

Lake Forest Resort & Club Condominium Association
Board of Director's Meeting
Friday, September 22, 2017

Dan Krueger called the meeting to order at 9:00am. Those present were Tammy Schultz, Curt Knapp, Michael Schultz, Laurie McWard, Tim Mikel 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.

Dennis Breidenbach had to leave early due to illness.

Secretary's Report

Laurie made a motion to approve the minutes from the April 28, 2017 board meeting. The motion was approved.

President's Report by Dan Krueger

My Spring Experience

I spent two weeks at the resort filling the role of running the office while Sue was on her vacation. I came a week early to get trained... so three weeks in total. As we all know, Denise had given her resignation 2 weeks previous to this in favor of accepting a position at a local bank where she would be able to use her legal background....and make nearly twice the pay. This came up suddenly and presented a dilemma for Sue to be able to take her planned vacation to visit her grandchildren while they were off school.

Given the flexibility I have in my business...and the fact that 2 of the weeks I was up there were during my regular planned vacation weeks at the resort, I offered to "fill in" for Sue during this time. Both Sue and I figured that it would be essential that I come up a week early while Denise was still working...to learn the ropes from her and Sue, and be able to handle the numerous processes and details of running the office to meet guest expectations, and so forth.

Overall, I gained an insight to the operations of the office and culture of the staff, as well as some firsthand experiences of dealing with guests from the other side of the counter. I was impressed with the degree of systemization that is used to run the office procedures. Along with the step-by-step documentation of these processes and systems, it made it easy to learn and get into the routine of handling the daily and weekly tasks and most issues that arise. The integration of staff activities (housekeeping & maintenance) with reporting and accounting systems has made the office very efficient, accountable, and virtually eliminates things from "falling through the cracks". Whether it's guest requests or issues, maintenance or housekeeping issues, or future scheduling needs of owners/renters.... it's all covered and managed in a thorough way. As a business owner, I was very impressed at the efficiency and effectiveness. It was obvious to me that a lot of thought and time went into pulling it all together.

Significant Increase in 2018 Maintenance Fee

In the April meeting, we began using an Excel worksheet that gives us a 7-year look ahead of our planned asset expenditures and contributions to the ARF, estimated inflation rates and delinquency ratios, and the resultant maintenance fees for each year. The idea of using this worksheet is to enable us to effectively plan present and future expenditures. Basically, we are trying to address the asset replacement needs to maintain a quality resort for owner satisfaction, while at the same time escalate contributions to the ARF for future needs, and balancing all of this with maintaining a maintenance fee level that is for the most part reasonable and acceptable to the owners.

We face 4 primary challenges with the budget planning before us:

1. Many of the assets (i.e. kitchen and living room furniture, the retaining wall) are well past their lifetime and it shows. These are big-ticket items that need to be addressed sooner rather than later. We also discussed the idea that we should be spending money to make more improvements in the next few years, rather than waiting to make these improvements in later years.
2. The Asset Reserve Fund is underfunded for future big-ticket items (roof, beds, carpet, ???), and/or the cost of winding up the resort. These are 7-10 years out...but amount to a lot of money.
3. Increasing bad debt due to owner shrinkage. Bad debt is increasing by about 1% each year. This puts the burden of the costs on fewer and fewer remaining owners as the years go by. This also means that rental revenue will continue to grow in importance, something we need to consider in how we fund 1 & 2 above.

4. We need to keep the maintenance fee at a level that will be adopted by the owners at the annual meeting. This means we need to be able to explain our rationale in such a way that persuades them that the amount we are proposing is reasonable and needs to be the amount we propose.

Rental Income

Another critical topic we'll be getting into is how competition for rentals is growing and its effect on our rental income. Also, the rental income impact of having more low season weeks deeded back and the overall revenue lost from those weeks deeded back. And, as I already mentioned, how keeping the quality of the resort up to maintain and grow rental income.

Treasurer's Report

Bank Balances as of July 31, 2017

Operating Checking - \$32,223

Asset Reserves Fund - \$85,609

Operating Money Market - \$85,342

The operating checking account registers for November and December 2016, along with April 2017 – May 2017 were reviewed, approved, and all board members signed off.

KerberRose S.C. has provided an overview of the audit that they performed. The board has reviewed the report and it is available in the Lake Forest Resort office at. Overall, the audit found the current practices in line with similar businesses.

The board discussed and reviewed the 2018 budget. They discussed increases in operating costs, resort upgrades and shrinkage in ownership maintenance fees while developing the budget. The final budget will be provided in the call to meeting letters and then voted on, by owners, at the annual meeting in December.

Tammy made a motion to increase the rental commission to 29% starting January 2018. Approved.

Resort Manager Report by Sue Couture

Despite VRBO and AirBnB becoming stiffer competition our rentals year to date are on track for meeting our goal. We learned that the WI Dept. of Revenue is going to require homeowners, who rent out space short term, to be licensed and pay state sales tax and local room tax so we're hoping that will lessen some future competition.

A discussion was held with the full board about our current rental policy and it was decided to keep the policy in tact as its currently written. Owners can book 56 weeks in advance, repeat renters 52 weeks and first time renters 51. This information is posted in the owners section of our website and announced in various email and snail mail communications throughout the year. We continue to encourage Summer owners to be aware of this policy and take advantage of the 4 extra weeks of booking time to insure they can rent additional units for extended family.

