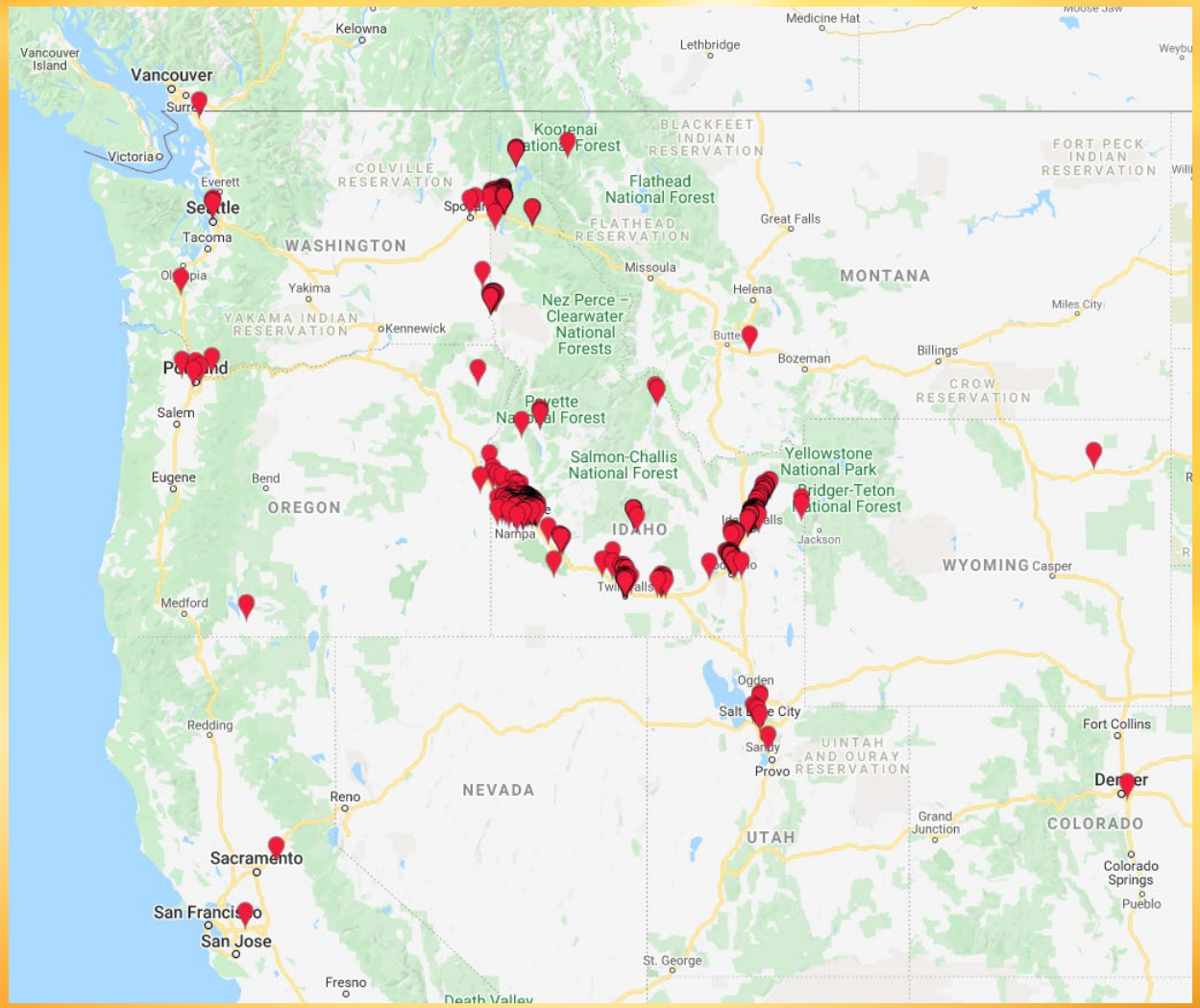
Idaho Construction 2022 Outlook

January 5, 2023

Who is the Idaho AGC?



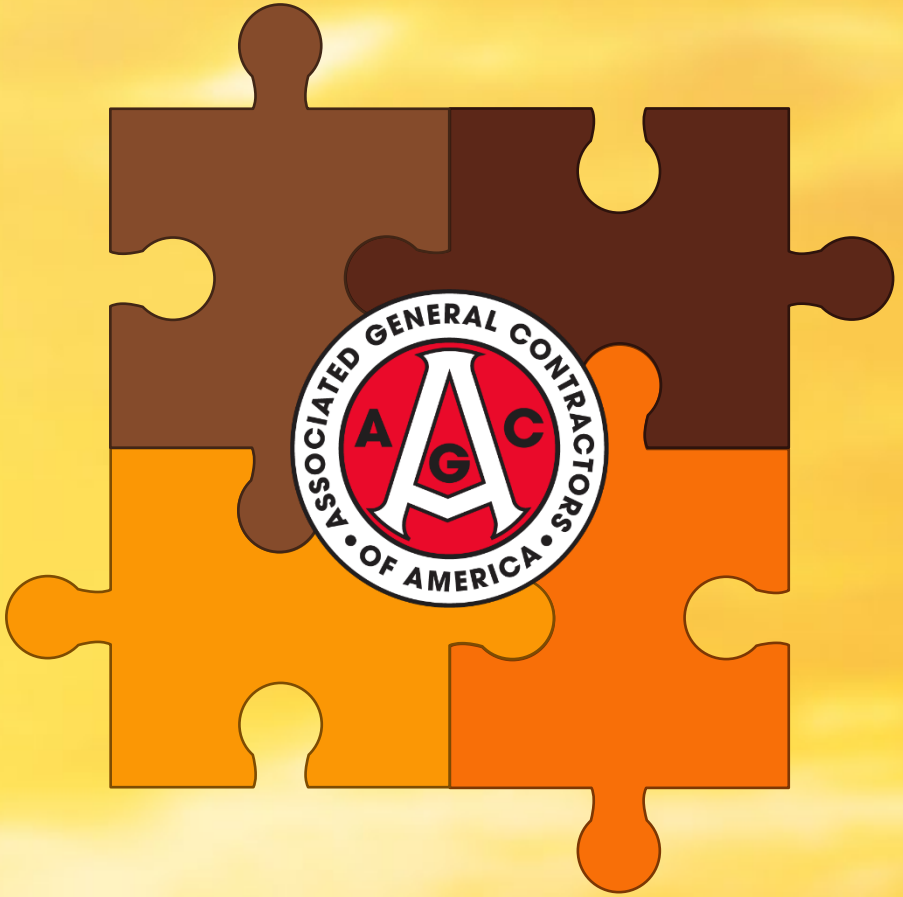
660+ member companies operating in each of Idaho's 44 counties

