

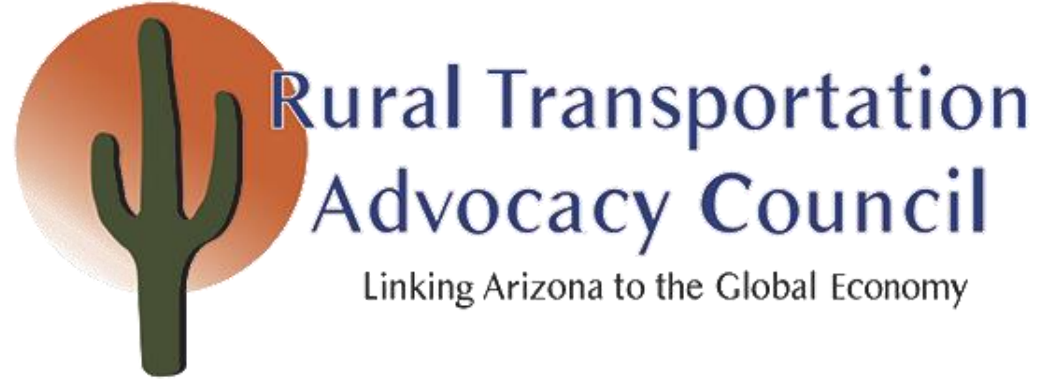
# ARIZONA CHAPTER



# AGC

THE CONSTRUCTION ASSOCIATION

- Arizona Oldest Statewide Construction Association – Organized in 1934
- Representing Highway, Heavy, Utility Infrastructure and Federal Contractors, Subcontractors, Suppliers and Service Professionals
- Located at the State Capitol
- Engaged in Federal, State, County and Local Issues
- Presence in DC and All 50 State (89 chapters)

