

Conditions, Trends and Possible Direction in an Uncertain Economic Environment

February 5, 2009 • Atlanta, Georgia

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NACWA
2009 WINTER CONFERENCE

Presentation Outline

- ① Overview of Industry Conditions
- ② Possible Future Trends
- ③ Concepts for a Course of Action

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Unemployment trends are an indication of the timing of combined economic impacts.



Economic impacts are being observed in several key areas.

• Debt Financing

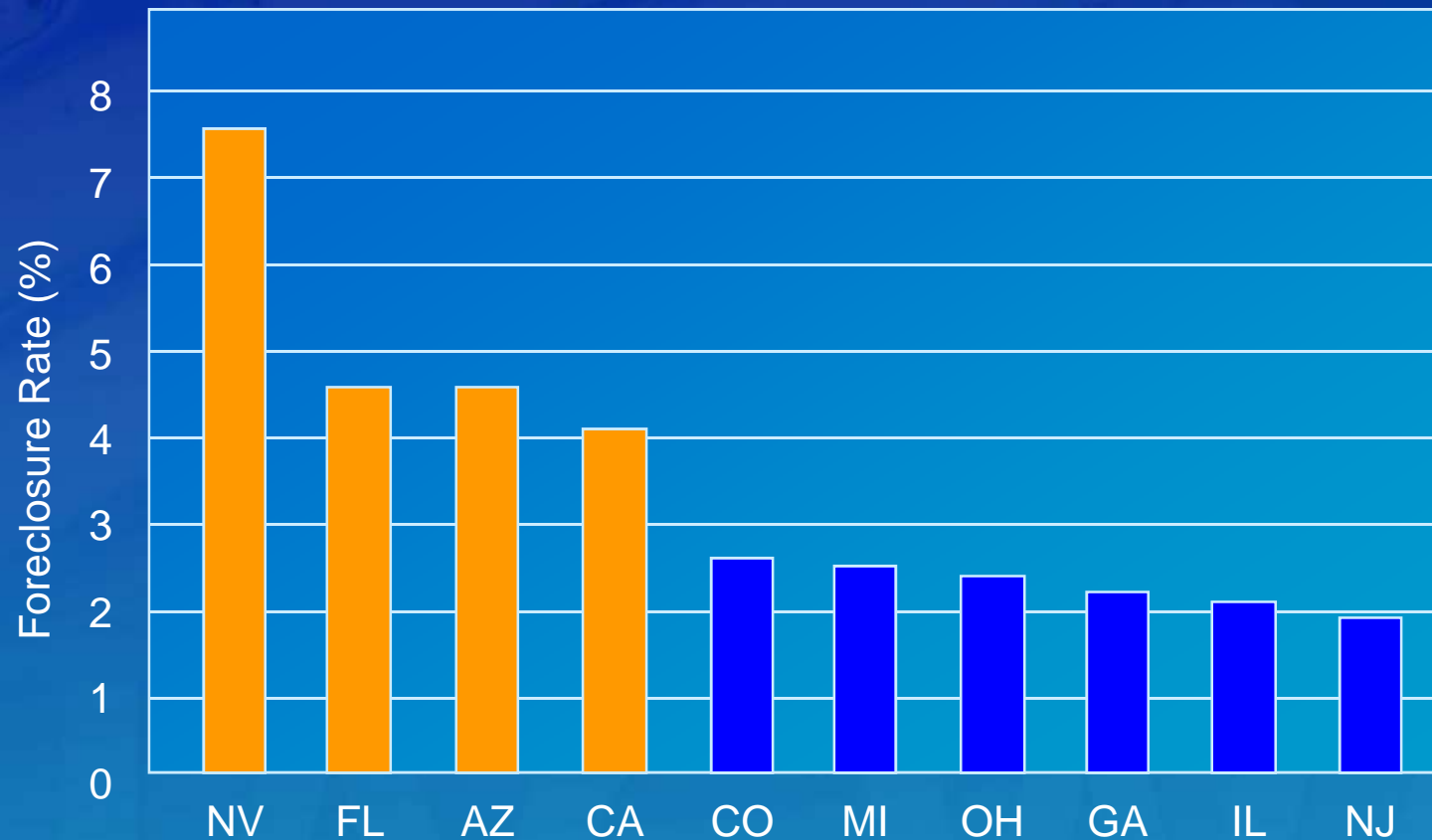


Economic impacts are being observed in several key areas.

