STATE BOARD FOR COMMUNITY COLLEGES AND OCCUPATIONAL EDUCATION April 9, 2025

TOPIC: Community College of Denver (CCD) Spending Authority Request for Boulder Creek Additional Project

PRESENTED BY:

Marielena DeSanctis, President - CCD, Alberto Teixeira, Vice President/CFO - CCD

RELATIONSHIP TO THE "TRANSFORMING FUTURES" STRATEGIC PLAN:

- Economic Mobility
- Education for All

EXPLANATION:

The Community College of Denver is requesting additional spending authority from the Board to support the construction of the Boulder Creek Health Sciences Education Center, a critical project for our institution. Currently, the Boulder Creek Health Sciences Education Center has a Board and General Assembly approved budget of \$38,685,255 – consisting of \$34,307,726 of State Capital Construction (CCF) and State and Local Fiscal Recovery Funds (SLRF) – as well as \$4,377,529 of college cash funding (CF). However, due to increased construction costs, expanded scope of equipment, and necessary contingencies for tariff impacts for base construction materials and components for technology, CCD requests Board approval to increase college cash funding commitments by \$7.5 million dollars. This increase would bring the total project budget to \$46,185,255 and increase CCD's cash funding commitments from \$4,377,529 to \$11,877,529. CCD currently maintains \$28.302 million of college reserves. This request for additional spending authority, if approved, would increase the total reserve commitments to 42% of current reserves.

Project Background and Planning

The Boulder Creek Health Sciences Education Center was envisioned in 2017 with preliminary program planning occurring in 2018. Since its inception, both the program plan and scope of the project have been impacted by changes in cost of construction and materials as well as shifts in program needs that have evolved in the past several years to place an emphasis on simulation technology to reduce dependence on clinical placements in hospitals and the utilization of industry standard equipment to support student attainment and success. By FY24, CCD and its architect, Clark and Enerson (C&E), had moved into final Design Development (DD) of the project. By mid-2024 cost estimates for the project reached nearly \$52 million dollars. Escalating costs and negative potential impacts on program plan completion spurred significant value engineering (VE) efforts by CCD, C&E, and our awarded contractor Howell Construction. From mid 2024 through to February of 2025 – CCD, C&E, and Howell implemented nearly \$5.8 million dollars of VE. The \$46,185,255 value engineered budget currently being requested would represent a ~19% increase in costs from the project's inception in 2018 to the present.

Justifications for Additional Funding

1. Increased Construction Costs

Since 2018, the construction industry has experienced significant cost escalations. Factors such as labor variations, supply chain instability and realignment, and inflation have contributed to higher prices for materials and labor. The special indices of the Federal Reserve Economic Data (FRED) database measuring Producer Price Index (PPI) by commodity were used in assessing cost increase patterns. FRED data is recognized by industry and financial markets as the gold-standard of measuring timebased trends for producer and supply costs. The special PPI indices for construction materials shows that baseline PPI in 2018 was 238.3. The current PPI for construction materials is 329 – or a ~37% increase in baseline PPI.

Examples of PPI construction costs subcomponents (2018 to present):

- Material Costs: The prices of essential construction materials such as lumber (PPI 2018 211 to PPI 2025 268 or ~27% increase), concrete (PPI 2018 170 to PPI 2025 251 or ~47% increase), and steel (PPI 2018 116 to PPI 2025 175 or ~51% increase) have surged due to supply chain interruptions and increased demand. This has resulted in higher procurement costs than initially anticipated.
- Labor Costs: There has been a notable increase in labor costs driven by a shortage of skilled workers in the construction industry. This shortage has led to higher wages and extended project timelines, further escalating costs. FRED data for construction PPI shows an aggregate ~12% increase from project inception to the present (PPI 2018 7,396 to PPI 2025 8,310)
- Transportation Costs: The cost of transporting materials to the construction site has risen due to increased fuel prices and logistical challenges. This has added an additional financial burden to the project. PPI numbers show an aggregate ~34% increase in transportation costs (PPI 2018 232 to PPI 2025 312)

These increased costs have impacted our original budget estimates, necessitating additional funding to cover the shortfall and ensure that construction proceeds without delays. Final budget estimates associated with increased costs resulting from materials are net of VE efforts to reduce non-critical elements of scope while also accounting for increased costs for essential project scope elements. Estimated increased costs included as a part of our overall increase for funding request - \sim \$4,000,000

2. Expanded Scope and Cost of Equipment

As we have refined the plans for the Boulder Creek Health Sciences Education Center, it has become evident that the scope of project materials needed to be expanded to meet the evolving needs of our students and faculty. This includes incorporating state-of-the-art technology and equipment that were either not initially accounted for in 2018 planning efforts or have increased significantly in costs requiring additional funding to support baseline program equipment.

