



Update on the Impacts of the Federal Steel Tariffs

Engineering and Operations Committee

Item 6c

September 10, 2018

Topics

- Steel & aluminum tariffs
- Impacts to current and future contracts
- Construction market/cost trends
- Strategy moving forward

Federal Government Steel & Al. Tariffs

- Tariffs imposed June 1, 2018
 - 25% on steel article imports
 - 10% on aluminum article imports
- Contracts awarded before June 1, 2018
 - Tariff not imposed
 - Tariff cost not included in bids
 - Staff will return to the Board for tariff-related pass-through costs exceeding C.O. authority of \$250K
- Contracts awarded after June 2018
 - Tariff imposed
 - Total bid amount – incl. tariff cost – used to determine low bid

Impacts on Recent Contracts

Contract No. 1925 – SLF PCCP Rehab Reaches 2 & 4 Pipe Procurement

- Award to Ameron - May 8, 2018; contract value: \$12.1M
- Steel is sourced in U.S. and transported to Mexico for fab.
- Pot. tariff cost - \$2.2M
- C.O. authority - \$250K
- Supplier intends to file Request for Exclusion
- Northwest Pipe acquired Ameron in July 2018 and may shift some manufacturing from Mexico to Adelanto, CA



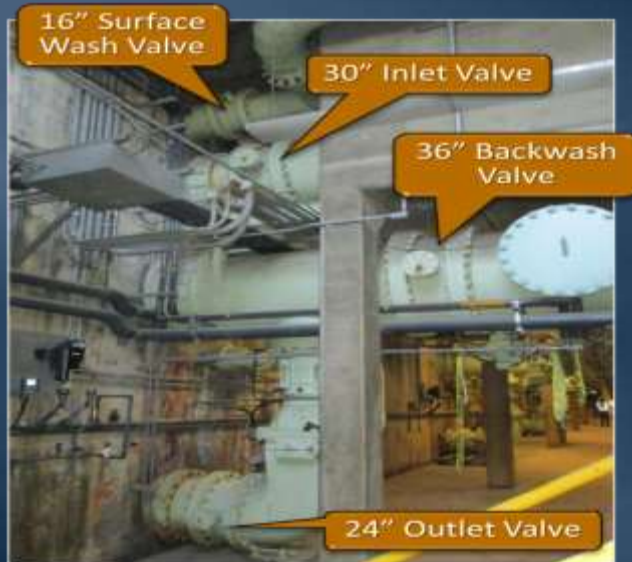
Collapsible steel liner being fabricated



Collapsible steel liner ready for installation

Impacts on Recent Contracts (cont.)

- Contract No. 1867 - Butterfly Valves for Weymouth
 - Award to Crispin Valve LLC – November 14, 2017
 - Furnish 179 valves ranging in size from 24-in. to 48-in. dia.
 - Contract value: \$4.9M
 - Valve castings produced in China
 - Pot. tariff cost - \$350K
 - C.O. authority - \$250K



Weymouth Filter Valves



48-in dia. Drain Valve

Effects on CIP Contracts in Progress

- All contracts in progress have been reviewed for potential exposure
 - Construction contracts: 32
 - Total bid value: \$168.7M
 - Procurement contracts: 16
 - Total bid value: \$40.3M
- Maximum Exposure

Type of Contract	Total Contract Value	Maximum Exposure	% of Original Contract Value
Construction	\$49M*	\$250K	0.5%
Procurement	\$23M**	\$3.6M	16%
All Contracts	\$209M	\$3.85M	< 2%

* Value of construction contracts with earnings less than 75%

** Value of all procurement contracts where products are sourced outside of U.S.

Market & Tariff Effects on CIP Contracts

- Market trends
 - Low Bid vs Engineer's Estimate – 6-9% increase since March
 - Market data indicates material prices – 5-10% increase since March
- Tariff exclusions (Engineering News-Record report)
 - More than 20,000 requests submitted to the Fed. Gov.
 - 91 tariff exclusions approved
- New proposed trade agreement
 - Conceptual agreement only – autos & labor stds.
 - Not expected to remove current tariffs

Fabricated Large-Dia. Steel Pipe Market

- Northwest Pipe – Vancouver, WA
 - Manufacturing in Adelanto, CA
 - Satisfactorily completed numerous contracts
- Ameron – Rancho Cucamonga, CA
 - Manufacturing in San Luis Rio Colorado, Mexico
 - Satisfactorily completed numerous contracts
- Mid America Pipe – Scammon, KS
 - Typ. does not bid on Metropolitan projects
- Northwest Pipe acquired Ameron in July 2018

Going Forward

- Northwest Pipe Co.
- Improve market outreach
- Updated construction & procurement contract documents
- Updated Engineer's Estimate development process
- Staff will return to Board for additional authority on procurement contracts

