



2020 METRO CONSTRUCTION MARKET ANALYSIS

CMAA SC
May 7, 2020



Background

› 2018 Construction Market Analysis

- Contractor interviews and insights
- Best practices from peer transit agencies
- Recommendations

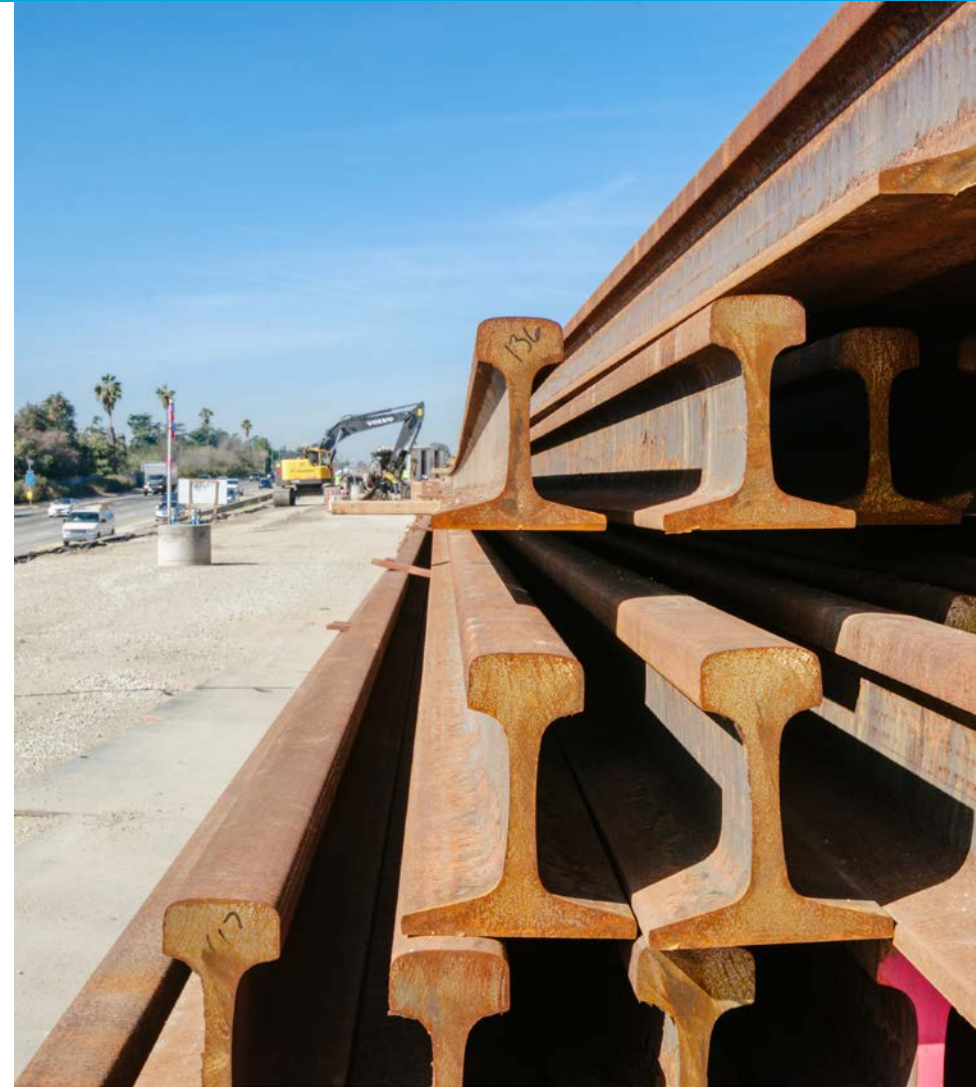
› 2020 Update & COVID-19 Addendum

- Update to 2018 report
- Metro's progress to date
- SWOT analysis and recommendations



Overview of the 2020 Update

- › Economic conditions
- › Trends in the construction Industry
- › Progress on three strategic outcomes
 - Be the owner of choice
 - Increase the labor pool
 - Create a stronger, more resilient organization
- › 10-year forecast of construction labor
- › SWOT analysis and recommendations



Metro

Megaprojects Increasing in Size & Complexity



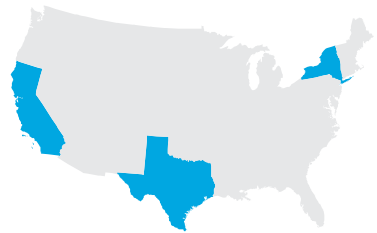
473

Megaprojects Planned in U.S. for Next 4 Years (to 2023)



