



**Report
to
The LEGISLATIVE FINANCE COMMITTEE**



Taxation and Revenue Department, Motor Vehicle Division
A Review of Current Operations, Customer Service, and Partner Oversight
October 24, 2012

Report #12-11

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October 22, 2012

Ms. Demesia Padilla, Secretary
Taxation and Revenue Department
1100 S. St. Francis Dr.
Santa Fe, NM 87505

Dear Secretary Padilla:

On behalf of the Legislative Finance Committee, I am pleased to transmit the *New Mexico Motor Vehicle Division – A Review of Current Operations, Customer Service and Partner Oversight*. The evaluation assessed MVD's operations, its approach to customer service, and selected aspects of its oversight of partner agencies.

An exit conference was conducted with the Taxation and Revenue Department on October 17, 2012 to discuss the contents of this report. We will present the report to the LFC on October 24, 2012.

I believe that this report addresses issues the Committee asked us to review and hope all participating entities will benefit from our efforts. We very much appreciate the cooperation and assistance we received from your staff as well as from representatives of other state agencies and associations.

Sincerely,

A handwritten signature in blue ink that reads "David Abbey".

David Abbey, Director

DA:JE/bm

Cc: Senator John Arthur Smith, Chairman, Legislative Finance Committee
Representative Luciano "Lucky" Varela, Vice-Chairman, Legislative Finance Committee
Mr. Mark Williams, Director, Motor Vehicle Division

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MVD oversees more than 2.5 million transactions per year and is one of the largest retail operations in New Mexico.

MVD's FY12 operating budget is \$24.2 million and the division collects over \$350 million in revenue for the state.



Source: LFC Volume II

Management turnover has plagued MVD. The agency has had ten directors in the past twelve years and three in the last three years alone.

As one of the largest retailers in the state, the New Mexico Motor Vehicle Division (MVD) of the Taxation and Revenue Department (TRD) touches the lives of almost every New Mexican. The MVD is charged with the responsibility to administer the New Mexico Motor Vehicle Code, to test and license drivers, to register and license vehicles, and to oversee the partner agencies, private companies, and dealerships that serve the driving public.

MVD oversees more than 2.5 million transactions each year and generates over \$350 million in revenue. With 1.4 million licensed drivers and 2.4 million registered vehicles, MVD is the face of New Mexico state government. Unfortunately, as with its counterpart agencies nation-wide, as laws and regulations become more complex, the public's general experience at the MVD has often been frustrating. This has led to the iconic image of the MVD as the model for inefficient customer service and poor governance.

This report addresses the MVD and focuses on the efficiency of its operations, its customer service, and the effectiveness of its oversight of partner agencies. A previous LFC evaluation of MVD was conducted in 2001. Appendix B summarizes the major findings from that report and the progress made with respect to these findings over the last eleven years.

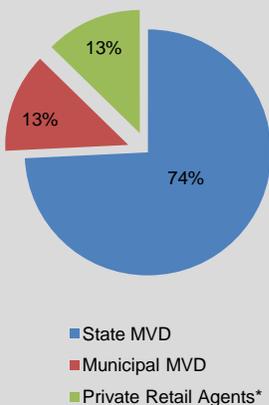
New Mexico's MVD has significant room for improvement. The past 12 years have seen constant turnover of top management, with ten directors, and three in the last three years alone. This revolving door has led to management inconsistency, interrupted projects, numerous planning redirections, and reduced morale among staff. The MVD's new management team, however, is highly motivated to bring about a series of positive changes in the agency. Most of the operational shortcomings addressed in this report are the subject of current planning activities.

Customer service is a key measure of how well a state motor vehicle agency serves the driving public. While customer wait times for both the field offices and the call center have improved, they do not tell the full customer service story. There are still areas of considerable frustration to customers, such as the need to make multiple visits to MVD to accomplish the same transaction and MVD field offices not accepting the most popular credit card. As the agency moves forward, initiatives are unfolding that will seek to dramatically improve the customer's experience, employing a wide array of new technologies.

Finally, MVD serves New Mexico through contracts with municipal and private partners. The agency contracts with 39 county and municipal field offices, which are under the administrative control of local government bodies, and 17 private retail agents, *MVD Express* and *MVD Now*. The MVD also contracts with private companies that deal exclusively in title and registration services and has licensing and compliance responsibilities for

A total of 91 offices provide MVD customer services throughout the state. These include 32 state-run field offices, 39 county and municipal field offices, 17 privately owned retail agencies, as well as the MVD call centers.

FY12 Transactions by Type of Agency



Source: MVD

MVD's computer system is on the verge of collapse and needs to be re-engineered as soon as possible.

automobile dealers and auto recyclers. In general, MVD's oversight of these contractors is limited and it is difficult to tell if services are being carried out consistently. With respect to auto dealers and title service companies, MVD is handicapped by insufficient compliance staff and ineffective laws.

KEY FINDINGS

MVD operations are handicapped by staffing problems, a dilapidated computer system, and a lack of actionable performance measurement.

The MVD personnel are paid less than a comparable market and an organized staff training program is nonexistent. The agency sees the need to expand online services but is faced with a computer system on the verge of collapse. Even though information is collected, it is not analyzed or used effectively to inform operational decision.

MVD faces some significant staffing challenges that impact operations.

As part of the economic downturn, MVD's authorized full-time equivalent positions (FTE) have dropped approximately 9.4 percent from FY10 levels, a loss of 39 FTE according to TRD. The impact has been most pronounced in field operations, often causing coverage issues in local offices. As a step to maintain customer service in its field offices, MVD replaced lost state employees with temporary employees from ATA Services, Inc. Thirty-two of these positions are spread across 21 offices. MVD pays ATA Services \$16 to \$18 per hour for each of these positions and projects a FY13 cost of \$1.2 million for these services.

A recent study by the State Personnel Office revealed that MVD's frontline agents are paid almost 23 percent less than comparable positions in eight neighboring states. MVD also faces a critical shortage of skilled information technology (IT) personnel at a time when more online services are being planned. A recent study conducted by TRD's IT section revealed the salary midpoint for New Mexico State IT professionals is lower than comparable positions in Colorado, Texas, Utah, and Arizona.

Regular, system-wide, formalized training, including orientation, ended when the MVD training unit was abolished three years ago. Instead, training is limited to rare management-only training sessions or is provided in an ad hoc fashion by supervisors.

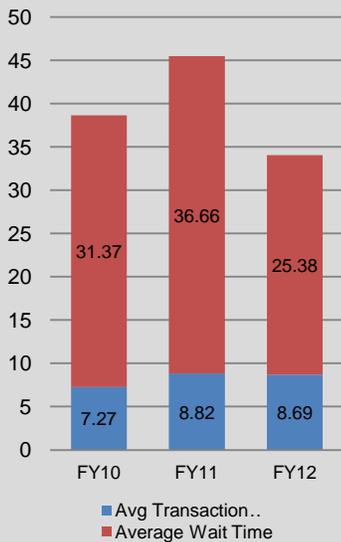
MVD's computer system is outdated, labeled the worst in the nation, and on the verge of collapse.

In 2005, the division commissioned IBM to evaluate options for this system. According to the division, IBM labeled MVD's driver and vehicle IT system one of the most outdated and overall worst in the country with a number of significant problems including a design that impedes change, inability of the vehicle system to communicate with the driver system, connectivity issues, and a lack of security. The new management team has the re-engineering of the computer system as a top priority.

As MVD re-defines its business requirements and re-engineers its computer system, it needs to re-visit the complicated fee schedules in the Motor Vehicle Code.

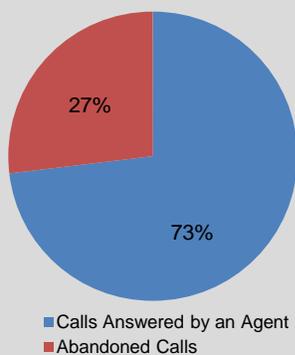
MVD's average cost per transaction is \$12.98.

Average Customer Time at MVD (minutes)



Source: MVD

FY12 MVD Call Center Calls



Source: MVD

Critical changes are needed in the way that MVD uses information and measures performance. The MVD has not made a priority of routinely using data to guide its decision making. The agency's automated customer queuing system is used inconsistently and the data collected is underutilized. MVD is one of the largest retail operations in the state, yet it does not routinely measure the costs of its transactions. However, MVD does track the number of transaction per field offices. As this evaluation unfolded MVD has begun making some initial estimates based of costs per transaction for the state-run field offices. At this time, it appears the average cost per transaction is \$12.98. The ability to analyze and compare these operational costs is critical to successful management. New performance measures are needed to track the time spent by customers in field offices and with the call center.

The 2001 LFC evaluation pointed out that the Motor Vehicle Code needs to be upgraded. In particular, the MVD fee structure, as defined in statute, is complicated and out-of-date. Little has changed since 2001. Reviewing and streamlining MVD's underlying fee structure and its relationship to actual transaction costs could help improve business operations and incentivize customers to use new online services as they are developed.

The agency is at a transition point with respect to improving its customer service. The current customer service performance measures, such as customer wait times for both the field offices and the call center, have improved. However, they do not tell the full customer service story. As the agency moves forward, initiatives are unfolding that will seek to dramatically improve the customer's experience, employing a wide array of new technologies.

The customer's experience with MVD is more than just a measure of wait times. Customers are interested in the total amount of time spent at an MVD office, not just wait times preceding the transaction. This total time at MVD is presently not part of MVD's analysis, nor is the number of times that a customer must return to MVD to complete the same transaction. In 2010, a customer satisfaction survey revealed 17 percent of state office customers, 15 percent of municipal office customers and 9 percent of private retail agent customers reported they had to return to MVD to complete a transaction.

Over a quarter of customer calls to speak with an MVD call center agent are abandoned. MVD's call center handles over 250 thousand calls per year. Customers wait an average seven minutes for an agent to help them and the actual transaction takes about three and half minutes. Of all the calls intended for an agent, 27 percent are abandoned, most likely because the customer does not want to wait longer than two minutes and 20 seconds.

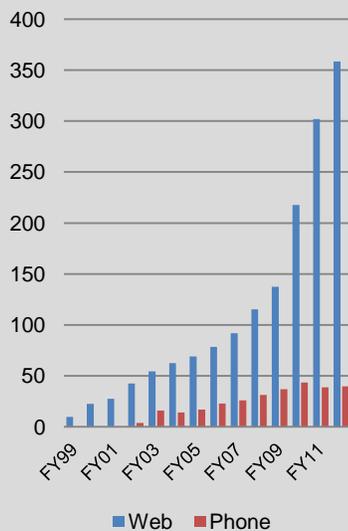
MVD has done a good job of responding to customer feedback but needs to incorporate more of this feedback into its management decisions. Over the years, MVD has responded to customer feedback, received through an uncoordinated system, and has diligently responded to customer complaints and inquiries. However MVD has not tracked these resolutions. MVD

In 2010, MVD mailed 1.5 million plastic driver licenses to customers and 22 thousand, or 1.5 percent, were returned as undeliverable.

MVD is encouraging customers to use online services. Existing online transactions, such as registration renewals, have grown dramatically over the years.

Phone and Web-Based Registration Renewals

(in thousands)



Source: MVD

MVD is moving more of its services online. Three more will be added by the end of the year.

needs a system to coordinate and track the thousands of inquiries it receives each year. MVD has piloted a real-time, customer feedback device and will soon expand this to all of its offices.

MVD field offices do not accept Visa credit cards. Although MVD will accept Visa credit cards for online transactions, it cannot accept this popular card in its field offices since Visa will not allow government agencies to pass the \$1.25 transaction fee on to customers in face-to-face transactions. MVD is looking to other states for solutions that include absorbing the cost of the fee or charging it for all transactions.

Approximately 300 to 500 driver licenses per week are returned to MVD as undeliverable. Approximately 30 to 50 of plastic driver licenses are returned to MVD each day as undeliverable. It is the responsibility of the customer to contact MVD if they do not receive their driver license in the mail. If the customer does not contact MVD within 60 days, the license is destroyed. After that, the customer must start the process anew and pay the full fee again. The problem appears to lie with the U.S. Postal Service and MVD is exploring solutions.

New initiatives are directed at improving customer services. With a new division director and a new head of field operations, a greater emphasis is being placed on enhancing customer service. In June 2012, the senior leadership team launched the Customer Outcomes Re-Engineering Project (CORE) – an effort to make rapid, highly visible improvements in target offices then expand the best practices to the rest of the system. Successes have already been reported.

The future of MVD customer service enhancements lies in the virtualization of its service. To better serve its customers, streamline operations, cut costs, and facilitate the implementation of the national Real ID Act, MVD needs to move more of its operations out of field offices to more convenient customer locations. Planning is underway to increase online transactions. By the end of this calendar year, three new online transactions will be available: (1) driver license renewal; (2) citation payments; and (3) temporary vehicle license tags.

MVD’s oversight of partner agencies needs to be enhanced. MVD extends its ability to serve New Mexico through contracts with municipal and private partners. The agency contracts with 39 county and municipal field offices, which are under the administrative control of local government bodies, and 17 private retail agents, such as *MVD Express* and *MVD Now*. MVD also contracts with 44 title service companies and super title service companies that deal exclusively in title and registration services, and with over 864 automobile dealers and 74 auto recyclers. In general, MVD’s oversight of these contractors is limited and it is often difficult to tell if services are being carried out according to policy.

Oversight of municipal MVD offices and private retail agencies needs strengthening. MVD’s Partner Management Bureau coordinates the flow of financial transactions with partner agencies and provides logistical support. The MVD Field Operations bureau chiefs answer questions from

MVD's Dealer Bureau is responsible for licensing and monitoring 864 auto dealers, 74 auto recyclers, and 44 title service companies. The Bureau employs one inspector to monitor the activities of these 982 companies.

Changes to the Motor Vehicle Code could lead to improved oversight in New Mexico.

contract offices and provide information and policy updates as needed. However, MVD does not have operational authority over contractors who answer to local governments or to corporate offices. Routine policy oversight or quality assurance monitoring of privates or municipal offices is therefore limited.

MVD has insufficient resources to carry out its statutory responsibility for licensing and compliance monitoring of title service companies, automobile dealers, and auto recyclers. MVD's Dealer Bureau is responsible for licensing and monitoring auto dealers, auto recyclers, title companies, and super title service companies; for investigating those not licensed who are engaged in the above operations; and for providing assistance to consumers who have been compromised by the agencies licensed by MVD. The bureau employs one inspector to monitor the activities of these 982 companies, as well as to investigate unlicensed operators.

The New Mexico Motor Vehicle Code is outdated. New Mexico Motor Vehicle Code (Chapter 66, NMSA 1978) is a vast body of law that covers all aspects of driver and motor vehicle activity in the state. In addition to a complex and out-of-date fee schedule, other areas are outdated and need to be revisited. Professionals in the motor vehicle field have pointed out that existing remedies for illegal activities are in some cases nonexistent and in others are insufficient. Strengthening fees and penalties could generate additional revenue for enhanced monitoring and enforcement.

KEY RECOMMENDATIONS

The Motor Vehicle Division should:

Develop a plan to convert existing ATA Services, Inc. temporary positions into state FTE by the start of FY14.

Participate in a State Personnel Office classification review of its field office agent positions, comparing these with similar positions in neighboring states and with the private sector in New Mexico. MVD should benchmark its agent salaries and benefits against comparable positions in municipal MVD offices and private retail agencies. An evaluation should also be considered to create a separate classification for field office supervisors.

Re-build its training capacity as soon as is practical.

Re-engineer its computer system as quickly as possible. Also consider modular approaches that allow critical portions of the system to be brought on line quickly and in a more cost-effectively.

