



DATE: January 15, 2018

TO: Myron Frans, Commissioner, Minnesota Management & Budget
Legislator Committee Chairs, per M.S. 16A.632, subd. 4
(Distribution list attached)

FROM: Matt Massman, Commissioner

SUBJECT: **2017 Capital Asset Preservation and Replacement Account (CAPRA) Summary Report**

Pursuant to Minnesota Statutes 16A.632, Subdivision 4, enclosed is the Capital Asset Preservation and Replacement Account (CAPRA) Summary Report. This report is a list of projects funded by CAPRA appropriations during calendar year 2017.

Admin's capacity to assist state agencies with emergency and unanticipated capital asset needs was particularly limited due to no capital investment legislation being enacted in 2016. As a result, CAPRA funds were not available until 2017 when a \$5 million appropriation was enacted.

cc: Governor Mark Dayton
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CAPRA SUMMARY REPORT

Capital Asset Preservation and Replacement Account
Summary Report
For Calendar Year 2017

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Real Estate and Construction Services
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Cost to prepare this report: \$600

Reporting requirements

Minnesota Statutes 16A.632, subd. 4, requires that the Commissioner of Administration submit:

- A list of the projects in each agency funded from the Capital Asset Preservation and Replacement Account (CAPRA) during the preceding calendar year; and
- A list of priority projects for which a CAPRA appropriation will be sought.

Funding summary

The amount of bond proceeds appropriated to the CAPRA program is quite limited relative to the overall, urgent asset preservation needs of the state. Consequently, CAPRA funding is managed only to provide rapid financial assistance to agencies for emergencies and unanticipated hazardous material abatement needs. In doing so, the program aims to minimize the negative impact of facilities-related emergencies and unanticipated conditions on the delivery of services and programs by state agencies.

Admin's capacity to assist state agencies with emergency and unanticipated capital asset needs was particularly limited during most of CY 2017 as no capital investment legislation was enacted in 2016. As a result, the severely diminished CAPRA declined to dangerously low levels resulting in the inability to respond to emergency repair needs that would have previously been funded under the program. In 2017, a \$5 million appropriation was passed which restored funding to the account.

Since CAPRA's creation in 1990, \$95.13 million has been appropriated for projects. Examples of CAPRA-funded projects include asbestos and lead abatement, emergency roof and pipe repair, and replacement of failed air conditioning, boilers, and water heater units. Recent projects using CAPRA funds are shown in Tables 3 and 4. As of January 1, 2018 the following appropriation is available for CAPRA projects:

- \$5,000,000 appropriation in fiscal year 2017 (Laws 2017, 1st Special Session, Chapter 8, Section 3).

A total of \$277,752.85 was expended in calendar year 2017 (CY17), as follows:

- \$61,967.07 from FY11 CAPRA appropriation
- \$215,785.78 from the 2014 appropriation

The current unspent balance in the CAPRA program is \$5,000,000; the current unencumbered balance is \$5,000,000. Of the unencumbered balance \$300,000 is committed to specific projects, leaving a balance of \$4,700,000 available for any new emergencies that arise. It should be noted, however, that urgent CAPRA requests often arise in the early part of the calendar year.

History of the account

Past sporadic appropriations for CAPRA since 2002 are:

- 2017: \$5 million
- 2014: \$1 million
- 2012: \$1 million
- 2011: \$2.83 million
- 2010: \$2 million
- 2008: \$3.4 million
- 2006: \$4 million

- 2005: \$3 million
- 2002: \$14 million

Asset preservation has become an increasingly important challenge for state agency operations. Adequately maintaining state facilities is imperative to support the efficient and effective delivery of services and programs to our customers, the people of Minnesota. In particular, the lack of adequate funding to complete regular, planned preventative maintenance to state-owned properties increases the likelihood that CAPRA and agency asset preservation funds must be used to fix broken items rather than proactively maintain optimal building conditions.

Future considerations

Admin typically requests CAPRA funds during legislative bonding sessions (even-numbered years). In 2016, the Governor recommended \$2.5 million for 2016 and each subsequent biennium to replenish the account. However, no capital investment legislation was enacted and no CAPRA appropriations were made in 2016. In 2017, the Governor recommended, and the legislature enacted, a \$5.0 million appropriation to CAPRA.

