

Lake Forest Resort & Club Condominium Association  
Board of Director's Meeting  
April 25, 2019

Dan Krueger called the meeting to order at 9am. Those present were Tim Mikel, Laurie McWard, Renee Backus, Dennis Breidenbach, Michael Schultz, and Curt Knapp. Once the quorum was established, Tim moved to approve the agenda. Laurie seconded and the motion passed unanimously. With no visitors in attendance, the agenda proceeded.

### Secretary's Report

The minutes from the December 1, 2019 board meeting were reviewed. Curt made a motion to approve with Dennis seconding. They were approved. There was no correspondence to review.

### President's Report

- This year marks the beginning of some notable changes for Lake Forest Resort. Already we are seeing an uptick in the number of weeks being deeded back – primarily due to mortality or poor health for some of our owners. While this has been anticipated in the recent past years, it's very sobering for the board, and sorrowful for the owners and staff that have known these longtime owners and friends. As the number of owners continues to shrink, the board recognizes that we will have to adapt as an organization to the new realities that unfold.
- **Proposed Bylaw Amendments:** The board is going to discuss and propose 2 bylaw amendments for the owners to vote on, and hopefully approve. The first amendment we are going to evaluate is to set a trigger point for seeking a vote of the owners to approve a plan of continuation or sale of the resort. Let me be clear. This amendment simply would give the board of directors the authority to present a proposal for the owners to vote on after the trigger point would be reached. We have not begun to research the options for such a proposal yet, but we will begin that process now. We want to be ready for whatever the future brings. As of now, we have no defined time frame or "trigger point" for the board to make such a proposal to the owners.
- The second bylaw amendment for discussion deals with the term limits for members of the board. Presently we are limited to two consecutive 3-year terms. Given the aging owner base and many who have already served, it's becoming increasingly harder to find willing and able board members to replace those who are at the end of their term. Also, given the challenges that the resort now faces in its twilight years, board members are faced with additional difficult challenges. With most of our time spent on how to manage the sustainability over the next 5-7 years, alongside the regular operations of the resort is quite frankly – hard – and requires a more than typical level of involvement and time commitment. Given that the existing board members are all very familiar and knowledgeable with the challenges of the resort, we are fortunate that they are all willing to continue serving. However, we need to change the bylaws to allow for this. Of course, we will always welcome any new owner willing to run.
- **Rental Revenue is Up:** As I've shared before, rental revenue is a growing source of income. In the first quarter of 2019 rental income is up about 20%. This is due in part to lots of snow in the spring. I'm sure that our recent improvements have also had an impact as much of the increase was from new renters hearing about us by word-of-mouth. This is fantastic. And, as we look to spring, most of the available weeks are booked. Also, summer is over 90% booked.
- **Housekeeping Staff:** The difficulty in finding people to work in housekeeping is again a big issue for the staff (Sue & Mary Jo). The fact is that finding workers in the hospitality industry is a problem nationwide...especially in the Northwoods where there's a smaller population density. It seems that no one wants to do the manual labor stuff anymore. I believe that asking people to give up every Saturday in the summer to work one day a week cleaning rooms is a lot to ask. It's hard to know all the reasons contributing to this dilemma, especially since it wasn't much of a problem in years past. But times change. Attitudes change. And people change. So as it was with last summer, owners

checking in on Saturdays will have to be patient as the few workers we do have get the rooms cleaned.

- Possible bylaw amendments were discussed:
  - Board members term limit – We are at a critical juncture as we study the longevity of the resort, and it may be in the owners’ best interest to have the ability to retain standing board members continue past the current limit of two terms.
  - Sunset clause/repurposing – the board is reviewing options and will be sending a non-binding referendum/survey out to owners to clarify this issue. Currently LFRC does not have a sunset clause in place.
  - Discussion about the makeup of the board – with the lack of available candidates to fill board vacancies, it was suggested that we may wish to implement a bylaw change to have a minimum of 5 board members and a maximum of 7. After discussion, Laurie moved to not change this, with Curt seconding.
  - Laurie then moved that the board draft and prepare a letter to present these bylaw changes to the owners. A vote would then be taken in the future on the subjects of term limits and repurposing.

## Finance

- Bank Balances as of March 31, 2019
  - Asset Reserve CD - \$74,500.00
  - Operating Checking - \$59,121.06
  - Rental Trust Checking - \$54,131.99
  - Asset Checking - \$33,428.48
  - Prepaid Maintenance Fees - \$45,725.65
  - Asset Reserve Fund - \$47,547.41
  - Operating Money Market - \$226,154.06
- The 2018 Year End Financial Statement and tax return from our accountant were reviewed.
- The 2019 to date financial status was reviewed.
- The Operating Fund Check Register was reviewed and approved.