Expand its use of Qmatic data to monitor transaction times and total customer time in an MVD field office. MVD should make these key performance measurements for management and should develop a strategy to reduce multiple visits to MVD for the same transaction.



Consolidate all of its customer feedback systems into a single, coordinated system and expand it to track complaint/question resolution. This information should be made available to management on a regular basis to use in staff training and to make operational changes.

Resolve the inability for customers to use VISA cards for field office transactions. The agency should explore possible solutions such as absorbing this \$1.25 credit card fee or adding the fee to all transactions.

Continue with its planning to transfer as many transactions as possible to the internet and other customer-friendly avenues such as kiosks. This is also important in planning for the full implementation of Real ID.

Expand the Qmatic customer queuing system to all municipal field offices and standardize the use of this information across the system.

Expand the number of licensing and compliance staff within its Dealer Licensing Bureau.

Consider allowing the New Mexico Dealer Association to self-regulate its industry, including licensing and monitoring.

TRD and the legislature should consider updating the New Mexico Motor Vehicle Code. First, MVD should examine its underlying fee structure in the Motor Vehicle Code to determine the relationship of fees to marginal transaction costs, which fees are outdated, and if the volume of MVD fees can be effectively streamlined to improve business operations. MVD should also review the sections of the Code dealing with dealer oversight and should consider a bill that combines the recommended additional fees and penalties.

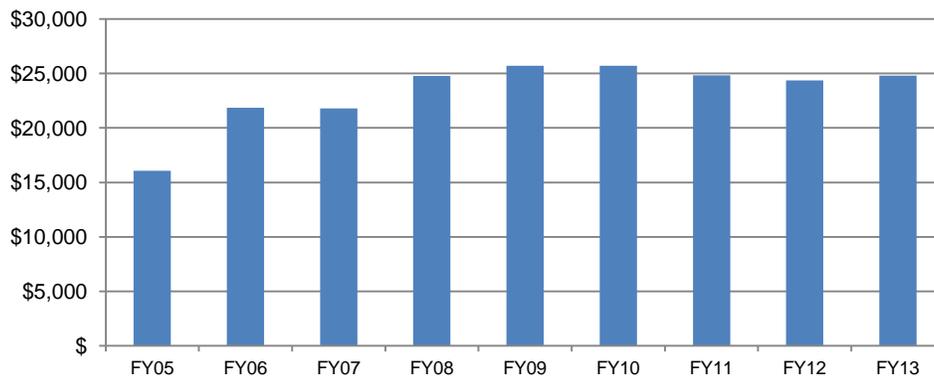
BACKGROUND INFORMATION

The MVD’s mission is to administer the New Mexico Motor Vehicle Code. Within this context, MVD is charged with the responsibility to license drivers; register, license and title vehicles, including boats; license auto dealers, title service companies and auto recyclers; and contract with partner agencies for the provision of selected MVD services. This role carries significant regulatory and enforcement responsibilities.

Across the United States, similar state agencies carry out these responsibilities. Vehicle registration is required in all states as a condition-of-use on a public road. Registration allows vehicles to be uniquely identified, to establish clear ownership, and to generate tax revenue for states. As a result, most New Mexican’s interact with the MVD offices. The MVD is probably the single agency that most shapes the public’s view of state government. As laws and regulations became more complex, the public’s general experience at the MVD has often been the source of frustration and has led to the iconic image of the MVD as the model for inefficient customer service and poor governance.

New Mexico MVD. Sections 9-11-1 through 9-11-13 NMSA 1978 created the Taxation and Revenue Department (TRD) as a single, unified organization for the administration of laws and oversight functions relating to taxation, revenue, and vehicles. The TRD administers various tax programs that, in turn, provide major sources of revenue to the general fund and the state road fund. The New Mexico MVD is a division of the TRD. The agency is divided into field operations and central administration. New Mexico has 1.4 million licensed drivers and 2.4 million registered vehicles. MVD’s budget is \$24.2 million, oversees more than 2.5 million transactions annually, and generates over \$350 million in revenue. Currently MVD has 285 FTE with a 19 percent vacancy rate.

Chart 1. MVD Operating Budget
(in thousands)



Source: LFC Volume II

Table 1. MVD FY12 Appropriations
(in thousands)

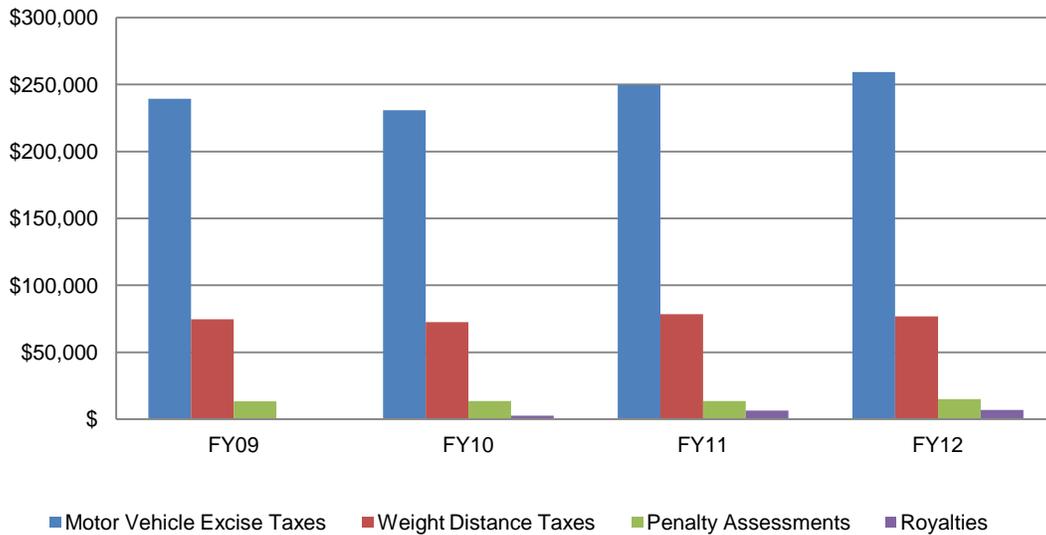
Category	General Fund	Other State Funds	Total
Personal Services and Employee Benefits	\$6,316	\$8,894	\$15,210
Contractual Services	\$1,184	\$2,648	\$3,832
Other	\$3,541	\$2,229	\$5,770
Totals	\$11,041	\$13,771	\$24,812

Source: HB2

Motor Vehicle Suspense Fund Revenue Sources. The Motor Vehicle Suspense Fund is a statutorily-created fund drawing upon the following sources:

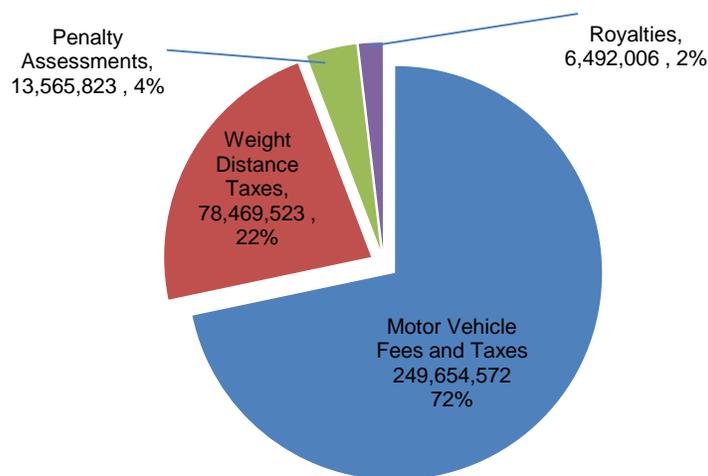
- Motor Vehicle Fees and Excise Taxes include revenue and fees generated by MVD vehicle and driver transactions as well as trip taxes for out-of-state trucks passing through New Mexico.
- Weight Distance Taxes are paid by trucking operations registered to do business in New Mexico. Penalty Assessments are for traffic citations and are primarily collected for the courts.
- Royalties begin in February 2010 when MVD initiated the sale-of-data program in which individuals and businesses can apply to receive information from the driver and vehicle data bases. This category also includes the \$2 cost recovery fee collected from private retail agents and title companies.

Chart 2. Motor Vehicle Suspense Fund
(in thousands)



Source: TRD

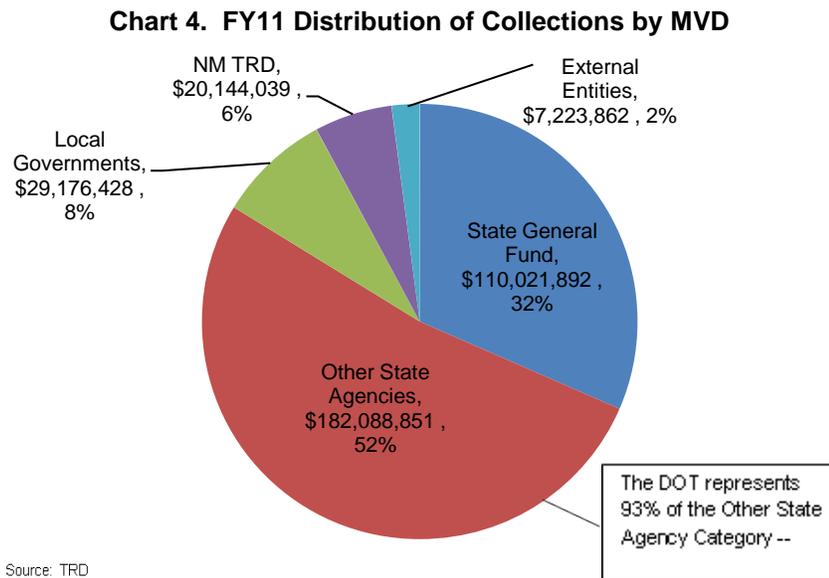
Chart 3. FY11 Tax and Fees Collected by MVD



Source: TRD

Motor Vehicle Fund Revenue Distribution:

- New Mexico TRD: Taxation and Revenue Department receives 6 percent of all Motor Vehicle Fund revenues.
- Local Governments: Eight percent of revenues are distributed to counties and municipalities.
- External Entities: Includes colleges, International Fuel Tax Alliance (IFTA) and International Registration Plan (IRP) recipients. IFTA is an agreement among states and Canadian provinces for reporting and taxing fuel used by commercial motor carriers operating in more than one jurisdiction. The IRP is a method of registering fleets of vehicles that travel in two or more states or Canadian provinces. The base jurisdiction collects registration fees and distributes them jurisdictions in which the motor carrier operates.
- State General Fund: Thirty-two percent of all Motor Vehicle Fund revenues go to the general fund.
- Other State Agencies: The state agency receiving the largest amount of funds within this category is the Department of Transportation, comprising approximately 93 percent of the other state agencies total.



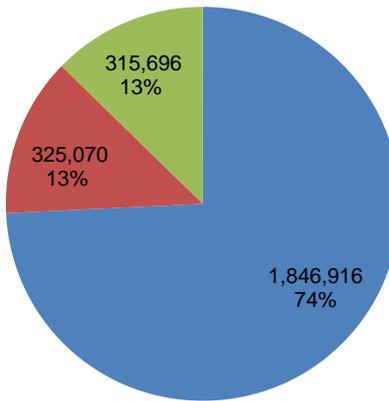
As is the case in many other states, MVD provides many services through partnerships with private entities. These include driver's license and license plate production, title services, data sales, and selected retail services to the driving public.

In the mid 1990's, MVD began to outsource the provision of many of its field operations to private companies, known as private retail agents (PRA), such as *MVD Express* and *MVD Now*. Currently, 18 PRA's operate in Albuquerque, Santa Fe, and Las Cruces. They provide the same services as MVD field offices, except for foreign-national driver licenses. A convenience fee of \$26 is charged for each transaction in addition to the MVD statutory transaction fee.

Thirty-nine county and municipal field offices also provide MVD services (Appendix G). These offices are under the administrative control of local government bodies and often charge an additional fee.

A total of 88 offices provide MVD customer services throughout the state. These include 32 state run field offices, 39 county and municipal field offices, 17 privately owned retail agencies, as well as the MVD call centers. State-run MVD offices conduct 74 percent of the transactions with the remainder split between municipal and private offices.

Chart 5. FY12 Transactions by Type of Agency



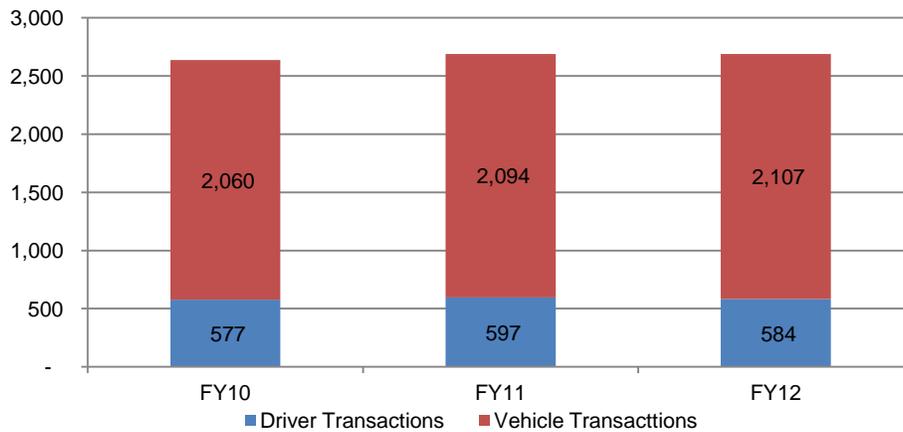
■ State MVD ■ Municipal MVD ■ Private Retail Agents*

Source: MVD

*Totals do not include title company transactions

The number of vehicle and driver transactions conducted by the MVD system has remained steady over the last three fiscal years.

Chart 6. Total MVD Transactions
(in thousands)



Source: MVD

MVD provides over 40 separate types of vehicles and driver transactions, with registration renewal representing about half of all transactions.

Table 2: Most Common MVD Transactions

Transaction	FY10		FY11		FY12	
First time title	202,700	7.69%	206,363	7.67%	206,995	7.69%
Transfer title	240,892	9.13%	251,763	9.36%	256,046	9.52%
Lien Title Change	106,504	4.04%	110,358	4.10%	118,550	4.41%
Registration Renewal	536,574	20.34%	508,997	18.92%	497,824	18.50%
Mail Order Registration Renewal	745,645	28.27%	778,997	28.95%	796,290	29.60%
Registration through Kiosks	31,602	1.20%	26,599	0.99%	21,242	0.79%
Registration Reinstatement	30,372	1.15%	29,300	1.09%	34,532	1.28%
Mast Status Change	60,593	2.30%	80,580	3.00%	80,122	2.98%
First time DL - Non-CDL	77,778	2.95%	74,821	2.78%	69,842	2.60%
Renewal DL - Non-CDL	343,428	13.02%	362,998	13.49%	355,870	13.23%
First Time ID Card	30,651	1.16%	30,597	1.14%	27,396	1.02%
Renewal ID Card	38,603	1.46%	41,014	1.52%	41,595	1.55%

Source: MVD

The agency has seen numerous changes over the last decade. Prominent among these changes has been turnover among MVD directors. There have been 10 MVD directors in 12 years with three in the last three years. In FY11 and FY12, MVD lost FTE as a result of the general economic downturn. Finally, MVD has recently installed a new management team. The team comprises a number of very capable individuals who are highly motivated to bring about a series of positive changes in the agency. Many of the operational shortcomings identified in this report are the subject of current planning activities.

