TUTOR PERINI Corp
Form 10-K
February 23, 2017

FORM 10-K

United States Securities and Exchange Commission

Washington, DC 20549

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934.

For the fiscal year ended December 31, 2016.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from-to-.

Commission File No. 1-6314

Tutor Perini Corporation

(Exact name of registrant as specified in its charter)

Massachusetts	04-1717070
(State of Incorporation)	(IRS Employer Identification No.)

15901 Olden Street, Sylmar, California	91342
(Address of principal executive offices)	(Zip Code)

(818) 362-8391
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Common Stock, $1.00 par value	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of voting Common Stock held by non-affiliates of the registrant was $900,681,219 as of June 30, 2016, the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares of Common Stock, $1.00 par value per share, outstanding at February 17, 2017 was 49,222,934.

Documents Incorporated by Reference

Portions of the definitive proxy statement relating to the registrant's annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

TUTOR PERINI CORPORATION

2016 ANNUAL REPORT ON FORM 10-K

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PART I.

Forward-Looking Statements

The statements contained in this Annual Report on Form 10-K that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), including without limitation, statements regarding our management's expectations, hopes, beliefs, intentions or strategies regarding the future and statements regarding future guidance or estimates and non-historical performance. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effects on us. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties are listed and discussed in Item 1A. Risk Factors, below. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

ITEM 1. BUSINESS

General

Tutor Perini Corporation, formerly known as Perini Corporation, was incorporated in 1918 as a successor to businesses which had been engaged in providing construction services since 1894. Tutor Perini Corporation (together with its consolidated subsidiaries "Tutor Perini," the "Company," "we," "us," and "our," unless the context indicates otherwise is a leading construction company, based on revenue, as ranked by Engineering News-Record ("ENR"), offering diversified general contracting, construction management and design-build services to private customers and public agencies throughout the world. Our corporate headquarters are in Los Angeles (Sylmar), California, and we have various other principal office locations throughout the United States and certain U.S. territories (see Item 2. Properties for a listing of our major facilities). Our common stock is listed on the New York Stock Exchange under the symbol "TPC." We are incorporated under the laws of the Commonwealth of Massachusetts.

We and our predecessors have provided construction services since 1894 and have established a strong reputation within our markets by executing large, complex projects on time and within budget while adhering to strict quality control measures. We offer general contracting, pre-construction planning and comprehensive project management services, including the planning and scheduling of the manpower, equipment, materials and subcontractors required for a project. We also offer self-performed construction services including site work; concrete forming and placement; steel erection; electrical; mechanical; plumbing; and heating, ventilation and air conditioning (HVAC). During 2016, we performed work on more than 1,500 construction projects.

Our business is conducted through three segments: Civil, Building and Specialty Contractors, as described below in the “Business Segment Overview.”

We are recognized as one of the leading civil contractors in the United States, as evidenced by our past and current performance on several of the country’s largest mass-transit and transportation projects, such as the McCarran International Airport Terminal 3 in Las Vegas, the East Side Access project in New York City, the San Francisco Central Subway extension to Chinatown and major portions of the Red Line Subway project in Los Angeles. We are also recognized as one of the leading building contractors in the United States, as evidenced by our performance on several of the largest hospitality and gaming projects, including CityCenter and the Cosmopolitan Casino and Resort in Las Vegas.

In 2008, we embarked upon a strategy to better align our business to pursue markets with higher profit margins and the best long-term growth potential, while maintaining our presence as a leading contractor in the general building market. In September 2008, our predecessors, Perini Corporation and Tutor-Saliba Corporation (“Tutor-Saliba”), completed a merger which provided us with enhanced opportunities for growth not available to us on a stand-alone basis through increased size, scale, bonding capacity, immediate access to multiple geographic regions, management capabilities, complementary assets and expertise in large civil projects.

In 2010 and 2011, we took advantage of opportunities to expand our Company vertically and geographically through the strategic acquisitions of seven companies with demonstrated success in their respective markets. These acquisitions strengthened our geographic presence in our Building and Civil segments and also significantly increased our specialty contracting capabilities. In 2011, we completed an internal reorganization of our reporting segments with the creation of the Specialty Contractors segment, which we describe below.

We believe our acquisitions have enabled us to realize cross-selling opportunities across an expanded geographic footprint, while continuing to focus on vertical integration through increased self-perform work capabilities, thus further improving profitability and providing greater stability during economic cycles.

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Business Segment Overview

Civil Segment

Our Civil segment specializes in public works construction and the replacement and reconstruction of infrastructure across most of the major geographic regions of the United States. Our civil contracting services include construction and rehabilitation of highways, bridges, tunnels, mass-transit systems, and water management and wastewater treatment facilities.

The Civil segment is comprised of the Company’s legacy heavy civil construction operations (civil operations of our predecessors, Perini Corporation, Tutor-Saliba and its subsidiary, Black Construction) and the following three companies acquired by the Company in 2011: Frontier-Kemper, Lunda Construction, and Becho. Frontier-Kemper is a heavy civil contractor engaged in the construction of tunnels for highways, railroads, subways and rapid transit systems; the construction of shafts and other facilities for water supply, wastewater transport and hydroelectric projects; and the development and equipping of mines with innovative hoisting, elevator and vertical conveyance systems. Lunda Construction is a heavy civil contractor engaged in the construction, rehabilitation and maintenance of bridges, railroads and other civil structures throughout the United States. Becho is engaged in drilling, foundation and excavation support for shoring, bridges, piers, roads and highway projects, primarily in the southwestern United States. We believe that the Company has benefitted through these acquisitions by an expanded geographic presence, enhanced civil construction capabilities and the addition of experienced management with proven, successful track records.

Our Civil segment’s customers primarily award contracts through one of two methods: the traditional public “competitive bid” method, in which price is the major determining factor, or through a request for proposals where contracts are awarded based on a combination of technical capability and price.

Traditionally, our Civil segment’s customers require each contractor to pre-qualify for construction business by meeting criteria that include technical capabilities and financial strength. Our financial strength and outstanding record of performance on challenging civil works projects often enable us to pre-qualify for projects in situations where smaller, less diversified contractors are unable to meet the qualification requirements. We believe this is a competitive advantage that makes us an attractive partner on the largest, most complex infrastructure projects and prestigious design-build, or DBOM (design-build-operate-maintain) contracts, which combine the nation’s top contractors with engineering firms, equipment manufacturers and project development consultants in a competitive bid selection process to execute highly sophisticated projects.

In its 2016 rankings, ENR ranked us as the nation’s fourth largest domestic heavy contractor, fourth largest contractor in the transportation market and tenth largest contractor overall.

We believe the Civil segment provides significant opportunities for growth due to the age and condition of existing infrastructure coupled with large government funding sources aimed at the replacement and reconstruction of aging U.S. infrastructure and popular, often bipartisan, support from the public and elected officials for infrastructure improvement programs. Funding for major civil infrastructure projects is typically provided through a combination of one or more of the following: local, regional, state and federal loans; grants; other direct allocations sourced through tax revenue; bonds; and user fees.

We have been active in civil construction since 1894 and believe we have a particular expertise in large, complex civil construction projects. We have completed or are currently working on some of the most significant civil construction projects in the United States. For example, we are currently working on various segments of the East Side Access project in New York City; the first phase of the California High-Speed Rail project; the Alaskan Way Viaduct Replacement (SR-99 bored tunnel) project in Seattle, Washington; the Third Street Light Rail-Central Subway project in San Francisco, California; the platform over the eastern rail yard and the Amtrak Tunnel at Hudson Yards in New York City; and the rehabilitation of the Verrazano-Narrows Bridge in New York. We have also performed runway widening and reconstruction projects at the John F. Kennedy International Airport in Queens, New York, and completed the New Irvington Tunnel in Fremont, California, the Caldecott Tunnel Fourth Bore project near Oakland, California, and express toll lanes along I-95 in Maryland. In January of 2017, a joint-venture team we are leading was awarded a $1.4 billion contract for the Purple Line Segment 2 expansion project in Los Angeles, California.

Building Segment

Our Building segment has significant experience providing services to a number of specialized building markets for private and public works customers, including the hospitality and gaming, transportation, health care, corporate and municipal offices, sports and entertainment, education, correctional facilities, biotech, pharmaceutical, industrial and high-tech markets. We believe the success of the Building segment results from our proven ability to manage and perform large, complex projects with aggressive fast-track schedules; elaborate designs; and advanced mechanical, electrical and life safety systems, while providing accurate budgeting and strict quality control. Although price is a key competitive factor, we believe our strong reputation, long-standing customer relationships and significant level of repeat and referral business have enabled us to achieve our leading position.

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The Building segment is comprised of several operating units that provide general contracting, design-build, preconstruction and construction services in various regions of the United States. Tutor Perini Building Corp. focuses on large, complex building projects nationwide, including significant projects in the hospitality and gaming, commercial office, education, government facilities, and multi-unit residential markets. Rudolph and Sletten focuses on large, complex projects in California in the commercial office, technology, industrial, education, and government facilities markets. Roy Anderson Corp. provides its services, including disaster rapid response services, to public and private customers primarily throughout the southeastern United States. Perini Management Services provides diversified construction and design-build services to U.S. military and government agencies, as well as to surety companies and multi-national corporations in the United States and locations overseas. We believe that our national resources and strong résumé of notable projects will enable future growth on large, complex building projects.