51% of members are subcontractors

AGC Welcomes the Entire Construction Industry

General Contractors

Suppliers



Specialty Contractors

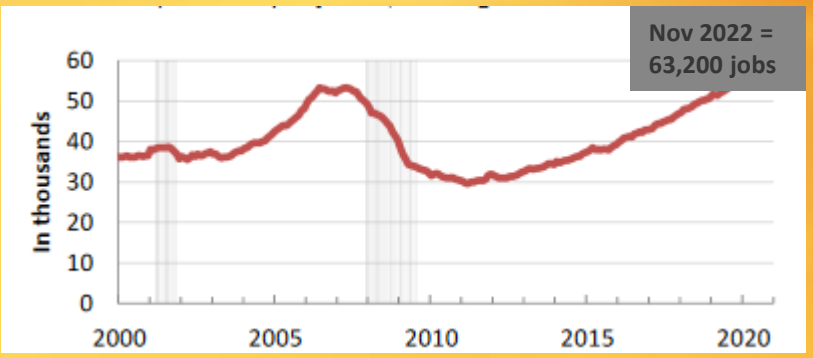
Service Providers

AGC is the only organization that welcomes all construction industry participations – large & small, horizontal & vertical, union & open shop, family owned & corporate

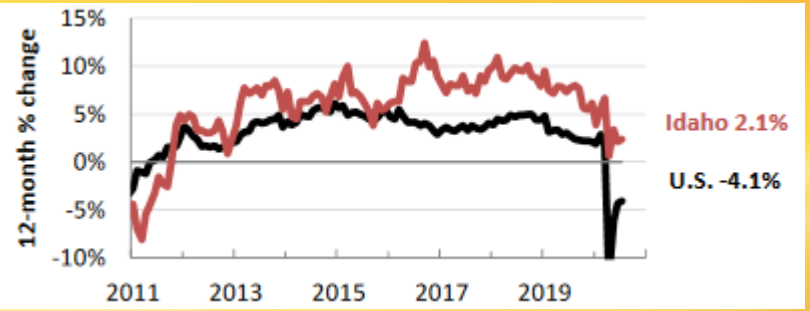
All Sectors Are Interconnected

Idaho Employment

- 63,200 Idahoans work in construction
- Employment has now surpassed pre-recession record levels



- Employment up over 5,000 jobs each year for last three years



Data: AGC of America

National V. Idaho Trends

NATIONAL FIGURES STARTING TO IMPROVE

- Employment nationwide DOWN 2.6% in 2021 and flat for 2022
- Only 14 states experienced growth in employment in 2021 & 35 states saw growth in 2022

IDAHO BUCKS NATIONAL TRENDS (AGAIN)

- Construction employment in Idaho grow by 9.3% in 2021 & 4.5% in 2022
- Ranked 1st nationally – 2021
- Ranked 10th - 2022

Data: AGC of America

“Good Paying Jobs”

- Construction jobs in Idaho pay well.
- Most construction occupations in Idaho pay more than the statewide median.
- 98% of construction workers have employer provided health insurance

INSURANCE BENEFITS

ANNUAL REVENUE	< $25M	$25M-$50M	$50M-$100M	$100M-$250M	> $250M	ALL
Companies that offer **HEALTH INSURANCE**						
Management	97%	100%	100%	100%	100%	99%
Nonmanagement	93%	97%	100%	100%	100%	98%
Companies that offer **DENTAL INSURANCE**						
Management	87%	92%	98%	100%	97%	94%
Nonmanagement	83%	88%	98%	100%	96%	92%
Companies that offer **VISION INSURANCE**						
Management	85%	91%	98%	92%	97%	92%
Nonmanagement	81%	86%	98%	92%	96%	89%
Companies that offer **DISABILITY INSURANCE**						
Management	53%	73%	79%	90%	97%	75%
Nonmanagement	49%	66%	74%	85%	96%	70%
PORTION PAID BY COMPANY						
Management	93%	98%	100%	98%	100%	98%
Nonmanagement	90%	95%	96%	98%	100%	95%

