
Idaho State Capitol Commission

Official Minutes August 16, 2016

A meeting of the Idaho State Capitol Commission was held on this date in Room WW17, Idaho State Capitol Building. Chairman Erstad called the meeting to order at 1:30 p.m.

Attendees

Members Present:

Andy Erstad, Chairman (present until 2:15 pm; Commissioner Geddes stepped-in as Chairman)
Robert Geddes, Director, Department of Administration, and Secretary/Ex-Officio Member
Brad Little, Lieutenant Governor
Joe Stegner
Mary Symms-Pollot
Janet Gallimore, Executive Director, State Historical Society (ISHS) and Ex-Officio Member
Eric Milstead, Director, Legislative Services Office and Ex-Officio Member

Absent and Excused:

Representative Linden Bateman

Others/Staff Present:

Jan Frew, Administrator, Division of Public Works (DPW)
Keith Reynolds, Deputy Director and CFO, Department of Administration
Gideon Tolman, Analyst, Division of Financial Management
Robyn Lockett, Analyst, Legislative Services Office
Michelle Wallace, Capitol Curator, Idaho State Historical Society
Michelle O'Brien, Special Projects Coordinator, Legislative Services Office
Kelly Berard, Construction Manager, Division of Public Works
Donna Caldwell, Support Services Administrator, Department of Lands (IDL)
Larry Johnson, Manager of Investments, Endowment Fund Investment Board (EFIB)
Michelle Watts, Fiscal Officer, Endowment Fund Investment Board
Diane Blume, Program Specialist, Department of Administration

Approval of Minutes

MOTION: Commissioner Symms-Pollot moved and Commissioner Little seconded that the minutes of the April 20, 2016 Idaho State Capitol Commission meeting be approved as written. The motion passed unanimously.

Financial Report

Appropriated Expenditures - FY18 Budget Request

Mr. Reynolds distributed a financial packet and pointed out the FY16 *Operating Fund* expenditures were less than budgeted. Typically, excess is budgeted in the case of an unexpected capitol project. In FY16 almost \$58,000 was spent from the \$142,000 budget, and \$54,372 of that amount was for projects. Unspent moneys appropriated for projects will roll over to the next year, he said. FY17 and FY18 operating budgets have been similarly established at \$142,000. The appropriation for the *Capitol Maintenance Fund* for larger projects was \$2.5 million in FY16 of which only \$183,718 was expended. For FY17 and FY18, \$2.2 million is budgeted.

Appropriated Funds – Cash Flow Statement

The commission's *Operating Fund* requires an infusion of funds to keep it liquid, he continued. Its beginning balance in FY16 was just over \$196,000 and \$200,000 was transferred in from the *Reserve Fund*. About \$84,000 was expended and there was a transfer of \$108,623 to the Historical Society for the Capitol Curator Program. The ending FY16 cash balance was \$204,051. If the commission were to spend all moneys projected in FY17, which he said is highly unlikely, the balance at the end of the year would be \$5,754 in the negative. FY18 would then start out with that negative figure with \$300,000 anticipated to be transferred in from the *Reserve Fund* to maintain positive cash.

Cash is transferred in as necessary to the *Capitol Maintenance Reserve Fund*, he said. In FY16 the balance was \$269 and \$400,000 was transferred in from the EFIB; appropriated expenditures were \$183,718, and \$200,000 was transferred to the *Operating Fund*. Ending cash balance was \$16,693. FY17 is projected to be similar to FY16, and in FY18, \$300,000 is anticipated to be transferred to the *Operating Fund*. Actual expenditures in FY16 (\$183,718) and those projected in FY17 and FY18 (\$270,000) are related to ADA projects.

Endowment Fund Analysis – FY18 Budget Request

FY16 balance at the first of the year was about \$31.1 million, with an additional \$54,105 from the *Lands Reserve*, and \$68,450 from license plate sales, but including negative investment earnings of \$48,402. Expenses out of the fund include IDL fees of \$176,620, EFIB fees of \$126,309, and transfers to the *Appropriated Fund* of \$400,000. Ending balance in FY16 was about \$30.5 million. Investment earnings for FY17 and FY18 are

anticipated to be about \$2 million and \$2.1 respectively which is based on the projected EFIB annual return of 6.5%. In FY17, he pointed out, revenue from IDL is projected to increase by \$400,000, and by \$40,000 in FY18 for ending balances of about \$32.4 million and \$34 million respectively.

Approved Project Report

A spreadsheet listing expenditures of all approved capitol projects was distributed. The total budget is \$683,389 with \$500,00 of that amount earmarked for ADA work. Ms. Frew addressed the status of each project later in the meeting.

MOTION: Commissioner Milstead moved and Commissioner Symms-Pollot seconded that the Commission approve the FY18 Capitol Commission Operating Budget as presented in the amount of \$142,000 and the Maintenance Fund Budget in the amount of \$2.2 million. The motion passed unanimously.

