LIFE CYCLE COST MODEL – ASSUMPTIONS

Life cycle cost analysis can be very complex with multiple variables. In order to standardize the analysis and ensure that the results are comparable for all projects OFM has chosen to control many of the key financial and cost parameters in the tool. In addition, OFM has supplied default construction numbers to allow a quick comparison of a typical office construction project with lease options. These assumptions are found on the tabs named capital construction defaults, financial assumptions, market rental rate table, and operating costs table.

The model allows most of the assumptions to be overridden with agency supplied numbers. However, the financial assumptions, such as the percentage rates for various financing options and the general inflation numbers, are provided by the Office of the Treasurer of Washington State and cannot be changed by the user.

Below is a list of assumptions, their source, and frequency of update within the Life Cycle Cost Model.

Assumption	Source	Update Frequency
Financing Costs	Washington State Treasurer	Semi-annual
Interest Rates	Washington State Treasurer	Semi-annual
Inflation	Washington State Treasurer	Semi-annual
Real Discount Rate	Washington State Treasurer	Semi-annual
Financing Costs	Washington State Treasurer	Semi-annual
Financing Terms	Washington State Treasurer	Semi-annual
Construction Cost MACC	RSMeans – Building Construction Cost	Annually
A/E Fees	Office of Financial Management – Capital Budget System	Annually
Length of Construction	Office of Financial Management / Washington State Treasurer	Annually
Maintenance and Operating Costs	Whitestone Research – Facility Operations Cost Reference	Annually
Leasing Market Rates	Office of Financial Management as informed by REIS, Commercial Brokers Association, and LoopNet.	Semi-Annually
Washington Local Sales Tax	Washington State Department of Revenue	Annually

For more information, visit the OFM Facilities Oversight Program website at http://www.ofm.wa.gov/budget/costanalysis.asp.