In its 2016 rankings, ENR ranked us as the sixth largest domestic building contractor. We are a recognized leader in the hospitality and gaming market, specializing in the construction of high-end resorts and casinos. We work with hotel operators, Native American tribal councils, developers and architectural firms to provide diversified construction services to meet the challenges of new construction and renovation of hotel and resort properties. We believe that our reputation for completing projects on time is a significant competitive advantage in this market, as any delay in project completion could result in significant loss of revenue for the customer.

We have recently completed, or are currently working on, large private and public building projects across a wide array of building end markets, including commercial offices, multi-unit residential, health care, hospitality and gaming, transportation, education, and entertainment. Specific projects include a large technology research and development office building in northern California for a confidential technology customer; the Panorama Tower in Miami, Florida; Tower C and Tower D at Hudson Yards in New York City; the Washington Hospital expansion in Fremont, California; the Graton Rancheria Resort and Casino in Rohnert Park, California; the Chumash Casino Resort expansion in Santa Ynez, California; the Scarlet Pearl Casino Resort in D’Iberville, Mississippi; the Broadway Plaza retail development in Walnut Creek, California; Kaiser Hospital Buildings in San Leandro and Redwood City, California; and courthouses in San Bernardino and San Diego, California and Broward County, Florida. As a result of our reputation and track record, we were previously awarded and completed contracts for several marquee projects in the hospitality and gaming market, including the Resorts World New York Casino in Jamaica, New York, and CityCenter, the Cosmopolitan Resort and Casino, the Wynn Encore Hotel and Planet Hollywood, all in Las Vegas, Nevada. These projects span a wide array of building end markets and illustrate our Building segment’s résumé of successfully completed large-scale public and private projects.

Specialty Contractors Segment

Our Specialty Contractors segment specializes in electrical, mechanical, plumbing, HVAC, fire protection systems and pneumatically placed concrete for a full range of civil and building construction projects in the industrial, commercial, hospitality and gaming, and mass-transit end markets. This segment provides the Company with unique strengths and capabilities that position us as a full-service contractor with greater control over scheduled work, project delivery and risk management.

The Specialty Contractors segment is comprised of several operating units that provide unique services in various regions of the United States. Five Star Electric is the largest electrical contractor in New York City, providing construction services in the electrical sector, including power, lighting, fire alarm, security, telecommunications, low voltage and wireless systems. Five Star Electric has established itself as an industry leader performing work in both the public and private sectors, including high-end residential, hotel and commercial towers, transportation, water treatment plants, schools and universities, health care, retail, sports and government facilities. Fisk Electric covers many of the major commercial, transportation and industrial electrical construction markets in the southwestern and southeastern United States, with the ability to cover other attractive markets nationwide. Fisk's expertise is in technology design and the development of electrical and technology systems for major projects spanning a broad variety of project types, including commercial office buildings, sports arenas, hospitals, research laboratories, hotels and casinos, convention centers, manufacturing plants, refineries and water and wastewater treatment facilities. WDF, Nagelbush and Desert Mechanical each provide mechanical, plumbing, HVAC and fire protection services to a range of customers in a wide variety of markets, including transportation, commercial/industrial, schools and universities and residential. WDF is one of the largest mechanical contractors servicing the New York City metropolitan region, Nagelbush operates primarily in Florida, and Desert Mechanical operates primarily in the western United States. Superior Gunite specializes in pneumatically placed structural concrete utilized in infrastructure projects nationwide, such as bridges, dams, tunnels and retaining walls.

In its 2016 rankings, ENR ranked us as the fifth largest electrical contractor1, eleventh largest mechanical contractor and tenth largest specialty contractor1 in the United States. Through Five Star Electric and WDF, collectively, we are also the largest specialty contractor in the New York City metropolitan area.

1 This ranking represents the collective revenue of the Company's specialty contracting subsidiaries as reported to ENR.

We have recently completed, or are currently working on, various electrical and mechanical projects at the World Trade Center and at Hudson Yards in New York City, two signal system modernization projects in New York City and electrical work for the new hospital at the University of Texas Southwestern Medical Center in Dallas, Texas. This segment has supported, or is currently supporting, several large projects in our Building and Civil segments, including the Alaskan Way Viaduct Replacement (SR-99 bored tunnel) project in Seattle, Washington; the McCarran International Airport Terminal 3 in Las Vegas, Nevada; the Resorts World New York Casino in Jamaica, New York; various segments of the Greenwich Street Corridor and East Side Access projects in New York City; the Caldecott Tunnel Fourth Bore project near Oakland, California; the New Irvington Tunnel in Fremont, California; and several marquee projects in the hospitality and gaming market, including CityCenter, the Cosmopolitan Resort and Casino and Planet Hollywood, all in Las Vegas, Nevada.

