

Lake Forest Resort & Club Condominium Association
Board of Director's Meeting
April 22, 2021

Dan Krueger called the meeting to order at 9:04 am. Those present were Dan Krueger, Tim Mikel, Laurie McWard, George Swierczynski, Jay Walt and Resort Manager Sue Couture. Curt Knapp participated virtually. Once the quorum was established, Jay moved to approve the agenda. Tim seconded and the motion passed unanimously. With no visitors in attendance, the agenda proceeded.

Secretary's Report

The minutes from the April 2020 board meeting were reviewed. Tim made a motion to approve with Laurie seconding. The motion passed unanimously. There was no correspondence to review.

President's Report

As we face the most severe labor shortage going into summer than ever before, we are faced with trying to find a solution that will enable us to stay open this summer. Summer is our busiest time of year and without a full housekeeping staff, we may have to face the reality of shutting down for the summer.

The board has considered many alternatives and determined that the only solution that will work with such little time to implement a solution is to reduce the numbers of days for summer owner weeks to 6 days. This means checking in on Saturday and checking out on Friday. This change would affect weeks 23 through 35.

We are planning to prepare a vote to all owners seeking a 67% approval of all owner-weeks in good standing. This would mean we would need about 500 owner-week votes to approve this rule change according to the bylaws. We also estimate that we need to have the vote complete around May 8th, to allow for notifying summer owners of the change if the proposal is passed, or that we are shutting down if not passed.

Labor Shortage: The labor shortage problem is not just affecting Lake Forest. It is happening throughout the country, with smaller cities and towns being impacted the greatest due to smaller populations. There are only 2600 full time residents in Eagle River. Not much of a pool to draw upon for workers. While this problem has been increasing over the years, it really made a dramatic impact this year...rather unexpectedly. Yes, we have struggled with finding workers in the past, but nothing like this.

In addition to housekeeping being understaffed by 6 workers, we are short a part-time maintenance man...with no one applying for the past 3 months. This will certainly affect our quality of the resort with things being delayed or simply not able to be done by the one part-time person we have.

Owner Shrinkage: So far this year we've had 21 weeks deeded back plus 1 week taken back due to mortality for a total of 22 weeks deeded back to the association. As I've mentioned in past reports, we can estimate that for every week that is deeded back, maintenance fees will increase by about \$1/wk. And because the weeks being deeded back are mostly low or shoulder season weeks, it's not likely to add much in rental income with the increase of available weeks. We already have vacancy for most of the low and shoulder seasons.

Amendment to Bylaws regarding staggered check-in days: Given the labor shortage, we anticipate this problem is not going away any time soon. So, we need to consider going to a staggered check-in day system, where half the resort checks in on Friday, and the other half checks in on Saturday. This will enable the housekeeping staff to split the work over two days instead of just cleaning all the units on Saturday. The result is that we would be able to manage the summer weeks with about half the staff.

We conducted a survey a few years ago about proposing a Friday check-in for shoulder and winter weeks. The response to this survey was largely opposed to doing this. However, we face new challenges today compared to then. We need to accept that unless we make necessary compromises to make it work for our skeleton staff, we may have to shut down the resort even though we are in financially good status.

Financial Status: Over the past few years we have been communicating to the owners about the growing problem of owner shrinkage and how this will eventually make the fee higher and higher, and eventually too high for most to continue paying. This problem is still looming, yet as of now, we are in fine financial shape. At this time, it is hard to project what, if any increase in the maintenance fee will be needed for 2022, but we are projected to finish the year well within budget. Quite frankly, currently our focus is primarily on trying to stay open for the summer and figuring out a game plan of how to make it work with a limited staff.

Finance

Bank Balances as of March 31, 2021

- Asset Reserve CD #2: \$63,864.10
- Asset Reserve CD #1: \$77,575.48
- Operating Checking: \$91,979.66
- Rental Trust Checking: \$69,669.58
- Asset Checking: \$31,605.21
- Prepaid Maintenance Fees: \$57,107.07
- Asset Reserve Money Market: \$2,501.06
- Operating Money Market: \$325,033.15

Reviewed 1st quarter Profit & Loss Performance. Income was slightly below budget with maintenance fee collections below budget while rental income was over budget. Expenses were well under budget through 1st quarter resulting in a good financial position overall for the first quarter. However, the trend in declining maintenance fees continues to be an issue.

Cash flow for the first quarter shows about expected revenue each month and below expected expenses each month resulting in positive cash flow throughout the quarter. We appear to be in a good position to meet all projected expenditures for the year.

Operating checking account register was reviewed and approved for the months of 11/20, 12/20, 1/21, 2/21 and 3/21.

Reviewed the Accountant Compilation Report for 2020 and noted no issues. Reviewed Tax Returns for 2020.

An audit of the 2020 Lake Forest Resort & Club finances is scheduled to begin in May 2020. The last audit was completed 5 years ago.

Resort Manager

Rental Program: While we saw many cancellations in May, June and even July of 2020 we then had a flurry of new activity last Fall which made up for some of the loss. We ended the year just \$8,000 under gross rental revenues from the prior year.

