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Regional

Report

2003 Performance Evaluation Report

A Report to the Minnesota Legislature

April 2004

Metropolitan Council

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The graphic preparation and printing of this publication cost $140 for a total of 75 copies.

Publication no. 21-04-040

About this Report

The Metropolitan Council recognizes performance evaluation as a crucial tool in ensuring that its functions are meeting their objectives in a timely and cost-effective manner. The Council has implemented a number of methods to strengthen its performance evaluation process.

This report is required by Minnesota Statutes, section 473.13, subdivision 1a, which calls for the Council to submit annually to the Legislature a "...substantive assessment and evaluation of the effectiveness of each significant program of the Council, with, to the extent possible, quantitative information on the status, progress, costs, benefits and effects of each program."

The report provides a record of the services provided and service levels achieved by the Council in the context of historical trends, performance measures and budget compliance. The report includes multi-year performance measures for all major operations and summarizes significant accomplishments by division.

The report is organized into four major sections. The introduction provides an overview of the Council and highlights achievements from 2003. The next three sections discuss division and subunit results. The last includes appendices and maps showing Council districts, the sewer service network, the transit service area, and the Metro HRA service area.

Contents

Introduction

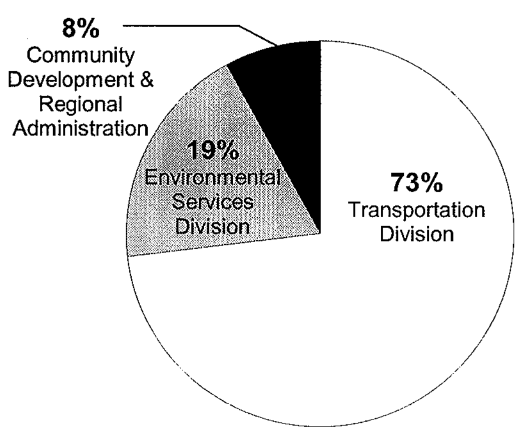
The Twin Cities Region and the Metropolitan Council

The seven-county metropolitan area is a growing and economically vibrant region with a population approaching 2.8 million. The regional economy is supported by diverse industries and has an unemployment rate below the national average. The region's population is projected to grow by 930,000 people between 2000 and 2030.

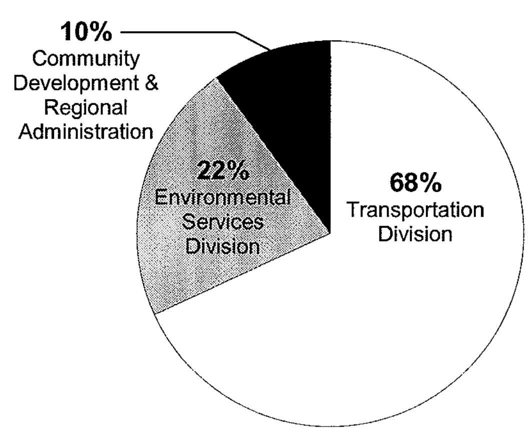
The Metropolitan Council was created by the Legislature more than three decades ago to plan and coordinate the orderly growth and development of the seven-county area. It has authority to plan for regional systems including transportation, aviation, water resources, and regional parks and open space. The Council's core mission also includes the efficient operation of transit, wastewater collection and treatment, and housing assistance programs for households with low incomes.

The governor appoints a chair, who serves at large, and 16 Council members representing districts, who together govern the Council. To carry out its responsibilities, the Council established divisions for transportation, environment, and community development, along with standing committees to deal with each of these areas. The Council has approximately 3,700 employees and annual expenditures of approximately $400 million to carry out its planning and service functions.

Employees by Division



Expenditures by Division



Division Functions

Community Development comprises two departments:

- Planning and Growth Management, which includes functions such as regional growth planning and technical assistance to local communities, research, geographic information systems, and parks and open space.
- Housing and Livable Communities, which includes the Metropolitan Housing and Redevelopment Authority (Metro HRA), the Family Affordable Housing Program and Livable Communities.

The **Environmental Services Division** (MCES) operates and maintains approximately 600 miles of regional sewers and treats up to 300 million gallons of wastewater daily at eight regional treatment plants. Serving nearly 90% of the seven-county area population, MCES provides cost-effective wastewater service to 103 communities. MCES' mission is to "provide wastewater services that protect the public health and environment while supporting regional growth."

The **Transportation Division** includes Metropolitan Transportation Services and Metro Transit. The division is responsible for developing regional transportation policy; allocating federal transportation funds to projects in the seven-county area; encouraging alternatives to driving alone; and operating an efficient transit system for the general public and for people with disabilities. The division also coordinates regional aviation planning.

New Council Focuses on Core Missions

The Council appointed by Gov. Tim Pawlenty in early 2003 made a firm commitment to:

- Focus on its core missions
- Perform them in a cost-effective manner
- Work cooperatively with regional partners
- Be accountable to the public for results

The Council's resolve was demonstrated throughout the year in many ways, both large and small, some of which are discussed below.

A New Framework for Regional Growth

The new Council undertook a major rewrite of the *2030 Regional Blueprint* adopted by the previous Council to guide the region's growth in the coming years. The new *2030 Regional Development Framework* is more clear and concise. It reflects the Council's commitment to work with communities in a collaborative and flexible manner. It makes transportation and protection of the region's water resources top priorities. And it contains specific benchmarks to measure progress toward achieving regional goals.

Fiscal Responsibility

The Council did its part to help erase the state's budget shortfall, trimming its 2003 budget by more than four percent (nearly $17 million) and eliminating more than 200 positions. The Council also adopted a 2004 budget that did not increase property taxes paid by the average homeowner for regional services and functions. In addition, the Council developed a set of performance indicators to regularly measure the efficiency and effectiveness of regional systems.

Building Closer Relationships with Communities

The Council worked to build closer relationships with local communities in the seven-county area and the adjacent counties. During the course of the year, Chair Peter Bell and Regional Administrator Tom Weaver met individually with each of the county boards in the metro area. In December, the Council hosted a meeting of representatives from the seven metro counties and six adjacent counties to discuss the *Regional Framework* and other matters of mutual concern. Chair Bell also created the Chair's Forum – an advisory panel of 14 local elected officials – which will meet quarterly to provide local perspectives and feedback on issues of regional concern.

Cost-effective Service Delivery

At the direction of the 2003 Legislature, the Council requested proposals from private vendors to operate the new Hiawatha light-rail transit (LRT) line, along with an internal competitive proposal from Metro Transit. The process resulted in the selection of Metro Transit as the most qualified and least costly operator for the line. The Council will continue to explore possible cost savings by having private vendors perform some functions, such as track maintenance and engineering services. The Council also began a systematic effort to identify other opportunities for savings through using competitive processes to ensure the most cost-effective delivery of services.

The Council continued its record of maintaining competitive wastewater treatment rates. In 2003, the rates were lower than 83 percent of other U.S. cities with similarly sized systems. In December 2003, MCES was selected to receive the Association of Metropolitan Sewerage Agency's (AMSA) "Excellence in Management" recognition.

Improving Efficiency while Protecting the Environment

In 2003, the Council collected and treated more than 100 billion gallons of wastewater from 103 communities in the region and maintained an excellent record of 99.9 percent compliance with clean water discharge permits. While keeping costs down and maintaining competitive rates, the Council in 2003 earned several awards from AMSA. The St. Croix Valley, Hastings and Eagles Point plants received Platinum Awards for five consecutive years of complete compliance. The Seneca, Empire, Rosemount and Blue Lake plants earned Gold Awards for full compliance during 2002. The Metro Plant earned a Silver Award for having five or fewer permit exceedances during 2002 (two exceedances).

Cleaner Rivers and Lakes

The Council awarded nearly $1 million in competitive grants in 2003 aimed at improving the region's water quality by reducing pollution from surface water runoff. The 13 grants represent the last round of competitive grants in the five-year, $7.5 million MetroEnvironment program initiated in 1998. The 2003 grants will fund construction of rain gardens, erosion control measures, stormwater management ponds and other projects to reduce nonpoint-source pollution in the region's lakes, streams and rivers.

The Council also approved five grants totaling $403,000 to support its research on protection of both water quality and supply in the region. The grants will use the last of the funds set aside 10 years ago in the Twin Cities Water Quality Initiative (TCQI), some of which were returned when projects were completed under budget. Three of the new grants address water supply, and two address impacts on water quality related to urban growth.

Light Rail Construction Makes Progress

- Construction of the 12-mile Hiawatha LRT line was more than 86% complete as of December 2003. The region's first LRT route will connect downtown Minneapolis with Minneapolis-St. Paul International Airport and the Mall of America. The route has 17 stops. Progress in 2003 included:

- Construction of all 12 stations in Minneapolis—each with its own neighborhood-inspired design—was completed, including installation of signals and gate arms at crossings.

- LRT cars were tested at up to 55 miles per hour between downtown Minneapolis and Fort Snelling.

The Council and its partners approved realignment of the route near the Mall of America. The new alignment provides a much better connection to the mall for riders and triples the park-and-ride capacity near the station.

Inauguration of the line was delayed due to a transit strike in March and April 2004.

Restructuring Transit Service

The Council continued a major initiative to restructure transit service throughout the region to increase ridership and system efficiency. In 2003, the Council—after extensive public comment—approved a final plan for the Central-South area, which includes Highland Park in St. Paul, south Minneapolis, Richfield, Bloomington and Edina. One goal of the plan is to seamlessly integrate bus and LRT service. Another is to implement daylong, high-speed, bi-directional service in the I-35W corridor, with plentiful cross connections to other freeways and local buses. The new plan will be implemented along with the anticipated opening of Hiawatha LRT.

Northwest Busway Corridor

The Council and Hennepin County continued design work on a proposed $135 million busway along County Road 81 between downtown Minneapolis and Rogers. The Council also provided $400,000 to help study alternatives for the construction of a busway in the Cedar Avenue corridor in Dakota County.

Aviation Crucial to Competitive Economy

High-quality air transportation to major domestic and international markets is essential to the region's ability to compete in the global marketplace. The Council works closely with the Metropolitan Airports Commission (MAC) and other airport owners to ensure that the region's system of airports provides state-of-the-art, secure and affordable services for business and leisure travelers, freight transport and general aviation activities.

Supporting Efficient Growth

The Council in 2003 awarded $13 million in Livable Communities grants to clean up polluted sites for redevelopment and jobs, support innovative development and redevelopment, and provide gap financing for local housing projects. In November, the program won recognition for "overall excellence" in the U.S. Environmental Protection Agency's 2003 Smart Growth Achievement competition.

Housing Assistance for Low-Income Households

For the second consecutive year, the Council's Metro HRA in 2003 achieved and maintained 100% use of its Section 8 housing vouchers. The HRA assisted an average of 6,800 households monthly through the Housing Choice voucher program and other tenant-based rental assistance programs targeted to special populations. Rental assistance payments were made to more than 1,400 property owners, injecting $46.2 million annual of federal, state and local funds into the regional economy. The Council also operates a small, scattered site public housing program of 150 units in 11 cities in suburban Anoka, Hennepin and Ramsey

Counties. The program implements the Hollman consent decree calling for the provision of federally assisted low-rent housing in Twin Cities suburbs.

Sharing Geographic Information

The Council provides major financial and facility support for MetroGIS, a collaboration of local, regional and state government agencies dedicated to fostering the sharing of geographic data. Cooperation on data development and use reduces government costs.

The cutting-edge collaboration has received national and state awards for its work. Geographic data is a valuable tool for growth planning, community development and other functions as varied as mosquito control, road construction and crime prevention.

Community Development

Overview

The mission of Community Development is to:

- Provide high-quality, coordinated planning, policy and program development to support regional growth and reinvestment.
- Identify and analyze strategic regional issues.
- Facilitate community collaboration.
- Provide Livable Communities grants from three Livable Communities Act programs to eligible communities to assist them with cleaning up polluted sites, expanding housing choices, and developing projects that offer a mix of land uses connected by a variety of transportation options.
- Deliver rent assistance and provide affordable housing to low-income households in the region through existing programs.

Community Development includes two departments: 1) Planning and Growth Management, and 2) Housing and Livable Communities.

The 2003 Planning and Growth Management Department included five units:

UNIT	CORE ACTIVITY
Planning and Technical Assistance	Implementation of regional growth policy and metropolitan systems through local planning assistance and comprehensive plan reviews.
Research	Collection, analysis, forecasting, and provision of data for the region and analysis of regional trends.
Geographic Information Systems	Provision of relevant geographic information and services to support Council policy and operational concerns. Facilitation of activities to share GIS data among government agencies within the region.
Regional Growth Strategy	Review and development of *Regional Development Framework 2030.*
Parks and Open Space	Planning coordination and capital improvement grant administration for regional parks.

The Housing and Livable Communities Department included three units in 2003:

UNIT	CORE ACTIVITY
Livable Communities	Implementation of the Livable Communities Act's housing provisions and its three funding accounts. Assistance with the creation of affordable and lifecycle housing in the region.
Housing and Redevelopment Authority	Delivery of rent assistance programs for seniors, households with disabled members, and families.
Family Affordable Housing Program	Provision of 150 low-income housing units.

During 2003, Community Development worked with the Metropolitan Transportation Services unit and Metro Transit to foster the integration of land use and transportation. Particular attention was paid to the Hiawatha Corridor, Northwest Busway, and Central Corridor. The Metropolitan Council will own three development sites directly adjacent to Hiawatha LRT stations where the Council might explore opportunities for transit-supportive housing and/or commercial development. During 2003, the sites were analyzed and a process for seeking private investment was begun. Regarding the Northwest Busway and the Central Corridor, cooperative planning with Hennepin and Ramsey Counties was conducted to integrate transit and potential development opportunities.

Regional Growth Strategy

In 2003, the Regional Growth Strategy team helped the Council review and develop policy for the *2030 Regional Development Framework*. The team coordinated outreach efforts for the Council.

Planning and Technical Assistance

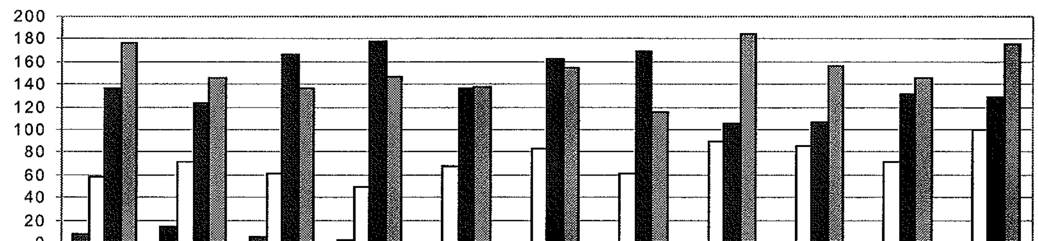
In 2003, the Planning and Technical Assistance unit:

- Coordinated 444 reviews to determine their conformity with the regional systems, their consistency with Council policy, and their compatibility with adjacent community plans:
  - 129 comprehensive plan amendments
  - 100 environmental reviews (Environmental Assessment Worksheets, Environmental Assessments and Environmental Impact Statements)
  - 44 Critical Area/Mississippi National River and Recreation Area Plans with the Department of Natural Resources and National Park Service
  - 171 miscellaneous reviews (watershed plans, groundwater well-head protection plans, park master plans, housing bond programs, PCA permits)
- Provided technical assistance to communities for grant programs including the Livable Communities Demonstration Account, TEA-21, Right-of-Way Acquisition Loan Fund and Predevelopment Grant program.

- Provided technical assistance to transportation/transit corridor studies, such as Highway 81 Busway, I-35W Coalition, Southwest Corridor, Hiawatha LRT, Cedar Avenue Phase II Bus Rapid Transit, I-35 Inter-Regional Corridors, CSAH 21, I-35E Corridor, and Fort Snelling LRT land-use group.
- With Dakota County planning staff, co-founded the Dakota County Planners Network as a way to periodically share best practices and information and better coordinate activities among the county's local governments.
- Prepared the annual *Fiscal Disparities Report*, *Metropolitan Agricultural Preserves Program Status Report*, and the *Regional Plat Monitoring Report.*
- Monitored orderly annexation agreements.

The following chart and table show the number and type of planning and technical assistance reviews and referrals administered by the Council from 1993 through 2003.

Planning and Technical Assistance Reviews



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Land Use Airport Search	8	14	5	2	0	0	0	0	0	0	0
EA W/EIS	58	71	61	50	68	83	61	89	86	71	100
Comp Plans	137	123	166	178	137	162	169	105	106	131	129
Other	176	145	137	147	138	155	115	185	156	145	175

Note: The "Other" category includes many different kinds of referrals, including those related to the National Pollution Discharge Elimination Systems, U.S. Corps of Army Engineers, watershed district plans, water supply plans, controlled access highway plans, critical area reviews, Minnesota Municipal Board annexations, and Housing Revenue Bond Programs, etc.

Research

In 2003, the Research unit:

- Updated long-range 2030 city-level forecasts for population, households and employment for all communities in the metropolitan area for the *Council's 2030 Regional Development Framework.* Worked collaboratively with local governments to develop these forecasts.
- Developed, in collaboration with local governments, 2030 forecasts of population, households and employment for Traffic Assignment Zones, which are used in the Council's transportation computer model.
- Developed detailed, city-level housing profiles, comparing 1990 and 2000 Census data. Mailed copies to local governments and made profiles available on the Council's website.

- Participated with the Family Housing Fund, Minnesota Housing Finance Agency and the Greater Minnesota Housing Fund in producing *The Next Decade in Housing in Minnesota*, a study that examines the size and nature of affordable housing issues in the state and region between 2000 and 2010.
- Prepared for the legislature the *Annual Livable Communities Act Report Card* (2002 data) on progress made by regional communities toward providing affordable and lifecycle housing to metropolitan area residents.
- Produced the 2002 city-level estimates of population and households for all communities in the metropolitan area. These estimates are used by the Departments of Revenue and Transportation in the distribution of state aids.

Metropolitan Council's Geographic Information Systems

In 2003, Geographic Information Systems unit:

- Negotiated new data-sharing agreements with the metro area counties that were signed early in 2004. These agreements reduce Council obligations and increases data available to the Council for estimating numbers of households and land availability and interpreting land use. These agreements demonstrate cooperative efforts that benefit all and fit well with Council's guiding principal of encouraging innovation to improve services and programs.
- Mapped transit-service availability for minority groups to comply with federal reporting requirements. A variety of existing GIS data were used to produce detailed maps that fulfilled reporting requirements while saving time in data collection and preparation.
- Provided support services needed throughout the Council. Activities included:
  - Maintaining Council-wide GIS data library.
  - Filling ongoing GIS map and product requests.
  - Implementing new GIS software.
  - Developing applications and procedures to make the GIS easier for Council staff to use.
  - Maintaining Council GIS web pages.
- Provided GIS data products and services needed for the Council's planning, local assistance and research responsibilities. Activities included:
  - Testing modeling and planning support systems software.
  - Developing GIS products and applications that support the comprehensive plan review process.
  - Developing methods to support development monitoring of land use.
  - Completing 2000 Land Use data CD for public distribution.
  - Maintaining data sets showing future land-use and local comprehensive plan data.
  - Completing transit service availability for minority groups maps.
  - Completing mapping of HRA client locations.
  - Supporting data and mapping needs for Opportunity Sites.