Resale Activity: As of 8.31.17 there were 334 weeks on the resale list, up 2% since 3.31.17. That is almost 30% of the total weeks in our annual calendar. Timeshare is now a 50 yr old product and as is often the case, older products become defunct. Finding people interested in fixed week ownership continues to be a challenge. We urge all owner families to recommend Lake Forest Resort to family and friends. Information on the 'Lake Forest Resort Ambassador Program' can be found in your condo directory, on our website and was mailed out with last year's 'Annual Call to Meeting' and maintenance fee billing and will be again this year.

We finished up 2016 with 10.32% in bad debt, up .24% from year end 2015. Bad debt is expected to increase dramatically as low season shrinkage continues to escalate.

The Trump Administration is considering either elimination of or reductions to the J-1 Visa Summer Work and Travel program, which allows college students enrolled full-time at institutions outside the United States to come to America and work on a temporary basis. Countless WI businesses - most in tourism - have raised concerns that this proposal would hamper their ability to find employees and force them to reduce operations. I have written emails to our president, vice president, WI state senators and representative, along with our WI state governor and lieutenant governor voicing opposition to this legislation.

Low attendance at the Annual Owner's Meeting was again discussed. The primary point of an annual meeting is to elect members to the board and enact any other business that comes before the association of owners - specifically approving the annual budget - and also offer reports to the owners about association business, both fiscal and operation. As a cost savings measure some resorts have transitioned to sharing this information and conducting voting electronically. While we aren't ready yet to make that transition we do see it on the horizon in the not too distant future.

Marketing 101 for Lake Forest Resort. Ongoing efforts include: A new brochure was just designed and printed which is placed in every condo and family room, the front desk, distributed at the Eagle River Chamber of Commerce and used in direct mailings. We have an active social media presence on Facebook, Instagram, Twitter, Google Plus, Pinterest, Tumblr, LinkedIn and YouTube. We send promotional email blast to solicit rentals. We now have 5 videos on our YouTube channel along with using them on social media and website. Check out our latest drone video! The Owner Ambassador program flyer is in each condo directory. A slideshow presentation runs in the resort lobby and Forest Lounge. We have an active procedure to solicit online reviews from owners and guests. Printed ads are in the Vilas County and Eagle River Visitor's Guides. We're listed on seven different online travel agencies to promote rentals: FlipKey by TripAdvisor, Expedia, Hotels.com, VRBO, HomeAway, VacationRentals.com and AirBnB. We have online business listings on: Eagle River Chamber of Commerce, Vilas County travel website, Yelp, YellowPages, SuperPages, Bing, Wisconsin Hotel and Lodging website, Travel Green website, Northern WI Lodges website and TimeshareAdvisor.com. Marketing goals for next year include: expanding our online presence and market resales/rentals through Timeshare related websites TUG, TSToday, Redweek and The Timeshare Authority. Further develop our listings on online travel agencies by continually updating images, utilizing free marketing opportunities and maintaining real time rental availability. Strengthen our social media presence through targeted boosts and online promotions. Increase targeted email promotions by developing seasonal and event driven contact lists.

If you haven't been up to the resort since early June then you haven't yet seen the largest upgrade this year - all the parking areas are now blacktopped. Wow, what an improvement!

I spoke with a lake management expert with the Dept. of Natural Resources about the condition of our bay and the rising silt issue. Until the silt is within 18" of the water's surface we cannot apply for a dredging permit. Unfortunately, dredging may very well be cost prohibitive. As a result, we'll be taking some pro-active measures - early spring and late Summer - to move the silt away from the piers.

In closing, we have some exciting news to announce... In early January of 2018 the resort will be dual affiliating with RCI - the largest timeshare exchange company with over 4000 available resorts worldwide. (Yes, we'll still be affiliated with Interval International) This dual affiliation will bring added value to owners who wish to exchange along with a fresh wave of timeshare believers who have never been to Lake Forest Resort before. We're very excited and will be keeping you updated as the premiere date approaches!

Asset Replacement

The committee reviewed the 2017 replacement schedule and has completed all projects, within budget. These projects included: blacktopping of parking area, new dock, power washing and staining one building, etc.

The committee has developed a replacement schedule for 2018. They reviewed the retaining wall, behind the resort center, and though it needs repair, the committee decided to push that project back about 3 years to allow the funds to be used for new furniture in all condos. This may change if the wall deteriorates faster than expected.

The 2018 Proposed Asset Replacement scheduled was reviewed with a budget of \$118,250. The schedule will be presented to owners at the annual meeting.

Tim made a motion to remove the landline phones from the condos during maintenance in April 2018. This was approved. The reason behind his motion was continuous repair costs and the limited use they receive because of cell phones. The resort will provide track phones for those owners and renters who do not have cell phones or cell phone reception. This notice will be included in the call to meeting and with the maintenance fee invoice.

Personnel and Policy by Laurie McWard

Received all feedback from board meeting and a personal review by Sue. The board is very pleased with Sue's performance. Laurie will be meeting with Sue to discuss specific goals for 2018.

Longevity

Sue and her staff are currently performing online title searches of all owned weeks to ensure our records of ownership match the land records. If Sue finds any issues, she will notify owners.

With no other business, Laurie motioned to adjourn the meeting. This was approved and the meeting was adjourned at 9:55am.

Published for review: 10/2/17

Approved: