

In The Matter Of:
*Arizona Department of Fire, Building and Life Safety
Board of Manufactured Housing*

*Reporter's Transcript of Proceedings
October 17, 2012*

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

Phoenix, Arizona
October 17, 2012
12:59 p.m.

REPORTED BY:
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Certified Reporter
Certificate No. 50719

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1 REPORTER'S TRANSCRIPT OF PROCEEDINGS was
2 taken on October 17, 2012, commencing at 12:59 p.m. at the
3 State of Arizona Department of Fire, Building and Life
4 Safety, 1110 West Washington, Suite 100, Phoenix, Arizona,
5 Before Kristen L. Wunsch, a Certified Reporter in the
6 State of Arizona.

7

8 **BOARD MEMBERS:**

- 9 Mr. Sam Baird, Chairman
- Mr. Arthur Chick
- 10 Mr. Paul DeSanctis
- Mr. Terry Gleeson
- 11 Mr. Neal Haney
- Mr. Joe Hart
- 12 Mr. Everette Hoyle
- Mr. Zeek Ojeh

13

14 **OFFICE OF MANUFACTURED HOUSING:**

- Mr. Gene Palma
- 15 Ms. Debra Blake
- Ms. Mary Williams
- 16 Ms. Ayde Marquez

17 **ALSO PRESENT:**

- 18 Ms. Donna Grant
- Ms. Mary Ann Knight
- 19 Ms. Holly Textor

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

2 CHAIRMAN BAIRD: We'll call the meeting to
3 order. Start off with a roll call, please. Whenever --

4 MS. MARQUEZ: One second.

5 CHAIRMAN BAIRD: Sure. Technical
6 difficulties here.

7 MS. MARQUEZ: Sam Baird?

8 CHAIRMAN BAIRD: Here.

9 MS. MARQUEZ: Arthur Chick?

10 MR. CHICK: Here.

11 MS. MARQUEZ: Paul DeSanctis?

12 MR. DESANCTIS: Here.

13 MS. MARQUEZ: Terry Gleeson?

14 MR. GLEESON: Here.

15 MS. MARQUEZ: Neal Haney?

16 MR. HANEY: Here.

17 MS. MARQUEZ: Joe Hart?

18 MR. HART: Here.

19 MS. MARQUEZ: Everette Hoyle?

20 MR. HOYLE: Here.

21 MS. MARQUEZ: Troy Hyde? Absent.

22 Zeek Ojeh? Absent.

23 Gene Palma?

24 MR. PALMA: Here.

25 MS. MARQUEZ: Debra Blake?

1 MS. BLAKE: Here.

2 MS. MARQUEZ: Mary Williams?

3 MS. WILLIAMS: Here.

4 CHAIRMAN BAIRD: Cool. Thank you very much.

5 All right. We have a quorum. We'll

6 proceed.

7 Everybody had a chance to review and digest
8 the minutes from the last meeting? Are there any issues
9 there we need to bring up? I have none.

10 No? If not, the chair would entertain a
11 motion to accept, as they've been submitted.

12 MR. HANEY: So moved.

13 MR. CHICK: Second.

14 CHAIRMAN BAIRD: Second we have.

15 All in favor?

16 Opposed? None.

17 All right. Departmental information.

18 Something new, here we go. This is good.

19 MS. BLAKE: Thank you, Mr. Chairman and
20 board members.

21 Departmental information, as far as
22 personnel updates, I think since the last board meeting,
23 the individual we had hired to fill the vacant Phoenix
24 installer position rendered his resignation. He had a job
25 offer after he started here with a local jurisdiction, and

1 so he left us.

2 But we were able to hire somebody quickly
3 who we had interviewed before. And he formerly worked for
4 the Department for about 18 years as an inspector up in
5 the Yavapai County area. So we were fortunate to get Lon
6 Clifton. He used to do consumer verification complaints,
7 so he already has that skill. And obviously a great code
8 guy and inspector. So he's basically hit -- hit the floor
9 running, and so we appreciate that.

10 Action items from the previous board
11 meeting. If I could draw your attention to the tab in
12 your booklet identified as "Departmental Information" and
13 starting on page 5.

14 (Mr. Ojeh joined the meeting.)

15 MS. BLAKE: One of the requests at the last
16 board meeting, and I think this came from Board Member
17 Hart, was if we could come up with some percentages or
18 comparison for the volumes of commercial FBBs compared to
19 residential FBBs. And so what you see in the very top
20 charts on page 5 is the comparison on the left, 2012, to
21 the prior year, 2011. Now, these are calendar year. And
22 so basically, as you can see, 98 percent or greater of the
23 permits that we issue are for commercial FBBs. A very
24 small percentage for residential.

25 The next little chart is the number of

1 installation permits for the same products that are issued
2 by the local jurisdictions who are under an IGA agreement
3 with us. Again, numbers a little bit different but
4 basically similar volumes. Those are based on fiscal
5 year, though, instead of calendar year. So for last
6 fiscal year, it was 85 percent to 15 percent. And then
7 the grand total, as expressed on the very bottom there,
8 for both combined still runs close to 98 percent for
9 commercial compared to residential.

10 CHAIRMAN BAIRD: Joe, does that answer your
11 question?

12 MR. HART: Yes.

13 Thank you.

14 MS. BLAKE: You're welcome.

15 Beginning on page 6, one of the next
16 follow-ups from the last board meeting was the discussion
17 about could we provide on our website a list of all
18 current -- or a list of all licensees that were currently
19 disciplined, so they're suspended, they're revoked,
20 they're on probation, whatnot.

21 We used to do that for the dealer licensee
22 population, but here's what became a bit challenging about
23 it. We produced the report once a month. We uploaded it
24 to the website, but it wasn't real time. And so as a
25 manufacturer might go out there and look at it, and he's

1 looking at the list for October 1st, there could have been
2 discipline that occurred today, October 17th, that
3 wouldn't be reflected there. So a while ago -- I'm
4 thinking about two years ago, I'm not sure on that time
5 frame but about there -- what we did do on the website was
6 put an online licensing search feature.

7 And so on page 6, what you're looking at, if
8 you look over on the right-hand side in that colored
9 block, you'll see the very top one is license status.
10 This allowed licensees to renew their license online and
11 pay for it, which is a -- a nice feature for them. It
12 also allowed for license search. And I'm just going to
13 run you through a couple of pages to show you how that
14 actually works.

15 So if you go to page 7, if you click on that
16 "License Search", you will then get three options. You
17 can search by a specific license number if you have it,
18 the company name, the entity, or the qualifying party
19 name. You can also, if you don't have that information,
20 you can filter by the location. And you can do it by
21 city, by ZIP code. And then the fourth one is you can
22 look at a whole class of licenses.

23 So if you flip to page 8 with me, if you
24 would select the "Show All the Licenses", then you're
25 going to get a dropdown menu that says, can I look at all

1 dealers or a particular class of dealers? I can look at
2 all installers, I can look at all manufacturers or a
3 particular class. The nice feature about this is it's
4 realtime information. Meaning, when you select this
5 search, you're looking at the licensing database as it
6 sets that minute.

7 And so it's kind of the reverse of what you
8 asked for, but this is only going to give you valid
9 licenses. And so those of you, you know, obviously in the
10 business of doing this, you would want to get the license
11 number and look it up.

12 So again, if you look on page 9, what this
13 little screen capture is showing you is that I selected I
14 wanted to look at all dealer licenses. So it will produce
15 you a list, and they're organized in numeric order by
16 license number, so you can search that way. Again, just
17 showing you some options.

18 On page 10, I put in a particular license
19 number. And on page 11, the information that's provided
20 online will show you the name of the company, their
21 address or location, the qualifying party, and all the
22 information you need to know that that is a valid license.

23 And, of course, the last one is on page 12.
24 If I put in the City of Glendale, on page 13 it gives me a
25 list, again numeric order by license number, of all the

1 licensees in that particular city.

2 So will that meet the needs of what you
3 asked for? It's not exactly the same. But I think the
4 risk of discipline license, because it's not immediately
5 current, we thought this was the best approach to give the
6 most current information.

7 CHAIRMAN BAIRD: Yeah. Debra, this is
8 great. Let's go back to the page 9. And it shows there
9 that their licenses are -- are valid or they wouldn't be
10 on the list, right?

11 MS. BLAKE: Right. This is only valid
12 licenses.

13 CHAIRMAN BAIRD: Now, what's a non-valid
14 include? What kind of issues?

15 MS. BLAKE: A non-valid license would be the
16 license has not been renewed, they still have the option
17 to -- to renew it.

18 CHAIRMAN BAIRD: Sure.

19 MS. BLAKE: A non-valid license would be a
20 license that has been suspended, revoked, the licensee is
21 deceased.

22 Donna, am I missing anything, off the top of
23 your head?

24 MS. GRANT: No.

25 MS. BLAKE: That's pretty much it.

1 CHAIRMAN BAIRD: Do you folks ever put
2 somebody on probation?

3 MS. BLAKE: We do. But that license is
4 still valid. They can still operate their business. They
5 just have to comply with some terms that we've establish
6 for the probation. Usually extra reporting, sometimes a
7 monetary fine or discipline that way. But they can still
8 operate their business.

9 CHAIRMAN BAIRD: Okay. So anybody can open
10 this up, a prospective customer can open this up --

11 MS. BLAKE: Anybody.

12 CHAIRMAN BAIRD: -- and get into it.

13 So if the association would want to pass the
14 information on to the retailers, they could have this
15 information, the retailers could use it for their
16 customers if they -- if someone was feeling uncomfortable.

17 MS. BLAKE: Absolutely.

18 CHAIRMAN BAIRD: Or wanted to do further
19 research.

20 MS. BLAKE: Absolutely. It's available for
21 anybody 24/7.

22 CHAIRMAN BAIRD: Kind of a reverse way of
23 getting at it, but I think you get where you need to get
24 the same.

25 I'm sorry, I don't recall who asked that

1 question or how it came up.

2 MS. BLAKE: I think it was Chairman Baird,
3 if I recall correctly.

4 CHAIRMAN BAIRD: Yeah, I think it came up
5 when we were looking at the recovery fund and we wanted to
6 figure out, well, if there's a deal there, there's
7 somebody that's bad, how are we going to know? You know,
8 so --

9 Oh, I remember now. It was about a
10 manufacturer. I'm selling somebody, how do I know if
11 they're good or not? If they're valid or not. So that's
12 how it came up. Well, so do it.

13 MS. BLAKE: Okay.

14 CHAIRMAN BAIRD: Do that today. Great.

15 MS. BLAKE: Good. I think that resolves all
16 of the action items that we captured in the abbreviated
17 minutes. There were a couple of others, and we have
18 e-mailed those individuals with the specific questions
19 that were asked.