Source: Moss Adams 2022 Construction Salary Report – Oct 2022

LABORER

JOURNEYMAN / CRAFTSMAN

Salary by
REGION

	COUNT	FIRST QUARTILE	MEDIAN	THIRD QUARTILE	AVERAGE
Westerr					
Eastern					
Oregon					
Norther					
Greater					
Souther					

FOREMAN

Salary by
REGION

	COUNT	FIRST QUARTILE	MEDIAN	THIRD QUARTILE	AVERAGE
Westerr					
Eastern					

SUPERINTENDENT

Salary by
REGION

	COUNT	FIRST QUARTILE	MEDIAN	THIRD QUARTILE	AVERAGE
Western Washington	75	$105,000	$124,300	$136,972	$124,413
Eastern Washington, Idaho, Montana	30	$80,000	$91,400	$99,625	$91,285
Oregon	22	$91,640	$113,800	$139,559	$114,364
Northern/Central California	14	$115,000	$120,000	$129,371	$127,416
Greater Bay (CA)	22	$121,250	$146,050	$155,250	$143,504
Southern California	33	$103,000	$120,120	$135,000	$124,007
Texas	12	$96,750	$109,500	$118,579	$103,805
Other Participating Locations	17	$100,514	$110,000	$120,000	$107,970
ALL FIRMS	**225**	**$100,000**	**$117,600**	**$135,000**	**$118,666**

Salary by

$100,603
$79,164
$92,206
$108,211
$113,765
$92,703
$73,596
$80,965
$95,395

Source: Moss Adams 2022 Construction Salary Report – Oct 2022

Impact & Projections

Nationwide

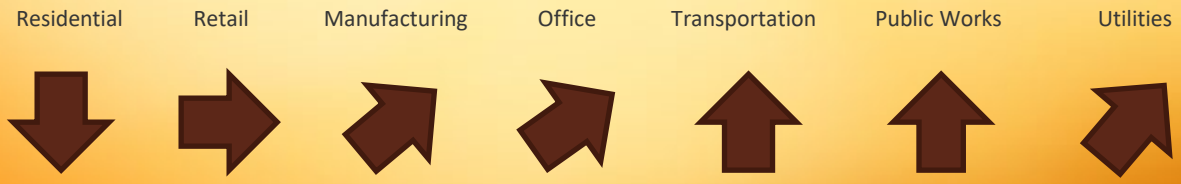
- $997 billion
- 4.1% of national GDP

- 2023: Flat to limited growth across all sectors

Idaho

- $5.6 billion
- 6.9% of state GDP

- 2023: Increase in all sectors except Residential



When Will it End?

- Construction a cyclical industry
- All industry sectors are interconnected
  - Will home prices continue to raise?
- Changing interest rates

- Idaho's population continues to surge
- Exciting ITD expansion projects starting in 2022
- Massive investment in new construction at INL
- Serval impressive projects in downtown Boise announced

November 2022

Contractor Capacity

OR

Can you really build all that?

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1– Investment Diversity

Funding included for a wide range of projects:

