

The Voice

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Should Residents of United Pay PCM \$302,000 Per Month to Manage their Money?

According to the 2008 Business Plans, The Redbook, total assessments from residents of Laguna Woods Village (LWV) were \$93,582,525. This is the sum of all monthly assessments paid by all residents for a period of one year. United residents monthly assessments provided \$48 million of the total assessments, or a little more than 52%.

LWV residents' assessments, \$93,582,525, are used to fund 11 basic operating categories, e.g., Maintenance, Landscape, Financial Services, Utilities, etc. Financial Services includes Financial Services Administration, Accounting, Warehouse, Administration Building, Budget & Financial Planning, Risk Management & Insurance, Management Information Services, and Purchasing. In 2008, combined residents of LWV paid a total of \$6,974,477 to PCM for Financial Services. United residents, who provided 52% of total assessments, accounted for more than \$3.6 million of the \$6,974,477 total cost of Financial Services, or \$302,000 per month.

Do United residents need to pay PCM \$3.6 million, or \$302,000 per month, to manage their money? What comparable professional financial services could United purchase for less in the open marketplace, independent of PCM? It is believed that United could employ the services of an excellent medium-size accounting firm to provide most of the services provided by PCM's Financial Services Division at a cost of about \$100,000 per year, or about \$8,000 per month.

United is a separate, independent business and should be run like a business. Under the current system of accounting the United Board has no control of residents' money because United doesn't make decisions about how its money is spent. United's Treasurer doesn't receive and review monthly bank statements itemizing deposits, balances and checks paid. United's Treasurer doesn't see invoices from service providers and doesn't pay his own bills. Instead, invoices from outside vendors, utilities and various service organizations are sent directly to GRF

who "approves" them, and re-bills the expense to United on a GRF letterhead. The United Treasurer is not asked to approve invoices or decide if the charges are correct. The Treasurer is expected to simply authorize payment to GRF from United's funds.

United needs to change the way it does business. United's Treasurer, with the assistance of an outside, independent accounting firm, should receive, approve and pay its own bills. With assistance from an outside, independent accounting firm, United's Board, and Treasurer, would know how much money United residents have, and how and where their money is being spent.

Although an outside, independent accounting firm cannot, perhaps, perform all the services the PCM Financial Services Division currently provides, it is believed that such a firm, at a cost of about \$100,000 per year, could provide most of the services at an estimated yearly savings to residents of United in excess of \$2 million. Not only would the savings offer the potential to reduce residents' monthly assessments by as much as \$25 per month but it would provide ample funds to retain the services of outside, independent legal counsel to assist Directors in making decisions in the best interests of residents. It is widely held that the combined efforts of independent legal counsel working in conjunction with an independent accounting firm would discover ways to affect even further reductions in monthly assessments through more efficient management of residents' funds.

There are always naysayers associated with the administration of Laguna Woods Village who will say that this idea won't work or it's too expensive. Some will even tell you that it's against the law. To those persons we say, let's find out. If United can save potentially millions of dollars of residents' money, Directors have a fiduciary duty to investigate. This community has always had money to spend for outside consultants, or study groups, and it is believed that such a study would not be costly.

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