

**Lake Forest Resort & Club Condominium Association
Board of Director's Meeting
Friday, April 28, 2017**

Dan Krueger called the meeting to order at 9:18am. Those present were Tammy Schultz, Dennis Breidenbach, Curt Knapp, Michael Schultz, Laurie McWard and Sue Couture. Once the quorum was established, Dan asked that the agenda be approved, which it was. With no visitors in attendance, the meeting proceeded.

Secretary's Report

Laurie made a motion to approve the minutes from the December 3, 2016 morning board meeting. The motion was approved.

Dennis made a motion to approve the minutes from the December 3, 2016 afternoon board meeting. The motion was approved.

President's Report by Dan Krueger

Last year the board and Sue put forth a lot of effort to find ways to address the growing delinquency problem due to owner shrinkage, including;

1. Evaluating the feasibility of constructing our own pool house facility to replace the HFC,
2. Analyzing the resort's asset life expectancies and financial health of the Asset Reserve Fund,
3. Increasing our understanding of the owner shrinkage problem for low and shoulder seasons,

On top of that, we identified ways to further improve the resort, including upgrades to the beach, playground, resort center and many improvements in the units.

It was a busy year and this year we continue in our primary effort of finding ways to increase the longevity and sustainability of the resort. That said, I am suggesting the following goals for the board and management;

1. To increase owner satisfaction by continuing to improve resort units and grounds.
2. To increase rental income during low and shoulder seasons, that will offset lost maintenance fee income due to the increasing delinquency during these seasons.
3. To complete the year within budget.

Given our heightened awareness of the scope of our aging owners and increasing delinquency due to the owner shrinkage problem, especially in the low and shoulder seasons, it's becoming more apparent how vital our rental income is...and will be during these periods in future years.

So, while we have made substantial improvements that owners and renters surely appreciate, we need to keep on improving our resort in ways that gives substantial and appreciated positive benefits, while being financially balanced in our spending.

As owners, we all share in the responsibility and the enjoyment of the resort. Unlike renters who simply pay and enjoy, we have a greater stake, requiring greater effort – especially as board members. However, as owners and board members, our time and involvement can only be part time. Like any other timeshare resort, we depend on resort personnel for fulfilling the needs of the resort. Even more so, we depend on the resort manager (Sue) for her direction, awareness of needs, contributing her input and feedback based on her experience, and of course her management, organizational, and communication skills with personnel, the board, and owners at large.

In all these facets we at LFRC have been very fortunate to have Sue in this position. I know we all greatly appreciate the work she does. But, certain aspects of her role are presenting more challenges that we need to be aware of and find ways to offer any help and assistance as we are able. Following are points for us to consider and discuss in Smart Sheets to possibly arrive at some solutions.

The first challenge has to do with a common legacy resort issue – “owner ignorance of deferred maintenance and being lulled into the thinking that all is fine with a low maintenance fee, when all is not fine and the ARF is largely underfunded”. This presents the challenge for Sue of... “How to explain this and calm down the owner when maintenance fees start to make substantial increases to cover these costs. I think we need to give some attention to this issue to reduce the future backlash on Sue.

Essentially, we are anticipating the increase of future maintenance fees to pay for deferred maintenance at a time when delinquencies are increasing, so we can sustain and grow rental income. We need to think about finding ways to take the heat off Sue...which is sure to come in the near future.

I'm thinking this could be something like providing a statement of explanation, and possibly a canned summary that Sue can forward to members when they call to complain. This is a project to help prepare for 2018, but I wanted to get a jump on what is looking like a real potential problem for next year as we prepare the budget in fall and present it at the annual meeting.

The second challenge has to do with the growing number of people that are either passing away, or simply unable to use their week, and now want to quit their ownership. While we have the standard of paying 3 years of maintenance fees to execute a deed-back, this doesn't really address the challenge that Sue has to face. We are a small resort and Sue has been here a long time, and has developed many close relationships with these people. Also, many of the owners have built lasting and meaningful relationships with other owners that share the same week...and suddenly they are gone. We know that as our owners age, this is going to be a growing occurrence. For Sue's sake, and the sake of the remaining owners, I think we should consider how we as an organization can show our sympathy and condolences, AND communicate about what happens with their week in a way that helps Sue to be efficient and not have to "wing it" over the phone. Maybe something like an information and instruction package that can be sent out. I'm suggesting that we again contribute our ideas in Smart Sheets.