20 CHAIRMAN BAIRD: Okay. If I could go back
21 to the personnel section. What openings do we currently
22 have available in the department that are unfilled?

23 MS. BLAKE: The two openings --

24 For the whole department or just for Office
25 of Manufactured Housing?

1 CHAIRMAN BAIRD: Office of Manufactured
2 Housing.

3 MS. BLAKE: Office of Manufactured Housing,
4 we currently have two positions opened and unfilled, and
5 one is an inspector position. Currently identified for
6 the Tucson area. And the second one we have is an
7 installation manager position.

8 CHAIRMAN BAIRD: Okay. Two questions, then,
9 as a follow-up. You have two minutes to respond.

10 (Laughter.)

11 MS. BLAKE: Gosh, I feel like President
12 Obama. Go ahead.

13 MR. OJEH: You've been watching something on
14 TV, huh.

15 CHAIRMAN BAIRD: I've been educated.
16 How are we handling their absences now,
17 their openings now?

18 MS. BLAKE: Well, we're handling that now
19 because in Tucson, for some reason over the past several
20 months, the volume in -- in new installs has declined.
21 And so one inspector down there is covering that area
22 efficiently by himself. Long-term as things start to pick
23 up, obviously that doesn't work. So we need to fill that
24 position. But it's working right now.

25 With the position that you'll all recall

1 reported last time, Betty Rosen had retired. We -- we are
2 handling that vacancy right now in a couple of different
3 ways. And primarily internal staff is picking up the
4 slack. The good news is that I think through training
5 that has been provided and the availability of the e-mail
6 contact, and installers are always welcome to pick up the
7 phone and call me, that we're managing it. And it's not
8 been an extraordinary burden.

9 Now, having said that, it also doesn't take
10 the program forward the way we want to do it in developing
11 it and making it better than what it is. So that's why we
12 will need to fill it at some point. We have to rewrite
13 that position, and we have done that. But we're not able
14 at this point to have Department of Administration review
15 it and approve it because they're going through a
16 personnel reform process, and there's basically a
17 moratorium on reviewing those new job descriptions.

18 CHAIRMAN BAIRD: Okay. So we could hire an
19 inspector now?

20 MS. BLAKE: Well --

21 CHAIRMAN BAIRD: If we --

22 MS. BLAKE: We have the position open. We
23 currently don't have the funding in the budget to be able
24 to support hiring that position.

25 CHAIRMAN BAIRD: Okay. I guess I need an

1 explanation on that. I don't know if anybody else does.
2 What does that mean?

3 MS. BLAKE: Would you like to discuss the
4 budget?

5 MR. PALMA: Sure. I'd be more than happy to
6 direct you to the eighth floor, OSPB, Office of Strategic
7 Planning and Budgeting. Unfortunately, our level of
8 funding that was granted to us for the fiscal year '13
9 does not cover the -- the number of positions that we have
10 available -- what we were hoping to have filled. We did
11 submit a supplemental budget request. And that was
12 heavily documented with the activities and -- and the
13 increase in activities and all the -- all the data that
14 they would need to grant us the supplement. I think we
15 asked for 238,000, I believe.

16 So we're awaiting word from them.
17 Supposedly, we should hear back from them by the end of
18 the month. So based on that request being fulfilled, then
19 we'll take action on that position.

20 CHAIRMAN BAIRD: Okay.

21 MR. PALMA: We unfortunately cannot print
22 our own money, so we don't have the options available to
23 us as the federal government does.

24 CHAIRMAN BAIRD: Does the same scenario hold
25 true for the manager position?

1 MS. BLAKE: Yes. Those positions were
2 budgeted in the budget that was submitted and approved,
3 and yet, you know, we have a shortage on funds based on
4 our needs. And so as Gene explained, unless we get the
5 supplemental --

6 If we get the supplemental, then, you know,
7 we can hire those positions once we've gone through the
8 other processes with Department of Administration and so
9 on, on that position, reclassifying it, if you will. But
10 the funding would be there to fill those positions.

11 CHAIRMAN BAIRD: Okay. So I think I
12 understand. These positions were included in the initial
13 budget.

14 MS. BLAKE: Correct.

15 MR. PALMA: Yes.

16 CHAIRMAN BAIRD: We have since used those
17 monies for other things that we deemed necessary?

18 MR. PALMA: No. We just didn't get fund --
19 funded adequately.

20 MS. BLAKE: We didn't get enough.

21 CHAIRMAN BAIRD: So they cut your budget?

22 MR. PALMA: It's kind of an inverse way of
23 looking at it is that because we had carryover balances
24 from other non-appropriated funds last year -- actually,
25 last year we were not adequately funded, but we were able

1 to cover the deficit because of the carryover balances in
2 other non-appropriated funds. And also because our use of
3 the relocation fund, which has now dipped down to
4 50 percent -- 15 percent, excuse me, and actually
5 accurately reflects our activities. Unfortunately, OSPB
6 did not take into consideration that we are not any longer
7 accessing relocation fund by 24 percent. And that was a
8 problem.

9 So all that being -- is being worked out.
10 And hopefully they'll reward us for our cost efficiencies
11 and, you know, adequately fund us. And we -- just while
12 we're on the issue, we've also made it known that going
13 forward for '14, '15, and '16, our funding will have to
14 increase to keep up with business activities.
15 Unfortunately, they're looking at the perspective of,
16 well, you did it with 1.7 in general funds two years ago
17 for two years in a row, you should be able to do it going
18 forward.

19 But as you all know, you know, business will
20 hopefully increase, and so we -- we do need qualified
21 inspectors and supporting administrative services. So
22 let's just hope that they -- they're able to grant us what
23 we need going forward. But we've made it known. So it's
24 not like they don't know.

25 CHAIRMAN BAIRD: Well, if business does

1 increase, that will increase the amount of funds coming
2 into the department notwithstanding the OSB, right?

3 MS. BLAKE: Well, somewhat. But remember
4 that the way the department is structured is that all fees
5 that come in go into the general fund, and we're a general
6 fund agency. So we get a general fund appropriation, but
7 the other revenue that we have coming in is money that we
8 get from HUD for a specific purpose. And then we have the
9 non-appropriated fund that Gene was speaking about, which
10 is the relocation fund. And in the past, as Gene just
11 said, we used it as a higher rate based on authorization
12 from those who were in decision making positions at that
13 time. And now as a result of the Sunset audit and the
14 feedback from stakeholders, we need to reduce that. And
15 so the reduction of that, then, there's a gap between the
16 appropriation that we get and our ability to use the --
17 manage to the -- the percentages we want to bring down for
18 the relocation fund.

19 CHAIRMAN BAIRD: Okay. Thank you.

20 MS. BLAKE: So there's the gap.

21 CHAIRMAN BAIRD: I can report to the board
22 from what I'm hearing across the transit loop from the
23 industry is that the Department's holding it together, you
24 know, pretty well. There are some issues but the --
25 the -- the willingness of Debra and several other of the

1 members of her department have been -- their willingness
2 to -- to communicate, and to accept phone calls, and to
3 call back, and to e-mail, they're doing other people's
4 jobs as well, and that's what's been able to keep it going
5 in my estimation, and that's what I'm hearing from
6 everybody. So it's working. If business did get better
7 fast, we would be in trouble.

8 MR. OJEH: See, that was -- I was thinking
9 about that, too, Sam. What if hypothetically, say the
10 employee in Tucson, you know, is on an extended, you know,
11 absence. What happens to -- to his duties there? I mean,
12 we are in the business of extended quality customer
13 service, and we are also making money, so I think I don't
14 know if the situation is communicated, you know,
15 appropriately to the -- the eighth floor, as, you know, he
16 mentioned. Or one person and just one person doing all of
17 that, it just puts too much strain, I think. Even if he
18 has a light workload. If activities pick up, is there
19 anything that we can do to -- as a board to make that
20 happen?

21 CHAIRMAN BAIRD: What kind of help would you
22 need? I think his question was, what can the board do to
23 help you with the eighth floor to obtain proper funding,
24 especially if business does increase. It's not going to
25 wait for the eighth floor to say okay; it's going to

1 happen on its own, whenever that is.

2 MR. PALMA: Well, Mr. Chairman, obviously
3 the Department appreciates your support, the board's
4 support, the industry's support. And should you find it,
5 you know, something that you would like to do, you can
6 always put in a phone call, write a letter, or, you know,
7 just express that support. That you think the Department
8 is doing a good job, and that you want that -- the level
9 of services rendered by the Department to maintain and
10 grew. And so, therefore, any resources that the State
11 could -- we're not asking here for 2 million; we're asking
12 for a few hundred thousand -- would be truly appreciated by
13 the industry and by the board. So that's -- that's
14 obviously your -- your call. And if you would like to do
15 that, then we would appreciate it, obviously.

16 CHAIRMAN BAIRD: Would that be appropriate
17 with the current request you have submitted? To do
18 something in support of that request?

19 MS. WILLIAMS: Be careful because you're on
20 a general personnel update topic, so you can't get too far
21 afield on this discussion.

22 CHAIRMAN BAIRD: But it is a personnel
23 update. We're talking about openings, and we're talking
24 about money to pay for those openings and where do we
25 obtain that. So I think we're right on point.

1 MR. OJEH: I agree.

2 MR. PALMA: I'll leave that to your
3 judgment. If you think that's supporting the Department
4 in the having -- hiring personnel to provide the services
5 that your industry needs is something you think is
6 important, then, please, that's obviously your -- your
7 decision.

8 CHAIRMAN BAIRD: Okay.

9 MS. WILLIAMS: Well, it's nothing they can
10 take action on --

11 CHAIRMAN BAIRD: We can do that individually
12 or can do it as a group or both.

13 MS. BLAKE: Well, and that's what I was
14 looking at the statute for. I think as a board, you can't
15 take action today because this is not an agendized item to
16 take action on, but should you decide that you wanted to
17 do it in the future as a board, you would have to look at
18 the powers and duties of the board and find an appropriate
19 statute that you could wrap it around.

20 I mean, obviously what this board -- one of
21 the things you're empowered with is establishing the fees
22 to be in the 95-105, and so that may be an approach that
23 you would take in terms of the whole, the budget thing,
24 the fees going to the general fund, the appropriation, so
25 on and so forth. There's nothing that prevents you from

1 doing it as an association, as individual businesses, or
2 individual citizens. And so --

3 CHAIRMAN BAIRD: Okay.

4 MS. BLAKE: -- does that help?

5 MR. OJEH: Yeah.

6 CHAIRMAN BAIRD: One other point. I will
7 say this. Our company, Clayton Homes, we have about half
8 the business in the United States right now, okay. And we
9 are expecting business to double over the next four years.
10 Our business to double. I'm not speaking of Arizona. I'm
11 speaking nationally. But we're expecting it to double.
12 If our business doubled in Arizona over the next four
13 years, there would have to be a giant elevation of service
14 support, and you know that.

