

ARIZONA DEPARTMENT OF FIRE, BUILDING AND LIFE SAFETY  
BOARD OF MANUFACTURED HOUSING

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona  
January 16, 2013  
1:00 p.m.

REPORTED BY:  
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Certified Reporter  
Certificate No. 50867

PREPARED FOR:  
ARIZONA DEPARTMENT OF FIRE, BUILDING  
AND LIFE SAFETY

(Certified Copy)

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2 taken on January 16, 2013, commencing at 1:00 p.m. at the  
3 State of Arizona Department of Fire, Building and Life  
4 Safety, 1100 W. Washington, Suite 100, Phoenix, Arizona,  
5 85007 before Kelly M. Olhausen, a Certified Reporter in  
6 the State of Arizona.

7  
8 **BOARD MEMBERS:**

9                   Mr. Sam Baird, Chair  
10                   Mr. Terry Gleeson, Member  
11                   Mr. Neal Haney, Member  
12                   Mr. Everette Hoyle, Member  
13                   Mr. Troy Hyde, Member  
14                   Mr. Zeek Ojeh, Member

15  
16 **ALSO PRESENT:**

17                   Mr. Ken Anderson, President of Arizona Housing  
18   Association  
19                   Ms. Debra Blake, Deputy Director  
20                   Ms. Mary Ann Knight, Deputy Director  
21                   Ms. Ayde Marquez, Department of Housing Secretary  
22                   Mr. Gene Palma, Director  
23  
24  
25

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

1  
2  
3 CHAIRMAN BAIRD: Okay. I'm going to  
4 officially call this meeting to order. This meeting, our  
5 first meeting of 2013, that is on January 16th. That will  
6 help you . All right? Great.

7 Roll call, please.

8 MS. MARQUEZ: Sam Baird?

9 CHAIRMAN BAIRD: Here.

10 MS. MARQUEZ: Arthur Chick, he's unable to  
11 attend.

12 Paul DeSanctis, absent.

13 MS. MARQUEZ: Terry Gleeson?

14 MR. GLEESON: Here.

15 MS. MARQUEZ: Neal Haney?

16 MR. HANEY: Here.

17 MS. MARQUEZ: Joe Hart, absent.

18 Everette Holye?

19 MR. HOYLE: Here.

20 MS. MARQUES: Troy Hyde, absent.

21 Zeek Ojeh?

22 MR. OJEH: Here.

23 MS. MARQUEZ: Gene Palma?

24 MR. PALMA: Present.

25 MS. MARQUEZ: Debra Blake?

1 MS. BLAKE: Here.

2 MS. MARQUEZ: Mary Williams, and she's  
3 unable to attend today.

4 CHAIRMAN BAIRD: Thank you. Okay. First  
5 order will be to review the minutes from our last meeting.  
6 I'm sure we all had an opportunity to read through them.

7 Are there any comments? No?

8 If not, the chairman will entertain a motion  
9 to accept them.

10 MR. OJEH: So moved.

11 CHAIRMAN BAIRD: Thank you. Second?

12 MR. GLEESON: I second.

13 CHAIRMAN BAIRD: All in favor?

14 (Chorus of ayes.)

15 CHAIRMAN BAIRD: Opposed?

16 Motion passed.

17 Oh, our favorite part of the meeting. Our  
18 State of the State, so to speak. Department information.

19 Ms. Debra, would you, please?

20 MS. BLAKE: Thank you, Mr. Chairman.

21 So the first update I have for you has to do  
22 with the legislature. I'm sure you all know that the  
23 Fifty-First session opened on Monday. The governor gave  
24 her State of the State.

25 Holly, who you all met last week, Holly

1 Textor, who attended our board meeting in October, she is  
2 our legislative liaison, and so she's already been  
3 attending meetings and will attend the liaison meetings.  
4 I think they're normally scheduled weekly, but I'm not a  
5 hundred percent sure on that. But she'll keep us informed  
6 on any relevant bills. And to date, we've not been  
7 informed of any bills and not heard from any of our  
8 stakeholders about bills that they might intend to  
9 introduce.

10 The next item is procedural changes. A new  
11 certificate program was implemented, which took place  
12 effective January 1st of this year. And those  
13 certificates changed the Insignia Program that was already  
14 in place. And so, where those insignias apply, would be  
15 FBB manufacturers put an insignia on each module that they  
16 construct to identify the date of construction, who it was  
17 constructed by, so and on so forth. The actual -- as we  
18 call them now, "Certificates" -- they've changed a bit.  
19 They're a little bit larger. They capture a little bit  
20 more information, which will help us begin to track the  
21 FBB manufacturers and installation which we've not been  
22 able to do in the past, or had not done.

23 The other type of certificate is  
24 Reconstruction. Also applies to FBB, commercial FBBs.  
25 Reconstruction must occur whenever a building is brought

1 into this state that was not constructed here. We've seen  
2 more activity on that where used commercial buildings are  
3 being sold and recycled, if you will. If there is no  
4 identifying information that tells us this was built by an  
5 Arizona manufacturer, or an out-of-state manufacturer  
6 licensed to do business in Arizona where we can't verify  
7 the codes it was built to, then unfortunately, it has to  
8 go through the reconstruction process which involves an  
9 FBB manufacturer, design plans, and may require some code  
10 updates.

11 The other certificate is the Installation  
12 Certificate that's always been required on mobile homes  
13 and manufactured homes to verify every licensee who works  
14 on the installation of that home.

