

ARIZONA DEPARTMENT OF FIRE, BUILDING AND LIFE SAFETY

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona
Wednesday, May 1, 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)

1 REPORTER'S TRANSCRIPT OF PROCEEDINGS was
2 taken on May 1st, 2013, commencing at 1:00 p.m. at the
3 State of Arizona Department of Fire, Building and Life
4 Safety, 1100 West 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. Arthur Chick
11 Mr. Paul DeSanctis (telephonically)
12 Mr. John Dingeman
13 Mr. Terry Gleeson
14 Mr. Joe Hart
15 Mr. Everette Hoyle
16 Mr. Zeek Ojeh

17 **ALSO PRESENT:**

18 Mr. Ken Anderson, Arizona Housing Association
19 Ms. Debra Blake, Deputy Director
20 Mr. Tom Frederick
21 Ms. Mary Ann Knight, Deputy Director
22 Ms. Ayde Marquez, Department Secretary
23 Mr. Dave Meunier
24 Mr. Mike Morton, Accelerated Construction
25 Technologies
 Ms. Lois Morey, EBS Modular
 Ms. Patricia Stecher, Plan reviewer
 Ms. Mary Williams

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P R O C E E D I N G S

MR. BAIRD: Okay. I'd like to officially open the meeting, the May 1st, 2013 meeting. And ask for a roll call.

MS. MARQUEZ: Sam Baird?

MR. BAIRD: Here.

MS. MARQUEZ: Arthur Chick?

MR. CHICK: Here.

MS. MARQUEZ: Paul DeSanctis?

(No response.)

John Dingeman?

MR. DINGEMAN: Here.

MS. MARQUEZ: Terry Gleeson?

MR. GLEESON: Here.

MS. MARQUEZ: Neal Haney? He's unable to attend.

Joe Hart?

MR. HART: Here.

MS. MARQUEZ: Everette Hoyle?

MR. HOYLE: Here.

MS. MARQUEZ: Zeek Ojeh? Absent.

Gene Palma?

MR. PALMA: Here.

1 MS. MARQUEZ: Debra Blake?

2 MS. BLAKE: Here.

3 MS. MARQUEZ: Mary Williams?

4 MS. WILLIAMS: Here.

5 MS. MARQUEZ: Is somebody on the phone line?

6 MR. DESANCTIS: Yeah. This is Paul

7 DeSanctis. I just got knocked off. I don't know why.

8 MS. MARQUEZ: Okay. We have you on roll
9 call now.

10 MR. BAIRD: Paul, we've been asked by the
11 transcriber that if you speak, state your name first.

12 MR. DESANCTIS: Sure will.

13 MR. BAIRD: Thank you so much. Okay. All
14 right.

15 Introductory of our new member. I took the
16 liberty earlier of passing around everybody's information
17 so we all -- he knew who we were and we kind of know who
18 he is, but still, welcome.

19 MR. DINGEMAN: Thank you very much.

20 MR. BAIRD: If you would like to say a few
21 words, that would be great.

22 MR. DINGEMAN: I assume everybody received
23 my bio, but I am a certified residential real estate
24 appraiser and a registered property tax agent in the state
25 of Arizona. I am heavily involved within our industry.

1 I'm vice president of the Coalition of Arizona Appraisers.
2 That's my contribution to the industry. I'm also a
3 continuing education and licensing instructor for our
4 industry. So I do a lot. In my community, I've been an
5 HOA president, now secretary, thankfully. First time in a
6 long time. I'm a member of the Desert View Village
7 Planning Committee in north Phoenix, and now I'm the
8 stakeholder committee for the Black Mountain Boulevard
9 SR-51 Ramp Project.

10 I had an opportunity to serve on the Board
11 of Appraisal in August when I was appointed, and I
12 declined, and I felt like I owed the governor and the
13 state, since I wanted to volunteer anyway, to find another
14 alternative location for me. And this is what I found and
15 I liked it, so thank you very much for having me, and it's
16 a privilege to serve.

17 MR. BAIRD: We're glad you're here.

18 MR. DINGEMAN: Thank you very much.

19 MR. BAIRD: All right.

20 MS. BLAKE: Did someone else just join
21 telephonically?

22 MS. MOREY: I did. This is Lois with EBS
23 Modular.

24 MS. BLAKE: Hi, Lois. Thank you for
25 joining. Lois is here as a public member.

1 MR. BAIRD: Welcome. Okay.

2 Next up on the agenda is a review of the
3 minutes and view and acceptance of the minutes from the
4 last meeting.

5 Did everyone have a chance to go through
6 those? Okay. Any issues? If not, the Chair would enter
7 a motion to accept.

8 MR. HART: Yes.

9 MR. BAIRD: Mr. Hart.
10 Second?

11 MR. GLEESON: Second.

12 MR. BAIRD: Mr. Gleeson.
13 All in favor?

14 (Chorus of ayes.)

15 MR. BAIRD: Oppose?

16 Motion carried. Thank you.

17 MR. DINGEMAN: Sam, I have to abstain, so...

18 MR. BAIRD: You can abstain.

19 MR. DINGEMAN: Okay.

20 MR. BAIRD: With one absentia. Great.
21 John, we try to be as informal as possible.

22 MR. DINGEMAN: Informal?

23 MR. BAIRD: Mary sometimes gets in the way
24 of that, but we try to keep it as informal as possible.

25 MR. DINGEMAN: I will try not to.

1 MR. BAIRD: All right. Or you can start
2 calling me "Judge Judy." Whichever. We don't stand on
3 ceremony, if you will. All right.

4 So, departmental information. My favorite
5 part.

6 MS. BLAKE: Mine too.

7 MR. BAIRD: A State of the State, if you
8 will.

9 MS. BLAKE: State of the State. Okay. So
10 legislative updates. You've all probably heard the
11 legislature is still in session. As of this date, we have
12 no information regarding legislative activities on the
13 budget, and there have really been no relevant bills that
14 have impacted OMH.

15 MR. BAIRD: Excellent.

16 MS. BLAKE: Staff changes. Jenny Lee
17 Michaelson, a Phoenix installation inspector, retired
18 effective March 31st. We have posted her position to be
19 filled. We did receive 23 applications. We interviewed
20 eight of those. Many of the applicants we got were, I
21 guess, an indication of the economy still. People very
22 over qualified or with no relative industry experience. A
23 team, including three staff members and I, conducted the
24 interviews and we did extend an offer of employment
25 yesterday to former Tucson Installation Inspector Jim

1 Lang. And so, the good news is he can hit the job
2 running. He'll have to learn a few things that --
3 processes that maybe have been updated, and we have some
4 new technology that Mary is going to give a little update
5 on in a few minutes. And so he'll have to learn that.
6 But for all intense and purposes, he knows the code, he
7 knows the industry, well-liked and respected in the field.
8 So we were very happy about that.

9 MR. BAIRD: Did he accept?

10 MS. BLAKE: Yes. Yes, he did. He wants to
11 give his current employer a two-week notice.

12 MR. GLEESON: He'll be in the Phoenix area?

13 MS. BLAKE: He'll based here in Phoenix.

14 MR. GLEESON: Okay.

15 MS. BLAKE: He'll be relocating from where
16 he resides in Tucson, and will be here in two weeks. So
17 very happy about that.

18 MR. BAIRD: Yeah.

19 MS. BLAKE: A couple procedural changes that
20 should be of interest to you. There's been a lot of
21 discussion over the last many, many months about some
22 alternate engineering for -- to meet frost depth
23 established by local jurisdictions. There is an
24 engineering design for frost-free foundation systems,
25 which basically do not meet the local jurisdiction frost

1 depth. So there had been a consumer who called in with
2 some concerns about it. We did some research internally,
3 and found out that all of the Arizona manufacturers
4 participated in a study group to create this alternate
5 engineering a few years ago, with the exception of one of
6 our licensees. So I made contact with them and they too,
7 now, have their own unique, approved engineered design
8 which is very similar to what had been produced before,
9 but it's theirs. They've notified me that their
10 engineering is reviewing it. They don't have an engineer
11 seal on it yet. As soon as I get a copy of it, it will be
12 provided to all installers, inspectors, IGA partners. And
13 so, that will be a nice feature because all of our Arizona
14 manufacturers will be on the same page with allowing that.
15 It just makes it easier for inspectors and installers to
16 comply with that requirement.

17 The other engineering or procedural thing
18 that has come up has to do with attached awnings. Kind of
19 an outcry from the industry from installers. Typically,
20 they have to submit engineered designed plans to the
21 office for review and approval. Cavco, one of our
22 installers, took the lead with coming up with an approved
23 engineered design that they are actually going to make, as
24 an addendum to their installation manual. And so, I think
25 that's great news for the industry. However, none of the

1 other manufacturers that we licensed allow that. They all
2 require them to be freestanding. So I just recently
3 received that information. I will be sharing it with the
4 other manufacturers for them to consider. If they want to
5 consider something like that as well, great; if not, our
6 role as a department is just to get that information out
7 there so installers, IGA partners, know the difference if
8 they're -- based on the product that they're installing.

9 MR. OJEH: Good morning. This is Zeek.

10 MR. BAIRD: Welcome, Zeek. Zeek, the
11 transcriber has asked us to -- if you speak, to say your
12 name first.

13 MR. OJEH: Okay. This is Zeek Ojeh on
14 teleconference.

15 MS. BLAKE: Thank you, Zeek.

16 MR. OJEH: Thank you.

17 MS. BLAKE: The next topic I want to share
18 with you is rural packet. Department staff has created a
19 working document where we can start to compile all these
20 rural changes that we would like to incorporate which
21 include topics like flood zones, other changes that were
22 implemented in 2009. We have not been --

23 Zeek?

24 MR. OJEH: Yeah?

25 MS. BLAKE: We can hear you.

1 MR. OJEH: I'm sorry.

2 MS. BLAKE: That's okay. Thank you.

3 So, we just want to get ahead of the game,
4 you know, the moratorium on rural making, to my knowledge,
5 is still scheduled in 2014. I have heard a rumor it's
6 been extended to 2015.

7 Have you heard that, Mary?

8 MS. WILLIAMS: I have not.

9 MS. BLAKE: So, I'm not sure about that, but
10 we have a lot to update rural which, of course, the Board
11 has to approve and review all of that. So, we'd like to
12 start working on it now, and have done so.

13 Just a quick recap of the action items from
14 the last board meeting, which was January of 2013. I
15 provided all of you information on the Arizona Building
16 Officials spring training, which occurred in Prescott.
17 Staff from the department gave a training session on the
18 installation of manufactured homes and modular buildings.
19 The next training session they will have will be in
20 Phoenix. I think it's October. I'm not sure of the date.
21 But it's a nice opportunity. I had a conversation with
22 Jack Judd today, who is the building official from Yavapai
23 County, but he also has a key role in the Arizona Building
24 Officials. He would like our next training to include a
25 visit to one of the manufacturers or a visit to an

1 install-in-progress where they can really see how all this
2 applies. So we'll work towards that. Other follow-up
3 from the last board meeting, the percentages that were in
4 error on the Expense and Revenue charts have been
5 corrected and they are part of your packet today. And the
6 Complaints Verification Inspection Summary was revised as
7 requested to only include open complaints.

8 And finally, the last topic I have to
9 provide you is on the training. In addition to the ASBO
10 training I already spoke about, we did do that on Monday,
11 April the 8th. There were 16 participants and it went
12 really well. I've not received the feedback yet in
13 writing, but I've heard from again, Jack Judd, that he had
14 good feedback. The first of our required annual installer
15 training sessions was held on April 10th in Tucson. The
16 second one was in Phoenix and it was last week. And one
17 of the focuses of that training that we're providing them,
18 has to do with the new certificate program that I shared
19 with you at the last board meeting that now requires all
20 ROC contractors to participate in our insignia or
21 certificate program and attend the training as a
22 prerequisite to purchase those certificates.

23 MR. BAIRD: Excellent.

24 MS. BLAKE: Thanks.

25 MR. BAIRD: Any comments anyone? Questions?

1 Thank you, Debra. That was great.

2 MS. BLAKE: You're welcome.

3 MR. BAIRD: All right. Let's move to the
4 financial report.

5 MS. BLAKE: That begins in your packet on
6 page 5. It's numbered at the bottom. And what you will
7 find on pages -- let's see. Pages 5 through 14 are just
8 the updated pie graphs that needed the percentage
9 corrected.

10 MR. BAIRD: Uh-huh.

11 MS. BLAKE: So, it was simply a formula
12 issue. But nonetheless, the percentage shown on the graph
13 and shown to the right were not in sync. So that's been
14 corrected and should be correct going forward.

15 Beginning on page 15, begins the standard
16 monthly report that we provide to you at every board
17 meeting, beginning with December 2012. And the most
18 current that was available at the time of this board
19 packet begins on page 34, and that's for February of 2013.
20 The only thing that I would draw your attention to, unless
21 you have questions, is on the February report. On page
22 34, you will notice about three-fourths of the way down
23 under Expense and Revenue, line item, the HUD Revenue that
24 we received, is the supplemental payment that we get
25 annually, and that was \$158,987. It's due at the end of

1 October every year, but HUD processing time we typically
2 never see it until January or February. So we did get it
3 in February and that's reflected there.

4 MR. PALMA: That was due to the sequester?

5 MS. BLAKE: Yes, it was.

6 MR. BAIRD: Great. So year-to-date February
7 is from July of '12 through February of '13?

8 MS. BLAKE: Yes.

9 MR. BAIRD: Okay.

10 Zeek, was that you?

11 MR. OJEH: No, that wasn't me. I'm still
12 here though.

13 MR. BAIRD: Who was speaking?

14 MR. OJEH: I'm sorry. I'm at the airport.

15 MS. BLAKE: He's at the airport. Must be an
16 announcement.

17 MR. BAIRD: Okay. Well, it looks like the
18 information is what it is.

19 MS. BLAKE: Uh-huh.

20 MR. BAIRD: About the same as last year.

21 MS. BLAKE: Well, I think if you look across
22 that line again, if you look at the year-to-date revenue,
23 currently it's 425,000.

24 MR. BAIRD: Right.

25 MS. BLAKE: Compared to last year, 359. So

1 revenue is up. That's a good thing.

2 MR. BAIRD: Lower.

3 MS. BLAKE: I heard that. And if you look
4 across that, there's the year-to-date expenditures -- or
5 this year, 423.

6 MR. BAIRD: Uh-huh.

7 MS. BLAKE: Last year, 474. So revenue up,
8 expenses down.

9 MR. BAIRD: Yay, yay.

10 MR. PALMA: I think that's great management.

11 MR. BAIRD: Excellent management.

12 MS. BLAKE: I would agree with that, Gene.
13 I do a good job.

14 MR. BAIRD: And we expect more.

15 MS. BLAKE: No.

16 MR. BAIRD: All right. Any comments from
17 anyone on this? I don't think it's anything earth
18 shattering. I mean, it's what we all expected.

19 MS. BLAKE: No.

20 MR. BAIRD: And we've all had the chance to
21 digest it as well when you sent the earlier reports out.
22 Okay.

23 MS. BLAKE: Okay.

24 MR. BAIRD: The Chair will entertain a
25 motion to accept the financial statement.

1 MR. GLEESON: I accept.

2 MR. BAIRD: Mr. Gleeson. Second?

3 MR. HOYLE: Second.

4 MR. BAIRD. Everette.

5 All in favor?

6 (Chorus of ayes.)

7 MR. OJEH: Yes.

8 MR. BAIRD: Motion carried. Thank you very
9 much.

10 Let's move right along. We should change
11 this meeting's name to "Debra's meeting."

12 MS. BLAKE: No, thanks.

13 MR. BAIRD: Recovery fund discussion.

14 MS. BLAKE: Recovery fund. Under your tab
15 beginning on page 41. This is the chart as it was revised
16 at the Board's request back in January to show the credits
17 coming in, what the beginning balance was, the interest
18 earned. This is a new balance. The center section shows
19 any claim amounts out there and their status. There is a
20 \$20,000 claim pending that has been received by the
21 Department and has not yet been scheduled for hearing.

