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MEETING OF BOARD OF MANUFACTURED HOUSING  
Department of Fire, Building and Life Safety

Thursday, February 2, 2012

1:00 p.m.

1110 West Washington, Room 3100B

Phoenix, Arizona 85007

REPORTER'S TRANSCRIPT  
OF  
PROCEEDINGS

Marge Harcarik  
Certified Reporter  
CR Cert. No. 50281

## 1                   A P P E A R A N C E S

## 2 BOARD MEMBERS PRESENT:

3                   ROSS WAIT, Chairman

4                   SAM BAIRD

5                   ARTHUR CHICK

6                   PAUL DeSANCTIS (appeared telephonically)

7                   NEAL HANEY

8                   TROY HYDE

9                   ZEKE OJEH

10                  JOSEPH STEGMAYER

11

## 12 STAFF MEMBERS PRESENT:

13                  GENE PALMA

14                  DEBRA BLAKE

15                  BETH SOLIERE

16                  AYDE MARQUEZ

17                  MARY DELAAT WILLIAMS, AAG

18

## 19 ALSO PRESENT:

20                  MARY ANN KNIGHT

21                  TERRY GLEASON

22                  AMY MICHAELS

23                  BETTY RISER

24                  PATTY STECHER

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P R O C E E D I N G S

CHAIRMAN WAIT: Thank you very much. I'd like to go ahead and call the meeting to order. Roll call, please.

MS. MARQUEZ: Ross Wait.

CHAIRMAN WAIT: Present.

MS. MARQUEZ: Sam Baird.

BOARD MEMBER BAIRD: Here.

MS. MARQUEZ: Arthur Chick.

BOARD MEMBER CHICK: Here.

MS. MARQUEZ: Paul DeSanctis.

BOARD MEMBER DeSANCTIS: Here.

MS. MARQUEZ: Neal Haney.

BOARD MEMBER HANEY: Here.

MS. MARQUEZ: Troy Hyde. Not here, absent.  
Zeke Ojeh.

BOARD MEMBER OJEH: Here.

MS. MARQUEZ: Joseph Stegmayer.

BOARD MEMBER STEGMAYER: Here.

MS. MARQUEZ: Roger Wendt. He is no longer a Board member.

Gene Palma.

MR. PALMA: Here.

MS. MARQUEZ: Debra Blake.

1 MS. BLAKE: Here.

2 MS. MARQUEZ: Beth Soliere.

3 MS. SOLIERE: Here.

4 MS. MARQUEZ: Mary Williams.

5 MS. WILLIAMS: Here.

6 CHAIRMAN WAIT: Thank you. All right, I'd like  
7 to go ahead and have someone entertain a motion to approve  
8 both the court reporter's transcript and the abbreviated  
9 minutes of October 19, 2011.

10 BOARD MEMBER OJEH: So moved.

11 CHAIRMAN WAIT: Any discussion?

12 All those in favor say aye.

13 (Affirmative responses.)

14 CHAIRMAN WAIT: All right, motion carries.

15 Thank you.

16 Before we go to the next item on the agenda --  
17 go ahead.

18 MS. BLAKE: Mr. Chairman, can I just draw your  
19 attention to that we have somebody joining us at the  
20 table, and this is Terry Gleason. He was appointed by the  
21 Governor to serve on this Board. Today he is here  
22 observing. He can't participate in discussions, he can't  
23 participate in the vote, because we are waiting for his  
24 oath of loyalty, so he is here just to observe.

25 CHAIRMAN WAIT: Okay, very good. I think what

1 I'll do, because you know, last time there were several  
2 here but we didn't have a quorum, and we had Art here and  
3 now we have Terry here. I'd like to welcome you both  
4 aboard officially at this time.

5           What we did last time, for the benefit of all  
6 the Board members perhaps, Art, tell us a little bit about  
7 yourself, and I will have you do that next, Terry, just so  
8 the other Board members are aware, so.

9           BOARD MEMBER CHICK: Well, my name is Arthur  
10 Chick. I live in Apache Junction. I filled the seat  
11 somewhat different than the other new member. I happen to  
12 own a manufactured home and live in a manufactured park,  
13 which I do.

14           I was schooled at Boston. I have a B.S. Degree  
15 in accounting from Bentley University and a Master's  
16 Degree from Boston University. I was in the paper  
17 industry for most of my life, manufacturing side. I moved  
18 to the State of Arizona in 2005 on a permanent basis, but  
19 have been coming to Arizona since 1999, and I have lived  
20 the lifestyle of a manufactured home in a manufactured  
21 home park.

22           So, I look forward to serving on this Board. I  
23 hope I can make a contribution. It's going to be an  
24 experience, one that I look forward to. Thank you.

25           CHAIRMAN WAIT: Thank you, Arthur.

1 Terry, please.

2 MR. GLEASON: Well, I got into the mobile home  
3 business in my teens back in Indiana, and I moved to  
4 Arizona in 1980, and I started my business in 1984, and I  
5 just would like to be on the Board and try to help improve  
6 the industry.

7 CHAIRMAN WAIT: And you're an installer?

8 MR. GLEASON: I am an installer, yes.

9 CHAIRMAN WAIT: And where at?

10 MR. GLEASON: In Mesa.

11 CHAIRMAN WAIT: Okay.

12 BOARD MEMBER BAIRD: In Arizona.

13 CHAIRMAN WAIT: Mesa, Arizona.

14 MR. GLEASON: I also have an awning company and  
15 an air-conditioning company that kind of goes along with  
16 those two.

17 CHAIRMAN WAIT: Thank you both.

18 And let the record reflect that Troy Hyde has  
19 joined us. Thank you.

20 BOARD MEMBER HYDE: Sorry for my tardiness.

21 CHAIRMAN WAIT: That's quite all right.

22 The next item --

23 BOARD MEMBER CHICK: Mr. Chairman, one quick  
24 question on the minutes, page three of the performance  
25 audit, sunset review. The minutes refer to a statute, a

1 scheduled time. What was that statute, for my  
2 edification? Do you know?

3 CHAIRMAN WAIT: I'm not sure. I would have to  
4 look, and I'm not sure where you even are, which page.

5 BOARD MEMBER CHICK: On the minutes, page  
6 three, performance audit, sunset review, the last  
7 sentence.

8 MS. BLAKE: Okay, I can point you to that. I  
9 didn't bring my statute book. Under the -- excuse me just  
10 a second.

11 MR. PALMA: 2194.

12 MS. BLAKE: Thank you, Gene. What it talks  
13 about here, it says here that the statute allows for  
14 administrative functions performed by the Department to be  
15 something considered as part of the pro ration of revenue  
16 to expenses. The Department's longstanding understanding,  
17 and may have had some legal opinion on that, was that  
18 administrative functions did not specifically, in terms of  
19 the fees, include things like, if you call in to change  
20 your address for your license. There is a fee for that.

21 And if you look in your Board packet today,  
22 under the tab FY fee schedule, if you look at the bottom  
23 numbering, that would be page 35 in today's book, you'll  
24 see a list on page 35, the last of a block which is called  
25 administrative function fees, and those are all of the

1 fees that we charge for those administrative functions.  
2 So, that had been the basis for the fees and expenditures  
3 that relate to those.

4           What this audit determined is that any cost  
5 associated with the administrative functions, not just the  
6 fees, has to be considered an OMH expenditure.

7           For example, our licensing function is, the  
8 salary for that particular individual was never considered  
9 as an expenditure for OMH, and now the audit says we must  
10 consider that, and fees, if need be, adjusted to  
11 accommodate full recovery cost of all the expenditures  
12 compared to all the fees we bring in.

13           Does that help?

14           BOARD MEMBER CHICK: Yes. Now, was that  
15 41-2144, or 2194?

16           MS. BLAKE: Did you say 94, Gene?

17           MR. PALMA: I'm looking it up right now.  
18 41-2194, I believe, but I'm double-checking.

19           MS. BLAKE: It sounds right. We'll verify it  
20 either at the end of this meeting or --

21           MR. PALMA: At the speed of a holiday express  
22 lane.

23           CHAIRMAN WAIT: We'll come back to that when  
24 Gene has that targeted, all right.

25           The next item on the agenda, with legal



1 counsel's approval, can I just move that further down the  
2 agenda?

3 MS. WILLIAMS: The selection of the chair?  
4 That's fine.

5 CHAIRMAN WAIT: So I will take the Chairman's  
6 prerogative and do that.

7 The item number five on the agenda is financial  
8 report, and this is an area, Terry, where you're going to  
9 have to just pick up the ball, after Roger has been here  
10 15 years. He asked more questions about these reports  
11 than any man alive. Or woman. So there's a role you  
12 might want to fill.

13 MR. GLEASON: Okay.

14 MS. BLAKE: But not today.

15 CHAIRMAN WAIT: Not today. In the future.

16 MR. GLEASON: I'm just here to listen.

17 CHAIRMAN WAIT: Anyway, you have all the  
18 reports before you for the various months, and so, I would  
19 entertain any questions regarding those reports.

20 MS. BLAKE: That starts on page five in your  
21 packet.

22 CHAIRMAN WAIT: Five as of September, October,  
23 November.

24 BOARD MEMBER CHICK: Mr. Chairman, question.

25 CHAIRMAN WAIT: Yes, sir.

1 BOARD MEMBER CHICK: My question is, what does  
2 MBL represent, as an abbreviation?

3 MS. BLAKE: Where do you see that?

4 BOARD MEMBER CHICK: I see it in the report  
5 called MBL slash --

6 MS. BLAKE: Oh. It's M slash --

7 BOARD MEMBER HANEY: It's going to be either  
8 mobile or manufactured homes, depending on when it was  
9 built. Mobile insignias, page six.

10 MS. BLAKE: Okay. It's mobile or manufactured  
11 homes. Thank you, Neal.

12 BOARD MEMBER HANEY: It's factory-built homes.

13 CHAIRMAN WAIT: They couldn't get lesser  
14 numbers. Keeps proving different. Amazing. I think the  
15 single biggest problem is the lack of ability to get  
16 financing for them. That's a real challenge. Even in  
17 Yuma, where there's snowbirds, and very good credit, it's  
18 very important, because when you think about it, they were  
19 financed. That's certainly not true today.

20 BOARD MEMBER CHICK: Mr. Chairman.

21 CHAIRMAN WAIT: Yes, sir.

22 BOARD MEMBER CHICK: Question. When would we  
23 anticipate having the year, this is, now, are we on a  
24 fiscal year?

25 CHAIRMAN WAIT: Yes. It ends June 30. So we

1 are, you're looking at roughly the first six months here.  
2 Five months.

3 BOARD MEMBER CHICK: That answers my question.  
4 Thank you.

5 CHAIRMAN WAIT: You're welcome.

6 BOARD MEMBER HYDE: So we project a loss then?

7 MS. BLAKE: Yes.

8 BOARD MEMBER HYDE: Significant.

9 BOARD MEMBER HANEY: Mr. Chairman.

10 CHAIRMAN WAIT: Yes, sir.

11 BOARD MEMBER HANEY: I know that when we were  
12 here last time, and asked Debra afterwards, one thing that  
13 caught my eye was the fact that there was \$323,899 in  
14 interest from fiscal 2011.

15 CHAIRMAN WAIT: Right.

16 BOARD MEMBER HANEY: Seemed like a huge amount,  
17 and come to find out that that was interest that had  
18 accumulated over a number of years on cash bond accounts.

19 CHAIRMAN WAIT: Exactly.

20 BOARD MEMBER HANEY: And that has been put into  
21 the recovery fund, which in looking at the recovery fund  
22 information, we currently have a balance of 88,000, with  
23 about 81,000 in possible claims, and I just wanted to note  
24 that. When we look at the indications on this up to a  
25 certain percentage of the previous year's interest can be

1 designated for education, but even though that part of it  
2 says two hundred and sixty-some thousand, we, in fact,  
3 only have in the recovery fund a possible \$8,000.

4 CHAIRMAN WAIT: Right.

5 Okay. Any further questions on the charts, the  
6 financial information?

7 Troy?

8 BOARD MEMBER HYDE: On the estimated  
9 expenditures, does this six eighty-eight include the newly  
10 prorated administrative costs, or is that before that  
11 consideration?

12 MS. BLAKE: Currently, it is before that  
13 consideration.

14 BOARD MEMBER HYDE: So when we factor in the  
15 administrative costs, that six eighty-eight goes up.

16 MS. BLAKE: What page are you looking at?

17 BOARD MEMBER HYDE: 27, November.

18 MS. BLAKE: I'm sorry.

19 BOARD MEMBER HYDE: 27. Estimated annual  
20 expenditures, 688,000.

21 MS. BLAKE: Right.

22 BOARD MEMBER HYDE: That does not include the  
23 administrative costs that are going to be considered.

24 MS. BLAKE: Correct. And that is about  
25 \$50,000.

1 BOARD MEMBER HYDE: So, we are actually looking  
2 at collecting about five fifty out of seven twenty-five.

3 MS. BLAKE: Yes.

4 BOARD MEMBER HYDE: Or seven thirty-five.

5 MS. BLAKE: Yes.

6 CHAIRMAN WAIT: So, when you look at the,  
7 Debra, when you look at the estimated annual expenditures  
8 in September, I mean, just so we understand. I'm an  
9 accountant and I have been here like 15 years, and this  
10 most difficult government accounting in general is  
11 impossible to understand. Honestly, it's very difficult.