- Provided support to the Council's operational divisions (Metro Transit and Environmental Services). Activities included:
  - Supporting GIS components of Metro Transit Smart Card project.
  - Supporting quarterly updates of GIS bus-route data used for Metro Transit's itinerary planning system, bus-route service planning and federal fixed-guideway reporting.
  - Completing national transit reporting for private routes.
  - Updating park-and-ride GIS data.
  - Assist in testing use of national hydrography standard with Council environmental data.
- Provided staff support for the MetroGIS data-sharing program. This program coordinates GIS data and expertise sharing among government agencies within the region. This effort has made valuable information available to local, regional and other agencies for planning and decision-making processes and reduced duplication of data collection efforts. At the same time, the Council has greatly increased the amount and quality of information available for its own planning and decision-making responsibilities. Activities include:
  - Continuing to develop regional solutions for five additional common priority information needs: 1) existing land use, 2) highways and roads, 3) lakes and wetlands, 4) emergency management preparedness, and 5) socioeconomic characteristics of areas.
  - Pursuing collaborative solutions for commonly needed geodata applications.
  - Securing third-generation data-sharing agreements with the metro area counties.
  - Identifying second-generation common geodata information needs.
  - Maintaining www.MetroGIS.org website for access to organizational information on MetroGIS.
  - Maintaining www.datafinder.org website to provide access to over 100 GIS data files and enhancing the website's functionality, working in partnership with the State of Minnesota.
  - Maintaining licensing records for parcel and road data.

Metropolitan Parks System

The total area of the metropolitan regional parks system open for public use in 2003 encompassed 51,785 acres of parkland and 170 miles of regional trails. The system included 35 regional parks, six special recreation features, 11 park reserves, and 22 regional trails. Total park visits in 2003 were approximately 30.5 million.

In 2003 the Metropolitan Parks System unit provided analysis and support to the Council for the following activities:

- Approval of expanding four regional park units by a total of 1,277 acres, of which 410 acres are in private ownership and the rest is in quasi-public or public ownership The total consists of 990 acres for Rice Creek Chain of Lakes Park Reserve, 238 acres for St. Croix Bluffs Regional Park, 49 acres for Rice Creek Regional Trail and adding part of 49th Avenue right-of-way for North Mississippi Regional Park in Minneapolis. Including this land within these park and trail units will protect significant natural resources identified in a Natural Resource Inventory/Assessment conducted by the Metropolitan Council and the Minnesota Department of Natural Resources and help implement Policy 4 of the *2030*

Regional Development Framework. The addition of part of the right-of-way of 49th Avenue for North Mississippi Regional Park was mandated by legislation passed in 1998.

- Approval of regional park capital improvement grants financed with $2,226,000 of Council park bonds. The grants provide a match to $3,339,000 of 2003 state appropriations, which in turn matched $2,629,000 of federal TEA-21 grants. The grants will partially finance the acquisition of 63 acres in Big Marine Park Reserve, rehabilitate recreation/visitor-support facilities in seven regional parks and trails, and develop new recreation/visitor-support facilities at eight regional parks and trails. These grants implement Council approved master plans for these regional park and trail units based on the priorities set in the 2002-2003 Metropolitan Regional Parks CIP. Every $1 of Council bonds leveraged $2.68 of state and federal funds. The following is a cross-section of projects funded:
  - Bunker Hills Regional Park, Anoka County, to rehabilitate worn out park roads and parking lots associated with central picnic areas, replace a restroom building, construct play structures for a picnic area and the park's campground, plus build connecting trails and walkways.
  - Lake Phalen Regional Park, City of St. Paul, to reconstruct 3.2 miles of hiking and 3 miles of bike trails.
  - Big Rivers Regional Trail, Dakota County, to build .3 miles of trail linking the existing trail to bridge trails on I-35 E, Hwy. 55 and I-494.
  - Central Mississippi Riverfront Regional Park, Minneapolis, to build hiking/walkway paths and interpretive features in the Mill Ruins section of the park.
  - Hyland-Bush-Anderson Lakes Park Reserve, Bloomington, for completing a trail that links the East and West Bush Lake portions of the park and to restore nine acres of native prairie.

- Approval of $417,000 in Council park bonds to match up to $625,000 of state appropriations for natural-resource restoration projects. The Council approved grants of $81,332 from the $417,000 in the modified 2002-2003 Metropolitan Regional Parks CIP and interest earned on those bonds to match $121,500 of state funds from the Metro Wildlife Corridors Program for natural-resource restoration projects in six regional parks. Using unmatched Council bonds for natural-resource restoration grants provides funds for these projects with no resulting increase in the tax levy on park bonds issued by the Council.

- Approval of $3,357,000 in regional park bonds for emergency land-acquisition grants. These funds are available for calendar years 2003 through 2005 or until they are spent, whichever occurs first. In 2003, the Council granted $434,000 from the emergency land-acquisition fund as a 40% match to other funding to help acquire 585 acres of land within approved boundaries of three regional park units (579 acres for Rice Creek Chain of Lakes Park Reserve, five acres for Lake Rebecca Park Reserve and one acre for Lebanon Hills Regional Park). If these funds were not granted, the land may have been sold to another private party, which would have resulted in a higher acquisition cost in the future. Using unmatched Council bonds for emergency land-acquisition grants provides funds for these projects with no resulting increase in the tax levy on park bonds issued by the Council.

- Approval of the 2004-2009 Metropolitan Regional Parks Capital Improvement Program (CIP). The size of the 2004-2005 portion of the CIP was reduced from $32.5 million to $29.3 million to cap the amount of taxes levied for debt service on bonds issued by the Council to finance 40% of the CIP. The amount of Council bonds proposed for each year was reduced from $6.5 million to $6 million per year. The CIP was reduced to ensure that property taxes levied by the Council for debt service payments on park bonds would not increase from year to year. The regional parks CIP determines the amount of bonds the Council would issue as a 40% match to state appropriations provided in 2004 and 2005.

- Distribution of $7,452,000 in grants from the state general fund and lottery proceeds in lieu of sales tax revenue to 10 regional park implementing agencies to help finance the operations and maintenance of the Metropolitan Regional Park System. State funding helps spread the cost of operating and maintaining the regional park system to those who use it. On average, 40% of the visitation to the system is by persons who live outside the park agency's jurisdiction.

- Authorization and sale of $7,240,000 in park bonds with a 2.58% interest rate to refinance bonds sold in 1994 that had a 5.03% interest rate. This action saved $629,896 in debt service costs on these bonds.

- Cancellation of 2004 property tax levies of $275,000 for park-bond debt service because there was sufficient revenue received from levies in prior years to finance this part of the bond debt for 2004. This action, along with cancellations of property tax levies for transit and solid waste bonds, helped create no increase in the Council's property tax levy per household for 2004 from what was levied in 2003.

- Approval of reimbursements up to $2,118,259 to regional park implementing agencies for funds they are spending to develop recreational facilities and buy land in six regional park/trail units. Reimbursements would occur when funds became available through the Metropolitan Regional Parks CIP. The action reduces costs of the project by encouraging park agencies to use their own funds to finance capital improvements in a package instead of delaying the work to wait for funding from the regional parks CIP. Park agencies are reimbursed from CIP funds when they become available at a later date.

Livable Communities Programs

In 2003, 106 metropolitan area communities participated in the Livable Communities program to help expand and preserve affordable housing opportunities, recycle polluted sites, revitalize older cities and suburbs, and create new neighborhoods in growing communities.

Communities voluntarily participating in the program negotiate housing goals with the Council. They are then eligible to compete for funding from the three accounts in the Livable Communities Fund as well as pollution cleanup funds available from the Minnesota Department of Employment and Economic Development (DEED). This funding includes grants from the following sources:

1. **Tax-Base Revitalization Account (TBRA)** helps cities pay to clean up polluted land and make it available for commercial and industrial development, thus restoring tax base and jobs near existing housing and services.

2. **Livable Communities Demonstration Account (LCDA)** supports projects to revitalize older communities and create new neighborhoods in developing communities by offering a mix of housing, jobs, and services connected by a variety of transportation choices.
3. **Local Housing Incentives Account (LHIA)** expands housing opportunities through grants to eligible communities to meet negotiated affordable and lifecycle housing goals.

During 2003, the Livable Communities Program unit:

- Awarded 18 Tax-Base Revitalization Account grants totaling $5,100,000 to help clean up 100 acres of polluted land in 10 communities. These projects are expected to generate more than $2.8 million in increased annual net tax capacity and 1,576 new and retained jobs, paying an average hourly wage of $12.56.
- Provided 10 Livable Communities Demonstration Account Development grants totaling $7,457,300 (includes $1.25 million of 2003 funding awarded in February 2004) to help projects in seven communities move to construction. Funded projects include a mix of housing types and costs, projects linked to transit, where available, and projects that include commercial, civic or other uses that support daily needs and community activities.
- Awarded Livable Communities Demonstration Account Opportunity Grants to seven projects in the predevelopment stages that show promise of developing into demonstration projects. The grants, totaling $296,895, will help shape projects affecting seven cities in the region.
- Provided 10 grants from the Local Housing Incentives Account totaling $1.4 million to help develop 234 new rental units and 82 new ownership units, and rehabilitate or improve as many as 20 ownership homes. These grants will support affordable housing activities in 10 cities. Most of the rental units are affordable to low- and moderate-income households. These LHIA awards are part of over $56 million in total development and rehabilitation investments.
- Completed a collaborative effort with Minnesota Housing Finance Agency, the Family Housing Fund and the Greater Minnesota Housing Fund to examine and analyze Census 2000 data to determine affordable and lifecycle housing demand in the state and region through 2010. A final report was published in November.
- Administered the Inclusionary Housing Incentive Program to waive the Metropolitan Council Environmental Services service availability charge (SAC) for the affordable units in new inclusionary housing developments. During the year, 756 waivers were issued involving 15 inclusionary housing developments. (The SAC is a one-time fee for new connections to the metropolitan wastewater system.)
- Reviewed 29 local housing revenue bond programs proposed to support affordable, market-rate and senior housing.
- Determined the 2003 housing performance scores for cities and counties pursuant to the *Council's Guidelines for Priority Funding for Housing Performance.*

- Held the fourth and fifth in a series of practicums designed to bring local government representatives and their development partners together to share information and ideas with other metropolitan communities. "New Life for Old Retail Strips" (January) highlighted how suburban strip malls can be revitalized to meet new market demands. "Development and Stormwater Management" (June) focused on how considering these two objectives together can be a winning combination.

- Posted LCA program information—such as application materials, program contacts, frequently asked questions and program-specific details—on the Council's website to make it available to local governments and others at their convenience. Changes made during 2003 are one step toward streamlining LCA grants making and monitoring by shifting more program activities to electronic media.

- Made significant improvements to the Council's tracking database for LCA grants that will expedite reports and financial summaries and improve response time for questions from legislators, local governments and others about LCA programs and funding.

- Received national recognition for "Overall Excellence" from the U. S. Environmental Protection Agency (EPA) as the recipient of a 2003 National Award for Smart Growth Achievement. The Overall Excellence award—the program's highest award—recognizes the best overall approach for supporting growth that serves the economy, the community and the environment—one that includes built projects, supportive plans and policies, and effective political and community participation. The Council's Livable Communities program was selected from among 112 applications from 31 states and the District of Columbia.

Metropolitan Council Housing and Redevelopment Authority

The primary assistance provided by the Metro HRA is the federally funded Section 8 Housing Choice Voucher Program, which allows the user to locate private market housing in communities throughout the Metro HRA's service area. In addition to the staff based at Metropolitan Council offices, contract staff in six localities within the region serve as community representatives and assist in administering the Section 8 program. Inspections staff in five additional localities assist in performing housing-quality inspections.

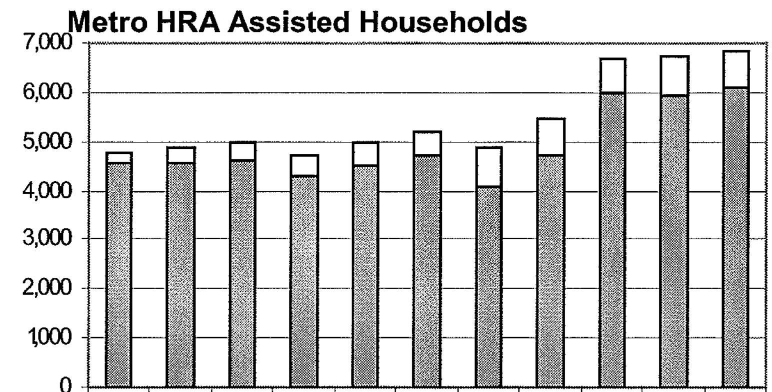
Major 2003 accomplishments of the HRA unit:

- Administered the federal Section 8 Housing Choice Voucher Program on behalf of seniors, households with disabled members, and families throughout the region. Council staff and contracted community employees provided direct client services to 6,000 program participants in nearly 100 communities.

- Administered seven other specialized housing-assistance programs through federal, state, and local funding. Assistance includes housing subsidies and support services for people who are homeless and have disabilities, families working toward self-sufficiency and persons with HIV/AIDS. These programs include the Bridges program, Shelter Plus Care, the Rental Assistance for Family Stabilization (RAFS) program, two Ramsey County-funded supported housing programs, the Housing Opportunities for Persons with AIDS Program and one Minnesota Housing Trust Fund Program. These programs served more than 750 individuals and families during 2003, with case management services provided through partnering agencies.

- Maintained 100% use of all federal, state and local funding for the tenant-based rent assistance programs, ensuring that all available subsidies were being used to provide affordable rents for program participants.
- Continued implementation of the Family Unification Program and the Family Self-Sufficiency (FSS) Program. The Family Unification Program provides rent subsidies to enable families to reunite in cases where the lack of adequate housing may be preventing the family as a whole from thriving. The FSS Program assists families in working toward economic self-sufficiency and utilizes the resources and expertise of community-based social service agencies.
- Monitored and inspected more than 530 rental properties in the region that applied for State of Minnesota 4d property-tax classification to ensure compliance with the terms of the program.
- Provided ongoing support for the HousingLink, a nonprofit clearinghouse created as a result of the Hollman consent decree. With its mission to provide a "one-stop shop" approach for affordable housing information, the HousingLink has developed a comprehensive database of vacancies, affordable housing directories, and a waiting list status report.
- Continued administration of the Section 8 Welfare to Work Program allocation. The Welfare to Work vouchers are made available to families specifically working to achieve economic self-sufficiency.
- Continued administration of the Section 8 Mainstream program. The Mainstream Program is designed to assist applicants on the Section 8 waiting list where the household head or spouse is disabled. The HRA refers the applicant to known service providers.
- Continued development of a pilot homeownership program called Home Steps through a unique funding partnership among the Family Housing Fund, the Minnesota Housing Finance Agency, the Dakota Community Development Agency and Metro HRA. The program helped an additional eight households to close on home purchases in 2003, for a grand total of 14. The Home Steps Program provides no-interest down payment, closing cost, affordability gap, and/or rehabilitation assistance up to $30,000 per household.
- Awarded Section 8 project-based assistance to four private developers of units in Robbinsdale, White Bear Lake, Falcon Heights and New Hope to assist in the development of 62 new units of affordable housing.

The chart below shows the number of households assisted by the Metro HRA between 1993 and 2003 through the Section 8 programs, and through other special housing programs.



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
SPECIAL PROGRAMS	211	290	372	400	500	513	746	740	705	784	763
SECTION 8	4575	4573	4623	4318	4493	4698	4107	4733	5985	5940	6074

Family Affordable Housing Program

In January 2000, the Metropolitan Council established its Family Affordable Housing Program to promote affordable housing opportunities for low-income households and help the Minneapolis Public Housing Authority implement the housing replacement provisions of the 1995 Hollman consent decree.

The Hollman consent decree provided for the demolition of certain public housing units within the City of Minneapolis and made federal funding available for the development of 770 replacement housing units within the City of Minneapolis and suburban locations of the metropolitan area.

The Family Affordable Housing Program Unit's work in 2003 included:

- Completing acquisition and development of 146 units in 2003 in 11 suburban counties within Anoka, Hennepin and Ramsey Counties.
- Developing units in collaboration with suburban jurisdictions to further implement the terms of the Hollman consent decree calling for the development and operation of federally assisted low-rent housing in the suburban metropolitan area.

Transportation Division

Overview

The Metropolitan Council adopts transportation policies and plans and coordinates all transportation planning in the Twin Cities. This includes highways, transit, airports, waterways and rail as well as travel-demand forecasting and air quality planning. The Council also administers and operates transit services in the Twin Cities both through directly provided services and through contracted transit providers. The Council also promotes travel by means other than single-occupant vehicles through carpool matching, vanpools and promotional programs and through work with employers.

These programs are carried out through two divisions—Metropolitan Transportation Services (MTS) and Metro Transit.

The Council's Transportation Policy Plan sets the following policies:

- Focus investments to help implement the Council's *Regional Development Framework* and its regional growth strategy to support the region's economic vitality and quality of life.
- Pursue an adequate level of transportation funding.
- Make investments based on need.
- Promote public participation when formulating and implementing transportation policy.
- Promote implementation of a regional network of dedicated transitways.
- Develop transit compatible with different land-use patterns and socioeconomic conditions.
- Promote innovation, efficiency, and greater diversity of options through increased competition in delivering transit services.
- Improve transit service coordination and passenger safety to make transit more attractive.
- Provide transit services for persons with disabilities in full compliance with the 1990 Americans with Disabilities Act.
- Support use of travel-demand management techniques to reduce peak-period trips.

To carry out these overall policies, the Metropolitan Council:

- Develops transportation policy for the metropolitan region and develops the overarching transportation planning document, the *Transportation Policy Plan* (TPP).
- Develops and updates the federal Transportation Improvement Program (TIP) for the metropolitan area, which is the short-range capital improvement program for all projects using federal transportation funds.
- Implements transportation policy through the allocation of federal funds, its own programs, and through coordination with the federal, state, and local governments.
- Acts as the federally designated Metropolitan Planning Organization.
- Operates Metro Transit, the region's largest provider of regular-route transit service.

- Operates Metro Mobility, the region's primary ADA service that complements the area's regular-route service.
- Operates contracted regular-route transit services, a network of 42 routes run by private providers under contract to the Council.
- Partners with community-based transportation initiatives.
- Coordinates regional support, fares, and capital programs with Opt-Out authorities.
- Promotes alternative modes of transportation through Metro Commuter Services programs and with travel-demand management organizations.

Transit Ridership

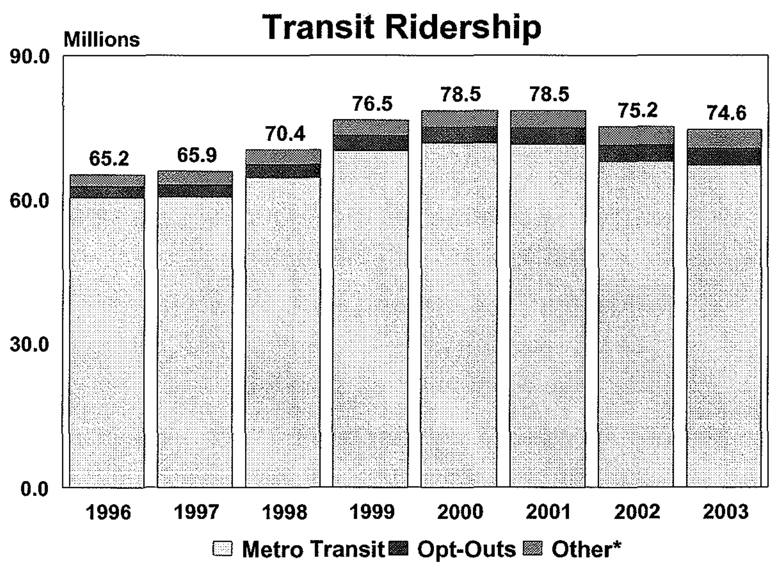
The Twin Cites region has seven distinct transit programs:

- Metro Transit: The largest provider of transit service in the region. It provides primarily large-bus, regular-route service throughout much of the Twin Cities region.
- Opt-Out Communities: Twelve communities have chosen to provide their own transit service. Opt-outs provide service through contracts with private companies, some through contracts with Metro Transit, and others through directly operated services.
- Contracted Regular-Route Transit Service: Approximately 5% of regular-route transit services are contracted with nonprofit organizations and private companies. This group of contracted routes is known as the Twin Cities Lines.
- Community-Based Programs: Dial-a-ride service is provided in rural parts of the seven-county region as well as in certain smaller cities that have chosen to provide their own transit service. These 18 local initiatives in many cases offer public service coordinated with Metro Mobility, medical and social transport, and regular routes. The Metropolitan Council partners with the sponsoring cities, counties, and nonprofits to provide these transit services. The Council provides performance grants for a portion of the cost of operations, capital grants and technical support.
- Metro Mobility/ADA: This program provides demand-response and arranged/group transit services as a legally mandated complement to the regular-route system for persons with disabilities who are unable to use regular-route transit service.
- VanGo! Vanpool Program: VanGo! started in 2001, providing vans for vanpool programs. These vanpools are primarily serving areas that have a density too low for regular-route or dial-a-ride transit service or are meeting reverse-commute needs to areas that would otherwise not have a high enough employment density.
- Mn/DOT Northstar Commuter Coach: Mn/DOT is operating a commuter transit route from Elk River through Coon Rapids to downtown Minneapolis in anticipation of the startup of the Northstar Commuter Rail line.

