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

## BOARD MEMBERS PRESENT:

SAM BAIRD, Acting Chairman

PAUL DeSANCTIS

## NEAL HANEY

TROY HYDE

JOSEPH STEGMAYER

ROGER WENDT

**STAFF MEMBERS PRESENT:**

GENE PALMA

DEBRA BLAKE

BETH SOLIERE

AYDE MARQUEZ

ALSO PRESENT:

KEN ANDERSON

MARY ANN KNIGHT

## MARY DELAAT WILLIAMS

PATTY STECHER

1                   P R O C E E D I N G S  
2

3                   CHAIRMAN BAIRD: Everybody is here now.

4                   Okay, this is a back up to a back up, recently  
5 appointed Chairman. Let me call the meeting to order.

6 Thank you.

7                   Roll call, please.

8                   MS. MARQUEZ: Ross Wait. He is not able to  
9 attend today.

10                  Sam Baird.

11                  CHAIRMAN BAIRD: Here.

12                  MS. MARQUEZ: Paul DeSanctis.

13                  BOARD MEMBER DeSANCTIS: Here.

14                  MS. MARQUEZ: Neal Haney.

15                  BOARD MEMBER HANEY: Here.

16                  MS. MARQUEZ: Troy Hyde.

17                  BOARD MEMBER HYDE: Here.

18                  MS. MARQUEZ: Zeke Ojeh. He is not able to  
19 attend.

20                  Joseph Stegmayer.

21                  BOARD MEMBER STEGMAYER: Here.

22                  MS. MARQUEZ: Roger Wendt. He's not able to  
23 attend.

24                  Gene Palma.

25                  MR. PALMA: Here.

1 MS. MARQUEZ: Debra Blake.

2 MS. BLAKE: Here.

3 MS. MARQUEZ: Beth Soliere. Here.

4 CHAIRMAN BAIRD: Thank you.

5 MS. BLAKE: Mr. Chairman, Mr. Acting Chairman,  
6 before you get started on the rest of the agenda, could I  
7 introduce to all of you officially Mary Williams? She is  
8 our legal counsel with the A.G.'s office, and she will be  
9 joining us on a regular basis. Thank you.

10 CHAIRMAN BAIRD: Why?

11 MS. BLAKE: Why is she here, you asked?

12 CHAIRMAN BAIRD: Is it a new rule or something  
13 that you will be here?

14 MS. WILLIAMS: They asked me to come.

15 MR. PALMA: It was a matter of priority and the  
16 budget review this week. We thought it was important that  
17 we have legal counsel here for everybody, you know, in  
18 terms of having a source of knowledge and in terms if we  
19 have any questions regarding any proper procedures, we  
20 have counsel available to us. So we have, we thought  
21 that, well, I thought, anyway, it was important to have  
22 representation.

23 CHAIRMAN BAIRD: Sounds logical.

24 MS. BLAKE: She's here to provide legal advice,  
25 should we want to go into executive session, for that

1 purpose. I know it's not something the Board typically  
2 does, but it's available to you should you need it.

3 CHAIRMAN BAIRD: Absolutely. Thank you.

4 All right. Next item on the agenda would be  
5 approval of corrected abbreviated minutes of our last  
6 meeting.

7 BOARD MEMBER HANEY: So moved.

8 BOARD MEMBER STEGMAYER: Second.

9 CHAIRMAN BAIRD: All those in favor?

10 (Affirmative responses.)

11 CHAIRMAN BAIRD: Opposed?

12 (No response.)

13 CHAIRMAN BAIRD: The motion carries  
14 unanimously.

15 Then we have approval of court reporter  
16 transcript and abbreviated minutes.

17 MS. BLAKE: That would be from the last Board  
18 meeting.

19 CHAIRMAN BAIRD: From the last Board meeting as  
20 well, which was July 20th.

21 I would entertain a motion.

22 BOARD MEMBER HANEY: I'll move that we pass it.

23 BOARD MEMBER DeSANCTIS: Second.

24 CHAIRMAN BAIRD: All in favor, signify by  
25 saying aye.

1 | (Affirmative responses.)

2 CHAIRMAN BAIRD: Opposed?

3 (No response.)

4 CHAIRMAN BAIRD: Unanimously carried.

## 5 Financial report. Who chairs us for that?

6 MS. BLAKE: Thank you, Mr. Chairman. I will  
7 take you through that. In your packets it begins on page  
8 number nine, and under the tab, of course, marked  
9 financial reports.

As is typical, we give you the last three months of reports, starting off on page nine would be the June 2011 report. That is obviously significant, because it is the end of the fiscal year. So, the year-to-date total that you see reflected on that page, the next page as far as production trends, the revenue breakdown graphs on page 11, and 12, are representative of fiscal '11, so the entire fiscal year. That is how everything fell out for that fiscal year.

23 MS. BLAKE: This has come up before, and again,  
24 the accounting method in previous fiscal years, the way  
25 expenses were tracked and allocated was inaccurate, and

1 therefore, that prior year-to-date expenditure is wrong,  
2 and we sought to correct that for the new fiscal year in  
3 the way that we track and allocate.

4                   And you will see when we get into further  
5 discussions today that we have done that to bring that  
6 number more realistic and accurate for you.

7                   BOARD MEMBER HANEY: So that the six ninety-two  
8 is in line?

9                   MS. BLAKE: Six ninety-two is accurate.

10                  BOARD MEMBER HANEY: But it's in line with  
11 where we were at in fiscal year '10?

12                  MS. BLAKE: I don't have that information with  
13 me for fiscal '10. I can get it for you, but I would say  
14 in general, those expenditures should be running pretty  
15 true to form.

16                  CHAIRMAN BAIRD: So can we use the same  
17 parameters and same methods that we used in '11 or '10,  
18 you are saying we would be close?

19                  MS. BLAKE: For expenditures, yes.

20                  CHAIRMAN BAIRD: Right.

21                  MS. BLAKE: Those expenditures, we'll get into  
22 that in a minute, and the Board has asked on several  
23 occasions for that breakdown of expenditures so you can  
24 understand what comprises that by breakdown. We actually  
25 have that information for you today for the fiscal year

1 '12.

2                   So, the budget is semi-finalized, at least the  
3 proposed budget. So, we have been able to break that  
4 down, and we will do so going forward for you, and we'll  
5 get to that in just a moment.

6                   CHAIRMAN BAIRD: Okay.

7                   MS. BLAKE: Any more questions about June, the  
8 end of fiscal '11?

9                   BOARD MEMBER HYDE: This is slightly off of  
10 where we need to be with revenues?

11                  MS. BLAKE: The proration you're talking about?

12                  BOARD MEMBER HYDE: Yeah, we were at 94, and  
13 our new one is at 95.

14                  MS. BLAKE: We were at 94, yes.

15                  CHAIRMAN BAIRD: The mandate is?

16                  MS. BLAKE: 95 to 105. And you will recall,  
17 probably, that that was a result of the Board's decision  
18 last year to raise fees, because we knew we were not on  
19 track to hit that at 95 to 105.

20                  So the Board voted for fiscal '10, we raised  
21 fees 12 percent across the board, and that helped us get  
22 to that 94 percent. It was a good decision on behalf of  
23 the Board to do that, and we'll talk about that a little  
24 bit more when we talk about the fees for the current --

25                  BOARD MEMBER HYDE: We lowered them this year.

1                   MS. BLAKE: We did lower them, and we need to  
2 have another discussion under a different agenda item that  
3 is coming up shortly. Okay.

4                   CHAIRMAN BAIRD: Any other questions on the  
5 June or 2011 year-to-date pages?

6                   MS. BLAKE: Okay. Beginning on page 14, under  
7 the same tab, is the first month of the new fiscal year,  
8 which is July of 2011, representing the beginning of  
9 fiscal '12. What you will see on this is the same  
10 information that you typically always see.

11                  You will also see newly reported information on  
12 the estimated annual revenue, that that number has been  
13 corrected. Year-to-date expenditures again, because I am  
14 anticipating your question, is the method of calculating  
15 expenditures is based on the State's accounting method.

16                  BOARD MEMBER HYDE: When they bill.

17                  MS. BLAKE: When they bill. The same thing  
18 with expenditures. Some expenditures are front-loaded.  
19 Some are calculated on a month-to-month basis, and so,  
20 it's a challenging system at best, but we do have some  
21 solid numbers of our anticipated year-to-date  
22 expenditures, as well as estimated revenue coming in.

23                  I'm going to talk about that again in just a  
24 little bit when we talk about 2012, how we get to the  
25 proration.

1                   BOARD MEMBER HYDE: And that was one of those  
2 items, the estimated expenditures, that is what we'll talk  
3 about later.

4                   MS. BLAKE: Yes, we will. Thank you for your  
5 patience on that.

6                   Beginning, any other discussion or questions  
7 about July financial reports? Okay.

8                   Beginning on page 19, under that same tab are  
9 the August calculations and figures, and again, more  
10 information here in just a moment on that.

11                  BOARD MEMBER HYDE: On the prior year-to-date  
12 revenues, revenues are accurate because we checked those  
13 internally; right? As they come in?

14                  MS. BLAKE: Yes.

15                  BOARD MEMBER HYDE: I'm looking at 85,000 to  
16 date, versus 107 last year. That's a real-time thing?

17                  MS. BLAKE: Yes.

18                  BOARD MEMBER HYDE: So we are significantly  
19 off?

20                  MS. BLAKE: Yes.

21                  CHAIRMAN BAIRD: Based primarily on, if you  
22 highlight it, it looks like it drops off primarily in your  
23 report, 6,000, and the prior report is \$14,000?

24                  MS. BLAKE: Yes.

25                  CHAIRMAN BAIRD: That's the most.

1                   BOARD MEMBER HYDE: That's the 20 K right  
2 there.

3                   MS. BLAKE: And I would say that at least what  
4 we are looking at now, that we have initial numbers on  
5 September, but they are not finalized, a couple of  
6 different things with the plan review for the FBB, which  
7 is represented here under engineering report, and that is,  
8 the first three months of the fiscal year, July, August,  
9 and September, seem to be much lower typically than the  
10 other months of the year.

11                  The other thing is that we had some staff  
12 changes. We were fortunate to be able to hire a full-time  
13 plan review person. She's here today, Patty Stecher.  
14 She's back there. And so, just for the nature of the  
15 training, things have processed slower than they normally  
16 do. We are back on track with it. She is doing an  
17 excellent job but we don't report these year-to-date  
18 numbers until the plan has been reviewed and approved.

19                  So there was just a little delay on some of  
20 that, as we were having a vacant position, and Betty was  
21 covering several positions at one time, and then getting  
22 Patty on board and getting her oriented, and so I think we  
23 are in good shape right now. That is working very well  
24 and I would expect we'd see those numbers catch up in the  
25 next couple of months.

1                   CHAIRMAN BAIRD: Catch up to last year's  
2 numbers?

3                   MS. BLAKE: We are hoping that they are on  
4 track again.

5                   BOARD MEMBER STEGMAYER: You say that that is  
6 because of the backlog?

7                   MS. BLAKE: There was some backlog, and the  
8 backlog, again, those numbers don't get represented here  
9 until they are finished, until the plan is reviewed and  
10 out the door.

11                  BOARD MEMBER HYDE: Was it a significant  
12 backlog?

13                  MS. BLAKE: Well, I would say that from the  
14 performance numbers, we normally turn around plan review  
15 in less than seven days, and we saw it go up as high as  
16 11-day turn around, so, it's not a big number, but it did  
17 delay the process a little bit.

