

**THE CONTINUING SAGA:**

**"FOLLOWING THE MONEY"**

**9/10/2007**

**Conrad Grundke**

9/10/7

Residents Voice

**We're Still on the Trail . . . . .**

**A George Portlock Quote !**

**GRF & PCM  
WERE ....**

**"CAUGHT WITH  
THEIR  
PANTS DOWN !"**

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**R-Voice**



**GRF & PCM**

Residents Voice

## **“Caught With Pants Down?”**

- What is Mr. Portlock referring to?
  - Credit Card Charges ?
  - Expense Reimbursement Charges ?
  - Bonus/Incentive Plan ?
- What could be the problem ?
  - Charges were unethical ?
  - Charges were illegal ?
  - Board was not aware of the charges ?

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Residents Voice

## **“So ! They Pulled Up Their Pants, and They ... !”**

- Passed a resolution on Aug 13, 2007:
  - The “Staff Support Expense Policy”
- Did the Housing Mutuels have any input ?
- Done in closed session! Why?
  - Residents/owners should know:
    - Which Directors provided input?
    - How did they vote?
    - Who wrote the guidelines?



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Residents Voice

## **Now! As a Result of this Policy, How Does This Control Expenses ?**

- Well, PCM will only spend what PCM asks for in the **BUDGET**.
- But! GRF says, “**GRF** controls the budget!”
- So! What has **GRF** done in the past?
- **Just look where we're at today.**

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Residents Voice

## **Does the “new Policy” Place a Limit on the Expense Budget ?**

- No! The Historical Trend is:
  - What PCM asks for .... GRF gives !
- There is NO documented limit!
- However 1% of the yearly budget has been mentioned by GRF:
  - 1% of a \$90 million yearly Budget is
    - \$900,000 per year

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Residents Voice

## **Some Details on the new “Staff Support Expense Policy”**

- Let’s review some of the controls **GRF** has placed on **PCM Staff** through the new “Staff Support Expense Policy!”

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## **What they won’t allow!**



- Gifts:
  - **Globe Editor earrings from Tiffany.**
- Upgrades from coach fare, car, room, etc.
- Hotel Amenities (movies, room service, etc.).
- Mileage for social functions:
  - **Round trip Mileage to Clippers NBA game.**
- Club Memberships (sporting, airline, etc.).

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Residents Voice

## **What they won't allow (cont)!**

- Alcohol Purchases.
- Traffic or parking ticket fines.
- Sightseeing or entertainment on trips.
- Clothing or personal purchases.
- Valet Service
  - **Valet parking at restaurants.**
- Car Washes
- Expenses for spouses, relatives & friends.

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## **What they will allow!**

- Personnel Training & continuing Education.
- Membership and dues in trade and professional associations.
- Professional and trade association conferences.
- Professional certification and/or license fees.

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Residents Voice

## **What they will allow (cont)!**

- Staff Support Expenditures for:
  - Staff Entertainment
  - Meals
  - Business Meetings
- (Such as, holiday meals, retirement parties, recognition of service, etc.)



### **Does This Sound familiar ?**

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Residents Voice

## **13. GRF-Paid Expenses and the Budgeting Process**

PCM, as a part of the annual Budget Process for GRF, shall include a report that will indicate the annual amount to be included in the budget, as a separate line item, for each of the following expense items.

- E). Staff support expenditures for staff entertainment, meals and business meetings. The types of staff support expenditures will be listed, i.e., holiday meals, retirement parties, recognition of services, etc.

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Residents Voice

## **Who Have We Excluded?**

- **The Housing Mutuals.**
  - Residents pay 100% of all Staff expenses thru monthly assessments.
  - GRF controls 100% of Staff expense budget.
  - Housing Mutuals control 0% of Staff expense budget.
  - Housing Mutuals need more control of Staff budget..
- **The Resident/Owners**
  - They need greater representation.

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Residents Voice

## **The Consequences?**

In lieu of the fact that the Managing Agent has established his priorities as follows:

- 1. PCM Corporation (Disbro & Olsen)**
- 2. PCM Employees**
- 3. Laguna Woods Village Resident/Owners**

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Residents Voice

## **This Results In !**

- A situation where the Managing Agent has no incentive to establish a **MINIMUM** budget.
- His objectives place the resident/owners in a position of **contention** when determining the budget.
- The Boards are **unwilling** and/or **incapable** of competing with PCM.

