatever the fees are the county receives
whatever the split is between the state and the county,
that goes on as if it was a transaction that occurred in
the tax office.

It is the private money that these customers
who want the convenience of full-service deputy businesses
that they pay extra and it's for their convenience. It
wouldn't make sense to cap that and then have tax money
come back into the full-service deputies to make up for
the artificially low fee. That wouldn't make sense at
all, but that's what's in the proposal.

If I didn't answer your question --

MR. PALACIOS: Well, you answered my question.

I'm not sure I'd necessarily understand or agree with
your logic, but you've answered it.

MS. RYAN: Any --

MR. WALKER: David, how hard would it be for
you to read the statute to me that directs the Agency to
set these fees?

MR. DUNCAN: I'll get it. I don't have it.
MS. RYAN: Can we find it and keep going? Is that okay?

MR. WALKER: Because he's alluded to the fact that he doesn't think that we were directed to do that. I want to see what the statute says.

MR. ALESHIRE: I was suggesting to you that if nothing else, you could set the timing for when this Rule becomes effective.

MR. WALKER: But, I mean, we were --

MS. RYAN: I understand. I understand that that's a recommendation that we adjust. I understand that you're suggesting we adjust the timing of implementation and we --

MR. ALESHIRE: Just for the full-service.

MS. RYAN: We understand that comment.

MR. WALKER: But I think that the Agency has been mandated by the legislature to set that fee is what my understanding is and maybe I'm wrong.

MS. RYAN: I don't think he's -- the processing and handling fee, I think what he's referring to is the fee for the titles, for the deputies.

MR. ALESHIRE: You may be right now.

MS. RYAN: Right. So --

MR. ALESHIRE: I was talking about what the law is and has been for 56 years.
MS. RYAN: Okay. Thank you.

MR. ALESHIRE: Yes, ma'am.

MR. DUNCAN: In response to Member Walker's question, the statute under which this Rule going forward or this proposal is being proffered to the Board, "The Board by rule shall prescribe the classification types of deputies performing titling and registration duties, the duties and obligations of deputies, the type and amount of any bonds that may be required by a county assessor-collector for a deputy to perform titling and registration service duties and the fees that may be charged or retained by deputies."

MR. WALKER: So it answers the question that we are mandated to set the fees charged by deputies.

MR. DUNCAN: Yes.

MS. RYAN: Thank you. Okay. Thank you. Good question. Thank you. All right. I misunderstood. Tony Lazari. Did I pronounce that correctly? And Paul and -- it's got Pablo and Paul in parenthesis Villarreal, Junior will be up next.

MR. LAZARI: Hello. My name is Tony Lazari. And I was going to read something, but I'll just go ahead and just kind of tell you about the reason why I'm up here --

MR. INGRAM: I'm sorry. Who are you --
MS. RYAN: Sir, if you could identify who you're with, please.

MR. INGRAM: Yes.

MR. LAZARI: I'm sorry. I'm titles services in Bexar County, Texas, and I have six title services and 25 employees.

MS. RYAN: And the name of your company?

MR. LAZARI: Six.

MS. RYAN: Name of your company?

MR. LAZARI: San Antonio Auto Title and Tisdale Title Services.

MS. RYAN: Thank you.

MR. LAZARI: So I have six. The reason why I'm up here is because we are opposed to the $5 and the $15. Obviously, you guys have already heard if you have those numbers in place, we're out of business. It's just real simple. There's no and, ifs, or buts about it. We can provide you with all the financial documents, all the data, all the backup. It doesn't make any difference. We're out of business.

So the reason why I'm up here is I'm going to just tell you what some of these other people might not have told you. And that I have 25 employees. I provide a little bit more for my employees maybe than they do. I provide 100 percent group medical. I provide 401(k) and I
match it 100 percent. So what I've done is I've created not just a job, but I've created a career for these girls. And actually, yeah, they're all women. I don't think -- yeah, we have one gentleman.

So the point being is that some of these girls have been at San Antonio Auto Title and Tisdale Title Services been in business for 38 years. I've owned them for 23. I have five staffers that have been in business as title clerks for 38 years. I have over 10 that have been in business with me for over 20, so that speaks volumes on me taking care of my employees.

So in order for me to be able to take care of my employees and continue for me to run my business and not put more burdens on the tax assessor's office for employees that get jobs, get benefits, have a career, the $5 and the $15 just will not cut it.

And the other thing we brought is obviously as Fry had to, we have petitions also that we have signed. 98 percent of my customers signed those petitions that came in my store. I have those petitions with me right here.

We've already talked about how we can fix it. Either you guys can grandfather us and let the tax assessors make their own choices. It's a pretty simple fix, but if we don't get some kind of relief and I'm sure
I don't know how many of y'all are small business owners on the Board. I'm going to say probably four or five. Then you guys really understand what I'm talking about when I have employees like that.

Other than that, I don't have any other thing to say. But Ms. Brewster did say one thing when she started off in her presentation, she also did say that the tax assessors already are looking for relief. They already have enough volumes of business it can't do anymore.

If we have the $5 and the $15 imposed on us and we go out of business, they're just going to have more work and they can't handle that. Do you guys have any questions?

MR. BARNWELL: I have a question. You say that the $5 and $15 doesn't work, and we've heard that repeatedly.

MR. LAZARI: Yes, sir.

MR. BARNWELL: It begs the question what does work?

MR. LAZARI: For us right now what works is $30 and $15.

MR. BARNWELL: $30 and $15?

MR. LAZARI: Yes, sir. $15 for registrations, between $12 and $15 for registrations and $30 for title...
transfers. Now, that works for me. What works for me might not work for Fry, but those are the numbers that work for me. And so I can only speak for myself. I can't speak for --

MR. BARNWELL: I understand.

MR. LAZARI: -- any other titles services in Bexar County.

MR. BARNWELL: Okay.

MR. LAZARI: Yes, sir.

MR. WALKER: So how would you ever expect us to set the fees when your fee is $15 and $30, his is $10 and $40 --

MR. LAZARI: We don't.

MR. WALKER: -- hers is $10 and $20. I mean, y'all want to --

MR. LAZARI: That's what we're asking for. We're asking for you guys to let the tax assessor in the county, let him set it. You're letting him set the --

MR. WALKER: So how do I --

MR. LAZARI: -- the bond limit so let's let him set the fees limit.

MR. PALACIOS: Mr. Duncan, again, the statute put that responsibility on DMV, not --

MR. WALKER: That's correct.

MR. PALACIOS: -- the TACs? I know these are
I'm sorry. I'm just...

MR. DUNCAN: That's correct. However, it does say we're supposed to set the bonds and we're giving a range of bonds and allowing the counties to do that. So I don't want to say two different things on two different subjects. We're setting a range for the bond.

MS. RYAN: I will say we have the responsibility to also consider the consumer and --

MR. DUNCAN: Did I answer your question, Mr. Walker? Okay. I was hoping you weren't going to ask me anything, but I knew you would.

MR. LAZARI: Do I have any other questions from anybody? Thank you for your time.

MS. RYAN: Thank you. All right. Welcome.

MR. VILLARREAL: Thank you. My name is Pablo "Paul" Villarreal, Jr. I'm the Hidalgo County Tax Assessor-Collector. And I've been with the county since 1985 so I've been there for 30 years. And I always had a great relationship with TxDOT, you know, Jeremiah, Brittney, and I appreciate what you do.

I know that salary must be good. I'm on three state boards and three local boards, so haven't gotten past zero but I enjoyed also serving too. So being here, I just want to let you know that I do have two full-service titles in my county, and I appreciate what they...
Sometimes three, let's say ten years ago I had about 300,000 vehicles. Today I have about 574,000. Sometimes your governing body doesn't give you the personnel so that's why sometimes you need to go out there and find other sources to help you. And why do we have to do that? Well, I'm an elected official and it's about customer service.

And when the customer -- let me give you a good example. On Monday, I had the county judge call me and I had to send somebody out there to the commissioner to explain why we were down. Luckily, I saw that you had three people here this morning to address it so I'll go back out there and says, Look, I know that sometimes it happens, but just to minimize there being -- customers complain, you know.

They'll complain and say I just won my election by 74 percent of the votes in March so maybe people are saying I think we did the wrong thing. We voted for the wrong guy. Look, he's got the office shut down. But it's part of the system. You know, sometimes -- I don't think that we've been down that often so I think it's working great. And like Ms. Ryan was saying that eventually we're going to get to where it's better.

But I just wanted to say that as far as Hidalgo
County having two full-services, I was waiting too because right now in bigger counties they're charging a little bit more because of demand. The leasing and things like that are more expensive. In my area, the gentleman is moving down to another office because he's expanding the people. In our office right now I get about 45,000 people more or less in my office per month.

And if you have the same staff that you had about ten years ago, then that's a problem, you know. So we are, tax assessors, we have to look and see how we can provide services. We're not trying to grow somewhere over there because I love helping them there. But if we can help them by somebody providing those services.

In this case, I was waiting to see what happens because I haven't been able to attract any more other full-services. They were actually charging $5 for registration and $5 for titles and both is $10. So I can see the point for the other elected officials that have bigger offices.

If you're going to -- I have seven offices in my county -- so if you're going to just have a limited area, then I'm going to have, like I said, 45,000 per month. And I live by the border so not everybody in my county is online. Our people out there, they want to be there. I don't care if they're there an hour or two, but
they want to have a receipt when they leave.

So hopefully, in the future, we're also pushing
for e-checks where people can do it online. So I'm doing
the same thing. I went through Bruce right here in Travis
County. I think they're doing a great job too. And I
want to try to see if I can promote more of the people
doing things online.

MS. RYAN: Thank you.

MR. VILLARREAL: But I just want to let you

know that I do appreciate what these full-service are
doing for our county.

MS. RYAN: Thank you.

MR. VILLARREAL: Thank you.

MS. RYAN: Any questions?

MR. INGRAM: I have one question.

MR. VILLARREAL: Great.

MR. INGRAM: Sorry.

MR. VILLARREAL: Great. I wanted to exceed my
three minutes too, so ask me.

MR. INGRAM: Okay. So the full-service
deputies that you have now, are these full-service
deputies that you've placed, that you've brought in and
set up or were they there prior to that?

MR. VILLARREAL: Well, I became the tax

assessor-collector in 2013. So there was one office there
at the time when Mr. Barrera was there, and the second one was when I went ahead and became the tax assessor in 2013. So, yes, the second one -- and they're doing a good job, so they're under me now.

And, of course, you know, I think we have a great relationship, and I always ask them to treat the taxpayer just like if it was me as the tax assessor, representing the county. And I think they're doing a good job.

MR. INGRAM: Can you explain the decision-making process where you're at that point where you're struggling -- obviously, you need help; that's why you brought the second one in --

MR. VILLARREAL: Uh-huh.

MR. INGRAM: -- versus going to the county commissioner and saying, I need more people?

MR. VILLARREAL: Well, I always do. This year -- as a matter of fact, in the previous two tax assessor-collector, Mr. Rosio Trevino [phonetic], which was -- he was there from 1972 through '96, and then Armando from '97 through 2012. When I came in, I went personally to the Commissioners' Court. I have a great relationship with them, but sometimes the county's growing so they don't have funds and I have to understand that.

But I went before them and I stood there and I
said, Look, I need six people. And they said, Well, Paul, can you bring it back? I said, No, no. I need to let you know because the taxpayers are the ones that pay our paychecks. They're the ones that need services. They don't need to be in our office one or two hours. I need to send them back to their home or back to their job so I need six more people.

So I stood there until they actually gave me six people because I said, Well, we don't have any money. They said, Well, what do you mean you don't have money? I just brought you $178 million just for the county itself and I collect over a billion with other entities. So they were able to give me those six people. And what I did with those six people, I opened the two major offices that I have and I created express lanes for renewals only.

So people are happy for that. But sometimes you have to do that. But right now, being efficient, you know, for five years, the county did not provide any salary increases for my staff so I mean, you're tied up, you know. So if there's no more money, then we ended up with the Two Step, Two Sticker Program that allows us to do more work, delay the process, because taxpayers want to know why we change the laws.

