

ALASKA LEGISLATURE

1262

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

Table 3 illustrates how a tiered system would work in assigning pay differentials by election district.

<b>TABLE 3. PROPOSED PAY DIFFERENTIAL BY HOUSE ELECTION DISTRICT AND IN OTHER STATES</b>				
<b>1961 HOUSE ELECTION DISTRICTS</b>		<b>1994 HOUSE ELECTION DISTRICTS (#)</b>	<b>DIFFERENTIALS</b>	
<b>#</b>	<b>NAME</b>		<b>TIER #</b>	<b>PERCENT</b>
1	Ketchikan/Prince of Wales	1	3	14.0
2/3	Petersburg/Wrangell/Sitka	2	2	7.0
4	Juneau	3,4	2	7.0
5	Icy Strait/Lynn Canal	5	1	0.0
6	Cordova/Valdez	35	2	7.0
7	Palmer/Wasilla	26, 27, 28	2	7.0
8	Anchorage	10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25	1	0.0
9	Seward	8	1	0.0
10	Kenai/Cook Inlet	7, 9	1	0.0
11	Kodiak	6	2	7.0
12	Aleutian Islands	40	3	14.0
13/14	Bristol Bay/Bethel	39	3	14.0
15	Yukon/Kuskokwim	36	2	7.0
16	Fairbanks/Fort Yukon	29, 30, 31, 32, 33, 34	1	0.0
17	Barrow/Kotzebue	37	3	14.0
18/19	Nome/Wade Hampton	38	2	7.0
N/A	Seattle CMP	N/A	1	0.0

## SECTION B. THE RUNZHEIMER PLAN OF LIVING COST STANDARDS

The data used by the Division of Personnel and Office of Equal Employment Opportunity to make the findings and recommendations in this report were based on *The Runzheimer Plan of Living Cost Standards* in this section.

Runzheimer International was established in 1933 as a consulting firm dedicated to serving clients through primary research, policy development, and standard costing reimbursement systems. Approximately 2,000 businesses and governmental agencies are served by Runzheimer each year.

Determining and isolating comparative living costs from location to location is a very exacting process due to the many variables involved and the "immediacy" of the data required. The Runzheimer data in this report provides detailed cost standards, tailored to income level, specific living communities in Alaska, housing characteristics, and family size.

Profiling is a key step in the process of preparing meaningful living cost data. Runzheimer, through extensive research, has established relationships between employee's income and house size, living communities, and various other factors. Once profiles are established, Runzheimer carries out primary data research and incorporates the data into an up-to-date, accurate living cost report.

The Runzheimer data has been designed to provide the State of Alaska with a tool for calculating accurate and fair cost of living differentials. The analyses of costs for locations weighs all the cost pluses and minuses. Included in these analyses are income taxes, transportation, housing, goods & services, and sales taxes. The equal and comprehensive comparison of the same things results in accurate differentials.

THE RUNZHEIMER  
PLAN OF LIVING  
COST STANDARDS

STATE OF ALASKA

DECEMBER 1994



Runzheimer International Runzheimer Park, Rochester, Wisconsin 53167 USA (414) 767-2200 Fax (414) 767-2254  
Runzheimer and Company • living cost division (800) 558-1702  
management consultants for travel and living costs

January 31, 1995

Mr. Michael G. McKennett  
Project Manager  
State of Alaska  
Department of Administration  
P. O. Box 110201  
Juneau, Alaska 99811-0201

Dear Mr. McKennett:

We are pleased to enclose the Runzheimer Living Cost Report prepared especially for State of Alaska.

This Homeowner Report is based on a family of four with an annual income of \$40,740.

Key sections in this Report have been appropriately tabbed to guide you in your review and understanding.

Finally, it should be pointed out that this Report incorporates all Federal tax law changes effective in 1994.

We have enjoyed the opportunity to develop this Report for you and State of Alaska, and we look forward to working with you

Sincerely,

*Rod Reimann*

Rod Reimann CRP  
Consultant  
Living Cost Division  
Runzheimer and Company

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Encs.



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management consultants for travel and living costs

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SECTION 1 -- REPORT SPECIFICATIONS FOR

STATE OF ALASKA  
DEPT. OF ADMINISTRATION

1.0 -- INTRODUCTION

THIS SECTION OF THE RUNZHEIMER PLAN OF LIVING COST STANDARDS DETAILS THE PARAMETERS SELECTED BY YOUR ORGANIZATION, THE COSTING STANDARDS ESTABLISHED BY RUNZHEIMER BASED UPON THESE PARAMETERS, AND THE LOCATIONS ANALYZED. A DISCUSSION OF THE REPORT SPECIFICATIONS IS PROVIDED IN EACH OF THE MAJOR COST AREAS OF TAXATION, TRANSPORTATION, HOUSING, GOODS & SERVICES AND OTHER EXPENSES FOR EACH INDIVIDUAL PROFILE SELECTED.

SUBSECTION 1.1 PROVIDES THE REPORT SPECIFICATIONS FOR PROFILE 1 WHICH IS BASED ON AN ANNUAL INCOME LEVEL OF \$40,740 FOR A FAMILY OF 4 AS HOMEOWNERS.

1.1 - PROFILE 1

THE ANNUAL INCOME, FAMILY SIZE, AND THE BASIS FOR HOUSING COSTS CONSTITUTE THE CLIENT SUPPLIED PARAMETERS USED IN PREPARING THIS CUSTOMIZED COST-OF-LIVING REPORT. THE FOLLOWING PARAMETERS ARE USED FOR PROFILE 1:

PROFILE 1

ANNUAL INCOME: \$40,740  
FAMILY SIZE: 4 PERSONS  
HOUSING BASIS: HOMEOWNERSHIP

1.1.1 - LOCATION LIST

THE FOLLOWING LOCATION LIST IDENTIFIES EACH ELECTION DISTRICT IN THE STATE OF ALASKA. THIS LIST CORRESPONDS TO THE LIVING COMMUNITIES LIST WHICH IDENTIFIES THE COMMUNITIES SELECTED AS REPRESENTIVE LOCALES WITHIN EACH DISTRICT.

LOCATION	LIVING COMMUNITIES
ALEUTIAN ISLANDS AK	UNALASKA/DUTCH HARBOR
ANCHORAGE AK	ANCHORAGE
BARROW/KOTZEBUE AK	KOTZEBUE
BETHEL AK	BETHEL
BRISTOL BAY AK	DILLINGHAM
CORDOVA/VALDEZ AK	VALDEZ
FAIRBANKS/FORT YUKON AK	FAIRBANKS
ICY STRAIT/LYNN CANAL AK	HAINES
JUNEAU AK	JUNEAU
KENAI/COOK INLET AK	KENAI
KETCHIKAN AK	KETCHIKAN
KODIAK AK	KODIAK
NOME AK	NOME
PALMER/WASILLA AK	PALMER
PETERSBURG/WRANGELL AK	PETERSBURG
SEATTLE S2 WA	REDMOND, WOODINVILLE
SEATTLE S3 WA	LAKEWOOD CENTER, PUYALLUP, TACOMA
SEWARD AK	SEWARD
SITKA AK	SITKA

1.1.1 - LOCATION LIST (CONTINUED)

WADE HAMPTON AK	ST MARYS
YUKON/KUSKOKWIM AK	MC GRATH

1.1.2 - TAXATION

THE TAXATION DATA PRESENTED IN THIS REPORT INCLUDE ANNUAL FEDERAL, STATE, AND LOCAL INCOME TAXES AS WELL AS SOCIAL SECURITY. SALES TAXES ARE DISPLAYED SEPARATELY. THE TAX CALCULATIONS ARE BASED UPON THE ANNUAL INCOME AND FAMILY SIZE SELECTED FOR THIS PROFILE AND THE CURRENT TAX REGULATIONS AND RATES FOR THE SPECIFIC LOCATIONS COMPARED. IN ORDER TO MORE ACCURATELY DETERMINE TAX LIABILITIES, THE CALCULATION IS BASED UPON ITEMIZED DEDUCTION PATTERNS FOR THE LOCATION AND PROFILE AS REPORTED TO THE INTERNAL REVENUE SERVICE.