Maintenance Fee Collections: We finished 2020 at 21.25% uncollected fees as compared to 16.76% in 2019. The bulk of those fees come from association owned weeks (from deedbacks) and weeks awaiting non-judicial foreclosures.

Internet Service: Due to the pandemic and the result of more people working from home and actually more people moving to the Northwoods, the point-to-point system we were waiting on is no longer available to us. The vendor, Sonic Net, simply doesn't have the additional broadband to sell. We have contacted Kozar Technologies in Eagle River and got a bid for a system utilizing DSL but the quote was very high and the board feels the technology does not support that kind of investment. The board will look into a Verizon Wireless plan using mobile hotspot modems. In the meantime, we have installed a separate DSL line in the Resort Center so owners and guests can have an additional option should they need to conduct business while at the resort.

Other Business: In late May of 2020 we entered into an agreement with Eagle River Inn to use their amenities which include indoor pool, hot tub, sauna and exercise room. Unfortunately, it's become apparent as the last 12 months have progressed that the facility is not up to our standards. We were not successful in having their management address the issues so as a result we are no longer sending people over to use the facility.

Personnel and Policy

Personnel: We are currently operating with fewer personnel for housekeeping than is needed and many resorts are having the same difficulty with attracting part-time workers. Sue has used all social media platforms and local papers and other advertising opportunities to solicit workers. We are also down one worker in maintenance. If we are unable to find housekeeping for the summer months, we may not be able to be open. The Board has discussed all suggestions submitted by owners and Board members. We cannot rely on owners cleaning units due to Covid and required protocol by county health regulations.

We have discussed staggered check in days and many other options. We have asked summer owners to vote on a 6-day week. At this time, it does not appear we will get 100% approval which is required. The By-laws do allow us to develop an emergency By-law vote concerning this issue by all owners since ultimately they will be affected if we are required to shut down. It was agreed that we need to pursue this as soon as possible.

Policy: All minor policy changes made after the last Board meeting are working well. A suggested temporary emergency By-law change will be developed for a vote as soon as possible.

Asset Replacement/Reserve

Some of our scheduled projects for 2021 are delayed. 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.

To date, we have complete the following asset replacements:

- Kitchen countertops in 105-108 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.

- Living room drapes have been ordered and are expected in May.
- 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 likely 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 about \$30,000 in remaining asset replacement funds.

A proposal has been received that would increase broadband capacity at the resort. There are concerns about the use of DSL technology and the significant upfront costs. The possibility of using wireless technology for increased broadband was discussed and may not require as much upfront costs. Tim & Mike will research this option and submit a recommendation to the board once complete.

Longevity

In January of this year a survey was emailed asking owners a series of questions which will assist the board of directors in navigating the future years of the resort. Below are the results.

Average age of owner base is 66

10%	80+
30%	70-79
34%	60-69
15%	50-59
6%	40=49
4%	30-39
%	<30

Average number of weeks owned is 1.6
Average years of ownership is 24

Tell us who uses your week/s

40%	Myself/Ourselves
11%	Family Member
22%	With Family Members
12%	Put up for rent - some or all
12%	Trade - some or all
3%	Often don't use

Tell us about the primary use of your week/s

27%	Family Gathering
30%	Outdoor Recreation

42%	General Relaxation
0%	Business

As the years progress, what is the maximum maintenance fee you are willing to pay for your week's/s?

33%	\$715 Current Fee
39%	Minimal annual increase up to \$850
22%	\$851-\$1,000
6%	\$1,000 and higher

Interest in amenities:

Pool			Hot Tub			Sauna			Exercise Room		
Low	Med.	High	Low	Med.	High	Low	Med.	High	Low	Med.	High
42%	28%	31%	50%	25%	25%	80%	9%	10%	60%	25%	15%

Willingness to pay for amenities:

15%	I/We would be willing to pay a sizeable special assessment and increase in maintenance fees
7%	Would be willing to pay a sizeable special assessment to remodel the Resort Center basement
78%	I/We feel the resort should continue with the current arrangement we have with Eagle River Inn at no additional cost to me/us

Willingness to pay for air conditioning in the guest bedroom:

72%	Low
18%	Medium
10%	High

Would you be for or against a by-law change to allow annual maintenance fees to be determined by season?

53%	For
47%	Against

What is your anticipated timeframe for continued use of your week/s?

19%	1-3Yrs
13%	4-6Yrs
68%	As long as operational

What are your plans for passing ownership of your week/s once you are no longer able to use it/them?

11%	Sell the weeks
18%	Past to heirs - they have not been told
18%	Past to heirs - they have expressed interest
13%	Will let our heirs decide
14%	Will deed back to association
27%	Uncertain at this time

Would you be willing to support a change to Friday check-in for weeks 33-52 and 1-12?

55%	Yes
9%	No

36%	Don't own weeks in the timeframe
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Other Business

A motion was made by Jay Walt to remove the email addresses and phone numbers of board members from the website to reduce the possibility of phishing which is becoming an increasing problem. George seconded and the motion passed unanimously. Board member contact information will continue to be sent out with the annual maintenance fee billing as it always has been.

With no further business, Laurie moved to adjourn the meeting, with Curt seconding. The motion passed unanimously, and the meeting adjourned at 3:12 PM.

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Approved: 9.16.21