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

**Wednesday, January 19, 2011**

**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**

A P P E A R A N C E S

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**BOARD MEMBERS PRESENT:**

**ROSS WAIT, Chairman**

**SAM BAIRD**

**NEAL HANEY**

**TROY HYDE**

**CATHERINE MCGILVERY**

**JOSEPH STEGMAYER**

**ROGER WENDT**

**STAFF MEMBERS PRESENT:**

**GENE PALMA**

**DEBRA BLAKE**

**BETH SOLIERE**

**AYDE MARQUEZ**

**ALSO PRESENT:**

**KEN ANDERSON**

**MARY ANN KNIGHT**

**ARTHUR CHICK**

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P R O C E E D I N G S

CHAIRMAN WAIT: I'll go ahead and call the meeting to order. Roll call, please.

MS. MARQUEZ: Okay. Ross Wait.

CHAIRMAN WAIT: Present.

MS. MARQUEZ: Sam Baird.

BOARD MEMBER BAIRD: Present.

MS. MARQUEZ: Paul DeSanctis. Absent.

Neal Haney. Absent.

Troy Hyde.

BOARD MEMBER HYDE: Present.

MS. MARQUEZ: Catherine McGilvery.

BOARD MEMBER MCGILVERY: Present.

MS. MARQUEZ: Zeek Ojeh. Absent.

Joseph Stegmayer.

BOARD MEMBER STEGMAYER: Here.

MS. MARQUEZ: Roger Wendt.

BOARD MEMBER WENDT: Here.

MS. MARQUEZ: Gene Palma.

MR. PALMA: Here.

MS. MARQUEZ: Debra Blake.

MS. BLAKE: Here.

MS. MARQUEZ: Beth Soliere.

MS. SOLIERE: Here.

1           CHAIRMAN WAIT: Thank you. Before we go to the  
2 next item, it would be best to introduce our new member.  
3 Troy.

4           BOARD MEMBER HYDE: Hi.

5           CHAIRMAN WAIT: How are you?

6           BOARD MEMBER HYDE: Fine.

7           CHAIRMAN WAIT: Could you tell us a little bit  
8 about yourself?

9           BOARD MEMBER HYDE: Sure. I'm the CFO for a  
10 Valley-based contracting firm. I also am the chairman of  
11 the Arizona Energy Forum, and I run a not-for-profit  
12 political think tank.

13          CHAIRMAN WAIT: Okay. Thank you. Welcome  
14 aboard.

15          BOARD MEMBER HYDE: Thank you. Thank you for  
16 having me.

17          BOARD MEMBER STEGMAYER: A Valley-based what?

18          BOARD MEMBER HYDE: Contracting firm.

19          CHAIRMAN WAIT: All right.

20          MS. BLAKE: Mr. Chairman.

21          CHAIRMAN WAIT: Yes.

22          MS. BLAKE: If I may just add something on the  
23 topic.

24          CHAIRMAN WAIT: Absolutely, please.

25          MS. BLAKE: I provided for each of you a

1 printout of all the current Board members' contact  
2 information. I have also sent it to you electronically,  
3 so you have it that way as well. Would you please look at  
4 your information, and if there is anything in error, or  
5 needs updated, would you send me an e-mail, or actually  
6 send it to Ayde. She'll send out this, and then if you  
7 have any changes to your information, if you would send  
8 that to Ayde, and we'll get it all current and send it  
9 back out.

10 CHAIRMAN WAIT: Perfect, thank you. All  
11 right. Begin.

12 Item number three, entertain a motion for  
13 approval of the multi-transcript and the abbreviated  
14 attendance of our October 20, 2010 meeting.

15 BOARD MEMBER STEGMAYER: So moved.

16 BOARD MEMBER WENDT: Support.

17 CHAIRMAN WAIT: All right. Is there any  
18 discussion or comments regarding those minutes?

19 All those in favor, say aye.

20 (Affirmative responses.)

21 CHAIRMAN WAIT: Any opposed?

22 (No response.)

23 CHAIRMAN WAIT: The motion carries the same.

24 Thank you.

25 Financial reports, of which we have a lot.

1 There is a number of funds and stuff. Again, I just have  
2 to say this again. I know I said it last meeting, but it  
3 is so refreshing to have some good reports and as accurate  
4 reports as we can get. It's been a great improvement with  
5 Debra and her staff and Gene. Whoever is responsible for  
6 it, again I want to thank you for this valuable  
7 information that helps us to do our job.

8 MS. BLAKE: Thank you.

9 So, looking at page five, starts with the  
10 September 2010 report. The first thing I will just draw  
11 your attention to, you recall in the last Board meeting  
12 you received one graph that depicted the revenue breakdown  
13 for the month, and you still have that, going forward. As  
14 requested by the Board, you also asked for that to be  
15 displayed in a year-to-date format, and that will be on  
16 page eight for you.

17 And then on page nine, something else that we  
18 added is, although this isn't as detailed as we plan to  
19 give it to you in the future, this is a breakdown of  
20 expenditures between the two major categories, obviously  
21 payroll and operating. So, we are still working towards a  
22 future goal, as Gene updated you on the last Board  
23 meeting. We are still working in a new format in how we  
24 are breaking down the accounting, and we will be able to,  
25 once we've had a little bit more experience at working

1 with that budget, to be able to further break down these  
2 expenditures into the different, more drilled-down  
3 version. But in the meantime we can at least give you  
4 some idea of how it's falling out.

5           You'll notice on the September one, seventy-  
6 seven percent of it is all payroll. And I will just  
7 remind you of this. That in the beginning months, I'm not  
8 sure exactly when they take it, but payroll is not  
9 typically that big of a piece of the pie, but a lot of the  
10 benefits and different things are front-loaded, in terms  
11 of the accounting system. And so, when you look in other  
12 months, like October and November, you'll see that those  
13 percentages significantly changed.

14           So, that's the new things that you're being  
15 provided with at your request.

16           One other new thing, and it's not represented  
17 on the financial reports, but it's connected to it. And  
18 that was at the last Board meeting you had requested that  
19 when we show that we have new manufacturers, new  
20 licensees, for a given month, that you would like that  
21 information via e-mail. Who it is, when we issued it, and  
22 so you can research that information as you choose to do  
23 so individually. And so, just wanted to know if the  
24 e-mails that we are generating to you, if you'd like to  
25 see anything different with that, if it is providing you

1 the information that you would like. It's certainly open  
2 to whatever suggestions you have for that.

3 CHAIRMAN WAIT: Well, no, I enjoyed it. I  
4 thought it was a good report to send out. And I didn't  
5 really have any comments about it. I know it was very  
6 trying for me to finally have the facts, and I'm not sure  
7 what our problem is. You were sending me a file as it  
8 related to escrow, I remember.

9 MS. BLAKE: Actually it was a pdf file, and  
10 yourself and Catherine both had issues with it, but I  
11 think everybody else was able to open it. So I'm not  
12 sure. I'm not very technical.

13 CHAIRMAN WAIT: Well, it didn't say pdf, it  
14 said something --

15 MS. BLAKE: Well, the first time I sent it, I  
16 sent it in Word format. And depending on what version of  
17 Word you have, you could open it or not open it. Then I  
18 re-sent it and sent it in both Word and pdf, assuming  
19 everybody can open up pdf. But apparently I'm assuming  
20 things that aren't necessarily true, because even in that  
21 format, again there were two of you who could not open  
22 that. So, we worked around it and we got them faxed to  
23 you.