15 MS. BLAKE: Correct.

16 CHAIRMAN BAIRD: Not saying anything. We
17 know that.

18 MS. BLAKE: Just along that line with
19 personnel again, you know, are we staffed to support you
20 in the way you need supported, like the different
21 businesses? If we have that kind of a significant
22 increase, the answer is no, obviously. However, most of
23 our staff is cross-trained. And so, you know, we have
24 staff who are not currently supporting in-plant
25 inspections, staff that is not currently supporting

1 in-the-field inspections for installations, but have the
2 training and the knowledge to be able to do that. So we
3 can throw resources around a bit. It's not going to
4 support that huge increase; we'd have to hire staff. But
5 we have some cross-training to help address the short-term
6 issues.

7 CHAIRMAN BAIRD: Okay.

8 MS. BLAKE: Mr. Chairman and Board Members,
9 the last item that I had under that Departmental
10 Information, and this is just a verbal update, kind of
11 along with Chairman Baird was just saying, is that, as you
12 know, there is information put out from HUD and other
13 organizations that report production increases in the
14 industry. And the one that came out in September looked
15 at production through August.

16 Now, Arizona never makes the list of the top
17 ten in terms of volume of production. And percentage of
18 increase. But these reports look at that. And so what
19 the most recent report, again, looking through August,
20 compared nationally, how the production trends have gone,
21 and in general it's about 17-point -- I want to say .9 --
22 17 to 18 percent across the nation. And so just because
23 --

24 CHAIRMAN BAIRD: As an increase from last
25 year?

1 MS. BLAKE: As an increase --

2 CHAIRMAN BAIRD: Same time period?

3 MS. BLAKE: Yes. Thank you. January
4 through August 2012 compared to the prior period for last
5 year. So I thought, hmm, I don't think it's that high in
6 Arizona but let me look. Well, surprisingly, when I did
7 look at it, the good news is, looking at that same period,
8 January through August, comparing the two years, the
9 production of HUD units -- this doesn't include FBB -- the
10 production of HUD units in Arizona is up 22.5 percent. So
11 not where y'all want it, but it's good news.

12 Now, based on that production, most of that
13 volume is being shipped out of state. And therefore, the
14 increases in the dealer sales is only up about five
15 percent, but it's still going in the right direction. The
16 increase for installers, so a lot of these, obviously,
17 preowned homes that are being installed a second time, is
18 up over nine percent. So I think it's a little good news.
19 It's not fabulous news.

20 CHAIRMAN BAIRD: It's great news. Let me
21 clarify one thing. When she said, most of the production
22 is going out of state, she meant most of the increase in
23 production is going out of state.

24 MS. BLAKE: Correct.

25 CHAIRMAN BAIRD: Most of the production is

1 staying in state. But most of the increase, the
2 22 percent, that is going -- that has -- has come from out
3 of state as the manufacturers have expanded their base and
4 done what they've had to do to stay in business, it means
5 traveling homes farther. My company, my plant, we deliver
6 homes to Wyoming, for example. So --

7 MS. BLAKE: Thank you for that
8 clarification. And one other point of clarification, some
9 of that volume produced in Arizona does stay in Arizona,
10 but it goes to the tribes. So we don't have jurisdiction
11 over the dealers of the installation there. And there's
12 been an increase in some of the mining areas, Morenci and
13 others, that have increased some production. And that,
14 again, is a no jurisdiction for us in terms of
15 installation. So --

16 CHAIRMAN BAIRD: As are --

17 MS. BLAKE: -- I think those are kind of
18 false numbers in some way.

19 CHAIRMAN BAIRD: Not false. I think they're
20 accurate. You just have to understand they're just
21 numbers that can be --

22 MS. BLAKE: Right.

23 CHAIRMAN BAIRD: -- as we learned last
24 night, interpreted several different ways. But there's
25 several businesses going to Mexico as well, some minor

1 concerns there, that the Department doesn't have
2 jurisdiction over.

3 MS. BLAKE: Yes. Thank you. That's the
4 other one.

5 CHAIRMAN BAIRD: So there's several
6 different ways. But all in all, business is about the
7 same as last year for -- for Arizona. If you look at just
8 for Arizona, what stays here, it's about the same.

9 That same report that -- you all have
10 probably seen that report. I may have sent it to you
11 individually. And there's another way of looking at
12 Arizona. Rather than looking at the production numbers,
13 you can look at the other word, which is called shipment
14 numbers. And those include anything that was produced
15 anywhere but ended up in Arizona, okay. So we have
16 California manufacturers shipping into Arizona. We have
17 New Mexico factories shipping into Arizona. And so that
18 one is, if you want to look at Arizona, forget about
19 production, go to shipments. That's what we're getting.
20 That's what the association deals with in their budgets is
21 what's here, not what goes outside. Because when we ship
22 something into New Mexico, we pay the New Mexico
23 Association dues instead of Arizona dues, and California,
24 and Utah, and Nevada, and Wyoming. So --

25 MS. BLAKE: Okay. Thank you, Mr. Chairman.

1 CHAIRMAN BAIRD: You're welcome.

2 MS. BLAKE: Next item on the agenda.

3 CHAIRMAN BAIRD: Next item would be --

4 If we're done with this one. Anybody have
5 any questions? This is kind of a state of the state from
6 the department. I think it's very good. Thank you very
7 much for that. This is working out very well, I think.
8 Just kind of a trial balloon we threw out there, and it
9 kind of worked. I think everybody understands a little
10 better.

11 The next item is the financial report.

12 MS. BLAKE: Correct. That starts on page 15
13 is the first one I'd like to draw your attention to. The
14 report you find here is for the month of June 2012, which
15 is also the end of our fiscal year. And although it's not
16 indicated on here, in terms of the percentage of
17 proration, it ended up at 92.7 percent. Again, our goal
18 is between 95 and 105, so we weren't quite there, but we
19 didn't miss it by much. Of course, this June report does
20 not reflect the increase in fees for the installation
21 permits. And that you will see -- begin to see on the
22 July report.

23 If you will turn to page 18 of that, this is
24 just kind of, again, end of fiscal year. This is the sum
25 total for fiscal '12 year-to-date, of how the revenue

1 breaks down. And you'll see that 27 percent of the
2 revenue we bring in is from HUD payments. The next big
3 one is from renewed licenses, FBB permits, and so on.

4 And then on the next page, page 19, and that
5 is the breakout year-to-date, if you will, for -- I'm
6 sorry, it's not year-to-date. That's for June only. But
7 this looks the same for most months. Eighty-five percent
8 of the expenditures are related to payroll, followed by
9 in-state travel, which includes the fleet and fuel, things
10 like that, that we maintain to do our jobs.

11 And then the rest of the information there
12 on page 21 through 26 are the -- just a repeat of the
13 information that you get monthly via e-mail from Ayde. It
14 tells you about activity with new licensees and gives you
15 specific information about them, the type of license, and
16 so on and so forth.

17 MR. OJEH: Just a comment, Mr. --

18 MS. BLAKE: Beginning on page --

19 CHAIRMAN BAIRD: Yes. We have a comment.

20 MS. BLAKE: I'm sorry. Yes.

21 CHAIRMAN BAIRD: Zeek?

22 MR. OJEH: Thank you, Mr. Chairman.

23 Would it be possible, Debra, to -- I'm
24 looking at this page 17, 18, and page 19. I see the
25 percentages, but would it be possible to have the actual

1 numbers, you know, on the same page so -- and maybe make
2 that, you know, half of the page, and then the other half
3 would be the graph, so it would be easier for people to
4 see 21 percent is -- and I'm sure the numbers are here
5 somewhere in this financial report.

6 MS. BLAKE: Yes. The numbers are on page
7 15. But sure, we can add the -- the dollar amount.

8 MR. OJEH: Unless -- unless if, you know,
9 the board doesn't want that. But I'm used to seeing
10 things like that and then not having to go back and -- and
11 do this. But I don't know. It's just formality, just --

12 MS. BLAKE: Would you like to poll the board
13 and --

14 MR. OJEH: Sure. If they want it, fine; if
15 they don't --

16 CHAIRMAN BAIRD: Would you like to see the
17 dollars? No?

18 Neal? No.

19 MR. GLEESON: I don't care.

20 CHAIRMAN BAIRD: Paul?

21 MR. DESANCTIS: It probably would be easier.

22 CHAIRMAN BAIRD: You probably have the
23 numbers before you have the percentage.

24 MS. BLAKE: We have all the data.

25 MR. OJEH: They do. Otherwise they won't

1 have this.

2 MS. BLAKE: It would be very easy for Ayde
3 to do that for you.

4 CHAIRMAN BAIRD: Mr. Chick?

5 MR. CHICK: I would like to -- I'd like to
6 support Zeek's like report.

7 CHAIRMAN BAIRD: All right. Do we need to
8 vote on this, or can you just do it?

9 MR. CHICK: As an accountant, I find that
10 very, very helpful. And gives you a relationship as to
11 the volume.

12 MS. BLAKE: I'm sorry, Art. I missed the
13 beginning of that.

14 CHAIRMAN BAIRD: He was saying that as an
15 accountant --

16 I won't speak for him. Go ahead.

17 MR. CHICK: As an accountant, I like
18 numbers, but it also gives me a sense of relationship as
19 to the magnitude of the expenditures we're talking about
20 and the dollars we're involved in. And if we have them,
21 why not list them.

22 CHAIRMAN BAIRD: So Debra's agreed to, on
23 behalf of the Department, to do this.

24 I do have a comment here before you -- if
25 you could turn to page 18. This was our 19 -- our 2012

1 revenue breakdown, fiscal 2012, which was July of '11
2 through June of 12.

3 MS. BLAKE: Yes.

4 CHAIRMAN BAIRD: I think that's right. I am
5 surprised that the FBB contribution is over 28 percent. I
6 had no idea that that type of -- you know, obviously we
7 have representatives here on the board from that industry
8 -- but I'm surprised at that, and I've been in the
9 business forever. If you look at the plan review, the
10 permits, and the insignias, that's 28 percent added to
11 that.

12 MR. GLEESON: And the FBB inspections.

13 CHAIRMAN BAIRD: Pardon?

14 MR. GLEESON: And the FBB -- well, there's
15 nothing on there --

16 CHAIRMAN BAIRD: It's FBB, which are
17 majorally commercial. So the commercial industry is, you
18 know, over a fourth of our support to this department.

19 MS. BLAKE: Right. And I think through the
20 past board meetings, we've also seen, in looking at these
21 reports, an increase in the permits. Remember their
22 permit fee structure is based not on a flat rate like it
23 is for manufactured homes; it's based on the linear -- the
24 linear feet. And so they pay a much heftier fee for a
25 permit.

1 CHAIRMAN BAIRD: Okay. I just -- you know,
2 part of what I had in mind, you know, as when I became
3 chairman was to see how quick I could get out of being
4 chairman. But the second thing was I've sat through a lot
5 of these meetings over -- this is my third term, and, you
6 know -- and spread apart by a few years as well -- but
7 there wasn't a lot of information -- a lot of -- there
8 wasn't a lot of understanding amongst the board members, I
9 thought, about really what we do and how we do it. So
10 that's one of the reasons -- that's one of my charges that
11 I've given myself is to try to help everybody understand
12 as much as possible.

13 By doing that, I'm learning more myself as
14 well, even though I've done this since 1972, okay. Still
15 there's amazing things, like this fact right here, I had
16 no idea. And my goodness, that's huge. You know, over a
17 fourth of our business is right here, in commercial. You
18 know, which is great. So -- so that's the only reason I
19 brought it up. And if I bore you with some of these other
20 questions that I'm asking, I'm trying to just seek a
21 broader understanding from us all. That's all.

22 Next.

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

24 What you see beginning on page 27 is the
25 first monthly report for the fiscal '13, which began on

1 July 1st. We really haven't done a huge comparison to
2 this yet. And we'll just continue to be looking at it
3 over the next few months in the first quarter to see where
4 we're at with proration, see where we're at with revenue
5 coming in on the -- on the different categories, and so
6 forth.

7 CHAIRMAN BAIRD: But we can compare prior
8 year to -- prior year's July, so 2011 July to 2012 July's.
9 I mean, you have that information on here.

10 MS. BLAKE: Yes.

11 CHAIRMAN BAIRD: So that's a good
12 comparison. How many people, et cetera, et cetera.

13 MR. GLEESON: The FBB's almost double.

14 CHAIRMAN BAIRD: I'm sorry, the FBB's --

15 MR. GLEESON: The FBB is almost double.

16 CHAIRMAN BAIRD: Yeah.

17 MR. GLEESON: And engineer reports.

18 CHAIRMAN BAIRD: Yep. Okay.

19 MS. BLAKE: Okay. And then the final
20 financial report that is in your packet for this board
21 meeting begins on page 34, and that is the information for
22 August.

23 CHAIRMAN BAIRD: Okay.

24 MS. BLAKE: Any questions about that before
25 we move to the next agenda item?

1 CHAIRMAN BAIRD: No.

2 Next agenda item would be, then, fee
3 structure, which is one of the mandatory standing items.

4 MS. BLAKE: And what's presented for you
5 beginning on page 42 is in every one of your board packets
6 every time we meet, is just the fee schedule for the
7 current fiscal year.

8 CHAIRMAN BAIRD: And there's no changes --

9 MS. BLAKE: No changes.

10 CHAIRMAN BAIRD: -- from the previous time.
11 And these went into effect July 1st.

12 MS. BLAKE: Correct.

13 CHAIRMAN BAIRD: So we've had a couple of
14 months, three months to get some extra income going.
15 So --

16 MS. BLAKE: Okay.

17 CHAIRMAN BAIRD: Okay.

18 MS. BLAKE: Next agenda item.

19 CHAIRMAN BAIRD: Any comments on the fee
20 structure? No.

21 When do we have to redo these again? We
22 don't have much time. It seems to go by so fast, but
23 seriously.

24 MS. BLAKE: In our April meeting, if not
25 before, because you have to make a decision as a board

1 before May 15th.

2 CHAIRMAN BAIRD: So we've got a couple of
3 board -- one --

4 How many more board meetings before then?

5 MR. GLEESON: Two.

6 CHAIRMAN BAIRD: Two. So we have a couple
7 board meetings. So I think next board meeting, we ought
8 to express some initial issues, and probably get that as
9 an agenda item.

10 MS. BLAKE: And we'll have five or
11 six months of data --

12 CHAIRMAN BAIRD: By then.

13 MS. BLAKE: -- on the financial reports that
14 we'll present to you probably at the January meeting just
15 to tell you what we're on track for. And then, obviously,
16 the information will be presented to you with some
17 recommendations for the April meeting, where you'll need
18 to make your decision.

19 CHAIRMAN BAIRD: The reason I say that is
20 I've been involved many years, and it's always April. For
21 the first time we're seeing it, we're supposed to be
22 voting, boom, instantly, and it's like, let's -- let's
23 don't that to ourselves again. If we can go a little bit
24 before, at least have an idea of what we're talking about
25 here. Okay. Great.

1 Recovery fund. Are you just doing
2 everything today?

3 MS. BLAKE: We're doing everything. When
4 you get tired of hearing me talk, just say.

5 CHAIRMAN BAIRD: Not at all.

6 MS. BLAKE: And I'll be quiet.

7 Okay. Page 44. This is the chart we
8 provide for you every board meeting. This is the current
9 status of the recovery fund. The balance as of
10 October 1st was 165,000 plus. The claim that has been
11 paid since this was produced is \$101,000 claim. And
12 again, I think I mentioned at the last board meeting, this
13 is the last of the House Mart recovery fund claims that
14 were the big dollar hitters. Part of that \$900,000. So
15 this was the last payout on this one. The reason it's
16 taken a while is this particular case went through a
17 couple of appeal processes. And so it's taken this long
18 to get a final decision on it.

19 So looking at it, again, as of October 1st,
20 assuming that claim has been paid, which it has at this
21 point, we have \$64,600. We are -- in the past we were
22 giving you the average monthly deposit over a year period
23 of time, and it was always 8,000, 8,000. And so Mary Ann
24 and her staff, I asked them can we look at the three-month
25 period that we're actually reporting to you in this

1 booklet and give us that number? Because remember the
2 monthly deposits come not only from recovery fund fees
3 that are paid in but also the interest that is paid
4 monthly on the -- the cash -- the cash bond fund.

5 And so for this particular period, there was
6 a deposit of \$10,285, which brings the current balance at
7 about \$75,000.

8 CHAIRMAN BAIRD: Now, this 101,000 that we
9 paid out, that was to a customer who had paid cash to --
10 for a home and they never --

11 MS. BLAKE: Yes.

12 CHAIRMAN BAIRD: And the retailer ran off
13 with the money.

14 MS. BLAKE: Correct.

15 CHAIRMAN BAIRD: Wow. Do these fees --

16 Also, what if we hit somebody's bond? Where
17 does that money show? Where does that show up? It would
18 be in -- in this 10,285 if we were to go after somebody's
19 bond and actually get it?

20 MS. BLAKE: No. This is just the deposits
21 that go in. If we're successful in collecting a bond, it
22 would go into the running total.

23 CHAIRMAN BAIRD: Okay. Same difference.

24 MS. BLAKE: So whatever the balance is, we
25 would make that deposit into there.

1 CHAIRMAN BAIRD: Okay.

2 MS. BLAKE: And on the next report, we'll
3 update that.

4 MR. OJEH: I just have a question on this
5 page, Mr. Chairman.

6 CHAIRMAN BAIRD: Certainly.

7 MR. OJEH: What is -- is this 74 the amount
8 you have left from the 165, is that what this page is
9 saying?

10 MS. BLAKE: Yes. The calculation is the
11 balance minus any claims that are waiting to be paid --

12 MR. OJEH: Because I'm looking at that line,
13 it says zero, and that just threw me off. So the 165 is
14 supposed to --

15 MS. BLAKE: Well, let's talk about those --
16 those different areas. So there's three statuses of a
17 recovery fund claim application that we receive. The
18 first one is it's been to hearing, and we're just waiting
19 for the appeal time to run to issue the payment. Okay.
20 And that's that 101.

21 The next category is we've received a claim,
22 we've scheduled it for hearing, but it hasn't been to
23 hearing yet. But we know the amount they're claiming, it
24 doesn't mean it's the amount the judge will award. But we
25 need to consider that when we consider what the balance

1 could be, might be.

2 And then the third one is we have the claim,
3 but we haven't scheduled it for hearing. So in the past
4 what we've done -- and if you want it expressed
5 differently, we can certainly do that -- is we take what
6 the balance is, and we would -- we would basically minus
7 all those potential amounts off, add in the monthly
8 deposit, and give you an estimated running total once all
9 claims are paid.

10 CHAIRMAN BAIRD: Just like a worst-case
11 scenario.

12 MS. BLAKE: It's worst-case scenario, but if
13 it makes more sense to do it a different way --

14 MR. OJEH: Just on the standard concept,
15 just rooking at it, you know, I don't know, you know. I
16 understand what you're trying to say. You know, I would
17 probably present it differently, but --

18 MS. BLAKE: Do you have a suggestion for how
19 you'd like to see it?

20 MR. OJEH: Well, if the balance that we have
21 is 165, then everything should be, you know, in the same
22 column, that this is what we started with, these are, you
23 know, the claims that, you know, we've paid. These are
24 the claims that we think we're going to pay. And then,
25 you know, in just one column you see the numbers flowing

1 properly.

2 Now I'm going through multiple columns
3 trying to figure out, you know, which one -- which one is
4 which. Normally, you know, if you look at where it says
5 zero here, zero -- you can't have zero and then have a
6 positive -- and have a positive number. It doesn't flow
7 properly.

8 MS. BLAKE: Okay. We can reformat this --

9 MR. OJEH: Does that make sense what I'm
10 trying to say?

11 MS. BLAKE: -- like an accounting flow.

12 MR. OJEH: It's not -- if everybody
13 understands it, it's okay with me. You know, I just -- I
14 just want to -- this is not a big deal.

15 CHAIRMAN BAIRD: It wasn't in a row, but I
16 just like the 165 minus 101, that's 64, plus 10 is 74.
17 That's what I did, you know, so -- but I'm not an
18 accountant.

19 MS. BLAKE: It's just as easy for us to
20 format it in a different way. So at your request, we'd be
21 happy to do it.

22 CHAIRMAN BAIRD: I do like the worst-case
23 scenario. That's what we're charged with is looking at
24 how we're going to fund that.

25 MS. BLAKE: Okay. So do we make a change to

1 this or not?

2 CHAIRMAN BAIRD: Zeek, we can change it if
3 you want.

4 MR. OJEH: I mean, it's up to the board. If
5 everybody, you know, likes it the way it is, it's fine
6 with me. You know, I'm just a team player. I know even
7 if I'm looking at columns like this, you know, they have
8 to make sense, and they have to flow. But if everybody
9 understands it, it's okay with me.

10 CHAIRMAN BAIRD: We'll discuss --

11 MR. CHICK: Excuse me, Mr. Chairman.

12 CHAIRMAN BAIRD: Certainly.

13 MR. CHICK: There's nothing contaminating
14 this -- the schedule, is there? I don't see any estimates
15 being -- everything is actual dollars that I'm looking at.
16 In other words, we have \$74,938.72 in the bank. Is that a
17 true statement?

18 MS. BLAKE: Yes.

19 MR. CHICK: And if we had claims not
20 scheduled for hearing, that would not -- how would that
21 affect the -- the bank account? It would just --

22 MR. OJEH: That, it wouldn't. That isn't
23 the issue.

24 CHAIRMAN BAIRD: It wouldn't affect it, but
25 potentially we'd have to pay those claims out.

1 Potentially, we'd have to pay both of those columns, both
2 of those sections out. So what we've done in the past, I
3 think, what the Department's reported to us, is that we
4 just kind of added it up to kind of see worst-case
5 scenario, we've got 75 grand. If one was 30 -- both were
6 30,000, then we'd figure, oh, we're still -- if the
7 worst-case happens, we've still got some money. We
8 haven't zeroed it out.

9 MR. CHICK: But if there was a hundred --

10 MS. BLAKE: We can do it like credits and
11 debits and give you balance, if that -- if that makes more
12 sense.

13 MR. OJEH: I -- I don't have anything, you
14 know, the numbers, you know, are what they are.

15 MS. BLAKE: Okay.

16 MR. OJEH: I try, you know, when I present
17 numbers, you know, to try to break it down to where non,
18 you know, accountants can look at it and it makes, you
19 know, meaning to them without having to do much work. And
20 that was what I was striving at. Not, you know, the
21 numbers themselves but more the presentation. That was
22 what I was talking about.

23 MR. HANEY: And when we sit here and we look
24 at this, and we discuss it, and we know exactly what it
25 means. But if somebody were to come along two years from

1 now and pull this report --

2 MR. OJEH: They would be -- they would be
3 doing like this, what is this, what is that, you know, and
4 -- and --

5 MR. HANEY: So from that -- from that
6 perspective, yeah.

7 MR. OJEH: The numbers themselves are okay,
8 it's just the presentation.

9 MS. BLAKE: Why don't we take it into an
10 action item, and we'll reformat this into more of a
11 debits, credits, balance type thing. I'll present it to
12 you at the next board meeting, and you can make a decision
13 on -- on the presentation at that point. Does that work?

14 MR. OJEH: Sure.

15 CHAIRMAN BAIRD: Great. And then the two
16 claim items that are unknown, you could just put
17 "potential" by those or something like that so we know
18 that those aren't really hard dollars, that's just the
19 potential that could come against it. Right?

20 MS. BLAKE: Well, it's not a potential
21 claim.

22 CHAIRMAN BAIRD: No, it's a potential
23 expenditure.

24 MS. BLAKE: The dollar amount --

25 Okay. So you want to work on the language

1 for that.

2 CHAIRMAN BAIRD: Arthur, are you okay with
3 that?

4 MR. CHICK: Well, I don't see anything wrong
5 with what -- claims that have been scheduled for hearing
6 and are waiting hearing date. Those are claims that
7 somebody says, you owe me this. It hasn't been -- to be
8 determined, settlement. And then the claims not scheduled
9 for hearing, that's again, that's a potential liability,
10 but it's not an actual cost.

11 So if I know how much money we had in the
12 fund, and if I know how many potential claims outstanding,
13 then it gives you a sense of where the fund's at. And
14 because it has no weight, no bearing on what's actually in
15 the bank.

16 CHAIRMAN BAIRD: None.

17 Okay. So try it next time. Try a different
18 format, we'll look at it, and we'll probably like it
19 better.

20 MS. BLAKE: Okay.

21 CHAIRMAN BAIRD: Okay. On the agenda, you
22 had next to talk about the new escrow law and the recovery
23 fund fees.

24 MS. BLAKE: Thank you.

25 Beginning on page 48, what you see here is

1 just a printout of the new statute. We've talked about it
2 many times. I'm just providing this as a resource
3 document for you. And then the following pages, 51, 52,
4 and 53, talk about the recovery fund itself.

5 And just a couple of points I wanted to make
6 to the board to keep you informed is we had -- department
7 staff, Donna specifically, and I, have had several
8 conversations with licensees to provide clarification. We
9 met a couple of weeks ago with Arizona Housing Association
10 and a couple of their members. Because as we started to
11 get questions, and they were good questions, we had to
12 relook at the statutes and say, okay, what does it say?
13 Because we don't, obviously, establish the law; we enforce
14 it.

15 And one of the questions that came in that
16 we needed clarification on, and we did get it, was all new
17 home sales have to use the services of a third-party title
18 company. That -- that's what this says. The question
19 came about is what about preowned, used home sales?
20 Because as part of all the discussion prior to the bill
21 and now the law was that if the sale of the home was over
22 \$50,000, you had to offer the consumer --

23 Sorry, I just need to look at this one quick
24 second.

25 Okay. Thank you. And, Donna, jump in and

1 correct me if I say something wrong. She works with it
2 every day; I don't.

3 So used home sales that were \$50,000 or more
4 had the option --

5 MR. HANEY: Under.

6 MS. BLAKE: I'm sorry. New home sales
7 \$50,000 or more also had to use the services of a
8 third-party title company. Homes that were -- used homes
9 \$50,000 -- less than \$50,000 had the option. The dealer
10 could continue to use a trust account or escrow account at
11 his bank that he or she had total control over, but it had
12 to leave the consumer the option to use a title company.
13 Okay.

14 So here comes the question about recovery
15 fund. The original premise was I -- I thought we
16 understood, was that using the services of a third-party,
17 independent title company minimizes the risk to the
18 consumer's money for a dealer to misuse it. And so,
19 therefore, if you have that tighter control in place,
20 those who drafted the new law decided that they did not
21 have to pay the recovery fund fee into the recovery fund.
22 So today it works now, they sell a home and they pay a
23 fee, currently it's \$30, into the recovery fund. So that
24 was part of that decision, and it's now part of law.

25 But then when we looked at it, what the law

1 currently says is, all new home sales have to use a
2 third-party title company and do not pay into the recovery
3 fund. So no fee is paid. All the used home sales,
4 regardless of the threshold or the price, regardless of
5 whether they use a title company or not, have to pay the
6 fee, the \$30 fee, into the recovery fund.

7 MS. GRANT: No.

8 MS. BLAKE: No?

9 MS. GRANT: No. Used home sales under
10 50,000, regardless of whether a title or a broker house
11 was used, must pay the \$30. A used home sale \$50,000 or
12 more, you do not because it does not fall under
13 Subsection D, as stated in A.R.S. 2189. That's what we
14 decided.

15 Because they drew attention to Subsection D
16 only, the indication was that the used home sale under
17 50,000 was the one that was subject to recovery fund
18 regardless of where the transaction took place, through a
19 bank or through a title company.

20 2189(A), it says, in addition to paying the
21 license or renewal fee, they're going to also be subject
22 to paying a recovery fund --

23 MS. BLAKE: Okay. So we're on page 48 at
24 the bottom, Section D. Thank you, Donna.

25 Okay. So what that means now is the only

1 sales that have to pay into the recovery fund are used
2 homes under \$50,000. What that means to the recovery fund
3 is a very small amount of money in fees coming into the
4 recovery fund to build its balance, which again is at
5 about \$75,000. So it's going to be a slow growth.

6 Now, we already know that the interest from
7 cash bond continues to go in there, and so we're going to
8 be averaging, you know, a steady flow, but not as what it
9 had been in the past. However, there's nothing that we've
10 read that limits any consumer from filing a claim against
11 the recovery fund.

12 CHAIRMAN BAIRD: Even if it's under escrow?

13 MS. BLAKE: Even if it's under escrow. And
14 I think the thought process is we really minimized the
15 opportunity for a consumer to have to file a claim, but
16 that option is still there.

17 MR. HANEY: A couple of things. Number one
18 is I don't remember -- and I can't see it, where it says
19 if you're using third-party escrow, you don't have to pay
20 it into the recovery fund, is that what you're saying?

21 MS. GRANT: The understanding that we have
22 when the law was drafted is that if you use a title
23 company -- this is what we got from our meeting with Scott
24 Butler and all them -- that if a title company was being
25 used, they weren't going to have to pay into a recovery

1 fund. But when we looked back and looked at the wording
2 of 2189(A), that's not what it's saying.

3 MR. HANEY: It was never my understanding
4 that the intent was that the recovery fund payments would
5 not be made into the recovery fund. Because the initial
6 purpose -- my understanding, and I could be all wet here
7 -- was that the initial thrust of doing this with the
8 trust account was that a dealer could not take \$100,000
9 and abscond with it until there has been some ownership
10 and some things take place. That never will prevent an
11 after-transfer problem from coming up, to which the
12 consumer is entitled to have some compensation. And so I
13 don't remember it ever being put into the statutes that --
14 you know, we did discuss in board meetings, my
15 recollection is, that at some future time, we may be able
16 to lower that amount. That's a fee that's set by the
17 board, as I recall.

18 MS. BLAKE: Correct.

19 MR. HANEY: And so that should some future
20 time that fund get built up, we could either lower or drop
21 that fee. Because there have been times in the past when
22 it reached a certain amount that that fee was dropped.
23 But I don't -- I don't recall our discussion centering on
24 the fact that if we set up this trust account, that that
25 recovery fund fee --

1 MS. GRANT: You mean the title company?

2 MR. HANEY: Pardon me?

3 MS. GRANT: Are you talking about the title
4 company, not a trust account?

5 MR. HANEY: Right. Third-party escrow. My
6 recollection is not that we ever discussed at that time
7 that that would replace or totally do away with the
8 necessity of the consumer fund -- consumer recovery fund.

9 MS. GRANT: Are you talking about the
10 assessment fee? I'm sorry.

11 MR. HANEY: The \$30.

12 CHAIRMAN BAIRD: Is it mentioned in the law?

13 MS. GRANT: If you look under 2189(A) --

14 MS. BLAKE: Page 52 of your handout.

15 MS. GRANT: Page 52. The way that it's
16 worded, it says, let's see, the dealer or broker of
17 manufactured homes, mobile homes or factory-built
18 buildings shall pay, in addition to the license or renewal
19 fee, a fee established by the board of not to exceed \$50
20 for each unit that is sold and that is subject to Section
21 2180, Subsection D.