The majority of work performed by our Specialty Contractors units is contracted directly with state and local municipal agencies, real estate developers, general contractors, commercial and industrial customers and school districts; additionally, a smaller, but growing, component of its work is performed as a subcontractor to the our Building and Civil segments.

Markets and Customers

We provide diversified construction services to a variety of end markets and customers. The following tables set forth certain reportable segment information relating to the Company’s operations for the years ended December 31, 2016, 2015 and 2014.

Revenue by Business Segment	Year Ended December 31,		
(in thousands)	2016	2015	2014
Civil	$ 1,668,963	$ 1,889,907	$ 1,687,144
Building	2,069,841	1,802,535	1,503,837
Specialty Contractors	1,234,272	1,228,030	1,301,328

Total	$ 4,973,076	$ 4,920,472	$ 4,492,309

Civil Segment Revenue by End Market	Year Ended December 31,		
(in thousands)	2016	2015	2014
Mass Transit	$ 547,913	$ 450,436	$ 534,110
Bridges	533,762	662,553	535,733
Highways	290,745	388,963	156,443
Other	296,543	387,955	460,858
Total	$ 1,668,963	$ 1,889,907	$ 1,687,144

Building Segment Revenue by End Market	Year Ended December 31,		
(in thousands)	2016	2015	2014
Office	$ 441,591	$ 226,928	$ 2,722
Industrial and Commercial	271,480	266,921	90,194
Municipal and Government	262,022	335,762	300,274
Health Care Facilities	235,005	164,963	127,963
Hospitality and Gaming	216,224	250,757	101,819
Condominiums	193,755	125,949	115,251
Mixed Use	163,454	112,737	159,083
Education Facilities	157,808	186,944	337,062
Other	128,502	131,574	269,469
Total	$ 2,069,841	$ 1,802,535	$ 1,503,837

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Specialty Contractors Segment Revenue by End Market	Year Ended December 31,		
(in thousands)	2016	2015	2014
Condominiums	$ 239,937	$ 266,648	$ 105,670
Mass Transit	204,398	107,120	217,318
Industrial and Commercial	186,769	164,480	276,008
Transportation	164,468	149,971	61,288
Mixed Use	159,286	96,072	36,008
Education Facilities	80,476	195,647	230,645
Health Care Facilities	60,233	40,228	30,591
Wastewater Treatment	58,479	73,094	69,000
Other	80,226	134,770	274,800
Total	$ 1,234,272	$ 1,228,030	$ 1,301,328

Revenue by Customer Type	Year Ended December 31,		
	2016	2015	2014
State and Local Agencies	49 %	55 %	56 %
Private Owners	45 %	40 %	40 %
Federal Agencies	6 %	5 %	4 %
Total	100 %	100 %	100 %

State and Local Agencies. Our state and local government customers include state transportation departments, metropolitan authorities, cities, municipal agencies, school districts and public universities. We provide services to our state and local customers primarily pursuant to contracts awarded through competitive bidding processes. Our building construction services for state and local government customers have included judicial and correctional facilities, schools and dormitories, health care facilities, convention centers, parking structures and other municipal buildings. The vast majority of our civil contracting and building construction services are provided in locations throughout the United States and its territories.

Private Owners. Our private customers include real estate developers, health care companies, technology companies, hospitality and gaming resort owners, Native American sovereign nations, public corporations and private universities. We provide services to our private customers through negotiated contract arrangements, as well as through competitive bids.

Federal Agencies. Our federal government customers include the U.S. State Department, the U.S. Navy, the U.S. Army Corps of Engineers, the U.S. Air Force and the National Park Service. We provide services to federal agencies primarily pursuant to contracts for specific or multi-year assignments that involve new construction or infrastructure repairs or improvements. A portion of our revenue from federal agencies is derived from projects in overseas locations, which we expect to continue for the foreseeable future as a result of our experience and strong relationships with federal agencies, together with anticipated expenditures for defense, diplomatic and security-related construction work.

Most federal, state and local government contracts contain provisions that permit the termination of contracts, in whole or in part, for the convenience of the government, among other reasons.

For additional information on revenue and total assets by geographic location, see Note 10 of the Notes to Consolidated Financial Statements.

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Backlog

Backlog in our industry is a measure of the total value of work that is remaining to be performed on contracts awarded. We include a construction project in our backlog when a contract is awarded or a letter of commitment is obtained and we believe adequate funding is in place. As a result, we believe our backlog is firm, and although cancellations or scope adjustments may occur, historically they have not been material. Our backlog by segment, end market and customer type is presented in the following tables:

Backlog by Business Segment	As of December 31,							
(in thousands)	2016				2015			
Civil	$	2,672,126	43	%	$	2,743,708	37	%
Building		1,981,193	32	%		2,780,440	37	%
Specialty Contractors		1,573,818	25	%		1,940,981	26	%
Total	$	6,227,137	100	%	$	7,465,129	100	%

We estimate that approximately $3.4 billion, or 54%, of our backlog as of December 31, 2016 will be recognized as revenue in 2017.

