
Idaho State Capitol Commission

Official Minutes

May 3, 2004

A meeting of the Idaho State Capitol Commission was held on this date in the Senate Caucus Room #350, 3rd Floor, Statehouse. Pam Ahrens, Commission Secretary, called the meeting to order at about 10:00 a.m.

Attendees

Members Present:

Pam Ahrens, Director, Department of Administration, and Secretary/Ex-Officio Member
Carl Bianchi, Director, Legislative Services Office, and Ex-Officio Member
Andrew Erstad
Stephen Hartgen (via teleconference)
Sandy Patano
Steve Guerber, Director, Idaho State Historical Society, and Ex-Officio Member
Will Storey

Members Absent:

Evan Frasure

Others Present:

Rick Thompson, Administrator, Div. of Internal Management Systems, Dept. of Administration
Jan Frew, Design and Construction Manager, Division of Public Works, Dept. of Administration
Tim Mason, State Facilities Manager, Division of Public Works, Department of Administration
Jan Cox, Administrator, Division of Purchasing, Department of Administration
Diane Blume, Management Assistant, Department of Administration
Eric Milstead, Analyst, Legislative Budget Office
Matt Haertzen, Manager of Investments, Endowment Fund Investment Board
Jeff Shneider, CSHQA Architects
John Maulin, CSHQA Architects
K.T. Hanna, Division of Environmental Quality

Approval of Minutes

MOTION: Commissioner Erstad moved and it was seconded by Commissioner Patano that the minutes of the September 22, 2003 Idaho State Capitol Commission meeting be approved as written. The motion passed unanimously.

Budget and Funding Issues

Report from the Finance Committee

2004 Legislation

Senate Bill 1238: Redirecting Capitol Endowment Funds

This newly enacted piece of legislation altered the structure of the Commission's finances, Commissioner Bianchi summarized. The key changes are that after July 1st when the new law goes into effect, all timber receipts will be deposited directly into the Capitol Endowment Permanent Fund, and that there will be an annual transfer of funds from the Capitol Endowment Permanent Fund into the Capitol Income Fund.

Specifically, on July 1 of each fiscal year the Endowment Fund Investment Board (EFIB) is to distribute to the Capitol Endowment Income Fund an amount equal to a percentage determined by the Board of the value of the Capitol Permanent Endowment Fund. As stated, this percentage is to be calculated to provide a stable source of moneys to allow for the maintenance, repair, and restoration of the Capitol while still preserving an increase in the value of the Capitol Permanent Endowment Fund over time.

Senate Bill 1411: Building Repairs, Operating Budget, and Fund Transfer

This legislation appropriates money to the Capitol Endowment Income Fund for the Commission's operating expenses. Section two of SB1411 addresses building repairs--\$2,006,900 from the Capitol Endowment Income Fund. These moneys will be combined with \$942,000 appropriated from the Permanent Building Fund this year to create a \$3 million repair project. Section 4 of the bill authorizes the transfer of the Commission's carryover funds from FY04 into FY05. Section 5 of the bill instructs the State Controller to transfer when practicable, \$2,750,000 from the Capitol Income Endowment Fund to the Capitol Permanent Endowment Fund. The final section is an emergency clause, which allows moneys to transfer right away, plus authorizes the Department of Administration to proceed immediately with bidding the maintenance projects.

Market Timing of Transfer to Income Fund: Market timing was considered in the transfer of the moneys, he said. A meeting was held with Matt Haertzen of the

EFIB, Lisa Carberry from the Treasurer's Office, Commissioners Ahrens and Bianchi, and Eric Milstead, Legislative Budget Analyst at which time it was agreed to transfer \$1 million on May 1st, \$1 million on June 1st, and the remaining \$750,000 on June 30th.

EFIB Investment Policy Statement for Capitol Permanent Endowment: The next step recommended by the Finance Committee, Commissioner Bianchi continued, is for the Commission to adopt an investment policy statement.

