Idaho State Capitol Commission

Official Minutes
July 28, 2004

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

Attendees
Members Present:

Andrew Erstad, Acting Chairman
Stephen Hartgen
Will Storey
Evan Frasure
Sandy Patano (via teleconference)
Carl Bianchi, Director, Legislative Services Office, and Ex-Officio Member
Steve Guerber, Director, Idaho State Historical Society, and Ex-Officio Member

Members Absent:

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

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
Matt Haertzen, Manager of Investments, Endowment Fund Investment Board
John Maulin, CSHQA Architects
David Blenker, CSHQA Architects
Approval of Minutes

MOTION: Commissioner Patano moved and it was seconded by Commissioner Storey that the minutes of the May 3, 2004 Idaho State Capitol Commission meeting be approved as written. The motion passed unanimously.

Budget and Funding Issues

Report from the Finance Committee

Financial Goals Statement

Commissioner Bianchi, Chair of the Finance Committee, reported that the Commission tasked the Committee with recommending a financial goals statement. The statement is in response to new legislation this past session, which revised how the two Capitol Endowment Funds are managed.

The investment objectives noted in the statement, he said, are essentially the objectives described in the statute that creates the Capitol Permanent Endowment Fund. The Fund was created to provide a stable source of moneys to allow for the maintenance, repair, and restoration of the Capitol, while still preserving and increasing over time the value of the Fund. Based on these objectives, the three following goals were proposed:

1. Accumulate sufficient wealth through a diversified portfolio of investments to pay for maintenance and repairs of Idaho’s Capitol Building.
2. Establish an asset allocation policy that is expected to meet the required rate of return over long periods of time while minimizing volatility.
3. Minimize the costs associated with the implementation of the asset allocation through the efficient use of resources.

Asset Allocation- The document states that the Fund is to be equal and compatible with the asset allocations of the other permanent endowment funds under management and supervision by the Endowment Fund Investment Board (EFIB). The statement supports that the Board jointly manage the Capitol Permanent Endowment Fund moneys along with the other Funds.

Reports and Recommendations- This section of the statement asks that the EFIB provide quarterly written reports to the Commission as well as an annual presentation on the Fund’s status.
**Distributions**- The document requests that before the EFIB makes its statutory distribution of money from the Endowment Fund to the Income Fund on July 1 each year, that it seeks a recommendation from the Commission for the amount of that distribution based on current maintenance needs of the building. It is the Finance Committee’s recommendation that an annual cap of 5% distribution be established to protect the perpetual nature of the Fund, unless in the case of an extreme emergency.

Mr. Haertzen, Manager of Investments for the EFIB, commented that the Capitol Endowment Fund, totaling about $6.2 million, has been moved into the pool of State Endowment Funds as of July 1st of this year. On a monthly basis he will report on the total Fund allocation. Because it is now part of the overall Endowments totaling about $800 million, a savings on administrative costs will be realized.

**MOTION:** Commissioner Bianchi moved and it was seconded by Commissioner Storey that the Financial Goals Statement, as presented, be adopted by the Commission as its official Policy. The motion passed unanimously.

No initial distribution was made this July, Commissioner Bianchi explained. This determination was made because the Fund currently has a sufficient balance, and because the full $3 million was not transferred from the Income Fund to the Permanent Endowment Fund, as earlier intended. An additional $275,000 is yet to be transferred. The Commission concurred.

**Overview of Commission Funds**

**FY04 Operating Budget Report**

As of June 30, Mr. Thompson reported, the Commission expended $13,389 of the total appropriated FY04 operating budget of $100,100. Over the past year the Commission also spent $76,015 from carryover moneys for the Department of Lands’ FY03 land management fee, and $35,009 from the original restoration project for design work on the Capitol restoration plans.

**FY05 Operating Budget Report**

For FY05 the Commission received an appropriation of $128,900, and Mr. Thompson distributed a proposed operating budget with amounts allocated for various needs, as in the past. A line item of $69,260 for the FY04 Department of Lands fees was added in this budget. Commissioner Bianchi requested future statements list carryover moneys of the FY04 unspent funds.