15 And then the last of the certificates that  
16 have been updated is the Mobile Home Rehabilitation. So  
17 pre-HUD home, moving into the state or moving from one  
18 park to another park within the state that was built prior  
19 to the HUD regulations, has a few elements, have to be  
20 brought up to code.

21 The significant change with this new  
22 certificate program really are twofold. And the first one  
23 is that previously commercial FBBs were the only product  
24 that our industry installs that did not require  
25 Installation Insignia. And now they do. And again, that

1 allows us to begin to hold those licensees responsible and  
2 to begin to create a database to track how many are being  
3 installed, and gather information.

4           The second piece of it that's new is ROC  
5 Contractors, who have the proper class of license to  
6 install our products, have never been required to attend  
7 our annual Installer Training. Obviously, the benefit  
8 we're looking from here is to be able to get them the same  
9 information that goes to our licensees. We have found,  
10 historically, that when an ROC contractor does the  
11 installation, our inspectors write up a lot more  
12 violations, and it's because they just don't know. And so  
13 obviously, we're not regulatory over them. But in  
14 speaking with the senior management over at ROC, they were  
15 supportive of us requiring it as a prerequisite for  
16 purchasing our Insignias of Certificate. So to buy it,  
17 you have to attend our training.

18           So those are the major changes that affect  
19 that. All of those new certificates are available on our  
20 website. If you would like a copy of them, I can have  
21 Ayde send them out to the board members, but they are  
22 available on the website for you to review.

23           The next topic is License Statuses. As you  
24 know, we require our installer licensees to attend annual  
25 Installation Training. They can do that in a variety of

1 ways. Our Department provides several opportunities for  
2 training on a variety of topics. If they attend the  
3 annual Association's Convention, where there is also a  
4 training class, they can earn that by going to that. If  
5 they regularly attend the chapter meetings, where  
6 installation topics are discussed regularly, they can earn  
7 credits for each one. So they can do that in a variety of  
8 ways. That training typically goes from April through  
9 November of every year. So, many opportunities. We do  
10 remote locations as well. Really, no excuse not to try to  
11 attend. Several in the Tucson location; several in  
12 Phoenix. The net result of that is, if you are a licensee  
13 and you do not satisfy that educational requirement, there  
14 is no way to cure that or fix it. So your license gets  
15 revoked.

16           So our net result was we had eight installer  
17 licenses revoked in January, and I can assure you that the  
18 Department, primarily Ayde, does everything humanly  
19 possible. We publish it when we're down to the last  
20 couple of months, we make phone calls, we send e-mails, we  
21 beg people to attend, and so we feel very confident that  
22 we've done everything in our power to get the information  
23 out there.

24           It came to my attention this week where that  
25 there are additional two licensees whose license may be at

1 risk for revocation, although they did attend the  
2 training. One of the last sessions, the check that they  
3 sent, gave to us for payment, was returned to us this week  
4 with notification that the bank account had been closed.  
5 So we are contacting them to give them an opportunity to  
6 resolve that quickly. And if that doesn't occur, then  
7 unfortunately, the requirements of (inaudible) and pay  
8 efficiency associated. So they are at risk, and hopefully  
9 they will correct that problem.

10 Next topic. Just a summary of the recap of  
11 the Action Items that the Department had from the prior  
12 board meeting in October. We'll talk about them in depth  
13 when we get to them in the tabs and on the agenda. And  
14 those three items were Revenue and Expense Charts, needed  
15 to be enhanced to -- including dollar amounts, along with  
16 a percentage. You'll see that when we get to that  
17 section. Recovery Fund Balance Chart was reformatted, and  
18 I have some updates for you on that. And an e-mail was  
19 already sent to Mr. Chairman and board members on the  
20 Homeowner Information Bulletin for used homes. We'll get  
21 to these here in just a minute.

22 Two more little pieces of update. The next  
23 one is, we have 95 percent of the reports in for Sales of  
24 Manufactured Homes for the calendar year 2012. Total home  
25 sales was 3,857. Eighty-three percent of that were used

1 homes, and that number is 3,206, and 17 percent of that  
2 reported sales were new homes for a total of 651. So  
3 that's for the calendar year. The numbers are obviously  
4 still not where we'd like for them to be, but they are on  
5 the rise.

6 CHAIRMAN BAIRD: These are 95 percent  
7 accurate. I mean --

8 MS. BLAKE: There are few sales reports  
9 missing for December. They're due by January 15th. And  
10 so, yes. So we're expecting a few stragglers.

11 CHAIRMAN BAIRD: Got it.

12 MS. BLAKE: And the last Departmental  
13 information update for you has to do with the training  
14 that the Department's involved in. We already talked  
15 about the 2013 Annual Required Installer Training. Ayde  
16 will be scheduling those dates. Staff is working on the  
17 topics that will be offered at each of them. Again,  
18 they'll probably begin in April; work through the calendar  
19 year. As usual, we'll have multiple sessions in Phoenix,  
20 multiple in Tucson. We typically travel to Kingman, Yuma,  
21 Flagstaff, and somewhere up in Navajo County, once, to  
22 make that convenient.

