



**PROPERTY**  
**DIAGNOSTICS INC.**

# Reserve Study Level I

August 31, 2023

Tilghman on the  
Chesapeake - Entry

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Association of Professional Reserve Analysts

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# **REPAIR & REPLACEMENT RESERVE REPORT**

## **TILGHMAN ON THE CHESAPEAKE - ENTRY**

**Island Club Road  
Tilghman, Maryland 21671**



**Prepared for:  
BOARD OF DIRECTORS,  
Tilghman on the Chesapeake - Entry  
C/o: Ian Jones  
2610 Island Club Road  
Tilghman, Maryland 21671**

**Project #323140**

**DATE OF SITE VISIT: JUNE 5, 2023**

**DATE OF FINAL REPORT: AUGUST 31, 2023**

**Prepared by:**

**PROPERTY DIAGNOSTICS, INC.  
P.O. Box 3453  
Crofton, Maryland 21114**



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## I. EXECUTIVE STATEMENT

This Repair and Replacement Reserve Schedule Report has been developed for **Tilghman on the Chesapeake - Entry**, for the specific purpose of reviewing the major components and developing a Repair and Replacement Reserve Schedule based on our research and observation of the property. Our report contains two different methods of reserve analysis. The first section presents the Component Method and the second section presents the Cash Flow Method.

The difference between the component method and cash flow method is the component method lists all features of the property that will require repair or replacement over the normal useful life. The estimated cost of the component method's annual contribution is based on the owner's requirement to fund repairs or replacements at the time of the site analysis. This may result in short-term higher contributions to catch up short falls in the reserve account. The component method has no means of readjusting the annual contribution after a component is repaired or replaced. For example, a roof requiring to be replaced within the next ten years will require an annual contribution of 10% for each year. After replacing the normal useful life of a roof system is 20 years, which results in an annual contribution of 5%. The cash flow method considers the activities on the property and the expenditures expected over the next 30 years. Thereby, allowing an adjustment to the annual contribution rather than over funding the reserve account.

The examination was made following accepted visual inspection standards and did not include testing of any equipment or physical conditions unless specific reference is made to such testing. Unless otherwise stated, we have reported only on those items that we were able to observe visually in Level I & Level II evaluations. The inspection did not include removing portions of construction to expose concealed conditions. The report is intended to fairly present our professional opinion of the condition of the facility and the component parts to which reference is made in the report Level I and Level II as of the date of this inspection. The report is also based on the information provided to us of the age, materials, equipment, and construction techniques that were used subject to the qualifications expressed in this report. Property Diagnostics, Inc. relies on the owners to submit information pertaining to the replacement activities and attentions of site components.



Based on the findings in each of the specific areas reviewed, professional judgment was used in forecasting the remaining life expectancy of the systems and components scheduled in the body of this report. The estimated cost of each component has been identified. The same basis and judgment were used in describing any existing conditions based on the estimated cost of all necessary or recommended repairs. This report, therefore, does not constitute or represent a warranty of the property's condition and should not be viewed as such. Rather, the report reflects our professional opinion based on the methodology specified above.

**PROPERTY DIAGNOSTICS, INC.**

John Grimes, PRA, RS  
Senior Reserve Analyst





## II. PROPERTY DESCRIPTION

Tilghman on Chesapeake is a community situated along Island Club Road in Tilghman, Maryland. The community was delivered in 1993 and consists of 50 homes. The study, in accordance with Maryland state law, has assessed commonly owned components including but not limited to:

- Entry sign
- Picket fencing
- Brick columns
- Bollard lights

## III. COMPONENT METHOD/UNDERSTANDING YOUR CHARTS

The following charts are typically broken down into the following categories, grounds, building envelope, building interior, mechanical/plumbing and electrical components where applicable.

The charts identify and quantifies the component items, the estimated cost to repair or replace those items, and the target date with which those repairs or replacements are projected to take place. The annual contribution is the total cost for repair or replacement, divided by the repair cycle or target date. This cost has been presented in today's dollars and has not been extrapolated to a future date.

The chart delineates Reserve/Replacement items. Some items must be totally replaced in a given year. However, many of the items, in practice, will be repaired or replaced in phases. An example would be a reserve figure to replace concrete walls shown as a total amount to be spent in ten years, where sectional replacement is likely.

The identified remaining life for each component is merely target dates and are solely based on our experience and expertise. Observing the conditions of the component or supported information.



## Chart Headings:

**Column 1**, entitled “ITEM”, is a list of commonly owned site components. Each chart is followed by a narrative describing the intended work for the component listed in this column. The purpose of the narrative is for the owners to have a better understanding of the intended work, which supports the estimated repair or replacement cost.

**Column 2**, entitled “QUANTITY”, refers to the number of all reflected units of measurement for the material or system furnished or installed. Following the QUANTITY, applicable units of measurement are abbreviated, as follows:

Ea = Each or part of total system.

SQ = Square of roof or 100 S.F.

SF = Square Foot

LF = Linear Foot

SY = Square Yard

LS = Lump Sum-Total costs of those items needed to make the description (task) operational when finite quantities are not defined.

Lot = Entire system where quantities are not defined or are inter-dependent.

Unit = Each or part of total system.

Sys = Mechanical system complete, including attendant mechanical work to make system function.

LOB = Life of Building

**Column 3**, entitled “NORMAL USEFUL LIFE”, this figure is a conceptual number of years, which a given item or system can be expected to last at the time of installation. This figure is by using professional judgment and through observations made in the field.