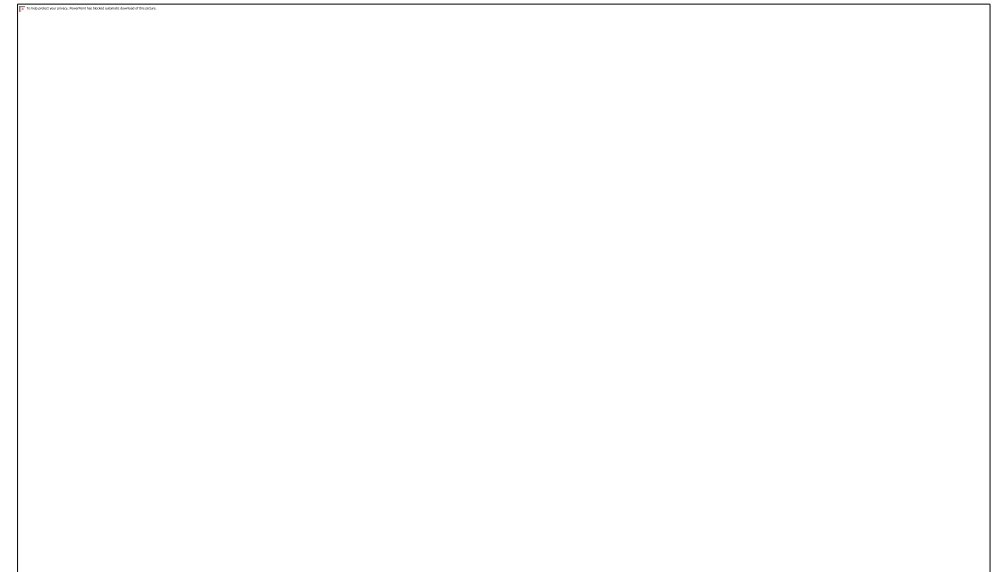
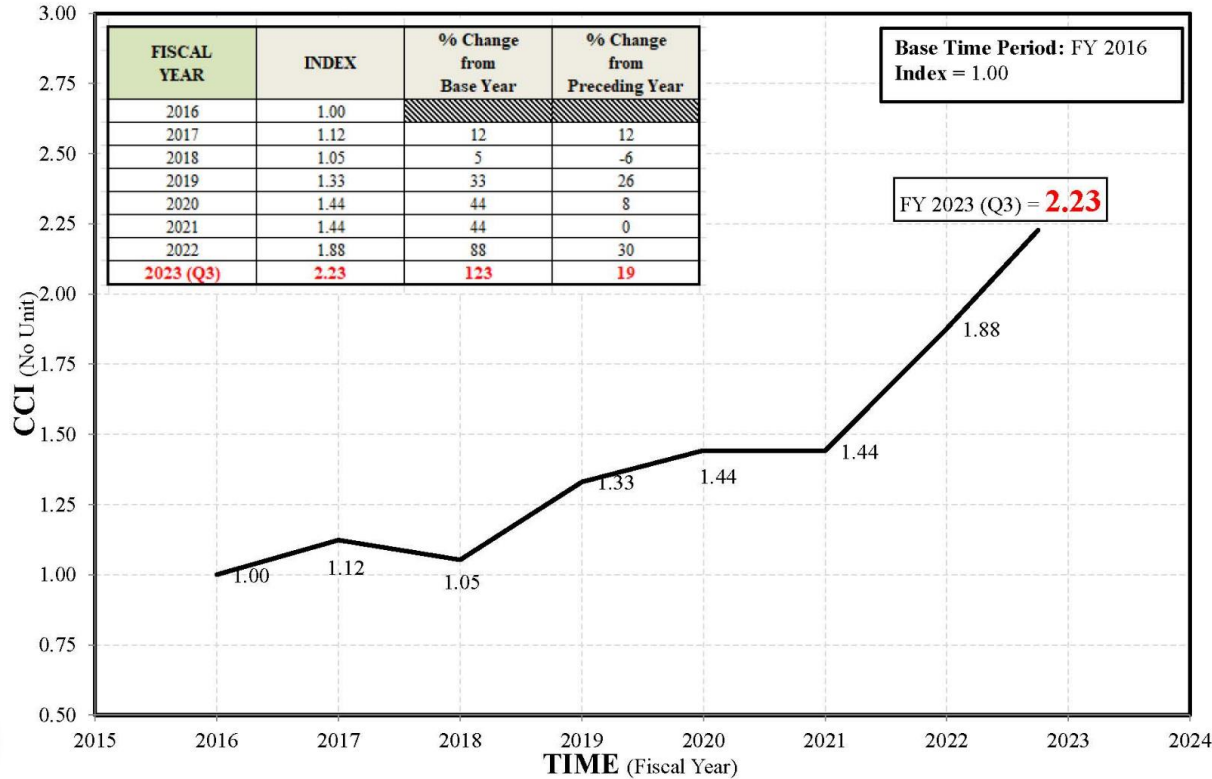


Grateful for Our Partnership

Price Escalations – No need to define the problem, but we will show some illustrations.



**CONSTRUCTION COST INDEX**  
(Posting Date: 05/01/2023)



What goes up, must come down.

# Some construction costs remain volatile

producer price indexes, 1 - & 12-mo. change (not seasonally adjusted)



**September 2023 change from:**

**Aug. 2023    Sep. 2022**  
**(1 month)    (12 months)**

Cement	0.7%	10.8%
Ready-mix concrete	0.1%	9.8%
Diesel fuel	4.3%	-18.6%

**Subcontractor price indexes, nonresidential building work**

Roofing contractors	-0.5%	10.8%
Plumbing contractors	0.0%	7.1%
Electrical contractors	0.1%	4.1%
Concrete contractors	0.0%	-2.1%

## AZAGC 2023 SURVEY

Why contractors are caught between no bid, original bid amount, and actual cost at project construction.



Lag time between contract award and contract signing.

Incorrect cost estimates by design engineers/owners.

Vendors and suppliers not honoring the original bid amount.

Vendors and suppliers not providing a price at the time of bid. "Call us if you get the job."

*Escalations are not included in specifications or the contract.*

Suppliers and/or subs come later in the critical path.

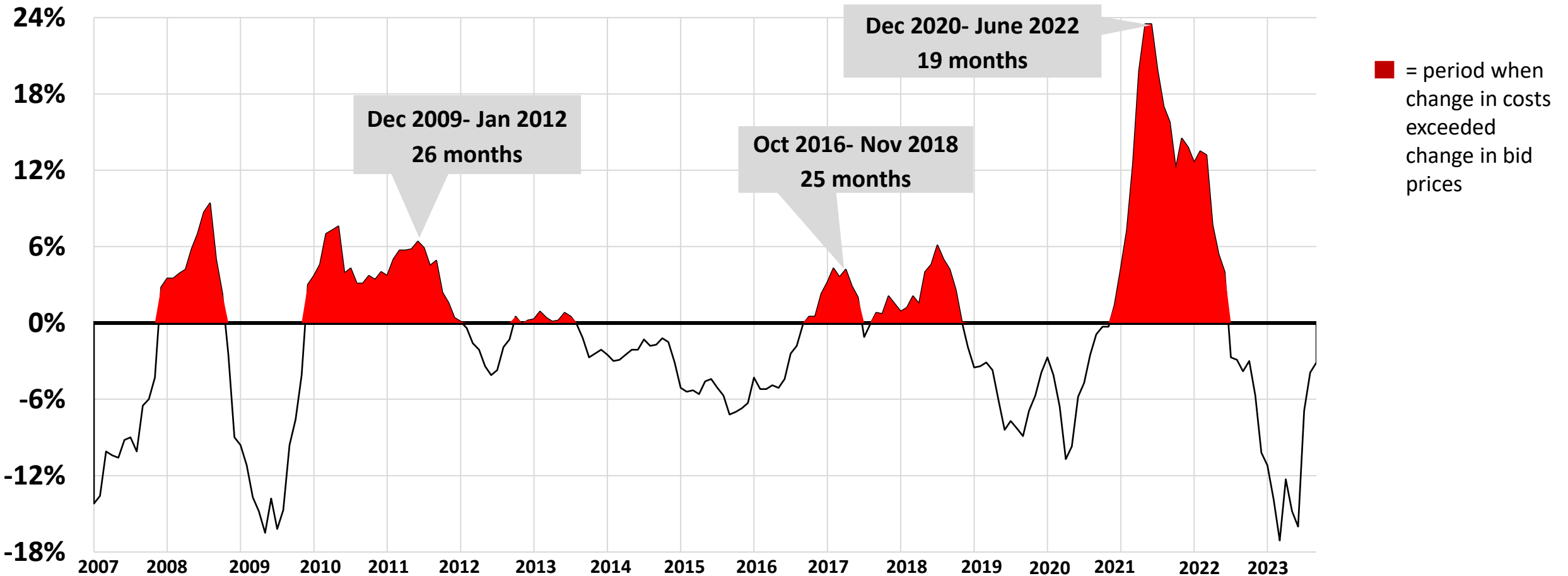
What can our industry do to address these and other issues? What's out of our control? What's in our control?