23 Today, we have staff at the International  
24 Code Council, Northern Arizona Chapter. They are having  
25 their meeting and requested our Department to be a

1 presenter at their meeting. We always appreciate that  
2 interest in what we do. And so Dave Muneer (phonetic,)   
3 who leads our IPIA Program; and Georgina, who runs our IGA  
4 Program, are there now talking about the new certificates,  
5 the reconstruction process, code updates, and seeking  
6 additional training topics that they would be interested  
7 in for this upcoming schedule.

8           And the last update on the training is  
9 again, AZBO, which is the Arizona Building Officials  
10 Organization in Arizona, has asked our Department to  
11 participate as a presenter again this year in their spring  
12 training institute which is held in Prescott, and it will  
13 be held in April. And what we've done before is an  
14 all-day session on everything you ever thought you wanted  
15 to know about manufactured homes, FBBs, the history of  
16 them, the relevant codes. A big piece of it is how do you  
17 install these products, our complaint process, so  
18 basically, the nuts and bolts of the Department. It was  
19 well-received last time. Again, we were asked to do it  
20 again this year and committed to do so.

21           And those are all the Department updates I  
22 have for you today.

23           MR. OJEH: And when will this be?

24           MS. BLAKE: The AZBO? That's in April. I  
25 can get you the specific dates. Would you like to know

1 that?

2 MR. OJEH: I might, you know, attend just to  
3 expand my knowledge base, if I'm free.

4 MS. BLAKE: Okay. I'll send it out to the  
5 whole group, and share it with anyone that you'd like to.

6 MR. OJEH: Sure.

7 MS. BLAKE: Okay.

8 CHAIRMAN BAIRD: Thank you.

9 MS. BLAKE: You're welcome.

10 CHAIRMAN BAIRD: Any outstanding issues in  
11 the industry that the Department is working with members  
12 on that are important for us to know?

13 MS. BLAKE: There are a couple out there.  
14 We don't have any resolution with them. One of the topics  
15 we had recently was -- one of our board members brought to  
16 our attention, was the issue of installing manufactured  
17 homes in jurisdictions that have a frost depth  
18 requirement, and we're still working on it. There are --  
19 we've had feedback from a couple manufacturers.

20 The issue basically is, the federal regs,  
21 HUD, has specific requirements for that. And the  
22 requirements are three-fold. Number one -- well, options,  
23 rather. The option is you can install the footers, pads  
24 and the piers below the frost depth. So there's obviously  
25 a big expense. You've got to dig down and install it

1 below the frost depth.

2           Second option by the federal regs is you can  
3 pour a concrete continuous monolithic slab and set your  
4 footers in that. That can be set at ground level so there  
5 is no digging, but obviously you've got the cost of the  
6 materials, the time, so on, and so forth. And you're  
7 third choice -- and that requires an engineered plan  
8 design.

9           Your third choice is some kind of a --

10           MR. HANEY: Frost-free foundation.

11           CHAIRMAN BAIRD: Well, engineered plan.

12           MS. BLAKE: The word is escaping me. Some  
13 way to protect the ground and the footers. And the word  
14 is not coming to me right now.

15           MR. GLEESON: Insulated?

16           MS. BLAKE: Insulated. Thank you, Terry.

17           Insulate the foundation. That also requires  
18 an engineered plan. When HUD was coming out with their  
19 installation requirements and their program, and this was  
20 all published, there was kind of a concern for many  
21 segments of the industry about the cost and the delay in  
22 time, and all of those things. So there was --  
23 nationwide, there was research initiated and to look into  
24 the whole issue because what the HUD regs really say is  
25 they address frost heave. And frost heave doesn't always

1 occur in every jurisdiction that has a frost depth  
2 requirement.

3           So for example, the result of this study  
4 said there is three elements that is required to create a  
5 condition of frost heave. You've got to have a soil  
6 condition that is conducive to it; you have to have  
7 80 percent moisture content in the soil; and -- what was  
8 the third one?

9           I need to take vitamins, I guess.

10          MR. GLEESON: Freezing?

11          MR. HOYLE: Average temperature?

12          CHAIRMAN BAIRD: Average rainfall, maybe?

13          MR. GLEESON: Freezing temperature, or  
14 something. That is where the insulated footing comes in.

15          MS. BLAKE: Well, okay.

16          MR. GLEESON: I think, but I don't know.

17          MS. BLAKE: Frost depth, the ground is  
18 susceptible to frost, and the moisture content.

19          MR. GLEESON: Low water level or narrow --  
20 shallow water --

21          MS. BLAKE: No, because that has to do with  
22 the frost depth.

23          MR. GLEESON: I'm sorry.

24          MS. BLAKE: And how far below the ground it  
25 is.

1           So according to this study by engineers, if  
2 even one of those three elements is missing, frost heave  
3 cannot occur. It just doesn't happen. And so this  
4 research then involved most manufacturers on the technical  
5 advisory board, a lot of suppliers of material, and the  
6 net result of it was they said that they came up with an  
7 engineered design plan where you can set a home at ground  
8 level on pads and piers and not comply with the federal  
9 regs as they're currently written.

10           HUD published a letter, and all of this  
11 occurred between 2009 and 2010. In 2010, HUD reviewed  
12 this research presented to them and came out with the  
13 opinion that you still have to either comply with the  
14 federal regs, or come up with an engineered alternate  
15 designed plan, which is what came out of this research  
16 study, but you also have to have that engineered plan  
17 approved by your DAPIA. Each manufacturer had to do that  
18 independently. But the issue came up recently to us  
19 because of a consumer complaint. Well, as we researched  
20 it internally, we came to the result that this particular  
21 manufacturer had, in fact, followed that all the way  
22 through, and did have a DAPIA design so the work that was  
23 performed on his home met code. No complaints there. No  
24 valid complaints. But we took it a step further because I  
25 wanted to verify for our own records and to get

1 information out to our installers is that universally  
2 applied among all of our manufacturers. To date, I have  
3 found that out that there is two manufacturers that did  
4 adopt that DAPIA design-approved plan. We have one that  
5 did not. And I'm still waiting on hearing from another  
6 one.