And they always blame me for doing that. As soon as Paul Villarreal came in, he started changing all
the laws. And I said, No, those are mandates that we have
to follow. But every time you do a mandate, you know, it
would be nice if you would consider maybe $1 for, you
know, there's so many fees that you have for the
automation for DPS. Now we're doing work for DPS right
now for free. Get me $1 from there so we can use it for
the sole purpose of the tax assessor because see, we don't
get employees from --

MS. RYAN: Thank you. I'm going to keep you
focused please. Thank you.

MR. PALACIOS: I have one more question to
follow up on.

MR. INGRAM: If you don't mind, then --

MR. PALACIOS: Yeah, go ahead.

MS. RYAN: Yeah. I'm going to let Blake follow
up, but --

MR. INGRAM: Just a quick follow-up, so
congratulations on getting the six people. It sounds like
you really stood firm and got what you needed.

MR. VILLARREAL: Thank you.

MR. INGRAM: So I guess the question that I
have for you were you aware prior to coming today that the
county has actually been receiving extra money from the
DMV from the funds, that they are, in fact, getting more
money?
MR. VILLARREAL: Yes, I know. I know that.

MR. INGRAM: Okay.

MR. VILLARREAL: I've seen that. You know, I see where they're trying to do the best they can. You know, they're trying to get some from here and put it over here, you know. And I'm here to work with all of you, you know. I was the customer service supervisor at your Region 4 for two years. I was in charge of nine counties.

So it's about just letting you know what happens in our county, why sometimes we have to come over and tell you and working together. So really, I know that I don't see a problem where we -- we've had a great relationship.

MR. INGRAM: Okay.

MR. VILLARREAL: And why? Because we bring in millions of dollars to our state of Texas.

MR. INGRAM: Thank you for your comments.

MR. PALACIOS: Okay. I want to follow up on Member Ingram's questions there. You had mentioned earlier that you had 300,000 transactions and that's gone up now to 575,000?

MR. VILLARREAL: We're 574,000 vehicles in Hidalgo County.

MR. PALACIOS: Okay. So it's almost doubled.

So in essence, your revenue has doubled over the course
of, I don't know, two years, three years or whatever that is.

MR. VILLARREAL: That is true. Very good.

MR. PALACIOS: Okay. But, again, you said that your staff has remained level at ten. And so I'll ask the same question I asked the tax assessor from El Paso. What percentage of that revenue then that you're collecting now actually stays in your office?

MR. VILLARREAL: Well, that's a good question because sometimes when I'm hearing you saying we're bringing a lot of money to the county, I think it's great you're doing a lot of adjustments. But when you're at the county level, the governing body most of the time when it goes to the general fund and you go out there and ask for more things that you need, normally and bigger counties, maybe they don't have that problem, but smaller counties like -- we're the eighth largest one -- they'll say we don't have funds, okay.

So you could put maybe $10, $20 return to the thing, but if they don't give you the money in order for your to get more people, that's why, you know, sometimes, you know, we have to find other sources. It would be great if they say, Okay, they're giving us more money through the registrations and I can say, Well, please give me more people so I can go ahead and make sure that I see
this area so instead of piling it up on the same employee all the time. But that's what happens sometimes. So that's why we have to find somebody else to provide the service because the customer in the lobby doesn't care where it's coming from says, The tax assessor's doing a bad job. And it's about customer service. So it does happen where -- luckily, on that one, I did get those six people. But the other two people behind that could never do it so I think it was just something --

MS. RYAN: With regard, we did address at one point. I think it came up. Somebody agreed. I don't remember which one. The full-service deputies are agents of the TAC office.

MR. VILLARREAL: Yes, ma'am.

MS. RYAN: And so in that regard, how often do you put out an RFP or what is the process? Do you go out and try to find the most competitive innovative businesses that are going to bring the best ideas, the most businesses that are going to bring technology, customer service and do it in the most cost efficient manner so that -- I mean, we've got a spread of fees here that are all over the board.

So as agencies in a government situation, we have to put RFPs out to bring that type of thing. Why
wouldn't as TAC offices, you have to do that with full-service deputies? Or well, I'm guessing now.

MR. VILLARREAL: Well, right now --

MS. RYAN: Do you do that?

MR. VILLARREAL: Well, we just -- I inherited the first one and then we opened another one. But right now, you know, with $5, you know, you couldn't really get anybody else to participate. So maybe in the future, you know --

MS. RYAN: Well, it's all over the board right now.

MR. VILLARREAL: Well, I mean --

MS. RYAN: Have you done that in the past let me ask. Let's go backwards.

MR. VILLARREAL: I think the ones that I have the most that I've attracted is the limited deputies.

MS. RYAN: I'm sorry. Could you stay on the full-service. With the ones you have, have you done that in the past?

MR. VILLARREAL: Have I done what? I'm sorry.

MS. RYAN: Gone out with an RFP to try to gain that or have you considered that process?

MR. VILLARREAL: No, not right now. No.

MS. RYAN: Is that an option?

MR. VILLARREAL: It could be an option in the
future, yes. What I'm about is just to try and provide better services to our people, and I think we've done a great job. The only thing is that the county's growing so people will complain that the lobbies are full. Sometimes we have --

MS. RYAN: Okay.

MR. VILLARREAL: -- lines up to the outside, but overall, you know, we're here -- personally, I'm here to make sure that we work together and see what we can do to resolve it.

MS. RYAN: And I appreciate it. I think we all appreciate that.

MR. PALACIOS: One last question. So again, you said, your deputies are charging $5 registration and $5 for title. Is that --

MR. VILLARREAL: Yes. It'll be $10 if they do both.

MR. PALACIOS: So if we're going to $5 and $15, what's the --

MR. VILLARREAL: I mean, that's going to be good for them definitely, you know.

MR. PALACIOS: Okay.

MR. VILLARREAL: But I know that, like I was also -- you know, I consider the bigger counties because they definitely, you know, need to keep the -- I just
would hate for them to close their offices and for Arthur
over here to get another 20,000 people in his office
where, you know, you don't have enough people to do the
service and get them out as soon as possible. But I'm
considerate about, you know, what's happening in my county
which is smaller.

MR. TREVIN: Mr. Villarreal, do you audit or
evaluate your full-service deputies at all?

MR. VILLARREAL: Yes, we do send out some of my
staff. I've had to -- I did employ another accountant in
the motor vehicle that strictly looks at that. And, of
course, we're very close to them so every time that --
monthly, we have, all my supervisors from all my offices
and we also bring one of the supervisors to be part of it.

And we audit what they're doing and we actually
audit, you know, from day to day to make sure that
everybody is bringing in the proper paperwork to their
offices. Because there's other people -- in my area,
there might be a little bit more fraud so we always try to
look at it and make sure that somebody's not trying to
pass something. And we look and see if something's not
right and if it's with the same person and we try to look
at it. Yes, and if there's anything out there, we'll sit
down and try to make sure that everything's proper.

MS. RYAN: Has anyone failed?
MR. VILLARREAL: Excuse me.

MS. RYAN: Has anyone failed an audit?

MR. VILLARREAL: No, no, no, no. There's a couple of things that sometimes when somebody I don't like, something that I don't like, I'll bring him in. I'll say, Look what happened here and I'll make sure. You have to do the same thing like abide by the state law and you're representing me. So they've been doing pretty good so thank God for that.

MS. RYAN: Great. Thank you. Thank you very much.

MR. VILLARREAL: Thanks so much.

MS. RYAN: Thank you. Okay. Michael McDonald, please?

MR. WALKER: How many more you got?

MS. RYAN: Three. And Tom Menchaca?

FEMALE VOICE: Menchaca.


(General laughter.)

MS. RYAN: I'm sorry. What was that? Oh. He has spoke. Okay. I was just putting that away. Okay. All right.

MR. McDONALD: Hello. My name is Mike McDonald, and I represent Texas Auto Title in San Antonio.
And I've heard everybody come up here and say that the $5 and $15 would put us out of business. And yes, it would and I know you've heard that enough.

I want to tell you about some of the services that we do provide. It's not just a shorter line. It's closer to -- usually it's people within our vicinity, dealers, people that live in the neighborhood, convenience as far as coming home from work. We're right there. They can pull right up to the door. They walk in ten feet to buy their sticker.

Elderly people, in some cases, not all the time, I'll go out and put their plates on their car. You know, I'll put the sticker on their windshield. They're getting a full service deal. It's not just a shorter line. If it's worth it to them, they pay the fee. If it's not, they'll go to the county, but it's not just a shorter line. So I mean, I want y'all to take that into consideration too.

We really strive to give these people service. We want them to come back. I would say that 90 percent of my business is repeat customers. You know, they come back to me. I'll get in the car and go pick up a dealer's title work. I'll bring it back. I'll deliver it to him. you know, it's whatever I can do to get their business, but it is a service business. So thank you very much.
MR. INGRAM: I'm sorry.

MR. McDONALD: Yes, sir.

MR. INGRAM: Since we've asked everybody else, I'm kind of curious now. Just what do you charge for the --

MR. McDONALD: I charge $10 for registration and I charge $15 to $25 for a title. And excuse me, $29 for a salvage title.

MS. RYAN: What causes the range?

MR. McDONALD: $15 to a dealer, $10 to $15 for a dealer. If I have to go pick up the work, you know, it might be 30 minutes, gas money, whatever, I'll charge them $10 if they have a bunch, $15 if they have two. If they have one title they need desperately that day and I have to make a trip, I'm going to charge them the $25, you know. If I'm able to even go get in the car and go do it that day, I try to.

The customer that comes in, they're going to be $25. If they have a salvage title, it's $29, the individual customer. You know, I, too, had people sign, you know, the form stating that the -- I have not had one person say, Oh, no, I don't like your fee. I mean, literally, you're such a convenience. What would I do -- say a dealer, and they're small dealers, they sold a car. They need their white slip to get paid on it from the
MR. WALKER: So I'm a small business owner.
MR. McDONALD: Yes, sir.
MR. WALKER: And I do oil field trucking. And in today's world, like it went away.
MR. McDONALD: Right.
MR. WALKER: So we have to look at being innovative and how do we change our business and with our millennials and so forth. So let's think about your business here for a second. I think statutorily we have been told to set the fee to the public.
MR. McDONALD: Yes, sir.
MR. WALKER: Okay. But you just mentioned something to me that says you've said you've went and picked up these titles or the applications from the car dealer and you take them back to their house or you take it to somebody's house.
Nothing in the law I don't think says that you can't charge a service charge to go out here and a courier to pick up and bring it back, is there, David? I mean, you'd be competing with me maybe because I own a --
MR. DUNCAN: In fact, the way the Rule's currently drafted, it's clear that they can charge for things that don't require the use of --
MR. WALKER: So maybe you charge the $10

ON THE RECORD REPORTING
(512) 450-0342
registration, but, Hey, we pick up and deliver and that's going to be $25. I'll pick it up at your house and mail you --

MR. McDONALD: You know I don't say I'm going to charge you $15 because you're so many miles. It's just here's what the fee is. You need it picked up and I --

MR. WALKER: Well, but look at it differently.

MR. McDONALD: Okay.

MR. WALKER: If we set this service and these fees or whatever they are going to be --

MR. McDONALD: Right.

MR. WALKER: You just innovatively think about how can I take and modify my business to operate within the criteria of the law which says, Hey, we're going to offer a pick up and delivery service. It's 25 bucks. We come to your house, pick it up and do it or your dealership. And now you've picked up the revenue, but it's not under the titling and the registration fees that we're mandated by law to --

MR. McDONALD: That's a possibility.

MR. WALKER: So just go there and think about that when you finish up the day here.

MR. McDONALD: Yeah, I will. I will.

MR. PALACIOS: Member Walker, that's actually a practice in El Paso.
MR. WALKER: There you go.

MR. PALACIOS: They do exactly the same thing.

MR. McDONALD: You know, and then that's very probable that I might do that, but right now, you know, I charge you $10 a title. You can call me up, Hey, Mike, I got --

MR. WALKER: If you charge $10, I don't think there's anything that says you can't charge for a notary public signature. Hey, you have to notarize. We charge five bucks for that. We're not going to --

MS. RYAN: I think the Rule just states you have to post all fees.

MR. WALKER: Yep.

MS. RYAN: And, again, I think what we've asked through the public comment --

MR. WALKER: Adjust your business model just like we've done.

