



NAVIGATING MATERIAL PROCUREMENT In Uncertain Times



February 16, 2022 ■



- » *Introductions*
- » *History & Background*
- » *Current Challenges*
- » *Strategies*
- » *Questions*

AGENDA

Today's PRESENTERS



AARON ZUTZ
Senior Project Manager

Findorff



SHAWN STEINHOFF
Vice President

NAMI



ROD KRUCKMAN
Branch Manager

PIEPER POWER



ABOUT *Findorff*

- Nearly \$2B in completed education work the past decade
- Completed work in 160 school facilities the past decade
- Average project size is \$3.5 million
- Helped secure \$2.5 million in Focus on Energy incentives for clients

Findorff



ABOUT NAMI

- Premier mechanical provider offering HVAC, Plumbing, Controls & Service
- Over \$350 million in school HVAC construction since 1990
- Has completed work in over 100 school districts throughout Wisconsin





ABOUT

Pieper Electric

- Full-service electrical contractor celebrating 75 years
- 10 locations throughout Wisconsin, boasting over 1,200 employees
- Over \$100 million in K-12 electrical construction work in the last decade
- Ongoing youth development partnerships school districts throughout the State





BACKGROUND

*Current state of the
construction market*

Construction **PROCUREMENT**

HISTORICAL CHALLENGES TO NAVIGATE

- Tariffs
- Workforces shortages
- Shipping delays
- Material shortages
- Inflation