18                  CHAIRMAN BAIRD: When are the September numbers  
19 going to be available?

20                  MS. BLAKE: The September reports are in from  
21 all of the different management teams. I would say that  
22 they will be ready the end of next week, and Ayde sends  
23 those out in advance every month, so you will be able to  
24 see them. You won't have to wait until the next Board  
25 meeting to see them.

1                   BOARD MEMBER STEGMAYER: Did the fees vary, the  
2 title review fees?

3                   MS. BLAKE: The title review fees --

4                   BOARD MEMBER STEGMAYER: Per review over there?

5                   MS. BLAKE: They vary only on the FBB side, the  
6 factory-built building side, because that rate is per  
7 linear foot per store. The manufactured housing are  
8 standardized. I think it's \$126. I don't have it in  
9 front of me right this second, but yes, they vary on the  
10 FBB side, which is where most of the revenues are  
11 generated for plan review.

12                  BOARD MEMBER STEGMAYER: So that's why all  
13 those volumes are down by two-thirds, the revenue is  
14 knocked down, the fees are knocked down for that. Say,  
15 more complicated orders.

16                  MS. BLAKE: More complex buildings.

17                  CHAIRMAN BAIRD: Thank you.

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

19                  CHAIRMAN BAIRD: Questions? Anyone?

20                  The chair will entertain a motion to accept the  
21 financial report.

22                  BOARD MEMBER STEGMAYER: I'll move.

23                  BOARD MEMBER HYDE: I second.

24                  CHAIRMAN BAIRD: All those in favor?

25                  (Affirmative responses.)

1 CHAIRMAN BAIRD: Opposed?

2 (No response.)

3 CHAIRMAN BAIRD: The motion carries  
4 unanimously.

5 All right.

6 MS. BLAKE: Mr. Chairman, would you like to  
7 move on to agenda item number six, performance audit and  
8 sunset review?

9 CHAIRMAN BAIRD: I found that page now,  
10 performance audit and sunset review. Update and  
11 discussion. Did you want to lead us through that?

12 MS. BLAKE: I'm going to lead you through that  
13 as well. That is again under the tab indicated on page 24  
14 of your packet. This information was sent out to all  
15 Board members as soon as we received it, so that you would  
16 have some time to review it, if your schedules allowed.

17 I guess I would ask, Mr. Chairman, if there is  
18 any initial thoughts, questions about it for those who had  
19 the opportunity to review it, or if you just want me to  
20 point you in the direction where the Board needs to  
21 discuss the Auditor's report?

22 CHAIRMAN BAIRD: Anybody have any specific  
23 areas you'd like to discuss, or do you just want her to go  
24 through it?

25 BOARD MEMBER HYDE: Just go through it.

1 MS. BLAKE: Okay. The beginning of the report,  
2 from pages 24 through 47, I'm going to skip through.  
3 Please read it if you wish to do so, but that part of the  
4 report primarily addresses the Office of the State Fire  
5 Marshall.

6 Beginning on page 48, which is titled Finding  
7 Two, that is information that obviously is of great  
8 interest to this Board meeting. The findings of the  
9 Auditor General, just basically summarized, is that their  
10 review of our revenue to expenditures led them to the  
11 conclusion that we should fully recover fees, we should  
12 ensure that our fees fully cover the cost of operating  
13 manufactured housing and modular building activities.  
14 That would mean, obviously, that that proration, 95 to  
15 105, they want us to be at 100 percent. We met that  
16 last year at 94.

17 And so, the other important thing here that I  
18 want to bring your attention to is, we had a, through this  
19 audit process, a new legal interpretation of our statute  
20 that, by the Attorney General for the Office of the  
21 Auditor, that determines that the cost of the Office of  
22 Administrative Functions that directly support the Office  
23 of Manufactured Housing, that being specifically  
24 licensing, consumer complaints, investigations, must be  
25 considered part of the functions of the Office of

1 Manufactured Housing. And therefore, the fees that this  
2 Board set should target on covering those costs at a  
3 hundred percent.

4 Now prior to that interpretation, the  
5 interpretation -- I wasn't here when this Department  
6 started, but clear back, and certainly since I have been  
7 here, interpreted the statute differently, and interpreted  
8 the statute to say that there are three offices comprised  
9 in this department. The Office of the State Fire  
10 Marshall, the Office of Manufactured Housing, and the  
11 Office of Administration.

12 In the past the Office of Administration, which  
13 houses licensing, consumer complaints, HR, IT, budget, all  
14 of those functions that support the entire agency, were a  
15 separate office. They were budgeted separately, and those  
16 costs were not included in the proration of fees to  
17 expenditures submitted for OMH. So, different  
18 interpretation, and that is something the Board needs to  
19 consider and discuss today.

20 So, having said that, I am going to go into,  
21 are there questions about that part of it? I know I went  
22 through it kind of quickly.

23 CHAIRMAN BAIRD: I have one. The Office of  
24 Administration, do they do any support function for the  
25 Fire?

1                   MS. BLAKE: Yes. Yes, they do. Actually, a  
2 year or year and a half ago, we actually broke the Office  
3 of Administration into two, I guess functional  
4 departments. One, we still call the Office of  
5 Administration, and it provides front office, budgetary,  
6 accounting, IT, those functions that support both the Fire  
7 Marshall and Manufactured Housing.

8                   We split out the Office of Compliance, which  
9 Beth leads, because those functions specifically support  
10 licensing, consumer complaint, investigations for  
11 Manufactured Housing, and also separately administer the  
12 Landlord Tenant Act, which is not part of what this Board  
13 necessarily addresses, but it is part of the whole mobile  
14 home manufactured arena, I guess.

15                  And so, I guess that was good in some ways,  
16 from a budgetary standpoint. So it has been separated  
17 out. So, yes, to answer your question, Office of  
18 Administration, for those IT budgets, those expenditures  
19 and support goes to both Fire Marshall and Manufactured  
20 Housing.

21                  Beth's area, compliance, the bulk of it goes to  
22 Manufactured Housing support, because they do not support  
23 in any way, shape or form the Office of the State Fire  
24 Marshall.

25                  CHAIRMAN BAIRD: You know, bulk, is it all of

1 it or --

2 MS. BLAKE: Well, the piece that doesn't  
3 support it is the Landlord Tenant Act. Your fees do not  
4 need to cover any activities for the Landlord Tenant Act,  
5 because it is supported out of the relocation fund, which  
6 is a separate fund intended to support the direct/  
7 indirect costs and hearing costs that have to do with the  
8 Landlord Tenant Act, as well as hearing costs that have to  
9 do with other functions in the Department; consumer  
10 complaints, investigations, that kind of things.

11 CHAIRMAN BAIRD: Okay. Other than Beth's  
12 department, the other departments we are prorating that  
13 somehow? And part of that is being charged, or I'm asking  
14 are our fees to cover?

15 MS. BLAKE: No, they are not asking that. The  
16 Auditor's recommendations did not include Office of  
17 Administration. It just included Compliance, those  
18 support functions.

19 BOARD MEMBER HYDE: So we weren't taking her  
20 department into consideration before?

21 MS. BLAKE: Correct.

22 BOARD MEMBER HYDE: Now we need to prorate it  
23 at a hundred percent.

24 MS. BLAKE: Hundred percent. Now, a hundred  
25 percent is always but, right. Again, the relocation fund

1 is a revenue source for direct and indirect costs for  
2 those staff members of Beth who work on the relocation  
3 fund. So, and then we have the H.U.D. fund, that is also  
4 another revenue source that supports partially  
5 Compliance.

6 This might be a good point to go to this  
7 document that is paper-clipped to the back of your book.  
8 I think, at least for me, it sometimes helps. So, this  
9 will help explain some of that that we are talking about.

10 So, on the first page of the three-page  
11 document is the General Fund Budget.

12 So again, remember, for budgeting purposes,  
13 this is a general fund agency, we receive, we receive an  
14 appropriate amount from the Legislature every year out of  
15 the general fund to help support the functions of this  
16 Department, the whole department.

17 We also receive all the fees that are collected  
18 through Manufactured Housing, go into the general fund,  
19 okay, and then we get money back.

20 In good times for the industry, we paid in a  
21 lot more than we got back. Now that things are slow in  
22 the industry, we don't pay in as much as they give us  
23 back.

24 So, the budget amount, again, the top heading  
25 for the general fund, are general fund appropriations for

1 this fiscal year, fiscal '12, is 1,763,000, of which  
2 700,000, or 40 percent of that is allocated to  
3 Manufactured Housing to pay expenses. 37 percent goes to  
4 the State Fire Marshall, 20 percent to Administration; the  
5 IT, HR, those functions, and three percent goes to the  
6 Compliance section. So that is how the general fund  
7 budget is broken down and allocated for this fiscal year.

8                   BOARD MEMBER HYDE: So we have to collect  
9 756,000.

10                  MS. BLAKE: Yes, we do. Thank you, Troy.

11                  And down below, in the projected expenditures,  
12 and remember this is all projections. I broke down for  
13 you in the charts the expense types, so these are the  
14 expenditures.

15                  In the first box we are looking at the OMH  
16 budget projection, and you will see in those columns  
17 there, that we have the general fund allocation, and we  
18 receive moneys from H.U.D. for the contractual functions  
19 we do for them, and we receive some monies from the  
20 relocation fund to help support inspection activities that  
21 are related to the relocation fund.

22                  So those are our three revenue sources for the  
23 fiscal year. The last column of course is the total  
24 funds.

25                  So, in summary, we get 700,000 from the general

1 fund. We have a total operating budget of 1,000,034 for  
2 the fiscal year. That in the past has been the  
3 information that we based fees on, the general fund money  
4 that we get, that 701, we had to bring in enough revenue  
5 to cover that at 95 to 105. Right?

6 And the chart to the right of that is the  
7 Compliance budget.

8 Again, just this recommendation from the  
9 Auditor is recommending that we have to make up that  
10 money as part of OMH.

11 Again, the same breakdown of expenses, the same  
12 three categories of revenue sources, general fund, H.U.D.  
13 Fund, relocation fund.

14 You'll see the number for relocation is much  
15 higher here, because the activities are more specific to  
16 that. Beth's staff directly supports the petitions,  
17 hearings, those things. So the cost there of salaries and  
18 benefits is higher, so when you add the two yellow,  
19 highlighted, general fund totals together, as Troy just  
20 said, the fees that we collect this year have to be as  
21 close to a hundred percent as possible, that 756,000.

22 The little chart right below that is just for  
23 your reference and convenience. If we get into the  
24 hundred percent, that is what we have to collect, and then  
25 we have the spectrum on both sides 95 to 105, where we

1 need to get.

2 CHAIRMAN BAIRD: I don't think we heard what  
3 you said about the interpretation was a hundred percent.  
4 We always operated on the the 95-105.

5 Could we have a little discussion from someone  
6 about why the interpretation was changed to 100 percent?

7 MR. PALMA: Well --

8 MS. BLAKE: You want to help with that, Gene?

9 MR. PALMA: I can't speak for the Auditors. I  
10 have had a lengthy discussion with them, and I think, I'm  
11 just speaking for myself. And it is just that I believe  
12 that, you know, in the budget environment we are in, it  
13 behooves all agencies to cover costs at a hundred percent  
14 if possible.

