



DATE: January 22, 2016

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

FROM: 
Matthew J. Massman, Commissioner

SUBJECT: **2015 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 2015.

Enclosures

c: Governor Mark Dayton
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CAPRA SUMMARY REPORT

Capital Asset Preservation and Replacement Account
Summary Report
For Calendar Year 2015

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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, states that the Commissioner of Administration shall 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

CAPRA funding provides rapid financial assistance to state agencies for emergencies and unanticipated hazardous material abatement needs related to the State's capital assets. Overall, state agencies manage 5,494 state-owned buildings with a total of 29.2 million square feet. The program helps minimize the impact of facilities-related emergencies and unanticipated conditions on the delivery of services and programs by agencies.

Since CAPRA's creation in 1990, \$90.13 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, boiler and water heater units. Recent projects using CAPRA funds are shown in the attached Tables 3 through 5. The balance in the CAPRA fund was \$1.2 million at the end of CY 2015. Accounting for ongoing, programmed repairs to the Centennial Parking Ramp, the balance of the account is anticipated to be drawn down to \$500,000 or lower by the middle of CY16. This estimate does not account for other anticipated uses of CAPRA funds. The balance by appropriation is detailed below:

- 2011: \$231,000
- 2014: \$1,000,000
- Total: \$1,231,000

The Department of Administration received \$1,000,000 of CAPRA funding in fiscal year 2014 (Laws 2014, Chapter 295, Section 4), \$1,000,000 of CAPRA funding in fiscal year 2012 (Laws 2012, Chapter 293, Section 13, Subd. 4) and \$2.83 million in funding in fiscal year 2011 (Laws 2011, Chapter 12, Section 4, Subd. 2). A total of \$1,175,127.16 was expended in calendar year 2015 (CY15), greater than the most recent CAPRA appropriation in 2014, as follows:

- \$ 221,733.64 from FY11 CAPRA appropriation
- \$ 953,393.52 from the FY12 appropriation
- \$ 0.00 from the FY14 appropriation

It is anticipated that the FY11 and FY14 appropriations will pay for emergencies, unanticipated abatement of hazardous materials and small repair and maintenance projects during CY16. Funds expended in CY15 from FY11, FY12 and FY14 appropriations are noted in the attached Tables 3 through 5.

History of the account and future considerations

Historical appropriations for CAPRA since 2002 are:

- 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

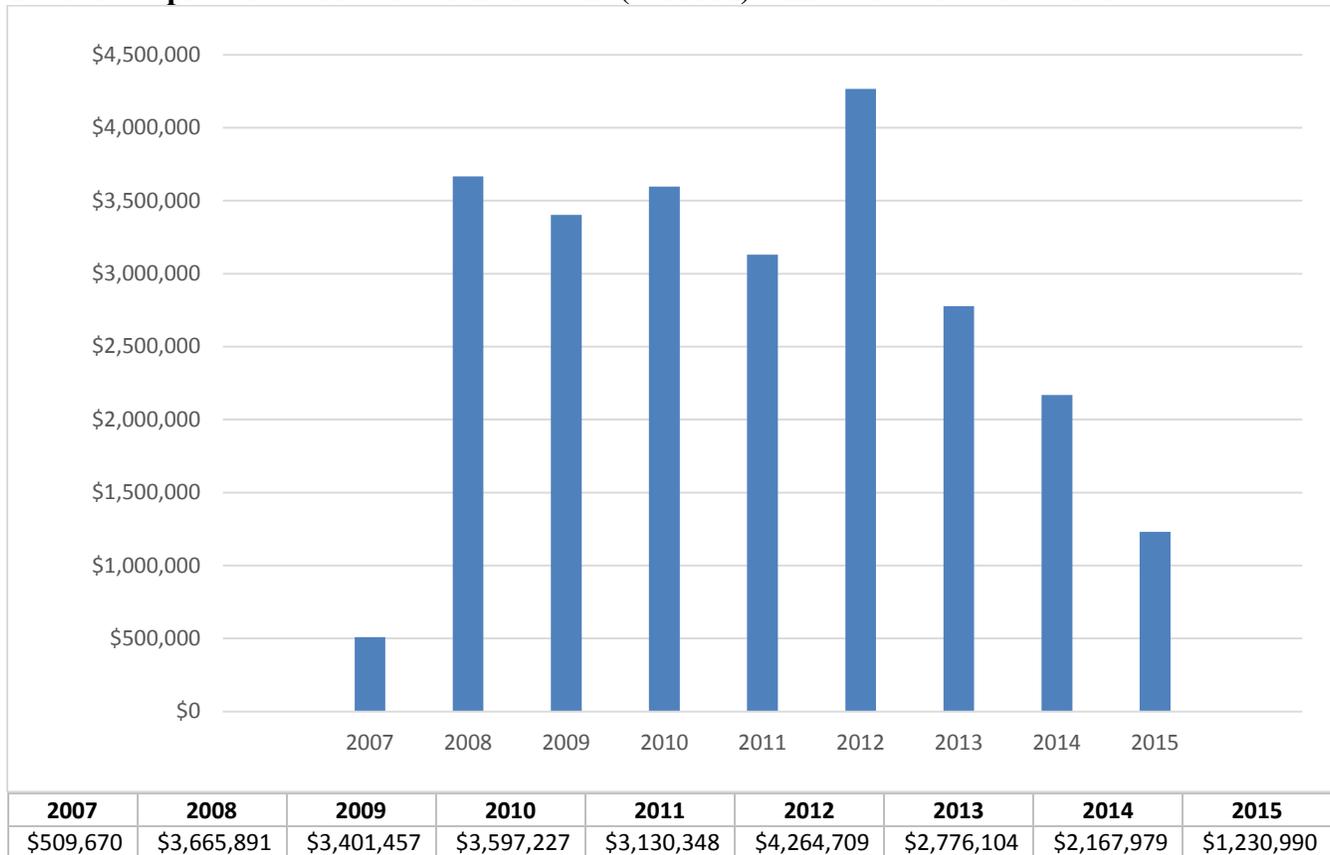
Admin typically requests CAPRA funds during legislative bonding sessions (even-numbered years).