- Debt Financing
- Capital Project Activity



Reduction of capacity-related improvements is consistent with foreclosure statistics.



Economic impacts are being observed in several key areas.

- Debt Financing
- Capital Project Activity
- Staffing

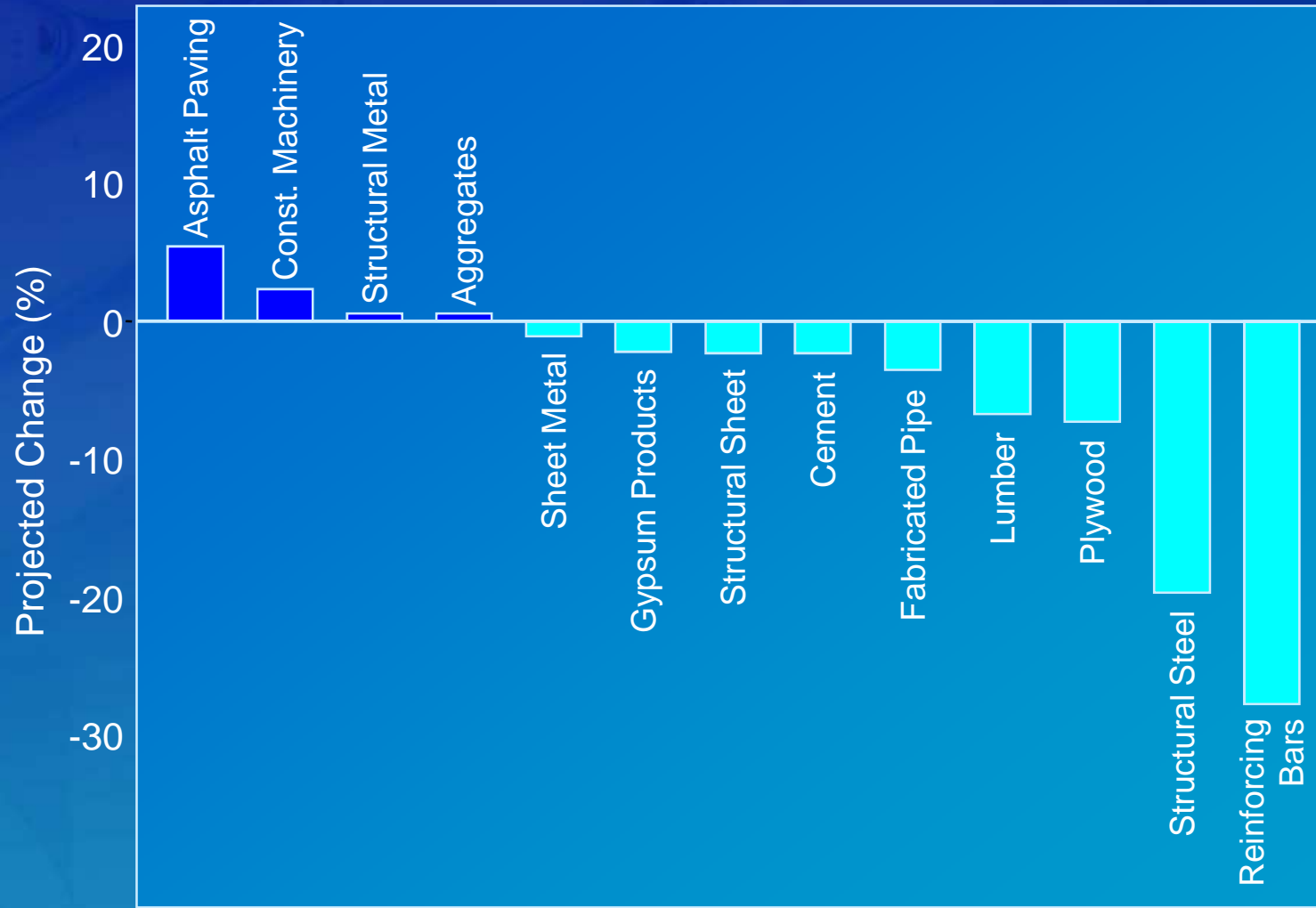


Economic impacts are being observed in several key areas.