22 And so then to the far right, the balance is
23 brought forward from the first row, plus potential claims.
24 We don't know that it will be that amount or that it will
25 even go to hearing. It is likely that it will, but it may

1 not be that exact amount. But that would give a remaining
2 balance in the recovery fund of 101,661.

3 MR. BAIRD: Excellent.

4 MS. BLAKE: Then beginning on page 2 -- and
5 this is a change again that was requested at the last
6 board meeting -- this is the Complaints Verified
7 Inspection Summary. There is one open complaint. It is
8 indicated here. The purchase agreement amount is 110,000.
9 The dealer's license is valid. We've had a couple of
10 reinspections on this complaint. It's been a bit longer
11 than most complaints go, and you will see the detail of
12 that complaint on page 43. It was verified to the
13 manufacturer, CMH. The dealer was Hancock Homes and the
14 installer was Desert Valley. It is a possible Recovery
15 Fund claim. Although the dealer's license is valid, but
16 depending on the monetary value, whether or not the dealer
17 makes good on it, it could go to the Recovery Fund. I
18 don't see that happening at this point. It's
19 substantially complete and the dealer has been actively
20 involved as well, as has been the manufacturer in getting
21 this resolved.

22 MR. BAIRD: The two items remaining are
23 exterior touchup paint and some kind of a scrape inside
24 the house.

25 MS. BLAKE: Correct.

1 MR. BAIRD: Okay. So that's certainly under
2 \$10,000.

3 MS. BLAKE: Fairly minor.

4 MR. BAIRD: We're good. Okay. Is there any
5 information on the \$20,000?

6 MS. BLAKE: Good question. I will have to
7 verify that and get back to you.

8 MR. BAIRD: Okay. I was wondering if
9 somebody just estimated this one claim that is listed as
10 20,000 max or something like that.

11 MS. BLAKE: No. We should have information
12 for it if we have it "in house." It's just not been
13 scheduled. Let me follow up on that and I'll send out an
14 e-mail to the board members.

15 MR. BAIRD: Okay.

16 MS. BLAKE: Thank you.

17 MR. CHICK: Mr. Chairman?

18 MR. BAIRD: Yes?

19 MR. CHICK: Question. Debra, enlighten me
20 again because I probably forgot. But on page 25, we have
21 a Recovery Fund of \$270,000. That's education?

22 MS. BLAKE: That's education.

23 MR. CHICK: We still have put a lot of money
24 in there --

25 MS. BLAKE: I'm sorry. I missed the first

1 part.

2 MR. CHICK: I got it confused. The Recovery
3 Fund. But that educational fund is 270,000.

4 MS. BLAKE: Yes.

5 MR. CHICK: That was from somebody's issue,
6 was it not? There was an influx.

7 MS. BLAKE: There was an influx. If you
8 look on the far right there, in fiscal '11, you'll see
9 shaded in kind of an orange, we had a large deposit put in
10 for \$324,000. That was discovered that interest earned on
11 the cash bond fund is supposed to be transferred monthly,
12 quarterly, regularly, into the Recovery Fund. And it was
13 discovered that there was a large amount of interest in
14 the cash bond fund that had never been transferred. And
15 so that was rectified back in fiscal '11, ,and that's why
16 that large deposit was made.

17 MR. CHICK: So it is just sitting there.
18 That's real money?

19 MS. BLAKE: Well, it isn't sitting there.
20 What the statute says about -- you're talking in general
21 about the education fund?

22 MR. CHICK: Well, I'm talking about this
23 \$270,000.

24 MS. BLAKE: Okay. It's more of a paper
25 thing. So what the statute says is, 75 percent of the

1 prior years' Recovery Fund interest is available for
2 educational fund use. I know OMHO has used it in the
3 past, MHCA, a lot of our stakeholders have. It's not real
4 money though. Because as you saw back on page 41, the
5 balance in the Recovery Fund is 101 -- 102,000.

6 So even though on paper there is 270
7 available for educational purposes, it doesn't exist
8 because the Recovery Fund balance -- because of all that
9 fraud and abuse to the Recovery Fund a few years ago wiped
10 it out. The fund was a million dollars, and we had claims
11 of over \$900,000 that wiped it out. So the money is gone.
12 So the 270 that you see reflected there, is not available.
13 There is only 102,000 available, and the Board decided
14 probably a year ago that it would not allow any education
15 or grants while the Recovery Fund remains so low because
16 it needs to be available for consumer complaints, if there
17 are any that come through.

18 Does that answer your question?

19 MR. CHICK: No. I'm even more confused.

20 MS. BLAKE: Well, I should have just been
21 quiet then.

22 MR. BAIRD: Well --

23 MS. BLAKE: Could you clarify your question?

24 MR. CHICK: The question is: If that's not
25 real money, if that's not 270,000, but 101,000 or 100,

1 whatever it is, then why are we -- why do we carry that
2 debt? It's misleading.

3 MS. BLAKE: Well, if you're recommending
4 that we adjust it in some way, we can make it reflect
5 accuracy. We just do the mathematical calculations. As
6 you look in that chart down there, what was the education
7 fund balance clear back in '08, it was 75 percent of the
8 Recovery Fund interest that was brought in. It's just a
9 running total.

10 MR. CHICK: But we've used it.

11 MS. BLAKE: There have been two uses of it.
12 One in February -- well, two amounts in fiscal '08. There
13 were \$13,000 in checks issued for grants. And in fiscal
14 '09, there was a \$5,000 check issued. There have been no
15 grants issued from it since then.

16 MR. CHICK: But if we -- if we don't have
17 it, then how can we say we have it? It's \$270,000 that we
18 don't have. We've got some pot of 270,000 sitting here in
19 this interest.

20 MS. BLAKE: How would you like it reflected
21 differently?

22 MR. CHICK: I don't know. I don't even
23 know.

24 MS. BLAKE: I mean, I guess my best answer
25 is: If there was money in the Recovery Fund -- which

1 there isn't because it was all paid out -- 270,000 of it
2 would be available for education grants.

3 So if you want this depicted in a different
4 way, I'm happy to do that.

5 MR. CHICK: If it's not available, it
6 shouldn't be there.

7 MS. BLAKE: It is not available.

8 MR. CHICK: And if it's been used, it would
9 should be somewhere in there indicated what was used and
10 how much it was used and where it was used.

11 MS. BLAKE: But -- okay. Well --

12 MR. BAIRD: Debra, let me say --

13 MS. BLAKE: Go ahead.

14 MR. BAIRD: So, supposedly 75 percent of the
15 interest earned on the Recovery Fund amounts is supposed
16 to go into the education or can go into the education
17 fund.

18 MS. BLAKE: Well, it's not a separate fund.
19 That's the point. It's the relocation fund. Okay? As a
20 whole.

21 MR. CHICK: Recovery.

22 MS. BLAKE: Recovery. Sorry. Art was
23 getting very nervous over there.

24 MR. BAIRD: It's a recovery fund --

25 MS. BLAKE: Recovery fund.

1 MR. BAIRD: -- which we know is \$110,000.

2 MS. BLAKE: Yes. That's what's available
3 today.

4 MR. BAIRD: Okay. And we earn money on that
5 every month.

6 MS. BLAKE: Yes, we do.

7 MR. BAIRD: And 75 percent of those monies
8 is supposed to go here, in the education fund.

9 MS. BLAKE: Yes.

10 MR. HART: Which has been suspended.

11 MR. BAIRD: Which we have no money.

12 MS. BLAKE: Correct.

13 MR. BAIRD: Okay. So I would think we would
14 want to do some kind of an entry to wipe it out and show
15 much how much is really there. I mean, if we get
16 half-percent a month, we've got, you know, hundreds of
17 dollars that could be shown there that we have, earmarked
18 for education. It's not very much, but whatever it is. I
19 mean, if we wiped it out, we should have wiped it out here
20 too, and wipe it out over here with real money, and we
21 should have wiped it out on paper. Right? Isn't that
22 what you're saying?

23 MR. CHICK: Yes. And I still have a
24 question as to the legislation. Interest goes into this
25 account.

1 MS. BLAKE: Yes.

2 MR. CHICK: Interest was put into this
3 account, 200-some-odd thousand dollars.

4 MS. BLAKE: Well, remember, it's not a
5 separate account, but yes.

6 MR. CHICK: But then we used that for other
7 purposes. To pay off claims.

8 MR. BAIRD: It's a legislative or is it the
9 Board's discretion?

10 MS. BLAKE: No. It's legislative. Well,
11 giving grants is at the Board's discretion.

12 MR. BAIRD: Right.

13 MS. BLAKE: How the Recovery Fund works
14 is -- and it's one fund, it's not -- part of it's
15 education. It's one fund, the Recovery Fund. And its
16 purpose that it was created for was to make consumers
17 whole, if they're damaged in some way. Okay? The
18 legislator also created a segment of that that said -- and
19 again, you have to remember when the legislative created
20 this, the fund was extremely healthy. And they said, in
21 statute, 75 percent of the interest that goes into the
22 Recovery Fund may be used, and the Board may grant that,
23 for educational purposes. And I know where you're going
24 with it. You feel like that money has been taken away and
25 it's no longer available. But that was

1 at -- the money was taken away for the purpose of the
2 relocation -- the Recovery Fund -- I'm going to make
3 myself a note -- the first and main purpose of the
4 Recovery Fund is to make consumers whole. That's its
5 intent. Assuming, that's been taken care of and there's a
6 balance in it, that's that basis. Seventy-five percent of
7 all the past interest accumulating could be available at
8 the Board's discretion for educational grants. But I --
9 it is misleading because there is not that much available
10 because the Recovery Fund doesn't have that much in it.

11 MR. CHICK: I really think that -- well, for
12 our purposes, even though we're not giving out grants,
13 that the true amount that would be available if
14 educational purposes should be stated and not something
15 that is not not available or doesn't even exist. I would
16 ask that to be looked at.

17 MR. BAIRD: I think it's a great idea.
18 Debra, I heard you say earlier that you could do pretty
19 much what we wanted to do here. Because there is no money
20 there. You're just reporting -- I mean, why is it on
21 here? Maybe that's the real question.

22 MS. BLAKE: You know, I think it was added
23 to the financial reports probably back in '08. Because as
24 some of the stakeholders came to the board meeting and
25 made a formal request for grants, the Board wanted to

1 know, okay, how much money is in there that we could give
2 for a grant if we decide, and vote to do so. And so we
3 started reporting that, and you see that in those years,
4 you know, the amounts, you know, the remaining amounts
5 were small, 1,000, 7,000. And then we got that huge
6 transfer of money from the cash bond interest in fiscal
7 '11 and then it just inflated that. And so, we can
8 reflect it in any way that you would like it reflected.

9 MR. CHICK: Well, I only want to see it for
10 what it really is.

11 MS. BLAKE: Okay.

12 MR. CHICK: It's not what I want. I recall
13 that conversation how that money got there. I believe,
14 anyway. We didn't know what to do with it so we put it in
15 this particular fund. I think, you know, in general, I
16 think I'm pretty close to that.

17 MS. BLAKE: You mean this 323,000?

18 MR. CHICK: Right. Yeah. We --

19 MS. BLAKE: No. We knew what to do with it.
20 The problem was it was discovered that the transfers
21 weren't being made as they were supposed to be made.

22 MR. CHICK: And -- but this amount of money,
23 if it was interest earned --

24 MS. BLAKE: It is interest earned.

25 MR. CHICK: Interest earned. And I do

1 believe that -- you've said it -- that the interest earned
2 is put into this fund --

3 MS. BLAKE: Correct.

4 MR. CHICK: -- for educational purposes if
5 the Board grants it.

6 MS. BLAKE: Well, I would say it a different
7 way. The interest earned is put into Recovery Fund. The
8 Recovery Fund's purpose is to make consumers whole.

9 MR. CHICK: I agree.

10 MS. BLAKE: Part of the statute says that 75
11 percent of the interest put into that fund can be made
12 available for educational grants at the Board's
13 discretion.

14 MR. CHICK: Pretty good chunk of change if
15 we went that direction for availability of educational
16 funds where we have said, you know, in these past couple
17 of years we don't have the money to grant -- to give
18 grants. Educational grants.

19 MR. BAIRD: Okay. The bottom line is there
20 is no money. All we have in that fund -- Debra is saying
21 the two of them are put together and they are kind of
22 reported differently, you know. This one -- it's just on
23 paper. It's not really there. We don't have \$270,000
24 period. We have 100-whatever. Part of that's supposed to
25 be earmarked for education, whatever interest is of that.

1 So I would say we need to get -- forget about paper, and
2 get how much money we have that we available for us to
3 decide what to do with.

4 MR. CHICK: I'd like to see the true number
5 of interest available.

6 MS. BLAKE: Well, that's provided for you on
7 your Recovery Fund report. We report to you every month
8 the amount of interest that's earned. I'm on page 41.

9 MR. BAIRD: So \$424.

10 MS. BLAKE: Left-hand column.

11 MR. CHICK: I see that.

12 MS. BLAKE: It's about \$400 a month that
13 goes in there. And again --

14 MR. CHICK: What is the total balance that
15 we've been accumulating since '08?

16 MS. BLAKE: That's what you're looking at on
17 page 25.

18 MR. CHICK: Okay. Now, well, if that's
19 \$270,000 --

20 MS. BLAKE: You are. If there was a balance
21 in the Recovery Fund that exceeded \$270,000, you could
22 make an argument to the Board that 270 is available for
23 educational grants and put in a request for that. But the
24 balance isn't there.

25 So I'm not sure how you want to me to show

1 it on the reports differently.

2 MR. BAIRD: Well, I would like to know how
3 much we have in there now. Real money. If we do, maybe
4 we don't, because it's just all in the one Recovery Fund.
5 That's if it's all in there, then it's included in this
6 121,661.

7 MS. BLAKE: It is.

8 MR. BAIRD: You know, whatever percentage is
9 there. I mean, we were zero. It's still easy to figure
10 out how much it is because we were zero. We were in the
11 hole. We didn't have money to pay out, so that will --
12 that date is there. It's on the record. So we know that.
13 So from that point forward, we know how much interest was
14 collected on those monies. We had 10,000 one month, we
15 had 20,000 the next. It's only the interest on that,
16 whatever they got, and that much money is supposed to be
17 in there, minus whatever already's been spent on
18 education. So I don't think it's that much money. I
19 mean, maybe we only have a few thousand dollars in there,
20 but I do think that we should report it separately than
21 having our exact dollars, what we've got there, we need to
22 know that.

23 So I guess, can I just ask you to go ahead
24 and figure out much we got in there, how much we should
25 have earmarked for education that we've collected interest

1 on since this fund, which was zeroed out, is done --
2 brought forward. Then we should report that in the
3 Recovery Fund as so much of the \$121,000 is earmarked for
4 education.

5 MS. BLAKE: Okay.

6 MR. CHICK: I think that's -- we should know
7 that, yes, because I have a vested interest in that --

8 MR. BAIRD: We all do.

9 MR. CHICK: -- request an educational grant.
10 And if I'm looking at \$270,000 and the Board says, no, we
11 don't have it, how can I say we don't have it if we -- how
12 can I look at a number and say we don't have it when it's
13 there?

14 MR. BAIRD: Yeah. I think the point Debra
15 made was that the funds were used to pay off claims
16 instead of education.

17 MS. BLAKE: Yeah. What you see on page 25
18 is a rolling total. But you're absolutely right. That
19 amount of money is not currently in the Recovery Fund.
20 And you know, with some of the changes made, the Recovery
21 Fund is not going to recover as quickly as it might have
22 in the past. Because you recall, with new home sales, do
23 not pay into the Recovery Fund any longer. They go
24 through a title company -- yes, sir?

25 MR. GLEESON: Maybe you can just change the

1 column that says "checks issued for grants," put a slash,
2 and then put "claims." And you can put -- zero it out and
3 start adding back in.

