

## 2023 Fall President's Report

As I look back at the Report I made last fall, I'm struck by the changes that I see.

Last year I pointed out that we had:

1) An ongoing relationship with the **BIRKIE** and growing potential for transient rentals based on our proximity to both the Birkie Start line and Birkie's 12,000 square foot "**Base Camp**".

Supply chain issues and the Bayfield County building inspector slowed our building of the **Wastewater Treatment Plant** and the Birkie couldn't build until they got Bayfield County's permission to connect to our plant.

Bayfield County finally approved their permit and Base Camp has begun building. It should be fully functional by Memorial Day next year. Base Camp will be home to ski and bike rental/repair shops, a great hall, museum, and gift shop, as well as a brewery tap room and a coffee shop. Base Camp will be the cornerstone of what the ABSF calls: "Mount Telemark Village."

Telemark's support of the ABSF as a **Gold Sponsor**, and **Partner** in Mount Telemark Village makes the Village's amenities available to Telemark owners and guests at no extra charge.

Village amenities include:

- 1) A 7- kilometer cross country ski trail with machine made snow cover which guarantees skiable trails from Thanksgiving to St Patricks' Day. There are also another 25 kms of groomed trails for more seasonal skiing.
- 2) The George Hovland 5-kilometer paved loop trail for walking, running, biking and roller skiing. Available all year round.
- 3) A biathlon range by the Cable Gun Club.
- 4) Over 11 miles of permanent mountain bike enduro and downhill trails (Trek Trails Powered by OTM) which may be used for both competition and recreation at various times.
- 5) A sledding hill on the lower reaches of Mount Telemark, and the **Kawabaming** observation tower built on the summit this summer.
- 6) A 1- acre ice skating pond with benches to watch the skaters, or to stare off into the sunset will be available winter of 2024-25.
- 7) A playground and fitness area for both recreation and a good workout.
- 8) 18-hole disc golf course also winds its way through the property up and around Mount Telemark expects to be open next summer.

With the expansion of Birkie events, Telemark can expect a large gain in transient business as we are the "preferred lodging provider of the American Birkebeiner." We are their only lodging sponsor as listed on the Birkie.com website. The winter ski season starts with the "Turkey Birkie" November 24-26.

We became one of the “Gold ABSF Sponsors” of all year-round Birkie events July 2022, and as part of our contract providing the Birkie access to our POWTS, we have an ongoing, prepaid, Gold Sponsorship through June of 2028.

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)

These events are expected to attract as many as 20,000 registrants annually.

2) An aging **Wastewater Treatment Plant** (WWTP) in dire need of replacement. The Private, Onsite, Wastewater Treatment System (POWTS) went online in August.

Last fall, the Board had to ponder ways to pay for a **\$478,000 plant**. We decided to borrow against **\$250,000** in savings, add **\$70,000** promised by the **ABSF** and a **\$150** unit week **assessment** which was expected to raise **\$100,000+**, which in addition to monies already paid, would provide the total amount needed.

The price went up over 50%. The total cost of our POWTS will be \$760,000. That leaves a shortfall of \$282,000.

The new costs meant that last year’s plan only got us about 60% home and the cost of borrowing against our CDs grew. The plan to borrow against a **\$250,000 Chippewa Valley Bank CD** at a rate **2%** more than the CD earns blew up with the increase in interest to the point that we simply used that cash and other savings to pay the entire tab.

That leaves our reserves in need of reinforcement. To cover the entire POWTS shortfall of a little over **\$280,000** we believe that an assessment of **\$300** per unit week is appropriate and should raise over \$200,000. The assessment *can* be paid by December 31 with our maintenance fees but won’t be due until March 1. We also received \$75,000 from the Birkie this year and will be credited with \$15,000 each year for the next 4 years in total payment of \$125,000 for their access. The Birkie will also contribute 15% of POWTS operating costs annually.

The POWTS was built with the needs of the Telemark Northwoods Community Foundation (TNCF) in mind so we anticipate that when the time comes, we will have a financial arrangement with the TNCF like that with the Birkie.

The assessment creates a frustrating picture but means that our maintenance fees will not be raised this year. Once you raise something, it never gets reduced. We expect that biting the bullet with another assessment that is clearly tied to the cost of replacing a 50-year-old, fully depleted treatment plant is easy to understand, if not to swallow.

3) As I noted this summer, the first **Interest for Years** (IFY) accounts turn over to the TIOA this December 31. That may change a bit as several IFY owners have asked for an option to extend. As a result, the Board approved an Interest for Years extension purchasable in 3 year increments for those who bought in on the original plan. The extension will cost 3.3 times dues as opposed to the initial IFY purchase which must be 5.5 times. IFY owners are subject to assessments but not dues increases. Closing costs of the extension are expected to be \$150.

Once the Birkie builds its Base Camp, Telemark can look to developing the **1600 building** as discussed last year.

4) The **Telemark Northwoods Community Foundation** is making progress. They hope to construct, with community partners, a community center with a pool, fitness and education opportunities for the community, our owners, guests, and others.

Telemark expects to “partner” with the TNCF by negotiating a mutually acceptable POWTS access agreement and likely leasing office and reception space and access to building amenities.

**5) Telemark Pointe:** We broke ground *last* fall and fully 12 months later took complete possession *this* fall. We can thank Bayfield County, supply chain issues and our builder for construction delays.

We can also thank Board Member Andy Karr for his oversight of the process and the many deals on appliances and materials that he has found, saving us thousands of dollars. Andy and his wife Jenna have also spent countless hours landscaping and planting shrubs around the building.

The new 300 building has two 1500 square foot units, each with 4 bedrooms. 2 bedrooms are on the main level and 2 on the walkout level. Each unit has 2 full bathrooms, one on each level. 2 of the bedrooms look out on the lake, sharing a deck with the living room on the main level, sharing a patio on the walkout level with a “great room”. Each unit has one bedroom with a bunkbed arrangement that can sleep as many as 4 people. The great room will have two sleeper sofas and the living room one. This will provide sleeping space for 16 people on each side. Each walkout will also have a laundry much like the existing Pointe units.

52% occupancy (26.5 weeks per unit) is the minimum rental expectation and will ensure a positive cashflow. It's expected that each unit will rent to the public for an average of \$2800/week. TIOA Owners who pay by check or cash will be able to rent most weeks for \$2,100.

**6) Reality Check:** Once again, it's been a tough 12 months, but we've managed to work through it.

We have made investments in Telemark's future: overcoming the obstacles that an aging plant put before us by building our POWTS and continuing to look for new

opportunities to earn money by building our new Pointe building and looking at ways to expand our Christiana Villa lodging impact.

Last summer I invited you to look back to 2013. Our Maintenance Fees are up.

In 2013 a C Unit cost \$428, a Pointe Unit 978. They are now \$566 (+34%) and \$1353 (+43%) respectively. Over 11 years, this is an annual increase of 3 to 4%.

In those 11 years, we have replaced furniture, (every sofa, mattress, and TV for example). 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 3 assessments totaling \$600.

We're way ahead of where we were 10 years ago 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.

Thank you,

Mike Kocon