Progress in Increasing Transit Ridership

Overall ridership is up 14.4% from 1996 to 2003. However, ridership declined by 5% between 2000 and 2003. There were four factors in this decline:

- The decline in the economy reduced the number of people working, especially in downtown Minneapolis, which has had an 8.4% decline in employment between 2001 and 2003. Approximately 80% of transit riders are riding to get to work.
- State budget cuts in transit funding reduced the level of transit service.
- State budget reductions triggered fare increases, an economic disincentive to ridership.



*Metro Mobility, Contracted Regular Rt, Community Programs, VanGo!, Northsi

Twin Cities Ridership

	1996	1997	1998	1999	2000	2001	2002	2003	1996-2003
Opt-Outs	2,319,129	2,446,142	2,687,314	3,020,546	3,245,370	3,377,941	3,368,586	3,417,589	47.4%
Contracted	864,579	1,240,096	1,528,923	1,723,089	1,829,415	1,880,902	1,891,517	1,927,324	122.9%
Community-based	535,070	579,743	538,802	533,981	545,164	565,670	596,418	630,724	17.9%
VanGo					-	83,660	102,882	100,300	-
Metro Mobility	1,005,886	1,005,470	1,011,900	992,125	1,040,619	1,026,993	1,106,166	1,117,959	11.1%
MTS Subtotal	4,724,664	5,271,451	5,766,939	6,269,741	6,660,568	6,935,166	7,065,569	7,193,896	52.3%
Metro Transit Bus	60,466,548	60,623,266	64,644,231	70,268,727	71,840,231	71,570,739	67,995,312	67,235,776	11.2%
MnDOT Service							121,109	144,277	-
Total	65,191,212	65,894,717	70,411,170	76,538,468	78,500,799	78,505,905	75,181,990	74,573,949	14.4%
	2,405,535	2,825,309	3,079,625	3,249,195	3,415,198	3,557,225	3,818,092	3,920,584	

The Metropolitan Council has worked hard to increase transit ridership in the last few years. Substantial ridership growth occurred from 1997 through 2000 due to increases in service hours, improvements in transit service, and growth in employment.

Since 2001, ridership slowed and then decreased for reasons cited above. Future ridership growth will be dependent upon funding levels, the economy, employment levels, development patterns, service improvements, and highway congestion levels.

Key Council activities contributing to past ridership increase are:

- **Service improvements:** A program of systematically reviewing all bus routes (called Sector Studies) has been put in place.
- **Fleet reliability and appearance:** At Metro Transit, new bus maintenance routines have increased reliability by 90%. In addition, an aggressive program of bus cleaning and painting has been put into operation.
- **Employer outreach/marketing**: Metropass is a program where businesses provide subsidized bus passes to employees as a benefit to promote alternative transportation modes.
- **Transit Advantages:** The region has 218 miles of bus-only shoulders in 2003, a figure that has been increasing since the program began in 1992. This type of transit advantage gives buses a substantial timesaving over automobiles in many locations.

Metropolitan Transportation Services

Metropolitan Transportation Services has three main functions:

- Conducting transportation planning for the metropolitan area.
- Providing for transit service through direct contracts and/or partnering with approximately 35 private, public, and nonprofit transit service providers to the seven- county metro area through five major programs: Metro Mobility/ADA, community-base programs, contracted regular-route, VanGo! and the opt-out transit systems.
- Promoting transit usage through programs for commuters and through travel-demand management programs.

Transportation Planning Activities

The Metropolitan Council is the designated Metropolitan Planning Organization (MPO) for the Twin Cities metropolitan area. The Council is required by the federal government to provide a continuing, coordinated, comprehensive transportation planning process that also includes state and local government. In return, the metropolitan region is eligible for federal transportation grant funds.

Federal regulations require the Council to prepare a long-range transportation plan, which must be updated every three years. A revision to the *Transportation Policy Plan* was adopted in 2001. During 2003 the Council carried this plan further by working on revising the transportation sections of the *Regional Development Framework,* the Council's regional growth plan. With the adoption of the *Development Framework* in early 2004, the next revision of the *Transportation Policy Plan* is under way.

The Council is also responsible for the selection of projects for federal funding and the preparation of a three-year Transportation Improvement Program. This is done through the Transportation Advisory Board (TAB) and its Technical Advisory Committee.

The TIP includes all federally funded transportation projects, as required by the 1997 Transportation Efficiency Act for the 21st Century (TEA-21). The process includes broad citizen and interested-group input. In 2003, the 2004-2006 TIP was prepared and adopted.

Early in 2003, the Council concluded its work with Mn/DOT and the U of M Center for Transportation Studies on the Transportation and Regional Growth Study. This multi-year effort worked with university researchers in many disciplines to examine numerous facets of the relationship between transportation and land use. The completed studies are available from the CTS.

Other major planning activities undertaken in 2003 are discussed below.

Transit Planning Activities

The Council performs long-range transit planning activities for implementation of the policy direction established in its *Regional Development Framework* and the *Transportation Policy Plan.*

- A program of reviewing the routes and frequency of bus service, called Sector Studies, began in 1998. This process develops the optimum placement of bus routes based on current land use and demographics. In 2003 Metropolitan Transportation Services worked with Metro Transit on Sector 5 (South Central) and Sector 8 (Northwest Suburbs). The Sector 5 changes will be implemented in 2004, concurrently with the opening of the Hiawatha LRT, while the Sector 8 changes will be implemented later to complement the Northwest busway. Changes include:
  - Strengthened grid system for bus routes
  - Reduction in branches from core routes
  - Increased service to transit hubs
  - Increased frequency on major routes
  - Day express routes between downtowns and hubs
  - Use of flex-routes along lower-density routes
- Planning associated with development of the Hiawatha Light Rail Transit line progressed on time and on budget. Planners continued to work with neighborhoods adjacent to the line on community issues and economic development.
- The Council participated with Mn/DOT, Metro Transit and the county regional rail authorities in conducting feasibility studies for several transitway corridors, including the Northstar, Central, Cedar Avenue, Northwest, and Rush Line.

Highway Planning

The Council participates with Mn/DOT, cities and counties in highway planning activities to ensure implementation of the policy direction established by the Council in the its *Regional Development Framework* and the *Transportation Policy Plan.*

- During 2003, numerous comprehensive plans and amendments and environmental documents (EISs and EAWs) were reviewed to determine consistency with regional transportation plans.
- The Council administers the Right-of-Way Acquisition Loan Fund (RALF), which gives communities no-interest loans to purchase right-of-way for principal arterials and other trunk highways in advance of the time that Mn/DOT would be in a position to make the purchase. During 2003 loan agreements were signed with Bloomington for loans to acquire land to reconstruct the I-35W/I-494 interchange.
- The Council participated in several ongoing interagency corridor studies, including I-35W, I-35E, TH 52, I-494/TH 61 Wakota Bridge, TH 41 and Scott CSAH 21, as well as studies of a potential new Northwest River Crossing in the Dayton/Ramsey area.

Air Quality Planning

The Council does long-term planning required by federal law to integrate congestion management, transportation, land-use and air quality planning with the requirements of the 1990 Clean Air Act Amendment (CAAA). In 2003, a conformity analysis of the 2004-2006 Transportation Improvement Plan was completed to ensure the construction of these projects would not violate air quality standards.

CMAQ/STP Allocation Process

The federal government has designated the Metropolitan Council as the Metropolitan Planning Organization (MPO). In this role, the Council approves the selection of projects recommended by the Transportation Advisory Board for federal TEA-21 funding. This includes three programs: Surface Transportation Program (STP), Transportation Enhancements Program (TEP) and Congestion Mitigation/Air Quality (CMAQ) programs.

During the summer of 2003, project applications were solicited for funding in 2007-2008 from Mn/DOT, cities, counties, and transit providers. One hundred seven applications were received requesting a total of $261million in federal funds. The Transportation Advisory Board and its Technical Advisory Committee began evaluating these projects in the fall. This evaluation will be completed in the spring of 2004 and a list of projects totaling about $90 million will be approved as part of the 2005-2008 Transportation Improvement Program in summer 2004.

Travel Forecasting

As the regional planning agency, the Council is charged with maintaining and applying travel-forecast models to support planning for the orderly development and operation of transportation facilities. The Council maintains socioeconomic data and obtains travel and traffic-count data from Mn/DOT to monitor, revise, and update travel forecasts. Federal regulations require the Council to provide projections of traffic demand and related air quality emissions. These projections are used to evaluate regional transportation investments proposed in the short-range TIP and the long-range *Transportation Policy Plan.*

- In 2003, the regional travel demand model was used to prepare travel forecasts for the 2030 *Blueprint* revision into the *Development Framework.* Work continued on responding to requests for forecast travel demand data and providing assistance and model review to consultants and agencies.
- Council has assisted consultants on several regional-scale transportation and transit projects that required forecasts, including many of the transitway studies.
- Work continued on the Travel Behavior Inventory (TBI). The TBI, which is conducted every 10 years, consists of several surveys to determine current travel patterns in the Twin Cities region and update the regional travel demand model. Survey work began in 2000, but was delayed due to the ramp meter shutdown in the fall of 2000. Household travel surveys were completed in 2001. Analysis of the TBI data began in 2002 and will continue into 2004, as more 2000 Census data becomes available. In 2003, the data was used to modify and recalibrate the travel-forecasting model.

Transportation Administration

- The Council adopted a 20034-5 Unified Planning Work Program, which ensures that all agencies involved in transportation planning in the metropolitan area (including the Council, Mn/DOT, Metropolitan Airports Commission and Minnesota Pollution Control Agency) coordinate their efforts.
- The Council prepared and administered federal planning grants including quarterly progress reports.

Aviation Planning Activities

High-quality air transportation is essential to the region's ability to compete in the global marketplace. The Council prepares and maintains a plan for the regional aviation system that provides the Twin Cities access to domestic and international markets. The Council works closely with the Metropolitan Airports Commission (MAC) and other airport owners to ensure that the region's airports provide state-or-the-art, secure and affordable services for business and leisure travelers, freight transport and general aviation activities. The Council coordinates aviation planning and community development with local, state and federal governmental units, airport users and citizens. Year-2003 highlights include:

System Planning and Coordination:

- Integrated aviation concepts into the *Development Framework.*
- Completed technical portion of general aviation light aircraft study.
- Initiated revision of the A*viation Policy Plan*, which will be incorporated into the T*ransportation Policy Pla*n in 2004.
- Continued effort with the MAC to update the Part 150 noise-mitigation program for MSP International Airport to include areas within the DNL 60 noise area.

- Worked with Mn/DOT and MAC on air cargo, regional distribution center, and air service initiatives.
- Continued monitoring of the airline industry and economic effects on aviation revenues, including rates-and-charges issues for MAC reliever airports.

System Implementation:

- Reviewed airport long-term comprehensive plans for conformance with the *Metropolitan Development Guide.*
- Reviewed community comprehensive plans for consistency and compatibility with the aviation system plan.
- Reviewed MAC annual capital improvement program.

Transit Programs

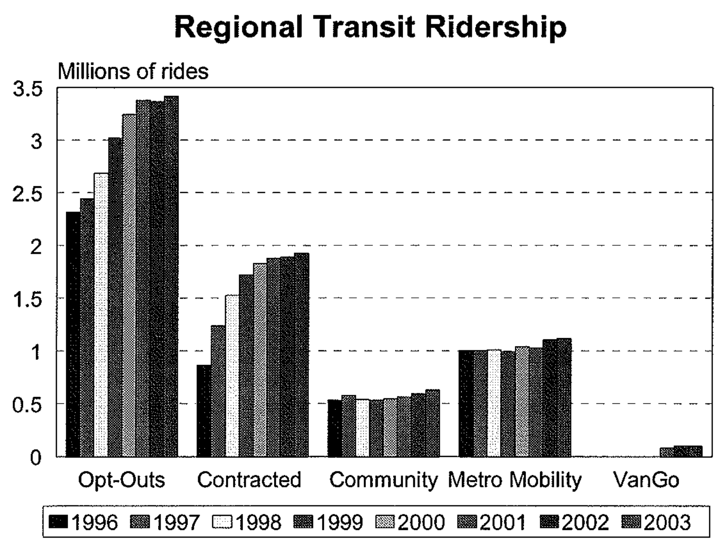
The Transportation Systems Implementation section provides transit service through approximately 40 transit service contracts covering contracted regular-route transit, VanGo! and community-based programs, as well as program coordination with opt-out systems.

Ridership

Opt-out and regular-route systems have experienced substantial increases in ridership from 1996 to 2002 (45.3% for opt-outs and 117.1% for the Twin Cities Lines). For 2002, however, ridership was flat for both opt-outs and contracted routes. This is due to the same forces working on the overall transit system, namely that funding has been reduced, fares have increased, and employment in the overall economy has declined.

Ridership for community-based programs has remained relatively steady, with a 1% growth from 1996 to 2002. These programs are dial-a-ride programs and ridership is directly linked to available resources.

Metro Mobility/ADA ridership grew 11.5% from 1996 to 2002 with over 7% of this growth occurring from 2001 to 2002. Funding was increased for Metro Mobility during this time, allowing the reduction in the number of trips denied due to a lack of capacity.



Opt-Out Providers

In 1982, communities were given the option of "opting out" of having transit provided by the then Metropolitan Transit Commission. Twelve communities selected this option, choosing to manage their own transit services. Four of these communities—Plymouth, Maple Grove, Prior Lake, and Shakopee—operate their own municipal programs. Apple Valley, Burnsville, Eagan, Savage, and Rosemount created an intergovernmental entity called Minnesota Valley Transit to provide transit in their communities. Chaska, Chanhassen, and Eden Prairie created another intergovernmental entity, Southwest Metro Transit. These communities contract with a variety of providers, including private providers and Metro Transit, to provide service. Some operate their own buses. They also select their own routes and levels of services.

Minnetonka has also opted out but has elected to have the Metropolitan Council provide service and manage the levels of service and routes.

From 1996 to 2003, ridership in the opt-out system increased 47.4%.

Contracted Regular Routes

The Metropolitan Council contracts for approximately 5% of the metro area's regular-route bus service. Contracting a portion of services:

- Provides a competitive benchmark for operating costs, work rules, overhead and other factors.
- Can be less expensive due to synergies with private providers using the buses for charter service when they are not needed for public transit.
- Allows for innovation (new types of routes, experimental service, etc.) without commitment of permanent resources.
- Can provide small-bus, low-cost alternatives to mainline service where policies and local needs call for coverage with a "safety net" level of service.

Notable changes to this system in 2003 included:

- Redesigning Cottage Grove and St. Croix Valley area regular-route services into dial-up, same-day service to lower costs while improving accessibility for more residents, resulting in ridership gains in these areas.
- Supplementing the Lorenz Bus Lines suburban fleet with additional regional vehicles to improve operating reliability.
- Expanded reverse-commute service between St. Paul and Blaine.
- Undertook route redesigns as part of Sector 5 plans, and began Sector 8 redesign efforts.

Ridership for these routes increased 122.9% from 1996 to 2003.

Community-Based Service

Community-based services are, for the most part, demand-responsive operations that include medium-sized buses, small buses, and volunteer driver services in a community or county. The 18 systems covered in this category are all locally initiated and managed programs, offering general public transit sponsored by local governments or nonprofits.

Notable changes to this system in 2003 included:

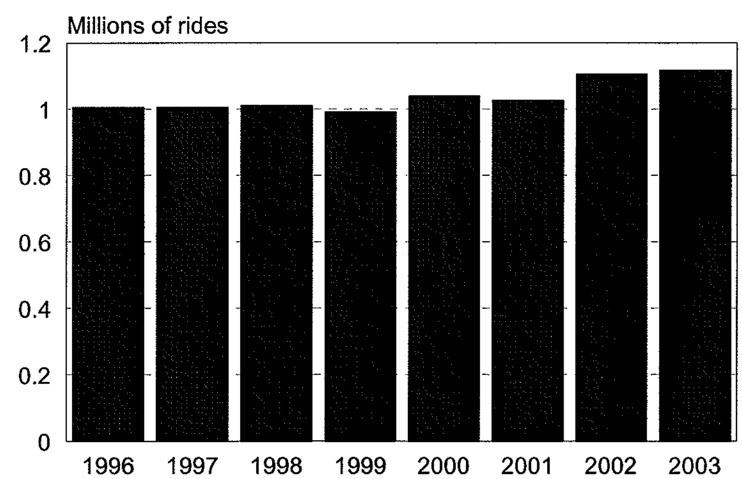
- Upgrading reimbursement procedures, computer systems, and support to improve efficiency and better coordinate public and ADA services provided by the three largest county systems—Anoka Traveler, DARTS, and H.S.I.
- Providing all necessary coordination, reporting, and technical support for these 18 providers' mandated Drug and Alcohol programs in its third full year of operation.
- Administering the region's permanent state-mandated Performance Based Funding (PBF) grant program, providing partial operational funding through a formula-driven and incentive-based performance evaluation program
- Supporting local control of service by providing resources directly to communities.

Ridership for these services increased 17.9% from 1996 to 2003.

Metro Mobility

The American with Disabilities Act (ADA) requires that transit services be provided to persons who are not able to use the regular-route bus system. Federal law requires this service be at the same level as regular-route bus service and serve the same geographic areas as the regular routes.

Metro Mobility Ridership



The 2003 ridership for Metro Mobility was 1,143,824, an increase of 3.4 % over 2002 ridership. Additional funding from the state legislature and new initiatives have allowed Metro Mobility to add service, increase ridership and control the level of trip denials to just under 1% annually.

Metro Mobility continues to face a growing demand for service. Demand service increased for the second consecutive year by 8%. In an effort to contain the budget, make service readily available as required by law and maintain service quality, the Council, during 2003:

- Approved $4.1 million to increase contractor revenue hours through June 2005 to meet the growing demand for service.
- Increased customer fares during the off-peak by $.25 and during the peak by $.50.
- Reduced service availability on weekends for "non-ADA" communities from 8:00 a.m. to 4:00 p.m.

- More precisely matched service availability in each community with fixed-route service availability.
- Competitively procured and entered into an agreement with a private company for approximately 30% of its total business. All of Metro Mobility's service is competitively procured and contracted with private providers.
- Offered subsidized taxi service via the Taxi Ticket program for riders unable to obtain a ride with Metro Mobility due to capacity constraints.
- Continued availability of the Assured Ride Home program. Eligible customers can receive coupons for regular-route bus, taxi, or other licensed private transportation providers to be used in an emergency.
- Provided discounted "limited mobility" fares of 50 cents on Metro Transit buses to encourage riders to use regular-route buses instead of Metro Mobility service. The Metro Transit fleet became fully accessible during 2003.
- Issued a grant for the provision of travel instruction, enabling Metro Mobility riders the opportunity to learn how to use the fixed-route service for some or all of their transportation needs.

