
Idaho State Capitol Commission

Official Minutes

August 16, 2017

A meeting of the Idaho State Capitol Commission was held on this date in Room W433, Capitol Building, Boise, Idaho. Chairman Erstad called the meeting to order at 1:30 p.m.

Attendees

Members Present:

Andy Erstad, Chairman

Robert Geddes, Director, Department of Administration, and Secretary/Ex-Officio Member

Mary Symms-Pollot

Eric Milstead, Director, Legislative Services Office (LSO) and Ex-Officio Member

Representative Neil Anderson

Nancy Sue Wallace

Janet Gallimore, Executive Director, State Historical Society (ISHS) and Ex-Officio Member

Senator Chuck Winder

Absent and Excused:

Brad Little, Lieutenant Governor

Others/Staff Present:

Jan Frew, Administrator, Division of Public Works (DPW)

Keith Reynolds, Deputy Director and CFO, Department of Administration

Michelle O'Brien, Special Projects Coordinator, LSO

Kelly Berard, Construction Manager, DPW

Tony Eldeen, Analyst, Division of Financial Management

Larry Johnson, Manager of Investments, Endowment Fund Investment Board (EFIB)

Michelle Watts, Fiscal Officer, EFIB

Michelle Wallace, Capitol Curator, ISHS

Diane Blume, Program Specialist, Department of Administration

Chairman Erstad welcomed Senator Winder, the newest member of the Commission.

Approval of Minutes

MOTION: Commissioner Wallace moved and it was seconded by Commissioner Gallimore that the minutes of the May 8, 2017 Idaho State Capitol Commission meeting be approved as written. The motion passed. Senator Winder abstained from voting.

Financial Report

For the sake of the newest members of the commission, Mr. Reynolds provided a general overview of commission funding. All moneys flow to the commission from the *Capitol Endowment Fund*, created in the late 1990's, he said. Financial assets are managed by the EFIB. There are 7,200 acres of forest and mineral lands endowed to the capitol building. Income from those lands is converted into cash and deposited into the *Capitol Endowment Fund*.

The *Capitol Endowment Fund* is managed as two separate funds—the *Capitol Permanent Fund* and the *Capitol Reserve Fund*. Both are invested in the same manner. Moneys can be transferred out of the *Capitol Reserve Fund* into the *Capitol Maintenance Reserve Fund* where the commission's operating appropriation originates, he said.

Appropriated Expenditures

Mr. Reynolds distributed a spreadsheet showing FY17 variances, the FY18 budget, and the proposed FY19 budget request for the *Capitol Commission Operating Fund* and *Capitol Maintenance Reserve Fund*.

Under the *Operating Fund*, costs for administrative support in FY17 was \$8,000 he said; printing costs, primarily for the capitol brochure, was \$3,782; miscellaneous expenditures were \$42 although historically set at a budget of \$2,000. The project costs category under the *Operating Fund* is used for smaller dollar amount and routine maintenance projects. It was budgeted at \$128,500 in FY17 and \$50,560 was expended. The commission has re-appropriation authority in its appropriation bills, he continued, and in FY17 the amount was \$148,805.

The *Capitol Maintenance Reserve Fund* supports the major construction projects, he continued. Historically, there has been \$2.2 million budgeted annually and the commission has not come close to spending it all. In FY17, \$305,334 was expended. The \$2.2 million level of funding is maintained to provide the commission the means for emergency repairs.

Chairman Erstad explained the commission's Design and Construction Committee has discretionary spending up to \$30,000 per item. This way, when things come up that need

to be addressed, there is no delay. Expenditures beyond \$30,000 goes before the full commission for approval.

Appropriated Funds – Cash Flow Statements

As explained, he continued, the commission has two funds from which it makes expenditures. The *Capitol Commission Operating Fund* and the *Capitol Maintenance Reserve Fund*.