**Column 4**, entitled “ESTIMATED REMAINING LIFE”, this figure is the estimated time that an existing item or system can be expected to remain useful. This figure is derived by using professional judgment where items or systems show unusual wear or unusual preservation, or if the items are new by subtracting actual age of the existing item or system from the “Normal Useful Life.”

**Column 5**, entitled “TARGET DATE”, reflects the numerical year of replacement for the component.

**Column 6**, entitled “CURRENT REPLACEMENT COST”, reflects the estimated cost to replace and install an item or system or to perform the described work task. This figure is calculated using industry-accepted standards, comparing various industry sources, and using professional judgment. Property Diagnostics, Inc. refers to Means price guides, Dodge price guides, and our in-house database. These figures are for conceptual purposes only and are not based upon detailed engineering or architectural analysis, bid documents, or detailed physical surveys.

**Column 7**, entitled “CURRENT FUND”, reflects monies presently assigned to replacement of the indicated system or item in the Replacement Reserve Fund. This figure is derived by those parties responsible for distributing funds or by Property Diagnostics, Inc. as directed by those responsible parties.

**Column 8**, entitled “Required Fund”, represents those funds needed to reach the Current Replacement Cost. The figure is calculated using the “Current Replacement Cost” less the “Current Fund.”

**Column 9**, entitled “ANNUAL CONTRIBUTION”, reflects the component method of funds that should be set aside on an annual basis to have the item or system fully funded at completion of the expected useful life period. This figure is calculated by dividing the “Required Fund” by the “Estimated Remaining Life.”





<b>TILGHMAN ON THE CHESAPEAKE - ENTRY REPAIR AND REPLACEMENT RESERVE - SUMMARY PROPERTY DIAGNOSTICS, INC.</b>				
<b>ITEM</b>	<b>CURRENT REPLACEMENT COST</b>	<b>CURRENT FUND</b>	<b>REQUIRED FUND</b>	<b>ANNUAL CONTRIBUTION</b>
<b>A. Architectural Grounds</b>	\$65,610.00	\$65,610.00	\$0.00	\$0.00
<b>TOTAL:</b>	<b>\$65,610.00</b>	<b>\$65,610.00</b>	<b>\$0.00</b>	<b>\$0.00</b>



TILGHMAN ON THE CHESAPEAKE - ENTRY								
A. ARCHITECTURAL GROUNDS								
PROPERTY DIAGNOSTICS, INC.								
ITEM	QUANTITY	NORMAL USEFUL LIFE (Years)	ESTIMATED REMAINING LIFE (Years)	TARGET DATE (Year)	CURRENT REPLACEMENT COST	CURRENT FUND	REQUIRED FUND	ANNUAL CONTRIBUTION
1. Entry Sign	1 Ea	30	10	2033	\$2,500.00	\$2,500.00	\$0.00	\$0.00
2. Picket Fence - Vinyl & Wood	2,218 LF	25	8	2031	44,360.00	44,360.00	0.00	0.00
3. Brick Columns	288 SF	35	30	2053	5,200.00	5,200.00	0.00	0.00
4. Bollard Landscape Lights	7 Ea	30	15	2038	5,950.00	5,950.00	0.00	0.00
5. Underground Wiring	Lot	30	15	2038	3,150.00	3,150.00	0.00	0.00
6. Electrical Switchgear	1 Ea	40	25	2048	3,250.00	3,250.00	0.00	0.00
7. Reserve Study	1 Ea	5	5	2028	1,200.00	1,200.00	0.00	0.00
<b>TOTAL:</b>					<b>\$65,610.00</b>	<b>\$65,610.00</b>	<b>\$0.00</b>	<b>\$0.00</b>



## A. ARCHITECTURAL GROUNDS

Chart Item	Repair/Replacement Description
1. Entry Sign	The estimated replacement cost for entrance signs is to replace the existing entrance signs with new signs of similar style and quality. Sign replacements are subjective, in that a replacement sign can vary due to the size and quality the property wants to present. Should the property desire a more elaborate sign system, the estimated replacement cost should be adjusted accordingly.
2. Picket Fence - Vinyl & Wood	The estimated replacement cost is for the replacement of the existing entrance fencing with new fencing of similar style and quality. It is anticipated that all fencing will be replaced with vinyl.
3. Brick Columns	The brick columns at the entry should never require full replacement if properly maintained. The estimated replacement cost is for repair and reconstruction of the columns during the remaining life. Repairs would include re-pointing of defective mortar joints and sectional reconstruction as needed.
4. Bollard Landscape Lights	The estimated replacement cost for the bollard landscape lights is for replacement of the existing bollard lights with new lights of similar quality and design.
5. Underground Wiring	The price given is for the replacement of underground electrical utility wiring. It has been assumed that existing wiring will be disconnected, abandoned in place, and new wiring trenched in plastic piping.



## A. ARCHITECTURAL GROUNDS

Chart Item	Repair/Replacement Description
6. Electrical Switchgear	The estimated replacement cost for the electrical switchgear servicing the site lighting reflects the cost to replace the existing panel with a new panel of equal ratings and load capacity.
7. Reserve Study	The reserve schedule has included costs for updating the reserve study on a cyclical basis.



## IV. CASH FLOW METHOD/UNDERSTANDING YOUR CHARTS

The Cash Flow Method incorporates the repair and replacement needs of the property over the next thirty years, to include anticipated repair/replacement of components and materials that are performed sectionally. A percentage of components replaced sectionally are ascribed in the thirty-year chart. The Cash Flow Method allows the Association to reserve funds to maintain the property based on the estimated requirements over the next thirty years.

