

THE DEPRECIATION REPORT PROCESS

For Long Term Planning, You Need aStrategy...



Our planners, with assistance from the strata corporation, will provide a complete inventory of the corporation's assets. Once the inventory is determined, the planner will conduct a physical inspection of the complex. The areas that will be observed include accessible underground areas, the superstructure, the building envelope, electrical and mechanical systems, the elevators, the fire and safety units, interior finishes of the common areas, all visible site improvements and services, as well as any and all amenities. The planner will provide a thorough assessment of these assets by observing the physical condition of all building components as well as the condition of the amenities and limited common property. The physical age of the components, the useful age, and the remaining useful life of the components will be estimated. The current replacement costs of these components will also be estimated through the use of reputable cost manuals.

Once the physical inventory and analysis is completed, the appraiser will commence the financial analysis of the depreciation report. This analysis will include a minimum of three funding models, with each model forecasting the reserve fund over the next thirty years. The first model will be based on the current financial standing of the corporation based on the reserve fund balance as of the analysis date chosen as well as current contributions. The second model will assume that the model will be fully funded throughout the 30-year period. The final model, called the cash-flow model, will be analysis in which the contribution recommendations will be designated to offset variable expenses from the reserve fund on an annual basis. This model tends to be the most realistic plan and provides the most flexibility to the strata corporation. The cash-flow model allows the planner to run a variety of scenarios based on desired funding goal. Various interest and construction inflation rate projections are utilized by the planner to complete the funding plan.

A financial analysis report will provide the basis for the models. Summary cash flow, component, and percentage funded reports over thirty years will be provided for all the models completed by the planner. Additional cash flow model reports include a detailed breakdown of anticipated expenditures, a summary report estimating the future replacement cost for each component, as well as a brief condition assessment report for each component. The planner will also recommend the services of specific component consultants as needed (i.e. roof replacement consultant, etc.). The planner is available to meet with the strata council before commencing the report to explain the process, and is also available to present his findings at the Annual General Meeting. The planner will clearly describe the funding models to the council and provide recommendations on the best possible solution that will meet the funding goals of the strata corporation. Appearances by the planner at any council meeting will be charged on a per meeting basis.

After the depreciation report is completed, the strata corporation has the option to receive annual updates by choosing our aLT Strategy Plan. This option provides the strata corporation with annual updates for the three years immediately following the original report. A site inspection may be required prior to the update in the third year.