TEXAS DEPARTMENT OF MOTOR VEHICLES

BOARD MEETING

9:00 a.m.
Thursday,
August 11, 2011

Room 1.B1
Building 150
200 East Riverside
Austin, Texas 78704

BOARD MEMBERS:

Victor Vandergriff, Chair
Cheryl E. Johnson, Vice Chair
Cliff Butler
Jim Campbell
Victor Rodriguez
Marvin Rush
Laura Ryan
Johnny Walker

STAFF MEMBERS:

Ed Serna, Executive Director
Brett Bray, General Counsel

I N D E X

1 P R O C E E D I N G S

2 MR. VANDERGRIFF: Good morning. My name is
3 Victor Vandergriff, and I'm pleased to welcome you here
4 today to the meeting of the board of the Department of
5 Motor Vehicles. I'm now calling the meeting for August
6 11, 2011 of the Board of the Texas Department of Motor
7 Vehicles to order, and I want to note for the record that
8 the public notice of this meeting, containing all items on
9 the agenda, was filed with the Office of the Secretary of
10 State on August 3, 2011.
11 Before we begin today's meeting, please place
12 all cell phones and other communication devices in the
13 silent mote.
14 If you wish to address the board during today's
15 meeting, please complete a speaker's card at the
16 registration table in the back of the room. To comment on
17 an agenda item, please complete a yellow card and identify
18 the agenda item. If it is not an agenda item, we will
19 take your comments up during the public comment portion of
20 this meeting.
21 And now I'd like to have a roll call, please,
22 of the board members. Board Member Butler?
23 MR. BUTLER: Present.
24 MR. VANDERGRIFF: Board Member Ingram?
25 MR. INGRAM: Present.

1 MR. VANDERGRIFF: Board Member Rodriguez?
2 MR. RODRIGUEZ: Present.
3 MR. VANDERGRIFF: Board Member Rush?
4 MR. RUSH: Present.
5 MR. VANDERGRIFF: Board Member Ryan?
6 MS. RYAN: Present.
7 MR. VANDERGRIFF: And let the record reflect
8 that I, Victor Vandergriff, am also present today. Absent
9 today are Board Member Walker and Vice Chair Johnson.
10 With that, I do not believe that we have any
11 cards from anyone in the public wishing to speak in
12 general. We have a couple on specific items which I will
13 certainly bring you up when those items come to the
14 attention of the board.
15 The first item is the consent agenda, and Mr.
16 Harbeson, are you ready?
17 MR. HARBESON: Yes, sir.
18 Good morning. My name is Bill Harbeson. I'm
19 the director of the Enforcement Division of the
20 department.
21 On today's consent agenda there are 56
22 enforcement Motor Vehicle Division cases where agreed
23 orders have been reached between the parties, there are 18
24 notice of violation cases that are before the board, there
25 are four motions for dismissal by the division for cases

1 to be dismissed, in the Lemon Law section there are seven
2 dismissals, and in the franchise area there is one case
3 and orders before you to dismiss the case.
4 I'm asking the board to approve these orders.
5 MR. VANDERGRIFF: All right. Does any board
6 member wish to take something off the agenda to consider
7 individually?
8 (No response.)
9 Mr. VANDERGRIFF: Seeing none, I'd be pleased
10 to entertain a motion.
11 MR. RUSH: I make a motion.
12 MR. VANDERGRIFF: Director Rush has motioned
13 for approval. Do I have a second?
14 MS. RYAN: Second.
15 MR. VANDERGRIFF: Second from Board Member
16 Ryan. All those in favor, please raise your right hand.
17 (A show of hands.)
18 MR. VANDERGRIFF: All those opposed, none, so
19 the motion carries.
20 Thank you, Mr. Harbeson.
21 The next item is resolutions for individual
22 consideration, and under 3.A we have public information
23 proposed rules from Randy Elliston from the department.
24 MR. ELLISTON: Good morning, Mr. Chairman and
25 members. For the record, my name is Randy Elliston and

1 I'm the director of the Vehicle Titles and Registration
2 Division for the Texas Department of Motor Vehicles.
3 Before you today are amendments and repeal to
4 Chapter 207 which remove the procedures related to
5 personal motor vehicle information in order to move them
6 to Chapter 217. This includes the identification
7 currently required for certified copies of titles.
8 Personal information is information that identifies an
9 individual including an individual's photograph or
10 computerized image, Social Security number, driver's
11 identification number, personal identification certificate
12 number, name, telephone number, medical or disability
13 information, license plate number or addresses. Such
14 information is confidential under the Driver's Protection
15 Privacy Act, and there are no fiscal implications.
16 I recommend that the amendments to Sections
17 207.2, 207.4 and the repeal of 207.5 be posted for public
18 comment.
19 MR. VANDERGRIFF: Any questions?
20 MR. RODRIGUEZ: 207.3?
21 MR. ELLISTON: No, sir.
22 MR. RODRIGUEZ: You asked that we do 207.2.
23 Right?
24 MR. ELLISTON: Yes, sir.
25 MR. RODRIGUEZ: And 207.4.

1 MR. ELLISTON: I'm sorry. It's 207.2 through
2 207.4, including 207.3, and the repeal of Section 207.5.
3 MR. VANDERGRIFF: Any further questions?
4 (No response.)
5 MR. VANDERGRIFF: Again, we're asking that they
6 posted for public comment so I'd be pleased to entertain a
7 motion.
8 MR. BUTLER: So moved, Mr. Chairman.
9 MR. VANDERGRIFF: A motion from Mr. Butler. Do
10 I have a second?
11 MR. INGRAM: Second.
12 MR. VANDERGRIFF: Second from Board Member
13 Ingram. All those in favor please raise your right hand.
14 (A show of hands.)
15 MR. VANDERGRIFF: All those opposed.
16 (No response.)
17 MR. VANDERGRIFF: The motion carries of those
18 present unanimously.
19 Why don't you just stay up since you're here
20 keeping the seat warm and go to 3.C.
21 MR. ELLISTON: Also before you under 3.C.1 is
22 changes to 217.9 and amendment to 217.63 which are
23 necessary to comply with requirements of House Bill 1422
24 which changes the notification procedures for insurance
25 companies and salvage pool operators to obtain titles

1 related to insurance claims.
2 The new 217.9 changes the notice requirements
3 for insurance companies to obtain titles when proper
4 assignment is not made on an ownership document for the
5 motor vehicle that are currently in place for receipting
6 certified copies of certified titles. There are no fiscal
7 implications and recommend that the new Subchapter F be
8 posted for public comment.
9 MR. VANDERGRIFF: I do want to note whether we
10 want to hear this at this point, probably appropriate, but
11 we do have a request by Danny Langfield from the Texas
12 Independent Auto Dealers Association to make a comment on
13 this particular one, I believe.
14 MR. INGRAM: Just for clarification, I'm
15 confused. Are we talking about the new Subchapter F or
16 are we talking about new rules for Insurance Company
17 Claims and proposed amendments to Salvage Vehicle Titles?
18 MR. ELLISTON: Pardon me one moment. We made a
19 change on that and I don't think I got all the copies of
20 the paperwork here. This is regarding the insurance
21 companies and the salvage pool on the change of titles.
22 MR. INGRAM: So it's really not Subchapter F
23 yet.
24 MR. ELLISTON: That's correct.
25 MR. VANDERGRIFF: Mr. Langfield, I noticed,

1 wants to talk on that one, so we'll wait.
2 MR. INGRAM: I would move that we approve
3 posting the new rules.
4 MR. VANDERGRIFF: We have a motion from
5 Director Ingram. Do we have a second?
6 MR. RUSH: Second.
7 MR. VANDERGRIFF: Second from Director Rush.
8 All those in favor please raise your right hand.
9 (A show of hands.)
10 MR. VANDERGRIFF: All those opposed.
11 (No response.)
12 MR. VANDERGRIFF: The motion carries
13 unanimously of those present.
14 Now we're on 3.C.2 which is Subchapter F.
15 MR. ELLISTON: Mr. Chairman, if we could, could
16 we go to Ms. Flores's presentation and let me come back up
17 n that one so I can get the paperwork on that?
18 MR. VANDERGRIFF: Okay. For those in the
19 audience, we're on 3.B.
20 MS. FLORES: Good morning. For the record, my
21 name is Linda Flores. I'm the chief financial officer for
22 the Texas Department of Motor Vehicles, and I'm here for
23 the changes to Chapter 209.23 and the repeal of 209.24
24 which are necessary to implement House Bill 2017 which
25 allows the board to promulgate rules regarding the method

1 of collection of a fee for any goods sold, services
2 provided by the department or for the administration of
3 any department program.
4 The amendments authorize the use of electronic
5 funds transfer or a valid debit or credit card. The
6 requirement that a transaction be at least $5 to pay by
7 credit card is removed since the customer will be paying
8 for the transaction fee. The department will charge the
9 amount of the institution service charge if payments for
10 certain items are made by credit card, debit card or
11 electronic funds transfer. This is a change from a flat
12 one dollar fee per transaction for credit card payments
13 previously required for fees relating to motor carrier
14 registration, motor transportation broker fees and
15 internet motor vehicle registration through the Texas.gov
16 internet portal. In the case of fees received through
17 Texas.gov, the amount will remain a dollar unless
18 Texas.gov changes the fee.
19 Before the effective date of House Bill 2017,
20 the department had specific statutory authority to accept
21 credit card payments relating to motor carrier
22 registration fees, motor transportation broker fees and
23 the internet motor vehicle registration through the
24 Texas.gov portal. Section 209.24 set out those exceptions
25 and is now being repealed because the payment methods will

1 now apply to all goods or services provided by the
2 department.
3 There are no fiscal implications. I recommend
4 the amendments to 209.23 and the repeal of 209.24 be
5 published for comment.
6 MR. RODRIGUEZ: So moved, Mr. Chairman.
7 MR. VANDERGRIFF: We have a motion from Board
8 Member Rodriguez. Do we have a second?
9 MR. BUTLER: Second.
10 MR. VANDERGRIFF: Second from Board Member
11 Butler.
12 MR. VANDERGRIFF: Any questions, further
13 discussion?
14 (No response.)
15 MR. VANDERGRIFF: Seeing none, please raise
16 your right hand in support of the motion.
17 (A show of hands.)
18 MR. VANDERGRIFF: The motion carries
19 unanimously.
20 Mr. Elliston, are you ready to come back up on
21 yours?
22 MR. ELLISTON: Yes, sir.
23 MR. VANDERGRIFF: All right.
24 MR. ELLISTON: Again for the record, my name is
25 Randy Elliston, the director of Vehicle Titles and

1 Registration Division.
2 Also before you today is an amendment to new
3 Subchapter F which is under 3.C.1. The new Subchapter F
4 is necessary to comply with the requirements of House Bill
5 2017 which authorizes the department to require
6 identification for titling and initial registration
7 services. New Subchapter F also moves identification
8 requirements and other Driver's Protection Privacy Act
9 information from Chapter 207 so that all identification
10 requirements related to motor vehicles are in one
11 subchapter.
12 A person may not apply for a title, a certified
13 copy of a title, initial registration of a motor vehicle
14 or for receipt of personal information unless the person
15 presents current photo identification containing a unique
16 identification number. The document is required to be an
17 unexpired driver's license or state identification
18 certificate issued by a state or territory of the United
19 States, United States or foreign passport, a United States
20 military identification card, or a United States
21 Department of Homeland Security or United States
22 Citizenship and Immigration Services identification
23 document. These are the same identification requirements
24 that are currently in place for receiving certified copies
25 of certified titles.

1 There are no fiscal implications to the agency,
2 and I recommend that the new Subchapter F be posted for
3 public comment. And these are also just for public
4 comment, not for adoption.
5 MR. VANDERGRIFF: I believe this is the item
6 that Mr. Langfield wished to speak to us about. I think
7 his information might be helpful.
8 MR. LANGFIELD: Good morning. For the record,
9 my name is Danny Langfield. I'm the deputy director of
10 the Texas Independent Automobile Dealers Association. I
11 want to thank Chairman Vandergriff and the board for this
12 opportunity to comment.
13 Last week the association had the opportunity
14 to meet with Mr. Elliston and some of his staff about the
15 proposed rules regarding the implementation of House Bill
16 2017. Specifically we discussed the provisions requiring
17 identification with title application. I want to thank
18 Mr. Elliston for reaching out to the stakeholders and
19 soliciting our input on this matter, actively seeking our
20 input. We do appreciate that.
21 What we found in these discussions was that
22 there appeared to be some confusion as to the House Bill
23 2017 amended two specific sections of the Transportation
24 Code. Those were 501.023 and 502.002. We had been under
25 the impression that those particular sections of statute

1 did not apply to dealer transactions, and we visited a
2 little bit with Randy's staff about that.
3 And what really I'm here to do today is to ask
4 for some clarification on that point. It appears that
5 Subchapter F is written and being created to support those
6 statutory changes, so we wanted to see if at the end of
7 the day the dealer transactions are expected to be subject
8 to these new requirements or not.
9 MR. VANDERGRIFF: That is certainly a proper
10 inquiry during the public comment section, so you have
11 that opportunity if this is posted, but if you have an
12 answer.
13 MR. ELLISTON: Mr. Chairman and board members,
14 it's our opinion that it does apply to dealer
15 transactions. The laws refer to the owner as being the
16 requirement, so it's our opinion that if a dealer is
17 completing a transaction for the owner, then it would be
18 the requirement that those documents be presented. So if
19 a dealer is taking possession or titling a vehicle in
20 their name, that would necessarily be required, however,
21 when they are doing the process for the owner who is
22 purchasing the vehicle, then those documents would be
23 required to be presented for the owner of that vehicle.
24 MR. BRAY: Which the dealer is required to do
25 in a retail sales transaction.

