

# Did you know?

from your Board of Directors

## **ANNUAL RESORT DUES**

### **How are they determined & what factors affect the calculation?**

Annual Resort dues are not fixed nor are any increases subject to a 'ceiling' based on inflation. While it is true that this year the dues went down there is no guarantee this will occur in the future. Here are some of the things to remember.

- Resort dues are determined based on a rigorous annual budget process that includes budgets for each department of each Embarc® Resort. These budgets include one- to three-year ongoing upgrade or maintenance projects.
- The budgets are submitted for review by the Vice President of Resort Operations, the Finance & Audit Committee and finally the Board of Directors for final approval.
- The Finance & Audit Committee is comprised of James Orr, Konrad Kawalec and Mark Nuzzo. This committee is unique within the Time Share industry as it provides additional oversight on all financial aspects of the Embarc Members Association.
- The Committee reviews on a monthly basis the 'Budget/ Actual' expense report and any variances over 5% or of special note are discussed. These reports are broken down by each Embarc® Resort.
- A more detailed review is completed by the Committee at the quarterly meeting. Recommendations are presented to the Board for approval.
- Factors that affect the costs and budgets include many local issues such as labor costs, taxes or municipal code changes, etc.
- It must be remembered that these costs, especially labor are subject to much higher inflation issues due to the labor pool in 'tourist or smaller' communities. Transportation costs alone can be an issue. Inflation in Whistler, Mexico, Mont Tremblant or Palm Desert can be much higher than Vancouver, Toronto, Montreal or Los Angeles.
- Every resort, hotel or club is subject to these factors not just the Embarc Members Association. Higher costs are passed on by hotels in the form of room rates. For us it is the Annual Resort dues. Some large hotel chains may be able to absorb additional costs for a short period but in the long run they increase their rates too.
- We are a small, five-star boutique club. Without the buying power of Diamond Resorts, our costs would be rising far faster. Their 'Best Practices' are another factor helping keep costs down.
- A word about our Capital Reserve account. Every Association needs to put aside a capital reserve to complete major upgrades, capital repairs, etc. Due to Board oversight and prudent expense & capital reserve management, the Embarc Members Association is well funded.
- Our resorts are also getting older. The fact that we can maintain them at such a high-quality level is due to the strong capital reserve funds available.
- The industry is replete with stories of member clubs and resorts that failed to build or maintain the required capital reserve funds. Most have gone bankrupt or faced large special assessments to deal with large capital expenditures. The value of these clubs to the members has deteriorated to the point where no one wants to buy in or 'exchange' to these clubs.
- Finally, Diamond Resorts as our manager wants and needs to keep the dues down as low as possible. It is not in their best long-term interests to see the dues rise unreasonably. We need new members to grow and sustain the value of our club. We need existing members to pay their Resort dues and use their membership. This will assist in keeping the Embarc Members Association healthy and growing.