Metro Commuter Services

Metro Commuter Services (MCS) works with individuals and businesses to encourage alternatives to driving alone. Major program activities are to:

- Provide regional programs/incentives to encourage commuters to use alternatives to driving alone. MCS also provides regional programs/incentives to encourage employers to provide information on transportation alternatives to their employees. These programs include Regional Guaranteed Ride Home Program, ridematching, preferred and discounted pool parking, and bus pass-programs.
- Serve as a resource to all of the Transportation Management Organizations (TMOs) in the Twin Cities metro area. These include Downtown Minneapolis TMO, Saint Paul TMO, Midway TMO, and the I-494 Corridor Commission.
- Administer and promote Van-Go! the Council's subsidized vanpool program. In 2003, this program grew to 45 vans, providing 100,300 commute trips.

Metro Commuter Services is funded through a CMAQ (Congestion Mitigation and Air Quality) grant, with a match provided by Metropolitan Council and revenue brought in by MCS.

In 2003 Metro Commuter Services:

- Processed over 14,000 match requests from individuals looking for car/van pool partners, park-and-ride lots and bike buddies.
- Increased successful carpool match lists to 81% (compared to 79% in 2002)
- Added more than 18,000 new commuters to the RidePro database.

- Added more than 8,000 commuters using alternative transportation to the Guaranteed Ride Home program.
- Accepted almost 12,000 registrations for programs via the Metro Commuter Services website. This reflects an increase from 9,000 in 2002.
- Strengthened partnerships with TMOs by connecting all of them up to RidePro. RidePro is a custom software program that allows MCS to run car/van pool matches, register commuters for various programs, track employer activity, and track employer program involvement. RidePro allows the TMA/TMOs that provide regular reports to the Council to obtain their monthly statistics faster and easier and allows them to spend more time on their outreach instead of researching numbers.
- Successfully activated a web-based ride matching system for the metro area.
- Started 28 new vanpools in the demonstration Van-*GO!* Program.
- Increased use of electronic communication via email and web to commuters and businesses.

Metro Transit – A Service of the Metropolitan Council

Based on ridership, Metro Transit, an operating agency of the Metropolitan Council, is the largest transit agency in Minnesota and the 11th largest in North America. Its 2,700 employees serve nearly a quarter million customers each business day with service on more than 130 routes. Metro Transit's fleet of 922 buses operates 32.3 million miles and 2.4 million hours of service each year. It serves more than 90% of all fixed-route customers in the Minneapolis/St. Paul region.

Metro Transit plans and delivers its service in keeping with the Council's *2030 Regional Development Framework.* A principal policy of the *Framework* is:

Plan and invest in multi-modal transportation choices, based on the full range of costs and benefits, to slow the growth of congestion and serve the region's economic needs.

The *Framework* suggests that – for transit – strategic investments in these areas are vital:

- Expand the transit system.
- Add bus-only lanes on highway shoulders.
- Provide more park-and-ride lots.
- Develop a network of exclusive transitways.

Mission

To implement the Framework, Metro Transit is committed to the following mission:

- Enhance regional mobility by effectively operating the state's largest transit system, serving more than 65 million customers annually.
- Contribute to the economic vitality of the region by focusing on taking citizens to work; assist the Twin Cities area in managing the growth of congestion with frequent and affordable rush-hour express and local service.

- Plan, build and implement new transportation options, including light-rail transit and bus rapid transit.
- Operate the state's first light-rail line. Through December 2003, the 12-mile Hiawatha line is 88% complete. It was on schedule for early operations in April 2004 when the transit strike prompted an indefinite delay. Full service is expected to open in December 2004. This transit line will link downtown Minneapolis with both the international airport and Mall of America, three of the largest traffic generators in the state.

Key Considerations

- Ridership grew 18.2% between 1997 and 2001, while the amount of service increased 15%. This indicates Twin Cities residents will choose transit over automobiles for both work and recreational trips when the supply and quality of transit are adequate.
- Customers heading to and from work take 75% of all transit trips.
- More than 40% of all workers in downtown Minneapolis use transit, indicating a clear preference for public transportation.
- Key partners include 79 employers subsidizing transit for their workers and the University of Minnesota, which sponsors U-Passes for students.
- Two-thirds of Metro Transit customers own cars, yet they choose transit.

Ridership

Metro Transit's operating funding was reduced in mid-2003 to help the state adjust to a $4.3 billion revenue shortfall. This resulted in:

- Cutting service by 5%.
- Raising rush-hour express fares 25 cents.
- Implementing cost-cutting measures.

As expected, these actions led to a 2003 ridership decline of 3.4%, to 67.2 million rides.

This followed a 2% service reduction in 2002, which, coupled with a mid-2001 fare increase and a significantly weakened regional economy, produced a 5% ridership loss in 2002.

Despite an overall ridership decline in 2003, there were some bright spots.

- A strong partnership with the University of Minnesota resulted in a 25% increase in rides taken by students holding U-Passes.
- Seventy-nine employers were enrolled in Metropass at year-end, 14 more than the 2003 goal of 65. Under the Metropass program, employers subsidize transit passes for their employees. Nevertheless, the softness of the regional economy and an uncharacteristically high unemployment rate produced a 6.5% ridership decline among Metropass holders.
- In addition, 18 schools enrolled in the new TransitSchools program by year end, five more than the goal. TransitSchools offers adult learners discounts on supersaver farecards while they pursue their education.

- Finally, Metro Transit achieved record ridership on its extensive service to the 2003 Minnesota State Fair. Customers took nearly 937,000 rides to the 12-day event. Some 27% of all fairgoers used Metro Transit.

Objectives

Despite a difficult year from a ridership perspective, Metro Transit was successful delivering on its 2003 objectives of:

- Protecting as much transit service as possible while adjusting operations in a cost-effective manner that impacts the fewest number of customers.
- Positioning Metro Transit to be able to grow again when the economic downturn reverses.
- Maintaining customer confidence and high quality service in a period of fewer resources.
- Preserving the integrity of the regional transit system by attempting to retain some service in each community served.
- Securing operating funding for the Hiawatha light-rail line.

Bus Service

Metro Transit is in the midst of a multi-year effort to modernize and streamline its operations to improve the efficiency and effectiveness of its service.

In 1998, Metro Transit launched a new initiative to improve transit service in the region. The metro area was divided into nine geographic sectors for the purpose of comprehensively evaluating transit service and needs, determining market demand and opportunities, and restructuring service and facilities to better address those needs and opportunities. Key service improvements include simpler route structures, faster and more frequent service in major corridors, improved cross-town service in cities and suburbs, improved transfer connections and elimination of unproductive route segments.

These improvements collectively optimize effectiveness and efficiency, yielding a more productive transit system. The process also includes a significant level of pubic outreach and input.

To date, transit service restructuring projects have been implemented with successful results in the Northeast Metro (Sectors 1 & 2) and Hopkins-St. Louis Park-Minnetonka (Sector 7). For example, ridership following the restructuring in Sector 2 (northeast quadrant of St. Paul) grew by 6%, comparing statistics from 2001 to 2002.

The restructuring process for Bloomington-Richfield-Edina-south Minneapolis-western St. Paul (Sector 5, Central-South Metro) was completed in 2003 and is set for implementation in two main phases in 2004.

A concept service plan was presented for public reaction in January and February 2003. More than 4,200 comments were received from more than 3,000 individuals. Based on citizen comment, the plan was modified and approved by the Metropolitan Council for implementation.

This service restructuring has major impacts. It involves:

- 36.4 million customers or 55% of total ridership.
- 55 routes or 38% of the region's transit network.
- 288 rush-hour buses or 37% of system.
- 142 midday buses or 46% of the system.

The Central-South Metro service restructuring supports these objectives:

- Optimize effectiveness and efficiency to improve productivity.
- Provide faster, more frequent service to major destinations and along major corridors, such as Lake Street, I-35W, West Seventh Street and Hiawatha Avenue.
- Reallocate transit resources to better fit local development and transit markets.
- Improve connections between routes and neighborhoods.
- Integrate plans for new facilities and services, such as Hiawatha LRT, I-494 and I-35W stations.

More than $75 million of bus service will be deployed in the Central-South area, approximately equal to the cost of service in that area prior to the restructuring initiative. The budget will be supplemented over three years by a $14 million federal grant.

Most of the plan will be implemented in two stages—April and September 2004—to support the opening of light rail and the operation of all-day, high-speed bus service on I-35W south of Minneapolis, the most heavily used transportation corridor in the metro area. Significant enhancements to commuter express services also are planned for Highway 100 and I-494. (Note: The April implementation was delayed because it is timed to coincide with the phase one opening of the Hiawatha light-rail line.)

Concurrent with implementation of Central-South restructuring, Metro Transit has begun planning the next series of service modifications.

The Northwest Metro Transit Restructuring Plan is under way—a project to improve service in the area west of the Mississippi River and north of Highway 55. Cities in the study area include:

Brooklyn Center	Maple Grove
Brooklyn Park	New Hope
Champlin	north Minneapolis
Crystal	Osseo
Golden Valley	Robbinsdale

Service to these cities include:

- 31 bus routes
- 10.3 million annual rides (14% of Metro Transit's ridership)
- 15% of Metro Transit's service
- 13% of the region's residents
- 20% of region's jobs

A stakeholders' meeting involving elected officials, city staff, transit advocates and citizens was held in October 2003. Earlier in 2003, Metro Transit thoroughly examined current transit ridership in the Northwest Metro and married that analysis with population, employment and other census data to create an "existing conditions" report.

During 2004 Metro Transit will prepare a draft service plan using existing ridership patterns, community development plans and feedback from stakeholders. The concept service plan will be the basis for community outreach, public involvement and public hearings in 2005.

Rail Service

Through December 2003, the Hiawatha light-rail project was 88% complete and was on schedule for Phase 1 opening in April 2004 and full service in December 2004. Faced with an uncertain labor situation in early 2004, Metro Transit elected to delay the phase one opening until its labor contract is settled with the Amalgamated Transit Union, which represents rail and bus operators and mechanics as well as other employees.

Phase 1 was scheduled to provide service from downtown Minneapolis to Fort Snelling in April 2004. Phase 1B will extend service through the Minneapolis/St. Paul International Airport and on to the Mall of America in Bloomington, with its opening scheduled for December 2004.

The LRT system includes 12 miles of double track, with 17 stations and two park-and-ride facilities that will be served by 24 light-rail vehicles (LRVs). These vehicles, which will serve more than 19,000 daily riders initially, will be powered by an overhead catenary system served by 14 electrical substations.

The light-rail line includes 35 at-grade intersections, LRV signal preemption, traffic signal priority and LRV signaling. The majority of the alignment will be at grade except in the vicinity of Minneapolis/St. Paul International Airport, where underground tunnels dip to more than 60 feet below the surface and serve the subterranean Lindbergh Terminal station.

In 2003, the state legislature mandated a competitive process to determine if a private company or Metro Transit was best equipped to operate the rail service. On December 1, 2003, the Council selected Metro Transit from among four bidders.

The agency won the competition based on both price and qualifications. The Council, the state departments of administration and finance and the Hennepin County regional rail authority, evaluated the bidders.

Earlier in 2003, the Council approved a $39.9 million plan to improve light-rail service at Mall of America. The new design brings rail customers directly to the Mall's transit center and nearly triples the number of park-and-ride spaces nearby.

The new plan makes rail service much more convenient both for Mall-bound employees and customers and for those who are transferring at the mall between bus and rail operations.

As originally designed, the rail line ended east of 24th Avenue, on the Mall's east edge. This terminus would have forced passengers to take a skyway over 24th and walk through the Mall parking structure before entering the mall or descending to the transit center for bus connections.

The enhancement was supported by Mall of America, City of Bloomington and both Hennepin and Dakota Counties. It includes no additional funding from the State of Minnesota.

The $39.9 million will be used to purchase 4,400 additional linear feet of track and track systems, to design and build the rail station within the mall and to build a park-and-ride of nearly 600 spaces to replace the initial plan for a 200-car lot.

Finally, the state legislature in 2003 finalized light-rail operating funding for the 2004-2005 biennium. It appropriated $6.7 million to operate the Hiawatha line; a figure equal to 50% of projected operating costs after fare revenues and federal operating funds. The Hennepin County Regional Rail Authority provides the remaining 50%.

Metro Transit: Key 2003 Achievements

Bus operations

- Maintenance division placed 60 new buses in service.
- Maintenance division purchased and began installing bike racks on the front bumper of every bus, a project that will be completed by April 2004.
- Working together, the transportation and human resources divisions maintained part-time bus operator staffing at the optimum level to ensure cost-effective delivery of rush-hour service while containing overtime expenses for full-time drivers.
- Through aggressive management, training and corrective action, the transportation division reduced bus operator complaints by 20%.

Customer Information

- Transit information representatives served 952,451 customers in 2003, the most since 1986. They achieved the result with 3.5 fewer staff members.
- Customers used BusLine, an automated telephone service that presents departure times 2.2 million times, an all-time record.
- Customers used Metro Transit online trip planner 1,628,971 times, a 37% increase.

Customer Service

Metro Transit responded to 81% of customer inquiries within three business days against a goal of 75%.

- The Customer Relations unit resolved 72% of all customer interactions on their first contact with the department.
- The Customer Relations unit used global positioning data 1,898 times to resolve customer inquiries regarding buses operating early, late or not showing up.

Technology Enhancements

- The maintenance division took delivery of the final two hybrid-electric buses, which attain 40% better fuel mileage and 50% fewer tailpipe emissions.
- Metro Transit and its vendors installed GoTo Card readers on buses at one garage to begin advance testing of a new, faster fare collection system, scheduled for systemwide deployment on bus and rail in 2004.
- Farebox technicians completed an extensive refurbishment of fareboxes and ticket-reading equipment on all buses.

Customer Facilities

- The engineering and facilities division purchased an abandoned theater, demolished it and completed designs to construct the Maplewood Mall Transit Center on the property. It also completed purchase of a theater in Woodbury for use as a park-and-ride and implemented a joint-use agreement with a theater company to show films in the evening, when transit customers do not need parking spaces.
- Metro Transit completed the rehabilitation of 10 park-and-ride lots for use by customers using express buses and opened a major new facility in Cottage Grove. It installed 50 new passenger shelters, including custom shelters at 6th and Robert in St. Paul and at 8th and Marquette in Minneapolis.
- The engineering and facilities division purchased property and completed design for a new Brooklyn Center Transit Center. The new facility, adjacent to the Brookdale Shopping Center, will open in late 2004 and will replace a cluster of bus stops with a facility whose features match the demand at this important transit location.

Outsourcing and Warranties

Throughout its organization, Metro Transit looks for ways to be cost-competitive. This has resulted in continuous evaluation of maintenance functions, leading to a fundamental shift in focus. In the past, Metro Transit built or rebuilt everything it could.

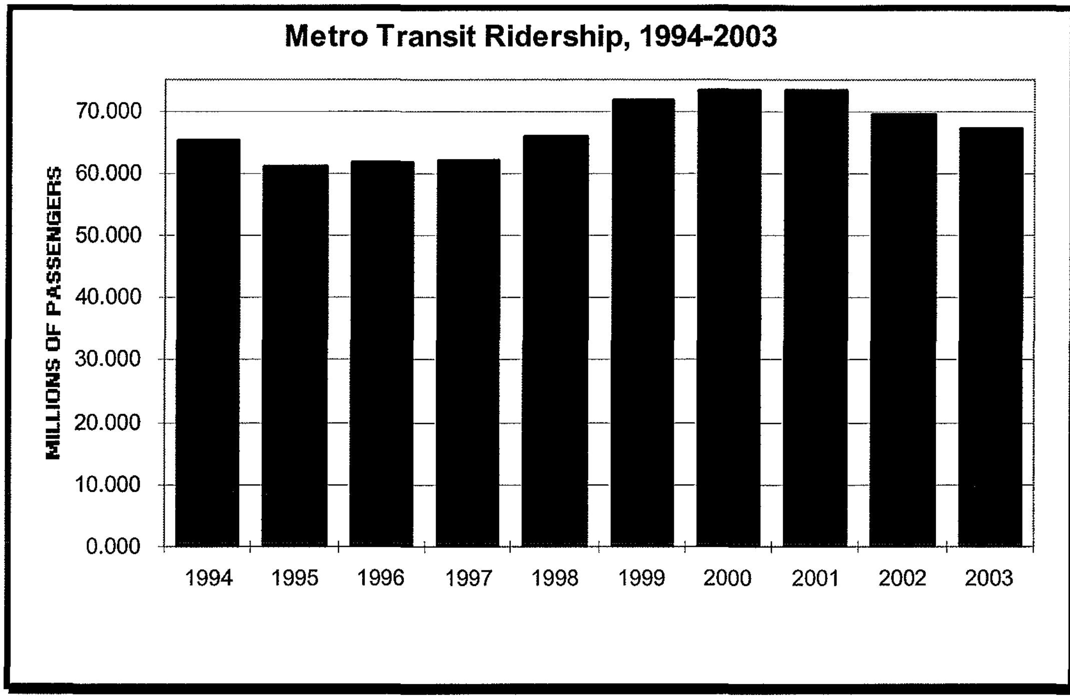
Now, it rebuilds only where it makes sense. This has led to a gradual conversion of the agency's overhaul base from a manufacturing plant to a service center.

Examples of outsourcing include radiator rebuilds, cylinder-head repair, fuel-injector reconditioning, security-camera maintenance, engine rebuilds, tire services and wheel painting.

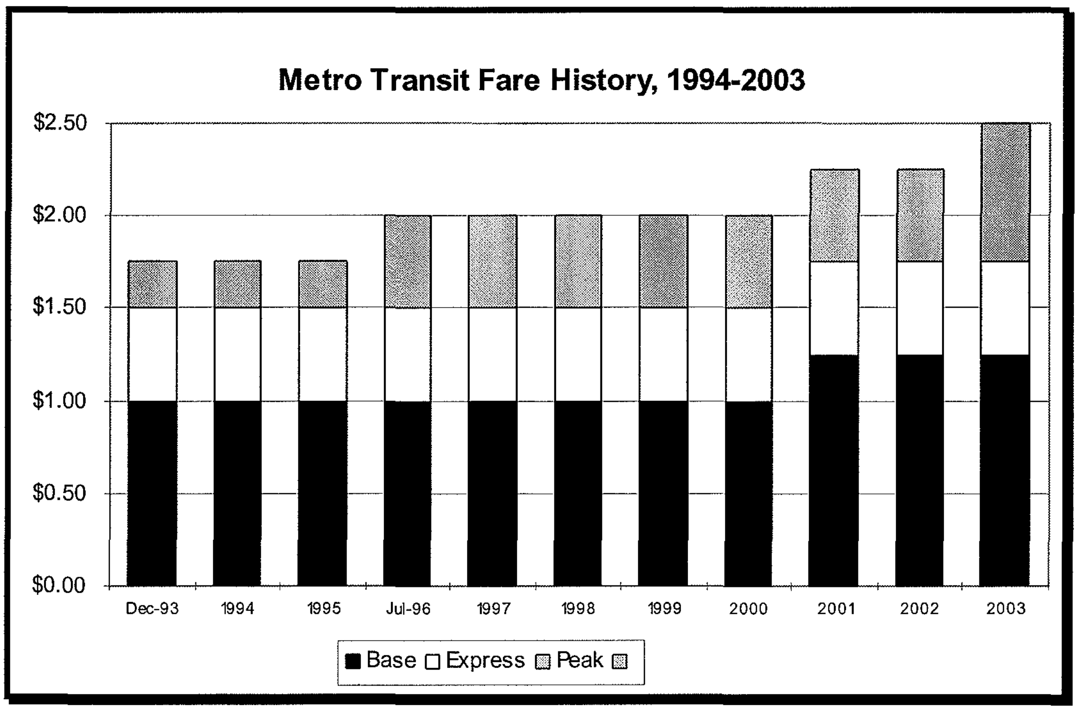
Hand-in-hand with outsourcing, Metro Transit created a warranty department in October 1998 to ensure the public received full value for its investment in transit equipment. By purchasing extended warranties, carefully monitoring equipment performance and making claims, Metro Transit has recovered more than $2 million over a five-year period.