7           So what that really means is this: And it's  
8 important to the installer industry because if you are  
9 setting a home produced by a manufacturer who accepted  
10 that alternate plan, you can set it above ground and  
11 follow that design plan. And no problem. If you are  
12 setting a home for a manufacturer who didn't buy into  
13 that, didn't adopt that design, you have to comply with  
14 the federal regs. It's just really that simple. The  
15 Department's role in it, other than the research that we  
16 did to come to the conclusion of how do we enforce it, is  
17 just that: We don't make the rules. We don't approve  
18 designs for that particular thing. And whatever the  
19 manufacturer directed us to do is what we enforce on their  
20 behalf. So --

21           CHAIRMAN BAIRD: Great.

22           MS. BLAKE: That's the update on that.

23           CHAIRMAN BAIRD: Thank you.

24           MS. BLAKE: You're welcome.

25           CHAIRMAN BAIRD: Any personnel changes,

1 issues?

2 MS. BLAKE: No personnel changes.

3 CHAIRMAN BAIRD: Good.

4 MS. BLAKE: And everything's the same on  
5 that regard.

6 CHAIRMAN BAIRD: Okay. Thank you.

7 Do any members have any questions for Debra  
8 about that part of it? Great.

9 Let's move on. Thank you, Debra.

10 MS. BLAKE: You're welcome.

11 CHAIRMAN BAIRD: Financial Report.

12 MS. BLAKE: Okay. Beginning on page five in  
13 your booklet under the tab, "Financial Reports." Once  
14 again, Ayde's done a great job of pulling that information  
15 together for you. The September Financial Reports begin  
16 on page six. I'm going to -- oh. I see one error that I  
17 overlooked. On page five, the third bullet is November,  
18 not December.

19 CHAIRMAN BAIRD: Great.

20 MS. BLAKE: December reports are not in this  
21 booklet yet, so I'm going to ask you to move to page 27.  
22 And I'm just going to work through the November reports  
23 with you.

24 So I'm sure you've all reviewed this from  
25 the electronic packet that you got. This is just the

1 normal reporting on the volume and the number of fees that  
2 have come in. I'm going to move you to page 28 because I  
3 do have a little bit of an update for you on that. As I  
4 said, this is the number, the November reporting. We  
5 don't have all of the information for December yet, but  
6 we're working on it. But what I did pull from December is  
7 on page 28, under the Production Trend, if you'll look  
8 under the column that's labeled "2012." You'll see the  
9 "83" highlighted in yellow for November. December's  
10 number -- if you want to pencil it in there or just  
11 listen -- is 111.

12 So what that means is, for the year -- again  
13 this is Calendar Year, not Fiscal -- Calendar Year 2011,  
14 there were 1,196 new HUD homes produced in Arizona. Every  
15 month was an increase from the prior year, except for  
16 November/December.

17 The total now for 2012, for the year, was  
18 1,407. Now, that is a 17.6 percent increase. However, I  
19 will tell you that not all homes produced in Arizona are  
20 shipped to Arizona, which means they're not sold here  
21 there; they're not installed here.

22 Okay. So although that's good news anyway,  
23 we haven't seen those levels of increases in Arizona.

24 CHAIRMAN BAIRD: This production report,  
25 Debra, includes homes that are produced out of state but

1 shipped into the state as well, or is this just strictly  
2 Arizona production?

3 MS. BLAKE: These are Arizona-based  
4 manufacturers.

5 CHAIRMAN BAIRD: Good.

6 MS. BLAKE: Yes. So I just wanted to draw  
7 your attention to that. I mean, I guess it's good news.

8 CHAIRMAN BAIRD: It is good news.

9 MS. BLAKE: Yeah. So if you will flip to  
10 page 29. This is one of the charts that was a Department  
11 action item. I just want to draw your attention.

12 MR. OJEH: Thank you. Looks good.

13 MS. BLAKE: You're welcome.

14 So as you know, in the past we just provided  
15 the percentage.

16 CHAIRMAN BAIRD: Right.

17 MS. BLAKE: Ayde has now added the  
18 correlating dollar amount to that. And on the next page,  
19 page 30, that is Revenue Fiscal Year-To-Date.

20 CHAIRMAN BAIRD: There you go.

21 MS. BLAKE: Same application. And then  
22 again on page 31, which is the Expenditure Breakdown.  
23 Again, just enhanced it by adding the dollar amount.

24 CHAIRMAN BAIRD: Debra, when do you expect  
25 the December information to be available?

1 MS. BLAKE: Well, December reports are due  
2 internally by the tenth of the following month, so  
3 January 10th. We have them all in, but again, resource  
4 issues.

5 CHAIRMAN BAIRD: Yeah.

6 MS. BLAKE: Ayde does all of that wonderful  
7 work on these reports for you, but she's been quite busy  
8 with preparing for the Board. So typically, they're not  
9 ready until towards the end of the month. So they will be  
10 ready the end of January.