The third challenge has to do with the problem of finding good employees. While it is the resort manager's responsibility of hiring, and managing the staff to run the place, the fact is that it's becoming more difficult to find dependable people to work in hospitality...especially in housekeeping. Sue is going to talk about this later in the meeting. What I'm suggesting is that we consider and offer ideas that could help address this problem...again we can effectively do this within Smart Sheets. While we can't probably "solve" the problem... we can contribute and at least be aware of the fullness of what the struggle is, and how time consuming it is for Sue.

To sum up, as we continue to work toward solving the problems the resort faces, and by working together as we have done so very well in the past, I'm sure we can keep things moving in the right direction to achieve the best outcomes possible.

Treasurer's Report by Dennis Breidenbach

Bank Balances as of March 31, 2017

Operating Checking - \$31,947.78

Asset Reserves Fund - \$104,905.98

Operating Money Market - \$175,270.82

The operating checking account registers for Nov. and Dec. 2016 and January 2017 – March 2017 were reviewed, approved, and all board members signed off.

Dennis provided an overview of the audit that was done by Kerber Rose S.C.. The board had a few questions regarding verbiage and suggestions. The finance committee will discuss suggestions made by Kerber Rose and present any procedural changes to the board at the September 2017 meeting. Overall, the audit found the current practices in line with similar businesses.

Resort Manager Report by Sue Couture

The condo / resort upgrades were reviewed. (see below)

Occupancy statistics were reviewed for the past 4 years and show a trend of reduced occupancy attributed mainly to low season shrinkage.

The Lake Forest Resort Condominium Rental Program continues to thrive. Gross revenues have grown from \$138,288 in 2012 to \$172,389 in 2015. This increase is a direct result of an increased online presence and consistent property upgrades.

Since 2013 the rate of bad debt continues to climb at an average of .64% per year. This is expected to increase dramatically as low season shrinkage escalates. In 2017 we have budgeted for a 12% bad debt.

Resale Activity: On 3.31.16 there were 285 weeks on the resale list. A year later there are 324. In 2016 there were 2 association owned week 23's sold, 16 transfers from original owners to other members of their family, 1 private sale of a week 28 and 2 private transfers with no money exchanged.

New guest directories have been created which you'll find on the coffee table in each condo. Additional inserts in the directories have allowed us to reduce the amount of paper in the weekly Welcome Packets.

Other Business: WI Public Service is due to bury the majority of our power lines in early May. By continuing to go as paperless as possible, we've been able to eliminate the need for a copier in the front office. (savings of \$4000) The old living room tables and tv cabinets in 109 - 124, master bedroom floor lamps and guest bedroom dresser mirrors in 101 - 124 were all donated to Habitat for Humanity's Restore outlet in Rhinelander. Our old laundry service was bought out by Aramark. We chose not to do business with them as they offer leased towels and linens and we own all our own. But, because of this we had to purchase all new laundry and cleaning carts as our previous ones now belonged to Aramark. Low attendance at the Annual Owner's Meeting was discussed and we'll be re-visiting this topic in September. Many resorts are transitioning to electronic meetings/voting as a cost savings measure. We've created a new Shared Ownership slideshow presentation for the Timeshare Resource area in the Resort Center. This will also be uploaded to our website and You Tube channel. Lastly, because of inclement weather and road limits not being removed early enough, the parking areas blacktopping cycle will most likely not be fully completed until Fall.

Asset Replacement

The committee reviewed the 2017 replacement schedule and projects are either completed or will soon begin. These projects include:

- New boiler in Resort Center
- Blacktopping for all parking areas
- Circle in front of Resort Center being torn out and re-done.
- New 'pontoon dock' and 'fishing pier' on Nature Point
- Power washing of all three condo buildings
- Staining of the 109-116 building
- Replacement glass in MBR patio doors of 117 - 124
- Replacement glass in foyer windows of 109 - 116
- Replacement of lower bath linoleum in 107
- Replacement of laundry room linoleum in the 117 - 124 bldg
- Replacement of golf cart for housekeeping
- New Living room wood furniture in 109 - 124
- Lower level painting in 101 - 116
- New Kitchen table set in 101
- New Kitchen chairs in 121 - 124
- Resort Center updates: Boat bookcase, table & chairs, table for timesharing materials, lobby lamps & TV table,
- New lampshades on living room lamps
- New lampshades and newly painted guest bedroom wall sconces
- New dresser mirrors in all guest bedrooms
- New 'On Lake Time' picture for all condo open stairwells
- New 'What Happens Up North' script art for all condo living rooms
- New 'Loon Hitchhiker' print for over the fireplace in 12 condos
- Kitchen table refinishing in 104, 106 and 108
- Bathroom caulking and stain touch-up in all condos