1.1.3 - TRANSPORTATION

PERSONAL AUTOMOBILES: THE SPECIFICATIONS FOR CALCULATING AUTOMOBILE EXPENSES ARE ESTABLISHED BY RUNZHEIMER. THE SELECTION OF THE NUMBER OF AUTOMOBILES COSTED IS BASED ON THE INCOME LEVEL AND FAMILY SIZE. THE TYPES OF AUTOMOBILES COSTED BY RUNZHEIMER REFLECT THOSE TYPICALLY OWNED BY FAMILIES AT THE PROFILE ANNUAL INCOME. THE STANDARD ANNUAL DISTANCES DRIVEN ARE USED TO DERIVE COSTS FOR THE OPERATING EXPENSES OF THE SPECIFIED AUTOMOBILE.

THE PERSONAL, NON-BUSINESS AUTOMOBILE(S) AND STANDARD DISTANCES DRIVEN FOR PROFILE 1 ARE (IS) AS FOLLOWS:

FOR LOCATIONS IN	YEAR	MAKE	MODEL	STANDARD ANNUAL MILEAGE
THIS STUDY	1991	CHEVROLET	LUMINA	14,000
	1990	CHEVROLET	TEMP GL	6,000

THE SPECIFIC ANNUAL COST ELEMENTS FOR OWNING AND OPERATING ONE OR MORE PERSONAL, NON-BUSINESS AUTOMOBILES ARE DEVELOPED FOR EACH LOCATION AND INCLUDE:

1.1.3 -- TRANSPORTATION (CONTINUED)

OPERATING EXPENSES:

- A. GASOLINE: GASOLINE COSTS FOR THE AREA OF TRAVEL, PERFORMANCE STANDARDS USED TO ESTABLISH FUEL CONSUMPTION REFLECT THE TRAFFIC PATTERNS AND GEOGRAPHY OF EACH LOCALE.
- B. OIL/MAINTENANCE/TIRES: ALL NORMAL REPAIR AND PREVENTIVE MAINTENANCE COSTS AS WELL AS NORMAL TIRE REPLACEMENT.

1.1.4 -- HOUSING

HOUSING COSTS / BASED UPON STANDARD HOUSING SPECIFICATIONS APPLIED IN EACH LOCATION SELECTED. THE SPECIFICATIONS APPLY TO THE HOME SIZE PROFILE PARAMETER SELECTED. THESE HOUSING STANDARDS, DEVELOPED BY RUNZHEIMER, ARE BASED UPON TRENDS IN HOUSING SIZES AS THEY RELATE TO SPECIFIC INCOME LEVELS AND FAMILY SIZES. THESE HOUSING SPECIFICATIONS ARE THE RESULT OF YEARS OF RESEARCH AND ANALYSIS ON DATA COLLECTED FROM LENDING INSTITUTIONS, REAL ESTATE APPRAISERS, AND, TO A LESSER EXTENT, GOVERNMENT SOURCES.

ACTUAL, RECENT HOME SALES IN EACH LOCATION ARE PROVIDED BY LOCAL REAL ESTATE PROFESSIONALS. THESE DATA ARE GATHERED IN ACCORDANCE WITH STANDARDS ESTABLISHED BY THE SOCIETY OF REAL ESTATE APPRAISERS. THIS "STANDARDS" APPROACH ENSURES CONSISTENCY EVEN THOUGH THE HOMES MAY VARY PHYSICALLY FROM ONE REGION TO ANOTHER.

1.1.4 - HOUSING (CONTINUED)

THE PROFILE 1 HOUSING CHARACTERISTICS ARE AS FOLLOWS:

1,000 SQUARE FEET OF LIVING AREA  
5 ROOMS  
3 BEDROOMS  
1.0 BATHS

1.1.4.1 - HOUSING COST DETERMINATION

BASED UPON THE PRECEDING CHARACTERISTICS, THE CURRENT MARKET VALUE OF THIS STANDARD HOME HAVE BEEN DEVELOPED FOR EACH LOCATION. THE MARKET VALUE IS BASED UPON ACTUAL COMPARABLE HOME SALES IN THE SPECIFIC LIVING COMMUNITY ANALYZED.

## SECTION 2 -- COST OF LIVING TABLES

### 2.0 -- INTRODUCTION

THIS SECTION OF THE RUNZHEIMER PLAN OF LIVING COST STANDARDS CONTAINS THE MASTER SCHEDULES AND TABLES WHICH FACILITATE A COMPARISON OF COSTS BETWEEN LOCATIONS.

STANDARD CITY US IS INCLUDED IN EACH TABLE IN ADDITION TO YOUR SELECTED LOCATIONS. THE RUNZHEIMER STANDARD CITY US IS A MEDIAN COST LOCATION BASED ON AN ANALYSIS OF THE LIVING COSTS IN OVER ONE HUNDRED REPRESENTATIVE UNITED STATES CITIES. STANDARD CITY US IS RESEARCHED ANNUALLY AT VARIOUS INCOME LEVELS.

2.1 — PROFILE 1

2.1.1 -- MASTER SCHEDULE

THE MASTER SCHEDULE IS THE FOUNDATION OF THE RUNZHEIMER PLAN OF LIVING COST STANDARDS. IT PROVIDES A DETAILED ANALYSIS OF THE LIVING COSTS FOR EACH SELECTED LOCATION.

EACH MASTER SCHEDULE CONTAINS ONE COLUMN OF BASIC INFORMATION PRESENTING THE CURRENT ANNUAL AMOUNT OF EACH COST ELEMENT. THE AMOUNT DISPLAYED ON THE MORTGAGE-PRINCIPAL-INTEREST LINE IS THE MORTGAGE PRINCIPAL AND INTEREST PAYMENT FOR A NEW MORTGAGE AT THE CURRENT INTEREST RATE.

THE MASTER SCHEDULES ARE USED TO COMPARE THE COST OF THE VARIABLES PRICED IN EACH LOCATION. FOR EXAMPLE, IT IS POSSIBLE TO COMPARE THE COST OF UTILITIES OR ANY OF THE OTHER ITEMIZED COST ELEMENTS AT ALL SELECTED LOCATIONS BY USING THE MASTER SCHEDULES.