MS. RYAN: -- is to go back and everybody go back --

MR. McDONALD: And that's -- you know, I've rolled it over in my mind. If everything's like I said $5 and $15, I will be out of business. It's not a matter of fact. I mean it is a matter of fact. I can't -- unless I can, you know, charge for running and getting the title or picking it up.
MR. WALKER: I would have told you I was going
to be out of business if oil prices went to 30 bucks a
barrel, but I'm still around and we're still profitable
so.

MR. McDONALD: All right. Thank you very much.

MS. RYAN: Thank you. Thank you very much.

All right. Tom Menchaca? I think I got it right this
time.

MR. INGRAM: I'm just going to start off by
saying, can I call you Tom?

(General laughter.)

MR. MENCHACA: Well, my name is Tom Menchaca
and I represent River City Auto Title in San Antonio. I'm
kind of one of the newbies. I just started my fourth year
so kind of learning all the ropes. But since, you know,
prior to this, I was a car dealer for 30 years.

But anyway, so I had a little insight in how it
works because I used --

MR. INGRAM: I wish you wouldn't say that in
that way where you're like embarrassed by that.

MR. MENCHACA: I started when I was five. And
so I always use the full-service deputies when I had my
car business. So anyway, so when I got into this
industry, I knew I had to do something creative and
innovative so I figured that baked into this market so I
thought, Well, what can I do? Well, I'll cut my fees.
Now I cut them. Well, I'll offer free pick up and
delivery so that's what I do.

I have to change my oil once a month, drive
5,000 miles a month. But, you know, it's a service we
provide and when I'm in the office, elderly people are in
there. I put their sticker on their plates for them.
Customers love us, you know. I can't tell you every day
how many people say, I'm so glad y'all are here. We just
love what you do, and I'm so glad you're here.

They bring us cookies, and they bring us all
kinds of stuff. It's amazing. So we're developing
relationships in the community. A lot of people live in
the area, but a lot of people work in the area. So it's
convenient for them. We stay open a little bit later than
most people so we catch that traffic, and then we're open
on Saturday.

So I don't mind working hard, you know. So my
wife asked me the other day -- she wants to retire next
year -- she said, When are you going to retire? And I
thought to myself, why? You know, I don't have any
hobbies, you know. What I like is working. So we'll see
what happens there; besides, the honey-do list -- I'm not
a handyman.

But anyway, we also -- what we have to do is,
you know, if somebody gives us a bad check, we got to go hunt it down, but we still have to pay the money in the next morning, you know, because I don't want to do anything to make Albert Uresti mad. You see how big he is. Mr. Prosser's even bigger than him. I'm afraid he might whip up on me. But they run a good ship there, and we respect them. We know that we have to do -- you know, stay within the guidelines or suffer the consequences and I'm too old for that. Tell me what I got to do, and I'm going to do it, you know, even if it hurts.

So we'd like for y'all to at least consider having a little bit of leeway on the fees. If you could do that, it would help us because if it gets set now and then, you know, a couple -- two, three more years, of course, my girls always want a raise, you know, and rent goes up and, you know, all expenses goes up, you know. So if we set it now and it's locked in, you know, we have a little bit of flexibility, you know. We have a -- we can flex with the times, you know.

Anyway, whatever you do to help us, we'd really appreciate it. Any questions?

MS. CARAWAY: What are your fees?

MR. MENCHACA: We charge $10 for registration sticker and $20 for the title transfer. And, of course, dealers, depending on the volume are a lot less and, you
know, even picking up and delivering, you know. But like
I say, I don't pay myself much money.

MS. RYAN: Any other questions?

MR. MENCHACA: Any more?

(No response.)

MR. MENCHACA: Thank you.

MS. RYAN: Okay. Thank you very much. That
includes our public comment on Deputies. So with that,
we'll either have discussion if there's any other
questions or I will entertain a motion.

MR. WALKER: I'd like to make a motion that we
move forward with the posting of the proposed Rule for
Deputies as it stands today.

MS. RYAN: Okay. I have a motion from Member
Walker. Do I have a second?

MR. INGRAM: I'll second that. I think that we
need to get to the public comment section, and a lot of
people have expressed a desire to look at it closer and to
provide us written comments. And I think that we need to
move forward with getting those written comments so we can
digest them in a setting that's not sitting here in a
meeting where we're having to just think really quick.

So we really need to get those public comments
so that we can truly assess what everyone is saying and
weigh it all out properly. So the only way that's going
to happen is if we publish these and get those comments.

MS. RYAN: Okay. We have a second from Member Ingram.

MR. TREVINO: Can we have a discussion?

MS. RYAN: Absolutely. Discussion.

MR. TREVINO: I just want to make it very clear that there is no way anybody's desire to put anyone out of business, but we do have a statutory mandate to balance, you know, all these different and various issues. But I just wanted to make sure that that was very clear that there was no intent in any way, shape, or form.

MS. RYAN: I second that.

MR. WALKER: I have a question, David.

MR. DUNCAN: Yes, sir.

MR. WALKER: So after we post, and I've been here long enough, I should know better, but how much latitude does the Board have without going back and reposting the Rule to make changes to a proposed Rule coming back from a public notice?

MR. DUNCAN: Quite a lot. The way the Administrative Procedure Act works, the only reason you would need to repost a Rule is if it governs new subjects or new persons. And so one of the things we're being very clear about in this Rule -- we're trying to put it in a different typeface and make it really stand out -- is
these fees or bonds or other, you know, if there are a number set in these Rules, they might go up or down.

So if you like the way it is, comment if you like the way it is. If you want it to go up, say you want it to go up. If you want it to go down, say that.

MR. WALKER: So we have enough latitude, we can come back and say, Okay, we're going to go to $5 and $4 or $50 and $10 --

MR. DUNCAN: Yes.

MR. WALKER: -- without any reposting problems?

Or we could say we're going to grandfather or not grandfather existing people?

MR. DUNCAN: We'd have to look at some of those concepts, but yes, I think you could -- as long as you can govern somebody new.

MR. WALKER: So by doing what we're doing right now, we can get the process moving, but we can still make adjustments, whereas, not doing anything is not going to solve the problem?

MR. DUNCAN: That's the very essence of rulemaking is you take comments and you're required by -- it's not that we, you know, we choose to respond to comments. We have to respond to comments.

MR. WALKER: Thank you.

MS. CARAWAY: Can I ask a question as well? So
we have the 30-day comment period. Correct?

    MR. DUNCAN: Correct.

    MS. CARAWAY: And then a rule would have to be adopted by when?

    MR. DUNCAN: Absolutely adopted the target is we plan to, no matter how voluminous the comments are, we plan to have it ready to come back to you in the June meeting. If for some reason that meeting should happen to be rescheduled, there -- I mean, Jeremiah and possibly even Eric might have to talk to -- there are things we have to work out with our RTS contractor to get programming in place.

        There are other contractors like the people that mail our registration renewals that have to -- those have to go out way in advance. So there are timelines that are on the back end of this that have nothing to do with the work that me and my lawyers do. And can we get the Rules done and, you know, stay up late and get the comments responded to? Yes.

        But if it starts affecting the programming periods and things like that so pushing the back end, pushing that June meeting much beyond July sometimes.

    MS. CARAWAY: I guess the reason I'm asking is because we've had a letter presented, and I've had comments made to me about additional working groups to
look at this and to work on different aspects of these.
And I know 30 days is not very long.

MR. DUNCAN: And also keep in mind there are
some aspects of this Rule I mentioned earlier, the deputy
contracts for the full-service deputy contracts, we hadn't
planned on making those effective until January anyway.

So if there are aspects of the Rules that are
not driven heavily by RTS, then, you know, some of those
might have more time. We just have to in light of
whatever it is they're asking about that they'd like more
dialogue on, we just have to look at it and go, Okay, that
one's going to be easy or something else is going to be
hard.

MS. CARAWAY: Well, of course, I think the big
one is the, and we're not there yet but the fees.

MR. DUNCAN: The actual fees.

MS. CARAWAY: And that's where a lot of my
question is coming from as far as I've had a lot of input
from a lot of different directions, different six counties
feeling different ways and that sort of thing and so
that's why I'm kind of asking some of that is to kind of
clarify my mind.

MR. KUNTZ: Board Member Caraway, if I may, one
of the other considerations that we have in this is
effective September 1, the TxDMV Fund is created.
MS. CARAWAY: Right.

MR. KUNTZ: Our source of funding for the Agency is solely from that fund for the fiscal year of 2017. The longer we go without making some of these changes go into effect, the more of a financial impact that it has on us because those months click by without revenue coming into the fund.

So just something to be aware of as we move forward that that is one of the things that is driving the timeline on this.

MR. INGRAM: But driving the timeline on the Deputy Rules, the ones that we just discussed?

MR. KUNTZ: As we've talked about, there are a lot of things that are interwoven between these Rules. While the Deputy Rule itself has its own set of issues that are going on, it is definitely linked with the other Rules on specifically the processing and handling fee because the compensation issue is tied together.

MS. RYAN: If I may --

MS. CARAWAY: I'm sorry.

MS. RYAN: No, no, no. It's a great question.

Don't -- unless it's -- let me throw this out because I think these questions are important. I think why we're asking is for folks to make a decision. But I think timing on when it hits a meeting or an agenda might be
relevant to the types of comments we get.

And then based on the types of comments that come in and the type of feedback or determination that the Agency may need to make recommendations to the Board and then the type of stakeholder outreach that may need to take place and the speed in that may determine whether something may need to be delayed. And then that type of determination would have to be assessed and how it would impact the Agency.

I think those are types of things that we can't hypothetically determine sitting here today not knowing what may or may not come in. So I think what is fair to say is that the comments will be assessed. They need to come in.

The more information and details and specific that the comments can be will help the Agency assess what recommendations are being requested and then the Agency can assess whether those can be accommodated, how they will impact the Agency. And then the Agency staff can make recommendations to the Board and the Board can then assess those recommendations.

And that's really the model that has to occur expeditedly because there is a major financial impact to this Agency that this Board has the responsibility to manage. And I think that's probably what we're -- the
process we're trying to work through all mentally and verbally before we try to make a decision on how to vote. Each one of us I think is weighing that I think is what I hear if I'm speaking for all of us.

MR. WALKER: Yes. But I'd like to modify if I could my --

MS. RYAN: Okay. Before you say anything, if he's going to do that, do we have to take the first and the second? No. Okay, then go ahead.

MR. WALKER: Well --

MS. RYAN: If you're modifying your motion.

MR. WALKER: I'd like to strike one line in there, David, and I don't have it in front of me.

MS. RYAN: Okay. The motion?

MR. WALKER: Yeah. Well, not in the motion, but actually in the Rule. The line that says that the deputies must provide audited financials. I would like to, in my proposal, I would like to strike that line because an audited financial for a small business is just way, way, what it's going to cost. These guys can't afford that.

MS. RYAN: Well, then you're modifying your motion.

MR. WALKER: That's what I want to do is I want to modify my motion.
MS. RYAN: that's what I said, if he's modifying -- okay.

MR. WALKER: I would like to modify my motion to strike the line where the deputies are required to provide --

MS. RYAN: Well, won't that come in -- that's going to come in --

MALE VOICE: In that case, you'd say a compiled financial statement.

MR. WALKER: Compiled financials are fine, not audited because audited means you have to bring in a CPA firm and have a full audit. And they will not touch you for less than 15 to 25,000 bucks to do that.

MR. TREVINO: Why don't we ask staff to come back with a recommendation?

MS. RYAN: Yeah. Or let the public comment -- I would let the public comments come. I mean, it's your motion, but I would let the public comments come back in and then there may be a reason they did that or not. I don't know. Whitney, go ahead.

MR. BARNWELL: I think they did it because they needed to understand what was going on, but that's why we have the public comments.

MS. RYAN: Whitney -- yeah, Whitney --

MR. BARNWELL: I want to ask you how, David,
how comfortable you are with having a mandate to set fees
from the state and moving that, establishing a range
instead of a fee? We have a range of bond of numbers. We
have the potential, although it's certainly subject to a
lot of discussion for full-service deputies to have a
range as well. Maybe TACs said. I don't know. That's
just -- and I'm just speculating about that, but is that
even legal?

