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# Idaho State Capitol Commission

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## Official Minutes

July 10, 2003

A meeting of the Idaho State Capitol Commission was held on this date in the Senate Caucus Room #350, 3<sup>rd</sup> Floor, Statehouse. Chairman Eiguren called the meeting to order at 1:05 p.m.

## Attendees

### Members Present:

Roy Lewis Eiguren, Chairman

Pam Ahrens, Director, Department of Administration, and Secretary/Ex-Officio Member

Carl Bianchi, Director, Legislative Services Office, and Ex-Officio Member

Andrew Erstad

Evan Frasure

Steve Guerber, Director, State Historical Society, & Ex-Officio Member

Stephen Hartgen (via teleconference)

Will Storey

### Members Absent:

Sandy Patano

### Others Present:

Larry Osgood, Administrator, Division of Public Works (DPW), Department of Administration

Rick Thompson, Administrator, Div. of Internal Management Systems, Dept. of Administration

Tim Mason, State Facilities Manager, Division of Public Works, Department of Administration

Darrel Pewtress, Division of Public Works, Department of Administration

Lyle Gessford, Division of Purchasing, Department of Administration

Diane Blume, Management Assistant, Department of Administration

Jason Hancock, Legislative Services Office

Kent Krohn, LKV Architects

Jeff Shneider, CSHQA Architects

John Maulin, CSHQA Architects  
Jack Lemley, Lemley and Associates, Inc.  
Matt Haertzen, Endowment Fund Investment Board  
Mel Landers, Department of Lands  
Lisa Carberry, State Treasurer's Office  
Bob Fick, Associated Press

## Commission Membership

Chairman Eiguren reported that Commissioner Skip Smyser, who was appointed by Senate President Pro Tem Jerry Twiggs in 1998, did not seek reappointment to the Capitol Commission upon expiration of his term July 1 of this year. Current President Pro Tem, Robert Geddes appointed Evan Frasure to fill this vacancy. Commissioner Storey's term also expired as of the same date and Speaker Bruce Newcomb recently reappointed him to a consecutive term of two years.

Chairman Eiguren remarked that after six and a half years of working on the Capitol Restoration project, he asked the Governor not to reappoint him to the Commission. Therefore, the Governor will be naming his replacement soon along with a new Chairman.

## Approval of Minutes

**MOTION: Commissioner Erstad moved and Commissioner Storey seconded that the minutes of the April 25, 2003 Idaho State Capitol Commission meeting be approved as written. The motion unanimously passed.**

## Design/Construction

### Maintenance and Repair Issues

Review and Evaluation of Interior and Exterior Capitol Maintenance Projects: At its April 25 meeting, the Commission asked DPW to put together a list, including cost estimates, of the most immediate and critical projects required to prevent further deterioration of the Capitol Building.

Mr. Osgood provided an itemized list of critical projects from the status report completed by 3DI, the Commission's Construction Manager. He also provided a project budget sheet prepared by DPW, which estimates the cost of the projects

including related design fees and contingency bringing the total estimate to \$4 million.

He pointed-out one item that appears on the list but since has been funded utilizing Permanent Building Fund (PBF) moneys—the roof replacement of the east and west wings for \$370,000. With the threat of a heavy winter including moisture and cold temperatures, the tiles will begin to come off due to the deteriorated mortar. Another high priority is completion of the exterior repairs, which were initiated last summer--the backside of the building has yet to be completed. Some of the small projects on the list could also be funded through the PBF, he said. The projects include:

Complete Exterior Repair Work	\$814,366
Complete Exterior Stair	7,396
Repair Elevated Patio Drain	12,596
Re-Seal Perimeter of Quarry Tile at Colonnade	6,118
Replace Skylights	791,100
New Single-Ply Roof for East & West Wings (funded w/ PBF moneys)	370,000
Replace Lead-CU Roofing at Colonnade	20,000
Upper Dome & Parapets Repair	753,228
Repair Area Ways	34,851
Extend Dome Scuppers	In Exterior Repairs
Domes and Roof Lighting	\$23,529

Mr. John Maulin, CSHQA, noted that the goal of the exterior repair phase is to assure the entire perimeter of the building is protected from damage caused by moisture penetration into the structure. If the roof is going to be replaced, it would be best to complete all the work associated with the roof so there is no need to subsequently patch a new roof. If the list needed to be pared down, it was his recommendation that the exterior stonework be eliminated because it is still functioning, although it is breaking down over time. He recommended all projects associated with the roof be done to keep water out of the structure.