24 CHAIRMAN WAIT: Absolutely.

25 MS. BLAKE: Problem solved, but thank you.

1           CHAIRMAN WAIT:   Um-hum.

2           MS. BLAKE:   So, I guess, lesson learned when we  
3 send attachments, I will send them in a couple formats,  
4 and if you still can't open it, just let me know.

5           CHAIRMAN WAIT:   Okay.   Roger.

6           MS. BLAKE:   So, thank you.   If you do have  
7 suggestions on this or need additional information, just  
8 feel free to send me an e-mail and let me know what you'd  
9 like to see different, and we'll work with that.

10          CHAIRMAN WAIT:   Thank you.   Roger.

11          BOARD MEMBER WENDT:   You know, when last  
12 meeting, when you announced there was a couple of new  
13 manufacturers, obviously Joe and Sam's interest was  
14 piqued, and then they wanted to know who they were and  
15 where they were at.

16                 So, my question would be, is it appropriate  
17 when you have any new licensee to notify the Board, and  
18 how much work would that be for you guys and, you know,  
19 I'm curious if I have a new competitor, who they are and  
20 where they are.   And it would be good information for me  
21 to have that, and the licensees for installers also.

22          MS. BLAKE:   Well, let me ask you --

23          BOARD MEMBER WENDT:   I don't know if it's  
24 appropriate for a State agency to do that.

25          MS. BLAKE:   Well, it's public information.   Any

1 time we issue a license, it's public. And so, anybody can  
2 have it. Certainly the Board can have it, if you want  
3 that. I would just ask, would you also want salespersons,  
4 because that seems to be the biggest volume. Or would you  
5 just want manufacturers, dealers, and installers?

6 BOARD MEMBER WENDT: That would be fine with  
7 me, if that is appropriate.

8 MS. BLAKE: Certainly.

9 BOARD MEMBER WENDT: And I'm not seeing on our  
10 reports anymore the number of licenses there are. I'm  
11 always curious to know, you know, like there were 164  
12 licensed installers. Is that number --

13 CHAIRMAN WAIT: 1800 salespeople.

14 BOARD MEMBER WENDT: Salespeople. Is that  
15 number shrinking, or growing or static. You know, it's a  
16 little tidbit, but it would be fun for me to know.

17 MS. BLAKE: We can add that.

18 CHAIRMAN WAIT: And we have it for years.  
19 Somewhere in the last, sometime in 2010, it disappeared.  
20 Let me put it that way. I believe, anyway.

21 MS. BLAKE: Maybe when we redid the format, it  
22 got dropped off. I don't recall it.

23 CHAIRMAN WAIT: It said here at the beginning  
24 of this month, here is the initial additions, here is  
25 renewals, here is the number at the end of the month.

1 MS. BLAKE: Okay. We can add that.

2 BOARD MEMBER WENDT: As long as you don't make  
3 the print any smaller.

4 MS. BLAKE: I don't know, Roger. The more  
5 information you want, the smaller the print gets.

6 Well, that begs another question.

7 Since, do you want the educational grant  
8 information on there? Since, based on the status of the  
9 relocation fund, at least through the last several Board  
10 discussions, you decided not to grant, or not to vote for  
11 any grants of money until that fund balance changes  
12 significantly, or do you like to see that educational  
13 grant for the prior years, because, if we didn't have that  
14 on there, it might be a little easier to read.

15 BOARD MEMBER BAIRD: Well, I think at some  
16 point we will have grant money again, so I think it should  
17 be continued. I want it on there.

18 MS. BLAKE: Okay. So, the financial report,  
19 the only other change on here that I wanted to have you  
20 discuss, if you would, please, that is, you will note that  
21 on all of the estimated annual expenditures, we haven't  
22 any notation there.

23 So -- oh, I'm sorry. I'm on page five.

24 So, on page five from the September 10 report,  
25 you'll see that. We can give you an estimate, but again,

1 as we work through the budget and expenditures, it is  
2 absolutely not going to be an accurate number. So we  
3 could give that number to you in a couple of different  
4 ways. And again, they are not going to be accurate at  
5 this point.

6           You know, the Legislature just went into  
7 session and so the Governor has issued her budget  
8 recommendations. That's going to go through a process,  
9 because there is other entities that are going to oppose  
10 the budget. So, we will not know final budget information  
11 for a while. Once we know it, Gene and Mary Ann have  
12 separated the budgets out internally for us, so that we  
13 have an OMH budget, and we have an Office of  
14 Administration, and we have an Office of Fire Marshall.  
15 So I know what the budgets will be, or is right now, but  
16 it's a moving target. So, if we know that's the budget,  
17 and if we know that we typically pretty much stay within  
18 that budget range, that could be the baseline for  
19 expenditures. But it's kind of could be.

20           And I know one of the things we are struggling  
21 with, and the Board has struggled with, is I want accurate  
22 information. And we absolutely agree with you.

23           CHAIRMAN WAIT: You can't get it.

24           MS. BLAKE: I can't get it right now. And so I  
25 don't want to cause frustration for all of you, and I

1 don't want to have to, you know, keep addressing why we  
2 don't have it, because we don't have any control over it.  
3 And so, I could give you numbers, but you're going to  
4 question them every Board meeting, and I'm going to tell  
5 you the same thing every Board meeting.

6           It's the way the State budget works, it's  
7 different how a business budget works, and therefore they  
8 are all going to be guesstimates.

9           BOARD MEMBER HYDE: But you have an accurate  
10 number as of now, and you have the budget worked up now,  
11 right?

12           MS. BLAKE: We have a budget number right now.

13           MR. PALMA: And that's what we're trying to  
14 figure out today, and we'll be happy to give you that,  
15 with the caveat that it's understood that that number is  
16 valid for, that's just a snapshot.

17           MS. BLAKE: And I think the reason that I took  
18 the liberty of just saying NA at this point, is also  
19 telling you that the budget amount is going to be far off  
20 from the expenditures or the revenues right now. And so,  
21 obviously the importance it has to you all as a Board is,  
22 you need to make decisions about adjusting fees, based on  
23 the 95 to 105 percent, between those two numbers.

24           So, as it sits right now, the estimated annual  
25 revenue is tracking at about \$664,000. Our current OMH

1 budget is at about one point two million. So, you've got  
2 a huge discrepancy there, because we just don't know what  
3 those numbers are really going to be for a while.

4 I think we're fairly comfortable with the  
5 revenues, because we track those and you see them all  
6 broken out up above, and expense, but having that  
7 information, is that going to prompt you, cause you to  
8 have to make decisions on raising fees significantly? I  
9 mean, you may get to that point anyway, as we get closer  
10 to the end of the fiscal year, so I guess I'm looking for  
11 direction from you. What do you want from me?

12 CHAIRMAN WAIT: Well, we are going to have to  
13 have some information on this. Let me just come back and  
14 say a couple things to Troy. I'm a CPA, and the way the  
15 government does accounting is, I mean, terrible. No one  
16 could properly run a business, and particularly in this  
17 situation, where somebody else is, boom, they take five  
18 hundred thousand out for the year for insurance, I think  
19 it was, wasn't it?

20 MR. PALMA: Benefits.

21 CHAIRMAN WAIT: Or benefits of some sort. Or  
22 they all of a sudden just pull the money out of the  
23 account for the year for all the rent. So, rather than  
24 coming in and allocating it out over 12 months, so you'd  
25 have some numbers that make sense, those are the problems

1 that they face.

2 Plus, you know, the revenues don't come in  
3 equally every month. You know, there are certain periods  
4 of the year where there is a lot more that comes in, in  
5 this month than that. But you don't get that really  
6 reflected through this here. And if I remember correctly,  
7 Roger said that one of the best guides is what was the  
8 actual for the prior fiscal year, okay.

