
Idaho State Capitol Commission

Official Minutes

February 9, 2017

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

Attendees

Members Present:

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

Joe Stegner

Mary Symms-Pollot

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

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

Representative Neil Anderson (present until about 2:30 pm)

Nancy Sue Wallace (via telephone)

Absent and Excused:

Andy Erstad, Chairman

Brad Little, Lieutenant Governor

Others/Staff Present:

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

Keith Reynolds, Deputy Director and CFO, Department of Administration

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

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

Michelle Watts, Fiscal Officer, Endowment Fund Investment Board

Barry Miller, Deputy Administrator, Division of Public Works

Tami Humiston, Principal Financial Specialist, Department of Administration

Julie Weaver, Deputy Attorney General for the Department of Administration

Soren Jacobsen, Senior IT NW Support Specialist, Legislative Services Office
Mark Estess, Eiguren Ellis Public Policy Firm
John Foster, Kestrel West
Diane Blume, Program Specialist, Department of Administration

Commissioner Geddes introduced and welcomed two new members to the Commission—Nancy Sue Wallace of Hayden Lake, and Representative Neil Anderson of Blackfoot.

Approval of Minutes

MOTION: Commissioner Stegner moved and Commissioner Symms-Pollot seconded that the minutes of the August 16, 2016 Idaho State Capitol Commission meeting be approved as written. The motion passed unanimously.

Financial Report

Endowment Fund Analysis as of December 31, 2016

Mr. Reynolds distributed a financial packet and noted that numbers provided are preliminary and unaudited by the EFIB. The *Endowment Fund* began with a balance of \$30,573,011 in FY17. Lands Revenue is \$208,995, which is a substantial increase over the past two years, he said. License Plate revenue is \$30,005. Including investment earnings of \$1,732,077, total available funds is \$32,544,088.

On the expense side, the Department of Lands fees of \$74,808, fees charged by the EFIB of \$62,098, and transfers out of this fund to the *Capitol Maintenance Reserve Fund* of \$400,000 leaves an ending balance of \$32,007,182.

The *Reserve Fund* balance of \$4,755,809 is the amount available to be transferred to satisfy the commission's appropriation, he said.

Appropriated Funds – Cash Flow Statements as of December 31, 2016

In FY17 the beginning cash balance of the *Capitol Commission Operating Fund* was \$204,051, Mr. Reynolds continued. Receipts to the fund was \$1,838 and there was a transfer of \$200,000 from the *Capitol Maintenance Reserve Fund* leaving the total cash available at \$405,889.

Appropriated expenditures from this fund was \$53,428 and there was a transfer to the ISHS of \$121,800 which makes the total cash available at \$230,661.

The *Capitol Maintenance Reserve Fund* began FY17 with a balance of \$16,693 and is appropriated separately from the *Operating Fund* (described above). The *Maintenance*

Reserve Fund is used for larger projects, he said. Receipts and interest of \$159, and transfers from the EFIB of \$400,000 brings the total cash of the fund to \$416,852.

There were appropriated expenditures out of this fund of \$110,042 and transfers to the *Operating Fund* of \$200,000 leaving the ending cash balance at \$106,810.

Appropriated Expenditures as of December 31, 2016

This report, he explained, compares expenditures to the budget. The actual expenditures from the *Operating Fund* include \$8,000 for administrative support, \$3,782 for printing, miscellaneous costs of \$21, and project costs of \$41,625 with total operating expenditures totaling \$53,428.

The FY17 budget for the *Capitol Maintenance Fund* is \$2.2 million of which \$110,042 has been spent toward Capitol repairs and maintenance. However, he said, there were substantial projects funded in January and not reflected in this report. These projects will be discussed later in the meeting.

Approved Project Report as of December 31, 2016

Mr. Reynolds distributed the listing below showing expenditures for all approved capitol projects. The highlighted projects, he pointed out, have been completed.

	Amount Approved	FY 2015 Expenditures	FY 2016 Expenditures	FY 2017 Expenditures	Balance
Approved Projects - Operating Fund					
Projects Approved by the Commission:					
Jefferson Step Analysis	50,000	-	-	11,377	50,000
Third Floor Lounge (FY 15)	88,000	13,343	70,628	-	4,029
DPW Discretionary Projects - \$100K limit:					
Historic Exhibit LED Bulbs	1,344	-	1,344	-	-
Wireless Access - Gov's Office	7,537	-	7,537	-	-
Touchpad Locks - Gov's Office	4,000	-	3,900	-	100
Display Lighting Parts	118	-	118	-	-
Review of Lighting System	5,500	-	-	5,500	5,500
Directory Repair	585	-	-	585	585
Bird Netting	26,306	-	-	24,163	2,143
Historic Replica Globes, Exterior Fixtures	519	-	-	-	519
PTZ Camera	3,305	-	-	-	3,305
Total DPW Discretionary	49,213	-	12,898	30,248	12,152
Total Approved Operating Fund Projects	187,213	13,343	83,526	41,625	66,181
Approved Projects - Maintenance Fund					
Capitol ADA Compliance (FY 16)	500,000	-	150,521	110,042 *	239,437
House Modifications East Wing	47,300	-	-	-	47,300
	547,300	-	150,521	110,042	286,737

* Includes \$14.84 in costs that will be reclassified to the Governor's touchpad project.