MR. DUNCAN: That's something we -- I mean,
that's just been presented for the first time today. We'd
like to look at that and just --

MR. BARNWELL: I think that's important, but my
problem is that we have an extraordinarily complex bunch
of fees here and we have a lot of changes going on. We've
got some deleterious effects on a lot of people, you know.
You can just say, Well, that's too bad, but those people
still have lives to live.

And this was not going into effect until
January for the full-service deputies. To your point,
Jeremiah, you said that, Well, it's a real complex thing
and it's all tied up together, but it wasn't going into
effect until January so why are we dealing with it now?

Why do we have to deal with full-service
deputies now? I'm not saying I don't want to deal with
it. I'm saying that this is a complex matter with an
awful lot of public interest. And I'm just wondering where do we go from here and are we required to do this in a hurry-up fashion?

MR. KUNTZ: The reason we're taking it up now is that there are downstream, as Mr. Duncan referred to, downstream changes that need to occur in our IT systems to accommodate these changes.

MR. BARNWELL: For the full-service deputies?

MR. KUNTZ: For all of these. As we --

MR. BARNWELL: For all the fees?

MR. KUNTZ: As we set these fees, the way that it is currently drafted, we would need to account for this in the RTS system so that we can put in place the correct accounting for all of these fees and make sure that RTS is handling all of that.

MR. BARNWELL: I understand. You've got a lot of work to do once it's approved.

MR. KUNTZ: Yes, sir.

MR. BARNWELL: Okay. Having said that, I think that, and you all know this, but I want to re-emphasize that to me this is extremely important to get this right the first time because if we don't, it may be as much as a year before we can fix it. That's a long time to hold your breath.

So I don't want people having to hold their
breath for a year when it could have been fixed early on with an extraordinary effort on our parts.

MR. WALKER: But we're not setting any fees in the classes on this particular Rule right here. Right?

MR. INGRAM: We are.

MR. BARNWELL: Oh, yeah.

MR. WALKER: There is a fee in there?

MR. BARNWELL: Oh, yeah.

MR. KUNTZ: The amount of compensation --

MR. BARNWELL: So that's the issue we've been told repeatedly that it's not -- they can't live with it. Whether they can live with it or not, I don't know.

That's the testimony. That's the comments and it's all anecdotal at this point. I want to see some numbers. I know the staff wants to see some numbers, and I'd prefer for them to look at it than me.

But, you know, we do have some fee issues here. So I'm all right it. I just wanted to make that statement and I'll leave it with that. And I'll second --

MR. WALKER: So I'm going to --

MR. BARNWELL: I'll second your change. Do I have to third it?

MR. WALKER: So here's what we need to do.

(General laughter.)

MR. WALKER: So I think what we're going to do,
I think what I'm going to do is I'm going to let my motion go the way it is.

MR. BARNWELL: You mean originally?

MR. WALKER: Original the way it is, because Lena [phonetic] suggests that we let the -- voice it to us if we make that change when it comes back to us.

MR. BARNWELL: Yeah.

MR. WALKER: And let them kind of come up with a better --

MR. TREVINO: An alternate language.

MR. WALKER: -- an alternate language that is satisfactory to them. If you're listening to what I'm saying, Bill Aleshire and whoever else is out there.

MR. TREVINO: Listen to the comment period and have staff come back with recommendations after the comment period.

MR. BARNWELL: Okay. Call for the question.

MR. INGRAM: Well, I'm sorry. I have one more and this is more a question to the staff. I know in the past when we've tried to identify costs for the dull-service deputies, we've asked for the audited financials which I don't think exist.

In the comment period now, if we vote to publish, do you want the compiled financials instead? You want to get -- what do you want to help look at that?
MR. BARNWELL: Let me comment on that because the audited financials are only required upon demand by the DMV. They're not required for the approval of their fees or proof of their fee structure as I understand it.

MS. BREWSTER: Members Ingram and Barnwell, I just want to go back to what the preamble says. And what the preamble says is, "Documentation to support any stated negative financial revenue or cost implications." This would be any documentation, financial statements, business plans, budgets, or other items necessary to demonstrate the stated impact.

And nothing in there says an audited financial --

MS. RYAN: I think somebody mentioned QuickBook balance sheets. That'll work.

MS. BREWSTER: Absolutely. The Rule does. We've heard your concern with that. We've noted that. We will certainly come back with a recommendation on changing that language. But for the public comment period, we are not asking for audited financials. Please give us what you can.

MR. INGRAM: That's what I wanted to hear. Thank you.

MS. BREWSTER: Thank you.

MR. WALKER: And that makes me happy.
MS. RYAN: And we've had a call for the question. Any other --
(No response.)

MS. RYAN: Okay. All in favor? We have a motion by Member Walker, a second by Member Ingram. All in favor for Item 2.B.2. for Deputies to post the Rules as proposed, raise your right hand, please.

Okay. We have all in favor from Member Walker, Trevino, Ingram, Swindle, Palacios and Ryan and Barnwell.

All opposed?

Member Caraway.

Motion carries, what do we have -- eight of us -- 7 to 1. Okay. Thank you.

MR. TREVINO: Madam Chairman, I would just like to thank staff for all of their hard work on this. I know there's a lot of room for honest citizens to disagree. But I know you had the best interest of the state of Texas in mind and I would like to thank you for all your hard work.

MS. RYAN: Thank you. all right. Moving on to Items 2.B.3. I would like to call up Martin Martinez and Richard Salas.

MR. DUNCAN: Ms. Ryan?

MS. RYAN: Yes.

MR. DUNCAN: If you'd like to proceed as we did
before, I'll do the --

    MS. RYAN: Oh, yes. I'm sorry. Correct.
    MR. DUNCAN: That's all right.
    MS. RYAN: We're going to start with
    everything -- so if both of you could be ready to go, that
    would be great. And we still start with the comments from
    the public that did not want to speak but wanted their
    comments to be read into the record. Thank you, David.

    MR. DUNCAN: Yes, ma'am. There were folks who
did not wish to speak. First, Barry Gattis from
Georgetown, Williamson County Tax Office supports the
Rule. Williamson County Tax Office is in support of the
proposed changes.

    Billy Davison of Austin supports the Rule.
Handling fees by independent offices must be charged to
cover expenses and profit. The convenience is well worth
the fees. And John Ames of Dallas County opposes the
Rule. The proposed compensation structure is harmful to
Texas counties and will further deteriorate our abilities
to serve Texas vehicle owners. That's all, ma'am.

    MS. RYAN: Okay. Thank you very much. Dustin
Martinez, please. Thank you.

    MR. MARTINEZ: Yes, ma'am. I didn't anticipate
to spend my whole day here, but --

    MR. WALKER: We didn't either.
MR. MARTINEZ: It happens.

MS. RYAN: I apologize.

MR. MARTINEZ: I was just a member of the public. I read an article or read something on the radio yesterday on KLBJ and I thought I'd come in and make a comment about it. So my name is Dustin Martinez and I'm a resident of Travis County. I was listening to a segment yesterday, felt it was my civic duty to come and speak my opinion.

First and foremost, as an individual who uses the services of these private third-party businesses, I am not for the DMV's plan to make these private businesses lower their service charge so much that it would give them no other option as to close up shop. This would not only hurt the small business, it would also hurt the consumer by taking away their choices as to where they renew their registration.

By closing up shop, more Texans would be out of a job. Most of these Texans have families to support, which would be a devastating blow if this proposal is passed. Once these businesses close, the consumer is left with very few options, renew online or go to the county for those services.

I also have no doubt in my mind that the county would be able to pick up the burden, but why does it have
to? Why would you use taxpayer dollars to hire additional people to do a job that's already being done pretty darn well. As Tax Assessor Elfant laid out, the four plus million dollars per year price tag onto the taxpayer, all I could think of were better ways that that taxpayer money could be spent.

The county could use that money to fix much needed infrastructure, like roads and sidewalks. They can put that money towards hiring public safety individuals to make our community safer. And there are four million other ways, $4 million could be spent rather than on new hires to provide a service that's already being done.

Texas is supposed to be the most business-friendly state in the nation. Essentially forcing these businesses to close shop by making it impossible to operate says otherwise. I urge you as a Board to reconsider this plan that will hurt the cause of private business at the expense of the taxpayer.

I had wanted to mention a slide from Ms. Brewster's PowerPoint about the whole millennial thing. As a millennial, I understand the target to get us to go online and to renew our registration online, but millennials, we're broke. We're not buying cars. We can't afford a car so we're using alternative methods.

What I would be focused on is our older
generations that are still buying cars and are still using
the older methods like going to renew their registration
at the county or these third-party services. I've done it
online and I've gone to the third-party and I've gotten a
really good outcome on both.

I think it's worth the convenience charge to go
to a third party servicer. It's worth the wait. There's
no wait time, you know. You get what you need and you get
out. And they have extended hours. And they're just
there for the consumer, and I think it's important to have
that competition instead of having just one outlet, the
county. Thank you.

MS. RYAN: Thank you. Thank you for being
here. Okay.

MR. SALAS: Good afternoon. My name is Richard
Salas. I'm with the Bexar County Tax Office. My boss is
Mr. Albert Uresti, and I'm the manager of our customer and
public informations. So I hear firsthand from a lot of
taxpayers the face of our county when the taxpayers call
in, correspondence, e-mails. We average anywhere between
1,500 to 2,000 calls a day with a staff of about, in my
department, about 25 and half of that telephone
representatives.

So I want to kind of touch base on a customer
service aspect since that's my title. Aside from some of
the numbers and I could briefly touch on the fact that I
briefly reviewed the analysis and I think it's somewhat
flawed from proposal on deputies to some of the figures
that are being proposed, how much the counties are going
to be able to retain.

The TTI study showed that it does cost on
average $2.59 for the counties to process registration
transactions. I know the analysis states differently, but
the TTI study also indicated that it didn't take into
account some of the aspects of labor costs, for example,
clerks who are cross-trained property tax clerks handling
registrations, things of that nature.

We don't have scofflaw in Bexar County as well
as some of the other counties I believe that it's going to
primarily impact. So I think that's where some of the
analysis is flawed. Also, in retrospect, the overall cost
when we run the numbers, we anticipate using the primary
counties that have these full-service and limited title
service deputies a negative or a detriment of about $7.6
million.

So in the end, it is going to have a detriment
to counties, small businesses and as well as taxpayers.
So I think I would ask that y'all would carefully review
some of our proposals. We've actually come up with a plan
I think Mr. Uresti has provided and carefully consider
that that may be a benefit for everyone.

And so I think there's been a great partnership with a lot of the title service companies. There's precedent there. They provide a vital service to the counties that have them. And from a customer service aspect, I think the taxpayers want that and expect that. I know we're trying to push towards online and other avenues, but at the same time we need to keep servicing our seniors and other demographics of all counties. So thank you.

MS. RYAN: Thank you. Any questions? Sir, how long have you been with the TAC office?

MR. SALAS: Two years.

MS. RYAN: Okay. Do you know the model that's, the structure that's within the TAC office right now? Are you -- do you have any -- how long has that structure been that way?

MR. SALAS: Well, historically, at least for the last 40 years that I'm aware of.

MS. RYAN: Okay.

MR. SALAS: Now, personally I have used a title service company.

MS. RYAN: Okay.

MR. SALAS: Now, I've actually used both. So it's a great convenience I think to many taxpayers.
MS. RYAN: Without the -- I mean, with just the structure within what goes on in the office within the TAC office? Remove the deputies --

MR. SALAS: Okay.

MS. RYAN: -- the title service.

MR. SALAS: So --

MS. RYAN: How the work that gets done, the processes that are getting done, how long has that process gone on? Somebody walks up to a counter, I mean, what goes on that process?

MR. SALAS: Well, it's more than a few minutes time now. Of course, I would probably have to defer to our motor vehicle director as far as the actual processes, but from what I've observed, it's within a few minutes. We've actually implemented systems to expedite that. Of course, the queuing system that adopted the DPS queuing system --

MS. RYAN: Okay.

MR. SALAS: -- within all of our offices. So you know, but with the growth of the county, I mean, I think there's these full unlimited service deputies play a vital part in supplementing that.