Examples of scope and equipment cost escalations:

• **Industry Standard Equipment:** To provide our students with the best possible education, we are incorporating advanced medical equipment such as high-fidelity patient simulators, diagnostic imaging machines, and laboratory instruments that are used in leading healthcare

facilities. These additions will ensure that our students are trained on the same equipment they will encounter in their professional careers. Estimated increased costs included as a part of our overall increase for funding request - \sim \$800,000

• Simulation Technologies: We are significantly enhancing our simulation capabilities to facilitate better learning experiences. This includes the integration of more hands-on simulations (patient simulators) virtual reality (VR) and augmented reality (AR) technologies to create immersive, interactive training environments. These technologies will allow students to practice complex procedures and scenarios in a safe, controlled setting, thereby improving their skills and confidence. Estimated increased costs included as a part of our overall increase for funding request - ~\$1,700,000

The enhanced scope will provide our students with cutting-edge resources and ensure that our programs remain competitive and aligned with industry standards for specialized accreditation in programs such as Nursing, Dental Hygiene, and Surgical Technician tracts - programs which contribute to the goal of economic mobility for our students by dramatically altering their earnings potential after 2 year programs at CCD; with our keystone programs (NUR, DEH, and STE) generating graduates that earn into six figures as new graduates.

3. Contingencies for Tariffs and Other Cost Escalators

Given uncertainties with supply chains alongside potential tariffs and other cost escalators over the next two years. CCD is planning to mitigate the risk of further financial strain on the project; in doing so we feel it prudent to allocate additional funds as a contingency for tariffs and cost escalations. This will allow us to absorb any unexpected increases in costs without compromising the quality or timeline of the project.

Examples of potential cost escalation being factored in contingency:

- Raw Material Cost Increases: Alongside cost increases resulting from tariffs on imported materials such as steel, secondary price increases are possible for domestic market sourcing of materials. As an example, when tariffs are imposed on steel, the price of imported steel rises leading to higher costs for raw materials. This also creates market volatility and disrupts supply chains, causing delays and shortages. Domestic producers may increase production, but this can come with higher labor and overhead costs. These secondary cost increases are unpredictable. With an 18-month construction schedule, and with the potential for both primary and secondary cost escalations for raw materials we feel it necessary to include raw materials contingencies in excess of minimal project contingencies required by state construction guidelines.
- **Subcomponent cost increases**: Increases in raw material costs directly impact the cost of finished products. When the prices of essential materials like steel or aluminum rise, manufacturers face higher production expenses. These increased costs are often passed on in the form of higher prices for finished goods. Additionally, fluctuations in raw material costs can lead to supply chain disruptions and inefficiencies, further driving up production costs and ultimately affecting the final price of products. As a part of our contingency planning, we expect finished product cost increases for complex goods and components such as electronic parts, sensors, and controllers.

Contingencies for cost escalation are expected to be mitigated through early purchase of goods and securing our construction schedule fully if the board approves our modified budget. However, we believe it prudent to increase contingencies for increased costs to appropriately plan for unforeseen cost escalations. Estimated increased costs included as a part of our overall increase for funding request - ~\$1,000,000 (2% of overall project costs).

Value Engineering Efforts

To ensure the efficient use of resources and minimize costs, we have undertaken extensive value engineering efforts. This process involved a thorough review of the project design and specifications to identify opportunities for cost savings without compromising the quality or functionality of the facility and meeting program plan requirements for instruction. Before pursuing a request for additional funds, the CCD Construction Management team assessed project components during the development of final Construction-Ready Drawings (CD). Some of the key value engineering measures implemented include:

- **Material Substitution**: We have identified alternative materials that offer similar performance and durability at a lower cost. This includes the use of locally sourced materials to reduce transportation expenses.
- **Design Optimization**: The project team has optimized the building design to enhance energy efficiency and reduce long-term operational costs. This includes the integration of sustainable building practices and energy-efficient systems.
- **Scope Adjustments**: Certain non-essential features have been deferred or modified to align with the budget constraints while still meeting the core objectives of the project.
- Negotiated transference of project costs: Alongside current construction in Boulder Creek, significant controlled maintenance (CM) work to support HVAC, Building Envelope improvements, and energy efficiency are underway on the Auraria campus. By incorporating generalized CM work and adjusting construction schedules for Boulder Creek significant cost decreases against the Boulder Creek construction project were realized as expenses were shifted to CM projects.

These value engineering efforts have resulted in significant cost savings. However, despite these measures, additional funding requested in the proposal are still necessary to address increased construction costs, expanded scope, and contingencies. *Attachment 1 – VE Executive Summary* highlights specific cost reductions associated with CCD's VE efforts. Alongside previous efforts at scope reduction – current VE efforts to date represent ~5.8 million in cost savings from DD to reach the current proposed budget of \$46,185,255.