Indicates Completed Projects

So far in FY17, he said, \$41,625 has been spent toward projects out of the *Operating Fund*. From the *Maintenance Fund*, \$110,042 has been expended mainly toward Capitol ADA Compliance.

Idaho Endowment Fund Update

Mr. Johnson explained the mission of the EFIB is to provide professional investment governance consistent with its constitutional and statutory mandates. The Fund's performance has been around 7% for 3, 5 and 10 year periods, and it grew 6.3% so far this fiscal year through January 31st, he said. In comparison of the fund to others in the nation long-term, the Idaho Endowment Fund generally ranks above average to both public pension plans and other endowments.

To provide a sense of where the market is going, he provided a graph showing an accumulative risk premium. It illustrates the difference of the amount earned in the stock market minus what would have been earned with a short term bond. His calculation used a 7, 15, and 30-year rolling period through January, 2017. Short term bonds, he said, were extremely volatile. Over the last 7 years the fund has earned about 15% per year over bonds. Historically, an investor has needed a 15-year holding period to ensure equity returns do not fall well below bond returns. The Endowment Fund is viewed as a perpetual fund with a long term investment horizon of 30 years or more so there is currently a heavy concentration of equities.

He pointed to a chart that illustrates trends with the cumulative equity risk premium of stocks minus bonds. There have been some significant years of decline but also years when the general trend has been up, he said. Following significant declines experienced from 2000 to 2009, equities have outperformed short term bonds by double digits for long periods of time.

Expected returns are not as robust as they have been historically, he said. The EFIB's investment consulting firm, Callan and Associates, has forecasted that stock will earn about 6.9% - 7% over the next 10 years. Fixed income is projected at 3%. Since the last time he presented to the commission, he pointed out, the EFIB has implemented investments in US commercial real estate to the extent of 8% of the portfolio and the projected return is 5.8%. All of these average-out to a return of 6.3%. The projected volatility is plus or minus 17% in the first year but evens out so that by year 7 it is at plus or minus 7%

As far as distribution from the *Capitol Permanent Fund* to the *Capitol Maintenance Reserve Fund*, the outlook for investments is tepid, with interest rates at 2.6% and equity valuations above average, he explained. The combination of fund and land income is barely sufficient to support the current 5% distribution rate. The EFIB will review the distribution rate at its May 16 meeting.

The commission has \$4.8 million available in its *Maintenance Reserve Fund* and the July, 2017 distribution will add \$1.39 million at 5%, or \$1.25 million at \$4.5%, depending on the decision of the EFIB. In general, he concluded, a distribution that is sustainable is between 4% and 5% over the next 10 years to cover unexpected expenses of the commission.

Public Outreach / Art & Culture

Commissioner Gallimore announced the third annual **Idaho Day will be celebrated this year on March 3rd**. She also noted that there is a new exhibition on display in the capitol—**Fred Choate's paintings** entitled “Landscapes of Idaho”.

Design and Construction Committee

Approval of Capitol Use Manual

Commissioner Gallimore, committee chair, reminded the group that this project has been underway for the last nine months to consolidate all existing capitol guidelines into an easy to use manual. The document has been drafted for use by tenants of the building and the public, and addresses preservation and use of the capitol.

Both legislative leadership and the governor's office were consulted during its preparation, and as Commissioner Little requested, no expenditures were made out of the commission's budget to hire a consultant. Work was done entirely by staff from the ISHS, Department of Administration, and LSO.

MOTION: Commissioner Symms-Pollot moved and Commissioner Milstead seconded that the commission approve the Capitol Usage Manual, as presented.

Commissioner Symms-Pollot expressed appreciation for the manual and said the instructions within will serve the commission for many years.

Commissioner Stegner noted that since the content of the document includes guidelines currently in effect, he asked the members to consider postponing their official approval until the two new commission members have a chance to review. Commissioner Geddes responded that even if the manual is not officially approved until the commission's next meeting, it can still be put into use now as a draft operating manual. In the meantime, staff can monitor its effectiveness and propose any changes, he said.

With consensus of the motion's second, Commissioner Milstead, Commissioner Symms-Pollot withdrew her original motion.

SUBSTITUTE MOTION: Commissioner Symms-Pollot moved and Commissioner Anderson seconded that the commission approve use of the draft Capitol Usage Manual as a working document and that it be placed on the August Capitol Commission meeting agenda for final approval. The motion passed unanimously.

Project Updates

ADA and other Projects

Ms. Frew reported the state has nearly completed its commitment to the Department of Justice in regard to ADA projects at the Capitol—both interior and exterior. The only significant interior project still underway is **accessible levers** that are yet to be installed on doors at main office entrances inside the building. In some cases, accessibility issues can be resolved merely by propping the door open, she said. This eliminates the need to replace historic door knobs with accessible levers which require that the door to be cut-out for installation of the mechanism.