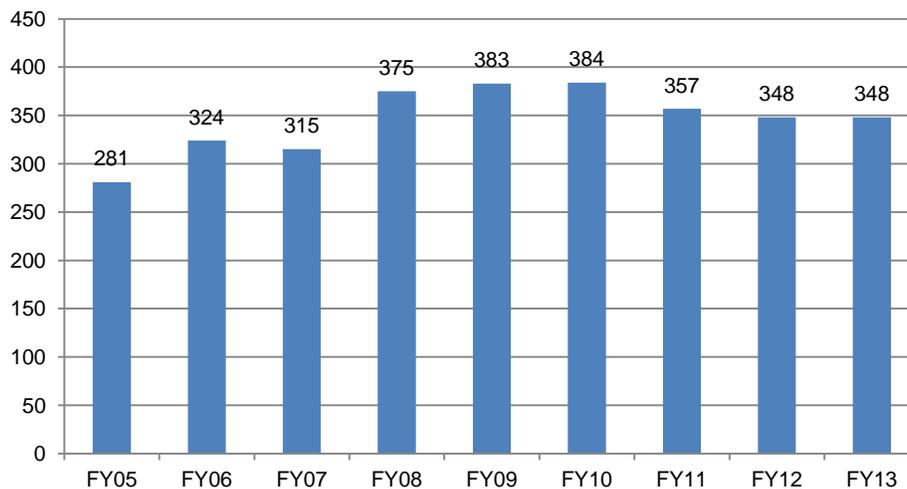
FINDINGS AND RECOMMENDATIONS

MVD OPERATIONS ARE HANDICAPPED BY STAFFING PROBLEMS, A DILAPIDATED COMPUTER SYSTEM, AND A LACK OF ACTIONABLE PERFORMANCE MEASUREMENT

MVD faces some significant staffing challenges that impact operations. Staffing challenges include high vacancy rates, low pay levels for line staff, a critical shortage of information technology (IT) specialists, and a lack of formal training for staff.

MVD lost a considerable number of staff in the last few years and vacancy rates remain high. MVD is currently authorized 348 full-time equivalents (FTE) but has a vacancy rate of 19 percent. As part of the economic downturn, MVD's authorized FTE have dropped approximately 9.4 percent from FY10 levels, a loss of 39 FTE according to TRD.

Chart 7. Total Authorized FTE

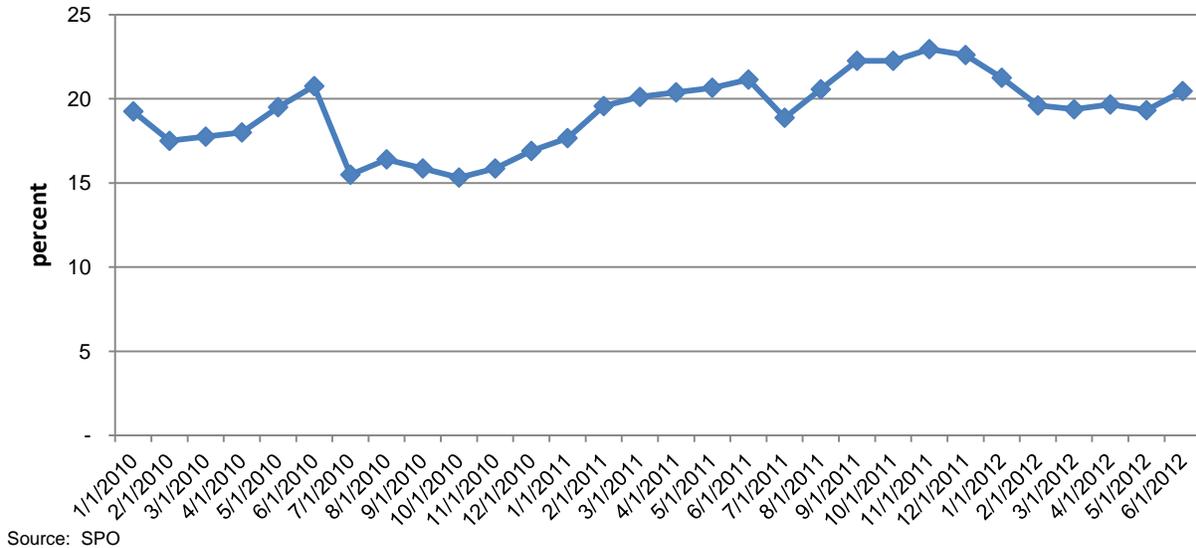


Source: LFC - HB2

The impact has been most pronounced in field operations, often causing coverage issues in local offices. As a step to maintain customer service in its field offices, MVD replaced lost state employees with temporary employees from ATA services. Thirty-two of these positions are spread across 21 offices. MVD pays ATA Services \$16.00 to \$18 per hour for each of these positions, of which \$11 to \$13 actually goes to the worker. The direct costs are approximately the same as for MVD staff. MVD projects a FY13 cost of \$1.2 million for these services. These individuals do not receive benefits, have higher turnover rates, and possibly do not have long term commitments to temporary status positions. Information that can be shared with ATA temporary employees is restricted and some limitations on MVD's ability to manage these individuals. MVD's management team believes it would be more cost effective to convert these temporary positions back into permanent FTE.

Vacancy rates for MVD employees are driven by budget constraints and hiring freezes and averaged a little over 19 percent since 2010. The vacancy rate does not include contracted temporary workers, so the temporary workers cut the vacancy rate in half. The MVD does not track turnover rates.

Chart 8. MVD Vacancy Rate



A reduced workforce degrades customer service in field offices and impacts revenue generation. For example, when transaction demand exceeds capacity, wait times increase and customers are more likely to use private retail agents (PRA). One option under consideration is to maintain a pool of trained, substitute agents, who can be dispatched to high-volume offices during peak times to balance the transaction load and thus reduce customer wait times.

MVD pay and classification levels are lower than comparable positions in other states. According to the New Mexico State Personnel Board’s 2011 *Classified Service Compensation Report*, the employee group including MVD agents earns an average annual salary that is 23 percent lower than comparable positions in eight neighboring states.

Table 3. Salaries Compared with Peer States

New Mexico MVD Agent Average	8-State Average	Below Market
\$28,285	\$37,230	-22.93%

Source: SPO 2011

A similar regional study, conducted this year by MVD, also shows MVD line staff salaries below those of Colorado, California, and Texas. These front line agents interact with the public following a complex set of laws, regulations, policies, and protocols. Staff must be able to detect fraudulent activity, deal with legal documents such as vehicle liens and titles, and conduct transactions in a courteous and efficient manner. Staff are routinely subjected to rude and sometimes threatening behavior from customers. These positions are classified as grade 45 clerical positions and the current midpoint salary is \$13.60 per hour. While new employees are often brought in at \$13.60, in some cases, colleagues with more seniority make \$11 or \$12 per hour. A similar regional study, conducted this year by MVD, also shows that MVD line staff salaries are similar to those in Arizona, but are below those of Colorado, California, and Texas.

MVD faces a critical shortage of skilled IT personnel. An even more critical staffing issue involves MVD’s information technology professionals. A recent study conducted by TRD’s IT section revealed the salary midpoint

for New Mexico State IT professionals is lower than comparable positions in the neighboring states of Colorado, Texas, Utah, and Arizona. These positions include:

- Computer Systems Analysts
- Computer Programmers
- Software Developers – Applications
- Software Developers – Systems Software
- Database Administrators
- Network and Computer Systems Administrators
- Computer Support Specialists
- Information Security Analysts, Web Developers, and Computer Network Architects

According to TRD, hiring IT professionals in the United States increased 6 percent last year. The U.S. Bureau of Labor Statistics projects strong growth in this sector: “Computer and information technology occupations are projected to grow by 22 percent, adding 758,800 new jobs from 2010 to 2020. Demand for workers in these occupations will be driven by the continuing need for businesses, government agencies, and other organizations to adopt and utilize the latest technologies. Workers in these occupations will be needed to develop software, increase cybersecurity, and update existing network infrastructure.”

The state of New Mexico competes with the private sector for trained IT professionals. In some cases, experienced state IT professionals earn 40 percent to 50 percent more in the private sector. At the same time, the majority of MVD mainframe professionals are reaching retirement age and MVD is having difficulty finding qualified candidates to fill critical IT functions.

Formal training has not occurred in three years. The MVD training unit was eliminated and training is limited to rare management-only training sessions or is provided in an ad hoc fashion by supervisors. Previously, field offices held monthly two-hour trainings, but the practice was discontinued. Periodically training projects, such as the principal computer application, have arisen only to be cancelled when upper management changed.

Other states, such as Oregon and Virginia, have formal training programs for field staff. MVD agents are required to know a considerable amount of material, including laws, rules, regulations, protocols, identification of fraudulent documents, and processing of legal documents. As rules and procedures change, refresher training is critical to the provision of accurate transactions and good customer service. Centralized training is particularly important for new staff. As MVD management team implements a solutions-oriented attitude among line staff, training becomes even more important. However, there is no dedicated training staff and little time for the provision of ad hoc instruction.

MVD’s computer system is outdated, labeled the worst in the nation, and on the verge of collapse. MVD struggles with an aging, outdated computer system, providing short-term patches and attempting to generate additional revenue for a new system. Previous planning attempts have not proven successful and time appears to be running out.

MVD’s serious computer issues go back many years. MVD’s current computer system represents a fusion of mainframe and web-based systems. The current legacy mainframe system is over 30 years old, is written in an antiquated language, COBOL, and uses an outdated file repository. The web-based application that deals with driver and vehicle records, MVD 2.0, is written in classic ASP code, a technology no longer supported and known for its vulnerability to outside attacks.

In 2005, the division commissioned IBM to evaluate options for this system (*Final Recommendations Report: MVD Needs Assessment Project, December 28, 2005*). According to the division, IBM labeled MVD’s driver and vehicle IT system one of the most outdated and overall worst in the country, citing a number of problems:

- The dual system design impedes efficient changes;
- The system is not customer-centric (the vehicle system does not communicate with the driver system);

- Customer transactions are often delayed by connectivity issues; and
- Lack of security.

From the user's perspective, the system is difficult to work with. Some staff-reported examples include the following:

- Instead of being a single unified system, multiple systems are involved. For example, to update a payment, an agent must look on three systems and log into three applications to accomplish the task.
- Because the mainframe uses a batch process, records entered into the system do not match during the same day. In the field office, if a traffic citation is run in MVD 2.0, the reinstatement will not be picked up in the mainframe until the next morning when the replication is run. The general system, including the police, will be unaware of the reinstatement.
- The current system is not customer-centric in that the vehicle side does not communicate with the driver side. This makes it difficult, if not impossible, to link vehicle events like revocation of registration for lack of insurance with the driver system so the individual's driver license can also be suspended.

In the meantime, additional work is required to compensate for these deficiencies.

Computer redesign is risky business. In response, MVD developed a plan to “self-fund” a re-engineered computer system that would address these problems by 2014. As part of the funding strategy, the agency increased some fees, such as those for the sale-of-data-records. Driver record fees rose from \$0.75 to \$4.95 per record in February 2010. A request for proposal (RFP) was published in May 2009 and a contract was signed with the successful bidder, Hewlett Packard (HP) in April 2010 to develop the “Milagro” system. HP fell weeks behind schedule and the division spent \$2 million on a project in which it quickly lost confidence. As a result, the contract with HP was terminated in mid-2011. MVD is re-defining its business requirements for a new system and is looking at all available options.

There is a considerable risk involved in system development, with most new IT applications failing. In 2011, the Standish Group's study of 10 thousand software projects found 21 percent failed totally and 42 percent were late, over budget, or did not include all that the customers wanted. With considerable funding and a critical government function at stake, it is important to take measured steps in developing a new system.

However, the downside of waiting too long is that the code underling the principal application MVD 2.0 is no longer supported by Microsoft. Updating the current server application could render it incompatible with MVD 2.0 and shut it down until new code can be written. On the other hand, not keeping up with upgrades will render the system vulnerable to outside attacks. The system needs to be re-engineered to solve these core issues as soon as is practical.

Estimates for a new system for MVD range from \$10 million to \$40 million. New Mexico currently has approximately \$9 million in its fund dedicated to the system redesign. According to MVD, Arizona spent \$40 million on their system and Texas, the most expensive, spent \$56 million. The MVD management team is looking at existing systems and designs to determine if a custom system, a commercial off-the-shelf design, or a system built upon an existing customer management platform would meet its needs in a cost-effective manner. IT staff estimate that, at a cost of \$2.4 million, the system can continue for another two to three years.

Under the guidance of the new management team, MVD is examining its business requirements and expanding revenue generation to support the computer system redesign.

MVD's fee structure, as defined in the Motor Vehicle Code, needs to be revisited. The New Mexico Motor Vehicle Code contains a vast number of fees, most of which have not been updated for years. The 2001 LFC study pointed out that many fees are contradictory and out-of-date. The fee structure has changed little since then. The need for fee structure revision continues as MVD defines its operations and business process and redesigns its computer system.

Critical changes are needed in the way that MVD uses information and measures performance. The MVD has not prioritized routinely using data to guide its decision making. Either critical measures are not being made, information is collected but is not analyzed, or the wrong variables are being measured.

The Qmatic tracking system needs to be expanded and used consistently. New Mexico uses the automated Qmatic customer queuing system in its state MVD offices to sort customers by transaction and to track wait times. The system can be used in “Fast Track” mode to organize customers into categories of service or “Solo” mode, allowing first-come-first-serve queuing.

About 13 to 15 of the offices, typically the larger ones, use the Qmatic Fast Track mode, sorting customers into categories of service, reducing wait times over the “first-come-first-serve” mode. Local managers, however, still choose the first-come-first-serve system, even in larger offices. Local office managers also have the ability to create unique categories in Qmatic, such as “first time titles,” not captured by other offices. This provides the ability to capture areas of local operational interest, but results in statewide Qmatic data not being standardized, thus minimizing the use of data for management analysis. The MVD plans to centralize and standardize the use of the system.

Also, MVD focuses on Qmatic data regarding the time a customer waits to receive a particular category of service. The system also captures the time it takes for an actual transaction such as getting a driver license, but this data is not analyzed. Hence, by just focusing on wait times, the system underestimates the amount of time that a customer actually spends in an MVD office. The MVD also does not track those cases requiring multiple trips to MVD, such as customers being turned away for not having appropriate documents and having to return to MVD with those documents. By capturing and analyzing the total time spent by customers, MVD can more effectively address customer service issues and perform the type of load balancing characteristic of effective retail operations.

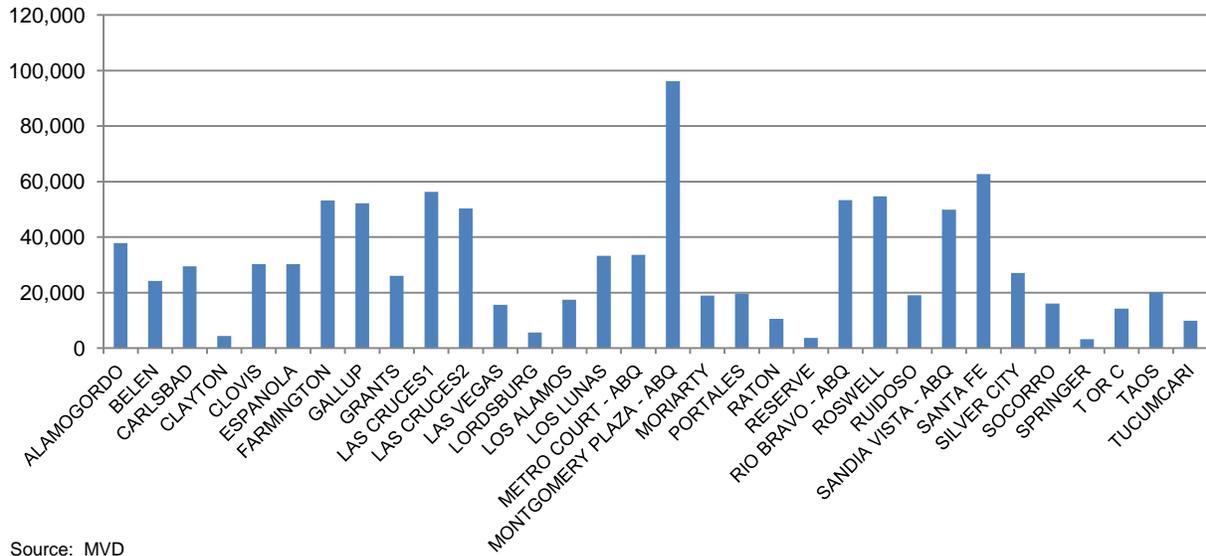
Additionally, appointment-making abilities are not being fully used. Appointments now are scheduled for road tests and foreign nationals, but the system could handle appointments for first time driver licenses or title transfers.

