



CONSTRUCTION INDUSTRY ROUND TABLE

2023 ANNUAL REPORT MARK A. CASSO, PRESIDENT

Mission Statement

CIRT, a network of leading design/construction firms in the U.S., seeks to inspire its members to be an innovative force creating a safe and sustainable quality of life for the future.

Introduction

The past year has been successful for CIRT especially with respect to its key objectives focused on networking and relationship building along with providing valuable educational information to the members. The two conferences together have been among the most highly attended, with positive feedback from the members on speakers, subject matter, and information provided. Along with addressing these vital elements of our membership value, CIRT has concentrated on supporting industry initiatives (e.g., ACE Mentor, Safety Week, Construction Inclusion Week, etc.) through “scaling” and providing critical materials and exchanging information to help enhance accessibility for those interested.

Overall, the economy and markets have been solid, but continue to be challenged by lingering inflationary pressure (cost of labor and materials), supply chain delays, capital cost (interest rates), and world geo/political turmoil. The uncertainty brought on by these elements is evident by the mixed findings in CIRT’s Third Quarter 2023 Sentiment Index Reports.

With respect to programming, the organization has renewed our focus on supporting a favorable business environment while promoting the importance of mainstream infrastructure policies and funding. This has included nearly every aspect of governance whether legislative, regulatory (heavy number of rulemakings), and even judicial.

During 2023, CIRT successfully concluded our seventeenth *National Design + Construction Competition* in collaboration with ACE Mentor of America. The national competition was able to attract 28 entries using its online digital platform notwithstanding the fall 2022 challenges and uncertainty caused by some lingering school disruptions. The Round Table has also maintained other programming like its timely WEBINAR series on the Sentiment Index and other economic trends.

Finally, CIRT finished its 2022 operational budget with a sizable positive surplus and a record level 126 net members thanks to the extraordinary support and retention of a vast majority of its members. Consequently, the Board at its November ‘22 meeting adopted a balanced budget for 2023 based on 123 members. It is anticipated that CIRT will have another successful year in 2023, both financially, membership wise, and programmatic.

The Annual Report is presented in accordance with the major objectives set forth in the recently updated CIRT Strategic Plan. This includes a mixture of external and internal Round Table activities intended to make membership of benefit, and to improve the environment in which you and your firm must operate.

Objective 1: *FOSTER networking / relationship building and education of members.*

Strategies:

- *Peer-to-peer networking.*
- *Relationship building.*
- *Frank/open conversations.*
- *Valuable, informative, timely subjects/speaker sessions.*
- *Shared experiences, social time, camaraderie, etc.*

- **CIRT Conferences:** The key component used to deliver on this objective are the semi-annual conferences held each year. No registration is charged, to emphasize the value and importance placed on attending these events. Traditionally, approximately 80-85 percent of the membership attends, helping to ensure networking and relationship building value.
- **Speakers/Program Sessions:** Emphasis has been placed on retaining and presenting top notch subjects and personalities. This has led to some emphasis on the members themselves during the Greenbrier conference (e.g., talk on burn-out and how to learn leadership tips from various walks of life). These topics are meant to stimulate and engage the members on pertinent topics of interest, as well as challenges beliefs and assumptions to elicit the most benefit from the conferences. In addition to outside speakers, CIRT often assembles our own members to impart valuable information and insights (such as Succession Planning).
- **Focus Groups:** CIRT's breakout groups (formerly GenGroups) were reorganized with smaller numbers, shorter meetings, and increased sessions including some around discipline with the goal of improving their frank exchanges, and overall value.
- **Scaling Industry Initiatives:** CIRT also works with member firms, allied associations, coalitions, etc. leveraging our resources to bring synergy to the community as well as supporting, scaling, and/or participating in special initiatives like: *Safety Week*, *United for Infrastructure*, *ACE Mentor*, and *Construction Inclusion Week* (DEI Construction Consortium). Many are firm-lead initiatives that are being scaled (see, Objective 4 below).
- **Social/Networking:** Part of the value of CIRT is to build friendship/relationships through shared experiences and time together, which is afforded at pre-conference events, social-time, and relaxed evening venues, etc. [NOTE: At the Greenbrier conference there are a multitude of activities and several events like golfing, outings, etc., with a special evening program as part of the dinner, etc.]
- **Emerging Leaders Track:** Every third year, at its fall conference, CIRT opens its program to the members to voluntarily invite in an "emerging leader" from its company to participate and get exposed to the networking and educational programs that are available to them. [NOTE: The Greenbrier program includes hosting such a group of emerging leaders to the conference to experience the event first-hand].
- **Program Committee:** A committee of active members provide guidance and feedback on program planning for upcoming conferences, using the meeting evaluation forms and other data collection to ensure timely, targeted topics and subjects are addressed.
- **Webinars/Podcasts:** Between conferences members can participate and/or interact in exclusive webinars/podcasts to discuss and exchange views on current or pressing topics, markets, and issues affecting the A/E/C community.
- **Budget/Financing:** The CIRT annual budget places the largest amount of its direct funds and personnel resources to deliver on this critical objective, including most often earmarking surpluses to enhance speaker and conference program elements.

