

LAKE FOREST RESORT & CLUB CONDOMINIUM ASSOCIATION, INC.

Annual Owner's Meeting Minutes 12.1.18

Board President Dan Krueger called the meeting to order at 1:05pm. Dan established Dennis Breidenbach as the parliamentarian and explained the meeting procedures.

There were 55 owners in attendance along with 15 more participating through Zoom meeting. This has been the most owners participating in a very long time and was especially appreciated and encouraging.

Secretary's Report

Secretary Michael Schultz asked for a review and approval of the December 2017 meeting minutes. There was a motion to approve from Jon Hanson with Ed Oertel seconding. The motion was unanimously approved.

With no correspondence or other business to report on the meeting proceeded to the President's Report.

President's Report

"It was back in the fall of 2016 that the board of directors determined to take an approach of making larger dollar improvements to replace items, for which updating had been deferred for many years... and to do this sooner, rather than later... specifically within a 4-year period. While this approach to our budget has had some impact on the rise in the maintenance fee - it hasn't been that much of an increase when you consider that over the past 2 years (2017 & 2018) the maintenance fee has gone up less than \$60. Half of that increase was due to inflation alone.

This year we completed significant improvements to the units. Many owners have expressed their approval of these upgrades...especially the kitchen appliances and living room furniture for those units that got those upgrades. The remaining units are scheduled for these same upgrades in 2019. Also, 2019 will see additional upgrades to the bathrooms that I know many owners will greatly appreciate...we are going to install comfort height toilets in both the upstairs and downstairs bathrooms in all of the units. In addition to this we're replacing the vanity sink-tops in both bathrooms, as many of them are forming spider cracks at the drain.

In keeping with this original improvement objective, 2020 is planned to be the final year of accelerating the payment for these bigger cost items. Then, beginning in 2021 the focus will shift to increasing our Asset Reserve Fund for normal future maintenance projects, while also stabilizing the rise in maintenance fees for future years.

For 2019 we are looking at an increase in maintenance fees of \$50 to a total of \$698 per week. Inflation for 2018 is expected to end up at 2.25%. This accounts for about \$15 of that increase. Also, the State of Wisconsin changed the law to start charging sales tax on the lease fee we pay for the HFC – this accounts for about \$5 of the fee increase. The other \$30 of the increase is primarily due to the rise in

bad debt; specifically, the increase in the number of delinquent owner's payments over the past couple years. The truth is that our aging owner base is resulting in a growing number of weeks being relinquished – especially winter weeks. This is known as “owner-shrinkage” and is the result of either the death of the owner, or their inability to use their week. And with people under the age of 50 not wanting to commit to fixed vacationing, owner-shrinkage is a serious problem for all legacy resorts, including Lake Forest.

The board and Sue are working hard to offset owner shrinkage the best we can with rental income, but this recoups only so much of the lost revenue. Even with the increase in the maintenance fee, \$698 for a week's stay is still very low compared to other resorts in the Northwoods of Wisconsin that are of similar quality and size...even in the winter. I just did a search this week on VRBO and found the average cost for a 2-bedroom unit in December around Eagle River is about \$900/wk. Of course, during the spring, summer, and fall, the cost of renting a week is much greater than this.

This challenge of owner-shrinkage has been anticipated by the board of directors and is one of the reasons that we have taken the approach to accelerate the replacement and updating of the resort sooner, rather than later – to attempt to stabilize maintenance fee increases in future years. Our goal is to continue to provide a vacation stay that exceeds our owners' expectations while keeping fees reasonable into the future.

I would like to thank the board members for their time and engagement this past year as they addressed serious issues the resort faces into the near future.”

Election of Directors

President Dan Krueger announced the election of directors and introduced the two candidates running for re-election – himself and Michael Schultz. Dan then asked if there were any additional candidates. This was done three times. With no new candidates, Dan asked that nominations be closed. There was a motion that was seconded and approved. Dan asked that a motion be made to approve himself and Michael Schultz to fill the two empty board positions. There was a motion to approve from Craig Burkhardt with Jon Hintzman seconding. The motion was unanimously approved.

Resort Managers Report

We anticipate that our goal for rental commission this year will likely not be met. The primary reason for this is that the large group of people from Chicago is not coming to the resort anymore. However, we are getting more and more rentals coming in through all the Online Travel Agencies that we're listed with. We also have all available rental inventories for weeks 26-32 booked for next summer already and wait lists on all those weeks.

Our affiliation with RCI has proved to be a positive experience thus far. Currently 15 of our owners have joined. We're also depositing association owned weeks with RCI so we get new travelers to the resort in hopes they might have interest in owning.

The resort is active on 8 different social media sites but primarily on Facebook. So if you're on Facebook please like the page for Lake Forest Resort.

We have approximately 80 owners which are comprised of defunct timeshare companies, deceased owners with no family, owners who can no longer be located and chronic (more than 10 years) delinquents. Collection efforts have been exhausted so we'll be starting non-judicial foreclosures as we need to get these weeks returned to the association with a clear title.

In 2019 the remaining 8 condos will get the new living room furniture – those would be condos 106, 107, 109, 110, 112, 113, 115 and 124. We now have irons and ironing boards available in the RC basement for owners'/guests to check out and have for their entire stay. Next year we'll be continuing the cycle of removing the paneling in the kitchens – the condos slated for this are 109-116. We'll also be looking into adding tub grab bars in the upper bathrooms. Some of the other projects scheduled for next year include: replacing all fireplace screens, continuing the cycle of replacing the original door knobs, repairs on a few remaining master bedroom balconies, re-tiling the fireplace hearths in 109, 115 and 116, power washing and sealing of the bridge to nature point and adding microwave cabinets in condos 105-108

Several questions were taken from owners in physical attendance and online.