90%

Of Megaprojects in the U.S. Experience Schedule Delays and Cost Overruns



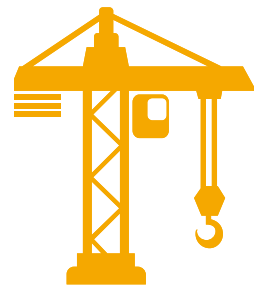
40%

Of National Total for Planned Megaprojects are in CA, TX, and NY



37%

Increased Average Size Expected from \$2.1B to \$2.9B



12

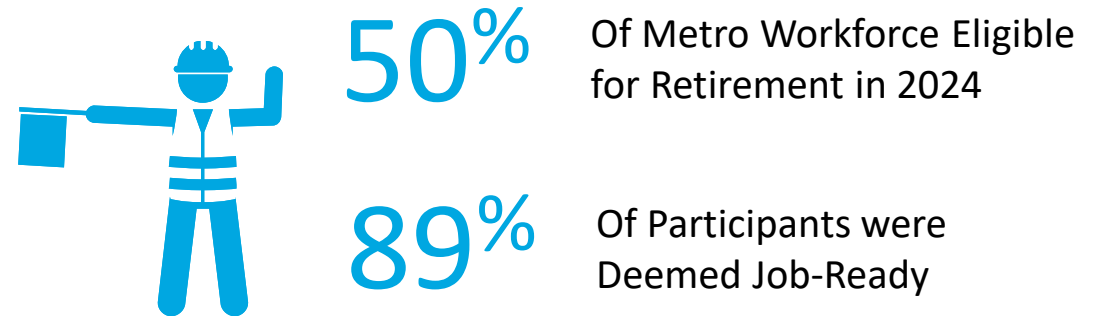
METRO MEGAPROJECTS

(> \$1B) Totaling \$35B are Under Construction or Planned in Next 10 Years

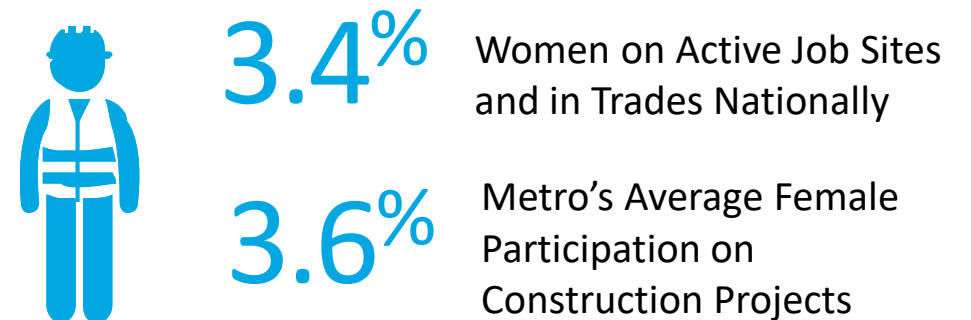
How has Metro Responded to Shifting Market Conditions?

- › Multiple workforce development programs
- › Innovative alternative delivery
- › Greater collaboration among Metro departments
- › Best practices for megaprojects
- › Enhanced risk management process
- › Female Construction Scorecard

WIN-LA Workforce Development Program



Women in the Workforce



Boom to Bust Economies

Pre COVID-19 (2018-2020)

- › Longest economic expansion in US history
- › Slowed but continued growth
- › Lowest unemployment rate since 1969

COVID-19 (April 15th)

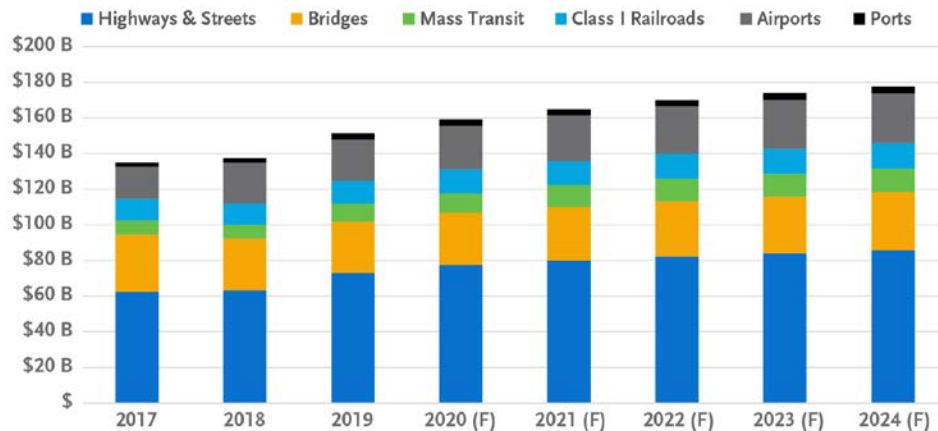
- › CA unemployment at 16% (UCLA Forecast)
- › \$1 billion in relief funding for LA-region transit agencies
- › Interest rates nearly 0%

Construction Market is a Mixed Bag

Pre-COVID-19 (2017-2020)

- › Steady upward spending in transportation construction

TRANSPORTATION CONSTRUCTION SPENDING PER YEAR



Note: (F) ARTBA's forecast of construction spending for future years.

COVID-19 (April 15th)

- › Highway Trust Fund's revenue declines
- › Potential federal infrastructure stimulus bill
- › Virtually no new private construction starts
- › Substantial price reductions for fuel and other commodities
- › Positive bidding environment

What are Contractors Saying?

Pre-COVID-19 (2020)

Turning down projects?



Reverse trend
benefits Metro

COVID-19 (April 15th)

Halted/canceled construction?

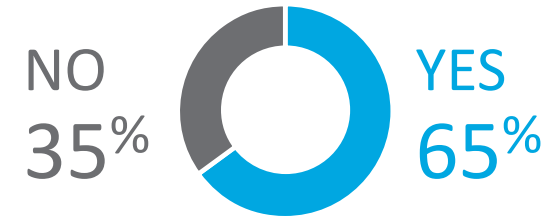


Challenges meeting schedules?



Similar trend
with new drivers

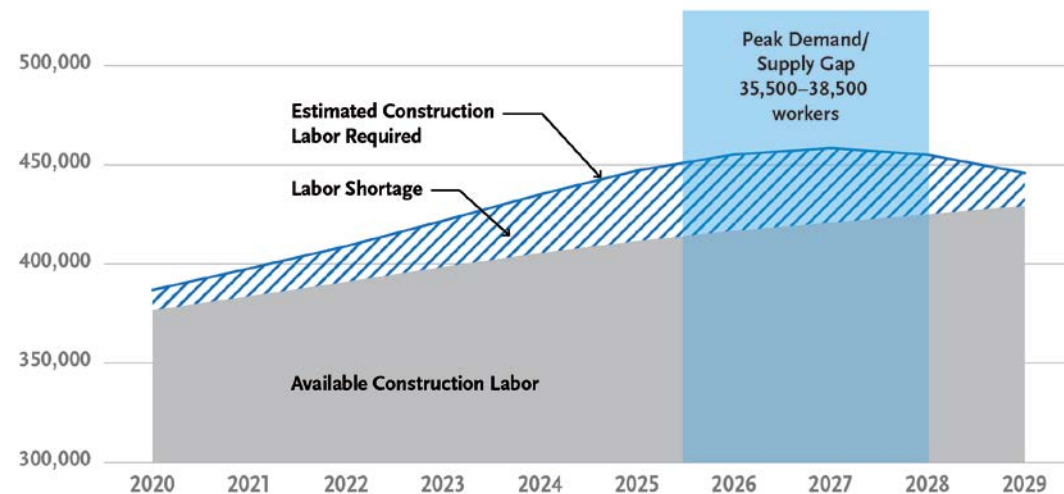
Project delays/disruptions from COVID-19?



How Will COVID-19 Impact Labor Demand?

Pre-COVID-19 (2020)

- › Labor shortage predicted
- › Peak shortage during highest demand



COVID-19 (April 15th)

- › Metro is evaluating new construction project starts
- › Regional labor demand is in flux
- › Long-term labor shortage predicted



Metro



How can Metro be more resilient?



Strengths

- › Workforce development initiatives and investments
- › Project-by-project evaluation for alternative delivery



Weaknesses

- › Limited contractor capacity for megaprojects



Opportunities

- › Potential benefits of current market conditions
- › Strategies to leverage increased contractor interest