9 So, here is our actual income, here is our  
10 actual expenses for the year as -- and I don't believe  
11 they are truly actual, but I'm just saying, they're as  
12 close as we can get.

13 MS. BLAKE: Right.

14 CHAIRMAN WAIT: And then, is there going to be  
15 a slight increase or a decrease or whatever in these  
16 numbers is probably one of our best guides.

17 So, it's very, very difficult flying this thing  
18 through the clouds with no radar. But it's been doing it  
19 forever, I guess.

20 MS. BLAKE: And Mr. Chairman and Board members,  
21 I think the other thing too that is unique with State  
22 government is, that budgets that we have and we are  
23 working on as a solid number. Then there is some  
24 initiative that we have to cut 15 percent, or for us, it's  
25 been 40 percent I think.

1 MR. PALMA: For the last five years, correct.

2 MS. BLAKE: For the last few years. And so,  
3 the budget we thought we were working with, all a sudden,  
4 you know.

5 CHAIRMAN WAIT: Disappears.

6 MS. BLAKE: You know, we've got thousand of  
7 dollars gone on it. And we are probably maybe looking at  
8 that again this year. Because, well, everybody reads the  
9 paper. You know the situation of the State finances, and  
10 so, we just don't know. So, I need for you to tell me  
11 what you want, and we'll provide it to you, just knowing  
12 that I can't give you a complete accurate number.

13 CHAIRMAN WAIT: Well, I just, you know, in that  
14 situation, all we can do is go along, and you provide us  
15 with the information that is available, and we have to be  
16 sensible enough that we understand at least some basic  
17 differenc between the accounting methods. But at least we  
18 have some idea, and you can always add comments to it, why  
19 it's real high or real low or whatever. And so, if those  
20 questions arise, you're able to answer them for us. Like  
21 this half a million goes out for benefits or whatever the  
22 number is at least.

23 So, as the year goes along, they tend to come  
24 in line to where you're heading, but like you say, it  
25 might not necessarily be close to what the budget is, due

1 to what the Legislators do.

2 MR. PALMA: Right.

3 CHAIRMAN WAIT: Or the Governor.

4 MS. BLAKE: Okay. So, you would like a number  
5 as accurate as could be, with explanation.

6 CHAIRMAN WAIT: Yes.

7 MS. BLAKE: Okay.

8 CHAIRMAN WAIT: I just wish the State of  
9 Arizona would do like, I think three or four states have  
10 done now, is go to, they've gone to public accounting  
11 methods, and those states have strong financial statements  
12 today, compared to those states that operate like Arizona,  
13 California, Illinois, and you know, without having -- all  
14 you're doing is fooling yourself, with those types of  
15 numbers. And certainly there is a computer powerful  
16 enough to take care of that, and it's almost brainless and  
17 it should be done in an accounting rig or an accounting  
18 business fashion, but, like I say, that's going to ever  
19 happen --

20 MS. BLAKE: Okay. I'm going to draw your  
21 attention to page 15, which is the most current financial  
22 report, which is for November 2010. The December report  
23 will be ready next week, and so, it will be posted up on  
24 the web site for your review, if you choose to do so prior  
25 to the next Board meeting. The graphs as we've updated

1 them for this for this Board packet are the -- are there  
2 any suggestions on how to improve upon the three graphs  
3 you're getting? And by the way, on page 18, there is a  
4 typographical error. It should say fiscal 2011, year-to-  
5 date revenue.

6 CHAIRMAN WAIT: What I was going to make a  
7 comment to you, if you print up, Debra, if you go back to  
8 page six.

9 MS. BLAKE: Okay.

10 CHAIRMAN WAIT: Maybe that would be just a good  
11 chart to add, either the number of licensees to.

12 MS. BLAKE: Oh, okay.

13 CHAIRMAN WAIT: You know, it doesn't make any  
14 difference which page it's on. There's no use crowding  
15 page five. We can't crowd that any more. So maybe just  
16 add it to, like six.

17 MS. BLAKE: I can do that.

18 CHAIRMAN WAIT: That's just a suggestion.

19 MS. BLAKE: Okay. Any other questions or  
20 discussion about the financial reports provided for you?

21 CHAIRMAN WAIT: Roger.

22 BOARD MEMBER WENDT: Can we go back to page 15  
23 for a moment, please? Would you, about three-quarters of  
24 the way down the page, it's got a line called expense and  
25 revenue report.

1 MS. BLAKE: Yes.

2 BOARD MEMBER WENDT: And if I'm reading that  
3 correctly, year-to-date revenue for November was two  
4 sixty-nine and change?

5 MS. BLAKE: Yes.

6 BOARD MEMBER WENDT: And previous year-to-date  
7 was two seventy-one. So we are, the revenue is pretty  
8 much in line where it was a year ago.

9 MS. BLAKE: Correct.

10 BOARD MEMBER WENDT: And then year-to-date  
11 expenses, we're showing four hundred, and I can't even  
12 read the number.

13 CHAIRMAN WAIT: Twenty-three.

14 BOARD MEMBER WENDT: And prior they was two  
15 seventy-seven. Are those accurate figures? That's a  
16 significant difference.

17 MR. PALMA: Yes, as far as I know, they are.  
18 And one of the reasons may be, because last fiscal year,  
19 they took some of those lump sums, they took them out on  
20 the back end.

21 CHAIRMAN WAIT: Different time of year.

22 MR. PALMA: Different time of year. This year,  
23 because they were, just wanted to make sure they got all  
24 the major benefit expenditures out of the way, because  
25 they didn't know how the revenues were going to be, they

1 took them out on the front end of the fiscal year. So  
2 that's why there is some discrepancy.

3 BOARD MEMBER WENDT: Thank you. And then  
4 you're estimating annual revenue of six forty-six. Is  
5 that based on --

6 MS. BLAKE: Again, the way we calculate that,  
7 Roger, is that we take the year-to-date revenue, divide it  
8 by the number of months, and then multiply that times 12  
9 to get an average.

10 BOARD MEMBER WENDT: That's all that we've got  
11 right now, isn't it?

12 MS. BLAKE: That's all we've got. I wish it  
13 was something different, but it isn't. And on the other  
14 comment about year-to-date revenue compared to prior year-  
15 to-date, yes, we are pretty much in sync. But I guess the  
16 other comment to keep in mind is, we, you all did approve  
17 a fee increase, so the current year-to-date is reflective  
18 of the fee increase.

19 BOARD MEMBER WENDT: Right.

20 MS. BLAKE: So, we would have expected, if  
21 things were on track, really, to be higher this year. And  
22 it's not, which tells you permits and all of that is down.

23 BOARD MEMBER WENDT: I think we predicted, you  
24 know, some of that.

25 MS. BLAKE: Sure.

1           BOARD MEMBER WENDT:  If I may continue,  
2 Mr. Chairman.  On that same page, about a third of the way  
3 down from the top, the insignia reports, and for  
4 manufactured homes, the year-to-date, seven forty-six.  
5 Prior to-date, nine forty-six is reasonable.  However, the  
6 FBB has gone up significantly.  Is there a, can you tell  
7 me where these FBBs are, or going or --

8           CHAIRMAN WAIT:  Yes, saying the same thing of  
9 the elevator.

10          MS. BLAKE:  Yeah, I would tell you that the  
11 trend with FBB production in this state has grown, over  
12 the last couple of years.  But certainly, it has grown at  
13 a much greater rate than the manufactured housing.