Mr. Haertzen suggested this statement be similar to those adopted by other individual endowment funds. He said the objectives of the Capitol Endowment Fund seemed to be very similar to those established by the other funds--to provide a very stable, steady stream of income to grow at least enough to protect against inflation, which protects the purchasing power of the endowment, and to take a conservative but long term approach. It is his understanding, he said, that it will be a perpetual fund for a constant stream of maintenance moneys strictly for Capitol Building maintenance and repairs. Incorporating the Capitol Endowment Fund with the eight other endowment funds provides a benefit of scale opportunity including reduced costs and fees, and further diversification of investments.

Need for Financial Goal Statement: To assist the EFIB in determining the percentage of payout and investment strategies from the Permanent Endowment Fund to the Income Fund, the Commission, on an annual basis, would provide a financial goal statement to support its long and short term plans for maintenance of the Statehouse, Commissioner Bianchi explained. Prior to the next Commission meeting in July, the Finance Committee will convene to propose a financial goal statement for the full Commission to consider.

MOTION: Commissioner Bianchi moved and it was seconded by Commissioner Storey that the Commission approve the Endowment Fund Investment Board's Investment Policy Statement as presented, and that it create its own financial goals statement for the Idaho State Capitol Commission. The motion passed unanimously.

MOTION: Commissioner Bianchi moved and it was seconded by Commissioner Patano that the Commission's Finance Committee be established as a Standing Committee and that the Director of the Department of Administration be included as a member. The motion passed unanimously.

The Commission has until July 1 of each year to decide what percentage would be distributed to the Capitol Endowment Income Fund for maintenance purposes over the following year, Commissioner Bianchi explained. He recommended the initial payout be no more than 4% since this is the percentage that was presented

to the Legislature, and because it is the general payout for the other endowment funds. The Commission concurred, and agreed that this topic will be discussed more fully at the next Commission meeting in July.

Payment to Department of Lands – Committee Recommendation

The Commission received billings from the Department of Lands for FY01 and FY02 land management fees of \$129,359.62, and a bill of \$76,015 for FY03 fees. The only action taken by the Commission in regard to these billings, Commissioner Bianchi said, was to include funds for the FY04 estimated fees in its FY05 appropriation, as well as \$29,000 to add to existing moneys should the Commission decide to pay any portion of the other billings.

He distributed to the members a description of services billed by the Department of Lands. Basically, the fees represent costs to manage the Commission's lands plus uniform costs applied across the board to all the endowment funds.

The Finance Committee considered these billings and recommended the Commission pay the FY03 charge of \$76,015 from its FY03 carryover funds immediately. Also, it recommended that once the bill for the estimated \$65,000 for FY04 services is received, that it be paid with moneys in the Commission's FY05 budget. Finally, the Committee recommended it budget for these annual management expenses, based on the Department of Lands' estimates.

The Committee did not, however, recommend paying the FY01 and FY02 bills totaling \$129,359.62. He explained the Committee felt due to the delay in receiving the invoices, it would probably be more expensive for the State to pay for the billings in arrears than to absorb them. The Department of Lands could seek those back payments through an appropriation, he proposed.

MOTION: Commissioner Bianchi moved and it was seconded by Commissioner Patano that the Commission pay the FY03 land management fee of \$76,015 utilizing some of the Commission's FY03 carryover funds. The Commission passed it unanimously.

MOTION: Commissioner Bianchi moved and it was seconded by Commissioner Storey that the Commission approve paying up to \$65,000 from the Commission's FY05 budget for actual expenses that the Commission will be billed by the Department of Lands for management fees during FY04. The Commission passed it unanimously.

MOTION: Commissioner Bianchi moved and it was seconded by Commissioner Patano that the Commission approve paying subsequent years' billings on an annual basis subject to an annual estimate provided by

the Department of Lands and approval by the Commission. The Commission passed it unanimously.

MOTION: Commissioner Bianchi moved and it was seconded by Commissioner Storey not to approve paying the FY01 and FY02 land management fees billed by the Department of Lands in the amount of \$129,359.62, but that the Department could pursue other options. The motion was passed by majority vote. Commissioner Ahrens voted no.

Finally, Commissioner Bianchi reported, according to a recent report, the Department of Lands deposited into the Capitol Income Fund \$609,000 that was generated from timber sales prior to FY04. Moneys also continue to be collected from sales for the Capitol Commission license plates—an average of about \$30,000 per year, he estimated.