- State highways
- Local bridges
- Public buildings

Results in wide range of contractors engaged in work

01

Diverse Geography

Projects spread out over wide geographic area across entire state

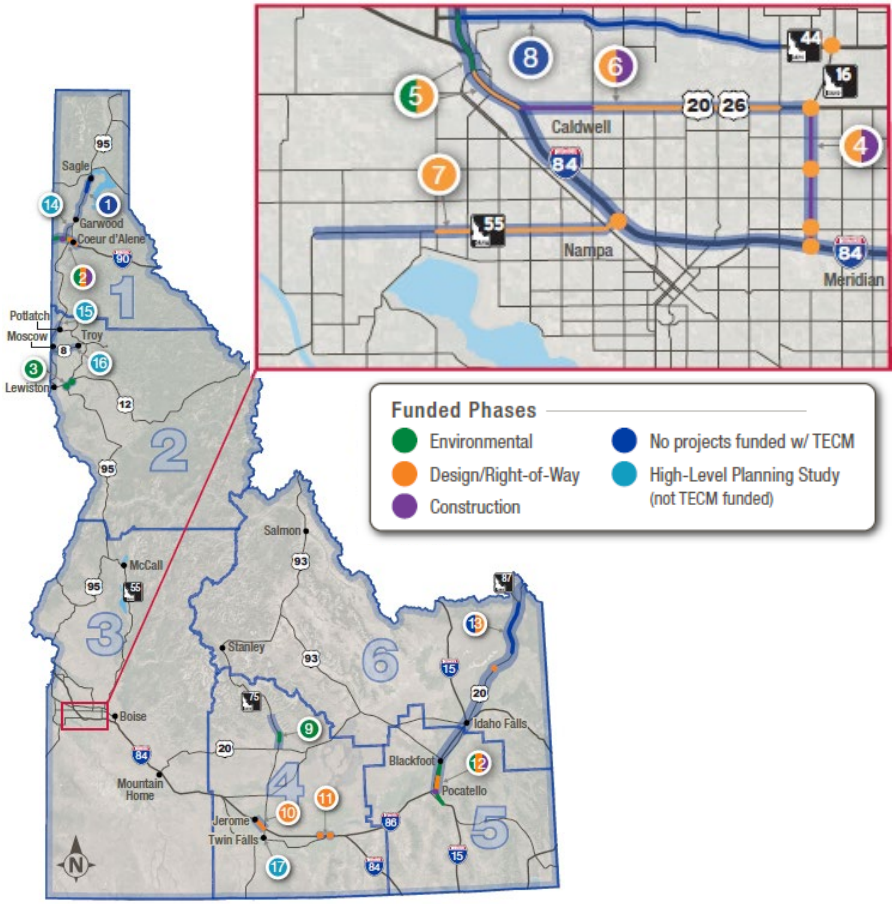
02

Diverse Projects

Projects vary in size and complexity

TECM Corridors

1. US-95, Garwood to Sagle
2. I-90, Washington State Line to Coeur d'Alene
3. US-95 & US-12 Clearwater River Crossings
4. SH-16, I-84 to SH-44
5. I-84, Ada & Canyon Counties
6. US-20/26, I-84 to SH-16
7. SH-55, Sunnyslope to Nampa
8. SH-44, I-84 to Star
9. SH-75, Timmerman Junction to Ketchum
10. I-84, Jerome to Twin Falls
11. I-84, Burley & Heyburn Interchanges (MP 208 to 211)
12. I-15, Pocatello to Idaho Falls
13. US-20, Idaho Falls to Montana State Line



2 – Extended Timeline

ITD is advancing projects that are currently ready to construct

MOST remaining work will require a great deal of pre-construction planning

- Environmental Studies
- Design
- Right-of-way purchases

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01

Time to Prepare

Contractors can use time spent on design and preparation to add capacity, develop schedules, secure materials, and plan for tomorrow's construction work

02

Scheduling is What We Do

Idaho contractors have addressed tight calendars and difficult demands in the past and will do again

Plan the Work – Work the Plan

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- ITD and Contractors are partnering to schedule the workload across multiple years to ensure resources are available

- ITD has expanded its bid forecast from 90-days to 18-months to give contractors time to adjust their workloads

LEADING IDAHO WITH TRANSPORTATION

Governor Little's Leading Idaho Program allows ITD to take a deliberate approach to advance projects within the 13 corridors approved by the Transportation Board. These projects will enhance safety, mobility, further strengthen Idaho's economy and positively impact communities across the state for years to come. Focusing on project readiness will give the Transportation Board the flexibility to advance development and construction of projects. Current funding is a combination of TECM Pay-As-You-Go, TECM Bonds, Leading Idaho ongoing, 2022 JFAC One-Time Bond Offset & Federal Aid.

Corridor	District	Route / Segment	✓= Funded; U = Currently Unfunded				Construction Readiness*			
			Envr	Design	R/W	Constr	2022	2023	2024	2025
1	1	US-95, Garwood to Sagle Expansion	✓G	✓G	✓G	✓G				
2	1	I-90, Washington State Line to Coeur d'Alene Expansion**	✓T1	-	-	-				
		I-90/SH-41 Interchange Reconstruction	✓X	✓X	✓X	✓T1	X			
		SH-41 (Post Falls) to 4th St (CdA) Widening	-	✓	✓	U			X	
		Spokane St to SH-41 (Post Falls) Widening	-	✓	✓					
3	2	US-95, Spalding Bridge & Interchange Replacement	✓	✓	✓	U				X
3	2	US-12, Arrow Bridge Replacement Replacement	✓	✓	✓	U				X
4	3	SH-16, I-84 to US-20/26 Mainline - New Alignment	✓G	✓G	✓G	-				
		I-84 to Franklin Rd New Construction	-	-	-	✓T1	X			
		Franklin Rd to Ustick Rd New Construction	-	-	-	✓G		X		
		Ustick Rd to US-20/26 New Construction	-	-	-	✓	X			
4	3	SH-16 Grade Separated Interchanges - Ultimate Buildout	✓G	✓G	n/a	U			X	
5	3	I-84, Karcher IC (exit 33) Expansion	✓X	✓	✓	U		X		
5	3	I-84, Centennial IC to Franklin IC (exit 27 -29) Expansion	✓X	✓T1	✓	U		X		
5	3	I-84, SH-44 to Centennial Way IC (exit 25 - 27) Reconstruction	✓	✓	-	-				
6	3	US-20/26, I-84 to SH-16 Expansion	✓X	-	-	-				
		I-84 to Middleton Rd Widening	-	✓	✓	✓T1	X			
		Middleton Rd to Star Rd Widening	-	✓T1	✓	U			X	
7	3	SH-55, Pear Ln to Middleton Rd Expansion	✓X	-	-	-				
		Farmway Rd to Middleton Rd Widening	-	✓T1	✓	U			X	
		Pear Lane to Farmway Rd Widening	-	✓	✓					
8	3	SH-44, I-84 to SH-16 Environmental Study	✓X	U	U	U				
9	4	SH-75, Timmerman Jct to Timber Way Expansion**	✓	-	-	-				