The Cash Flow Section of the report extrapolates requirements stated in the Component Method section of the report.

The UNINFLATED CASH FLOW BREAKDOWN table has the following column entries.

- The first column reflects the calendar Year (2024 thru 2053) for each of the 30 years during the life of this report.
- The second column, entitled Total Replacement Costs / 30yrs, shows total projected expenditures for each Year.
- The third column, entitled Yearly Contribution, depicts the figure given to Property Diagnostics, Inc. used to complete this table.
- The fourth column, entitled Current Fund based on Tilghman on the Chesapeake - Entry's Contribution, shows cash on hand or the property's current, or projected Reserves based on the property's annual contributions minus projected replacement costs, by year.
- The fifth column, entitled Recommended Yearly Contribution, depicts a flat rate increase for funding the reserves.
- The sixth column, entitled Current Fund based on the Recommended Yearly Contribution, depicts how the property's Reserve Fund will increase over time if projections remain true and inflation does not cause replacement costs to increase over time.

The current reserve fund provided to Property Diagnostics, Inc. is \$69,000. Current funding does not meet the property's financial needs.

To maintain the property in good order the owners will have to increase the annual contribution to Property Diagnostics, Inc. recommended amount listed in option 1 of the Cash Flow chart of \$2,000 and/or find other means to increase the existing balance. Other means such as special assessments, loans, or a one-time increase.



The second cash flow table, entitled INFLATED (1%) CASH FLOW BREAKDOWN shows the replacement cost with an inflation rate of 1%, per year, a 1% annual increase to the annual contribution, and the current fund with an interest earned rate of 0.25%, per year. The total amount at the end of thirty years will be \$58,714.

The third cash flow table, entitled INFLATED (3%) CASH FLOW BREAKDOWN shows the replacement cost with an inflation rate of 3%, per year, a 3% annual increase to the annual contribution, and the current fund with an interest earned rate of 1% per year. At the end of thirty years, the property will have \$75,334.

The fourth cash flow table, entitled INFLATED (3%) CASH FLOW BREAKDOWN shows the replacement cost with an inflation rate of 3%, per year, a 3% annual increase to the annual contribution, and the current fund with an interest earned rate of 2.3% per year. At the end of thirty years, the property will have \$107,206.

We recommend the Association's Board of Directors update the reserve study every three to five years. This update would readjust the reserve requirements for the property based on actual experiences and conditions.

The first bar chart shows graphically the cash expenditures and cash on hand based on owners' yearly contribution. The second bar chart shows graphically the cash expenditures and cash on hand based on Property Diagnostics, Inc.'s recommendation. The following section of the report identifies specifically items to be repaired/replaced for each year and the method or component, which is specified.



TILGHMAN ON THE CHESAPEAKE - ENTRY					
UNINFLATED CASH FLOW BREAKDOWN					
Year	Total Replacement Costs / 30yrs	Tilghman on the Chesapeake - Entry's Yearly Contribution	Current Fund based on Tilghman on the Chesapeake - Entry's Contribution	Recommended Yearly Contribution	Current Fund based on the Recommended Contribution
			\$ 69,000		\$ 69,000
2024	\$ -	\$ -	\$ 69,000	\$ 2,000	\$ 71,000
2025	\$ -	\$ -	\$ 69,000	\$ 2,000	\$ 73,000
2026	\$ -	\$ -	\$ 69,000	\$ 2,000	\$ 75,000
2027	\$ -	\$ -	\$ 69,000	\$ 2,000	\$ 77,000
2028	\$ 1,200	\$ -	\$ 67,800	\$ 2,000	\$ 77,800
2029	\$ -	\$ -	\$ 67,800	\$ 2,000	\$ 79,800
2030	\$ -	\$ -	\$ 67,800	\$ 2,000	\$ 81,800
2031	\$ 44,360	\$ -	\$ 23,440	\$ 2,000	\$ 39,440
2032	\$ -	\$ -	\$ 23,440	\$ 2,000	\$ 41,440
2033	\$ 3,700	\$ -	\$ 19,740	\$ 2,000	\$ 39,740
2034	\$ -	\$ -	\$ 19,740	\$ 2,000	\$ 41,740
2035	\$ -	\$ -	\$ 19,740	\$ 2,000	\$ 43,740
2036	\$ -	\$ -	\$ 19,740	\$ 2,000	\$ 45,740
2037	\$ -	\$ -	\$ 19,740	\$ 2,000	\$ 47,740
2038	\$ 10,300	\$ -	\$ 9,440	\$ 2,000	\$ 39,440
2039	\$ -	\$ -	\$ 9,440	\$ 2,000	\$ 41,440
2040	\$ -	\$ -	\$ 9,440	\$ 2,000	\$ 43,440
2041	\$ -	\$ -	\$ 9,440	\$ 2,000	\$ 45,440
2042	\$ -	\$ -	\$ 9,440	\$ 2,000	\$ 47,440
2043	\$ 1,200	\$ -	\$ 8,240	\$ 2,000	\$ 48,240
2044	\$ -	\$ -	\$ 8,240	\$ 2,000	\$ 50,240
2045	\$ -	\$ -	\$ 8,240	\$ 2,000	\$ 52,240
2046	\$ -	\$ -	\$ 8,240	\$ 2,000	\$ 54,240
2047	\$ -	\$ -	\$ 8,240	\$ 2,000	\$ 56,240
2048	\$ 4,450	\$ -	\$ 3,790	\$ 2,000	\$ 53,790
2049	\$ -	\$ -	\$ 3,790	\$ 2,000	\$ 55,790
2050	\$ -	\$ -	\$ 3,790	\$ 2,000	\$ 57,790
2051	\$ -	\$ -	\$ 3,790	\$ 2,000	\$ 59,790
2052	\$ -	\$ -	\$ 3,790	\$ 2,000	\$ 61,790
2053	\$ 6,400	\$ -	\$ (2,610)	\$ 2,000	\$ 57,390