1 MR. ELLISTON: Right.
2 MR. LANGFIELD: If it's appropriate, we can
3 address that later in the public comment period after the
4 rules have been posted.
5 MR. ELLISTON: And we anticipate there's going
6 to be public comment on this issue. Unlike some of our
7 rules, we think we'll get quite a bit of public comment.
8 MR. VANDERGRIFF: I would anticipate it too.
9 Thank you very much.
10 MR. INGRAM: I have one question. We don't
11 have the other pieces in our packet, so is the definition
12 of owner in -- what is it?
13 MR. BRAY: Well, Mr. Langfield was saying that
14 Transportation code Chapter 503 was amended by House Bill
15 2017, but in fact, quite a few things were amended by
16 House bill 2017 and that was one of them, yes, sir, and
17 there is a definition of owner in that chapter, as I
18 recall.
19 MR. ELLISTON: And there is a section where it
20 speaks to this is a requirement to present documentation
21 by the owner of the vehicle, and so in a dealer
22 transaction where the dealer is actually taking the
23 paperwork to the tax assessor-collector to be processed, I
24 think that's one of the questions is well, then is that
25 incumbent upon the dealer. Well, the dealer acting for

1 the purchaser of the vehicle, the owner still is required
2 to provide those documentation.
3 MR. BRAY: I think you'd find that the
4 division's thought process is if that were not the case,
5 it would be kind of pointless, because out of the 6
6 million transactions a year only 2 million are casual
7 sales, the other 4 million are dealer transactions on
8 behalf of the purchaser. If you're not getting ID for
9 two-thirds of the transactions in the state, that's a
10 pretty large loophole. However, as the chairman pointed
11 out, there is plenty of opportunity for comment. And in
12 fact, this particular one might be one that's right for a
13 public hearing prior to coming back before the board.
14 MR. VANDERGRIFF: I think that's a duly noted
15 good idea.
16 I still think, obviously, we should move
17 forward, so I'd be pleased to entertain a motion to
18 publish these proposed rules.
19 MR. RUSH: I make a motion.
20 MR. VANDERGRIFF: We have a motion from Board
21 Member Rush. Do we have a second?
22 MR. BUTLER: Second.
23 MR. VANDERGRIFF: Second from Board Member
24 Butler. All those in favor please raise your right hand.
25 (A show of hands.)

1 MR. VANDERGRIFF: All those opposed.
2 (No response.)
3 MR. VANDERGRIFF: The motion carries
4 unanimously. Thank you very much.
5 The next item on the agenda is some committee
6 briefings and actions and it's 4.A, and I believe Mr.
7 Serna is going to address the MOU between our agency and
8 TxDOT.
9 MR. SERNA: Yes, sir. Good morning, Mr.
10 Chairman and board members. For the record, my name is Ed
11 Serna. I'm the executive director of the Texas Department
12 of Motor Vehicles.
13 The DMV staff is engaged with their
14 counterparts at the Texas Department of Transportation to
15 establish our memorandum of understanding for general
16 support that we get from them. Things are changing.
17 Naturally, we anticipated that there would be changes in
18 both the structure as well as in the fees that are
19 assessed and that are paid. We're going through some
20 negotiations with TxDOT over this. We're clarifying those
21 things that we believe we're already paying for and no
22 longer requiring their services. We're also, like good
23 stewards of the state's money, negotiating with them for
24 the best fee for the services and looking at what services
25 we can do without in order to help reduce our costs.

1 We don't have a version or a copy of this to
2 present to the board at this time. We have to have this
3 MOU executed by the end of this month because the current
4 one expires at the end of the month, but because
5 negotiations are a little bit more complicated with two
6 things, one, the change that I've described, and two, the
7 pending change in management at TxDOT and there was a
8 little bit of a delay in them assembling the team to work
9 with us, I'd like to propose, and I think we've got
10 something prepared, a resolution where the board gives me
11 the authority, with the consent of the chairman, to
12 execute this agreement because we'll have to have it
13 executed before the next board meeting, but we will not be
14 ready to execute it before the August 19 board meeting, so
15 we're kind of in a little bit of a conundrum. This is
16 very similar to the authority the board granted with
17 regard to the MOU on the transition of the
18 Oversize/Overweight operation from TxDOT to us.
19 Again, I think we're making good progress but
20 there are a few I guess I can call them sticking points, a
21 few sticking points that we're going to need to work
22 through, and Dawn and Brett and Linda are working with
23 their counterparts at TxDOT to try to get through those,
24 but it's unlikely we'll have those resolved before the
25 19th.

1 MR. RODRIGUEZ: You say this has got to be done
2 by the end of this month?
3 MR. SERNA: Yes, sir. We've been working on it
4 for a couple of months. It's got to be done by the end of
5 the month because the current MOU expires at the end of
6 the month.
7 MR. RODRIGUEZ: So let me ask why is it not
8 complete?
9 MR. SERNA: Part of it is TxDOT has come back
10 with a number of -- I guess for lack of a better
11 description, a number of new charges where we had
12 previously asked for information from the Department of
13 Transportation on what these would be and received no
14 responses. We're finally receiving responses from them.
15 They presented to us about a week, or maybe less, ago what
16 they propose to be the charges, the amounts that they want
17 us to reimburse them for, what they would cover and not
18 cover in the future operations. We didn't automatically
19 agree with all of these charges because in some cases
20 we're providing those services, in other cases we believe
21 they're services that are not being provided to us, so
22 we're requesting the amount that's being charged for those
23 services.
24 So that's why it's not done: one, there was a
25 delay in getting from the other department the information

1 that was necessary to complete the MOU.
2 MR. RODRIGUEZ: This is due at the end of this
3 month because of the fiscal period that's involved here?
4 MR. SERNA: Yes, sir.
5 MR. RODRIGUEZ: We've known what the fiscal
6 period end is for some time. We know what it is every
7 year. Right?
8 MR. SERNA: Yes, sir.
9 MR. RODRIGUEZ: And yet we haven't been able to
10 get it done up to now?
11 MR. SERNA: It is not on the part of the
12 department. We started our effort probably a couple of
13 months ago, started looking at the MOU, started putting
14 together what we needed. It's more along the lines of
15 what information and charges we got from the other agency
16 that have been delayed. And some of that is due to ap
17 ending change in management there, and some of it is just
18 due to, I think, them trying to figure out what needed to
19 change now that we had our own appropriations which we did
20 not have necessarily the last two years. I'm not trying
21 to slough it off, but the delay is primarily us not
22 getting what we needed from the other department in a
23 timely fashion.
24 I know that our staff, like I said, started
25 working on this a couple of months ago because we know

1 that the fiscal year always ends on August 31.
2 MR. RODRIGUEZ: But even at two months ago, I
3 mean, that's still calling it kind of short, isn't it? I
4 mean, it's not good to wait two months out to get
5 something like this hammered out, is it?
6 MR. SERNA: Part of the reason for our delay
7 was we wanted to make sure that we would have a clear
8 understanding of what we would do, what we would be
9 covering and providing services for ourselves, and it,
10 quite frankly, wasn't until then that we had a very strong
11 understanding of what technology services, facility
12 services, and what financial costs would be necessary.
13 If you're interested in more details about it,
14 we can call Dawn up.
15 MR. RODRIGUEZ: I want to know what predicament
16 we're in right now, given the fact that you're basically
17 briefing us on an MOU that's got to be done in between now
18 and the end of the month which we may or may not have any
19 further opportunity to have any board input into it, if
20 need be. I don't know that we need to have input, but I'm
21 not sure what you're telling us today. You're asking us
22 to just let it go and let you sign off on this? At the
23 end of the month, except for next week, we won't have an
24 opportunity to meet again, I don't think.
25 MR. SERNA: Our intention would be to have

1 something at least visible to the board at the next board
2 meeting, but if we can't do that, then I'm asking for
3 authority to execute it with the consent of the chairman,
4 very similar to the MOU for Oversize/Overweight, the exact
5 same authority.
6 MS. RYAN: Is it possible that you can get us
7 some more information before next week and maybe make that
8 decision at that point?
9 MR. SERNA: Yes, ma'am. We can provide the
10 information that we have. If we can get, I guess, clearer
11 information from the Department of Transportation, because
12 quite frankly, what we're doing now is negotiating with
13 them over whether we should pay something that they
14 believe we ought to pay, the amount that they're trying to
15 assess. For example, here in this building we pay a
16 prorated portion of the rent and there's a contract that
17 says here's what the rent is. There's a new charge for
18 rental at Camp Hubbard in Building 1 that's a number that
19 TxDOT kind of came up with because they don't pay rent on
20 that, they've owned that building since the 1960s. So
21 we're negotiating with them on the amount that we should
22 be paying for that, given the age of the building, the
23 infrastructure, et cetera.
24 If we can get those things worked, we can
25 certainly provide more information. I'll be glad to get

1 to the board the information that we have now, knowing
2 that some of those numbers we're trying to get down or
3 eliminated completely, numbers like groundskeeping, the
4 hourly rate for IT support at $55 an hour though they
5 can't tell us how they arrived at that cost or that
6 estimate.
7 MS. RYAN: I would think we're more interested
8 in the larger issues, not necessarily the details but
9 these are the issues that we have.
10 MR. VANDERGRIFF: Please be advised that the
11 legislative session is over so we didn't have a chance to
12 really address this with the legislature in
13 appropriations. Not real pleased that that happened to
14 us. It's not the staff, it's the other party. And
15 certainly for a building that you are not paying for to
16 then make a profit off of us is not necessarily
17 appropriate either. So I anticipate that we could have a
18 stalemate on this, hopefully not, but we could have a
19 stalemate.
20 MR. INGRAM: So what my question is what is the
21 leverage for each party? Because it seems like we have to
22 get this done by September 1, but what about TxDOT, are
23 they under the same gun?
24 MR. SERNA: No, they're not. There aren't any
25 reciprocal services that are provided except what we are

1 including which we had left out before, what we're
2 including is a charge for the information that they need
3 from our database for their toll collections.
4 MR. BRAY: There is one aspect of leverage that
5 I haven't really discussed with management, but it's my
6 view that absent an MOU, original House Bill 3097 still
7 applies and TxDOT is required to provide us, the
8 Department of Motor Vehicles, with the support we need
9 until such time as we don't need it anymore. So in my
10 mind, absent an MOU, they still have obligations and
11 that's the leverage.
12 MR. SERNA: And I think the other leverage for
13 some of the items that we're talking about, and again, Ms.
14 Ryan, it's not so much the detail, but some of that
15 leverage is us meeting with the Legislative Budget Board
16 staff. For example, the rent on Building 1 at Camp
17 Hubbard where we contacted that staff, their intent was
18 not that the agency be charged for that, they appropriated
19 money to TxDOT to support that building. So TxDOT has a
20 different view than we have, than the Legislative Budget
21 Board necessarily, so we would engage other people to try
22 to help us present our case.
23 MR. RODRIGUEZ: Mr. Chairman?
24 MR. VANDERGRIFF: Please.
25 MR. RODRIGUEZ: Do we have time to add this to

our agenda for next week, or not?

MR. VANDERGRIFF: It is not on our agenda, did not know we would need to put it on the agenda, so I'm not sure if it can be posted as some sort of amendment as an emergency item or not.

MR. RODRIGUEZ: Are we within the seven days?

MR. BRAY: The agenda was posted yesterday for next Friday's meeting. I'll see what we can do.

MR. RODRIGUEZ: What's the requisite, seven business days or seven regular days, just weekdays?

MR. BRAY: Calendar days.

MR. RODRIGUEZ: Calendar days.

MR. VANDERGRIFF: I know that Mr. Serna had mentioned obviously Dawn Heikkila has been engaged in this. I don't know if you have anything you'd like to add to this discussion?

MS. HEIKKILA: For the record, my name is Dawn Heikkila. I'm the chief operating officer for the Department of Motor Vehicles.

One of the obstacles that precluded us from really diligently working on the MOU prior to say the end of June, the first of July is we needed to wait until our appropriations were passed and we had a budget to work with so we knew what the parameters were. And then receiving information through the negotiation process,

1 going back and forth between the two agencies is somewhat
2 slow. You know, we send a response over, we have to wait
3 for them to send a response back.
4 There are several, as Ed indicated, negotiation
5 points that we're working through right now, but the
6 issues that we're dealing with for this particular MOU are
7 not any more different than the ones that we had in
8 crafting the 2010 MOU or the 2011 MOU, both of which, I
9 believe, were completed in the eleventh hour.
10 MR. VANDERGRIFF: In fact, if the board will
11 recall the first MOU that we had, the 2010, that was not
12 done until just a few minutes before the board actually
13 started, because at that point I was not willing to sign
14 it unless TxDOT agreed to a few things that we thought
15 were critical. So we almost didn't even start because we
16 didn't have an MOU.
17 MS. HEIKKILA: That's right. The papers were
18 still warm when we handed them to you.
19 MR. VANDERGRIFF: I don't want to discount the
20 fact that this board needs more information and may not
21 want to delegate that authority to me to provide consent,
22 but I will also note that the pattern and practice of how
23 this is being handled is fairly typical, based on other
24 experiences that I have that TxDOT does, so we're not
25 alone in this last-minute stuff.

1 MR. BRAY: Mr. Chairman, they've done the
2 calculations and informed me that if we re-post today we
3 could add this item again.
4 MR. VANDERGRIFF: Let's add it.
5 MR. BRAY: Now, it's my estimation that at that
6 point we still won't have a final document and we're still
7 going to have to present the idea of you reviewing and
8 consenting and authorizing the director to execute it, but
9 we will be further along and perhaps the board will get to
10 see a more complete product.
11 MR. VANDERGRIFF: And I would suggest to the
12 executive director to perhaps to give us a specific
13 written list of differences so we understand some of those
14 differences, maybe not the MOU itself but to see where
15 that's going to affect us, particularly financially, that
16 if we caved in to their requests we would be creating a
17 financial burden for the agency.
18 MR. RODRIGUEZ: Could we move this item to next
19 week, Mr. Chairman? And what I'd like to, between now and
20 then, get an understanding of how much effort has gone
21 into trying to not get us back against a wall like we have
22 this year. I'd like to understand when our director
23 started opening channels up with TxDOT on this and how
24 much effort has gone on our behalf. I just want us
25 covered in case we fail to get this done on a timely basis

1 that we've done everything we can and that this can't be
2 faulted on us, as opposed to TxDOT.
3 MR. SERNA: We can do that.
4 MR. INGRAM: So Mr. Chairman, I move that we
5 table this item until August 19.
6 MR. VANDERGRIFF: August 19. We have a motion
7 to table from Board Member Ingram. Do we have a second?
8 MR. RUSH: Second.
9 MR. VANDERGRIFF: Second from Board Member
10 Rush. All those in favor please raise your right hand.
11 (A show of hands.)
12 MR. VANDERGRIFF: We've tabled it till next
13 week. Thank you very much. I think the staff has got a
14 pretty good understanding we need a little more
15 specificity. Thank you very much.
16 The next item is 4.B, which is the approval of
17 the recommended 2012 operating budget. Linda Flores.
18 MS. FLORES: Good morning. For the record, my
19 name is Linda Flores. I'm the chief financial officer for
20 the Department of Motor Vehicles.
21 Today before you is the agency's recommended
22 FY12 operating budget. As we discussed last month, these
23 are just some of the highlights, and I'm going to cover
24 this pretty quickly in the interest of time. Our
25 operating budget next year is a total of $173.8 million.