MASTER SCHEDULE  
OF  
RUNZHEIMER LIVING COST STANDARDS  
FOR  
STATE OF ALASKA  
DEPT OF ADMINISTRATION

DATE PREPARED 01/17/95

ID NO. 730027-152130/H0/00/00

DATA BASE DATE 12/94

1. LOCATION: ICY STRAIT/LYNN CANAL STATE: AK  
COUNTRY: US

2. ANNUAL FAMILY INCOME: \$ 40,740

3. FAMILY SIZE: 4

---

EMPLOYEE LIVING COSTS

TAXATION

ANNUAL FAMILY COSTS

4. FEDERAL-STATE-LOCAL INCOME - F.I.C.A. \$ 6,972

TRANSPORTATION

5. PERSONAL AUTOMOBILES - FIRST CAR \$ 3,752  
SECOND CAR \$ 1,391

HOUSING

6. MORTGAGE-PRINCIPAL-INTEREST \$ 4,432  
CURRENT HOME VALUE: \$ 55,100  
(INTEREST RATE) ( 9.460%)

7. HOMEOWNER INSURANCE \$ 227

8. GENERAL REAL ESTATE TAXES \$ 617

9. UTILITIES \$ 2,260

10. MAINTENANCE \$ 630

GOODS & SERVICES AND OTHER EXPENSES

11. GOODS & SERVICES \$ 14,152

12. SALES TAXES \$ 515

13. MISCELLANEOUS (INCLUDING SAVINGS) \$ 5,453

---

14. TOTAL LIVING COSTS \$ 40,401

MASTER SCHEDULE  
OF  
RUNZHEIMER LIVING COST STANDARDS  
FOR  
STATE OF ALASKA  
DEPT OF ADMINISTRATION

DATE PREPARED 01/17/95

ID NO. 730027-152130/HO/00/00

DATA BASE DATE 12/94

1. LOCATION: JUNEAU STATE: AK  
COUNTRY: US

2. ANNUAL FAMILY INCOME: \$ 40,740

3. FAMILY SIZE: 4

---

EMPLOYEE LIVING COSTS

TAXATION

ANNUAL FAMILY COSTS

4. FEDERAL-STATE-LOCAL  
INCOME - F.I.C.A. \$ 6,377

TRANSPORTATION

5. PERSONAL AUTOMOBILES - FIRST CAR \$ 3,591  
SECOND CAR \$ 1,331

HOUSING

6. MORTGAGE-PRINCIPAL-INTEREST \$ 8,704  
CURRENT HOME VALUE: \$ 108,200  
(INTEREST RATE) ( 9.460%)

7. HOMEOWNER INSURANCE \$ 266

8. GENERAL REAL ESTATE TAXES \$ 1,475

9. UTILITIES \$ 2,260

10. MAINTENANCE \$ 630

GOODS & SERVICES AND OTHER EXPENSES

11. GOODS & SERVICES \$ 13,547

12. SALES TAXES \$ 412

13. MISCELLANEOUS (INCLUDING SAVINGS) \$ 5,453

---

14. TOTAL LIVING COSTS \$ 44,046





















# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Service  
Department of Education  
State of Alaska

M A S T E R   S C H E D U L E  
 OF  
 R U N Z H E I M E R   L I V I N G   C O S T   S T A N D A R D S  
 FOR  
 S T A T E   O F   A L A S K A  
 D E P T   O F   A D M I N I S T R A T I O N

D A T E   P R E P A R E D   0 1 / 1 7 / 9 5

ID NO. 730027-152130/HJ/00/00

D A T A   B A S E   D A T E   1 2 / 9 4

1. LOCATION: SEWARD

S T A T E :   A K  
 C O U N T R Y :   U S

2. ANNUAL FAMILY INCOME: \$ 40,740

3. FAMILY SIZE: 4

---

E M P L O Y E E   L I V I N G   C O S T S

T A X A T I O N

A N N U A L   F A M I L Y   C O S T S

4. FEDERAL-STATE-LOCAL  
 INCOME - F.I.C.A.

\$ 6,677

T R A N S P O R T A T I O N

5. PERSONAL AUTOMOBILES - FIRST CAR  
 SECOND CAR

\$ 3,703  
 \$ 1,370

H O U S I N G

6. MORTGAGE-PRINCIPAL-INTEREST  
 CURRENT HOME VALUE: \$ 89,800  
 (INTEREST RATE)

\$ 7,224  
 ( 9.460%)

7. HOMEOWNER INSURANCE

\$ 336

8. GENERAL REAL ESTATE TAXES

\$ 867

9. UTILITIES

\$ 1,900

10. MAINTENANCE

\$ 630

G O O D S   &   S E R V I C E S   A N D   O T H E R   E X P E N S E S

11. GOODS & SERVICES

\$ 13,335

12. SALES TAXES

\$ 515

13. MISCELLANEOUS (INCLUDING SAVINGS)

\$ 5,453

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14. TOTAL LIVING COSTS

\$ 42,010

MASTER SCHEDULE  
OF  
RUNZHEIMER LIVING COST STANDARDS  
FOR  
STATE OF ALASKA  
DEPT OF ADMINISTRATION

DATE PREPARED 01/17/95

ID NO. 730027-152130/H0/00/00

DATA BASE DATE 12/94

1. LOCATION: SITKA STATE: AK  
COUNTRY: US

2. ANNUAL FAMILY INCOME: \$ 40,740

3. FAMILY SIZE: 4

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EMPLOYEE LIVING COSTS

TAXATION

ANNUAL FAMILY COSTS

4. FEDERAL-STATE-LOCAL  
INCOME - F.I.C.A. \$ 6,433

TRANSPORTATION

5. PERSONAL AUTOMOBILES - FIRST CAR \$ 3,731  
SECOND CAR \$ 1,382

HOUSING

6. MORTGAGE-PRINCIPAL-INTEREST \$ 9,170  
CURRENT HOME VALUE: \$ 114,000  
(INTEREST RATE) ( 9.460%)

7. HOMEOWNER INSURANCE \$ 298

8. GENERAL REAL ESTATE TAXES \$ 667

9. UTILITIES \$ 2,260

10. MAINTENANCE \$ 630

GOODS & SERVICES AND OTHER EXPENSES

11. GOODS & SERVICES \$ 14,031

12. SALES TAXES \$ 515

13. MISCELLANEOUS (INCLUDING SAVINGS) \$ 5,453

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14. TOTAL LIVING COSTS \$ 44,570







2.1.2 — TABLE I — TOTAL ANNUAL COSTS

THIS TABLE PRESENTS THE ANNUAL COSTS OF MAINTAINING AN EQUIVALENT LIFESTYLE AT EACH OF THE LOCATIONS CONTAINED IN THIS STUDY. IT REFLECTS THE COMBINED ANNUAL COST OF TAXATION, TRANSPORTATION, HOUSING, AND GOODS & SERVICES AND OTHER EXPENSES FOR EACH LOCATION.

STATE OF ALASKA  
DEPT. OF ADMINISTRATION

TOTAL ANNUAL COSTS  
TABLE I

BASE DATE: 12/94

INCOME LEVEL: \$40,740  
FAMILY SIZE: 4

Page 1

Dollar Comparison	Location	Index Comparison
1 \$47,305	ALEUTIAN ISLANDS AK	116.1
2 \$46,719	WADE HAMPTON AK	114.7
3 \$46,665	BETHEL AK	114.5
4 \$46,502	KETCHIKAN AK	114.1
5 \$45,204	BARROW/KOTZEBUE AK	111.0
6 \$44,959	BRISTOL BAY AK	110.4
7 \$44,570	SITKA AK	109.4
8 \$44,541	CORDOVA/VALDEZ AK	109.3
9 \$44,289	KODIAK AK	108.7
10 \$44,046	JUNEAU AK	108.1
11 \$43,508	PETERSBURG/WRANGELL AK	106.8
12 \$43,145	NOME AK	105.9
13 \$42,702	YUKON/KUSKOKWIM AK	104.8
14 \$42,568	PALMER/WASILLA AK	104.5
15 \$42,033	SEATTLE S2 WA	103.2
16 \$42,010	SEWARD AK	103.1
17 \$41,755	FAIRBANKS/FORT YUKON AK	102.5
18 \$40,743	ANCHORAGE AK	100.0
19 \$40,740	SEATTLE CMP WA	100.0
20 \$40,401	ICY STRAIT/LYNN CANAL AK	99.2
21 \$39,461	KENAI/COOK INLET AK	98.9
22 \$39,445	SEATTLE S3 WA	98.6

2.1.3 — TABLE II — HOME MARKET VALUES (NUMERIC ORDER)

THIS TABLE CONTAINS A RANKING OF HOME MARKET VALUES AS PROVIDED  
ON THE MASTER SCHEDULE FOR EACH OF THE SELECTED LOCATIONS.

