

MetroComp

Operating Cost Comparison

PROJECT PRO-FORMA INPUT TO CALCULATE ANNUAL OPERATING COST FOR LOGISTICS

The Annual Business Operating Cost Pro-forma has been prepared using the following information provided to us on your company operations. If information was not obtained on a particular operating factor, we have used assumptions based on other similar business operations. We would be pleased to change your project parameters if these are not correct. The Pro-forma information contains all the basic data used in the operating cost calculation.

Real Estate

Building Type:	Industrial
Building Square Feet:	50,000
Status:	Construction
Acres for Construction:	3.3

Capital Investment

Machinery and Equipment:	\$500,000
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Monthly Utility Use

Electricity Demand/Usage:	75KW 30,000KWh
Water Usage:	3,000cf, 5/8 meter
Wastewater Usage:	3,000cf, 5/8 meter
Natural Gas Usage:	None

Work Force (full-time equivalents)

Warehouse Worker	15
Forklift Operator	9
Shipping Clerk	7
Heavy Truck Driver	5
General Clerk	5
Office Manager	4
Production Supervisor	3
Accounting Clerk	2
Total Work Force:	<u>50</u>

LOGISTICS

ANNUAL BUSINESS OPERATING COSTS

Metro Area	Employee Payroll	Fringe and Mandated Benefits	Utilities	Building / Lease Payments	Property Tax	Total Operating Cost	Local Index
Las Cruces	\$1,351,298	\$377,948	\$38,365	\$432,446	\$40,997	\$2,241,054	100.0%
McAllen-Edinburg	\$1,336,251	\$394,958	\$34,125	\$378,319	\$113,282	\$2,256,935	100.7%
Oklahoma City	\$1,457,341	\$412,481	\$23,376	\$437,226	\$51,412	\$2,381,835	106.3%
Dallas-Fort Worth	\$1,621,984	\$478,700	\$50,660	\$457,127	\$141,053	\$2,749,523	122.7%
Houston	\$1,639,881	\$483,712	\$35,794	\$472,069	\$144,772	\$2,776,228	123.9%
Denver	\$1,712,647	\$466,508	\$23,662	\$509,248	\$106,304	\$2,818,368	125.8%
Milwaukee	\$1,698,179	\$461,622	\$31,196	\$516,821	\$111,176	\$2,818,994	125.8%

See detailed tables for sources.

The annual estimated business operating costs table summarizes the annual cost of labor, utilities and facilities for selected metropolitan areas. Detailed calculations and source of costs of doing business for labor, utilities and facilities are provided in the following tables, which include costs such as worker's comp, unemployment insurance, health insurance, gas and electricity, annual real estate (lease or purchase) and taxes.

LOGISTICS

HOURLY WAGE COMPARISON

Job Title	Dallas-Fort Worth	Denver	Houston	Las Cruces	McAllen-Edinburg	Milwaukee	Oklahoma City
Accounting Clerk	\$15.10	\$15.98	\$15.27	\$12.55	\$11.61	\$15.85	\$13.58
Forklift Operator	\$12.13	\$13.04	\$12.19	\$10.08	\$9.69	\$12.92	\$11.02
General Clerk	\$14.68	\$15.57	\$14.83	\$12.21	\$13.37	\$15.44	\$13.22
Heavy Truck Driver	\$17.29	\$18.16	\$17.54	\$14.39	\$15.33	\$18.02	\$15.48
Office Manager	\$23.20	\$24.03	\$23.67	\$19.33	\$20.27	\$23.87	\$20.59
Production Supervisor	\$31.08	\$31.67	\$31.58	\$26.27	\$27.05	\$31.36	\$27.40
Shipping Clerk	\$14.67	\$15.56	\$14.83	\$12.20	\$11.92	\$15.43	\$13.22
Warehouse Worker	\$12.79	\$13.69	\$12.87	\$10.62	\$9.52	\$13.57	\$11.58

Source: Economic Research Institute, Geographic Reference Report, 2007.

The detailed hourly wage comparison shows wages for the occupational titles included in the pro-forma, or those most closely related to the occupations provided by the client.

The wage data comes from the Economic Research Institute, Geographic Reference Report. This annual report is a comparison of costs, wages, salaries and human resource statistics for all major cities in the United States and Canada. The Economic Research Institute compiles data from a large number of both public and private sources across the country to produce wage and cost data. This source is very consistent across geographies and therefore provides a fair comparison of relative wage rates for the operating cost comparison.

