

**Lake Forest Resort & Club Condominium Association
Board of Directors Meeting
September 16, 2021**

Dan Krueger called the meeting to order at 9:01 am. Present were Dan Krueger, Curt Knapp, Jay Walt, Laurie McWard, George Swierczynski, Tim Mikel, and Michael Schultz. After a quorum was established, Tim motioned to approve the agenda, with Jay seconding. The motion passed unanimously. Dan noted that no visitors were in attendance.

Secretary's Report

The minutes from the April 2021 meeting were reviewed. After discussion, the deedback estimate in the "owner shrinkage" section was modified to better reflect the actual numbers. Laurie moved to accept the changes and Jay seconded, and the motion passed unanimously.

Correspondence was shared via a letter from owner Denise O'Meara regarding a past algae bloom and a few other issues of concern to her. Discussion ensued and board VP Laurie McWard will respond directly to Mrs. O'Meara. Discussion of the issue of feeding the deer and the resultant feces ensued, with some suggestions made.

A card from the wife of a former board member, Rachel Bartz, was read commending the board on the work they have done in the face of the challenges faced.

President's Report

Labor Shortage: The past six months have been unprecedented in our history at Lake Forest Resort with the impacts of the labor crisis. We started the summer with seven staff members in housekeeping and ended the summer season with six. Normally we have 11 to work on Saturdays during this busy season. Regardless of what the cause of the labor shortage is, it seems to be on an unchanging trend. No one wants to give up their Saturdays to clean units – even at \$25 - \$40 an hour which is the going rate in this area. All resorts in the Northwoods (and everywhere else it seems) are afflicted by the same problem. So, as we look ahead to next year and planning for our budget, we need to figure that the labor market isn't going to change much. In fact, with the seeming rise in COVID cases, potential employees may diminish.

Proposed Amendments: As discussed at our April meeting and shared in the meeting minutes, we are working on proposing two amendments...one to our by-laws and the other to our Declaration of Condominium documents. The board is hoping we can achieve 67% approval of all owner-weeks in good standing to pass these amendments quickly. I anticipate that by the time that these September board meeting minutes are published, the ballots will already be sent to the owners.

The first amendment changes the by-laws to prohibit Association-owned weeks being voted for any purpose, and that the Association-owned weeks would not be counted in the total number of weeks that can be voted. This affects how we achieve a majority or super-majority. This effectively puts the power of the elections and general decision-making for the future of Lake Forest Resort in the hands of the owners in good standing...as it should be.

The second amendment changes the Declaration of Condominium... to change the check-in and check-out days for the units. Once passed, half the resort (12 units) would have a check-in day on Friday for their 7-day stay, and the other half of the resort units would check-in on Saturday for their 7-day stay. This way we can spread the maintenance and housekeeping demands over two days instead of trying to accomplish all of it within five hours on Saturday (10:00 – 3:00)...effectively allowing us to meet these demands with our current staffing level. In the past we needed 11 people working on Saturdays during the summer to meet the demand. With only 4-5 housekeepers, it's necessary to be able to spread this work out over two days. This schedule will also help the staff greatly during the shoulder seasons too since we're near full occupancy in May, June & September.

With 744 owner-weeks in good standing, we would need about 500 unit-week votes in favor to pass these amendments. Our goal is to have this accomplished by as early as the end of October, and no later than the end of November.

Owner Shrinkage: So far this year we had 20 unit-weeks deeded back to the Association. In 2020 we had 35 weeks deeded back. In 2019 we had 65 weeks deeded back. We currently have 342 weeks of the 1154 total weeks owned by the Association. In addition to this, we have 68 unit-weeks that are delinquent (the vast majority of these have been delinquent for years). This leaves 744 unit-weeks paid for by owners.

While 744 is only 64% of the total unit-weeks (1154) paid by owners, we do receive a considerable amount of rent which helps to offset about 114 unpaid Association-owned weeks. If you add the $744 + 114 = 858$ weeks paid for by either our owners or by rental revenue, or about 75% of the total number of weeks. In other words, 25% of the unit-weeks generate no revenue!