Civil Segment Backlog by End Market	As of December 31,							
(in thousands)	2016				2015			
Mass Transit	$	1,853,117	69	%	$	1,455,194	53	%
Highways		379,630	14	%		505,998	18	%
Bridges		297,810	11	%		497,702	18	%
Other		141,569	6	%		284,814	11	%

Total	$ 2,672,126	100 %	$ 2,743,708	100 %

Building Segment Backlog by End Market	As of December 31,			
(in thousands)	2016		2015	
Hospitality and Gaming	$ 517,017	26 %	$ 67,530	2 %
Office	342,034	17 %	722,582	26 %
Mixed Use	249,088	13 %	340,086	12 %
Municipal and Government	206,164	10 %	337,273	12 %
Health Care Facilities	192,280	10 %	333,759	12 %
Condominiums	169,366	9 %	352,251	13 %
Education Facilities	168,634	9 %	233,414	8 %
Industrial and Commercial	74,787	4 %	250,511	9 %
Other	61,823	2 %	143,034	6 %
Total	$ 1,981,193	100 %	$ 2,780,440	100 %

Specialty Contractors Segment Backlog by End Market	As of December 31,			
(in thousands)	2016		2015	
Mass Transit	$ 612,688	39 %	$ 596,455	31 %
Mixed Use	239,763	15 %	262,941	14 %
Condominiums	153,354	10 %	272,061	14 %
Industrial and Commercial	130,028	8 %	180,957	9 %
Transportation	105,990	7 %	228,536	12 %
Health Care Facilities	101,494	6 %	47,862	2 %
Education Facilities	83,897	5 %	93,752	5 %
Other	146,604	10 %	258,417	13 %
Total	$ 1,573,818	100 %	$ 1,940,981	100 %

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Backlog by Customer Type	As of December 31,	
	2016	2015
State and Local Agencies	57 %	55 %
Private Owners	36 %	38 %
Federal Agencies	7 %	7 %
Total	100 %	100 %

Types of Contracts

The contracting and management services we provide consist of planning and scheduling the manpower, equipment, materials and subcontractors required for the timely completion of a project in accordance with the terms, plans and specifications contained in a construction contract. We provide these services by entering into traditional contracting arrangements as follows:

- Fixed price or lump-sum contracts are most commonly used for projects in the Civil and Specialty Contractors segments and generally commit the Company to provide all of the resources required to complete a project for a fixed sum. Usually, fixed price contracts transfer more risk to the Company, but offer the opportunity for greater profits.
- Guaranteed maximum price ("GMP") contracts provide for a cost plus fee arrangement up to a maximum agreed upon price. These contracts place risks on the Company for amounts in excess of the GMP, but may permit an opportunity for greater profits than under cost plus fee contracts through sharing agreements with the owner on any cost savings that may be realized. Services provided by our Building segment to various private customers are often performed under GMP contracts.
- Unit price contracts are most prevalent for projects in the Civil and Specialty Contractors segments and generally commit the Company to provide an undetermined number of units or components that comprise a project at a fixed price per unit. This approach shifts the risk of estimating the quantity of units required to the project owner, but the risk of increased cost per unit is borne by the Company, unless otherwise allowed for in the contract.
- Cost plus fee contracts are used for many projects in the Building and Specialty Contractors segments. Cost plus fee contracts include cost plus fixed fee contracts and cost plus award fee contracts. Cost plus fixed fee contracts provide for reimbursement of approved project costs plus a fixed fee. Cost plus award fee contracts provide for reimbursement of the project costs plus a base fee, as well as an incentive fee based on cost and/or schedule performance. Cost plus fee contracts serve to minimize the Company's financial risk, but may also limit profits.

Fixed price contracts account for a substantial portion of our revenue and are expected to continue to represent a sizeable percentage of both total revenue and backlog. The composition of revenue and backlog by type of contract for 2016, 2015 and 2014 is as follows:

	Year Ended December 31,		
Revenue	2016	2015	2014
Fixed price	47 %	44 %	60 %
Guaranteed maximum price	28 %	32 %	24 %
Unit price	11 %	12 %	7 %
Cost plus fee and other	14 %	12 %	9 %
	100 %	100 %	100 %

	As of December 31,	
Backlog	2016	2015
Fixed price	63 %	55 %
Guaranteed maximum price	21 %	22 %
Unit price	6 %	7 %
Cost plus fee and other	10 %	16 %
	100 %	100 %

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Competition

The markets in which we compete include numerous competitors. In the small to mid-sized work that we have targeted, we have continued to experience strong pricing competition from our competitors. Much of the work that we target, however, is for larger, more complex projects where there are fewer active market participants because of the enhanced capabilities and resources required to perform the work. As a result, on these larger projects we typically face fewer competitors. Despite this, over the past two years we have seen increased competition especially from foreign competitors that have been pursuing major projects in the United States due to the relatively larger size and significant number of U.S. opportunities. We anticipate that the increased level of foreign competition will persist for the foreseeable future.