The wage rates for each occupation are converted to annual wages, and then multiplied by the number of workers in that occupation based on the pro-forma specifications. The sum of these calculations for all occupations is equal to the total payroll shown in the annual operating cost table.

LOGISTICS

ANNUAL FRINGE AND MANDATED BENEFIT COSTS

Metro Area	Retirement and Savings Plans	Life and Health Insurance	Social Security	Worker's Compensation	Unemployment Insurance	Total Benefits Paid by Employer	Local Index
Dallas-Fort Worth	\$80,288	\$167,064	\$124,082	\$95,115	\$12,150	\$478,700	126.7%
Denver	\$84,776	\$176,403	\$131,017	\$65,811	\$8,500	\$466,508	123.4%
Houston	\$81,174	\$168,908	\$125,451	\$96,029	\$12,150	\$483,712	128.0%
Las Cruces	\$66,889	\$139,184	\$103,374	\$49,901	\$18,600	\$377,948	100.0%
McAllen-Edinburg	\$66,144	\$137,634	\$102,223	\$76,806	\$12,150	\$394,958	104.5%
Milwaukee	\$84,060	\$174,912	\$129,911	\$54,889	\$17,850	\$461,622	122.1%
Oklahoma City	\$72,138	\$150,106	\$111,487	\$66,870	\$11,880	\$412,481	109.1%

Source: Bureau of Labor Statistics, "Employer Costs", 2006; OR Dept of Consumer & Business Svcs, "Workers' Comp Premium Ranking", 2006; RIA, "All States Tax Handbook", 2007.

This table includes information from a number of sources. The first column, retirement and savings plans, is equal to 4.95 percent of total payroll. The second column, life and health insurance, is equal to 10.30 percent of total payroll. These percentages are based on averages from Bureau of Labor Statistics, Employment Cost Indexes and Levels, 2006. The third column is the employer portion of social security, which is equal to 7.65 percent of total payroll. The fourth column contains workers' compensation costs. Rates for workers' compensation are occupation specific. Different rates are applied to payroll for clerical, manufacturing, maintenance, high tech, and managerial workers. These rates also vary by state. The rates are from the Oregon Department of Consumer and Business Services, Oregon Workers' Compensation Premium Rate Ranking. This source is an annual survey conducted by the State of Oregon that compares workers' compensation costs by state.

The fifth column in the benefits table is unemployment insurance, which also varies by state. For each state there is a rate and a maximum base. In most cases the maximum taxable payroll base is lower than the annual wages of any of the occupations in the pro-forma. Thus the calculation for unemployment insurance is equal to the maximum payroll base times the total number of employees times the percentage rate for each metro area. The source for unemployment insurance rates is the Research Institute of America, All States Tax Handbook, which is an annual guide to state level tax rates.

LOGISTICS

ESTIMATED LEASE, LAND, AND BUILDING COSTS

Metro Area	Building Lease		Building Purchase		Land & Building Construction			Total Annual Payments	Local Index
	Annual SqFt Lease Rate	Total Annual Lease Cost	Annual SqFt Purchase Rate	Total Annual Purchase Cost	Land Cost per Acre	Building Construction Cost	Total Land and Building Cost		
Dallas-Fort Worth		\$0		\$0	\$174,240	\$3,658,950	\$4,233,942	\$457,127	105.7%
Denver		\$0		\$0	\$196,020	\$4,069,825	\$4,716,691	\$509,248	117.8%
Houston		\$0		\$0	\$174,240	\$3,797,350	\$4,372,342	\$472,069	109.2%
Las Cruces		\$0		\$0	\$108,900	\$3,645,975	\$4,005,345	\$432,446	100.0%
McAllen-Edinburg		\$0		\$0	\$69,696	\$3,274,025	\$3,504,022	\$378,319	87.5%
Milwaukee		\$0		\$0	\$98,010	\$4,463,400	\$4,786,833	\$516,821	119.5%
Oklahoma City		\$0		\$0	\$152,460	\$3,546,500	\$4,049,618	\$437,226	101.1%

Source: Colliers International Market Reports, 2006/2007; Means Construction Index, 2007; Local real estate contacts, 2007.

Footnote: Total annual payments are based on purchase and/or land and construction costs and/or lease costs.

