

Association of Co-Owners of Chetola Lake Condominium, Inc.

February 27, 2024 • Blowing Rock, NC

FULL RESERVE STUDY



Association of Co-Owners of Chetola Lake Condominium, Inc.
Blowing Rock, North Carolina

Dear Board of Directors of Association of Co-Owners of Chetola Lake Condominium, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Association of Co-Owners of Chetola Lake Condominium, Inc. in Blowing Rock, North Carolina and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, February 27, 2024.

This *Full Reserve Study exceeds* the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Association of Co-Owners of Chetola Lake Condominium, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on March 27, 2024 by

Reserve Advisors Engineering, PLLC (P-1327)

Visual Inspection and Report by: Kevin Hayes
Alan M. Ebert, P.E. (NC-043524) PRA², RS¹, Director of Quality Assurance



1 RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

2 PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Association of Co-Owners of Chetola Lake Condominium, Inc. (Chetola Lake Condominiums)

Location: Blowing Rock, North Carolina

Reference: 234134

Property Basics: Association of Co-Owners of Chetola Lake Condominium, Inc. is a homeowners association which is responsible for the common elements shared by 36 single family homes. The community was built from 1983 to 1992.

Reserve Components Identified: 21 Reserve Components.

Inspection Date: February 27, 2024.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes this threshold funding year in 2053 due to the replacement of the roofs. In addition, the Reserve Funding Plan recommends 2054 year end accumulated reserves of approximately \$421,800. We judge this amount of accumulated reserves in 2054 necessary to fund the likely replacement of the domestic water pipes after 2054. These future needs, although beyond the limit of the Cash Flow Analysis of this Reserve Study, are reflected in the amount of accumulated 2054 year end reserves.

Methodology: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 2.0% anticipated annual rate of return on invested reserves
- 3.5% future Inflation Rate for estimating Future Replacement Costs

Sources for Local Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Unaudited Cash Status of Reserve Fund:

- \$718,897 as of January 1, 2024
- 2024 budgeted Reserve Contributions of \$100,000
- A potential deficit in reserves might occur by 2033 based upon continuation of the most recent annual reserve contribution of \$100,000 and the identified Reserve Expenditures.

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the *Reserve Expenditures* tables and include a *Five-Year Outlook* table following the *Reserve Funding Plan* in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Replacement of the staircases
- Replacement of air handling and condensing units
- Reapplication of exterior paint finishes
- Balcony repairs
- Restroom renovations



Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Cash Flow Methodology Funding Plan:

- Increase to \$252,900 in 2025
- Inflationary increases thereafter through 2054, the limit of this study's Cash Flow Analysis
- Initial adjustment in Reserve Contributions of \$152,900 represents an average monthly increase of \$353.94 per owner and about a thirteen percent (13.0%) adjustment in the 2024 total Operating Budget of \$1,174,891.

Chetola Lake Condominiums
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2025	252,900	895,722	2035	357,000	802,600	2045	503,600	1,826,719
2026	261,800	1,000,075	2036	369,500	725,713	2046	521,200	1,836,351
2027	271,000	1,201,850	2037	382,400	1,048,104	2047	539,400	1,678,703
2028	280,500	1,220,634	2038	395,800	1,213,889	2048	558,300	1,282,776
2029	290,300	1,406,012	2039	409,700	1,622,183	2049	577,800	1,252,953
2030	300,500	1,406,178	2040	424,000	1,616,011	2050	598,000	844,132
2031	311,000	1,647,876	2041	438,800	1,598,055	2051	618,900	591,828
2032	321,900	1,755,471	2042	454,200	1,799,896	2052	640,600	463,044
2033	333,200	1,502,614	2043	470,100	1,844,219	2053	663,000	198,653
2034	344,900	1,064,358	2044	486,600	1,825,703	2054	686,200	421,777