The MVD is currently piloting an input device for the Qmatic system that will allow customers to evaluate their experience during real time. The MVD director plans to expand this customer feedback device to all other state MVD offices. This device is currently in use nationally in hospitals and banks. New Mexico is the only state using this system to provide qualitative customer service information.

The new MVD director will be dedicating a position for the analysis of data and creating useful information for MVD management staff.

MVD could improve operational decision-making by measuring its transaction costs. MVD is one of the largest retail operations in the state, yet it does not routinely measure the costs of its transactions. However, MVD does track the number of transaction per field offices. In FY12, MVD completed 2.4 million transactions. MVD’s central office completed 51 percent (1.2 million) of the total state office transactions through such services as online and mail-in registrations.

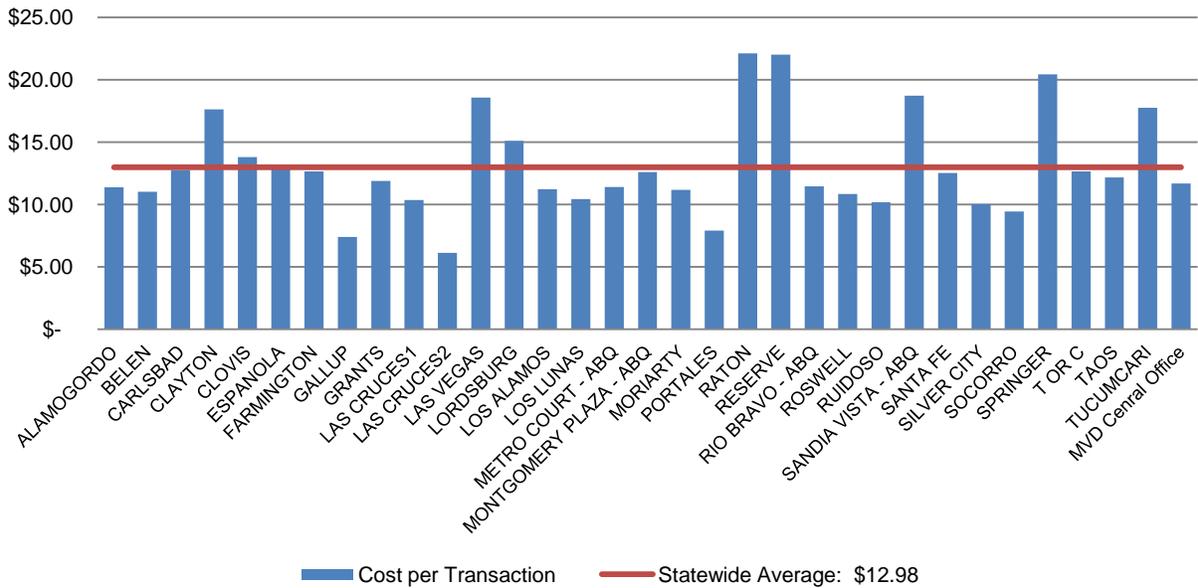
**Chart 9. FY12 Total Transactions in MVD State Field Offices
(excluding central office transactions)**



Source: MVD

By matching the number of transactions with the salary and overhead costs associated with each office, the average cost per transaction for each office can be calculated. In the past, expenditures were tracked at the division level and not at the field office level. This has now been revised. FY13 budget projections and salary were combined with SHARE data to estimate a cost for each field office along with the MVD central office bureaus that also conduct transactions. The calculated statewide average cost per transaction is \$12.98. With this information, MVD management can evaluate the cost-effectiveness of its operations and make more informed decisions regarding the distribution of its resources.

Chart 10. Cost Per Transaction for MVD State Offices



Source: MVD

Some offices, such as Reserve and Springer, have higher operational costs while generating minimal transactions during the year. Management can then examine the reasons for the higher transaction costs and determine if operational changes are required or if resources should be redistributed. Measuring transaction costs can also provide a basis for assessing the relative cost effectiveness of new technologies and innovations by determining the reduction in cost per transaction of various alternatives. MVD intends to identify this type of analysis as part of a routine dashboard of information for management review. MVD can also use this data to analyze how its fees are related to its transaction costs and to serve as a basis for restructuring fees to incentivize on-line transactions.

As mentioned above, the 2001 LFC evaluation pointed out that the Motor Vehicle Code needs to be upgraded. In particular, the MVD fee structure, as defined in statute, is complicated and out-of-date. Little has changed since 2001. Reviewing and streamlining MVD's underlying fee structure, and its relationship to actual transaction costs, could help improve business operations and incentivize customers to use new online services as they are developed.

Current performance measures are inadequate. The three performance measures are

- **Field office wait times.** This measure needs to be expanded to include transaction time and total time from entry to exit of the MVD office. MVD should also endeavor to reduce the numbers of repeat visits to complete the same transaction.
- **Call center wait times.** This measures the average amount of time a customer waits before an agent picks up. In the past, MVD did not track abandoned calls, an important indicator of customer frustration. MVD now uses the IVR system to track these abandoned calls and this should have recently been added as a key performance indicator.
- **Percentage of insured vehicles.** This measure reflects a positive outcome for New Mexico with increased rates of insured vehicles. However, it appears to be out of sync with national measures that still portray New Mexico as a state with one of the highest uninsured rates. This disparity needs to be clarified.

Additional performance measures should be added to reflect the strategic improvements being made by MVD. Such measures should indicate levels of customer satisfaction, the cost of transaction, and the progressive movement of customer to online transactions (for example, the percentage of customers renewing registrations on line).

Error resolution only reviews data entry errors and is a time consuming process. MVD's Error Resolution office corrects data entry errors for municipals, privates and for state offices. These are errors that involve the miss-keying of data. Unlike most modern systems, MVD's legacy computer system does not automatically detect keystroke errors. Rather than detecting an error and requiring correction before the operator can move on, the system blindly accepts any keystroke. This is an antiquated and inefficient data entry system. Also, once errors are detected, resolving them is often an involved process. For example, error correction times for vehicle transactions, such as vehicle make name, vehicle identification number (VIN), and odometer readings, can take six to eight weeks as it is most often necessary to review microfilm records to make the correction. At this time, MVD is not able to track errors by agent to better identify training needs.

Other errors, such as issuing a title based on the wrong documents, are not systematically detected. The only systematic review is conducted in the case of foreign national driver's licenses, which are subject to a central office review.

MVD does not currently track how consistently its policies are being followed by its own offices and those of its partners. At this time individual MVD field offices are not regularly, formally reviewed for compliance with MVD policies and procedures. Anecdotal evidence from field staff indicates policy is inconsistent across all offices. For example, documents that are used by some offices to determine residency are not allowed by other offices. If MVD

receives a customer complaint, a staff person will pull the microfilm record and determine if the transaction followed policy. Apart from periodic audits, MVD lacks a consistent process to determine if municipal and private retail partners are accurately applying policies.

New approaches are needed to adequately fund MVD operations. Additional funding is required to cut costs while improving services. To avoid the need for increased general fund appropriations, MVD needs to explore other, innovative or lesser funding sources.

MVD has initiated a revenue enhancing program to fund IT system replacement. For several years now, under the DRIVE MVD initiative, MVD has sold driver and vehicle records to business and individuals. This program generates approximately \$5.5 million per year and has accumulated a balance of \$9 million. This is a successful program that allows operational improvement without additional appropriations from the general fund.

MVD is exploring the potential for monetizing new services as a way to generate revenue. The new MVD management team is exploring the possibility of adding new services for a fee and looking into increasing fees for some current ancillary services. Over thirty services are under review for their potential to generate additional revenue, including:

- Driver license and ID verification
- License plate fulfillment
- Driver records fee increase
- Monitoring fee increase
- Vehicle registration renewal – funded by advertising
- Virtual MVD agent
- Trucking trip permits
- Commercial driver drug and alcohol testing/reporting
- Penalty assessments/citation payments
- E-Lien and E-Title printing
- Interlock device automation
- On-the-spot vehicle tag renewal
- Safety and emission inspections

This approach allows MVD the potential to self-finance system and operational improvements. Rather than extracting additional funds from the public for existing core services, the initiative is intended to provide new, premium services as the market allows. In current staff workshops, the MVD director has encouraged innovative thinking. Additional revenue generating ideas include third party advertising on MVD's website or in mailings. For example, with each of the 1 million registration renewals sent out each year, customers could also get traffic safety information from Department of Transportation (DOT) specific advertising.

Recommendations

The Motor Vehicle Division should:

Develop a plan to convert existing ATA Services, Inc. temporary positions into state full-time equivalents (FTE) by the start of FY14.

Participate in a State Personnel Office (SPO) classification review of its field office agent positions, comparing these with similar positions in neighboring states and with the private sector in New Mexico. MVD should benchmark its agent salaries and benefits against comparable positions in municipal MVD offices and private retail agencies. An evaluation should also be considered to create a separate classification for field office supervisors.

Start tracking staff turnover rates

Explore strategies for field office load balancing during peak customer periods, including developing a pool of substitute agents that can be deployed during peak periods.

Develop and implement an immediate strategy for recruiting and retaining qualified IT professionals. If necessary, reclassify these positions upward or exempt these positions to allow higher rates of pay.

Re-build its training capacity as soon as is practical and offer training to MVD's municipal partners.

Re-engineer the computer system immediately and consider modular approaches that allow critical portions of the system to be brought on line quickly and in a more cost-effective manner.

Expand the use of Qmatic data consistently use this data to inform operational decisions.

Analyze and use more data to make management decisions, including transaction times, total customer times, transaction costs and costs to operate field offices.

Review and update performance measures to reflect the agencies strategic direction, including:

- Customer times in field offices
 - Wait times
 - Transaction times
 - Total customer field office time
- Call center wait times (now tracking)
- Call center abandoned calls (as of this publication date, MVD is tracking these)
- Customer satisfaction measures (Qmatic real time responses)
- Cost per transaction in field offices
- Percent of transactions conducted on line
- MVD should work to reduce the number of return visits for the same transaction, and develop a method for estimating the impact of its efforts

Develop a plan for self-funding new MVD initiatives in the agency's next strategic plan.

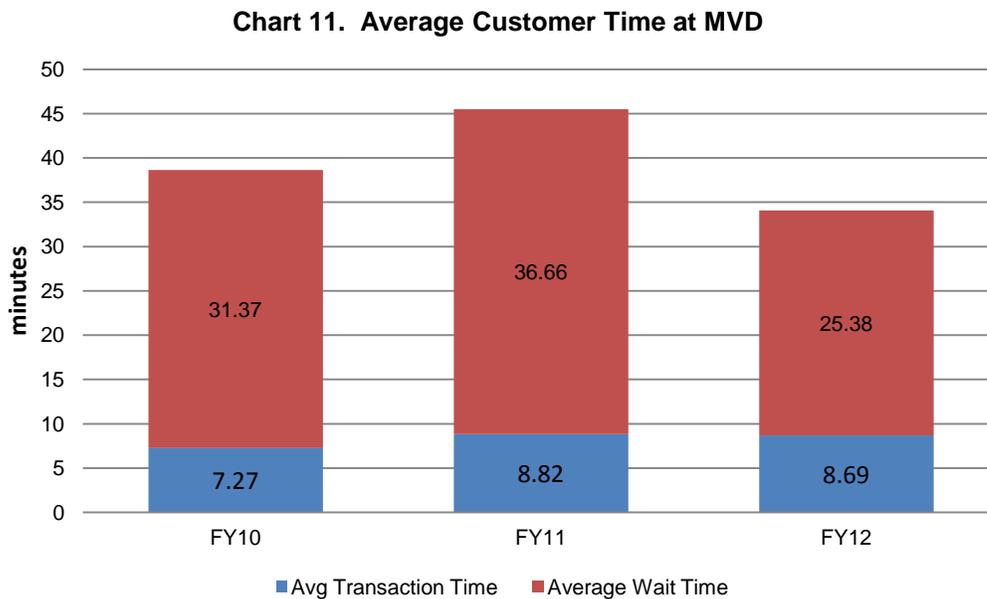
Participate in a State Personnel Office classification review of its field office agent positions, comparing these with similar positions in neighboring states and with the private sector in New Mexico. MVD should benchmark its agent salaries and benefits against comparable positions in municipal MVD offices and private retail agencies. An evaluation should also be considered to create a separate classification for field office supervisors.

The TRD and the legislature should consider updating the New Mexico Motor Vehicle Code along the lines of the considerations presented in this report. First, MVD should examine its underlying fee structure in the Motor Vehicle Code to determine the relationship of fees to marginal transaction costs, which fees are outdated, and if the volume of MVD fees can be effectively streamlined to improve business operations.

THE AGENCY IS AT A TRANSITION POINT WITH RESPECT TO IMPROVING ITS CUSTOMER SERVICE

The customer's experience with MVD is more than just a measure of wait times. The amount of time that a customer waits at an MVD field office before beginning a transaction is only part of the experience. Customers tend to be most interested in is the total amount of time that they can expect to be at MVD. It is also useful for customers to know which times of the day, days of the week, and times of the month have the longest wait times.

Wait times and transaction times together give a better picture of the customer's experience. The Qmatic system gathers information on how long a customer waits before proceeding with a particular transaction. However, when combined with actual transaction times, information is provided about how long the customer actually spends at an MVD field office.



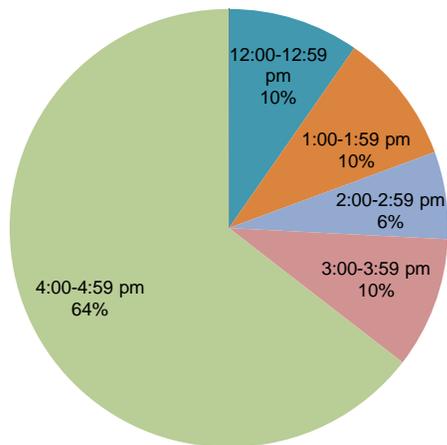
Source: MVD

Average customer wait times and transaction times in FY12 were both lower than in FY11, making the total average time at the MVD lower by 25 percent. This is most likely the result of the division spending another \$1 million on temporary employees to supplement MVD FTE in field offices.

Customer wait times vary by hour of the day, by day of the week, and by day of the month. Across MVD state offices, there are generally predictable periods in which customer wait times peak. This results more from customer demand and, to a lesser degree, from staffing issues. In either case, this information can be helpful for customers planning their visits to MVD offices and for MVD management in balancing staffing to address expected workload. Expect to encounter peak wait times from 3:00 p.m. to 5:00 p.m., on Fridays, and during the first nine days of the month.