Beginning in FY17 the *Capitol Commission Operating Fund* had a balance of \$204,051. It earned about \$4,000 in interest and \$200,000 was transferred into it from the *Capitol Maintenance Reserve Fund*. Actual expenditures were \$62,384, and \$121,800 was transferred to the Historical Society for the Capitol Curator program.

When cash is transferred out of the *Capitol Permanent Endowment Fund* it goes into the *Capitol Maintenance Reserve Fund*, he continued. FY17 started out with a cash balance of \$16,693 earning \$418 throughout the year. Transfers were received from the EFIB of \$500,000 to cover actual expenditures (\$305,334) and transfers to the *Capitol Commission Operating Fund* (\$200,000). Transfers are not done at once so whenever possible, funds remain in the *Capitol Permanent Endowment Fund* where they earn a higher interest. The \$11,777 of remaining funds begins the cash balance for FY18.

Endowment Fund Analysis

He referred to a spreadsheet illustrating the invested funds managed by the EFIB. FY17 began with \$30,573,011. Added to that was timber sales totaling \$604,936, license plate proceeds of \$71,900, and investment earnings of \$3,944,379. This provided total available funds of \$35,194,226.

Expenditures included \$149,885 for land fees and \$147,249 for EFIB fees. There was also a \$500,000 transfer to the *Capitol Maintenance Reserve Fund*. The ending balance was about \$34.4 million. The *Capitol Reserve Fund*, within the *Capitol Permanent Endowment Fund*, maintains the balance that can be transferred by request of the commission to the *Capitol Maintenance Reserve Fund*. The balance of the *Capitol Reserve Fund* at the end of FY17, he pointed out, was about \$4.9 million. Subject to EFIB approval there is a 5% transfer to the *Capitol Reserve Fund* every year.

In response to a question about the Department of Land's fee, Mr. Reynolds explained that this department allocates cost across all acreages it maintains to come up with an overhead cost, and on top of that is added direct costs such as spraying, for example. Fire suppression costs are paid out of the General Fund, he said, and any loss by fire is a reduction in endowment revenues.

MOTION: Commissioner Gallimore moved and it was seconded by Commissioner Pollot-Symms to approve the proposed FY19 Capitol Commission Operating Budget, as presented. The motion passed unanimously.

Idaho Endowment Fund Update

Mr. Johnson noted the Capitol Commission is unique among EFIB beneficiaries in that EFIB provides the commission with 100% of its funding. The \$34.4 million of endowment funds the commission had at the end of FY17 are invested 66% equity, 26% fixed income, and 8% U.S. real estate. About \$30 million of that amount is principal and about \$5 million is the *Capitol Maintenance Reserve Fund*. By statute, in July of each year, there is a transfer from the *Capitol Permanent Endowment Fund* to the *Capitol Reserve Fund* and this year it was \$1.392 million. Last year, he said, the endowments had a 12.9% return on investments, and cumulative over the last 10 years it has been 6.3%.

Per statute, he said, the *Capitol Permanent Endowment Fund* is to consist, in part, of retained earnings to compensate for the effects of inflation. Additionally, each year the EFIB is to distribute a percentage of the *Capitol Permanent Endowment Fund* to provide a stable source of moneys to the *Capitol Reserve Fund* with the idea that over time the value of the *Capitol Permanent Endowment Fund* will increase. From this direction, the EFIB created a 5% annual distribution policy.

The reason distributions go to the *Capitol Maintenance Reserve Fund*, he said, is to accumulate real earnings for eventual spending on future major maintenance projects. The legislature approved this in 2014 after the remodel was completed and at that time moneys were no longer required on a regular basis. In years 2011 to 2013 there were no distributions out of the fund at all. What is required now are moneys available in the case of an emergency or a large maintenance expense.

To determine the sustainability of the current 5% policy, two scenarios were developed, he said, assuming future annual fund returns of 6.3% and 0%. Under the 6.3% scenario, the real annual return through 2022 is expected to be 4.1%. He said if it stays at this level for long the EFIB may have to reduce its 5% policy for a while.