12 And it's not accrued like, let's say in a  
13 business entity where you know something is coming. You  
14 might not know the exact amount, and you accrue a certain  
15 amount a month, so you anticipate it, and you know,  
16 accounts receivable or accounts payable and those sorts of  
17 things.

18 This all just lands, it comes in, and then all  
19 of a sudden everything is skewed one way or another, and  
20 that just seems to be the nature of the beast. A number  
21 of states have gone over to what I call non-governmental  
22 accounting, so they are more able to understand.

23 But I would assume when you look on page five,  
24 where you have estimated annual revenues and estimated  
25 annual expenditures, that the biggest numbers I am going

1 to talk about expenditures is in round numbers 483,000  
2 anticipated then. Now you come to page 27, and that now  
3 the anticipated has jumped to \$688,000. So, is that going  
4 to jump more this year, where the estimated revenue stays  
5 basically the same. It changes like a thousand bucks is  
6 all.

7 MS. BLAKE: Central Services Bureau, who is  
8 another, you know, part of another State agency that we  
9 contract with to do our accounting functions basically for  
10 us, I think the method that she uses is -- well, let me  
11 point your attention to something that speaks to what  
12 you're talking about, the accounting method.

13 If you look at September 2007, page five, you  
14 see that the current expenditures were, 10,000, 9,900  
15 something.

16 CHAIRMAN WAIT: Right.

17 MS. BLAKE: If you flip to page 16 for the next  
18 month, you see what Ross was making mention of. In  
19 October, the current expenditures were 108,000. So, it's  
20 all over the place because of the cash flow.

21 And if you look at November, on page 27,  
22 current expenditures 58,000. So there's no flow like you  
23 are talking about. You'll see it's fairly consistent with  
24 the revenues, as you mentioned. Current revenue deposits  
25 in September, 71,000. In October, 60,000, and it dropped

1 considerably in November down to 50,000, but I believe the  
2 method CSB uses, it calculates the sum total of all of the  
3 current expenditures, year to date, divides them by the  
4 number of months so far, year to date, and then multiplies  
5 it by 12, to get an average.

6 BOARD MEMBER HANEY: So it has no meaning.

7 MS. BLAKE: It has no meaning, but that's the  
8 method that's used.

9 CHAIRMAN WAIT: And correct me if I'm wrong,  
10 like the annual rent for occupancy expense, however you  
11 want to explain it. But all of a sudden one month you pay  
12 the whole thing for the year. So all of a sudden, rather  
13 than saying put it in, it's prepaid and then take it out,  
14 you know, over the next 12 months or however you're doing,  
15 you know. It's just, it just, you know, takes and skews  
16 the numbers so badly, they're actually meaningless.

17 MS. BLAKE: And the same thing, I'll have to  
18 defer to Mary Ann, and employee's benefits I think are  
19 either annual or twice a year.

20 MS. KNIGHT: It changes pretty much monthly for  
21 employee's benefits.

22 MS. BLAKE: Monthly, but grant is one time a  
23 year.

24 MR. PALMA: Yeah, as far as our risk benefits,  
25 it's a one-time expense.

1 MS. BLAKE: So --

2 CHAIRMAN WAIT: This is kind of like what Neal  
3 has been screaming about ever since he's been on this  
4 Board. We all have. It's frustrating.

5 Yes, Troy?

6 BOARD MEMBER HYDE: Just a quick question on  
7 that.

8 CHAIRMAN WAIT: On which?

9 BOARD MEMBER HYDE: How those expenses are  
10 figured. I just took year-to-date expenditures as of  
11 November, 286,000, and that is seven months of the year so  
12 far.

13 BOARD MEMBER HANEY: So far.

14 CHAIRMAN WAIT: By five.

15 MS. BLAKE: It starts in July.

16 CHAIRMAN WAIT: July 1.

17 BOARD MEMBER HYDE: So five, that ends up to  
18 what, 55,000?

19 BOARD MEMBER HANEY: It's about 57,000.

20 BOARD MEMBER HYDE: Times 12, puts us over the  
21 550,000. If we used the September numbers, it puts us  
22 under their estimated expenditure.

23 CHAIRMAN WAIT: Yeah, that's what drives you  
24 crazy. There's no rhyme or reason to it.

25 FEMALE SPEAKER: So, what that comes down to --



1 BOARD MEMBER HYDE: That's what the 688 is.  
2 It's the 57,735 times 12.

3 BOARD MEMBER HANEY: It's the 286 divided by  
4 five times 12.

5 CHAIRMAN WAIT: Mary Ann, go ahead and speak,  
6 please.

7 MS. KNIGHT: It's because of that lump sum that  
8 comes out at the beginning of the year for the rent that  
9 skews it. That's exactly what it is, what we were talking  
10 about.

11 CHAIRMAN WAIT: So, how much, just ballpark, is  
12 that rent?

13 MR. PALMA: \$223,000.

14 CHAIRMAN WAIT: So it's paid in one month, but  
15 it's for the whole year?

16 BOARD MEMBER OJEH: Yes.

17 CHAIRMAN WAIT: And it is not necessarily  
18 happening July 1 or July, the first month. You know, it  
19 happens, I don't know, whenever.

20 BOARD MEMBER BAIRD: Well, when does it happen?

21 MR. PALMA: This year it happened in July.

22 BOARD MEMBER HYDE: This year.

23 MR. PALMA: Last year it happened, I believe in  
24 October and March, I believe, and the year before that it  
25 happened -- don't ask me, it was split up among the year.

1 BOARD MEMBER HYDE: Is last year's total  
2 expenses on here?

3 MR. PALMA: Last fiscal year?

4 BOARD MEMBER HYDE: Yeah.

5 CHAIRMAN WAIT: They show year-to-date, prior  
6 year.

7 MS. BLAKE: Prior year-to-date, but that's  
8 based on that month.

9 BOARD MEMBER HYDE: We don't have a prior  
10 fiscal year total?

11 CHAIRMAN WAIT: If you look at the prior year-  
12 to-date total, you know, it might or it might not have the  
13 rent in it, because it was October last year and July this  
14 year. So, what do you do?

15 BOARD MEMBER HYDE: Right. This is what I was  
16 asking, if there was a total year, fiscal year expenditure  
17 number.

18 MS. BLAKE: There is, and I can e-mail that to  
19 you. It would have been as of June 30th last year, but I  
20 don't have those records with me right now.

21 BOARD MEMBER HYDE: I was just curious if it  
22 was in line with the 688 or with the 482.

23 CHAIRMAN WAIT: I took 15 hours of government  
24 accounting when I was in school, and I came to the  
25 conclusion it was so no one knew anything. You could

1 obscure what's going on. We certainly see that at the  
2 federal level all the time in many states, except the few  
3 that have changed over to private accounting, and you  
4 know, someone else does their accounting for them. We  
5 don't do it here, so we are at the mercy of other State  
6 agencies or subcontractors, but it is enough to drive you  
7 crazy trying to figure it out, and how do we stay within  
8 the 95 to 105, or I mean, it's difficult.

9 BOARD MEMBER HYDE: Right. We're either  
10 charging too much in fees or not charging enough.

11 CHAIRMAN WAIT: Right. There's been times  
12 where we could have done away with all fees in prior  
13 years. That goes back probably ten years ago. We could  
14 have had zero renewal fees and made money. Sounds crazy,  
15 doesn't it, but it's the way it was then.

16 BOARD MEMBER HANEY: Certainly, I think your  
17 point is, that if we had fiscal year 2011 year end, we  
18 could use that at least as a basis.

19 BOARD MEMBER HYDE: Baseline, yes.

20 BOARD MEMBER HANEY: To determine what we can  
21 expect in expenses for the current fiscal year, rather  
22 than taking year-to-date expenses and dividing it by the  
23 number of months and multiplying it by 12.

24 BOARD MEMBER HYDE: Or a budget for this year.

25 CHAIRMAN WAIT: You just can't, you really

1 can't do it. The only time that you can really kind of  
2 compare apples to apples would be June, end of June, and  
3 you look at the prior year June expenditures, prior year's  
4 June income. Unless they had two rents in one year. I  
5 mean, who knows, you know?

6 BOARD MEMBER BAIRD: I have a question.

7 CHAIRMAN WAIT: Yes, Sam.

8 BOARD MEMBER BAIRD: Other than rent, is there  
9 any another expenditure that's listed on a yearly basis?  
10 Or not on a monthly basis, I guess is the question.

11 MS. BLAKE: Yes.

12 MR. PALMA: We have risk management, which is,  
13 this year was once a year, risk management premium. And  
14 then we have an interservice agreement with CSB who  
15 prepares our accounting, and that is four times a year.  
16 And then with Attorney General's office, four times a  
17 year. So, I believe those are the only ones that are on  
18 a, not on an annual basis that we pay on, say a quarterly  
19 basis.

20 What happens sometimes too is, we get billed  
21 by, say our telecommunications, and for whatever reason,  
22 they don't bill us in a timely fashion, so we get like two  
23 months at once, and then by the time we prepare the  
24 invoice, send it over to CSB, who then pays -- is that  
25 right?

1 MS. KNIGHT: Uh-huh.

2 MR. PALMA: We're looking at three months  
3 withdrawal from our fund, rather than say a one month.  
4 So, you're looking at, say 60-some thousand in terms of,  
5 say for example, motor vehicle fleet costs, and then you  
6 may have, the next month have nothing, or the next two  
7 months have nothing. It's because of the different  
8 entities that are involved and how we get billed, too.  
9 That's what part of the difficulty is, in terms of  
10 planning.

11 MS. BLAKE: And in addition to that, depending  
12 on how our general fund money -- Mary Ann might have to  
13 help me with this, but depending on how the allocations  
14 are disbursed to us, if we are over our budget at a  
15 certain stage, they may not pay any invoices until the  
16 next, is it allocation, Mary Ann?

17 MS. KNIGHT: Next quarter.

18 MS. BLAKE: Next quarter's money is granted to  
19 us. So, that's why the flow of expenditures is really  
20 just all over the place. There's so many factors going  
21 on.

22 BOARD MEMBER OJEH: And that would make it hard  
23 to compare month-to-month too.

24 MS. BLAKE: It's almost impossible.

25 BOARD MEMBER OJEH: I know, just an additional

1 fact. I know this school district that got an audit from  
2 the Attorney General because it had a cash balance was out  
3 of whack. When they received money from the federal  
4 government, the government stipulates that they are  
5 supposed to maintain X amount of money. They shouldn't be  
6 having more money sitting on their books than they have  
7 actually spent.

8           Now they get their money from the State. The  
9 State meanwhile will send them sometimes more than they  
10 had credit for, in the hope that, you know, after a while  
11 they would just catch up, but when the auditors come, it  
12 is not of their own making. It goes to what Chairman Ross  
13 was saying, that, you know, the governmental accounting is  
14 just hard to understand sometimes.

15           So here you have in a bunch of prepared audit  
16 writings, they expended X amount of money, requested X  
17 from the State. The State gave them Y., and so, it's  
18 really hard, you know, sometimes to know.

19           CHAIRMAN WAIT: Well, I would personally say  
20 it's impossible. Let's just cut to the bottom line here.  
21 The accountant's brain has been ticking over there.

22           BOARD MEMBER CHICK: Mr. Chairman. Fiscal year  
23 ending 2011, July 2011. How much information is provided  
24 in those reports, actual expenditures or however the money  
25 is allocated?

1           CHAIRMAN WAIT: That would be June 30, is what  
2 you're really saying.

3           MS. BLAKE: June 30th. And then there is also  
4 something they use, the 13-month accounting. So, the  
5 number as of June 30 may not be the close of the fiscal  
6 year, because they add another month of adjustment, and  
7 so, we would know what the actual was by the end of July,  
8 first of August, following the end of the fiscal year on  
9 June 30. We'll know what the actual is.

10          BOARD MEMBER CHICK: Did we have that in 2011?

11          MS. BLAKE: We have it. Have we provided it to  
12 the Board in that format? No.

13          BOARD MEMBER CHICK: Could I request that,  
14 please?

15          CHAIRMAN WAIT: You certainly may.

16          BOARD MEMBER BAIRD: Might I request 2010 and  
17 2009 as well?

18          CHAIRMAN WAIT: What you're asking for is the  
19 final year-end numbers of income and expenditures?

20          BOARD MEMBER HANEY: Yes.

21          CHAIRMAN WAIT: And let me tell you, the sole  
22 reason I brought this up, this discussion so to speak, is  
23 there seemed to be a void regarding the financial  
24 statements, but you know, there is a lot of new members on  
25 this Board, and I think it's important that they

1 understand the frustrations that we as Board members face,  
2 and the challenges we face when it comes to looking at the  
3 numbers that are presented to us. It is a challenge.