11 CHAIRMAN BAIRD: The reason I ask is I  
12 prefer not to wait until April to see 2012's numbers.

13 MS. BLAKE: Oh, no. No. You will have  
14 it -- the report will be ready, if you would like for  
15 us -- do you send those out monthly?

16 MS. MARQUEZ: The monthly?

17 MS. BLAKE: The monthly plan?

18 MS. MARQUEZ: No. It's on our website.

19 MS. BLAKE: We put them on our website.

20 CHAIRMAN BAIRD: Okay.

21 MS. BLAKE: So you can review them there as  
22 they're available. And then it will be in the April board  
23 meeting.

24 CHAIRMAN BAIRD: Of course.

25 MS. BLAKE: It will be for January and

1 February.

2 CHAIRMAN BAIRD: Of course.

3 MS. BLAKE: Okay?

4 CHAIRMAN BAIRD: Well, additionally to that,  
5 we promised ourselves we wouldn't wait until the last  
6 minute, until the last board meeting, to approve next  
7 year's budget. We'd have a little bit of preparation for  
8 that.

9 MS. BLAKE: Right.

10 CHAIRMAN BAIRD: This year. So that's kind  
11 of where I was really coming from. So we'll have that.  
12 Good.

13 MS. BLAKE: Yes.

14 CHAIRMAN BAIRD: That will be very  
15 beneficial.

16 17.6 percent?

17 MS. BLAKE: That's good .

18 CHAIRMAN BAIRD: Excellent.

19 MS. BLAKE: YES. Mr. Chairman?

20 CHAIRMAN BAIRD: Is there anything else on  
21 the financial that you'd like to add? Any questions from  
22 anyone?

23 Mr. Haney, you're puzzled?

24 MR. HANEY: On page 31, the percentages in  
25 the chart don't match the percentages over on the right.

1 I was wondering what...

2 CHAIRMAN BAIRD: Well, they don't.

3 MS. BLAKE: Yeah. Thank you for catching  
4 that.

5 MS. MARQUEZ: What page?

6 MS. BLAKE: Page 31.

7 CHAIRMAN BAIRD: Yeah. I'm trying to --

8 MR. GLEESON: The top two do, but not the  
9 Payroll or the Operating.

10 MS. BLAKE: Yeah. They don't for October,  
11 either.

12 CHAIRMAN BAIRD: Yeah. But they're all off.

13 MS. BLAKE: We'll look into the calculations  
14 for that.

15 MR. HANEY: The two little ones.

16 CHAIRMAN BAIRD: It says Travel is okay, and  
17 so is that. (Indicating.) It's just the other two. The  
18 big two.

19 MR. HANEY: Yes.

20 CHAIRMAN BAIRD: Yeah. The big two are off.

21 MS. BLAKE: Thank you. We'll look at the  
22 spreadsheet, and we'll get those three; September,  
23 October, November, corrected, and get them back out to  
24 you.

25 CHAIRMAN BAIRD: Right.

1 MS. BLAKE: Thank you for catching that.

2 CHAIRMAN BAIRD: Okay.

3 If there is no other issues, the chairman  
4 will accept the motion to accept the financial information  
5 as presented.

6 MR. OJEH: Yes. So moved.

7 CHAIRMAN BAIRD: So moved?

8 Second?

9 MR. GLEESON: Second.

10 CHAIRMAN BAIRD: Mr. Gleeson. All in favor?

11 (Chorus of ayes.)

12 CHAIRMAN BAIRD: Oppose?

13 Motion carried. Thank you.

14 Fee Structure is a standing item.

15 MS. BLAKE: Okay. Under your tab, beginning  
16 on page 35.

17 Typically, we don't present this information  
18 to you.

19 CHAIRMAN BAIRD: Right.

20 MS. BLAKE: But we had it available and  
21 wanted to give you an update to Mr. Chairman's point so  
22 that you have information prior to your decision making on  
23 fees.

24 And as you know, we increased one fee on the  
25 Fee Schedule that you voted on, and that was implemented

1 July 1st, 2012. And that fee was on an installation  
2 permit. So just been looking at the fee revenue  
3 comparisons for the Fiscal Year. And as you'll see in  
4 that first chart on page 35 to your far left, see the  
5 amount of fees coming in for each of those months. And  
6 then if you look at the Year-To-Date periods, again the  
7 same months for Fiscal '12 as reporting in Fiscal '13,  
8 you'll see that every month has been an increase in fees,  
9 the total amount differences, and that fee increase is  
10 22.8 percent.

11 CHAIRMAN BAIRD: Got it.

12 MS. BLAKE: Now, looking at that a little  
13 bit and analyzing it, what does that really mean and where  
14 did it come from? To the right of that is the  
15 Installation Permit Volume. Again, keep in mind that was  
16 the fee that was increased. You see the number of permits  
17 issued: Fiscal '12, Fiscal '13, Year-To-Date, and you'll  
18 see the increase or decrease to your right.

19 The net result of that is, Year-To-Date, the  
20 Permit Volume up is up 6.1 percent. So that's good.

21 CHAIRMAN BAIRD: Uh-huh.

22 MS. BLAKE: And to the far right is the Plan  
23 Review Volume. That is up 16.7 percent. There are some  
24 factors for that. The major factor is that the codes were  
25 updated and adopted in June that required all new

1 structural package, all new typical plans. So big volume  
2 there.