## Resort Manager

Condo Upgrades for 1st Qtr 2019 include:

- Paint and stain touch up in all condos including refinishing several kitchen table tops
- New bathroom light/fan ceiling fixtures in 117-124
- Resort Center updates: New brochure tables in the lobby
- New non-stick fry pan in each condo kitchen
- Most kitchen coffee makers replaced
- Continuing the cycle of replacing light switch covers with a decorative one
- Converting all old CFL light bulbs to LED for increased energy savings
- A cycle of removing the paneling from the upper hallway in condos 105-124 has been started. This provides a brighter and more updated appearance. No worries for those of you who still enjoy the rustic ambiance of paneling. The stairwell wall will not be touched.
- Upgrades to the public space of the kitchen in the Resort Center include new appliances, countertops and cabinet staining.
- Microwave cabinets and new microwave ovens installed in condos 105-110. There are ten more units to go which will get them within the next 2 years: 111-116 and 121-124.
- New living room upholstered furniture in condos 106, 107, 109, 110, 112, 113, 115 and 124. This completes the cycle.
- New living room wood furniture in condos 101-108. This completes the cycle.
- New fireplace hearth tiling in condos 109, 115 and 116.

- New satin nickel door levers and hinges on all condo interior doors.
- Installation of LED bulbs in all condo fixtures.
- New kitchen table sets in condos 105-108.
- Starting replacement recycle for knobs on condo entry doors. They are getting replaced as the original knobs fail.
- Kitchen paneling removal in condos 109-116.
- New toasters, cookie sheets, towels and 2-set of non-stick fry pans in all condo kitchens.
- New kitchen appliances in condos 117, 118, 119, 120, 122 and 124. This completes the cycle.

Summer housekeeping: Finding good employees willing and able to work is proving to be a challenge as it was in 2017. We're about five people short for a full summer staff. Last week we attended a high school job fair in Eagle River in which 10 students picked up job applications.

Occupancy Statistics: Overall occupancy averages 61% annually. We've seen a dramatic decrease of owner occupancy in low season with just 1-2 occupying per week this past winter. For the first quarter of the year occupancy is predominately renters and trade ins.

Rental Program: The Lake Forest Resort rental program continues to thrive which we vitally need to help offset the loss of paid fees caused by owner shrinkage. Rentals this past February were the best ever because of the record breaking snow. For the first quarter of 2019 we had 70 new renters: 14 from internet searches, 13 from referrals, 35 from online travel agencies and 8 booked through our website. There were 43 repeats renters: 5 booked through our website, 38 booked by direct phone call and 13 owners who came to enjoy some snow.

Maintenance Fee Collections: We finished up 2018 with 16.48% in uncollected fees, up 3.8% from year end 2017. As of 3.31.19 there were 27 new owners who are delinquent in their fees as compared to 37 on 3.31.18. Currently there are 84 owners on a payment plan for 2019. On 3.31.18 the number of association owned weeks was 188, a year later it is 223. This is directly attributed to owner shrinkage. Bad debt in the next several years is expected to increase dramatically as owner shrinkage continues to escalate. As the association absorbs these owner weeks back into inventory we need to rent them to off-set the maintenance fees.

Non-Judicial Foreclosures: We plan to perform approximately 4-5 foreclosures per quarter until all these weeks are deeded back to the association with a clear title. Right now we have 73 weeks to foreclose on. These weeks are comprised of: phony timeshare transfer companies, owners who can't be located anymore and owners who have passed away.

Resale Activity: As of 3.31.19 there were 363 weeks on the resale list, the same as a year ago. That is 31.5% of the total weeks in our annual calendar. The fixed week timeshare product is over 50 years old and finding people interested in purchasing is an enormous challenge. Again, growing our rental program is vital.

Annual Owners Meeting: We're happy to report that attendance at the Annual Owner's Meeting in December 2018 was up and over 15 additional owners participated electronically. The owners meeting for 2019 will take place in Milwaukee this coming December 7th. We urge all owners to read all meeting minutes and participate in the December meeting as the resort will be facing some real challenges in the coming years.

## **Personnel and Policy**

The resort manager's goals for 2019 were updated.

## **Asset Replacement/Reserve**

The completed and scheduled replacements/upgrades for 2019 were reviewed. Still to complete are bathroom upgrades and the retaining wall behind the Resort Center.

## **Longevity**

Discussed were corrections to Board of Directors policy manual. It was suggested that it may not be in the resort's best interest to restrict the election of directors to two consecutive terms in these times of change and planning for the future. Also, the termination provision in the condominium bylaws is very ambiguous, offering no clear provision for planning for the future of the resort. In order to plan for the future effectively, changes would need to be made. After discussion, it was agreed that these changes, which would require changes to the association bylaws, should be presented to the owners in a referendum format.

With no further business, Tim moved to adjourn the meeting, with Curt seconding. The motion passed unanimously and the meeting adjourned at 3:55 PM.

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