Customer Well-Being

- Metro Transit bus operators achieved an accident rate of 3.99 per 100,000 miles against a standard of not-to-exceed 4.60.
- Metro Transit Police made 2,068 arrests, up 24% and addressed "quality of life" issues by issuing more than 8,000 citations, up 26%.
- Metro Transit added digital cameras at facilities and is transitioning to digital-imaging cameras on buses to increase the quality of on-board videos that help police identify and prosecute offenders.

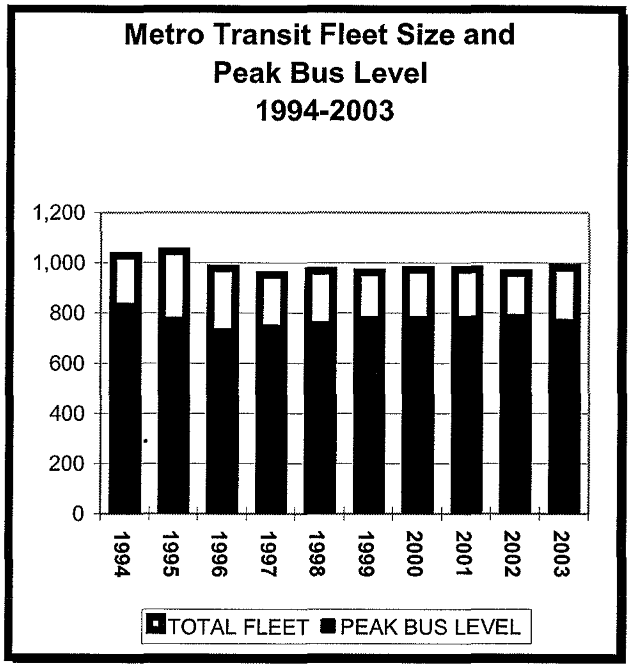


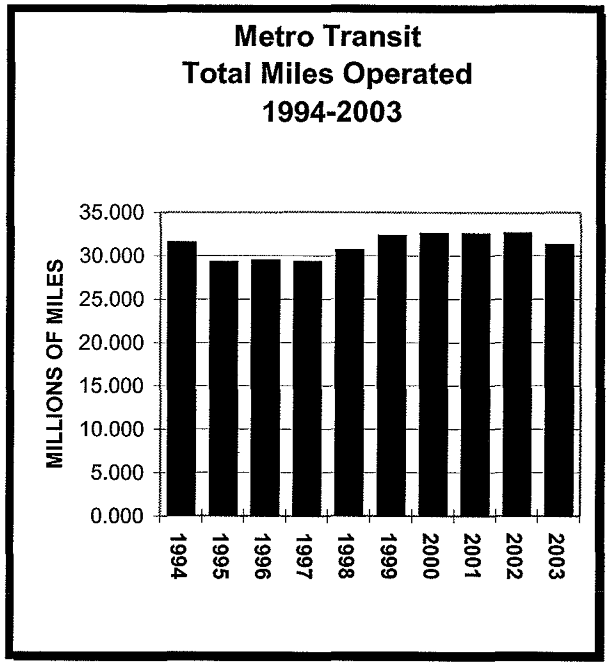
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
TOTAL	65.467	61.059	61.888	62.045	66.027	71.874	73.478	73.348	69.579	67.236



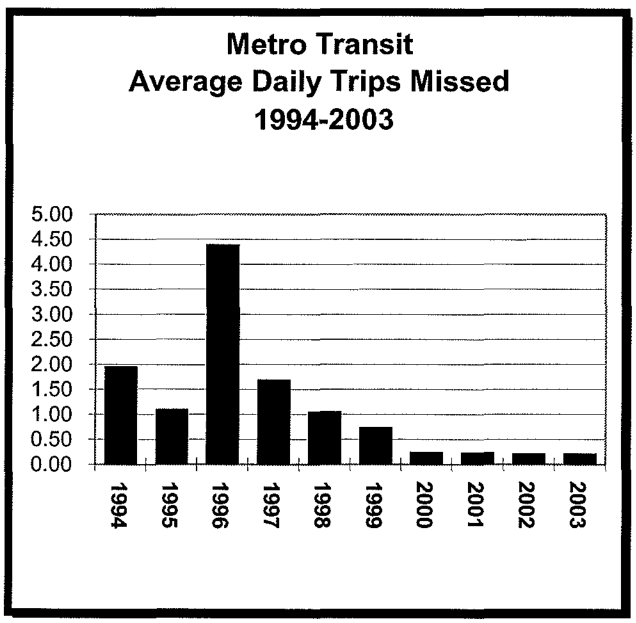
Regular fare	Dec-93	1994	1995	Jul-96	1997	1998	1999	2000	2001	2002	2003
Base	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$ 1.25	$ 1.25	$ 1.25
Express	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$ 0.50	$ 0.50	$ 0.50
Peak	$0.25	$0.25	$0.25	$0.50	$0.50	$0.50	$0.50	$0.50	$ 0.50	$ 0.50	$ 0.75

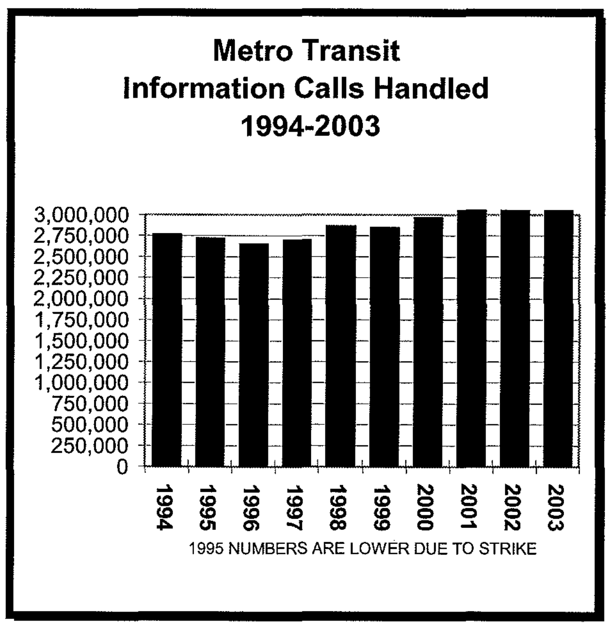
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003

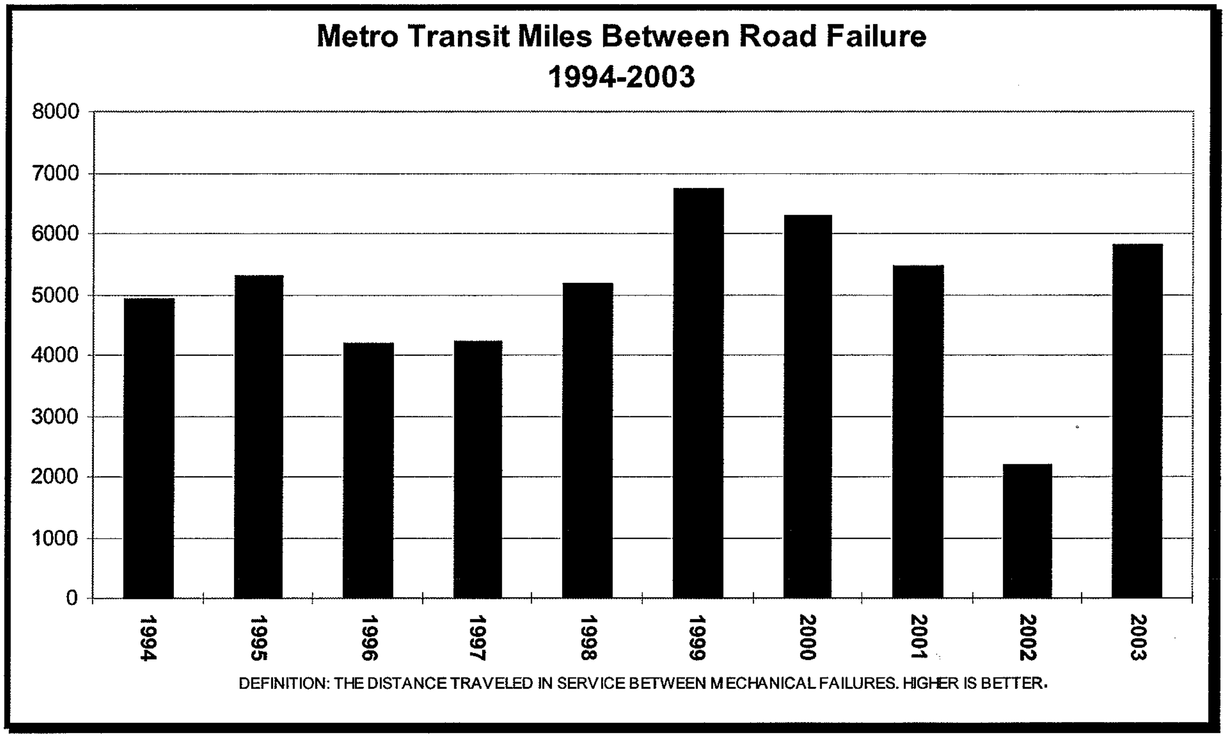




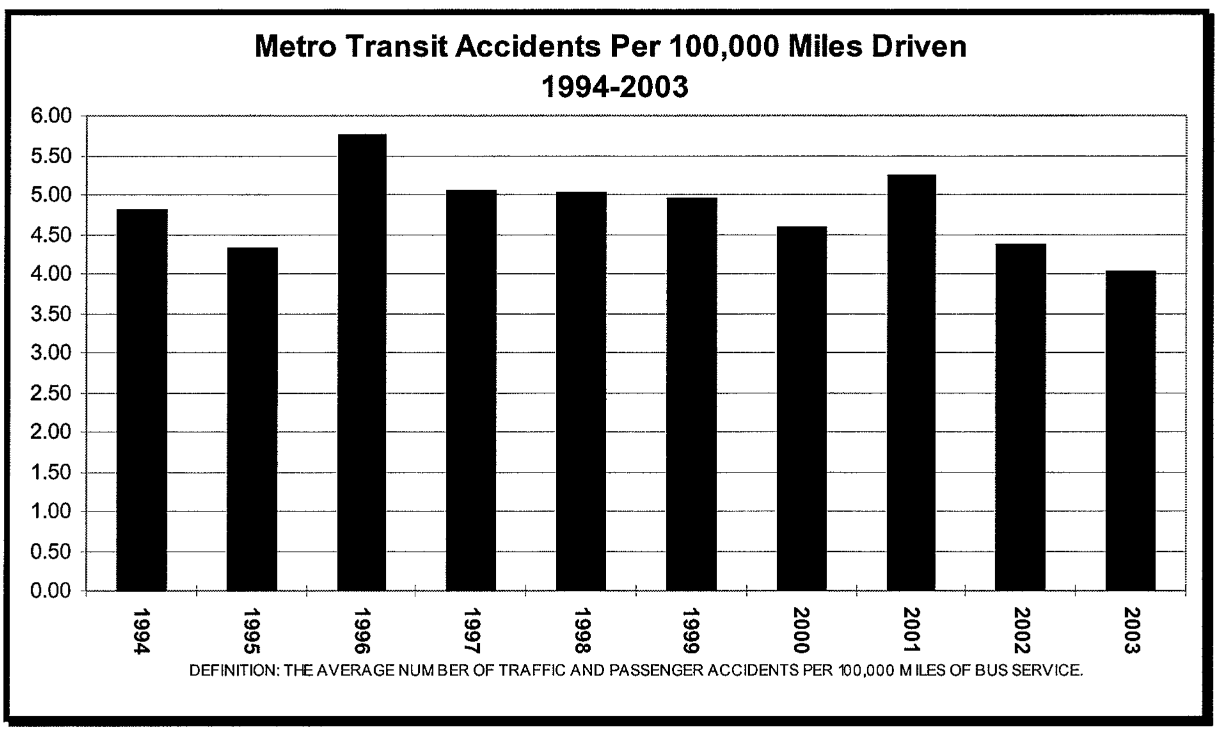
TOTAL FLEET	1,029	1,045	978	953	968	963	974	974	959	982
PEAK BUS LEVEL	837	781	735	751	764	784	785	786	793	774
MILES OPERATED	31.209	28.979	29.140	29.000	30.340	32.000	32.238	32.207	32.291	30.969
MISSED TRIPS	1.89	1.03	4.33	1.63	0.99	0.67	0.18	0.17	0.15	0.15
INFORMATION CALLS HANDLED	2,734,305	2,685,114	2,616,539	2,663,621	2,830,641	2,814,000	2,934,272	3,610,931	4,101,612	4,871,748







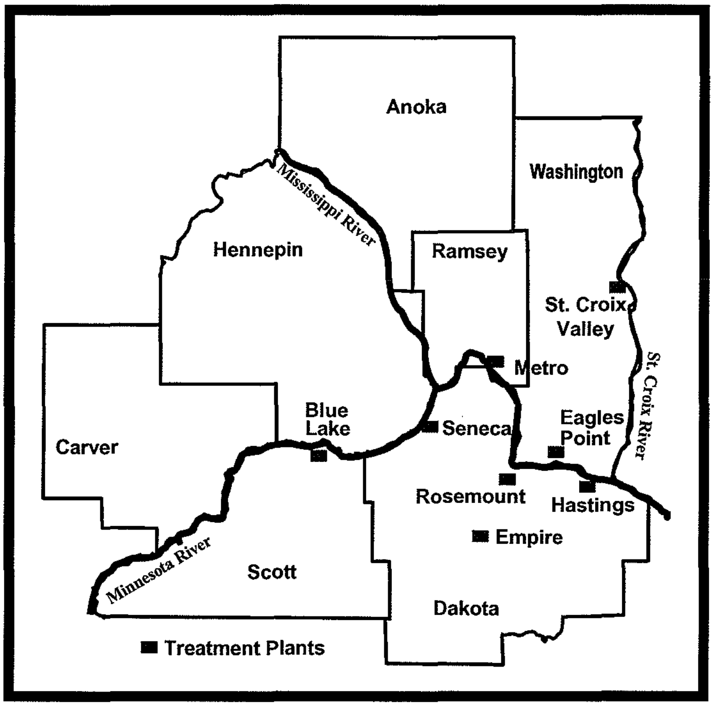
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
MECHANICAL FAILURES	4889	5256	4169	4176	5130	6700	6269	5438	2149	5778
ACCIDENTS	4.79	4.29	5.74	5.03	4.99	4.93	4.57	5.21	4.34	3.99



Environmental Services Division

Overview

Metropolitan Council Environmental Services (MCES) is one of three divisions of the Metropolitan Council. MCES collects and treats wastewater at its eight regional treatment plants. Its mission is to "provide wastewater services that protect the public health and environment while supporting regional growth." In providing this service to the metropolitan area, MCES:



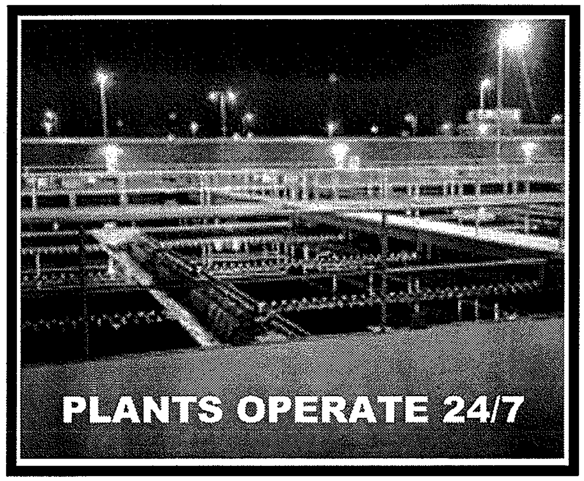
- Operates and maintains approximately 600 miles of regional sewers that connect flow from 5,000 miles of sewers owned by 103 communities,
- Treats up to 300 million gallons of wastewater daily at eight regional treatment plants,
- Continues to achieve near-perfect compliance with federal and state clean water standards,
- Maintains wastewater service rates consistently below the national average,
- Works with approximately 800 industrial clients to substantially reduce the amount of pollution entering the wastewater collection system,
- Provides water resources monitoring and analysis for the region, and
- Partners with numerous public, private and nonprofit groups committed to a clean environment.

This section highlights MCES's key accomplishments during 2003 in meeting the goals set forth by the Council's mission and MCES's mission. Results achieved help set the stage for continued success in the years ahead and are an integral part of the Council's history and evolution as a regional planning and service-delivery agency.

The report is divided into six categories that capture the activity of the organization's 700+ skilled, experienced employees whose efforts have provided continued success in 2003 with an eye to the future. The categories are 1) Operations Performance, 2) Capital Projects, 3) Water Resources Management, 4) Finance, 5) Customer Service, and 6) Employees in the Workplace.

Operations Performance

MCES's plants continued to perform at a high level in conformance with clean water discharge permits, and in 2003 received awards from the Association of Metropolitan Sewerage Agencies (AMSA) for 2002 results. The Hastings, St. Croix Valley and Eagles Point Plants earned the Platinum Award for achieving five consecutive years of complete and consistent National Pollutant Discharge Elimination System (NPDES) permit compliance. The Blue Lake, Seneca, Empire and Rosemount Plants earned the AMSA Gold award for one year of complete NPDES permit compliance and the Metro Plant received the Silver Award for having only two permit exceedances during the calendar year.



Additionally, the division's past and current efforts were instrumental in the Council's being named by the U.S. Environmental Protection Agency as one of its "Clean Water Partners for the 21st Century" for going beyond the requirements of the Clean Water Act to protect watersheds.

99.9% Compliance with NPDES Permits

Wastewater was treated to greater than 99.9% compliance with NPDES permit limits in 2003. All plants except Rosemount and Metro satisfied all permit conditions. Rosemount satisfied effluent discharge requirements, but did not meet the 85% Total Suspended Solids (TSS) removal requirement in February and March. The regulatory agencies do not consider this condition a permit exceedance. The Metro Plant exceeded a weekly average TSS limit in March.

Thousands of Water Quality Analyses Completed in 2003

On average, over 111,500 analyses must be completed annually and 88 monthly reports must be submitted to the Minnesota Pollution Control Agency (MPCA) from all eight treatment plants. In 2003, high-quality analysis was performed consistently by MCES's laboratory, which is considered one of the top water quality labs in the country. Lab quality is confirmed through peer review.

Successful Stack Tests and Compliance with Air Emissions Permits

All stack tests for PM and PM10 conducted at Metro and Seneca complied with air emission permit limits.

At Metro: Intense rains at the end of June flushed a significant amount of inert solids into the plant, resulting in three feed-rate exceedances.

The plant had 74 damper openings for 2003, an average of 6.2 damper openings per month, just slightly over the annual goal of six or less.

The air emission permit requires that the gases exiting each incinerator be maintained at a minimum of 1200°F as a half-hour average in order to destroy odor-causing compounds.

Maintaining this temperature can be difficult, particularly if the moisture content of the sludge or the sludge feed is variable. During 2002, the plant recorded an average of 117 deviations per month for this requirement. In order to improve performance in meeting this requirement, plant staff investigated causes of the deviations and made operational adjustments that resulted in an average of 78 deviations per month during 2003 (a 33% reduction from 2002). Staff fully expects this improved performance to continue.