MS. RYAN: So you've found in some -- while you've been there, you've found ways to create efficiencies already?
MR. SALAS: Oh, yes. Yeah. We've --

MS. RYAN: So it's fair to say -- is it fair to say that if you go back and continue to get -- innovation can continue to drive efficiencies within the TAC office portion of your business?

MR. SALAS: Yes, but I think there's limitations obviously with the, you know, county budgets. You know, we're at the behest of county commissioners. I think all tax assessors --

MS. RYAN: And their processes for convenience --

MR. SALAS: And so as far as processes, yes, you know, we've implemented some changes --

MS. RYAN: Okay.

MR. SALAS: -- and become a lot more efficient. You know, we get a lot of compliments, but at the same time, you know, I think that we need to have that option of full- and limited-service deputies.

MS. RYAN: And we've addressed that. I understand. Thank you

MR. SALAS: Yeah, and the fact is too is that we've proposed the ranges. I think that Mr. Walker had mentioned even working groups for the last year or so with various options, and I agree. I think with Mr. Uresti that we're not proposing that it would be uncapped. I
think there needs to be some kind of cap, but I think there needs to be a range and allowing them to function because, you know, we keep referring to the law or the statute. You know, this $5 fee was set back at the 74th legislature, you know, 20 years ago. So counties have been operating at that fee --

MS. RYAN: The $5 -- are you referring to the process and handling fee?

MR. SALAS: The $5 fee, yes.

MS. RYAN: The process and handling fee that --

MR. SALAS: The current fee of $5.

MS. RYAN: Which --

MR. WALKER: Registration.

MR. SALAS: Registration to allow deputies to retain was set over 20 years ago.

MS. RYAN: So are you -- okay.

MR. SALAS: Okay. So you know, I'm not sure if any business is operating under the same fee from 20 years ago, you know.

MS. RYAN: Okay. Thank you.

MR. WALKER: Truckers are.

MR. SALAS: Yeah. So then you understand the impact. Thank you.

MS. RYAN: I understand. Thank you so much.

Okay. David DeLeon and Mike Sullivan will be up next.
Thank you.

MR. DeLEON: Hello. My name is David DeLeon. I'm the Director of Motor Vehicles for Bexar County. Hello again, everyone. I have been working in Bexar County office since 1981, beginning as an entry-level deputy to my present position, Director of Motor Vehicles.

Through the years, I've seen changes when this Agency was under TxDOT which is now DMV.

I remember when at one time DMV transactions were processed by TxDOT. That responsibility was given to the tax assessors years later. At the same time, other additional responsibilities have been transferred to our tax office. At the same time, compensation's always been the same, $1.90. We've had NMVITUS. We are now under Two-Step Single Sticker. We are processing exempt license plates, additional responsibility which we didn't have before.

Now, I know a question was asked earlier, Bexar County has between 22,000 and 24,000 exempt vehicles that we have to process now. At the same time, during this time, the compensation was still $1.90. I know Mr. Uresti submitted a proposal, again to generate revenue for this Agency at the same time to generate revenue for the counties. I believe this proposal would work. Please review it. Thank you.
MS. RYAN: Thank you. Any questions?

(No response.)

MS. RYAN: Okay. Thank you. Mr. Sullivan?

MR. SULLIVAN:

MS. RYAN: Yes, ma'am. Deputy, Chair and Members, I'm Mike Sullivan, Harris County Tax Assessor-Collector. Let me first say that while I'm a member of TACA, my comments are my own. This is not the speech I intended to give. My initial comments were going to be critical of the Agency and the process and somewhat personal.

However, prior to entering politics, I was a successful small business owner for almost 40 years. Therefore, I try to approach issues from a business point of view and not a personal view. I understand that the Agency has no funding. It has to go find it.

The proposed Rule for processing and handling is scheduled to go into effect September 1. This budget impact for Harris County appears to be negative $1.7 million in its first year. But to be honest, the Rule has just been made public, and we're still evaluating our numbers and making our analysis. The number could be higher or it could be lower.

So regardless, our budget's been set by Commissioners' Court and certainly cannot be changed on
such short notice. I am as interested as anyone in operational efficiencies. Heck, I campaigned on embracing technology, improving customer service and advocating for the taxpayer when I ran for office four years ago. Some of the Agency's proposals would actually help me fulfill my goals.

However, if there is a reduction in commissions paid to tax assessor-collectors, there should be a corresponding reduction of cost to taxpayers. Additionally, one of the stated expectations of the proposed Rule would be to improve customer service. Now, that could imply to someone that doesn't know what we do that services provided more from my office or by my office are inadequate, and I can tell you that nothing could be further from the truth.

I conduct customer surveys. My customers are satisfied. The real test is at the polls. In the recent March primary, I received the highest number of votes in Harris County in both contested and uncontested races. I've improved relations with the dealer community, and they couldn't be happy. And that's in Harris County though, not across the state.

I've reduced dealer processing time from three weeks to three days due to my own efficiencies. As a matter of fact, they tell me that service from my office
hasn't been this good since the days of now Senator 
Bettencourt, and I'm proud of that.

Finally, let me tell you what I've done locally 
in Harris County. Look, I'm a partner with TxDMV and I'm 
proud of that and I respect our relationship. I spent 
$50,000 last year on radio commercials advertising the One 
Sticker program and another $25,000 on billboards 
combined with free PSAs that I had to go out and solicit. 
Luckily, the media community was receptive and agreed to 
do it.

I also spend more than $150,000 a year every 
year on my own special investigations unit headed up by 
law enforcement in Harris County that I have to pay for. 
They constantly find fraud, incomplete and inaccurate 
information on titles. My comments today are brief and I 
respectfully reserve the right to come back and give 
additional remarks as my team and I review the four 
proposed Rules.

In closing, I don't envy the job before you. 
I've been in your position. I was a Bush appointee to a 
state water group and a Perry appointee to a task force. 
I know the hard work. Like you, I volunteered my time. I 
know this can be difficult.

Now while I was waiting -- that's why I'm 
holding my BlackBerry. While I was waiting, I received a
letter from taxpayer William Underwood at 1:28, "When a
line takes two hours to get through for registration for
new residents, your state is doing something wrong. Your
goal of making this a pleasant process was not achieved."
Signed William Underwood.

Thank you.

MS. RYAN: Thank you. Any questions?

MR. INGRAM: Mr. Sullivan, I have one quick
question. Some of the processes that you've implemented
to dramatically alter the look of what's happening in
Harris County, can you just give me like a just a very
high-level synopsis of what you've done?

MR. SULLIVAN: I'm going to defer to my
Director of Auto Services. I'm a policy expert --

MR. INGRAM: Yes, sir.

MR. SULLIVAN: -- professed self-policy expert,
but not the technical guy. I lead the division for the
Agency and do what I can to help. But this is Deputy
Peck, and she's answer briefly.

MR. INGRAM: Okay. Great. Thank you.

MR. SULLIVAN: Yeah, repeat the question,
please.

MR. INGRAM: I'm just looking to see since
you've become the tax assessor, you know, just on a high-
level, what have you done to improve efficiencies and
become more productive?

MS. PECK: Well, I think some of it was with the help of the DMV, some of the technology that they've brought forward. It was a struggle I will say that at first. webDEALER, for example, when Mr. Sullivan was saying that he took it from three weeks processing into three days processing. It was because of that.

We on our own brought in ACH. The Board was talking about that earlier today. We don't charge our dealers for that. But being able to get those funds immediately has cut down on any refund request or any errors that the dealers have made in the calculation of their fees. That would always jackknife all of our work when the fees were incorrect because our clerks would have to stop processing, fill out the form, go to accounting.

So we've cut that out with the ACH. So when the work is processed over the Internet, we go and we grab the funds. So that's just really helped tremendously. It's been hard to find efficiencies in the branches because of a lot of the work that we're having to do right now.

NMVITUS has been mentioned. That's jackknifing our line Single Sticker. The rejections from Single Stickers -- I know your question was, you know, what efficiency have we gained -- it seems like we're taking
three steps back now because we were gaining efficiencies when he brought technology. A lot of it, just faster computers. He was able to bring in more staff so that we could process some of the technology or efficiency that we gained.

Our branches were built in the mid-80s. We only have a certain number of windows. When they're full and you have this many people trying to get into this much space. So we didn't have extra windows so we actually ordered more RTS machines and put them out in the lobby. So as part of an efficiency, we built windows in the lobby, but there's no window. So is this answering your question?

MR. INGRAM: It's totally answering my question. And I just -- I wanted to hear a success story, you know. I was needing a success story for the day. So a quick question then, on deputy dealers, are you also doing independence as deputy dealers or --

MS. PECK: We have one pilot.

MR. INGRAM: You have one pilot.

MS. PECK: Well, your buddy. Actually, when we were out there training, I think he had you on the phone.

MR. INGRAM: Yes, he did.

MS. PECK: We actually just really got up and running. The end of December we trained all of our new

ON THE RECORD REPORTING
(512) 450-0342
car dealers. We had 154 I believe. We got a late start on that because we have so much inventory that he's personally liable for. We had to have an inventory solution that Jeremiah, Whitney, Shelly, Eric helped build for us. We have an old system that we build in-house, but it had to be able to speak to the webDEALER program now so that we would know the thousands and thousands of dollars he's got all around the county --

MR. INGRAM: Right.

MS. PECK: -- who had it.

MR. INGRAM: Right.

MS. PECK: So when that got finished, we made a commitment if you can get that inventory solution to us in 30 days, we'll bring up our dealers. And that's what we did. I mean, we put people out in the field that we brought -- anyway, were there.

So now our next step and our priority is going to be our independent dealers. But it's not going to be every single one of them.

MR. INGRAM: No, I don't expect it to be.

MS. PECK: Right. It's, you know, the reputable companies that do a lot of business.

MR. INGRAM: We're all reputable. It's just like, you know, it's the bigger ones.

MS. PECK: That can get funded, creditworthy,
reliable. You know, that's our next step, and we're going
to aggressively attack that as well because if we can get
them processing in a different way, then that is removing
a lot of the people out of our branches.

MR. INGRAM: Well, I thank you so much for
that. And it was somewhat self-serving, but it was also
key to the whole point of the conversation of trying to
find efficiencies and trying to find ways to do things
better, smarter, faster. And so that's why I wanted to
hear it. Thank you so much.

MS. PECK: You're very welcome.

MR. INGRAM: Congratulations.

MR. PALACIOS: Mr. Sullivan, I do have a
question for you. Can you give us a little more
specificity as to the exact issues that you have for in
disagreement with our proposal or the DMV's proposal?

MR. SULLIVAN: It's early, Member. It's early,
but let me give you -- this may answer your question
indirectly, but it's my perspective of it. Let me tell
you what our volume is rather than getting it from staff.
I know they'll give you the same numbers I do.

In 2015, as of December 2015, we had 1.99
million walk-in accounts, 1.99 million, 633,000 Internet
transactions, 271,000 mail-in transactions, 828,000
limited service deputy transactions. I can go on and on,
but you see the complexity of it.

Now, getting people out of line for that registration renewal that takes five to six, seven minutes is great, but with six to eight to 10,000 people a month year after year moving to Harris County, those transactions, transferring those titles is a 20- to 25-minute transaction. It's a manual process, multiple pages of paperwork.

We've actually put a line greeter at the front of the line to review paperwork so that when people get to the window, they at least found -- they've already found out the needed a document notarized or another signature, whatever the case may be. But I say all that because if someone shows up form Exxon Mobile with one or two titles, then that's 20 to 30 to 40 minutes.

And to give you an idea of technology, innovation, efficiency, we've all heard about Exxon Mobile moving to Harris County, moving to Houston bringing 10,000 jobs. We went out and worked with them onsite on their campus and their employees made online appointments with us. And we maybe had half a dozen employees out there for six to seven weeks. Pretty cool. That's the stuff I want to be known for.

MR. INGRAM: How do you handle your exempt fleets? Are you currently doing those in-house or?
MS. PECK: Yes. We are. That is another phase that we're trying to get to. It's on our priority level, we did about, what, 18,000 exempts. We are considering setting them up as a subcontractor, but we're also kind of waiting to see if there's going to be any legislation because we have been hearing rumors of perhaps that they won't even need a sticker, a registration sticker anymore so --

MR. INGRAM: Gotcha. All right. Thank you. It's on the radar. Got it.