<b>TILGHMAN ON THE CHESAPEAKE - ENTRY</b>				
<b>INFLATED CASH FLOW BREAKDOWN</b>				
<b>Year</b>	<b>Total Replacement Costs / 30yrs with 1% Inflation</b>	<b>Recommended Yearly Contribution with 1% Inflation Match</b>	<b>Current Fund based on the Recommended Contribution</b>	<b>Current Fund based on the Recommended Contribution with 0.25% Interest Earned</b>
			<b>\$ 65,610</b>	
2024	\$ -	\$ 2,020	\$ 67,630	\$67,799
2025	\$ -	\$ 2,040	\$ 69,839	70,014
2026	\$ -	\$ 2,061	\$ 72,074	72,255
2027	\$ -	\$ 2,081	\$ 74,336	74,522
2028	\$ 1,261	\$ 2,102	\$ 75,363	75,551
2029	\$ -	\$ 2,123	\$ 77,674	77,868
2030	\$ -	\$ 2,144	\$ 80,012	80,212
2031	\$ 48,036	\$ 2,166	\$ 34,343	34,428
2032	\$ -	\$ 2,187	\$ 36,616	36,707
2033	\$ 4,087	\$ 2,209	\$ 34,830	34,917
2034	\$ -	\$ 2,231	\$ 37,148	37,241
2035	\$ -	\$ 2,254	\$ 39,494	39,593
2036	\$ -	\$ 2,276	\$ 41,869	41,974
2037	\$ -	\$ 2,299	\$ 44,273	44,384
2038	\$ 11,958	\$ 2,322	\$ 34,748	34,835
2039	\$ -	\$ 2,345	\$ 37,180	37,273
2040	\$ -	\$ 2,369	\$ 39,641	39,740
2041	\$ -	\$ 2,392	\$ 42,133	42,238
2042	\$ -	\$ 2,416	\$ 44,654	44,766
2043	\$ 1,464	\$ 2,440	\$ 45,742	45,856
2044	\$ -	\$ 2,465	\$ 48,321	48,442
2045	\$ -	\$ 2,489	\$ 50,931	51,059
2046	\$ -	\$ 2,514	\$ 53,573	53,707
2047	\$ -	\$ 2,539	\$ 56,246	56,387
2048	\$ 5,707	\$ 2,565	\$ 53,245	53,378
2049	\$ -	\$ 2,591	\$ 55,969	56,109
2050	\$ -	\$ 2,616	\$ 58,725	58,872
2051	\$ -	\$ 2,643	\$ 61,514	61,668
2052	\$ -	\$ 2,669	\$ 64,337	64,498
2053	\$ 8,626	\$ 2,696	\$ 58,568	58,714