In our Civil segment, we compete principally with large civil construction firms, including (alphabetically) Dragados USA; Fluor Corporation; Granite Construction; Kiewit Corporation; Skanska USA; Traylor Bros., Inc.; and The Walsh Group. In our Building segment, we compete with a variety of national and regional contractors. Our primary competitors are (alphabetically) AECOM (through its acquisitions of Tishman Construction and Hunt Construction Group); Balfour Beatty Construction; Clark Construction Group; DPR Construction; Gilbane, Inc.; Hensel Phelps Construction Co.; McCarthy Building Companies, Inc.; Skanska USA; Suffolk Construction; and Turner Construction Company. In our Specialty Contractors segment, we compete principally with various regional and local electrical, mechanical and plumbing subcontractors. We believe price, experience, reputation, responsiveness, customer relationships, project completion track record, schedule control, risk management and quality of work are key factors customers consider when awarding contracts.

Construction Costs

If prices for materials, labor or equipment increase excessively, provisions in certain types of contracts often shift all or a major portion of any adverse impact to the customer. In our fixed price contracts, we attempt to insulate ourselves from the unfavorable effects of inflation, when possible, by incorporating escalating wage and price assumptions into our construction cost estimates, by obtaining firm fixed price quotes from major subcontractors and material suppliers, and by purchasing required materials early in the project schedule. Construction and other materials used in our construction activities are generally available locally from multiple sources and have been in adequate supply during recent years. Labor resources for our domestic projects are largely obtained through various labor unions with which we are associated. We have not experienced significant labor shortages in recent years, nor do we expect to in the future. We employ expatriate and local labor in selected overseas areas.

Environmental Matters

Our properties and operations are subject to federal, state and municipal laws and regulations relating to the protection of the environment, including requirements for water discharges; air emissions; the use, management and disposal of solid or hazardous materials or wastes; and the cleanup of contamination. In certain circumstances, we may also be required to hire subcontractors to dispose of hazardous materials encountered on a project in accordance with a plan approved in advance by the owner. We believe that we are in substantial compliance with all applicable environmental laws and regulations, and we continually evaluate whether we must take additional steps to ensure compliance with those laws and regulations. However, future requirements or amendments to current laws or regulations imposing more stringent requirements could require us to incur additional costs to maintain or achieve compliance.

In addition, some environmental laws, such as the U.S. federal “Superfund” law and similar state statutes, can impose liability for the entire cost of cleanup of contaminated sites upon any of the current or former owners or operators or upon parties who generated waste at, or sent waste to, these sites, regardless of who owned the site at the time of the release or the lawfulness of the original disposal activity. Contaminants have been detected at some of the sites that we own and where we have worked as a contractor in the past, and we have incurred costs for the investigation and remediation of hazardous substances. We believe that our liabilities for these sites are not material, either individually or in the aggregate. We have pollution liability insurance coverage for such matters, and we receive indemnification from customers to cover the risks associated with environmental remediation.

Insurance and Bonding

All of our properties and equipment, as well as those of our joint ventures, are covered by insurance in amounts that we believe are consistent with our risk of loss and industry practice. Our wholly owned subsidiary, PCR Insurance Company, issues deductible reimbursement policies for subcontractor default insurance, auto liability, general liability and workers’ compensation insurance, allowing us to centralize our claims and risk management functions to reduce our insurance-related costs.

As a normal part of the construction business, we are often required to provide various types of surety bonds as an additional level of security of our performance. We also require many of our higher-risk subcontractors to provide surety bonds as security for payment of subcontractors and suppliers and to guarantee their performance. As an alternative to traditional surety bonds, we also have purchased subcontractor default insurance for certain construction projects to insure against the risk of subcontractor default.

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Employees

The number of our employees varies based on the number of active projects, the type and magnitude of those projects, as well as our position within the lifecycle of those projects. Our total number of employees as of December 31, 2016 was 11,603.

We are signatory to numerous local and regional collective bargaining agreements, both directly and through trade associations, as a union contractor. These agreements cover all necessary union crafts and are subject to various renewal dates. Estimated amounts for wage escalation related to the expiration of union contracts are included in our bids on various projects; accordingly, the expiration of any union contract in the next year is not expected to have any material impact on us. During the past several years, we have not experienced any significant work stoppages caused by our union employees.