Objective 2: *PROMOTE the industry's image and role to critical audiences.*

Strategies:

- *Single voice on vital matters to clients, parties, and public.*
- *Sharing information, benchmarking, and promoting best practices.*
- *Current trends, market analysis, economic forecasting, etc.*
- *Stressing importance of Talent/Workforce and image issues.*
- *Maintain presence, information sources, clearing-house, website, national events.*

- **Webinars:** As noted, CIRT conducts webinars on trends and findings from CIRT's Sentiment Index related to our markets and the economy. The index is examined and factors that influence or affect its rise or fall along the scale of optimistic to pessimistic are reviewed and weighted. [E.g., The findings can be a valuable insight into the views of fellow CIRT members on markets, issues, and trends that can help guide decisions for individual firms].

- **Media:** This year CIRT continued video/audio media podcasts to keep members informed and connected, as well as our target audiences, on vital issues and policy matters that are critical to the membership. This past year, the format was used to highlight and spread information about the CIRT annual Design + Construction competition and the student/ mentor teams.
- **News Media:** CIRT acts as a media resource and passes leads/contacts to its members.
 - *Op-Eds/Think Pieces:* As a founding member of the Construction Leadership Council (CLC), an op-ed on the value and critical need to move from Helmets to Hard Hats.
 - *News Source/Stories:* CIRT provides direct radio and/or print media contact as well as background information and press releases for stories being done on the industry.
 - *On-Line Coverage:* CIRT Radio interviews were conducted with members and leading authorities on current topics and issues facing the design construction community.
 - *Press Releases:* When possible CIRT will release news to media outlets individually or in concert with other organizations and groups.
- **24/7 Web Site:** CIRT’s web site seeks to serve as the organization’s key communications device to its members and the public. The purpose of the web site is to provide 24/7 access to CIRT activities/events and important information that affects the members. Key RESOURCES and updated CHARTS/DATA are maintained for the members’ convenience.
- **Talent/Workforce Issues.** This subject area remains the top concern or matter for the A/E/C community. CIRT continues to seek programs, activities, and initiatives to engage in: attracting, developing, and retaining talent. To further that end, CIRT has initiated or continued the following activities:
 - CIRT Efforts with ACE Students: The Round Table maintains its annual national competition in conjunction with ACE Mentor Program of America. The program furthers the educational and career interest of thousands of students to pursue their path in the design/construction fields.
 - Opportunity America Jobs and Careers Coalition: As part of the Coalition, CIRT has participated in dedicated efforts to earmark federal funds for alternative education paths (JOBS Act) and recognize apprenticeship programs like in our industry (especially related to skilled/craft trades).
 - Legislation on Talent/Workforce Needs: CIRT has supported proposals that would benefit our members’ workforce or businesses. (See below, in Advocacy discussion for details).
 - “Construction Career Alliance”: CIRT *has taken the lead* in revitalizing and renewing the continuation of its active participation in this stakeholder group representing a cross-section of parties formed to provide attention to the pressing issues regarding skilled/craft trade workforce needs. The purpose of the Alliance is to create a single voice that can harmonize and/or find common ground to address the issue.
 - Partnering with Tallo (formerly STEM Premier): CIRT maintains a special relationship with Tallo to enable our members to access its huge database of 100,000s of profiles for individuals interested in the A/E/C industry (CIRT members are granted discounts).