**Commission’s Sources and Uses of Funds for Period Ending 6/30/04**
Mr. Thompson provided a detailed report of the Commission’s assets and liabilities. The cash balance of both Commission’s endowment funds as of June 30, 2004, considering anticipated expenditures from the operating budget, realized gains and losses, and assuming the expenditure of over $2 million in construction projects, is $1,672,981 in the Income Fund, and $6,080,691 in the Permanent Fund. Commissioner Bianchi asked that the future transfer of $275,000 from the Income to the Permanent Fund be reflected in subsequent statements.

Beginning in FY05 all income, which had streamed into the Income Fund over previous years, will now be deposited into the Endowment Fund. Mr. Thompson requested the Finance Committee consider whether or not the Fund’s assets should be moved from long-term to short-term investments, given the known interest rate projections.

In order to make this decision, Mr. Haertzen recommended the Commission first determine when it is that the money will be used. If the money is spent over the next two to five years he recommended the money be moved out of long-term investments due to volatile trends. The Finance Committee will address this issue and report back to the Commission.

**Design/Construction Items**

**Project Status Report**

**Capitol Basement Water Damage**

Mr. Mason, Statewide Facility Manager for the Department of Administration, reported as a result of a severe rainstorm in June, the basement of the Capitol at both its east and west wings flooded. Impact on the west side was minimal—water entered the stairwells at the Secretary of State and Senate areas, soaking the carpet. Facilities Services was able to extract the water and no damage was done.

On the east end where the Legislative Services Office is located, however, flooding was much worst and was compounded by sediment-clogged cisterns, which were not able to absorb a large amount of water. Years ago, pumps were installed to help remove water from the basement; however, even they could not keep up with the rate water was entering the structure. In addition, window wells leaked during the storm, and water was also entering the building through some sink drains.
As a result, a significant amount of carpeting was replaced and walls repainted. It was discovered that the existing carpeting had been placed over the top of carpet that was glued onto asbestos tiles. This led to an abatement project and the entire repairs totaled about $35,000.

**Capitol Foundation, Plumbing, Plaster (Project #00-009)**

Ms. Frew, Administration’s Design and Construction Manager, reported that the $175,000 budget for this work was originally allocated for a historical lighting project. However, the Commission reallocated those funds to be used for critical repairs.

To date, $21,182 has been spent for plaster repairs in the House of Representatives’ chambers and stairway, plumbing work, and the replacement of a couple of hot water heaters. Remaining moneys will be added to funds appropriated last year for Capitol exterior repairs.

**Capitol Restoration (Project #02-010)**

This is the main restoration project set up for the Capitol, and included the $32 million that was at one time appropriated for the work. After the money was returned to the General Fund, the project was reduced to $3.6 million. To date, $3,481,206 has been spent for design efforts, investigation, demolition, testing, cost estimating, planning etc. As soon as contract documents are completed with the design firms, this project will be closed-out.

**Capitol Roof Replacement (Project #04-007)**

A budget of $370,000 was appropriated from the Permanent Building Fund for the roof replacement. This project, however, was delayed until the work on the exterior rotunda, drum, and dome is completed, as part of the overall larger exterior project. The delay will prevent scaffolding and workers on the exterior project from damaging the new roof. It is anticipated the roof replacement will be initiated next spring and completed in phases in conjunction with the larger exterior restoration project.

**Capitol Drain and Concrete Repair (Project #04-009)**

This $59,309 project was funded with Capitol Commission moneys. To date, $6,481 has been expended to reroute a drain line outside the exterior of the Governor’s Office, which had been leaking into the floor below. The rest of the funds will be used for concrete repairs to guardrails and at other locations.
Capitol Exterior Stone, Skylights (Project #05-008)
Capitol Exterior Dome and Parapets (Project #05-010)

These two projects will be combined to form one large exterior repair project. Funding includes $2,006,900 appropriated to the Capitol Commission for #05-008, and $942,000 of Permanent Building Funds for #05-010.