Familiar Territory

- During years with GARVEE, contractors adjusted to ITD budgets that doubled

Historic Construction Payout

	Local		SHS Infr		GARVEE		TECM		Totals	
Calendar Year	# Proj	Spent CN	# Proj	Spent CN	# Proj	Spent CN	# Proj	Spent CN	# Proj	Spent CN
2007	119	$ 48,944,470	263	$ 219,975,784	5	$ 41,521,290			387	$ 310,441,543
2008	104	$ 21,497,843	248	$ 143,399,545	17	$ 87,848,206			369	$ 252,745,594
2009	114	$ 32,183,861	276	$ 221,238,683	24	$ 118,542,349			414	$ 371,964,893
2010	138	$ 51,036,642	302	$ 289,199,064	24	$ 98,891,089			464	$ 439,126,794
2011	148	$ 28,668,092	363	$ 264,758,043	32	$ 53,334,173			543	$ 346,760,308
2012	130	$ 19,187,045	333	$ 206,456,519	28	$ 40,519,481			491	$ 266,163,045
2013	112	$ 38,342,333	310	$ 196,291,620	24	$ 38,841,663			446	$ 273,475,617
2014	78	$ 42,667,600	260	$ 167,086,473	15	$ 65,128,783			353	$ 274,882,856
2015	91	$ 56,135,484	238	$ 165,718,339	14	$ 47,940,189			343	$ 269,794,012
2016	85	$ 32,360,750	227	$ 195,850,021	12	$ 8,412,016			324	$ 236,622,787
2017	88	$ 29,853,590	249	$ 280,641,688	7	$ 411,721			344	$ 310,907,000
2018	123	$ 40,526,034	261	$ 312,291,931	6	$ 2,215,035			390	$ 355,033,000
2019	106	$ 42,180,227	231	$ 333,444,328	7	$ 30,801,317			344	$ 406,425,872
2020	90	$ 43,521,943	228	$ 268,629,503	7	$ 67,919,619			325	$ 380,071,066
2021	79	$ 47,494,909	189	$ 220,038,624	12	$ 81,304,123			280	$ 348,837,655
2022	61	$ 28,392,939	168	$ 250,163,844	9	$ 65,293,451	4	$ 39,202,024	242	$ 383,052,258
Grand Total	745	$ 602,993,763	1864	$ 3,735,184,008	57	$ 848,924,505	4	$ 39,202,024	2670	$ 5,226,304,300

FY 2023-2029 Programmed Construction Budget for Infrastructure

	Local		SHS Infr		GARVEE		TECM		Totals	
Calendar Year	# Proj	Budget CN	# Proj	Budget CN	# Proj	Budget CN	# Proj	Budget CN	# Proj	Budget CN
2023	43	$ 55,218,385	50	$ 304,959,369			7	$ 318,390,585	100	$ 678,568,339
2024	26	$ 41,491,000	51	$ 258,693,012			8	$ 540,000,000	85	$ 840,184,012
2025	25	$ 46,465,000	58	$ 270,789,554	No additional budget for		8	$ 635,000,000	91	$ 952,254,554
2026	12	$ 39,898,540	65	$ 277,238,191	future GARVEE projects		2	$ 140,000,000	79	$ 457,136,731
2027	15	$ 35,555,000	55	$ 242,804,084					70	$ 278,359,084
2028			56	$ 232,651,076					56	$ 232,651,076
2029			57	$ 241,598,244					57	$ 241,598,244
Grand Total	119	$ 218,627,925	366	$ 1,828,733,530			19	$ 1,633,390,585	503	$ 3,680,752,040

3 – Impact of Inflation

Soaring materials costs and rising labor wages will result in higher costs for future projects

In fact, they have already lowered the estimated impact of the available funds and reduced the number of projects that are anticipated to be completed