14          BOARD MEMBER WENDT:  Right.

15          MS. BLAKE:  And so --

16          BOARD MEMBER WENDT:  Are these buildings that  
17 are being installed, or buildings that are being built?

18          CHAIRMAN WAIT:  Built.

19          MS. BLAKE:  Well, they're -- that's hard to  
20 know, because people order quantities of insignias at one  
21 time.  So, I don't know.  Are these the ones that -- is  
22 this from your report where we are selling insignias or --

23          MS. MARQUEZ:  We're issuing insignias.  It  
24 doesn't mean they are using them right away.  They get  
25 like a bulk amount, and then they use them as they go.

1 MS. BLAKE: So, they may order 50 insignias for  
2 FBB, but it doesn't mean that they constructed 50 FBBs or  
3 that they've installed them. It just means that is how  
4 many insignias they have purchased.

5 BOARD MEMBER BAIRD: It means manufacturers.

6 MS. BLAKE: Installers.

7 BOARD MEMBER WENDT: I was assuming that this  
8 insignia was installer insignias. That the number of  
9 insignias that installers are ordering and installing on  
10 homes that they install.

11 MS. BLAKE: Right, for contractors.

12 BOARD MEMBER WENDT: And when installers bring  
13 back our reports, and it might be more accurate for our  
14 information to have the ones that are reported that they  
15 have used, as opposed to what were purchased.

16 CHAIRMAN WAIT: Or like this, but for FBBs?

17 BOARD MEMBER WENDT: What page are you on,  
18 please?

19 CHAIRMAN WAIT: Page 16. And then it shows  
20 actual production.

21 BOARD MEMBER BAIRD: Oh, there you go.

22 CHAIRMAN WAIT: And if you have one of those  
23 for FBBs, that tells you everything you want to know, I  
24 think. I assume that's available.

25 MS. BLAKE: It can be.

1           BOARD MEMBER WENDT: I guess I'm more  
2 interested in what's actually being installed and filled.

3           BOARD MEMBER BAIRD: Maybe instead of saying  
4 production report, it can say installation report.

5           CHAIRMAN WAIT: Because you do the reports, I  
6 mean.

7           BOARD MEMBER WENDT: I guess my main point  
8 here, and I've gotten way off track, but it looks like  
9 there's a whole bunch of FBB activities. And that's  
10 healthy and good, and I'm glad for that. But just --

11           MS. BLAKE: Yeah, I think probably, we'll look  
12 at it a lot of different ways. But Roger's suggestion to  
13 add a production element on page 16 for FBBs, because  
14 remember, page 15 and all of your financial reports are  
15 the revenue that is coming in. And so, we need to track  
16 insignias the way we track it now, because it's a cash  
17 flow thing. They buy them, pay for them, and that is  
18 where we get our revenues. So, that's what page 15 is.  
19 Page 16, we could certainly add something that, production  
20 for manufactured housing, because that's how that is  
21 tracked once it's produced.

22                   But maybe you are asking for installation  
23 rather than production, and installation we could track.

24                   I'm not sure we could track easily when it's  
25 manufactured.

1 BOARD MEMBER WENDT: Right, I understand.

2 MS. BLAKE: And especially since residential  
3 FBBs are done in, usually the HUD factory. And commercial  
4 mods, which is where the growth has really been, is in  
5 those manufacturer location. Installations, would that be  
6 a --

7 BOARD MEMBER WENDT: Yeah, you know, I turn in,  
8 I don't even, my office does, I can't tell you how often I  
9 turn my report in, but I report to you guys how many homes  
10 I installed and where.

11 MS. BLAKE: Yeah.

12 BOARD MEMBER WENDT: I don't care. The report  
13 doesn't have to say where, but be interesting to know,  
14 okay, they are producing a bunch of homes. Are we  
15 installing them? So when we would turn those reports in,  
16 I would think it decreed, okay, how many insignias  
17 actually got used that month in the field.

18 MS. BLAKE: Okay. So, you would like that on  
19 the FBBs, the modulars. Do you also want to know when the  
20 manufactured homes are installed?

21 BOARD MEMBER WENDT: Correct.

22 MS. BLAKE: Because remember, you've got that  
23 lag. A lot of them are going to dealer lots.

24 BOARD MEMBER WENDT: Yeah.

25 MS. BLAKE: And so, there is not going to a

1 good connection between what was manufactured necessarily  
2 and what was installed. But we can get that information  
3 for you.

4 BOARD MEMBER WENDT: I guess it just got to the  
5 point about, this is when you sell the insignias. And I  
6 may have a hundred of them right now.

7 MS. BLAKE: Right, right.

8 BOARD MEMBER WENDT: And it's not significant  
9 to what's going on in the real business world, until I  
10 install that home.

11 MS. BLAKE: So, it's significant in terms of  
12 revenue, but you would like that information that you just  
13 requested added to page 15, as kind of a production or --

14 BOARD MEMBER WENDT: That would be great.

15 MS. BLAKE: Okay.

16 BOARD MEMBER WENDT: Thank you.

17 CHAIRMAN WAIT: See, you created this  
18 different, you create great reports. So, you know, the  
19 old axiom, no good deed goes unpunished. So, demand for  
20 reports goes up and up.

21 MS. BLAKE: I wish you had told me that several  
22 months ago.

23 CHAIRMAN WAIT: Before you stepped in the  
24 quicksand? Here is an idea, would be a very easy thing to  
25 do, I believe. And I understand what you said about the

1 revenue, but this might be much more accurate. This would  
2 be taking Excel, do a little programming, and you could  
3 take last year's, and let's say in July, seven percent of  
4 the income came in. And then, nine percent came in, in  
5 this month. So, you know, and let's just say, six months  
6 down the road at the end of December, that 42 percent of  
7 the revenue has come in historically.

8           So now, if you look at year-to-date at the 42  
9 percent, it could project that you've got, you know, 58  
10 percent more coming, and make that number a much better  
11 estimate, instead of just taking it and dividing it by  
12 seven months and then taking it times 12 or, you know.  
13 So, that would be an easy thing to do.

14           You just have to know which percentage comes in  
15 each month, during your fiscal year, and then at the end  
16 of each of those months you'd just add that program in,  
17 and it would just automatically calculate it for you. It  
18 would be an easy Excel formula to perform.

19           MR. PALMA: And we already have a whole lot of  
20 historical data to get those percentages.

21           CHAIRMAN WAIT: Yeah. You just use the prior  
22 fiscal years. I just wish we could do that. If the State  
23 was consistent as to when they took the money out, you  
24 could use the same thought processes on the expense side,  
25 but they are not consistent.

1 MS. BLAKE: They are not. And I mean, we can  
2 certainly try that and track it that way and see if that  
3 works.

4 Again, it's not going to be consistent year to  
5 year, because of when they decide to take lump sums for  
6 rent, for benefits, all of that. It's not always the same  
7 quarter.

8 MR. PALMA: You know, you would think they  
9 would have a schedule for it.

10 CHAIRMAN WAIT: Yeah, each October they grab  
11 this.

12 MR. PALMA: Correct.

13 MS. BLAKE: Yes. So, this July, you're going  
14 to see a huge number, a huge percentage of expenses  
15 because of what they did, but it's not the same last year,  
16 because last year they took it the second or third quarter.

17 CHAIRMAN WAIT: What are the key elements?  
18 Okay, we've got, we know, or have a pretty good idea, I  
19 assume, of what the payroll, payroll benefits and all the  
20 payroll-related expenses are, regardless of when the State  
21 might nail you with them. And I'm talking about for  
22 estimates for the future, because I'm trying to get a  
23 clear focus on those.

