

Lake Forest Resort & Club Condominium Association
Annual Owners Meeting
December 4, 2021

Board President Dan Krueger called the meeting to order at 1:00PM. Dan established Jay Walt as parliamentarian and explained the meeting procedures. There were approximately 23 owners in attendance and another 44 participating online. After the sound issues were resolved the meeting continued.

Secretary's Report

Secretary Michael Schultz asked for a review and approval of the December 2020 Annual Meeting Minutes. Owner John Hansen moved to approve the minutes, with Bob Wolf seconding. The motion passed unanimously.

With no correspondence or other business to report on, the meeting proceeded.

President's Report

Over this past year, Lake Forest Resort has faced some very real challenges regarding the ongoing labor crisis. As we all can see in the media and in our communities, the problem is severe. And, as a result wages are increasing dramatically. We've had to significantly increase our wage scale for all our staff to retain the people we have, as well as attract the additional people we need.

The increase in wages to staff, as well as inflation of nearly 6%, and the continued owner-shrinkage, means we are going to see a substantial increase in maintenance fees for 2022 compared to past years. Bottom line: if we want Lake Forest Resort to continue operations, we need to retain and recruit the people needed, which means we need to pay for it.

That said, with a fee of \$791/unit week, the value we get for a week of vacation on the lake in Eagle River is still an incredible deal – especially because prices of everything are going up, including other resorts' fees. One only needs to look at www.vrbo.com to compare prices of places for rent and see that our fees are reasonable in comparison.

The other thing I want to bring to EVERYONE'S attention is that we are going to a "staggered check-in" for 2022. What this means is that we are going to have half the resort check in/out on Friday, and the other half check in/out on Saturday. This is something we've been talking about since June. The purpose of doing this is that it means we only need to have half the housekeeping staff to clean the units. Instead of trying to find 11-12 housekeepers during the summer and busy parts of the spring & fall seasons, we only need 6-8 housekeepers. It's the only real solution with such a limited number of housekeepers available in the community to work weekends. Please refer to the enclosed timeshare calendar for the check-in days for the various units. This schedule will flip-flop in 2023, so that the units checking in on a Saturday in 2022 will check in on a Friday in 2023.

Just to be clear, all weeks will be 7-day stays. Last summer we had to shorten the stay for weeks 23 through 35 to 6 days. Those owners were very cooperative and made the continuance of operations possible with a skeletal housekeeping staff. With the staggered check-in format, everyone will be able to enjoy a 7-day stay.

We've tried to have the ballots prepared and mailed out for this bylaw amendment before September, but we were unable to retain an attorney that would do this work. We did eventually find an attorney and anticipate that the ballots will be mailed out for your vote before the end of November. However, we must plan for the next year regarding booking for next year's rentals and timeshare deposits and exchanges for our owners. So, we have moved forward with the expectation that this amendment passes. As I mentioned above, it's the only reasonable option that enables us to continue operations into the future.

The board knows that this new schedule may not be ideal for some people having to check in on a Friday. However, the board agrees that it's a better option than not being able to operate. We've reached the point in the life of the resort that hard decisions must be made. We'll do our best to make the decisions going forward that serve the best interests of the majority of owners.

Finally, the full board recognizes the hard work and commitment that our existing staff has put in. Frankly, it's been a time of high anxiety and frustration for them having to work in an atmosphere of uncertainty and putting in extra hours this past summer and fall. Happily, most owners have expressed their thanks and appreciation to the staff. This is important. As we go through the necessary changes in the future to keep Lake Forest Resort functional, we all need to do our part to keep our staff motivated and recognized. After all, without them, we have nothing. I'll wrap this up with saying that our owners are loyal and caring about the organization and all its people that run it. I want to thank everyone for their understanding, cooperation, and appreciation.

Election Of Directors

Following the counting of all ballots cast, it was declared that Dan Krueger and Michael Schultz were re-elected for another term.

Resort Manager's Report

I want to start by saying that owners ask me – literally everyday – how are things going. My response has differed from last May until just yesterday. But today I can tell you – and am glad to tell you – that things are good for now.

As you know – we had a labor crisis last May and it wasn't something that just happened to us. It was nationwide and continues to be nationwide.

I saw it coming a few years ago but it escalated in January and turned into crisis mode in April.

I can't thank the board of directors enough for navigating us through that stressful time. We were literally on the phone several times a day for two weeks trying to come up with a solution to keep the resort operational. I want to assure you that your 7 board members are truly devoted owners and you're lucky to have them serve as board members.

It was also a VERY stressful time for me because factors were out of my control, and I couldn't manage the resort like I was accustomed to. I felt like I couldn't save the resort and as 20-year employee that was difficult. We pivoted into a short-term solution, and I want to thank all the summer owners for their cooperation and sacrifice with the 6-day week.

Unbeknownst to all of you, we had another labor crisis in late September that we thought might affect the resorts' immediate ability to operate but we navigated through it.