CIRT Sentiment Index. The Round Table’s benchmarking business barometer for the organization and the industry (including a “Design Index” subset) is completing its 16th year. The latest report (3rd Qtr./2023) provides not only insights from our CEO members on where markets are headed but also interesting results from issue-oriented questions that are relevant to the A/E/C community/industry. [For the Sentiment Index Reports go to: www.cirt.org].

WEBINARS: To further highlight the valuable information contained in the Sentiment Index, CIRT President and key members of FMI hosted a Live Broadcast that presented the findings in the context of the larger market, financial, and economic picture.

- **Member Views/Opinions:** The Round Table conducts quarterly opinion polls and other surveys to gauge the views of its members.
 - *CIRT Sentiment Index: 3rd Quarter 2023:* [Index up to: 59.7 / Design Index 68.5]. CIRT’s 3rd-Quarter Report showed a significant slide from the post-pandemic/shutdown optimistic high levels of just a year ago. The key issues/matters included:

- o Labor Productivity: Overall productivity has seen some decline with (24%) of CIRT members saying it has slipped slightly or significantly – while only (11%) or half that number have seen go higher by the same measures. Leaving the approximately two-thirds (65%) indicating it has remained stable.
- o Labor Costs: Around one-third of CIRT members (35%) are experiencing labor overruns on most projects (i.e., between 51-75% of them) or nearly all their projects. That leaves (65%) that are experiencing far fewer overrun problems – with most of these (46%) at the low end of the scale of less than 25% cost overages.
- o Labor Cost Savings: When asked what percentage of annual field labor cost could be saved through better management practices, (92%) of CIRT respondents said it could run as high as 15 percent of costs [the largest number (41%) said 6-10 percent, followed by (39%) indicating it would lower at 0.1-5.0 percent cost savings]. As to the percent of annual field labor cost waste or spent unproductively (92%) of CIRT member again stated up to 15 percent of costs could be saved. [Broken down with (35%) from 0.1-5.0 percent of costs, and (33%) at 6.0-10% savings in field labor costs].
- o Leading Factor Affecting Lower Productivity: CIRT member named the top factors contributing negatively to productivity. INTERNAL: (64%) lack of quality craft labor, (55%) poor planning/communications by project management, (55%) poor planning and communications by field management, (51%) poor project team collaboration and fifth at (49%) rework on items already installed. Top five EXTERNAL factor were: (65%) change orders, (62%) supply chain delays and disruptions (materials not delivered), (60%) schedule – not timely, updated, realistic, or coordinated, (55%) low quality design/construction documents, and fifth at (45%) excessive project requirements and paperwork by GC/CM/Owners.
- o Project Staffing Requirements: A sizable (67%) of CIRT members said they had to “staff-up” (i.e., find additional field workers to deliver the project on budget, on time and/or safely), with (31%) saying not usually. For those that have experienced projects needing to increase staffing the challenge fell on average (30%) on CIRT member firms staffed projects and (40%) on the Subcontractors staffed projects.
- CIRT Sentiment Index: 2nd Quarter 2023: [Index 52.8/Design Index 68.5]. CIRT’s 2nd-Quarter Report tested the members’ sentiments on the following:
 - o Lending Standards: A large majority (28%) responded that they expected lending for commercial real estate/construction to tighten *dramatically*, with another (59%) saying *somewhat*. The industry segments most affected: private commercial (4.1 on a scale of 1-5), and private institutional (3.3), followed by manufacturing/industrial at (2.6).
 - o Subcontractor Defaults: Over a third of CIRT members (36%) experienced sub-K defaults within the past two years; with over two-thirds (68%) saying the defaults have increased in *frequency* and the same number saying they have increased in *severity*. The member attribute these defaults to: (60%) supply chain/material prices, (56%) subcontractor taking on too much work, (52%) lack of manpower, (44%) weak financial controls/mgmt. and (40%) overly aggressive bids/pricing among the top five reasons given. Looking forward over the next year, (24%) of the CIRT members believe the subs financial health will deteriorate, with (86%) supplementing with additional resources and other options, while (56%) saying they will use termination and replacement as the strategy to deal with defaults
 - o Employment Policies: Fortunately, the vast majority of CIRT firms (82%) have not been subject to an EEOC complaint or investigation over the past 12-18 months. Of the (18%) that have, (58%) have been resolved with only (14%) having resulted in a fine or other monetary reward. During this time, (62%) have intentionally changed their hiring policies to be more inclusive, diverse, and equitable. To date, (84%) have not run into problems legally and (70%) have not yet experienced any push back or discontent with respect to these new policy initiatives.
 - o Remote / Hybrid Workforce: Nearly all the respondents (95%) have some portion of their labor force working remotely (defined as at least one day per week). Of this (67%) said the largest share of remote workers is in their office personnel [nearly 90 percent of them, followed by management at (72%) and field personnel at (33%)].