24 So, could you just use what you really believe  
25 is going to be happening here in this year for those

1 categories?

2           The rest of them, I would think a lot of the  
3 other categories just happen monthly anyway, don't they?  
4 I'm assuming.

5           And so, there is probably these two or three  
6 categories that is employee-related, as well as, let's say  
7 rent, where you take that, divide that annual number that  
8 you think is going to be. And I realize it's subject to  
9 change, but you divide that by 12, and take the others as  
10 an actual.

11           That would be a whole lot better than these  
12 huge swings when they pull the half-million out. Again,  
13 just a thought.

14           MR. PALMA: Correct, Mr. Chairman and Board  
15 members. That is what we are actually doing now. We've  
16 been doing it for quite, not quite some time, but four or  
17 five months. But it's, as they say, a Beta testing,  
18 because we are still categorizing our expenditures.

19           So, but that is the format we are utilizing  
20 now. So, we wanted to get in six to nine months, just to  
21 see how we are tracking, and then present it to you.

22           CHAIRMAN WAIT: All right.

23           MR. PALMA: So that way, we didn't want to  
24 throw it out there the first time we were to give it to  
25 you and come up with --

1                   CHAIRMAN WAIT: Yeah. so you have a prototype  
2 going.

3                   MR. PALMA: Yes, sir.

4                   CHAIRMAN WAIT: All right.

5                   BOARD MEMBER STEGMAYER: Mr. Chairman.

6                   CHAIRMAN WAIT: Yes, Joe.

7                   BOARD MEMBER STEGMAYER: Debra, you mentioned  
8 that the group in this FBB was coming primarily from the  
9 purchases.

10                  MS. BLAKE: Yes.

11                  BOARD MEMBER STEGMAYER: How do you know that?  
12 What kind of information do you get to determine this?

13                  MS. BLAKE: Well, we inspect the installations  
14 of them, and so we know how many inspections that we've  
15 done for those has increased.

16                  And then, of course, we get plan reviews, so we  
17 get plans in on those and approval of those. So, we have  
18 seen an increase in plan review and the installion  
19 inspections.

20                  BOARD MEMBER STEGMAYER: So, probably my  
21 question should have been phrased better. So, when you  
22 look at that, do you track those numbers, or just say,  
23 well, we know they are looking at more commercial units  
24 than residential units?

25                  MS. BLAKE: We do track that as part of our

1 reporting from plan review. I can send you some trending  
2 on that. Either e-mail or provide it to you at the next  
3 Board meeting, however you would like to receive that.

4 BOARD MEMBER STEGMAYER: That would be great.  
5 And the number that you say that you see here and that you  
6 are saying you're seeing an increase in inspections, are  
7 most of these units staying within the state, or --

8 MS. BLAKE: Yes.

9 BOARD MEMBER STEGMAYER: If they're not within  
10 the state do you get involved?

11 MS. BLAKE: If it's shipped into the state, we  
12 do get several, we have several licensees who are out of  
13 state, FBB manufacturers.

14 So, we do get those shipped into the state. If  
15 it leaves the state, manufactured here and leaves, we  
16 don't follow it to the new state.

17 BOARD MEMBER STEGMAYER: Okay. Thank you.

18 CHAIRMAN WAIT: Roger.

19 BOARD MEMBER WENDT: To your point, so, some of  
20 these insignias, if I understand in the reports, are used  
21 buildings being moved around also.

22 CHAIRMAN WAIT: Just being reinstalled?

23 BOARD MEMBER WENDT: Yeah, school buildings.

24 And that would be reflected on that?

25 MS. BLAKE: That's correct. We had a charter

1 school a couple of months ago up in Flagstaff, that moved  
2 seven commercial modular classrooms from a different  
3 location in Flagstaff. So yes, that requires permits,  
4 fees.

5 BOARD MEMBER WENDT: Foundation and designing,  
6 et cetera.

7 MS. BLAKE: Yes. Some of that is reflected in  
8 there.

9 BOARD MEMBER MCGILVERY: So they have to have a  
10 new insignia then?

11 MS. BLAKE: Uh-huh.

12 CHAIRMAN WAIT: All right. Are we done with  
13 financial reports? All right.

14 What I would like to reflect that, just as we  
15 started the financial reports, please let the record  
16 reflect that Neal Haney had joined us at that time.

17 BOARD MEMBER HANEY: I apologize for being  
18 tardy.

19 CHAIRMAN WAIT: You'll have to stay  
20 afterwards.

21 All right. Beth, update on Legislative bills.

22 MS. SOLIERE: There are no bills to update at  
23 this time, though I am keeping a close watch on any  
24 legislation that might impact us. The last date to  
25 introduce a new bill is February 7.

1           And there is also, we are having a budget  
2 hearing, and that is happening this Friday, at nine a.m.  
3 In the Senate. The sub-approp committee, a  
4 sub-appropriations committee. And that is it.

5           CHAIRMAN WAIT: All right.

6           Next item, fee structure, standing item.

7           MS. BLAKE: Provided in your packet on pages 20  
8 and 21, there's a current fee schedule. There are no  
9 changes to it since July 1, 2010.

10          CHAIRMAN WAIT: All right. Next item. Well, I  
11 guess we go back to Beth. Recovery fund. We have three  
12 items under that category.

13          MS. SOLIERE: Yes. If you'll take a look at  
14 page number 22. I've provided you with you a chart of the  
15 current balance of the fund.

16          And as of now, there are no claims waiting to  
17 be paid. So, the only one that is on the list here is  
18 waiting actually for appeal time to be paid. So, that  
19 will happen in two days.

20          And then there are two pending hearings, and I  
21 have listed there for you the amounts of both of those  
22 claims.

23          BOARD MEMBER BAIRD: The running total is  
24 through December, or to date?

25          MS. SOLIERE: The running total is actually to

1 date. That was supposed to say 1-5-11.

2 BOARD MEMBER BAIRD: Got it. Okay.

3 BOARD MEMBER HANEY: And my understanding then,  
4 from looking at this, is that six months ago or nine  
5 months ago, we were looking at hundreds of thousands of  
6 dollars in deficit recovery funds, and that's all been  
7 taken care of?

8 MS. SOLIERE: Yes.

9 BOARD MEMBER HANEY: And there's an  
10 anticipation, based on current revenues, that we will have  
11 every claim and pending claim paid?

12 MS. SOLIERE: Yes. Once this claim is paid on  
13 January 21, we will be paid up. There are two claims that  
14 are waiting hearing. So, depending on the outcome of  
15 those claims, but we should, if they are not for huge  
16 amounts.

17 BOARD MEMBER HANEY: And I'm looking at the  
18 financial reports, of anticipated income every month. By  
19 the time those get through the process, it should be --

20 MS. SOLIERE: There should be money to pay  
21 them, yes.

22 CHAIRMAN WAIT: Until the next etailer takes  
23 eight hundred thousand dollars out of the account. That  
24 might turn that upside down.

25 Okay, Joe.

1           BOARD MEMBER STEGMAYER: Mr. Chairman, Beth,  
2 are there details available on these claims?

3           MS. SOLIERE: Yes.

4           BOARD MEMBER STEGMAYER: That is available to  
5 the Board, or it's public information?

6           MS. SOLIERE: Yes, it's public information. If  
7 that is something that you would like to receive --

8           BOARD MEMBER STEGMAYER: I would think that  
9 would be useful in terms of trying to improve for product  
10 installation or service or whatever the issues are.

