

Response to Director Freshley's \$40/hr Gardner Billing Rate

Extracted from "The Voice" Newsletter Volume 2 Issue 10 Dec 2009 pg 2-3

Residents Voice wants to thank Director Paulus for his response to our question by sending us Director Freshley's analysis of the questioned hourly labor billing rate that we are charged. The following analysis is not specifically for PCM's rate, but helps to explain how one "could" justify the \$40.

This is a response to Director Freshley's comment, "I do not know where this rumor comes from, but we do not pay PCM employees who mow our grass \$40.00 per hour." Residents Voice (RV) does not know where the rumor came from either. The statement that was made by RV was, "Why is the PCM Labor Billing Rate \$40.00 per hour for a gardener?" There was no mention made concerning how much the gardener was paid.

So with that straitened out, let us define where the \$40.00 per hour charge originated. During the 2010 Budget analysis, PCM handed out a document with the following information for the United Laguna Hills Mutual—2010 Proposed Budget for Landscape dated May 20, 2009:

Lawn Maintenance	\$1,220,611
Cost of Labor	\$1,144,555
Hours being billed	28,005
Cost per Hour	\$40.87

The mythical \$40 per hour came from PCM. The questioning of this amount came from residents. We are not sure if any United Director, who should have the fiduciary responsibility, ever questioned the \$40.

Director Freshley made a lot of assumptions and we appreciate her effort to explain how this cost "might" be derived.

First, let's look at her "possible" \$15.00/hr pay for a gardener. The union contract, to which we are not privy, and we thank Director Matson for even bringing it into the picture, "could" add on the following; paid vacation (15 days/yr), paid illness (8 days/yr), paid holidays (10 days/yr) and breaks, travel, and recording times (43.25 days/yr).

The consequences of these add-ons define that a gardener can work 1470 hrs a year and get paid for 2080. This increases the "billing rate" from \$15/hr to \$21.22/hr.

Now, added to this is the cost of FICA, Workman's Comp, Medical Insurance and Pension Contributions. Director Freshley used a cost of \$7.18/hr that would be added to the \$21.22, which then totals \$28.40/hr.

In addition, Director Freshley adds associated costs that should be covered such as, materials, supplies, uniforms and shoes, repair and maintenance of equipment and other outside services to support the employee such as Accounting, MIS, Warehouse, maintenance admin and vehicle and building maintenance. These add-ons brought the 2010 "Billing Rate" to \$34.58.

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Is this a justified number? We don't know, especially when Director Freshley states that if PCM were her client, she would be, "suggesting an hourly billing rate of at least \$75.00 to \$90.00/hour because there is still additional costs associated with sales and marketing and administrative management expenses, such as, management salaries and their employment costs, depreciation, banking and financing costs, property and income taxes (assuming a profitable business) and finally profit."

Looking at the \$34.58/hour "Billing Rate," Director Freshley provided, it is a bit confusing to see her "co-mingling" of "for profit" and "non-profit" billing rates. We hope that she doesn't confuse our relationship with PCM and have an oversight on some for profit add-ons that might show up in our non-profit corporation costs.

It would be nice to be assured that the PCM Billing Rate has a definition and that the defined add-ons are reviewed by staff and the Boards. The surest way to circumvent "rumors" is to provide detailed information that "adds up" and accounts for the costs that PCM charges the mutuals.

Thank You again! Directors Paulus and Freshley for providing the information that attempts to clarify the \$40/hour issue. I hope that the GRF and United Treasurers have done the same analysis for their corporations instead of closing their eyes to the resident concerns.

The analysis by Director Freshley will be posted on the Residents Voice web site at :

www.rvoice.org