4 MS. BLAKE: Are you on page 41 or 25?

5 MR. GLEESON: Twenty-five.

6 MR. BAIRD: Go ahead to any page. They are
7 all the same.

8 MR. GLEESON: Well, 25 is where Arthur's
9 question was.

10 MS. BLAKE: I'm sorry. Say that again?

11 MR. CHICK: If you look --

12 MR. GLEESON: The column that says "Checks
13 issued for grants," you can put a slash and put "claims"
14 there and zero it out. And, you know, each year --
15 whenever it went to zero, then put back in when it started
16 building interest --

17 MR. BAIRD: Yeah. He's saying that check
18 issued for grants/claims, which would mean that we took
19 that -- whatever money was there and you can zero it
20 out --

21 MR. GLEESON: Right there --

22 MR. BAIRD: -- to satisfy the -- any of the
23 claims against the Recovery Fund. But the purpose here is
24 we need to know, the board members, how much money we have
25 there for education so we can grant it, if requested.

1 Right now we wouldn't have any idea how much money is
2 really there, other than the fact we've only got 120 to
3 begin with, and that's growing slowly.

4 MS. BLAKE: We'll come up with something and
5 put it back to --

6 MR. BAIRD: John?

7 MR. DINGEMAN: I might just add, maybe just
8 move that column over and add one so we can identify the
9 difference between education and claims.

10 But I do have a question: Is there a target
11 number that should be in the Recovery Fund per statute.

12 MR. BAIRD: No.

13 MS. BLAKE: No. How'd you like that short
14 and simple?

15 MR. DINGEMAN: That's all I needed to know.

16 MR. BAIRD: We went for many, many years a
17 little over a million dollars and then --

18 MR. DINGEMAN: So this number, based on
19 Debra's statements that -- the way I see it or understand
20 it is, if the money all of a sudden appeared tomorrow,
21 based on the amount that's been paid in, we would then
22 have to say 270 is available for education, if all within
23 a million dollars was in there tomorrow.

24 MS. BLAKE: Correct. Absolutely.

25 MR. BAIRD: Yeah.

1 MR. DINGEMAN: Okay.

2 MS. BLAKE: And just very quickly, for your
3 benefit, is that -- gosh, I've forgotten the year now --
4 Ken can probably help me. It might have been 2010. There
5 was a couple of dealers, but primarily one, who took a lot
6 of consumers' cash money for their homes and took off,
7 never to be found again. And those -- I think there were
8 13 consumers affected. That total fraud, I guess, came up
9 to \$900,000. The Recovery Fund had over a million in it
10 at the time. That's not what the Recovery Fund was
11 created to do. It was for, you know, I got the wrong
12 refrigerator and my dealer won't make it good and I'll
13 replace that for a thousand dollars. And so the claims
14 were paid because that is what the fund is for, but it
15 wiped it out.

16 MR. BAIRD: And we've since instituted a new
17 legislation that requires escrow for most of these issues
18 which would have solved that problem, had they been under
19 that program. Before, it was an internal departmental
20 process that investigated and through a -- what did you
21 call that fund? When people put money down and you had
22 -- you still use it. Instead of escrow, you had the --

23 MS. BLAKE: Trust account.

24 MR. GLEESON: Trust accounts.

25 MR. BAIRD: It was a trust account issue,

1 and it wasn't good. But that's how we reacted, so it was
2 just for educational business.

3 So we're okay with you trying to do that for
4 us?

5 MS. BLAKE: We'll look into that.

6 MR. BAIRD: I'll be happy to work with you
7 on that.

8 MS. BLAKE: Okay. Thank you.

9 MR. BAIRD: You're welcome. Arthur is going
10 to be on vacation for five months, so I'll have to work
11 for him.

12 Okay. Anything else in Recovery Fund?

13 MR. CHICK: Thank you.

14 MR. BAIRD: You're welcome. Recovery Fund?
15 Thank you.

16 We're in the best shape we've been in for
17 two years. So that's good. And claims are dropping and
18 licensees are doing a much better job in getting things
19 resolved before they go to that because they know what is
20 going to happen. Okay.

21 Let's talk about fee structure, which is an
22 important part of our meeting today. Isn't that right,
23 Debra?

24 MS. BLAKE: Yes.

25 MR. BAIRD: This is our once a year meeting

1 where we establish any changes to the fee structure that
2 the industry pays. I know you've been working on this for
3 a long time, Debra.

4 MS. BLAKE: Yes.

5 Ayde, would you hand out those? Thank you.

6 I'm sorry that we didn't get this
7 information to you sooner, but it's been quite an involved
8 process. For those of you who were on the board last
9 year, it will be information that is familiar to you
10 because it's in the same format. We'll wait until Ayde
11 gets them out.

12 I'm going to take you to page 2 of this
13 handout that says at the very bottom in red, "For
14 comparison purposes last years." This is just a reminder
15 under agenda item A of our FY13 recommendations, and that
16 was, as you see down in that area, we looked at primarily
17 three fees that we were able -- had information and were
18 able to do some cost analysis on. And those are plan
19 review, installation inspections for manufactured homes,
20 and installation inspections for FBBs.

21 And what we presented to the board last year
22 was that -- well, I see a typo there. That first column
23 should say "FY11 fees," not '12. You would just make that
24 edit. FY11 fees, for those three categories, were as
25 reflected. The FY12 fee, as reflected there, and what we

1 propose to the Board was that the fee be increased for
2 there consideration as indicated. What the Board voted to
3 do was to increase one fee, and that was the installation
4 inspection fee, and they chose to increase it to \$300
5 which was about a 40 percent increase. So that was the
6 only fee increase that was entertained by the Board at its
7 last year meeting to look at it. So that's just a quick
8 summary of that.

9 So then I'd like to go back to page 1 and
10 spend a little bit more time. And these are the proposed
11 cost analysis and the proposed fees for your consideration
12 for the upcoming fiscal year, fiscal '14, which begins on
13 July 1st. The same categories are there and I'm going to
14 jump around a bit because you see under "insignias, new
15 licenses, renewed licenses," some notes there about time
16 tracking and different things, and I asked Mary Ann to
17 join us today to just give you a quick update on some of
18 the technology solutions that we have put in place to be
19 able to really capture time and activities on all of these
20 different categories that you set fees on so that we can
21 accurately assess a fee.

22 So Mary Ann, would you?

23 MS. KNIGHT: We started looking at
24 technology back in, I guess, 2011, in the fall of 2011.
25 And the first solution we looked at was fuel force manager

1 through our account, wireless carrier, which was Verizon
2 at the time. We started using it and right off the bat we
3 found out that we wanted more. It's almost like you give
4 a (inaudible) and to go with it. So we saw one thing and
5 we wanted more. Verizon was not able to give that to us,
6 which was the reporting process. We were able to track
7 where people were going, but we weren't able to get viable
8 reports out of what we were getting.

9 Concurrently, we had a meeting with the
10 other side of the house fire marshal and the guy says,
11 "Gee, you know, it's okay -- wouldn't it be nice to
12 respond with a tablet." A week later we were -- had a
13 walk-in from Sprint, which was given a new state contract.
14 And to get our business, they offered us tablets for free.
15 All right. Didn't cost us anything, the basic cost for
16 our phones. Obviously, we made the move over. They were
17 selling a comparable product to fuel force manager. This
18 was through a different software company called Actsoft,
19 which is out of Florida. And what they were calling it
20 was Comet Tracker. Comet Tracker has a GPS , and it has
21 reporting -- they have GPS. They also have the ability to
22 do forms on the tablets so we'd be able to develop the
23 forms. We developed forms (inaudible) and we started
24 using them and we were getting some anomalies in the
25 recording of time and distance. We were losing time and

1 travel in the state. As we all know, we are a state that
2 has a lot of dead zones. Gene spent a lot of time
3 (inaudible) to try to get Excel spreadsheets to match with
4 what we were getting off the system.

5 Most recently, as of three weeks ago, we
6 looked at another product as an add-on to Comet Tracker
7 because Comet Tracker does that -- one of the biggest
8 question is to form. We now have it so inspectors can go
9 out in the field on both sides of the house and they have
10 the forms on their tablets, okay, and I guess the
11 installers have seen these and they go out, they look down
12 at their codes, and they check off as proof, and they can
13 sign it right out in the field and e-mail it to whoever
14 they're doing the inspection for. So we don't want to go
15 away from that since we have all the forms developed
16 already. But we've gone to Actsoft and looking at an
17 add-on which is a GPS device including a hard wire to the
18 trucks and into cars, or whoever is using it. And that
19 way, they won't be going out. Tablets have a tendency to
20 go out when you're in a building, when you're under a
21 house, for example. Or it's not -- sorry. It's not
22 tracking the distance correctly because it's tracking when
23 you're walking around. It's distance. What we're really
24 looking for is distance from the office to the site or
25 from their homes to the site, or wherever they're starting

1 out from, from site to site. We don't care the distance
2 they're walking around the lot or what they're doing
3 under. We weren't able to get that kind of information
4 from the tablet. So that's why we're moving to this next
5 -- as we speak, this is being installed into the trucks.
6 So we're getting closer and closer to get good numbers.
7 All right.

8 MR. BAIRD: Excellent.

9 MS. KNIGHT: And I have one IT guy, by the
10 way. He's the guy that has no hair, downstairs, Jim.

11 MS. BLAKE: Thank you, Mary Ann. So that's
12 what we're doing as far as trying to get technology to
13 really give us the information we give -- we can give to
14 you. And so some of those technologies, which Mary Ann
15 just discussed, have been used in the installation
16 inspection processes, and so -- as well as we've been
17 asking the OMH staff to continue to use the systems we had
18 in place before, which were "work arounds" basically,
19 where they track their information on Excel. So it's as
20 accurate as the individual tracking it, but it's not
21 100 percent, which is where we're trying to get with it.

22 So under "Plan Review" in the first section
23 here, the FY11 fee was \$134 per plan submittal. The FY12
24 fee was unchanged, as we just discussed. And therefore,
25 the current fee is remaining at 134 for fiscal '12, which

1 is the last fiscal year that we have total information on.
2 The amount of revenue collected for Plan Review was
3 102,000. The actual cost of reviewing those plans was
4 112,000. You see the cost differential there, which would
5 mean about a 10 percent increase for full cost recovery.

6 Next one down is --

7 MR. BAIRD: Wait a minute. I'm sorry.
8 You're saying it needs to go to 173. Well, I take 10
9 percent of 134 at \$13, and I get 147. I don't get 173.

10 MS. BLAKE: I'm not down there yet. Did you
11 want to move down there?

12 MR. BAIRD: No, no, no. Oh. I'm sorry.

13 MS. BLAKE: I'm in the top.

14 MR. BAIRD: Okay. Gotcha. I didn't mean to
15 jump ahead.

16 MS. BLAKE: That's okay. If you want to
17 move there, I'm happy to go there too.

18 MR. BAIRD: Sorry.

19 MS. BLAKE: So the top part is just kind of
20 a summary overview. Okay.

21 Installation inspected for manufactured
22 home. The FY11 fee was \$120 per permit. And that, of
23 course, includes permit processing inspections. The FY12
24 fee was 123. The current fee that the Board approved last
25 year was 300. If you continue to follow me across, the

1 revenue collected was 83,000 for fiscal '12. The actual
2 cost of performing that was 371,000. And I can't even say
3 that big number on the end. We are so far away from
4 covering cost on that still. Again, not new information
5 for you who participated on the board last year.

6 Installation for FBBs, the fee has remained
7 unchanged through the last three fiscal years at 412. The
8 revenue collected for fiscal '12 was 115,000. What it
9 actually cost to perform those functions was 162,000, or
10 you see a \$40,000 deficit. Okay.

11 So now I'm going to move down to the lower
12 section on that page. So again, Plan Review. FY12 fee,
13 134. FY13 fee, which is the fiscal year we're in right
14 now, 134. The actual cost from above, 102,000. The
15 number of plans that we processed for that fiscal year was
16 648. And what we are proposing, the 173, would be full
17 recovery cost based on the actual cost above.

18 The calculation, Sam, is the actual cost
19 above.

20 MR. BAIRD: So you took 102,000 and divided
21 it by 648.

22 MS. BLAKE: You got it. And that's what it
23 cost us to perform that function, 173.

24 Same thing with the next one below. I'm not
25 going to go through each of them, but that's the

1 calculation. Actual cost from above, actual volume
2 processed, and just the mathematical calculation. What it
3 cost the department to provide that service.

4 So now I'm going to flip you to the same
5 information, and similar information is going to be on the
6 next page. And these are our recommendations for your
7 consideration, while -- I guess recommendation 1 is on the
8 first page, and that is to achieve immediately full cost
9 recovery by increasing the fees to those numbers, 173,
10 587, and 590. Through the Sunset audit, which you've all
11 been with us through that process. What was recommended
12 is that we can increase fees gradually, but the goal must
13 be to achieve full cost recovery. So for your
14 consideration, again those same fees. Again, what the fee
15 was last year, what the fee is currently. The first,
16 shaded in blue on Plan Review, tells you that we -- the
17 remaining money necessary, per submittal, is \$39. If we
18 increase that fee by 29 percent, and I'm rounding here,
19 that will get us to \$173 if you want to do all of it in
20 one year. And then for fiscal '15, there would be no
21 increase.

22 Installation inspection for manufactured
23 homes. Again, we reviewed the fees. They're currently at
24 300. The amount necessary to achieve full cost recovery
25 per permit and inspections is 287.49. If we increase the

1 current fee by 40 percent, that gets us to \$420 per
2 permit. That would leave us with 114,00 -- \$114 still to
3 recover in fiscal '14, or about another 40 percent
4 increase to get us to the 587 full recovery cost.

5 And last is the installation inspections
6 for -- these are primary commercial modular FBB buildings.
7 Currently, the fee has remained unchanged at 412 per
8 permit, and that's an average because permits for factory
9 built buildings are calculated on dimensions, and so
10 that's just the average. The amount necessary to achieve
11 full recovery is \$178. If you decide to raise it,
12 20 percent, would get us to 494. That would leave a
13 remaining balance for fiscal '15 and another 20 percent
14 increase to get us to \$590.

15 That's a lot of information in a short
16 period of time, but are there questions about that?
17 Discussion?

18 MR. GLEESON: I think the permit fees are
19 getting too high.

20 MR. BAIRD: I'm sorry? You think --

21 MR. GLEESON: I think the permit -- well, in
22 addition to these permit fees we also have to pay zoning
23 fees from whatever jurisdiction, be it Mesa, Maricopa
24 County, City of Phoenix, whatever, and I think the fees
25 are getting too high. They're already getting complaints

1 now.

2 MR. BAIRD: Mr. Hart?

3 MR. HART: Do these numbers include the re-
4 inspections?

5 MR. GLEESON: No.

6 MR. BAIRD: They include free inspections --

7 MS. BLAKE: You get free inspections with
8 each permit. If you -- if four or more are required, then
9 you're invoiced for re-inspections after three.

10 MR. HART: The dollars that you're dealing
11 with, do they include the fees from those re-inspections?

12 MR. GLEESON: No.

13 MR. HART: In other words --

14 MR. BAIRD: Your expenses, do they include
15 the offset of the --

16 MS. BLAKE: Yes. It's included in the
17 revenue.

18 MR. HART: So this is above and beyond any
19 reinspection fees.

20 MR. GLEESON: When you buy the permit, you
21 get three inspections. Anything over the three
22 inspections, they charge you time and mileage.

23 MS. BLAKE: Well, yes.

24 MR. GLEESON: Twenty-two dollars an hour
25 plus mileage, right?

1 MS. BLAKE: Uh-huh. Joe, if you go back to
2 the first page where you see the actual revenue collected
3 in the very top chart up there, that revenue collected
4 includes all the fees associated with that.

5 MR. HART: Okay.

6 MS. BLAKE: Does that help?

7 MR. HART: Yes.

8 MR. GLEESON: But the new fee increase does
9 not include anything over three inspections, does it?

10 MS. BLAKE: Well, that's up to your
11 discussion. But currently, it includes three inspections,
12 period.

13 MR. HOYLE: It's based on the revenue of any
14 inspections that would have been in the collected
15 revenues. But when it's transferred over, it's just
16 inclusive of the three inspections, not any proceeds seen
17 out -- or revenues collected on that. So this would
18 actually be increased with additional inspections.

19 MS. BLAKE: Correct. So if the Board
20 decides to include whatever number of inspections it
21 takes, so you get as many inspections as you need per
22 permit, then yes, the other side of that is costs are
23 going to go up.

24 MR. HOYLE: Right.

25 MS. BLAKE: And revenue is going to come

1 down. So that can be addressed next year, if that's the
2 route you want to take.

3 MR. BAIRD: Okay. The information here is
4 from fiscal 2012.

5 MS. BLAKE: Correct.

6 MR. BAIRD: We don't have fiscal '13
7 year-to-date data or anything like that, that we don't
8 have the first six months, July through December or
9 anything, to do this.

10 MS. BLAKE: Well, the only thing we have on
11 that, Chairman, is on page 44 that I started providing to
12 you in your packets regularly, that shows you the revenue
13 comparison, last fiscal to current fiscal through
14 February. And so we are seeing revenue coming in at about
15 a 21 percent increase over the prior year. Now, part of
16 that is because our fees increased. The other part of
17 that is they started to show some growth in the industry.
18 So, more activity. But remember, you went from a \$123 fee
19 per permit to 300. And so you would expect to see some
20 growth there, and so that's that. And if you look at
21 those other charts on page 44, the actual installation
22 permit volume year-to-date for fiscal '13 does show a 6
23 percent increase. And then plan review volume also shows
24 an 11 percent increase.

25 MR. BAIRD: So the individual permits are

1 increasing at 5 percent, but our income is increasing at
2 20 percent.

3 MS. BLAKE: Uh-huh.

4 MR. BAIRD: Which is reflective of our
5 increases from last year.

6 MS. BLAKE: Correct. Except for the plan
7 review is the biggest increase and we didn't increase last
8 year, that fee.

9 MR. BAIRD: Right. So I'm thinking out loud
10 here. These actual costs, the differential -- I mean, the
11 revenue collected should be -- if the remainder of the
12 year from March through June remains the same percentages,
13 then we're going to get another 20 percent off the revenue
14 collected in '13 as compared to '12.

15 MS. BLAKE: Uh-huh.

16 MR. BAIRD: So that means like, in the first
17 revenue collected in the plan review, instead of 121 we've
18 got a 20 percent -- well, no. Wait. I'm sorry. We're
19 only talking about -- this fee comparison, is that for
20 installation or is that all three?

21 MS. BLAKE: No. It's the total revenue.

22 MR. BAIRD: It's total.

23 MS. BLAKE: Uh-huh.

24 MR. BAIRD: Which is about -- so it's going
25 to be 20 percent. So each of these numbers that are in

1 red here, losing 10,000, losing 287, losing 47, probably
2 be mitigated by up to 20 percent. The volume is about the
3 same. Only 5 percent up, but the income is there. So,
4 the cost revenue differential --

5 MS. BLAKE: You may consider it a wash
6 because we know the revenue or the increase has gone up
7 11 percent, and what we see here is 10 percent. So it may
8 come out in the wash. Installation inspections for
9 manufactured homes, that can't possibly come out in the
10 wash.

11 So those are recommendations for those three
12 fees for your consideration and Board vote at this
13 meeting.

14 MR. BAIRD: Okay. I can assume -- your
15 recommendations are for these three and these three only,
16 and that you've recommended that all other fees remain the
17 same?

18 MS. BLAKE: There will be one new fee
19 discussed after this, which will be a new fee, expedited
20 plan review. But yes, these are the three fees that we've
21 done the cost analysis on that we can bring to you
22 recommendations for fee adjustments.

23 MR. BAIRD: The only other thing that I
24 think we need to consider is the Sunset review. During
25 the Sunset review, we were told that we needed to get

1 ourselves between a 95 and 105 range; is that right?

2 MS. BLAKE: Well, I think the Sunset review
3 made mention of that because under the Board's statutory
4 requirements, it's the set fees so that revenues and
5 expenditures, the proration for that is between 95 and
6 105. Now -- and Mary may be able to help -- or Gene with
7 this -- so that's currently what's set in statute. What
8 came out as a result of the Sunset audit was a
9 direction -- directive that all tasks performed, services
10 provided by the Department, must each individually achieve
11 full cost recovery. So they didn't lump it all together
12 like the statute says. They say, "Plan review has to be
13 self-supporting." So, full cost recovery. Installation
14 inspections. I suppose one could lump the different
15 products together, manufactured housing and FBBs, but we
16 separate them. But that's been the direction we've been
17 given, to my understanding, from the Sunset audit.

18 Gene, is that correct?

19 MR. PALMA: Yes. They basically brought in
20 the definition that exists -- that was being interpreted
21 by the Department prior to the audit. They brought in to
22 include all administrative activities that support OMH,
23 inspections and plan review, and compliance, which was a
24 healthy sum.

25 Whereas before, you could go back three

1 years ago and you can see expenditures were about 370, 380
2 for the year. Now you're looking at almost double that
3 figure, simply because we've brought in our definition of
4 "expenditure." And that's simply because of the GAO
5 office. That's agency-wide, is a fee -- a cost recovery
6 in terms of the agency fees. So we've done this on the
7 other side too. In terms of the fire marshal, we
8 increased fees last year. But at the same time as
9 increasing fees, we've also streamlined our operations.
10 We've defined on our task to know what each activity costs
11 and then we're able to tie the fee to the particular
12 activity. So we're not here to make a profit. We're here
13 to have a hundred percent cost recovery.

14 So what I would venture to say is presently
15 the revenues are increasing, but at the same time as
16 activity increases, as you all know, your cost will
17 increase. And what we're trying to position the
18 Department in is to have enough resources, trained
19 resources, already in place so when activity levels get to
20 the point where, you know -- and who knows -- we don't
21 anticipate them getting back to 2008 levels, but there is
22 going to be a healthy level here that we're seeing an
23 upward trend, that the Department is in a position to
24 maintain the service levels and, in fact, improve on them.
25 And also, with the technology implementation that Mary

1 addressed, we're actually performing more inspections with
2 less inspectors in a faster period of time. And the
3 record keeping is much better. So, we've come a long way
4 just in the three, four years since we started on the
5 project. But again, it's up to the Board, and I
6 understand your position. You want to see value for your
7 dollar, and that's what we're here to provide. We're
8 happy to provide the documentation, any questions, and you
9 know, we want to make sure we provide the service level
10 that you're comfortable with. But at the same time, you
11 know, you're in a business, you have to be profitable.
12 Let us know where we need to improve or where we're --
13 what your concerns are.

14 MR. BAIRD: Okay.

15 MS. BLAKE: Thank you, Gene. And the other
16 thing is -- oh, I'm sorry.

17 MR. BAIRD: Joe has a point, I believe.

18 MR. HART: Can we have a scale? Can we
19 change it -- this is per building. Right? Correct?

20 MS. BLAKE: Uh-huh.

21 MR. BAIRD: Per square foot, per story.

22 MS. BLAKE: Correct.

23 MR. HOYLE: Per lineal foot.

24 MR. BAIRD: Per lineal foot, per story.

25 Uh-huh.

1 MR. HOYLE: It's an average --

2 MR. BAIRD: Versus the -- oh, no. It's --

3 MS. BLAKE: Every unit.

4 MR. GLEESON: It says "per unit."

5 MR. BAIRD: I don't know.

6 MR. HART: What about doing it per floor or
7 something per floor? Raytheon puts in 20,000 square feet
8 and they can afford a little more, that bump.

9 MR. BAIRD: We can do whatever we want, but
10 I don't know, we have to decide today.

11 MS. BLAKE: Mr. Chairman, I also just want
12 to bring to your attention we have some members of the
13 public who represent the commercial side as well, who may
14 have some input and are primarily here today to talk about
15 the expedited plan review, if you'd like to seek
16 information.

17 MR. BAIRD: Sure.

18 MR. HART: Can we talk to your inspector
19 that's here?

20 MS. BLAKE: Is my plant manager back there?
21 Certainly, he's part of the staff and you can ask him a
22 question.

23 MR. HART: Obviously, if you go out to a
24 site it's a certain cost to get there, no matter what the
25 site is.

1 MS. BLAKE: Travel time, right.

2 MR. HART: Intel, Raytheon. Not that I'm
3 picking on anybody that's big. Your time of inspection,
4 there has to be a lot more. I don't even know if that
5 lineal footage of security would cover. You're inspecting
6 27 panel boxes. You're inspecting 27 sets of pads and
7 piers, and you're getting paid 12 lineal foot of install,
8 to where a guy whose family, they can afford a single-wide
9 manufactured home. And then there is a person that could
10 afford a three-plex. Maybe that person that can afford
11 that three-plex, their fees should be a little higher and
12 you keep the family that can only afford a single-wide
13 right where they're at. Is that too complicated? It is
14 complicated.

15 MR. GLEESON: Sounds good to me.

16 MR. BAIRD: It would take a lot of study to
17 come up to the actual cost versus that. We don't -- I
18 don't think we have time to consider that today, Joe. I
19 mean, but for next year, absolutely we should entertain
20 that. We should do it. Today we have to make a decision.
21 We have to raise rates or not raise rates and decide how
22 much if we raise them or lower them, if we want to. My
23 question is -- I'm a board member. I'm sitting here and
24 I'm required by the legislation and the directives to stay
25 between the 95 and the 105. Okay? And then we have the

1 Sunset thing which seems to be doing something else. I
2 don't -- which one do we follow? Mary?

3 MS. BLAKE: Yes, Mary?

4 MS. WILLIAMS: Well, I think the auditors
5 just interpreted the statute different. Right?

6 MR. PALMA: It just depends on 95 percent of
7 what.

8 MS. WILLIAMS: Yeah.

9 MR. PALMA: And what they've done is brought
10 in that definition. So the 95 is simply a number. It's
11 just what is it for? 95 percent of what? Whereas before,
12 three or four years ago, it was a small pie. Now, it's a
13 bigger pie. So either we cover more of the cost or we're
14 falling short. It won't be 95. It will be -- I don't
15 know, a raw number, 80 or something, depending on
16 obviously what that final pie number is. But that's what
17 the auditor general has basically declared. That we need
18 to broaden that definition because we are not adequately
19 covering costs as of 2009.

20 MR. BAIRD: Uh-huh.

21 MS. BLAKE: If I may, we talked about before
22 that in the way the department head interpreted that
23 statute, the 95 to 105, was based on, as Gene said, the
24 whole pot of revenue coming in. Because we already know
25 that -- well, we think we know -- that the licensing rates

1 we charge, more than cover the cost of performing that
2 service. Every other fee was pretty deficient and so it
3 wasn't equal. And so what the auditor said is, well, yeah
4 you got to get to 95 to 105, or basically full recovery,
5 but you need to do it per fee, per task. You can't make a
6 big profit on some and pick up the slack for installation
7 inspections and permit. That's not what that meant. So
8 they redefined that and so that's where we've tried to
9 take it.

10 MR. BAIRD: So they redefined it, asked us
11 to clean it up and give us a few years to do it.

12 MS. BLAKE: Correct.

13 MR. BAIRD: Is that fair?

14 MS. BLAKE: Well said.

15 MR. BAIRD: Okay.

16 MR. MORTON: May I offer a public comment?

17 MR. BAIRD: Yes.

18 MR. MORTON: Let me introduce myself first.
19 My name a Mike Morton. I'm with Accelerated Construction
20 Technologies. I've been a licensed FBB dealer since 1984,
21 almost 30 years. I've been a licensed manufacturer since
22 1980, also for FBB.

23 And when I look at your discussion here for
24 plan review, the impact to me is going to be a \$39
25 increase, and the impact for my installation is going to

1 be 178, so a total of \$278, which is a spit in a bucket.
2 My typical client pays anywhere from 25 to \$125,000 in
3 zoning, impact fees, permit fees. And for me to tell my
4 owner, "Gosh, I've got to pay another 200 bucks," I mean,
5 that's ridiculous. It's just not going to -- it's just
6 going to get lost. So, in my business, it's
7 insignificant.

8 MR. BAIRD: Interesting. Comment, Joe?

9 MR. HART: No. Get it done quick?

10 MR. BAIRD: Any other comments from the
11 public?

12 MR. ANDERSON: Mr. Chairman, my name is Ken
13 Anderson, and I represent Manufactured Housing Industry in
14 Arizona. This is rather difficult for us to accept. Our
15 issues, as John probably knows, are appraisals. It's not
16 that we don't have buyers that we can get approved, but we
17 can't get appraisals. We have a major issue right now
18 with ADOT requiring an extra escort car for half of our
19 loads. That's going to raise our price about two to three
20 hundred dollars. You know, a 40 percent possible increase
21 in inspection fees is going to hurt us dramatically
22 because we can't get the appraisals. And John would be
23 the first to tell you that he's not going to add \$200 or
24 \$300 for permit fees because it just doesn't exist. So
25 our problem is really the appraisal end of it. We grew

1 only 5 percent last year. Safeco was growing at a much
2 bigger rate, but the appraisals are holding us back much
3 more than other industries.

4 MR. BAIRD: Okay. Anyone else?

5 So we lower manufactured and we raise FBBs?
6 Is that what I just heard? That's a joke.

7 MR. FREDERICK: I have a question for you.
8 I'm Tom Frederick. I've had a license since 1975. I've
9 had a manufacturing company. The plan review that you're
10 doing for, like, Mike and everybody else in here, for
11 custom buildings and stuff like that, I understand you've
12 got to do plan review. But you've got Mobile Mini, you
13 got PackMan, you got your Mod Space, all these other
14 people that have already paid you for that plan review.
15 Why are we having to come back in here, pay you for a plan
16 review again for a stock unit you've already made money
17 on, and wait two or three weeks to get a permit? In
18 Nevada, I can go in there, their plan reviews -- I can
19 have a permit the next day for a six-plex, whatever.
20 You've got engineering that goes with those buildings.
21 Same with Mike, he has engineers he brings in and says,
22 "This is the way this building needs to be set." You
23 should be able to give that to the lady at the desk. She
24 should take your money. She should give you a permit to
25 go back out. You're costing this industry lots of money.

1 Lots of money. I mean, we got people sitting three to six
2 weeks trying to get into a double-wide. You should have a
3 dry fee and a wet fee. If you get -- hook up the water
4 and the sewer, you have a wet fee. If you get nothing,
5 it's a dry fee. But you're costing this industry money.

6 MR. BAIRD: Okay. That's probably a
7 different topic.

8 MR. FREDERICK: No.

9 MR. BAIRD: We're asking about fees.

10 MR. FREDERICK: Right. And you're asking us
11 to keep paying more money in these fees. Plan review
12 should -- you're asking this stuff to go through a plan
13 review again for three weeks or two weeks, and then you
14 get that, and then you gotta send it over to another
15 department. You're still asking for the same money, is
16 what I'm saying.

17 MR. BAIRD: Okay. I don't understand what's
18 required here --

19 MR. FREDERICK: Do you understand, Terry?

20 MR. GLEESON: Yeah. You're taking an
21 engineer's stamped plan that they're going to --

22 MR. FREDERICK: Absolutely.

23 MR. GLEESON: And they're turning it into
24 the state so they can stamp it --

25 MR. FREDERICK: (Inaudible.)

1 MR. GLEESON: (Inaudible.) We had that
2 problem with our -- when we're in a flood zone.

3 MR. FREDERICK: Absolutely.

4 MR. GLEESON: I don't understand why it
5 takes so long.

6 MR. FREDERICK: Yeah.

7 MR. HART: Might be problem solved when we
8 go into --

9 MR. FREDERICK: Can you tell me why --

10 MR. BAIRD: Excuse me. Okay. We have to
11 tell somebody to stop talking. So go ahead, Joe.

12 MR. HART: That problem wrote -- might just
13 take it away, disappear when we talked about the review.

14 MS. BLAKE: Uh-huh. We haven't quite got to
15 that yet. This is about the fees, what it costs us to
16 provide the service, and whether or not the Board is
17 entertaining any increase.

18 MR. BAIRD: The process of what has to be
19 done and how it's to be done, I think it may be valid to
20 talk about, but we've got to get the structure down first.

21 MS. BLAKE: And most of that process, Mr.
22 Chairman and board members, is defined in rural.

23 MR. BAIRD: Right.

24 MS. BLAKE: What the Department enforces is
25 statute and rural. So many of you heard me say many times

1 before, if you don't like what it says, then it either
2 needs to go through the legislature and gets changed, or
3 as I mentioned earlier, we're all putting rural packets
4 together to address some things which the Board will
5 review, when we can move it forward through that process.
6 And so there is opportunity to do that in the future and
7 address some of those things.

8 MR. BAIRD: Okay. I have a question. We
9 have -- this is page 2?

10 MS. BLAKE: Yes.

11 MR. BAIRD: Bottom section. We have a blue,
12 a pink, and a yellow. What are they?

13 MS. BLAKE: Just to show you the different
14 fiscal fees to separate them. The Blue was fiscal '13,
15 last year. The pink was fiscal '14, to show how the
16 graduated fee increase would get to full cost recovery by
17 the yellow, which is fiscal '15.

18 MR. BAIRD: So, the proposed -- let's just
19 take the MH, the one in the middle. We were 123 in '12.
20 Then we increased it for '13 to 300.

21 MS. BLAKE: Correct.

22 MR. BAIRD: And then if we take your
23 proposal here, we'll go to 431, which is a 40 percent
24 increase, and then in '15 we'll catch up by doing --

25 MS. BLAKE: Well, that's what we recommended

1 to you last year. If you look in the yellow, if you're
2 looking at "installation inspection," last year our cost
3 analysis showed us that the full cost recovery was 562.46.
4 If you look up above, there have been some changes to
5 that, as Gene indicated. We had to pull in administrative
6 cost, compliance cost, and the full cost recovery for that
7 same, currently, is 587.

8 So, the bottom chart was what we presented
9 last year, just as a reference point. What you need to
10 focus on is the chart above that, which are -- where we
11 need to go in fiscal '14 and '15 to get full cost
12 recovery, if that's the direction you give us.

13 MR. BAIRD: How many years do we think we
14 have before we have to go to full recovery of our cost?

15 MS. BLAKE: I don't recall that we were
16 given a particular time. I mean, something reasonable.
17 There was no number thrown out, "you must do it in three
18 years, is five years reasonable?" I don't know the answer
19 to that.

20 MR. BAIRD: I think we talked last year on
21 the five-year range is what we were talking about. Three-
22 to five-year range.

23 MS. BLAKE: We did three last year.

24 MR. CHICK: Mr. Chairman?

25 MR. BAIRD: Mr. Chick?

1 MR. CHICK: We're talking about a rate based
2 on fiscal year '12, expenses and volume.

3 MS. BLAKE: Correct.

4 MR. CHICK: We've fixed the volume. If
5 volume goes up, then a certain part of these rates that
6 are variable are out-of-pocket, and a certain part that is
7 fixed. For example, rent. If I look at the numbers
8 through fiscal year '13 right now, or '12, we're almost at
9 the same volume as we were here. So we have these
10 additional volumes coming in which should reduce the cost
11 per visit --

12 MS. BLAKE: Excuse me. When you say
13 "volume," you're talking about the number of permits?

14 MR. CHICK: Well, I'm looking at what you
15 call "actual volume."

16 MS. BLAKE: So you're on the first page of
17 that.

18 MR. CHICK: If you took 371,000 --

19 MS. BLAKE: Okay.

20 MR. CHICK: And divided it by 632 volume.

21 MS. BLAKE: Correct.

22 MR. CHICK: Okay. I don't know what that
23 means, but I presume it's visits or plans or whatever it
24 is.

25 MS. BLAKE: It is. It is. But my question

1 to you, sir, is it's not a fixed number that changes year
2 to year.

3 MR. CHICK: Right.

4 MS. BLAKE: Based on what's going on in the
5 industry.

6 MR. CHICK: But we've got a trend now, an
7 upward trend.

8 MS. BLAKE: We have a trend of -- an
9 increase of 5.6 percent.

10 MR. BAIRD: Page 44?

11 MS. BLAKE: Page 44. Permit volume.

12 MR. CHICK: We have 604 permits to date, and
13 we've got one, two, three, four months left.

14 MS. BLAKE: Uh-huh.

15 MR. CHICK: And so if we're looking at a
16 volume of 632 and we're only 28 shy of it right now,
17 that's going to drive the cost or should drive the cost
18 per visit down, cost per volume down, because like any
19 other total dollars allocated, you have fixed and
20 variable.

21 So are we over estimating our need? We also
22 have indicated -- Mr. Palma indicated that our revenues
23 are up and our expenses are down. That's a trend, that's
24 a wonderful trend, and I congratulate you. If that
25 continues, then we can anticipate less cost which affects

1 the rate. So are we trying to take too big of a bite of
2 the apple -- and I'm understanding our responsibilities to
3 the legislature -- but I think we have to give that some
4 consideration before we --

5 MR. BAIRD: Yeah.

6 MR. CHICK: I don't know how to say it, but
7 if I were doing the -- analyzing it, it would be what
8 portion of this is fixed and what portion is variable and
9 I would attack the variable on the -- as the rate
10 increase.

11 MR. BAIRD: I think those are all valid
12 points. I don't think the Department is asking us to go
13 for this whole increase this year. I just think we have
14 to decide as a board how much of a bite we want to take
15 out of this, the total apple.

16 MR. CHICK: But this passes on to the
17 consumer.

18 MR. BAIRD: Absolutely. Directly.

19 MR. CHICK: And we've heard from the public
20 the concerns, and those are legitimate concerns. And I'm
21 not in the industry, I'm the consumer. And if they are
22 concerned, they're concerned for my benefit. I'm
23 concerned.

24 MR. BAIRD: Valid.

25 Terry?

1 MR. GLEESON: I agree. I think it's too
2 much money.

3 MR. BAIRD: The 40 percent would be too much
4 money or what we're paying right now is too much money?

5 MR. GLEESON: Right. The one you're paying
6 for zoning fees, and then you pay for the state fees, and
7 then you're 700, \$800 -- or sometimes in Maricopa County
8 you're close to 2000.

9 MR. BAIRD: Okay. Then I guess the issue
10 goes down to, given our responsibilities to the
11 legislature, we have to make -- you know, we have to
12 balance those two.

13 MR. GLEESON: Right.

14 MR. BAIRD: As I'm seeing it. That's
15 unfortunate. That's what we have to do. So last year we
16 took a pretty -- the biggest bite we've ever taken out of
17 the installation fees for MHs. We left pretty much
18 everything else alone. A few changes, but nothing else,
19 and we're still in the hole. But you know, how much in
20 the hole are we, I don't know.

21 Unfortunately, we didn't have any time to
22 really study and decide it, up on this, but we're charged
23 now by having to do it. Like, if Mr. Haney was here, he
24 would say, "This is the way it's been forever." That we
25 just all of sudden, here we are sitting, looking at each

1 other deciding how much to do it based upon -- trying to
2 make a decision based on not as much data as we would like
3 to see.

4 MR. PALMA: Well, what kind of data did you
5 want to see?

6 MR. BAIRD: Well, I would like to see where
7 we were after the first six months.

8 MR. PALMA: You want to see --

9 MR. BAIRD: That would be accurate.

10 MR. GLEESON: Looking on 25, does it say
11 where we're at?

12 MR. PALMA: So six months of '13 would tip
13 the scale.

14 MR. BAIRD: Well, that would balance that
15 with '12. Then we could have seen that and we could have
16 checked the trend. We could have been able to project
17 forward.

18 MR. PALMA: The thing is, you can call a
19 special -- what is that --

20 MS. BLAKE: Special session.

21 MR. PALMA: A special meeting.

22 MR. GLEESON: That would probably be better
23 and we could see year-to-date.

24 MR. BAIRD: But Arthur can't be here.

25 MR. CHICK: I can be on the phone.

1 MR. BAIRD: Good.

2 MR. PALMA: Or like you say, you can, you
3 know, obviously you don't swallow a whole whale or you can
4 do half -- I just wanted to -- you know, whatever it
5 takes, we want to make sure we're providing it. And to
6 Arthur's point, I mean, our fleet costs increased because
7 of the price of gas. We went almost 35 percent greater
8 this year than last year. Labor costs were lower this
9 year because we didn't fill two vacancies. So -- I mean,
10 I understand the whole fixed and variable, you know,
11 analysis, but at the same time, you've got to look at the
12 whole perspective. I mean, when we raised the FBB last
13 year, I think -- who was it that was charging -- they were
14 already charging 300.

15 MS. BLAKE: Most of the IGAs --

16 MR. BAIRD: IGAs.

17 MR. PALMA: IGAs, right. You know, if we
18 compare our fees with counties or cities, it's a joke. On
19 the fire marshal side, same thing. We doubled our fees
20 and we're still under city and county, and we're not --
21 and we're trying to give you the value. And if it's the
22 value thing, let us know. We, you know -- we're trying to
23 fill vacancies for response to inspections. We're trying
24 to turn around time for plan reviews. We're going to talk
25 about the expedite fee today. I guess I got a little

1 impatient because I want to -- I'm giving you the
2 information, but somehow I'm listening and thinking you're
3 not quite sold on it -- or what questions do you have?
4 Because I'm here, Debra's here, she's worked on it, and we
5 apologize for not giving you time to look at it, and
6 that's why I suggested a special meeting. But if there is
7 more information, if we have it, we'll give it to you.
8 We're just anxious to know where we can correct, what kind
9 of, you know, improvements we can make. We want the
10 confidence from the industry. And if we don't have it for
11 a particular reason, let us know. We'll work on that.

12 MS. BLAKE: Mr. Chairman --

13 MR. GLEESON: Well, you know, let's take the
14 city of Mesa, for instance. When we purchased the permit
15 from the City of Mesa before you took it over, it was
16 \$338. That was the total permit fee because they just
17 covered that small area. I understand you're driving from
18 Phoenix to Mesa or Phoenix to Tonopah and it costs you
19 extra money to do that. But in my mind, I would rather
20 see the City of Mesa take it over and then you guys just
21 do the audits, you know. Educate the inspectors.

22 MR. PALMA: We had an issue there because
23 we're responsible for holding the statue. The state is
24 liable. And when an IGA partner is put in the state in a
25 precarious position, that's our first priority.

1 MR. GLEESON: Right.

2 MR. PALMA: So I'm not saying that
3 particular case involved that, but in many cases we have
4 terminated an IGA because the priority and interest of the
5 state comes first. And unfortunately, some of these IGA
6 partners don't have the resources to follow through on
7 inspections or any other services.

8 MR. GLEESON: They've got quite a few
9 inspectors. But now we have a zoning inspection and then
10 we have a state inspection, and then once we get a state
11 fund we have to call for a zoning -- it used to be two or
12 three inspections, and now it's five or six inspections
13 from two different, you know --

14 MR. PALMA: I can't do anything about, you
15 know, city -- a local jurisdiction, laws, statutes,
16 ordinances. I mean, these laws that we are dealing with
17 are -- you know, they were all implemented before we were
18 all here. So we're just trying to make best of what the
19 situation presents now. And I stated before, you run a
20 business, you have to do what's best for your business.
21 I'm just hoping that if there is something that we can do,
22 it's best to let us know and we can somehow make your
23 bottom line more profitable, we will do it because that's
24 what the office does, as a state agency is supposed to do,
25 to facilitate commerce and protect the consumer. We

1 balance those two interests. And unfortunately, it takes
2 money and we're at the point where, okay, you know, to
3 survivor as an agency we have to justify to the
4 legislature that our services are being compensated for by
5 the industry or by the taxpayer.

6 MR. BAIRD: There are several issues going
7 on, you know. One is just the cost of doing business, you
8 know, versus, you know, the cost of recovering fees and
9 expenses to do some of those things. It's -- and I don't
10 know how you solve all of those in one issue, and that's
11 really not our mandate today. Our mandate today is to
12 decide if we want to raise fees or not and how much. As
13 to the validity of the information you've provided, I
14 believe it. I mean, there it is. And if we have to -- we
15 are required to go toward that goal of getting the money.
16 So -- you know, I don't know how you keep paying \$300 when
17 it costs you 578.

18 Yes, John?

19 MR. DINGEMAN: For the sake of the argument,
20 just doing the math. At a 5 percent -- a 5.6 percent
21 increase, you have a total permits of 906 from last year.
22 That would increase you to 956 . Right?

23 MR. BAIRD: Right.

24 MR. DINGEMAN: It looks like the balance of
25 that 906 is based on a 70/30 split going back to the

1 bottom of page 232 versus 275. That will bring you 669
2 and 287, and your difference would be a 32. So instead of
3 587, 555. And instead of 589, 565, 32 and a \$24 drop. If
4 you just take that -- and I'm just saying, giving some
5 simple numbers -- I know they're small -- but if you take
6 that on the top of page 1 in the blue, the 287, less the
7 32, it's 388 instead of 420. Under FBBs, instead of 177,
8 less 24. Instead of 494, you're at 470. So if you just
9 assume that your volume is increasing, let's just assume
10 that it's going to stay that way for this year, and you
11 wanted to mitigate some of the increases looking towards
12 next year. Well, \$56 less in fees, you could consider.
13 Not some simple math.

14 MR. BAIRD: We can.

15 MR. HOYLE: Mr. Chairman?

16 MR. BAIRD: Yes, Mr. Hoyle?

17 MR. HOYLE: The Sunset ruling confirming
18 that finish line, in my opinion, would be somewhat
19 critical to find out when we have to abide by the deadline
20 because it may allow us the ability to spread these
21 increases, whatever size they are, for another year as
22 opposed to try and cover them all by the 15th budget. So
23 is there any way we can confirm with that, when this
24 trigger has to be pulled with them?

25 MR. PALMA: I can tell you there is no term

1 certain. No date certain.

2 MR. HOYLE: Okay. So in theory though, the
3 Sunset ruling was essentially the last warning to say, "To
4 keep this office open, this is what you're going to do."

5 MR. PALMA: This is what you should be
6 making some progress on.

7 MR. HOYLE: Right.

8 MR. PALMA: And we received a two-year
9 continuation to get -- just to prove, okay, this is what
10 we're doing. And so the bill will come up or the hearing
11 will be this fall as to whether to grant the Department,
12 you know, a further term. And that will be based on the
13 auditor general's report which they should be finishing up
14 here in the next month or so. And you know, as Debra
15 said, we've been, you know, responding to their request
16 for information and so on and so forth. And depending on
17 that report, as we've talked about here, we've made
18 progress, and I thank the Board and as I did last year and
19 I thanked the fire safety committee. Because both sides
20 of the Department, you know, showed confidence in the
21 Department by raising fees and so the auditor general sees
22 that as a positive because, okay, the Board and safety --
23 fire and safety committee both have seen documentation,
24 they both know the directors of each side, and they're
25 confident that those procedures are being undertaken. So

1 that's a vote of confidence. Now, how the final report
2 comes out, I wish I could tell you. It still won't be
3 available, but that's what the legislature is going to
4 decide upon. And then they're going to have a hearing and
5 at that time they'll let us know, you know, we're happy
6 with this progress, here's another six years or however
7 they want to progress at that point. But it's -- and like
8 I said before, it's something that the Board has to
9 consider moving forward. We're not here to obviously --
10 if we can get to the point where we're at 90 percent cost
11 recovery and then the chief efficiencies through
12 technology and organization restructuring, then that will
13 achieve the goal of 100 percent in the end.

14 So, don't get us wrong. We're not solely
15 focusing on raising fees to make that. We're making other
16 changes too. But obviously, the fee increase, whether it
17 be 20, 30, 40 percent, will assist us moving forward, and
18 that's something the Board is obviously going to have to
19 decide. If you want to say, okay, we'll do this 20 this
20 time, and hopefully the department of chief's efficiencies
21 on their operations which will combine for 90-some percent
22 recovery, I think the legislature will be happy to see
23 that and proceed to give us a longer tenure.

24 And also, if I may say, we've also proposed
25 to the legislature to get away from the 100 percent

1 general funding to go to fee retention and base the
2 agency's existence on OMH fees and OFM fees, and that will
3 really assist the agency in moving forward because now we
4 control more of our own destiny, rather than having to go
5 to the legislature hand-in-hand every year and having to
6 show, okay, we did this, we did this. Now, the Board and
7 the Fire Safety Committee will be able to say more daily
8 operations in terms of how we are doing and adjusting fees
9 accordingly, rather than having to go to the legislature
10 for the funding.

11 So, just to put another thought in your head
12 there.

13 MR. BAIRD: Very good.

14 MS. BLAKE: Mr. Chairman, if I may add a
15 couple things that were being said. Thank you for
16 bringing that up about the fee-based agency. I think many
17 of you were aware of it anyway, but yet another reason why
18 we have to be self-supporting, and again, achieve through
19 appropriate fees and increased efficiency through
20 technology and other resources.

21 The other thing is, just to bring to your
22 attention, and I know it's not in a format that's
23 necessarily the best, but the financial reports and the
24 update of where we're at fee comparison on page 44, part
25 of your board packet, part of what was sent to you

1 electronically, and again, just apologize that we didn't
2 have this actual cost accounting for you in advance, but I
3 think, you know, as some of the board members indicated,
4 it's very wise to look at.

5 Here's what we know from just a costing, a
6 cash flow thing where we have to get. But the other
7 thing, as you've all mentioned, you have to consider where
8 are we at through February and what does that look like in
9 terms of growth and efficiency on page 44. So if you will
10 combine those two thoughts, as John and Art did, but --
11 and the auditors, as Gene indicated, we're not done with
12 them or they're not done with us, however you want to look
13 at it. So they've already made inquiries. They know we're
14 meeting on this today. They looked at what you all did
15 last year, you know. You're aware of the cost recovery,
16 you're taking actions as you deem appropriate, and this
17 information will be provided to them again because they've
18 already asked for it.

19 So I guess if you would take all of that
20 into consideration as you make your decisions for today.

21 MR. BAIRD: Can we first agree we need to
22 have an increase or not?

23 MR. HART: Yes.

24 MR. DINGEMAN: Yes.

25 MR. BAIRD: Now can we talk about how much

1 of an increase do we need?

2 What was your fuzzy magic there?

3 MR. DINGEMAN: My fuzzy magic was -- so at
4 255 increase on the MH, brining it to 388 as opposed to
5 420.

6 MR. BAIRD: Okay.

7 MR. DINGEMAN: And 470 versus 494. So, \$24
8 decrease.

9 MR. BAIRD: Okay.

10 MR. DINGEMAN: Assuming you're going to look
11 at efficiencies, and as Joe mentioned, look at some other
12 ideas for next year, we can get better numbers on boxes.

13 MR. BAIRD: That would be a different
14 approach.

15 MR. DINGEMAN: That would be a different
16 approach in the years to come. But I mean, the longer you
17 drag it out, the deficit just continues to grow.
18 Potentially.

19 MR. HART: Right.

20 MR. BAIRD: Right.

21 MR. DINGEMAN: And volume is not always
22 certainty because on the Desert View Village Planning
23 Committee, the City of Phoenix did before us, time after
24 time, telling us where the city was going to grow. It
25 stopped for a time being. So nothing is with certainty.

1 MR. BAIRD: Well, we also need to know that
2 we're collecting more money. Revenues are up 20 percent.

3 MR. DINGEMAN: Uh-huh.

4 MR. BAIRD: It's only 5 percent more, so
5 there is a fixed variable cost there, but we've got hard
6 cost here that is going up 20 percent, so it can be
7 mitigated. So I think we all agree we need to have an
8 increase. How much should it be, that's the question.
9 Any recommendations? So, we can start with -- I wrote
10 down some numbers.

11 MR. DINGEMAN: What's that?

12 MR. BAIRD: I wrote down three numbers.
13 Plan review, MH, and FBB. I wrote down 150, 350, and 450.
14 That's what I wrote down.

15 MR. GLEESON: What was that?

16 MR. BAIRD: 150 for the Plan Review; MH,
17 350; and 450 for the FBB.

18 MR. DINGEMAN: So considering the increase
19 and permits and the increase in revenue.

20 MR. BAIRD: It's a shot in the dark. It's a
21 guess, but it shows the Sunset Review Board that we're
22 moving and we're addressing things. We're increasing --
23 last year we had one major increase. This year we're
24 having three increases. We're increasing three
25 categories, to kind of fine tune it. It's showing a step

1 in the right direction. It's showing that we're trying to
2 get where we need to be. It's also saying that, hey, we
3 think business is getting better, you know. Because
4 business is getting better, you know, we're going to do
5 more. But we're also -- we have improved our efficiencies
6 dramatically. It doesn't cost us as much to do what we
7 do, so we're going to have more income and we're going to
8 have less cost percentage-wise.

9 Arthur, any ideas?

10 MR. CHICK: Yes. Sixteen dollars over the
11 current fees --

12 MR. BAIRD: Plan review?

13 MR. CHICK: Right. Fifty dollars on the
14 installation and MH, manufactured homes, over our
15 existing -- the 300.

16 MR. BAIRD: Uh-huh.

17 MR. CHICK: And over on the FBB, existing
18 412 and go to 450, or plus 38. If that -- I guess -- I've
19 got to say this, Mr. Chairman. We have to thank Debra and
20 Mr. Palma.

21 MR. BAIRD: Absolutely.

22 MR. CHICK: We've never had this kind of
23 information. And it doesn't help. It makes it a little
24 difficult.

25 MS. BLAKE: Sorry.

1 MR. CHICK: But we have to be able to get
2 our arms around this, and I think that's fair. What you
3 suggested is fair for this year, but I think at some point
4 in time we started terribly low, that was our problem. We
5 got ourselves into a hole before we could -- before it was
6 addressed. And now we've got lots of forces working
7 against this revenue, and I think, you know, they've
8 addressed those. So I'd be comfortable with what you
9 suggested for this year.

10 MR. BAIRD: Terry?

11 MR. GLEESON: Well now, \$50 wouldn't be too
12 dramatic. It is better than the 420, I guess.

13 MR. BAIRD: Yeah. Well, everything is
14 relative. I mean, the chair will accept any
15 recommendations -- I mean, motions. So if you think
16 that's too high versus the FBB, or versus the plan review,
17 I don't care. We have to start somewhere so we can --

18 MR. GLEESON: Well, my suggestion was we
19 raise mobile home permits last year, let's raise the other
20 two this year and leave the mobile homes where they're at.

21 MR. BAIRD: I think that's hard to argue
22 with when you've got a \$287 deficit. I think if I were on
23 the Sunset Review Board, I'd say "hmmm, I need you a
24 little bit there." But we didn't do the other two last
25 year, and frankly, we probably should have, you know, in

1 my mind. Okay. Thoughts?

2 MR. HOYLE: Are you open for a motion?

3 MR. BAIRD: I'm open for a motion.

4 MR. CHICK: Mr. Chairman, I'd like to move
5 that we accept the three rates as proposed Plan Review.
6 We go from one -- let's see, where was it? We go from 134
7 to 150, a \$16 increase. Installation inspection mobile
8 homes, 300 current to 350 proposed. Installation
9 inspection FBB, current 412, to proposed 450. For the
10 fiscal year '14, I believe it is.

11 MR. BAIRD: Thank you. Second?

12 MR. HART: Second.

13 MR. BAIRD: Mr. Hart, second.

14 Discussion?

15 All in favor of the motion?

16 (Chorus of ayes.)

17 MR. BAIRD: Oppose?

18 MR. GLEESON: (Raises hand.)

19 MR. BAIRD: Mr. Gleeson, of course.

20 MS. BLAKE: Paul or Zeek?

21 MR. DESANCTIS: Aye. Yes.

22 MS. BLAKE: Okay. Paul.

23 MR. BAIRD: Paul voted yes.

24 Zeek?

25 MS. BLAKE: I think Zeek dropped off.

1 Motion carries. Five -- six to one. Yeah.
2 Okay.

3 MS. BLAKE: Still on the fee topic.
4 Beginning on page 47 in your book.

5 And Lois, are you still with us online?

6 MS. MOREY: I am.

7 MS. BLAKE: Thank you. Beginning on page
8 47, you see an e-mail -- on 48 -- you see an e-mail
9 exchange and a recommendation from Lois. And Lois, would
10 you go ahead and introduce yourself one more time?

11 MS. MOREY: Yes. I'm Lois Morey. I'm CEO
12 of ESB Modular.

13 MS. BLAKE: And so, as you can read from
14 that, Lois, would you like to go ahead and tell the Board
15 what your recommendation is and why, and then we have a
16 public member here as well, Mike, who would also have some
17 input on this for the Board to consider.

18 Lois?

19 MS. MOREY: I contacted Debra last
20 January -- I will speak up.

21 As I was saying, last January I contacted
22 Debra because what we were experiencing -- well, first of
23 all, I need to tell you my company builds commercial
24 modular buildings. One of the biggest reasons that we are
25 able to stay in business and keep a lot of people employed

1 is because we can quickly turn around these buildings, as
2 I'm sure you can talk with Joe about, and Mike Morton -- I
3 heard he was there.

4 Well, last January, what we were
5 experiencing is the turnaround time for plan reviews, was
6 leading into our turnaround time on the modular
7 construction. And I know that in many local jurisdictions
8 they offer expedited review process. If you want to pay a
9 little more, you can get your plans reviewed, and you can
10 literally walk them through and pay them some more. So I
11 came up with, you know -- given this is a problem in the
12 company, I contacted Debra to hopefully say, okay, can you
13 look into an expedited review process so that we can get
14 our plans, we may have to pay more and we might need to
15 pay the overtime if it's people that are working for the
16 state, et cetera, but we need to somehow get those plans
17 back. We need to be able to keep all of our employees
18 going, and sometimes the delay is caused by the state
19 which is impacting my ability to keep my workers working.

20 So I contacted her, she got back with me and
21 said that was something that she would look into, and we
22 have now come to this board meeting.

23 Debra, if you've got anymore information
24 about the process by which we can expedite these reviews
25 or anything you can add.

1 MS. BLAKE: Yes. And I'll share that in
2 just a moment, Lois.

3 Mike, would you like to address the Board on
4 the impact?

5 MR. MORTON: Sure. I'm here to support the
6 proposal by Lois. It was by coincidence a week ago I
7 called Debra to talk to her about concerns I had, similar
8 to the concerns Lois had with the extended plan review
9 times. So here we are, all here together. I have my
10 record of plan reviews the Department conducted in 2012.
11 And I have 11 days, 10 days, 13 days, seven days, six
12 days, seven days, and nine. In the way we viewed these
13 times by the Department in 2012, as being very supportive
14 of two things. One, our industry, because remember what
15 we do, we sell time. We can't sell time if we can't get
16 our plans.

17 And then the other thing that we felt the
18 Department was supporting was our economy was in the
19 trash. I mean, everybody was struggling. And we used to
20 have multiple plans at the Department that were there for
21 review and approval. And if one took longer or several
22 did, it was no big deal because you had some other
23 projects. But today -- today, you have one plan review on
24 there and you've got 50 employees, you know, all waiting
25 to get on this job and get going on it. So, in '12,

1 excellent job. You helped us with the economy, you helped
2 us sell time. Okay.

3 In 2013 though, things are really changed.
4 Here's what I got so far. 27 days, 28 days, 24 days, and
5 one I have in the process and it's at 19. I don't have it
6 back yet. Here, the economy is the same. We're not
7 getting any support. I told Debra I may have to lay off
8 employees if you can't turn this thing around, and that's
9 the last thing we want to do. And I think it's the last
10 thing you want to be responsible for, is our companies
11 laying off employees because we're not getting prompt plan
12 reviews. And we don't feel we're getting supported by the
13 virtue of our business resale time, but it's changed.
14 2013 is different.

15 Now, as far as solution though, that's the
16 problem. I think Lois has a great solution. Let's have
17 an expedited plan review fee where we pay additional
18 money. If we want to go down that road, we can, and get
19 our plans sooner. So, I think the solution is a good one.
20 I support it.

21 MS. BLAKE: Thank you, Mike.

22 Mr. Chairman and board members, the other
23 document that Ayde passed around was a cover page,
24 "Expedited Plan Review." Just some additional information
25 for your review, and then I will share with you some

1 research that I've done towards providing a solution for
2 the commercial modular business. And that is, we've got a
3 couple of relevant statutes and rules.

4 I just want to fully inform you that we're
5 required by statute to have a state plan review or the
6 statute calls it "design approval bureau." Something else
7 that I just recently received a legal opinion from Mary on
8 was there is a provision and statute that we've not really
9 moved forward with -- and I'll explain that in a minute
10 why we haven't -- but it allows us authority, and Mary has
11 confirmed this, to enter into compacts or contracts with
12 other states or private organizations that address the
13 standards of construction.

14 So, as you all know, statutes are often
15 written vaguely and open for interpretation, and so I
16 believe that, you know, we have the authority to enter
17 into a contract with a third party agency maybe to assist
18 us with this.

19 The other thing I wanted to make you aware
20 of is part of our rural package is the statutory
21 turnaround time. And again, I completely understand the
22 impact and what Mike and Lois have said. I will say that
23 we are performing within the statutory requirements and
24 that's not to justify, I get that it's not quick enough.
25 And we also track our performance measures. And so the

1 supports what Lois and Mike have said, and that is, you
2 know, here's just a few stats from January. You know,
3 these numbers look little compared to what they're saying
4 to you, but when you put them together, we've had plans as
5 long as 30 business days, which if you calculate that,
6 that's six weeks. That's big.

7 Typically, based on the stats for the first
8 quarter of fiscal -- or for calendar '13, our average
9 turnaround time has been 13 days, or two and a half weeks.
10 Now, you know, as Mike indicated with his record keeping,
11 he's not experienced that 13-day, so we definitely need to
12 do something about it. We're willing to do so, and we
13 have statutory authority. I'd like to retain it in-house.
14 The problem with that is, this agency, as you are all well
15 aware, is operating in crisis mode. We went from 62
16 people a few years ago to 28, and we provide all the
17 services and functions that we've provided in the past.
18 And so, in looking at -- we have one plan reviewer, Patty,
19 who is here with us today. She does an excellent job, but
20 she's only one person, you know. She can't do it any
21 quicker than that. And I can tell you, she's a positive
22 influence in this agency from a lot of standpoints, but I
23 mean, nobody works harder or faster than she does at
24 getting these done. It's just the volume, and as you
25 know, a lot of the commercial buildings, it's an involved

1 plan review. And so -- and Lois' conversations I've had
2 with her in person, and then in here, you know, because we
3 don't know -- I don't know how many commercial
4 manufacturers are going to say, you know what, I'll pay
5 that as Lois recommended, 500 extra dollars if I can get
6 it back in a week. My assumption, based on conversations
7 with different manufacturers is, once we offer it,
8 everybody is going to want it. Well, and that's great.
9 But I can't do that with Patty. She's still only one
10 person.

11 And then I've got the manufactured housing
12 side of the industry that's going to say, "Hey, we can't
13 pay that extra cost. How come the commercial guys get all
14 the preferential treatment around here? So now I've got
15 to wait six weeks as you're rushing through theirs because
16 they've got more money than we've got?" You know the
17 argument. I thought, all right, what else can I do here
18 because I don't have the money in the budget to hire
19 another plan reviewer. If I have enough volume of
20 expedited plan review six months from now, a year from
21 now, I might be able to justify hiring a second person and
22 then retaining it in-house. But what I can do
23 immediately.

24 Well, I've had a few conversations with some
25 third party engineering firms and have had extensive

1 conversations with one who is willing to do it, willing to
2 developing a relationship, a contract with the Department.
3 They can guarantee a one-week turnaround
4 time --

5 MR. BAIRD: Five days.

6 MS. BLAKE: Well, we haven't entered into
7 the contract yet obviously. It's up to the Board about
8 whether or not we're going to go this route. But I'm not
9 sure if it's five business days or seven business days.
10 We've just defined it in a "week." But it is contingent
11 on something that all the manufacturers need to be aware
12 of, and that's assuming that when the plan is submitted to
13 this third party reviewer, there is no deviations, there's
14 no missing things from either your internal engineers or
15 external engineers who draw the plans. So the plans have
16 to be good to go. Because if that delays it, then that's
17 on the engineer and the manufacturer, not on the plan
18 review. So worst case scenario, if there are some
19 omissions, corrections, you're still going to get it
20 sooner than what we can do it for you. But to guarantee
21 that one-week turn around time, it has to be basically
22 error-free.

23 MR. GLEESON: I have a question. If you had
24 any corrections, would that \$500 fee cover the corrections
25 or would there be any additional charges on top of that?