- *CIRT Sentiment Index: 1st Quarter 2023:* [Index 53.3/Design Index 66.8]. CIRT's 1st-Quarter Report tested the members' sentiments on the following:
 - *Hiring Expectations in the Coming Year:* For 2023 the members split between somewhat higher (40%) and about the same at (36%), with only (12%) saying significantly higher goals and (11%) anticipating lower levels. This is a large change from 2022, when significantly higher was (32%), somewhat higher (52%), with only (14%) about the same, and almost no one (2%) likely to decrease FTEs.
 - *Backlog:* Nearly two-thirds (65%) of the members backlogs are higher now than they were a year ago, with nearly (90%) reporting at least 12-months of which just under half (47%) had backlogs exceeding 18-months.
 - *Capacity:* When it came to firm capacity going into 2023, some (31%) said the workload was (91-100%), (39%) place it at (81-90%), and (23%) put it at (71-80%). Compared to 2022, the number saying workload is over 81% capacity is very similar for the coming year.
 - *Top Risks for 2023:* The most commonly anticipated risks in order are: (1) limited supply of skilled workers/crafts (48%), (2) identifying, developing and retaining talent (45%), (3) economic slowdown (36%), (4) limited supply of field supervision, and (5) limited supply of professional/mgmt. staff, (6) project delays and/or cancellations, (7) cost escalation in materials/labor, and regulatory/legislative changes (16%).
 - *Policy Impacts:* Members were asked about passage of such bills as IIJA, IRA, and CHIPS. Some (57%) expect at least modest impact to revenue in 2023, but only (7.0%) thought it would be high vs. (12%) expecting no impact from the bills. Notwithstanding, (55%) said YES, the bill did impact their business/strategy planning. The top areas being -- hiring plans (70%), segment market expansion (46%), geographic market expansion (38%), internal processes (24%), acquisition strategy at (24%).

Objective 3: *ADVOCATE public policy creating a positive business environment for members.*

Strategies:

- *Advocate on legislative, regulatory, and judicial matters pertinent to the members.*
- *Single voice with allies and individuals.*
- *Leverage resources working with coalitions, groups, and other associations.*
- *Efficient cost effect contract procedures, delivery methods, risk allocation, etc.*

CIRT acts in concert with a cross-section of industry groups and the larger business community to promote, inform, and influence the direction of initiatives that are of prime interest to our community.

- **External/Public Policy Advocacy:** CIRT meets with policy makers to raise the design/construction industry issues e.g.: White House officials, Agency officials (EPA, Department of Defense, Department of Transportation), Members of Congress and committee staffs to lobby for timely infrastructure focused expenditures, use of the private sector for public projects, concerns over excessive regulations, and to promote improvements in the business environment (labor rules, financial markets, timely spending, market-based reforms to health care, taxes, etc.).
 - *CIRT Government Relations Committee:* Through its meeting at the spring conference the committee (and its Washington Reps Group), shared views on key legislative/ regulatory goals and to prioritize them to better coordinate a single voice.
- **Coalitions/Alliances:** CIRT is a *founding* member of the new *Construction Leadership Council (CLC)*, which seeks to bring together elements of the design/construction community to further important *universal* issues such as safety, workforce development, materials/supply chain challenges, etc. We also continue to leverage our resources and reach through advocacy groups such as: Opportunity America (workforce/training), U.S. Chamber of Commerce, BCFC (Business Coalition for Free Competition), TISP (infrastructure security partnership), Tax Relief Coalition, ATRA (tort reform alliance), along with AGC, ABC, ACEC, etc. while engaging JK Strategies and Valis Associates to coordinate high-level contacts to address legal policies, public policies and regulatory reform/improvements.