1 We have our original 647 full-time equivalents, with the
2 transition of the Motor Carrier function, that will add
3 another 116, so our total FTE count will be 763.
4 We are primarily funded by State Highway funds
5 at about 91.4 percent, general revenue is 8.5 percent, and
6 we have just a small piece of federal funds, .1 percent.
7 We have four major projects to implement in the
8 next biennium, the largest of which is the automation
9 project, we also have upgrades for accounting equipment,
10 agency replacement of computers, and then finally we have
11 an appropriation for services provided by the data center.
12 MR. RODRIGUEZ: Linda, run that by again, the
13 four projects.
14 MS. FLORES: Yes, sir. Our technology
15 replacement in the tax assessor-collector offices, our
16 agency replacement of computers and services for the data
17 center, and that is a total of approximately $57 million
18 in FY12.
19 MR. INGRAM: Linda, is it possible that you
20 could outline any changes from your last presentation?
21 MS. FLORES: Yes, sir. I'm sorry. In your
22 operating document, after page 8 but before page 9 is
23 Roman Numeral I.
24 MR. RODRIGUEZ: Mr. Chairman, I don't know how
25 long this is going to be and I don't want to get lost in

this and I don't want us to at least not come back and revisit something, so while we're on this topic, giving our proposed budget and given funding that's been authorized by the legislature, we've got four major projects: an automation project, computer replacement equipment, this is our internal computer replacement equipment, replacement of equipment at the tax assessors' offices, and the service data center project.

I don't know if a motion is appropriate at this time or if you want one, but I'd like to have those specifically tasked out to get either monthly reports through a briefing at meetings or submittals to us in writing, however you want to do this, but I would like to have these particular projects particularly tasked out to the director with status reporting on this required every month or period that you think appropriate. I would like to see us, beginning September, when the funding authority is in place as to what progress we're making against these projects.

Do you want that in a motion or do you just want direction?

MR. VANDERGRIFF: I think direction is fine, but just to give a little more teeth to that, I think a motion is in order.

MR. RODRIGUEZ: Mr. Chairman, I move that as

1 the authorized operating budget allows that we task out
2 the four major projects that are authorized for funding
3 within that operating budget this coming fiscal period,
4 that we task those projects for regular progress reports
5 by the director of the DMV to the board in whatever form
6 you want, either at meetings or submittals biweekly or
7 otherwise. I'd like for us to monitor the progress that
8 we make against those project proposals.
9 MR. VANDERGRIFF: And this is the four items in
10 the capital budget.
11 MR. RODRIGUEZ: These are just the four
12 projects that obviously the legislature has seen fit to
13 fund, and I think it's our duty now to make sure that we
14 carry those forward. I don't want to be here a year and a
15 half from now and not know that we did or did not do this
16 stuff.
17 MR. VANDERGRIFF: All right. I will be pleased
18 to entertain a second to that motion.
19 MR. INGRAM: Mr. Rodriguez, just to clarify,
20 are you also in your motion approving the budget then?
21 MR. VANDERGRIFF: No. This is separate. He's
22 taking up an individual item because it's relevant while
23 we're having this discussion and put it in the form of a
24 motion, and then we'll come back to the budget itself. So
25 I accepted that it was appropriate to at least consider it

at this point.

MR. RODRIGUEZ: And bottom line, all I'm asking here is that we task these out specifically to the director and that he brief us on this on a regular basis.

MR. VANDERGRIFF: And we'll come back to you at the next meeting with a specific briefing schedule and an idea for you to approve.

MS. RYAN: Second the motion.

MR. VANDERGRIFF: Second from Board Member Ryan. Any further discussion?

(No response.)

MR. VANDERGRIFF: All those in favor please raise your right hand in support.

(A show of hands.)

MR. VANDERGRIFF: The motion carries unanimously. I think, Mr. Serna, it's pretty clear that we want to see these four itemized out, I think probably a submittal to the board when we have it as an agenda item that we can look at.

MR. SERNA: We'll actually have a written progress on each of them. The only complicating thing may be the last one which is the data center services. We will provide a status of where we're at, but that's for ongoing services out of the state's data center, but we will provide our progress concerning establishing an

independent contract, the services that we're receiving, especially in light of the fact that the agency that owns that contract, the Department of Information Resources, is changing the prime contractor. We can provide status reports on each of those. I just wanted to point out that that final one is not so much a project as an ongoing operation expense.

MR. RODRIGUEZ: And just further guidance on this. Each one of these projects has got a specific earmark for it in terms of dollars. Your reports should include what that expense allotment is, how much progress we've made on that project and how much expense, so typically you have if you've done 12 percent of the project you may be at 12 percent of the expense and that kind of stuff. I'd like to know where that matches up with what we're doing.

MR. SERNA: Yes, sir. We'll include that.

MR. VANDERGRIFF: I think also probably a breakdown within that automation system project to kind of where we are with the BPA, business process analysis, and then how it ties into the RFQ on the proposals to bring us a new system and then how that moves forward. I think the executive director is well aware of what to do here, I just wanted to make that note. So that's great.

We are back to the budget.

1 MR. BUTLER: I have a question before you go
2 further. Are there any vehicles in this budget?
3 MS. FLORES: No, sir. We were not appropriated
4 any funding for cars or trucks.
5 MR. BUTLER: Well, I'd like to note that we
6 certainly need to replace some of these vehicles. They're
7 just going completely hundreds of thousands of miles and
8 look terrible. They must be costing more to operate than
9 an efficient newer vehicle, gas mileage and the
10 maintenance and so forth.
11 MR. VANDERGRIFF: Are we in the same boat as
12 most state agencies in that regard?
13 MS. FLORES: Absolutely. Nobody received
14 funding for cars.
15 MR. BUTLER: But it's penny-wise and a pound-
16 foolish.
17 MR. RODRIGUEZ: But I thought our problem was
18 the low mileage on our vehicles, we had old vehicles but
19 low mileage.
20 MS. FLORES: I believe that Dawn Heikkila has
21 been looking at moving some of those vehicles around.
22 MR. RODRIGUEZ: Because of that. Right?
23 MS. FLORES: Because of that. We have some
24 with low mileage and some with too much mileage.
25 MR. RODRIGUEZ: We had a discussion on that, I

1 think, up here once.
2 MS. HEIKKILA: For the record, my name is Dawn
3 Heikkila. I'm the chief operating officer for the DMV.
4 With regard to vehicles, we did put a request
5 in our appropriations request to the legislature for fleet
6 vehicles and we received neither funding nor authority to
7 buy those capital assets. What we have is what we
8 inherited, and one of the issues at the time the DMV was
9 created was we had a bunch of old vehicles that didn't
10 meet the replacement threshold. I think we've since
11 reached that on several of our vehicles but we have no
12 funding or authority to replace those vehicles.
13 What we are doing for the next biennium is
14 we're tracking maintenance costs to hopefully take the
15 argument up again during the next budget cycle and gain
16 the resources we need to replace those vehicles. We're
17 also looking at any opportunity to acquire surplus
18 vehicles from other agencies that might be in better
19 shape. In all likelihood, all of the state agencies are
20 in the same boat and anything that would come up from
21 other larger agencies are probably equivalent to what we
22 currently have.
23 MR. RODRIGUEZ: Let me ask with regard to
24 surplus, Mr. Chair or Ed or whoever can answer this,
25 what's the process involved in getting a surplus vehicle

swapped out. We're talking about a swap, not adding to the fleet. Right? Is that what we're saying here?

MS. HEIKKILA: We would either retire an existing asset or we would acquire an additional asset. We're not swapping anything.

MR. RODRIGUEZ: Is there agency-to-agency approval or is it General Services?

MS. HEIKKILA: We would have to go through the Facilities Commission and follow the surplus property rules.

MR. RODRIGUEZ: Guidelines.

MR. BUTLER: Just a comment, I'm not asking for a motion.

MR. VANDERGRIFF: I understand. I'll pass it back to Ms. Flores.

MS. FLORES: The changes from the last document to this document are reflected on the page right after page 8, it's Roman Numeral I. Based on the discussion from the board meeting last time, we moved the performance measures that were previously way in the back in the appendix up to page 4.

MR. VANDERGRIFF: Still inadequate but they're moved, you see them quicker.

MS. FLORES: Right. We changed the Board Division name to include Board and Support to reflect that

1 there are some staff in your budget. We made a
2 correction, all of the full-time equivalents which support
3 the automation project, there were a total of 26, they
4 have all moved from the Executive Director's office into
5 Administrative Support. We had shown 25 and had left one
6 sitting back in the Executive Director's office. We've
7 since found out that that FTE was moving as well.
8 We included just a small discussion on fund
9 accounting and how it's different from the private sector,
10 and that's in the appendix on page 61. We removed two
11 contracts that would not be renewed, and I identified
12 those two for you. One is for digital software for
13 $39,500, and the other is Cyber Inc. contract for
14 $190.000. And then we just made some non-substantive
15 edits throughout the document for consistency purposes,
16 grammar, periods, sentences, et cetera.
17 And that concludes my presentation.
18 MS. RYAN: I have a question.
19 MR. VANDERGRIFF: Go ahead, please, Board
20 Member Ryan.
21 MS. RYAN: And if this was covered last week, I
22 apologize because I missed it. The capital expenditures
23 with regard to updating the computer equipment, I thought
24 that that decision was made in April so that it could be
25 in this fiscal year. Did I miss something?

1 MR. SERNA: No, ma'am, you didn't. A decision
2 was made in April for the appropriations in this biennium.
3 There's a new appropriations in the next biennium for
4 additional equipment in the counties, so anything that
5 wasn't covered, the legislature appropriated additional
6 monies in the next biennium for that, as well as a
7 separate allocation of money for equipment upgrade for the
8 department's equipment.
9 So you're recalling correctly, a decision was
10 made. The presentation I think included the total amount,
11 both what was appropriated in the current biennium that
12 ends August 31 as well as what was going to be
13 appropriated. This simply reflects what's in the next
14 biennium, but the staff has taken steps, we've already
15 executed a contract to secure the equipment, the
16 installation services, acting on the board's approval to
17 expend the funds in this biennium.
18 MS. RYAN: For the purpose that we discussed
19 before?
20 MR. SERNA: Yes, ma'am. For the counties.
21 MS. RYAN: Is it an additional $2 million
22 that's coming out of '12?
23 MS. FLORES: $6.8 million.
24 MR. SERNA: The legislature appropriated an
25 additional $6.8- in fiscal years '12 with the UB to fiscal

1 year '13.
2 MS. FLORES: Actually, it's $6.8-, $6.8-.
3 MR. SERNA: Okay. $6.8- in each fiscal year
4 for any additional equipment or expenses. We would come
5 back to the board and say here's what still needs to be
6 covered, or for example, one of the things that Member
7 Johnson pointed out is a lot of the counties had already
8 updated their cash drawers so they wouldn't need them in
9 the procurement that was approved in April. It could be
10 that by 2013 some of those might need to be replaced and
11 we would come back and say that we would use some of those
12 funds to do that. That's just an example.
13 MS. RYAN: So those funds are basically in a
14 holding place at this point, not necessarily tied into
15 that decision that was made in April?
16 MR. SERNA: There are some of the funds that
17 are tied into the decision that was made in April because
18 the decision that was made in April encompassed both the
19 monies that were appropriated in this biennium as well as
20 the next biennium, so you'll see us coming back and
21 reporting on not only where we're at with the
22 implementation of the equipment but the funds in this
23 biennium, how much of those need to be expended to finish
24 out what was approved in April and how much are kind of in
25 a holding pattern. I don't think we anticipate expending

1 all of those funds for that.
2 MS. RYAN: Okay. Thank you.
3 MR. VANDERGRIFF: It would be appropriate at
4 our next board meeting, unless you're going to put that in
5 your report coming up, to go back and revisit the April
6 and where we are with that and how that's reflected with
7 the various tax assessor-collector offices and our offices
8 in terms of the money that was authorized to be spent,
9 just kind of where that process is.
10 MR. SERNA: I was going to provide a very high
11 level update, but what I anticipated was in the September
12 meeting, especially as part of what was requested by
13 Member Rodriguez, but in the September meeting providing a
14 written update on the progress of that project that was
15 approved in April.
16 MR. VANDERGRIFF: Because I knew that wouldn't
17 actually be covered in the motion that was made because it
18 was in this biennium.
19 MR. SERNA: Yes, sir.
20 MR. VANDERGRIFF: I'm asking a question really,
21 I agree it's a question that's a good one, but Vice Chair
22 Johnson asked me this on the budget so I'm asking for her.
23 The credit card fees or the fees that are charged, how
24 much are we absorbing? She wasn't really sure between
25 page 27 that shows the bank charges, and she wasn't sure.

1 That's a stickler for her that we shouldn't be absorbing
2 a lot of fees on behalf of the customer.
3 MS. FLORES: Right now without the
4 Oversize/Overweight, because that's a separate number, I
5 did look at what we're absorbing and through August 3 it
6 was about $100,000.
7 MR. VANDERGRIFF: For the year, fiscal year.
8 MS. FLORES: For one fiscal year, yes, sir.
9 MR. VANDERGRIFF: And where is that reflected
10 in this?
11 MS. FLORES: We've set it aside in Agency-wide.
12 Right now we've set aside some money to cover that. With
13 the change in the credit card with the customer paying
14 that transaction fee, we should see that number go down.
15 MR. VANDERGRIFF: You reserved it but you
16 anticipate it will be, in essence, a credit against the
17 budget.
18 MS. FLORES: Yes, sir.
19 MR. SERNA: And that's linked back to the
20 proposed rule change that Linda presented earlier, that if
21 we do make that change then we shift the expense to the
22 customer and that money is not expended in our budget.
23 MR. INGRAM: So to clarify, you've actually
24 increased your budget by $21,000 but you're expecting an
25 increase in income to offset.