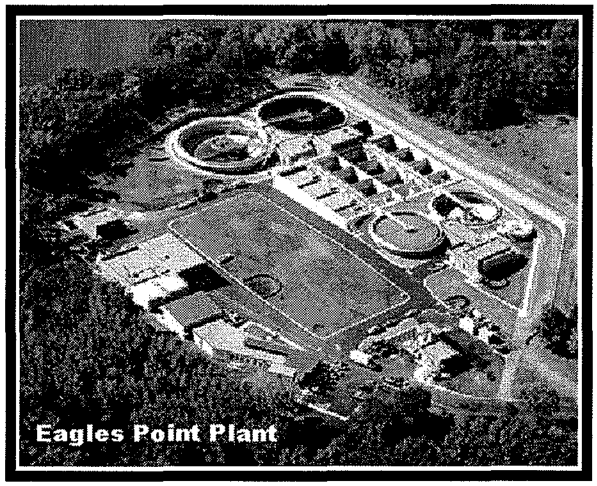
At Seneca: The plant recorded an 88% improvement in damper openings in 2003. There were 25 damper openings during 2002. By making operational adjustments to improve performance, there were only three damper openings during 2003, with one of the openings beyond the control of the plant staff due to a brief loss of electrical power from Xcel Energy.

Capital Projects

Capital projects and improvements for 2003 that support regional growth and regulatory compliance goals were completed on time and within budget.

Activity and Completion of East Area Plant Projects and Improvements

The solids processing phase of the new **Eagles Point Plant** (pictured on the right) was completed.



The $130 million expansion of the **Empire Plant** began in August. Bidding for the construction of the outfall design will occur in the first half of 2004. Treated wastewater will be conveyed 13 miles through this new outfall pipe for discharge into the Mississippi River in Rosemount to avoid harm to the environmentally sensitive Vermillion River.

Additional plant improvements were implemented at the **Rosemount Plant,** with startup scheduled for January 2004. Facility planning for long-term wastewater service is under way.

Site selection for the new **Hastings Plant** is being restarted and will be completed in 2004 after being held back due to other priorities in 2003.

Metro Plant Improvement Projects Included Solids, Liquids and Disinfection

Startup for the new solids management facility is on schedule for mid-2004. The Sharples interim project was completed in April with the successful operation of the Sharples centrifuges Nos.3 and 4.

The pretreatment/primary treatment phase of the liquid-treatment facilities was completed in December and phosphorus removal improvements were completed. Preliminary engineering is completed and design was initiated in the fall for replacement of the existing disinfection system.

Updates on Other Capital Projects

The following projects are in the preliminary engineering process, under study or on hold.

- **West Area Plant Plans:** Facility plans for the Blue Lake and Seneca Plants were initiated early in 2004. The existing effluent disinfection systems will be replaced with ultraviolet light disinfection, and aeration tanks and solids handling facilities will be modified to remove phosphorus.
- **Septage Management Study 70% Complete:** Four stakeholder meetings were held. A prototype disposal site is being designed for use at the Empire Plant and an evaluation will be done to determine if this will work effectively for sites on the interceptor system. A full-cost load rate has been designed and will be included with the service changes in 2004.
- **Rogers Plant Acquisition** is on hold due to Hassan Township/Rogers orderly annexation and merger agreement.

Interceptor System Activity in 2003

Highlights of the interceptor projects include the following.

- **South Washington County Interceptor:** All four construction contracts have been awarded and construction has begun, with completion projected for early 2005. This nearly 10-mile-long pipe will serve developing areas of the county and convey wastewater to the Eagles Point Plant.
- **Elm Creek Interceptor:** The four-mile Medina leg is under construction and design for extensions to Corcoran, Dayton and Hassan Township was initiated in the fall with construction projected for 2005-2006.
- **Supervisory Control and Telemetry:** The prototype system has been designed and tested and the pre-qualification process for key components (PLCs and operator interface) is proceeding. Bid opening for the PLCs is expected in early January 2004 and construction will commence once equipment is pre-qualified.
- **Minneapolis 1-MN-320 Interceptor:** The project was completed in October, four months behind the schedule agreed upon in the tunneling change order.
- **St. Paul Riverview Siphon:** Engineering planning was initiated in the fall for improvements to the existing three-barrel siphon.
- **Northeast Interceptor System:** The facility plan was initiated with MCES staff and preliminary flow estimates were made. Preliminary alternatives were developed for the upper 69-01 relief sewer. An initial meeting with White Bear Lake was held to review potential routes and a public information meeting was held with the tributary communities in December.

Water Resources Management

The *Regional Development Framework* was approved by the Council for the purpose of public hearings and adopted in January 2004.

Rural Growth Strategy

The *Framework* contains limited policies on rural growth and further definition of those policies and implementation strategies will be included in the *Water Resources Policy Plan*, to be updated in 2004–2005.

Natural Resources Inventory Completed

The Natural Resources Inventory and Assessment was completed. The *Development Framework* contains various policy references to the inventory. Further details on the implementation of the Natural Resources Inventory will be included in a planning handbook to be developed for local governments.

Water Resources Policy Plan Schedule Completed

A new schedule has been established for the drafting, review and adoption of the new *Water Resources Policy Plan*. The first issue presentation to Council committees occurred Jan. 13, 2004, and adoption of the plan is scheduled for March 2005.

Grants Administered to Achieve Water Quality Outcomes

On Dec. 17, 2003, the Metropolitan Council approved the use of the remaining $212,774 in unallocated MetroEnvironment Partnership (MEP) funds for targeted grants. With this award the Council met its requirements to award a total of $7.5 million in MEP grants by Dec. 31, 2003, in accordance with the Memorandum of Understanding between the Council and Minnesota Center for Environmental Advocacy. In addition, on Dec. 17, 2003, the Council reallocated $627,500 to new projects from previously awarded projects that were never activated. In 2003, the Council awarded a total of $1.8 million in MEP grants.

Metro Area Water Supply Assessment

MCES staff convened the Southwest Groundwater Work Group consisting of communities in northern Scott County and Dakota County, and several state and federal agencies, to resolve the groundwater concerns surrounding the proposed suburbanization of Credit River Township. The group will set the parameters for the development of a groundwater model and provide oversight for the modeling efforts by Scott County.

By the end of 2003, 10 out of the 12 members of the Southwest Groundwater Work Group, including the Council, had signed a resolution establishing a formal relationship between the communities, the Council, and the Minnesota Department of Natural Resources for the purpose of resolving sub-regional groundwater issues. The other members ratified the agreement in early 2004. The Council has contracted with the U.S. Geological Survey to carry out a study of the impact of urbanization and imperviousness on aquifer recharge. The Council has also contracted with the Minnesota Geological Survey to undertake the mapping of the surficial geology of northwest Hennepin County and southwest Anoka County to assist with the development of a groundwater model to assess groundwater resources in the I-94 corridor.

Staff and Council Involved in Regional Water Supply Studies and Surveys

- Staff met with representatives of the North Metro Mayors Association to discuss the Association's interest in a study of groundwater issues and the development of a groundwater model to assess the long-term sustainability of the aquifers.
- MCES is proceeding with several technical studies, including a contract with the Minnesota Geological Survey, to produce detailed information on the surficial geology of the area to develop infiltration values for input into the groundwater model for the area.
- MCES is conducting a survey of municipal water use and conservation practices to support the updating of the regional water supply plan. A draft report was completed that assesses the water use level in the metro area, the municipal water systems (including distribution and storage capacity), local water pricing, and water planning issues.
- The Council is participating, along with the cities of Minneapolis and St. Paul and various state agencies, in the development of a regional and sub-regional framework for water supply planning and issue resolution. The project, which has been endorsed by the Governor's "Water Cabinet," is scheduled to run through 2005 and is intended to improve regional water supply security, reliability and cost effectiveness.

Finance

MCES has an ongoing goal of providing financial management that maintains MCES as a competitive utility within the marketplace. In December 2003, MCES was selected to receive the Association of Metropolitan Sewerage Agency's (AMSA) *Excellence in Management Recognition* and will be honored during a ceremony at AMSA's 2004 Winter Conference. This new program recognizes public wastewater utilities that have successfully implemented progressive management initiatives that address the wide range of management challenges facing the clean water community in today's competitive environment.

AMSA honoree for 2003–2006

Excellence in Management Recognition Program

2003 Operating Budget Expenses Below Budget

The MCES budget position appears positive. Preliminary results indicate that the $1 million of budgeted surplus could exceed $2 million. Even though revenues were approximately $2 million below budget, expenses were approximately $4 million below budget. These savings were largely achieved by not filling vacancies and curtailing capital expenses to address an anticipated 2004 revenue challenge.

Management and accountability elements of the 2003 operating budget include the following:

- **Gainsharing:** Legislation authorizing gainsharing was repealed in the 2003 legislative session.
- **Energy management:** Most MCES facilities continue to participate in Xcel's Peak Control savings program, netting over $200,000 savings annually. Capital projects at the Metro and Empire Plants include the installation of energy recovery units to produce power derived from treatment system by-products.
- **Improved business/operations management:** MCES is in the process of implementing a new business management and data software system for Industrial Waste/Pollution Prevention, which should be fully operational by the first quarter of 2004.

2004 Capital Budget

Numbers available at the end of January 2004 for the $199 million 2003 capital budget show expenses of $155 million.

The Project Review Committee established in February 2003 is functioning as intended. A "Management Expectations" workshop was delivered in May and a second workshop was delivered in September. Additional workshops are planned in 2004.

Management and accountability for 2003 capital budget include the following enhancements to project management:

- Scope changes
- Amendments
- Change orders
- Timely delivery
- Peer review

2003 Capital Financing Provided Savings to Ratepayers

The division negotiated a $100 million subsidized loan (at 3.09%) from the Public Facilities Authority, which will help MCES keep rates at an affordable level. In addition, a unique and innovative refinancing of five existing PFA loans saved ratepayers several million dollars in avoided interest costs.

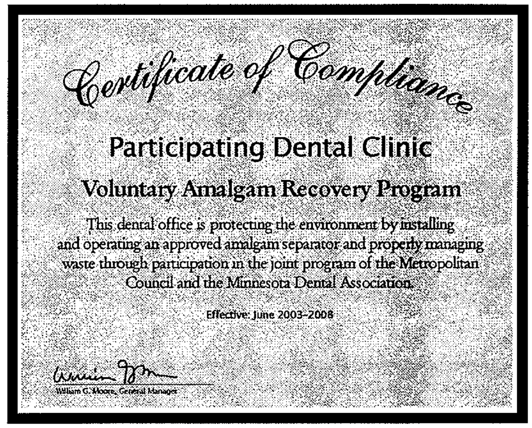
2004 Budget Adopted

The 2004 Budget was adopted Dec. 17, 2003. This adopted budget includes a reduction in expected system flow from 102.5 billion gallons to 100 billion gallons, and the consequent need to increase revenue and/or decrease expenses by $3.35 million. This flow reduction was caused by an improved meter system installed at the Metro Plant that indicated less flow than had been modeled.

Early indications are that the drought that began in July 2003 may further reduce the base flow (because of reduced inflow and infiltration into the system). If this happens, there will be a need to review and possibly amend the 2004 budget in the spring.

Customer Service

MCES provides service to its customers in a number of ways. The following examples illustrate MCES's focus on customer service:



Voluntary Amalgam Recovery Program Wins Award

The Minnesota Dental Association (MDA) and MCES made progress in the 2003 joint program to drastically reduce the amount of mercury-containing dental amalgam that is getting into the regional wastewater collection and treatment system. Since the program started last January, 70% of the metro area dental offices have committed to installing amaglam removal equipment and the partnership hopes to achieve 100% commitment to the program by June 2004. By year end 2003, over 125 offices received certificates for installing and operating the equipment. On Nov. 20, the Minnesota Chapter of the American Public Works Association presented its annual "Technical Innovation Award" to the Metropolitan Council and the MDA for this joint program.

Infiltration/Inflow (I/I) Task Force Made Substantial Progress

The task force was established and approved by the Council in April 2003 and has conducted monthly meetings since May. A draft report is expected in the first quarter of 2004 with recommendations for the following major issues.

- What is the regional-versus-local liability for sanitary-sewer overflows that can result from too much I/I?
- What are the appropriate levels of service and support from regional government to reduce I/I?
- What should be the schedule to implement solutions?
- Who pays for what?

Not addressing the I/I problem would necessitate an estimated $300 to $400 million in additional relief sewers and pumping stations.

Odor Management Activity Continued

MCES staff is continually working on and responding to odor management issues. The use of liquid oxygen was demonstrated to be a cost-effective control mechanism for hydrogen sulfide. A new biofilter has been successful at the Metro Plant and a chemical odor-control system was installed and is operating at the Empire Plant's dewatering building. Staff is in the process of optimizing the chemical scrubber operation at the Seneca Plant. Increased complaints from the Mounds Park Citizens Group were addressed and will be a priority in 2004.

Soil and Water Assessment Tool (SWAT) Utilized for Healthy Watersheds

Staff organized a three-day training workshop on the SWAT model. This computer model was selected for watershed modeling for regulatory agencies, consultants, local governments and university researchers in the metropolitan area. MCES staff will use SWAT to define target pollution loads for individual watersheds.

Staff, in cooperation with Carver County and the Minnesota Pollution Control Agency, is using the SWAT model to define the target pollution load to its first two watersheds, Carver and Bevens Creeks. Over the next three years staff expects to set target pollution loads for all watersheds in the metropolitan area.

Because of the complexity of the SWAT model, staff modified its approach and elected to model a simpler watershed to gain experience with the various capabilities of the model. Staff has now successfully modeled Bluff Creek, a watershed tributary to the Minnesota River.

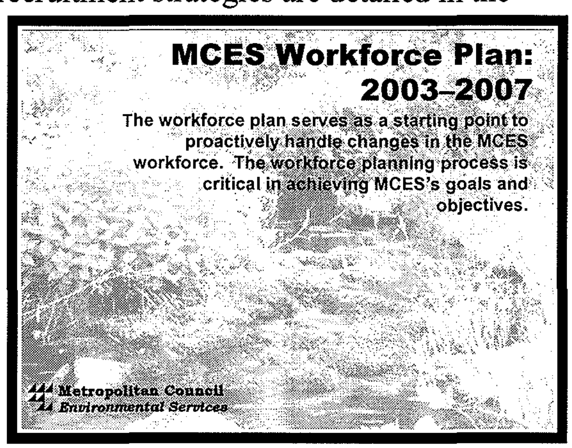
Meetings and Newsletters Provided Customers Information and Input Opportunities

MCES budget planning meetings were held in Golden Valley, Roseville and Apple Valley in June. Valuable input to the process of setting rates was provided and rates were set in August. Customers appreciated that MCES's 2004 municipal wastewater charges still remain below 1998 levels for the sixth consecutive year. In addition to the budget planning meetings, the Industrial Waste/Pollution Prevention (IWPP) section hosted a forum in May that focused specifically on industrial customer concerns.

The IWPP staff continues to publish "Open Channel News" three times a year for industrial customers.

Employees in the Workplace

The 2003-2007 MCES Workforce Plan was completed and approved in October 2003. External development, internal development, and recruitment strategies are detailed in the plan. Preliminary work has been completed in the implementation phase of the plan.



Succession planning and increasing the diversity of the MCES workforce were incorporated in the Workforce Plan. MCES workforce demographics from the Office of Diversity through November 2003 show increases, as a percentage of total workforce, of 0.7% females, 0.8% disabled, and 0.4% minorities from 2002 to 2003.

Labor Agreement Settled and One Under Negotiation

The Electrician's Unit labor agreement (International Brotherhood of Electrical Workers) was settled in late 2003. Work began on the negotiation of the Machinists and Mechanics

Unit agreement (International Association of Machinists and Aerospace Workers), in December 2003.

Performance Measures/Accountabilities in Maintenance

Clemson University gave two classes to business unit managers, assistant business unit managers, general leads and leads from all of the business units. The main topics were best maintenance practices and how to partner with operations. A second class on planning and scheduling was also presented to the same group of employees.

Life Cycle Engineering, which gave the classes for Clemson, also advised on a maintenance reorganization that would support best practices. Performance measures and accountabilities should result from that structure.

System-wide maintenance for the treatment plants is being initiated. This includes maintenance, engineering, planning and scheduling.

Performance Measures/Accountabilities in Positive Performance

Three refresher classes for Positive Performance were provided to Treatment Services managers and business unit coordinators. General employee orientation has yet to be scheduled and will include a performance management survey designed to benchmark current employee perceptions. The Business Coordination Teams (managers, assistant managers, and coordinators of the business units) met monthly with Learning and Development staff to provide a forum for discussing challenges and successes in implementing Positive Performance. These meetings will continue into 2004. Staff completed a new performance evaluation process for coordinators that was designed to reinforce their performance management responsibilities and provide better guidance to both managers and coordinators on performance expectations.

Safety and Security Enhancements Implemented

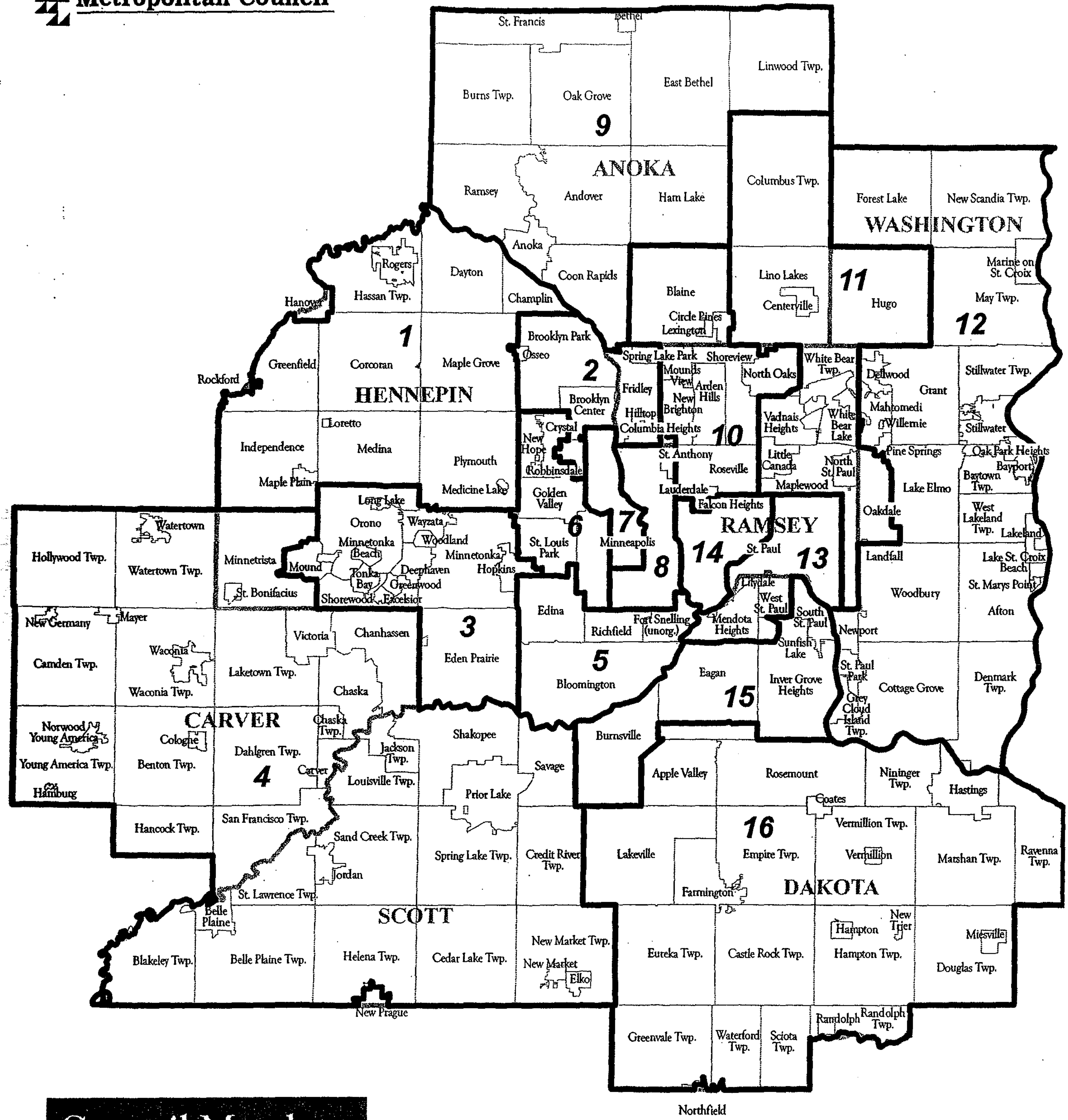
Implementation of a comprehensive safety plan and a security improvement plan is on schedule. The following safety and security enhancements are under way or completed:

- Safety program review findings were organized into a strategic plan with time lines and assignments. The plan is reviewed quarterly by the safety steering committee.
- Annual medical surveillance testing has been completed and included onsite audiometric and respiratory protection testing. Follow-up will be conducted as needed with specific employees.
- Bid documents and prints are completed for the security access to the Process Control Fiber/Electrical Rooms. Planning for the Metro Plant Business Unit warehouse/commodity storage areas is under way; preliminary specifications are complete. Planning included perimeter fencing, card access, surveillance cameras, guard shack, increased lighting, and perimeter parking lots for the Blue Lake and Seneca Plants.
- Facility improvements such as increased fencing and access controls are under way at key facilities.