15 So, going off that premise, you know, they  
16 said: Okay, you know, your costs for OMH should be  
17 covered at a hundred percent. Now, the statute says 95 to  
18 105, and so, I'm sure if we hit 95, you know, because we  
19 are meeting statute, I don't see an issue, but that's just  
20 my perspective on it.

21 You know, obviously there are Auditors who may  
22 have answered you differently.

23 BOARD MEMBER HANEY: I imagine the goal is to  
24 be at 100 percent and the 95 to 105 is because we can't  
25 accurately predict.

1 CHAIRMAN BAIRD: Correct.

2 MS. BLAKE: Right.

3 BOARD MEMBER HANEY: Leave us some leeway in  
4 case you don't.

5 MS. BLAKE: Correct.

6 CHAIRMAN BAIRD: I believe you answered it.

7 MS. BLAKE: Well, there's been no Legislative  
8 change to the statute, so that doesn't change. It's  
9 interpretation.

10 When you have time I will just draw your  
11 attention to pages 86 and 87, which are the Department's  
12 official responses to the Auditor recommendations, and you  
13 will see more information there about the new  
14 interpretation that is impacting what you're challenged  
15 with is raising fees to meet that. So, the Department  
16 did, as Gene said, have several discussions with them  
17 about it, and that is our official response there.

18 BOARD MEMBER HYDE: I'm not sure what this  
19 question goes to, but just because the Auditor General  
20 says that they think we should cover Compliance and we  
21 have not been, whose final decision is that? The  
22 Legislature, or is that their report and we have to do it?

23 MS. BLAKE: Well, the Department is meeting  
24 tomorrow, as part of the Legislative session, with the  
25 Committee of Reference who is hearing the Auditor

1 recommendations for four agencies, Beth?

2 MS. SOLIERE: Yes.

3 MS. BLAKE: Four agencies, of which we are  
4 one. The Auditor makes their presentation to the  
5 committee.

6 We are there to respond to his questions, and  
7 then it's my understanding that the committee will make a  
8 recommendation.

9 I don't think, I think what they are  
10 recommending at this point is, do they sunset the  
11 Department?

12 I don't think they are getting into the  
13 elements of the Auditor's report versus the Department  
14 responses, but I have not been through the process. I  
15 think that they review all the materials and make a  
16 recommendation. If the Department stays intact for a  
17 year, five years, ten years.

18 BOARD MEMBER HYDE: So the outcome of this is,  
19 do we open the doors tomorrow or not?

20 MS. WILLIAMS: It's not that quick, but yes.  
21 Basically they shut down the Department.

22 MR. PALMA: Obviously part of that is how  
23 efficient is the Department being run. So the Auditor  
24 recommendations obviously carry some, you know, some  
25 weight with the Legislation, because they have spent time

1 reaching their observations, and the recommendations are  
2 based on that research.

3 And so, when the Legislature meets with us  
4 tomorrow, I'm sure they will have questions regarding how  
5 we do certain things or our procedures, so on and so  
6 forth, and if we are implementing the Auditor's  
7 recommendations.

8 But as you well know, the Board has a decision  
9 whether to carry out the increase in fees or not.

10 MS. BLAKE: What the consequences of that would  
11 be, I think maybe you are asking for legal advice. If you  
12 want that, we can facilitate that now, or if you, is that  
13 what you're asking for, Sam? What would be the legal  
14 advice?

15 MR. BAIRD: No, I see the rationale behind it.  
16 I just hadn't jumped there yet.

17 MS. BLAKE: Okay.

18 BOARD MEMBER HANEY: Let me ask a couple  
19 questions to get this clear in my mind. The Auditor's  
20 report was fiscal year 2010. Is that correct?

21 MS. BLAKE: No, they looked at '09, '10 and  
22 '11.

23 BOARD MEMBER HANEY: Okay.

24 MS. BLAKE: They just recently wrapped this up,  
25 but they looked at those three.

1                   BOARD MEMBER HANEY: But '11 just ended a couple  
2 of months ago. But if they looked at 2010 and there's a  
3 shortage, then they looked strictly at 2011, then the  
4 increases that the Board approved in 2011 brought us into  
5 compliance. Does that carry any weight?

6                   MS. BLAKE: Well, what their report actually  
7 said is that, because we interpreted the statute too  
8 narrowly, if you now bring in the Compliance salary, we  
9 actually only hit proration at 90 percent. So, we fell  
10 five percent short of the minimum requirement that the  
11 Board has to meet 95.

12                  BOARD MEMBER HANEY: Secondly, I have got a  
13 list, you know, and I want to get out of here. The sunset  
14 provision is the Department of Fire, Building and Life  
15 Safety.

16                  MS. BLAKE: Correct.

17                  BOARD MEMBER HANEY: The Office of Manufactured  
18 Housing is statutory and even if the Department, which  
19 encompasses the Fire Marshall and the Office of  
20 Manufactured Housing, is sunseted, the Office of  
21 Manufactured Housing will continue, whether probably not  
22 as a stand alone, but it will continue somewhere in the  
23 bureaucracy.

24                  Is that correct?

25                  MS. BLAKE: I think that's a fair assessment.

1                   BOARD MEMBER HANEY: Okay. My recollection is,  
2 and I'm not 30 anymore, so sometimes things get fuzzy.  
3 But back in 2009, 2010, we had discussed some of these  
4 issues, and my understanding is that that Board was told  
5 that the Office of Manufactured Housing, the  
6 administrative function, all of those things were taken  
7 into account when we were looking at the budgetary items.  
8 And now you are saying that it wasn't. Is that correct?

9                   MS. BLAKE: I'm sorry, would you say that one  
10 more time?

11                  BOARD MEMBER HANEY: Back in 2009 and 2010, the  
12 question was asked by this Board if the proposed budget,  
13 when we were setting fees, included the Office of  
14 Administration, the Office of Manufactured Housing and all  
15 the relate functions, and we were told that yes, it did,  
16 but now you are telling us that, in fact, it did not.

17                  MS. BLAKE: It never has been.

18                  BOARD MEMBER HANEY: But the Board was told  
19 that it was, is the point I'm trying to make.

20                  MS. BLAKE: I'd have to look back through the  
21 transcripts to verify, but if you were told that, it was  
22 an error. Office of Compliance, Administration, has never  
23 been considered as part of the fee structure.

24                  BOARD MEMBER HANEY: And I know in, I think it  
25 was 2000, again, I think it was 2009, and again in 2010,

1 we were asked, or the Board asked if there was some  
2 methodology, if something could be put in place so we  
3 could see where the expenses were being incurred, so that  
4 if we had an adjustment in fees, the appropriate area of  
5 fees could be adjusted.

6                   And I think, I think Gene at that time said  
7 that he had given out, I don't know, slips of papers,  
8 whatever, to employees so they could start documenting  
9 that, and that they probably would have that in six to  
10 eight months.

11                  Did we ever get that?

12                  MS. BLAKE: We have been tracking, and 2010 we  
13 did put in place some employee time-tracking, so that we  
14 could start to understand where people are spending their  
15 time. We implemented a new actual system this year,  
16 beginning with fiscal '11, so in July to enhance that.  
17 And so we are tracking it now. We will have better  
18 numbers after that has been in place for a period of  
19 time.

20                  So yes, there have been efforts to begin to  
21 track it. I'm not sure everybody was necessarily tracking  
22 it the same way, and so you are not getting valid data.  
23 So it was fixed, enhanced, and yes, everybody is tracking  
24 it today.

25                  BOARD MEMBER HANEY: So today this Board is

1 being asked to consider raising fees without really any  
2 more information than we had a year ago, and two years ago  
3 and three years ago. So we don't know if a third of our  
4 costs is through the licensing and auditing and stuff like  
5 that, so we can say: Well, the licensing needs to bear a  
6 third of the costs. We don't have any of that yet.

7 Is that an accurate statement? We don't know  
8 where the costs of the Department, where -- where our  
9 expenditure is going so that the fees to support that  
10 activity can cover the cost of that expenditure. Am I  
11 making sense?

12 MS. BLAKE: You are correct. We have not  
13 completed the cost analysis for each of the functions.  
14 So, let me see if I am understanding your question right.  
15 So, the cost of inspecting a mobile home, manufactured  
16 home installation, we do not yet know the cost of what  
17 that function costs the Department to do. We have done  
18 some initial cost study on that one specifically, and we  
19 know, again because the records weren't accurately and  
20 specifically maintained in our first effort, we know it's  
21 somewhere between \$87 and \$257, and there is such a range  
22 because that includes mobile homes that are in the --

23 BOARD MEMBER HANEY: I know, even though there  
24 may be a range there, if you do a thousand inspections and  
25 they cost \$10,000, it's \$10 per, whether some of them were

1 a dollar and some of them were 18?

2 MS. BLAKE: Right.

3 BOARD MEMBER HANEY: So we have an average, or  
4 we should have an average.

5 MS. BLAKE: We have an initial average on that  
6 particular function.

7 BOARD MEMBER HANEY: I guess I'm not  
8 comfortable at this point voting for an across the board,  
9 what we have always done in the past, rate increase for  
10 everybody in the industry, regardless of where the cost is  
11 being incurred.

12 MS. BLAKE: And I think that is fair, and if we  
13 can move through the options, because, and I agree, we  
14 need a cost analysis. It's not here.

15 What we do know today, and at this Board  
16 meeting for you to discuss and consider is, we know the  
17 number that we have to meet from a budgetary standpoint.  
18 We know that we are on track to be nowhere near it.

19 So, if I can take you through the three options  
20 we are presenting to you today on the knowledge and  
21 acknowledgement that we don't have a cost breakdown, and  
22 we are not going to have it for a few months, because we  
23 are tracking the data and we need some time to gather that  
24 and be able to analyze it. So, and the Board doesn't have  
25 to take any action. That is your prerogative.

1                   So let me walk you through the options, based  
2 on just that 750,000, and see if any of them are something  
3 the Board wants to entertain, or if you have different  
4 thoughts or different direction for us.

5                   CHAIRMAN BAIRD: Excuse me, Debra?

6                   MS. BLAKE: Yes, thank you, Mr. Chairman.

7                   CHAIRMAN BAIRD: These options that you're  
8 describing, you are saying these would be some approaches  
9 to meeting this hundred-percent level, based on  
10 projections that you have, you and your Department  
11 evolved?

12                  MS. BLAKE: Correct.

13                  CHAIRMAN BAIRD: Using some recent collected  
14 data?

15                  MS. BLAKE: Correct.

16                  BOARD MEMBER STEGMAYER: Debra, in the Auditor  
17 General's report here, finding two addresses that, right?  
18 They are saying you should develop and track individual  
19 costs?

20                  MS. BLAKE: Yes.

21                  BOARD MEMBER STEGMAYER: And you should maybe  
22 use the recently-acquired personal tracking system?

23                  MS. BLAKE: Yes.

24                  BOARD MEMBER STEGMAYER: And you responded yes.

25                  MS. BLAKE: Yes.

1                   MR. PALMA: We've started it, we've already  
2 begun implementing that, and so, we don't have a complete  
3 year of having that data.

4                   But to address Neal's point, which is  
5 completely valid, I agree with you. We do have a number  
6 we can work with in terms of costs. You know that these  
7 are the costs that we have to cover. Now, whether they  
8 are for in-state travel, or professional services, or for  
9 overhead, it really, when you get down to it, it doesn't  
10 matter, because it's coming out of the same budget.  
11 You're going to have to cover the shortfall.