Initially, to come up with cash to renovate the capitol, it was decided to cut as much timber as possible from the endowment lands, which generated almost \$10 million. However, those funds inevitably were not spent for the restoration, as cigarette taxes were utilized to fund the work. Consequently, the \$10 million was deposited into the *Capitol Permanent Endowment Fund*.

The *Capitol Reserve Fund* was established with \$1 million in 2014. Since then, distributions have been made at the 5% rate. Reserves are projected to grow to nearly \$8 - \$10 million in the next 5 years, he said, which will provide significant resources for future major maintenance.

In conclusion, he said, the *Capitol Permanent Endowment Fund*, in real dollars, was almost twice as large in June 2017 as it was in 2007. There has been 4.8% real annual investment return for the previous ten years.

Public Outreach / Art, History & Culture Committee

Capitol Curator Program FY18

Commissioner Gallimore provided an overview of the Capitol Curator program explaining that before the restoration, the capitol had accumulated a wide variety of miscellaneous objects which were donated to the building. The commission agreed that there should be control over what goes into the newly renovated capitol making sure that items are appropriate and fit within the context of the original architect's vision.

She distributed a capitol curator report outlining general ongoing services including professional direction to agencies, committees, and the public regarding the historic collection, exhibitions, and ongoing preservation of the capitol building. This includes assistance in hanging pictures, displaying artwork, or anything that might affect surfaces in the building. The curator also works with DPW on proper preservation and inventory of the capitol collection including historic furniture.

Permanent, special, and changing exhibitions fall under the purview of the curator program as well, she continued. The program tries to bring in many different types of art to showcase artists from around the state.

Idaho Day Summary

She continued to report that March 4th each year is designated as Idaho Day, a celebration to encourage people to know and love Idaho. Many entities partner to make the celebration successful and last year's theme was Idaho the Beautiful. Director of Parks and Recreation, David Langhorst, served as emcee, and Wade Vagias, Superintendent of the Craters of the Moon National Monument and Preserve was the Keynote Speaker. There was huge interest from the media, she added.

Committee Report

She distributed a report of current exhibits in place until the end of the legislative session. Subsequent exhibits will provide a sneak-preview of the new Museum which is scheduled to open late spring or early summer, 2018, she said.

Design and Construction Committee

Approval of Capitol Use Manual

Commissioner Gallimore explained capitol usage guidelines have been in place since the capitol reopened. A manual was recently created to combine and align all existing

guidelines created by the legislature, historical society, DPW, etc. so that all entities are enforcing the same directives.

Originally, she said, the commission had approved expending up to \$30,000 to hire an entity to write the manual. However, Lieutenant Governor Little cautioned about expending these funds and it was decided to have the manual created in-house. She thanked staff for the hard work. An executive summary was added to the manual along with a one-page “Welcome to the Capitol” and a reference chart that can be pulled out for distribution to legislators and building tenants. The entire manual will be available on the Capitol Commission website and linked to the LSO and Historical Society home pages.

MOTION: Commissioner Symms-Pollot moved and Commissioner Wallace seconded that the commission approve the Capitol Usage Manual and distribute it as presented. The motion passed unanimously.

Commissioner Symms-Pollot thanked everyone who worked on the manual and said it will help preserve the building for many years.

Project Updates

Ms. Frew began her update by mentioning that two projects, the exterior wall-wash lighting and the fire alarm system, will require action of the commission.

ADA Seating - Completed in FY17

ADA-compliant seating was added to both the senate and house galleries, she explained. To remedy the problem, a portion of wall had to be removed in those galleries so that companion seating could be installed alongside a space for a wheelchair. This is just part of the larger ADA project undertaken to correct deficiencies identified by the Department of Justice.

