

Next 10: Market Conditions Forecast and Risk Analysis

August 2017

Objectives

- Forecast and Analyze
 - Public infrastructure market impact from anticipated work in the next 5 to 10 years
 - Likelihood of competitive cost pressures
 - Availability of materials, equipment, labor, and qualified professional services
- Provide OCTA with Information to Manage Market Impacts and Guide Delivery of the Next 10 Plan



Timeline

- 2006: Measure M renewal approved
- 2007: Expedited delivery of Measure M2 begins
- 2008: Official Beginning of Great Recession & Original Market Analysis Report
- 2009: Official End of Great Recession
- 2012: M2020 Plan adopted
- 2016: New forecasting methodology to reflect lower tax revenue; Next 10 Plan approved



Seven Risk Factors

- Sustained low unemployment
- Increases in residential construction
- Consolidation in the public works construction industry
- Increases in interest rates
- Neighboring County transportation construction programs
- Construction wage pressure
- Future recession



Near Term Cost Risks

- Neighboring County Transportation Construction Programs

Southern California Regional Construction Costs 2016-2025 Period Freeways and Transit (\$'s shown in billions)	
Los Angeles	\$47.7
San Bernardino	\$11.9
Riverside	\$10.0
Orange County Measure M (Next 10 Projects) Total	\$ 4.8

- Construction Wage Pressures

County	Construction Wage, % annual growth	
	2012-2014	2014-2016
Los Angeles	1.97%	4.53%
San Bernardino	0.49%	4.61%
Riverside	2.36%	5.30%
Orange	1.34%	4.39%

- Sustained Low Unemployment
- Increases in Residential Construction

Looking Forward

Cost Mitigation Recommendations

- Monitor early warning indicators
 - Building permits
 - Construction employment and wages
 - Executive opinion of local economy
 - Construction commodity costs
- Consider partnering on apprenticeship programs
- Continue to be a preferred client for public works construction companies
- Look for acceleration opportunities for Next 10 Delivery Plan



Next Steps

- Monitor the risks associated with the changing environment using key triggers identified
- Update the Board of Directors annually on status
- Recommend adjustments to delivery plan if needed