22 Subsection D is only talking about used home
23 sales for under 50,000.

24 MR. HANEY: And was that statute changed the
25 same time the other ones were?

1 MS. GRANT: My understanding is it was, but
2 I did not see it right away until --

3 MR. HANEY: I never saw it --

4 MS. GRANT: I never caught it right away.

5 MR. HANEY: I never saw it -- well, I
6 shouldn't say I never saw it -- I don't remember ever
7 having seen that --

8 Well, I know what it's saying, but I didn't
9 realize that this 2189 --

10 MS. GRANT: This had to have been added in
11 to say Subsection D because this was not existing. The
12 ability to have a trust or escrow account was always in
13 2180(A) until the law was revised effective July 1. So
14 this has got to be something that was changed by whomever.

15 MS. BLAKE: Yes. And I have, if I may, the
16 statute prior to the new change.

17 MR. HANEY: Okay.

18 MS. BLAKE: And the 2189(A) -- bear with me,
19 I'll just read it briefly -- is that the same people,
20 dealer or broker, who deals in all of these products, in
21 addition to the license or renewal fee, pays a fee
22 established by the board. At that time not to extend \$30.
23 It was updated after that to 50, but not part of this new
24 legislation, for deposit into the consumer recovery fund.
25 There was no delineation by what type of product had to

1 pay into it. This was changed and added with the new law
2 that went into effect July 1st.

3 MR. HANEY: I don't remember that ever being
4 part of the discussion, ever, ever. But apparently, it is
5 in the statute now.

6 MS. BLAKE: It is in law now. But
7 obviously, just need to bring to your attention that means
8 the recovery fund is going to build extremely slowly.

9 MR. HANEY: Are we allowed to -- are we
10 allowed to discuss this now?

11 MS. WILLIAMS: It's on for the new law.

12 CHAIRMAN BAIRD: We're on point. It's an
13 agenda item.

14 MR. HANEY: Yeah. Like I said, I don't
15 remember it ever being part of the discussion. It may
16 have been part of the way it was written originally, I
17 don't know. But I know it was never part of the
18 discussion. And my recollection of the discussion was
19 never that -- that having an escrow account -- requiring
20 the use of a third-party escrow would ever do away with
21 the full need for the recovery fund because the primary
22 thrust of it was to make it much more difficult for
23 dealers to take hundreds of thousands of dollars in
24 deposits and run off with it without transferring title or
25 delivering goods. It did nothing to prevent

1 after-installation problems from coming up that would
2 still be recoverable from the recovery fund.

3 MS. BLAKE: Right.

4 MR. HANEY: And so I -- I -- I do recall
5 some discussions about that there might be a time in the
6 future when the fund was rebuilt that that fee could be
7 lowered or done away with on a temporary basis, never that
8 it was going to be done away with on all but used home
9 sales under \$50,000 that don't use a third-party escrow.

10 MS. GRANT: Well, they do have the option to
11 use it. You have to give the buyer the ability and the
12 seller consent. So there's still a possibility the title
13 company's going to be used. But the way the law's
14 written, it's not going to matter whether they use title
15 or not, they've still got to pay --

16 MR. HANEY: So only -- only used homes under
17 \$50,000 are going to be assessed the fee.

18 MS. BLAKE: And that's regardless of if they
19 use a third-party escrow title company or not. Used homes
20 under 50,000 have to pay into it.

21 MR. HANEY: I wonder if that might be a
22 point of industry discussion to address in the next
23 legislative session.

24 Mr. Anderson?

25 CHAIRMAN BAIRD: First of all, is it

1 appropriate to --

2 MR. HANEY: Oh, I'm sorry.

3 CHAIRMAN BAIRD: -- get some input from the
4 president of Arizona Housing Association?

5 MS. WILLIAMS: It's your call.

6 CHAIRMAN BAIRD: Mr. Anderson.

7 MR. ANDERSON: Yes. I -- I was involved in
8 drafting the bill, and this was in there from the
9 beginning, and it was explained to everyone. And I'm not
10 sure if the board had that privilege, but all the industry
11 contacts, all the stakeholders with AMHO and MHCA, that
12 thoroughly was discussed. That was part of the bill, and
13 it was part of the intent from the beginning.

14 Also in the bill was a allowable increase by
15 the board to increase it from whatever it is up to \$50.
16 Currently, preowned home sales quadruple new home sales in
17 the state. There is enough money -- I mean, we -- we
18 anticipated it would take a couple years before, you know,
19 the escrow thing would get caught up because, as Debra has
20 pointed out, there's a two-year period where somebody can
21 file against the recovery fund. But we felt that with the
22 preowned home sales, that there would be enough income
23 coming in during that two-year period. Because they do --
24 I mean, they do quadruple new home sales. Hopefully
25 that'll change, but usually they do outpace new home sales

1 by at least double.

2 So -- so that was a provision in the law,
3 and it was widely explained to all parties. The only
4 chink was what Debra brought up, and that's preowned home
5 sales below 50,000, we thought that that person that got a
6 third-party escrow would not have to pay into the recovery
7 fund, but that might represent one or two percent of the
8 transactions. Because most of the preowned home sales are
9 going to go through trust as opposed to third-party.

10 CHAIRMAN BAIRD: Thank you.

11 MR. HANEY: That's interesting.

12 CHAIRMAN BAIRD: Let me come at it from a
13 little different direction. If we wanted to change
14 something.

15 Gene, I've heard that almost every new
16 law -- I've heard 80 percent of new laws get adjusted soon
17 after they're made laws because unintended -- unintended
18 consequences, things that everybody didn't think about,
19 they forgot, oh, I didn't know it meant that, and
20 da-da-da-da-da. And there's a process that the
21 legislature goes through, and I don't know what it is, but
22 is what I'm hearing or what I've heard even close to the
23 way it is? Can a law be changed?

24 MR. PALMA: Well, Mr. Chairman, I don't know
25 if it's 80 percent, but, I mean, I've been part of laws

1 that have been amended, yes. They still have to go
2 through the same process, but obviously, if it's a -- what
3 they call a technical correction, or maybe something that
4 is not -- doesn't go to the material -- I don't know,
5 correct me if I'm wrong Mary -- if it doesn't go to the
6 material effect of the law, then it's obviously easier to
7 just sail through the legislative process rather than
8 something that is -- now you're radically -- not radically
9 but substantially affecting the law as it stands now. But
10 any law can be changed, and it's just a matter of somebody
11 proposing legislation and going through the process. But,
12 you know, that takes time and resources.

13 CHAIRMAN BAIRD: Oh, yeah.

14 MR. PALMA: And so somebody has to, you
15 know, provide that time and resource. So, but it -- it
16 happens all the time.

17 CHAIRMAN BAIRD: Okay.

18 MS. BLAKE: Mr. Chairman and Board Members,
19 the one action that you could consider and vote on, if you
20 find it appropriate, is that currently, the recovery fund
21 fee is capped at \$50. Our current fee, based on your
22 decision, is at \$30. As Mr. Anderson pointed out, the
23 homes under \$50,000 is probably a very slow -- a very low
24 percentage of the sales. And so I'm not sure adjusting
25 that gives you much, but it gives you something. And so

1 you have the ability within the statute to vote at any
2 time to adjust that fee.

3 MS. WILLIAMS: But don't do it today. It
4 has to be specifically agendized for a fee change. But
5 you could have a special meeting.

6 MR. HANEY: Don't we have something on the
7 agenda about fees, adjusting fees?

8 MS. WILLIAMS: Yeah, but those are general
9 topics. If you're going to change a fee, you want to give
10 enough notice to the public that that's what you're
11 considering so if somebody wants to come and --

12 MR. DESANCTIS: Debra --

13 MS. BLAKE: Yes.

14 MR. DESANCTIS: What's your --

15 CHAIRMAN BAIRD: Joe.

16 MR. HART: Mr. Chairman, I have --

17 MS. BLAKE: Oh, let Paul --

18 CHAIRMAN BAIRD: Oh, sorry, Paul.

19 MR. DESANCTIS: I was just asking in your
20 experience, what's your feeling on this? Because as Neal
21 pointed out, the -- the whole purpose of this was to
22 prevent these wallopings, very large hits to the recovery
23 fund. Am I -- after all the years, I mean, I really see
24 the recovery fund was very stable and well funded. What
25 type of -- and maybe it would be good to look at what type

1 of dollar amount is the usual, and what items to customers
2 usually go after, especially for -- if I'm making sense
3 here. What's your feeling on that? This was obviously a
4 bad time with the economy, and we had one bad player.

5 MS. BLAKE: Two.

6 MR. DESANCTIS: Two bad players, yes.

7 MR. HANEY: Two very bad players.

8 MS. BLAKE: You know, I'm going to ask Donna
9 to respond to that because she deals more directly with
10 it. Other than, you know, the big hit, yeah, I mean,
11 typically I think we see -- (talking simultaneously) 3 to
12 \$7,000, is that a reasonable range?

13 MS. GRANT: I've seen -- I've seen it
14 average 12,000 when I was doing it. Like people weren't
15 getting their AC or their garage. They were supposed to
16 be assessed restructures, and the contractors came and
17 actually liened the property because they were not paid.
18 And by law, they can lien if they did work on that home.
19 So the customer has the injury. So I've seen, you know,
20 the average, I'd say, is \$12,000.

21 Primarily, when I was doing the recovery
22 fund claims, what I was seeing not the ones that were
23 absconding with funds and just taking off, is just not
24 delivering all goods and services. A dealer was getting
25 ready to go out of business, didn't have enough money to

1 pay the AC guy, that kind of thing. It averaged like
2 4,000 bucks.

3 MR. DESANCTIS: And when a lender's involved
4 and a title involved, there should be lien waivers that
5 are trade-offs when --

6 MS. GRANT: Definitely on a construction
7 loan, there should be. But I don't know that that's
8 necessarily part of a third-party escrow, you know, if
9 it's a straight finance deal not a construction loan. I
10 know construction loan lenders do want to see lien
11 releases, but I don't know that that's true in what I call
12 straight financing where it's not staged funding. I don't
13 know --

14 MR. DESANCTIS: Sure. I think there would
15 be some kind of a, you know, with a walk-through or
16 something like that, with an item like that, that's pretty
17 blatant with the customer. I'm trying to figure out how
18 those things would take place.

19 CHAIRMAN BAIRD: Isn't that part of the
20 escrow? That's why we went to the escrow situation to
21 begin with. The funding's not supposed to be made until
22 these services have been provided, or products have been
23 provided. You close the loan when everything's done. You
24 get title, and the money's dispensed, and boom.

25 If that's true, and I think that was part of

1 the initial thought about going to escrow versus staying
2 where we were, to put some teeth into that and not to
3 allow it to happen. To have a -- these title companies,
4 that's what they do. I mean, that's -- that's their
5 purpose.