3 And we've also continued to see some growth  
4 in the amount of FBBs being installed and constructed. So  
5 that contributes to some of that increase as well.

6 CHAIRMAN BAIRD: Okay.

7 MS. BLAKE: Okay?

8 MR. OJEH: Mr. Chairman, I just have a quick  
9 question.

10 The \$10,000 we had seen in November, the  
11 increase from 40 to 50 --

12 MS. BLAKE: What page are you on?

13 MR. OJEH: Page 35.

14 CHAIRMAN BAIRD: Page 35. He's talking  
15 about November.

16 MS. BLAKE: Oh, okay. I'm sorry. About  
17 revenue?

18 MR. OJEH: Yes. I see that we -- the Fee  
19 Revenue increased by 20 percent, or about \$10,000. So the  
20 bulk of that \$10,000 came from Plan Review?

21 MS. BLAKE: Correct.

22 MR. GLEESON: Would it be Permit Fees?

23 MS. BLAKE: Some came from Permit Fees  
24 although if you follow it across, in November there was an  
25 increase -- I mean, a decrease of 30 percent.

1 MR. OJEH: Right.

2 CHAIRMAN BAIRD: Right.

3 MR. GLEESON: Okay.

4 MS. BLAKE: So the bulk of it came from Plan  
5 Review, primarily.

6 CHAIRMAN BAIRD: Sure. That's significant.

7 MR. OJEH: Yes.

8 CHAIRMAN BAIRD: Putting us closer to our  
9 95105.

10 MS. BLAKE: Step by step, correct.

11 CHAIRMAN BAIRD: Good. Any questions? No?  
12 The Fee Structure then, as presented, is  
13 okay? I don't think we need to vote on each of these, do  
14 we?.

15 MS. BLAKE: You don't need to vote on each  
16 of these, Mr. Chairman.

17 CHAIRMAN BAIRD: Okay. Moving along.

18 Recovery Funds. Cool.

19 MS. BLAKE: Okay. I'm going to draw your  
20 attention to page 39. This is the information and the  
21 chart that was submitted to you when you received it via  
22 e-mail.

23 CHAIRMAN BAIRD: Yes.

24 MS. BLAKE: This was another Action Item  
25 that the Department undertook which was to create this

1 chart in more -- kind of a cash flow thing. Revenue in,  
2 debit -- the whole credit, debit, and balance thing. So  
3 we prepared it in that format. We sent it out to all of  
4 you in e-mail and asked for your review feedback. Having  
5 received none, assumed that it met your expectations.

6 MR. OJEH: I think it's easy to follow now.

7 MS. BLAKE: Good. Thank you.

8 Now, having said that, I'm going to turn you  
9 to page 40, which is the Amended Chart. And it looks the  
10 same, but if you were to compare them side-by-side, the  
11 numbers are different. And I need to explain to you why.

12 In the past, the way that we reported this  
13 to you was based on information that what we would do is  
14 contact our internal accounting department and say, What  
15 is the balance as of a certain date, and they would give  
16 it to us. And then we would say, "What were the interest  
17 deposits?" Well, somewhere over the past two years there  
18 has been a breakdown in communication, and the two figures  
19 that had previously been asked for our accounting  
20 department to provide were: What is the balance of the  
21 Recovery Fund, and what is the amount of administrative  
22 penalties that were collected for the prior three months.  
23 The two are completely unrelated. And so somehow, that  
24 Average Interest Deposit, as you see on page 39, is in  
25 fact, not interest. It is administrative fees, penalties

1 collected from licensees, which has nothing to do with the  
2 Recovery Fund, it does not go into the Recovery Fund, so  
3 it was strictly a miscommunication.

4 So thank you to Board Member Ojeh, because  
5 when he brought our attention to restructuring this chart  
6 and we began to ask for information to say, okay, how do  
7 we get this every month and make sure it's accurate, we  
8 looked again at what we were asking in terms of amount.  
9 And so I asked for the balance. Our accounting person was  
10 on vacation and so we took information from another  
11 source, which wasn't accurate. Knowing that we would have  
12 to amend it. Well, when our accounting person came back  
13 and said, okay, I need to know the prior month's cash bond  
14 interest.

15 And so just so we're clear on the Recovery  
16 Fund, revenue that comes into the Recovery Fund comes from  
17 two sources: Sale of homes, where they pay a \$30 fee into  
18 the Recovery Fund, and the second source is interest  
19 earned on the cash bond balance. And the cash bond is  
20 licensees that have to post a bond, don't go through a  
21 surety company ,they can post a cash bond. All of those  
22 cash bonds are held in a fund and interest earned off of  
23 it, according to statute, comes into the Recovery Fund.  
24 So those are the two revenue sources.

25 So when I asked about the amount of interest

1 earned from the prior month on the cash bond, I got back a  
2 number of seven cents. And I thought, okay, something's  
3 wrong here. And I said, no, that can't be right because  
4 we are reporting a three-month average of \$10,000. If I  
5 divide 10,000 by three, I don't get seven cents. So then  
6 they verified it and they came back and they gave me a  
7 list of the average interest -- or the interest earned by  
8 month so far year-to-date, and they broke it down by  
9 month. And the amounts were anywhere from 300 to \$500.  
10 So again, I said, this still doesn't make sense. Help me  
11 understand. And so they said, yes, that is the correct  
12 number, and I said where did this \$10,000 come from? And  
13 so obviously, through asking questions, we came to that  
14 \$10,000, not a figure that has anything to do with  
15 Recovery. It should have never been reported that way,  
16 and so we'll fix it going forward.