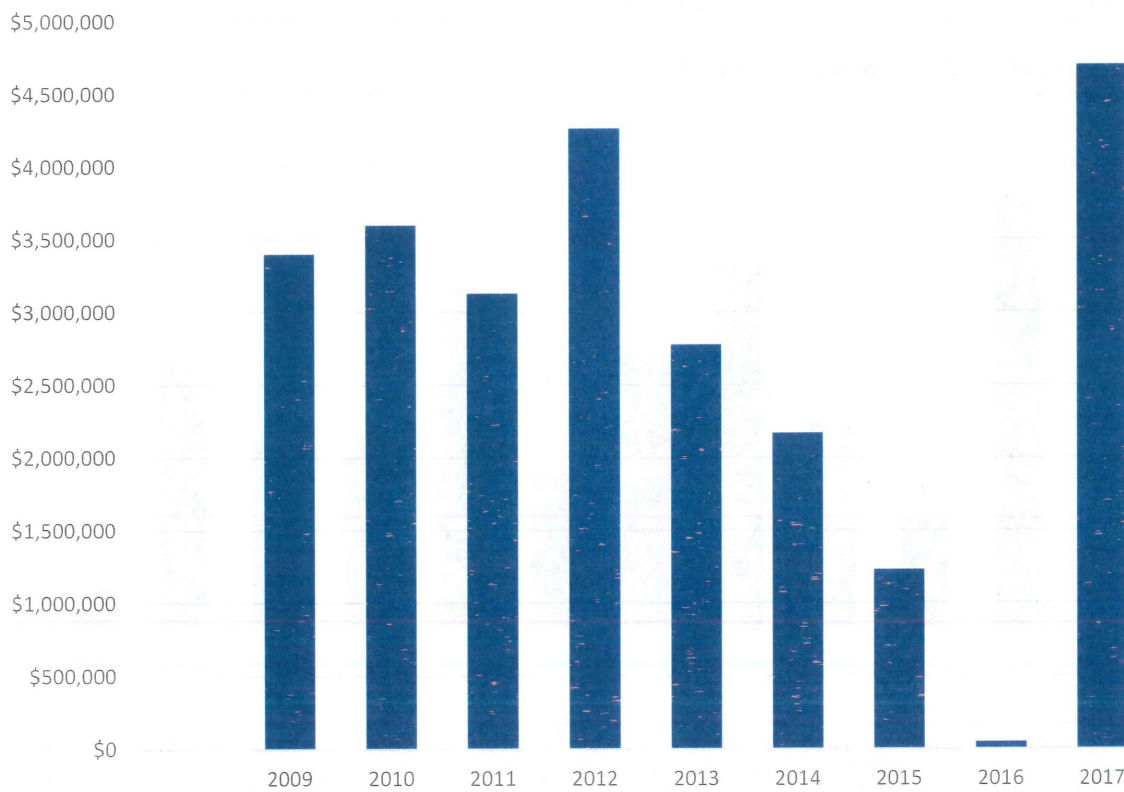
The state has an \$850 million in deferred maintenance backlog for state-owned properties and a \$1.96 billion need to keep up with aging systems for a total asset preservation need of \$2.81 billion.

Agency requests for asset preservation have historically been funded at levels lower than recommended by the Governor. Chronic underfunding of asset preservation and irregular appropriation amounts make it difficult to efficiently plan for and keep up with routine maintenance, and increases the potential for emergency repairs, unsafe conditions, and lost asset value.

Expenditure Trends and Declining CAPRA Balances

Demand for CAPRA funds outpaced appropriations through 2016 resulting in a declining CAPRA balance. As illustrated in Table 1, by the end of 2016, the balance had declined to the point that it was insufficient to fully respond to emergency repair needs such as the Centennial Parking Ramp, damaged security fence at the St Peter Regional Treatment Center and the Bridge at the Minneapolis Veterans Home which was closed to vehicle and pedestrian traffic due to corrosion of the structural steel.