Chairman Eiguren suggested the Commission return to this topic later in the meeting once it has had an opportunity to discuss available funding.

Approve Design for Capitol Re-Roof Project: Mr. Krohn from LKV Architects explained that his firm was commissioned to replace the flat roof on the east and west wings of the Capitol Building. This section was reroofed in 1985 with a single-ply membrane, which is failing and beginning to leak.

During the next century, he said, the Capitol will be reroofed a number of times. One of the things he would like to accomplish as part of this project is to address long-term details so that when reroofing occurs again, it can be done relatively easily. Unfortunately, he said, this is not the case in this project.

Another thing this design will attempt to achieve, he said, is to correct some of the original design problems that have contributed to ongoing leaks. The proposal is to remove all existing roof materials--two insulation layers down to the deck. A vapor retarder will be used onto the deck to keep moisture from coming up from below in the roofing system. A tapered insulation layer for drainage will be installed along with a layer of insulation on top, which can be peeled off in later years for new layers of insulation and roofing to be added. For the roof itself, a modified bitumen system is recommended, which is proven tough and very weather resistant.

It is also the intent of this project to include unit pricing for some soldering on the copper roofing of the House and the Senate chamber domes. Several years ago, the original copper roofing began to leak; consequently, it was covered with a coating that has since deteriorated. The copper will be recoated as part of the project.

Stonework will receive new caulking, and walkways will be included on the most trafficked areas of the roof. Because workmanship on this project is so critical, he suggested pre-qualifying contractors to insure anyone who bids the work has experience with this type of system. He also prefers that the project superintendent is an experienced craftsman with these particular types of materials. Pre-qualification conferences will be held soon, and afterwards he will meet with each contractor individually to solicit input and ultimately incorporate their good ideas. DPW requires a 15-year warranty on all state roofs.

Since the roof will be completed this summer, it will need to be protected later when the remainder of the exterior work is funded. Commissioner Bianchi proposed that if funding could be secured immediately for some of the other things that need to be done perhaps the Commission should wait on the roof so all similar work can be accomplished at the same time. This would require going to the Legislature with a request for additional money, Commissioner Ahrens replied. Mr. Pewtress, DPW Roofing Program Coordinator, noted that during his inspections of the roof, he observed open seams up to 20 feet long. There is some urgency in getting the roof done, he said, before one more winter.

**MOTION: Commissioner Guerber moved and Commissioner Bianchi seconded that the Capitol Commission concur with the recommendation for replacement of the roof and that it be done either as a stand alone project or part of an overall package of projects, as deemed appropriate at the time construction begins. The motion passed unanimously subsequent to the following discussion.**

Commissioner Ahrens noted there is quite a long list of requests for PBF moneys for repairs and alternations that have been delayed due to the State's economic

situation. If we have money identified and set aside for a particular project, we should move forward because down the road the Legislature and the Governor may not have any choice but to delay this project further. Recently, \$35 million was pulled from the PBF to help balance the State's budget.

## **Budget and Funding Issues**

### **Consider Continuation of the Idaho Capitol Restoration and Preservation Fund, as well as the Idaho Capitol Preservation Fund**

Commissioner Ahrens distributed a letter Chairman Eiguren received from the Idaho Community Foundation, the entity that has been holding financial donations on the behalf of the Capitol Commission. In doing so, they charge an on-going fee for the management of those funds. Due to the low balances in both Funds, the Foundation is suggesting the Commission consider dissolving the Funds and transferring the moneys to other Commission accounts. The balance of the Capitol Restoration Fund is \$1,007.48; the balance of the Capitol Endowment Fund is \$891.29.

