

PRICING NARRATIVE**1.0 INTRODUCTION**

LB&B Associates Inc. (LB&B) is pleased to submit our Price Proposal for Transportation Services for the New Hampshire State Liquor Commission. A staff that is experienced in the operation and support of beverage transportation, prepared this proposal. We have reviewed our proposed costs and believe that our Price Proposal realistically reflects the costs associated with this contract.

We have considered the alternative proposals offered in paragraphs 2.5 and 2.6 of the RFP and have decided not to provide them. We feel there is not sufficient data to provide a realistically accurate price. We are however, willing to consider those services once we are on site and can acquire the accurate data. We're comfortable we can then provide a competitive rate.

1.1 Case Cost Computation

Our case cost computation is based on our industry experience and a compilation of; known data, unknown data, averages, forecasts and possible and acceptable risk.

Our evaluation process started with the transportation examples provided. Though the Roadnet Technologies system we were able to take the data provided and develop routes that are efficient and provide on-line deliver. **This process provided: total mileage, time, numbers of routes, vehicles and drivers. All cost factors were spread over the estimated 3,700,000 cases expected to be transported per year. We have provided a single case cost that covers all normal operations, weekends and holidays. We will not be providing catalog pricing and there will be no variations in our pricing to suppliers or extended customers.**

1.1.1 Labor: We took this 4-week data and applied the average labor requirements to an annual model to establish our average driver requirements. We also calculated a factor for vacation, sick time and unexpected absences. Labor load calculations are based on the factors provided below.

1.1.2 Vehicles and Equipment: We utilized the same data to establish our average tractor and trailer requirements, factoring in the requirements for trailers being loaded while others are on the road and the inevitable breakdown. We viewed the highest and lowest routes and established the equipment levels as indicated on our Vehicle and Equipment list provided in the Section 3.4 Technical Resources. We also factored in seasonal leasing costs to cover the annual trade show purchases.

1.1.2.1 Fuel Cost: Utilizing the routing data we were able to calculate the product delivery mileage. To this mileage we added a factor for trailer delivery from our terminal to the Exel warehouse, delivery of pallet/box trailers, miscellaneous transportation requirements and established our total estimated mileage requirements. We then applied the estimated miles per gallon factor for the vehicles we proposed and calculated the total estimated gallons of fuel per year. Our case cost is computed at \$3.50 per gallon. After contract award, we will utilize the Fuel Surcharge formula provided (Appendix K) to adjust our case cost according the actual 30-day average fuel cost. This cost adjustment will be supported by actual fuel cost documentation we will submit.

1.1.3 Terminal Facility: In establishing the terminal requirements we looked at overall storage requirements, security, a facility for maintenance and storage during inclement weather, dispatch and administration areas, drivers locker areas and storage for vehicle support materials and components. Once we located a property in the relatively close vicinity, we contacted a

reputable general contractor who evaluated out needs and provided pricing for the facility we're proposing.

1.1.4 Other Direct Costs: Other direct costs include; vehicle and equipment maintenance, insurance and bond coverage, computers, printers, administrative supplies, communication (telephone and mobile devices and service plans), software licenses, shop tools, equipment and supplies. Labor related direct costs include; background checks, drug tests, personal protective equipment, safety shoes, and uniforms.

1.2 LABOR BURDENS & FRINGE

Our indirect costs consisting of labor burden & fringe, defined below, are comprised only of fringe benefits, taxes, H&W benefits, pension, and insurance. No additional overhead is applied to the direct labor, other than that required by law or contract. LB&B does not have any additional Corporate overhead or on-site overhead. Since a separate fringe and burden pool is computed for each contract, no historical data is available, or applies. For tracking of costs, and billing, we roll the fringe and burden into a single pool, separate for each labor type (exempt, hourly, and union).

1.2.1 FRINGE BENEFITS

Fringe benefits include holidays, vacation, and sick leave. For the exempt personnel, we have proposed 80 hours of holiday, 80 hours of vacation, and 40 hours of sick leave per year. This is in accordance with our standard policies and procedures and is based on personnel with 5 years or less of service. For the hourly personnel we have proposed 80 hours of holiday, 80 hours of vacation, and 40 hours of sick leave/lost time per year. This is in accordance with the Service our policies.