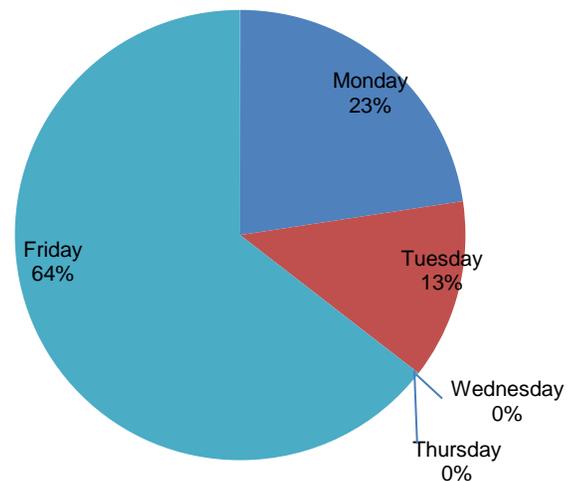
Based on the average waiting time, by hour of the day, across all MVD state offices, it appears most offices, 74 percent, experience peak waiting times from 3:00 p.m. to 5:00 p.m., with the highest wait times in the last hour of the work day. Another 20 percent have wait time peaks between noon and 2:00 p.m. From this information, it would appear that MVD needs to increase staff during the latter part of the day.

Chart 12. Peak Average Waiting Time by Hour of Day, MVD State Offices



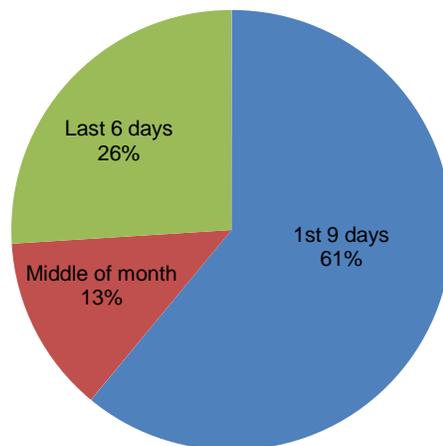
Source: MVD

Chart 13. Peak Average Waiting Times by Day of The Week, State MVD Offices



Source: MVD

Chart 14. Peak Days-of-the-Month Waiting Times for State MVD Offices



Source: MVD

Also, across state MVD offices, wait times peak on Fridays, with 64 percent of offices showing their highest customer wait times on this day of the week. Another 36 percent of offices have their peak times on Mondays and Tuesdays. Finally, most state MVD offices, 61 percent, show peak customer wait times during the first nine days of the month. Another 26 percent of offices have their peaks during the last six days of the month, while 13 percent of offices have peaks occurring somewhere in the middle of the month.

A significant number of customers must return to MVD to complete a transaction. One of the most frustrating customer experiences is not being able to complete a transaction in one visit and having to return to MVD to complete that transaction. In the 2010 customer satisfaction survey conducted by Research and Polling, Inc., 17 percent of state office customers, 15 percent of municipal office customers and 9 percent of private retail agent customers reported returning to MVD to complete a transaction. This is a high impact customer service concern that warrants specific tracking by MVD and needs to be resolved.

Over one-quarter of customer calls to speak with an MVD call center agent are abandoned. The MVD Central Office operates a call center which answers customer calls from all parts of the state and the nation. Authorized staffing for the unit comprises a manager, two supervisors, and 14 agents. However, because of vacant positions over the course of the last year, the unit operates with an average of 10 to 11 agents. Agents are responsible for answering questions covering all MVD topics, with the exception of commercial driver licenses. It takes approximately one and a half months to fully train a new agent to operate independently.

In August 2011 a new phone system was installed that routes calls to call center agents, maintains a customer queue, and keeps track of vital operational statistics. From August 2011 to August 2012, call center agents handled over 250 thousand calls and customers waited an average of seven minutes

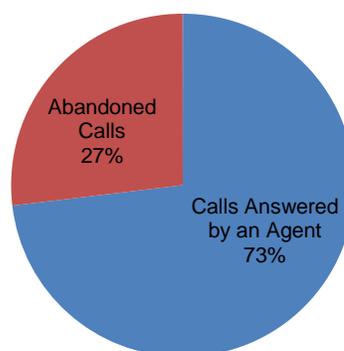
Table 4. MVD Call Center -- Key Statistics for FY12

Calls answered by an Agent	253,884
Average talk time	3 minutes, 41 seconds
Total talk time	15,592 hours, 26 minutes, 15 seconds
Time allowed between calls	10 seconds
Total calls abandoned	124,884
Average wait prior to abandoning	2 minutes, 20 seconds
Percent calls abandoned	26.9 percent
Maximum wait time	1 hour, 16 minutes, 28 seconds
Average customer wait time	6 minutes, 56 seconds
System load ratio	101.89 percent of capacity

Source: MVD

Approximately 125 thousand customers abandoned their calls, waiting two and a half minutes before hanging up. Of all the calls intended for an agent, 27 percent are abandoned.

Chart 15. MVD Call Center Calls



Source: MVD

MVD management needs to identify more efficient ways to handle the needs of these customers, such as encouraging more online use. They also need to consider whether staff vacancies are making it more difficult for the call center to respond to customers in a timely fashion.

MVD has done a good job of responding to customer feedback, but needs to incorporate more of this feedback into its management decisions. Over the years, MVD has responded to customer feedback, received through an uncoordinated system, and has diligently responded to customer complaints and inquiries. However, MVD has not tracked these resolutions. MVD has also periodically surveyed customer satisfaction levels. Those responding to these surveys tend to be satisfied with the level of service received, but not the wait times.

MVD is not currently capable of tracking complaint resolution in a centralized way. There are three formal avenues for a customer to contact MVD.

1. **MVD Help:** This email address receives an average of 10 inquiries per week. MVD’s Deputy Director for Central Administration responds to each of these inquiries either directly or by forwarding them to appropriate staff. Responses are not tracked.
2. **Contact Us page on the MVD Website:** These inquiries are fielded by MVD’s third party web management company, New Mexico Interactive (NMI). These queries are again forwarded to MVD’s Deputy Director for Central Administration, who either responds directly or forwards to appropriate staff. The responses to these inquiries are also not tracked. Since the system’s implementation in August 2010, MVD received 28,635 customer inquiries through this mechanism. Customer inquiry categories tend to be somewhat consistent across the years, with driver license inquiries representing about a third of all questions.

Table 5. Customer Inquiries

Categories	2010	2011	2012
Driver License	30%	31%	31%
Other	12%	15%	15%
Registration/Plates	40%	36%	36%
Title	9%	8%	9%
Commercial Drivers	1%	1%	1%
Dealer	0%	1%	1%
Driver/Vehicle Records	2%	3%	3%
DWI/Ignition Interlock	1%	1%	1%
Field Offices	1%	1%	1%
Insurance	1%	1%	1%
Medical/Disabled Parking	1%	1%	1%
Online Services/Website	1%	1%	1%

Source: MVD

3. **Constituent Inquiries:** Inquiries and complaints often come through the offices of the governor, lieutenant governor, congressmen, state legislators, other elected officials, the TRD secretary, or the MVD director. As in the above avenues, the deputy director for Central Administration receives these directly and responds or assigns staff to respond. From FY09 through FY12 inquiries have averaged about 560 per year. So far in FY13, there have been 59 inquiries. These are tracked by date received, originating office, and how they are resolved.

Although MVD responds promptly to inquiries and complaints, there is no central mechanism to track them through resolution. Such a centralized data would help inform management as to where changes are needed to more adequately serve the public. A customer ombudsman position may warrant consideration as well.

Customer feedback is not collected in a systematic fashion. MVD field offices provide customers with self-mailer cards for “MVD Customer Comments.” The card allows the customer to rate his or her experience at the MVD office and gives the customer the opportunity to nominate an employee for the MVD Customer Service Award. It

also provides space for customer comments and suggestions. Some field offices provide these cards for customers while others do not. This feedback mechanism is not being used consistently. This system, or an alternative system, has the potential to provide management with valuable information regarding MVD’s customer service. If the information from these cards was digitized, it could flow into a centralized dashboard, where it would be useable by managers, showing important trends in customer perceptions of the agency and pointing to areas where staff training would be beneficial. Rather than responding to complaints, MVD’s customer service would benefit from stopping complaints as they emerge.

Additionally, MVD is piloting an input device (the *Expressia*) for the Qmatic system that will allow customers to evaluate the quality of their MVD experience during real time. The device allows the customer to confidentially rate their experience on a five-point scale. The information is then collected by the Qmatic system and is available for analysis. The customer feedback program is being piloted in one MVD office and plans are to expand it to all other state MVD offices. New Mexico is the first motor vehicle division in the nation to use this device.



Customer surveys reveal that customers are satisfied with interactions with MVD employees but are still troubled by wait times. Based on a survey conducted by Research & Polling, Inc., MVD customers expressed a relatively high overall opinion of MVD. Sixty-one percent of office customers, 45 percent of call center customers and 67 percent of online customers rated their experience positive. When asked about their most recent MVD experience, over 65 percent of office visitors were very satisfied with the friendliness of staff, helpfulness of staff, staff listening skills, and staff ability to explain things clearly. A slightly lower percentage of customers, 64 percent, were very satisfied with the time it took to actually complete the transaction. Private and municipal offices tended to score somewhat higher than state MVD offices. When questioned about time spent waiting to speak to an agent, only about 40 percent of customers were very satisfied. Again, private and municipal offices scored higher.

Table 6. Most Recent MVD Experience

Question	Percent “Very Satisfied”
Staff Friendliness	
• State Field Office	62
• Municipal Field Office	68
• Private Office	75
• Call Center	55
Staff Helpfulness	
• State Field Office	59
• Municipal Field Office	68
• Private Office	75
• Call Center	51
Staff Listening Skills	
• State Field Office	57
• Municipal Field Office	65
• Private Office	74
• Call Center	53
Transaction Time	
• State Field Office	55
• Municipal Field Office	64
• Private Office	73
• Call Center	42
Staff Ability to Explain Clearly	
• State Field Office	54
• Municipal Field Office	67
• Private Office	74
• Call Center	46
Wait Time	
• State Field Office	27
• Municipal Field Office	34
• Private Office	58
• Call Center	21

Source: Research & Polling, Inc. 2010

MVD found similar results in a 2012 survey it conducted at the Sandia Vista State MVD Office in Albuquerque. Customers were asked to rate their experience on three factors: (1) service received; (2) courtesy and professionalism of staff; and (3) staff knowledge. The results were similar to the early survey by Research & Polling. The highest percentages of responses tended to fall within the top ratings of eight through ten.

In general, it appears that MVD customers have a generally favorable impression of the levels of service they receive from field offices. Last year, private and municipal offices scored higher than state MVD offices and all of them scored higher than the call center. The time spent at MVD offices, both waiting to speak to someone, and during the actual transaction, appears to be an area of customer concern.

MVD field offices do not accept Visa credit cards. Although MVD will accept other credit cards, such as American Express or Master Card, they cannot accept Visa. A large number of MVD customers carry Visa credit cards, and this is often a surprise to them as well as a major source of frustration. The problem centers on Visa not allowing government agencies to pass the \$1.25 transaction fee on to customers in face-to-face transactions. Visa prohibits the MVD from increasing its fees for Visa transactions. It is allowed for online transactions, but not in field offices. This is a national Visa policy, and other state motor vehicle agencies face the same problem. For example, Virginia is prohibited by statute from absorbing credit card fees, but is considering legislation allowing them to absorb the fee. MVD can either absorb the \$1.25 fee as a cost of doing business through Visa or charge an additional \$1.25 on all transactions.

Approximately 300 to 500 driver licenses per week are returned to MVD as undeliverable. When a customer obtains a new or renewal driver's license, they leave the MVD with a temporary, paper license that is good for 45 days. After their photo is compared with all others in the facial recognition database, a plastic license is mailed to the customer's address of record from the central issuance vendor. This is supposed to take seven to ten days, but not all of them make it. Approximately 30 to 50 of these licenses are returned to MVD each day as undeliverable. It is the responsibility of the customer to contact MVD if they do not receive their driver license in the mail. If the customer does not contact MVD within 60 days, the license is destroyed. After that, the customer must start the process anew and pay the full fee again.

In 2010, MVD mailed 1.5 million driver licenses to customers and 22 thousand, or 1.5 percent, were returned as undeliverable. Also that year, 1.4 million vehicle registration renewals were mailed and 388 thousand were returned as undeliverable and of 264 thousand driver license renewal reminders, 13 thousand were returned as undeliverable.

It is unclear why so many driver licenses fail to reach the customer. Previous attempts to resolve the problem, through the office of the New Mexico Post Master, have not been successful. Once the document leaves the central issuance facility in Washington, it is out of the agency's control. Further investigation is required and that direct contact between MVD and the United States Postal Service is needed. The new director plans to intervene to bring this issue to resolution.

Also, once MVD acquires email addresses, customers who have applied for a driver's license could be queried to see if they receive their plastic driver's license in the mail.

New initiatives are directed at improving customer services. In June of this year, the senior leadership team launched the Customer Outcomes Re-Engineering Project (CORE), an effort to make rapid, highly visible improvements in target offices then expand the best practices to the rest of the system.

The approach is to target field offices with the poorest performance, then employ known best practices to improve a small number of high-leverage items such as average wait times, percent of "one-and-done" transactions (where the customer does not need to return a second time to complete an transaction), and customer complaints. The management team helps the local manager implement the changes and then measures the results. A typical CORE

implementation will take two to four weeks. The positive lessons learned are used to improve customer service throughout the field office network. Eventually, MVD will develop a Bronze, Silver, and Gold operating performance ratings for all of its offices.

This summer, the Sandia Vista office was chosen for the first CORE implementation. In the course of a single week, the office completed an additional 188 transactions over the previous week and reduced average wait times by 13 minutes. This appears to be a promising approach for rapidly achieving high value customer service.

The future of MVD customer service enhancements lies in the virtualization of its services. To better serve its customers, to streamline operations, and to cut costs, MVD needs to move more of its operations out of field offices to more convenient customer locations.

Current online MVD services are somewhat limited but planning is underway to greatly expand these offerings. As technology advances, opportunities are arising to allow customers to complete an increasing number of MVD transactions without visiting a field office. The options include phone, mail, kiosks, and the internet. Currently, New Mexico customers are able to complete the following transactions online:

- Renew a vehicle registration;
- Obtain a commercial driver weight distance permit;
- File a commercial vehicle weight distance tax return;
- Obtain a personal driver history record;
- Check the status of an application for a temporary or permanent license;
- Schedule an appointment for a road test at a field office;
- Request bulk driver history records;
- View title, lien and registration records online;
- Review the driving record of driving employees;
- Receive notices of citations, suspensions or reinstatements of employee drivers; and
- Receive high volume notices of citations, suspensions or reinstatements of employee drivers.

MVD plans to add three additional online transactions by the end of 2012, driver license renewals, traffic citation payments, and temporary tag purchases. The MVD management team also generated a list of potential online applications that would provide additional avenues for transactions away from the field office. According to MVD, Massachusetts, Florida, Indiana and Virginia currently use many of these applications. For example, the state of Virginia currently has thirty-one transactions available online, with the exception of original driver's licenses or original vehicle titles.

