

WHERE DO WE GET OUR LIFE AND COST INFORMATION?

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The foundation for any Reserve Study is the association's projected array of expenses. This list of components is comprised of assumptions and estimates for when the next expense will occur (Useful Life, or UL), when that is next expected to occur (Remaining Useful Life, or RUL), and size of that expense (expressed as a current cost). Because this information is critical, at Association Reserves our entire Production Staff regularly shares and compiles together our recent experiences and trends into our in-house shared "pricing notebook". With our client volume, we have enough information to be continually updating and adjusting this life and cost estimating information. In addition, we have guest experts (elevators, roofing, plumbing, asphalt, painting, etc.) who come to our office to provide ongoing training in their area of expertise.

We believe that the best life and cost estimates are based on the experience of actual properties, not construction industry estimating guides. Therefore, our UL estimates are set by each Project Manager based on our experience with the component, adjusted by assumptions or observations regarding quality of material and workmanship, rate of wear and tear, expected normal maintenance, and weather exposure. RUL is established primarily by the component's current observed condition. This means the "effective age" of the component may or may not equal its actual "chronological age" of the component due to accelerated wear or low usage. For components requiring a particular expertise or components where age characteristics are not visible (elevators, chillers, security electronics, etc.), it is typical that we interview the association's service vendor to obtain a recommendation for UL and RUL.

Similarly, we believe the best way to obtain an accurate repair or replacement cost for a component is for it to have been historically repaired or replaced, providing us with a valuable benchmark from which to make current cost projections. Note that when an association's "actual" costs are out of range of our normal expectations due to unusual circumstances unlikely to be repeated, it is unlikely that we will base future estimates on that cost. In absence of recent "actual" costs at an association, we make comparisons to projects that were done

recently at similar client associations. For components that require a particular expertise (major roof or roadway systems, elevators, etc.) that are relatively unique to an association, it is our normal practice to interview the association's vendors to establish suitable cost factors.

In summary, our life and cost estimates are based primarily on our observations at the property by a trained Association Reserves Project Manager, adjusted or influenced by our experience with similar properties, and supplemented with vendor interviews. It is only in the rare case where none of this information is available that we look to reliable industry life and cost guidebooks.