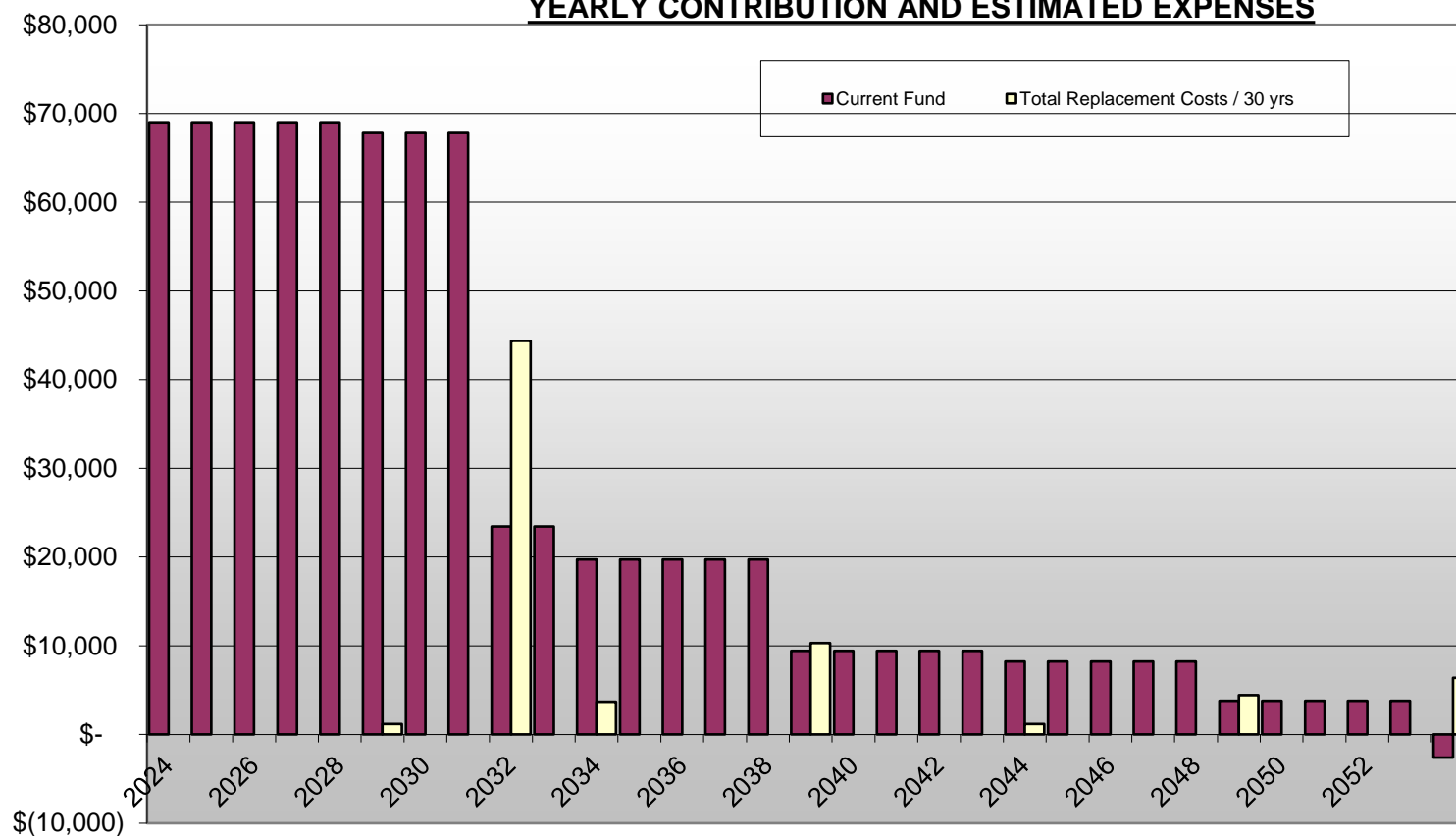
TILGHMAN ON THE CHESAPEAKE - ENTRY				
INFLATED CASH FLOW BREAKDOWN				
Year	Total Replacement Costs / 30yrs with 3% Inflation	Recommended Yearly Contribution with 3% Inflation Match	Current Fund based on the Recommended Contribution	Current Fund based on the Recommended Contribution with 1% Interest Earned
			\$ 65,610	
2024	\$ -	\$ 2,060	\$ 67,670	\$ 68,347
2025	\$ -	\$ 2,122	\$ 70,469	\$ 71,173
2026	\$ -	\$ 2,185	\$ 73,359	\$ 74,092
2027	\$ -	\$ 2,251	\$ 76,343	\$ 77,107
2028	\$ 1,391	\$ 2,319	\$ 78,034	\$ 78,814
2029	\$ -	\$ 2,388	\$ 81,203	\$ 82,015
2030	\$ -	\$ 2,460	\$ 84,474	\$ 85,319
2031	\$ 56,194	\$ 2,534	\$ 31,659	\$ 31,975
2032	\$ -	\$ 2,610	\$ 34,585	\$ 34,931
2033	\$ 4,972	\$ 2,688	\$ 32,646	\$ 32,972
2034	\$ -	\$ 2,768	\$ 35,741	\$ 36,098
2035	\$ -	\$ 2,852	\$ 38,950	\$ 39,339
2036	\$ -	\$ 2,937	\$ 42,276	\$ 42,699
2037	\$ -	\$ 3,025	\$ 45,724	\$ 46,182
2038	\$ 16,047	\$ 3,116	\$ 33,250	\$ 33,583
2039	\$ -	\$ 3,209	\$ 36,792	\$ 37,160
2040	\$ -	\$ 3,306	\$ 40,466	\$ 40,871
2041	\$ -	\$ 3,405	\$ 44,276	\$ 44,718
2042	\$ -	\$ 3,507	\$ 48,225	\$ 48,708
2043	\$ 2,167	\$ 3,612	\$ 50,152	\$ 50,654
2044	\$ -	\$ 3,721	\$ 54,375	\$ 54,918
2045	\$ -	\$ 3,832	\$ 58,751	\$ 59,338
2046	\$ -	\$ 3,947	\$ 63,285	\$ 63,918
2047	\$ -	\$ 4,066	\$ 67,984	\$ 68,663
2048	\$ 9,317	\$ 4,188	\$ 63,534	\$ 64,169
2049	\$ -	\$ 4,313	\$ 68,482	\$ 69,167
2050	\$ -	\$ 4,443	\$ 73,610	\$ 74,346
2051	\$ -	\$ 4,576	\$ 78,922	\$ 79,711
2052	\$ -	\$ 4,713	\$ 84,424	\$ 85,268
2053	\$ 15,534	\$ 4,855	\$ 74,588	\$ 75,334