1 MS. FLORES: Correct.
2 MS. RYAN: And the increase shows in revenue
3 also?
4 MR. VANDERGRIFF: Provided the rule is passed.
5 MS. FLORES: Not yet.
6 MS. RYAN: But it would be.
7 MS. FLORES: Yes.
8 MS. RYAN: I understand.
9 MR. VANDERGRIFF: Any further questions?
10 MR. RODRIGUEZ: I just want to make sure that
11 this requested operating budget that you're asking us to
12 approve today is within the appropriations boundaries.
13 MS. FLORES: Yes, sir.
14 MR. RODRIGUEZ: So move, Mr. Chairman.
15 MR. VANDERGRIFF: We have a motion for
16 approval. Do we have a second?
17 MR. BUTLER: Second.
18 MR. VANDERGRIFF: Second from Board Member
19 Butler. Any further discussion?
20 (No response.)
21 MR. VANDERGRIFF: Seeing none, please raise
22 your right hand in support of the motion.
23 (A show of hands.)
24 MR. VANDERGRIFF: The motion is approved
25 unanimously. Thank you very much.

1 MS. FLORES: Thank you.
2 MR. VANDERGRIFF: The next item is 4.C, and
3 this is the appointment of an advisory committee for Motor
4 Vehicle Policies and Procedures.
5 Ms. Cost, would you like to come up and talk
6 about this for a little bit to the board?
7 MS. COST: Good morning. For the record, I'm
8 Molly Cost, director of the Motor Vehicle Division for the
9 department.
10 What the Motor Vehicle Division, in
11 consultation with the chairman and the executive director
12 are proposing today, Senate Bill 529 that was passed in
13 the recent legislative session amended Chapter 2301 of the
14 Texas Occupations Code which governs the relationship
15 between new motor vehicle dealers and manufacturers in the
16 State of Texas. There were several amendments to that
17 chapter, and staff reviewed those changes and we know that
18 the bill was a result of some discussions between both
19 manufacturers and dealers and the legislature, and so
20 basically there needs to be some rulemaking done with
21 regard to that bill and we wanted to engage stakeholders
22 early on in the process to look at those changes and
23 basically get their input on what they mean, how we need
24 to go forward with rulemaking.
25 And so what we're proposing today is the

1 creation of an SB 529 Advisory Committee to basically help
2 staff with directing the rulemaking and discussion portion
3 on SB 529. There's a list of certain individuals that are
4 being invited to be on the advisory committee, and the
5 advisory committee meetings are open to the public, there
6 are many other people that have been invited, but we just
7 wanted a smaller group to sort of help direct the focus.
8 MR. VANDERGRIFF: So we're being proactive
9 rather than just reactive, or rather than doing something
10 on our own, we're bringing the parties in, particularly
11 those that were really heavily involved in this bill to
12 help figure out what we should be doing or not be doing.
13 Correct?
14 MS. COST: Yes.
15 MR. VANDERGRIFF: And this would be a committee
16 that wouldn't be necessarily one that would go on for a
17 period of years, it's got a limited purpose.
18 MS. COST: That's correct.
19 MR. VANDERGRIFF: And the committee members
20 will, in advance of the meetings coming up, will get a
21 chance to see the issues and work on an agenda with you,
22 all that.
23 MS. COST: Yes, exactly. We currently have the
24 first meeting scheduled for September 6, the group of
25 folks that we invited. That was the date that almost

1 everyone was available, and prior to that meeting,
2 assuming that the resolution appointing these members to
3 the advisory committee passes today, we do plan on
4 contacting them and trying to get a conference call
5 together prior to the September 6 meeting to discuss
6 issues and an agenda.
7 MR. VANDERGRIFF: Okay. And all of the members
8 that are listed on this, the proposed members, they've
9 been contacted and agreed to do this?
10 MS. COST: Yes, they have.
11 MR. VANDERGRIFF: Okay, super. And for the
12 board's information, it's a cross-section, I'll read the
13 names off, but it's a cross-section of eleven people, as
14 well as two members of our board, from the industry, many
15 of which were involved in this bill, at least to my
16 knowledge, so it should be a very good group of people.
17 MS. COST: I completely agree.
18 MR. RUSH: What tab is it?
19 MR. VANDERGRIFF: It is not. I apologize.
20 There is no information on this one.
21 MR. RODRIGUEZ: Just a couple of questions, Mr.
22 Chairman.
23 MR. VANDERGRIFF: Please.
24 MR. RODRIGUEZ: Who chairs this committee? I
25 understand it's purpose-driven so whenever the task is

1 completed, I guess that ends the committee. And travel
2 costs for the committee members, I don't think it's
3 covered by the legislation that created us and I think it
4 speaks to that, so I just want to make sure we're clear on
5 all that.
6 MR. VANDERGRIFF: That is correct. I think a
7 lot of the people here, the majority of them are actually
8 in Austin working in the industries or as an attorney
9 representing industries, so they're in Austin, I think the
10 vast majority. And then Ms. Cost will be the chair of
11 this particular committee since this is really a potential
12 rulemaking committee.
13 The committee members, for the board's
14 information, Ms. Cost will be appointed as the chair of
15 this committee, and Board Member Blake Ingram, whose
16 industry this isn't affecting, but to have a second board
17 member present or at least available, and then Board
18 Member Ryan would be on it, as well as Rob Breazeale, who
19 is the legislative director from TADA; Pam Crail, who is
20 the executive director of the San Antonio Auto Dealers
21 Association; David Bright and David is with --
22 MS. COST: The Alliance of Automobile
23 Manufacturers.
24 MR. VANDERGRIFF: Okay. He's with the Alliance
25 out of Washington, D.C. And Bill Crocker who is an

1 attorney here in town, as well as Buddy Ferguson, both of
2 which deal with administrative law issues that engaged in
3 this bill. Mike Marks, who represents the Motorcycle
4 Dealers in the State of Texas; Clark McKuen, who
5 represents the Recreational Vehicle Dealers in the State
6 of Texas; Karen Phillips, legal counsel for TADA; Jeffrey
7 Perry, who is legislative and legal counsel at General
8 Motors; Tony Rinehart, who is a legislative director for
9 Ford Motor Company; and Ken Roche, who is legislative
10 director for Gulf States Toyota.
11 MR. RODRIGUEZ: One last question. Open
12 Meetings, posting meeting requirements, all those apply?
13 MR. VANDERGRIFF: Yes, all those apply.
14 Any further questions?
15 (No response.)
16 MR. VANDERGRIFF: I consider this a positive
17 step. Rather than just go out and do something, we're
18 actually engaging the industry proactively in advance to
19 have comments and give us good solid advice about what we
20 should or should not do.
21 MR. BRAY: Excuse me for interrupting.
22 Actually, on advisory committees, I shook my head in the
23 affirmative and frankly was thinking in terms of board
24 committees which do require or may require Open Meetings
25 compliance. I'm not sure advisory committees do but I

1 don't think we have a problem with posting it if that is
2 your pleasure.
3 MR. RODRIGUEZ: Any time you go through the
4 posting requirements and you go through the required Open
5 Meetings stuff like that, a lot of cost is involved in not
6 only adhering to that but also the maintenance of records
7 and all the things that goes with that. I'm not for
8 posting, I was wondering if the fact that you've got two
9 board members on this committee moves it from a non-
10 requisite to a requisite requirement.
11 MR. BRAY: No, sir, I don't believe that it
12 does. As long as we stay at that number, we're good.
13 MR. RODRIGUEZ: Then I'd leave it to your call
14 whether or not you want to post agendas and make it an
15 Open Meetings type thing because I'm interested in the
16 cost that's involved with that. Just to have this today
17 costs a lot of money
18 MR. BRAY: I don't think we intend to have, for
19 example, as a cost the court reporting services or
20 anything of that nature. And in terms of the posting, I
21 don't know that it's necessary but in terms of size, Ms.
22 Cost could probably inform you, the invitation list, as
23 opposed to the official appointment list, is quite large.
24 MS. COST: Forty, there was about 40 or 45
25 people on the invitation list.

1 MR. BRAY: My point is I think there will be
2 considerable opportunity for input.
3 MR. VANDERGRIFF: I would be pleased to
4 entertain a motion to approve this.
5 MR. RUSH: I make a motion.
6 MR. VANDERGRIFF: We have a motion from Board
7 Member Rush. Do we have a second?
8 MR. RODRIGUEZ: Second.
9 MR. VANDERGRIFF: Second from Board Member
10 Rodriguez. All those in favor please raise your right
11 hand in support.
12 (A show of hands.)
13 MR. VANDERGRIFF: Opposed.
14 (No response.)
15 MR. VANDERGRIFF: The motion carries
16 unanimously. Thank you very much.
17 MS. COST: Thank you.
18 MR. VANDERGRIFF: The next item up is just some
19 administrative updates coming from me on 5.A. I do want
20 to note that next month we will bring forward, much like
21 we did last month on Motor Carrier, a Motor Vehicle
22 Advisory Committee that would be more of a standing
23 committee, and that would be dealing with the typical
24 daily as well as forward-thinking issues involving the
25 motor vehicle part of our business, licensing,

1 enforcement, and the like, so we will bring that forward
2 for your consideration next month.
3 We continue to have a little bit of media
4 interest in the My Plates discussion, and the reflectivity
5 and the proliferation of the plates and the value of
6 public comments in our deliberations. We don't have any
7 discussion this month or any plates to approve, but I will
8 ask again -- I know that Board Member Rodriguez has
9 brought this up before -- we really do need to, I think,
10 have a detailed and appropriate discussion before this
11 board on those issues, so I'd ask you, Ed, to make sure
12 get that going because the media continues to ask about
13 our process of deliberation and the use of this
14 information and I don't think they're going to quit, so
15 I'd like to be able to give them a decent answer. And I
16 know that Board Member Rodriguez has been questioned on
17 that some as well.
18 I do expect from the Governor's Office, of
19 course we've been missing since the untimely death of
20 Ramsay Gillman, a board member in that particular seat, I
21 do expect that announcement here shortly, so I would
22 anticipate that we'll have a board member, hopefully in
23 September, but we'll let you know that.
24 And on the legislative side, last month, for
25 those of you who were with us, we had a great

1 presentation, I felt like, from the legislative staff, led
2 by Jeremiah Kuntz. And they've been tasked with the
3 charge of taking all the bills that either we have had
4 direct involvement in as an agency or indirectly affect us
5 and how that would happen and what we were doing for
6 implementation purposes. I'd like to ask Jeremiah to make
7 sure that for those in the industry that didn't get a copy
8 of that book, it's a nice thick book, that we get that out
9 to them. Make sure that they affirmatively know that it's
10 there and get a copy because I think that that's
11 appropriate.
12 And then also I would like, maybe it's an every
13 other month, Ed, but next month would be the other month,
14 that we have an appropriate update of where we stand in
15 addressing those. We saw evidence of some of that today
16 because obviously some rules that have been proposed for
17 publication and approved for publication, but we just need
18 to keep on that timeline.
19 MR. SERNA: Yes, sir.
20 MR. VANDERGRIFF: Appreciate that, and it's
21 never too early to start planning for '13, and I'm sure
22 more on that will be coming later.
23 MR. RODRIGUEZ: Mr. Chairman, on legislative
24 may I ask?
25 MR. VANDERGRIFF: Please.

1 MR. RODRIGUEZ: Is there anything in the
2 interim or any interim charges that associate with that?
3 MR. VANDERGRIFF: We have not seen any yet that
4 I know of. Have we seen an interim charge yet? No, we
5 have not gotten any.
6 MR. KUNTZ: Jeremiah Kuntz, director of
7 Stakeholder and Government Relations.
8 At this point we don't have any interim charges
9 that have been released by the committees. There are a
10 couple of interim studies that we were charged with in a
11 couple of the bills that we'll be starting to work on post
12 September 1. We're kind of waiting until all of the
13 rulemaking stuff had gotten behind us before we really
14 started kicking into high gear on doing interim study
15 stuff.
16 MR. RODRIGUEZ: Jeremiah, Sunset, anyone that
17 we do business with under Sunset review where we might be
18 collaterally drawn into it by chance?
19 MR. KUNTZ: Not that I could see at this point.
20 Our Sunset review date got pushed back and so I really
21 anticipate that that's going to get --
22 mR. RODRIGUEZ: Ours?
23 MR. KUNTZ: Yes, ours got pushed back.
24 MR. RODRIGUEZ: TxDOT still on Sunset?
25 MR. KUNTZ: I want to say they got four years.

1 MR. RODRIGUEZ: And that's what I was kind of
2 pointing towards, whether or not by virtue of them being
3 under Sunset we could be affected.
4 MR. KUNTZ: Their bill passed and they got four
5 years.
6 MR. SERNA: I think the Department of
7 Information Resources, the data center contract, they're
8 under Sunset.
9 MR. KUNTZ: Yes, and I guess that would be the
10 only thing that would collaterally affect us.
11 MR. RODRIGUEZ: And that will somewhat impact
12 or could impact, or we could have some input with regard
13 to our automation project. As you know, I think one of
14 the issues is the central servers, and that's what I was
15 asking about, whether or not we would have an interest to
16 stay kind of cued in with that.
17 MR. KUNTZ: And I'll go back and check that
18 list again and make sure there's nothing else on there.
19 MR. RODRIGUEZ: Thank you, Jeremiah.
20 MR. KUNTZ: Thank you.
21 MR. VANDERGRIFF: I started to move into the
22 strategic planning area, and I just want to note that as
23 part of the action that will come after we properly
24 evaluate and work with staff on the organizational
25 assessment that has been ongoing, I think we've got to get

1 into the strategic planning even ahead of the cycle that's
2 proposed because obviously last time out we were a little
3 behind the eight-ball on it. And then even if it's still
4 in our budget, based on LBB, these woefully inadequate
5 performance measures, we've got to get working on those as
6 well, so we'll look for a plan to do that here shortly.
7 With that, unfortunately Board Member Walker is
8 not with us to give us an update on the Motor Carrier
9 Oversize/Overweight transition team, but perhaps you want
10 to do that.
11 MR. SERNA: I can do that if you're ready.
12 MR. BUTLER: I would suggest a five-minute
13 break.
14 MR. VANDERGRIFF: Sure, be happy to do that.
15 Why don't we be in recess for ten minutes from 10:10 to
16 10:20.
17 (Whereupon, a brief recess was taken.)
18 MR. VANDERGRIFF: It is 10:20 and we are back
19 on the agenda. We're going to address item 5.B, and I
20 think where we left it off is that we're missing Mr.
21 Walker, of course, but the executive director can give us
22 an update here.
23 MR. SERNA: Yes, sir. Again for the record, my
24 name is Ed Serna, executive director of the Texas
25 Department of Motor Vehicles.