1.2.2 HEALTH & WELFARE

Exempt personnel will receive an H&W benefits package [REDACTED]. This [REDACTED] is derived by taking the cost for all company-wide exempt H&W benefits, and dividing it by the total number of exempt hours. [REDACTED] for H&W, has been developed for all hourly employees in accordance with company policies.

1.2.3 BURDEN

Burden consists of indirect cost items such as State and Federal taxes, workman's compensation, general liability insurance, and pension. Payroll taxes and insurance are not fixed over calendar years; they are modified by experience factors, as well as taxing authority's requirements for revenues and inflation.

The rates used for payroll tax deductions are:

- **FICA** - FICA Taxes are shown as 6.20% up to the current limit of \$106,800, which is the rate of FICA and 1.45% for Medicare.
- **FUTA** - Federal unemployment tax has been proposed at the rate of 0.8% on the first \$7,000 of payroll.
- **SUTA** - State unemployment tax has been proposed at the LB&B rate mandated by the state of New Hampshire which is 2.7% on the first \$8,000 of payroll.
- **General Liability** - Our General Liability Insurance rate is a fixed rate [REDACTED] thousand dollars of payroll for non-clerical positions.
- **Workmen's Compensation** - Our Workmen's Compensation Insurance program is a high deductible program and the projected composite rates [REDACTED] for non-

clerical positions and [REDACTED] for Clerical positions. The Worker's Compensation Insurance rates are based on the clerical and non-clerical fixed basic rates for the program plus the projected loses, divided by the total applicable payroll for each of the two composite categories.

1.3 OTHER ELEMENTS OF COST

Other Direct Costs (ODCs) were derived at by evaluating the requirements detailed in each section of the Solicitation and include general items such as office supplies, employment screening, drug testing, and computer equipment.

1.4 G&A EXPENSES & FEE

LB&B has a historical and projected [REDACTED] on total cost. We believe this rate to be a very competitive rate for all of the services provided by the corporate office. This G&A rate includes: labor and overhead for the management of LB&B, related corporate travel, human resources, and accounting of cost.

The general and administrative expenses, representing the cost of corporate level management and staff services is allocated to LB&B's business on the basis of total cost incurred. This method is in conformance with the Cost Accounting Standard No. 403 establishing criteria for "Allocation of Home Office Expenses to Segments."

Through home office G&A expense, all services necessary to support this contract are provided, including the following:

- Labor and labor-related cost for LB&B's management.
- Contract administration.
- Payroll and income tax accumulation and submission.

- General insurance coverage, including claims processing and payment.
- Data processing services, including contract cost status and other financial data necessary to monitor contract performance.
- Security processing and management.

We have proposed a [REDACTED]. Considering our anticipated investment in this program, we consider this proposed fee structure to be very reasonable.

1.5 Case Cost Calculations

		Cost Per Case
<u>DIRECT LABOR</u>		\$ [REDACTED]
<u>LABOR BURDEN & FRINGES</u>		\$ [REDACTED]
Payroll Taxes	[REDACTED]	
Health & Welfare	[REDACTED]	
Vacation, Sick & Holiday Pay	[REDACTED]	
Worker's Compensation	[REDACTED]	
General Liability	[REDACTED]	
<u>OTHER DIRECT COSTS</u>		\$ [REDACTED]
Direct Equipment	[REDACTED]	
Direct Travel	[REDACTED]	
Uniforms & Safety Shoes	[REDACTED]	
Postage & Freight	[REDACTED]	
Insurance	[REDACTED]	
Office Supplies	[REDACTED]	
Computers & Software	[REDACTED]	
Tools & Equipment Maint.	[REDACTED]	
Employment Screening	[REDACTED]	
<u>VEHICLES & EQUIPMENT</u>		\$ [REDACTED]
Vehicles & Equipment	[REDACTED]	
Vehicle & Equipment Maintenance	[REDACTED]	
Fuel Cost	[REDACTED]	
Vehicle Facility	[REDACTED]	
<u>INSURANCE COSTS</u>		\$ [REDACTED]
Vehicle Insurance	[REDACTED]	
Liquor Liability	[REDACTED]	
<u>G&A</u>		\$ [REDACTED]
<u>FEE/PROFIT</u>		\$ [REDACTED]
<u>TOTAL COST PER CASE</u>		\$ 0.72

1.6 DEVIATIONS/EXCEPTIONS

We do not take any exceptions or deviations to the Solicitation.