Table 7: Candidates for Conversion to On-Line Services

Potential Online Driver Transactions	Potential Online Vehicle Transactions
Driver license renewal (now planned for 2012)	Insurance check and compliance payment
Driver license replacement	Insurance check and compliance payment – registration renewal
Order/print out temporary license with photo	Report insurance
Change name on license	Obtain a title
Change address	View your title
Motor voter update	Track your registration
Refund request/status check	Vehicle registration renewal eligibility (insurance check, emission check)
Citation/reinstatement payments (now planned for 2012)	View registration history
Placard submission and approval	Vessel renewal
Placard renewal	Duplicate registration
Medical application and approval	Replace a lost/stolen title (Duplicate title request)
CDL medical certification	Fleet registration renewal
Placard abuse report	Report sold vehicle
Fraud report	Order plate
Practice test	Replace plate
None-for-the-road check	Virtual line?
Drivers Ed check	Check vehicle for liens
Organ donor	NCIC check
License downgrade – CDL to regular class D	NMVTIS check
Add endorsement-Commercial or Class D	Cost of registration
True and Attested Driving Record (Certified)	Cost of excise tax
Compliance for court or other state	VIN inspection locator
Check eligibility for a license	Personal temp tag (now planned for 2012)
Potential Online General Transactions:	
Practice online transaction	
Prepayment for takeout (any renewal, plate)?	
After service payment (any central issued credential/title, etc.)	
Submit any form (virtual mail)	
Change/update email and/or phone number	
Refund request	

Source: MVD

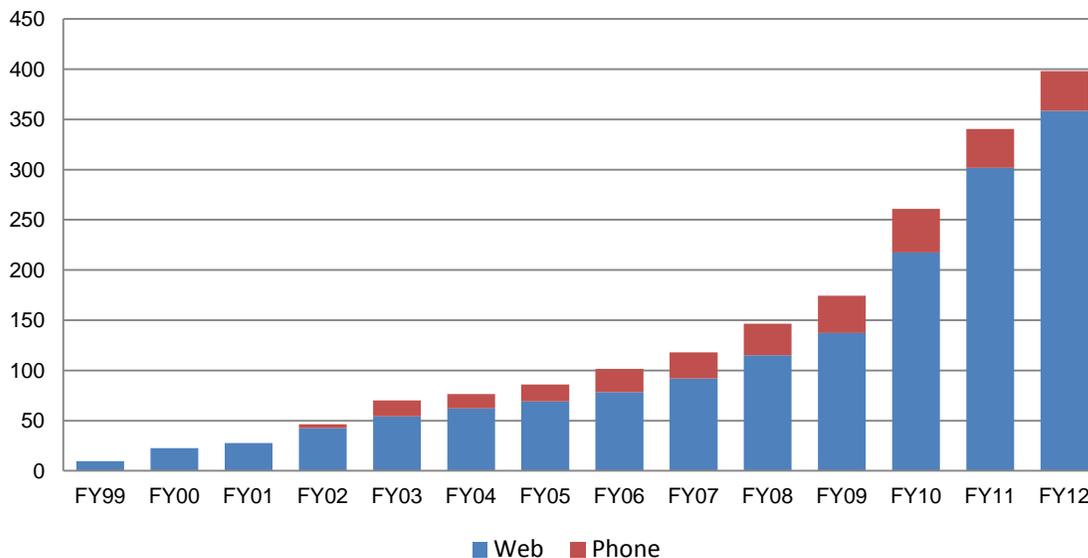
Pulling these services out of field offices will make it convenient for MVD customers reduce wait times for those customers who cannot use the internet or who prefer face-to-face transactions. Some of these transactions require statutory or regulatory changes before they move online.

An example of a much-anticipated, proposed online customer service enhancement is the ability to renew a driver license online. In FY12, MVD renewed 397 thousand driver’s licenses and ID cards. During the 2010 Legislative Session, Senator Phil Griego introduced SB 137, a bill that would amend the Motor Vehicle Code to allow for the renewal of driver’s licenses or identification cards by mail, telephonic or electronic means – for up to eight years – foregoing eye examinations. The law would not apply to first-time applicants for licenses or for those older than 75 years old. These individuals must still apply at a field office for a license. The bill became law on July 1, 2010. It

allows for online driver’s license renewal, but because of system capacity and financial constraints, it has not been implemented. MVD plans to implement this web offering as well as driving citation payments and temporary vehicle tags by the end of the calendar year. Two other web-based services will also be implemented by the end of the calendar year: online driving citation payments and online temporary vehicle tags.

MVD is encouraging customers to use online services. From FY10 through FY12, MVD’s mail-in and online registration renewals have grown 53 percent, much faster than the 2 percent general growth in all statewide transactions during that period of time.

Chart 16. Phone and Web-Based Registration Renewals
(in thousands)



Source: MVD

As MVD moves toward greater virtualization of its services, it is also developing prospective strategies to encourage customers to migrate from field offices to virtual services. This year, MVD switched from mailing customers vehicle registration reminder packets in envelopes to simple postcards. This saved TRD over \$245 thousand in postage and stimulated additional online renewals. Similar to other states, such as Virginia, MVD offers a fee discount as an additional incentive for the use of online transactions. A customer receives a 5 percent discount on the base fee amount for renewing their registration either online, but this is offset by a \$1.25 credit card transaction fee. The average cost for a field office transaction is \$13.95. According to MVD, the cost of providing a virtual service is about one-third of that. Ultimately, this could prove to be more of a disincentive.

Real ID implementation is providing an additional impetus for virtualization of services. Another event also provides an impetus to move more customers to online services. The Real ID Act was passed in 2005 to establish a standardized national driver’s license system that would be less prone to fraud and help deter terrorism. For a driver license to be compliant, the Act requires applicants be legally present in the United States and supporting documentation, such as birth certificates and passports, be verified through national databases. The Act lays out a schedule for re-enrolling all current driver license holders. After numerous delays, the Act will take effect next year and, by January 2013, states must be in material compliance with the Real ID Act.

Some states that have already implemented Real ID have experienced enormous jumps in customer wait times. According to MVD, Wyoming’s average customer wait times went from 30 minutes to three hours and Georgia’s went from 30 minutes to six hours. MVD is exploring ways to comply without destroying customer service. Delaware is an example of a state that reduced the impact of Real ID implementation by using an aggressive public

information campaign and by adding a Real ID greeter in its key offices to facilitate customer flow. By moving more services online, pressure will be taken off of field offices, allowing them to more efficiently handle the anticipated additional requirements brought about by Real ID.

Future virtual enhancements of customer services are being planned. The MVD is also investigating the use of kiosks. In the current New Mexico system, kiosks are computers, stationed within field offices, which allow customers to renew registrations and take driver knowledge tests. Other states use freestanding kiosks with greatly enhanced features. For example, in Nevada’s “DMV in a Box” program, self-service kiosks can be found in 45 locations around the state, including supermarkets, university campuses, convenience stores and AAA offices. These can be used for a variety of transactions, including vehicle registration renewals and reinstatements, printing out driver history records, dispensing license plate decals, and renewing driver’s licenses and identification cards. Payment options include four major credit cards, debit cards and electronic checks. The program is financed by a small service fee.

This technology is rapidly advancing as some machines can conduct transactions in cash, an important consideration because 56 percent of all transactions in New Mexico are in cash. MVD’s management team is exploring this new technology and is considering kiosks as a way to improve customer service, cut field office costs, and expand operations to more remote areas. A secondary benefit of kiosks is that they provide customers with immediate feedback regarding keystroke errors, reducing demand on MVD’s Error Resolution Unit.



MVD needs to address the needs of special populations. Face-to-face services are necessary for some populations, such as those who do not have access to computers or the desire to interact with MVD electronically. Also, those over 75 years old, 12 percent of the population, are required to appear in person to renew a driver’s license. Hence the need for concierge services to address individuals with special needs.

The current MVD website needs to be redesigned. MVD’s website contains a great deal of information, but could be to allow customers to reach their desired location in no more than three clicks. As a customer service, and as a potential source of new revenue, MVD is considering allowing organizations, such as the dealer association, to advertise on the MVD website.

Another enhancement under consideration is the implementation of “My MVD.” This would allow a customer to sign into their account and be able to view all of their pertinent vehicle and driver information as well as to receive important reminders and to initiate online transactions.

Finally, customers and partner organizations, such as dealers and title service companies, do not have access to MVD’s extensive driver and vehicle manuals. This information should be available to those sectors of the public who have an interest in more in-depth MVD information.

Recommendations

The Motor Vehicle Division should:

Expand its use of Qmatic data to monitor transaction times and total customer time in an MVD field office. As part of its efforts to expand the use of data to drive decision making, the agency should make these measurements key performance measure for management and should develop a strategy to reduce multiple visits to MVD for the same transaction.

Publish office wait times, in real time, on the MVD website and other public access locations to assist customers in planning their field office visits.

Expand performance measures to measure call center abandoned calls. At publication time, the MVD has already implemented this measure.

Consolidate all of its customer feedback systems into a single, coordinated system and expand it to track complaint/question resolution. This information should be made available to management on a regular basis to use in staff training and in making operational changes.

Consider establishing a customer service ombudsman.

Expand the current pilot program employing Qmatic equipment to capture customer satisfaction in real time throughout the system and coordinate the data with management feedback on other measures of customer service performance.

Resolve the inability for customers to use VISA cards for field office transactions. The agency should explore possible solutions such as absorbing this \$1.25 credit card fee or adding the fee to all transactions.

Continue with its planning to transfer as many transactions as possible to the Internet and other customer-friendly avenues such as kiosks – as a way to improve customer service and as a mechanism for reducing its costs and pressures on field office. This is also important in planning for the full implementation of Real ID.

Continue with its plans to implement online driver's license renewals as a major priority.

Make an effort to resolve the issue of documents mailed to customers being returned as "undeliverable," needs to be resolved. Discussions should be held with USPS officials, particularly in the Albuquerque area, to find a solution. As part of this effort, the MVD should consider a pilot in which a sample of mailings from high return areas is tracked through the USPS tracking system.

Re-design its existing website to simplify access to information and should expand the availability of its driver and vehicle manuals to the public and allied agencies.

Examine its underlying fee structure in the Motor Vehicle Code to determine the relationship of fees to marginal transaction costs, which fees are outdated, and if the volume of MVD fees can be effectively streamlined to improve business operations.

MVD's OVERSIGHT OF PARTNER AGENCIES NEEDS TO BE ENHANCED

Oversight of municipal MVD offices and private retail agencies needs strengthening. As far as the general public is concerned, any field office providing MVD services is a state-operated MVD office. So, the performance of contracted offices should be vitally important to the MVD, not just in the carrying out of statutory duties and serving the public well, but also as a reflection on the MVD and New Mexico state government. The Motor Vehicle Code as well as numerous other state and federal regulations should be enforced consistently across all offices.

Policy oversight is limited. The MVD's Partner Management Bureau coordinates the flow of financial transactions with partner agencies and provides logistical support. MVD Field Operations bureau chiefs answer questions from contract offices and provide information and policy updates as needed. However, MVD does not have operational authority over contractors who answer to local governments or to corporate offices. Routine policy oversight or quality assurance monitoring of privates or municipal offices is therefore limited. MVD's error resolution Unit will catch and correct data entry mistakes, but does not routinely detect information entered fraudulently. Policy errors or fraudulent activity are only identified through blatant patterns of behavior or in response to a customer complaint. Once detected, staff review the microfilm records of the questionable transaction. Staff and time constraints restrict quality assurance and policy monitoring of field offices.

Performance measurement and data systems would benefit from standardization. Only state offices use the Qmatic customer queuing system. Expansion to the additional 39 offices would cost approximately \$400 thousand.

Financial oversight and coordination are outdated. MVD's Partner Management Bureau diligently coordinates financial transactions with contract offices. However, parts of the financial flow system are outdated. For example, seventy-four percent of deposits from partners, mostly title companies, are via paper check, not electronic transfers. This is because paper check deposit information can be transmitted to post to customer accounts. The other twenty-six percent of deposits are electronic transfers or direct deposit and must be manually posted because the current mainframe revenue system is unable to accept electronic transfers or direct deposit information from the financial institutions. Some parts of the system need to be automated, such as posting funds transferred to MVD by partner agencies. Because electronic transfers and direct deposits require manual posting, MVD cannot detect embezzlement since records are not posted for 15 days to 30 days. By that time, MVD finds out after the fact.

Another issue involves small, stand-alone offices such as Roy, Wagon Mound, and Mora. Although some of these are direct deposit accounts, and the deposit is actually made daily, the deposits for these municipal partners do not get posted to the record reflecting the actual deposit date. Instead, they are posted toward the end of the previous month. However, the actual date is required to reconcile the account. More of the financial system needs to be standardized and automated.

Another issue involves the separation of duties between the TRD financial unit and the MVD financial unit. TRD is still posting and distributing funds. For the sake of consistent oversight, all posting should be performed by MVD.

Enhanced communication with contractors could improve system functioning. Because MVD field operations managers do not have direct control over municipal and private offices, there is sometimes a lapse in the sharing information about new policies and procedures. Communication between central MVD and all field offices could be improved. Some partner agencies have commented that MVD does not actively solicit input from them regarding operations or policy improvement. As mentioned elsewhere in this report, training is inconsistent. The state currently does not have a training unit, while MVD express does. Training by municipal organizations is also not coordinated.

TRD's Tax Fraud Investigation Division does an admirable job but cannot provide timely audits to such a large system. In 2005 the Tax Fraud Investigation Division (TFID) was created within the TRD. Seventy-five percent of the division's audit work involves MVD. All agencies contracting with MVD are subject to an audit for

compliance with contractual issues and with state laws and regulations. Some common findings include compliance with the 24-hour deposit rule and adequate security of the building and items such as temporary license tags. Recently, several partner agencies were cited for having open Wi-Fi networks with the potential for exposing sensitive customer records. These auditors perform their duties with care and diligence and have detected fraud resulted in office closings, but they are under resourced given the volume of contract providers. At current staffing levels, auditing all municipal field offices, private retail agencies, and title service companies takes longer than the target three years.

MVD has insufficient resources to carry out its statutory responsibility for licensing and compliance monitoring of title service companies, automobile dealers, and auto recyclers. MVD's Dealer Bureau is responsible for licensing and monitoring auto dealers, auto recyclers, title and super title service companies; for investigating those engaged in the above operations that are not licensed; and for providing assistance to consumers who have been compromised by the agencies licensed by MVD. The bureau also operates the civilian VIN Inspector Certification Program, training, certifying and monitoring all inspectors in the state. There are currently 1,570 VIN inspectors certified in NM.

Agencies that are required to be licensed in New Mexico must be re-licensed every year. As mentioned above, there are currently 864 auto dealers, 74 auto recyclers, and 44 title service companies. The bureau employs one inspector to monitor the activities of these 982 companies, as well as to investigate unlicensed operators. This is an unrealistic expectation given that most states have a team of investigators providing this oversight.

New Mexico has weak regulatory laws and limited oversight of title service companies, auto dealers, and auto recyclers. Because of insufficient resources, the bureau is unable to adequately perform key oversight functions such as monitoring licensed and unlicensed auto dealers, in particular addressing the high rate of unlicensed dealers selling vehicles throughout the state.

The variety of scams and illegal operations are difficult to detect without sufficient monitoring resources. Once discovered, MVD can revoke a license through a hearing process. However, the offending operator can then apply for a new license. If a business meets the licensing criteria, MVD cannot deny them re-licensure. Throughout the system, penalties tend to be light. Although there are 74 licensed auto recyclers, MVD estimates another 250 are unlicensed. Unlicensed operators do not have to comply with environmental and other compliance requirements. Even licensed operators can skirt these regulations. For example, the Department of Justice can levy fines for non-compliance with these environmental regulations, but they rarely do.

With additional licensing and compliance capability, MVD can spend more time engaged in monitoring and investigating the activities of licensed and unlicensed operators. The solution most likely will require expanding staff. However, other solutions include exploring ways for the industry to self-regulate parts of its operations. In Virginia, the automobile dealers association licenses and monitors dealers. The Virginia Department of Motor Vehicles Commissioner sits on the board that oversees this activity. Industry self-regulation frees up state staff to monitor other areas of the system and allows the industry to maintain a level playing field for its participating businesses.

