

Review of Report on “Paint Program Evaluation”

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Objective

- This PowerPoint Presentation was generated to provide information on the overall philosophy of monitoring the effectiveness of a Managing Agent rather than emphasizing the details of any specific analysis.
- However it does have some specific detail data to provide justification for such effort.

Source

- The data in this presentation is taken from the following report entitled:
- ***“Paint Program Evaluation”***
by Kenneth Dooley, ex Director
2399 Via Mariposa West #2C
9/7/1994

6/4/2012

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3

Actual vs Budget

- One measurement technique that was used was to compare Budget Costs vs Actual Costs for Exterior Painting.
- The source data was provided by PCM and the analysis was done by staff and members of a Board assigned Paint Committee.

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4

Actual vs Budget (Cont)

- Based on numerous techniques that included analysis by building model, amount of paint used, labor, and materials, etc.
- The following cost was established for a 2 year period (1992-1993):
 - The average Exterior Painting cost was ***\$0.74 Sq/Ft***

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5

Actual vs Budget (Conclusion)

- An excess in assessed charges of \$651,556 was taken in for the 890 buildings painted in 1993 plus an additional \$749,297 for the 1,064 buildings painted in 1992.
- ***This is a total of \$1,400,853 in excess assessed charges for the two years.***

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6

Bidding Process

- 6 Vendors were asked to provide bids.
- 2 did not respond.
- Bid included 11 building types:
 - Vendor A = \$0.40 Sq/ft
 - Vendor B = \$0.95 Sq/ft
 - Vendor C = \$0.51 Sq/ft
 - Vendor D = \$0.74 Sq/ft (PCM)

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7

Conclusion

- Vendor C had a reasonable cost per sq/ft and his estimate of square footage was within 1% of actual.
- Comparing his cost of \$0.51 sq/ft to the PCM cost of \$0.74 sq/ft you get the following potential savings for 1992-1993:

	<i>Dollars</i>
1992 Savings	\$ 451,044
1993 Savings	\$ 245,162
Total Savings	\$ 696,206

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8

Summary

- It has been 18 years since such an analysis has been done and we have no idea of the accuracy of our current Actual vs Budget numbers.
- The Managing Agent does what he calls a “zero based budget” which assumes that his zero base is accurate and not open for discussion. The referenced report proves that that can be a costly mistake on our part.

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9

Summary (Cont.)

- This analysis is for only one part of the maintenance costs of our Mutuals and this should be done for each one of our areas beginning with the most costly and continuing until we feel confident that we have eliminated all of our unnecessary costs.
- ***It is time for an Operational Audit!***

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10

Impact

- At the time of this report, the 1995 budget was being completed.
 - The impact of this report on the 1995 budget for Exterior Painting ***was a reduction of 6.1%***
- ***It is time for an Operational Audit!***

The End