Management Fees – Update on Investments

Mr. Johnson provided an overview of the Capitol Endowment Funds. He reported assets include about 7,200 acres of land, of which over 90% is forested. As of June 30th, \$30.5 million is in the Capitol Endowments of which two accounts are maintained. The *Permanent Endowment Fund* (currently \$26.8 million) serves as ongoing corpus of the capitol endowment, and the *Maintenance Reserve* (currently \$3.7 million) for significant capitol expenditures. Over the last 10 years the *Permanent Fund* has returned 6.7%.

Statute gives the EFIB authority to determine an annual distribution from the *Permanent Fund* to the *Maintenance Fund* and its policy is to distribute at an annual rate of 5% of the three-year average value of the *Permanent Fund*. To evaluate the sustainability of the 5% policy, two fund scenarios were developed assuming future annual returns of 6.6% and 0%, and using IDL's base case and low case for land revenues.

He provided a chart illustrating revenue from IDL and explained in the early 2000's harvest was accelerated to build up funds for the capitol restoration but it turned out those funds were not used, rather cigarette tax and other sources funded the project. The forecast shows the *Permanent Fund* would earn \$2 million per year assuming a 6.6% rate. In nominal dollars, he said, the fund would grow to over \$30 million in 2021 from \$26.8 million in 2016; however, assuming a downside case, the fund would shrink. In real dollars, after inflation and assuming a 6.6% return in base case or 4.5% of real return, the fund does not grow but maintains even.

The commission was hesitant to take distributions before the *Maintenance Reserve Fund* was established. Once created, an extra million was added to it followed by an annual distribution into the fund of 5% of the 3-year average of the *Permanent Fund*. By 2021, the distribution in the downside case is projected to be even to what it is now so the policy

results in a relatively stable distribution. He expects the *Maintenance Reserve Fund* to grow to about \$6 - \$9 million by 2021.

In conclusion, he said, the *Capitol Permanent Endowment Fund*, in real dollars, was almost twice as large in 2016 as it was in 2006 and it has enjoyed a 4.5% real annual investment return for the last 10 years. There were significant timber revenues from 2007 to 2013, and distributions were reinvested in 4 of the last 10 years. The FY17 distribution of \$1,375,701, per the current 5% policy, is sustainable assuming recovery in land revenues by 2021. The 5-year average expected for future real return is 4.4%, net land revenue is 0.2%, and there will be no material reduction in future distributions.

Ms. Caldwell provided the Capitol Endowment IDL Update. She explained there has been changes in methodology on income statements. Prior statements included gross revenue, less program expenses, less managerial overhead to equal net income. The current method, beginning in FY16, splits out the program expenses into two categories—direct program expenses and indirect program expenses. Direct program expenses include spraying, thinning, planting, pest control, etc; and, indirect program expenses include staff salary and benefits, office supplies, utilities, travel, training, fuel and equipment, for example.

In the prior methodology the gross revenue figure used was the portion of the *Permanent Fund Revenue* that was earnings “reserve-like” revenue. From that figure, forestry expenses based on acres (.74% of total acres) is charged the commission. Also charged was support expenses allocated to the program by FTE (80%) and then allocated across all endowments based on their percent of total acres. In the new method, support expenses are allocated based on the percent of commission revenue. The new method assesses a lesser amount to the commission.

For the benefit of the commission, she explained that average net revenue for harvested timber is typically \$6,250 per acre. Applied to that are expenses for sale prep and administration which runs an average of \$300 per acre. After harvest there is an additional fee for site prep, planting, and herbicide, if needed, which runs an average of \$310 per acre. Finally, there is a fee for pre-commercial thinning, if needed, that runs about \$150 per acre and is done 12 to 15 years after harvest.

Revenue forecasting on endowment land, is difficult, she said. When timber is sold, the buyer has anywhere from one to three years to harvest, or more. No revenue is realized until after harvest. Currently, she said, there are four active sales on capitol endowment lands totaling \$613,612 that will be harvested within the next three years. There are two additional sales proposed for 2018 totaling \$437,198, and in the 10-year plan there are two more sales anticipated, but the value is unknown this far out in the future. For the next five years, the following revenue is projected from Capitol Endowment Lands.

	FY17	FY18	FY19	FY20	FY21
High	\$484k	\$104k	\$175k	\$175k	\$395k
Low	\$340k	\$71k	\$109k	\$109k	\$275k

Mr. Johnson clarified that IDL's fees are estimated each year and in some years more is spent than charged, and in other years less is spent. Often times a financial statement will reflect a higher or lower amount for fees charged than actually spent because an adjustment is being made for either a credit or debit from the year prior. Currently the commission is behind by about \$30,000. These dollars will be recovered over time through the billing cycle. Subsequently, with the new methodology for figuring fees, reconciliations will occur at end of each year in the future.