**MOTION: Commissioner Ahrens moved and seconded by Commissioner Bianchi that the Department of Administration contact the Idaho Community Foundation asking them to begin the process of dissolving the Idaho Capitol Preservation Endowment Fund and the Idaho Capitol Restoration and Preservation Fund and transfer the balances to the Department of Administration for deposit into the Capitol Income Fund. The Commission passed it unanimously.**

### **Overview of Commission Funds**

Income Fund Balance: Mr. Thompson directed Commission members to the Sources and Uses of Funds Statement, a compilation of the *Capitol Income Fund* as it stands June 30. The balance is over \$5.3 million. The income includes both long and short-term investments, timber receipts, and some license plate sales. The balance also takes into account Commission expenditures, transfers directed by the Legislature, and transfers for project expenses. The *Capitol Endowment Fund* balance as of June 26 is about \$3.2 million.

Outlook on Timber Receipts: Mr. Mel Landers, Department of Lands, reported it is his anticipation that enough available timber would be cut annually to support the Capitol Endowment land usage, and to provide income to the Capitol Fund. Chairman Eiguren recalled that during the development of a plan for the Capitol restoration, the Commission received an estimate for a 20-year timeframe that anticipated an average \$600,000 per year. For Fiscal Year 2003, Mr. Landers

noted, only about \$283,000 will be realized—timber sales are down. In comparison, Commissioner Bianchi noted that sales from FY00 were \$1.6 million; FY01 \$653,000; and, FY02 \$723,000.

Commission Expenditures for FY03: Mr. Thompson distributed the final budget report for FY03, which reflected that the Commission spent \$20,989 of its appropriated \$234,800. The most significant expenditure was payment of \$4,700 for an audit on the Capitol Endowment Fund. The Commission's appropriation bill this year includes carry over authority into FY04 from the previous year of unexpended funds.

There is one additional expense that is not reflected on this handout, and he asked Mr. Landers to explain. The Commission received a letter from the Department of Lands explaining as a result of their review of the Capitol Endowment Lands it was discovered that expenses associated with managing those lands back to FY01 and FY02 were not billed to the Commission. Therefore, recently the Commission received a bill for \$130,000 reflecting those retroactive charges and to date that bill has not been paid. The same assessment for FY03 is estimated at \$76,000, and future assessments to the Commission will be about \$65,000 each year, he said.

Mr. Jason Hancock of the Legislative Budget Office explained to the group that the Land Board has the authority to institute billings to agencies for the management of endowment funds. The Board oversees both the lands and the Endowment Fund Investment Board--they are in charge of the land assets as well as financial assets. When endowment reform was put into place, a system was set up so that the endowments would pay their own administrative costs for managing the lands and financial assets based on the number of acres managed. While the other eight funds were charged regularly, the Capitol Endowment was not. As a result, the other endowments have been covering the cost of managing the Capitol Endowment over the past couple of years.

**MOTION: Commissioner Storey moved and seconded by Commissioner Bianchi that the Commission not proceed with the payment of the proposed allocations until specific questions are answered, specifically, #1: pursuant to what authority is the allocation made and, #2: what is the rationale of billing retroactively. The motion passed unanimously.**

Commissioner Ahrens was asked to take the lead in collecting this information.

## Welcome New Commissioner

At this point in the meeting, Chairman Eiguren welcomed the Commission's newest member—Evan Frasure, who replaced Commissioner Skip Smyser upon the expiration of his term, July 1, 2003.

## **Budget and Funding Issues (Continued)**

Commission Expenditures for FY04: Mr. Thompson distributed a worksheet illustrating actual expenditures of the Commission's FY03 budget for specific allocations, and proposed FY04 allocations for each of the categories. The purpose of this worksheet is to help track expenditures so the budget is not over-expended.

**MOTION: Commissioner Bianchi moved and seconded by Commissioner Erstad that the Commission accept this discussion budget as an internal guideline for allocations for FY04 with the understanding that it can be modified at the discretion of the Commission. No vote was taken.**

Prior to voting on this motion, Commissioner Hartgen expressed concern that approving this worksheet as is might commit the Commission to the \$65,000 audit expense.