- Debt Financing
- Capital Project Activity
- Staffing
- **Materials and Commodity Prices**

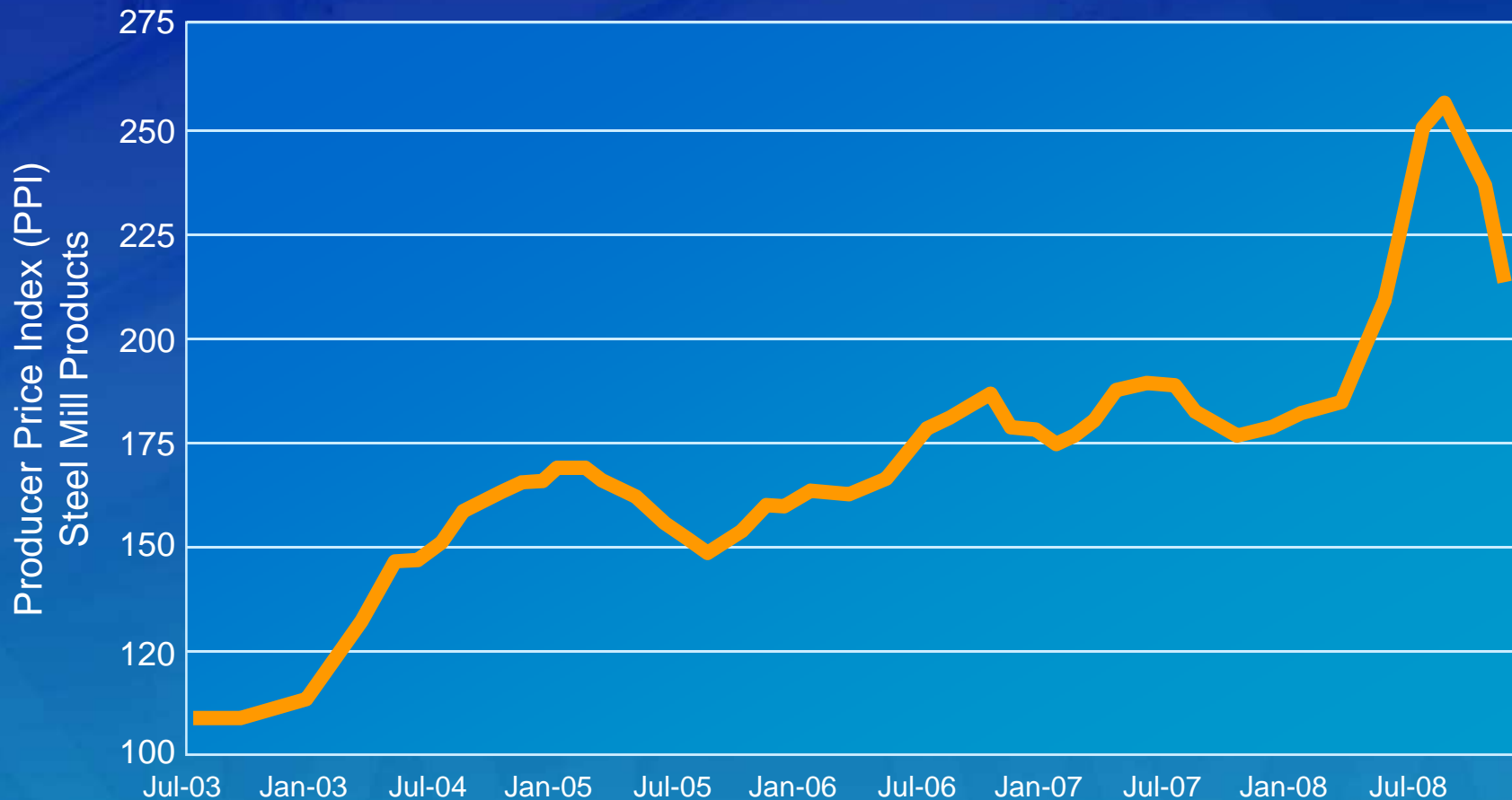


Projected changes in 2009 materials prices will impact overall construction costs.



Source: IHS Global Insight

However, changes in material prices need to be kept in perspective.



Note: Information from U.S. Department of Labor, Bureau of Labor Statistics.