12                  BOARD MEMBER HANEY: Right, I understand that  
13 it's coming out of the same budget, but if two-thirds of  
14 the inspections, or two-thirds of the cost is related to  
15 the inspection, then inspection should recover two-thirds  
16 of the cost, not licensing. That's what I'm trying to  
17 say, so rather than doubling everybody's fees to cover,  
18 bring us up to where we need to be. If the cost for  
19 licensing, for instance, is minimal, and the cost for  
20 inspection is astronomical, our cost, or our fees for  
21 inspection should be astronomical. If, on the other hand,  
22 it's the other way around, and our licensing is costing us  
23 half of our budget, then the income for that half of the  
24 budget should come from licensing and not inspection.

25                  MS. BLAKE: And I agree with you, and -- I'm

1 sorry.

2 MR. PALMA: I was just going to say that I  
3 understand what you're saying, and I agree absolutely.  
4 The licensing issues are more an abstract function, it's  
5 not a resource-driven cost analysis. So I'm not going to  
6 set my case upon studies of this sort, although I could  
7 probably make my life a lot easier than it is now.

8 I'll have to actually look at, of course,  
9 licensing being front-loaded. I'm apprehensive to raise  
10 licensing fees to make up for a short fall that is being  
11 calculated, because it's not, its specific function is not  
12 being, we are not charging enough for that specific  
13 function. If I'm making sense that it doesn't --

14 CHAIRMAN BAIRD: It makes sense.

15 MR. PALMA: -- line up, and also that it's our  
16 industry members in a way that, I think it should  
17 probably, you should see see where it attaches to business  
18 actually being done, as opposed to somebody who say is  
19 licensed and saying why.

20 Do you know what I mean?

21 CHAIRMAN BAIRD: I do.

22 Ms. Blake, these options that you are  
23 proposing, do any of these address what he's --

24 MS. BLAKE: I think some of them might. Why  
25 don't we, Mr. Chairman and Board members, look at them and

1 then have more discussion.

2               Okay, so beginning on page two of that, option  
3 number one, which is kind of so far the concensus. Many  
4 of us don't want to really do a straight across the Board,  
5 is exactly what that is. In order for us to get into the  
6 proration range for fiscal '12, remembering that we are  
7 halfway through the fiscal year, come January 1, and we  
8 would need to give notice to everybody prior to raising  
9 the fees, so assuming --

10              BOARD MEMBER HYDE: We can change them?

11              MS. BLAKE: I'm sorry?

12              BOARD MEMBER HYDE: We can change them?

13              MS. BLAKE: Yes. So, assuming the fees would  
14 become effective January 1, we've only got a half of the  
15 fiscal year.

16              So option number one suggests that you may  
17 consider raising fees across the board to every fee  
18 category. For fiscal '12 we need to make up \$67,000 to  
19 get us to the 95 percent proration, so, it's a good  
20 attempt at full cost recovery, but not quite there, so  
21 again, not specific cost, total general fund cost.

22              BOARD MEMBER HANEY: 10 percent.

23              MS. BLAKE: 10.26 percent, correct.

24              Now, if we do that for the full fiscal year,  
25 it's actually going to be a 16-percent increase. It's

1 going to get us 105 percent, that will get us to the  
2 hundred percent. And you may say: What's the difference  
3 between 10 and 16? Well, again, do you want to get to a  
4 hundred percent or 95 percent?

5 BOARD MEMBER HYDE: But you have half a year.

6 MS. BLAKE: This year.

7 BOARD MEMBER HYDE: That doesn't make sense to  
8 me.

9 MR. PALMA: If you raise them ten percent,  
10 you're only going to have an effect of five percent.

11 MS. BLAKE: Right.

12 BOARD MEMBER HANEY: At least that's what I'd  
13 say.

14 MS. BLAKE: And that's why you only get to the  
15 95 percent and not a hundred.

16 BOARD MEMBER HYDE: So that last five percent  
17 is an additional 11-percent increase, because you're  
18 raising the fee for a half-year?

19 MS. BLAKE: Correct.

20 BOARD MEMBER HYDE: And that only takes ten  
21 percent?

22 MS. BLAKE: Correct.

23 BOARD MEMBER HYDE: For us to get that extra  
24 five-percent proration, you'd have to raise it 16 percent.

25 MS. BLAKE: Yes. Because if you look at the

1 column that says: Total fee increase, that's the number  
2 that we have to get. Again, it looks a little peculiar  
3 because the goal is 95 percent, and there's no way  
4 reasonably we could get to a hundred percent this fiscal  
5 year, with half the year gone.

6                   BOARD MEMBER STEGMAYER: And that's assuming  
7 the baseline remains the same.

8                   MS. BLAKE: Assuming the baseline. And that's  
9 just, there is so many things that are variable that we  
10 don't know.

11                  What is the production volume going to be?  
12 What is the activity going to be? So it's just assuming  
13 the baseline.

14                  CHAIRMAN BAIRD: For perspective.

15                  MS. BLAKE: So that's option one.

16                  Option two is kind of on the thought process  
17 Neal was going down, which is, let's apply a weighted  
18 methodology to it. So if we know that 30 percent of all  
19 of our revenue string comes from renewed licenses, then we  
20 hit that fee at a weighted 30 percent.

21                  Now, just to put that in perspective for your,  
22 I know it's a lot of information. If you look at the  
23 little chart off to the side of the pie graph, what that  
24 means in numbers is, if you're a master manufacture  
25 licensee, an M-9E, your current renewal fee is \$679.

1           That would raise to \$883, the annual renewal  
2 fee on that license.

3           BOARD MEMBER HYDE: I have a math question.

4           MS. BLAKE: Okay.

5           BOARD MEMBER HYDE: Fiscal year '12 at the top  
6 had the same for option one and two. Assuming you're  
7 taking the baseline of 652, which is a full year for the  
8 revenue. Times that 10 percent, to give you a fee  
9 increase of 66,000. I took 652 times 10.2 percent, and I  
10 got 66,000.

11          MS. BLAKE: Uh-huh.

12          BOARD MEMBER HYDE: So if we only have half a  
13 year left, shouldn't that be half the baseline? Shouldn't  
14 we be only figuring on the 325,000?

15          BOARD MEMBER HANEY: Well, the baseline is  
16 going to remain unchanged, but the amount we're going to  
17 collect in half a fiscal year is only half of the 10  
18 percent. Right.

19          BOARD MEMBER HYDE: So we have to raise fees  
20 based on half of the baseline. In order to calculate  
21 where we need to be. We still have to get to that ten and  
22 a half.

23          BOARD MEMBER HANEY: I see what you're saying.  
24 The projection for half a year is only 326,000, so we've  
25 got to increase revenues by 66,000. Then we need to --

1                   BOARD MEMBER HYDE: 66 divided by 325, not by  
2 625.

3                   BOARD MEMBER HANEY: Right. Right.

4                   MR. PALMA: So then we would have to raise fees  
5 again for the next fiscal year? You'd have to lower them.

6                   BOARD MEMBER HANEY: We'd lower them.

7                   MR. PALMA: In order to get this, you're going  
8 to have to, if you take a full year at a time, you would  
9 need to raise it, say 10 percent. But you're only going  
10 to collect that increase for half a year. So you need to  
11 double what you need to collect, and the next fiscal year  
12 back off half of what the increase was.

13                  BOARD MEMBER HYDE: Right.

14                  BOARD MEMBER HANEY: So instead of being a  
15 10.2, it would be a 20.5 to get us there.

16                  MR. PALMA: Thank you.

17                  BOARD MEMBER HYDE: Yeah, that's what I got.

18                  MS. BLAKE: Well --

19                  BOARD MEMBER STEGMAYER: It's about 26.

20                  MS. BLAKE: Yeah, and I think that calculation  
21 was just the difference between the expenditures and the  
22 baseline, is the 66. That's what we have to recover.

23                  BOARD MEMBER HYDE: And we're going to have  
24 about \$325,000 worth of fees to recover it on. That's the  
25 20-percent increase for this current year.

1                   CHAIRMAN BAIRD: Which you wouldn't start  
2 collecting until six months.

3                   BOARD MEMBER HYDE: Yeah, when we have the  
4 half-year.

5                   CHAIRMAN BAIRD: All right. I have some  
6 numbers on your example. The master permit, that's a  
7 30-percent increase, from 679 to 883.

8                   BOARD MEMBER HANEY: Yes.

9                   CHAIRMAN BAIRD: That sort of boggles --

10                  MS. BLAKE: Yes. That's if you use the  
11 weighted approach.

12                  BOARD MEMBER HANEY: But again, that's going to  
13 have to be doubled to collect in six months.

14                  CHAIRMAN BAIRD: Okay. Well, that's a point.  
15 We are assuming that we have to do that.

16                  BOARD MEMBER HANEY: Right.

17                  CHAIRMAN BAIRD: Do we have to do that?

18                  BOARD MEMBER HANEY: I just want us to be  
19 looking at accurate information. If that is our goal and  
20 that is our end goal, and that's what we plan on doing,  
21 then look, let's look at what we really have to do to do  
22 that, rather than -- so, if our goal is to collect 100  
23 percent of our expenditures, then the 30 percent in the  
24 second example will really become 60 percent, because  
25 we've only got half a year to do it.

1                   MS. BLAKE: Well, I guess the other thing I  
2 would say about that is, the Auditor's report says that:  
3 Fees, the Board may consider raising fees over a period of  
4 time to get there.

5                   They don't expect you to be at 100 percent this  
6 fiscal year.

7                   MR. PALMA: And it says: If it impacts the  
8 industry, it should be considered.

9                   BOARD MEMBER HYDE: If we didn't do anything,  
10 652 out of 726, so 84 percent?

11                  MS. BLAKE: Proration? Yes, about that range,  
12 yes. And that makes you out of compliance with your  
13 statutory responsibility, so.

14                  The third option, which is on page three, is to  
15 consider some specific fee increases to minimize impact to  
16 the industry and still get where you need to be. We  
17 looked at a couple of high-volume opportunities here.

18                  The first one is discuss with the installation  
19 permits. Some information there provided for you are the  
20 totals for fiscal '11. We sold 672 manufactured housing  
21 permits. 268 FBB permits.

22                  Next column is the revenue brought in for  
23 fiscal '11, based on the fees.

24                  The current fee for this category is 126 flat  
25 fee for manufactured housing permits, and a four fifty per

1 linear foot per story on FBB permits. If the fee was  
2 raised for manufactured housing permits to \$200, which is  
3 the fee that 90 percent of local jurisdictions under IGA  
4 agreement with the Department charge, it aligns it  
5 throughout the State with that. There are a few local  
6 jurisdictions that charge the max the Board has allowed,  
7 which is 300 per permit, but the bulk of them charge 200.

8                   So, for installers who are doing their cost  
9 analysis to make bids for jobs, it makes it consistent for  
10 them. It's 200 bucks, regardless of where you're setting  
11 the home. That is one consideration. That would be a 59  
12 percent increase. It would increase the annual revenue by  
13 49,000. Because we are half-year, it would increase  
14 fiscal '12 budget by 25,000.

15                   An increase on the FBB permits, raise it to  
16 five forty a linear foot, would bring in a revenue for the  
17 fiscal year of 6,000.

18                   CHAIRMAN BAIRD: Excuse me, square foot or  
19 linear foot?

20                   MS. BLAKE: Linear foot.

21                   CHAIRMAN BAIRD: What does linear foot mean? I  
22 mean, I know what it means, but you're saying you've got a  
23 unit that is a 12 by 60. So it's 60 times \$4.50?

24                   MS. BLAKE: No.

25                   MR. PALMA: It's the total perimeter.

1                   MS. BLAKE: It's the perimeter. You should  
2 calculate from that.

3                   CHAIRMAN BAIRD: So, it's the perimeter?

4                   MS. SOLIERE: Yes, perimeter times \$4.50.

5                   CHAIRMAN BAIRD: So, you said linear, that  
6 would be --

7                   MS. BLAKE: Yes, and then you double that per  
8 story.

9                   CHAIRMAN BAIRD: Sure, perimeter, not height.

10                  MS. BLAKE: Okay. So that is something for you  
11 to consider in the permit fee. The industry impact,  
12 again, on the manufactured housing side, is to the  
13 installers. Obviously it gets passed on to the consumer.  
14 But it bring some consistency to the fees.

15                  The second section down below really addresses  
16 the plan review function. There's three different options  
17 here. I've highlighted the one that gets us to the  
18 budget, and may, you know, make a lot of sense to you.  
19 And that is, we have, as you know, the Board has approved,  
20 there is an application fee, which is addressed here.  
21 This is currently \$31.50. We get in the application,  
22 staff reviews it, and makes sure everything is complete.  
23 Does not review the plan yet, so it's just the precursor  
24 for that. We charge \$31.50 for that.

25                  The bulk of the plans that we get in for fee

1 review are FBB plans. Because we review the construction  
2 and the installation of those. For the manufactured  
3 housing plan, the only thing we review there are certain  
4 foundation systems, and flood zones, and certain accessory  
5 structures that are not a vendor product. So somebody is  
6 going to build a deck and they are going to attach it to  
7 the home, add weight to it. That has to be reviewed  
8 internally by plan review.

9 So the bulk of the plans that come in for  
10 review are primarily from FBB manufacturers, who at least  
11 verbally have expressed they are willing to support any  
12 fee increases that are necessary, and because they just  
13 appreciate the speed by which this Department processes  
14 their plans, compared to working with local  
15 jurisdictions.

16 So, the recommendation there is raising the fee  
17 from \$31.50, to review the application, to a hundred  
18 dollars per plan.

19 BOARD MEMBER HANEY: So this is not a review of  
20 a plan.

21 MS. BLAKE: No.

22 BOARD MEMBER HANEY: This is just the  
23 application that comes in, you're checking to make sure  
24 all the necessary components are there.

25 MS. BLAKE: Correct. The actual review of the

1 plan is at a rate of \$103 an hour. So, complex plans take  
2 longer, get charged more.

3                   BOARD MEMBER HYDE: How long does it take to  
4 review a plan?

5                   MS. BLAKE: It depends. It depends on the  
6 complexity of it.

7                   MS. WILLIAMS: I would say 80 to 85 percent are  
8 getting done in an hour. Corrections can be generated.  
9 If there are many corrections, then you might take another  
10 hour. Larger plans, on larger square footage that exceeds  
11 7500, you're looking at two to three hours for plan  
12 review, because there is so much more information on the  
13 plans. Typically, there might be more corrections that  
14 are required, or there is some additional information that  
15 might be needed, and that will vary, but I would say the  
16 full plan reviews are typically within an hour.

17                  MS. BLAKE: So those are the three options that  
18 we wanted to offer for your consideration.

19                  You may have other suggestions. Again, Neal's  
20 points were, understanding and knowing actual cost of each  
21 function would be helpful. We don't have it right now,  
22 and so, we can't provide that. We are working on it, but  
23 I can't tell you if it will be ready in your next Board  
24 meeting or not. That is in January.

25                  BOARD MEMBER HANEY: We could call a special

1 Board meeting if we need to.

2 MS. BLAKE: You could. I don't think we're  
3 going to be ready for those within a couple months. Do  
4 you?

5 MR. PALMA: I hate to put a date on it, because  
6 as soon as I think I get something going, then obviously  
7 we have issue come up. This audit has taken quite a bit  
8 of the agency's time in terms of response to the Auditor's  
9 requests, and so that really put us behind the time line.

10 Then now, implementing some recommendations  
11 that's in the report is going to take some time. Not only  
12 on the Fire side, but on the OMH side.

13 And we have got software in place which  
14 measures some of the time-intensive factors, and that  
15 wasn't implemented, I believe in April. And so we have  
16 got all those factors, and I want to make sure I have  
17 enough time in utilizing the software that I know, and it  
18 is a valid measure.

19 So, I, and this is optomistic, but I would like  
20 to have something ready in and available to you by next  
21 March or April, to have some time with the actual  
22 measurements themselves, to make sure they are valid.

23 And we would like, as Debra said, we have most  
24 all activities broken down by time and procedures and  
25 steps, and time assigned to each step, and basically, how

1 much total time.

2 Now we are looking at methodologies to assign  
3 overhead, and IT and all the other various overhead  
4 factors, and excuse me, and that was part of the Auditor's  
5 recommendation. So these things are basically about 80,  
6 85 percent complete. So, we are hoping just to almost get  
7 there by next year.

8 May I remind you that none of these, and that  
9 is what has taken so long, because none of these systems  
10 were in place previously, so we had to start from absolute  
11 scratch in terms of just figuring out separate Department  
12 budgets.

13 And Debra previously had no knowledge as to  
14 what her particular Department actually spent per fiscal  
15 year in terms of broken down by cost category, which we  
16 implemented that and created a separate Compliance  
17 Division, which now tracks the cost of licensing,  
18 relocation fund cost, and the whole bit.

19 And so, as I know you would like to get this  
20 done and wrapped up, and I appreciate your patience, but I  
21 just hope you keep things in perspective.

22 These things are obviously going to take longer  
23 than we would like, but we are getting there, and I just  
24 ask for your patience a little longer in these matters.  
25 But obviously it's up to you. It's your decision, and

1 we'll implement any kind of decision you come to.

2 MS. BLAKE: And I'd just, I'd like to take it  
3 back up a little bit. It's been so helpful, because I  
4 understand your frustration on numbers, because we have  
5 had the same experience. You know, Mary Ann and myself,  
6 this is the first year now with Gene here and having a  
7 handle on it, that I have had any information about my own  
8 budget. How can I manage a budget that I don't know what  
9 it is? I don't know what my expenses are, I don't know  
10 how much money I have to work with.

11 Staff comes and says: Can I buy this, and I  
12 go, I don't know. Let me go check. And that is just not  
13 a way to operate. And so it has been helpful to know the  
14 numbers, even though the numbers are little, and we still  
15 can't spend any money, at least we know what they are.

16 And so, I do have another breakdown. I can  
17 e-mail it to you. I can verbally tell you. Although I've  
18 broken down the expense types for you, on the little  
19 handouts that you were given.

20 You know, in general, by the different expense  
21 types like salaries, benefits, operating costs, what  
22 percentage of the total budget that is.

23 If that is information you would like to have,  
24 it doesn't help you really set fees, but it is information  
25 that you might find interesting. So --

1                   CHAIRMAN BAIRD: That's what's on the front  
2 page here?

3                   MS. BLAKE: No, it's actually separate. It's  
4 just the total budget, and you know, 53 percent of the  
5 budget is for staff salaries.

6                   CHAIRMAN BAIRD: Okay. Question, what are the  
7 regulations about when any new fees that we adopt, if we  
8 do, would have to, when is the earliest they can take  
9 place?

10                  MS. BLAKE: Well, the only thing that the  
11 statute addresses is that you must establish the fees by  
12 May 15 every year, but Mary, could you help with that?  
13 It's my understanding in the past that there is nothing  
14 that prevents you from raising or lowering fees throughout  
15 the year.

16                  MS. WILLIAMS: That's the only one I saw in  
17 there, but like you said, it is, obviously, they didn't  
18 make anything retroactive.

19                  MS. BLAKE: But you must establish the annual  
20 fee schedule and publish it, must establish it by May 15  
21 so that it could be published in advance of the effective  
22 date, which is July 1st every year. But --

23                  BOARD MEMBER HANEY: But to mandate when you  
24 must establish, when it must be published, and doesn't  
25 give you latitude to change it in between. I mean, just

1 by the way it is stated, it seems like we would have an  
2 opportunity once a year to set fees.

3 MS. BLAKE: Well, the advice we have been given  
4 before is that you have the responsibility to set the fees  
5 so that it is published and everybody knows.

6 BOARD MEMBER HANEY: And it must be done by May  
7 15.

8 MS. BLAKE: However, your other responsibility  
9 is, as month by month when you get your financial reports,  
10 if you see that you are not on track, you must stay within  
11 the 95-105, so there is nothing in the statute that says  
12 you can't adjust fees as necessary throughout the year.

13 I know it is splitting a hair, but there is  
14 nothing that says you can't do that.

15 BOARD MEMBER DeSANCTIS: I have a question,  
16 Debra. Fees with licensing, and I'm unaware of this, are  
17 any of these fees year-to-date or some of them calendar,  
18 where fees come in from entities, like at one point in the  
19 year like the licensing?

20 BOARD MEMBER HANEY: Anniversary date.

21 BOARD MEMBER DeSANCTIS: That's based on  
22 anniversary date?

23 MS. BLAKE: Yes. They come in monthly, based  
24 on the licensee's anniversary date.

25 BOARD MEMBER HANEY: And I think we discussed

1 that at the last Board meeting that licensing fees for  
2 those kinds of fees, it's really unfair to raise them in  
3 the middle of the year.

4 MS. BLAKE: Yeah, because you don't know how  
5 many people already renewed, versus --

6 BOARD MEMBER HANEY: Well, it will just be  
7 unfair to the rest of them.

8 BOARD MEMBER HYDE: Why should you be a cheaper  
9 price than me?

10 BOARD MEMBER HANEY: Yeah, absolutely. Why  
11 should I pay twice as much for my license for the same  
12 period of time? I recognize that we have a statutory  
13 mandate to set fees, whether it's by May 15 or any time we  
14 want to, to cover 95 to 105 percent of our costs.

15 Also my understanding is that this Board  
16 exists, and this Department exists, in the role of  
17 consumer protection, and I think we, as Board members, at  
18 least I feel that I have a fiduciary responsibility to act  
19 in fairness to all parties concerned, because every cost  
20 we increase is passed on to the consumer. And if I have  
21 a, for instance a person who has a mobile-home dealer's  
22 license who sells five homes a year, and that's all they  
23 do. It says, I think it appears that licensing fees is,  
24 what, 30 percent of our revenue?

25 MS. BLAKE: Renewals.

1                   BOARD MEMBER HANEY: Renewals. Renewals alone  
2 is 30 percent of our revenue. And again, we don't have  
3 anything to back it up, but it just seems to me that when  
4 I send in my renewal, it's a pretty simple thing, and even  
5 if I am audited, it's a pretty simple thing, and it's hard  
6 for me to believe that the renewals take up 30 percent of  
7 the expense of this Department.

8                   MS. BLAKE: No. They bring in 30 percent of  
9 the revenue.

10                  BOARD MEMBER HANEY: Right. But should they be  
11 required to bring in 30 percent of the revenue if they are  
12 not eating up 30 percent of the cost of it?

13                  BOARD MEMBER DeSANCTIS: That's what I was  
14 getting at. I would suggest that, and I don't like saying  
15 this, because while we are protecting the consumer, but I  
16 believe that the Department itself is the biggest  
17 protection, in its existence.

18                  So I would say that I would look at this as  
19 something that is most readily passed along the line item  
20 to the consumer, and I don't like saying that, but it's  
21 spreading it out among the largest group in that way. So  
22 that, you know, a person buys a home, they do that once.  
23 But if we have a reoccurrence on the smaller entity, it's  
24 almost like it's sort of a cycle going through a  
25 deflationary spiral in the larger housing industry, and

1 that kind of eats itself up. If I'm making any sense.  
2 That some folks could be burdened where you can't, even  
3 though everything does eventually get passed on to the  
4 consumer, some items aren't that readily passed on.

5 As you said, if somebody is doing a small  
6 amount of homes, but they're a good dealer, like the --  
7 did you follow what I'm saying?

8 BOARD MEMBER HANEY: They're getting blown out  
9 of competition.

10 BOARD MEMBER DeSANCTIS: I think we're going to  
11 have to spread that out over their five consumers.

12 BOARD MEMBER HANEY: If my costs go up 500, and  
13 I've got five consumers, it will cost each of them a  
14 hundred bucks, minimal.

15 CHAIRMAN BAIRD: Are you going to make 500  
16 bucks though?

17 BOARD MEMBER HANEY: Yeah, but if there is a  
18 lot of people that are, unfortunately we don't have  
19 anybody representing the consumer side of this in the --

20 BOARD MEMBER DeSANCTIS: But it will have  
21 served its place in the plan, is what I'm saying, and  
22 given all consumers are paying. And again, they're paying  
23 for protection, and it doesn't.

24 So that way any entity isn't punished by  
25 volume. They're not punished by the arbitrary, as you

1 said, exactly why is something a function that really  
2 doesn't take much, because it's easy to do is why we did  
3 it, and it's a brain exercise, what you're finding out,  
4 because I think the year's massive spillage is over where  
5 the usage is going to just go, you know, where it's going.

6 CHAIRMAN BAIRD: Well, I think there is also a  
7 reason why the license fee in general supports the whole  
8 idea of having the institution. So it may be  
9 disproportionate between that and the cost of having this  
10 oversight.

11 And I think the other fees, individual fees are  
12 fine to look at, but there has got to be a base cost to  
13 start the whole operation.

14 It has to be supported by a significant license  
15 fee. Not just anybody can just decide: I'll get a  
16 license, only costs me \$10. I mean, there should be some  
17 responsibility, and that is, it should be some support of  
18 this effort.

19 BOARD MEMBER HYDE: Mr. Chairman, correct me if  
20 I'm wrong, but the Board is not charged with creating  
21 barrier to entry. The Board is charged with charging fees  
22 to recover and cover expenses that we incur. So any  
23 barriers to entry should be established by the Legislature  
24 or the Registrar or somebody like that. That shouldn't  
25 be, or isn't our purpose here, from my perspective.

1                   BOARD MEMBER STEGMAYER: Toward what point,  
2 what barriers?

3                   BOARD MEMBER HYDE: Like a hike in license fee  
4 or something like that, some sort of baseline for getting  
5 in.

6                   BOARD MEMBER STEGMAYER: What's the  
7 difference? I mean, the barrier could be the fee, a  
8 person can't install because he can't afford that fee  
9 also. I don't think it --

10                  BOARD MEMBER HANEY: Well, the only point I'm  
11 making is that what's established, what we logically use  
12 to establish fees shouldn't be how much do we want the  
13 cost to be, for an installer or a dealer.

14                  BOARD MEMBER DeSANCTIS: We are not going to  
15 lower our fees. We know that at this point.

16                  BOARD MEMBER HANEY: Might have earlier.

17                  BOARD MEMBER DeSANCTIS: From some sort of a  
18 personal perception standpoint, maybe we could, as Neal  
19 said, if we do this as we go, maybe we haven't been  
20 following this closely enough. This could be something  
21 where we leave, and it's just my suggestion, where we  
22 leave that sort of that license idea alone, and put it  
23 more towards these fees that are based on one, the work  
24 being done, but also spread out over the largest  
25 population in that sense, and that would be the consumer.

1                   BOARD MEMBER HYDE: From my perspective, I  
2 think I agree with a lot of what you both have said, that  
3 is we should be charging the higher fee to the one who,  
4 the one who costs us the higher expense, and I think that  
5 should be the only determination. Not who can get to the  
6 customer, or whose business it would impact less.

7                   I think in the cost for the Department or  
8 whatever it is, if it costs a thousand dollars to do it,  
9 it should be a thousand dollars, or whatever it is, and  
10 that should be the logical point.

11                  CHAIRMAN BAIRD: Okay, I understand your  
12 logic. I also understood Mr. Stegmayer's logic.

13                  There are costs involved with anybody that  
14 starts to do business for this Department. It affects  
15 everything that they do. So, that may not be a direct  
16 cost, or a flat cost that you can do, but it's an  
17 intrinsic cost. It's there.

18                  We just don't want anybody to go out and pay  
19 \$10 and become a retailer. That's not what it's about.  
20 There are costs involved, and we need to know what those  
21 costs are.

22                  BOARD MEMBER HYDE: But that's not what the  
23 Board is charged with doing.

24                  BOARD MEMBER STEGMAYER: No, and it's not a  
25 question of barrier to entry, but I'm drawing an

1 analogy that if mortgage brokers, for example, have been  
2 charged some sort of fee, that means that enables the  
3 regulatory agency that oversees mortgages and brokers to  
4 regulate them. Maybe it wouldn't be such a fix on the --

5                   BOARD MEMBER HYDE: But we have a little bit of  
6 mission created here.

7                   BOARD MEMBER STEGMAYER: Well, I don't want to  
8 say that it's our mission, but I am saying that the fees  
9 that are going to be charged to this industry, we're going  
10 to have issues there as to whether you put it in a per  
11 setup fee or per review fee.

12                  And I agree with you whole-heartedly, if we can  
13 define those costs, sure, we should assign as close as  
14 possible, but in the absence of being able to do that, you  
15 know, until next spring it sounds like, we need to come up  
16 with some ideas today, and I think it might be best to  
17 spread some of these increases over several of these  
18 components, because we don't know what the costs are.

19                  And if you have lower volume and you don't get  
20 those fee increases sent out, you don't have a license  
21 fee, what's going to happen, because the license fee is  
22 paid every year, but if volume continues to come down, how  
23 do we pay the basic overhead? We are charged to pay for  
24 that, right?

25                  BOARD MEMBER HYDE: Right, absolutely. And

1 that is the only thing we are charged with.

2                   My perspective is that if we have specific data  
3 that says that this takes more money than this, then the  
4 only logical or fair way to increase is across the board,  
5 is equally apply it to everybody. Otherwise, it's our  
6 decision on picking who gets to pay the bill or not.

7                   BOARD MEMBER DeSANCTIS: It's not a good  
8 position we are in, and I agree with you, because, you  
9 know, being allied with State banking, I'm very happy  
10 about the creation of the national licensing system. I  
11 wish they had done this ten years ago.

12                  The fees are nominal, but having an impact  
13 because of the time sort of after the bomb went off. And  
14 I think that's where our problem is. There's no argument  
15 I think between anybody here. It's just not a great  
16 position we are in.

17                  CHAIRMAN BAIRD: Debra, let me ask a question  
18 about your option three, I believe. You know, where we  
19 talked about increasing the fees on mobile home permits,  
20 126 to 200, and then the FBBs from 450 to 540, the  
21 installation permit fees.

22                  Did you have any analysis of what our fees, our  
23 costs are in that at all, any preliminary findings?

24                  MS. BLAKE: You know, I mean, like what other  
25 states are charging?

1 CHAIRMAN BAIRD: Or what it is costing us.

2 MS. BLAKE: There again, the only thing we have  
3 is our initial attempt with not complete information that  
4 the range is between 87 and 200, or 86 and \$257. The cost  
5 of doing a permit fee.

6 Again, you've got your complex, there's never  
7 been a home set here, you have got the utility trenches,  
8 the whole deal, and you've got: I'm moving it from Paul's  
9 park to Neal's park. Everything is there. So, big  
10 variety there.

11 BOARD MEMBER HANEY: What's the average? If we  
12 had numbers to work with, this is our low, this is our  
13 high, with all these in between, we'd have some set of  
14 numbers, so you should be able to total and divide by that  
15 set of numbers.

16 MS. BLAKE: We have not gotten that far yet.  
17 We've got the range, 86 to 257.

18 CHAIRMAN BAIRD: Okay.

19 MS. BLAKE: I'd like to draw, Mr. Chairman and  
20 Board members, your attention kind of on point with what  
21 you were speaking about. On page 54 of your packet, one  
22 of the recommendations from the Auditor, about three-  
23 fourths down the page, 2.2, says, you know, once there's a  
24 methodology for recommending costs, and again we talked  
25 about that today.

1                   The Department should recommend increasing fees  
2 gradually. The Board should consider the effect that the  
3 proposed fee changes may have on the affected industries,  
4 and obtain the industry input when reviewing the fees.

5                   BOARD MEMBER HYDE: If we did nothing, and we  
6 collected maybe 84 percent of the proration, what gives,  
7 what happens?

8                   BOARD MEMBER HANEY: Well, we all get kicked  
9 off the Board and they bring in new people.

10                  BOARD MEMBER HYDE: That's it.

11                  BOARD MEMBER HANEY: I don't know.

12                  MS. WILLIAMS: For your fees this year, your  
13 current year.

14                  BOARD MEMBER HYDE: If we stay with current  
15 fees, we'll be at about 84 percent, current fees.

16                  MS. WILLIAMS: Well, I mean, and I read through  
17 the Auditor's report. It doesn't, it gave the Department  
18 some tasks to do and some things to come up with. It's  
19 not necessarily you've got to do it right now.

20                  I think they want you to put some thought into  
21 this and figure out how best to allocate that and do  
22 that. It says gradual, perhaps seek some industry input  
23 on it.

24                  So I guess, just talking to Gene, as I read the  
25 agenda, I guess I hadn't realized, being new to this

1 Board, you have already set the fees for this current  
2 year. I mean, you have got them set. I'm not sure of the  
3 Auditor's intent, and I wasn't here.

4 In your discussions with them, I defer to Gene  
5 and Debra on it, but if their intent was, you had to come  
6 to this meeting and you need to fix these right now, if  
7 the tone of this is, you need to start gathering your data  
8 and come up with the calculations, so that you can reach  
9 your goal.

10 So I don't necessarily read it as: You've got  
11 to fix it right now, because I don't think, they certainly  
12 probably don't want you just to pick a number without  
13 really exploring all your options. And I think again, I  
14 will defer to them, but it would seem to me that if you  
15 were putting forth the effort to do this, that's going to  
16 go a long way with them. I mean, obviously, thinking  
17 about it, you didn't just say: No, never mind, we are not  
18 going to do anything. So, I mean, I guess, and I was just  
19 telling Gene here again, if you were to increase them  
20 today and waited on the agenda, I'm not sure that's  
21 something that somebody has anticipated. These are the  
22 complaints today and are we going to change today?

23 BOARD MEMBER HYDE: Well, we had the public  
24 notice of the agenda.

25 MS. WILLIAMS: Right. You've had a nice

1 discussion on it, but I think maybe some of the people  
2 that are going to be affected on it may want to weigh in  
3 on it.