01

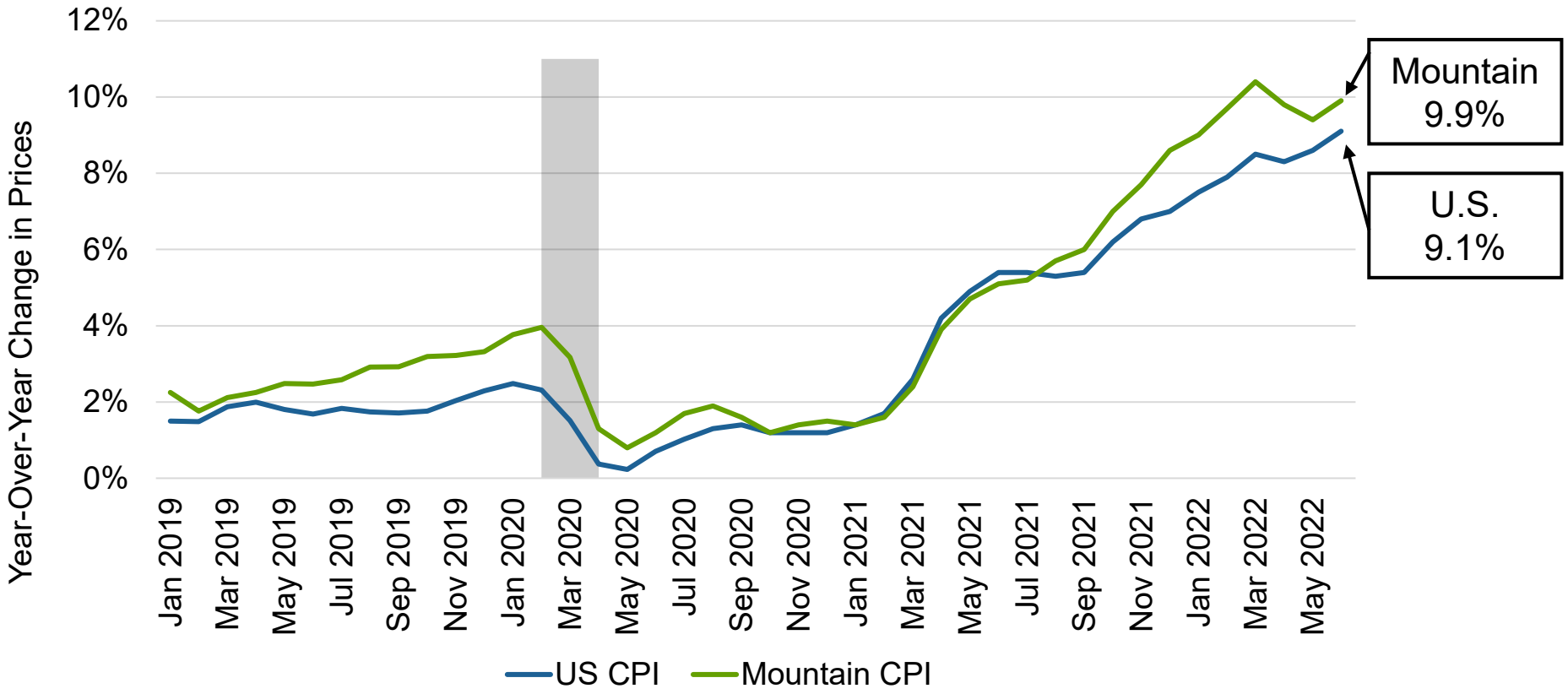
Material Costs Skyrocketing

As the following charts demonstrate, the price of key materials used in transportation infrastructure have risen significantly and are projected to continue to do so

02

Higher Prices = Fewer Projects

ITD bid results confirm that projects are getting more expensive, and since the revenue stream isn't increasing, this will result in a reduction of the number of projects that can be funded



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, NV, NM, UT, WY

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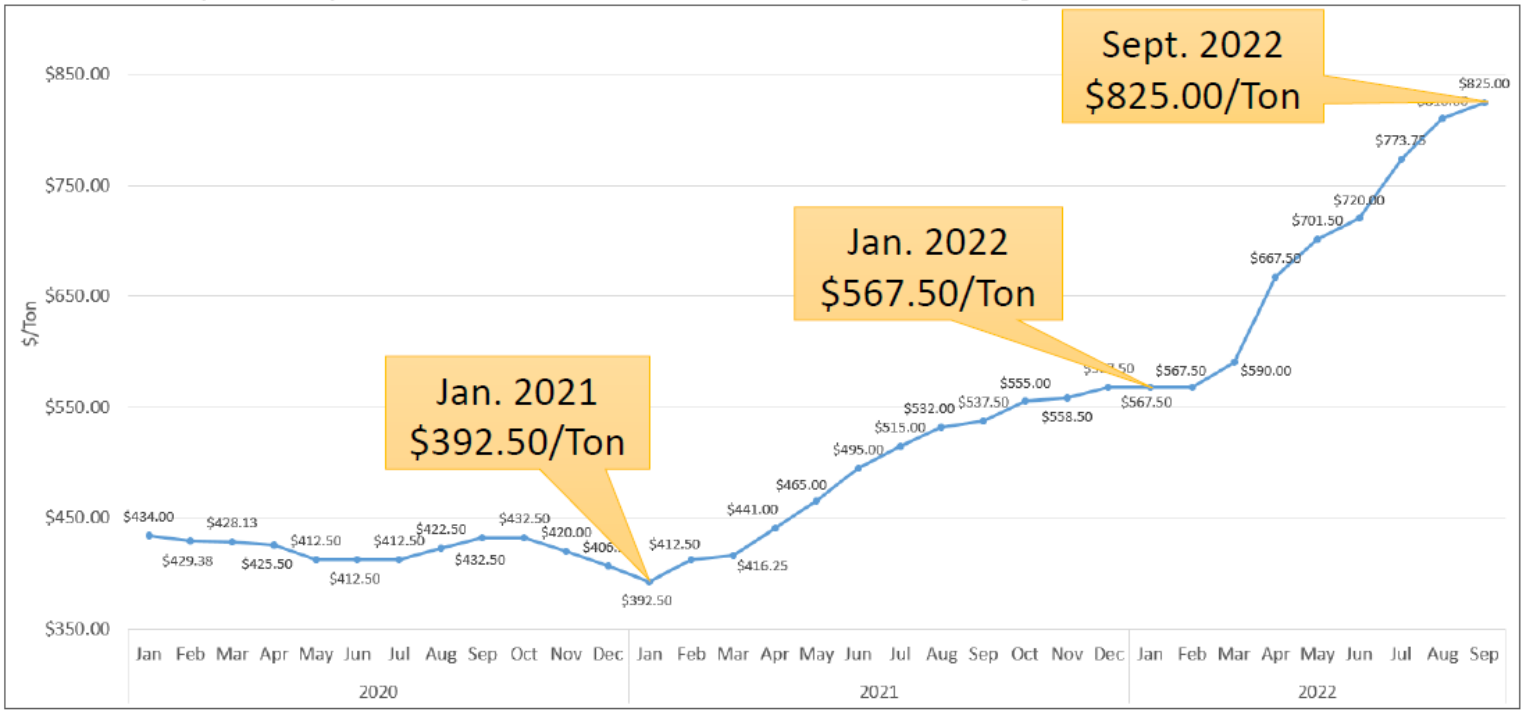
Asphalt Index 2020-2022

Reported by Poten & Partners Inc. for Non-Modified Paving Grades in the Boise Area



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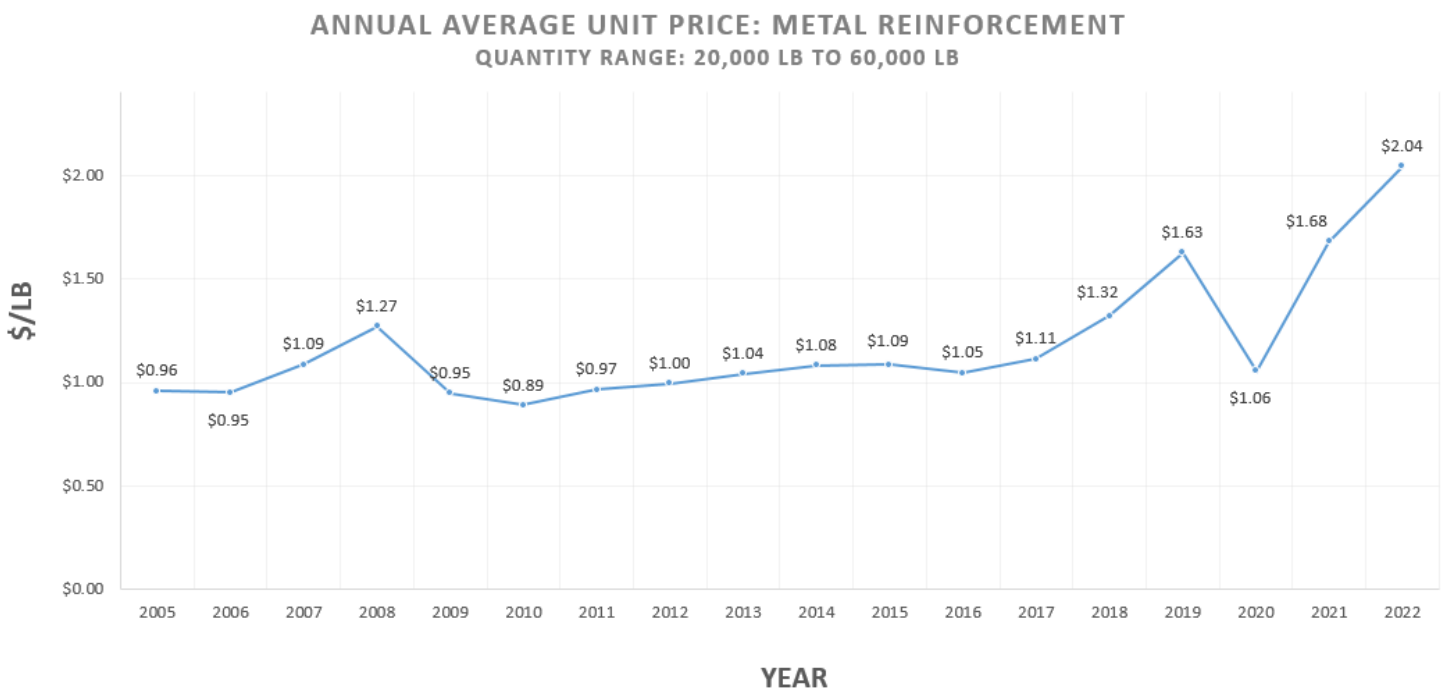
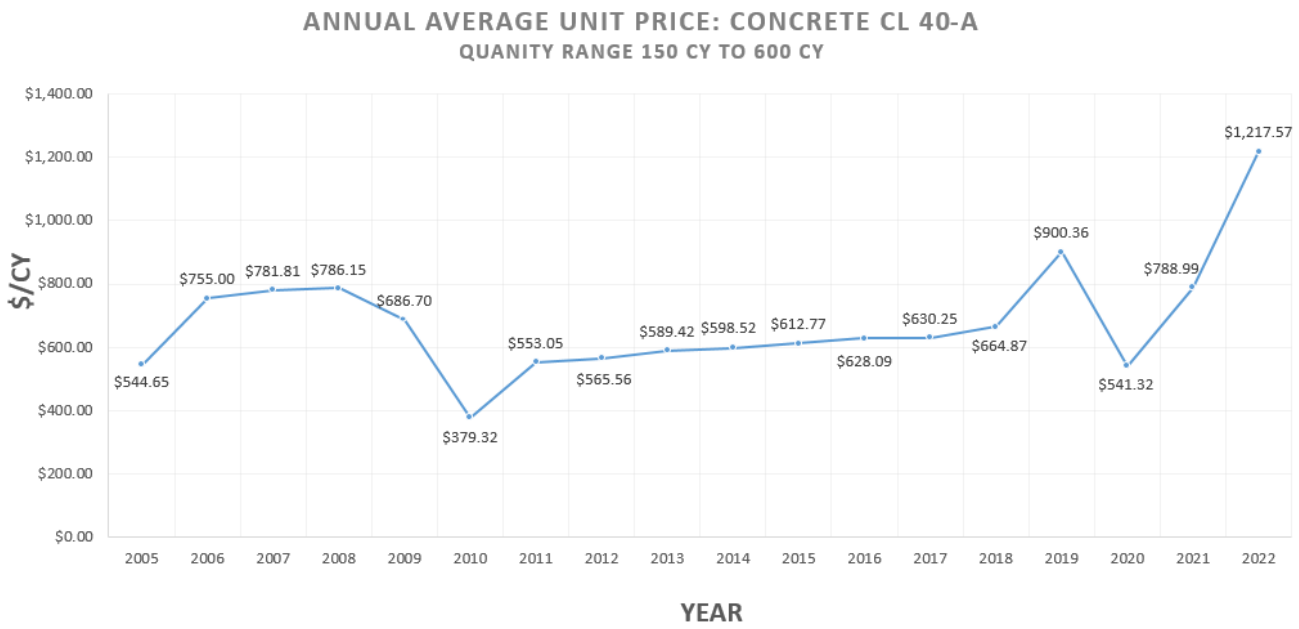
2005-2022 Unit Price History: Metal Reinforcement



