



Laguna Woods Village

Management Moment- August 27, 2008

Professional Community Management, Inc. (PCM) serves as managing agent for the Laguna Woods Village corporations. PCM does not pay for the operations of this Community. The Golden Rain Foundation and the housing Mutuals are responsible for the costs of operating the recreational and administrative facilities, maintaining and repairing common area elements, purchasing equipment and other assets, paying for certain insurance and support services such as accounting and human resources, social services, and certain repairs to manors. This is all done in a detailed business planning process that proceeds through various standing committee and board meetings, held over a five month timeframe, which all residents are encouraged to attend and participate with their input.

A management fee is paid to PCM from which is paid the General Manager's salary and related costs, as well as employee relations expenses for the staff. The contract between PCM and GRF includes a provision to increase the management fee by the Consumer Price Index each year.

The actual management fees paid (rounded) for all of the Village corporations for the past four years are as follows:

2004 - \$339,300

2005 - \$351,500

2006 - \$363,700

2007 - \$550,200.

The management contract was renewed effective 1/1/07 and the negotiations resulted in an increase of the management fee over and above the rate of inflation.

The largest portion of the increase in the management fee is due to the additional costs that are incurred by PCM of CA due to lawsuits and community activists exercising their rights. The increase of almost \$200,000 was negotiated by PCM

of CA to cover increased legal fees, increased insurance premiums for Errors and Omissions (E&O) insurance, and Directors and Officers (D&O) insurance, and increased public relations related costs.

2008 - \$654,100

The increase in the 2008 management fee reflects inflation of about 2.8% and a resolution adopted by GRF to increase the management fee by almost \$89,000 to cover the cost of staff support expenditures. These expenditures were previously paid directly by GRF so the increase was offset by a simultaneous decrease in GRF's operating budget.

2009 – The budget for 2009 is not finalized, but the management fee is expected to be adjusted for expected inflation. No other increases are being requested by PCM.