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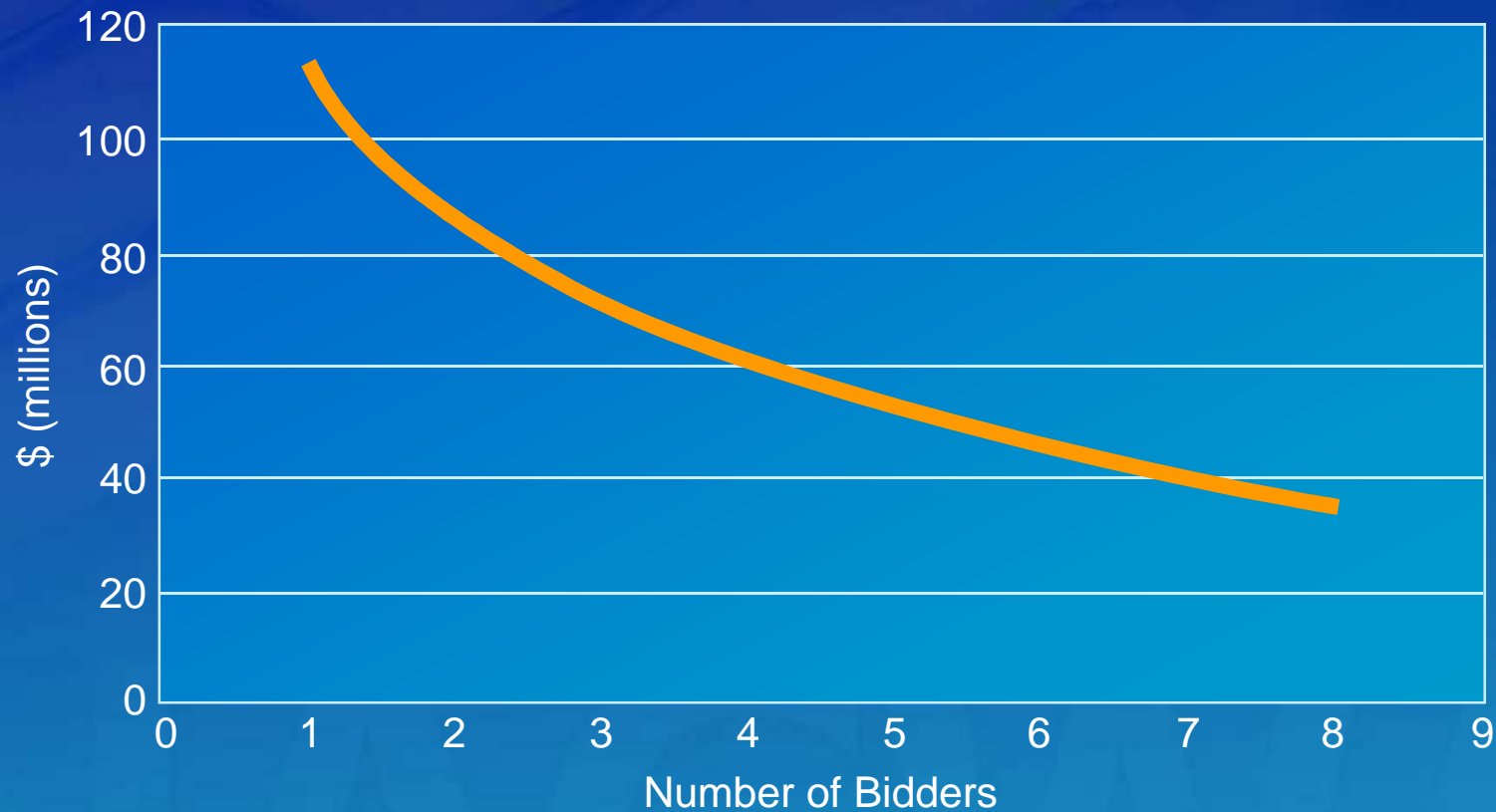
- Debt Financing
- Capital Project Activity
- Staffing
- Materials and Commodity Prices
- **Construction Bid Climate**



Tale of three projects demonstrates aggressive bid climate



Research indicates that different sized projects will garner a differing number of bids.