Metropolitan Council Districts

February 2004

Metropolitan Council



Council Members

Chair **-** Peter Bell

1 Roger Scherer
2 Tony Pistilli
3 Mary Hill Smith
4 Julius C. Smith
5 Russ Susag
6 Peggy Leppik
7 Annette Meeks
8 Lynette Wittsack
9 Natalie Steffen
10 Vacant
11 Georgeanne Hilker
12 Chris Georgacas
13 Rick Aguilar
14 Song Lo Fawcett
15 Thomas Egan
16 Brian McDaniel

APPENDIX

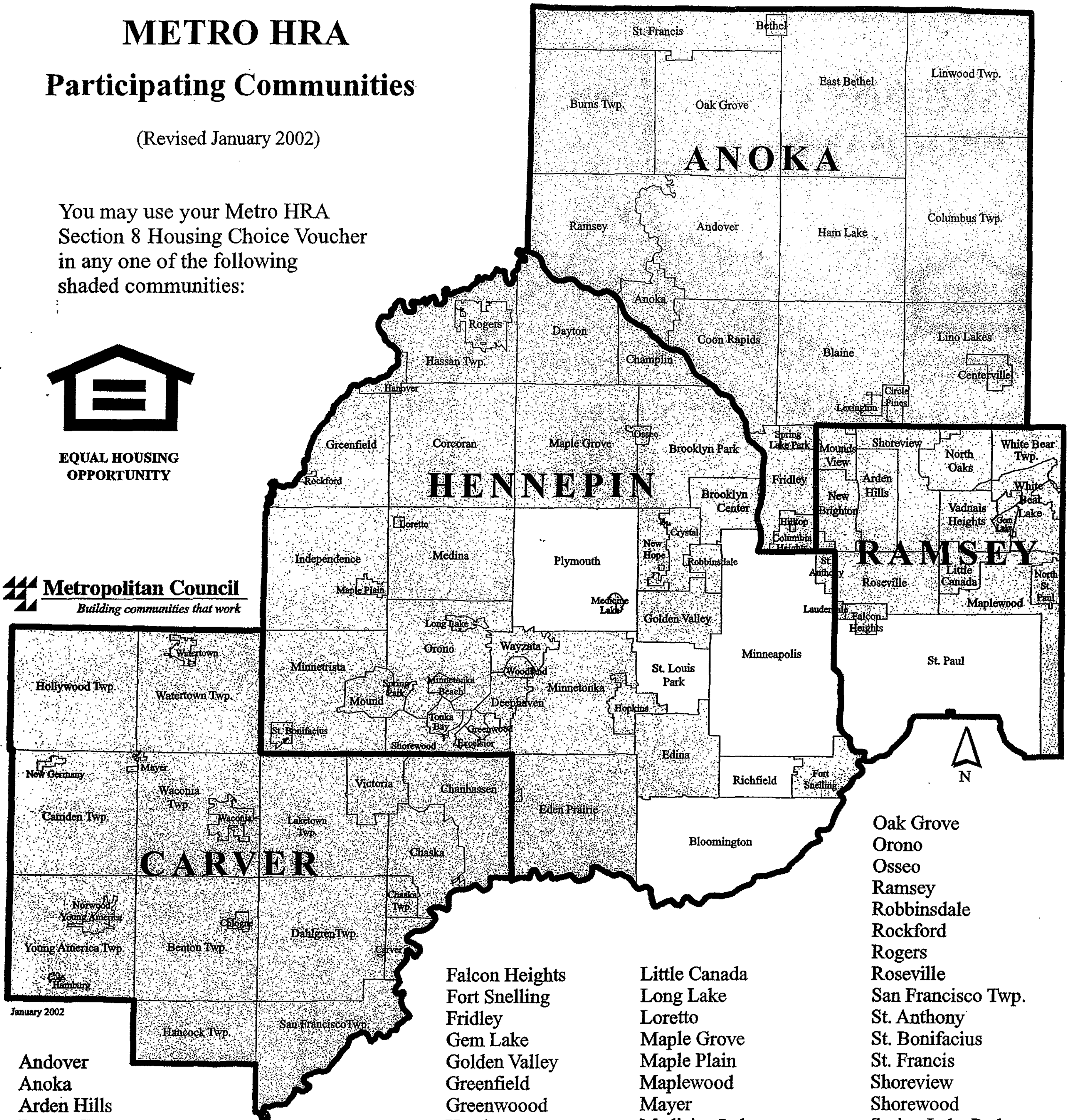
METRO HRA
Participating Communities

(Revised January 2002)

You may use your Metro HRA Section 8 Housing Choice Voucher in any one of the following shaded communities:

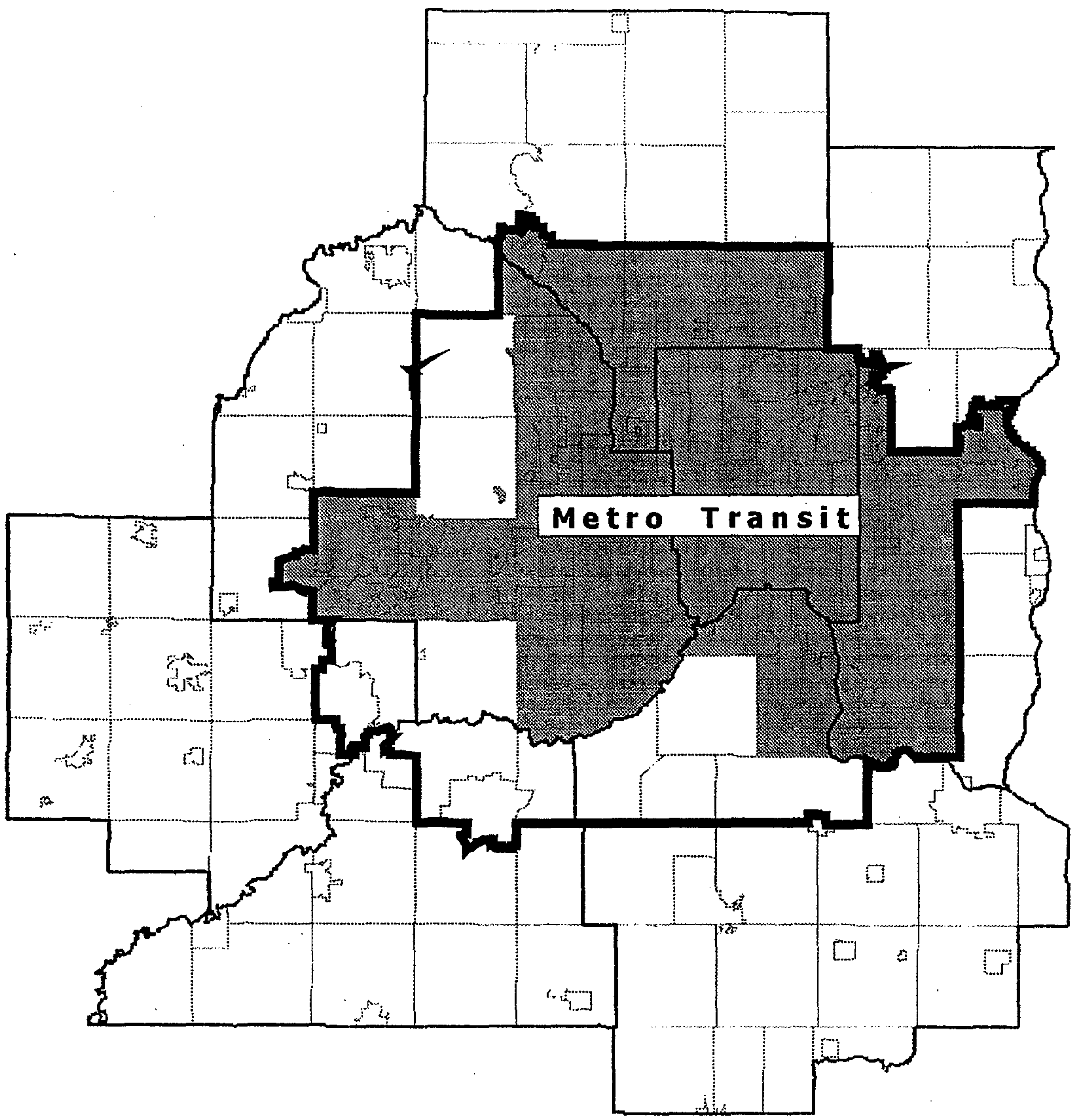
EQUAL HOUSING OPPORTUNITY

Metropolitan Council
Building communities that work



Andover
Anoka
Arden Hills
Benton Twp.
Bethel
Blaine
Brooklyn Center
Brooklyn Park
Burns Twp.
CamdenTwp.
Carver
Centerville
Champlin
Chanhassen
Chaska
Chaska Twp.
Circle Pines
Cologne
Columbia Heights
Columbus Twp.
Coon Rapids
Corcoran
Crystal
Dahlgren Twp.
Dayton
Deephaven
East Bethel
Eden Prairie
Edina
Excelsior
Falcon Heights
Fort Snelling
Fridley
Gem Lake
Golden Valley
Greenfield
Greenwoood
Hamburg
Ham Lake
Hanover
Hancock Twp.
Hassan Twp.
Hilltop
Hollywood Twp.
Hopkins
Independence
Laketown Twp.
Lauderdale
Lexington
Lino Lakes
Linwood Twp.
Little Canada
Long Lake
Loretto
Maple Grove
Maple Plain
Maplewood
Mayer
Medicine Lake
Medina
Minnetonka
Minnetonka Beach
Minnetrista
Mound
Mounds View
New Brighton
New Germany
New Hope
North Oaks
North St. Paul
Norwood - Young America
Oak Grove
Orono
Osseo
Ramsey
Robbinsdale
Rockford
Rogers
Roseville
San Francisco Twp.
St. Anthony
St. Bonifacius
St. Francis
Shoreview
Shorewood
Spring Lake Park
Spring Park
Tonka Bay
Vadnais Heights
Victoria
Waconia
Waconia Twp.
Watertown
Watertown Twp.
Wayzata
White Bear Lake
White Bear Twp.
Woodland
Young America Twp.

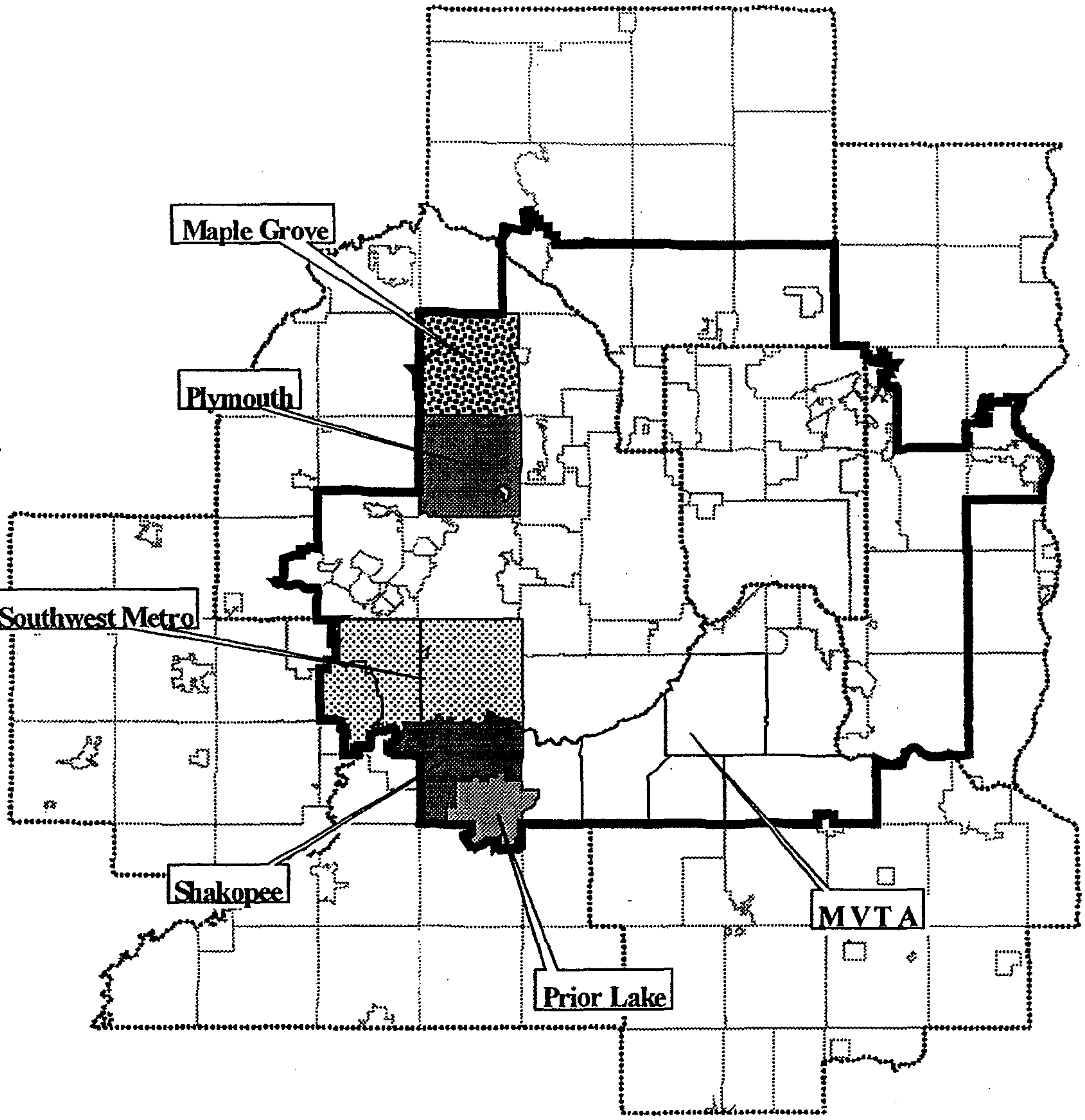
Metro Transit Service Area



The heavy boundary inside the seven county area is the boundary of the Transit Taxing District. Prior to 2002, this boundary defined the area that the Metropolitan Council and opt out communities levied property taxes for regular route transit service. In 2002, operating costs are no longer funded from property taxes. This boundary currently represents boundaries of regular route service provided in the region.