1 MS. BLAKE: Well, thank you for bringing
2 that up, Terry, because I'm not sure we can go to the 500
3 fee thing because you've got buildings that are several
4 stories high and huge, you know. And then you've got the
5 little things. And so, I'm not sure a flat rate is going
6 to get it. I think we'll have to -- my recommendation to
7 the Board would be that we look at an hourly rate for plan
8 review, which is no different than what you pay us. You
9 pay us an hourly rate and we just reviewed all that
10 information, and so we establish an hourly rate. And of
11 course, you know the third party guys are going to be a
12 lot more expensive.

13 But what I have looked at, and again, it's
14 kind of in-the-talking stages, but an hourly rate of \$200
15 an hour would cover the cost of the third party. All
16 plans would still come through our office so we can track
17 them, record them. We'd mail them out and they'd come
18 back to us so we could get them because we want --
19 ultimately it's our responsibility, so we want to have
20 some control on it. But that's how it would kind of work.

21 When I talked with Patty -- again, it varies
22 with the commercial buildings, but would you share with
23 what you told me about usual review times?

24 MS. STECHER: Yeah. I would say most of the
25 accessory installations, even flood plain plots, are done

1 considerably -- you know, 95 percent of them are done
2 underneath the one hour. That's the allotted time.

3 The struggle I run into or I have
4 encountered on the plan review side is obviously on the
5 commercial structure. Some of the simpler ones you can,
6 most times, get them accomplished within an hour. But as
7 some of you know, FBB manufacturers, not all of your
8 product is a simple project. And so there is more time
9 involved with reviewing the plan because there is a lot
10 more pages involved, and there's a lot more calculations,
11 and there is a lot more review. And if it was just a
12 cursory review, that would be great. But unfortunately,
13 we found that there are discrepancies between what the
14 engineer has designated to what is actually on the plans.
15 So, in good conscience, we do review it. Okay?

16 And so because of that, that takes a little
17 bit more time and then the time to send it out for -- to
18 send out comments to customers. So it can range anywhere
19 from two hours to six or eight hours on a plan, depending
20 on the complexity. So, if I have devoted one whole day to
21 one FBB manufacturer, there are several other plans that
22 are not being reviewed as a result, so then that causes a
23 delay, you know, with this turnaround time that we're
24 discussing. So obviously, and on a correction notice I
25 might get the response within a day or two. Sometimes it

1 might be a week or two. Then, when I get those responses
2 back, we try to process those within a couple days, but I
3 think all of you know, when you leave something for a
4 little bit and you come back to it, you have to reacquaint
5 yourself with a project and kind of look through the
6 things again. I mean, I'm not going to do, you know, a
7 full review again, but you have to kind of become
8 familiar, okay, I wrote this out or I made a comment about
9 this because -- and then I look for it.

10 So definitely on the FBB manufacturer side,
11 those plans do take more time on average than some of the
12 others. And with this process that Debra has suggested,
13 if we could eliminate those types of projects, if
14 manufacturers are willing to pay that expedite fee and get
15 their plans turned around, and that's not something that's
16 tying up plan review, then these other projects that are
17 coming in don't take that long, they'll be processed a lot
18 sooner and quicker.

19 MS. BLAKE: So, Mr. --

20 MR. HART: Mr. Chairman?

21 MR. BAIRD: Mr. Hart.

22 MR. HART: I agree with Mike and Lois. The
23 city of Phoenix, two years ago, came out with a plan. You
24 might be aware of that. If you sent down your engineer or
25 architect, whoever it is, if they went to the city of

1 Phoenix class, and passed the class, cost like two grand,
2 then they could seal the drawings and go in and get a
3 permit over the counter. They had to pay 10 percent for
4 the fees, extra, for all the permit fees. And as Mr.
5 Morton pointed out, the city fees are a whole lot higher
6 than your fees are. A lot of people are willing to do
7 that.

8 This year they came out with -- it was a
9 letter in the paper -- I think I might have sent it to
10 you -- if you go in with a full set of drawings, you can
11 get a permit over the counter. One of the keys behind
12 going to that school a couple years ago, your errors and
13 omission insurance, had to be pretty high. Couple
14 million, or something like that. Couple million, ten
15 million. That's the suggestion. But if you have drawings
16 sealed by an architect or an engineer in the proper field,
17 that have the errors and omissions insurance, and they
18 ensure the state, because we've got to look out for that
19 liability. Right? And then they audit them. They don't
20 do them all, but they do audit some. Fees are higher.
21 Got to have a -- they've 100 percent taken ownership of it
22 from the womb to the tomb.

23 MR. CHICK: Mr. Chairman?

24 MR. BAIRD: Mr. Chick?

25 MR. CHICK: Educational, please. I don't

1 have the slightest idea what's involved in permitting or
2 reviewing as far as drawings. But it would seem to me
3 that these are modular constructions. Right?

4 MR. HART: Yes.

5 MR. CHICK: Standard materials you use in
6 whole buildings and wiring, electrical load, engineered
7 design. I heard the architect.

8 MR. HART: Yes.

9 MR. CHICK: What does our planner -- do they
10 have to review? Tell me what the process is. Help me,
11 you know. What is involved in -- we receive a set of
12 plans?

13 MS. BLAKE: Yes.

14 MR. CHICK: Then what happens?

15 MS. BLAKE: Patty?

16 MS. STECHER: Based on the type of plan
17 submittal that is sent in, and I'll use FBB as an example,
18 since that is where we're appearing to focus and expedite,
19 I have a checklist that I utilize that basically covers
20 the general design parameters of a building.

21 Each plan that is submitted is required to
22 be detailed, basically explaining how you're going to put
23 this building together and you are also supposed to
24 include calculations to support that the design, as-is,
25 will work. And so my function is, first of all, to make

1 sure that all of the basic code criteria has been met,
2 whether it's (inaudible), fire, requirement -- based
3 again, this is more commercial. You're not going to see
4 this in manufactured homes. There is a different set of
5 criteria based on the type of occupancy, the amount of
6 occupancy, that will be met will determine some additional
7 features that would be required.

8 And so because not every FBB is just a
9 single-wide construction trailer, we have projects that
10 come in that are multi-wide commercial classrooms. We
11 recently had one that came in. They were going to be
12 installing glass awnings over it. So there is a wide
13 range of complexity to it. So unfortunately, that
14 involves more time in the review of that project. And as
15 I stated earlier, I review the calculations to the plans
16 and make sure that what the engineer has indicated for the
17 design has been accurately applied. Because in most
18 instances, at least in my experience with this industry,
19 you have an engineer that is not in-house. You have him
20 outsourced. So you are developing your drawings in-house,
21 you send to the engineer, and they seal it. They may have
22 given you design information and you're relying on the
23 manufacturer to implement that information on the
24 drawings. Most cases, that usually happens. But
25 unfortunately, I have encountered, depending on my review

1 of calculations of these drawings, not all of that
2 information has been transferred to the drawings. And so
3 unfortunately, as a result of that, there is a more
4 intense review that's then included because if the
5 engineer has indicated you need utilize to a certain type
6 of fastener and a certain spacing, but the drawings don't
7 reflect that, the people who are building the building are
8 not looking at the engineer's calculations. They're
9 looking at the shop drawings.

10 And so our responsibility is to ensure that
11 what the engineer has indicated is accurately reflected on
12 those drawings that are going to be worked from. And so
13 an ideal situation, the expectation would be that the
14 engineer seal should be adequate for us. But given my
15 experience with this on the private side, also on the plan
16 review side, there are enough discrepancies in those two
17 items that require a more thorough review. And especially
18 if it's a manufacturer that is building a project that
19 they normally don't build. There is a learning curve, and
20 so then there is additional items that come up as a result
21 of plan review.

22 So, to say specifically what I look for, I
23 have a general checklist that covers the construction
24 parameters. But then based on the type of occupancy,
25 based on the type of use, there are additional items that

1 we need to look for to make sure that those items have
2 also been included in the drawings. And if not, we ask
3 those questions, well, why isn't it in here, based on this
4 type of use and occupancy. You've indicated to me certain
5 provisions need to be included, and they have not been.

6 So unfortunately, that is what causes a lot
7 of the delay in plan review. It's not the installation
8 plans or the accessory plans. It's the FBB plans that do
9 take a lot more time. And especially if it's more
10 complex, there is that additional review involved with it.
11 And so that ends up -- it's not like it's the same 24 by
12 60 that's coming to our office every day.

13 I don't know if I answered your question
14 appropriately, but it's an in depth process. It just
15 depends on the type of product that comes through.

16 MS. BLAKE: Mr. Chairman and board members,
17 can I just add a couple quick comments?

18 One thing in support of Patty -- and I'll
19 just tell you when I first started with this agency --
20 gosh, I can't believe it was six years ago. Seems longer
21 some days.

22 Anyway, as I started to review myself with
23 all the functions we provided and familiarizing myself
24 with the statutes and the rules, I'm thinking, okay, plans
25 have to be submitted to your point, Joe. Have to be

1 sealed by a registered engineer by the state of Arizona.
2 Then why do we need a design approval agency? That makes
3 no sense to me.

4 Well, as I have learned, as Patty just
5 shared with you, the reason is because there are lot of
6 deficiencies on plans that come in. Go back to what is
7 our department purpose, you know, primarily to protect
8 consumers from, you know, all of the products that are
9 constructed and installed throughout the industry. So
10 that's one comment.

11 The second comment to Joe is, again, we're
12 faced with, can we come up with creative solutions later
13 because currently, I just don't see where we have any way
14 around what you're suggesting because the statute and the
15 rules are extremely specific. So, if in the future, we
16 want to move towards -- and the Board believes this is a
17 good move -- that engineers design these plans and they
18 seal them and you hold them accountable that they are
19 correct, then that's something we could do. But based on
20 the current rules, that's not a possibility. The rules
21 are very specific.

22 So, for purposes of today's discussion, we
23 may want to table that and bring that up at a future board
24 meeting and work towards that as part of our rural package
25 and address those things there.

1 MR. HART: Mr. Chairmen. Debra. I agree
2 100 percent. But it is also the busy time of the year.
3 Just like everybody else in this room, everybody can feel
4 the pain of somebody getting laid off. I can almost
5 guarantee you, if you make these engineers and architects
6 have errors and omissions insurance, you're not going to
7 find -- have many flaws. If you make the manufacturers
8 stand behind that as well, I could almost bet you money
9 the mistakes you find are the people --

10 MS. BLAKE: I hear you and agree with you.
11 I have no statutory authority to do that at this point in
12 time. So it's something we could review at a later date.
13 Sounds like an excellent idea to me, but I have to have
14 statutory authority to do something or not do it. And I
15 can't do what you're suggesting at this point in time.

16 MR. HOYLE: Mr. Chairman?

17 MR. BAIRD: We can add it to our rules,
18 submittal, that we want to try to change. But until
19 then --

20 MS. BLAKE: We'd have to agendize it for
21 future a meeting and talk about it then.

22 MR. BAIRD: Probably appropriate.

23 MS. BLAKE: Do you want to agendize that for
24 the next meeting?

25 MR. BAIRD: Yeah. We'll talk about that and

1 the way we determine the fee for the permitting on FBBs by
2 square footage and stories. And Joe thought if we
3 specified it differently. So, it's a discussion.

4 MR. HART: Same thing on the homes.

5 MR. MORTON: Mr. Chairman?

6 MR. BAIRD: Yes?

7 MR. MORTON: Does that mean then, that the
8 resolution to extended plan reviews is going to be delayed
9 for another quarter?

10 MR. BAIRD: The expedited review we're
11 talking about that's on the table?

12 MR. MORTON: What's on the table is plan
13 reviews are taking six weeks, which is unacceptable to the
14 industry. So what I'm here for and what Lois is here for,
15 is to ask for a solution to that problem.

16 MR. BAIRD: This was a side issue, as far as
17 I'm concerned. The issue is still on the table. What
18 you're really asking for, and the concerns I think some of
19 us have is for an extra fee, we're going to have an
20 outside third party, you know, take the place of our
21 overburdened, single person trying to do it for the entire
22 state --

23 MS. BLAKE: Yes.

24 MR. BAIRD: -- for all products, and if we
25 can have somebody do this. And then the questions I have

1 are what liabilities does the state have by doing that,
2 what kinds of assurances do we have, how do we set the fee
3 structure, et cetera. But we're willing to do that right
4 now. I think we're all feeling the pain of having to
5 wait.

6 MR. GLEESON: His question is: Do we have
7 to wait another quarter to do that? Can you do a
8 special --

9 MR. BAIRD: No. The only thing we have to
10 do -- we have to wait a quarter on, is what Joe is talking
11 about, is trying to redo the whole process. We're
12 staying -- as I understand it, we're trying to stay within
13 the state law right now, which allows them to use a third
14 party, if they so decide.

15 MS. BLAKE: Well, Mr. Chairman, just to
16 clarify. I think the answer is, the fees would not become
17 effective -- if you decide to set an expedited plan review
18 fee -- until the beginning of the fiscal year which is
19 July 1st.

20 So I think the question that's asked is:
21 What do we do for May and June?

22 MR. HART: That's huge.

23 MS. BLAKE: Yeah. And you can't set a fee
24 to put in effect, is my understanding, that we could
25 immediately put in effect.

1 MR. BAIRD: Okay.

2 MS. BLAKE: So we can't do that. You can
3 set a fee that we can begin implementing. And whether we
4 start to do it in-house and get a feel for it, or whether
5 we immediately get a third party involved, which is the
6 path I'm going down because I don't know what the volume
7 is going to be. I don't want to put the Department in a
8 position to say, "We're going to offer the service to all
9 of you," and then I get 50 plans in and I can't do them.
10 Because then, you know, that's obviously an issue.

11 So I would work towards getting the contract
12 and the process in place for the third party so that all
13 plans submitted as of July 1st that want to pay that
14 higher rate could certainly do so, and we would strive
15 towards that one-week turnaround time. But just to
16 clarify, that can't start until July 1st, and only if the
17 Board decides to establish a special expedited plan review
18 fee.

19 MR. BAIRD: So we're not able to address the
20 industry's concern of a six-week delay currently.

21 MS. BLAKE: Well, I don't think we have any
22 six weeks at this point. I think Patty's -- three and a
23 half?

24 MS. STECHER: I'm reviewing product that
25 came in on the 11th of April. So -- and again, we're

1 talking business days. So obviously, I know a lot of
2 people count calendar days, but business days are five
3 days. Those are the allowed days that I can work. So
4 currently --

5 MR. BAIRD: Debra?

6 MR. HOYLE: Mr. Chairman, in the statute,
7 what it does allow to do, if the office does get into a
8 contract with a third-party, in order to circumvent the
9 additional fee, could the contractor, the manufacturer,
10 pay a portion of that fee directly to the third party?

11 MS. BLAKE: Well, I can only speak to it and
12 maybe Mary can help. We have to look at it, but I think
13 all fees related to the (inaudible) statutory by this
14 agency are set by the Board. So whether we third-party it
15 out or not, just like our IGA contract, that's a third
16 party agreement. It just happens to be with a local
17 building entity. They have to adopt our fees. They can't
18 charge \$500 for a permit if the Board has said 300. And
19 so this would be the same arrangement. They've got to
20 adopt the fee that the Board sets. Currently, we don't
21 have a fee. And so...

22 MR. HOYLE: How close are we getting
23 proposals from, or do you have those already from a third
24 party?

25 MS. BLAKE: I have had several conversations

1 with a couple of different third parties. And primarily I
2 narrowed in on one that I wanted to try a six-month
3 contract with to see how it works for them, how it works
4 for our licensees, and so on and so forth. And so we're
5 ironing out the details. If there are other third parties
6 who might be interested in a similar, but I really wanted,
7 like, a six-month trial. And then we may open it up to
8 other third parties where you can pick your own.

9 MR. HOYLE: Right.

10 MS. BLAKE: But we're just trying to come up
11 with an immediate solution to assist, and that's kind of
12 where we're at with this.