4 BOARD MEMBER CHICK: I have a question.

5 CHAIRMAN WAIT: Yes, sir.

6 BOARD MEMBER CHICK: What happens if we don't  
7 make budget? In other words, we are in the red, and this  
8 is a self-sustaining Department, is it not?

9 CHAIRMAN WAIT: Well, it's supposed to be,  
10 let's put it that way.

11 BOARD MEMBER CHICK: What if the --

12 CHAIRMAN WAIT: The funds don't go into the  
13 general fund, correct?

14 MS. BLAKE: All of the fees go into the general  
15 fund. We get a general fund allocation. In addition to  
16 that, we have other revenue sources that are not fees.

17 For example, under our contractual agreements  
18 with H.U.D. at the federal level, we get payments from  
19 them monthly, and then under stipulated agreement with  
20 them, we get a lump sum distribution every year, based on  
21 federal regs.

22 BOARD MEMBER CHICK: Mr. Chairman, Debra, are  
23 those reflected in the fiscal year-ending reports, those  
24 payments as such?

25 MS. BLAKE: This report? Not as a fee



1 revenue. In the total FY budget end, yes.

2 BOARD MEMBER CHICK: Okay. So that we would  
3 expect to see the payments.

4 MS. BLAKE: Well, you can see that, yes, and  
5 we'll provide that to you. Just to clarify, that's not an  
6 OMH revenue, and so the OMH revenue, for purposes of the  
7 board, is the fee revenue. H.U.D. funds are not a fee  
8 revenue, but we'll give you all the information you want,  
9 too. I'm not trying to split hairs, I'm just saying there  
10 are other budgetary sources for our total budget that are  
11 separate and apart from the OMH fee, the OMH expenditure,  
12 that the Board is responsible for.

13 BOARD MEMBER CHICK: But the OMH -- excuse me,  
14 Mr. Chairman.

15 CHAIRMAN WAIT: Certainly.

16 BOARD MEMBER CHICK: The OMH provides services  
17 associated with H.U.D. payments, is that --

18 MS. BLAKE: We do.

19 BOARD MEMBER CHICK: So we are providing a  
20 service on a fee basis that does not reflect, well, H.U.D.  
21 doesn't, they pay us money for it, so our fees may not be  
22 short fall, in other words inadequate. Our fees may be  
23 adequate, given the fact that H.U.D. is going to supply us  
24 money.

25 MS. BLAKE: Well, let me see if I can explain

1 it a different way. So, let's say that we have an  
2 inspector who goes out and inspects the work that is done  
3 in the manufacturing facilities, okay. So, his salary, or  
4 hers, his salary would be an expenditure for OMH. In  
5 terms of the budgeting preparation, let's say through  
6 time-tracking sheets and whatever, we know that he spends  
7 75 percent of his time doing those inspections, and he  
8 spends 25 percent of his time -- I flubbed this, but  
9 that's okay. Let's say he spends 75 percent of his time  
10 doing inspections related to H.U.D., and 25 percent of his  
11 time is on other OMH activities.

12 The 75 percent of his salary that is directly  
13 related to H.U.D. fees that we receive, are taken solely  
14 out of the H.U.D. fund. It's managed in that way. The  
15 H.U.D. fund has a dedicated purpose and we take related  
16 expenses directly out of there.

17 So, that has nothing to do with the fee  
18 structure that you all decide, that has to cover the other  
19 25 percent of the activity he does for OHM.

20 Did that help or make it worse?

21 BOARD MEMBER CHICK: Yeah, that helped. It  
22 still is confusing, but sooner or later --

23 MS. BLAKE: Welcome to my world. So the fees  
24 that the statute talks about, and I'll direct you to those  
25 numbers if you want to jot them down.

1 Thank you, Betty, for bringing the book up.

2 Statute 41-2144. And this goes back to the  
3 prior, I'm on page three where Art posed the question.  
4 Statute 41-2144(A)(4). This is under powers and duties of  
5 the Board.

6 The Board shall establish a schedule of fees  
7 payable by persons, licenses and owners of units regulated  
8 by this chapter for inspections, licensing, so on and so  
9 forth, and administrative functions.

10 If you look back at the fee schedule to that  
11 list of fees for administrative functions, that is how the  
12 Department since the beginning of time, is my  
13 understanding, has interpreted that fee, therefore,  
14 compared to expenditures.

15 Now, through this audit, if you go to statute  
16 41-2171, it says that the Office of Administration is to  
17 provide administrative services necessary to facilitate  
18 the operation of the Office of Manufactured Housing and  
19 the Office of the Fire Marshall.

20 What the legal interpretation was, from the  
21 Auditor's office, is any administrative services provided  
22 need to be included as an expenditure that the Board fees  
23 have to cover. So that's a different interpretation than  
24 what we have ever had before, but it appears to be  
25 something that we need to comply with now.

1           So, the only one of those administrative  
2 services that is directly the responsibility of OMH fees  
3 is the licensing department, so, the salary associated  
4 with that and any other expenditures directly related to  
5 the licensing function. Consumer complaints are part of  
6 OMH services as well, but they are paid through other  
7 funds. The H.U.D. fund, the relocation fund, because  
8 those activities directly support the complaints, the  
9 petition process, and directly support the H.U.D. function  
10 for State administrative agency reporting, and so on and  
11 so forth.

12           So, those are not things that, they support it,  
13 but our fees don't have to cover those expenses, because  
14 they come out of another dedicated financial account.

15           CHAIRMAN WAIT: Troy?

16           BOARD MEMBER HYDE: Maybe this isn't the right  
17 time, but last time we met, you guys were going to be,  
18 Director Palma was going to be testifying before the  
19 Legislature regarding the audit, if I'm not mistaken.  
20 Like the next day after our meeting.

21           MS. BLAKE: Actually it was yesterday.

22           BOARD MEMBER HYDE: For the first one, and  
23 there was some question regarding whether the  
24 recommendations were required or they were just thoughts,  
25 or if we had previous, our counsel previously had told you

1 we didn't have to do that. Whether any of that was to be  
2 taken into consideration and used. Your response was you  
3 would find out when you got feedback from the  
4 Legislature.

5 Did anything happen out of that?

6 MS. WILLIAMS: Can I just clarify? Are you  
7 moving to item number six now? We were on the financial  
8 reports. Are you done with that item?

9 BOARD MEMBER HYDE: I wasn't talking about  
10 fees. I was just curious because she was talking about  
11 how we were having to -- we can push back.

12 MS. WILLIAMS: It has to be on, whatever you're  
13 going to talk about has to be related to the agenda.

14 BOARD MEMBER HYDE: It was just in response to  
15 that.

16 BOARD MEMBER HANEY: Any part of the financial  
17 reports go back to the audit, and what he was asking about  
18 was there were some things that came out of the audit that  
19 were going to be followed up on.

20 BOARD MEMBER HYDE: We can talk about whatever  
21 you guys want.

22 MS. WILLIAMS: Kind of combine five and six if  
23 you want.

24 BOARD MEMBER CHICK: Well, Mr. Chairman, you  
25 know, what Troy's question is leading up to is our ability

1 to address the fee schedule, because this is basically  
2 where I'm coming from, is how do we make reasonable good  
3 judgment in establishing a fee if we have slippery  
4 information? I don't mean slippery in the sense that it's  
5 there, but it's not consistent.

6 CHAIRMAN WAIT: Well, let me just go ahead and  
7 let's address both five and six at the same time, because  
8 there is a little crossover. And then we are not doing  
9 anything, so any questions we have, we'll come back and  
10 address fees specifically.

11 But if both of those agenda items are open for  
12 discussion, I will tell you this. You know, we have to  
13 address fees to keep within the 95 to 105 for our years,  
14 and we have to have that completed by May, but you know,  
15 we don't have complete year-end statements. The staff  
16 does as good a job as they can, but again, we never really  
17 have complete numbers of income and expenses.

18 And then, who knows if they are even correct,  
19 to be honest with you, until let's say sometime in August  
20 when the 13th month is complete. Well, you know, it's  
21 like using a Ouija board. I don't know. It is a  
22 challenge, but we do our best. That's all I can say.

23 MS. BLAKE: Right. And Mr. Chairman, if I may  
24 remind Board members when we had the October 2011 meeting,  
25 we talked in depth about the financial report and the

1 numbers that are on there, and then in terms of the fee  
2 schedule as well, and we made some recommendations that,  
3 based on the information we provide you in financial  
4 reports, and we've already talked about that being what it  
5 is. It does, it hinders your ability to make those  
6 decisions.

7           We talked about again, part of the audit report  
8 is that the Department has been taxed with doing some cost  
9 analysis about: What does it cost to perform an  
10 installation inspection? What does it cost to go to the  
11 plant and do an inspection?

12           So, we need to do the cost analysis on those  
13 things so we can say to the Board: Okay, we know it costs  
14 this. The current fee is this. So, that's first. So we  
15 know we need to do that. We are working on it.

16           We don't, as Gene said in the last meeting, we  
17 don't employ full-time accountants, CPAs. We are doing  
18 the best we can do and we are working on it. It's going  
19 to be probably the second quarter of this month before we  
20 can get that to you, have it available for you.

21           The other thing we talked about at that  
22 meeting, just as a reminder is -- and Paul, you're here on  
23 the phone. Are you still with us?

24           BOARD MEMBER DeSANCTIS: I sure am.

25           MS. BLAKE: Okay. Paul, and I think also Joe,

1 talked about that there are certain fees that we charge,  
2 for example, the licensing renewal fee. The way that you  
3 all, for those of you that have been on the Board forever  
4 and established fees, you annually renew your license.  
5 And let's say, just for sake of argument, your original  
6 license was \$800. Your renewal license is 400.

7 Well, now we have taken advantage of some,  
8 coming up with some additional technology where you can  
9 renew your license on line. You can pay with a credit  
10 card, you log on, you do it. A report gets generated to  
11 Beth's Department and licensing. They update it into the  
12 licensing database, and it's a pretty streamlined  
13 process. We haven't done the cost analysis, but off the  
14 top of what we think we know, that no way costs \$400,  
15 because we are spending an hour or two on it. So, we are,  
16 the cost recovery in some of these fees is going to far  
17 exceed the actual cost of doing it.

18 And I think Board members discussed at that  
19 point you all understand that, because the cost of doing  
20 business sometimes is that, if you want us here to think  
21 we add value to the industry, and you've indicated that we  
22 do, somebody has to pay fees to support what this  
23 Department does for you.

24 So, two things: We are working on the costs so  
25 that we can give you those numbers. Is that going to be



1 the final thing that helps you decide what fees are  
2 appropriate? Probably not. But at least you will have  
3 information in front of you. At this point in time, all  
4 we have is the financial reports to tell you where it  
5 appears to an accounting cashflow that we are tracking for  
6 the end of the fiscal year. And do you want to use that  
7 as your basis? You decided in October, no -- you want to  
8 wait until the cost analysis is done.

9           What does that mean? It means that for end of  
10 fiscal '12, coming up in six months or so, the fees are  
11 not going to cover the expenses.

12           BOARD MEMBER HANEY: But we don't know that  
13 because we don't have any good numbers.

14           MS. BLAKE: We are on track now for it. We  
15 haven't met it. Last year, we didn't meet it. Last year  
16 we met it at 94 percent, according to our figures, 90  
17 percent according to the Auditor's figures, because of the  
18 administrative services for licensing. So, we didn't meet  
19 it last year. A lot of that is because of where the  
20 industry has been at.

21           Things are looking better. We are starting to  
22 see more activity, more production, but we didn't meet it  
23 last year, and we reduced the fees for this year, through  
24 Board vote. We are still not seeing a lot of production  
25 volume that is going to compensate for that.

1           So, I guess, a reasonable standard applies, we  
2 are not going to meet it this year for fiscal year  
3 either. And so, it's at the Board's discretion, what you  
4 do with the fees. Just know that we are not going to  
5 meet, in all likelihood, the 95 to 105. We won't know  
6 that for sure until the final reports come out for fiscal  
7 '12, which likely will be August of this year.

8           CHAIRMAN WAIT: Yes, Zeke.

9           BOARD MEMBER OJEH: I understand what you are  
10 saying, Debra, and also understand that as Board members,  
11 you know, we have that judiciary fiduciary to stay within  
12 the 95 to 105.

13           With that in mind, is there any way that staff  
14 can look up all of, project all of the possible costs that  
15 we are going to incur? And then every month see if we can  
16 work towards meeting that? If we look back, it will  
17 reflect very poorly on all of us here if two years in a  
18 row we don't meet the 95 to 105.