17 And so on page 40, you have accurate  
18 information. We have put in place a system where, you  
19 know, Central Services Bureau, which is a state agency,  
20 does some of our accounting functions for us. One of the  
21 things they do is produce a Cash Flow Report broken down  
22 by funds to the Department every month, and so we are  
23 going to use that as our reference source. Maryann  
24 oversees all of those functionalities here, and so we are  
25 going to get a monthly report that is going to show us an

1 accurate beginning balance for the month, all revenue  
2 coming in, any claims paid out, and a new balance, and we  
3 will use that information for you going forward.

4 In addition, if we are aware of any  
5 potential claims in that middle part of your chart we will  
6 tell you what they are, but they do not effect the balance  
7 because they haven't been heard by the administrative law  
8 judge; they haven't been appealed; they haven't been paid.

9 CHAIRMAN BAIRD: Exactly. Okay.

10 MS. BLAKE: So, sorry for the confusion and  
11 the error on that before, but I guess the important part  
12 is we found the root cause of the errors and fixed it.

13 CHAIRMAN BAIRD: Well, the difference  
14 between the two pages was like 2100 and 50 dollars.

15 MS. BLAKE: Right.

16 CHAIRMAN BAIRD: I guess my question, Debra,  
17 is: How do we go from 74,000 on page 39, adding that ten  
18 thousand to 85 we see that's transferred over there? If  
19 we're not doing the 10,000, there's only a \$2,000  
20 difference between the two pages.

21 MS. BLAKE: Well --

22 MR. HANEY: The starting balance is  
23 different.

24 CHAIRMAN BLAKE: Oh. The starting balance.

25 MS. BLAKE: The starting balances are

1 different on page 39.

2 CHAIRMAN BAIRD: I hear you.

3 MS. BLAKE: The average deposit, which gets  
4 added, obviously, is not correct.

5 CHAIRMAN BAIRD: Okay.

6 MS. BLAKE: And so, again, in researching  
7 and figuring out what is accurate, what is our source of  
8 information --

9 CHAIRMAN BAIRD: So is it --

10 MS. BLAKE: We'll take it off the cash flow.

11 CHAIRMAN BAIRD: So it's more than just the  
12 \$10,000 that was off. It was the starting balance that  
13 was off as well.

14 MS. BLAKE: Yes. Yes.

15 CHAIRMAN BAIRD: Okay. Which worked in our  
16 favor.

17 MS. BLAKE: Right.

18 CHAIRMAN BAIRD: Okay.

19 MS. BLAKE: So the information we have  
20 presented to you on page 40, is the current information as  
21 of our Cash Flow on December 1st, 2012.

22 CHAIRMAN BAIRD: So a balance of 82,000.

23 MS. BLAKE: Yes. 83,000.

24 CHAIRMAN BAIRD: Eighty-three. Okay.

25 MS. BLAKE: There are no claims that were

1 paid for the month of December and no claims that are  
2 pending, hearing, or waiting on appeal.

3 CHAIRMAN BAIRD: And then pages 41 through  
4 45 or six --

5 MS. BLAKE: Yes. Thank you.

6 CHAIRMAN BAIRD: Or seven or eight -- or  
7 what are these?

8 MS. BLAKE: Those are what you normally see  
9 in your board packet. Those are a summary of all the  
10 complaints that the Department has received on page 41.  
11 Ones that we have done verified inspections on, that was  
12 just a summary page, on page 41. And the supporting  
13 detailed information begins on 42.

14 CHAIRMAN BAIRD: I got it. Okay.

15 MS. BLAKE: It identifies that as we have  
16 enhanced, at your request, verifying each licensee entity  
17 that's involved. If it's potential for Recovery Fund,  
18 which they always are, even if the dealer license is  
19 valid, because if the dealer -- if it goes to hearing and  
20 the administrative law judge awards 50, 60, whatever  
21 thousand dollars, and the dealer can't or won't pay it,  
22 the Recovery Fund is still liable to pay it, and then  
23 suspends the licensee's license until it's been repaid to  
24 the Recovery Fund.

25 CHAIRMAN BAIRD: Okay. So to summary, we

1 got like 83 grand in the fund, and we have nothing even  
2 pending before the administrative judges.

3 MS. BLAKE: Correct. And we have about, you  
4 know, 450 coming in, plus whatever sales. Again, we  
5 talked at the last board meeting the amount of money  
6 coming in based on sales is going to be significantly  
7 reduced because new home sales don't pay into it, and used  
8 home sales at 50,000 or more don't pay into it.

9 CHAIRMAN BAIRD: Correct.

10 MS. BLAKE: Correct. So less money coming  
11 in; hopefully, fewer claims.

12 CHAIRMAN BAIRD: Right. Good. Thank you.

13 MS. BLAKE: You're welcome.

14 CHAIRMAN BAIRD: Any questions on the  
15 Recovery Fund?

16 Go ahead, Neal.

17 MR. HANEY: Thank you, Mr. Chairman.

18 I was just looking through some of these and  
19 certainly, you know, where we list the contract amount of  
20 61,000 or 147,000, that doesn't necessarily mean if a  
21 claim were filed, it would be for that full amount.