Continued Value Engineering

We remain committed to ongoing value engineering efforts to further optimize costs and enhance the efficiency of the project. Our team will continue to explore innovative solutions and cost-effective alternatives to ensure the prudent use of resources while maintaining the highest standards of quality and functionality.

Additional Financial Considerations

1. Philanthropic Naming Rights

To support the completion of the Health Sciences Education Center, we are actively pursuing philanthropic naming right opportunities with external partners - including naming rights for various components of the facility (dental clinic, veterinary clinic, and simulation hospital). Engaging with potential donors and offering naming rights will not only provide additional funding but also foster a sense of community involvement and investment in the future of our institution and our Healthcare Education Center at Boulder Creek. To date, CCD has formed an exploratory committee to engage with organizations for potential naming rights. As potential partners are identified, CCD will seek board approval for naming rights in accordance with BP 16-50 and SP 16-50 - Naming of College Facilities and Programs.

2. Utilization of Permissible Grant Funds

CCD is also exploring the utilization of permissible grant funds to supplement the project's budget by funding permissible costs – principally equipment – through grant funding. By identifying and applying for relevant grants, we aim to secure additional financial support that aligns with the goals and objectives of the Health Sciences Education Center.

Both the potential naming rights and grant funds utilization are considered secondary to the current request for additional spending authority. If either naming rights monies or grant expenditures fail to materialize, the requested budget of \$46,185,255 shall be sufficient to meet our program objectives. In the event that financial considerations for naming rights are secured, or grant funding are secured to offset costs, the end result will be less college cash funds required for the completion of the project.

RECOMMENDATION:

Staff recommends the Board approve CCD's request for \$7.5M in additional cash fund (CF) spending authority – for a total of \$11,877,529 in total cash funding authority for the Boulder Creek Health Sciences Education Center and that the Board delegate the signature authority of the Board to the Vice Chancellor for Finance and Administration on the condition that all State and Board required processes are met.

ATTACHMENT(S):

- 1. Value Engineering Executive Summary
- 2. Project Cost Outlay with Funds Identified

Attachment 1: Value Engineering Executive Summary

Table	1: VE	Executive	Summary
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Table 1: VE Executive Summary					
CSI	Description	∆ DD Budget	Reason for Change		
31100	Concrete Foundations	\$(175.628.00)	Removed canopy foundations & Caissons for screenwall to alternates		
		+(
42000	Masonry	\$(188,491.00)	Moved renovation stone veneer scope to alternates		
51000	Church and Charol	¢(200,000,00)			
51200	Structural Steel	\$(396,898.00)	Perforated panel screen wall scope moved to alternates		
74200	Metal Wall Panels	\$(789,916.00)	Perforated Panel scope moved to alternates		
86200	Skylights	\$(225,765.00)	Removed from scope of work to an alternate		
88000	Glass and Glazing	\$(85,543.00)	Reduction and change in scope		
92116	Framing and	\$(210,308,00)	Removed from scope of work to an alternate		
52110	Diywatt	φ(210,500.00)			
95100	Ceiling Treatments	\$(310,505.00)	Reduction of scope		
96000	Flooring and Tile	\$(214,137.00)	Change in materials (LVT to VCT) and scope reduction		
96119	Polished Concrete	\$(102.754.00)	Reduction in scone		
30113		φ(102,754.00)			
99000	Painting	\$(77.859.00)	Reduction and removal of wall coverings		
	0				
101100	Visual Display Boards	\$(163,900.00)	Removed from GC scope into FFE		
102239	Operable Partitions	\$(83,560.00)	Reduction in scope		

230000	Plumbing, HVAC and Medical Gases	\$(1,447,267.00)	Combination of chiller moving to Project B scope, reduction in simulated gas distribution piping, dental equipment reduction, Area D office TI alternate, and subcontractor competitive pricing
004 400	Pavers - Brick or	¢(004.040.00)	
321400	Stone	\$(284,648.00)	Scope moved to alternates. Paver type vE was recognized
321600	Site Concrete	\$(300,511.00)	Site Concrete Features moved to alternates
000000		\$(000 705 00)	
323300	Site Furnishings	\$(263,725.00)	Removed from scope of work
	Total VE Estimates	\$(5,321,415.00)	

Attachment 2: Project Cost Outlay with Funds Identified

Table 1: Current Approved Budget - Boulder Creek

Funding Type	Amount	% of overall project
State and Local Fiscal Recovery Funds (SLRF)	\$21,080,134	54%
State Capital Construction Funds (CCF)	\$13,227,592	34%
College Cash Funds (CF)	\$4,377,529	11%
Total Budget	\$38,685,255	

Table 2: CCD Proposed Budget - Boulder Creek

Funding Type	Amount	% of overall project
State and Local Fiscal Recovery Funds (SLRF)	\$21,080,134	46%
State Capital Construction Funds (CCF)	\$13,227,592	29%
College Cash Funds (CF)	\$11,877,529	26%
Total Budget	\$46,185,255	