Bid documents have been developed for this project that will address the remainder of the stonework repairs initiated a couple of years ago. To do this, scaffolding will be erected around the main entry on the Jefferson Street side, the north face of the west wing, as well as the north wing. There was not adequate funding to complete this work in the initial project. Scaffolding will also be erected around the drum and dome to repair stonework and terracotta tiles. One add-alternate is the repair of windows in the dome lantern (very top of the dome); and another add-alternate is the replacement of two small windows in the dome. Also a part of this project scope is the replacement of skylights over the House and the Senate Chambers and at the main roof over the rotunda.

A construction budget of $2.5 million has been established for this work, which leaves an adequate contingency, Ms. Frew said. The bidding process will begin within the next couple of weeks, and bids will be received within the next month and a half. It is anticipated the work will be completed within a year and a half to two years depending on whether or not tasks can be compressed and overlapped. This will be determined after bids are received.

FY06 List of Critical Repairs to the Statehouse

Commissioner Erstad reported that the Design and Construction Committee was provided a list of recommended critical repairs to the Statehouse by the Division of Public Works for consideration in the next funding cycle. He said the Committee would take the recommendation under advisement and report back to the Commission.

Commissioner Storey explained the Committee discussed in length the fact that after the exterior work is done there is not much more repair work the Commission can accomplish in a piecemeal fashion. All of the systems—HVAC, electrical, plumbing—have been designed to be done in their entirety based on the Commission’s plans to restore the building all at once. The interior work is next to be addressed, and it will present a significant challenge, Commissioner Erstad added.

Commissioner Frasure inquired for how long the existing design will be usable. Ms. Frew responded that the design is still viable; however, the more piecemealing done, the more those efforts will have to be duplicated. For
example, for the work she just provided status reports for, architects had to go into the larger set of documents and revise the keying, notes, and details to address just that portion of the plans they were utilizing. The more this is done, the more the value of the overall project is devalued; however, she estimated, as far as information is concerned, the plans should be good for the next 3 to 5 years.

Commissioner Erstad estimated when the project was placed on hold, it went from a $64 million project to one probably closer to $80 million. Every time the Commission utilizes the plans we mobilize the design team, which takes time and costs additional money. We have spent $3.5 million on the original design; however, now those funds will more than likely be spent twice or more if we redo the different areas in piecemeal fashion.

Other increases to the price, he added, include the cost for steel, which has gone up 80% to 90%, as has the cost for lumber. The building is big and complicated and we have reached a point where we can no longer do isolated patches and repairs.

Commissioner Guerber said the Commission must determine what it is to do to escalate the understanding at a state leadership level that something must be done in regard to protecting our Statehouse. Its problems are not going away and this body, he said, needs to become an advocate for the building by keeping the restoration at a high priority.

Public Relations/Outreach

Construction Communication Plan

Commissioner Patano indicated now that construction will soon begin on the exterior repairs, she will convene the Communications and Marketing Committee. A communication plan needs to be developed in order to convey to the public the scope of the upcoming projects. Additionally, the Committee will eventually propose a plan for the celebration of the initiation of construction of the Statehouse 100 years ago on July 5, 1905.

The best way to communicate with tenants of the building, she said, is to reinstitute the Renewal News newsletter. Ms. Blume confirmed that the Department of Administration is prepared to offer the periodic publication to tenants in order to keep them apprised of the work underway.
Miscellaneous

Capitol License Plates

Commissioner Bianchi reported that authorization for the Commission’s license plates ends on December 31, 2006. The Commission had anticipated that the restoration would be complete by then. The plates have been very popular, he said, and they are bringing in over $30,000 each year. The Commission could choose to extend this authorization for two to three years with a simple statutory change. The Commission concurred, and Commissioner Bianchi offered to move forward on draft legislation to extend the license plate authorization.

Upcoming Meeting Date

The Commission will meet next on October 21, 2004, and then again in January, April, July 5th, and October of 2005. July 5, 2005 is the 100th anniversary of the placement of the first cornerstone for the Idaho Capitol.

Adjournment

The July 28, 2004 Idaho Capitol Commission meeting adjourned at 11:20 a.m.

Andrew C. Erstad, Acting Chairman
Idaho State Capitol Commission

Diane K. Blume, Management Assistant
Department of Administration