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Residents Voice

GRF **“wants us to believe”** they have resolved the **Credit Card** and **Expense Reimbursement** charges,

- Now! GRF wants us to forget the past and just go forward.
- Is this problem solved or has it been swept under the rug?

***• SO! HAVE THEY MISSED ANYTHING ELSE?***

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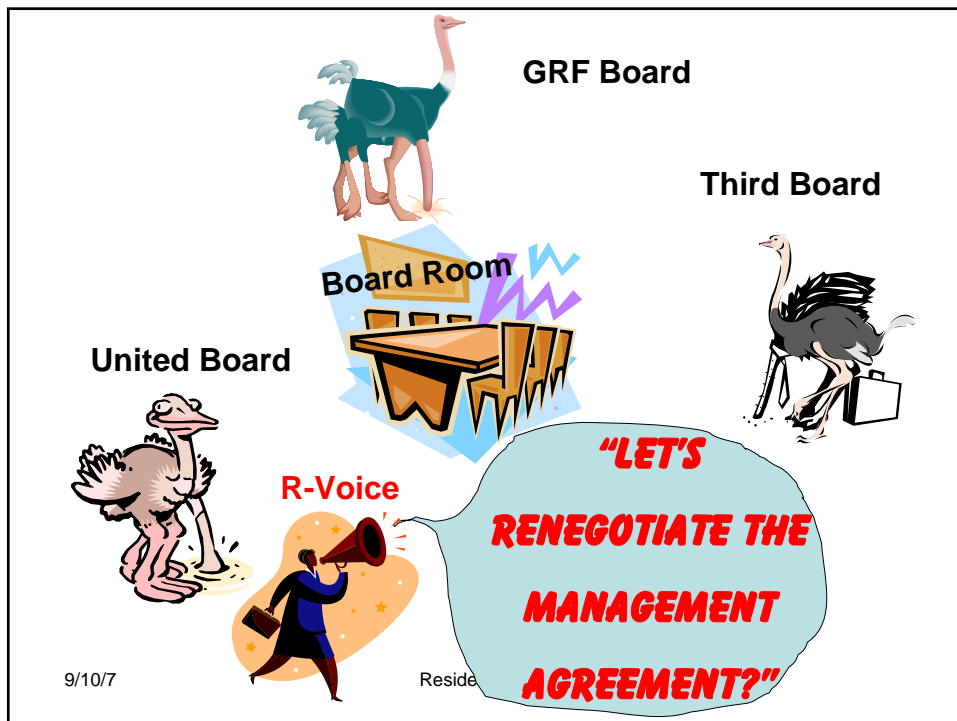
Residents Voice

# YES !

- The Bonus/Incentive Plan !
- How do we control that !
- It is in the MANAGEMENT AGREEMENT !
- So! Let's renegotiate the MA !

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Residents Voice



## **OUR Challenge !**

- Educate our Boards to understand how weak our Management Agreement is!
- Convince our Board members that it is in **OUR** best interest to hire an independent outside attorney to renegotiate a new **MANAGEMENT AGREEMENT.**
- After we have a **Detailed Audit !**

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Residents Voice

## **By the Way, Did You Know?**

- GRF Pres. Portlock, has stated that Residents Voice is responsible for the lack of housing and Chan 6 advertising sales?
- That implies that we have been the cause of:
  - Increased financial requirements !
  - Rising amenities !
  - Maintenance problems !
  - Reduced PCM service !
  - Unfavorable publicity (**printing the facts**) !
- ***OK! We'll own up to the publicity!***

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Residents Voice

## Conclusion!

Our Needs	Grade
"Staff Support Expense Policy"	Failed
Detailed Audit	Failed
New Management Agreement	Failed
Defined Bonus/Incentive Plan	Failed

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Residents Voice

## Some Observations – Why We Need a Detailed Audit

- Even though GRF still has some **questions** with the Policy, they are going forward with it.
- R-Voice reviewed 3 areas of expenses that were **unknown** to the Boards.
- All 3 areas have control problems. GRF only **addressed 2** (Credit Cards & Expense Reimbursements).
- How many other areas are we **NOT aware of** and how should we identify them?
- **A Detailed Audit!**

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**THE END**

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