4                   BOARD MEMBER DeSANCTIS: I'll move that I go  
5 with Troy to increase it across the board today. I don't  
6 like it. I think in the future that as far as licensing  
7 it, from the amount it's not going to hurt anybody, but  
8 the licensing fee, the manufacturer, again, the logic I  
9 was trying to present, but I would go along with it. I  
10 think that on this end, it needs to be figured that we are  
11 not putting on license fees and such, and are diverted  
12 where there are people aren't paying for representing the  
13 cost for an actual function. I think that's what we are  
14 saying. So, if we've got to do this, then we might as  
15 well, till we have the actual numbers, and I think that's  
16 the only equitable way, to do the increase across the  
17 board.

18                   CHAIRMAN BAIRD: Well, did I mishear what she  
19 said? I thought she said we don't have to do anything  
20 right now, that she didn't, that her interpretation was  
21 that, what they were saying was that they didn't even  
22 expect us to do anything.

23                   MS. WILLIAMS: Well, I have to defer to Debra  
24 and Gene on that. I don't know that it's, I mean, they  
25 have to have a starting point. So they looked at your

1 numbers and they just said: We don't think, based on  
2 these, it will cover it. But it's got a lot of steps in  
3 here. The Department should do this, this, this, go to  
4 the Board with it, come up with -- I mean, it doesn't say  
5 by November 15th, November 1st, December. So I think  
6 certainly they want you to think about it and put some  
7 thought into it, come up with the data, and --

8                   BOARD MEMBER HYDE: You don't think we can do  
9 anything today?

10                  MS. WILLIAMS: Well, again, looking at this, I  
11 guess again, just based on my maybe not understanding how  
12 your group works.

13                  I thought this was going to be what you were  
14 going to put in place for the next fiscal year, not  
15 affecting what you have already. So, you know, the best  
16 practice might be if you want to increase those fees that  
17 you have currently right now for this year, then maybe  
18 reagendize it to, say, give the public notice that: Hey,  
19 we're going to be increasing these, and we're going to  
20 continue to study them, but if you want to put in a quick  
21 fix, maybe it would be better to come back in another  
22 week.

23                  MS. BLAKE: I was going to add to that, that  
24 the way it's structured on the agenda has been the way  
25 it's always been structured since I have been here, even

1 when you're making fee decisions. So --

2 MS. WILLIAMS: But usually it's once a year.

3 MS. BLAKE: No standing agenda item.

4 MS. WILLIAMS: But are fees changed every  
5 meeting?

6 BOARD MEMBER HANEY: No.

7 CHAIRMAN BAIRD: I don't believe. They never  
8 have.

9 MS. WILLIAMS: Which is a little different than  
10 the public, because somebody may have said: Well, the  
11 fees have already been set. They are not going to change  
12 them today. They're just probably going to talk about the  
13 fee structure.

14 If you're actually going to take the action and  
15 raise the ones that you currently have in place, it's  
16 probably better to bring it back to another agenda and  
17 then put on there so the public knows.

18 BOARD MEMBER DeSANCTIS: Well, strike my  
19 motion.

20 CHAIRMAN BAIRD: We'll strike that motion.  
21 Okay.

22 Now, let's just say that we collected our data,  
23 we followed our steps, we had our public comment. We did  
24 everything. And that by May 1st of 2012, we established a  
25 new structure based on new-found information, updated

1 information, real information. And we did that, is this  
2 going to fit with the mind set that it's going to be okay  
3 with the review board and what everyone is saying?

4 MR. PALMA: I wish I could tell you, but you  
5 know, that's unknown. To kind of reiterate, these are  
6 recommendations.

7 All we can do as an agency is present to you  
8 the recommendations. Whether you decide to do something  
9 with it, is obviously, your decision. All we can tell the  
10 Legislature when we, like tomorrow at our hearing, we  
11 could say: We presented the Board with some options for  
12 fee increases, and they are considering them.

13 MS. BLAKE: Right.

14 MR. PALMA: And so we fulfilled what the  
15 Auditors have, quote, directed us, the recommendations  
16 that said that we should present options. And as Mary  
17 said, you know, there's no date on it. There's no  
18 deadline. There, it doesn't say you have to do it, you  
19 know, by the first, you know, not at this, the report  
20 disclosed that you have to do it immediately.

21 So, I think it behooves the members of the  
22 Board to just consider, and it's your decision. There's  
23 no, there's no artificial deadline, I want to make sure.  
24 We presented the information to you because we have a  
25 duty, because of the report, to send it to you, and that's

1 all we do, and then you decide.

2 Again, in our view, we can say to the  
3 Legislature: We presented the Board with several options  
4 and they are considering them.

5 BOARD MEMBER HANEY: Well, I think when I look  
6 at that, I see several interpretations. To say they have  
7 done this audit and they have found that perhaps policies  
8 and procedures for establishing fees have been flawed in  
9 the past. Please develop a more accurate procedure in  
10 order to establish fees that will meet the criteria of  
11 statutory mandate.

12 Is that a fair assumption?

13 BOARD MEMBER STEGMAYER: I don't think they --  
14 I didn't see fees to be inaccurate.

15 MS. BLAKE: Well, when they did the sunset  
16 audit in, I think it was 1999, one of the recommendations  
17 at that time was that the permit fees did not cover costs,  
18 and the follow-up to that, which was probably a year,  
19 maybe two years later, was that the fee that was, where  
20 the Department took the information to the Board, that  
21 permits fees do not cover the costs, and the Board took no  
22 action, made no fee increase.

23 And so, during the second audit process, that  
24 was kind of brought up. And I don't tell you for any  
25 other reason, just to tell you that there is kind of a

1 history there.

2 Now to Neal's point, if the information  
3 provided to the Board didn't enable them to understand  
4 what they should raise it to, that explains why they took  
5 no action, but it's in the record.

6 BOARD MEMBER HANEY: Were there three of us on  
7 the Board back then?

8 CHAIRMAN BAIRD: I think I was. We didn't have  
9 any information. There was no data.

10 BOARD MEMBER HYDE: We still don't have the  
11 data.

12 BOARD MEMBER HANEY: It's only been 12 years.

13 MS. BLAKE: And then the other thing is, the  
14 Auditor said that, was it six months, Gene, or 18 months?  
15 At some point between six months and 18 months, the  
16 Auditors will come back and do kind of a where are you at  
17 with this thing? How are you doing? And so, you know, as  
18 Gene said, with the Legislature, if we have not been able  
19 to give you what you need to make your decision, and you  
20 have not made a decision, we will be reporting just that.  
21 That it was brought up at this meeting. The Board didn't  
22 make any decisions because they didn't have the actual  
23 cost data they felt they needed to make those decisions,  
24 and that is the progress update.

25 And then whatever the Department is doing to

1 establish those costs.

2 So, we'll have an update and we have that  
3 history, I just wanted to share with you.

4 BOARD MEMBER DeSANCTIS: And we don't have to  
5 do something quick?

6 CHAIRMAN BAIRD: They're not saying that at  
7 all.

8 BOARD MEMBER DeSANCTIS: I did not hear that.  
9 So we never had a lot of this, even as you said, put  
10 something before us with so little time to even decide.

11 CHAIRMAN BAIRD: Well, I think that's what Mary  
12 was explaining to us, that there is no time. They haven't  
13 put a time.

14 MS. WILLIAMS: This just came out.

15 CHAIRMAN BAIRD: This just came out.

16 MS. BLAKE: This just came out, and we just  
17 want to make you aware of what they said and what needed  
18 work on, and if you want to do something now, here's some  
19 things to consider, but it's entirely at your discretion  
20 how you want to do it.

21 CHAIRMAN BAIRD: Thank you. here is what I  
22 see. We've got the report. We reviewed it. We reviewed  
23 several different perspectives. We discussed it. And  
24 what I would like to see is a plan of action developed by  
25 you all, as to how you're going to address some of the

1 specific recommendations, as well as a collection of  
2 meaningful data that the Board can make a proper  
3 determination of what the fee structure should be.

4                   BOARD MEMBER HANEY: Is that a motion?

5                   BOARD MEMBER HYDE: Can I make a motion? I  
6 think I made that motion.

7                   BOARD MEMBER DeSANCTIS: Well, we missed it by  
8 a long shot. What we've been talking about is regardless  
9 of the report anyway.

10                  CHAIRMAN BAIRD: I think that's where we should  
11 go. We need a plan and mandating you to do a plan. Come  
12 up with a time-line schedule, and let's go forward.

13                  BOARD MEMBER HANEY: Mandate, or can we  
14 request? Do we mandate it to the Department, or do we  
15 request the Department to come up with it?

16                  MS. BLAKE: Request sounds so much nicer.

17                  CHAIRMAN BAIRD: Whatever. I just need your  
18 licensing costs before you come over here next time.

19                  BOARD MEMBER HANEY: No.

20                  CHAIRMAN BAIRD: Whatever. I think that is  
21 where we need to be. I mean, we need, you all need to  
22 come back to us and say: Okay, we need more information  
23 before we make our decision.

24                  MR. PALMA: That is reasonable.

25                  CHAIRMAN BAIRD: I'll put that in the form of a

1 motion.

2                   BOARD MEMBER HANEY: I'll second.

3                   CHAIRMAN BAIRD: All in favor, say aye.

4                   (Affirmative responses.)

5                   CHAIRMAN BAIRD: Opposed?

6                   (No response.)

7                   CHAIRMAN BAIRD: The motion carries  
8 unanimously. Good discussion really. I think we have a  
9 little better understanding because of the options that  
10 were presented. The fourth option was we don't have to do  
11 anything. We need more data. Great.

12                  All right, fee structures, that's just a  
13 standing item. We talk about that every Board meeting.  
14 Any discussion on that issue?

15                  Recovery fund. Yeah. Beth, where are we at?

16                  MS. SOLIERE: Page 94, the current balance of  
17 the recovery fund is 62,682. And at this time there are  
18 no cases pending payment. There are also no cases pending  
19 scheduling of a hearing.

20                  There is one case that is pending a hearing,  
21 and that's scheduled for November 16, and the pending  
22 amount is 20,263, and the average monthly deposit in the  
23 recovery fund is about eight thousand. So if that claim  
24 does go through, and there weren't that many, we'd be  
25 looking at around 58,418.

1 CHAIRMAN BAIRD: In particular to that claim,  
2 what claim pending hearing means in the two categories you  
3 just said?

4 MS. SOLIERE: The first category is if a claim  
5 had gone to hearing and they were awarded the money, and  
6 we were waiting to pay them. They're waiting out the  
7 appeal time to pay them. Currently, there is nothing  
8 waiting.

9                   The second one is if a case had been,  
10 application had been sent to us, but the hearing had not  
11 been scheduled yet.

12                           BOARD MEMBER STEGMAYER: Because the last one,  
13 we don't have a hearing date. But there is one scheduled.

14 MS. SOLIERE: Yes, there is one scheduled, and  
15 the date is November 16. And the claim amount is 20,263.

18 MS. SOLIERE: If you turn to page 96, that  
19 claim is the second one down. The number is 2011-084,  
20 Cruz. And so there is a list here of some of the items  
21 that were verified to dealer and installer, and that one  
22 actually continues on, on page 97.

23 CHAIRMAN BAIRD: Is the dealer still in  
24 business?

25 MS. SOLIERE: It says here the license is

1 invalid.