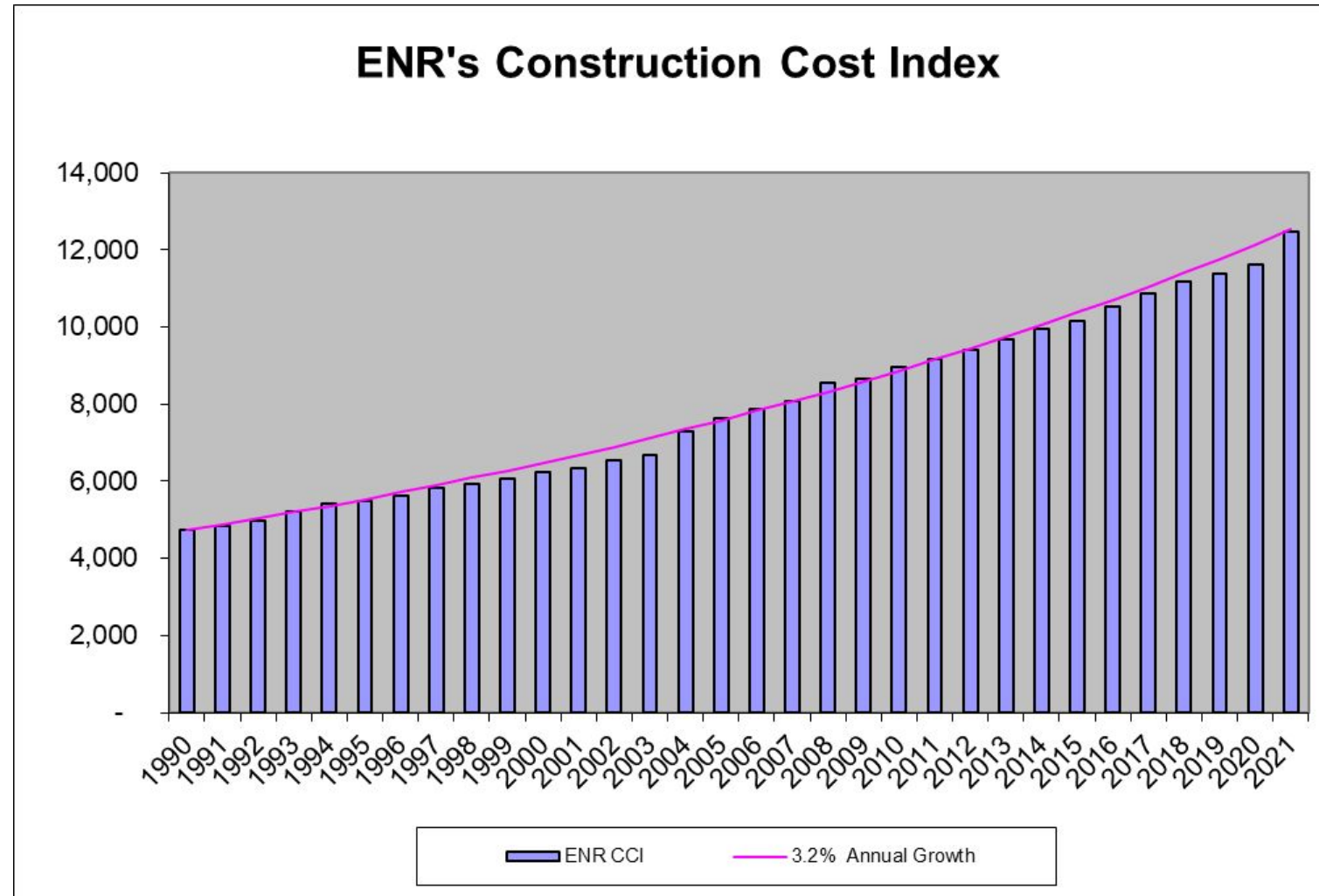
Construction **PROCUREMENT**

CURRENT CHALLENGES

- Increased volume of work
- Inflation
- Material shortages
- Procurement lead times
- Shipping delays

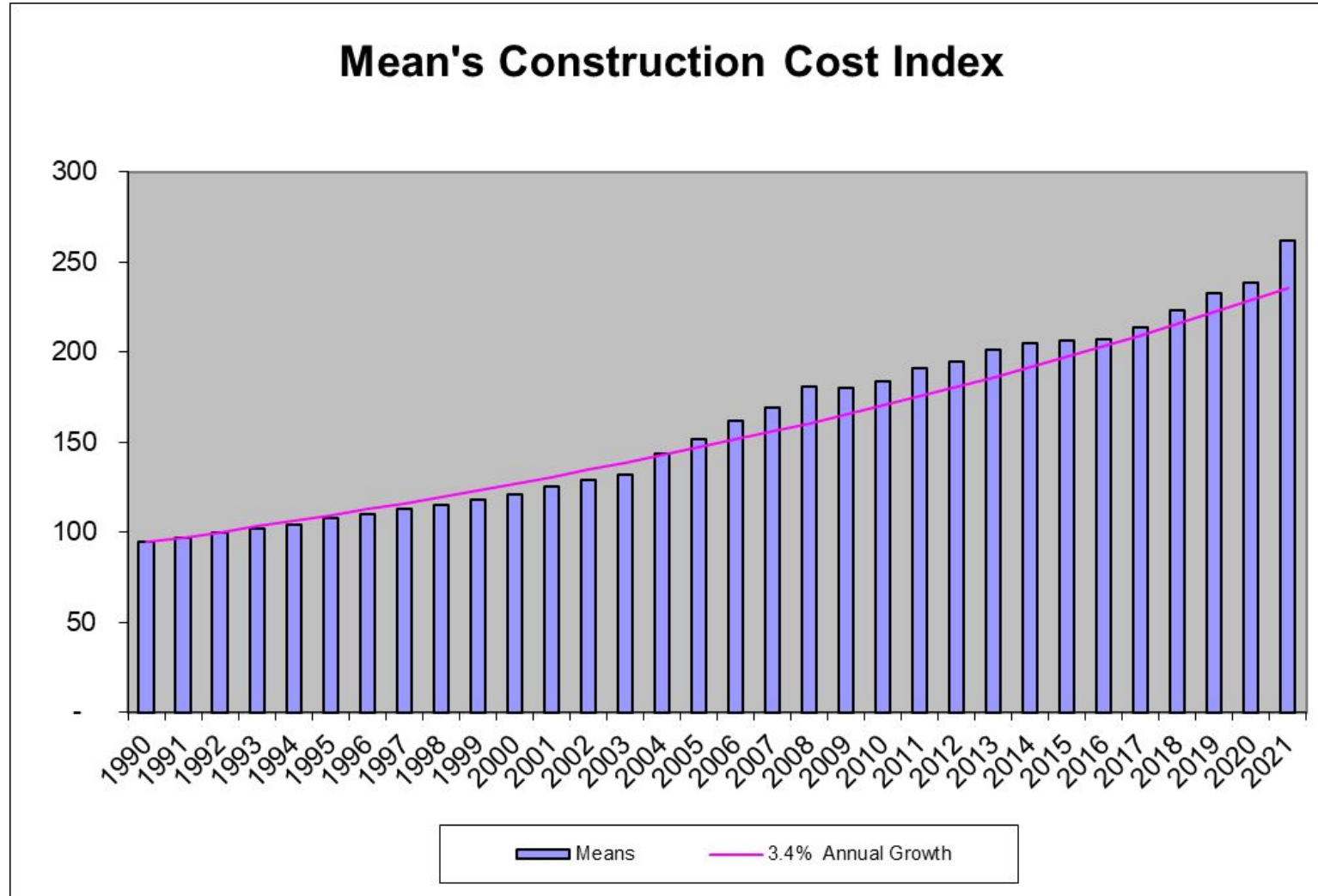


INFLATION



2021 Inflation: 7.4%

INFLATION



2021 Inflation: 9.8%

Shutdown **IMPACTS**

Factory and Material Production Shutdowns

Backlogs have grow to new lengths....I went to buy a new art kiln last week:

Thanks for your interest in our products!