So, as I said... right now things are good, and I hope they stay that way!

As Dan has shared about the budget, what this labor crisis has taught me – from a management perspective – is that we need to step up to not only retain current employees but to recruit new ones.

Right now the maintenance department is fully staffed with two new employees and they have begun the annual maintenance routine in each condo. They go through with a five page pro-active checklist to make sure everything in each condo is functioning properly. The housekeeping department is holding steady during this low season and they will start spring cleaning in February. This thorough cleaning entails approximately 24 man owners for each condo. And, the high school girl we had in the office over the summer is working two Saturdays a month so that has helped. During low season our level of customer service is not as high so I am able to cover most of the front office duties as well as my own responsibilities.

As we move into the New Year I hope the stresses we've faced since March 2020 until just recently will be a distant memory and the staff can look forward to doing their jobs which they all enjoy – and that is to help all of you have a memorable vacation experience.

Treasurer's Report

Reviewed Profit & Loss Performance through October 31, 2021. Income is trending to exceed budget with maintenance fee collections and rental income slightly over budget. Expenses are well under budget through Oct. 31, 2021 resulting in a good financial position overall, but much of this is a result of another issue – lack of staff to operate. The trend in declining maintenance fees continues to be an issue, though appears slightly better than projected for this year.

Cash flow through Oct. 31, 2021 shows about expected revenue each month and below expected expenses each month resulting in positive cash flow. We are in a good position to meet all projected expenditures for the year.

Year-end outlook projects to have a significant amount of excess cash due to a couple of reasons. First is the lack of sufficient staff in all departments – housekeeping, office, and maintenance. This is a concern regarding resort operations even though it allows us a substantial savings on budget. The second reason is that some asset replacement projects were not able to be completed this year due to contractors' labor shortages and difficulty in getting materials. The board recommends carrying over part of this excess cash to help reduce 2022 maintenance fee. A vote will be held later by those present at the meeting. Another part of this excess cash will be moved to Asset Reserves for future boiler replacements and to add to the reserve for potential roof or septic problems in the future. Adding this to reserves now will lower our tax liability for 2021 and provide some cushion for significant future needs.

Operating checking account register was reviewed and approved.

As of Oct. 31, 2021, the resort has the following bank balances:

Asset Reserve CD 1	\$77,575.48
Asset Reserve CD 2	\$63,864.10
Asset Checking	\$45,878.23
Operating Checking	\$63,347.36
Operating Money Market	\$150,103.27
Rental Trust Checking	\$2,228.44
Pre-Paid Maintenance Fee's from deed backs	\$33,558.80

An audit of the Lake Forest Resort & Club finances for 2020 is nearly complete, but not yet available for review. It is expected yet this month. The last audit was completed 5 years ago.

Budget proposal for 2022 will be discussed later in the agenda.

Asset Replacement/Reserve

Some of our scheduled projects for 2021 will not be completed. Weather has played a factor, but the most significant factor is the lack of labor available to some of our contractors for them to be able to stay on schedule with all of their projects. Availability of materials is also a factor in the delays.

For 2021, we have completed the following asset replacements:

- Kitchen countertops in 105-18 and 109-116 (except 112 which already had them). This completes replacement of all countertops.
- Replaced older kitchen chairs stored in closet of condos.
- Replaced 14 King headboards in master bedrooms which completes replacement of all original headboards.
- New Living room drapes.
- Initially planned to replace 2 office computers, but found that upgrading some hardware and software was sufficient for our needs. This resulted in a savings of nearly \$3,000.

Delayed projects:

- Building washing & staining of 101-108 was delayed from 2020 and will be delayed again due to weather and labor shortage.
- Building washing & staining of 117-124 is scheduled after 101-108, so this is also delayed until at least 2022.
- Guest bedroom window pane replacement in 109-116 has been delayed due to availability of materials.

Projects that were completed (including upgrading of computers) came in at nearly \$7,000 below budget. This savings along with the likelihood of not completing the remaining projects could result in over \$30,000 in remaining asset replacement funds. This will be added to the Asset Reserve Fund.

A proposal has been received that would increase broadband capacity at the resort, however delays from Verizon set the project back.

There was an opportunity to purchase a used Sport Court surface from the local tennis association for about 1/3 the cost of a new surface. This could be used to improve the safety, playability, and aesthetics of the pickle ball courts. We did not have the manpower to be able to take this on, so this was not done in the fall. However, this is still available so the board could make a decision to move forward with this.

Probable asset replacement projects for 2022 in addition to the delayed projects include another new U-dock near 117-124 and remodeling of the Resort Center third floor and basement to create business and game room space. Other replacements will include new Weber grills and the entry decks for 101-104.

Personnel and Policy

Laurie thanked Sue on behalf of the board and owners for her outstanding management of the resort.

John Hansen made a motion to commend Sue, with Ed Oertel seconding. A round of applause followed.