# Cost squeeze on contractors can reappear suddenly, last 2+ years

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Sep 2023



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ASSOCIATION

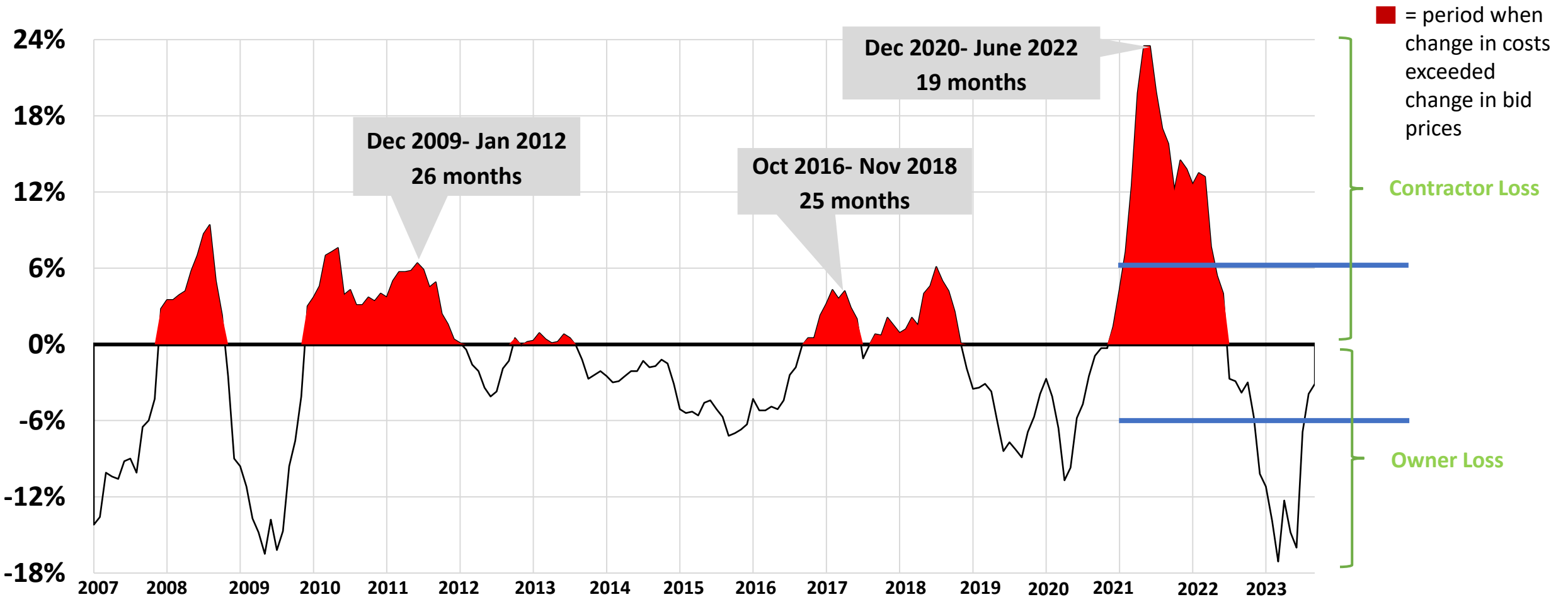


# Cost squeeze on contractors can reappear suddenly, last 2+ years

Difference between year-over-year change in materials costs vs. bid prices, Jan 2007-Sep 2023



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# Some examples of managing price increases.



## What are the benefits of a Material Price Escalation Amendment?

The Material Price Escalation Amendment provides superior risk management strategy and protects owners, suppliers, trade contractors, and general contractors equitably and effectively. Want to keep your company's financial status healthy, even in the midst of a volatile market? Include the Material Price Escalation Amendment in your next construction contract.

The Material Price Escalation Amendment can be amended to a ConsensusDocs prime construction contract to help the Owner and the Constructor (builder, general contractor, design-builder, or construction manager) negotiate equitable price adjustments for essential materials in a construction project experiencing – or expected to – experience significant, industry-wide cost fluctuation.

When material prices skyrocket or shipping disruptions delay project deadlines, the Material Price Escalation Amendment provides a fair allocation of risk. Additionally, the clause can act as a de-escalation clause if the price goes down, saving the owner money.

The Material Price Escalation Amendment also includes the following mitigation strategies:

- limiting amount of time a bid can be relied upon
- breaking projects into phases
- providing allowances or alternates for materials
- early procurement and storage of materials
- prefabrication
- increasing contingency amounts

16 SEC. 406. PRICE ADJUSTMENT PROVISIONS.

17 Section 47108 of title 49, United States Code, is  
18 amended—

19 (1) in subsection (a) by striking  
20 “47114(d)(3)(A) of this title” and inserting  
21 “47114(d)(2)(A);”

22 (2) by striking subsections (b) and inserting the  
23 following:

24 “(b) INCREASING GOVERNMENT SHARE.—

House T&I FAA Bill Price Adjustment Provisions (Legislative?)