- New kitchen appliances in 111
- New coat hooks in all bedroom closets (closet door pulls waiting to be installed)
- Paneling removal, drywall repair and new chair rail and baseboard in 103 dining area
- Lower hallway: ceiling mount light fixtures in 101 - 116 (replacing original recessed cans)
- Guest bedroom entry: ceiling mount light fixtures in 105 - 124 (replacing original recessed cans)
- Lower bath: ceiling mount light fixtures in 101 - 124 (replacing original recessed cans)
- 2nd round accent table in the master bedrooms of 101 - 104
- New tablecloths for the accent tables in the master bedrooms of 101 - 104
- New shower curtain rods in all lower baths, new plungers, new toilet paper rollers in all condos
- New shower curtains for all upper baths
- New 'CubieBlue' outlet alarm clocks for all condo bedrooms
- New laundry carts and cleaning carts for housekeeping
- New non-stick fry pans and Salt & Pepper shakers for all condo kitchens
- New bathroom mirrors for all condo bathrooms
- New adjustable shower arms for all lower bath showers
- New closet rods for all closets (waiting to be installed)
- New door stops for all condo doors (door knobs and hinges getting replaced next year)
- New light switch plate covers in all living rooms (will continue this cycle next year throughout the condos)
- New wall sconce in the living room (next to the fireplace)
- New birch floor lamp in all master bedrooms
- New washers/dryers in the 101 - 108 laundry room
- Master bedroom cove wall re-painted in all condos

Personnel and Policy by Laurie McWard

The committee and Sue reported that finding summer housekeeping help is becoming a real challenge. Sue has exhausted all avenues in finding people to work – job fairs, social media, networking, job sites such as Indeed, etc. The board discussed ways that owners and renters can help in speeding up the cleaning process, such as adding small jobs to the check-out list. A letter to Summer owners regarding this matter will be going out in the mail.

The Resort Manager Goals were also reviewed. They include:

Goal: Increase Owner Satisfaction

Objective: Adding value to ownership

Action Steps:

- Increase communication – Send out quarterly owner email newsletters with occasional news flashes in between.
- Engage owners – Conduct surveys and encourage more feedback giving owners a voice in how the resort operates.
- Treat owners well – Deliver on expectations; all staff provide “family” atmosphere; establish and maintain a strong rapport.
- Add value to ownership – Free internal exchange option and offer assistance with exchange services.
- Maintain a higher visibility – Tour the grounds weekly and visit with owners; keep an open door policy.
- Give owners something to be proud of - Consistent quality upgrades to the condos and grounds.

Goal: To Become a Growth Oriented Resort

Objective: Increase Marketing

Action Steps:

- Website - Keep current with continual updates and special offers.
- Increase engagement on social media outlets - Build a 'Share' strategy. Maintain high profile with internet marketing on all OTA's (Online Travel Agencies).

Goal: Increase resales

Objective: Overcome the stigma of 'timeshare'

Action Steps:

- Maintain Timeshare Resource Center - High visibility of resale marketing materials and continual PowerPoint presentation. Emphasis the concept of 'shared ownership' vs. 'timeshare'.
- Ask for owner referrals - Resort Ambassador Program and Owner Incentive Program.
- Continue to market alternative ownership options - Leasing and 3/4 split winter weeks. Nurture the resorts most “growable” customers - The new empty nester.

Goal: Provide High Quality Units and Pristine Grounds

Objective: Raising owner and staff expectations

Action Steps:

- Maintain tracking system where all owner/guest complaints, issues, comments are shared with staff. Information will be shared at meetings so all owners and guests are treated equally and with one message.
- Policy in place where all complaints/issues are acknowledged within 24 hours and addressed within 72 hours, no exceptions.
- Weekly grounds and condo inspections.
- Consistent communication with staff – Share the expectation that we must all treat the resort as if it's our own.

Goal: Budget responsibly

Objective: Effectively managing cash flow

Action Steps:

- Make staying on budget a top priority.
- Identify savings opportunities while maintaining quality. Barter for Annual Meeting conference space, if possible.
- Reduce delinquency rates through increased communication and owner satisfaction.
- Increase gross rental revenue through OTA's.
- Continue on the path of going paperless through increased electronic communications.

Goal: Maintain personnel budgets

Objective: Increase productivity of staff

Action Steps:

- Continue to utilize Toggl time tracking software.
- Use checklists to track housekeeping staff efficiency.
- Delegate more to promote independence while maintaining a team player spirit.
- Share the message that being social is a large part of our job while maintaining efficiency in everyday work-related tasks.

With no other business, Mike motioned to adjourn the meeting. This was approved and the meeting was adjourned at 10:45am.

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