TILGHMAN ON THE CHESAPEAKE - ENTRY				
INFLATED CASH FLOW BREAKDOWN				
Year	Total Replacement Costs / 30yrs with 3% Inflation	The Recommended Yearly Contribution with 3% Inflation Match	Current Fund based on the Recommended Contribution	Current Fund based on the Recommended Contribution with 2.3% Interest Earned
			\$ 65,610	
2024	\$ -	\$ 2,060	\$ 67,670	\$ 69,226
2025	\$ -	\$ 2,122	\$ 71,348	\$ 72,989
2026	\$ -	\$ 2,185	\$ 75,175	\$ 76,904
2027	\$ -	\$ 2,251	\$ 79,155	\$ 80,975
2028	\$ 1,391	\$ 2,319	\$ 81,903	\$ 83,786
2029	\$ -	\$ 2,388	\$ 86,175	\$ 88,157
2030	\$ -	\$ 2,460	\$ 90,616	\$ 92,700
2031	\$ 56,194	\$ 2,534	\$ 39,040	\$ 39,938
2032	\$ -	\$ 2,610	\$ 42,548	\$ 43,526
2033	\$ 4,972	\$ 2,688	\$ 41,242	\$ 42,190
2034	\$ -	\$ 2,768	\$ 44,959	\$ 45,993
2035	\$ -	\$ 2,852	\$ 48,844	\$ 49,968
2036	\$ -	\$ 2,937	\$ 52,905	\$ 54,121
2037	\$ -	\$ 3,025	\$ 57,147	\$ 58,461
2038	\$ 16,047	\$ 3,116	\$ 45,530	\$ 46,577
2039	\$ -	\$ 3,209	\$ 49,786	\$ 50,931
2040	\$ -	\$ 3,306	\$ 54,237	\$ 55,485
2041	\$ -	\$ 3,405	\$ 58,890	\$ 60,244
2042	\$ -	\$ 3,507	\$ 63,751	\$ 65,217
2043	\$ 2,167	\$ 3,612	\$ 66,662	\$ 68,195
2044	\$ -	\$ 3,721	\$ 71,916	\$ 73,570
2045	\$ -	\$ 3,832	\$ 77,402	\$ 79,182
2046	\$ -	\$ 3,947	\$ 83,130	\$ 85,042
2047	\$ -	\$ 4,066	\$ 89,107	\$ 91,157
2048	\$ 9,317	\$ 4,188	\$ 86,027	\$ 88,006
2049	\$ -	\$ 4,313	\$ 92,319	\$ 94,442
2050	\$ -	\$ 4,443	\$ 98,885	\$ 101,159
2051	\$ -	\$ 4,576	\$ 105,735	\$ 108,167
2052	\$ -	\$ 4,713	\$ 112,880	\$ 115,476
2053	\$ 15,534	\$ 4,855	\$ 104,796	\$ 107,206



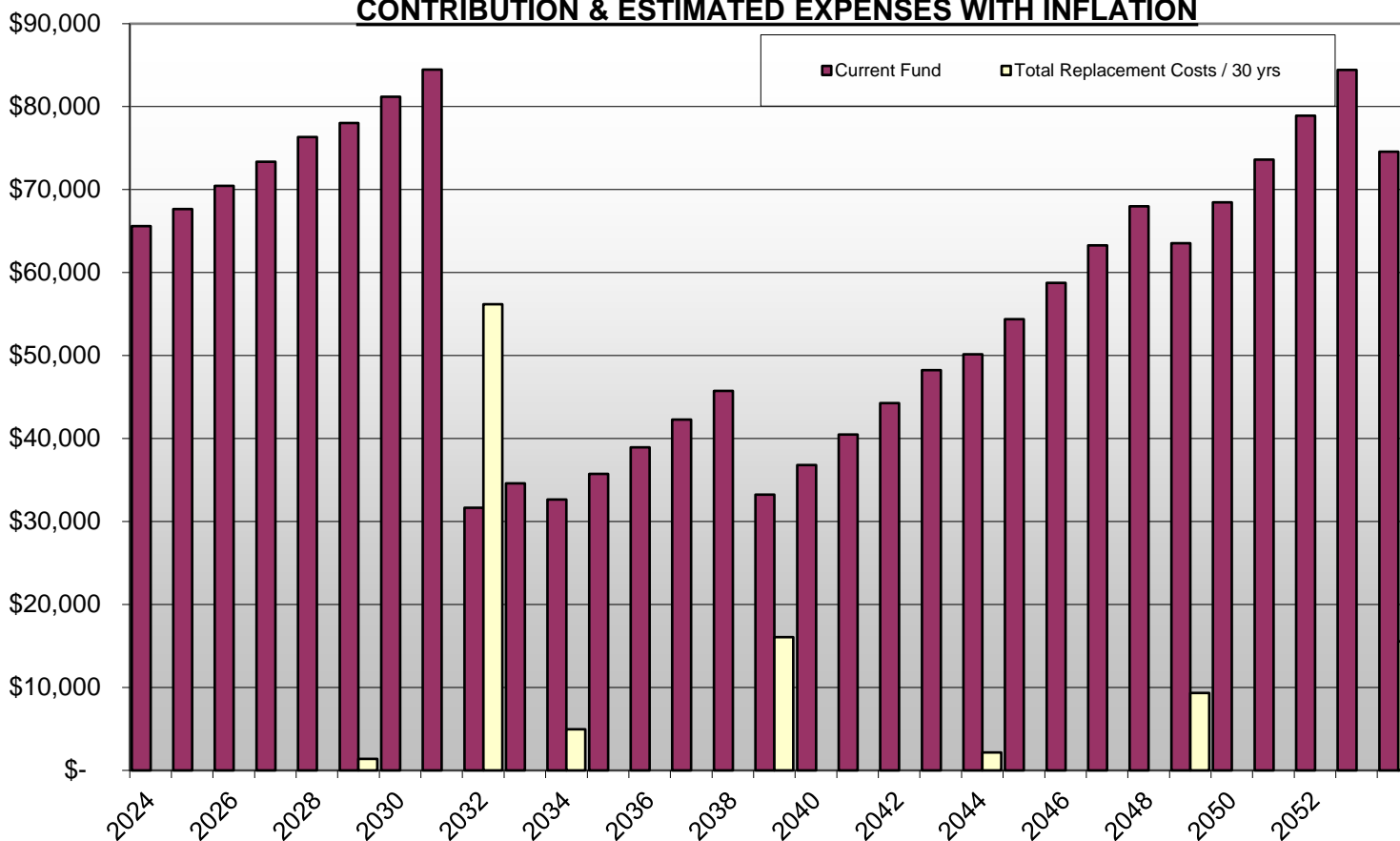
**CASH FLOW CHART BASED ON TILGHMAN ON THE CHESAPEAKE - ENTRY'S PROJECTED  
YEARLY CONTRIBUTION AND ESTIMATED EXPENSES**