## Follow the leaders?

### Florida

- Guardrail
- Copper, PVC, Aluminum
- Rebar and Prestressing Strand
- Steel Handrails
- Structural Steel and Steel Sheet Piling
- Steel Sign Structure and Mast Arms
- Thermoplast Fencing, Dowel Baskets

### Ohio

- Fuel
- Steel
- Asphalt
- Cement



# Labor

# Arizona Metro Construction Employment

Aug. 2019 – Aug. 2023, not seasonally adjusted



<u>Statewide</u>	<u>Aug.</u> <u>2023</u>	<u>Change from:</u>	
		<u>Aug.</u> <u>2022</u>	<u>Aug.</u> <u>2019</u>
Arizona (Not seasonally adjusted)	203,800	7,200	31,600
Phoenix-Mesa-Scottsdale	162,200	7,700	27,600
Tucson	20,300	700	2,300

## AZ Peak Construction Employment 2006

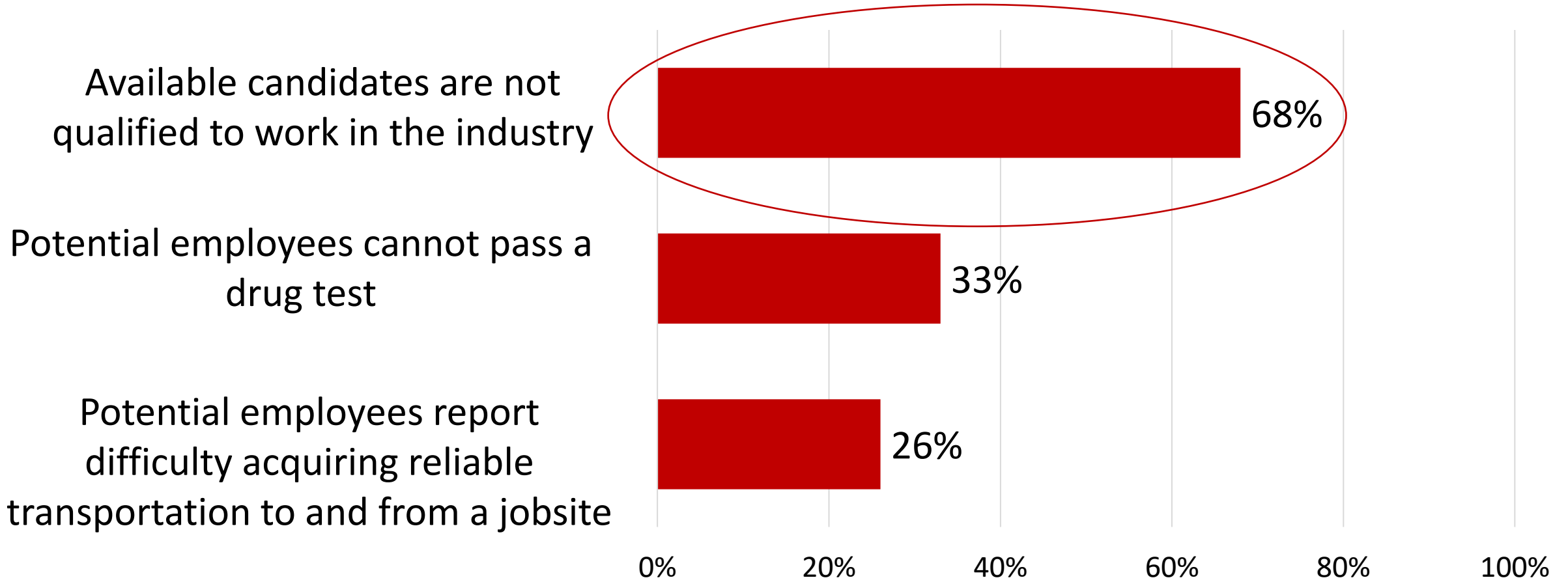
**244,000**

**16% Decrease from 2006 to 2023**  
**40,000 jobs short**

	<u>AZ GDP</u>
2006	351.8 Billion
2023	468.6 Billion
	<b>34% Increase</b>

2023 AGC of America/Autodesk Workforce Survey results:

## Difficulty filling positions—share of respondents that report:



Source: 2023 AGC of America/Autodesk Workforce Survey; 1401 total respondents

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## Some Positives

- Legislature and Governor Acknowledge CTE Programs are Important
- Governor wants to Increase Apprenticeship Programs
- Less Emphasis on the Need for a College Degree
- AZAGC has an Aggressive Apprenticeship Program

*These things take time to germinate.*



# Questions?

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