2005-2022 Unit Price History: Concrete



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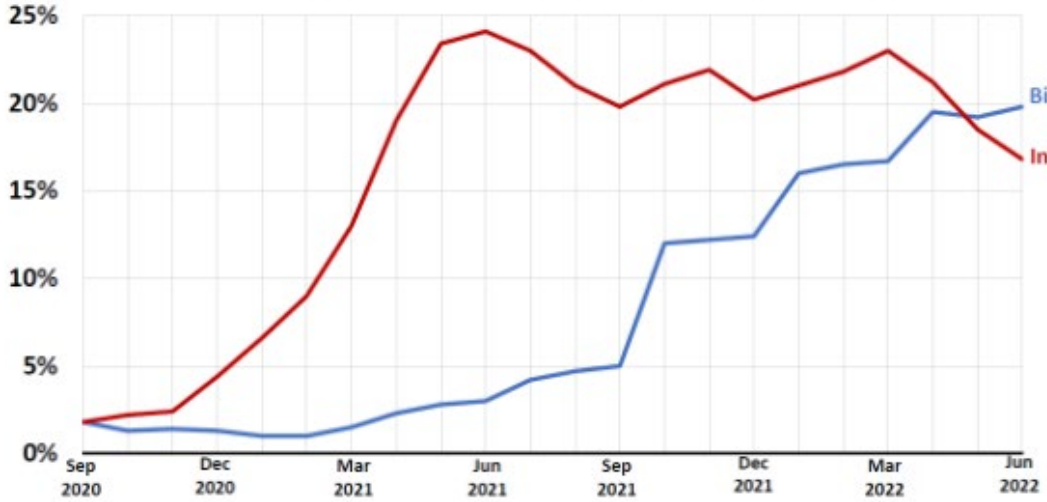
Costs vs. bid prices for new nonresidential construction

Year-over-year change in PPIs, Sep 2020-Jun 2022, not seasonally adjusted



	12 months to: Sep 2020	12 months to: Jun 2022
Bid price PPI:	1.8%	19.8%
Inputs PPI:	1.8%	16.8%

Source: Bureau of Labor Statistics, producer price indexes, www.bls.gov/ppi

4 – Rising Interest Rates

After more than a decade of interest rates at or near zero, the Federal Reserve is now on a mission to increase rates to combat inflation

There is currently no end to this trend in sight

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01

Impact on Bonding

Higher interest rates result in greater debt service on bonds which in turn leaves less funds for construction

02

Impact on Private Sector

Higher interest rates result in the cancellation or scaling back of privately funded construction projects, this in turn frees up contractors to focus on public works projects instead

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5 – ITD Already Addressing

In cooperation with the Idaho AGC and its contractor members, ITD has been hard at work addressing capacity concerns across the entire state

01

Communication

ITD holds monthly “all contractor” calls with senior leadership to ensure that issues are addressed timely

02

Sharing Information

ITD has expanded its 90-day bid forecast to show anticipated work over the next 18 months, providing contractors led time to prepare

03

Inviting Everyone to the Table

ITD has initiated pre-bid meetings on most sizable projects to bring community leaders, contractors, and all other stakeholders to the table early in the process

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6 – Contractors Adding Capacity

Idaho's homegrown contractors are expanding by adding equipment, technology, & talent

Others are joining now seeking a spot at the table

01

Forecast Stability

Replacing the unpredictable "Surplus Eliminator" with a stable funding source gives contractors the stability they need to add capacity

02

Long-Range Planning

With a clearer picture of what lies ahead, contractors can now make long-term plans and justify larger expenses to their creditors

03

On the Map

Advertising larger projects and more of them has put Idaho on the map when it comes to expansion of larger, out-of-state contractors who are now interested in doing work here

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More Funding = More Bidders

In May 2022, ITD awarded a $111.9 million contract to construct a new system interchange where I-86 meets I-15 in Pocatello.

The contract went to a joint venture formed between Cannon Builders, an Idaho contractor based in Blackfoot, and Sundt a large, national contractor most famous for building the launch pads at Cape Canaveral.

This is Sundt's first contract with ITD. There are sure to be more.

Other regional and national contractors are also paying attention and are anticipated to enter the Idaho market in the near future.

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Industry Challenges

External Factors

Since so much of the work on Idaho's transportation system is tied to federal funds, there are challenges outside ITD's control that must be addressed by contractors

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01

Shortage of Talent

Labor shortages expected to continue

Currently two jobs available for every unemployed individual in the nation

Having new equipment doesn't help if there are no operators

02

Federal Restrictions

Strict DBE requirements have a direct impact on contractor's ability to meet the state's goals

03

New Players

Larger, out-of-state contractors are not familiar with Idaho, its contracting community, and ITD rules

All this adds complexity to an already sensitive situation

Internal Factors

ITD has a proven record of being innovative

Yet there remain a few internal factors limiting contractors' ability to meet expectations

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01

Staffing

Like all government entities across Idaho, ITD remains significantly understaffed; this results in continued delays in program delivery

02

Construction Scheduling

Too many ITD projects remain tied to strict "start by" or "complete by" specific dates

Allowing contractors more flexibility in scheduling the work would greatly increase capacity.

03

Construction Specifications

ITD guidelines on asphalt paving remain overly complicated and unnecessarily burdensome resulting in long delays and higher costs

Do you have any questions?

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