Financial information about geographic areas is discussed in Note 10 to the Consolidated Financial Statements under the heading “Geographic Information.”

Available Information

Our website address is www.tutorperini.com. In the ‘‘Investor Relations’’ portion of our website, under “Financial Reports,” subsection “SEC Filings,” you may obtain free electronic copies of our annual reports on Form 10-K, quarterly reports on Form 10 Q, current reports on Form 8-K and all amendments to those reports, as well as reports under Section 16 of the Exchange Act of transactions in our stock by our directors and executive officers. These reports are made available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission (“SEC”). These reports, and any amendments to them, are also available at the Internet website of the SEC, www.sec.gov. The public may also read and copy any materials we file with the SEC at the SEC’s Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. In order to obtain information about the operation of the Public Reference Room, you may call 1-800-732-0330. We also maintain various documents, including our Code of Business Conduct and Ethics, Corporate Governance Guidelines and the charters of the Committees of our Board of Directors in the “Corporate Governance” portion of our website.

ITEM 1A. RISK FACTORS

We are subject to a number of known and unknown risks and uncertainties that could have a material adverse effect on our operations. Set forth below, and elsewhere in this report, are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report and could have a material adverse effect on our financial condition, results of operations and cash flows.

A significant slowdown or decline in economic conditions could adversely affect our operations.

Any significant decline in economic conditions in any of the markets we serve or uncertainty regarding the economic outlook, could result in a decline in demand for infrastructure projects and commercial building developments. In addition, any instability in the financial and credit markets could negatively impact our customers' ability to pay us on a timely basis, or at all, for work on projects already under construction, could cause our customers to delay or cancel construction projects in our backlog or could create difficulties for customers to obtain adequate financing to fund new construction projects. Such consequences could have an adverse impact on our future operating results. Lastly, we are more susceptible to adverse economic conditions in New York and California, as a significant portion of our operations are concentrated in those states.

If we are unable to accurately estimate the overall risks, revenue or costs on a contract, we may achieve a lower than anticipated profit or incur a loss on that contract.

Accounting for contract related revenue and costs requires management to make significant estimates and assumptions that may change significantly throughout the project lifecycle, resulting in a material impact to our consolidated financial statements. In addition, cost overruns on fixed price and GMP contracts may result in lower profits or losses.

Our contracts require us to perform extra, or change order, work, which can result in disputes or claims and adversely affect our working capital, profits and cash flows.

Our contracts generally require us to perform extra, or change order, work as directed by the customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes or claims over whether the work performed is beyond the scope of work directed by the customer and/or exceeds the price the customer is willing to pay for the work performed. To the extent we do not recover our costs for this work or there are delays in the recovery of these costs, our cash flows and working capital could be adversely impacted.

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We are subject to significant legal proceedings which, if determined adversely to us, could harm our reputation, preclude us from bidding on future projects and/or have a material effect on us. We also may invest significant working capital on projects while legal proceedings are being settled.

We are involved in various lawsuits, including the legal proceedings described under Note 7 of the Notes to Consolidated Financial Statements. Litigation is inherently uncertain, and it is not possible to accurately predict what the final outcome will be of any legal proceeding. We must make certain assumptions and rely on estimates, which are inherently subject to risks and uncertainties, regarding potential outcomes of legal proceedings in order to determine an appropriate contingent liability and charge to income. Any result that is materially different than our estimates could have a material adverse effect on our financial condition, results of operations and cash flows. In addition, any adverse judgments could harm our reputation and preclude us from bidding on future projects.

We occasionally bring claims against project owners for additional cost exceeding the contract price or for amounts not included in the original contract price. When these types of events occur and unresolved claims are pending, we may invest significant working capital in projects to cover cost overruns pending the resolution of the relevant claims. A failure to promptly recover on these types of claims could have a material effect on our liquidity and financial results.

Competition for new project awards is intense, and our failure to compete effectively could reduce our market share and profits.

New project awards are determined through either a competitive bid basis or on a negotiated basis. Projects are generally awarded based upon price but often take into account other factors, such as technical approach and qualifications, duration of project execution and past performance on similar projects completed. Within our industry, we compete with many international, regional and local construction firms. Some of these competitors have achieved greater market penetration than we have in the markets in which we compete, and some have greater resources than we do. If we are unable to compete successfully in such markets, our relative market share and profits could be reduced.

We may not fully realize the revenue value reported in our backlog due to cancellations or reductions in scope.

As of December 31, 2016, our backlog of uncompleted construction work was approximately $6.2 billion. The revenue projected in our backlog may not be realized or, if realized, may not result in profits. For example, the cancellation or reduction in scope of any project in our backlog could have a material adverse effect on our financial condition, results of operations and cash flows.