11           I would think that would be fairly important to  
12 consider.

13           MS. SOLIERE: Yes. There is actually another  
14 spreadsheet that we've created. It's one of my items as  
15 well. And you asked for it at the last Board meeting, and  
16 it kind of lays out all of the verified complaints, who  
17 they were verified to, and then if they are potential for  
18 recovery funds. I think that, is that sort of what you're  
19 asking for?

20           BOARD MEMBER STEGMAYER: Yes. I didn't read  
21 that before I came if it's on the schedule, but it doesn't  
22 show why the claim, why they're claiming twenty-four  
23 thousand for it. What was the cost of that home.

24           MS. SOLIERE: So, you want to know as to what  
25 exactly happened?

1           BOARD MEMBER STEGMAYER: Yeah. These claims  
2 seem awfully high. They may be justified, but they just,  
3 twenty-four thousand dollars on one claim for one home  
4 seems like a high claim. I've never, I've done a lot of  
5 homes and I've never gotten a claim like that for any home  
6 I've ever done.

7           CHAIRMAN WAIT: We've seen a claim of a hundred  
8 and twenty thousand.

9           BOARD MEMBER STEGMAYER: I know, I understand.  
10 But you know, there were some of those, but still it would  
11 be good to know how it gets to that amount. What the  
12 problems are that caused it to be --

13           MS. SOLIERE: Okay, so detailed information.  
14 Okay.

15           CHAIRMAN WAIT: And Joe, are you asking her for  
16 pending claims, what the claim is? Or you're talking  
17 about those that the Hearing Officers approved?

18           BOARD MEMBER STEGMAYER: I think it would be  
19 good to look at the claims that are coming up. Not much  
20 we can do about the ones they approved.

21           CHAIRMAN WAIT: But there's not much we can do  
22 about the ones that are in process either.

23           BOARD MEMBER BAIRD: They are having a hearing.

24           CHAIRMAN WAIT: I understand, but who's  
25 going -- I understand that we had this discussion in the

1 past. I know Ken was talking about: I'd like to go there  
2 and be part of this hearing process, but he has no stature  
3 to do that. What stature, who would have stature to go  
4 there and say: I disagree with this. And I'm talking  
5 legal stature to be there and represent the industry, or  
6 retailer, or whoever. I mean, I'm not sure there is  
7 anybody.

8 MR. KEN ANDERSON: I don't know either. That's  
9 a good point.

10 CHAIRMAN WAIT: Yeah. I mean, it might be good  
11 knowledge to have, but I'm not sure what we could do about  
12 it.

13 MR. KEN ANDERSON: Well, then I guess the next  
14 step would be some way to figure out at some point in time  
15 somehow, how there is a process that we'd be able to  
16 participate and be able to make some statements.

17 CHAIRMAN WAIT: Yeah, because it's either the  
18 retailer, and the retailer is out of business. He's not  
19 going to go. He's the only one that could really be  
20 there. Or the installer, you know, some of those people.

21 BOARD MEMBER STEGMAYER: We know the other  
22 cases historically, right?

23 CHAIRMAN WAIT: Yes.

24 BOARD MEMBER STEGMAYER: Where the amount of the  
25 claim is greater than the price of the home.

1           CHAIRMAN WAIT:   Yeah, absolutely.

2           BOARD MEMBER STEGMAYER:   So, how could the  
3 person be damaged to that extent?   So, I think, yeah,  
4 that's your right.   If there is no legal standing for us  
5 to participate, right?   Other than the claimant and the  
6 defendant, I guess.   But the defendant may be gone, as you  
7 said, or is gone usually.   But maybe there is some way to  
8 look at that down the road, that something could be done.

9           BOARD MEMBER BAIRD:   Well, it's terrible, I  
10 totally agree.   And I think if we put it off, we're  
11 probably never going to do anything about it.   But the  
12 more we read, I've read some and I have just been appalled  
13 at, it's not logical.   I mean, it's outrageous.

14           So, I think the more of that we see, the more  
15 we'll try to do something about it, try to change in that  
16 area, so it can be a simpler process.

17           BOARD MEMBER STEGMAYER:   The process doesn't  
18 work.   The process needs to be fixed.   And it's not to the  
19 betterment.   You know, somebody saying:   Well, this is  
20 good for consumers.   It's not.   Because what's happening,  
21 the recovery fund is depleted by a few.   What happens to  
22 the other consumers who might have claims?

23           So, I think it's in the best interest of all to  
24 manage the recovery fund properly and to see people  
25 treated fairly, but not excessively.

1                   BOARD MEMBER HANEY: Any maybe require some  
2 sort of statutory change. Maybe Scott could look at that.

3                   MR. KEN ANDERSON: Well, that's something we  
4 couldn't do at this time, necessarily, but in the future  
5 we can look at the whole process, and create a bill for  
6 that, yes.

7                   BOARD MEMBER BAIRD: Mr. Chairman.

8                   CHAIRMAN WAIT: Yes.

9                   BOARD MEMBER BAIRD: And the other issue would  
10 be from an educational point of view, what I first  
11 mentioned for our membership, the association, or however  
12 we decide that we could best use it.

13                   It would be very important to realize exactly  
14 where our money is going and why, and what we could do  
15 about it in the future. From a self-releasing point of  
16 view, if nothing else.

17                   CHAIRMAN WAIT: I remember one -- don't take me  
18 on the exact numbers, but a retailer had included like  
19 three thousand dollars for landscaping the front lawn, and  
20 the retailer disappears, and then the consumer comes back  
21 and says: I have to put this in as 21 thousand. You  
22 know, a little bit of difference there, you know. I mean,  
23 and we've had a number of those in working the system  
24 actually, some of these consumers.

25                   BOARD MEMBER BAIRD: Mr. Chairman, I guess my

1 question, to the statutory restraints that are placed,  
2 that the Department has no standing for these issues? I  
3 mean, the Department can't be represented?

4 CHAIRMAN WAIT: Well, you know, our past  
5 Director, he came to the conclusion he could not do very  
6 much in that area, in that he has, because he represents  
7 the recovery fund. But it was kind of my sense that maybe  
8 it hadn't been looked at hard enough, and perhaps what we  
9 ought to do is Gene maybe take a look at that, to get his  
10 opinion as to whether you, as Director, and overseeing the  
11 recovery fund, have any authority to be there to represent  
12 the recovery fund.

13 I'm not sure how you get into these details,  
14 but it might be worth something taking a look at.

15 MR. PALMA: Well, Mr. Chairman and Board  
16 members, the way I read the statutes, and what's difficult  
17 about it is, that the agency is the fiduciary for the  
18 recovery fund, so it would be a conflict of interest to,  
19 quote, defend one side or the other.

20 We are simply there as a fiduciary protecting  
21 the fund. We administer it and go by the direction of the  
22 ALJ, whatever their decision is. So, unless you undertake  
23 a rather, I would say, you know, kind of revolutionary  
24 turn at the statutes and turning the agency into a  
25 defender of the fund that it administers, which would be

1 rife with conflict of interest issues, then I think you're  
2 pretty much handcuffed, you know, as to trying to go  
3 through that perspective.

4 But that is just my sole opinion, and that is  
5 not to say that somebody else could conjure up some  
6 legislation that would be able to change the  
7 relationship. They sure could. But I just don't  
8 anticipate that being, you know, something that would get  
9 very far.

10 CHAIRMAN WAIT: I have the answer in one word.  
11 Escrow.

12 Yes, Troy.

13 BOARD MEMBER HYDE: Mr. Chairman, wouldn't it  
14 be in the industry's best interest to represent themselves  
15 at the hearings?

