

June 1, 2010

To: Laguna Woods Village Board Members

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Subject: Service Organization performance measurements

Would answers to the following questions be of any value to a Director?

1. Do we have any components in our mutuels that have an increasing trend in **repairs** or **replacements**?
2. Do we have any increasing trends in the **repair hours** for the components in item 1 above?
3. Do we have any increasing trends in the **material costs** for the components in item 1 above?
4. How long (days) does it take from call initiation until call completion (**lag time**) for a specific repair?
5. Do we have any “Problem” manors/buildings that have **exceptional** numbers of repair calls?
 - a. If we do, what is the reason for the **repeat calls**?

Most Home Owner Associations (HOA) hire a Management Company whose major purpose is to provide the necessary service to the homes and common area located within the HOA. Very few HOA directors have the needed skills to measure the performance of the Management Company. Laguna Woods Village is no different and, by default, the Boards have elected to use the annual Budget as the only means of measurement.

Using the budget as the only criteria prevents the board members from understanding the underlying parameters that drive the annual budget. The Management Company can justify almost any cost and it is seldom that any director has the knowledge and skill to argue with the results.

The service industry has developed a series of measurements that are common and would allow even an inexperienced director to evaluate the basis for the cost measurement and it's justification. Terminology can be different from company to company, but the underlying measurement is the same. In this analysis I will use the following parameters.

1. Measurements provided by PCM;

- a. **Annual Service Cost:** The annual costs that are generated during the generation of the annual budget. This can be generated at various levels; i.e., Work Center, labor, material, etc. This is generally provided for the past two years and has little or no value for establishing a trend.
- b. **Lag Time:** The total time from the initiation of a call by the resident to property services until the problem is resolved. This is one of the parameters that measures potential customer satisfaction. In 2010 budget creation PCM generated two years of history (2008 & 2009). Unfortunately, two data points will not establish a trend and creating this report on a monthly basis will bring the report up to date (the current month) and allow an analyst to recognize a trend.

2. Measurements used in industry but not provided by PCM to Laguna Woods Village.

- a. **Failure Rate:** The derived failure for a replaceable/repairable component; i.e.; (the number of failures of a component during a time period (month) / number of units in the sample (United Mutual). As an example; 100 hot water heater leaks during a one month period in the United Mutual / 6323 manors = .0158 failures per manor per month. This can be plotted monthly to indentify a positive or negative trend. The slope of the curve is evident even to a novice board member.
- b. **Repair Action:** The failure rate (above) is a subset of this parameter since this can also measure non-failure calls by a resident, such as, a defective dishwasher for a call that is diagnosed as improper machine operation by the resident. Repair action also includes calls for scheduled maintenance or replacement; i.e., Roof replacement, hot water heater replacement.
- c. **Duration of Unscheduled Repair Action (DURA):** The man hours expended on an unscheduled call (failure) from the time the call is initiated until the problem is completed (Janitor + Plumber + carpenter + painter). This measures the efficiency of the service and also influences customer satisfaction.
- d. **Duration of Repair Action (DRA):** This is a measurement of the scheduled call actions from the time that the call is planned until it is completed.
- e. **Exception Report:**
 - i. Duration of repair: This report should be updated weekly and should identify any manor repair action that exceeds an established time period without a resolution. This report should be posted in the directors room so that a director from the affected mutual can take any necessary action as he deems fit.
 - ii. Number of repairs: This report should be updated weekly and should identify any manor that has multiple repair actions within a specified time period. i.e.; multiple plumbing stoppage calls that are deemed excessive within a time period (6 months?). This can be created on a Manor or Building basis.

Use of these types of reports will eliminate the use of the annual budget as a measurement. The current budget is a self fulfilling prophecy and does not enable a director to make any educated decisions other than defining a “service level”. There are many parameters that go into evaluating a Managing Agent and trends are one of the most crucial. With these types of reports, it is feasible to have a meaningful running review of the current budget as a direct input into the next yearly budget.

These suggestions were all proposed in 2004-2005 and the major excuse at that time was that the computer programs were not capable of tracking the necessary parameters. That was used as justification for the generation of the “Stellar” system which was completed in early 2007. This system cost the mutuals many thousands of dollars to program and implement and was supposed to be able to provide a series of reports that include the above parameters.

It is now time to justify the programming and computer costs and show that PCM does know how to provide the directors with the means to measure performance.