What does this mean? From a revenue standpoint, we're operating at about a 75% efficiency. As deed-backs continue, we already know that rental revenue will not make up for this loss. The result will be a rising maintenance fee. How high and how fast the fee increases will depend on how many people deed back their weeks, and when. At this time, the board and Sue estimate that based on the numbers, the resort could make it for another 4 to 6 years before the maintenance fee becomes prohibitive for most people. But a lot depends on how many weeks are deeded back between now and then. If there's another spike of deed-backs like we experienced in 2019 (65 weeks), then that timeframe will be considerably shorter.

Financial Outlook: Owners should keep in mind that we have experienced amazingly low fees in the past because of budgeting efficiency and lower than average staff wages. Due to inflation and the need to not only retain key staff but recruit new, we expect the maintenance fee to start rising at a faster rate than anticipated.

Finance

- Bank Balances as of July 31, 2021
 - Asset Reserve CD #2: \$77,575.48
 - Asset Reserve CD #1: \$63,864.10
 - Operating Checking: \$63,510.10
 - Rental Trust Checking: \$30,365.38
 - Asset Checking: \$51,234.76
 - Prepaid Maintenance Fees: \$33,554.57
 - Operating Money Market: \$225,082.93
- Reviewed Profit & Loss Performance through July 31, 2021. Income is trending to meet budget with maintenance fee collections near budget and rental income slightly over budget. Expenses were well under budget through July 31, 2021 resulting in a good financial position overall, but this is a result of another issue – lack of staff to operate.
- 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 or 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.
- Cash flow through July 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.
- The Operating Fund Check Register was reviewed and approved.
- An audit of the Lake Forest Resort & Club finances for 2020 is about 70% complete and not yet available for review. It is expected in October.

Resort Manager

Low season revenue for weeks 1 – 18 and shoulder season weeks 19 – 24 was up substantially from 2021 and we attribute that to people travelling more due to relaxed pandemic guidelines. Although high season revenue for weeks 25 – 32 was down due to the reduced 6-day week.

8.31.21 maintenance fees outstanding is at 25.57% which is down slightly from 2020. Seven condominium liens were filed in June and after working with those owners all but one has paid. The association currently owns 342 weeks which is 29.6% of the 1154 total weeks.

There are approximately 65 non-judicial foreclosures to be completed and we'll be expediting those to complete them all within the next 3-6 months.

So far this year we've completed 19 deed backs with 3 more pending.

Now that Summer is over the resort has returned to normal Saturday to Saturday weeks. We've lost a few seasonal housekeepers and Maddie in the front office has gone back to high school but has agreed to work 2 Saturdays a month. As such, the front office hours will be reduced as we move into late Fall and occupancy drops.

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.
- Living room drapes are currently being installed.
- 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.

A proposal has been received that would increase broadband capacity at the resort. The project has experienced delays due to Verizon confirming the speed and how many DSL line they can provide. We hope the project will be completed this Fall.

Discussed potential asset replacement projects in addition to the delayed projects for 2022. Possibilities include another new U-dock near 117-124, but this could be restricted by the DNR's number of allowable boat slips spaces based on shoreline footage. Also discussed was the possibility of remodeling some space in the Resort Center to create business and game room space. Other replacements, such as TV's, boilers, patio furniture, Weber grills, and dishwashers are done as needed.

Longevity

George presented a very comprehensive report on various longevity issues and discussion ensued.

Personnel and Policy

A proposed update to Homeowners & Guests Policies & Regulations was reviewed. A policy will be added which states: 'Outside fires are permitted only in the designated area at the fire pit on Nature Point. No fires can be made in any other area of the property. Grills are to be used on the grassy yard area outside your condo patio door. Curt motioned to approve, Laurie seconded and the motion passed.

The Resort Manager Performance Evaluation was reviewed by the board.

With no further business, Tim moved to adjourn the meeting, with Jay seconding. The motion passed unanimously and the meeting adjourned at 4:14 PM.

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Approved: 12.4.21