1 The Motor Carrier Advisory Committee that was
2 set up to work with the staff on the transition of
3 Oversize/Overweight met on the 21st of July. We had a
4 good meeting. We briefed the members on the requirements
5 of the transfer. Two of the members of that committee are
6 beta testers for TEXPROS which is the new automated permit
7 issuing system. The committee saw a good demonstration of
8 that system that was hosted by Motor Carrier Division at
9 their facility. There was also a very brief tour of a
10 part of the facility. We've agreed to meet again later
11 this month. Mr. Walker will schedule that meeting.
12 And if you don't mind, Mr. Chairman, I'll also
13 talk about the MOU which is later in my section but it's
14 related to this. Where we're at is, unlike the previous
15 MOU that we discussed, staff has crafted a version of it,
16 sent it to TxDOT, we're making good headway there and
17 believe that we'll have that MOU executed well in advance
18 of the deadline. Now, there the deadline for getting the
19 MOU executed is January 1 of next year. We believe we'll
20 have something executed well in advance of that.
21 Interesting question from one of the committee
22 members was why are we doing this, why are we
23 transitioning this function from TxDOT to the DMV. There
24 was a good discussion among the advisory members
25 concerning why that transition was necessary, including

1 the staff providing some information. I think at the end
2 of the discussion it was clearly understood that there are
3 benefits to move that function to this agency, benefits to
4 the industry as well as to operation of state government.
5 So overall it was, I believe, a successful
6 meeting. We'll be meeting again later this month and then
7 hopefully in the next couple of months presenting to this
8 board a final MOU for execution.
9 And that's all I have on that agenda item. Do
10 you want me to go on to the other briefings?
11 MR. VANDERGRIFF: Sure, please.
12 MR. SERNA: I've already talked about the last
13 item, the Motor Carrier MOU, and of course, we have
14 already talked about the general MOU between TxDOT and the
15 Department of Motor Vehicles.
16 The only other thing that I wanted to point
17 out, and it's part of the conversation that we had earlier
18 concerning the equipment update, coming out of the April
19 meeting we had authority from the board to move forward
20 with the procurement of equipment to refresh the counties'
21 and their subcontractors' computer equipment. We'll have
22 a much more detailed written report to the board in
23 September, but at a very high level, staff concluded their
24 analysis and research, selected a configuration for
25 equipment and network equipment.

1 We have ordered all that equipment from Hewlett
2 Packard. We received bids from Dell and Hewlett Packard
3 and a third party. Hewlett Packard met our configuration
4 requirements and I believe was a significant amount lower
5 than everybody else, so we've ordered all the equipment.
6 It is actually being manufactured, because of the volume
7 it's being manufactured right now.
8 We've also secured the services of a contractor
9 or vendor to work on the installation as well as the
10 ongoing maintenance and support of that equipment, so it
11 won't necessarily be DMV staff or tax assessor-collector
12 staff that are having to hook up this new equipment, there
13 will be a vendor that shows up, installs the new
14 equipment, takes the old equipment, makes sure that
15 everything is running, and then supports the TACs in their
16 future use of that equipment. So we're making good
17 progress on that.
18 The other things that we have to report, of
19 course, are the monthly financial statements. Linda will
20 come up in just a second
21 mR. RODRIGUEZ: Ed, can I ask a question on the
22 equipment?
23 MR. SERNA: Yes, sir.
24 MR. RODRIGUEZ: Typically in government, I
25 guess, you have to tag this thing and give it an inventory

1 number and all that, so I'm assuming that will happen, but
2 what happens with the old equipment and what process are
3 we going to go about to remove that from our inventory
4 responsibility?
5 MR. SERNA: Yes, sir. With regard to the
6 equipment, the manufacturer and the installation vendor
7 will be tagging that for us, so when it basically gets to
8 the county it will be registered in our system or logged
9 in our inventory system and will be tagged. With regard
10 to the old equipment, that installation vendor will remove
11 the old equipment and then we have procedures in place as
12 a state agency we're required to follow specific
13 procedures concerning surplusing that equipment. We have
14 procedures in place that that vendor will follow to
15 surplus all that old equipment, basically making it
16 available to other agencies.
17 MR. RODRIGUEZ: So just for my clarity, you've
18 got a vendor that's going to receive a piece of equipment
19 that we purchased, going to give it an inventory tag,
20 going to go out to the county, whatever it is, install it
21 and bring back the old one?
22 MR. SERNA: Yes, sir. They will make entries
23 into our asset management system.
24 MR. RODRIGUEZ: I guess what I'm saying is who
25 gets the old one, where are you going to turn it over to?

1 MR. SERNA: The old ones, there's a specific
2 process that involves making it available on -- I think
3 it's called, it's not Buyways, I forget what it's called
4 nowadays -- but you make it available to other state
5 agencies and local governments first, and then if nobody
6 takes it, you go through a process that involves the
7 Department of Criminal Justice to actually disassemble and
8 dispose of the parts.
9 MR. RODRIGUEZ: I'm just wanting to guard
10 against, as you know, we have a history sometimes agencies
11 all of a sudden they can't find a thousand pieces of
12 equipment and everybody forgot about what happened.
13 That's what I was trying to get at.
14 MR. SERNA: Yes, sir. One of the things that
15 Dawn has done, we've got someone that's dedicated to asset
16 management, Dawn has assigned somebody to that and we're
17 keeping pretty close tabs on both the new equipment as
18 well as the old equipment that we dispose of.
19 MR. RODRIGUEZ: Okay. I'm sorry it took so
20 long.
21 MR. INGRAM: Actually I have a followup
22 question that's similar. Can you describe the changes or
23 alterations that you had to make? I know when we first
24 started talking about the equipment changes to the local
25 tax assessors, I know that there were some changes made as

1 you figured out that there was different needs. How did
2 you handle that?
3 MR. SERNA: We have staff in Dawn's area, the
4 Administrative Services area, that working with the TACs
5 identified, for example, which offices could take
6 advantage of high speed printers based on volume. So we
7 received input from the tax assessor-collectors, our
8 stakeholders, took that information into consideration
9 when we established the thresholds for numbers of PCS to
10 be allocated as well as type of equipment, high speed
11 printers, things like that to be allocated.
12 Once we established that model, we made the tax
13 assessor-collectors aware of the model we would be
14 following, kind of got it fine-tuned a little bit, and
15 then moved forward with ordering the appropriate number
16 based on the number of TACs that fit into each of those
17 categories.
18 MR. INGRAM: So basically the TACs had a lot of
19 input into what type of equipment they need so that
20 they're not getting things delivered that sit in a pile
21 somewhere?
22 MR. SERNA: No, sir, absolutely not. And one
23 of the other things that we did, based on a visit that
24 Randy and I had with Dallas County, is we're also looking
25 at our process for in the future when a TAC has a piece of

1 equipment that they don't need -- first of all, we're not
2 going to send them a piece of equipment that they don't
3 need in their configuration, we're not going to have such
4 a standard configuration that you get this whether you
5 need this little piece or not, but second, if there is
6 something because of a process change or an automation
7 change they no longer, we're going to have a process in
8 place that says here's how you return that to us, so we
9 can both address it in inventory but also not have it
10 stored and just sitting idle at a TAC facility or a
11 warehouse, which we don't have warehouses but at a
12 warehouse here in Austin.
13 MR. SERNA: So yes, sir. That was the other
14 thing we considered is what equipment is necessary now,
15 not only for our current automation situation but also for
16 where we want to be. So there's some equipment that we
17 really didn't need because we're moving away from some of
18 the structure that we have now.
19 MR. INGRAM: Okay.
20 MS. RYAN: One last question. I kept thinking
21 you guys were reading my mind. Who has the responsibility
22 for removing any confidential or privacy information off
23 of these computers before they're released to other
24 agencies?
25 MR. SERNA: The vendor that we've contracted

1 with will have responsibility for wiping clean the hard
2 drives and then verifying to us that the hard drives are
3 wiped clean. We'll probably have somebody do random or
4 spot checks on the equipment because it's a pretty high
5 volume, if you remember the total number of pieces, but
6 that will be included in the installation and support
7 contract that we have so they'll wipe the drives. That
8 concerns us as well.
9 MS. RYAN: Thank you.
10 MR. SERNA: The other thing I have, and it's
11 not me but Linda, we have the financial update.
12 MR. VANDERGRIFF: One more thing on the
13 automation. I know when I meet with various stakeholders,
14 primarily tax assessor-collectors, they will note that
15 they are visiting with people on the business process
16 analysis, they'll note staff they're visiting with on the
17 automation project, et cetera. What is the team and the
18 process going out? Can you explain that, the outreach?
19 It's ongoing right now.
20 MR. SERNA: Yes, sir. We have three, for lack
21 of a better description, all on one team but three groups
22 of individuals. One, we have our contractor, Gartner
23 Consulting, that's actually leading the effort in
24 developing the business process analysis report for us.
25 Second, we have our own staff, our employees that are

1 engaged in that. And then third, we have a couple of
2 independent contractors that report directly to us that
3 are engaged in some project management and some change
4 management or communication activities.
5 So when goes out to a TAC's office, or for
6 example, at the tax assessor-collectors conference in
7 Corpus Christi -- I think it was in July -- the BPA team
8 comprised of Gartner Consulting and then Greg Fisher, our
9 project manager, actually went to Corpus and conducted
10 meetings where we'd get several TACs together in a room.
11 So the team that we send out will always involve Greg
12 Fisher, our project manager, and will always involve
13 members of Gartner Consulting, and then it will involve
14 other members of our staff based on what's going to be
15 discussed or what's going to be handled.
16 The next step that's coming up will be actually
17 bringing representatives from the industry as well as
18 stakeholder groups, TACs, motor vehicle dealers,
19 automobile dealers and our own employees into workshops or
20 focus groups to describe the to-be state. They've
21 completed the as-is state and that's being verified, and
22 we're working on a written update to send out to the board
23 separately. But they've completed the as-is and they're
24 being verified, and now I think next week they'll actually
25 start the work groups with stakeholders and employees to

1 describe the to be. And the "they" is our project
2 manager, Greg Fisher, and the Gartner Consulting team that
3 we introduced to the Projects and Operations Committee
4 back in April.
5 MR. INGRAM: And if I could I wanted to
6 backtrack one more second on the equipment, being that the
7 equipment is now being produced, manufactured for us, is
8 it safe to assume that the TACs all around the state now
9 they know what equipment they're going to get?
10 MR. SERNA: Dawn has been sending out regular
11 updates monthly concerning the type of equipment and
12 what's going to happen next, and they've also started
13 contacting, the staff and the vendor that's going to be
14 installing it started contacting the TACs and scheduling a
15 span of time, so not a specific date of installation but
16 tell us what would work good for you, give us a week that
17 we can work with.
18 MR. INGRAM: But as far as equipment they
19 should already know?
20 MR. SERNA: Yes, sir, they do, or they should.
21 We've sent out information that says here's what it is.
22 MR. INGRAM: Okay.
23 MR. VANDERGRIFF: I interrupted your train of
24 thought.
25 MR. SERNA: No, that's fine. We're going to

1 provide an update on the monthly financial statement next,
2 or Linda is.
3 MS. FLORES: For the record, my name is Linda
4 Flores. I'm the chief financial officer for the Texas
5 Department of Motor Vehicles.
6 For the month of June 2011 our expenditures
7 were approximately $8.6 million compared to $9 million for
8 the same month last year. If I could direct your
9 attention to page 6 of your document, this is a graph of
10 our revenues versus expenditures chart, and as you can
11 see, we collected for the month of June $118.6 million and
12 our expenditures were $8.6 million. Page 7 is a graph of
13 our expenditures by category, followed by page 8 which is
14 a spreadsheet of our rolling expenditures for the quarter.
15 Our year-to-date expenditures are $78.5 million
16 and this also tracks with the information that we provided
17 as the status of our FY 2011 operating budget. We
18 estimate that we're going to leave approximately $108
19 million at the end of fiscal year '11, and that was
20 discussed at the last board meeting.
21 Pages 9 through 12 is the detailed information
22 on other operating detail, and the last page in your
23 document is a request that we received at the last board
24 meeting which was to provide a pictorial representation of
25 the My Plates revenue trend analysis. And I need to put

1 lots of disclaimers on this chart. This is just
2 information based on information through June 2011. We
3 still don't have enough information to really project out
4 where the revenue is going to end through 2014. We also
5 have shared this information with the vendor and we're
6 working with them to look at their information that
7 they're compiling as well, but we don't have enough
8 information at this time to come back to the board with
9 additional projections.
10 MR. VANDERGRIFF: They say they're on track,
11 that they're on track to meet. They must be projecting a
12 higher escalation.
13 MS. FLORES: Correct. Our factors are very
14 conservative based on what we have year to date.
15 MR. SERNA: Let me add a little bit for the
16 board on that graph. First of all, this is just a
17 straight line trend analysis based exclusively on the
18 projected sales of new plates, so it does not include any
19 revenue that comes in from renewals, any renewals that
20 occur. Second, it does not include any market analysis
21 which naturally the vendor would do, we would not do, it
22 does not include any market analysis that says yes, we
23 expect to see increases here because of this and increases
24 here because of this.
25 All we attempted to do at this very preliminary

1 blush is show just exclusively on sales a straight line
2 trend analysis of where those would go. Staff is working
3 with the My Plates vendor to get their information and
4 we'll come back and present something that both parties
5 feel much more comfortable with at the next board meeting.
6 They've provided us some information but it's based on
7 old data and we don't feel comfortable presenting that to
8 the board as anything that's accurate, nor do we want to
9 leave the board with the impression that this is a
10 comprehensive chart. This is just our first shot looking
11 just at revenue and it's only new sales revenue, not even
12 renewal revenue yet.
13 MS. FLORES: Correct. We will start seeing
14 those renewal transactions occurring in the very near
15 future, so once we have that information we can start
16 doing some analysis on it.
17 MS. RYAN: When that analysis comes in, can you
18 break out not just the total revenue but what percent,
19 another trend line for revenues and then ask them to give
20 us some seasonality with the market piece and make sure
21 those are separated for us so we can see what they're
22 doing?
23 MS. FLORES: Absolutely.
24 MR. SERNA: Yes, ma'am. And when you say break
25 out revenues, do you mean between new sales and renewals?

1 MS. RYAN: If this is just new, then yes, what
2 the projected renewals will be, and that would have to
3 include what their projected new sales plates are going to
4 be too. And based on some information we have, I can
5 assume they can project what terms they'll renew on if
6 continued at what they bought originally?
7 MR. SERNA: Yes, ma'am.
8 MS. RYAN: And use that analysis as a baseline.
9 Thank you.
10 MR. SERNA: Yes, ma'am, we will.
11 MR. RODRIGUEZ: On that point may I ask, Mr.
12 Chairman, for the director, the chairman earlier stated
13 we've got to study this whole license plate contract and
14 specialty plates idea, irrespective of the contract that
15 we study this, and I would like to hear from the director
16 at some point as to what he proposes in terms of how that
17 study should take place.
18 MR. SERNA: Yes, sir. We will do that at the
19 next meeting, the September meeting, if that's acceptable.
20 MR. VANDERGRIFF: I don't believe we have any
21 other questions.
22 MR. SERNA: That concludes everything that I
23 have, Mr. Chairman.
24 MR. VANDERGRIFF: All right. The last item on
25 the public portion of the agenda is an organizational

1 assessment, and this is a project that's been ongoing for
2 the last, I guess, six months -- four months.
3 MS. RYAN: Is that it?
4 MR. VANDERGRIFF: Well, six months since we
5 went out for RFP. The Azimuth Group, I'd like to have
6 them come up.
7 The purpose here today, to make sure the
8 audience to understands this, the board has just received
9 literally today the organizational assessment which David
10 is going to present a short overview of here, and so I'm
11 not anticipating and certainly not expecting, other than
12 kind of understanding questions perhaps, really detailed
13 question analysis at this point from the board because
14 they need the opportunity to read this which is why we're
15 going to have a special meeting of the board on the 19th.
16 So I don't want any board member to feel
17 obligated or pressed to ask a bunch of questions here.
18 They will have that opportunity again and I'm sure we'll
19 be working on this with the staff as well going forward.
20 We will have a short executive session to deal with some
21 other matters and have an opportunity at that point to
22 have some additional discussion on this if necessary.
23 Actually, I made a terrible faux pas. Laura
24 Ryan, Board Member Ryan has just been stalwart on this
25 particular project, and I think really without further ado

1 I will let her introduce you and set up this presentation.
2 MS. RYAN: I concur with everything that was
3 said. What I would like to add is the thanks to David and
4 his team of the Azimuth Group. The executive leadership
5 of the agency has been extremely involved, and management,
6 so thank you for that. What you'll receive is a high
7 level today and I think the biggest outcome that we'll
8 find is it's not done, it's just starting, but that's the
9 exciting part. So thank you for all the work that's gone
10 into this from both your team, David, and Ed, your team.
11 Thank you.
12 MR. EISENLOHR: Mr. Chairman, Ms. Ryan, members
13 of the board, my name is David Eisenlohr. I'm the
14 president and managing partner of the Azimuth Group and
15 the project manager on the organizational assessment.
16 With me today is Bill Bancroft, my partner from the firm
17 of Conbrio, who handled the culture assessment piece of
18 the project which we'll talk about some in a minute. So
19 as both the chairman and Ms. Ryan have said, my task today
20 in recognition that you've just had this volume plopped in
21 front of you, to give you a high level summary of what's
22 in it and leave the detailed discussion and explanation of
23 those recommendations until our workshop next week. But
24 in general I wanted to just kind of bring you back to what
25 our original assignment was in terms of scope and

1 objectives and who we are, how we did this, and then talk
2 about some of the key findings that we made and some
3 opportunities to improve that we have identified.
4 So in very broad terms, the objectives that you
5 see on the slide in front of you really come out of the
6 RFP and those kind of trace their roots back to some
7 testimony that the chairman gave to the House
8 Transportation Committee almost a year ago in September of
9 2010 where he, I think, probably first used, at least
10 publicly, this idea of retail orientation, that is, how do
11 we really deliver on the promise of a new independent DMV
12 outside and independent from TxDOT and to transform that
13 new agency into a governmental, regulatory entity but
14 that's focused on how to build, grow, develop, support
15 both the motor vehicle industries and the motoring public.
16 And so that was basically our charge, to answer that
17 question: what things might we do internally to deliver
18 on that promise.
19 And so the scope really was comprehensive
20 within that context, it was all divisions and services of
21 the department, we looked at industry best practices, we
22 looked at culture, we looked at stakeholder concerns, and
23 we looked at organizational and operational efficiency,
24 and we sort of organized our team around those concepts.
25 So here's an organization chart, and we were really a team

1 of teams, and as the chart shows, we worked directly with
2 Julie Beisert out of the chairman's office, and I should
3 quickly acknowledge Julie's very hard work on this over
4 the course of the assignment. We were in almost daily
5 contact and I was always pinging on Julie for more
6 information or guidance and she was in turn pinging on the
7 rest of the staff, and I have to say, to echo what Ms.
8 Ryan said, never were we denied anything that we asked for
9 and the responsiveness of the whole agency to our requests
10 for their time and for their information was first rate.
11 So this is what our team looked like, and we
12 divided it really into four, although the chart shows
13 three, four major components. What's the industry doing,
14 we called that industry landscape, and a firm on our team
15 out of Trans Tech Management out of North Carolina, headed
16 by John Cameron, a former deputy secretary of
17 transportation in the State of North Carolina, led that
18 effort, and that was the best practices focus.
19 On the other side of the chart, culture, we
20 looked at the current culture of the organization and then
21 began some initial work about what the future culture
22 ought to look like to achieve the retail oriented vision,
23 and Conbrio and Bill handled that piece.
24 And then my firm looked at organization,
25 structure, performance and results, and sort of tucked up

1 under that with a firm called New Paradigms Consulting,
2 who was also a female minority-owned business, handled the
3 stakeholder engagement. And so that's how we were
4 structured.
5 How the work progressed, we have five-stage
6 study methodology we call IMPACT. It began with just
7 standard initiation and mobilization tasks, planning,
8 kickoff activities, getting the team all on the same page,
9 both our team and your team, and the deliverable from
10 that -- each stage had its own deliverable -- was a
11 detailed project charter.
12 The second stage we call probe, that's the
13 major data gathering task, and in the probe stage we did
14 the industry research, we did the stakeholder outreach, we
15 did the as-is culture assessment and we did lots of
16 interviews and focus groups with supervisors, managers,
17 staff from both headquarters and field divisions. And
18 that deliverable is what we call the business landscape
19 report. I call it the just the facts, ma'am, the Dragnet
20 report. So it's really just documentation that here's how
21 things are today, and that went through a review process.
22 All of these deliverables went through some iterative
23 reviews with the staff, principally to verify their
24 factual foundations and their accuracy.
25 We then moved into the assess stage, and at

1 that stage we invited some experts from outside in the
2 motor vehicle industry to share a day with your senior
3 team to talk about best practices and emerging trends in
4 the industry. We did a workshop with the senior staff on
5 what should the future culture look like. You know,
6 having learned about what the industry is doing and
7 knowing what it is that the board is describing that they
8 want in terms of this customer-focused retail culture,
9 then what should our culture be.
10 And then we developed a set of what we call
11 improvement themes and concepts, sort of here's what we're
12 making of it at this point. Based on the facts as we've
13 documented in Volume 1 and based on what we've learned so
14 far, where does it appear to us that there's opportunity,
15 so it's sort of narrowing the funnel at this point in
16 terms of the things we think are going to make the most
17 difference.
18 The clarify stage is where we prepared a draft
19 report. That draft report was very much like the final
20 report that you have in front of you and it included all
21 of the above plus specific opportunities for improvement.
22 That went through another review process and we iterated
23 that finally into what we call the transform stage, and
24 transform, as Ms. Ryan says, the work really begins, so as
25 our work sort of winds down, the center of gravity of the

1 effort shifts from the consulting team to you and to the
2 agency. So the Volume 3 version of the final report has
3 the full report in it plus an implementation plan and an
4 executive summary.
5 This was about a four month effort and so we
6 moved on a pretty aggressive timeline, and again, would
7 not have been able to do that except for the real
8 responsiveness of the agency itself.
9 So I'm going to very quickly run through some
10 of those pieces and parts and tell you what we learned,
11 and there's a lot more detail in the report before you.
12 In what we call the industry landscape, we did
13 basically two things. We did some best practices
14 research, relying fairly heavily on AAMVA, the American
15 Association of Motor Vehicle Administrators that have best
16 practices on their website, best practices publications,
17 along with our own independent research of what other
18 leading motor vehicle agencies are doing. And we saw
19 essentially four themes there. That agencies that are,
20 like you, trying to move into the direction of more
21 customer-centric, more customer-focused, are relying on
22 partners more like you are doing. You could think of your
23 tax assessor-collectors as a distribution channel, as a
24 partner channel. We saw lots of different kind of
25 partnerships, with the automobile associations, with

1 banks, with private entities set up for the specific
2 purposes of providing motor vehicle services.
3 We saw on the technology side a real move
4 towards self-service applications, so driving transaction
5 volume to the internet. We saw efforts around improved
6 transparency, that is, helping people get through these
7 processes by making the information about what the
8 processes require easy, understandable, available. And
9 then we saw other agencies, like your own, looking at how
10 do we structure ourselves for the maximum efficiency.
11 We then did that panel that I mentioned. The
12 participants in that panel were Julie Jones, I think she's
13 Colonel Julie Jones, I believe, from the State of Florida
14 where their motor vehicle agency actually happens to be
15 within the highway patrol agency as well, but Julie Jones
16 from Florida; Rick Holcomb from Virginia; George Valverde
17 from California; Neil Schuster who is the executive
18 director of AAMVA; and we also picked and invited Bill
19 Kuntz who is the executive director of the Texas
20 Department of Licensing and Regulation as an exemplar
21 instate of a regulatory agency that has had some success
22 in moving towards a customer-focused model.
23 And what we saw there echoed some of what we
24 saw in the best practices and some other themes we picked
25 up was they're getting their employees engaged in the

1 process of transformation, so it's not just top down but
2 it's an agency-wide effort. Ubiquity, that is, those
3 organizations that want to really, really be accessible to
4 their customers, want to be everywhere, they want to be
5 available to those customers when they want, where they
6 want it, how they want it, whether that's storefronts that
7 you walk up to, mobile DMVs that some agencies talked
8 about, internet accessibility, of course, at the heart of
9 that.
10 We saw efforts around marketing and branding,
11 so one of the things that Mr. Serna said to us is: I want
12 us to be known as the non-DMV DMV. In other words, how do
13 you break the stereotypes of what people think about DMVs.
14 Well, some agencies are really spending money and effort
15 and time on building a brand. Mr. Valverde in California,
16 for example, appears regularly on radio talk programs
17 around the state to talk about how DMV works. Extensive
18 revamping of legacy systems, that's very much like your
19 DMV automation project underway. More and more use of
20 social media; the rise of social media is an important
21 tool. And then strategy, really thinking strategically
22 about where are we trying to take ourselves and how are we
23 going to get there.
24 So we've tried to take some of these themes
25 forward from what we learned from that industry research

1 and say, well, how can we apply some of those ideas here.
2 In terms of the stakeholder engagement, what we
3 did, with the great help of the staff here and the various
4 association executives, we met with tax assessor-
5 collectors, we met with one of their substation operators,
6 we met with the Automobile Dealers Association, with the
7 Independent Automobile Dealers Association, with the
8 resellers, with TMTA, the motor carriers, and we met with
9 the Texas Police Chiefs Association. And so we conducted
10 focus groups with them that were really kind of open-ended
11 questions about how might DMV better serve your interests
12 and the constituents that you serve.
13 And from a summary point of view, I won't read
14 those almost illegible bullet points to you, but there
15 were a couple of themes that popped out, several. One,
16 they see the creation of an independent agency as a good
17 thing, so they see progress being made in terms of now
18 being out from under TxDOT and beginning to establish an
19 identity on its own. The technology initiatives that are
20 underway are seen by the industries that you serve as very
21 positive. Particularly in what we call the regulated
22 industries or the regulatory stakeholders group, talked
23 about sort of the philosophical shifts that Mr. Harbeson
24 is implementing in enforcement around a real emphasis on
25 education as opposed to more punitive kinds of enforcement

1 mindsets as positive.
2 What we also heard, though, is that processing
3 times for some of the various permits and applications
4 could still get better. We heard that communication could
5 be better. The law enforcement agencies, the TACS and
6 some of the industry stakeholders all said we'd like
7 dedicated phone lines, we'd like to know who we call, who
8 do we talk to when we need our problems dealt with. And
9 then we heard quite a bit from the police chiefs' comment
10 on some of the questions that the chairman alluded to
11 earlier about the proliferation of license plates and the
12 issues of identification and readability and those kinds
13 of things. So that's a quick snapshot of what we heard
14 from the customer side.
15 We did a culture assessment survey and we used
16 an instrument called the Organization Climate Assessment
17 Instrument. It's an online survey instrument that's been
18 validated, developed by a couple of University of Michigan
19 professors. And I know that's hieroglyphics up there, but
20 the blue line says this -- well, let me back up and talk
21 about process just a little bit. We gave every employee
22 in the agency the opportunity to take the culture
23 assessment survey that asked them questions about both how
24 is the culture today and how would you like it to be in
25 the future. We did about 20-plus one-on-one interviews

1 with leaders in the department and about eight focus
2 groups with line staff, and again, those were at both
3 headquarters and we were in Fort Worth, San Antonio,
4 Houston, and some of the outlying offices feeding those
5 areas.
6 And what we concluded in terms of the as-is
7 culture -- and that's shown in the blue on there, and this
8 is a model that describes four different cultural types:
9 hierarchical which is focused on structure, market which
10 is focused on performance and delivering what the market
11 wants, clan in the upper left is about people and
12 nurturing and mentoring and development people, and the
13 other is called adhocracy which is entrepreneurial, it's
14 experimental and those kinds of things.
15 And what your staff told us, based on their
16 response to the survey, is they would describe the current
17 culture of DMV as principally hierarchical and market-
18 focused, we're all around structure and getting the job
19 done.
20 They said what would you like it to be, and
21 that's the red, and the says we could do with a little bit
22 more adhocracy, so you can see that that red line from the
23 blue shifts towards entrepreneurial, creativity, risk-
24 taking kinds of behaviors, the focus on the market side,
25 the get it done, stays pretty much where it is, and clan,

1 that is support, development, mentoring, goes up.
2 And we then did a workshop with the senior
3 staff, the 15 top people in the organization and walked
4 them through an exercise and said what do you think --
5 this was all, by the way, in the context of trying to
6 achieve this retail-oriented vision -- what do you think
7 the culture ought to look like on this model, and that's
8 the green line. And what you see is on the adhocracy
9 scale it goes even farther out, so they are saying we need
10 to be more creative, more entrepreneurial, more risk-
11 taking, and they also show a shift out on the clan. So
12 it's saying what we need to do if we really want to be
13 retail-oriented is to be more able and more willing to
14 take risks, support our employees, develop them to give
15 them the confidence that they can do that and that they
16 won't be necessarily punished for taking a risk.
17 And so what we said is that your current
18 culture is hierarchy and market-based, it's weak, not one
19 of those dominates, it's incongruent, we looked each
20 individual division, every division doesn't have the same
21 culture, and there's not any real effort to manage culture
22 and it's not linked to strategy. What we've said in our
23 report is we believe that what the department heads and
24 the staff is telling us is directionally correct, that is,
25 it makes sense to us. If you want to be retail-oriented,

1 you've got to get more entrepreneurial or ad hoc and
2 support and develop your people. We think you can be
3 stronger, certainly more congruent, that is, you want
4 everybody to have the same ideas about how the
5 organization ought to operate, and actively managed and
6 aligned with your strategy.
7 So that was a really fascinating exercise and
8 one that I think still needs more work, but that's what we
9 learned on the culture side.
10 In the organizational part of the work, we used
11 a framework developed by two McKenzie Management
12 consultants, Waters and Peterman -- you've heard of them,
13 I'm sure, before, In Search of Excellence and all that --
14 and it's called a 7S model, and it says if you want to
15 understand how an organization works, understand its
16 strategy, its systems, its structure, its staffing, its
17 skills, and we lumped two together, shared values or
18 style, that's culture. So that was the model we used to
19 look at the organization itself.
20 And we made an assessment that said okay, on
21 essentially a four point scale, ranging from
22 unsatisfactory to excellent, how would we assess the
23 current state of DMV on those dimensions, and more of this
24 will become clear as we go on. But we said that from a
25 strategy point of view we found the current organization

1 unsatisfactory. Why did we say that? Because apart from
2 the LBB mandated strategic plan which was done, it was
3 done well, it served its purpose, it got your
4 appropriation, it got you going, it's not a document that
5 is sufficiently detailed nor in our judgment sufficiently
6 broadly inclusive in terms of its development to be a
7 useful tool for the agency.
8 The other critical component that the chairman
9 alluded to a minute ago was the performance measures. The
10 performance measures are few and not all necessarily the
11 important ones that you would want to see as managers or
12 as board members to assess are we the retail-oriented,
13 customer-centric, accessible organization we want to be.
14 So that's the one that we hit really the hardest.
15 Systems, and meaning process and technology, we
16 said it needs improvement. We think that there's a lot of
17 good news in the Texas DMV automation systems project, but
18 we also noted that there are multiple other, and all
19 necessary, all good departmentally based initiatives
20 around improving process and systems but we think you lack
21 a standardized methodology for driving those initiatives,
22 it's not clear to us that they're well coordinated or that
23 the right kind of reporting and tracking and monitoring
24 and management of those various broad and disparate
25 initiatives are as strong as they could be. So again,

1 good things going on but we see in the area an opportunity
2 to improve.
3 Structure we've also said needs improvement.
4 Our principal concern there was that the structure that we
5 found on arrival and in place today, the executive
6 director has 16 direct reports. That's a very, very broad
7 span of control. And the organization structure to put
8 into place was done to try to align, and I think with some
9 success in terms of what we heard from the stakeholders,
10 those divisions to face the markets that they serve, but
11 we don't believe that 16 direct reports to the executive
12 director, particularly given the board responsibilities,
13 the legislative responsibilities, the other external
14 responsibilities that the ED has is sustainable. So we've
15 made some suggested changes there that I'll talk about.
16 Staffing we assessed as satisfactory. What
17 we've said in the report is we think that your authorized
18 FTE count is about right, and you're about to get some
19 more with the integration of Oversize/Overweight, but
20 you've been running at some pretty significant vacancy
21 rates in some areas, along with some key leadership
22 positions still unfilled. So the reason we sort of backed
23 off was more not about the authorized staff but the
24 available staff today is still not quite where you want
25 it. You've got some key positions to still fill.

1 Skills. What we think around skills is that
2 the people within the organization really know their
3 business, no question about that. They understand the
4 technical content of their work, so our opportunity
5 identification suggested, though, that on the people
6 development, the competency development, leadership and
7 management development, there are opportunities to do more
8 of that and to do it better.
9 And then finally around shared style, values,
10 culture, we said needs improvement. Now, I have to kind
11 of quickly qualify that. What the literature tells you on
12 organizational culture is there's no such thing as a wrong
13 culture. What you want is the right culture given your
14 strategy and what you want to accomplish with the
15 organization. So what we've said in the report is that
16 one, you need a really good strategy to be able to line
17 your culture up with that, and two, that we believe that
18 what the employees and the senior leaders told us in terms
19 of a move towards a more I call it entrepreneurial, the
20 model calls it adhocracy, style of operation, creativity,
21 risk-taking is the right way to get to the retail-oriented
22 vision that the chairman talks about. So we don't think
23 that you have the culture today that will get you there;
24 that was the reason for that rating.
25 So we then identified some opportunities or

1 some recommendations, and I don't want to read all of
2 these to you, they're in the report, but by category in
3 the 7S model. Strategy. We said you need a strategic
4 plan, you need a comprehensive strategic plan. We
5 suggested you need somebody to be in charge of that and
6 not just at budget time but all the time, so who owns
7 strategy and planning and policy analysis, and we've
8 suggested creation of really an office to do that,
9 reporting to the board, but we also see strategic plan,
10 and I want to really emphasize this, as a collaborative
11 process between board and executive staff.
12 We say you need a strategic management system,
13 and that means getting the plan done is not enough, but
14 planning and then managing to the plan, so building those
15 operating budgets and plans to fund the strategic plan, to
16 align resources up with the strategic plan, to measure
17 accomplishment of the strategic plan, to report on
18 accomplishment of the strategic plan, to reward people
19 based on accomplishment of the strategic plan. So that's
20 what that little cyclical graphic is trying to show.
21 And then we said also within this category of
22 strategic plan is the notion of board governance, so what
23 is the role of the board here. And we think that you as
24 board members and the staff would benefit from some focus
25 on how do we define the various respective roles and

1 responsibilities of board members versus staff, policy
2 versus administration. We've suggested in the report one
3 model of governance but there are others that you might
4 consider, but we think governance is part of strategy and
5 something that needs to be addressed.
6 We said that the board probably would benefit
7 from more visibility into the day-to-day operations, and
8 that flows out of strategy. If you know what you're there
9 to accomplish and how you want it accomplished, then the
10 reporting to you in your board meetings and how you
11 organize your workshops, all of those kinds of things go
12 to making sure that you have the information you need to
13 assess whether or not the organization is performing the
14 way you want it to perform, which leads us then to
15 specific performance goals.
16 So we think that you as board members need to
17 sit down with your executive director and tell him what
18 retail-oriented looks like and tell him how you're going
19 to measure what retail-oriented is and then hold him to
20 it. And we've suggested sort of a sample of a balance
21 scorecard kind of approach that would say here's how we're
22 going to measure not only the executive director's
23 performance and results but that of the agency as a whole.
24 So we've hit strategy first and we've hit it hard because
25 we really think that's the foundation of success.

1 Systems and processes. I made a finding or an
2 observation earlier about a number of independently and
3 sort of loosely coordinated improvement initiatives
4 ongoing. What we're suggesting is that you ought to
5 create essentially we've called it a transformation
6 program management office, TPMO, and what this chart is
7 trying to show here is a matrix overlay on the
8 organization that would say let's think about who's
9 touched by each of these big transformation programs and
10 projects that we've got ongoing, who owns it as a project
11 manager, who's the primary team, who's got to be involved
12 intimately in it, and then who has a support role.
13 So what this really is saying with the BPA, the
14 business process analysis which is part of the automation
15 system projects, internal policies and procedures
16 initiatives, others that we've suggested, all need to be
17 coordinated and worked together. And so you can think of
18 this almost as Vision 21, the old Vision 21 office on
19 steroids, but it's really focused on program management
20 and not thinking of all of these initiatives that are up
21 and running in the various departments as disparate or
22 separate pieces but part of a program to change the agency
23 and managed as such.
24 So we're proposing a director of a
25 transformation program office reporting to the ED and then

1 sort of consolidating the management and the leadership of
2 those programs there.
3 Systems and processes. We called it
4 accelerators. We said provide accelerators to help drive
5 the transformation effort on an aggressive timeline, and
6 that's the point, aggressive timeline. So the folks, of
7 course, working these projects and in that TPMO structure,
8 they have other jobs, they have day jobs, so from time to
9 time you may find the need to go out and bring in expert
10 help, and one of the tools that we've suggested is going
11 through a master service agreement or a pre-qualification
12 process that would allow you to develop a roster of pre-
13 qualified service providers. You don't have to award a
14 contract through that process but you can get essentially
15 a stable of people that are pre-qualified to help you and
16 reach out and touch them on just-in-time, as-needed basis
17 and not have to slow down every time you need a consultant
18 to come in and go through a two or three month procurement
19 process.
20 We think that you need better internal modern
21 enterprise technology. The statewide accounting system
22 and the HR payroll system are old, they're antiquated
23 systems, there is no purchasing system, and there are
24 opportunities currently in the state that might allow you
25 to piggyback those. You've got to find money to do it but

1 you do need good internal management systems.
2 We think you ought to, over the long term,
3 think about how you all get together in one facility, so
4 we've said initiate planning and budgeting to consolidate
5 your various disparate offices.
6 We say look at those innovations and those best
7 practices that are out there and those that are
8 appropriate, put them in that TPMO bucket and see what's
9 going to work for you.
10 And then we think you need a brand, and we
11 talked about branding a little bit, so we've suggested as
12 much as even securing professional support in terms of
13 brand development, public relations, those kinds of
14 things.
15 Structure. We recommended a reorganization of
16 the department that really reduces the executive
17 director's span of control. The main thing that we've
18 done, the biggest thing that we've done is we've suggested
19 creation of a deputy executive director and the assignment
20 of that deputy executive director to superintend, to
21 oversee what we've called the market-facing or the
22 customer-facing main line divisions of the department. So
23 our organization chart shows the deputy, or you use the
24 term differently now, but the chief operating officer of
25 the agency as being responsible for VTR, Enforcement,

1 Customer Service, Motor Vehicles, Motor Carrier, and
2 ABTPA, and then restructuring on the admin side into what
3 I consider a more corporate model: a chief financial
4 officer, a chief people officer, human resources, and a
5 chief technology officer or chief information officer. So
6 that chart shows you how that model might work.
7 You'll see reporting to the executive director
8 then there are eight direct reports; it cuts the span of
9 control in half. And on the chart, which we'll spend more
10 time on next week, the yellow are new functions, the green
11 are reorganized or expanded positions. So that's the
12 organization structure we've proposed.
13 We also said think in terms of account
14 management, and this is another idea around a matrix
15 overlay process. So the idea here, and this is probably
16 the most challenging, in our judgment, of the
17 recommendations, but the idea is to do some work around
18 market segmentation and to understand your customer base
19 better and then to assign account managers. So for
20 instance, you might envision a process where within each
21 of the major regions that you could segment -- I'm going
22 to use auto dealers just as an example, but you could use
23 the same for motor carriers -- small, medium and large
24 dealer groups, motor carrier trucking companies and so
25 forth -- and say all right, your account manager, your

1 representative, your assigned point of contact at DMV is
2 this person, and that person then on the DMV side is
3 charged with delivering, driving responsive service to
4 those assigned customers.
5 So what this model basically says is okay,
6 you've got multiple ways that customers are going to
7 interact with you, whether online or by telephone or by
8 mail or by walk-in or by coming to one of your facilities,
9 and so the touch points for those interactions are going
10 to be an account manager, DMV online, the Customer
11 Relations Division service center or regional offices.
12 That's the main point of contact and you want to get as
13 many of the transactions done, problems solved at the
14 first contact, but where you can't and where the problems
15 get more intricate or specialized, then the account
16 manager is there to guide you through the process. So
17 that's that idea.
18 In the staffing and skills area we've said
19 several things. One, fill the existing leadership
20 vacancies. So you've got a vacant Internal Audit
21 position, you've got a vacant division director position,
22 you've got a Civil Rights position that's not really up
23 and running, so round out your leadership team. And then
24 we've created in our recommended organization some other
25 leadership positions. The TPMO director would be a new

one, the deputy executive director that we talked about would be new.

The recruitment/selection process we think is running slower than it needs to, and when you see some of the persistent vacancies in some of the line service divisions, it makes you wonder why we can't fix that. One of the things that we suggested is for those positions that we know are going to be on a continuous kind of turnover basis, let's perpetually recruit, let's build eligibility registers so that when the Motor Vehicle Division needs more licensing people it's not I've got to post it, I've got to post it for ten days and I have to go through a unique screening and evaluation process, it's we're always recruiting for licensing clerks and here's a list of pre-qualified, eligible candidates, go ahead and appoint.

We've said you ought to develop competency models around the desired culture and then you align your HR systems, compensation, recruitment, selection, evaluation, all of those things to that competency model and thus to the culture.