STATE OF ALASKA  
DEPT. OF ADMINISTRATION

GEOGRAPHIC WAGE/SALARY DIFFERENTIALS  
TABLE II

INCOME LEVEL: \$40,740  
FAMILY SIZE: 4

BASE DATE: 12/94  
Page 1

	Location	Dollar Adjustment	Index Comparison
1	ALEUTIAN ISLANDS AK	\$8,585	118.1
2	WADE HAMPTON AK	\$5,979	114.7
3	BETHEL AK	\$5,025	114.5
4	KETCHIKAN AK	\$5,782	114.1
5	BARROW/KOTZEBUE AK	\$4,464	111.0
6	BRISTOL BAY AK	\$4,219	110.4
7	SITKA AK	\$3,830	109.4
8	CORDOVA/VALDEZ AK	\$3,801	109.3
9	KODIAK AK	\$3,549	108.7
10	JUNEAU AK	\$3,306	108.1
11	PETERSBURG/WRANGELL AK	\$2,766	106.8
12	NOME AK	\$2,405	105.9
13	YUKON/KUSKOKWIM AK	\$1,962	104.8
14	PALMER/WASILLA AK	\$1,828	104.5
15	SEATTLE S2 WA	\$1,293	103.2
16	SEWARD AK	\$1,270	103.1
17	FAIRBANKS/FORT YUKON AK	\$1,015	102.5
18	ANCHORAGE AK	\$3	100.0
19	SEATTLE CMP WA	\$0	100.0
20	ICY STRAIT/LYNN CANAL AK	(\$339)	099.2
21	KENAI/COOK INLET AK	(\$1,279)	096.9
22	SEATTLE S3 WA	(\$1,295)	096.8

STATE OF ALASKA  
DEPT. OF ADMINISTRATION

TAXATION ELEMENTS  
TABLE III

BASE DATE: 12/94

INCOME  
FAMILY SIZE: 4

Federal and Social Security Taxes

Location

State and Local Taxes

1	\$8,972	ICY STRAIT/LYNN CANAL AK	\$0
2	\$8,972	KENAI/COOK INLET AK	\$0
3	\$8,809	SEATTLE S3 WA	\$0
4	\$8,797	FAIRBANKS/FORT YUKON AK	\$0
5	\$8,775	NOME AK	\$0
6	\$8,755	YUKON/KUSKOKWIM AK	\$0
7	\$8,677	SEWARD AK	\$0
8	\$8,609	PETERSBURG/WRANGELL AK	\$0
9	\$8,603	BRISTOL BAY AK	\$0
10	\$8,603	SEATTLE CMP WA	\$0
11	\$8,595	BARROW/KOTZEBUE AK	\$0
12	\$8,525	PALMER/WASILLA AK	\$0
13	\$8,461	WADE HAMPTON AK	\$0
14	\$8,452	KODIAK AK	\$0
15	\$8,433	SITKA AK	\$0
16	\$8,398	SEATTLE S2 WA	\$0
17	\$8,377	JUNEAU AK	\$0
18	\$8,354	CORDOVA/VALDEZ AK	\$0
19	\$8,282	BETHEL AK	\$0
20	\$8,160	ALEUTIAN ISLANDS AK	\$0
21	\$8,085	ANCHORAGE AK	\$0
22	\$8,051	KETCHIKAN AK	\$0

STATE OF ALASKA  
DEPT. OF ADMINISTRATION

TRANSPORTATION TABLE  
TABLE IV

INCOME LEVEL: \$40,740  
FAMILY SIZE: 4

BASE DATE: 12/94

	Dollar Comparison	Location	Index Comparison
1	\$6,104	WADE HAMPTON AK	113.6
2	\$5,970	BARROW/KOTZEBUE AK	111.1
3	\$5,346	YUKON/KUSKOKWIM AK	108.8
4	\$5,709	NOME AK	108.2
5	\$5,555	BETHEL AK	103.4
6	\$5,528	BRISTOL BAY AK	102.9
7	\$5,374	SEATTLE CMP WA	100.0
8	\$5,374	SEATTLE S2 WA	100.0
9	\$5,374	SEATTLE S3 WA	100.0
10	\$5,193	ANCHORAGE AK	96.6
11	\$5,187	FAIRBANKS/FORT YUKON AK	96.5
12	\$5,180	KODIAK AK	96.4
13	\$5,173	KETCHIKAN AK	96.3
14	\$5,150	PETERSBURG/WRANGELL AK	95.8
15	\$5,143	ICY STRAIT/LYNN CANAL AK	95.7
16	\$5,113	SITKA AK	95.1
17	\$5,093	ALEUTIAN ISLANDS AK	94.8
18	\$5,073	SEWARD AK	94.4
19	\$5,026	CORDOVA/VALDEZ AK	93.5
20	\$5,006	KENAI/COOK INLET AK	93.2
21	\$4,922	JUNEAU AK	91.6
22	\$4,872	PALMER/WASILLA AK	90.7

STATE OF ALASKA  
DEPT. OF ADMINISTRATION

HOME MARKET VALUES  
TABLE V

INCOME LEVEL: \$40,740  
FAMILY SIZE: 4

BASE DATE: 12/94

Dollar Comparison	Location	Index Comparison
1 \$130,000	KETCHIKAN AK	137.6
2 \$128,600	ALEUTIAN ISLANDS AK	136.1
3 \$114,000	SITKA AK	120.6
4 \$111,100	SEATTLE S2 WA	117.6
5 \$110,000	WADE HAMPTON AK	116.4
6 \$109,100	KODIAK AK	115.4
7 \$108,200	JUNEAU AK	114.5
8 \$107,700	BETHEL AK	114.0
9 \$103,600	CORDOVA/VALDEZ AK	109.8
10 \$100,100	BRISTOL BAY AK	105.9
11 \$95,000	PETERSBURG/WRANCELL AK	100.5
12 \$94,900	BARROW/KOTZEBUE AK	100.4
13 \$94,500	SEATTLE CMP WA	100.0
14 \$92,500	YUKON/KUSKOKWIM AK	097.9
15 \$91,700	PALMER/WASILLA AK	097.0
16 \$89,800	SEWARD AK	095.0
17 \$81,600	NOME AK	086.3
18 \$77,800	SEATTLE S3 WA	082.3
19 \$75,400	ANCHORAGE AK	079.8
20 \$74,900	FAIRBANKS/FORT YUKON AK	079.3
21 \$61,100	KENAI/COOK INLET AK	064.7
22 \$55,100	ICY STRAIT/LYNN CANAL AK	058.3

STATE OF ALASKA  
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HOUSING EXPENSE TABLE  
TABLE VI

INCOME LEVEL: \$40,740  
FAMILY SIZE: 4

BASE DATE: 12/94

Dollar Comparison	Location	Index Comparison
1 \$15,848	KETCHIKAN AK	146.9
2 \$15,648	ALEUTIAN ISLANDS AK	146.8
3 \$14,808	BETHEL AK	139.0
4 \$13,988	CORDOVA/VALDEZ AK	131.3
5 \$13,888	WADE HAMPTON AK	128.5
8 \$13,335	JUNEAU AK	125.2
7 \$13,025	SITKA AK	122.2
8 \$13,021	KODIAK AK	122.2
9 \$12,500	BARROW/KOTZEBUE AK	117.3
10 \$12,485	BRISTOL BAY AK	117.2
11 \$12,139	SEATTLE S2 WA	113.9
12 \$11,980	PALMER/WASILLA AK	112.4
13 \$11,734	PETERSBURG/WRANGELL AK	110.1
14 \$11,029	NOME AK	103.5
15 \$10,957	SEWARD AK	102.8
16 \$10,833	FAIRBANKS/FORT YUKON AK	101.7
17 \$10,655	SEATTLE CMP WA	100.0
18 \$10,554	YUKON/KUSKOKWIM AK	99.1
19 \$10,102	ANCHORAGE AK	94.8
20 \$9,170	SEATTLE S3 WA	86.1
21 \$8,305	KENAI/COOK INLET AK	77.9
22 \$8,166	ICY STRAIT/LYNN CANAL AK	76.6

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REAL ESTATE TAX TABLE  
TABLE VII

INCOME LEVEL: \$40,740  
FAMILY SIZE: 4

BASE DATE: 12/84

	Location	Home Market Value	Real Estate Taxes	% of Market Value	Index
1	BETHEL AK	\$107,700	\$2,280	2.12	152.3
2	CORDOVA/VALDEZ AK	\$103,600	\$1,980	1.91	137.5
3	PALMER/WASILLA AK	\$91,700	\$1,734	1.89	138.0
4	ANCHORAGE AK	\$75,400	\$1,204	1.60	114.9
5	FAIRBANKS/FORT YUKON AK	\$74,900	\$1,190	1.59	114.3
6	KETCHIKAN AK	\$130,000	\$2,002	1.54	110.8
7	SEATTLE S3 WA	\$77,800	\$1,137	1.46	105.1
8	SEATTLE CMP WA	\$94,500	\$1,309	1.39	99.7
9	JUNEAU AK	\$108,200	\$1,475	1.36	98.1
10	SEATTLE S2 WA	\$111,100	\$1,481	1.33	95.9
11	ICY STRAIT/LYNN CANAL AK	\$55,100	\$617	1.12	80.6
12	BARROW/KOTZEBUE AK	\$94,900	\$1,026	1.08	77.9
13	ALEUTIAN ISLANDS AK	\$128,600	\$1,383	1.08	77.4
14	NOME AK	\$81,600	\$852	1.04	75.1
15	PETERSBURG/WRANGELL AK	\$95,000	\$928	.97	70.1
16	SEWARD AK	\$89,800	\$867	.97	69.5
17	KENAI/COOK INLET AK	\$61,100	\$573	.94	67.5
18	KODIAK AK	\$109,100	\$912	.84	60.1
19	WADE HAMPTON AK	\$110,000	\$780	.71	51.0
20	SITKA AK	\$114,000	\$667	.59	42.1
21	BRISTOL BAY AK	\$100,100	\$585	.58	42.0
22	YUKON/KUSKOKWIM AK	\$92,500	\$144	.16	11.2

STATE OF ALASKA  
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INDEXES OF GOODS & SERVICES COMPONENTS  
TABLE VIII

INCOME LEVEL: \$40,740  
FAMILY SIZE: 4

BASE DATE: 12/84

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Location	Dollar Comparison	Total Index	Food Home	Food Away	Tobacco	Alcohol	Furnishings	Clothing	Domestic Service	Medical Care	Personal Care	Recreation
WADE HAMPTON AK	\$15,013	118.63	144.80	122.45	115.18	151.08	123.52	97.02	116.03	107.57	119.63	121.52
ALEUTIAN ISLANDS AK	\$14,953	118.16	148.85	97.14	118.34	151.08	125.69	95.52	116.03	138.45	117.85	110.44
BRISTOL BAY AK	\$14,890	117.68	141.04	97.14	123.56	151.02	118.19	92.10	116.03	122.97	121.09	128.48
BARROW/KOTZEBUE AK	\$14,888	118.05	135.35	97.14	119.84	124.55	127.32	95.52	116.03	119.67	117.85	116.98
ICY STRAIT/LYNN CANAL AK	\$14,667	115.90	130.13	122.45	112.82	118.94	109.15	98.38	115.69	122.78	128.41	129.66
BETHEL AK	\$14,587	115.27	131.86	97.14	114.94	151.08	118.51	93.15	118.03	141.91	119.63	119.41
PETERSBURG/WRANGELL AK	\$14,560	115.05	131.55	122.45	94.09	124.67	115.24	92.32	116.03	114.47	121.68	119.37
SITKA AK	\$14,546	114.94	125.12	122.45	98.23	117.50	123.20	94.79	116.03	129.69	116.12	119.69
KODIAK AK	\$14,183	112.07	133.79	97.14	93.94	110.36	119.51	92.10	116.03	110.00	122.36	112.79
NOME AK	\$14,179	112.04	138.84	97.14	113.91	124.58	110.28	95.21	116.03	122.25	114.37	110.97
KETCHIKAN AK	\$14,177	112.03	123.14	122.45	114.53	118.99	114.90	94.24	116.03	120.30	114.94	124.03
YUKON/KUSKOKWIM AK	\$14,094	111.37	143.77	97.14	115.04	151.07	114.80	97.24	116.03	101.93	117.85	119.45
JUNEAU AK	\$13,959	110.30	124.25	119.37	116.30	115.75	108.94	92.97	116.03	115.57	117.91	116.98
SEWARD AK	\$13,850	109.44	128.48	97.14	101.58	126.31	118.25	92.32	116.03	107.90	116.79	108.37
PALMER/WASILLA AK	\$13,738	108.56	128.57	122.45	104.44	120.82	111.15	90.17	116.03	108.99	111.67	111.46
KENAI/COOK INLET AK	\$13,725	108.48	126.37	122.45	110.85	117.77	119.98	90.81	116.03	110.80	111.92	111.43
CORDOVA/VALDEZ AK	\$13,720	108.42	129.30	122.45	106.06	112.45	110.15	93.61	116.03	122.15	118.46	109.37
FAIRBANKS/FORT YUKON AK	\$13,485	108.56	124.24	105.65	113.84	125.17	112.91	91.67	116.03	119.99	116.27	116.90
ANCHORAGE AK	\$13,206	104.35	123.04	108.52	108.75	115.20	105.38	94.61	116.03	113.91	113.91	112.66
SEATTLE S2 WA	\$12,671	100.13	98.34	102.26	120.17	97.35	96.88	99.07	104.15	108.45	101.52	100.26
SEATTLE CMP WA	\$12,655	100.00	96.34	102.26	120.17	97.35	96.88	99.07	104.15	108.45	101.52	100.26
SEATTLE S3 WA	\$12,639	99.87	96.34	102.26	120.17	97.35	96.88	99.07	104.15	108.45	101.52	100.26

### SECTION 3 — REPORT PRODUCTION METHODOLOGY

#### 3.0 — INTRODUCTION

THIS SECTION DESCRIBES THE SEQUENTIAL PROCESSES USED BY RUNZHEIMER INTERNATIONAL TO PRODUCE THE RUNZHEIMER PLAN OF LIVING COST STANDARDS. THE EXACT PARAMETERS AND THE SPECIFIC CONSIDERATIONS OF EACH STEP IN THE PRODUCTION OF THIS REPORT ARE DEFINED IN SECTION 1 -- REPORT SPECIFICATIONS.

#### 3.1 -- CLIENT DEFINED PARAMETERS

STEP 1 THE LOCATIONS FOR WHICH LIVING COST STANDARDS WOULD BE DEVELOPED WERE SUBMITTED BY THE CLIENT.

STEP 2 INCOME LEVELS AND FAMILY SIZES WERE SPECIFIED BY THE CLIENT FOR EACH OF THE LOCATIONS ANALYZED IN STEP 1.

#### 3.2 — RUNZHEIMER DEFINED STANDARDS

STEP 3 THE NUMBER, MODEL AND SIZE OF AUTOMOBILE(S), AND ANNUAL DISTANCES DRIVEN WERE DETERMINED FOR EACH OF THE LOCATIONS, FAMILY SIZES AND INCOME LEVELS.

STEP 4 SPECIFIC HOUSING UNIT SPECIFICATIONS WERE ASSIGNED FOR EACH INCOME LEVEL AND FAMILY SIZE ACCORDING TO STANDARDS DEVELOPED BY RUNZHEIMER.

### 3.3 -- LIVING COMMUNITY SELECTION

STEP 5 RUNZHEIMER SELECTED REPRESENTATIVE LIVING COMMUNITIES IN OR NEAR EACH LOCATION WHERE EACH PROFILED FAMILY, REPRESENTED BY ANNUAL INCOME WOULD ECONOMICALLY AND SOCIALLY RESIDE. THIS PROCESS WAS BASED UPON A CAREFUL ANALYSIS OF ALL POSSIBLE LIVING COMMUNITIES IN EACH AREA AVAILABLE TO THIS STANDARD PROFILED FAMILY UNIT.

### 3.4 -- TAXATION

STEP 6 A MAJOR ACCOUNTING FIRM IS EMPLOYED TO RESEARCH AND PROVIDE A CONTINUING DATA SOURCE FOR ALL FEDERAL, STATE, AND LOCAL INCOME TAX COMPUTATIONS.

STEP 7 CURRENT PATTERNS OF BOTH STANDARD AND ITEMIZED INCOME TAX DEDUCTIONS WERE DETERMINED FOR EACH LOCATION BASED UPON ANNUAL FAMILY ADJUSTED GROSS INCOME AND SIZE. FOR ALL U.S. LOCATIONS, THE MORTGAGE INTEREST AND REAL ESTATE TAXES FOR THE PARTICULAR LOCATION WERE USED IN CALCULATING THE ITEMIZED DEDUCTIONS.

STEP 8 A COMPUTERIZED SYSTEM FOR TAXATION WAS DEVELOPED TO GENERATE THE INCOME TAX LIABILITY APPLICABLE TO EACH FAMILY SIZE AND INCOME LEVEL. THIS SYSTEM USES THE CURRENT TAX FORMULA TO ENSURE ACCURATE COMPARATIVE TAX DATA FOR ALL NORTH AMERICAN LOCATIONS.

### 3.5 — PERSONAL AUTOMOBILES

- STEP 9 RUNZHEIMER IDENTIFIED AND DETERMINED THE BASIC VEHICLE SIZE CATEGORIES PER COUNTRY FOR WHICH PERSONAL OWNERSHIP AND OPERATING COSTS WOULD BE DEVELOPED.
- STEP 10 THE OPERATIONAL COST ELEMENTS FOR THE AUTOMOBILES DEFINED WERE DETERMINED. THEY INCLUDE FIXED COSTS (DEPRECIATION, INSURANCE, LICENSE, REGISTRATION, TAXES AND FINANCE CHARGES) AND VARIABLE OR OPERATING EXPENSES (FUEL, OIL, MAINTENANCE AND TIRES).
- STEP 11 COMPUTER GENERATED COST TABLES WERE PRODUCED FOR THE AUTO-MOBILE(S) DEFINED FOR THE INCOME LEVELS AND FAMILY SIZES FOR EACH LOCATION.

### 3.6 — HOME MARKET VALUES

- STEP 12 RUNZHEIMER BROADLY SAMPLED RECENT HOME MARKET SALE TRANSACTIONS IN EACH LIVING COMMUNITY. THEN THROUGH THE COMPUTERIZED STATISTICAL PROCESS OF STEPWISE LINEAR REGRESSION ANALYSIS, THESE MARKET TRANSACTIONS WERE ADJUSTED TO THE EXACT HOUSING CHARACTERISTICS OF THE STANDARD PROFILE. IN THIS WAY, CURRENT MARKET PRICES OF THE REPRESENTATIVE HOMES IN EACH COMMUNITY WERE GENERATED. SEE SECTION 5.3 FOR A DETAILED DESCRIPTION OF THE METHODOLOGY APPLIED IN THIS PROCESS.
- STEP 13 HISTORICAL DATA WAS USED TO ARRIVE AT REPRESENTATIVE MARKET VALUES FOR HOMES FOLLOWING THE SAME PROCEDURE AS IN THE PREVIOUS STEP.

### 3.7 — RENTAL HOUSING VALUES

STEP 14 THROUGH ITS NETWORK OF PRIMARY SOURCES, RUNZHEIMER INTERNATIONAL SAMPLES THE PREVAILING RENTAL HOUSING MARKETS IN EACH COMMUNITY. A MEDIAN NET RENTAL COST IS ESTABLISHED FOR THE PROFILED RENTAL UNIT UTILIZING THE VARIOUS RENTAL UNIT TYPES AVAILABLE IN THE SPECIFIC COMMUNITY.

### 3.8 -- MORTGAGE - PRINCIPAL AND INTEREST

STEP 15 THE LENDING MARKET IN EACH COMMUNITY WAS STUDIED TO DETERMINE THE PERCENTAGES OF HOME VALUES FINANCED AND OTHER APPLICABLE MORTGAGE TERMS SO AS TO ARRIVE AT A COMMON SET OF CRITERIA APPLICABLE TO ALL OF THE LIVING COMMUNITIES INVOLVED IN THIS COMPARISON.

STEP 16 THE CURRENT MORTGAGE MONEY MARKETS WERE ANALYZED IN EACH OF THE COMMUNITIES AND THE APPLICABLE INTEREST RATE WAS ESTABLISHED FOR EACH LOCALE.

STEP 17 BASED UPON INTEREST RATES, PERCENTAGES OF VALUE FINANCED, AND OTHER MORTGAGE TERMS, AS APPLICABLE TO THE CURRENT MARKET VALUES OF THE STANDARD HOME, THE ANNUAL PRINCIPAL AND INTEREST PAYMENTS WERE COMPUTED.

