

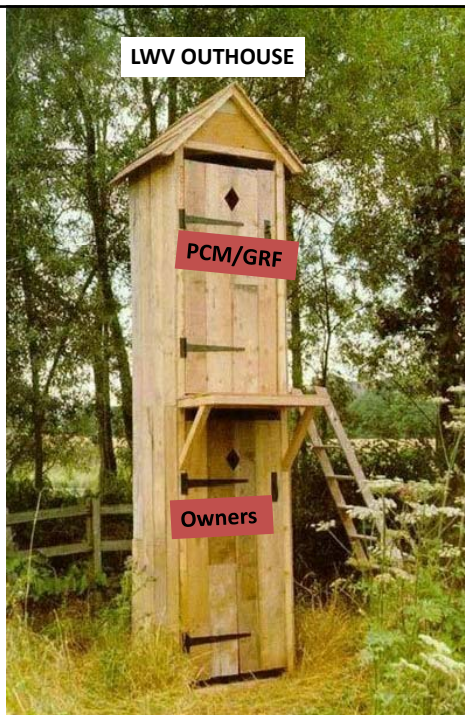
LWV August 20, 2009 Residents Voice

Conrad Grundke

08/20/2009

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Topics for Tonight

- **Home Owner Association**
 - **Employee Compensation**

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“Home Owner Association”

Overview!

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Structure of HOA

- **Owners**
 - Those with the legal responsibility for the property.
- **Boards of Directors**
 - Officials elected to manage the property of the owners.

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Purpose of Boards of Directors

- **Maintain our homes and common areas.**
 - Provide building and grounds upkeep
- **Comply with Government regulations**
 - Provide necessary administrative needs

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Method Used by the Boards

- Hire a Management Company to provide the necessary services (PCM).
- Boards provide management Oversight.
 - Also known as; *“FIDUCIARY RESPONSIBILITY”*
 - They define; *“SERVICE LEVELS”*

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“Costs!”

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Boards Responsibility

- Boards Hire a Managing Agent to provide maintenance.

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Managing Agent

- **Hires the necessary services to comply with the “Service Levels” defined by the Boards.**
 - **Third Party Contracts**
 - Cost agreed to between LWV and Contractor
 - **Managing Agent Contract**
 - Cost agreed to via budget

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Third Party Contracts

- **Managing Agent not a bidder**
 - Bids normally sent out by PCM
 - Bids normally opened by PCM
 - Boards can be involved in selection

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Potential Third Party Contracts

- **Managing Agent involved as one of the bidders**
 - Bids normally sent out by PCM
 - Bids normally opened by PCM
 - Boards can be involved in selection

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Costs

- **For work done by Managing Agent;**
 - **Equipment & Supplies**
 - **Labor**
 - **Number of Man hours**
 - **Labor Rate**

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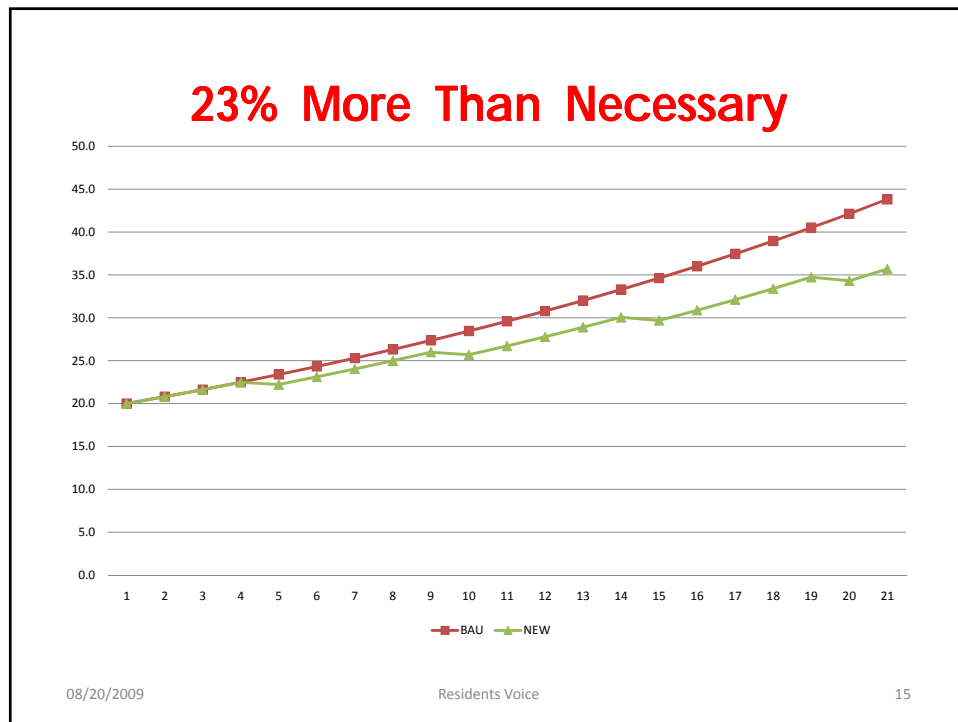
How have other companies reacted to the current environment

- Eliminate unnecessary services
- Research lower costs for Equipment & Supplies
 - Rent/Lease vs own
 - Alternative suppliers
- Reduce number of man hours
 - Increased Efficiency
 - Reduce Labor Rate

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Consequences

- \$95,000,000 Total Budget per Year
 - 60% is Labor
 - \$57,000,000 per Year
 - 23% more labor cost than necessary
 - \$13,111,111 per Year
- Equals;
 - **\$1029 per manor per year**
 - **\$85.7 per manor per month**

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Conclusion

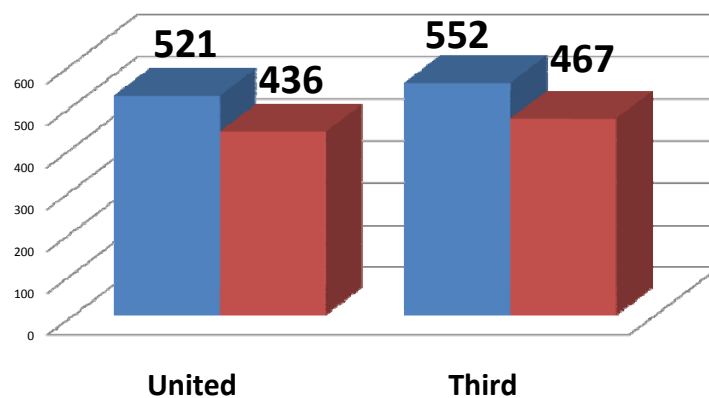
- Due to the potential cumulative lack of control by PCM over the past 20 years, we are now potentially paying;
 - United Mutual \$521.58 instead of \$436.58
 - Third Mutual \$552.41 instead of \$ 467.41

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Current vs Potential



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The End