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
Megaprojects Increasing in Size & Complexity

- **473** Megaprojects Planned in U.S. for Next 4 Years (to 2023)
- **40%** Of National Total for Planned Megaprojects are in CA, TX, and NY
- **90%** Of Megaprojects in the U.S. Experience Schedule Delays and Cost Overruns
- **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
- 50% Of Metro Workforce Eligible for Retirement in 2024
- 89% Of Participants were Deemed Job-Ready

Women in the Workforce
- 3.4% Women on Active Job Sites and in Trades Nationally
- 3.6% Metro’s Average Female Participation on Construction Projects
Boom to Bust Economies

- 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

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

Note: (F) ARTBA’s forecast of construction spending for future years.
What are Contractors Saying?

Pre-COVID-19 (2020)

Turning down projects?
- NO: 56%
- YES: 44%

Challenges meeting schedules?
- NO: 29%
- YES: 71%

COVID-19 (April 15th)

Halted/canceled construction?
- NO: 47%
- YES: 53%

Project delays/disruptions from COVID-19?
- NO: 35%
- YES: 65%

Reverse trend benefits Metro

Similar trend with new drivers

Metro
How Will COVID-19 Impact Labor Demand?

- Labor shortage predicted
- Peak shortage during highest demand
- Metro is evaluating new construction project starts
- Regional labor demand is in flux
- Long-term labor shortage predicted
### 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
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

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<thead>
<tr>
<th>Recommended Actions</th>
<th>Actions and Outcomes</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Supporting Outcomes</td>
<td>Address Labor Shortage</td>
<td>Reduce Cost</td>
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<tr>
<td>Increase the Labor Pool</td>
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<tr>
<td>1. Innovate worker housing</td>
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<td>3. Incentivize diversity</td>
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