Exterior Stairs – Completed in FY17

Granite treads were removed, supporting structure below the stairs repaired, and elastomeric caulking replaced at joints and transitions on the main stairs at the Jefferson Street entrance, she said. Caulking was replaced at the east and west stairs as well. These types of repairs will be added to an ongoing maintenance schedule, she added.

ADA Improvements

One issue remains on this large project, and that is the addition of accessible door hardware on certain doors. She said she anticipates working with the Department of Justice to identify solutions for alternative uses of some doors, rather than having to install new hardware. For example, public access can be routed differently and some doors can be left open during the day. That would leave only a few doors requiring new hardware, primarily levers. Since this type of hardware is not historic, and because they require doors be cut-

out for installation, their use has been limited whenever possible. Staff is awaiting further direction from the Department of Justice.

Glazing Issue

Ms. Frew continued by explaining to new members that several panes of chicken wire glazing installed as part of the restoration project is delaminating. The state requested the contractor, Jacobson Hunt, replace them. The firm claimed that the windows are no longer under warranty and refused to replace them without compensation. Consequently, the Attorney General's Office, and attorneys representing Jacobson Hunt are working to identify the responsible party.

The state and Jacobson Hunt have each hired their own glass experts as has the glass installer, D&A Glass. Plans were to replace some of the delaminated panes this summer. No work has been done, however, because there has been no decision regarding the type of glass replacement, and who will be paying for the work.

Expansion Cracks

A few vertical cracks have appeared in the wall plaster at the garden level of the capitol, she explained. This is due to the lack of expansion joints in the wide wall span. A structural engineer has been hired to work with the architect to identify locations to install those joints.

Copper Roofing on Chamber Domes

An Authorization To Proceed has been issued to the contractor, and roofing materials have been ordered. The copper sheeting is a specialized order and it won't be shipped until early next month, she said. Anticipated completion is October.

Exterior Wall Wash Lighting

During the restoration project, a lighting system was installed in the planting areas in front of the building. The lights were not used much until last year when the department began to light the capitol at night. It was discovered at that time that several parts had failed and although a few replacement parts were located, they are no longer manufactured. Consequently, the entire lighting system needs to be replaced. The estimated cost is \$72,000.

MOTION: Senator Winder moved and it was seconded by Commissioner Wallace that the commission approve replacement of the exterior wall wash lighting system. The motion passed unanimously after the following discussion.

Director Geddes indicated the Department of Administration receives requests to light the capitol in colored lights to honor various associations, events, etc. It is the department's policy, however, that the lighting system shine only white light on the capitol. However, if

an organization has the resources to use its own lighting system and an electrical generator to power it, it has the right to light the capitol with color.

Ms. Frew pointed out that the system installed at the time of the restoration was LED technology which was new at the time and had not been vetted very long. The replacement system will be similar but more reliable and programmable so that the hue of the white light can be adjusted. Engineering consultants have confirmed that this is the most appropriate system for the intended use.

Fire Alarm / Voice Evacuation System

She continued to explain that the emergency notification system in the capitol has been failing. These systems seem to become obsolete just as quickly as they are installed, she said. The manufacturer is no longer making the devices but has agreed to rebuild the failed parts. A new system, costing about \$60,000, will bring the system up to current code.

MOTION: Commissioner Wallace moved and it was seconded by Commissioner Gallimore that the commission approve replacement of the fire alarm and voice evacuation system. The motion passed unanimously.

Dedication Plaques

One name on both the original plaque and the rededication plaque, located on the second-floor main entry, is misspelled. On the original plaque, it is Governor John M. Haines and on the restoration plaque it is Governor Philip E. Batt.

The Design and Construction Committee agreed that rather than try to add a fix over the top of the existing plaque that it would be more appropriate to replace both plaques. It is hoped that they are manufactured and installed this fall, she said.

Repair of Conference Table – WW17

Commissioner Milstead explained the new table top will be installed by November 1st. Included with the new top will be several additional microphones.