**SUBSTITUTE MOTION: Commissioner Bianchi moved and Commissioner Erstad seconded the substitute motion to accept this discussion budget as an internal guideline for allocations for FY04 with the exception that the audit allocation of \$65,000 be placed in the miscellaneous category with the understanding that the budget can be modified at the discretion of the Commission. The Commission passed it unanimously.**

### **Capitol Endowment Fund Report**

When the Legislature enacted the 1998 Capitol Act, Chairman Eiguren explained, it established for the first time Funds available for use by the Commission subject to legislative appropriation for the purposes of maintaining and restoring the Capitol Building. There were two Funds created—the Capitol Endowment Fund and the Capitol Income Fund. The Income Fund, by statute is managed by the State Treasurer's Office, and the Endowment Fund is managed by the Endowment Fund Investment Board. Since 1998, the Endowment Fund Investment Board has not interacted with the Commission, he said. Manager of Investments for the Endowment Fund Investment Board, Matt Haertzen, contacted the Commission recently, and was present at the meeting to discuss how the Capitol Endowment could be managed in the future.

Mr. Haertzen noted that the Capitol Permanent Endowment Fund portfolio is fairly small at a little over \$3 million, which provides some management difficulties. To help him determine the best investment alternatives and recommendations, he posed several inquiries such as identification of objectives of the Fund, and the level of risk tolerance by the Commission and constituents.

Objectives of the Fund involve defining whether it is short or long term and the identification of goals—use for ongoing maintenance or specific projects. The Commission should also keep in mind that it needs to offset some of the Fund expenses such as its administrative budget of about \$100,000, land expenses, audit fees totaling about \$5,000, and the investment fees of about \$2,000. The Commission has not been paying its fee for endowment management in the past.

Historically, he said, the makeup of the investment has been about 20% equity and 80% fixed income. The long-term annual expected return, he added, is about 7%. The maximum expected loss in one year is 10%--a conservative risk allocation. The make-up of a Fund with a perpetuity timeframe and no significant short-term payoffs might be 60% or 70% equity and 40% or 30% fixed. This involves more risk than what the Commission currently has agreed upon.

The current allocation of the \$3.2 million utilizes exchange traded mutual funds for equity exposure. Within the exchange traded funds 20% is invested in NASDAQ 100, which is very aggressive and another 20% of the equity exposure is in the Dow Jones Industrial Average, made up of 30 stocks. The other half of the money is in Index Funds, which is fairly diversified but only provides exposure to large cap stocks.

It would be his recommendation, he said, to eliminate the specific positions and investment in The Russell 3,000 Common Fund for equity exposure, which includes a lower expense ratio and better diversification. He also recommends placing funds in Lehman Aggregate Common Fund for fixed income exposure with better diversification with minimal expenses. This would represent 80% of the Fund or \$2.5 million. Further, he recommends selling all individual fixed income securities with the consideration of a collective fund vehicle. One other option, he said, is to utilize the Treasurer's long-term bond, a well-diversified portfolio, and provide better diversification and control of the expenses associated with managing the portfolio.

Finally, he recommended asset allocation of the Fund, based on risk tolerances, be revised to an allocation of 60/40 or 70/30. The balance available from the current income fund (<\$5.3 million) could be combined with the current endowment fund of \$3.2 million to make one larger endowment. The payout ratio could then be set up and budgeting could be done more consistently because there is a smoother stream of earnings from the Endowment Fund, which could be ultimately used for on-going maintenance.



**MOTION: Commissioner Bianchi moved and seconded by Commissioner Storey that the Commission approve one specific recommendation made by Mr. Haertzen to shift to a different set of investment vehicles. The members passed it unanimously.**

Chairman Eiguren asked Commissioner Bianchi to chair a committee to interact with Mr. Haertzen in terms of reviewing these issues and coming back to the full Commission with a recommendation. He also asked Commissioners Storey and Frasure, along with Lisa Carberry from the Treasurer's Office to participate.

## **Design/Construction (Continued)**

Review and Evaluation of Interior and Exterior Capitol Maintenance Projects (Continued): Chairman Eiguren asked that the Commission's attention return to the issue regarding action relative to the proposal to complete the exterior repairs of the Statehouse. The question now, he said, is whether or not the Commission would like to proceed with a recommendation to the Legislature to fund the balance of the needs from either a combination of a request to the Permanent Building Fund Advisory Council (PBFAC) for some portion of the work and/or use of funds that exist in the Capitol Income Fund totaling about \$5.3 million.