16 CHAIRMAN WAIT: But they have no legal standing  
17 to be there.

18 BOARD MEMBER BAIRD: And wouldn't it make more  
19 sense for us to encourage the industry to support  
20 statutes --

21 CHAIRMAN WAIT: I agree.

22 BOARD MEMBER HANEY: As opposed to --

23 CHAIRMAN WAIT: I agree. And like, as I  
24 suggested again, I mean, that is something you can look at  
25 to see if there is any way, through Scott, or with him

1 being the attorney, the lobbyist and what not.

2 MR. KEN ANDERSON: Yeah, I'm not sure that we  
3 have any standing at all.

4 CHAIRMAN WAIT: I'm not either.

5 MR. KEN ANDERSON: Because we have looked at  
6 that in the past. But I think the only way it can be done  
7 is through statute, through the reform. And I think  
8 that's something that we could look at in the next year or  
9 two.

10 BOARD MEMBER HANEY: Mr. Chairman, a number of  
11 the groups of the dealer-manufacturer' association, the  
12 tenants' association, the park owners' association have  
13 been meeting recently, looking at various things. And  
14 that's one of the things that's come up repeatedly, is the  
15 need for some, maybe some very aggressive statutory reform  
16 for this industry. And in a number of areas. I think  
17 this is one of them that, see if there is some way of  
18 coming up with a means of defending the recovery fund.

19 There is a number of things that they have been  
20 looking at, from a statutory standpoint. But of course,  
21 this year nothing is going to, nothing that's not already  
22 in the works is going to happen this year, I don't think.

23 CHAIRMAN WAIT: Not a chance.

24 All right, Deb. Oops, Roger.

25 BOARD MEMBER WENDT: I have a question on page

1 24, please. Second item from the top.

2 Do I understand correctly that a verified  
3 complaint was made with Conrath for the complainant, and  
4 the Director revoked a license here?

5 MS. SOLIERE: Yes, dealer license was revoked.

6 BOARD MEMBER WENDT: The dealer license.

7 MS. SOLIERE: Yes.

8 BOARD MEMBER WENDT: And I've noticed in at  
9 least two or three on here that, can somebody fill me in  
10 on the circumstances of what's happening there, or is  
11 that --

12 MS. SOLIERE: I can get that information for  
13 you, but I don't have it at this time. We can get some  
14 more --

15 BOARD MEMBER WENDT: I guess that's the best,  
16 first good news, that somebody --

17 MS. SOLIERE: If you want more detailed  
18 information added to this spreadsheet for the next Board  
19 meeting, we can certainly do that.

20 BOARD MEMBER WENDT: That is all I've got.

21 CHAIRMAN WAIT: Okay, thank you. I know I get  
22 these Real Estate Board things, and the first thing  
23 everybody goes to is the page, I mean, they don't read  
24 anything else. But those people that have been censored,  
25 had their license revoked, put on suspension, everyone,

1 and then if you're in Yuma, you're looking for Yuma names,  
2 you know. This is all public information.

3 BOARD MEMBER HANEY: You're looking for your  
4 name.

5 CHAIRMAN WAIT: I might know if I was there.

6 All right. Any other questions of Beth,  
7 regarding the recovery fund?

8 MS. BLAKE: Mr. Chairman and Board members, if  
9 I may. We didn't really talk about page 23. You probably  
10 all saw that last time. I don't think it changed, but a  
11 comment I think Neal made earlier, is that, I just wanted  
12 to commend Beth on her efforts in getting recovery from  
13 the surety bonds, because her success with doing that and  
14 collecting money is what has impacted consumers standing  
15 in line and waiting for recovery fund. So, as she gets  
16 those big checks --

17 CHAIRMAN WAIT: Absolutely.

18 MS. BLAKE: That gets two, three, four, however  
19 many people, paid off right now. And so, I just wanted to  
20 make comments to that.

21 CHAIRMAN WAIT: And I agree. You're doing a  
22 great job, Beth.

23 BOARD MEMBER STEGMAYER: Mr. Nansky (phonetic)  
24 is appreciative.

25 CHAIRMAN WAIT: Well, we've had a couple

1 miracles over the last year, since the recovery fund,  
2 quote, in my opinion, basically went to zero, and all of a  
3 sudden we find this money that was there, put in for  
4 years. And we, staff just started riding waves and has  
5 kept this fund afloat. Barely, but it's afloat. That is  
6 the most important thing. No one has really had to wait  
7 in line yet, but like I say, unfortunately it could happen  
8 again tomorrow.

9           Okay. Next item is bonding requirements.  
10 Another standing item.

11           MS. BLAKE: Okay, beginning on page 25, and  
12 following in this section. As a result of your vote at  
13 the last Board meeting to resurrect this exception to the  
14 rule-writing moratorium. I sent the e-mail to all of you,  
15 a draft of, beefing it up a little bit, reorganizing it,  
16 pointing those people who are going to be making the  
17 decision on whether or not we get exemption to the  
18 rule-writing moratorium, and clearly pointing out to them  
19 the statute and molding for them why this needs to  
20 happen.

21           So, we just need your feedback. I hadn't  
22 received any yet from anyone. And see, do you have  
23 suggestions for this? Is this strong enough? How do we  
24 get this in final format? Beth has already contacted via  
25 e-mail, Ms. Rebecca Hectel (phonetic). Is she still in

1 that role? Who will be the one who will get it to the  
2 appropriate people for or on our behalf. And so she's  
3 aware of it, and we just need your approval to send it  
4 forth as is or revisioned.

5 BOARD MEMBER BAIRD: Mr. Chairman.

6 CHAIRMAN WAIT: Yes, Sam.

7 BOARD MEMBER BAIRD: I think Mr. Anderson may  
8 have some comments on this and the overall. I'd like to  
9 ask him to comment on it for us.

10 CHAIRMAN WAIT: Please.

11 MR. KEN ANDERSON: Thank you, Mr. Chairman and  
12 members of the Board.

13 When I talked to the Board at the last meeting,  
14 I asked for the appeal. That was based on not presenting  
15 any legislation this year for the escrow bill. Two of our  
16 members of our executive committee, Sam Baird and Roger  
17 Wendt, we have had raw discussions on how we could  
18 possibly do this escrow bill again.

19 So, we looked at the entire budget, and looked  
20 at our lobby expense, and figured out a way that we could  
21 do an escrow bill in 2011.

22 So currently, the bill is in draft form, and  
23 Scott Butler, our lobbyist, expects to have the bill  
24 introduced next Monday or Tuesday. And Senator Michelle  
25 Reagan indicated she would carry the bill on our behalf if

1 there was no opposition from the industry.

2           And Scott and I have had two meetings with the  
3 park-owners association, and Mr. Chick and Mr. Haney were  
4 present. And we did reach a consensus last Friday, where  
5 there would be no obstruction to the bill. Needless to  
6 say, you can't always, it doesn't always happen.

7           Last year, as you know, a new party came in and  
8 objected to some elements of the bill, a party we weren't  
9 even aware of at the time. So, that party this year has  
10 agreed to go forward with the bill.

11           So, with that in place, I don't think we have  
12 to do the appeal process.

13           Again, there may be obstacles along the way,  
14 but as of right now, we have no opposition.

15           CHAIRMAN WAIT: And when, March, April, May, it  
16 depends on how long they last this year?

17           MR. KEN ANDERSON: Well, you know, I think the  
18 bill could go fairly quickly. It just depends on, you  
19 know, what assignments it gets, what, who's actually  
20 looking at it, but it could go fairly quick. It could be  
21 done in 60 days. It would be effective July 1, 2012.