Asset preservation continues to be an issue. Adequately maintaining state facilities is imperative to support the efficient and effective delivery of services and programs to our customers, the taxpayers and people of Minnesota. The state has an estimated \$1.3 billion in deferred maintenance to state-owned properties. To the degree that agency Asset Preservation requests are underfunded, there will likely be increased emergency requests for CAPRA funding.

Expenditure Trends and Declining CAPRA Balances

Demand for CAPRA funds has outpaced appropriations resulting in a declining CAPRA balance. As illustrated in Table 1, the balance has steadily declined since 2012. By the end of 2015, the balance had declined to the point that it was insufficient to fully respond to emergency repair needs, such as the Centennial ramp. As a result, some known urgent repair needs are on hold until additional funds are appropriated.

Table 1: Capital Asset Preservation Account (CAPRA) Annual Balances 2007-2015

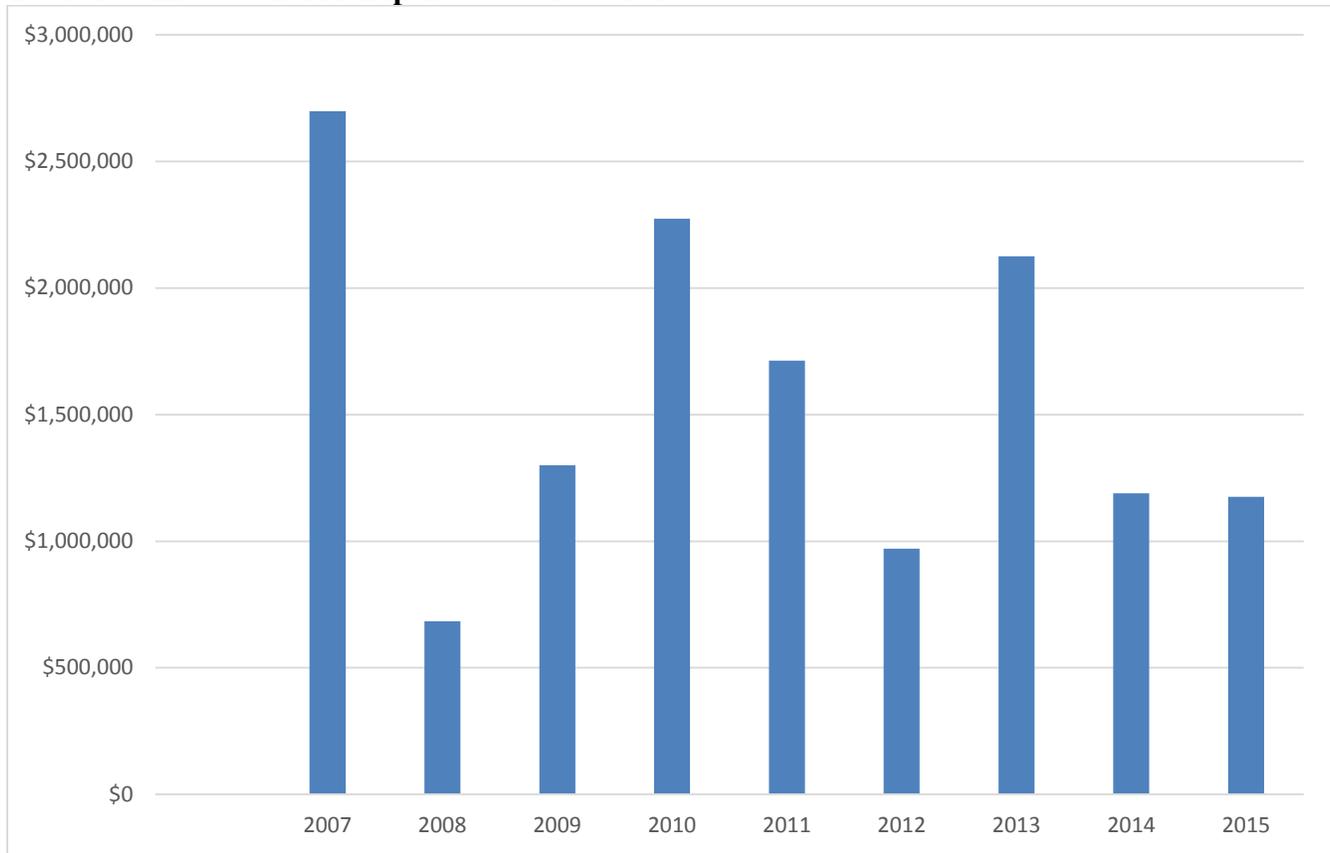


As shown in Table 2, annual CAPRA expenditures exceeded \$1.0 million in seven of the past nine years, and exceeded \$2.0 million in three of the last nine years. In September 2015, the discovery of unsafe conditions in the Centennial Parking Ramp resulted the closure of 406 parking stalls in that facility and shoring being installed to stabilize one level of the ramp where particularly serious damage to post-tension cabling was identified during an annual inspection. The gross estimated of that project alone is estimated to cost \$4.4 million. As of the end of CY15, \$600,000 in CAPRA funds have been expended on the project, with more expenditures programed during CY16 in ongoing repair work with available CAPRA funds.

Additionally, the Department of Corrections discovered unanticipated abatement needs while working on a project at the Lino Lakes prison. As a result, a determination was made to entomb the material instead of expending CAPRA funds to abate the material because of the potential \$350,000 cost. Skipping abatement during this project will result in increased ongoing deferred maintenance that could render a building unsafe in the future.

While Admin is currently working with DOC staff to determine if using CAPRA funds will be necessary, the reality is that the amount of funds available in the CAPRA were less than is needed for these two urgent repair needs and fully depleting the account to zero risks not having any resources available in the event of a catastrophic need.