Public Outreach / Art & Culture

Commissioner Gallimore referred to a handout summarizing the success of the second annual **Idaho Day on March 4th**. Legislative action was proposed by Representative Bateman to establish this day in 2014, and its celebration is supported by state and local agencies of government, historical societies, schools, colleges and universities, Tribes, service organizations, clubs, the media, and Idaho citizens. She recognized Michelle Wallace for connecting this event to the capitol building. The 2016 update is posted to the Idaho Day webpage at <http://history.idaho.gov/idahoday>

Additionally, typical for this time of year she presented a report to the commission outlining the **Capitol Curation work plan for the upcoming year**. The plan describes general on-going services, the capitol collection, exhibits, and other projects such as updating capitol guidelines, Idaho Day, capitol banners for 2017, and featured treasures of Idaho in Statutory Hall.

Design and Construction Committee

Project Updates

Interior Project

Ms. Berard explained **ADA** signage has been installed and improvements in the east wing are progressing to allow for handicap access as well as **reorientation and reconfiguration of cubicles** for the House of Representatives. Framing is in place for the walls, which are about 20% complete, and electrical work is underway. The contractor for the interior work is Excelsior Construction of Meridian.

In the **galleries**, she said, seats in the Senate side have been removed as well as glazing in preparation for the wall removal, which will start the following week. A wall will also be removed in the House gallery for the installation of companion seats and a monitor. It is expected that all interior work will be completed by mid-October.

Exterior Work

A contractor has been hired for the exterior **ADA work**—NNAC, Inc. of Coeur d'Alene. Communications were established early with tenants of the capitol because of the invasive nature of the work involved. The ramp and sidewalk replacement as well as **drainage improvements** on the east side are anticipated to be done within the next two weeks. She said drainage tanks from the roof drain ended up being deeper than expected which required modification to the design, but seepage beds have been completed on the east side. Similar work on the west side will begin soon.

The **bird netting** has been installed and appears to be extremely effective, she said. Unfortunately, during the installation there was some damage done to the base of the columns at the top of the Jefferson Street steps. Repairs are scheduled to be completed in early September, and funded by the contractor.

Ms. Frew reminded commissioners of the intent to install **expansion joints in the wing corridors** as a result of fine cracks observed in some of the walls and floors. Work will begin after a structural engineer has verified the intended work is an appropriate approach.

Glazing Issue

She explained within the last two weeks the capitol restoration contractor, Jacobson-Hunt, has replied to the state's correspondence that requested the company replace delaminated glazing. It denied responsibility for the failed glass, but offered to help fix the problem at a cost of about \$920,000. This response has been forwarded to the State Attorney General's office and it is reviewing the state's contract with Jacobson Hunt to determine the next step for holding the company liable.

In the meantime, she said, some areas of the delamination are causing potential safety concerns because the glass has crackled and is feared it could fall out, although none has failed to that point, she said. Some of these locations are directly above stairways. She said she has reached out to another window manufacturer who has used the same glass manufactured by Rudy Art Glass and they have not experienced this type of failure.

She proposed replacing the crackled glass while a determination is made who is liable, and a plan devised for replacement. At this time, she said, she does not have an estimate for this partial replacement but estimated no more than \$100,000.

Commissioner Milstead suggested the Attorney General's Office be made aware of this imminent safety concern, and Commissioner Little inquired if a glass expert has reviewed the delamination. Ms. Frew explained a review was done by D & A Glass of Boise, experts in the valley, and installer of the capitol windows. Commissioner Little indicated it is a perceived conflict having a party that might be liable for damages be our expert in identifying damages. Ms. Frew agreed that after receiving the response from Jacobson Hunt denying its responsibility, it would be inappropriate for either firm to conduct repairs. Commissioner Little advised that an outside expert look at the windows.

Commissioner Stegner inquired if there might be a temporary fix to the glass, such as a film application, that would secure the glass until all affected windows can be replaced at once. Considering the location over the stairwells, Ms. Frew replied, access to those panes will be one of the major costs. If scaffolding is set up to apply the film, the glass might as well be replaced, she said. The challenge is to identify a replacement glass that looks similar.

Commissioner Geddes explained as part of the restoration, glass was specified to look like original wire glass in the building. At this time no other provider has been identified who manufactures that type of glass. Consequently, another type of architectural glass that is safe but reflective of the original glazing may have to be utilized. Ms. Frew remarked that some of Rudy Art's glass installed in the capitol has not failed, and the glass that it replaced within the warranty period has not failed. Further, the State of Utah used the same type of glass from Rudy Art and it has not failed. It seems that perhaps there was a bad batch manufactured for the capitol restoration, she said.

The commission agreed that the department proceed with replacing the unsafe glass within the commission's Spending Authorization Policy, after notifying the Attorney General's Office of that intent.

Report on FY16 Projects

The commission requested a report on projects at the end of each fiscal year. For the first end-of-year report, Ms. Frew explained that a couple of years ago \$50,000 was approved for the **Jefferson Street Step Analysis**. A structural engineer is developing recommendations to enhance the structural integrity of the steps. Those recommendations and a cost estimate will be brought back to the commission for consideration. The second project approved by the commission for \$88,000 was the **Third Floor Lounge** remodel. This project has since been completed at a cost of \$83,971.

In December, 2015 the commission approved a Spending Authorization Policy. It authorizes the department to expend up to \$100,000 annually for capitol repairs, maintenance and modifications with a single item maximum of \$10,000, at the discretion of DPW, and a \$20,000 per item maximum with the approval of the Design and Construction Committee. This is when the commission asked to receive an annual summary of expenditures, she said.

Since that time, **Historic Exhibit LED Bulbs** were replaced in the visitor's area. The bulbs are expensive and will need to be replaced about every five years--the cost was \$1,344. Also for the visitor's area was another expenditure of \$118 for **Display Lighting Parts**.

Wireless Access was provided for the Governor's Office off of the stairway (\$7,537) and two **Touchpad Locks** for Governor's Office suite (\$3,900). These two expenditures should probably have been part of the original restoration project, she said.

Further, there was a **Review and Upgrades to the Automatic Lighting System** completed for the wings for \$5,500. Additionally, the **Directory was Repaired** to bring it up-to-date

for a fee of \$585. Finally, the **Bird Netting** project is estimated to cost about \$26,000. No expenses have been made to date pending reconciliation of expenses for repairs to the damaged steps.

Capitol Use Manual

Commissioner Gallimore explained staff has been working to analyze and assess all existing documents and authorities for use and operation of the capitol building. The proposed manual is to provide some consistency across all of the entities that work in, use, or maintain the capitol. She indicated a draft of this manual will be completed by October; Commissioner Milstead had requested it be done by legislative orientation, beginning November 28th.

In order to meet that schedule, she said, the Design and Construction Committee is asking that the commission delegate to the committee final authority to approve the manual. After it reviews the draft version the committee will route it to commission members by November 1st for comment. The final version then will be approved by the committee at its meeting on November 17th, in time to meet the deadline.

MOTION: Commissioner Milstead moved and Commissioner Symms-Pollot seconded that the commission delegate final approval authority to the Design and Construction Committee for the Capitol Use Manual after commissioners have had an opportunity to comment on its draft version. The motion passed unanimously.

Schedule of Regular Capitol Maintenance

The Joint Finance and Appropriations Committee directed the Department of Administration to develop a list of anticipated maintenance and remodel items at the capitol. Ms. Frew presented a draft document and explained it will be further developed and assigned timelines and cost estimates. The list will be presented to Legislative Council in November.

Items currently being address, she said, include:

- drainage problems at the south garden entries;
- ADA concerns accessing the wings;
- partitioning off the House work area in the east wing;
- delamination of wire-glass;
- cracks in concrete floors on garden level;
- drywall in wings cracking;
- doors in new construction sag/drag, and stone thresholds buckling/cracking; and,
- bird/pigeon control at the 2nd floor entrances.

Items needing attention in the future include:

- ladders from 1st ring to access roofs at east and west sides, and safety compliant barriers/safe ties to access elevator equipment and roof areas; drains, skylights, etc.
- access and work platform for east side attic exhaust fan;
- replacement of roof panels over JFAC skylight, repair of skylight;
- repair of joints at Jefferson Street granite stairs, to stop water intrusion;
- repair of stone at Jefferson portico, due to water intrusion;
- upgrade or replace Eaton lighting controls in the wings (software and programming is very problematic requiring an expert from South Carolina to make site visits);
- access to the top ring of interior rotunda lights (previous to the remodel, lights were accessed from windows that are now sealed off);
- mechanisms to allow for exterior window washing;
- HVAC in the rotunda, and/or exhaust mechanism to relieve hot air;
- periodic exterior painting and caulking (every 5 to 10 years);
- replacements for the planters at the front portico area (possibly decorative bollards similar in look to the light poles);
- complete LED retro fit (besides being heated with geothermal heat, eventually the capitol will be fully lit with LED);
- upgrade or replace exterior light poles to LED fixtures;
- 150 amp 208V 3 phase service to the south steps for events;
- repair bell yoke;
- repair failing window seals; and,
- repair and maintenance of elevator finishes.

Commissioner Little asked the department look into effects of snow melt on the capitol granite stone and grouting.

Other Business

Next Meeting of the Commission

The Commission will meet again in February.

Adjournment

The Idaho Capitol Commission meeting was adjourned at 3:15 p.m.

Diane K. Blume, Program Specialist
Department of Administration