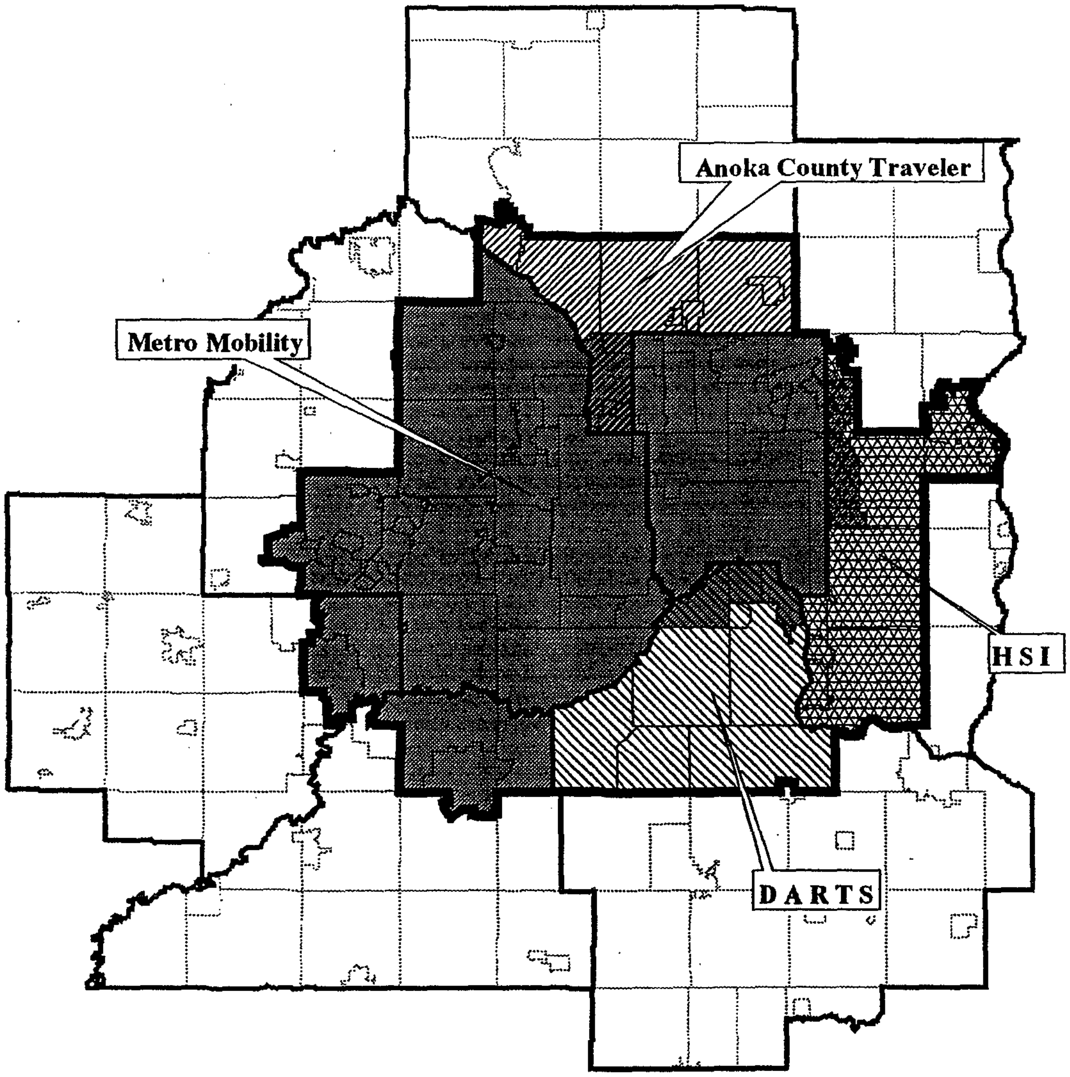
APPENDIX

Opt Out Communities



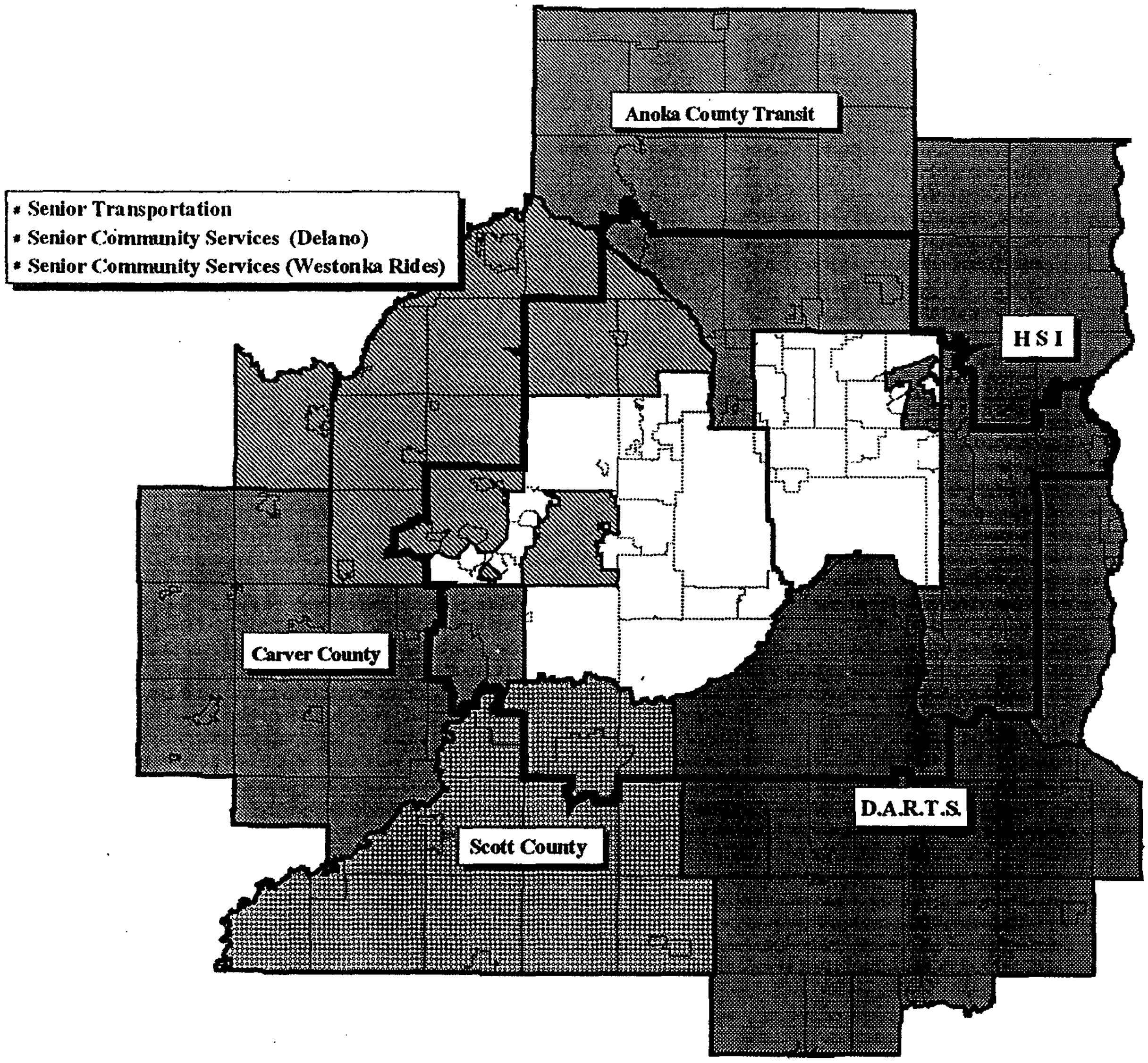
APPENDIX

Metro Mobility Service Area



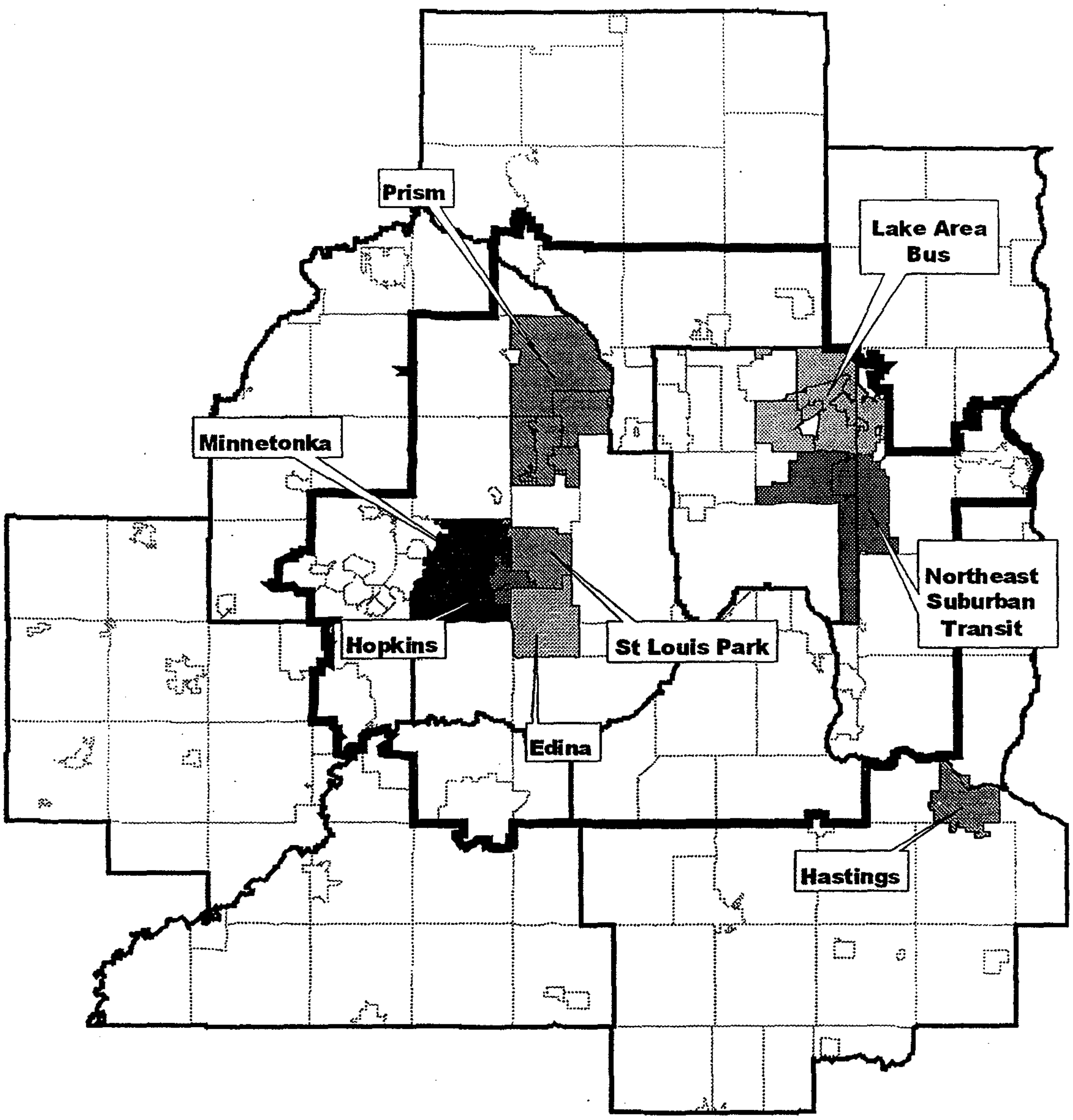
APPENDIX

Community-based Rural Programs



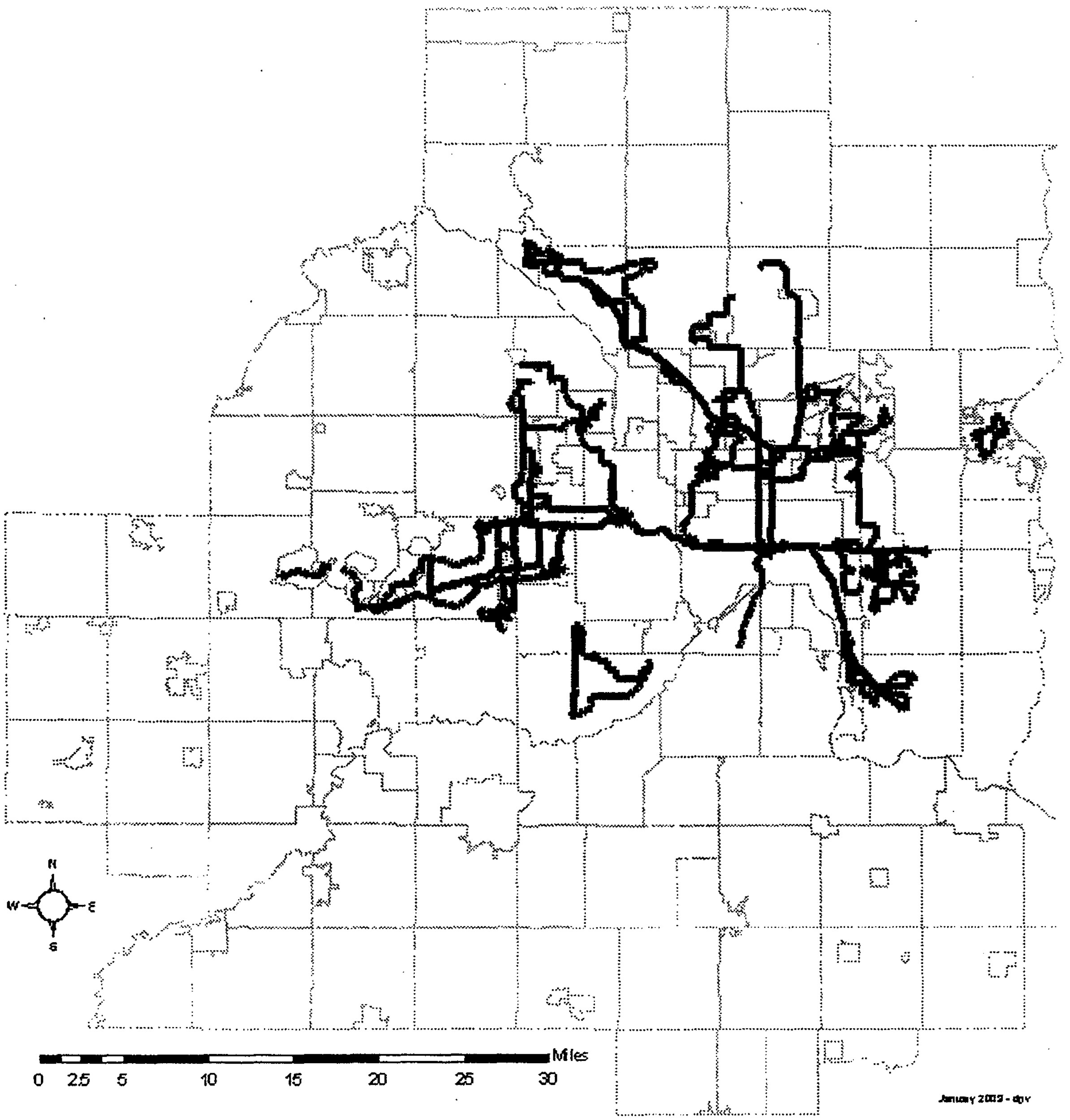
APPENDIX

Community-based Urban Programs



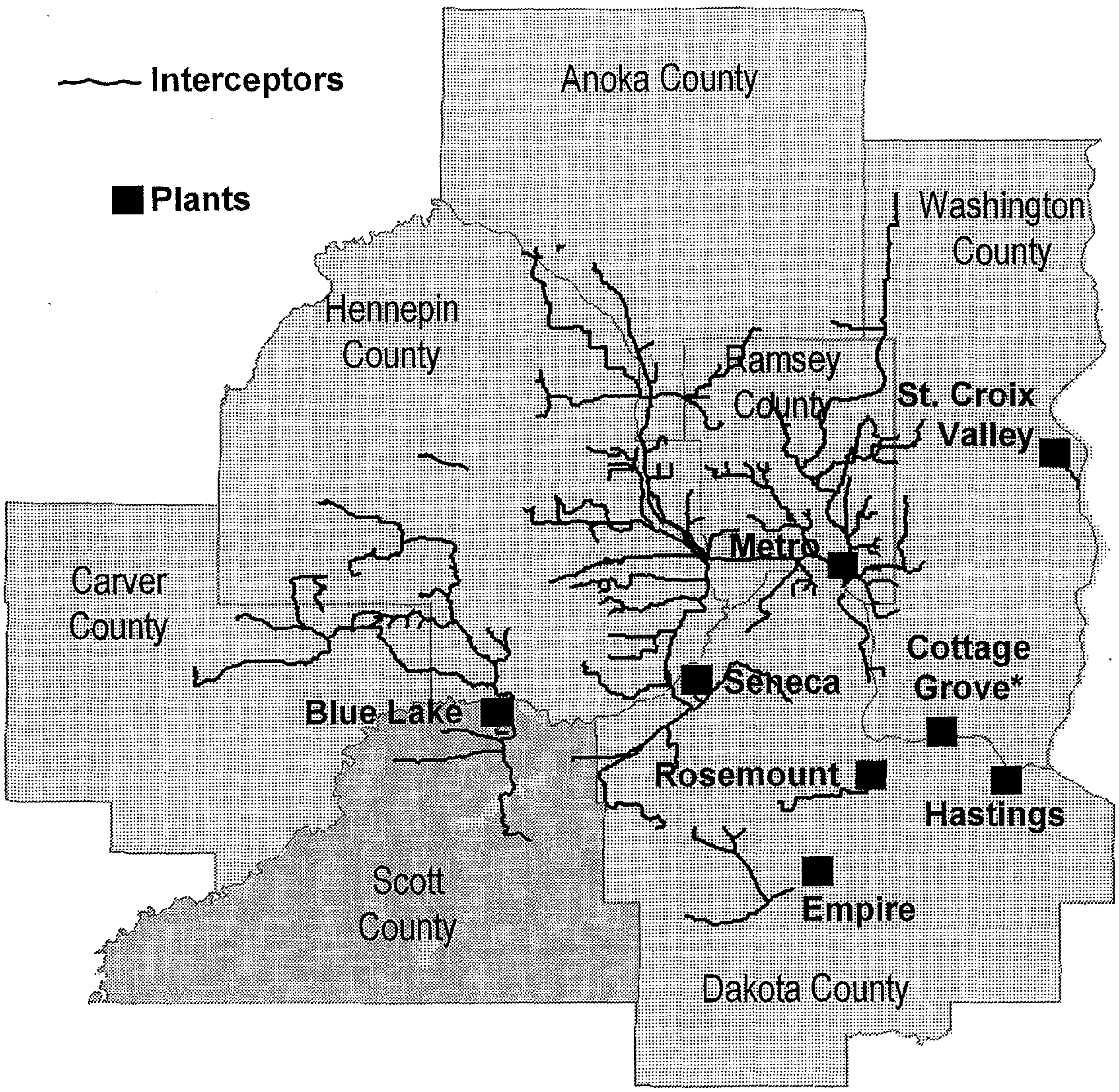
APPENDIX

Privately Contracted Regular Routes



APPENDIX

Metropolitan Council Environmental Services Wastewater Treatment Interceptors and Plants



*The Cottage Grove Wastewater Treatment Plant is being replaced by a larger 10 mgd treatment plant and will be called Eagles Point Plant when completed.

January 2002

APPENDIX

METROPOLITAN COUNCIL ANNUAL PERFORMANCE REPORT
YEAR-END FINANCIAL RESULTS BASED ON (UNAUDITED) QUARTERLY REPORT DATA-2003

	REGIONAL ADMINISTRATION /COMMUNITY DEVELOPMENT INCLUDING HRA and PARKS			ENVIRONMENTAL SERVICES DIVISION INCLUDING DEBT SERVICE			TRANSPORTATION DIVISION OPERATING FUND ONLY		
	BUDGET	**Actual Ledger Year-to-Date**	**Favorable (Unfavorable) VARIANCE**	**BUDGET**	**Actual Ledger Year-to-Date**	**Favorable (Unfavorable) VARIANCE**	**BUDGET**	**Actual Ledger Year-to-Date**	**Favorable (Unfavorable) VARIANCE**
EXTERNAL REVENUE									
Property Taxes	$10,253,437	$10,362,820	$109,383				($527,000)	($717,690)	($190,690)
Federal Revenue	$47,807,801	$49,589,969	$1,782,168				$21,900,408	$22,430,484	$530,076
State Revenue	$11,386,480	$9,708,972	($1,677,508)	$300,000	$285,089	($14,911)	$174,876,794	$173,677,703	($1,199,091)
Local Revenue/Other Govt Revenue	$1,265,780	$1,712,511	$446,731				$573,500	$293,126	($280,374)
ES Fees				$140,707,500	$141,199,596	$492,096			
Fares & Related Revenue							$69,992,094	$70,297,053	$304,959
Interest	$525,000	$575,467	$50,467	$1,600,000	$596,386	($1,003,614)	$750,000	$985,469	$235,469
Other Revenue	$2,542,175	$3,263,206	$721,031	$360,534	$279,874	($80,660)	$995,432	$974,364	($21,068)
Total Revenue	$73,780,673	$75,212,945	$1,432,272	$142,968,034	$142,360,945	($607,089)	$268,561,228	$267,940,509	($620,719)
EXPENDITURES									
Salaries, Wages, & Fringes	$22,865,534	$21,718,955	$1,146,579	$54,621,713	$53,643,217	$978,496	$162,185,755	$160,786,466	$1,399,289
Consulting & Contractual	$7,771,309	$6,755,431	$1,015,878	$8,875,200	$7,429,941	$1,445,259	$72,016,398	$49,796,604	$22,219,794
Materials, Chemicals & Supplies	$522,601	$667,814	($145,213)	$8,292,741	$8,974,535	($681,794)	$20,094,403	$17,001,182	$3,093,221
Rent & Utilities	$2,639,002	$2,173,600	$465,402	$13,132,347	$15,123,402	($1,991,055)	$3,373,429	$3,760,440	($387,011)
Other Expenses	$1,058,633	$719,252	$339,381	$1,006,104	$1,152,461	($146,357)	$2,975,570	$2,270,531	$705,039
General Allocation Expense	$750,000	$1,172,720	($422,720)	$10,383,422	$9,565,410	$818,012	$8,270,584	$8,935,518	($664,934)
Capital Outlay/User Charges/Etc.	$595,290	$321,231	$274,059	$3,140,760	$1,109,669	$2,031,091	$100,008	$55,918	$44,090
Pass Thru & Other Grants	$56,291,318	$58,821,821	($2,530,503)	$210,984	$56,642	$154,342		$22,544,381	($22,544,381)
Debt Service Expense				$68,615,340	$68,077,339	$538,001			
Total Expenditures	$92,493,687	$92,350,824	$142,863	$168,278,611	$165,132,616	$3,145,995	$269,016,147	$265,151,040	$3,865,107
Operating Income/(Loss)	($18,713,014)	($17,137,879)	$1,575,135	($25,310,577)	($22,771,671)	$2,538,906	($454,919)	$2,789,469	$3,244,388
Transfers from	$20,216,425	$19,631,130	($585,295)	$27,927,083	$26,185,000	($1,742,083)	$150,000	$16,634	($133,366)
Transfers To	$1,367,911	$1,590,529	($222,618)	$1,423,436	$756,700	$666,736	$150,000	($69,822)	$219,822
Surplus(Deficit)	$135,500	$902,722	$767,222	$1,193,070	$2,656,629	$1,463,559	($454,919)	$2,875,925	$3,330,844