The New Mexico Motor Vehicle Code is outdated with respect to the MVD Dealer Licensing Bureau. New Mexico Motor Vehicle Code (Chapter 66, NMSA 1978) is a vast body of law that covers all aspects of driver and motor vehicle activity in the state. With respect to the licensing and oversight of MVD's private partner agencies, the Code is outdated and needs to be revisited. Remedies for illegal activities are in some cases nonexistent and in others are insufficient. Strengthening fees and penalties could generate additional revenue for enhanced monitoring and enforcement. Some areas requiring review include the following:

1. Section 66-4-1 does not effectively address illegal business operations such as unlicensed auto recyclers. Impose a \$1,000 penalty for operating without a license for the first offense, graduating upward for subsequent offenses to \$10 thousand. (Part of Penalty/Fee Increase Bill)

2. Section 66-6-18 sets license fees for dealers, wholesalers, distributors, auto-recyclers and title service companies at \$50, an amount unchanged from the 1950's. Other states set more realistic amounts, for example, Nevada charges \$700 for a license. Consider increasing in New Mexico's fee to \$350. The need for out-of-state auto distributors to be licensed in New Mexico should be re-visited. These operators do not have a physical presence in New Mexico, deal directly with licensed New Mexico dealers, and the need for a license in this state seems unnecessary. (Part of Penalty/Fee Increase Bill)
3. Supplemental auto dealer lots should be subject to an additional license fee. The state must spend as much time to process these additional locations as it does for the original lot. Each lot should require an additional \$250 licensing fee. (Part of Penalty/Fee Increase Bill)
4. Section 66-4-7.B states that anyone who is licensed as an auto dealer, wholesaler, distributor or motorcycle dealer may become an auto recycler as well and does not need to carry a separate bond for that activity. Impose a \$50 thousand bond for the additional license.
5. Section 66-4-6.2 deals with offsite automobile sales. MVD spends a considerable amount of time reviewing the requirements for this activity. Consider a fee of \$300 for offsite sale permits and a \$10 thousand penalty for unauthorized off-site sales. These illegal operations represent unfair competition for lawful dealers and there is currently no penalty for unauthorized offsite sales. (Part of Penalty/Fee Increase Bill)
6. MVD provides VIN Inspector Certification courses free of charge. The division could propose a charge of \$300 for a full course and \$150 for re-certifications. (Part of Penalty/Fee Increase Bill)
7. Sections 66-4-1.B and 66-4-2.A deal with automobile wholesalers. According to MVD, unlicensed wholesaler activity is prevalent throughout the state. There is no real mechanism to prosecute these operations and dealers rarely ask for the wholesalers' licenses. There have been instances where wholesalers sold thousands of dollars worth of vehicles, could not produce valid titles for the vehicles and was unbounded – allowing no recourse for the consumer. Consider a \$1,000 penalty for unlicensed wholesaler operations. (Part of Penalty/Fee Increase Bill)
8. Section 66-4-2.B addresses changes to dealer addresses, ownership and closure. When these changes are made, the bond is not updated thus jeopardizing consumer protection. There is currently no mechanism to prosecute such operators and penalties are nonexistent. Consider \$500 fines for failing to file a change of location with MVD, for not updating a bond for a new location, for failing to notify MVD of a change in dealer ownership. Consider a \$1,000 fine for failing to notify MVD of a dealer closure and returning permits to MVD. (Part of Penalty/Fee Increase Bill)
9. Section 66-4-3 does not adequately address dealers applying for licenses when they owe taxes to the state of New Mexico. This is currently only in administrative rules (18.19.4.31.A and B). The statute should be changed to allow MVD, through the hearing process, the authority to cancel, suspend or refuse licensure to individuals owing state taxes.
10. Section 66-4-2.A prohibits licensed dealers from allowing others to operate under their license. However there is no penalty for violating this statute. According to MVD, some dealers allow this activity through an informal buddy system. The result is an unlevel playing field for other licensed dealers. Consider a \$1,000 penalty for a licensed dealer who leases, loans, transfers or sells his/her license to another person. (Part of Penalty/Fee Increase Bill)
11. Sections 66-3-121 allows different rules for obtaining title for abandoned vehicles that are 8 years or older. Essentially, abandoned vehicles of that vintage can be crushed without a title. According to MVD, the average age of vehicles on the road today is 12 years. Consider changing the age reference in the statute to 15 years.

Recommendations

The Taxation and Revenue Department and the Motor Vehicle Division should:

Develop a plan for the consistent monitoring of policy compliance by municipal offices and private retail agencies. The establishment of an MVD Quality Assurance unit would go a long way to ensure consistent application of MVD policies and protocols across the system.

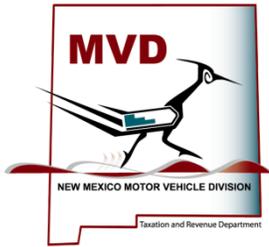
Expand the Qmatic customer queuing system to all municipal field offices and the collection and use of this information should be standardized across the system. Undertake a thorough review of current financial processes being used with partner agencies with the intent of doing automating and standardizing the processing of funds from partners.

Develop a plan for the consistent and timely sharing of information between MVD and its partners. A regular dialogue should be established. MVD field offices and partner agencies should receive the same training on policies and protocols.

Increase the capacity of its TFID unit to audit MVD and its partners. At a minimum, all MVD field offices and contractors should be audited within a three-year period.

Expand the number of licensing and compliance staff within its Dealer Licensing Bureau – based on a study that includes alternative processes (see next recommendation).

Give serious consideration to allowing the New Mexico Dealer Association to self-regulate its industry, including licensing and monitoring, as occurs in the state of Virginia. Request that the legislature consider updating the New Mexico Motor Vehicle Code along the lines of the considerations presented in this report. Consider a bill that combines the recommended additional fees and penalties.



Susana Martinez
Governor

Demesia Padilla, CPA
Cabinet Secretary

STATE OF NEW MEXICO
Taxation and Revenue Department

An Equal Opportunity Employer

Motor Vehicle Division

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21 October 2012

Mr. David Abbey
Director, Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

RE: Response to LFC's 2012 MVD Program Evaluation

Dear Mr. Abbey:

MVD & TRD have reviewed LFC's program evaluation, and would like to respond as follows:

- MVD believes that the LFC report provides an informed, accurate, timely, comprehensive and dispassionate analysis of the current condition and opportunities for improvement facing this division.
- MVD agrees with all of LFC's key recommendations. The action items listed in MVD's FY13 business plan are nearly identical. Action items in the MVD plan are prioritized and include quarterly performance targets, so MVD would like to request that its FY13 plan be included in our response.
- MVD agrees with LFC that technology and other factors are opening up new, cost-effective opportunities to provide improved customer outcomes for motor vehicle services, and that these opportunities should be developed.
- The preeminent goal in the MVD business plan is to rapidly improve customer service in MVD field offices and call center. MVD is targeting and has begun to achieve significant reductions in wait times, while targeting average customer satisfaction levels at 85 percent or above.
- A second key goal in the MVD plan is to develop new cost-effective channels for providing MVD services. MVD will release new web services by January, 2013 totaling a third of annual transaction volume that can potentially be pulled out of field offices to improve wait times and customer service levels while reducing transaction costs. Kiosks are scheduled for development within 12 months.
- A third key goal in the MVD plan is to replace our 40 year old IT system cost-effectively and with minimal implementation risk. MVD began its systems modernization RFP on 10/23/12, and believes that new approaches for enterprise level software development may allow breakthroughs in risk reduction and development costs.

Taxation and Revenue Department, Motor Vehicle Division – Report #12-11
A Review of Current Operations, Customer Service, and Partner Oversight
October 24, 2012

- A fourth key goal in the MVD plan: as motor vehicle services transition to kiosks and the Web, MVD field offices can be re-purposed as highly-personalized customer service centers that process fewer (but more complicated) transactions, that offer concierge-level service for New Mexicans who want or need it, and that provide an improved working environment for MVD professionals.
- A key challenge is the difficulty in recruiting and retaining talented MVD staff. As of this writing, the hiring process takes 3-4 months on average due to bottlenecks outside of division control, and MVD has lost promising new staffers who could not afford to wait and accepted other jobs. MVD has also lost talented staffers who left for positions that offered modest increases in earnings, which MVD lacked the wherewithal to match.
- A second key challenge are operating gaps in the division, including insufficient data analytics capacity and corresponding insufficient use of performance metrics; insufficient training capacity, insufficient field office capacity and insufficient call center capacity. MVD is committed to low cost innovations to address operating gaps, but it may be unrealistic that these needs can be fully-addressed without funding increase. As a benchmark, the Nevada DMV annual operating budget is statutorily limited to 22 percent of annual motor vehicle revenues. In FY12, MVD's operating budget was about seven percent of annual revenues.
- A third key challenge is supporting IT: as MVD becomes ever more dependent on IT, it has also become ever more difficult to hire qualified IT staff due to salary and other hiring constraints. Likewise, funding for enterprise level IT systems is appropriated based on initial system costs, when it may need to be appropriated based on total lifecycle cost including maintenance and upgrades.
- A fourth key challenge is the transition to Real ID compliance in 2013, overcoming legal and logistical barriers and preventing dramatic increases in field office wait times, which have occurred in other states that have become Real ID compliant.
- Over the next two years, MVD may be facing a greater range of opportunities and a greater degree of change in how motor vehicle services are delivered than it has faced over the previous 20 years, with a corresponding need for increased involvement in this sector by executive and legislative policymakers.

All in all, we agree with LFC that MVD is the face of state government for most New Mexicans—if working well, government may appear effective and if not working well, government may appear broken.

Governor Martinez and Secretary Padilla have envisioned an MVD which is highly-responsive to customer needs and makes it faster, easier and more pleasant to do motor vehicle transactions—every customer, every transaction, every time. MVD management has been directed to carry out this vision, which we know is shared by the legislature, by LFC and MVD staffs, and by all New Mexicans.

Mr. Abbey, on behalf of MVD, I want to thank you, Mr. Sallee, Mr. Weinberg, Mr. Evans and the LFC for a program evaluation that seeks breakthrough-level improvements in MVD operations. MVD agrees that this is possible and realistic. We look forward to working closely with the legislature in transitioning this division into a flagship example of better government.

With appreciation,



Mark S.R. Williams
Director

cc: Demesia Padilla
John Monforte
Keith Gardner
Scott Darnell
Janel Anderson

APPENDIX A: EVALUATION SCOPE AND METHODOLOGY

Evaluation Objectives.

This study reviewed the effectiveness and efficiency of selected MVD operations, including several of those evaluated by the LFC in 2001. The study reviewed MVD's current level of customer service and looked at MVD's oversight of private partner agencies. In general, this report addresses two central questions: how effective is MVD in meeting the needs of New Mexico's citizens and what changes would bring improvement?

Objective 1: Assess the current level of MVD operations; identify areas requiring improvement, and recommend changes to improve operations.

Objective 2: Review MVD customer services, primarily in its state-operated field offices, identify planned changes and recommend additional enhancements.

Objective 3: Review MVD's oversight of municipal MVD offices and private retail agents with respect to adherence to MVD policy, performance measurement, financial oversight and communications.

Scope and Methodology.

- Met with MVD director and key staff to review MVD programs, policies and planning
- Met with representative partner agencies
- Interviewed key central office and field office staff
- Conducted site visits to selected MVD state and municipal field offices
- Review Qmatic system and analyze key aspects of wait times.
- Analyze transaction and cost data to develop a cost per transaction estimate
- Review customer service surveys and plans for enhancing the customer experience
- Reviewed strategic, monitoring and reporting documents, including performance reports, internal/external audits, and budget status reports.
- Review aspects of the current IT system and system re-design planning.
- Review selected best practices from other states in selected areas of customer service and operations.
- Review aspects of partner oversight and current oversight by the dealer licensing bureau.
- Review
 - Applicable laws and regulations
 - LFC file documents, including all available project documents
 - Relevant performance reviews from other states
 - Performance measures
 - Other relevant literature

Evaluation Team.

- Jack Evans, Program Evaluator
- Charles Sallee, Deputy Director for Program Evaluation

Authority for Evaluation. LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these

governmental units; and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conferences. The contents of this report were discussed with the TRD on October 17, 2012.

Report Distribution. This report is intended for the information of the Office of the Governor, the New Mexico Taxation and Revenue, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.



Charles Sallee
Deputy Director for Program Evaluation

**APPENDIX B: PROGRESS AGAINST KEY FINDINGS IN THE 2001 LFC
EVALUATION OF MVD**

Results	Findings from 2001 Evaluation	Current Status
Improved	MVD did a good job of reducing wait times in state-run field offices. Since, at that time, the Qmatic system was not installed, estimates of customer wait times were based on LFC auditor observations. In general wait times were estimated to be below 30 minutes	With the implementation of the Qmatic systems, managers are able to track customer wait times and to begin to balance the workload among field office agents to address customer flow. Wait times in FY12, based on actual measurements, averaged a little over twenty five and one-half minutes. MVD operations have improved since 2001.
Much Improved	Vehicle registration by phone or Internet was had not as yet been established.	Online vehicle registration renewal has been implemented. Over the course of the last three fiscal years, MVD's mail-in and online registration renewals have grown from 745,645 to 796,290 per year, a growth of 6.8 percent.
Little Change	The Motor Vehicle Code needs to be upgraded. The MVD Fee Structure is complicated and out-of-date.	The Motor Vehicle Code still needs to be updated. In 2001 there were sections of the code that were considered confusing or contradictory to consumers and staff. For example, higher registration fees were required for vehicles having solid tires. This particular section of the act has not been changed. None of the revisions mentioned in the 2001 report have been made to the Motor Vehicle Code to address these problems during the last decade. As detailed in this report, there are numerous areas of the code, largely dealing with fees and penalties that need to be updated.
Much Improved	MVD had done very little to monitor financial responsibility in the previous two years and had just issued an RFP for companies to compile monthly electronic data from insurance companies issuing policies within the state.	MVD's Insurance Unit is now actively monitoring financial responsibility. A contract was signed with a third part contractor to maintain a database with information from insurance companies and from MVD registrations. By the division's reckoning, uninsured rates in New Mexico went from 13.08 percent in 2005 to 8.04 percent in 2012.

Much Improved	MVD was not tracking the number of DWI arrest/citations rescinded that did not meet the 90-day scheduling deadline for hearings. In 2001, MVD was losing many DWI hearings because they were not held within 90 days of the arrest. Of the 24 percent of 19,056 scheduled for administrative hearings, 1,947 were rescinded in calendar year 1999 primarily because police officers failed to appear.	MVD is now tracking the number of DWI arrest/citations rescinded that do not meet the 90-day scheduling deadline for hearings. The process has been revamped and only a couple of hearings are lost each quarter. The biggest reason for the loss, however, remains no shows by police.
Unclear	MVD employees faced daily threats to their health and safety and safeguards were recommended, including issuance of cell phones to drivers' examiners, daily pickup of cash by courier services and installation of safety features in field offices.	MVD employees still face abuse and occasionally threats by customers. Since the 2001 evaluation, cell phones have been issued to drivers' examiners and cash is picked up each day by secure couriers. Some offices could still benefit from safety glass and closed circuit cameras
Little Change	MVD was not properly planning its computer projects.	MVD has had a checkered past with respect to upgrading its legacy computer system. For example, a contract was signed with Hewlett Packard (HP) in 2010 to develop the "Milagro" system. The project did not work out well, with HP falling thirty-five weeks behind schedule and the division spending \$2 million on a project in which it was quickly losing confidence. As a result, the contract with HP was terminated in mid-2011 and the agency decided to re-group: define its requirements more precisely and more accurately project the costs for the system. However, under the guidance of the new management team, MVD is engaged in a thoughtful examination of its business requirements and is looking at expanding ways to generate additional revenue to support the computer system redesign.