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“Predictions can be dangerous, particularly when they’re about the future” – **Yogi Berra**

- Increased public support for infrastructure
- Regulatory action will be an increasing driver for CIP expenditures

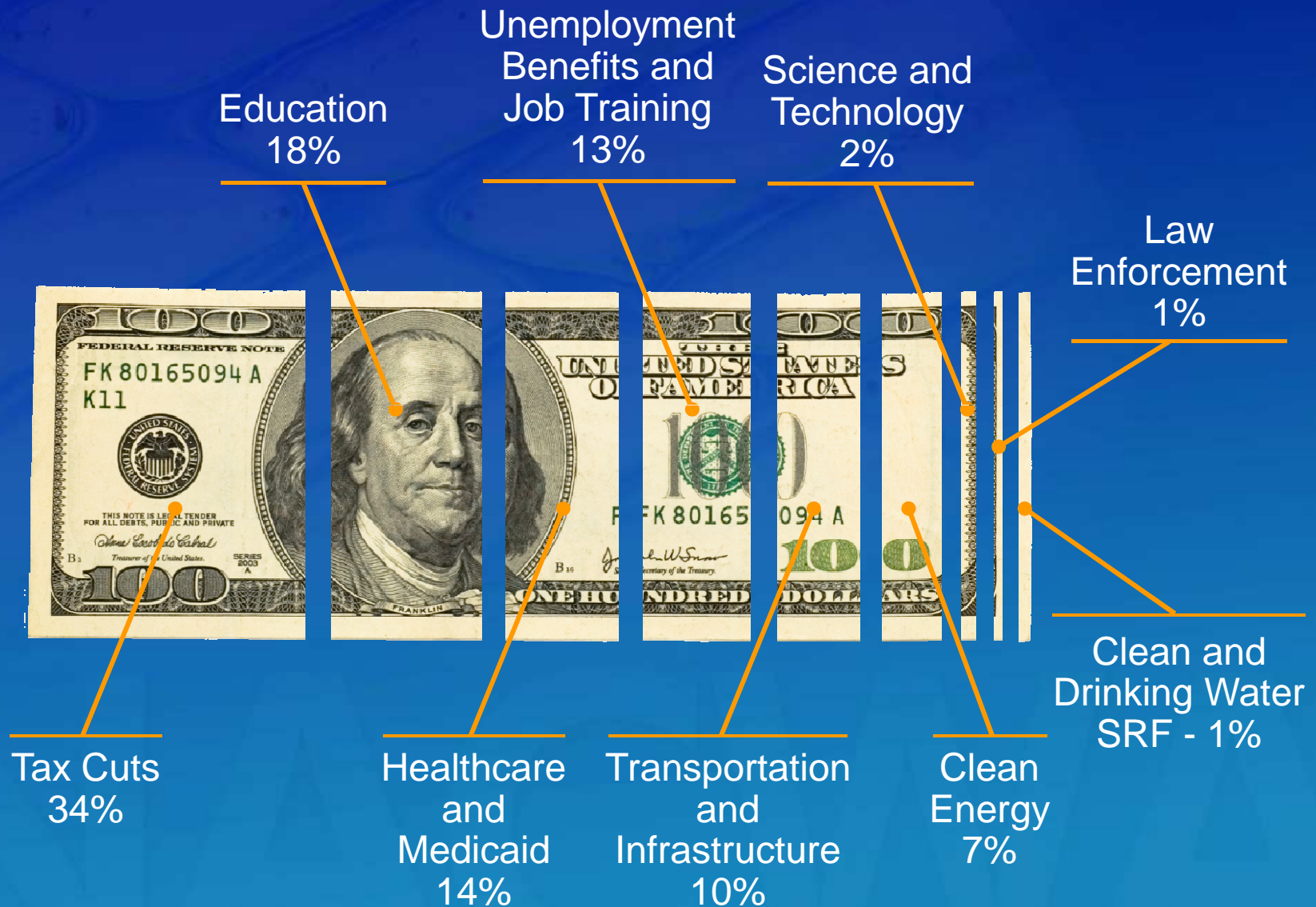
U.S. EPA regulatory agenda for the water quality industry is full...

- Emerging contaminants of concern (e.g. endocrine disrupting compounds (EDCs))
- Nanoparticles
- Greenhouse gas emissions (GHGs)
- Stormwater regulations
- National Ambient Air Quality Standards (NAAQS) revisions
- SSO/CSO regulations
- Disinfection by-products rule

“Predictions can be dangerous, particularly when they’re about the future” – **Yogi Berra**

- Increased public support for infrastructure
- Regulatory action will be an increasing driver for CIP expenditures
- Local funding will remain the primary source for capital project financing

Economic Stimulus Funding Breakdown



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Possible Course of Action

- Leverage near term opportunities
 - Falling material prices
 - Competitive bid prices
 - Stimulus funding



Possible Course of Action

- Leverage near term opportunities
- Maintain a long term vision
 - Update planning efforts
 - Build a message
 - Align with new realities
 - Recover full cost of service



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