Positive Business Environment:

Policies impacting the complex relationships with employees have been enacted or are being proposed that will have repercussions for the CIRT members:

- Delay the Corporate Transparency Act: CIRT joined others in support of (H.R. 4035) that seeks to delay implementation of CTA's reporting requirements on sensitive personal identifiers of owners, senior staff and/or advisors.
- Tax Proposals: CIRT has opposed increases to corporate/partner/S-corp. tax levels generally found in the Administration's budget proposal, as well as any attempts to cap Section 199A deductions, increase the capital gains tax, etc.
- Death Tax Repeal: CIRT as a member of the Family Business Estate Tax Coalitions supports passage of the *Death Tax Repeal Act of 2023* to permanently end the federal estate tax.
- The "Fair and Open Competition Act": CIRT supports reliance on the private sector to deliver needed goods and services to the public sector.
- Apprenticeships/Education: As a member of the Opportunity America Coalition, CIRT seeks more involvement of divergent views that reflect market needs and private sector apprenticeship/training programs.

Infrastructure Policy: Even with passage of the bipartisan \$1.2 trillion comprehensive infrastructure investment package in late 2021, spending took a long time to reach the "street." The delay was mostly caused by the time spent reworking regulations and creating new rules around aspects of the legislation. (E.g., the enhanced role the Biden Administration which affects [PLAs/Davis-Bacon] and, in some cases, determines priorities on projects).

Regulatory: CIRT has been an advocate for regulatory reform and reduction, particularly when it comes to "streamlining" the process to improve its efficiency. We will continue to work with other groups, such as the Regulatory Improvement Coalition (RIC), of which we have been a long-standing and active member.

- Davis-Bacon Expansion: The *final* rule expands the reach, scope, and coverage of projects, workers, and entities subject to or within the scope of the Davis-Bacon rules promulgated and announced. [NOTE: legal challenges are likely to this rewrite].
- DOL Wage & Hour Proposal: CIRT has opposed a proposal to increase the base salary of employees (approx. \$55,000) to qualify for overtime exemption. This dollar amount will be used as a single arbitrary number for the entire country - ignoring market forces, cost differences – and was therefore enjoined by federal court order in the past. [NOTE: likely headed to a court challenge].
- FTC Ban on Non-Compete Agreements: The Federal Trade Commission **proposed rule** would ban employers from imposing non-compete clauses on their workers which it views: suppresses wages, hampers innovation, and blocks entrepreneurs from starting new businesses. The proposed rule claims to be based on a preliminary finding that non-competes constitute an unfair method of competition and therefore violate Section 5 of the Federal Trade Commission Act.
- OSHA Walkaround Rule: After decades OSHA has proposed a new rule with respect to "worker walkaround representative designation process" that expands "designated employees" to mean just about anyone if requested. So, non-employee third party individuals can join OSHA officials as they inspect sites (i.e., walk around a site or place of business). CIRT has joined with others to oppose this unnecessary expansion.
- Mandatory PLAs: CIRT opposes "mandatory" application or requirements by the federal government to impose PLAs directly or indirectly through funding to state/local projects. [E.g., Dept. of Commerce favors application of PLAs under the new CHIPS Act extending it to *private sector* owners].
- EPA Water Rule: After surviving a Congressional attempt to cancel it, the "*Waters of the U.S.*" rule (first proposed under President Obama) and now again under President Biden will likely result in expanding the EPA's Clean Water Act jurisdiction to essentially go well upstream of water tributaries across the country. This new authority may still be blocked through the courts as in the Obama era.

Judicial: As a member of ATRA, the premier association dedicated to improving the legal environment in which our businesses must operate, CIRT supports "*Judicial Hell Holes*" a primary source, as well as legal reform activities.

Objective 4: CHAMPION Industry Improvements.

