

2024 Fall President's Report

As I look back at the last 12 months, much has happened at Telemark.

Last November, Kate O'Keefe took advantage of a career opportunity in Duluth and resigned as our GM. Tina Froemel, with Kate's strong endorsement, succeeded her as GM in a promotion from her front desk position December 4th.

Telemark's next challenge came in April when our insurance carrier, Rockford Mutual Insurance informed us that our insurance policies would be canceled effective May 31st.

Hurricanes in Florida and fires at California resorts have devastated the insurance industry and our carrier, like many others, had chosen to abandon the timeshare resort industry.

We had been warned at the Timeshare Board Members Association (TBMA) conference that this could happen but thought that it would hit the coastal resorts and not Telemark.

VP Andy Karr and Treasurer Jim Pathos, with some help from Tina and me, found another carrier at a 300+% premium increase.

After scrambling for the entire time between April 15th and May 31st and working with Gregory and Appel, a national agency which specializes in insuring timeshare resorts, we settled temporarily for a policy from Genstar Insurance that took us from a 2023 premium of \$45,000 to a 2024 premium of \$141,000. Just like the earlier policy the new policy covered our general liability, commercial property, commercial marine, auto, crime, and Directors and Officers errors and omissions.

We were able to get the coverage to ensure our financial security, but vowed to keep searching even while being locked into 35% of the new policy rate regardless of what we found to replace it. That meant that we were committed to spending at least \$49,350 for 35% of a year. We were covered 127 days, from June 1st to October 4th. After October 4th we could either come up with more cash to pay that premium or would have to find a better policy and premium.

Fortunately, Andy discovered the last Wisconsin insurer willing to work with timeshares, and we are now covered by the Wisconsin Farm Bureau Federation through October 31st, 2025 for \$41,000. We got \$4,000 back from our gap coverage but still, our cost for coverage from 6/1/24 – 10/31/25 (16 months) went from the anticipated total of \$60K to \$87K. Geez!

In April, we learned of SBA loans available to the area for income lost due to "lack of precipitation" in the winter of 23-24. We are still pursuing a loan currently but working with the SBA has its own set of challenges...

We have had a good year of transient sales. We should earn \$400,000, although the new 300 Telemark Pointe building is behind projections.

As the ski season approaches however, Jackie reports that she is booking a lot of cross-country ski teams. At \$480 a weekend night, for each side, it's a nice payday for Telemark and a bargain for a team that can sleep 15 skiers for an average per capita rate of approximately \$35 a night. Because of ski teams and increased exposure to the traveling public, we are expecting the building to be meeting its income goals in 2025 and to break the \$500,000 barrier in total room revenue in 2025.

There have been significant growing pains at the Pointe but we have taken great effort to improve car parking, boat trailer parking, and boat docking in anticipation of a busier 2025.

Tina gave notice August 9th. She informed the Board that she planned to move to Eau Claire by the end of the year but that to ensure a smooth transition, she would stay onboard as late as December until we had a replacement.

We posted ads on Indeed and other online platforms through the Duluth, Superior, Ashland, Spooner and Eau Claire newspapers. We had to count on Tina as applications from qualified applicants were slow to come. By mid-September, we had not settled on a successor, and it was obvious that Tina had moved on. I took over the job of Interim GM on September 24 and began juggling responsibilities to the best of my ability. Since then, I've overseen the repair of 3 roofs, hired new maintenance, and front desk people, planned and carried out our annual Owners Meeting and election, and kept the ship of Telemark afloat. We're still looking for housekeeping help.

The Board looked at several General Manager resumes before arriving at 2 good candidates. The first candidate led us on before bowing out and we were fortunate to hire Christopher Hicks on October 18th. The Board was impressed with Chris' communication skills, entrepreneurship, education, and management skills. Chris brings entrepreneur experience as an MMA fight promoter and champion, Red Cliff Tribal council member experience, Goodwill store manager experience, and an MBA degree to Telemark.

Chris met our owners at the annual meeting October 26th, and after giving proper notice to his previous employer, started working at Telemark November 5th. I expect to train Chris to a level of comfort, and be able to go back to retirement before Thanksgiving.

In April and again in September, the Birkie punctured our water line. We have an easement for our electrical, sewage and water service, but don't have accurate knowledge of water and electrical locations. The Birkie is good enough to pay for repairs, but disruptions to our water supply are very disruptive to the owners and guests on property. We were lucky that we had each break mid-week when we were at less than 50% occupancy.

It still meant that one of our maintenance men, Jeremy Melton, spent the better part of a Thursday afternoon and Friday morning delivering buckets of water for toilet flushing, and bottled water for drinking. Most guests “stuck it out” but we did lose some income.

During the repairs we learned that our pipe is plastic, 50 years old, and looking tired. This ongoing issue and the fact that our pressure regulating system is in need of an estimated \$15k in repairs encouraged us to seek bids to drill a new well.

I met with 2 local drillers, Froemel Wells and Butterfield Drilling, both of Hayward. Froemel suggests drilling 1 well at a cost of +/- \$100,000 but can't do it until next fall.

Butterfield has submitted bids to drill 3 wells at a total cost of \$93,790. They believe that the redundancy of 3 wells that can be linked to each other if needed in an emergency will give us greater security and less cost than drilling one higher capacity well with no back up. We have approved their estimate and will begin drilling before Thanksgiving.

Avoiding the cost of repairing the pressure tank, and possibly selling our existing well to the Birkie is likely to reduce the real cost of the 3 new wells to \$55-60,000 and relieve us of any further water worries.

The **Telemark Northwoods Community Foundation** is making progress. They held a community meeting on October 25th and shared their building plans and fundraising news. Building plans include a combination pickleball/volleyball court/event area, a 25-meter swimming pool, a fitness center, and meeting and education facilities for the community, our owners, guests, and others.

Telemark expects to “partner” with the TNCF by leasing office and reception space and access to building amenities through a “payment in kind” agreement based on the Center using our land and negotiating a POWTS access agreement.

The **Birkie** officially opened its Base Camp this summer. They also announced a land sale to Rivers Eatery, the terrific pizza restaurant located in Cable. Once the new pizzeria is built, owners and guests will have pizza, coffee, baked goods and beer (2 taprooms) within 100 yards of our condos.

With the expansion of Birkie events, Telemark can expect a continued gain in transient business. As noted last year, we are the “preferred lodging provider of the American Birkebeiner.” Birkie events are expected to attract more than 20,000 registrants annually. The winter ski season starts with the “Turkey Birkie” later this month.

Our marketing message and new Telemark Northwoods Lodging logo is included at the bottom of the registration confirmation email sent out to each participant of the Birkie ski events (Birkie, Korte, Prince Haakon) and the other major Birkie year-round skiing, biking, and running events (Birkie Trail Run, Fat Bike Birkie, Epic Bike Fest, Seeley Hills Classic, Ski de She, Telemark Ascent, and the Birkie Tour).

I know that we've raised dues 10%, are asking for a \$250 assessment and are raising our transient rates an average of 20% but I believe that the expenses are necessary to secure a solid work force, consistent water supply and leak-free roofs while going forward with a facility that we all can enjoy and be proud of.

Last summer I invited you to look back to 2013 dues. Our Maintenance Fees are up since then. In 2013, a C Unit cost \$428, a Pointe Unit \$978. They are now \$622 (+45%) and \$1488 (+52%) respectively. Over 12 years, this is an average annual increase of 4%. I welcome you to look at the cost of other vacation lodging. It will be similar.

In those 12 years, we will have drilled 3 new wells, doubled the wages of our hourly employees, and replaced every sofa, mattress, and TV as well as other furniture. We've replaced several AC and furnace units, every roof, repainted every building, built playgrounds, reclaimed the 1603 unit, and developed the office. We've added docks, pontoons, another boat, and kayaks to our fleet and vastly improved our cable and Wi-Fi access. We've replaced a 50-year-old sewage treatment plant and have continued to expand our lodging footprint with modest dues increases and 4 assessments totaling \$850.

We're way ahead of where we were despite increased costs of *everything*, missed steps, and unpleasant surprises.

I'm happy to be a Telemark owner, and proud to be your President. As always, I welcome your comments and questions and strive to earn your trust. I'm up for re-election next year, if I've lost it.

Thank you,

Mike Kocon