*This is a graphical representation of cash on hand, over time, based on yearly contributions minus (-) annual projected repair and replacement expenses.*



**CASH FLOW CHART BASED ON THE RECOMMENDED PROJECTED YEARLY CONTRIBUTION & ESTIMATED EXPENSES WITH INFLATION**



*This is a graphical representation of cash on hand, over time, based on yearly contributions minus (-) annual projected repair and replacement expenses.*



## V. SUMMARY OF YEARLY EXPENDITURES

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2024		
	<b>Total for 2024</b>	<b>\$0</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2025		
	<b>Total for 2025</b>	<b>\$0</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2026		
	<b>Total for 2026</b>	<b>\$0</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2027		
	<b>Total for 2027</b>	<b>\$0</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2028	Reserve Study	\$1,200
	<b>Total for 2028</b>	<b>\$1,200</b>

### SUMMARY OF YEARLY EXPENDITURES

Year	Item to be Replaced	Cost of Replacement
2029		
	<b>Total for 2029</b>	<b>\$0</b>



**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2030		
	<b>Total for 2030</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2031	Picket Fence - Vinyl & Wood	\$44,360
	<b>Total for 2031</b>	<b>\$44,360</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2032		
	<b>Total for 2032</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2033	Entry Sign	\$2,500
	Reserve Study	1,200
	<b>Total for 2033</b>	<b>\$3,700</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2034		
	<b>Total for 2034</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2035		
	<b>Total for 2035</b>	<b>\$0</b>



**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2036		
	<b>Total for 2036</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2037		
	<b>Total for 2037</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2038	Bollard Landscape Lights	\$5,950
	Underground Wiring	3,150
	Reserve Study	1,200
	<b>Total for 2038</b>	<b>\$10,300</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2039		
	<b>Total for 2039</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2040		
	<b>Total for 2040</b>	<b>\$0</b>



**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2041		
	<b>Total for 2041</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2042		
	<b>Total for 2042</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2043	Reserve Study	\$1,200
	<b>Total for 2043</b>	<b>\$1,200</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2044		
	<b>Total for 2044</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2045		
	<b>Total for 2045</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2046		
	<b>Total for 2046</b>	<b>\$0</b>





**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2047		
	<b>Total for 2047</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2048	Electrical Switchgear	\$3,250
	Reserve Study	1,200
	<b>Total for 2048</b>	<b>\$4,450</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2049		
	<b>Total for 2049</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2050		
	<b>Total for 2050</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2051		
	<b>Total for 2051</b>	<b>\$0</b>



**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2052		
	<b>Total for 2052</b>	<b>\$0</b>

**SUMMARY OF YEARLY EXPENDITURES**

<b>Year</b>	<b>Item to be Replaced</b>	<b>Cost of Replacement</b>
2053	Reserve Study	\$1,200
	Brick Columns	5,200
	<b>Total for 2053</b>	<b>\$6,400</b>



## VI. INSPECTION OBSERVATION & PHOTOGRAPHS



**Photo #1:** Landscape bollard lighting at entry.



**Photo #2:** The brick columns were in good condition during our review.



**Photo #3:** The vinyl fencing was in good condition during our review.



**Photo #4:** The entry monument appeared to be in good condition during our review.



**Photo #5:** Some fence post caps were missing. We recommend these be replaced where needed to prevent excessive rainwater intrusion and possible damages during freeze/thaw cycles.



**Photo #6:** Electrical metering and switchgear servicing the entry lighting.



## **VII. UNDERSTANDING YOUR RESERVE REPORT**

### **A. WHAT IS A RESERVE REPORT?**

A Reserve Report identifies all common and limited common property owned by a community that will require replacement or refurbishment over the life of the property. Reserve Reports quantify these components, determine their typical life spans and remaining life spans, and estimate costs of repair or replacement. Properties use Reserve Reports as a long-term budgeting tool to identify the status of their Reserve Fund and develop a stable and equitable funding plan to offset ongoing deterioration.

### **B. WHY DOES A PROPERTY NEED A RESERVE REPORT?**

- Community board members have a fiduciary responsibility to maintain owner's investments.
- Proper planning through Reserve Studies can prevent special assessments.
- Reserve Studies provide necessary information used to maintain communities and protect owner's investment.
- Buyers are becoming more aware of how community properties are funded and are requesting a review of financial reports before purchasing.
- Refinancing firms are requiring Reserve Reports be updated on a regular basis, and in some cases will not finance a mortgage if the report is not current or the property is not properly funded. These include Fannie Mae, Freddie Mac, and FHA loans.
- Municipalities are beginning to require properties have a Reserve Studies updated regularly. Virginia is one state that requires an updated reserve every five years, and requires reserve reports be given to prospective purchasers.