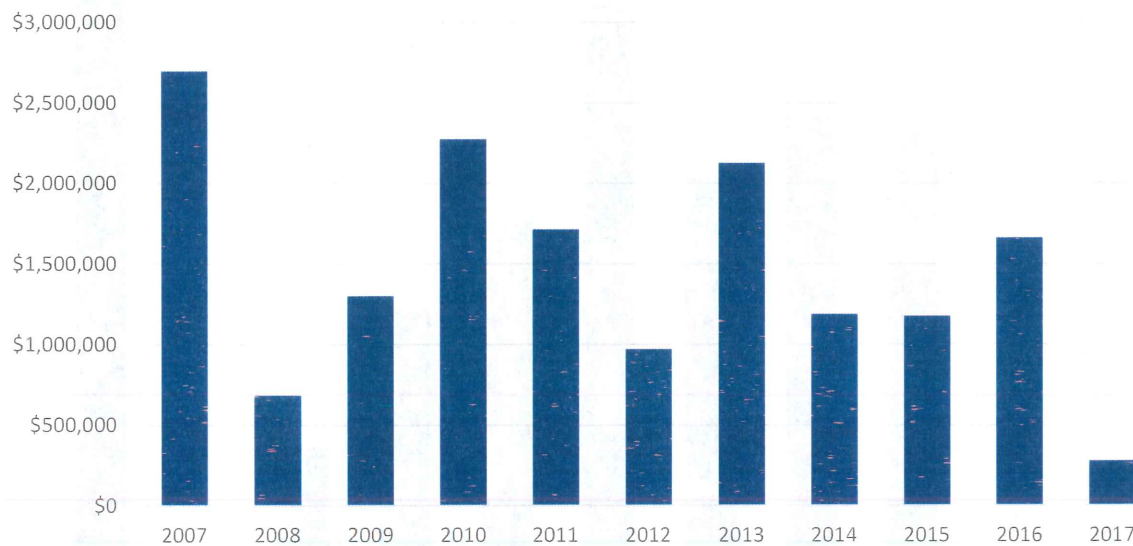
Table 1: Capital Asset Preservation Account (CAPRA) Annual Balances 2009-2017



2009	2010	2011	2012	2013	2014	2015	2016	2017
\$3,401,457	\$3,597,227	\$3,130,348	\$4,264,709	\$2,776,104	\$2,167,979	\$1,230,990	\$47,743	\$4,700,000

As shown in Table 2 below, with one exception, annual CAPRA expenditures exceeded \$2.5 million during any rolling two year period. Consequently, it is vital that the fund be maintained with a significant amount of funding in order to handle future emergency requests from state agencies.

Table 2: Annual CAPRA Expenditures 2007-2017



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
\$2,698,573	\$684,622	\$1,300,376	\$2,274,140	\$1,712,788	\$970,422	\$2,126,032	\$1,188,813	\$1,175,127	1,660,626	\$277,753

Projects funded in CY17 from 2014 and 2017 appropriations are noted in the following attached Tables 3 and 4. Note that these amounts are total dollars committed but not yet fully expended.

Table 3: Projects funded in Calendar Year 2017 using the Fiscal Year 2014 appropriation

Agency and Project Number	Location	Description	Amount
Corrections			
78FA0047	Faribault	Sierra So Steam Piping	\$11,439.94
78ML0064	Moose Lake	Replace Generator Controls	\$58,111.15
78OP0025	Oak Park Heights	Replace Electrical Capacitors	\$25,839.00
78SH0032	Shakopee	Mitigate Fuel Storage Tanks	\$ 60,000.00
78TH0027	Thistedew	Repair Laundry Hot Water	\$ 22,563.00
78WR0013	Willow River	Design Switchgear Upgrade	\$ 30,000.00
Agency Total			\$207,953.09
Veterans Affairs			
75MP0077	Minneapolis	Abate Mold B16 Pipe Insulation	\$50,000.00
Agency Total			\$50,000.00

Agency and Project Number	Location	Description	Amount
State Academies			
44DA0022	Deaf Academy	Upgrade Generator Controls	\$40,000.00
44DA0023	Deaf Academy	Bring Balcony Seating to Code	\$139,000.00
44FA0026	Faribault	Asbestos Abate Pipe Joints	\$18,985.75
Agency Total			\$197,985.75
Grand Total-All Agencies			\$455,938.84

Priority projects for which funding will be sought

Since CAPRA funds are now aimed primarily at addressing emergency and unanticipated needs, it is impossible to identify/prioritize specific projects for which funding will be sought. In general, the priority for CAPRA spending is as follows:

1. Emergencies of any kind
2. Hazardous material abatement
3. Non-recurring, small repair and maintenance projects.

State agencies served by the CAPRA program in recent years include Admin, Corrections, Human Services, Perpich Center for the Arts, Minnesota State Academies, Commerce, and Veterans Affairs.

Table 4: Projects funded in Calendar Year 2017 using the Fiscal Year 2017 appropriation (\$1.00 million appropriated)

Agency and Project Number	Location	Description	Amount
Commerce			
13SP0002	St. Paul	Repairs to Rail Road Master Scale Building	\$300,000.00
Agency Total			\$300,000.00
Perpich Center for Arts			
25GV0030	Golden Valley	Repair Chiller in Crosswinds	\$45,000.00
Agency Total			\$45,000.00
Grand Total - All Agencies			\$345,000.00