22 MS. BLAKE: You're correct.

23 MR. HANEY: But the first one, the complaint  
24 was filed back in May, verified in July. Is that still  
25 pending? On Gamaly? Where the dealer didn't refund the

1 monies to a purchaser who didn't go through with the deal  
2 or something?

3 CHAIRMAN BAIRD: It shows here on page 42,  
4 the column on the right, second one down, that the  
5 complaint has been satisfied; thereby, no effect to  
6 Recovery.

7 MR. HANEY: Okay. Okay. I see.

8 CHAIRMAN BAIRD: So --

9 MR. HANEY: So that's not a pending --

10 MR. OJEH: No.

11 CHAIRMAN BAIRD: You're just running a log  
12 here?

13 MS. BLAKE: We are.

14 CHAIRMAN BAIRD: Okay.

15 MR. HANEY: Okay. I see several, say,  
16 complaints.

17 CHAIRMAN BAIRD: Okay. So that's not  
18 potentially -- that 22,000 there will never happen, right?  
19 Unless they resolve.

20 MR. HANEY: That one was actually a closed  
21 complaint then, at this point.

22 MS. BLAKE: It was closed. Would you like  
23 this only to show complaints that are still open?

24 CHAIRMAN BAIRD: I would prefer that. What  
25 are your all's thoughts? I mean, if it's closed, it's

1 closed.

2 MR. HOYLE: I agree. I think just open.

3 MS. BLAKE: Okay.

4 CHAIRMAN BLAKE: Yes?

5 MR. OJEH: Mr. Chairman, before we move to  
6 the next topic, I was reading some of this complaint, and  
7 someone or some people complaining about cracks in the  
8 marriage line. And that just -- I didn't know what that  
9 meant. And so...

10 CHAIRMAN BAIRD: I think educated --

11 MR. HANEY: It's leading to a divorce.

12 MR. OJEH: That is what I was thinking. I  
13 went, okay...

14 CHAIRMAN BAIRD: We set out little dutch  
15 boys and they put their finger in them to keep the water  
16 out.

17 MR. OJEH: I'm sorry.

18 CHAIRMAN BAIRD: You're asking: What is  
19 that?

20 MR. OJEH: Yes. What is that?

21 CHAIRMAN BAIRD: Why don't we ask our  
22 installer? Terry? Why don't you --

23 MR. GLEESON: When the two homes are brought  
24 together, there's a gap there, okay? And when they're  
25 taped and textured, they're taped off and sprayed and

1 textured and painted. And when the home settles,  
2 sometimes you'll get cracking.

3 MR. OJEH: Ah.

4 MR. HANEY: It's where the two halves meet.

5 MR. GLEESON: It's also referred to as the  
6 center line of the home. They call it the center line or  
7 the married line of the home.

8 MR. OJEH: Okay. Thank you.

9 CHAIRMAN BAIRD: It can be a double-wide, it  
10 can be a single-wide, or a triple-wide, or quadrupled.

11 MR. GLEESON: Anywhere where two sections  
12 come together. Or three sections come together.

13 MR. OJEH: That is more helpful. I was  
14 thinking I didn't understand. All right.

15 CHAIRMAN BAIRD: It's a texture crack.

16 MR. OJEH: Okay.

17 MR. GLEESON: Yeah. A texture crack.

18 MR. OJEH: All right. Thank you.

19 CHAIRMAN BAIRD: You're welcome. Okay. So  
20 we're going to leave those off. Great.

21 The next section would be, then, we're going  
22 to Call to the Public.

23 Is there anyone from the public that would  
24 like to speak today? No? Okay.

25 Moving on, is future meeting dates. I'll

1 ask if the board members have anything that they would  
2 like to bring up before we go to that. Nope?

3 Our next meeting is scheduled for April --

4 MR. OJEH: Seventeenth.

5 CHAIRMAN BAIRD: One o'clock, here. Okay?

6 MS. BLAKE: Mr. Chairman, if I may just  
7 bring to your attention, we have scheduled these at your  
8 request on this quarterly schedule. And of course, I send  
9 to the chairman, the agenda in advance for his review and  
10 approval, and so it is at the chairman's discretion  
11 whether or not we meet on these specific dates. So if he  
12 would receive an agenda that didn't appear to be something  
13 that made sense to go ahead and have a meeting, it would  
14 be at his discretion to cancel it. It could be  
15 rescheduled.

16 So I just want to make sure that you were  
17 aware that even though we selected these on a regular  
18 schedule for your preplanning, at the chairman's  
19 discretion they can be cancelled, rescheduled, as needed.

20 CHAIRMAN BLAKE: Thank you.

21 MS. BLAKE: You're welcome.

22 CHAIRMAN BAIRD: The chairman will take that  
23 into consideration. All right.

24 The Chairman will turn a motion to adjourn.

25 MR. HANEY: So moved.

1                   MR. CHAIRMAN: We have a second. All in  
2 favor, say aye.

3                                   (Chorus of ayes.)

4                   MR. CHAIRMAN: See you guys. Thanks. Bye.

5

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7                                   (The proceedings concluded at 1:48 p.m.)

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C E R T I F I C A T E

I, KELLY M. OLHAUSEN, hereby certify that the foregoing pages constitute a full, true and accurate transcript of all proceedings had in the above matter, all done to the best of my skill and ability.

SIGNED AND DATED this 23rd day of January, 2013.

KELLY M. OLHAUSEN, RPR  
Certified Reporter  
Certificate No. 50867