13 MR. HOYLE: Now, does that contract have to
14 go back through the AG's office and all the approvals that
15 way?

16 MS. BLAKE: Yes.

17 MR. HOYLE: So at the best case scenario,
18 how soon do you think you could get it, in a contract?

19 MS. BLAKE: We would be ready July 1st.

20 MR. HOYLE: Okay. That's the soonest they
21 can --

22 MS. BLAKE: Well, again, the fee cannot be
23 put in place prior to July 1st.

24 MR. HOYLE: Right.

25 MS. BLAKE: And so it's not the contract

1 that's the delay, it's the fee that you're going to pay
2 for that.

3 MR. HOYLE: Right.

4 MR. BAIRD: Joe?

5 MR. HART: Are the numbers that are coming
6 in, are they in line with what the state charges for plan
7 approval per hour?

8 MS. BLAKE: No. They're higher. That's why
9 my recommendation was you would -- a submittal would still
10 pay the administrative fee which we currently charge \$31
11 because we are going to assign it a plan number, log it,
12 track it, you know. We're going to be the administrative
13 function for it, and then the plan review fee per hour.
14 Currently, we charge 103 per hour, one hour minimum. And
15 my recommendation to the Board is to cover the cost of the
16 third party. That fee would increase it to \$200 per hour
17 for plan review.

18 MR. BAIRD: Okay. I'm just listening to the
19 issue. Does it affect my business to the degree that's
20 it's affecting your business. What if you received a
21 package that had a PE stamp, a PE architect stamp,
22 whatever is required, and it's also been reviewed by a
23 third party? The manufacturer got it approved
24 through -- picked the third party source -- they got it
25 approved through them, they did those steps, would that

1 fall underneath our approval, our legislative, our rural
2 process?

3 MS. BLAKE: I don't think so. Because it
4 would have to be a third party we contracted with; we, the
5 Department, not a third party that Joe's company has
6 chosen because we wouldn't recognize that. We have no
7 contractual arrangement.

8 Is that correct?

9 MS. WILLAIMS: Correct. It's your
10 responsibility.

11 MS. BLAKE: It's our responsibility for plan
12 review, so only we can give that responsibility to
13 somebody else on our behalf. So, I just don't -- I mean,
14 I spent some time -- it hasn't been that I just thought
15 about this today -- I spent some time on: How do we get
16 around this and how do we make this happen. Open to
17 suggestions. That's the best I can come up with.

18 MR. BAIRD: Have you thought of how do we
19 resolve it other than waiting until July to do something?
20 Anything that can be done in the meantime to facilitate
21 the industry's needs.

22 MS. BLAKE: I mean, who would pay for it and
23 based on what fee? And all fees have to be approved by
24 the Board.

25 MR. BAIRD: Which can't take effect until

1 July 1st.

2 MS. BLAKE: A third party may charge Joe a
3 thousand dollars to do it, but that's not going to get him
4 anything because a third party is not in partnership with
5 the Department, and it's our authority.

6 MS. MOREY: Excuse me. Does the third party
7 have to -- I mean, can we go directly to the third party
8 that you've arranged the review process with? We pay them
9 directly and we pay you the processing fees?

10 MS. BLAKE: Well, we've looked at a
11 different way to do it because we do all the tracking and
12 the performance measures and everything here, and need to
13 continue to do that so that we can do our cost accounting,
14 our volume tracking, to bring to the Board to make
15 decisions.

16 So we haven't worked out the details and the
17 contract, Lois. What we are considering leaning towards
18 at this point is, the plan would come to us, we would send
19 it to the third party, do all of our tracking, recording,
20 send it out. The third party, if there is any questions,
21 issues, would work directly with you or your engineer, and
22 they may send it directly then to you to expedite it by a
23 day or two, and then send us the information so we can
24 close out our tracking on that.

25 So I haven't worked out all the exact

1 details of it. Mary Ann and I have talked a little bit
2 about the accounting piece of it. Do we have the third
3 party invoice you directly, or do we run it all through
4 here, you'll pay us, and we invoice you. So we haven't
5 worked out all the details, so I'm not sure. Open to
6 suggestions and thoughts, but what we need to go get
7 through at this meeting is: Are we going to establish an
8 expedited plan review fee and what is it? And the
9 effective date will be July 1st.

10 MS. MOREY: Okay. Well, the reason I was
11 asking is, the effective date being July 1st is way out
12 there. And if there is a possibility of just establishing
13 the relationship with the third party inspector through
14 the state, and then allow us to go in and obtain that
15 approval from them directly paying them, directly, there
16 wouldn't be an additional fee issue problem with the
17 state. That's just a suggestion. So something to
18 consider, anyway.

19 MR. GLEESON: Mr. Chairman?

20 MR. BAIRD: They're shaking their heads,
21 Lois.

22 MR. GLEESON: Well, that's kind of what I
23 was going to say. Why can't they pay the \$134 to the
24 state, send it over to the third party when it's ready,
25 they pay directly to the third party, and the copies are

1 sent back to the state? Then there is no --

2 MS. BLAKE: Okay. What I'm being told by
3 Mary is that we've not agendized how we work out all of
4 this and so we can't really discuss it today at today's
5 board meeting.

6 MS. WILLIAMS: It's whether or not you want
7 to establish a fee.

8 MS. BLAKE: Today we have to focus on the
9 fee.

10 MS. WILLIAMS: If the Department can work
11 out something without needing the Board's approval on
12 process, then they can do that outside of today. But what
13 you can only address is: Do you want to have a fee and
14 what is it, to be effective July 1.

15 MR. GLEESON: Okay.

16 MR. BAIRD: I hear you. So what we need to
17 do is decide if we want to do the expedited plan, and if
18 we do want to do it, we need to give the Department
19 direction to go ahead and proceed as expeditiously as
20 possible and to implement it as soon as possible,
21 especially with relationships with any third parties so
22 it's established quickly. And we just have to figure out
23 a fee. You're asking us for a fee today?

24 MS. BLAKE: Correct.

25 MR. BAIRD: And your recommendation is the

1 \$200 an hour versus the \$100 an hour.

2 MS. BLAKE: \$103 currently.

3 MR. BAIRD: \$103 an hour as it is currently.

4 MS. BLAKE: Which that would stay the same,
5 but there would be a new one for expedited that would be
6 \$200 an hour, one hour minimum.

7 MS. MOREY: I'm just asking: Can you do the
8 fee as, you know, the average \$134 an hour plus expedited
9 costs or -- I mean, out of -- plus the reviewer costs?
10 Can that be the fee?

11 MR. GLEESON: You're talking about the third
12 party costs?

13 MS. MOREY: Yes. It would be \$134. The fee
14 for expedited review is \$134, plus the cost of the
15 expedited review person that you're going to establish the
16 relationship with.

17 MR. BAIRD: So it's \$103 an hour now with a
18 one hour minimum, plus a \$31 filing fee. That's your
19 \$134. And you're saying that you would like it to be that
20 103 for one hour minimum, plus the 31, plus whatever
21 charges that the third party has?

22 MS. BLAKE: No. I'm sorry. Let me clarify.
23 For expedited plan review, you would pay a \$31 application
24 submittal fee, which is already established. Instead of
25 paying the 103 per hour plan review fee, you pay the

1 Department, you would pay an expedited plan review fee,
2 probably to the Department at the rate of \$200 per hour.
3 So almost double the rate to get it pushed through in a
4 week.

5 MR. GLEESON: And then they would pay the --

6 MS. BLAKE: We have not worked out the
7 details of how that contract would work. But whether you
8 would pay the Department, whether you would pay the third
9 party, leaning towards you pay the Department.

10 MS. MOREY: Okay.

11 MS. BLAKE: Does that help?

12 MS. MOREY: Sure.

13 MR. BAIRD: I think we should have some
14 consideration towards doubling the fee because it's
15 expedited. So whatever the 103 goes to in the future,
16 this would also establish what this would be.

17 Let's have a motion. Motion?

18 MR. CHICK: I have one quick question. How
19 many manufacturers are involved in what we're talking
20 about here?

21 MS. BLAKE: How many out-of-states do we
22 have, Dave?

23 MR. MEUNIER: I don't know the exact number,
24 but we average around 70 manufacturers, licensed
25 manufacturers.

1 MS. BLAKE: And many are out of state, but
2 they ship in.

3 MR. CHICK: FBBs.

4 MS. BLAKE: Yes.

5 MR. MEUNIER: Yes.

6 MS. BLAKE: So they have to submit their
7 plans to us.

8 MR. BAIRD: Commercial.

9 MS. BLAKE: Because they're shipping them
10 in. Yes.

11 MR. CHICK: To me, a licensed engineer or a
12 licensed architect is a licensed person.

13 Okay. I'm open for a motion.

14 MR. HOYLE: I'd like to move that we double
15 the review fees in order to provide an expedited service.

16 MR. HART: I second.

17 MR. DINGEMAN: Through a third party?

18 MR. HART: Through a third party, yes.

19 MR. BAIRD: Through a third party.

20 MS. BLAKE: Clarification. Did you need
21 that?

22 MR. HART: No. You don't need that.

23 MS. BLAKE: Just set the fee because --

24 MR. BAIRD: Okay. Let's have a review of
25 the bidding here.

1 The motion is?

2 MR. HOYLE: The motion is a \$206 review fee
3 for an expedited plan review by a third party reviewer.

4 MS. BLAKE: Clarify. Drop the third party,
5 please.

6 MR. BAIRD: What he said, except third
7 party.

8 MR. DINGEMAN: You mean double. Right? You
9 want to stick with double so if it changes in the future
10 it's double whatever --

11 MR. HOYLE: Yes. Because you've already
12 raised the fees.

13 MS. BLAKE: The Board would still have to
14 approve the fee.

15 MR. BAIRD: I think the motion --

16 MS. MOREY: Do you need to identify the time
17 frame for the expedite?

18 MR. GLEESON: One week --

19 MS. MOREY: I mean, double the review fee to
20 expedite the plans to be reviewed within the week or five
21 days or something like that?

22 MR. HOYLE: Three days, perhaps?

23 MR. BAIRD: I think we're establishing the
24 fee, the detail --

25 MR. GLEESON: -- \$300.

1 MS. MOREY: Okay. All right.

2 MR. BAIRD: All right.

3 MS. WILLIAMS: Need a specific amount.

4 MR. HART: 206?

5 MR. BAIRD: 103. So we can make it 206.

6 MR. DINGEMAN: We raised fee --

7 MR. HART: What did we do?

8 MR. BAIRD: Raise from 134 to 150.

9 MS. BLAKE: To 150 --

10 MR. BAIRD: You've going to leave it at 31,
11 so that's 139.

12 MS. BLAKE: At the 150, 31 is separate.

13 MR. BAIRD: 129.

14 MR. HART: For this year. For this year?

15 MS. WILLIAMS: For next year.

16 MR. BAIRD: For next year.

17 MR. BAIRD: So we can't say double?

18 MR. GLEESON: \$238, plus --

19 MS. WILLIAMS: No.

20 MS. BLAKE: You can think double, but you
21 have to say the number.

22 MS. WILLIAMS: So whatever you set your --
23 if you increase this in your last vote, then base this fee
24 on that.

25 MR. BAIRD: Okay. Sure. Then the

1 Department's recommendation was two hundred bucks an hour.

2 Two hundred bucks. Right?

3 MS. BLAKE: That was my initial
4 recommendation.

5 MR. BAIRD: So it's either --

6 MS. BLAKE: 200 or 238, whatever your
7 pleasure is.

8 MS. WILLIAMS: Do you have a motion on the
9 second?

10 MS. BLAKE: No.

11 MR. BAIRD: No. Still discussing. We're
12 going to have -- Mr. Morton?

13 MR. MORTON: I think you should add to the
14 motion that the expedited review will be completed five
15 business days following the date of the application.
16 That's six days total.

17 MR. BAIRD: I don't disagree with you.
18 They're saying we can't.

19 MR. MORTON: I think you should also add to
20 your motion that if a second submittal is required to
21 address corrections, that the same fee shall apply, the
22 same expedited fee shall apply, and the plans will be
23 returned three days following the date of the submittal.

24 MR. BAIRD: I don't disagree with you, but
25 I've been told that we have to limit our discussion at

1 this meeting to the fee.

2 MS. BLAKE: And if I may, as follow-up to
3 the Board's decision on the fee, the Department will put
4 together standard operating procedures and a policy on
5 this which will be what the third party will accept.

6 So it will address all of the information,
7 Mike, with you about how do you handle submittals, what is
8 the turnaround time, what if the third party doesn't meet
9 the turnaround time, do you get fees returned. I mean,
10 we're going to address all that, but it's going to be in a
11 policy. But we don't -- we can't discuss that today
12 because it's not agendized.

13 MR. BAIRD: But at the next meeting we could
14 agendize the approval of the policy of the program, which
15 is what you're concerned about. And you can have it at
16 that time.

17 MR. MORTON: I understand.

18 MS. MOREY: Okay. That sounds great to me.

19 MR. BAIRD: Okay.

20 So somebody please give us a motion since we
21 haven't heard one yet.

22 MR. HOYLE: I think we ought to take a vote
23 on the fee.

24 MR. BAIRD: I agree. So let's motion on the
25 fee.

1 MR. HOYLE: I think it was 238, was my
2 last --

3 MR. BAIRD: Okay. So the motion on the
4 table is to establish an expedited plan and review fee of
5 \$238.

6 MR. HART: Per hour.

7 MR. BAIRD: Per hour.

8 MR. DINGEMAN: I second.

9 MR. BAIRD: We have a motion made? A
10 second?

11 All in favor? Say "aye."

12 (Chorus of ayes.)

13 MR. BAIRD: Opposed?

14 Motion carried. Excellent. All right.

15 Also, as of the agenda, we've got that down
16 to make this an agenda for the next meeting. We'll review
17 the policies. We'll review an approval policy with
18 appropriate industry input.

19 Okay. All right. I think we're down to
20 Section 8, which is call to the public.

21 Do we have Mr. Anderson?

22 MR. ANDERSON: Mr. Chairman and members of
23 the board, the fact that you mitigated the fee increase,
24 we very much appreciate. I would say 90 percent of our
25 industry is still losing money. Some of our

1 manufacturers, probably every retailer, and most
2 installers, are losing money. So we appreciate the fact
3 that you were able to mitigate it and keep it minimal.
4 John, we appreciate the extra \$50 dollars on the
5 appraisal. When you go to class, maybe you could teach
6 people, well, I have an extra \$50. We need to get that up
7 a little bit. We do need it on the appraisal side because
8 if the appraisal doesn't happen, if the customer doesn't
9 have the money, that deal does not consummate. So it's
10 very critical to us.

11 And one other point, Debra. Back to the
12 educational interest money.

13 MS. BLAKE: Yes.

14 MR. ANDERSON: I think part of that money
15 was the cash bonds where dealers had gone out of business
16 and didn't claim it. Because as I remember, we only had
17 about 20,000 in the educational fund at any one time.
18 Most of -- the rest of that came from the cash bonds that
19 I think your office discovered.

20 MS. BLAKE: We're going to check it out
21 again, but thank you. Yeah.

22 MR. BAIRD: Okay. Are there any other
23 issues? Nothing else from the public?

24 I'll accept a motion to end this meeting.

25 MR. CHICK: I move that we adjourn.

1 MR. BAIRD: Thank you, Arthur.

2 MS. BLAKE: Wait.

3 MR. BAIRD: Are you serious?

4 MS. BLAKE: Did you address the next board
5 meeting? Would you care to do that, Mr. Chairman?

6 MR. BAIRD: The next board meeting is
7 scheduled -- was scheduled forever ago.

8 MS. BLAKE: July 17th.

9 MR. BAIRD: July 17th. Thank you.

10 MS. BLAKE: Just one more comment. Pages 51
11 and -- 51 only, is a list of the current board members.
12 If your information is not correct, would you please
13 e-mail Ayde with corrected e-mails, phone numbers. So
14 please review it. You don't need to take any action if
15 it's correct.

16 MR. BAIRD: Thank you.

17 MS. BLAKE: Thank you.

18 MR. BAIRD: I have a motion to adjourn on
19 the table. Do I have a second?

20 MR. GLEESON: I second.

21 MR. BAIRD: All in favor?

22 (Chorus of ayes.)

23 MR. BAIRD: Thank you.

24

25 (The proceedings concluded at 3:41 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 15th day of May, 2013.

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