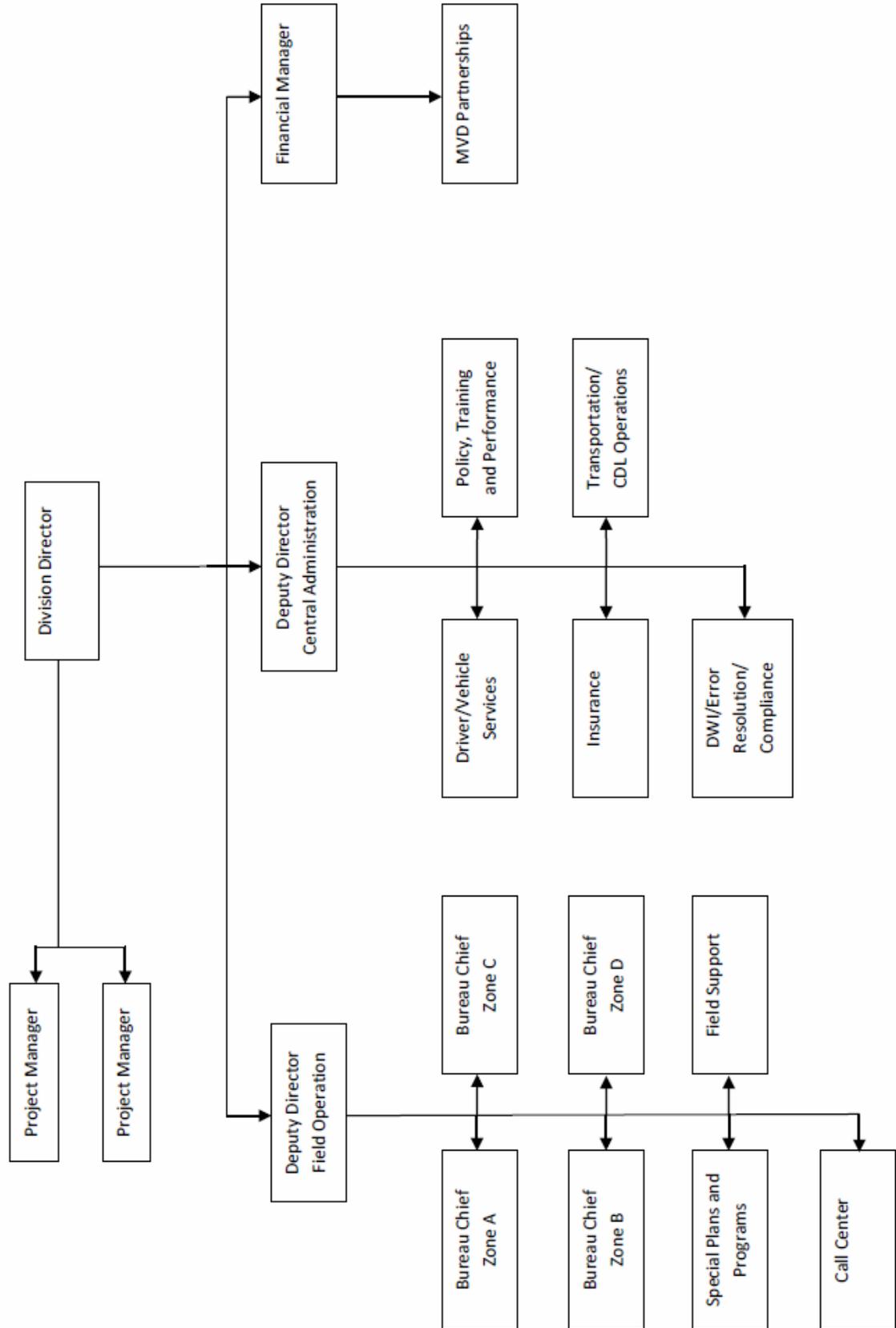
APPENDIX C: ADDITIONAL MVD ORGANIZATIONAL BACKGROUND INFORMATION

The MVD Division Director oversees the agency's operations and directly supervises senior staff responsible for field operations, central administrations and financial management.

- **Field Operations**: Responsible for the day-to-day operations of 34 state offices and operational oversight of 39 municipal offices. The Deputy Director for Field Operations supervises regional bureau chiefs, with responsibilities for field office operations; the call center manager; as well as support and planning functions. MVD field offices issue commercial and non-commercial driver licenses as well as identification cards, take voter registration applications, administer driving knowledge and skill tests, conduct vehicle titling and registration -- including boat titling, and perform vehicle identification number inspections.
- **Central Administration**: Administers the pertinent state and federal laws and regulations relating to drivers and motor vehicles. The Deputy Director of the Central Administration Bureau oversees the agency's policies, procedures, training and customer complaints. Subordinate managers supervise the following functions:
 - **Driver and Vehicle Services**: Deals with driver and vehicle records, citations, medical requirements, vehicle records associated with liens, registration, titles, special license plates and government license plates.
 - **Dealer Bureau**: Licenses auto dealers, auto recyclers and title service companies. Conducts investigations and provides advocacy for customers.
 - **DWI/Error Resolution/Compliance Unit**: Manages DWI procedures and records and ensures compliance with ignition interlock requirements, manages the facial recognition program for driver licenses, oversees the returned driver license process and resolves data input errors from state, municipal and private MVD offices.
 - **Insurance Unit**: Oversees the financial responsibility program and maintains records on all registered vehicles.
 - **Policy, Training and Performance**: Coordinates the development and publishing of agency policies and procedures, coordinates training and performance measurement.
 - **Transportation**: Manages the commercial driver license program and oversees compliance with regulations associated with driving records, citations, disqualifications, hazardous material endorsements and medical compliance.
- **Financial Management**: Monitors the division's budget and financial expenditures. The Financial manager coordinates financial oversight with the TRD financial unit and oversees contracts and support services for private and municipal partners providing MVD services.

APPENDIX D: NEW MEXICO MOTOR VEHICLE DIVISION

NEW MEXICO MOTOR VEHICLE DIVISION



APPENDIX E: TYPES OF MVD PRIVATE PARTNERS (OTHER THAN DRIVING SCHOOLS)

Type	Transactions	System	Fees	Contracts
Private Retail Agent	Full Service MVD Driver Transactions Vehicle Transactions Acts as a full service MVD and provides all services that the State and Municipal offices provide. Limited in only a few services.	MVD 2.0	Charge their customers a convenience fee + tax. No cap on their fees. Pay MVD a \$2.00 cost recovery fee per transaction.	RFP - Contract 1yr with (3) - 1yr renewals
Super Title Service Company	1. Title and Registration Services to other TSC or STSC or Dealers only in counties where a PRA exists. Can print title but cannot give directly to a customer. Should be mailed to public customer on behalf of corporate customer. 2. Title and Registration Services to public, TSC or STSC or Dealers in counties where a PRA does not exist. Can print title at time of transaction.	MVD 2.0	Charge their customers a convenience fee + tax. No cap on their fees. Pay MVD a \$2.00 cost recovery fee per transaction.	License - 1 yr. Annual renew application and requirements. Pending current contracts.
Title Service Company	Title and registration Services to public, other TSC or corporate customer such as dealer. Unable to print title. Title is issued from MVD Central Issuance.	SAMBA TitleWave	Charge their customers a convenience fee + tax. No cap on their fees. Pay SAMBA an access fee per transaction.	License - 1 yr. Annual renew application and requirements. Pending current contracts.

Source: MVD

APPENDIX F: ADDITIONAL FEES CHARGED BY MUNICIPAL FIELD OFFICES

Municipal MVD Office	Additional Fee Charged
ANGEL FIRE	5.00 transaction fee
ARTESIA/EDDY COUNTY	no additional charges
AZTEC	3.00 transaction fee - for only what is on report (title, registration, driver license, I.D.)
BAYARD	3.00 transaction fee
BERNALILLO	5.00 transaction fee
BLOOMFIELD	3.00 transaction fee
CAPITAN	5.00 transaction fee
CARRIZOZO	No fees planned
CHAMA	1.00 transaction fee, 2.00 commercial, 6.00 title with lien holder
CIMARRON-Closed	
CLOUDCROFT	5.00 transaction fee
CORONA	none yet
CUBA	do not charge additional fees
DEMING	\$2.50 for each transaction
DEXTER	5.00 transaction fee
ESTANCIA	do not charge additional fees
EUNICE	4.00 transaction fee
FT. SUMMER	do not charge additional fees
HATCH	5.00 exceptions: seniors 65+/handicapped/ Village of Hatch employees
HOBBS	4.00 local MVD fee
JAL	2.00 transaction fee
KIRTLAND AFB	3.00 transaction fee - no charge for 75+ or DL placard
LOGAN	do not charge additional fees
LOVING	age 65 and over additional fee of \$1.00, License/ID applicants over 75 no fee, Handicapped placards \$5.00, Foreign National License/ID applicants \$50.00
LOVINGTON	4.00 transaction- if there is a State fee charge
MELROSE	do not charge additional fees
MORA	(currently closed until 03/06/2012) w/call back
MOUNTAINAIR	do not charge additional fees
PECOS	5.00 fee for out-of-state only
QUESTA	do not charge additional fees
RED RIVER	do not charge additional fees
RIO RANCHO	\$10.00 fee for all MVD transactions, License/ID applicants over 75 no fee, Handicapped placards \$5.00, Foreign National License/ID applicants \$50.00
SANTA ROSA	None yet
SUNLAND PARK	none yet
TATUM	Under construction
TIJERAS	none yet
TULAROSA	2.00 per transaction - no charge for seniors or handicapped placards,
WAGON MOUND	do not charge additional fees
WHITE SANDS	5.00 transaction fee- 10.00 for titles
ROY	2.00 flat rate except over 65 yrs

Source: 2012 MVD Survey of Municipal Offices

APPENDIX G: FIELD OFFICE LOCATIONS

State Offices	Municipal Offices	Private Retail Agencies	
Santa Fe	Tijeras	MVD Now	Albuquerque
Metro Court	Kirtland AFB	MVD Now	Albuquerque
Rio Bravo	Artesia/Eddy County	MVD Now	Albuquerque
ABQ Tax & Revenue*	Loving	MVD Now	Albuquerque
Sandia Vista	Dexter	MVD Now	Albuquerque
Montgomery Plaza	Melrose	MVD Now	Albuquerque
Carlsbad	Jal	MVD Express	Albuquerque
Roswell	Lovington	MVD Express	Albuquerque
Roswell Tax & Revenue*	Tatum	MVD Express	Albuquerque
Clovis	Hobbs	MVD Express	Albuquerque
Las Cruces	Eunice	MVD Express	Albuquerque
Lac Cruces (New Office)	Hatch	MVD Express	Albuquerque
Lac Cruces Tax & Rev*	White Sands	MVD Express	Albuquerque
Silver City	Sunland Park	MVD Express	Las Cruces
Springer	Bayard	MVD Express	Los Lunas
Raton	Angel Fire	MVD Express	Rio Rancho
Tucumcari	Logan	MVD Express	Santa Fe
Portales	Pecos		
Las Vegas	Cloudcroft		
Gallup	Tularosa		
Belen	Bloomfield		
Los Lunas	Aztec		
Alamogordo	Chama		
Farmington	Deming		
Espanola	Questa		
Clayton	Red River		
Taos	Estancia		
T or C	Mountainair		
Moriarty	Santa Rosa		
Lordsburg	Capitan		
Socorro	Carrizozo		
Ruidoso	Corona		
Reserve	Ft. Sumner		
Los Alamos	Cuba		
Grants	Rio Rancho		
	Bernalillo		
	Mora		
	Wagon Mound		
	Roy		

*T & R offices are not field offices
but did complete some transactions

APPENDIX H: STATE-RUN MVD OFFICE COSTS/TRANSACTION

MVD Field Office	Vehicle Transactions	Driver Transactions	FY12 Total Transactions	% of Total Transactions	FY13 Projected Expenditures	Cost per Transaction
ALAMOGORDO	25,355	12,461	37,816	1.88%	\$ 430,260	\$ 11.38
BELEN	16,071	8,145	24,216	1.21%	\$ 266,683	\$ 11.01
CARLSBAD	20,086	9,424	29,510	1.47%	\$ 376,114	\$ 12.75
CLAYTON	3,263	1,113	4,376	0.22%	\$ 77,119	\$ 17.62
CLOVIS	18,515	11,806	30,321	1.51%	\$ 418,604	\$ 13.81
ESPANOLA	19,973	10,302	30,275	1.51%	\$ 390,971	\$ 12.91
FARMINGTON	30,422	22,820	53,242	2.65%	\$ 673,795	\$ 12.66
GALLUP	31,472	20,677	52,149	2.60%	\$ 385,689	\$ 7.40
GRANTS	17,190	8,843	26,033	1.30%	\$ 309,387	\$ 11.88
LAS CRUCES1	33,741	22,548	56,289	2.81%	\$ 492,778	\$ 10.36
LAS CRUCES2	33,319	17,017	50,336	2.51%	\$ 399,308	\$ 6.14
LAS VEGAS	9,865	5,697	15,562	0.78%	\$ 288,997	\$ 18.57
LORDSBURG	4,030	1,592	5,622	0.28%	\$ 84,853	\$ 15.09
LOS ALAMOS	10,457	7,022	17,479	0.87%	\$ 195,989	\$ 11.21
LOS LUNAS	22,438	10,816	33,254	1.66%	\$ 347,340	\$ 10.45
METRO COURT	15,092	18,463	33,555	1.67%	\$ 382,518	\$ 11.40
MONTGOMERY PLAZA	53,275	42,948	96,223	4.80%	\$ 1,212,859	\$ 12.60
MORIARTY	14,219	4,694	18,913	0.94%	\$ 211,403	\$ 11.18
PORTALES	12,698	6,891	19,589	0.98%	\$ 155,039	\$ 7.91
RATON	7,791	2,730	10,521	0.52%	\$ 232,697	\$ 22.12
RESERVE	2,691	960	3,651	0.18%	\$ 196,917	\$ 53.94
RIO BRAVO	33,738	19,591	53,329	2.66%	\$ 610,426	\$ 11.45
ROSWELL	36,330	18,375	54,705	2.73%	\$ 593,024	\$ 10.84
RUIDOSO	12,986	6,067	19,053	0.95%	\$ 194,015	\$ 10.18
SANDIA VISTA	24,663	25,227	49,890	2.49%	\$ 933,521	\$ 18.71
SANTA FE	37,771	24,934	62,705	3.13%	\$ 785,635	\$ 12.53
SILVER CITY	19,256	7,750	27,006	1.35%	\$ 270,981	\$ 10.03
SOCORRO	10,918	5,145	16,063	0.80%	\$ 151,587	\$ 9.44
SPRINGER	2,298	902	3,200	0.16%	\$ 65,355	\$ 20.42
T OR C	9,978	4,192	14,170	0.71%	\$ 179,276	\$ 12.65
TAOS	12,979	7,136	20,115	1.00%	\$ 244,563	\$ 12.16
TUCUMCARI	7,373	2,537	9,910	0.49%	\$ 175,808	\$ 17.74
MVD Central Office	1,015,120	12,296	1,027,416	51.20%	\$ 12,014,867	\$ 11.69
Totals	1,625,373	381,121	2,006,494	100.00%	\$ 23,748,382	\$ 13.95

Source: MVD