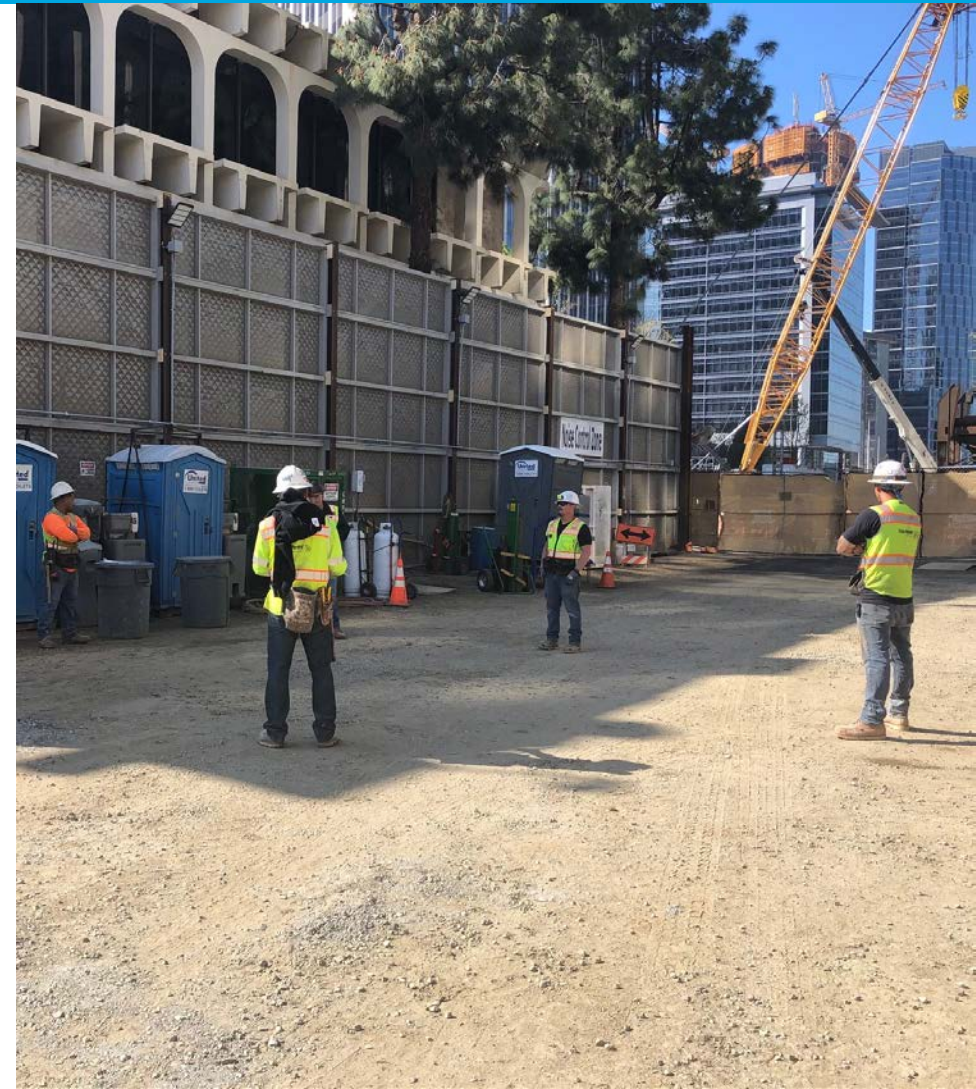
Threats

- › Potential crises like COVID-19 and natural disasters
- › Contractors more risk adverse on fixed-price contracts