- Is the Association able to donate weeks (for ownership) to church raffles? *This option will be looked into.*
- What is the current status of the silt in the bay? *The bay can't be dredged until the silt is within 18" of the surface. Once that happens, it will most likely be cost prohibitive to have it pumped. As such, we are using aerators to keep the silt and other debris away from the piers.*
- Can we publish a comparative budget in the Annual Call to Meeting Newsletter? *Yes, we will do that starting next year.*
- Why is it so difficult to foreclose and reclaim the weeks where owners are not paying their fees? *The process of non-judicial foreclosures is not a difficult one and we've already completed two this year. More are scheduled for next year. If there are no consequences for not paying fees, what's preventing other owners from not paying? There are consequences for owners not paying their fees. There is a collections process that is followed including condominium liens and the use of a collection agency.*
- It was suggested to increase the summer rental fees higher than the other weeks as a means to offset bad debt. *We can certainly consider that but raising those fees really would have no bearing on decreasing bad debt. Since the association owns very few summer weeks there would be no additional income realized from that.*
- Are the rentals being widely advertised, including sites such as air bnb to compete with these other sources? *Yes, our rentals are advertised through our own website, on all our social media outlets, the Eagle River Chamber of Commerce, Vilas County and Travel Wisconsin websites, all the Online Travel Agencies, WI Lodging and Northern WI Lodges travel websites, plus print ads in the Eagle River and Vilas County maps and visitor guides.*

- Regarding the owners that don't pay fees, can their weeks be rented which Lake Forest keeping the entire rental fee? *Yes, all delinquent owner weeks are put up for rent and any proceeds are used to pay those maintenance fees.*
- Would it be possible for LF to purchase picnic tables to be placed around the grounds for use? *Budget permitting, we will consider this. The first one would most likely get placed in the children's playground.*
- What about consideration of a "buy-out" option for aging owners who struggle to pay their maintenance fees and will never use their unit again? For example - owner would pay \$500-\$1,000 to LFR to relinquish their unit - at least this would generate some revenue and lessen collection process for those weeks. *We currently have an option like this in place. When owners contact Sue regarding disengaging from ownership they are sent a letter explaining all their options.*
- Could a program be started that would allow owners to pay their maintenance fee a year or two ahead for a reduced fee? You could invest the money. *The board will discuss the feasibility of this.*
- There are 6 more units of new kitchen appliances slated for replacement in 2019 and it was suggested that we get stainless for a more updated look. *Stainless will be considered if they are within the amount already budgeted.*
- With the phones having been removed from the condos there was a concern about owners/guests who don't travel with a cell phone. *The board will investigate options for owners/guests who are without cell phone service at the resort.*
- A request was made for larger microwave ovens. *Condos 101-104 have the built-in microwave cabinet – up off the counter – and those units have a larger microwave. The other units have a smaller one so as not to take up too much counter space. As more units get the microwave cabinet built-in, they will get a larger microwave as well.*

Treasurer's Report

Dennis Breidenbach reported that the 2018 budget is on target for the year's expenses; however, we are not expecting a positive cash flow at year end.

Dennis reported the bank balances as of 10.31.18. Operating Checking \$41,748, Operating Money Market \$1015, Asset Checking \$993, Asset Reserve Fund \$105,246.

The 2019 budget was presented to owners for their review. The suggested maintenance fee is \$698.

Asset Replacement Report

Tim Mikel reviewed the 2018 asset replacement schedule and mentioned that everything had been completed. These projects included:

- Sixteen units of new living room upholstered furniture
- 109-116 boiler replacement
- 117-124 foyer window glass replacement
- 109-116 kitchen appliances
- 117-124 washers/dryers in laundry room
- 101-108 guest bedroom wood furniture
- 103-108 master bedroom wood furniture
- 121 & 123 new kitchen appliances
- \$20,000 into the Asset Reserve Fund

Tim reported that Asset Reserve Funds would be used for bathroom upgrades – new vanity tops and toilets – and the Resort Center retaining wall in order to spread the cost over a few years to avoid a larger increase in the maintenance fee. A question was asked how much would be used from the Reserve Fund. *Tim indicated that would be shared in a future newsletter once the actual costs of project were known but are currently estimated to be around \$60,000.*

Tim shared the 2019 proposed asset replacement schedule and commented about some of the upcoming projects, including:

- 101-108 living room wood furniture (all other condos already have it)
- 117, 118, 119, 120, 122 and 124 new kitchen appliances (all others condos already have them)
- Remaining eight sets of living room upholstered furniture
- \$5000 contingency fund
- \$45,000 into the Asset Reserve Fund to replace the funds withdrawn for bathroom upgrades and new Resort Center retaining wall

Personnel Report

Laurie McWard thanked Sue for her fiscal responsibility and the fact that the resort is run like a family business.

Laurie also reported that housekeeping staffing for the summer of 2018 was better than 2017.

New Business

A motion was made by Jon Hintzman to approve the 2019 budget with Jay Walt seconding. The motion was unanimously approved by the owners.

Adjournment

A motion was made by Ed Oertel and seconded by George Strnad to adjourn the meeting at 2:30pm. The motion was unanimously approved by the owners. (The raffle followed the adjournment.)

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Approved: