

Opinion

What Is Wrong With This Picture?

Third Mutual Directors, with an annual salary of \$00.00, suggested that costs for the Third Housing Mutual be reduced in 2009 by freezing the non-union wages for PCM employees (normally about a 4% increase) to the 2008 level.

PCM Managing Agent, with an annual cost of \$670,000, has not come up with any suggestions that would reduce our costs for 2009 at these critical economic times.

Are we to expect Directors, many of whom do not have experience in managing a \$95 million corporation, to be the only ones to suggest cost reductions? The suggestion that was brought forward by the Third Mutual is well intended but could end in disaster. This is a no-win situation for the Mutuals. Yes, the suggestion will reduce our costs, but, then PCM is no longer responsible for finding cost savings since the Boards will have taken over that responsibility, and PCM will have no incentive to look any further. That is like throwing “Brer Rabbit into the Briar Patch.”

What the Boards need to do is tell the General Manager, “There shall be a 3% reduction in our 2009 budget and no increase in assessments and/or service levels in our 2010 budget.” We must let our \$670,000 management fee provide a positive return on our in-

vestment. If our Managing Agent cannot provide that service, then it is time to look for a new one who has the experience, ability, and objective, to manage our facility with the best quality and cost that can be obtained.

Any corporation that has had the same management for 35 years, will undoubtedly have acquired “**PORK**” in their budget and needs to aggressively identify it so that it can be removed. Unfortunately, asking PCM to find these excessive costs is like asking a surgeon to perform surgery on himself. We need an “INDEPENDENT OPERATIONAL AUDIT.”

Operational Audits are one of the means for identifying excessive costs. Avoiding using this tool is an indication that the Mutual Boards and PCM are un-willing to change from “*business as usual*,” and if our Managing Agent is unwilling to take positive steps in this direction, THEN,

“We need a new Managing Agent.”

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