**MOTION: Commissioner Erstad moved and seconded by Commissioner Frasure to approach the Legislature with the identified exterior repair projects, exclusive of the single ply roof which has already been funded, utilizing funding from the Capitol Income Fund. No vote was taken on the motion subsequent to the following discussion.**

There is about \$8 million available in the two combined Capitol Funds, Commissioner Ahrens noted. She suggested the total could be used as a core to generate annual revenue for maintaining the building. On the other hand, the Commission could spend these funds, which would leave no money in reserve for a catastrophic event.

She added that funding for a couple of the items that appear on the project listing could possibly be accomplished through a request to the PBFAC. For example, the remaining work on the dome could be considered as one request. Additionally, perhaps the Commission could ask the Legislature for funds out of the Commission's Income Fund for some of the other items so long that we don't utilize the full \$5 million now available.

Commissioner Erstad agreed that there may be alternative ways to take care of some of the needs of the Capitol without deleting the core amount of the Funds.

He suggested the Commission identify the items that need to be accomplished through the PBF, and those that can be funded in other ways. **With the consensus of Commissioner Frasure, Commissioner Erstad withdrew his previous motion.**

Chairman Eiguren suggested Commissioners Ahrens and Erstad collaborate to work through the project list identified by 3DI and identify sources of funds to bring back to the Commission as a recommendation, contemporaneous with the recommendation coming from the finance committee. He asked that the two committees target mid-September to complete their tasks with a Commission meeting to be scheduled thereafter.

## **Access Use and Administration**

### **Commission Guideline on Public Space Use, and Guideline on Objects of Art, Memorials, Statues, and Exhibits at the Idaho State Capitol and Grounds**

At the previous Commission meeting, there was discussion on a proposed guideline for public space use in the Capitol and on its ground, as well as discussion on a guideline addressing objects of art, memorials, statues, and exhibits in the Capitol and on its grounds.

Chairman Eiguren noted as part of the development of the restoration master plan process, the design team was asked to take a look at these issues as they relate to the architectural and historical integrity of the Capitol Building. It was a concern of the Commission at that time that much of what is currently in the building in terms of displays, etc., probably would not exist after the Capitol is restored. Since it appears the restoration will be a number of years away, the Commission agreed it would be an appropriate time to review the existing guidelines and have interested members of the Commission tour the building and grounds with the purpose of matching what currently exists with the proposed guideline.

The Commission was provided updated draft documents of its two guidelines-- Guideline on Public Space Use, and Guideline on Objects of Art, Memorials, Statues, and Exhibits at the Idaho State Capitol and Grounds. Chairman Eiguren asked that they be submitted for public review and comment, placed on the website and distributed to members of the media, elected officials, tenants of the building, Legislature, and to the various groups who utilize the Statehouse on a regular basis. At the next Commission meeting, time will be reserved for discussion and action on these as well as time for members of the public to provide comment and testimony.

Mr. Mason reported to the Commission the primary change on the Use Guideline is its extension to include the Capitol grounds. This will allow the Division to regulate activities on the grounds in order to protect them. Changes to the Display guideline include the addition of a “deaccession” paragraph that allows the Commission to remove items from the Capitol utilizing pre-established language from the State Historical Society. If any item were to be deaccessed, it would be turned over to the Historical Society, which would assure it was handled with sensitivity to its historic value. Another addition to this guideline was wording regarding the federal Visual Artists Rights Act referring to the fact that the State must consider certain aspects when handling original artwork.

### **Commission Tour of Capitol and Grounds**

Mr. Shneider led various Commission members throughout the Capitol to review existing displays, artwork, exhibits and statues.

## **Adjournment**

The July 10, 2003 Idaho Capitol Commission meeting adjourned at 2:50 p.m.

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Roy Lewis Eiguren, Chairman  
Idaho State Capitol Commission

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Diane K. Blume, Management Assistant  
Department of Administration