Due to supply chain issues we are temporarily closing website sales so that we can process all current orders. Our goal is to open our website sales by June 1st, 2022.

We are sorry for this inconvenience.

Polar Vortex **IMPACTS**

The impact of chemical plant shutdowns is still being felt in petroleum based products:

- Availability
- Pricing



Shipping **DELAYS**

Imported materials have longer lead times

Long distance trucking availability is a challenge



Financing

Throughout all of these challenges, financing has remained relatively cheap and available...continuing to drive demand!



CURRENT CHALLENGES

*How Does the Market Impact
Upcoming Projects?*

Inflation Impacts **ON PROJECTS**

INFLATION IS NOT EQUAL

- New construction vs. renovation
- Amount and types of material impact cost
- How work is contracted and pricing is locked in determines future cost risk



Materials with **MAJOR INFLATION**

GENERAL CONSTRUCTION MATERIALS

- Lumber (down from last year, but climbing again)
- Steel
 - Sheet steel (ductwork, metal studs)
 - Pipe
 - Structural steel
- Petroleum products
- Many others...



Schedule **IMPACTS**

GENERAL CONSTRUCTION MATERIALS

- Steel joists & steel decking (6-8 months)
- Urethane products
- Roof insulation (6+ months)
- Wood doors - (5 months)
- Mineral wool insulation (6 months)
- Overhead doors (6-8 months)
- Walk in coolers (4 -12 months)
- Many smaller items delayed too

(Delays based on recent supplier feedback, list not exhaustive and lead times will vary)



Schedule **IMPACTS**

ELECTRICAL

- Generators (64 weeks)
- Electrical gear (36 weeks)
 - Breakers
 - Panels (12-16 weeks)
- Transformers (56 weeks)
- Fire alarm equipment
- Various plastic components
- Lights, LED (24 weeks)



Work Process **IMPACTS**

PRE-PLANNING

- Condensed
- Heightened awareness
- Attention to all materials

ACQUISITION OF PRODUCT

- Take delivery
- Warehousing - Storage
- Reduce “Just in time” orders and deliveries

SLIGHT REGRESSION FROM LEAN CONSTRUCTION



Schedule **IMPACTS**

MECHANICAL MATERIALS

- RTU's & AHU's(22 - 26 weeks)
- ECM-driven fans (good luck)
- Chillers (24 - 40 weeks)
- VFD's (up to 40 weeks)
- Pumps (14 - 24 weeks)
- VAV boxes (8 - 12 weeks)
- Pipe & fittings (varies)



Work Procurement **IMPACTS**

DESIGN ASSIST

- Early MEP contractor involvement
- Better knowledge of market
- Fast-track procurement
- Ability to store equipment & materials
- Leverage to address delays





STRATEGIES

*Lessons Learned to
Help Mitigate Delays*

Early Engagement with **PROJECT PARTNERS**

ONBOARD YOUR TEAM EARLY

- Designers
- Contractors, Subcontractors, Critical Suppliers
- Discuss procurement methods and options
- Understand how your budgets are assembled and what is included in them



Order Materials **EARLY**

- What materials need to be procured early?
- Can aspects of a design be accelerated to meet this?
- Does changing products improve lead times?
- Can you store materials to ensure they are onsite when you need them?
- Expedite submittal review.



Track Materials **CONSTANTLY**

- Confirm the subcontractors and vendors have released orders to the manufacturers
- Delays in shipping and in transit are more common
 - Have you talked recently to suppliers?
 - Confirm they have requested updated ship dates from the manufacturers.
 - Is the information you have received consistent?



Contingency **PLANNING**

- Confirm status of materials before beginning work
- Develop alternate plans in case of delays in materials
- Consider ordering materials early & storing them



What's **NEXT**?

Should I still proceed with my project?

- What does it cost to wait?
- What will happen with inflation?
- Where will the market be in 6 or 12 months?

Outlook

Economist Projects 'Very Busy' 2022 for Construction Industry



Current markets conditions are expected to continue for the foreseeable future!



KEY TAKEAWAYS

Key **TAKEAWAYS**

- Get the right partners on board early
- Make timely decisions and procure material early
- Follow up on procurement
- Have contingency plans & maintain adaptability



Thank YOU!



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