### 3.9 -- HOMEOWNER INSURANCE

STEP 18 CURRENT DATA SOURCES FOR HOMEOWNER OR RENTER INSURANCE WERE ESTABLISHED FOR EACH LIVING COMMUNITY. THE APPLICABLE RATES FOR A HOMEOWNERS 3 (HO-3) TYPE POLICY WITH A DEDUCTIBLE OF \$100 WERE APPLIED TO EACH NORTH AMERICAN LOCATION. IN ALL OTHER LOCATIONS, THE TYPICAL AND COMPARABLE HOMEOWNER OR RENTER INSURANCE WAS DETERMINED AND COSTED.

### 3.10 -- REAL ESTATE TAXES

STEP 19 THE GENERAL REAL ESTATE TAX RATES, THE DATES OF LATEST MARKET VALUE ASSESSMENTS, AND THE PERCENTAGES OF MARKET VALUE SUBJECT TO ASSESSMENT, WERE DETERMINED THROUGH DIRECT CONSULTATIONS WITH LOCAL TAX ASSESSOR'S OFFICES. THESE FINDINGS WERE USED TO CALCULATE THE ANNUAL TAX AMOUNTS. THESE VALUES WERE THEN COMPARED WITH THOSE DERIVED FROM ADDITIONAL INDEPENDENT PRIMARY SOURCES FOR PROPERTY TAX INFORMATION, APPLICABLE TO THE PAST YEAR, TO VERIFY THE INITIAL VALUES.

### 3.11 -- HOUSING UTILITIES

STEP 20 IN CERTAIN COMMUNITIES OR IN SPECIFIC RENTAL UNIT TYPES, UTILITY COSTS MAY BE INCLUDED IN THE BASE RENTAL COST. RUNZHEIMER HAS SEPARATED THESE COSTS TO PROVIDE A MORE SUITABLE COMPARISON WITH COMMUNITIES WHERE UTILITY COSTS ARE BORNE BY THE RENTER. THE ANNUAL COSTS FOR HEATING, COOLING, AND OTHER UTILITIES FOR THE PROFILED HOMES OR RENTAL UNITS WERE DEVELOPED FROM RATE SCHEDULES COMPILED FOR EACH LOCATION. HEATING AND COOLING COSTS WERE BASED

3.11 -- HOUSING UTILITIES (CONTINUED)

UPON THE MOST COMMONLY USED FUEL IN EACH COMMUNITY. THE ANNUAL COSTS WERE THEN COMPARED WITH ADDITIONAL PRIMARY DATA SOURCES FOR VERIFICATION OF THE INITIAL COMPUTATIONS.

3.12 -- MAINTENANCE

STEP 21 TYPICAL COSTS OF HOME MAINTENANCE WERE DEVELOPED FOR EACH COMMUNITY. THESE COSTS ARE EXPRESSED AS AN ANNUAL AMOUNT, APPLICABLE TO STANDARD PROFILE HOMES AND ARE AMORTIZED OVER THE TERM OF THE MORTGAGE.

3.13 -- GOODS & SERVICES AND OTHER EXPENSES

STEP 22 RUNZHEIMER PRICED A MARKET BASKET OF GOODS & SERVICES IN EACH LOCATION OF THIS REPORT.

STEP 23 USING A PROGRAM OF FIXED-WEIGHT PRICE INDEXES DEVELOPED BY RUNZHEIMER, SEPARATE INDEXES WERE GENERATED FOR EACH OF THE TEN GOODS & SERVICES CATEGORIES AT EACH LOCATION. FOR A FURTHER EXPLANATION OF THE PRICING AND INDEX PROGRAM METHODOLOGY SEE APPENDIX 5.5.

STEP 24 UNLESS OTHERWISE SPECIFIED BY THE CLIENT, THE GOODS & SERVICES DOLLAR AMOUNT WAS COMPUTED USING STANDARD CITY AS A BASE 100.

STEP 25 INCOME LEVELS AND FAMILY COMPOSITION WERE USED TO DETERMINE APPLICABLE STATE OR PROVINCIAL AND LOCAL SALES TAXES FOR LOCATIONS IN THE U.S. AND CANADA.

3.13 — GOODS & SERVICES AND OTHER EXPENSES (CONTINUED)

STEP 26 THE GOODS & SERVICES DOLLAR AMOUNTS SHOWN IN THE GOODS & SERVICES TABLE WERE COMPUTED BY ADDING THE GOODS & SERVICES AMOUNT AND ANY SALES TAXES.

STEP 27 THE GOODS & SERVICES INDEXES IN THE GOODS & SERVICES TABLE ARE DETAILED FOR EACH OF THE TEN GOODS & SERVICES CATEGORIES.

STEP 28 THE "MISCELLANEOUS" ELEMENT, AS EXPLAINED IN SECTION 1.1.5, IN PROFILE 1 OF THE SPECIFICATIONS SECTION, IS ENTERED ON THE LAST COMPONENT LINE OF EACH MASTER SCHEDULE.

3.14 — QUALITY CONTROL

STEP 29 ALL STEPS OF THE REPORT DEVELOPMENT PROCESS ARE THOROUGHLY REVIEWED AND VERIFIED TO ENSURE CONFORMITY WITH EXACTING STANDARDS OF PRODUCTION. THIS REVIEW PROCESS IS AUGMENTED BY SOPHISTICATED COMPUTERIZED STATISTICAL ANALYSIS PROCESSES CONDUCTED THROUGH EACH STEP OF REPORT DEVELOPMENT.

## SECTION 5 — APPENDIX

### 5.1 — Questions and Comments .

Runzheimer and Company, Inc. feels it is essential you understand the data in this report and their uses. Therefore, we invite your questions regarding our product. Such questions may be submitted in writing or by telephone. Regardless of their number, complexity or timing, a response will be provided without delay.

If you inquire by telephone, please ask for the consultant with whom you placed the order or for the individual who signed the cover letter of this report. When writing, address your correspondence to either of these two individuals. A written reply will be mailed within five working days after receipt of your inquiry.

In an effort to make this report more meaningful and responsive to our client's needs, your response will enable us to continue to improve The Runzheimer Plan of Living Cost Standards.

FORM A

QUESTION SUBMITTAL FORM

Mail to: Services Department  
Runzheimer and Company, Inc.  
Living Cost  
Runzheimer Park  
Rochester, WI 53167

Company Name: \_\_\_\_\_ Date: \_\_\_\_\_

Division: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In our review of the Runzheimer Living Cost Standards Report, we have questions pertaining to certain aspects.

Specifically, they are as follows:

<u>Location(s)</u>	<u>Concern</u>
1.)	1.)
2.)	2.)
3.)	3.)
4.)	4.)

Other:

Please mail your response with \_\_\_\_\_ copies to:

Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Phone #: \_\_\_\_\_

## 5.2 — How to Order Updated Reports

Many clients ask the questions... "Can we add locations or new profiles to an existing report?" ...or... "What is the proper time frame for renewing our report?" ...or... "What are the procedures for placing a renewal order?" This subsection will address the above questions and provide the procedures recommended for timely order and production of needed comparative studies.

### 5.2.1 - Adding New Locations/Profiles

As company expansion occurs or when recruitment takes place in a city requiring relocation of the individual hired, our clients may find that the location involved or the proper income level is not included in their present cost-of-living report.

The methodology utilized in developing The Runzheimer Plan of Living Cost Standards (See Section 3) allows us to add new locations or profiles to the existing report and, if desired, those additions can be made retroactive to the time the previous report was developed. To order an additional location or profile, please call or write to Living Cost at Runzheimer Company, Incorporated.