6 MR. DESANCTIS: Even for a dealer who sort
7 of just mismanages in a tough time, borrowing from Peter
8 to pay Paul, or something like that.

9 CHAIRMAN BAIRD: Right. You can't do that
10 with the escrow.

11 MR. DESANCTIS: Right.

12 CHAIRMAN BAIRD: So that was what the
13 thought process is behind the industry. It was that, plus
14 there was one more thing, was to get some teeth to it. If
15 you did have a bad player, you could go after him. I
16 mean, these guys we had, the attorney general wouldn't
17 even go after them. I mean, I was just like, what? How
18 can you steal \$900,000 and be okay with it? You know,
19 there's just something bad, wrong. So that's why
20 everybody got upset, we came into it with that. I
21 would --

22 Knowing that we have the escrow and homes in
23 escrow, there still may be some things that go against the
24 recovery fund, but they certainly won't be a whole house.
25 They won't even be an air conditioner, typically, because

1 you've already had that handled. There could be some
2 warranty issues, but it won't be something like, I never
3 got my garage, you know, because they never should have
4 closed escrow without, the title company wouldn't let
5 them.

6 MR. DESANCTIS: And a lot of this, again,
7 has to be --

8 CHAIRMAN BAIRD: So now we're talking about,
9 you know, warranty-type things. Okay. I've got one.
10 I've got a guy -- remember we had the big snow up in Munds
11 Park? He had an eight-year-old house, he tried to come
12 against the recovery fund because his roof fell in. He
13 had a 20-pound roof load, that's all that was required
14 that many years ago, et cetera. Now it's 40-pound, and it
15 never would have happened. But, you know, he never pushed
16 any snow off his roof. He had eight feet up there. Well,
17 it's going to happen, guys.

18 But that was the recovery fund thing.
19 That's what goes against the recovery fund. You know, he
20 didn't win, obviously. But those are the kind of
21 complaints that come against that, whenever the customer
22 thinks they've been wronged, they didn't do whatever, and
23 the escrow should handle most of that. Therefore, we
24 won't need a lot of money in the recovery fund.

25 MR. DESANCTIS: It was really for cash deals

1 with lenders involved. I don't think you're going to --
2 these days especially, you're not going to get --

3 CHAIRMAN BAIRD: Yeah. It's the cash deals,
4 exactly. The lender's not going to let it happen.

5 MR. DESANCTIS: Right.

6 CHAIRMAN BAIRD: You know, they're not going
7 to fund, okay. And if they do, they've got the guy.
8 They've got his assets. They can go after him and get it.
9 It's the cash deals. But then the cash deals, that's
10 where we expected the title company and the escrow
11 companies, or whatever they are, to do that. That's their
12 fiduciary responsibilities, not to issue those funds until
13 it's done. I mean, it's the same as buying a house. And
14 we didn't have that. We didn't have that. We had the
15 ability to let an unscrupulous guy not do that. You know,
16 he could go out and play games. Put his money here, here,
17 here, and all of a sudden now it's all gone. And so is
18 he. So I don't know.

19 MR. CHICK: Mr. Chairman?

20 CHAIRMAN BAIRD: Yes. Mr. Chick.

21 MR. CHICK: On the \$50,000 cap or below, I
22 would think that most of those sales would be pretty much
23 cash.

24 CHAIRMAN BAIRD: I would agree with that.

25 MR. CHICK: And so there's no escrow and

1 there's no other account coming into play. What protects
2 the consumer if the dealer does not provide all the
3 services that he promised?

4 CHAIRMAN BAIRD: Well, I won't answer for
5 the Department, but I will say before I ask them to answer
6 is that there is another part that comes into play, the
7 trust account. Their license requires them to maintain a
8 trust account with the -- with the Department that's
9 overseen by the Department. That's the way it was before
10 this law went into effect for all transactions.

11 Now for this transaction under \$50,000, the
12 retailer or any consumer can decide together to use an
13 escrow account or to use the old system, which is the
14 trust account system.

15 MR. CHICK: So when I pay cash for that
16 50 -- \$40,000 unit, that has to go into escrow or a trust.

17 CHAIRMAN BAIRD: Exactly.

18 MR. CHICK: And before that can be released,
19 at least all or some portion of it, then all the
20 conditions of the sale have to be --

21 CHAIRMAN BAIRD: Exactly.

22 MR. CHICK: And that should be in contract
23 language.

24 CHAIRMAN BAIRD: And the issue was, in the
25 past, all transactions went to the trust account, okay.

1 All of them. You know, whether there were 300,000 or
2 50,000. And the problem was is that -- was the control of
3 that trust account, auditing processes and the ability of
4 the retailer to unscrupulously, you know, subvert the
5 process.

6 MR. CHICK: I was part of that conversation
7 that -- so this -- this all refreshes me. My memory is
8 not all that good at times, and there's a lot of details
9 that we're going over. And as Neal was speaking on the
10 subject, and as Ken has spoke on the subject to some
11 extent, not everything was thought of. Not everything
12 could be possibly thought of.

13 So I -- I think that we've got to go with
14 what the law says right now. And if it requires changing
15 in the future, then that would be up to the responsible --
16 the stakeholders to bring that action. And we continue to
17 do what we're supposed to do, and that's charge \$50 for
18 every unit that's sold. Or they give us \$50 for the
19 recovery fund.

20 MR. HANEY: Currently, it's set at 30, but
21 we can go up to 50.

22 MR. CHICK: It's set at 30?

23 CHAIRMAN BAIRD: We can vote it today to go
24 to --

25 MS. WILLIAMS: Mr. Chairman, you can't vote

1 today.

2 CHAIRMAN BAIRD: We can vote at our next
3 meeting.

4 MS. BLAKE: Or you can have a special
5 meeting and have that agendized and vote on that.

6 MR. CHICK: But I -- I'm looking at leaving
7 it as it is, and status quo.

8 MR. HANEY: I think Donna had something she
9 was going to say.

10 MS. GRANT: Yeah. I was going to explain
11 that consummation isn't always goods and services.
12 According to your 2180(N), which would be your page 49,
13 all earnest money deposited in the trust or escrow account
14 has to be held there until one of the following is
15 completed: An application for title transfer has been
16 made, or two, the transaction involved is consummated or
17 terminated and a complete accounting is made.

18 So it is quite possible that a transaction
19 be consummated without all goods and services having been
20 delivered. If the title transfer has taken place, the
21 dealer has consummated the sale and could, by statute,
22 release the monies from their trust or escrow account.

23 Say that there's an assessed restructure
24 that's not been installed. The home's been installed, but
25 say there's an AC or awning and skirting to come. If

1 they've done title transfer, they have accomplished N(1);
2 therefore, they are allowed by statute to remove the money
3 from the trust.

4 CHAIRMAN BAIRD: If somebody wants to steal,
5 they can.

6 MR. HANEY: There's always a way.

7 CHAIRMAN BAIRD: But if it's under the
8 recovery fund, y'all do audits.

9 MS. GRANT: Yes, I do.

10 CHAIRMAN BAIRD: And you would find
11 something like this.

12 MS. BLAKE: We do audits whether it's under
13 the recovery fund or not. We audit sales.

14 CHAIRMAN BAIRD: You audit every --

15 MS. BLAKE: (Talking simultaneously).

16 CHAIRMAN BAIRD: You audit on a periodic
17 basis sales.

18 MS. BLAKE: Not every.

19 CHAIRMAN BAIRD: But a periodic basis and a
20 periodic timing, and you don't do every sale.

21 MS. BLAKE: Correct.

22 CHAIRMAN BAIRD: But you do every retailer.

23 MS. BLAKE: Yes.

24 MS. GRANT: Every licensee, dealer or
25 broker.

1 CHAIRMAN BAIRD: Okay. I'm not sure. Where
2 are we at now?

3 Yes, Joe.

4 MR. HART: Mr. Chairman, I have a question
5 for Debra. 41-2180 --

6 CHAIRMAN BAIRD: Page 48?

7 MR. HART: Yes.

8 MS. BLAKE: A(2)?

9 MR. HART: Yes.

10 MS. BLAKE: A(2), okay.

11 MR. HART: Does that have any effect on a
12 multifamily unit? Say, 50-room apartment?

13 MS. BLAKE: Yes. If it is classified as a
14 residential FBB, the way this is written, yes. Most of
15 the other language in the statute specifically identifies
16 them as single-family residential FBBs. That's not what
17 this says. So if it -- if your plan classifies it as an R
18 occupancy, then this would apply.

19 MR. HART: So if one was to get lucky enough
20 to get a dorm or something like that, it would have to be
21 residential and in escrow to get paid?

22 MS. BLAKE: According to the way this law
23 sits today.

24 MR. GLEESON: The multisection, that's under
25 a commercial.

1 MS. BLAKE: Not if it's classed as a
2 residential. Like an apartment --

3 CHAIRMAN BAIRD: Like a -- a triplex or
4 duplex.

5 MS. BLAKE: Yes.

6 MR. HART: Or a dorm?

7 CHAIRMAN BAIRD: Is that residential, a
8 dorm?

9 MS. BLAKE: I'm sorry, I didn't hear --

10 CHAIRMAN BAIRD: He said a dormitory.

11 MS. BLAKE: A dormitory?

12 CHAIRMAN BAIRD: I would think that would be
13 commercial.

14 MS. BLAKE: Off the top of my head, I would
15 guess yes, but I don't know. It could be classified as
16 educational, which is a different class, but I think it
17 falls under commercial.

18 CHAIRMAN BAIRD: What about a hotel?
19 300-unit hotel, that's commercial, right?

20 MS. BLAKE: What I'm thinking about is
21 apartments. You know, there's apartments in Morenci, I
22 think they're six- to 12-unit apartments as residential.

23 CHAIRMAN BAIRD: There you go. There's one
24 more unintended consequence.

25 Okay. Anything else?

1 MS. BLAKE: That's all we had on the new
2 escrow law.

3 CHAIRMAN BAIRD: I think we all should have
4 anticipated, I think we did anticipate there were going to
5 be issues. It went into effect in July, and it's
6 different, it's new. There's lots of change. But we've
7 been doing business for three months with it.

8 MR. DESANCTIS: Well, hopefully the buyers
9 take a little bit of care of themselves with the
10 walk-through and checking things out.

11 CHAIRMAN BAIRD: They do. The Department's
12 got a great program for that. And I think evidence is if
13 you look at the recovery fund. There's no -- nobody's
14 come against us. I mean, that fund has gone down, down,
15 down, down, down. I mean, nobody's -- nobody's going
16 after us. Everybody's taking care of business.