On the exterior, **ramps were modified** to meet ADA requirements, and while the grounds were torn-up for that project, **drainage improvements** were accomplished, as well. They were tested during the recent adverse weather and they functioned successfully, she said. A schedule has been established to maintain and clean-out this drainage system so that it continues to operate as designed.

Modifications were also made in the galleries as part of the ADA upgrades. On the Senate side, a section of the wall was removed to allow accessibility to wheelchair spaces, and another wall was added. Commissioner Geddes commented on the excellent workmanship that went into this project.

Commissioner Symms-Pollot reported an item that was recently brought to her attention. She was told that some of the **braille signage within the capitol may not be accurate**. She agreed to find out more detail about the signage so DPW can work with its certified braille expert to remedy any inaccuracies.

Ms. Frew continued by explaining that a **wall construction and office reconfiguration** project was combined with an **interior ADA project** in the interior. The ADA project involved access to the garden level wing on the House side. In order to get to that lower level a handicapped person had to go through the back hallway to get to the elevator. Once at the garden level, the elevator opened up directly into the office cubicles. This created a security concern, she said. In addition, during the legislative interim, the door from the main corridor to the office area would be locked so when individuals in wheelchairs exited the elevator and proceeded out into the main corridor, the door locked behind them.

Because of the security concerns and accessibility issues, a wall was installed separating the office area from the elevator and creating an exit corridor. The House took advantage of this revision and had the layout of the office area modified as well. As a result, the cost of the project was split 50/50 between the commission and the House. The project is complete, she said, and so far it is working well this legislative session.

Glazing Issue

Ms. Frew reminded the group that this issue involves the delamination of some of the new wire glass installed at the capitol as part of its renovation project. She said the Attorney

General's Office along with attorneys representing Jacobson Hunt are working to resolve who should fix the problems and who should pay for it.

Staff has identified additional panes of glass that look as though they may fail, but the glass installer, D&A Glass, assures the glass is safe in its current condition. Nevertheless, plans have been made to replace the delaminated glass, located in critical areas, by the end of this calendar year.

The problem, she added, is that staff has not been able to identify a manufacturer of this type of glass, other than Ruby Art Glass. Therefore, other options are being explored such as etching the glass, or applying film that looks like the historic glass.

Damage as a Result Adverse Weather

Commissioner Stegner asked for an update on issues at the capitol that resulted from the recent sever weather. Ms. Frew explained there were no major issues as a result of the weather. There was a leak on the House side, she said, and DPW's roofing inspector was able to make the repair himself. At the same time, he checked for areas that may need further attention when the weather is better. As a result, it was discovered that several areas of the skylights need to be re-caulked. Recaulking should occur about every 7 to 10 years, she said.

There were a few frost heaves that occurred on the sidewalks as well, she said, and staff is looking into how to prevent that from happening again. She believes that the location of the heave is at the edge of the underground portion of the building and occurred because the ground adjacent to the edge of the building warmed at a different rate. As the ground began to thaw, the concrete went back into alignment.

Schedule of Regular Capitol Maintenance

The schedule of regular maintenance is an ongoing process, Ms. Frew said. Staff maintains a spreadsheet of all regular maintenance to be done, such as the dome caulking that was just discussed. Also, whenever staff is made aware of an item that needs to be fixed, it is added to the list as well.

Potential Cellphone Infrastructure Upgrades

Commissioner Milstead explained the capitol has been experiencing a decline in cellphone coverage particularly in the lower level. He was recently contacted by representatives of Verizon who requested permission to replace infrastructure in the building with one of a couple alternative options that would improve service. The commission's Design and Construction Committee has addressed this issue and is bringing it to the full commission for its information.

With the *Distributed Antenna System (DAS)* option, Verizon would pay for and install the upgrades, and allow other carriers to connect to the infrastructure. This is the option the committee favors and he said he hopes installation can proceed quickly pending some

outstanding questions yet to be resolved. The other option proposed was an infrastructure unique only to Verizon services.

Mr. Jacobsen explained each individual carrier interested in leasing infrastructure from Verizon would install their own servers, racks, and antennas. This is still being fleshed out as far as the size and location of those racks; Commissioner Geddes added that it seems the system will be unobtrusive to the public. Mr. Estess remarked the committee expressed concern that there is no duplication of equipment requested by other carriers. The DAS option was chosen because of the availability of the infrastructure to accommodate other carriers. In addition, the service would not only improve cellphone coverage in the capitol but also in the walking tunnel in the vicinity of the capitol. He stressed that Verizon will incur and underwrite all costs associated with the deployment of the hardware, software and networking equipment.

Mr. Jacobson added this is the standard type of communication system typically installed in a building such as the capitol. Once the project is initiated it will take about 4 to 6 weeks to complete. Commissioner Milstead indicated the committee must take action on the preferred option so work can get underway immediately after the legislative session.

Other Business

Next Meeting of the Commission

The Commission will meet again in August.

Adjournment

Commissioner Gallimore moved and Commissioner Wallace seconded that the meeting of the Idaho Capitol Commission be adjourned at 2:50 p.m. **The motion passed unanimously.**

Diane K. Blume, Program Specialist
Department of Administration