## **C. HOW DO WE KNOW?**

### ***How Long A Component Will Last?***

Property Diagnostics uses any historical information that has been provided by the community, industry documents such as AIA literature, ASHRAE literature, and manufactures literature, which list expected life of materials and components. Our staff regularly assesses community components and can recognize certain site conditions that allow us to accurately estimate the life expectancy of site components through visual inspection. Property Diagnostics has a dedicated obligation to be accurate.

### ***How Much A Repair or Replacement Cost?***

Property Diagnostics has developed thousands of Reserves over the years which has allowed us to develop a database of projected costs. Invoices and bids from vendors are continually provided to Property Diagnostics by communities that have recently had worked performed on their property. Cost guild literature, such as RS Means and The National Insurance Cost Guide, provide accurate replacement costs of components and are updated regularly.

### ***Proposals Not Matching Our Reserve Estimate?***

Contact your Reserve service provider. They may be extremely helpful in addressing issues. We had a client that we estimated the roof to have a remaining life of five years an estimated the cost to replace at \$38,000.00. They received three proposals with the lowest quoting \$78,000.00. They contacted our firm to ask how we could be so far off. Looking at the proposals we discovered the proposals included things the property did not need. Luckily, they contacted us, and we solicited bids for the base roof replacement, which was replaced for \$36,580.00.



## **D. COMPONENT METHOD VS. CASH FLOW METHOD**

The Component Method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. This method is a very conservative approach to funding as it fully funds each component yearly. However, the Component method has limitations in that the remaining life and annual contribution of each component need to be manually updated. The Cash Flow Method automatically adjusts for these changes. The Cash Flow Method is a method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are evaluated against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

## **E. FUNDING GOALS: BASELINE·THRESHOLD·FULL**

***Baseline Funding:*** Establishing a reserve funding goal of allowing the reserve cash balance to be at or near zero during the cash flow projection. This is the riskiest funding goal because if an expense arrives early or unexpected there is a significant chance of needing a Special Assessment.

***Threshold Funding:*** Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount. Threshold funding is often a value chosen in between full funding and baseline funding. The risk with threshold funding varies depending on each properties current Reserve status.

***Full Funding:*** Setting a reserve funding goal to attain and maintain reserves at or near 100 percent funded. This is the most conservative funding goal.



## **F. HOW OFTEN SHOULD A RESERVE REPORT BE UPDATED?**

The Association of Professional Reserve Analysts believe a Reserve should be updated every year. Most properties should have their Reserve updated by a professional every three to five years. There are three levels of Reserve Studies:

### ***Level 1 - Full Reserve Study***

We perform a complete site assessment, obtaining or verifying measurements and counts of communal area components. This also includes a component condition assessment and photo inventory of most components. We then compile the information obtained into our easy-to-understand reports.

### ***Level 2 - Update of Reserve Study with Site Inspection***

Once a full reserve study has been completed by Property Diagnostics, Inc., we will often perform updates with a site inspection. The level 2 site inspection is less comprehensive than a level 1 site inspection in that we do not obtain or verify measurements and counts unless it appears that there have been changes. We do evaluate condition and update the photo inventory where necessary. We then compile the information obtained into our easy-to-understand report.

### ***Level 3 - Update of Reserve Study without Site Inspection***

An annual update to the reserve study is simply good planning. This allows you to "refresh" the funding plan and account for minor variations from the original funding plan. We inquire about expenditures made, changes in pricing of replacement costs, and variations in funding from the original plan, but do not perform a site inspection. This is a valuable planning tool at a very reasonable cost, generally no more than 25% of the cost of a full study.





## G. SITE COMPONENT CATEGORIES

With every Reserve, site components will fall into a variation of the following three categories:

### **Subjective**

### **Fixed**

### **Variable**

**Subjective Components** are items that are replaced depending on owners' preferences or tolerations. Examples of Subjective Components include:

- Carpeting
- Interior painting
- Elevator cab refurbishment
- Interior lighting

**Fixed Components** are items that fail on regular basis having slight variation between properties. Examples of Fixed Components include:

- Roof systems
- Exterior painting
- Caulking
- Asphalt surfaces

**Variable Components** are items that vary widely pertaining to life cycles on properties. Examples of Variable Components include:

- Elevators
- Mechanical equipment
- Electrical switchgear
- Piping
- Fire alarm systems

Owners should be aware of these types of issues when reviewing their reserve reports and engage with the reserve firm to tailor their plans to meet and suit their needs.



## H. WHEN TO USE FUNDS FROM THE RESERVE

Reserve funds should only be used when a component or a section of a component is replaced in full, or in part that will not be discarded when additional replacement occurs. Below are examples of when to draw from Reserves:

### YES

- Sectional concrete replacement
- Large sections of piping replacement
- Higher percentages of pointing work
- Large sections of painting
- Individual floor carpeting

### NO

- Roof patching
- Asphalt patching
- Minor plumbing repairs
- Mechanical equipment repairs

## I. LIFE OF BUILDING & SITE-SPECIFIC EXCLUSIONS

There are components on every property that are considered ‘Life of Building’ that are excluded from the reserve funding. Other components may be excluded as Unit Owner Responsibility. Unless noted otherwise the below components have been excluded from funding in this reserve study:

- Building Framing
- Interior Doors
- Drywall
- Interior Trim
- Interior Stair Systems

As well as site specific items not reflected in this report considered by the inspector to be life of building.