MR. TREVINO: I've got one more question. And on webDEALER, I was really interested on your comments there. Over time as you start implementing this and you've already started the process, what percentage of your overall business do you think will migrate to something like that?

MS. PECK: It's really difficult to tell. I only have one example of a business entity that we're starting on webDEALER and that's the one independent. You know, we've got 100 percent of our new car dealers that are part of the Houston Automobile Dealers Association, and they all seem to love it. So I really don't know how I can put a number to that because I still feel that we are really new at this. We just got them up and running in December.
MR. INGRAM: But you have more than just one on webDEALER. You just have one that's a dealer deputy. Or do you just have one webDEALER --

MS. PECK: Independent?

MR. INGRAM: Yeah.

MS. PECK: Just one.

MR. INGRAM: Just one. Okay.

MS. PECK: Yeah. We have two commercial fleet buyers that we just brought up --

MR. TREVINO: But your plan is to migrate a lot more, right, over time?

MS. PECK: Oh, absolutely. Absolutely. You know, also consider we're having to go out and train any of these people. And Harris County being huge, I mean, we can spend Peggy, Margaret, there's, you know, a dozen of us that are crisscrossing the county and it can take us three hours just to get across town.

MR. TREVINO: Yeah, I understand the complexities. I was just wondering, you know, what you thought about it and how you felt? Are you optimistic that it was going to be very significant on how you do your business?

MS. PECK: Very optimistic. Very, very optimistic.

MR. WALKER: You said you had two million walk-
ins and you had 600,000 online registrations?

MR. SULLIVAN: Yes, sir.

MR. WALKER: How did Houston or Harris County get so far out front on online registrations from the state's average?

MR. SULLIVAN: I have no idea. I'll be honest with you. Keep in mind I came into office four years ago. I'm just learning. The main thing I do is have the best people in the business with me.

MR. WALKER: Jeremiah, I'm looking at 18 and if I look at those numbers there, that's about 30 percent. Is that right?

MR. KUNTZ: As we've said, the percentages vary wildly across the state from county to county on the percentage of individuals that choose to go online versus walk in to a county office.

MR. WALKER: More millennials in Houston.

MS. RYAN: Well, wasn't Harris County one of the first counties to have an online process?

MR. KUNTZ: All of the counties had the ability to do online transactions at the same time. There were quite a few counties that were not offering it. A couple of sessions ago it was mandated that all 254 counties participate in the online registration process.

MS. RYAN: Or they went after it more
aggressively then. Maybe that is what I assumed.

MR. WALKER: So you said at the beginning of your speech while ago that you were -- your first profile number is a negative $1 million.

MR. SULLIVAN: $1.7, sir.

MR. WALKER: Oh, $1.7. And that's for the year?

MR. SULLIVAN: Yes, sir. Calendar year, based on 2015 calendar year transactions.

MR. WALKER: And you used -- I'm kind of confused at how you got there because we're taking the registration fee from $1.90 up to $2.30. It's an increase.

MR. SULLIVAN: Well, clearly, we still are massaging the numbers.

MR. WALKER: 1.7—

MR. SULLIVAN: Yeah. I'm not trying to mislead the Board. Trust me. I'm really not. We're still massaging the numbers. We know, you know, we met with Ms. Ryan.

MS. RYAN: Is it revenue or it met?

MR. SULLIVAN: -- but we met with the Chair the other day and, you know, we all expect less envelopes, less postage, et cetera. We'll plug those numbers in. We want to do nothing but be open and transparent, you know.
Another way that we have driven people to the Internet is that I'm a prolific social media guy. And we do Facebook and tweets. Your office has received a number of tweets for @TxDMV during this meeting because that's what we do. So we send messages out proactively. A lot of people talk about it. We've got three years of doing it, and I think it makes a difference.

But if the number goes down, we'll be very honest and very frank about it. We are not here to beat up the TxDMV Board. We're just not here for that.

MR. WALKER: I'm just trying to get to how you got to the $1.7 --

MS. PECK: It was the $1.90 that you mentioned, the $1.90 --

MR. WALKER: What now?

MS. PECK: The $1.90 that you mentioned --

MR. WALKER: Yes.

MS. PECK: -- it's for Internet when the proposed revenue to the tax offices would be $0.25. So $1.90 plus $1 for the mail-in so $2.90 to $0.25. That's the $1.7 million revenue loss.

MS. RYAN: So it's a revenue change?

MS. PECK: Revenue loss, yes.

MS. RYAN: Okay. That's the question I had. Revenue change, okay.
MR. WALKER: Not --

MS. RYAN: Not loss. It's not a --

MR. WALKER: It's not an operating cost loss?

MS. PECK: Right. It's a revenue --

MS. RYAN: Revenue loss.

MR. WALKER: We're trying to get to operating costs.

MS. PECK: Okay.

MS. RYAN: Okay. No, that clarification's very helpful.

MS. PECK: It's still a high number.

MS. RYAN: I understand. May I ask one more question? Your model does not use full-service deputies?

MS. SULLIVAN: We do not. I inherited an office that does not have any full-service deputies in the county. I've been mildly receptive to the idea of doing it, but every time I look at it, I see obstacles. At the end of the day, I'm responsible. Harris County Commissioners' Court is responsible.

We think we could do a better job cheaper than full-service deputies. And we don't criticize any county that uses them. They just don't work for us. I'm the fourth tax assessor in fours years at Harris County when I was first elected due to some people resigning and appointments. I'll tell you the Commissioners' Court has
been fully supportive in maintaining this current business
model.

MS. RYAN: Okay. That's helpful. I was taking
notes. I appreciate it.

MS. SULLIVAN: So I'm accountable to the Court.

MS. RYAN: I understand. Thank you.

MS. SULLIVAN: Yes, ma'am. Thank you. I'm not
trying to run away. I just don't want any --

MS. RYAN: No, no, no. I'm -- any other
questions?

(No response.)

MS. RYAN: Okay. Thank you very much.

MR. SULLIVAN: Thank you very much.

MS. RYAN: Okay. Albert Uresti and Ruben
Gonzalez would be next.

MR. URESTI: Members of the Board, we had given
you all -- I had forwarded an alternate plan, but the
numbers were changed on this. This was Tuesday or
Wednesday. So we've incorporated those numbers, and there
is one I had to change my pencil today because I didn't
have any way to print it so just forgive me for that.

MS. RYAN: So this is different than what was
forwarded to us previously?

MR. URESTI: Yes, ma'am. It's a little bit
different because DMV changed the numbers. So I had to
change mine. I'm here opposed to the proposed P&H fees --

MS. RYAN: I'm sorry. Can you stop that for a second? Stop the timer. You said -- did we change numbers, Whitney, please?

MS. BREWSTER: Madam Chair, Members of the Board, I am not aware of numbers changing.


FEMALE VOICE: Okay. Feel free, sir.

MS. RYAN: No, he's saying because we changed numbers, but I understand. Okay. Feel free. I'm sorry.

MR. URESTI: No, they did change the numbers. I can tell you where they changed them.

MS. RYAN: Okay. Okay, please.

MR. URESTI: Because for instance, where they had a -- and my counter's not running, is that right?

MS. RYAN: No.

MR. URESTI: So the proposed state portion of the fees, that's now $0.50. Also, the main changes were where they changed I think mail. DMV had it at 2 percent, and they changed it to 8 percent. The limited, I believe, was at 9 percent and they changed it to 5 percent. Was there any other changes --

MS. RYAN: The percent of those, the fee --

MR. URESTI: Statewide.

MS. RYAN: I understand. So that was -- I see
where you changed your numbers. I understand. You can go ahead and start.

MR. URESTI: Okay. All right. So I just wanted to make that clear because --

MS. RYAN: I appreciate that.

MR. URESTI: -- I'm like Mike Sullivan. I don't want to mislead the Board in any way.

MS. RYAN: I appreciate that. You ready?

MR. URESTI: And by the way, I do want to thank the Board for all the work that y'all do and as well as DMV. We may not always agree, but I think our hearts are in the same place and with the same goal, which is to serve the citizens better.

MS. RYAN: Thank you.

MR. URESTI: This plan that I'm submitting to you under the proposal by DMV, the counties statewide are going to lose over $7-1/2 million and that's using DMV's numbers. So again, that's what they're going to lose.

They're going to lose over $7-1/2 million. Bexar County is going to lose about $938,000.

With my plan, again, using the new numbers, it'll give an increase statewide over $237,000. So this is with the $5 increase proposed fee by DMV. Also, the percentages used by the State do not apply to several counties, including Bexar County.
For example, on the walk-in, DMV is using 64 percent; whereas, Bexar County's only 30 percent. On the online, it's 18. We're 15, and it goes on down the line. So I think it's important to point that out as well as to how it impacts us negatively.

I know one of the things that has been mentioned a lot about is the license plates, about the savings, but that can be done now. It should have been done a long time ago so it's not like it has its contingent upon these adoptions of these new plans. So again, that could have been done many years ago.

As a matter of fact, I know David DeLeon has advocated that many times over the last ten years. So I wanted to point that out as well. We understand the need for change in cost savings, and no one is more dedicated to this than Bexar County. I can assure you of that. And bricks and mortars, that's been mentioned also. We don't want to increase bricks and mortar, which is why we have 21 full-service deputies.

Also, on the online savings, I know there's been a lot of talk about the savings to the consumer, to the citizen. The only savings to the consumer by what you're charging right now is $0.25. So what the numbers that you're seeing is when they talk about discounts and what have you is after the $5 increase is adopted. But if
you take what the citizen is paying right now and then
after the $5 -- with the increase, they're only going to
save $0.25.

        So I think it's important to point that out as
well. If you look at the chart I gave you, if you'll look
at the last page, you'll see where we calculated where
it's $7-1/2 million for the counties statewide and
$938,000 of loss for Bexar County. And so again, with the
switch, it would be $237,000 profit -- well, not profit,
but $237,000 in additional fees for the counties
statewide.

        But, again, thank you. Thank you for
everything that you do. I know y'all have been here all
day and ready to go home. So if you'll adopt my plan and
we can all go home, everybody would be happy. Thank you.

        MR. WALKER: I have another question. When you
make the statement that even our own numbers shows that it
is $7.5 million less to the counties?

        MR. URESTI: Yes, sir.

        MR. WALKER: That may be revenue, but we have
shifted -- the workload has been shifted from the counties
to our Agency to do that work. So we may have taken some
money away from you, but you're not having to do the work
anymore either. Is that not true?

        MR. URESTI: Well, if you're talking about the
online, which I'm assuming that's what you're referring to.

MR. WALKER: Yes, I am.

MR. URESTI: Okay. So let's take that example. If we're losing $938,000 in revenue, even if we use the maximum number of personnel that are working on it, let's say six, really it's between two and three, but we'll say six just for the sake of argument. That's $240,000 of what we pay our employees. So we're still losing the $938,000. There's still a net loss there.

MR. PALACIOS: But you also have the cost of the plates and postage and so forth that needs to be calculated?

MR. URESTI: Again, the plates, the plates has nothing to with this plan. The plates can be done -- you can do that today. It's not part of the plan.

MS. RYAN: And we mean, plates in general --

MR. URESTI: That's been advocated for for ten years.

MS. RYAN: -- to produce --

MR. URESTI: I'm sorry, ma'am.

MR. URESTI: The cost of the plates to produce. Correct?

MR. WALKER: No, I think he said the handling of those. They don't have to handle them anymore.
MR. PALACIOS: Right. Well, they don't have to ship them out, the --

MS. RYAN: Oh.

MR. PALACIOS: -- postage and so forth, the handling, the envelopes and all that. I guess they calculated, the DMV calculated it $7.2 million over five years. So there's obviously a cost savings, I mean, is there --

MR. URESTI: Yes, obviously. Yes, sir.

MR. PALACIOS: Okay.

MR. WALKER: So it's really not like, Oh, this is going to cost us $7-1/2 million because theoretically, you guys should be able to cut some costs because we've reduced your workforce and workload, have we not? Laura, you're --

MS. RYAN: Yes.

MR. URESTI: You know, we don't have access to all the numbers so I can only tell you what using what the numbers that I've been given, trying to calculate as best as I can and using -- I mean, we're trying to be as accurate as possible. I mean, we've worked on this thing for days trying to come up with the most accurate numbers. And what we see is a revenue loss to the counties statewide of $7-1/2 million.

The other thing too that I would -- and I'm
sure Xerox is a great company. I really do. But I have to wonder if they're going to handle $4.2 million registrations for -- I think Jeremiah, it's $0.48. Right? Isn't that what you had told us.

MR. KUNTZ: $0.50.

MR. URESTI: Okay, so it went up. So it's $0.50. So if that's the case, I don't see how Xerox is going to do $4.2 million for $2 million. I mean, maybe they can. Maybe they're a lot better than I think they are.

But at the end of the day, we're still going to have customers coming to us because people are used to going to the tax office. When they have a problem, they don't go call Xerox. They come looking for Mike Sullivan. They come looking for Bruce Elfant, and they come looking for Albert Uresti and for Luanne Caraway.

So I don't know enough about the program, but I really, really have a lot of reservations about can they do $4.2 million reservations for $2 million.

MS. CARAWAY: Albert, when you did your calculation, did you take into account not having to mail the license plates? I wasn't clear on how you answered Mr. Palacios a while ago.

MR. URESTI: No.

MS. CARAWAY: No. So that's still a cost
savings that would be calculated in when you did your
final numbers?

MR. URESTI: Right. That's why -- this is a
revenue --

MS. CARAWAY: Yeah. No, I understand.

MR. URESTI: -- less revenue.

MS. CARAWAY: Right.

MR. URESTI: You know, we don't have all the
numbers so I can't really tell you exactly what it, you
know, what the --

MS. CARAWAY: I gotcha. I just wanted to make
sure I was understanding.

MR. URESTI: I know. I don't want to mislead
you guys.

MS. RYAN: So I have a question, too.

MR. URESTI: Yes, ma'am.

MS. RYAN: When we look at the centralization
of the fulfillment and there's a service level agreement
and they do this for other organizations and the mailing,
that efficiency in volume is what they do. And that
efficiency creates the discount because when you have 250
people of any process do it 250 different ways, there is
no efficiency. And when you don't have efficiency, it
increases expense.

So when you can pull it into one place, it
becomes a lot less expensive. And as an Agency, that savings is being passed on to the citizens of the Texas. And that's how, though it's only $0.25 now, as the Agency is able to find, with the way this is structured, increased efficiencies within our own Agency, we hope that technology and innovation within our own organization would be able to drive that even lower at some point if we ever could find it.

And what we're asking over the next 30 days through the public comment period is the TAC offices while we understand -- and I'm with an organization with Toyota that there is no -- there's always better. There's no best, only better. Right? It's kaizen; you're always looking for improvement.

So I understand you all run great organizations, but you're always looking for improvements. But you go back and look at where there might be savings or re-innovation and then come to see where we can pass that on and we work together there. But I think -- and I read your proposal and the cover letter and what you sent.

And to say that, to keep it in place in 254 organizations when we can do it for $0.50 versus either $2.90 or even, you know, $1.60, the efficiency is for $0.50. And that savings is not coming back to us. It's going to the citizens of Texas right now. So I think
that's where we may have a pretty large disconnect.

MR. URESTI: And in my proposal I do have it less for the Internet usage because I know the goal is to drive people towards the Internet. It's not --

MS. RYAN: But it's -- you want $1.60 to do a process --

MR. URESTI: Right. That's what I said.

MS. RYAN: -- that we know we can do for $0.50.

MR. URESTI: Right.

MR. INGRAM: And I think a great analogy of that is the --

MS. RYAN: Right. That's the concern.

MR. INGRAM: The analogy is the Amazon Fulfillment Center. I mean, when you look at what they can pull a product and ship it --

MS. RYAN: Right.

MR. INGRAM: -- it's so much more efficient from that one centralized place versus having all the different people trying to ship things from different places. So it's just -- there is that economies of scale there.

MR. KUNTZ: If I might --

MS. RYAN: But we may look -- well, we'll look at it.

MR. KUNTZ: If I might, we have vendors that
mail out 23 million registration renewals for us today at $0.48 a transaction. So we know in direct comparison doing 23 million or 24 million registration renewal notices a year, it can be done for that price.

MS. RYAN: Right. And we hope that with the comments on the slide where there's other services that they can provide the customers, that that's beneficial. So I think, I mean, the time I think is beneficial and we can look it.

And the Agency will analyze it and get feedback back to the Board. But I think those are going to be hard to overcome when you're asking the Board to consider something for $1.60 when the Agency's proposing that state can do it for $0.50.

MR. URESTI: I did want to leave you real quick with a feel-good story since --

MS. RYAN: Yes.

MR. URESTI: -- since Harris County got to leave one.

MS. RYAN: Yes.

MR. URESTI: Two things is that, you know, on our lines, you know, we're talking about having efficiency. We've not installed a queuing system for our customers. We've redesigned all of our lines. We've installed seating and literally -- and I don't exaggerate
because my staff can tell you -- literally we get thousands of compliments on the work that we do.

The other thing that we've done and it has nothing to do with auto, but it's for taxes. Because you know by law, the state mandates that senior citizens, disabled, disabled veterans can pay their taxes in four installments per year. Bexar County is the only county of 254 counties that has a ten-month payment plan for senior citizens. And I can tell you it's gone a long way. So those are two feel-good stories for y'all. Thank you.

MS. RYAN: Thank you very much. Mr. Gonzalez, Ruben González and Cathy Talcott will be up next.

MR. GONZALEZ: Thank you again. I think what I'm going to do is I'm going to go ahead and yield submitting my comments in writing.

MS. RYAN: Okay.

MR. GONZALEZ: I will share this with you that in looking at the online proposal that DMV will take over, we did realize your proposed savings over $131,000 just by them taking over that. And it'll be beneficial to us because we can transfer those personnel to other duties so we are seeing some positivity there.

But I think I'd prefer to relate to you and share with you my comments in writing. I'm a better writer than a speaker so I'll yield to the written
communication --

MS. RYAN:  Okay.

MR. GONZALEZ:  -- and write them to you, okay?

MS. RYAN:  Thank you very much.

MR. GONZALEZ:  Thank you very much.

MS. RYAN:  Thank you.

MR. WALKER:  Thank you for those comments.

MS. RYAN:  Thank you.  Ms. Talcott?

MS. TALCOTT:  Yes, Cathy Talcott.  And mine's short and sweet.  You've heard this before.  On behalf of the Tax Assessor-Collectors Association, it is requested that it be noted in the records of this meeting that the Association has concerns regarding the proposed Rules for processing and handling fees.

The Association will be offering a more formal and official comment during the required written comment period.  Thank you.

MS. RYAN:  Thank you very much.  Questions?

(No response.)

MS. RYAN:  Okay.  Tony Lazari and Bill Aleshire will be after him.

MALE VOICE:  I think Mr. Lazari's out.

MS. RYAN:  Okay.

MR. INGRAM:  We got the last one of them.

(General laughter.)
MR. ALESHIRE: No. I do -- again, Bill Aleshire on behalf of the full-service deputies in Bexar County and Travis County. I want to first say that we're heartened by some of the comments that were made today. It's difficult sometimes when you're on the outside and government's coming in trying to help you to wonder if they are. And I really appreciate the comments today. There's not an intent to do away with my clients' businesses and for you to listen.

And what I want to use this short time for concerning the fees is at the time the TTI study was done, I only represented the four title companies here in Austin and we cooperated. I accumulated financial information in a cumulative way trying to protect the individual confidentiality of each one of those companies.

They're in competition with each other, and they don't want their financials released to the public. I visited with David. We have since last summer been trying to find a way from our side to share information so you can see some real numbers and you don't just hear people say, You're going to put me out of business, that we can show you why.

But there are concerns in the law as to whether we just voluntarily turn stuff over, in other words, voluntarily released it, whether or not we can keep it
confidential even if you take it to the Attorney General. So I wanted to make that point.

I want you to be a little suspicious of the TTI study. Please don't just take it as gospel. There's a lot of estimating and stuff in there. It wasn't an audit. They didn't go in and first of all, one of the things that they did in that study was to do kind of a time and motion or stopwatch kind of thing of how long it takes to do a license plate renewal or how long it takes to do a title.

They didn't observe any of my full-service deputies to come up with that figure. And so it can -- ours are walk-ins and we have dealers. Dealer package comes in, they go faster than Grandma, you know, renewing her license plate and wants to talk or has something complicated, you know. They're from out of state as was mentioned earlier.

So the other thing is that the cost figures we were able to give were from 2013. They're already three years old. And I can guarantee my clients, all of them, have experienced inflation. So within that study and the rational basis on which you have come up with these fee estimates, we think they're substantially wrong, that $5 is not right or even the $4. Or the $12 is not right when it relates to our clients.
I ask you to just be suspicious. We'll give more detailed comments in the comment period. And one last thing is when you go study Hidalgo County and Dallas County and Harris County and Travis County and you average the figures all together, you're missing a lot of the insight if you really want to make sure that the businesses are given a fair shake as to what they're up against.

The prices are different here in Austin, Texas, believe me, on taxes and the real estate and so forth than they are in Hidalgo. And if you average them, you're killing us all from the top. So just be a little suspicious as you go through this process. And I very much thank you for your time.

MS. RYAN: Thank you. Questions?

(No response.)

MS. RYAN: Okay. Mr. Elfant, please.

MR. ELFANT: In the interest of time, I'll pass.


MR. DUNCAN: Sorry, Madam Chairman. Ms. Martinez approached me in the interim between the two Rules and mentioned that she had filled out the wrong comment card. So she left her comments in writing, and
we'll put them in the record with the Deputy Rule, which
is what she wanted to comment on.

    MS. RYAN: Okay.

    MR. DUNCAN: So she said she would just go
ahead and go.

    MS. RYAN: Okay. And I'm going to mess this up
again, Tom Menchaca?

    MALE VOICE: Menchaca,

    MS. RYAN: Menchaca. I'm sorry, Menchaca. The
N messes me up. Okay. And Michael McDonald?

    MALE VOICE: He left.

    MS. RYAN: Okay. So that is the end of our
public comment for our 2.B.2 -- no, 2.B.3.

    MR. WALKER: Madam Chairman?

    MS. RYAN: Yes, sir.

    MR. WALKER: Before we move forward on this
here, there is one person that I would like to --

    MALE VOICE: Please go in the mike.

    MR. WALKER: I was using hers.

(General laughter.)

    MS. RYAN: Hers doesn't count.

    MR. BARNWELL: Didn't help, did it? Didn't
help, I know it didn't help.

    MR. WALKER: There is one person that I would
like to hear from that we haven't from today and that is
Ms. Flores who we have heard from, but when we talk about
this processing and handling fee, this has -- we've heard
everybody talk about they can't live with it from outside
of this Agency.

But I haven't heard from internally within our
own Agency from Ms. Flores her opinion, her expert opinion
as the financial guru of this Agency that this processing
and handling fee meets the needs and the requirements of
this Agency going forward. Am I making sense to you?

MS. RYAN: You mean the amount that's been set?

MR. WALKER: Isn't that what we're talking
about --

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

MR. WALKER: Yes, ma'am. Because this Agency
has to live off of that difference in there, the $2.20 or
$2.30, whatever it is. So nobody's addressed today that
says, Hey, that's enough or that's too much or we've got a
buffer in there from us nor did we see any financial
numbers given to us in our Board packet that says the
needs of the Agency are X and this is how much we're going
to take on based on the demographics of this percentage in
the next three years, five years, going on to online. Our
revenue stream is going to increase or so forth. Am I --

MS. RYAN: I understand.
MR. WALKER: And Lynn, I'm not trying to put you on the block, but it's important to me as a Board member that I know that this fee will meet the needs of the Agency.

MS. RYAN: I'm going to let Linda and Whitney address that I believe.

MS. FLORES: The short answer, yes. Does it provide sufficient revenue for our headquarters building, no. What this process -- proposed processing and handling fee split of approximately $2.70 provides $12 million every other year for automation projects as well as cover the Agency's operations.

It's still very fluid with all the different components to online transactions, the Agency taking that on. As you mentioned earlier, these are all our best guesstimates. If the processing and handling fee is in place, we have an estimated net income at the end of '17 of approximately $17 million. Moving into the next biennium --

MR. WALKER: $17 million?