Overview of Commission Funds

FY04 Operating Budget Report

Mr. Thompson reported as of March 31st, a total of \$7,120 has been expended from the Commission's operating budget of \$87,600, and he anticipated few expenditures for the remainder of the fiscal year.

Commission's Sources and Uses of Funds for Period Ending 3/31/04

Mr. Thompson provided a detailed report on the Commission's assets and liabilities. The balance of both endowment funds as of March 31, 2004, considering expenditures from the operating budget thus far and including realized gains and losses, is \$6,453,030 in the Income Fund, and \$3,330,691 in the Permanent Fund.

At the time that this financial statement was created, the known liabilities against the Income Fund were \$3,053,394, which reduces the Fund balance to \$3,399,636. The liabilities represent prior year obligations for construction and maintenance projects; FY05 construction and maintenance projects—skylight and exterior stone repairs; FY04 and FY05 operating budgets; and FY01 through FY04 land management fees. These liabilities are a conservative estimate, he said, and include some operating dollars and construction obligations, which may not be spent. Additionally, since the Commission just took action not to pay \$129,359.62 for the FY01 and FY02 land management fees, that amount would then be added back into the balance.

On the second page of this financial analysis, he projected the funds' balances at June 30, 2004. He presented them in both cash value (value of the funds if the moneys remain invested); and, market value (value of the funds if the investments

are sold and accounts closed). Also taken into account were any estimated earnings over that time period, known liabilities, and the transfer of \$2,750,000 from the Income Fund to the Permanent Fund, as directed by statute.

As of June 30, 2004, the projected *cash balances* would be:

Income Fund \$759,236
Permanent Endowment Fund \$6,080,691

As of June 30, 2004, the projected *market balances* would be:

Income Fund \$3,257,661
Permanent Endowment Fund \$6,250,370

Idaho State Historical Preservation and Cultural Enhancement (ISHPCH) Act of 2004

Commissioner Guerber explained this bill was introduced during the 2004 legislative session and represents needs that have been identified by the Idaho State Historical Society to support the preservation of Idaho heritage. The need to preserve buildings, and develop and support programs continues to grow while available resources dwindle. The Historical Society researched what other states have been doing to take care of these needs including such things as allocations from the General Fund, earmarked tax moneys, voluntary contributions, and fees assessed on mortgage transactions, for example.

For Idaho, the Historical Society recommends that a \$10 fee be assessed on each state income tax return, similar to the \$10 Head Tax that is assessed for state facilities. This new fee would go into the ISHPCH Fund generating about \$6 million per year. Written into this proposed Act is that one-half of this amount would go toward preservation of the Capitol Building (about \$3 million) which may be enough to support a bond for the entire restoration project one day, he said. The remaining \$3 million would be used for a preservation program operated on a competitive basis. A 15-member Board would make decisions on the allocation of those funds.

Unfortunately, he reported, this Act did not make it out of the House Revenue Committee. The Society will modify the bill slightly and re-submit it during the next legislative session.

Design/Construction Items

Project Status Report

Approve Scope and Proceeding with Bids

Based on the Commission's approval at its September meeting to move forward with some maintenance projects on the Statehouse, three sources of funds will be combined to accomplish the following work under one large project, reported Ms. Frew, Division of Public Works (DPW) Design and Construction Manager, reported:

- Rotunda Skylight Repairs and Capitol Exterior Stone Work (Transfer of \$2,006,900 of Capitol Endowment Income Funds)
- Capitol Dome and Parapet Repairs (\$942,000 of Permanent Building Fund moneys)
- Foundation, Drainage, Interior Plumbing, Plaster and Ceiling Repairs (Redirection of Lighting Funds totaling \$175,000)

Mr. Maulin of CSHQA Architects provided the Commission with an overview of the scope and schedule of this project budgeted at nearly \$3 million. The work, he explained, is essentially a drainage project all of the way around the perimeter of the building to make sure that water does not damage the exterior foundation areas; rehabilitation of the four dry wells which takes the drainage off of the grounds; addition of two catch basins and sentiment vaults; and, more window well drains.