This table calculates annual lease costs based on total building square footage and type of building, total construction and purchase costs. The annual square foot lease rate information for office, industrial and high tech space are from local market reports from major national brokerages or from interviews with local brokers. Lease rates for each metro area vary by building size for industrial buildings, where there are six different size ranges. The square feet ranges are 0-4,999, 5,000-19,999, 20,000-39,999, 40,000-59,999, 60,000-99,999, and 100,000 or more. Lease rates for office buildings are included for suburban and central business district Class A and B office space. There is only one rate for high tech space. The appropriate annual rate is multiplied by the number of square feet specified in the pro-forma to calculate total annual lease cost. Purchase costs are from the same source and are calculated in the same fashion.

For new construction, the user must specify the total number of acres, type of building, and number of square feet of built space. Land costs are also from the Society of Industrial and Office Realtors and vary by four size ranges, 0-2, 2-5, 5-10, and 10 acres or more. Construction costs are calculated using a base per square foot cost for either standard industrial, office class A CBD, office class B, office suburban or high tech buildings. This base cost is then multiplied by a city-specific index. The construction cost information is taken from the Means Construction Cost Indexes, which is a standard guide for cost estimating in the construction industry.

If there is new construction or a building purchase, the annual payment for land and building costs is equal to 12 times the amortized monthly payment at 0.75 percent monthly interest over 240 months for the sum of land, construction and purchase costs.

LOGISTICS

ANNUAL UTILITY COSTS

Metro Area	Electricity	Natural Gas	Water	Sewer	Annual Costs	Local Index
Dallas-Fort Worth	\$49,680	\$0	\$446	\$534	\$50,660	132.0%
Denver	\$22,632	\$0	\$505	\$525	\$23,662	61.7%
Houston	\$33,948	\$0	\$811	\$1,035	\$35,794	93.3%
Las Cruces	\$37,244	\$0	\$601	\$520	\$38,365	100.0%
McAllen-Edinburg	\$33,269	\$0	\$398	\$458	\$34,125	88.9%
Milwaukee	\$30,036	\$0	\$483	\$677	\$31,196	81.3%
Oklahoma City	\$21,792	\$0	\$571	\$1,012	\$23,376	60.9%

Source: Edison Electric Institute, "Typical Residential, Commercial and Industrial Bills", 2006; Energy Information Administration, "Natural Gas Monthly", 2007; Raftelis Financial Consulting, 2004; Various Municipal Utility providers, 2007.

Utility costs include electricity, natural gas, water and sewer. Usage levels for each type of utility are specified in the pro-forma input. Rates for each usage level for each type of utility are stored in the database. For electricity, the primary source was the Edison Electric Institute, Typical Residential, Commercial and Industrial Bills. In a few cases, rates for particular utilities were not included in this source, and rate schedules were obtained directly from providers. For natural gas, the rates are based on per thousand cubic feet costs for natural gas from the Energy Information Administration, Natural Gas Monthly. For water and sewer, the primary source was the Raftelis Financial Consulting Group, Water and Wastewater Rate Survey, which is a national survey of water and wastewater charges by city. For cities not included in this survey, rate schedules were obtained directly from the water provider for the central city in a metro area.

LOGISTICS

PROPERTY TAX COST

Metro Area	Tax Rate	Assessment Ratio	Effective Tax Rate	Taxable Property		Total Tax	Local Index
				Personal	Real		
Dallas-Fort Worth	2.98%	100.00%	2.98%	\$500,000	\$4,233,942	\$141,053	344.1%
Denver	7.03%	29.00%	2.04%	\$500,000	\$4,716,691	\$106,304	259.3%
Houston	2.97%	100.00%	2.97%	\$500,000	\$4,372,342	\$144,772	353.1%
Las Cruces	2.73%	33.33%	0.91%	\$500,000	\$4,005,345	\$40,997	100.0%
McAllen-Edinburg	2.83%	100.00%	2.83%	\$500,000	\$3,504,022	\$113,282	276.3%
Milwaukee	2.23%	94.30%	2.10%	\$500,000	\$4,786,833	\$111,176	271.2%
Oklahoma City	9.78%	11.36%	1.11%	\$500,000	\$4,049,618	\$51,412	125.4%

Source: Various State Revenue Departments and Tax Commissions, 2007; Local Assessors, 2007.

Property taxes are calculated for personal property, which is specified as the capital investment amount in the pro-forma information, total land and building cost in the case of new construction, plus the cost of any purchased buildings. For each metro area there is a tax rate and real and personal assessment ratios. The product of the tax rate and the assessment ratio is the effective tax rate. The effective rate times the taxable property value is equal to the tax. The property tax assessment ratios and rates are taken from individual city web sites, and state department of revenue web sites.