

Board of Directors Update

Each year the responsibilities of the Board of Directors of the Newport Bay Club Homeowners Association continues to grow. This is a direct result of the challenges of our aging building coupled with our growing hotel business that require the Board to be actively engaged in the day-to-day operation of the Bay Club.

According to the American Resort Development Association, only 4% of resorts nationwide are managed directly by a homeowner's association, with the vast majority (95%) operated by a management company or by the original developer.

Here, Board members, like all members of the NBCHA have made an investment in the Bay Club by purchasing weeks in a unique waterfront resort. Those investments we've all made, are not insignificant, and the Board works hard to protect our investment. And that means direct oversight of operations by people who invest in the Bay Club, rather than having a 3rd party management company that we would have to pay for out of our annual maintenance fees. According to ARDA fees charged by 3rd party management companies average between \$85,800 and \$1.2 million annually, with the median reported management fee just over \$368,600 per year.

As mentioned in the annual letter, oversight and management of the Bay Club now requires considerable time and work by each of the members of the Board, who all participate on various sub-committees that have the responsibility for a host of issues. These subcommittees include capital improvements, human resources, marketing, economic conditions, and commercial units.

In fact, over the last several years, our board members have been dedicating approximately 20-hours of their time each week to the management and operation of the Bay Club. This includes sub-committee meetings, phone calls, emails, research, assisting our General Manager in drafting RFP's for various capital improvements, and in the case of the President and the Treasurer, meeting with the accountants, signing checks and more. All of this work is in addition to their regular jobs.

Additionally, Board members are required to attend five Board meetings annually, including two during the winter months. All of our Board meetings require in-person attendance here at the Bay Club and generally require 6-8 hours of time on a Saturday. Suffice it to say, these Board positions are not just a gathering over coffee to get an update on what's happening. They require a significant commitment of each member's time and energy.

In accordance with the By-Laws, the Board is recommending that the Association compensate each Board member for the time they spend attending the five-times per year Board meetings. Compensation, which appears in the annual budget that will be voted upon by the membership, is recommended to be \$3,000 for each Board member for the year 2020. While this doesn't come close to compensating board members for the tremendous amount of time and work each member takes on that would otherwise have to be done by a 3rd party management company, it is however, significantly less than even the low end of resort management fees reported by the American Resort Development Association.