22           And the bill, in very brief form is, all new  
23 homes would require escrow. All pre-owned homes less than  
24 fifty thousand dollars can go through the existing trust  
25 account. All pre-owned homes over fifty thousand dollars

1 would go through escrow. If a consumer in a home less  
2 than fifty thousand dollars wants escrow, it is required.  
3 So, that, in substance, is the bill.

4           It has far-reaching effects for the A.G. And  
5 Scott and I would need to lobby the A.G.'s office to make  
6 sure that there is enforcement with the new bill, but it  
7 removes the third-party problem that we had in the past,  
8 where I've heard a lot of these cases where the A.G.  
9 said: Well, we can't prosecute, that's not the licensee,  
10 it's a third party. And so it removes that obstacle. And  
11 we think the A. G. really needs to make an impression by  
12 prosecuting the first case that comes along. And once  
13 that happens, as we found out with our sister state in  
14 California, that stopped the fraud almost instantly, once  
15 there was one example.

16           CHAIRMAN WAIT: So, it would be your  
17 recommendation to this Board that we just hold this  
18 appeal, and wait and see what happens?

19           MR. KEN ANDERSON: Yes. Scott and I are  
20 working with the Governor's office as well, you know, to  
21 lobby in our behalf for that.

22           CHAIRMAN WAIT: Right. Okay. Roger.

23           BOARD MEMBER WENDT: That would take care of  
24 the bonding requirement, but we have two other items in  
25 here, my, if I recollect correctly, having to do with the

1 codes and so forth, that -- do they need to go forward,  
2 Debra?

3 MS. BLAKE: We -- actually, they do need to  
4 happen. We do have some work-arounds with those that we  
5 currently have in place. We actually added them to the  
6 escrow to make, to beef it up. So, yes, they do need to  
7 happen.

8 I don't think as a Department we would ask for  
9 an exception to the rule-writing moratorium for those.  
10 So, does that help?

11 CHAIRMAN WAIT: So --

12 BOARD MEMBER WENDT: So what aroused my  
13 curiosity was, it would be, here's my thought process  
14 then. If we would accept Ken's recommendation to drop the  
15 funding-requirements portion of your memo here, that these  
16 other two things don't have to be dealt with quickly,  
17 or --

18 MS. BLAKE: They have to be dealt with, but we  
19 have some work-arounds, like on the codes. We are  
20 receiving plans that are to the current codes, 2006 IBC,  
21 and so on. And so, we are reviewing plans based on those  
22 codes. Even though our rules have not adopted those as  
23 the most current codes. So, we are in violation of our  
24 rule, and yet, it's not been an issue for us to address.  
25 So, I don't think that we would move forward in asking for

1 an exception for just those purposes. So --

2 CHAIRMAN WAIT: So, and let's say, we didn't  
3 move forward with at least the bonding aspect of this, and  
4 then let's say we get to the end of April. We know it's  
5 not going to pass. Then we could go through and continue  
6 with the appeal to include those two items.

7 MS. BLAKE: Correct.

8 CHAIRMAN WAIT: So, we didn't, we don't need to  
9 move forward rapidly with it, because you you have this  
10 work-around then.

11 MS. BLAKE: Correct.

12 CHAIRMAN WAIT: Okay. Yes, sir.

13 BOARD MEMBER WENDT: I would move we table.

14 CHAIRMAN WAIT: Second?

15 BOARD MEMBER BAIRD: Second.

16 CHAIRMAN WAIT: Is there any discussion?

17 BOARD MEMBER HANEY: If somebody were to submit  
18 plans -- excuse me, Mr. Chairman.

19 CHAIRMAN WAIT: Yes, go ahead.

20 BOARD MEMBER HANEY: -- submit plans not to  
21 current, most current codes, because our rule doesn't  
22 require it, would you be forced to accept those then?

23 MS. BLAKE: Well, actually, remember that what  
24 we are doing is giving the State approval on plans that  
25 have already been approved by an Arizona registered

1 engineer.

2           So, if there is something amiss with that, the  
3 liability is really not on the State, it's on the  
4 registered engineer who approved the plans. The  
5 registered engineers are accepting plans with the current  
6 codes, which right now are basically 2006.

7           BOARD MEMBER HANEY: Right. Right.

8           MS. BLAKE: So, I don't know. Gene and I  
9 really haven't talked about it, but I don't know, from my  
10 perspective at least, that because we have a work-around,  
11 because we have a third party, really, accepting the codes  
12 that are incorporated into the plans, that I don't see it  
13 as urgent enough of an issue to ask for an exception to  
14 the Governor's moratorium.

15           The escrow is obviously a hotter issue of  
16 concern to the Board, concern to the industry, and we  
17 wanted to move through quickly, to try to enact that  
18 change.

19           BOARD MEMBER HANEY: Okay.

20           CHAIRMAN WAIT: Roger, sir.

21           BOARD MEMBER WENDT: So, your point, Neal, we  
22 have got, maybe anecdotal, but at least one set of plans  
23 that we submitted to the old code, and Debra's people  
24 forced us to use the new code.

25           MS. BLAKE: That's interesting. I didn't know

1 that.

2 BOARD MEMBER HYDE: Against the rule.

3 CHAIRMAN WAIT: But the odds are the 2006 code  
4 is more stringent than the 2003.

5 MS. BLAKE: Correct.

6 BOARD MEMBER WENDT: You know, it's not  
7 necessarily more stringent. It's different. And it's  
8 more well thought out in most cases, and actually easier  
9 to abide by.

10 BOARD MEMBER HANEY: That, well, that was just  
11 my concern, that if somebody did submit something that was  
12 not to the most recent code, did we have a means of  
13 declining it, or if we did not, would we then become  
14 liable for something.

15 MS. BLAKE: Yes, I think that probably does put  
16 us in a position of liability if we are accepting it, but  
17 I will have to talk with our plan-review folks and see. I  
18 want to make sure we know what we're doing.

19 BOARD MEMBER WENDT: Yeah, it may be  
20 anecdotal. I just expressed my story.

21 MS. BLAKE: Well, we need to be doing it  
22 consistently, and we need to have some basis for refusing  
23 them or accepting them. Thank you.

24 CHAIRMAN WAIT: All right. We have a motion on  
25 the table, to table the motion on the table today, all

1 right on the recovery-fund request.

2 Any further discussion?

3 All those in favor, say aye.

4 (Affirmative responses.)

5 CHAIRMAN WAIT: Any opposed?

6 (No response.)

7 CHAIRMAN WAIT: Motion carries. Thank you.

8 Call to the public.

9 (No response.)

10 CHAIRMAN WAIT: All right. Future meeting  
11 date. That is sometime in March.

12 MR. PALMA: April.

13 CHAIRMAN WAIT: April, I mean. Okay.

14 I'll entertain a motion to adjourn.

15 BOARD MEMBER BAIRD: So moved.

16 BOARD MEMBER MCGILVERY: I'll second that.

17 CHAIRMAN WAIT: You'll second that. All those  
18 in favor, say aye.

19 (Affirmative responses.)

20 CHAIRMAN WAIT: Okay, thank you everyone. Good  
21 meeting. I appreciate you all being here.

22 (Whereupon the meeting adjourned at 2:05 p.m.)

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C E R T I F I C A T E

I HEREBY CERTIFY that the proceedings had upon the foregoing hearing are contained in the shorthand record made by me thereof, and that the foregoing 51 pages constitute a full, true and correct transcript of said shorthand record, all done to the best of my skill and ability.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

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Margaret Harcarik, Certified Reporter  
CCR No. 50281