19           I will say that it would be imperative for us,  
20 on us to do everything we can, if it means monitoring  
21 expenses, if it means having, you know, every month where  
22 I'll be on this, moving towards that target, where we are  
23 towards another target. If we don't do it, and you know,  
24 it's likely three years in a row we won't meet it, because  
25 of one thing or another.

1 MS. BLAKE: Yes, we have a fiscal budget  
2 prepared that we're working on right now for fiscal '12.  
3 I mean, it's done. It's what we work from. And you know,  
4 we know what the budget is. We could certainly give you  
5 that information. We know what our expenditures are  
6 supposed to be. Again, we don't have total control over  
7 what they are. The fees, we have no control over, because  
8 they are what they are, and it depends on what's going on  
9 in the industry.

10 But we could tell you what the budget is, what  
11 we anticipate and have budgeted from an expenditure  
12 standpoint, yes.

13 CHAIRMAN WAIT: Sam.

14 BOARD MEMBER BAIRD: To that budget, is this  
15 based upon the new ruling by the Attorney General's  
16 office, the newest expenses that we will be incurring, the  
17 extra?

18 MS. BLAKE: Yes.

19 BOARD MEMBER BAIRD: So, the budget includes  
20 those numbers?

21 MS. BLAKE: Right. From the Auditor General's  
22 office, yes.

23 BOARD MEMBER BAIRD: The Auditor General. So  
24 with the budget that, I would like for us all to have that  
25 budget.

1 CHAIRMAN WAIT: Sure. That's something you can  
2 e-mail to us; is that correct, Debra?

3 MS. BLAKE: Yes.

4 CHAIRMAN WAIT: Along with those final year-end  
5 income and expenditure numbers for those three years  
6 that's been requested? Thank you.

7 BOARD MEMBER BAIRD: Okay. So, the numbers are  
8 inclusive of the additional, the differences between what  
9 we thought was a 94-percent compliance last year, versus  
10 what the Auditor General said was a 90 percent. Last year  
11 we would have been at 90. Is that correct?

12 MS. BLAKE: The fiscal '12 budget?

13 BOARD MEMBER BAIRD: Fiscal '11, which we came  
14 in at 94 percent, which you mentioned --

15 MS. BLAKE: Yes, the fiscal '11 budget did not  
16 include that.

17 BOARD MEMBER BAIRD: If it had, it would have  
18 been at 90 percent?

19 MS. BLAKE: According to the Auditor General's  
20 calculations, yes.

21 BOARD MEMBER BAIRD: Right, which is the way  
22 we're going forward, and that's the way the 2012 budget is  
23 established?

24 MS. BLAKE: That's correct.

25 BOARD MEMBER BAIRD: We thought we were at 94

1 percent, which is --

2 BOARD MEMBER OJEH: Close to 95.

3 MS. BLAKE: We did good.

4 BOARD MEMBER BAIRD: What was it, Debra, for  
5 2010? Do you recall?

6 BOARD MEMBER HYDE: I wasn't here, but last  
7 time we talked, it was 107. I thought it was over.

8 CHAIRMAN WAIT: Yes, many times we have been  
9 over.

10 BOARD MEMBER BAIRD: That's one of the reasons  
11 why we lowered it by two percent or something.

12 MS. BLAKE: Well, you raised it in 2010, 12  
13 percent, and that's how we got to the 94 percent for last  
14 year.

15 BOARD MEMBER HANEY: I think what Troy has  
16 asked and what Sam has asked, and several other people  
17 probably have too. Every one of us is in business. I  
18 have my clients who say: What are your expenses and what  
19 is your income going to be for the year going forward?  
20 Maybe you usually want it two or three months before the  
21 end of my fiscal year, or calendar year, whatever the  
22 accounting is under.

23 And so I sit there and I look at the last two  
24 or three years' figures, and I take into account trends  
25 and vacancies or whatever it is, what utility rates are

1 doing, what the government is doing, things like that, and  
2 make a projection. And we have been over, since I've been  
3 on the Board looking at these kinds of reports, trying to  
4 make a wild guess at what we are going to be and I think  
5 most of us here are businessmen. I know Terry is. I've  
6 known him quite a while. We've got an accountant here,  
7 other businessmen, that I think if we had, you know, real  
8 numbers and the final accounting for the fiscal 2009, '10  
9 and '11 are real numbers, I assume.

10 MS. BLAKE: Yes.

11 CHAIRMAN WAIT: As real as you can get.

12 BOARD MEMBER HANEY: Speaking of governmental  
13 numbers, as real as we get. I mean, certainly we can, you  
14 know, make some pretty good projections based on that. We  
15 have got some industry heads here that can make some  
16 pretty accurate projections about what the industry is  
17 going to be doing over the next year or two.

18 And I think those are the kinds of things that  
19 will help us know what, I think we can make some pretty  
20 good estimates on what our expenses and income are going  
21 to be, if we had real numbers over the last several years  
22 to work with. And I think a cost analysis of the  
23 different functions performed would help us be able to  
24 allocate the expenses.

25 You know, even if we end up still charging more

1 for licensing, we understand that that's a necessary  
2 function of our industry, and that that may be way out of  
3 line with what it actually costs us, but in the long term,  
4 we can at least make a better allocation of expenses, or  
5 income to the expenses that are incurred.

6 MS. BLAKE: Mr. Chairman and Board members, to  
7 your point, and well made at several Board meetings.  
8 Would you like some evidence to those monthly financial  
9 reports that provided you with the flow of fee revenue,  
10 but really doesn't provide, you know, and current  
11 expenditures, current revenues, but doesn't project these  
12 numbers out, which as you all said, appear to be  
13 meaningless to you.

14 Does that make it worse for you, to get numbers  
15 that really are guesstimates?

16 Do you not want them on this report? Would you  
17 rather see the budget amount? I mean, you need to tell us  
18 what you want. We'll provide you what you want, but this  
19 is the format for the report that the Board approved some  
20 time ago, and if we need to consider a different format, a  
21 different set of numbers, so that you all don't have to  
22 struggle with this Board meeting after Board meeting --

23 CHAIRMAN WAIT: We normally don't. We brought  
24 it upon ourselves here today. It's a good opinion on  
25 things. It's enlightening.

1 MS. BLAKE: Yeah, we talk about it at every  
2 meeting. We don't have any control over it, but if you  
3 can't use it for anything, so why do we give it to you? I  
4 mean, what do you want, and how do we fix this going  
5 forward?

6 If you want prior fiscal year and baseline,  
7 we'll get you that.

8 If you want the budgeted amount for the year  
9 and where we are tracking them, we'll get you that.

10 BOARD MEMBER HANEY: I think the information  
11 that is here is good, the current expenditures, the  
12 current revenue, last year's year-to-date, same thing, is  
13 good information to have, because at least it allows us to  
14 compare the same time period.

15 I think the thing that is useless is estimated  
16 annual revenue, based on revenue divided by current number  
17 of months times 12. And the same thing with the estimated  
18 annual expenditures. That's a worthless number because of  
19 the huge fluctuation because of the way things are taken  
20 out.

21 I think if we had a budget number that we can  
22 look at and say: All right, we budgeted for the year this  
23 amount, that would be more helpful. The current  
24 expenditures, year-to-date expenditures, prior  
25 year-to-date expenditures, and the same way with income.



1 Then I think that is helpful information. Their estimated  
2 annual, the way they estimate it is a useless piece of  
3 information.

4 MS. BLAKE: Okay.

5 BOARD MEMBER HANEY: That's just my opinion.

6 MS. BLAKE: Mr. Chairman, do you want to take  
7 Board discussion, Board vote on removing the estimated  
8 annual revenue expenses from these reports?

9 CHAIRMAN WAIT: Well, I think we ought to just  
10 leave it there. We'd have it there historically. I would  
11 rather just leave it, and if we need something for further  
12 clarification, I'd like to add something, rather than  
13 delete.

14 And I agree, it's fairly meaningless, but it's  
15 still a number I think we should look at.

16 Troy?

17 BOARD MEMBER HYDE: Well, it was well said. I  
18 was saying the exact same thing. I think we just add our  
19 actual budget expenses and our estimated income to it.

20 CHAIRMAN WAIT: Zeke.

21 BOARD MEMBER OJEH: I wouldn't want them to  
22 have to do any more work than necessary, and I know it's  
23 frustrating on everyone. What I think would be most  
24 helpful, though, is if we look at 12-month fiscal year  
25 revenue expenses for two years. Most of us here would be

1 able to extrapolate, just see it on one page, you know.  
2 12 months, this is how much you got every month, how much  
3 you received, spent, received and spent, for two years, we  
4 should be able to.

5           It might not be accurate, but we should be able  
6 to extrapolate that projection over 12 months.

7           I don't think that would be hard to get even,  
8 you know, but in terms of changing this, adding that, you  
9 know, we have had this for as long as I can remember, but  
10 I wouldn't want to create more work for them.

11           CHAIRMAN WAIT: Troy?

12           BOARD MEMBER HYDE: I don't want to drive this  
13 point into the ground, but I know we talked about  
14 sometimes they pull out like a whole year at a time, and  
15 if they look at a whole year, it doesn't matter when it's  
16 pulled out.

17           CHAIRMAN WAIT: Right.

18           BOARD MEMBER HYDE: That's why those monthly  
19 numbers are meaningless to me. We look at the annualized  
20 numbers, it clears all that up.

21           CHAIRMAN WAIT: I think the most important  
22 thing we have coming towards us is, you know, the 13  
23 periods for '09, '10 and '11, and hopefully just got to  
24 hope that maybe rent is not twice in one year, or  
25 something else twice, but the odds are it's proper, and

1 so, those numbers are going to help.

2 BOARD MEMBER HANEY: It should be visable.

3 BOARD MEMBER HYDE: We can footnote that out.

4 I know what you're saying.

5 MS. BLAKE: But you're just wanting the final  
6 totals.

7 CHAIRMAN WAIT: Yes, for the year.

8 MS. BLAKE: So it won't make any difference how  
9 many times it went.

10 BOARD MEMBER OJEH: It's vital to get them. If  
11 you don't have the numbers, we don't know what happened,  
12 but if we do have the monthly, you can say in August, this  
13 thing happened.

14 In July, this is the trend. In September this  
15 thing happened. Or maybe they did it one year, and then  
16 they waited until the next year to do it, and then you can  
17 know the difference.

18 For instance, if in one month, say in July they  
19 charge us \$10,000, and then, you know, we know that they  
20 do that twice a year. And then in August, they charge  
21 \$20,000. The total for those two would be 25.

22 At the end of the year, you would have 25,000,  
23 but you don't know that maybe something happened that led  
24 to that increase. So that is why when you have the  
25 monthly, you have better material than having just totals.

1 Does it make sense, what I'm trying to explain?

2 MR. PALMA: Yes, it does.

3 BOARD MEMBER OJEH: It's easier, you know,  
4 circumstances that, you know, led to those, you might be  
5 able to tell every month, but it doesn't matter.

6 If the group wants the total, we can  
7 extrapolate from those.

8 CHAIRMAN WAIT: With your budget that you  
9 prepared, so, if one year the rent all comes in October,  
10 then do you, hopefully you've guessed October? Is that  
11 correct? Is that how the budget works, that you take  
12 these quarterly payments you make, these annual payments,  
13 and so you prepare a 12-month budget; correct?

14 MS. BLAKE: Yes.

15 CHAIRMAN WAIT: And so you do your best to  
16 decide when these, all your expenditures, and the biggest  
17 ones that skew the numbers are these lump sums, and you do  
18 your best to put those where they're supposed to go, and  
19 see how you're doing that year-to-date; correct?

20 MR. PALMA: Yes.

21 CHAIRMAN WAIT: And in your opinion, is that a  
22 useful number for us? Is the budget versus actual useful  
23 to this Board?

24 MR. PALMA: Well, I think it is, just because  
25 of the perspective it gives you, yes. I think it would be

1 useful, but --

2 CHAIRMAN WAIT: Is that a difficult thing to  
3 give us?

4 MR. PALMA: It shouldn't be, no.

5 MS. BLAKE: No.

6 CHAIRMAN WAIT: Thank you.

7 MR. PALMA: I just want, we want what you want.

8 CHAIRMAN WAIT: I understand.

9 MR. PALMA: Whatever is easier, convenient, is  
10 beside the point. We want to give you the information you  
11 think is important in the form that is easier for you to  
12 read.

13 CHAIRMAN WAIT: And the only point I'm making,  
14 and I appreciate your comment very much, but if all it  
15 does is provide us with another meaningless number, there  
16 is no use having staff do it.

17 That's why I'm asking your opinion, because I  
18 don't want you to, have you do something that's  
19 meaningless.

20 MR. PALMA: And I appreciate that,  
21 Mr. Chairman.

22 It's just that I think it better, the answer is  
23 better provided by the Board as to whether that would be a  
24 useful number or not.