### 5.2.2 - Renewing an Existing Report

When is it appropriate to consider renewing your report to reflect current cost-of-living data? During periods of stable economic conditions, most firms have found it sufficient to renew their report on a semiannual or annual basis. During periods of rapidly changing mortgage interest rates and real estate prices, or when major income tax legislation is implemented, a faster renewal cycle is recommended. The final decision rests with the client company and

**Renewing an Existing Report (Cont.)**

its concern with the impact of a changing economic situation and the effect it may have on its relocating employees or wage/salary structure. A renewal reminder is sent two months prior to an annual renewal date to secure adequate lead time for report production.

When renewing a report, we recommend you review income and family size profiles and locations. The profiles should be studied to ensure salary increases over the past period are incorporated in the renewal report profiles. The locations should also be reviewed so that cities are added, replaced or omitted consistent with your changing requirements.

## HOUSING REGRESSION ANALYSIS

### 5.3 - Regression Process

Runzheimer uses multiple linear regression analysis to calculate a range of representative home market values for each living community. To perform the analysis, Runzheimer obtains a sample of comparable sales data and enters two independent variables, sale date of the home and living area square footage, and one dependent variable, sold price (i.e., market value), into the computerized regression model.

#### 5.3.1 - What A Multiple Linear Regression Does

A multiple regression analysis is a two-step process in which a statistical relationship between quantitative (i.e., measurable) variable is created. In the first step of the process, adjustment parameters, (or standard parameters), of the regression model are calculated. In the second step of the process, the output values (i.e., market values) are produced.

#### 5.3.2 - Calculating the Adjustment Parameters

In this step, the computer mathematically combines, for each living community, the sale dates, square footage amounts, and market value data from a sample of actual sold properties. The resulting adjustment parameters form a model that describes the best statistical relationship between and among the variables for this community.

### 5.3.3 - Producing Market Values

In this step, Runzheimer enters standard values for sale date and square footage into the model. Using the adjustment parameters calculated in the first step, the model then produces the corresponding adjusted market values for this community.

### 5.3.4 - Why Regression Analysis is Valid

Through years of experience and testing, Runzheimer has found that regression analysis is the best way to calculate consistent and reliable adjustment parameters, and subsequently, defensible home market values. Our multiple linear regression process is, in part, a mathematical representation of the process real estate appraisers use to determine market values. Using a mathematical model to characterize the housing market ensures consistent calculation of market values from community to community, location to location.

### 5.3.5 - Annual Review of Model

Because the real estate market is continually changing, Runzheimer regularly reviews its model and process to ensure statistical and mathematical reliability. For housing regression analysis, Runzheimer annually tests up to seven housing-related variables for validity. Runzheimer then modifies the computerized regression model to include only those variables that have a statistically significant impact on home market values.

**Annual Review of Model (Cont.)**

Runzheimer also annually assesses which type of mathematical model best develops home market values. For example: Runzheimer currently develops market values using multiple linear regression analysis. In the future, if appropriate, Runzheimer may opt to incorporate a log-linear, exponential, or non-linear regression analysis. Rigorous annual review of methods and statistical models ensures that Runzheimer's clients receive accurate and consistent home market values.

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

**Annual Review of Model (Cont.)**

Runzheimer also annually assesses which type of mathematical model best develops home market values. For example: Runzheimer currently develops market values using multiple linear regression analysis. In the future, if appropriate, Runzheimer may opt to incorporate a log-linear, exponential, or non-linear regression analysis. Rigorous annual review of methods and statistical models ensures that Runzheimer's clients receive accurate and consistent home market values.

5.4 -- Runzheimer Urban Complex Designations

Runzheimer Urban Complex Descriptions

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<u>URBAN COMPLEX</u>	<u>AREA 1</u>	<u>AREA 2</u>	<u>AREA 3</u>	<u>AREA 4</u>	<u>AREA 5</u>	<u>AREA 6</u>	<u>AREA 7</u>	<u>AREA 8</u>
Atlanta	City	All Suburbs						
Baltimore	City	Suburbs S & W	Suburbs NW & N					
Boston	City	Suburbs SW & S	Suburbs NW & N					
Chicago	City	Suburbs S	Suburbs W	Cook Co & Lake Co	N Suburbs E of Hwy 21	N Lake Co	McHenry Co	
Cincinnati	City	OH Suburbs						
Cleveland	City	Suburbs E	Suburbs S	Suburbs W				
Dallas	City	Suburbs Dallas	Fort Worth City & Suburbs					
Denver	City	Suburbs W	Suburbs N, E & S					
Detroit	City	Wayne Co	Oakland & Macomb Co					
Houston	City	Suburbs in City Limits	Suburbs N of I-10	Suburbs S of I-10				
Kansas City	City, KS	Suburbs MO	Suburbs KS	City, MO				
Los Angeles	City & LA Co S of I-10	W City & LA Co N of I-10 W of Pasadena Fwy	E City & LA Co N of I-10 E of Pasadena Fwy	San Bernardino/ Riverside Co	Orange Co			
Miami	City	Suburbs S & SW	Suburbs W & NW Dade Co	Suburbs NE Broward Co				
Milwaukee	City	Suburbs N	Suburbs W	Suburbs S of I-94				
Minneapolis	City	City of St. Paul	Suburbs					
Montreal	West Island	Laval and North	South Shore	City Lower CT Fairfield Co	Long Island	NENJ-Bergen, Essex Co-NJ	NENJ-Morris, Somerset, Sussex Co	NENJ-Middlesex, Monmouth, Union Co
New York City	5 Boroughs	NE NJ	Lower NY Westchester Co					
Philadelphia	City	Suburbs N	Suburbs W	NJ Suburbs				
Pittsburgh	City	Suburbs N & E	Suburbs S & W					
St. Louis	City	Suburbs N & W	Suburbs S & W	Suburbs IL				
San Diego	City	Suburbs						
San Francisco	City	San Mateo Co to San Jose	East Bay Area	Marin Co				
Seattle	City	Suburbs	City & Suburbs of Tacoma					
Toronto	City	Etobicoke & W Mississauga	N York, N Scarborough & E					
Washington DC	City	Suburbs MD	Suburbs VA					

## 5.5 — GOODS & SERVICES INDEX COMPUTATION

The Goods & Services Index is based on local pricings performed in all locations included in this Report. Over 120 marketbasket items are priced in three representative outlets per location, each individually selected by Runzheimer Research.

Price data are never more than six months old and prices are adjusted separately for any time difference between the dates of their collection.

The relative importance of each of the ten Goods & Services categories has been researched for each income level. Furthermore, within each of these categories the relative weight of each individual item has again been determined. Using this technique, Runzheimer and Company, Inc., has developed an income-sensitive weighting pattern for the Goods & Services component.

The dollar amount of the Goods & Services component is based on the total living costs at Standard City. For each homeowner profile at Standard City, the current living costs, based on a three-year-old mortgage, are so computed that they equal the profiled income level. For a rental family profile at Standard City the current living costs are also computed so that they equal the income level. The Goods & Services dollar amount for all locations other than Standard City is computed using the total Goods & Services Index.

Sales tax is calculated based on the Revenue Services' state or provincial sales tax formulas together with all city and/or county sales taxes which apply to each location in the study. Since sales tax is an integral element in the total cost of Goods & Services, the total Goods & Services Indexes have been adjusted for the appropriate sales taxes at each location.