Table 2: Annual CAPRA Expenditures 2007-2015



2007	2008	2009	2010	2011	2012	2013	2014	2015
\$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

Admin typically requires agencies to demonstrate that agency asset preservation funds have been depleted prior to expending CAPRA funds. However, declining CAPRA balances and growing enterprise deferred maintenance needs increases the likelihood of service interruptions or other impacts if the combination of Asset Preservation, CAPRA and other resources is inadequate to accommodate emergency repair needs.

Priority projects for which funding will be sought

- Since CAPRA funds address primarily 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 all kinds
 2. Hazardous material abatement
 3. Non-recurring, small repair and maintenance projects ranging in cost from \$25,000 to \$350,000.

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

Table 3: Projects funded in Calendar Year 2015 using the Fiscal Year 2011 appropriation (\$2.83 million appropriated)

Agency and Project Number	Location	Description	Amount
Corrections			
78SW0037	Stillwater	Bldg 35 Laundry Fire Damage	31,109.57
78 TH 0016	Thistledeew	Abate Barracks Flooring	13,497.20
78ML0058	Moose Lake	Abate Bldg 65 Carpentry Classroom	20,626.87
78ML0059	Moose Lake	Repair Tunnel Corrosion	107,500.00
78SW0044	Stillwater	Repair Main Steam Lines	49,000.00
Agency Total			221,733.64
Grand Total-All Agencies			\$221,733.64

Table 4: Projects funded in Calendar Year 2015 using the Fiscal Year 2012 appropriation (\$1.00 million appropriated)

Agency and Project Number	Location	Description	Amount
Administration			
02CP0068	Centennial Ramp	Replace Damaged Post-tensions Cable	600,000.00
Agency Total			600,000.00
Corrections			
78WR0007	Willow River	Abate CIP Barracks HVAC Mold	35,633.52
78SW0041	Stillwater	Repair Air Quality Issues	30,000.00
78 TH 0021	Thistledeew	Broken Sewer Line	25,000.00
78WR0011	Willow River	Repair Unit 4 Elevator	75,000.00
Agency Total			165,633.52
Veterans Affairs			
75MP0056	Minneapolis	Repair West Water Main Break	27,760.00
Agency Total			27,760.00
State Academies			
44BA0021	Blind Academy	Replace Lysen-Gillen Chiller	160,000.00
Agency Total			160,000.00
Grand Total-All Agencies			\$953,393.52

Table 5: Projects funded in Calendar Year 2015 using the Fiscal Year 2014 appropriation (\$1.00 million appropriated)

Agency and Project Number	Location	Description	Amount
Corrections			
Agency Total			0.00
Veterans Affairs			
Agency Total			0.00
State Academies			
Agency Total			0.00
Grand Total-All Agencies			\$0.00