25 CHAIRMAN WAIT: Well, let's do this going

1 forward. Can you provide that to us, and let us look at  
2 it for some period of time, and then we can decide whether  
3 it is meaningful to us?

4 MR. PALMA: Yes.

5 MS. BLAKE: Monthly or annual budget?

6 CHAIRMAN WAIT: No, I'm talking monthly  
7 budget. I mean, is that a big challenge to send us the  
8 monthly, the monthly that shows -- here is what I, here is  
9 how my budgets work. Here is this month, here is the  
10 budget for this month. Here is the year to date, here is  
11 the year-to-date budget. And here is the variances.

12 I assume you have that?

13 MS. BLAKE: Yes.

14 CHAIRMAN WAIT: That's something you have. Is  
15 it difficult, let's say to e-mail that to us?

16 MS. BLAKE: No.

17 CHAIRMAN WAIT: On an on-going basis. I'm not  
18 talking about --

19 MS. BLAKE: You want that in an e-mail every  
20 month, once that monthly reporting is in?

21 CHAIRMAN WAIT: Correct. Is that -- in  
22 general, I'm just asking, do you Board members feel that  
23 way? Something you'd like to see for a period of time,  
24 just to see what it looks like?

25 BOARD MEMBER HANEY: See how beneficial it is.

1 BOARD MEMBER OJEH: I have another question.

2 CHAIRMAN WAIT: But do you generally support --

3 BOARD MEMBER OJEH: Yeah, I raised my hand.

4 MS. BLAKE: You were going like this.

5 BOARD MEMBER HYDE: I thought you were dozing  
6 off.

7 BOARD MEMBER OJEH: Do we have expenses that  
8 are called every other year?

9 MS. BLAKE: No.

10 BOARD MEMBER OJEH: Okay, all right.

11 BOARD MEMBER CHICK: Mr. Chairman.

12 CHAIRMAN WAIT: Yes.

13 BOARD MEMBER CHICK: In looking at the  
14 expenses, the variables in this, seems to be on the  
15 revenue side, or I would anticipate it to be on the  
16 revenue side, plus or minus budget and making our  
17 expenses.

18 Because if you look at the Department of  
19 Commerce, the rent is a fixed number. Salaries are  
20 generally fixed. There aren't many variables in your  
21 operating expenses.

22 MS. BLAKE: Well, there are some.

23 BOARD MEMBER CHICK: For example?

24 MS. BLAKE: For example, the cost of the fleet  
25 fuel costs.

1           We know how many inspectors we have out in the  
2 field. We know that they used to be assigned by  
3 geographic regions, and we have remote offices, and so we  
4 had better management of how much mileage and and fuel  
5 costs we would have.

6           Now, we have the reduction in force, we lost  
7 another inspection through attrition. We have currently  
8 no ability to hire another inspector. We don't have the  
9 budget to do it. We have one inspector who does all  
10 complaint verifications.

11           So, we get a complaint from a consumer who  
12 bought a home. We have had to send the only inspector,  
13 who is based in Tucson, up to Kingman and up in Navajo  
14 County three times in the last month. So, those are not  
15 things that we can project, and they make a huge  
16 difference in the mileage and the fleet costs.

17           Another one along the same line is risk  
18 management, you know. We have done a really good job of  
19 putting people through training, and the appropriate use  
20 of State vehicles and whatever. We can't predict an  
21 accident, you know, and so those costs are associated back  
22 to us in general.

23           So, in fairness, a general statement is we know  
24 what they are. We know what our payroll is, we know what  
25 our employee benefits are. We know what rent is, so on



1 and so forth, but there are some costs that we can't  
2 accurately budget for and predict.

3 BOARD MEMBER CHICK: Thank you, Debra, for a  
4 good job in education. I thank the Board for being  
5 patient.

6 MS. BLAKE: Good questions. Thank you for  
7 that.

8 CHAIRMAN WAIT: Yes, Sam.

9 BOARD MEMBER BAIRD: I would answer your  
10 question yes, that you posed. That the major variances  
11 are in the income side. Everything Debra says is a  
12 variable and going to be a variable, but it won't vary  
13 that much as compared to the variants in the income. So,  
14 I think you're right.

15 BOARD MEMBER CHICK: Thank you.

16 CHAIRMAN WAIT: I would agree. I would support  
17 that. I'm not sure it can get much lower. And then the  
18 renewal fees and the licensings, normally dealers,  
19 installers, and sales people, et cetera, et cetera, I  
20 mean, that is just a case of trying to figure out how many  
21 are going to go away for the year. That seems to be the  
22 recent trend. Hopefully, we can look forward to at least  
23 the bottom, if not an uptick in the other direction, which  
24 I think is a general challenge.

25 All right. I believe we have just about beat

1 this horse to death, and if any --

2 BOARD MEMBER OJEH: Until next month.

3 MS. BLAKE: Quarterly, excuse me.

4 CHAIRMAN WAIT: So, if you ever wonder if  
5 there's any cause or correlation in government accounting,  
6 it has resulted in the State of Arizona owing at least 39  
7 million, which is at least \$6300 for every man, woman, and  
8 child around this table, and everybody in the State. You  
9 know, and why? A micro lesson.

10 Okay. Let's go on to the -- are we done with  
11 fee structure? I don't believe so.

12 Let's go to that schedule anyway. I know we  
13 talked all around it, so let's go specifically to pages 34  
14 and 35 and look at those and discuss it.

15 MS. BLAKE: Mr. Chairman and Board members, the  
16 fee schedule before you are the fees that were established  
17 by this Board's vote effective July 1, and they are  
18 unchanged to date.

19 CHAIRMAN WAIT: Okay. Any further discussion  
20 on fees?

21 Troy?

22 BOARD MEMBER HYDE: There was some question  
23 last time. You weren't here, but some question as to  
24 whether you were going to change those for the current  
25 year, but considering the timeliness that we have, and the

1 fact with the new fee schedule in May, it doesn't make  
2 much sense to make an adjustment now.

3 CHAIRMAN WAIT: And that's our, I think it's a  
4 once a year thing that we do anyway. I don't know if we  
5 do it multi times during the year. The only time we've  
6 ever done it in all the years I've been here is May.

7 BOARD MEMBER HYDE: Which was really talked  
8 about last time, but then there was a discussion putting  
9 it on the agenda to, if we needed to make a fee.

10 CHAIRMAN WAIT: Well, I'm thinking very  
11 positively that perhaps this information that we will  
12 garner between now and the next meeting, or at least  
13 between now and May is going to help us out to better  
14 focus come May, as to what we need to do.

15 Zeke, please.

16 BOARD MEMBER OJEH: Do we have an estimate of  
17 how much we plan to collect, based on these fees and  
18 categories?

19 In other words, we have established these  
20 fees. By the end of the year, do we have an idea how much  
21 we plan to get, based on whatever they have been?

22 CHAIRMAN WAIT: The budget.

23 MS. BLAKE: Well, the fees.

24 BOARD MEMBER OJEH: In other words, if you look  
25 at the first one, 864, how much would that contribute, you

1 know, to it? Is it one percent, five percent, is it 20  
2 percent?

3 MS. BLAKE: Well, if I could draw your  
4 attention back to, back to your financial report there.  
5 I'm going to take you to page 30 and page 29.

6 Every month we provide you pie charts to show  
7 you what the revenue breakdown by percentage was for the  
8 month.

9 We know that, for example, in November, 24  
10 percent of the revenue for the month came from renewed  
11 licenses.

12 If you go to page 30, this is where we are on  
13 track for fiscal '12, based on the months so far, that 24  
14 percent will come from renewed licenses, 17 percent from  
15 FBB permits, so on and so forth.

16 So, yes, we know what percentages and how it  
17 breaks down.

18 BOARD MEMBER OJEH: Okay, good.

19 CHAIRMAN WAIT: And they do this in respect  
20 with this chart, rather than the specific numbers.

21 BOARD MEMBER OJEH: Okay.

22 CHAIRMAN WAIT: Okay.

23 BOARD MEMBER HYDE: Mr. Chairman.

24 CHAIRMAN WAIT: Yes, Troy.

25 BOARD MEMBER HYDE: Based on what Zeke was

1 saying, looking at last year's revenues on the financial  
2 report, is that the same, how many months divided by 12,  
3 times 12?

4 MS. BLAKE: Yes.

5 BOARD MEMBER HYDE: Estimated revenue.

6 MS. BLAKE: Right. It's actual revenue month  
7 to month, yes.

8 BOARD MEMBER HYDE: Divided by how many months?

9 MS. BLAKE: And then estimate for year to  
10 date. The charts are not based on the estimate year to  
11 date, but they are based on the actual months so far in  
12 the fiscal year.

13 And the year-to-date estimate for annual  
14 revenue, on the first page of each financial report, is  
15 that calculation. The number of months divided by the  
16 number of months times four.

17 CHAIRMAN WAIT: All right. Does that do it?  
18 Everyone?

19 BOARD MEMBER HYDE: One more.

20 CHAIRMAN WAIT: All right.

21 BOARD MEMBER HYDE: Zeke made a comment earlier  
22 about us having, the Board having a fiduciary  
23 responsibility, and I'm not sure that -- I just want to  
24 understand that specifically.

25 Is this a fiduciary responsibility? What are

1 the implications of not meeting the 95 to 105?

2 MS. BLAKE: Well, I would say it's a statutory  
3 responsibility, and it's tied around money, so it also  
4 would be fiduciary, but you have a statutory  
5 responsibility to establish the fees to stay within that  
6 95-105 proration.

7 If you violate the statute, because you didn't  
8 do it, well then, you have to look at why didn't you do  
9 it? Did you not have correct information? Could these  
10 things not be predicted? I mean, you could only make the  
11 decisions based on the information you have, and you have  
12 to do the job at that to get there.

13 And so, does it violate the statute if you  
14 don't get there? Yes. What happens to you?

15 BOARD MEMBER HYDE: Is it a misdemeanor or  
16 felony?

17 CHAIRMAN WAIT: Ever heard of Florence?

18 (Laughter.)

19 BOARD MEMBER OJEH: I'm a CPA, you're a CPA,  
20 and we are saying, you know, we are not doing this. We  
21 are supposed to be doing it. You know, we are not meeting  
22 the statutory obligation. We are supposed to be meeting  
23 it, but you know, sometimes it is truly beyond, you know.

24 BOARD MEMBER HYDE: True, I recognize those  
25 beyond control things. My question is, does it have any

1 implications on the Department? Does it have any  
2 implications on this Board, other than --

3 MS. BLAKE: It has implications on the Board.  
4 What are the negative consequences? I can't answer that.

5 CHAIRMAN WAIT: Congressional hearing.

6 MS. BLAKE: Jail time.

7 CHAIRMAN WAIT: Look what happened to Roger.

8 MS. BLAKE: Yeah, don't explain yourself to the  
9 Legislature.

10 CHAIRMAN WAIT: Well, since I've been on this  
11 Board, I think we've made 150 percent, we've made 80  
12 percent, we've been all over the board, but then, as you  
13 go along, a lot of stuff is totally out of our control.  
14 If you don't know the numbers, how are you going to get 95  
15 to 105?

16 So, you know, you can always search for a  
17 scapegoat, and then there's things that used to be handled  
18 by the State that now they charge us for. I mean, the  
19 numbers are forever moving, so it is my best guess that,  
20 you know, as long as we do the best job we can and attempt  
21 to do it based on the information we have, I don't think  
22 there's anything that's going to happen to you physically  
23 or anything else, or financial. A stigma. We have to  
24 work on the factors in July.

25 MS. BLAKE: Oh, there you go.

1           CHAIRMAN WAIT: All right. I believe we beat  
2 the fees also.

3           Let's move on to recovery fund. And that's  
4 Beth.

5           MS. SOLIERE: Yes. Mr. Chairman and Board  
6 members, if you would please turn to page 36.

7           The balance of the recovery fund on January 6  
8 was 88,613, with one claim pending payment of 15,635.  
9 That was paid last week. So, right now we are looking at  
10 a balance of around \$80,000.

11           There are no claims pending hearing, and no  
12 claims pending payment at this time.

13           BOARD MEMBER BAIRD: Mr. Chairman.

14           CHAIRMAN WAIT: Yes, Sam.

15           BOARD MEMBER BAIRD: Do they have any funds yet  
16 collected from bonds?

17           MS. SOLIERE: I'm still working on collecting  
18 from some bonds, and I actually was able to collect four  
19 thousand from a cash bond, so that's not reflected on your  
20 pie chart, because that just happened last week.