17 MR. GLEESON: We ran all the bad people out
18 of town.

19 CHAIRMAN BAIRD: We did.

20 Next.

21 MS. BLAKE: Mr. Chairman and Board Members,
22 I'm sorry. Donna just nicely reminded me I forgot
23 something under this agendized topic. And that is, along
24 with this recovery fund, the fee. Currently, there is a
25 difficulty within the department processing to know which

1 is which because the homeowner bull- -- information
2 bulletin, there's no distinction on there as to whether or
3 not they -- if it was new home sales, used home sales,
4 whatnot. So what Donna's asking is if we could change the
5 homeowner information bulletin to designate whether it's a
6 new home sale, a used home sale, and whether or not the
7 recovery fund fee is required.

8 MS. GRANT: I want the used homeowner
9 bulletin changed to have a check box to say, under 50,000
10 or over 50,000, so I know whether they owe 30 bucks on the
11 sale or not.

12 MR. HANEY: And there's two separate
13 bulletins now.

14 MS. GRANT: Yes. There is a bulletin for
15 new, and there is a bulletin for used. But on the used,
16 unless I make phone calls or do e-mails which take up
17 quite a bit of my day, I don't know if the sale was over
18 50,000 or under. So I don't know whether they owed the 30
19 bucks.

20 So what I've done is I've asked them
21 voluntarily to include a cover letter or the acquisition
22 and sales report form that they send to revenue, because
23 that will show me what the sale price was of the unit.
24 But I don't have the mandatory -- I'm just asking them to
25 help me.

1 MS. BLAKE: Donna, the homeowners
2 information bulletin, is that an industry form? Is it a
3 board form?

4 MS. GRANT: Board form. This is the
5 board-approved --

6 CHAIRMAN BAIRD: Which we are allowed to
7 change at will? Yes.

8 MR. HANEY: Did we ever -- is that a form we
9 approved, or is it something that was developed by staff
10 to do what they need to do?

11 MS. GRANT: I don't know. I -- I've been
12 here 28 years; I can't tell you who developed it, but the
13 statute says the board approves it.

14 CHAIRMAN BAIRD: Mr. Anderson, would you
15 like to speak on this?

16 MR. ANDERSON: I think it was developed by
17 Arizona Housing, the Homeowners, the Department, and the
18 Parks Association. And all four of us worked on it.

19 MR. HANEY: Must have been a long time ago.

20 CHAIRMAN BAIRD: Sounds to me like we need a
21 clarification to go along with the new law. We're just
22 asking the form to have two boxes on it. One for under
23 50,000 and one for homes under 50,000, how are they being
24 done, through escrow or through recovery?

25 MS. GRANT: I just need some way where I'm

1 not having to make phone calls and do e-mails so that I
2 know whether they owe 30 bucks or they do not.

3 MR. HANEY: Or put a line on there that says
4 sales price.

5 CHAIRMAN BAIRD: Then she needs to know, if
6 it is under 50, they can still do an escrow account and
7 they -- no, they'll still owe.

8 MS. GRANT: That's not going to matter.
9 That's why I just need to know if it was over 50,000 or
10 under 50,000.

11 MS. BLAKE: And just for clarification, we
12 can is have the discussion now; we can't take a -- a --
13 excuse me, easy for me to say -- a board vote because it
14 is not specifically agendized. So we can have the
15 discussion, but -- and we can prepare a sample form at
16 your direction and bring it to the next board meeting, but
17 we would have to agendized it for you to vote on it.

18 CHAIRMAN BAIRD: Donna, you'll have to
19 suffer for three more months.

20 MS. GRANT: Shoot. I was so hoping that you
21 would say, yeah, go change it, Donna. And I was ready.
22 (Talking simultaneously).

23 CHAIRMAN BAIRD: -- and have it e-mailed or
24 something like that --

25 MS. BLAKE: We could have a phone call, as

1 long as we have a quorum.

2 MR. DESANCTIS: We'll take care of you
3 there.

4 MR. HANEY: But that means that's got to be
5 -- that's got to be publicized, the whole bit.

6 CHAIRMAN BAIRD: They can publicize it so we
7 can schedule a phone meeting whenever.

8 MS. BLAKE: Is that what you're directing us
9 to do? You want us to --

10 CHAIRMAN BAIRD: I think that would be a
11 wonderful direction. Get a quorum together. How many
12 people have to be there for the phone call, six?

13 MS. BLAKE: Five.

14 CHAIRMAN BAIRD: Five. I think it's
15 appropriate to ask the Department to do that for us.
16 Schedule the meeting, and we'll go forward. It would be
17 great if we all saw copies of it, even though it is a
18 teleconference, before we voted.

19 MS. BLAKE: You will get an agenda just like
20 you get in the board packet for the phone. We have to go
21 through the process of it because of the meeting law.

22 MR. HANEY: Public notice.

23 MS. BLAKE: Yes.

24 CHAIRMAN BAIRD: Zeek.

25 MR. OJEH: So, Mr. Chairman, agenda item VII

1 (b), isn't specific enough? Is that why we're -- is that
2 what we're saying? I mean, it says that, you know, fund
3 recovery fees. Do we have to write a description, a
4 paragraph, as to, you know, what this is?

5 MS. WILLIAMS: Well, you're asking -- what
6 staff wants you to do is approve a form, change to a form
7 which you already have. And this agenda doesn't give the
8 public notice that that's what you're going to be talking
9 about and taking action on. You can't just put a general
10 action item to do any action you want on the recovery
11 fund. The way it's on the agenda is just for a discussion
12 on the new law and how it affects your existing --

13 CHAIRMAN BAIRD: Except it says possible
14 action.

15 MS. WILLIAMS: I know. But --

16 MR. OJEH: Yeah.

17 MS. WILLIAMS: -- that's something that
18 you're actually going to be taking -- take action on
19 something specific that you've approved before. Somebody
20 from the public may want to come and give input on that.
21 That's not on here to change a form or increase the fee --

22 CHAIRMAN BAIRD: So we can raise the fee
23 from 30 to 50 today, but we can't change a form?

24 MS. WILLIAMS: No. I said you couldn't --

25 CHAIRMAN BAIRD: We can't do that either.

1 MS. WILLIAMS: No. This isn't enough. So
2 that's why we try to anticipate the specific agenda items
3 before so that we can have it on there within 24 hours.

4 CHAIRMAN BAIRD: Okay.

5 MS. BLAKE: Okay. So question,
6 Mr. Chairman. On the telephonic meeting that we're going
7 to agendize and schedule, do you want it just on the
8 homeowner bulletin? Do you also want to have a discussion
9 about whether or not you want to raise the recovery fund
10 fee amount? Currently at 30, can go to 50. Do you want
11 both agendized?

12 CHAIRMAN BAIRD: Well, let's discuss that --
13 that item. I don't think we've explored it. Going from
14 30 to 50 is a significant raise.

15 MR. HANEY: And we don't know if there's a
16 need for it yet.

17 CHAIRMAN BAIRD: And we don't know if
18 there's a need for it yet. I'm also troubled, I mean, it
19 seems like we're -- because that's our only source of
20 income, we're kind of looking at it. But is it fair for
21 somebody that pays -- that buys a \$300,000 house not to
22 pay anything, and then somebody that buys a \$25,000 house
23 has to pay whatever. They have to pay 30, you know, but
24 do they have to pay 50?

25 MR. DESANCTIS: I don't think it's going to

1 hurt to wait until next meeting.

2 CHAIRMAN BAIRD: I don't either. I don't
3 think we have enough information yet. We can look at the
4 recovery fund again, see the funds that are coming in,
5 boom, boom, boom.

6 So probably the one item. To -- to, you
7 know, we're doing this, of course, to -- to help one of
8 your department members.

9 MS. BLAKE: Who shall be nameless.

10 CHAIRMAN BAIRD: Who's waving at herself,
11 thanking us very much. It shouldn't take very long, guys.

12 MS. BLAKE: Mr. Chairman, next item.

13 CHAIRMAN BAIRD: Okay. Next. Would that be
14 the notice of proposed rulemaking?

15 MS. BLAKE: Yes.

16 CHAIRMAN BAIRD: Can we change the rule that
17 says we can't vote on anything?

18 I take that back. Don't write that down.

19 MS. BLAKE: That begins on page 55 of your
20 booklet, and it is just a verbal update for you as well as
21 a copy of the agenda for the Governor's Regulatory Review
22 Council. And this was the review of our five-year rule
23 review that's statutorily required that you go through all
24 of your rules, give history on what was updated, what
25 actions were taken, and give a plan for, do you plan to

1 make any changes for it in the future, what's the economic
2 impact, so on and so forth. So we did complete that
3 five-year rule review. We did submit it timely. And it
4 was reviewed in final format at the October 2nd GRRRC
5 meeting and approved as submitted. So that is complete.
6 It will be due again in 2017 for that process.

7 CHAIRMAN BAIRD: Another five years.

8 So we're on page 56, paragraph D,
9 Subsection 1. It's about us. So all those things, you
10 submitted issues on and got approved?

11 MS. BLAKE: Yes. It's a comprehensive
12 review. You have to go through every rule and give a
13 report on it.

14 CHAIRMAN BAIRD: Wonderful. Well,
15 congratulations. I think.

16 MS. BLAKE: It was with the help of lots of
17 folks. Thank you, though.

18 CHAIRMAN BAIRD: All right. Any other
19 comments on the rulemaking? No.

20 Call to the public. Any public members like
21 to be recognized?

22 At this time, none raising their hand.

23 We'll move on to announcements of future
24 meeting dates. I think we have a schedule for that on
25 page 59.

1 MS. BLAKE: You do. Thank you. Ayde has
2 calendared and scheduled this meeting room, correct, Ayde?

3 MS. MARQUEZ: Uh-huh.

4 MS. BLAKE: -- for all of 2013. The
5 meetings, consistent with what they were this year, it
6 will be the third Wednesday of each -- of the beginning of
7 each quarter. And they're defined for you on page 59.

8 CHAIRMAN BAIRD: Great. The board will
9 entertain a motion to adjourn.

10 MR. HANEY: So moved.

11 MR. OJEH: Second.

12 CHAIRMAN BAIRD: Zeek seconded.

13 All in favor?

14 Thank you very much.

15 (The proceedings concluded at 2:36 p.m.)
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STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

C E R T I F I C A T E

I, KRISTEN L. WUNSCH, a Certified Reporter
in the State of Arizona, do hereby certify that the
foregoing pages, numbered 2 - 78, constitute a full, true,
and accurate transcript of the proceedings had in the
foregoing matter, all done to the best of my skill and
ability.

SIGNED and dated this 1st day of November,
2012.

KRISTEN L. WUNSCH
Certified Reporter
Certificate No. 50719