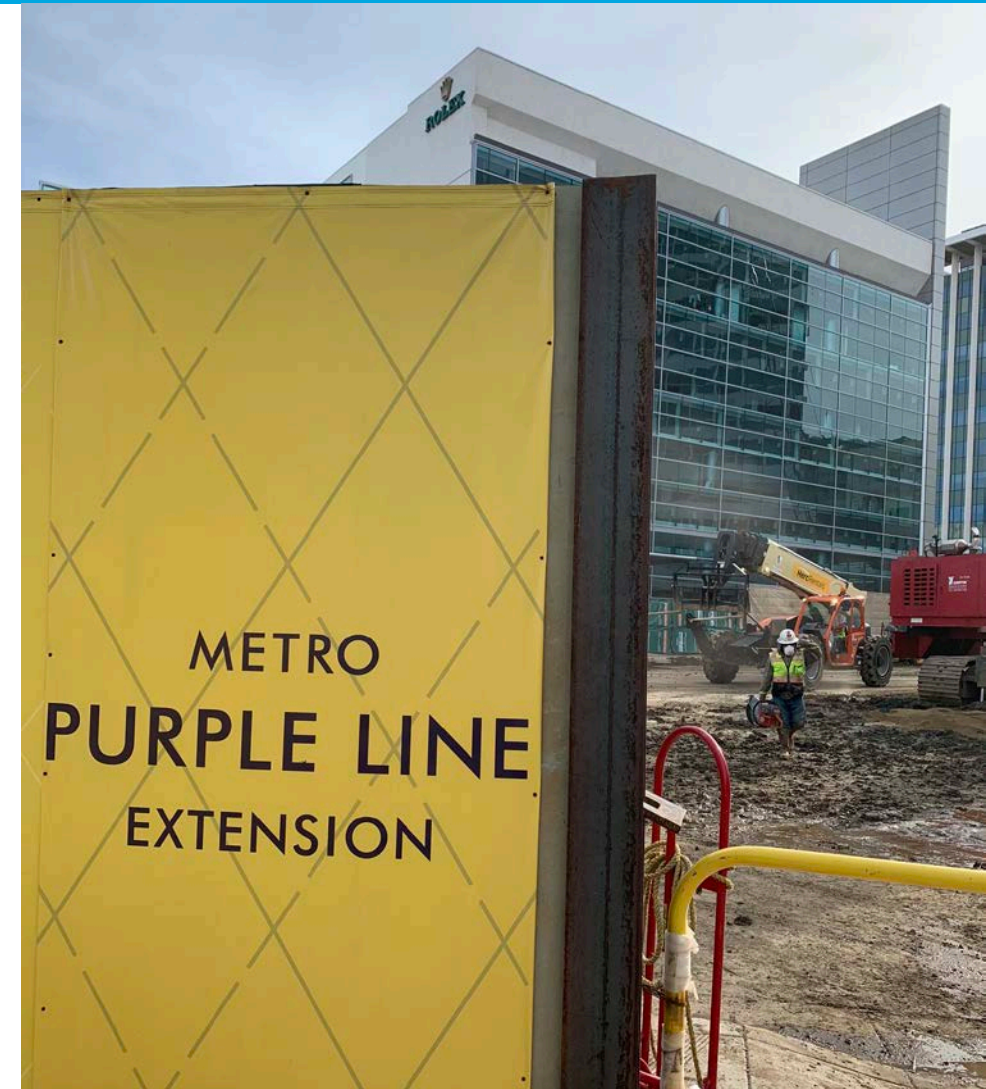
How does COVID-19 crisis impact Metro?

- › Declining revenue from sales tax
- › Mixed impact to productivity
- › More interest in bidding Metro projects
- › Increased labor pool
- › Accelerated construction enabled by street closures



Metro's Process of Evaluation of Projects Post COVID-19

- › \$1.4B in revenue loss due to COVID-19
- › Call to action to defer and reduce expenditures
- › Crenshaw/LAX, Regional Connector, and Purple Line projects exempted
- › Case by case evaluation for project funding
- › Adoption of FY21 budget is being deferred to September 2020
- › Continuing resolution will allow project activities to continue



Metro

Potential COVID-19 Actions Aligning With The Strategic Outcomes

Create a Stronger, More Resilient Organization

- ✓ Evaluate potential jobsite efficiencies to be realized by remote workers.
- ✓ Conduct supply chain audits and identify vulnerabilities.

Be the Owner of Choice






- ✓ Continue to move projects forward as much as possible following the latest health and safety procedures to prevent the exposure and spread of COVID-19.
- ✓ Conduct bid walks and pre-bid meetings via videoconferencing to not delay procurements.

Increase the Labor Pool

- ✓ Implement an aggressive outreach program to the recently unemployed and connect them with construction training and apprenticeship programs.
- ✓ Coordinate with workforce programs to develop virtual training programs and continue building a pipeline of qualified workers as the number of Metro projects under construction increases over the next few years.

Several 2020 recommendations enhanced by COVID-19 impacts

- › 8 Recommendations in the 2020 Update.
- › Half are enhanced by impacts of COVID-19:
 2. Technology to encourage off-site work (safer at home)
 6. Phased implementation
 7. Shared cost with other agencies reduces impact of reduced revenue
 8. Laid-off talent motivated to seek new opportunities

	Actions and Outcomes	Benefits				
		Address Labor Shortage	Reduce Cost	Minimize Risk	Attract Bidders	Manage Schedule
	Recommended Actions Supporting Outcomes					
	<i>Increase the Labor Pool</i>					
	1. Innovate worker housing	✓			✓	✓
COVID	2. Leverage technology	✓	✓			✓
	<i>Be the Owner of Choice</i>					
	3. Incentivize diversity	✓			✓	
	4. Reduce bidder burden		✓		✓	✓
	5. Incorporate modular design	✓	✓		✓	✓
	<i>Create a Stronger and More Resilient Organization</i>					
COVID	6. Phased implementation		✓	✓	✓	✓
COVID	7. Shared cost	✓	✓	✓		✓
COVID	8. Recruit talent	✓	✓	✓		✓