New Business

President Dan Krueger asked for a motion to carry forward \$50,000 in operating funds to the 2022 budget. Ed Oertel made the motion, with Bob Wolff seconding. The motion passed unanimously.

President Dan Krueger asked for a motion to adopt the 2022 operating budget. Ed Oertel made the motion, with John Hansen seconding. The motion passed unanimously.

A question and answer session followed:

From Mary Ann Rozman: We understand the issue with limited housekeepers and the solution. However, with owners who have had family purchase the same week to enjoy a family vacation it now shortens our time together. Because of the way the condos have been divided it puts some of the family with Friday and some with Saturday schedule. We could possibly lose a couple of days together. Disappointed that this schedule shortens our family time.

Answer: Call Sue and she will try her best to move things around so families will have the same check-in days.

From Bernard Lakus & Karen Lakus: Since summer rental weeks are nearly always full, weekly rental rates should be increased to match similar summer rentals and thus provide more income to keep our maintenance fees down.

Answer: An area rental rate comparison is conducted annually so we stay competitive with our competition. We also raise the rates annually with the inflation rate. For the size units we have and the amenities we offer our rates are priced right.

From Craig & Joan Burkhardt: If you get more in housekeeping, will it go back to Saturday?

Answer: We have no way of knowing if we'll experience another labor crisis so once we transition to staggered check-in days it will stay that way.

From Bonadene Jensen: Why is the line item for Legal Services so high?

Answer: We accelerated the time line to finish up the Non-Judicial Services. We also lost our long term attorney and have been looking for someone to assist on By- Amendments and other future issues we anticipate.

From Mike Ebben: If or when appropriate, has there been any (more) discussion around the prospect of selling full units to current owners?

Answer: The owners would have to make that decision when the time comes for them to consider re-purposing. We suspect that time will come as the years pass and the fee becomes increasingly higher to operate the resort.

From Bonadene Jensen: If housekeeping is being cut with Fri. /Sat. starts why is the housekeeping budget raised \$20,000?

Answer: The same amount of hours will still be worked in the housekeeping department but spread over 2 days. The \$20,000 is for increased wages to aide in retention and recruitment.

From Bernard Lakus & Karen Lakus: Do you expect any foreign student help this year for the summer?

Answer: We are not able to participate in the J1Visa Program as we can't offer full-time work nor can we house students for the summer.

From Kate Richardson: Since bad debt is such a large part of our maintenance fee, can you explain what that is?

Answer: Bad debt is the amount of maintenance fee's which aren't paid on an annual basis. This comes from long time (chronically delinquent) owners who are awaiting Non-Judicial Foreclosures and from association owned weeks that don't get rented out. Those weeks are primarily in shoulder and low season.

From Debbie Peterson: How many owners are there currently?

Answer: There are currently 740 owner paid weeks.

From Glenn & Linda Westman: Despite diligent efforts by staff to aerate the bay and clear some sediment, it is filling in badly and nearly non-navigable for even small motorboats. Is there any plan and associated budget set-aside for dredging in near future?

Answer: We can't apply for a dredging permit until the silt is within 18" of the water's surface in the entire bay. While it may be that around some of the piers it isn't in the middle of the bay. Price of dredging, in today's dollars would be a minimum of \$100,000. So we would have to wait until the bay is almost entirely filled in and not navigable, apply for the permit, secure a contractor and then spread the cost amongst the remaining paying owners.

From Bernard Lakus & Karen Lakus: Any thoughts on establishing a marketing plan to sell the deeded back weeks to get more owners?

Answer: Between the current management and former management, various sales and marketing techniques have been employed. We've watched the travel trends with various generations and generally speaking, the younger generation does not travel the same as their elders. Because of that, marketing a fixed week vacation is extremely difficult. The industry itself admits that fixed week ownership is an outdate product. Had the resort transitioned to a points based system 20-25 years ago things might be different today but there is no way for certain to know that. The issue is mainly with low season weeks. We barely see any owners over the winter anymore.

From user: Has there been any discussion on allowing pets in the units?

Answer: There has been discussion by the board and it was decided not to pursue this. If this was a private resort it would be a simple transition to become 'Pet Friendly'. But, because of the hundreds of owners and the various issues that pets bring, it was decided the logistics would be too challenging. Any owner or guest can bring a certified Service Animal but only owners can bring an emotional support animal.

From Bernard Lakus & Karen Lakus: Winter weeks could be marketed for sale as very inexpensive trade weeks in RCI and II.

Answer: They are offered for free and have been for years but there has been no interest. In fact, a question was asked of the in-person and online audience how many would take a winter week for free and no one raised their hand.

Diane Braza – Commented that leaving tips is a way to thank housekeeping and asked how these are distributed.

Answer: The tips are distributed evenly amongst the housekeepers.

With no further business a motion was made to adjourn the meeting, the motion passed. The raffle followed adjournment.

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