21           BOARD MEMBER BAIRD: That's included in the 80?

22           MS. SOLIERE: No, because the transaction  
23 hasn't gone through yet. It's about \$4,000.

24           BOARD MEMBER BAIRD: So, we will be four  
25 thousand ahead at the end of this month?



1 MS. SOLIERE: Yes.

2 CHAIRMAN WAIT: But that cow has all been  
3 milked, correct, as far as getting any money? I mean, you  
4 have gotten hundreds of thousands of dollars out of that.

5 MS. SOLIERE: Yeah, but we are to the point now  
6 where there --

7 CHAIRMAN WAIT: We're at the bottom.

8 MS. SOLIERE: Yeah, right.

9 CHAIRMAN WAIT: And you have done an  
10 outstanding job.

11 BOARD MEMBER BAIRD: Yes, and we truly  
12 appreciate what you've done.

13 CHAIRMAN WAIT: Yes. It says there's only a  
14 deferred charge. It says there's about, what, 16 grand  
15 remaining, potential?

16 MS. SOLIERE: Right.

17 CHAIRMAN WAIT: So maybe you've collected it  
18 all. Not real significant, compared to the overall  
19 numbers.

20 MS. SOLIERE: Yes.

21 BOARD MEMBER BAIRD: Thank you, Mr. Chairman.

22 CHAIRMAN WAIT: You're welcome.

23 BOARD MEMBER CHICK: Mr. Chairman, question.

24 CHAIRMAN WAIT: Yes, Arthur.

25 BOARD MEMBER CHICK: Year-to-date numbers,

1 balance to balance, monthly, as of month six. What, how  
2 much money have we spent out in total claims this year?

3 MS. SOLIERE: Just this year?

4 BOARD MEMBER CHICK: Yes, just this year.

5 MS. SOLIERE: I don't have that number for this  
6 fiscal year.

7 MS. BLAKE: We can get it for you. We can get  
8 it.

9 CHAIRMAN WAIT: Fortunately it hasn't been a  
10 real big number.

11 MS. SOLIERE: Yeah, it's not.

12 BOARD MEMBER CHICK: And the 315,000, is that  
13 reflected in these numbers, or is that --

14 MS. BLAKE: Where do you see that?

15 CHAIRMAN WAIT: That was interest earned.

16 BOARD MEMBER CHICK: It says \$15,911 was  
17 interest earned, transferred through the recovery fund,  
18 was that not?

19 MS. SOLIERE: Yes. That was interest earned on  
20 cash bond money that was transferred. We hadn't been  
21 transferring it, so there was a large sum that we  
22 transferred all at once, and that happened in, I believe  
23 2009 or 2010.

24 CHAIRMAN WAIT: That was quite a while ago that  
25 that happened.

1 BOARD MEMBER CHICK: So, that's reflected in  
2 '10 performance?

3 MS. SOLIERE: Yes.

4 MS. BLAKE: And claims were all paid out of  
5 that, because the fund was in a negative balance, and  
6 there were several people that had at one time. Quite a  
7 few waiting.

8 MS. SOLIERE: They were lined up, waiting for  
9 payment.

10 MS. BLAKE: And that all got resolved, thanks  
11 to that cash bond transfer.

12 MR. PALMA: At one point, we thought we were  
13 going to be looking at ten years before everybody got  
14 paid, and then they got all mad, and we recovered that  
15 money and the people were able to be paid in a more timely  
16 manner.

17 BOARD MEMBER STEGMAYER: Mr. Chairman.

18 CHAIRMAN WAIT: Yes, sir, Joe.

19 BOARD MEMBER STEGMAYER: I'd like to say  
20 something, if I might. Can you give us the nature of this  
21 claim that's outstanding?

22 MS. SOLIERE: Okay. The 15,000, if you turn to  
23 page 39, that is for a complainant named Cruz. You see  
24 their contracting out was for \$83,000. The recovery fund  
25 payment was for just over 15,000.

1 BOARD MEMBER STEGMAYER: So that's already been  
2 paid?

3 MS. SOLIERE: It's already been paid.

4 BOARD MEMBER STEGMAYER: What does it say here,  
5 the 15,635 claim that is awaiting payment?

6 MS. SOLIERE: Yes, that one has already been to  
7 hearing, and there is a time period of 30 days we have to  
8 wait until we can pay them. That one was kind of in  
9 between at the time this chart was created.

10 In the meantime, the time when it came up for  
11 payment, so I paid them, and that was last week.

12 BOARD MEMBER STEGMAYER: So, we talked about  
13 this a couple years ago. Is there a process we have set  
14 up now to -- these claims going through to hearing, and  
15 there is no other side to it? There's no other side to  
16 the story. The claim goes in, and the Hearing Officer or  
17 whoever he is on the case gets to decide?

18 MS. SOLIERE: The Hearing Officer decides, but  
19 based off of the verification of our manager, so they do  
20 have the information there, but it is the complainant, and  
21 then the respondent, which sometimes they show up, and  
22 sometimes they don't, but I know there was discussion  
23 before about, does anyone from the Department go to these  
24 hearings? And that is a no.

25 BOARD MEMBER STEGMAYER: How do we, how does

1 the Hearing officer here, how do they find out about the  
2 value of these various complaints?

3 MS. SOLIERE: The complainant brings in three  
4 different estimates, so they get bids before they come in  
5 on how much it's going to cost them.

6 BOARD MEMBER STEGMAYER: But it's all on that  
7 side. Most of these complaints in this thing seem very  
8 minor, from the standpoint of financial implication. So,  
9 I wonder how it could get to the \$15,000. And so, rather  
10 than beat up on this one particular complaint, I guess my  
11 issue is with the process.

12 Obviously, it's already done, and we can't do  
13 anything about it, but it doesn't seem like we're making  
14 any progress on the process.

15 It seems to be, so the complainant comes in and  
16 provides the three estimates. You always get three  
17 estimates. Just because you get three estimates doesn't  
18 make them valid.

19 Well, is there any way the process, that the  
20 defendant, so to speak, or the complaint, the people to  
21 whom the complaint is being addressed, can also verify  
22 costs?

23 MS. SOLIERE: Well, they can come in and they  
24 can bring their own costs. They can come in.

25 BOARD MEMBER STEGMAYER: Are they made aware of

1 these hearings, the dates and so forth?

2 MS. SOLIERE: Yes. They usually have the  
3 opportunity to correct this ahead of time. So, if they  
4 don't correct it, that's when it goes to the recovery  
5 fund.

6 For example, if you look at page -- well, also  
7 that complaint for Cruz, it starts on page 38. And then  
8 on page 39, there's a little more of that. And then if  
9 you look at page 40, Nagraba, that was actually satisfied  
10 through the complaint process. So that one won't go to  
11 the recovery fund.

12 There is only two on this that were eligible for  
13 recovery fund. One was Cruz. That resulted in over  
14 15,000. And then the other one is Nagraba, could have  
15 gone to recovery fund, but it won't need to. It has been  
16 resolved.

17 MS. BLAKE: I guess, if I could add, Ross, did  
18 you want to --

19 CHAIRMAN WAIT: Let me just make a comment. We  
20 go through this real hard and fast, you know. Let's take  
21 this in particular, let's say the retailer goes out of  
22 business, doesn't show up, doesn't care. And we've seen  
23 ridiculous numbers, a couple hundred thousand, come  
24 through, like landscaping and all kinds of stuff.

25 And we say: Well, wait a minute. You know,

1 the retailer isn't going to show up, but it's coming out  
2 of our recovery fund. Can't someone else go there and be  
3 before the Hearing Officer? And the answer is, no. We  
4 tried to find out if we could get Gene to go, because he  
5 oversees, so to speak, the recovery fund, so there's a  
6 person that maybe should go. But basically, by my memory  
7 it was determined that other than the retailer, the  
8 installer, the manufacturer are the only ones that can go  
9 and argue about it, that position.

10 MS. SOLIERE: And most of the time they don't  
11 go, for whatever reason. It's out of business, you know,  
12 because if they were planning to attend, they probably  
13 would have just fixed the issue ahead of time.

14 BOARD MEMBER BAIRD: So, this dealer here in  
15 this case, he is licensed, right?

16 CHAIRMAN WAIT: It says invalid.

17 BOARD MEMBER BAIRD: So he lost his license for  
18 perhaps maybe this reason, that he didn't take care of  
19 this issue; right? Okay, so he has no license now.

20 So, no one here is being represented, except  
21 for the customer. I think that shows.

22 MS. SOLIERE: Right.

23 CHAIRMAN WAIT: Oh yeah, exactly.

24 BOARD MEMBER BAIRD: And all of ours, seems  
25 like there has to be something there, because there is,

1 there are issues here. We know that. We are all looking,  
2 and it seems like this isn't right.

3 MS. BLAKE: Maybe this will help. Before a  
4 claim gets to the recovery fund, it goes through the  
5 dispute resolution process that we have in place. So, and  
6 what that is, a consumer files a complaint. They allege  
7 all these violations with the home that they bought, and  
8 we then send a consumer installation inspector out there  
9 to verify, or not verify the validity of every individual  
10 violation.

11 So, that process then, what you see on this  
12 chart Beth has provided is, after we do our verification  
13 of the consumer complaint, we assign the responsibility  
14 for each item either to the dealer, the manufacturer, or  
15 the installer. Of course, the only way you get to the  
16 recovery fund is if there is a failure of the dealer. To  
17 add clarification of that, if the installation of the home  
18 is part of the purchase contract that the dealer made,  
19 then that ties that into that purchase contract and gets  
20 them to the recovery fund as well.

21 So, it goes through a process, it's verified by  
22 the Department. All of the responsible parties,  
23 manufacturer, dealer, installer, have a huge window of  
24 opportunity to go in there and repair and replace,  
25 whatever needs to be done, so that it gets resolved before



1 it goes to recovery. If they don't resolve it or they're  
2 out of business, then it goes to recovery to satisfy the  
3 consumer. And the licensee that was made verified to,  
4 automatically gets their license suspended until they  
5 repay the recovery fund, plus interest, and satisfy that.  
6 That never happens, or rarely happens, but that is the  
7 process.

8 BOARD MEMBER HANEY: I think we are all happy  
9 with the process up until it gets to the point where the  
10 aggrieved consumer can basically claim any dollar amount  
11 they want, and there's nobody to dispute it.

12 CHAIRMAN WAIT: Exactly.

13 MS. BLAKE: Well, that said, they have to get  
14 three quotes, and then it's up to the Judge.

15 BOARD MEMBER HANEY: Yeah.

16 BOARD MEMBER BAIRD: He can get ten and take  
17 the highest three.

18 BOARD MEMBER HANEY: Not that I admit doing  
19 this, but there's, sometimes you get an insurance claim.  
20 You go out and you find a company you know is high dollar,  
21 and you get a percentage off of it.

22 BOARD MEMBER BAIRD: Exactly.

23 BOARD MEMBER HANEY: That's exactly what  
24 happened here, and there's no recourse to say: Well, the  
25 normal cost is, you know, \$4,000, not \$8,000. So, I think

1 that's where we fall, where the process fault is, at that  
2 point.

3 BOARD MEMBER STEGMAYER: And I want to make it  
4 clear, Mr. Chairman, my point is that the recovery fund is  
5 a good thing.

6 We're all for the protection of the consumer in  
7 the event they could be aggrieved.

8 But the recovery fund can't be of much use if  
9 it's abused, and not available to the claims. So, for the  
10 help of the recovery fund, it's for the protection of the  
11 consumer where there really is a problem.

12 We need to protect against that abuse, so that  
13 the recovery fund remains viable and funded. We've seen  
14 those abuses, obviously, in the past. They wiped out the  
15 entire recovery fund.

16 CHAIRMAN WAIT: Well, we had one retailer take  
17 over 800,000 at one time. You know, hopefully we have  
18 taken those steps.

19 The steps are in place, when we have the new  
20 escrow account, trust accounts coming up here in the near  
21 future, it's going to help alleviate that situation going  
22 forward.

23 But still, if you go through that process where  
24 the person has complaints, just like this person, it's  
25 still going to go through the complaint process.

1 BOARD MEMBER STEGMAYER: Well, sure. I  
2 understand that. That's a good process.

3 MS. BLAKE: Any suggestions about how you want  
4 the Department to address that concern?

5 CHAIRMAN WAIT: You know, I know we beat this  
6 one before too, and we never were able to come to any  
7 satisfactory answer. It gets down to who has, besides  
8 that retailer, or that manufacturer, who has the legal  
9 authority to go before the Judge, and it came to the  
10 conclusion, I believe, that, what can you do?

11 There's no one that has the legal standing to  
12 go before that Judge, except the consumer, the retailer,  
13 and the manufacturer. We have even tried to get Gene in  
14 there, but you know, we thought of about everything that  
15 we could, but to my knowledge, there was nothing that we  
16 could, quote, legally do to overcome that obstacle.

17 BOARD MEMBER BAIRD: Mr. Chairman, was that an  
18 interpretation of the existing law? I assume that it was.

19 CHAIRMAN WAIT: Yeah, we brought that forward.

20 BOARD MEMBER BAIRD: As we are all aware now,  
21 the interpretations can change. Perhaps we should re-look  
22 at this. Maybe we should re-look at it and see if there  
23 is not a different interpretation that we could obtain.  
24 Or at least look at it.

25 CHAIRMAN WAIT: Well, and I believe that's only

1 been probably about two years ago, maybe three max that we  
2 went through that.

3 I mean, I realize in two years, three years,  
4 something could change, but it hasn't been, by government  
5 time, a long period of time since we looked at it, and  
6 that was a conclusion. I would say it's probably more  
7 like two years ago that we looked at that.

8 MR. PALMA: I think it was my first or second  
9 Board meeting.

10 CHAIRMAN WAIT: Exactly. It was right after  
11 you came on board.

12 BOARD MEMBER BAIRD: And we got, excuse me, and  
13 we got an interpretation from --

14 MR. PALMA: Well, at that point in time, and I  
15 can review the statutes again, because of the position of  
16 the agency, has to remain objective in terms of processing  
17 the claim. Then as a director, I actually sign the final  
18 order. I can't go and represent a particular interest,  
19 because that would be a conflict of interest at that  
20 point.

21 So, the only avenue I can suggest is just to,  
22 you have to somehow change the language of the statute, to  
23 give somebody, there's an ombudsman's office that the  
24 State has. Now, I don't know what powers they have, but I  
25 don't know if they participate? They don't? Okay. So at

1 that point, I don't know what else to say.

2 MS. WILLIAMS: They refuse to tell you what you  
3 did wrong.

4 BOARD MEMBER BAIRD: Do you know what statute  
5 that is?

6 MS. WILLIAMS: 41-2188 starts to talk about it,  
7 and subsequent statutes.

8 BOARD MEMBER HYDE: We wouldn't have to change  
9 the statute. We could do it through rulemaking.

10 CHAIRMAN WAIT: No, statute.

11 MS. WILLIAMS: No, I know. You do deny some of  
12 them, because I have done a hearing.

13 MS. SOLIERE: That was a revocation.

14 MS. WILLIAMS: Oh, that was a revocation.  
15 Excuse me. Never mind.

16 MS. BLAKE: And through the verification  
17 process, we deny some consumer complaints, but once it  
18 gets to the recovery fund, I'm not aware of any denial  
19 happening.

20 CHAIRMAN WAIT: That's a tough nut to crack.  
21 At least we've tried to crack it in the past. All right.

22 BOARD MEMBER STEGMAYER: This particular dealer  
23 is out of business, the one we're talking about?

24 MS. SOLIERE: That's the one on Cruz? Dealer  
25 invalid, yes. I don't know exactly why they are not

1 valid. I would have to check on that.

2 MS. BLAKE: And they would be suspended as a  
3 result of the recovery fund claim now. So, you can be  
4 invalid because you didn't renew.

5 BOARD MEMBER STEGMAYER: X factor.

6 MS. SOLIERE: Right.

7 MS. BLAKE: But at this point --

8 MS. SOLIERE: They're suspended anyway because  
9 of this. But there could be another reason why they are  
10 invalid.

11 MS. BLAKE: Could maybe we ask Johnny  
12 (phoenetic) to change this status to say what the actual  
13 status is? If they are suspended, if they are invalid  
14 because of their bond being sold?

15 MS. SOLIERE: Okay. Where it says recovery  
16 fund note?

17 MS. BLAKE: Yes, because invalid could mean  
18 that they just didn't renew timely, but they still could.  
19 And you all would want to know that, I am sure.

20 BOARD MEMBER STEGMAYER: Don't they have a  
21 bond, if they are licensed?

22 MS. BLAKE: Yes. The bond stays in place for  
23 two years.

24 BOARD MEMBER STEGMAYER: So, could we see that,  
25 could we see if --

1 MS. SOLIERE: Yes, the bond. The only reason  
2 that we wouldn't be able to get it, is if in the past two  
3 years the statute of limitations for recovery bond.

4 BOARD MEMBER STEGMAYER: Seems like it went  
5 fairly fast. We filed June 11.

6 MS. SOLIERE: Right, but it's two years from  
7 the date of installation or the date of purchase, which I  
8 believe was later.

9 So that's why a lot of these bond recoveries do  
10 get denied, because it has been two years.

11 BOARD MEMBER HYDE: Do we have a statute of  
12 limitation?

13 MS. SOLIERE: Two years.

14 BOARD MEMBER HYDE: Ours is two years too.  
15 When they can apply.

16 MS. SOLIERE: For recovery fund, two years.

17 CHAIRMAN WAIT: That's when you have your  
18 cousin going to give up aces and you just go back to the  
19 office. I have seen that in Yuma a few times, get your  
20 cousin. They also had a nice trip around the recovery  
21 fund a few times.

22 All right. Any other discussion regarding  
23 fees? Not fees, I'm sorry, recovery fund.

24 All right. The next item on the agenda is  
25 notice of proposed rulemaking.

1 MS. BLAKE: Mr. Charman, Board members, if you  
2 turn to page 43 in your booklet, two things on the agenda  
3 this time to talk about.

4 The Department is up for a five-year review  
5 with the Governor's Regularory Review Council, and we are  
6 required every five years to produce a comprehensive  
7 report that looks through every one of our rules and makes  
8 a determination as to if it's valid, why it's valid, and  
9 if we plan to make any changes, and so on, and so forth.  
10 It's very cumbersome, but it's a good process to go  
11 through.

12 And so, we have the option. As you see, we  
13 didn't receive the, didn't receive the notice until late  
14 October, and we have the option to request a 120-day  
15 extension to get us through that entire review process and  
16 submit it. Obviously, the Board's powers and duties, you  
17 have responsibility over the rules, and so we bring this  
18 to you, asking you take a Board vote, allowing our  
19 Director to request that 120-day extension.

20 BOARD MEMBER HANEY: So moved.

21 BOARD MEMBER OJEH: Second.

22 MS. BLAKE: A copy of the letter is on page 43.

23 CHAIRMAN WAIT: All right. Neal made the  
24 first, Zeke the second. Any discussion?

25 All those in favor say aye.



1 (Affirmative responses.)

2 CHAIRMAN WAIT: Motion carries. Thank you.

3 MS. BLAKE: The next item that we have  
4 agendized under this is to bring to your attention, and  
5 this is just informational.

6 You don't need to take action today, but I want  
7 to make you aware of it. We already talked about the new  
8 escrow law that becomes effective July 1 of this year,  
9 which requires the escrow account, under certain criteria,  
10 for the sale of a home.

11 A part of that statutory, part of that new law,  
12 if you look on page 49, requires the Board to adopt  
13 separate rules for dealer trust and escrow accounts, and  
14 broker, and gives you seven items that the rules should  
15 address.

16 Now, the new law doesn't set a time frame by  
17 which you must do rules. I have an e-mail from Ken  
18 Anderson, as you know president of the Arizona Housing  
19 Association, and they would like the Board to consider  
20 letting this law go into effect, have a period for it to  
21 work. So that the Board could then discuss and know if  
22 there is any particular challenges with the audit process,  
23 if how information is being maintained needs to be changed  
24 or addressed through the rule process.

25 CHAIRMAN WAIT: So, at this point, saying these

1 rules shall contain: The present escrow cannot do the  
2 following, and the, is there anything specific more than  
3 what's in here?

4 MS. BLAKE: No.

5 CHAIRMAN WAIT: So we're saying, let's wait and  
6 see how well this works?

7 MS. BLAKE: Correct.

8 CHAIRMAN WAIT: And if it needs tweaked down  
9 the road, then we can tweak it?

10 MS. BLAKE: Excuse me?

11 CHAIRMAN WAIT: Sure.

12 BOARD MEMBER BAIRD: Are these currently, we're  
13 only talking about the transactions, the transactions by  
14 brokers that are under \$50,000 here?

15 MS. BLAKE: The whole escrow law.

16 BOARD MEMBER BAIRD: The whole escrow thing,  
17 the ones that go to escrow companies, third-party escrows.

18 MS. BLAKE: Yes, you have to do the rules at  
19 some point. There is nothing in the law that says you  
20 have to do them before the new escrow law goes into  
21 effect.

22 So, I would ask that you talk about this here  
23 on the side, and decide if you want to do that, establish  
24 some rules and talk about it at the next Board meeting,  
25 which would be in April, where you want to try to draft

1 the rules.

2           Again, as you know, with the last rule package,  
3 it's a long, basically six-month process to get it  
4 through, but we can, you can start working on that  
5 adoption of rules, as specified here on page 49, at any  
6 point that you would like to do that.

7           They are not required to be in place prior to  
8 the July 1 law.

9           So, is that something you would like us to put  
10 some draft documentation together?

11           CHAIRMAN WAIT: Let me discuss this a little  
12 bit. Okay, I sell a home for a hundred thousand, home,  
13 accessories, everything that goes with it, and the  
14 customer gives me \$100,000, and I open an escrow account  
15 at the title company. So, today do I take the invoice for  
16 the home unit to the escrow company? So, now I've  
17 delivered that home, does the title company pay that?  
18 Because for that retailer to maintain his relationship  
19 with the lender, the home leaves a lot, you need to pay  
20 that home off, and the manufacturer. So, do you, does the  
21 escrow officer have the MSO in hand, and now she knows the  
22 home is delivered, and she sends a check to the flooring  
23 source?

24           MS. BLAKE: Well, the escrow instructions are  
25 going to be the key for that, and so they can be unique,

1 depending on your relationship with your escrow company.

2 Yes, the escrow company typically will make  
3 disbursements on certain triggers, and that's decided  
4 between you and your consumer.

5 So, you know, once the home gets delivered, you  
6 know.

7 CHAIRMAN WAIT: As a banker we make a loan to  
8 build a building, you know. Basically what happens is,  
9 because the general contractor, the subs go out, and in  
10 essence, you know, we have the concrete in and all the  
11 undergrounds in. We send someone out to take look at it  
12 and say okay. We use rough numbers, okay, it's 20-percent  
13 complete at this stage. So, we give the 20 percent, but  
14 we get lien releases to make sure that that contractor is  
15 paid. Okay.

16 So, we do that, and then the next stage, when  
17 it's all, you know, framed up, roof is on, now we do  
18 another 20 percent. And again, we go out to make sure  
19 that these things are done.

20 I mean, what would keep me as a retailer, if I  
21 delivered the home today, so pay off, here is the MSO, so  
22 pay the flooring source, and also just give me the rest of  
23 the money?

24 MS. BLAKE: Well, that is exactly the purpose  
25 for this new law.

1           CHAIRMAN WAIT: No, I understand.

2           MS. BLAKE: And so, as you know, in the past,  
3 you get the lender, and a lot of times disburses the whole  
4 money, or the consumer hands the money over to the dealer,  
5 and the dealer has total control over this trust account,  
6 and disburses it however they want to, and consumers got  
7 left with nothing.

8           CHAIRMAN WAIT: Right, exactly.

9           MS. BLAKE: And so the escrow company, through  
10 the escrow instructions, they decide who gets paid when,  
11 and that's all contractual between consumer --

12           BOARD MEMBER HANEY: I guess my problem was not  
13 having any rules going into it. Say I'm some unscrupulous  
14 dealer. I get to make up the contract with this home I'm  
15 selling, and I tell the consumer: Here's all the stuff  
16 you need to sign. You need to sign down here, and I'll  
17 release the funds. And then in there I say that the  
18 minute I deliver the MSO to the escrow company, I get paid  
19 in full. The escrow company pays it in full.

20           CHAIRMAN WAIT: And there's no awnings, no air  
21 conditioning.

22           BOARD MEMBER HANEY: No, nothing.

23           CHAIRMAN WAIT: The installation hasn't been  
24 made.

25           BOARD MEMBER HANEY: How do we protect the

1 recovery fund by an escrow account if we don't have any  
2 rules?

3 THE COURT REPORTER: Excuse me, I need to  
4 change paper, please.

5 CHAIRMAN WAIT: Go ahead.

6 THE COURT REPORTER: Thank you very much.

7 BOARD MEMBER HANEY: It seems to me when this  
8 was passed in 2010, at that time we had set up a group to  
9 look at rulemaking, which is now two years ago.

10 For a dealer trust account we have rules in  
11 place, for certain things that have to take place, certain  
12 steps that have to be met before a dealer can withdraw  
13 from the trust account.

14 It seems to me at the very least, those rules  
15 ought to be in trust, those rules ought to be in place for  
16 escrow account. I mean, how are we protecting the  
17 consumer for an unscrupulous dealer by going to escrow if  
18 we let the dealer make up the rules?

19 CHAIRMAN WAIT: But, you know, it's like, you  
20 know, if I go out and install something and I build the,  
21 let's say detached garage as part of the contract, I as  
22 that installer, air-conditioning guy, builder, depends on  
23 the class of license, you know, I can put a lien on that  
24 property, and if I don't get paid, if the retailer doesn't  
25 pay me, that lien is there. And so, now, they are going

1 to come back and say: Wait a minute, I have this \$20,000  
2 lien on my home.

3           So how do we assure ourselves that the money  
4 coming out of the escrow account is going for work  
5 completed? That's the real question, is the awning there,  
6 is the concrete there, is the home there, is the heating-  
7 cooling system there. All the various components that are  
8 part of that sales contract.

9           BOARD MEMBER BAIRD: How do we do it now with  
10 the trust account?

11           MS. BLAKE: It's defined in the statute.

12           BOARD MEMBER BAIRD: Exactly, but who does  
13 that, the retailer?

14           CHAIRMAN WAIT: The retailer does. He just  
15 does it. I was a retailer for many years.

16           BOARD MEMBER BAIRD: If he doesn't do it, then  
17 there is recourse.

18           CHAIRMAN WAIT: That's right. That's right.

19           MS. BLAKE: Well, it also says in statute that  
20 all earnest money that's deposited into, has to deposit  
21 into an escrow account follow certain requirements. You  
22 know, recordkeeping for the amount received, dates of  
23 receipts, dates of deposits, transactions that go in and  
24 out.

25           The task force that you're talking about, that

1 Beth was involved with, was to establish these escrow  
2 requirements, but not rules. One and the same. I mean,  
3 they would eventually become, but that has not been done,  
4 and so, that's why I bring it up to you today. There are  
5 rules that need to be set.

6 Do you want to wait, as what was suggested, or  
7 do you want to formulate those rules?

8 BOARD MEMBER HANEY: I don't think I want to  
9 wait until it's abused, and they come back and say: Well,  
10 gee, we passed the law, but we didn't do anything with it  
11 to prevent the abuse.

12 So now let's do something to prevent the  
13 abuse. I mean, if we went to the whole effort of  
14 discussion of establishing a trust account or an escrow,  
15 requirement for an escrow account in order to put an end  
16 to those kinds of abuses, the cost of recovery fund, the  
17 recovery fund, hundreds, millions.

18 CHAIRMAN WAIT: Millions.

19 BOARD MEMBER HANEY: Millions of dollars, and  
20 then if we don't have rules, we haven't done anything.

21 I want to see, I would like to see, I had hoped  
22 that we would have rules. When I saw it on the agenda  
23 today, I thought we would have some rules to look at, and  
24 was going to be disappointed that they hadn't got it to us  
25 before we actually got here, but we haven't even got them



1 here to look at. And I don't want to wait any longer. I  
2 don't want to wait, no.

3 MS. BLAKE: Okay.

4 CHAIRMAN WAIT: I agree. We don't let the cat  
5 out of the bag first. Sam?

6 BOARD MEMBER BAIRD: Mr. Chairman, when does  
7 the law go into effect?

8 MS. BLAKE: July 1.

9 CHAIRMAN WAIT: And so, let me ask you this.  
10 If we pass some rules between now and July 1, then that  
11 becomes part of it.

12 If we wait until after July 1, then you have to  
13 go through the six-month period and all that?

14 MS. BLAKE: Well, you've got to go through due  
15 process anyway.

16 CHAIRMAN WAIT: Either way. Okay.

17 MS. BLAKE: Right.

18 CHAIRMAN WAIT: That's what I wanted to know.

19 BOARD MEMBER HANEY: We still have to go  
20 through the rulemaking process, so we're still six months  
21 away minimum, if we passed it today.

22 BOARD MEMBER HYDE: So either way, there's a  
23 period where there is no rules.

24 CHAIRMAN WAIT: Absolutely.

25 MS. BLAKE: Beth, do you know where they are at

1 in their instructions on the escrow requirement?

2 MS. SOLIERE: I really don't know at this time.

3 MS. BLAKE: Would you mind following up,  
4 because the main part of that same group --

5 CHAIRMAN WAIT: Who is "them"?

6 MS. BLAKE: Arizona Housing Association.

7 MS. SOLIERE: And they have different members.

8 MS. BLAKE: And they have different members  
9 representing all segments of the industry.

10 CHAIRMAN WAIT: Okay.

11 MS. BLAKE: Okay. So, you would like to see  
12 draft rules?

13 CHAIRMAN WAIT: Yes.

14 MS. BLAKE: In advance of the next regularly  
15 scheduled meeting.

16 CHAIRMAN WAIT: Absolutely.

17 BOARD MEMBER HANEY: Which I believe is in  
18 April?

19 MS. BLAKE: Yes, sir.

20 CHAIRMAN WAIT: Do we need a motion to that  
21 effect, or do we?

22 MS. WILLIAMS: I think you're okay.

23 CHAIRMAN WAIT: All right. Well, I guess we  
24 have covered the whole rulemaking.

25 Now I'll jump back up to item number four, and

1 just for clarity's sake, you know, I've been on this Board  
2 either, I don't know, 14 or 15 years, and maybe that's  
3 what's all messed up.

4           Anyway, I have given a lot of thought. I have  
5 applied to continue on the Board, I have done that, and I  
6 have given a lot of thought about, you know, remaining as  
7 Chairperson, almost every year since I've been here, you  
8 know, and I'd say, anybody else want to be Chairman? And  
9 the more I put together a committee and several members to  
10 go around and poll and see who would do it, for whatever  
11 reason it always came back to me, and I accepted to do  
12 it.

13           But I personally feel that it's time for  
14 someone else to become Chairman, and I've been here I  
15 believe 14 years, so what I'm trying to do is exchange  
16 chairs with one of you, and get some fresh blood, maybe  
17 some new ideas up here, new leadership up here.

18           I'll still be here if anybody needs any  
19 mentoring or anything of that nature.

20           So what I've decided to do is put together a  
21 committee, and since Paul didn't come, Paul, I'd like for  
22 you to chair that committee, and I'd like for you to  
23 select one other member, if you would, please, Paul, and  
24 then have the two of you talk with various Board members  
25 and see who would like to be considered Chairperson.

1 MS. BLAKE: Chairman Wait, excuse me?

2 CHAIRMAN WAIT: Yes.

3 MS. BLAKE: The Board, with the open meeting  
4 law, there can't be subcommittees that are not available  
5 for public participation. So there can't be a private  
6 meeting. You must agendize it and have it open to the  
7 public.

8 Your other option is, you're certainly welcome  
9 to do what you suggested.

10 Your other option is, the Board members that  
11 are here today, if there is anyone who wants to throw  
12 their name in today, and you want to consider that, you  
13 could vote today to put that person in that position.

14 CHAIRMAN WAIT: Yeah, and you know, I thought  
15 of that too. I mean, certainly that was my number one  
16 thing. Then I just thought, well, I'd do this, not  
17 thinking of the laws or whatever or that, and so, we'll  
18 just take that step and see what happens.

19 Is there someone on this Board who would like  
20 to be Chairperson?

21 BOARD MEMBER BAIRD: I don't know if I would  
22 like to do it, but I would do it. Nobody else would  
23 really like to do it.

24 CHAIRMAN WAIT: Finally after 14 years, I've  
25 got a taker.

1 BOARD MEMBER BAIRD: I would do it. I think  
2 it's important. A lot of challenges here going forward.

3 MS. WILLIAMS: If anyone else is interested,  
4 you can throw your name in. Otherwise, you just need a  
5 motion to make it official.

6 MS. BLAKE: Anyone else have an interest?

7 BOARD MEMBER STEGMAYER: I would make a motion  
8 that Sam Baird be elected Chairman.

9 BOARD MEMBER HYDE: I'll second.

10 BOARD MEMBER HYDE: Okay. Any discussion on  
11 that?

12 All those in favor say aye.

13 (Affirmative responses.)

14 CHAIRMAN WAIT: Any opposed? Motion carries.  
15 There you go, Sam.

16 MS. BLAKE: Congratulations, Sam.

17 (Multiple congratulations.)

18 BOARD MEMBER BAIRD: Thank you.

19 BOARD MEMBER HANEY: Just so you know, Sam,  
20 when he started, he had a full head of hair.

21 CHAIRMAN WAIT: I did, and it was black.

22 BOARD MEMBER BAIRD: I'm already halfway there.

23 CHAIRMAN WAIT: All right, next item on the  
24 agenda is call to the public, who we have none.

25 MS. BLAKE: Terry is public.

1           CHAIRMAN WAIT: Oh, that's right, you are  
2 public.

3           MR. GLEASON: I just have one question.

4           CHAIRMAN WAIT: Sure.

5           MR. GLEASON: The expiration dates on everyone  
6 that's here today, are they continuing on, or is that just  
7 a --

8           MS. BLAKE: Yes, I can answer that. Currently,  
9 there are only three valid members on this Board, and they  
10 are Arthur Chick, Terry, once he gets his oath done, and  
11 Troy.

12                   The rest of all of your terms have expired.  
13 I've noticed you individually.

14                   I did speak with Boards and Commissions  
15 recently. I know that Neal has reapplied, Ross, Sam,  
16 Joe. If you are interested in reapplying --

17           BOARD MEMBER OJEH: Yes.

18           MS. BLAKE: You can do so. When I spoke with  
19 Boards and Commissions, there are a half a dozen or so  
20 other names that have applied. They have recently posted  
21 six open positions, and so, they will be looking at all of  
22 those.

23                   So, thank you if you reapplied and are still  
24 interested in serving. They go through the review process  
25 with everybody. They will make recommendations. The

1 Governor will appoint people.

2 Those of you who have been Senate-confirmed,  
3 and you can continue to serve in your capacity, and that  
4 would be all of you.

5 CHAIRMAN WAIT: All of us, yes.

6 MS. BLAKE: And so, come and still serve until  
7 you hear differently, if you do.

8 BOARD MEMBER HANEY: Or until told to stay  
9 home.

10 CHAIRMAN WAIT: Okay. Does that, that's it in  
11 the call to the public, I take it.

12 All right. Announcement of future meeting  
13 dates. I know that is April 18.

14 MS. BLAKE: Mr. Chairman and Board members, as  
15 you saw today, we had Paul join us by conference, and  
16 thank you for doing that, Paul. I think --

17 BOARD MEMBER DeSANCTIS: Thank you. That's  
18 great, it helped out a lot, as I told you today.

19 MS. BLAKE: Oh, excellent. Actually, Mr. Baird  
20 brought up at a previous meeting, could we have that  
21 option, so that we never get into a situation again where  
22 we don't have a quorum, and past Chairman Wait doesn't  
23 have to drive six hours each way.

24 But anyway, just so that you know, we like to  
25 see you face-to-face. If you can participate and can't

1 drive in, please let Ayde know through e-mail, or myself,  
2 that you would like to join us through conference call,  
3 and we'll make that happen for you.

4 CHAIRMAN WAIT: Great, thank you.

5 Well, sir, it's your turn to adjourn the  
6 meeting.

7 BOARD MEMBER BAIRD: No, you have one final  
8 duty.

9 CHAIRMAN WAIT: That's it?

10 BOARD MEMBER BAIRD: Before that, I really  
11 think that we should thank Ross for his 14 years of  
12 service.

13 (Applause.)

14 CHAIRMAN WAIT: Well, let me say, you know,  
15 I've been in the manufactured housing industry for  
16 basically 30 years. I think it's a wonderful industry,  
17 and it has been very good to me, and that is why I decided  
18 originally to get on this Board, to give back to an  
19 industry that's been good to me, and I am certainly hoping  
20 that going forward we'll have a recovery, a strong  
21 recovery. But I think we still have some struggle years  
22 ahead of us. The biggest one is going to be financing, as  
23 well as all the other things that were in the great  
24 recession.

25 Anyway, that is what I have done. I want to



1 continue to do it, and because I have been both a  
2 retailer, an installer, I have more times than I want to  
3 think about. But anyway, it is a great industry, and this  
4 has been my way of giving back to it, and hopefully, I  
5 have contributed to it.

6 So, it's been my pleasure. Thank you.

7 BOARD MEMBER BAIRD: I make a motion to  
8 adjourn.

9 THE CHAIRMAN: All right, let's do it. We are  
10 adjourned. Thank you everyone.

11 (Whereupon the meeting concluded at 3:01 p.m.)

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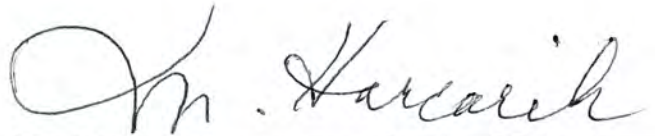
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4  
5 I, Marge Harcarik, do hereby certify that the  
6 foregoing pages constitute a full, accurate typewritten  
7 record of my stenographic notes taken at said time and  
8 place, all done to the best of my skill and ability.

9  
10 Dated this 19 day of Feb., 2012.

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16 Marge Harcarik, Official Reporter

17 Court Reporter Cert. No. 50281