2 CHAIRMAN BAIRD: Installer still in business?

3 MS. SOLIERE: I'm not sure about that. I could  
4 find out and let you know.

5 CHAIRMAN BAIRD: I'm only asking from the point  
6 of view, if they're not in business --

7 MS. SOLIERE: Right.

8 BOARD MEMBER HANEY: They didn't do anything  
9 right, did they? At least that is the claim.

10 MS. SOLIERE: Right.

11 CHAIRMAN BAIRD: That was an \$83,000 contract,  
12 and \$20,000 claim. Okay.

13 BOARD MEMBER STEGMAYER: What is this Board's  
14 responsibility to fix it? Do we have any responsibility  
15 for it?

16 MR. PALMA: Recovery fund? I don't believe so.

17 MS. BLAKE: I think it sets the amount.

18 MS. SOLIERE: It sets the amount of recovery  
19 per home sold, and I believe the cap is \$30, and that is  
20 what it is currently. \$30 per home sold with the recovery  
fund.

22 BOARD MEMBER HANEY: Renewal license is paying  
23 the bill.

24 MS. SOLIERE: Right now they are paying ten.

25 CHAIRMAN BAIRD: Who is paying 30?

1 MS. SOLIERE: It would be up to the Board.  
2 BOARD MEMBER STEGMAYER: On each sale?  
3 CHAIRMAN BAIRD: Per floor.  
4 MS. SOLIERE: It would be 30 per unit.  
5 BOARD MEMBER HANEY: So it's per floor?  
6 CHAIRMAN BAIRD: We don't set that fee.  
7 MS. SOLIERE: Yes, we set the fee, yes.  
8 BOARD MEMBER STEGMAYER: I think we are charged  
9 with it.  
10 CHAIRMAN BAIRD: The fee was set by someone, we  
11 could take it up to that level, but there was a maximum  
12 set.  
13 MS. SOLIERE: I think the maximum is 30.  
14 CHAIRMAN BAIRD: I think it was a statute.  
15 MS. BLAKE: The maximum is 50.  
16 MS. SOLIERE: Okay, the maximum used to be 30.  
17 BOARD MEMBER HANEY: And we changed it to 50,  
18 didn't we?  
19 MS. BLAKE: And they backed it back down pretty  
20 quickly, yeah.  
21 BOARD MEMBER STEGMAYER: Do we have a  
22 responsibility to have any money in it, if the consumer  
23 didn't have any?  
24 MS. SOLIERE: Well, there was about a year  
25 where there wasn't, yes.

1                   BOARD MEMBER STEGMAYER: But what I'm getting  
2 at is, what's the Board's responsibility?

3                   As Troy pointed out earlier, where he said the  
4 only thing we have, the only responsibility we have is to  
5 make sure that this is funded for 95 to 105.

6                   Do we have any other responsibility?

7                   MS. BLAKE: Yes, you do. Your responsibilities  
8 include adopting rules that cover the construction of  
9 homes, the installation, reconstruction, the fees of  
10 course, and establish licensing standards and bonding  
11 requirements.

12                  BOARD MEMBER STEGMAYER: That's what I'm  
13 getting at, Troy. I sit on this thing because I think  
14 there is more to it than just making sure the fees are 95  
15 to a 105 percent.

16                  I think a lot of what we're supposed to be  
17 doing is helping protect the consumer, make sure that  
18 this is a viable way to provide affordable housing to  
19 residents of Arizona.

20                  I mean, I think that is part of why this thing  
21 exists. Maybe you want to try to have a commerce work  
22 product, the consumer is protected, there is free trade  
23 sanctity, but a responsibility is part of the business.  
24 And I thought that is what I was getting into when I  
25 accepted.

1                   BOARD MEMBER HYDE: I agree with you, Joe,  
2 completely. I'm just not sure that a fee established by  
3 the Board as a barrier to entry is the best way to go.

4                   BOARD MEMBER STEGMAYER: We didn't set it as a,  
5 it's not a barrier of entry. Again, we said, the only  
6 thing you were saying was that's our responsibility to  
7 just make fees. It seems to me we also have some latitude  
8 as to how those fees should be charged.

9                   And indeed, if the installer here has been  
10 paying fees, and now they're out of the business, retailer  
11 is out of business, there's no money there.

12                  BOARD MEMBER HANEY: Any part of the policy  
13 requirements for getting a license, whether it's a  
14 manufacturer, dealer or whatever, is to make sure that  
15 there is integrity, and part of that is, you know, anybody  
16 can scrape together \$10, but it takes somebody else who is  
17 able to go scrape together the funds and the bonding  
18 requirements and pass them to the background check, a  
19 minimum threshold that we want to establish for people to  
20 be licensed.

21                  BOARD MEMBER HYDE: And that would be under the  
22 licensing requirement.

23                  THE COURT REPORTER: Excuse me, I need to  
24 change paper now. Thank you.

25                  CHAIRMAN BAIRD: We're almost done.

3 MS. BLAKE: We're back on the record.

4 CHAIRMAN BAIRD: Is there any bond money not  
5 yet collected?

6 MS. SOLIERE: Since the last Board meeting, I  
7 did not collect any additional funds. So the numbers are  
8 the same as they were last time.

9                   BOARD MEMBER HANEY: So you do have some  
10 pending reports, including these two right here, I would  
11 assume?

12 MS. SOLIERE: Yes.

13 CHAIRMAN BAIRD: Okay, any other issues for  
14 recovery?

15 Moving along, notice of proposed rule making.

16 MS. BLAKE: Mr. Chairman and members of the  
17 Board, we have, typically this is a standing item on rule  
18 making, but the update is the same as the last Board  
19 meeting, that we have submitted the rule packet that you  
20 all reviewed and approved. Additional process, it's my  
21 understanding that the notice has been published on the  
22 rule making, and it has not yet been scheduled for group  
23 review.

24 So the process is ongoing, and no new update  
25 prior to that, in addition to the update you had before.

1 CHAIRMAN BAIRD: Thank you.

2 Okay, next section, is call to the public. Any  
3 comments from the public?

4 MR. ANDERSON: Mr. Chairman and members of the  
5 Board and staff. Just one comment on the license or fee  
6 increases in the future. Maybe an option that's going to  
7 be looked at would be IGA agreements, where in place, are  
8 working extremely well for both the Department and the  
9 industry. Yeah, there is a little higher cost for the fee  
10 of \$200, but Debra and Gene just put it in place. So it  
11 might be an agreement up in Mohave County where an IGA  
12 agreement goes into place in a large colony like that,  
13 generally eliminating these factors. I don't know what  
14 the average cost of an inspector would benefit, save us an  
15 estimated \$50,000. So for every major IGA agreement you  
16 can probably reduce expenses by roughly that amount.

17 And I think that is just one option that the  
18 Board should look at in going forward, as opposed to fee  
19 increases, or maybe partial fee increases and more IGAs  
20 and less employers.

21 CHAIRMAN BAIRD: Thank you. Any other comments  
22 from the public?

23 MS. WILLIAMS: Unless you want to go back to  
24 your other agenda.

25 CHAIRMAN BAIRD: We don't want to comment on

1 that. The Chair will accept counsel's comment.

2 All right. Next meeting is scheduled for --

3 MS. BLAKE: You have in your last tab, the  
4 fiscal '12 schedule, and that's in our fiscal calendar.  
5 Here is your schedule for your Board meetings for next  
6 year so that you can plan. Every quarter, third Wednesday  
7 of each quarter, beginning at 1:00 p.m.

8 BOARD MEMBER DeSANCTIS: I'd like to make a  
9 suggestion to put on the next meeting if necessary. Gene  
10 and I were talking about this. I wish some of the other  
11 Board members were here. We had some great discussions,  
12 and I mentioned that on the other Boards I sit on, we  
13 actually can call in. I always come if I can. It's  
14 better, but I think sometimes there has been times where I  
15 couldn't get here, but I could have probably called in and  
16 been a part of it. You know we sort of --

17 BOARD MEMBER HANEY: I hate those things.

18 BOARD MEMBER DeSANCTIS: I know, I do, Neal.  
19 We didn't usually have any problems with making a quorum  
20 or getting the authority Board. Sometimes there are very  
21 often that problem, and so we couldn't survive without  
22 it. And again, I would, well, then we could be sitting at  
23 home and we could have these go on and on. Roger could do  
24 them.

25 BOARD MEMBER HANEY: Watching his soaps,

1 drinking his whiskey.

2                   BOARD MEMBER DeSANCTIS: It's just, I would  
3 have loved to have had that option many times, to have  
4 taken part.

5                   MR. PALMA: Well, I was just going to raise  
6 the, not the question, but make a comment on that is, we  
7 are more than happy to work with the Board in implementing  
8 something like that. I would just ask to be given some,  
9 you know, healthy notice so that we, because I don't know  
10 how the phone system is set up here. And we can make sure  
11 that it's in working order and that's available to us at  
12 the time that, so if somebody is planning to do a  
13 tele-conference, I guess, you could give us a couple of  
14 days on it, if possible. I understand sometimes things  
15 come up the day of, and --

16                  BOARD MEMBER DeSANCTIS: I'm just pulling from  
17 the other Board, that it's the routine is, answer back:  
18 I'll be there, or call in, or I'm unavailable, and it's  
19 every time there is a meeting, and it's monthly for sure.

20                  BOARD MEMBER HANEY: Do we have in the meeting  
21 room the ability to do that here?

22                  BOARD MEMBER DeSANCTIS: Correct, we do.

23                  MS. BLAKE: Excuse me. We have a large  
24 conference room downstairs in our area that has  
25 tele-conferencing capability, and we could certainly check

1 and see. It looks like we have the little box back  
2 there. I think we could accommodate that, certainly.

3 BOARD MEMBER HYDE: Yes, we need to make sure  
4 that a possible fee increase is on the agenda for next  
5 time, extending the item.

6 MS. WILLIAMS: Well, it will make it a little  
7 more clear, cover all your options.

8 MS. BLAKE: Thank you, Mary.

9 BOARD MEMBER HYDE: And then maybe there might  
10 be some public that would like to come and speak about it.

11 CHAIRMAN BAIRD: Well, that's what I was  
12 thinking about the plan of action which we should receive  
13 before this meeting, I would think. That we could have  
14 something there so that this meeting would be prepared to,  
15 you know, we are getting closer to the May 1st deadline.

16 MR. PALMA: I will certainly do my best to  
17 prepare that for you.

18 BOARD MEMBER HYDE: Mr. Chairman.

19 CHAIRMAN BAIRD: Yes.

20 BOARD MEMBER HYDE: Motion to adjourn.

21 BOARD MEMBER STEGMAYER: Second.

22 CHAIRMAN BAIRD: All in favor?

23 (Affirmative responses.)

24 CHAIRMAN BAIRD: Opposed?

25 (No response.)

1                   CHAIRMAN BAIRD: This meeting is adjourned.  
2                   (Whereupon the proceedings concluded at  
3 2:57 p.m.)

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

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Dated this 16 day of Nov, 2011.

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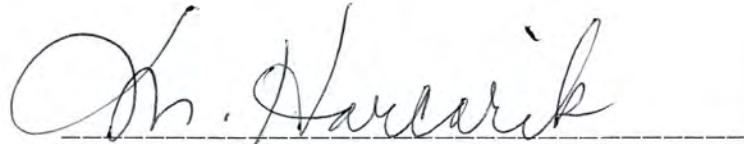
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Marge Harcarik, Official Reporter

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