Strategies:

- *Scaling and supporting industry-wide initiatives.*
- *Information, data, intelligence gathering (research), etc.*
- *Surveys, reports, studies, and other information of importance to members.*
- *Application of IT, cybersecurity, data use, etc. to improve means, methods, & techniques in the built environment.*
- *Maintain a robust strong organization to deliver on the members goals.*

- **CIRT National Design + Construction Competition:** CIRT successfully conducted the 17th annual competition/program this spring – with three *Worth Finalist* mentor teams from ACE Mentor Affiliates/Chapters to participate for national recognition. The entries were judged by distinguished members of the community. Winners received financial contributions to their Affiliate/Chapter organizations to use as they see fit. [This initiative is a legacy program commemorating CIRT’s 20th Anniversary Celebration in 2007].
 - *Online Platform:* The competition is housed on a digital platform that allows for greater online collaboration for the team members.
 - *Information:* A detailed information package was developed and distributed to all interested mentor teams (as well as being included in the ACE National Newsletter).
 - *Stats:* The program was open to over 70 ACE Affiliates/Chapters across the country, with (28) teams submitting entries for the competition from (16) Affiliates/Chapters.
 - *Judging:* A preliminary cut was made to select the three national finalists.
 - *Presentation Stage:* The “*Worthy Finalist*” teams made their presentations in-person to a panel of judges assembled in Washington, DC at the spring conference, where it was live streamed to an online audience.
 - *Award:* The top Award of \$5,000 for the national winning team was presented, along with \$3,000 for second and \$2,000 for third. In addition, another three teams won \$1,000 and three \$500 respectively for (1st/2nd Runner-Up in the different options/challenges).
- **Industry Initiatives.** CIRT provides support and information in the form of sponsorship to assist in scaling initiatives to be industry wide activities:
 - *“Safety Week”:* Again, this year CIRT members/firms lead an industry wide IIF program initiative during the first week in May to highlight attention on the importance of safety in our companies and on our projects. [NOTE: A working/planning session is scheduled at the fall conference in The Greenbrier, WV].
 - *“Construction Inclusion Week”:* DEI Construction Consortium hosted it annual event to bring attention to and continued moment to the issues surrounding workplace inclusion. The original initiative, CIRT supported and helped scale the members efforts around DEI [NOTE: This program was conducted during a week in October, a report will be provided during the Membership Breakfast].
 - *Drug and Alcohol-Free Workplace:* As a founding member of this construction industry coalition, along with ABC and AGC, CIRT has participated in supporting the “pledge” (website, www.drugfreeconstruction.org).
- **Business Information/Resources.** The Round Table seeks to provide its members with timely, convenient, and pertinent economic/business news that is of value to our industry. To that end, CIRT has tracked or alerted members to various item such as:
 - *Monthly Construction in Place Statistics:* On a monthly basis, usually on the day the information is released, CIRT posts to its web site the latest U.S. Department of Commerce figures on construction in place. It also provides other pertinent data when available.
 - *Unemployment Statistics:* The monthly unemployment levels for the construction industry and overall economy are posted on the CIRT website for easy tracking and trend analysis.
 - *Quarterly GDP:* This key general market indicator (and its monthly comparisons and historical levels) is posted on a quarterly basis for the member’s information.

- Leadership and Business Forums/Conferences: As we have in the past, CIRT tries to alert members to valuable conferences and/or programs that are pertinent to or geared for our community (e.g., FMI's Leadership Forum, TSIP, ConsensusDoc, etc.)
- Economic Reports: CIRT provides members copies of or access to economic and/or market reports like those produced by ENR, FMI Corporation, Tort Reform, and others.
- The Construction Industry Ethics & Compliance Initiative: Again, this year CIECI hosted their meeting in conjunction with CIRT's conference in Washington, DC.
- ConsensusDocs: CIRT is a member of a coalition of 40 leading design and construction industry associations that publish model contracts with the intent to advance the project results from all the parties' perspectives.
- **Financial Matters**: CIRT completed 2022 with a healthy surplus, based on a RECORD 126 net membership. It appears CIRT will be able to reach its '23 budgeted targets, while adding to its membership (after 90% plus retention).

The Board approved a 2023 budget with dues at \$10,950 based on 123 paid members.

[NOTE: At the time of the fall conference, it appears CIRT will make its budget targets, and likely finish in the green for another year – with potentially 130 net members].

Looking ahead, the Board will likely recommend a NO DUES increase, keeping the dues at the current level of \$10,950 (for 2024).

10/22/23