MS. FLORES: $17 million. Moving into the next biennium, we'll have $9. The biennium after that, it drops down to about $7 million. Best practices for any fund administrator in a governmental setting will tell you you should always maintain an ending fund balance of at
least three months' worth of your first three months of cash flow.

This Agency's monthly bills are about $10 million a month. So am I meeting best practice of having three months' worth of cash flow in the bank? No. Is it enough to cover our Agency operations? Yes.

MS. RYAN: Can I ask a question? In time once we get established and the fund is in place, best case scenario or had it been there all along and it went into effect September 1, would it look different? I know that's a crystal ball question.

MS. FLORES: Well, the other thing I should remind everyone is when the legislators established the DMV Fund, they gave us a one-time influx of $23 million to help us with our cash flow needs because we knew that those fees would not be in place. So that $23 million is actually creating that $17 million fund balance. If we didn't have that, the story would look different.

MR. WALKER: How bad would it look?

MS. FLORES: About $5 million in the hole.

MR. WALKER: So if we're $5 million in the hole, but we're making that up because we got a spiff from the legislature, the processing and handling fee is not enough to fund the Agency?

MS. FLORES: Not in '17 but moving forward it
should --

MR. WALKER: So the other question I have is --
and I'm not -- I don't want anybody to think I'm saying,
Well, we need money to go build a new building -- but it's
kind of like my kids that might live in my house that
don't have any cost of rent. And we don't have rental
costs at these facilities here. We're living for free
under mom and dad's, TxDOT's, umbrella. We don't pay any
rent. Right?

MS. FLORES: Correct.

MR. WALKER: So if we were to be really
standing on our own and having to pay rent for facilities,
which if TxDOT sells these buildings or they just say,
Hey, y'all have lived under our roof long enough and it's
now time to go find your own place, what would that cost
the Agency and where that money come from?

MS. FLORES: I think our preliminary estimates
were that it would cost us about $6 million a year, $3
million to pay off the debt or, you know, a 30-year
amortization plus another $3 million just for operating a
major headquarters facility. It would not be out of the
realm of possibility that this Agency could go out and
request general revenue for a headquarters building.

The last legislative session did approve a
headquarters, to sell some debt for a headquarters
building out of general revenue dedicated.

MR. WALKER: But we were going to have to pay that back?

MS. FLORES: Yes.

MR. WALKER: So that money has to come from somewhere?

MS. FLORES: Yes.

MS. RYAN: If I may, I also asked that same question. I was also told we can't build a surplus so the -- and since we don't have that current debt, we can't put that expense into the fee now because it is not a current expense.

So at the time we understand that we're going to have that expense, the Agency will have to build that in. This Board will have to consider and address that. And if it can't come out of a current expenditure or fund, then this Board will have to address whether the fee goes up at that particular time. But we can't add into the fee today something that we don't have an expense for.

So you're right and I asked the same thing, but we can't accrue for it. We can't build a surplus. So at the time we have a clear understanding of what that expense is going to cost the Agency, then Linda's going to have to do an analysis, help us understand where that money's going to come from.
If it's not in the current Agency's expense channel, then they'll make a recommendation to the Board and the Board will have to make a decision.

MR. WALKER: So in the regional number that we got, we got $1.8 million at the last legislative session to fund the movement of the Bull Creek facility. Wasn't it $1.8?

MS. FLORES: $1.5.

MR. WALKER: $1.5 --

MS. FLORES: For Bull Creek.

MR. WALKER: -- to move Bull Creek and to facilitate three new --

MS. FLORES: Plus another million four for three.

MR. WALKER: And so when we move regional facilities under our own umbrella there, we're going to have to start paying rent.

MS. FLORES: So we've taken that into account --

MR. WALKER: That's my question.

MS. FLORES: -- those ongoing costs, yes, sir.

MR. WALKER: So that has been taken into consideration that there will be rent going forward after this biennium on those?

MS. FLORES: Absolutely.
MR. WALKER: Okay.

MS. BREWSTER: Madam Chair, if I might?

MS. RYAN: Yes, ma'am.

MS. BREWSTER: What these projections and what Ms. Flores indicated in the numbers, what they don't contemplate are future efficiencies gained by the Agency. So I just want -- I want the Board to be very aware that the Agency is going to continue to look for ways to reduce its costs, and therefore, freeing up additional funding mechanisms.

So this is based on efficiencies that we are proposing to you today. But this by no means is the end-all be-all for efficiencies within this Agency and that effort going forward.

MS. FLORES: So I guess that's my direction is to go find more.

(General laughter.)

MS. BREWSTER: That's the direction for all of us is to go find more.

MR. WALKER: So what percentage of our operating budget is as far as overhead salaries, salaries and --

MS. FLORES: Ours are approximately $36 million a year.

MR. WALKER: What percentage of our operating
budget is that? That includes your worker's compensation, your health benefits, all that?

MS. FLORES: Oh, no.

MR. WALKER: What does it cost us for FT --

MS. FLORES: Benefits are another $11-1/2 million a year. So if I look at my pro forma, it's about --

MR. WALKER: And when we look at the cost of our employees, we look at what Social Security costs, what sell health shares, what 401 costs. What is our loaded cost on those employees costing the overall operation?

MS. FLORES: Well, Jeremiah --

MR. KUNTZ: Financial calculator.

MS. FLORES: It's roughly 31 percent.

MR. WALKER: So 31 percent is salaries?

MS. FLORES: Salaries and benefits.

MR. WALKER: The loaded salary number.

MS. FLORES: Yes.

MR. WALKER: Which isn't too bad. So I heard you say I think we can do it, but it's going to have to be just tough and tight?

MS. FLORES: Tight.

MR. BARNWELL: Madam Chairman, I'd like to propose a motion. I move that the Board approve the proposed amendments to Sections 217.23, 217.24, 217.29,
217.32, 217.52, 217.53 and 217.72, Repeal of 217.31 and last but not least, New Subchapter I, Sections 217.181 through 217.185 to Chapter 217 regarding Fees for Publication in the Texas Register for Public Comment,

MR. INGRAM: Could you repeat that?

(General laughter.)

MS. RYAN: We have a motion from Member Barnwell.

MR. SWINDLE: Second.

MS. RYAN: And a second from Member Swindle.

Any discussion?

(No response.)

MS. RYAN: Okay. All in favor, raise your right hand, please? We have all in favor Member Walker, Member Trevino, Member Barnwell, Member Ingram, Member Swindle, Palacios and Ryan. All opposed? Member Caraway.

Motion carries, 7 to 1. Thank you.

Okay. We're going to move to Item 2.B.4, Recognition Program. We have one public comment. Cathy Talcott? Welcome back.

MS. TALCOTT: Thank you. I'd say this is this same song, third verse. On behalf of the Tax Assessor-Collectors Association, it is requested that it be noted in the records of this meeting that the Association has concerns regarding the proposed Rules for Quality
Recognition Program.

The Association will be offering a more formal and official comment during the required written comment period.

MS. RYAN: Thank you. Okay.

MR. SWINDLE: Madam Chairman?

MS. RYAN: Yes, sir.

MR. SWINDLE: I have a motion.

MS. RYAN: Yes, sir.

MR. SWINDLE: Okay. I move that the Board approve the proposed New Subchapter J, Sections 217.201 through 217.207 to Chapter 217 regarding the Performance Quality Recognition program for publication in the Texas Register for public comment.

MS. RYAN: Thank you. I have a motion form Member Swindle. Second from Member Trevino. Discussion?

(No response.)

MS. RYAN: Okay. No discussion. All in favor, raise your right hand.

(A chorus of ayes.)

MS. RYAN: Motion carries unanimously. Thank you very much. Okay. We will move to 2.B.5. David, I don't have a folder on public comment, is that correct?

MR. DUNCAN: That is correct.

MS. RYAN: Okay. We have no public comment.
Any discussion?

(No response.)

MS. RYAN: I'll entertain a motion, then.

MR. PALACIOS: I move the Board approve the proposed amendments to Section 217.2 through 217.5, 217.7.26, 217.33.4, 217.43, 217.45, 217.46, 217.54, 217.55, 217.8 and 217.123 to Chapter 217 regarding Motor Vehicle Titles, Motor Vehicle Registration, Non-reparable and Salvage Motor Vehicles and Motor Vehicle Record Information for publication in the Texas Register for public comment.

MS. RYAN: Okay. We have a motion Member Palacios. Second from Member Caraway. Any discussion?

MR. BARNWELL: I'd just like to say that I note that was a very fine motion.

(General laughter.)

MR. PALACIOS: Thank you.

MS. RYAN: And we have a compliment from Member Barnwell.

MR. PALACIOS: Put that in the record, too.

MS. RYAN: All in favor -- no discussion, all in favor, raise your right hand.

(A chorus of ayes.)

MS. RYAN: Motion carries unanimously. Thank you. Okay. We are going to have a fairly quick Executive
Session. Okay. We are going to be -- we're going to move to Item 3 on the agenda. We are going into closed session now. It is 3:44 p.m. on April 7, 2016. We will go into closed session under Texas Government Code, Sections 551.071 and 551.074. For those of you in the audience, I anticipate being in Executive Session for approximately 30 minutes and we'll reconvene in open session after that. With that, we are in recess with the public meeting and we are going into Executive Session.

(Whereupon, at 3:44 p.m., the Board met in executive session.)

MS. RYAN: All right. Thank you. It's approximately 4:12 p.m. on April 7 and the Board of the Texas Department of Motor Vehicles is now in open session. I want to note that no action was taken in closed session.

I'd like to take a couple of minutes and return to Item 1.B.1, Comments and Announcements. Many of you read last week in the Tyler News that Chief Swindle will be retiring, and I'd like to return the mike to him.

MR. SWINDLE: Well, thank you, Madam Chairman. After the first of the year, I made the decision, after 33 years in law enforcement service to the Tyler Police Department along with 16 years of chief, that I would be retiring as of June 10. And immediately upon that...
retirement, I notified the Governor's Office -- and just
to consider the position that I'm assigned to is a law
enforcement position.

And I notified the Governor's Office and
submitting the letter of resignation, and it was accepted
effective June 1. So I just wanted to say that my time on
the Board, however it was short, I can sincerely say and
speak of how committed these Board members are. They
truly love this organization and the state of Texas and
they sincerely do a great job for the state volunteering
their time.

So I just wanted to say thank y'all for the
ones here and for freely accepting me as a member of this
Board. And then certainly the staff and the Executive
Director, from the day one when I came in for training, I
can tell you how impressed I was with them and their
professionalism, dedication to the job and that's lasted
this entire time.

And so I know there's some tough meetings ahead
of you guys and tough times -- not really tough times, but
just maybe long meetings ahead. But certainly I'll keep
up and wish y'all the best because June 1 is my last
official part of this Board. So thank you very much.

MS. RYAN: Thank you. Thank you for your time.
We could have a chair with your name on it. You're still
here for the 27th.

    MR. SWINDLE: Well, thank you. Maybe I'll come
back and speak on the topic.

    (General laughter.)

    MS. RYAN: Thank you very much for your time
and your service. I'm sorry?

    MR. WALKER: I think I was told at one point
while I was chairman that you could continue to serve
until your replacement is --

    MS. RYAN: I think that is as long as you're in
the position that you represent.

    MR. WALKER: Oh, qualified --

    MS. RYAN: Yes. Within the position that you
represent.

    But thank you for the service. It's been a
pleasure working with you, even though limited.

    (Applause.)

    MR. WALKER: Madam Chair, may I make a motion
to make a motion that we're adjourned?

    MS. RYAN: I will accept that motion. We have
a motion and a second. All in favor?

    (A chorus of ayes.)

    MS. RYAN: Meeting is adjourned. Thank you.

    (Whereupon, at 4:15 p.m., the meeting was
adjourned.)
CERTIFICATE

MEETING OF: TxDMV Board
LOCATION: Austin, Texas
DATE: April 7, 2016

I do hereby certify that the foregoing pages, numbers 1 through 342, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Motor Vehicles.

Dipti Patel 4/21/2016
Transcriber  Date

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

ON THE RECORD REPORTING
(512) 450-0342