We have a substantial amount of indebtedness which could adversely affect our financial position and prevent us from fulfilling our obligations under our debt agreements.

We currently have, and expect to continue to have, a substantial amount of indebtedness. As of December 31, 2016, we had total debt of $759.5 million. If we are unable to meet the terms of the financial covenants or fail to comply with any of the other restrictions contained in the agreements governing our indebtedness, an event of default could occur, causing the debt related to such agreement to become immediately due. If such acceleration occurs, we may not be able to repay such indebtedness as required. Since indebtedness under our Credit Agreement is secured by substantially all of our assets, acceleration of this debt could result in foreclosure of those assets and a negative impact on our operations. In addition, a failure to meet the terms of our Credit Agreement could result in a reduction of future borrowing capacity under the Credit Agreement, causing a loss of liquidity. A loss of liquidity could adversely impact our ability to execute projects in our backlog, obtain new projects, engage subcontractors, and attract and retain key employees.

Our actual results could differ from the assumptions and estimates used to prepare our financial statements.

In preparing our financial statements, we are required under accounting principles generally accepted in the United States (“GAAP”) to make estimates and assumptions as of the date of the financial statements. These estimates and assumptions affect the reported values of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities. Areas requiring significant estimates by our management include, but are not limited to:

- recognition of contract revenue, costs, profits or losses in applying the principles of percentage-of-completion accounting;
- recognition of revenue related to project incentives or awards we expect to receive;
- recognition of recoveries under contract change orders or claims;
- estimated amounts for expected project losses, warranty costs, contract close-out or other costs;
- collectability of billed and unbilled accounts receivable;
- asset valuations;
- income tax provisions and related valuation allowances;

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• determination of expense and potential liabilities under pension and other post-retirement benefit programs; and

• accruals for other estimated liabilities, including litigation and insurance revenue/reserves.

Our actual business and financial results could differ from our estimates of such results, which could have a material negative impact on our financial condition and reported results of operations.

The level of federal, state and local government spending for infrastructure and other public projects could adversely affect the number of projects available to us in the future.

The civil construction and public-works building markets are dependent on the amount of work funded by various government agencies, which depends on many factors, including the condition of the existing infrastructure and buildings; the need for new or expanded infrastructure and buildings; and federal, state and local government spending levels. As a result, our future operating results could be negatively impacted by any decrease in demand for public projects or decrease or delay in government funding, which could result from a variety of factors, including delays in the sale of voter-approved bonds, budget shortfalls, credit rating downgrades or long-term impairment in the ability of state and local governments to raise capital in the municipal bond market.

The construction services industry is highly schedule driven, and our failure to meet the schedule requirements of our contracts could adversely affect our reputation and/or expose us to financial liability.

Many of our contracts are subject to specific completion schedule requirements. Any failure to meet contractual schedule requirements could subject us to liquidated damages, liability for our customer’s actual cost arising out of our delay and damage to our reputation.

We require substantial personnel, including construction and project managers and specialty subcontractor resources to execute and perform our contracts in backlog. The successful execution of our business strategies is also dependent upon our ability to attract, retain and implement succession plans for key officers.

Our ability to execute and perform on our contracts in backlog depends in large part upon our ability to hire and retain highly skilled personnel, including project and construction management and trade labor resources, such as carpenters, masons and other skilled workers. In the event we are unable to attract, hire and retain the requisite personnel and subcontractors necessary to execute and perform our backlog, we may experience delays in completing projects in accordance with project schedules or an increase in expected costs, both of which could have a material adverse effect on our financial results, our reputation and our relationships. In addition, if we lack the personnel and specialty subcontractors necessary to perform on our current contract backlog, we may find it necessary to curtail our pursuit of new projects.

The execution of our business strategies also substantially depends on our ability to retain several key members of our management. Losing any of these individuals could adversely affect our business. The majority of these key officers are not bound by employment agreements. Volatility or lack of positive performance in our stock price may adversely affect our ability to retain key staff to whom we have provided share-based compensation. Additionally, because a substantial portion of our key executives' compensation is placed "at risk" and linked to the performance of our business, when our operating results are negatively impacted, we are at greater risk of employee turnover. If we lose our existing key executives and are unable to execute a succession plan our operating results would likely be harmed.

Systems and information technology interruption and breaches in data security could adversely impact our ability to operate and negatively impact our operating results.

We are reliant on computer and other information technology that could be interrupted or damaged by a variety of factors including, but not limited to, cyber-attacks, natural disasters, power loss, telecommunications failures, acts of war, computer viruses and physical damage. The resulting consequences could include a loss of critical data, a delay in operations or an unintentional disclosure of confidential information, any of which could have a material impact to our Company and its consolidated financial statements.