We think you need a talent management and leadership program, so invest in training your people. Again, we're talking about something of -- I'll use consultant words -- a paradigm shift around how you think

1 about dealing with people, so how are you going to grow
2 your leaders. If I remember correctly, you have today
3 something like 195 employees within the department that
4 are within five years of retirement eligibility, so round
5 it to 200. Well, that doesn't count Oversize/Overweight.
6 Roughly, you're at a third of your organization that are
7 within the range of imminent retirement, so how are you
8 building the next generation of leaders for the
9 organization, so that's what we're talking about there.
10 And then lastly, in the shared values and style
11 area, we've suggested that you adopt a number of different
12 programs that we've listed to really focus on how do we
13 get anticipatory about what our customers want and get out
14 ahead of them in terms of delivering that. So we've
15 talked in the report about things like more frequent
16 customer surveying, surprise visits to the various TAC
17 offices or regional offices by senior leaders, roundtable
18 discussions with the constituency groups, intercept
19 interviews, if you know that term. When people walk out
20 of a TAC office or one of your offices having done a
21 transaction, somebody is there to say: Well, tell me
22 about your experience, was it good, was it bad, how could
23 it have been better -- catching that information really at
24 the point of sale. Mystery shopping. So there are a
25 number of things that we think that you can do in the

1 customer service area that will really help you get
2 really, really intimate kind of insight into what your
3 customers expect.
4 And then the last recommendation is commit to a
5 long-term program of managed cultural change. So we felt
6 like we really kind of just scratched the surface on the
7 particulars of the to-be culture, that move towards
8 adhocracy, entrepreneurialism, along with sort of the
9 supporting human resources, the clannish human resources
10 processes around mentoring and coaching and staff
11 development. So we think that needs to be worked on, make
12 sure that it is in fact the right cultural direction that
13 you want to move in, and then tie it to the strategic
14 plan, make it shared across the organization, and build
15 the other supporting systems and processes, again as I
16 said, around recruitment, selection, advancement,
17 compensation to drive the cultural change that you need.
18 So I'm closing in on the end here, but this was
19 very interesting. When we issued the draft report we
20 wanted to get a sense from the executive team as to their
21 reaction and so we used some technology and a facilitated
22 process to have them rate each of those recommendations
23 that I've quickly summarized -- there are 23 of them -- on
24 two dimensions. The first one was impact. We said how
25 impactful do you believe this recommendation, if

1 implemented, would be on driving the agency towards the
2 retail-oriented model that we were focused on. And then
3 the second dimension was current capability: How do you
4 assess the current capability of the organization as it
5 stands today to implement those recommendations.
6 And what you see is that 19 of the 23 plotted
7 in the high-high quadrant. So the senior staff was
8 telling us 19 of the 23 would have a really positive
9 impact on the organization in terms of moving us in the
10 direction of customer-centric retail focus and we can do
11 it, we can do it.
12 The exceptions were -- it's hard to read and I
13 apologize for that -- that right there says reorg, so that
14 is the lowest on impact, so what the staff was saying here
15 is that of all the things, David, that you and your team
16 recommended, the thing that we think -- your executive
17 team thinks will have the least beneficial impact on the
18 organization is the reorganization model that you propose.
19 The one they said was the highest, that says admin
20 systems, is get us ERP, enterprise resource planning,
21 accounting system, HR system, procurement system, those
22 kinds of things.
23 This one right here says board visibility, so
24 when I talked about how do you build trust and confidence
25 between the board and the staff, we said think about

1 things that could give them more visibility into the
2 operation. The executive team saw that as less impactful.
3 The third -- I'm focusing on those that are
4 below the midpoint of impact -- was account management.
5 So with the exception of those three, that account
6 management model that I briefly discussed, driving more
7 board visibility, and reorganizing to reduce the executive
8 director's span of control, get a deputy in here, were, if
9 you will, the least popular of our recommendations.
10 This one out here is the facility one, so what
11 you see here as the other outlier is high impact, that
12 would be good for us, but we have ourselves within the
13 agency limited ability to make that happen.
14 So I just thought you would like to see that, I
15 thought it was interesting, and we, of course, were
16 pleased to see that for the vast majority of the things
17 that we suggested the staff said that would help drive us
18 in the direction the board wants us to go.
19 Last, there's an implementation plan that we've
20 proposed. It's fleshed out in more detail in the report,
21 but we've organized it around some what we've called quick
22 wins, things that you ought to start, in our judgment,
23 right away and then by strategy, systems, structures,
24 skills, shared values.
25 So I'll talk quickly about the quick hits

because this column right here is begin implementation in Q4 of this year, that means now. So get a good strategic plan, and obviously it's something you've got to start doing, but as the chairman alluded to earlier, not wait for the next LBB cycle but start your strategic planning process now.

Improve board visibility, so start working with the staff to make sure that you're getting all the understanding and the appreciation and the knowledge of what the agency does and how it does it and what the constraints are on how it does it, what the opportunities are is shared openly between the board and the staff, do it now.

Ensure the board has established and communicated specific performance goals to the executive director and to the department. So I think there's a real obligation on the part of the board you say: You know, team, we've told you we want you to be retail-oriented. Okay, great, guys, what does that look like, what does that mean, what does it mean to you, make sure you've all defined it collectively for them, and then how are you going to measure, how are we going to know, how are you going to know, how can we satisfy you that we're doing the things that you want us to do.

Create the DMV transformation program office.

1 We've said that's a high priority, that's a quick win.
2 Bring all of those initiatives that are trying to drive
3 that transformation together and manage them.
4 Fill existing leadership vacancies and improve
5 the recruitment selection processes, those are the last
6 two of the quick hits. We heard time and time again in
7 some of our interviews as well, you know, we're running
8 thin on resources, and we're saying okay, fix it, go hire
9 the people that you need to do the job.
10 So that's a very, very fast run-through of what
11 we did. So we understand the next steps to be these:
12 there's going to be a board working session that's
13 scheduled for, I believe, a week from tomorrow; I think
14 it's going to be important for you to then take action as
15 a board, and sooner rather than later. Now it's yours,
16 it's going to be yours to decide which of those things
17 that the consultants recommended do we believe are
18 valuable and we want to do and we want to direct the staff
19 to do, and so you've got some work to do in sifting and
20 sorting through all of this, and that's what we'll start
21 doing in the workshop. But after that, fairly quickly, I
22 would say, after that the staff deserves some direction on
23 which way you want them to go.
24 Assign implementation responsibilities so we know who owns
25 what. We've tried to suggest who those people are in the

1 implementation plan, measure their performance, so
2 establish the timelines and the reporting schedules. So
3 we think those are the things that you need to do
4 immediately to get started.
5 With that, I'll shut up and I'll take your
6 questions. I talked fast, I know.
7 MS. RYAN: Excellent job.
8 MR. INGRAM: It was very good.
9 MR. RODRIGUEZ: Just one question, Mr.
10 Chairman.
11 MR. VANDERGRIFF: Sure.
12 MR. RODRIGUEZ: One of the recommendations on
13 the quick hits list is to fill the leadership vacancies.
14 MR. EISENLOHR: Yes.
15 MR. RODRIGUEZ: Apparently for performance in
16 the first quarter of the next fiscal year is to adopt the
17 reorganization plan. I'm asking in light that we may do
18 that, that we put a hold on the leadership positions until
19 we determine whether or not we're going to have to create
20 a deputy director and reclassify a position, if necessary,
21 to make that.
22 MR. EISENLOHR: If I might respond quickly,
23 Chief, and I appreciate your point because it's one well
24 taken. There are some that are already authorized and
25 some that are actually on the way to being filled,

1 Internal Audit pops to mind. There are three supervisors
2 in the Motor Vehicle Division that really are needed and
3 have been vacant for the entire time that we've been here.
4 So I think you're absolutely right that you can't go hire
5 the deputy director until you make the decision that
6 you're going to have one, but there are others, Motor
7 Carriers is another one.
8 MR. RODRIGUEZ: I guess the point is to allow
9 us the room to reclassify or combine positions to have the
10 fiscal resource for a deputy director position that we
11 don't have now, in the event that we do adopt a plan.
12 MR. VANDERGRIFF: I understand, and I agree
13 with your point, I think that's a valid point. I think
14 the distinction you're trying to make is that there are
15 some positions that are immediate line positions.
16 MR. EISENLOHR: They're there and they're
17 vacant now, yes, sir.
18 MS. RYAN: And if I may, that's exactly the
19 type of decision that we would expect to come out of the
20 workshop where the time involved to review this would be
21 the next week and that the workshop is, my opinion, less
22 of a workshop and more of a decision-shop, in that we
23 basically do our research between now and then, come
24 prepared with what we individually are looking to act on
25 and as a group make those decisions, and that would be

1 exactly one of them: which one of the leadership
2 positions should we move forward on, which ones should we
3 wait, and then that way there's very clear direction when
4 we're done with regard to next steps.
5 MR. RODRIGUEZ: And perhaps nothing needs to
6 happen. I think the thought is clearly stated here, it's
7 for the benefit of the director.
8 MR. VANDERGRIFF: Any further questions? We'll
9 have David back, of course, next week and he'll be
10 available, if need be, for an executive session that we'll
11 start here shortly.
12 MR. EISENLOHR: Yes, sir. I'll stay.
13 MR. RUSH: I want to say just something. You
14 know, I started a company years ago and developed a large,
15 pretty good size company today.
16 MR. VANDERGRIFF: It's the largest in the
17 country, by the way, for those of you don't know.
18 MR. RUSH: But when we made our decisions back
19 in the early '90s to do this, the first thing we had to
20 have a strategic plan, we had to have a culture. And we
21 brought in some people with the group to help us figure
22 out how to do this and start instigating it, and today
23 that's what makes us successful is we still live by it and
24 we still operate under it. So it's not as easy as you
25 think it is and it's a long time coming, but you can build

1 a really fine company if you start out and do it right in
2 the beginning. And I didn't know how to do it, I didn't
3 have a clue, but we know how to do it now and we don't
4 have to have those people help us anymore because we've
5 got people who do that for us in the business today.
6 But it's very, very important to have a culture
7 that everybody lives by, preaches by, walks by and enjoys
8 doing, and that's the secret, people have got to be happy
9 with what they're doing, and you've got to have all these
10 goals set out for them to do it, and they get rewarded for
11 it. Now, I know I do it but I don't think you do it in a
12 political situation like this is. All our people get
13 rewarded every year, every month, every quarter, whatever
14 it is.
15 MR. VANDERGRIFF: It's up to us to help fund
16 that method. I totally concur and have gone through that
17 process myself in my business and it's been very
18 successful.
19 MR. INGRAM: One thing that I pointed out to
20 Member Ryan, and she so aptly replied that's why we have a
21 meeting next week, is that in this type of situation time
22 is our enemy. I mean, you cannot sit on this report, it
23 loses its value the longer it sits. Is that a fair
24 statement?
25 MR. EISENLOHR: Yes, sir, absolutely.

1 MR. RUSH: Let it sit six or eight months it
2 won't be here, you've got to start over.
3 MR. INGRAM: Absolutely. So that's why we're
4 coming back next week.
5 MR. VANDERGRIFF: And I totally concur on that
6 as well. And I will tell you that it's indelibly etched
7 in my mind, and something that isn't related to our
8 business here, but I once attended a presentation where a
9 gentleman who at the time looked older to me, and is,
10 sadly enough my age now with the graying hair and that's
11 the age I am now, but he came with a shopping cart, I kid
12 you not, full of reports and he was giving this, in this
13 case, to a city council, and said that I just hope that
14 the next one is one that doesn't sit on the same shelf
15 where all these others have been that no one does anything
16 with.
17 MR. INGRAM: You definitely want to blow the
18 dust off this later.
19 MR. VANDERGRIFF: Yes. Thank you very much,
20 David, appreciate it.
21 MR. EISENLOHR: Appreciate the opportunity.
22 MR. VANDERGRIFF: Thank you too, Bill.
23 With that, do we have any other items that wish
24 to come before the board in the public session of the
25 agenda?

1 (No response.)
2 MR. VANDERGRIFF: We do not. We do have a
3 closed session agenda that we need to have that we are
4 going to have. I guess at this point do we need a short
5 break, would we prefer another one? Okay. We will go
6 into executive session, it is 11:30 now and we will go
7 into executive session at 11:40, and we will be looking at
8 Section 551.071 to obtain legal advice with respect to
9 items on the agenda regarding pending or contemplated
10 litigation, and 551.074 to discuss personnel matter items
11 under the agenda item 5.D.
12 And for those in the audience, I have no idea
13 how long we'll be in executive session. I would not
14 anticipate it would be a super long executive session, and
15 we will certainly reconvene in open session after that.
16 I'm not sure that we will have any action items out of
17 executive session, we will not. And with that, we are
18 recessed from the public meeting and we are into executive
19 session.
20 (Whereupon, at 11:30 a.m., the meeting was
21 recessed, to reconvene this same day, Thursday, August 11,
22 2011, following conclusion of the executive session.)
23 MR. VANDERGRIFF: We are now convened from
24 executive session into the public session. The time is
25 12:50 in the afternoon. And I hereby declare that no

1 action or deliberation or decisions were made in executive
2 session on the items that we discussed. And there being
3 no further action necessary as we've now convened into
4 regular session, I would be pleased to entertain a motion
5 to adjourn.
6 MR. BUTLER: So moved, sir.
7 MR. VANDERGRIFF: We have a motion from Board
8 member Butler. Do we have a second?
9 MS. RYAN: Second.
10 MR. VANDERGRIFF: From Board Member Ryan we do.
11 Seeing no further discussion, please raise your right
12 hand in support of the motion.
13 (A show of hands.)
14 MR. VANDERGRIFF: The motion passes. We are
15 adjourned. Thank you.
16 (Whereupon, at 12:51 p.m., the meeting was
17 concluded.)

1 C E R T I F I C A T E

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3 MEETING OF: Texas Department of Motor Vehicles Board

4 LOCATION: Austin, Texas

5 DATE: August 11, 2011

6 I do hereby certify that the foregoing pages,

7 numbers 1 through 108, inclusive, are the true, accurate,

8 and complete transcript prepared from the verbal recording

9 made by electronic recording by Nancy King before the

10 Texas Department of Motor Vehicles.

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