

**Tracking and Reporting Market Forecast Indicators  
Work Plan  
December 2017**

**Background and Purpose**

The Orange County Transportation Authority (OCTA) engages independent consultants and advisors who track estimated projected sales tax revenues on a regular basis. At the request of the OCTA Board of Directors, the following work plan was developed to provide OCTA with regular updates on cost factors beyond the existing cost analyses from the California Department of Transportation (Caltrans) Construction Cost Index (CCI) and internal OCTA analyses. This proposal responds to OCTA's request for a scope of work to track cost factors on a biannual basis, and builds on the unique capabilities and work in the recent market conditions analysis delivered to OCTA by the Orange County Business Council (OCBC) in 2017.

**Scope of Work**

OCBC will track multiple key indicators to provide OCTA with a clear, easy to use time series data collection and analysis tool/dashboard to help OCTA understand the relevance and likely direction of cost factors that relate to public works construction. The OCBC market conditions analysis identified several risk factors which may cause cost pressures to diverge from past relationships between the Caltrans CCI and building permits and the state unemployment rate. OCBC will develop an index from a combination of data, gathered at quarterly frequencies (as available). Possible data items include:

- Data on labor and materials unit costs and number of bidders from bids submitted to OCTA on a periodic (quarterly) basis, if provided to the consultant by OCTA;
- Overall employment/unemployment trends from the California Employment Development Department (EDD);
- Data available from Caltrans on estimated vs. bid costs;
- Employment in construction jobs from Bureau of Labor Statistics' Quarterly Census of Employment and Wages, and EDD;
- Data on wages in construction jobs from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages;
- Building permit data, focused on Los Angeles, Orange, Riverside, San Bernardino counties;
- Executive opinion from the California State University Fullerton Orange County Business Expectations Survey;
- Chapman University Orange County Composite Index;
- Chapman University Consumer Sentiment Index;
- Commercial and industrial vacancies, CoStar;
- Commodity prices, focused on aggregate base, concrete and Portland cement concrete pavement, and bar and structural steel, from Caltrans (statewide) and from Los Angeles (engineering news record).

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OCBC will conduct an initial research stage that will select the specific indicators to track and develop an appropriate index that summarizes those indicators. Not all of the indicators listed above may be suitable for tracking and indexing. OCBC will assess how levels, changes, and rates of change in the indicators can provide the best insight into forecasting cost risks and cost changes.

### **Proposed Deliverables**

OCBC will deliver to OCTA a time series of the index (a composite of the data items), a brief memo interpreting the index, and a PowerPoint presentation. These deliverables will be provided biannually, per agreement with OCTA. OCBC will be available to present these results to the OCTA board or committees of the board with each data delivery.

### **Cost**

Initial setup of data and construction of index + biannual reporting: \$15,000