Lime Deposits

The location of these deposits in under the front portico, Ms. Frew explained. They occurred due to water intrusion between the stair treads and the sandstone walls above. Much of it happened over this past winter. After the stones air-out, a cleaning process will be determined.

Bell Yoke

A proposal to rebuild the wood housing over the steel yoke came in at \$3,300. The wood used during the restoration project was the same type used for the original bell yoke, but it

did not weather well. The new veneer will be redwood or cedar, she said, and a maintenance program will be developed to preserve it. Work should be done within the next month or two.

Roof Fall Protection

The Division of Building Safety has identified a need to provide further fall protection on the capitol roof. A plan will be devised to address these items and a design professional will be retained to design and estimate a cost for compliance. She estimated these services will be somewhere between \$10,000 and \$20,000.

Further Discussion of the Glazing Issue

Commissioner Wallace inquired whether there is an estimate for the glazing project. Ms. Frew replied that the contractor had proposed a year and a half ago that replacement would cost \$990,000. She explained the largest expense is not the glass itself, but the scaffolding required to replace the glass. She said they did an inventory of the delaminated panes about a year ago, and since then they have discovered more failures. One alternative considered for replacement is glass that has a pattern of the chicken wire screen-printed on.

The state's glass expert has offered his initial impressions for possible causes of the delamination, she said. It may be from a coating on the wire, or improper rolling of the wire into the middle of the glass.

Chairman Erstad remarked that when the issue was first brought up, it was prior to the warranty expiring so the state feels it has a solid claim against the manufacturer.

Cellphone Infrastructure Upgrades

Commissioner Milstead reported that Verizon is replacing the cellphone structure in the lower level of the capitol to improve coverage. This will also enhance coverage in the tunnel area. Work is scheduled to be done before the legislative session begins.

Active Project Report

Ms. Frew reviewed the following spreadsheet of projects approved over the past fiscal year. Most are still active projects that have been approved by the commission, the Design and Construction Committee, or DPW, she said.

*Capitol Commission: Active Project Report
June 30, 2017*

	Amount Approved	FY 2016 Expenditures	FY 2017 Expenditures	Balance
<i>Approved Projects - Operating Fund</i>				
Projects Approved by the Commission:				
Jefferson Step Analysis	50,000	-	20,312	29,688
Repair of WW 17 Conference Table	10,000	-	-	10,000
DPW Discretionary Projects - \$100K				
Review of Lighting System (17)	5,500		5,500	-
Directory Repair (17)	585		585	-
Bird Netting (17)	26,306		24,163	2,143
Dedication Plaques (17)	3,000		-	3,000
Caulking / Grouting Jefferson Street	24,000		-	24,000
Caulking Grouting East Stairs (17)	20,000		-	20,000
Caulking Grouting West Stairs (17)	20,000		-	20,000
Bell Yoke (17)	3,300		-	3,300
Exterior LED Wash Lighting (17)	2,207	-	-	2,207
Total FY 17 DPW Discretionary	<u>104,898</u>	<u>-</u>	<u>30,248</u>	<u>74,650</u>
Total Approved Operating Fund Projects	<u>164,898</u>	<u>-</u>	<u>50,560</u>	<u>114,338</u>
<i>Approved Projects - Maintenance Fund</i>				
Capitol ADA Compliance (16)	500,000	150,521	258,034	91,445
House Modifications East Wing	47,300		47,300	-
Chamber Dome Repair (17)	196,000	-	-	196,000
	<u>743,300</u>	<u>150,521</u>	<u>305,334</u>	<u>287,445</u>

Schedule of Regular Maintenance

She also provided a “15-Year Look Ahead” list of regular capitol maintenance that will be scheduled to take place on an ongoing basis.

Other Business

Next Meeting of the Commission

The Commission will meet again in February.

Adjournment

The August 16, 2017 Idaho State Capitol Commission meeting adjourned at 3:45 p.m.

Diane K. Blume

Diane K. Blume, Program Specialist
Department of Administration