



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Denny L. Nester, City Auditor
MBA CPA CIA CFE CGFM CGAP

20-09 Pikes Peak Summit Complex Construction

March 2020

Purpose

The purpose of this audit was to monitor and evaluate costs and project management associated with the construction of the Pikes Peak Summit Complex. The report is based on audit work conducted in 2019 and costs data as of December 31, 2019. Auditing will continue, with annual reporting, through construction completion.

Highlights

Replacement of the existing Summit House with a new Summit Complex is a capital project of the City's enterprise—Pikes Peak - America's Mountain (PPAM). PPAM operates the toll road and facilities on Pikes Peak under an agreement with the United States Forest Service (USFS). We conclude construction on the Pikes Peak Summit Complex has been delayed due to weather and construction complications. However, project management efforts have been effective in keeping the project moving forward in spite of complications. Cost estimates have increased since project inception as the design was finalized. The expected total completion price of the project as of December 2019 was \$71.6 million. This price includes design, construction, fundraising contractor, and other direct expenses based on known contracts, change orders, and negotiated modifications to date. There were no reportable issues identified. See page 2 for identified commendable practices.

As of December 31, 2019, construction was 46% complete and the project had spent \$30.6 million. The project team was working toward a grand opening in May, 2021.

Funding of the Pikes Peak Summit Complex has come from a combination of enterprise funds, revenue bonds, Lodgers and Auto Rental Tax (LART), and charitable contributions.

Donations to the construction of the Summit Complex were considered tax deductible charitable contributions per IRC Section 170 because they are being designated as gifts for a public purpose. Efforts were continuing to raise a total of \$15 million through donations.

The Pikes Peak Summit Complex will replace the existing structure built in 1964. The entire summit above 14,000 feet was designated as a National Historical Landmark in 1966, and it is located within the jurisdiction of the US Forest Service. Special permitting was required due to these designations, which caused delays in the expected start date of the project. The new building

Costs through 12/31/2019	
Design Costs	\$ 3,912,235
Construction Costs	\$ 23,568,411
Fundraising Costs	\$ 644,144
Other Costs	\$ 2,444,774
Total	\$ 30,569,564

Funding Sources through 12/31/2019	
Pikes Peak Highway Enterprise *	\$ 22,200,000
Revenue Bonds	\$ 30,000,000
Lodgers & Auto Rental Tax	\$ 1,000,000
Congressional Earmark (1997) with interest	\$ 1,052,697
Total	\$ 54,252,697
* includes donations of \$6,014,588	

(Continued on page 2)

20-09 PIKES PEAK SUMMIT COMPLEX CONSTRUCTION

will be a first-of-its-kind design to meet the extreme temperatures and wind found at 14,115 feet. In addition to overcoming challenging building conditions, the new Summit Complex is being built to fulfill green building designations of LEED (Leadership in Energy and Environmental Design) and LBC (Living Building Challenge) requirements, which raises building standards and creates less harm to the environment.

Commendable Practices

While the project has experienced challenges and delays, the team has worked to ensure schedule and cost impacts were minimized, while maintaining high levels of safety and quality. Auditors noted specific commendable practices concerning the coordination and team dynamics within the project team. Various innovative methods to ensure quality while minimizing impacts to workers, the public, and the environment included:

- Constructability mock ups at a lower elevation to ensure all components and trades would function as designed
- Extreme logistics and trucking challenges in delivering materials and equipment to the summit with limited road closures and a perfect safety record
- Quality control points within the City prior to installation at the summit to limit deliveries of sub-par materials
- Efficient scheduling and successful placement of steel and pre cast concrete within very limited work areas
- Recognition of schedule delays due to unplanned weather events and alternative winter work strategies to reduce overall schedule impact
- Prefabrication of assemblies such as rebar in the City followed by installation at the summit

We would like to thank the staff of Pikes Peak - America's Mountain and the project team for assisting us with this audit.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.