In addition, the exterior horizontal skylight system will be refurbished and the parapets reinforced. This exterior stone repair will complete the work that was begun about 2 years ago. Joint repairs, as well as work on the terracotta dome are also scheduled. Since the scaffolding is already in place, he said, it would make sense to consider alternates to make sure as much as possible gets done with moneys available. For example, it would make sense at the same time to repair the eagle and add lighting, as well as add a ladder with safety cables to the dome, repair copper flashings, and rehabilitate the windows on the dome.

Members of the Capitol Mall grounds crew agreed to complete some of the replanting and re-direction of the irrigation themselves, so this portion of the work would not be included in the project scope. What would be included, however, are planter repairs on the north side of the building including some re-landscaping and water barriers. Through an alternate, the granite wall on the north side could be replaced with a concrete wall since the cost for a new granite wall would probably be out of range.

Mr. Maulin indicated that stone repair work is the first item on the critical path, and will take approximately 12 months to complete. All of the other work is independent of that task with the exception of repairs to the granite wall. The dome repairs will take about 4 months to set scaffolding up, do the work, and take the scaffolding down. The skylight work, scheduled for about 3 months, could be

done at the same time, in fact all the activities could run concurrently, he said. There is an independent roofing project also scheduled to be done soon, which could be included within this scope of work. The project will be bid within the next 3 weeks with actual work beginning in July.

Ms. Frew suggested the Commission consider delegating authority to the Design Construction Committee to select alternates as construction proceeds in order to issue a construction contract before the next Commission meeting in July, the Commission members concurred. The Design Construction Committee consists of Commissioners Ahrens, Bianchi, Storey, and Guerber, with Commissioner Erstad serving as Chairman.

MOTION: Commissioner Erstad moved and it was seconded by Commissioner Bianchi that the Commission approve proceeding with bidding the construction projects as presented. The Commission passed it unanimously.

Status Report

Ms. Frew continued to report on two smaller projects that were approved by the Commission and funded with carryover moneys totaling \$59,309. Repairs were completed on the patio drain, located outside the Governor's Office. The area has a tile floor and sits over an office area. For several years this tile floor has been leaking and until recently the source of the leak could not be discovered. As a result, the drainpipe was cut-off and re-routed to a new drain line. The other part of the work includes repairs to the guardrails around window wells. A contractor has been hired to do this work.

A roofing project to be funded with Permanent Building Funds was delayed until it was known whether or not moneys would be made available for the this bigger project. Roofing repairs can now be done at the same time scaffolding is erected for the skylight project.

Commissioner Bianchi inquired whether or not there are any other critical interim repairs needed to the Statehouse at this time. Ms. Frew replied the most critical work identified on the exterior of the building will keep the structure sound and prevent any further deterioration. The Division watches the building very closely for problems that may need to be addressed. Commissioner Bianchi requested a listing of the next group of critical repairs for the Commission to review in anticipation of budgeting for the upcoming year.

Once a construction contract is in place for this project, a press release should be issued to the general public to let them know what is occurring, Commissioner Ahrens proposed. She also suggested Commissioner Erstad be appointed as spokesperson, and the Commission members concurred. The website will be

updated, as well. Commissioner Patano noted during construction the scaffolding would present an opportunity to advertise the Commission's efforts by the placement of a sign or banner.

Commissioner Bianchi also recommended a fact sheet be prepared with bullet points to hand out during construction noting what the Commission is doing. The document should indicate that this work is being done to stabilize the building only, and that because work on the Capitol is being done in segments, the cost will be greater in the end. The members concurred.

Commissioner Patano said she will activate the Communications/Marketing Committee and come up with a marketing plan, once construction activity begins.

Upcoming Meeting Date

Several dates were provided to the Commission to consider for subsequent meetings the remainder of the calendar year in July, October, and January.

Adjournment

The May 3, 2004 Idaho Capitol Commission meeting adjourned at 11:45 a.m.

Pamela I. Ahrens, Secretary
Idaho State Capitol Commission

Diane K. Blume, Management Assistant
Department of Administration