July 1999

Regional

Regional

Report

Report

1998 Performance Evaluation Report

A Report to the Minnesota Legislature

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egion, Planning for the Future

The mission of the Metropolitan Council is to improve regional competitiveness in the global economy so that this is one of the best places to live, work, raise a family and grow a business.

The Metropolitan Council coordinates regional planning and guides development in the seven-county area through joint action with the public and private sectors. The Council also operates regional services, including wastewater collection and treatment, transit and the Metro HRA – an affordable-housing service that provides assistance to low-income families in the region. Created by the legislature in 1967, the Council establishes policies for airports, regional parks, highways and transit, sewers, air and water quality, land use and affordable housing, and provides planning and technical assistance to communities in the Twin Cities region.

The graphic preparation and printing of this publication cost $350 for a total of 100 copies.

Publication no. 21-99-019

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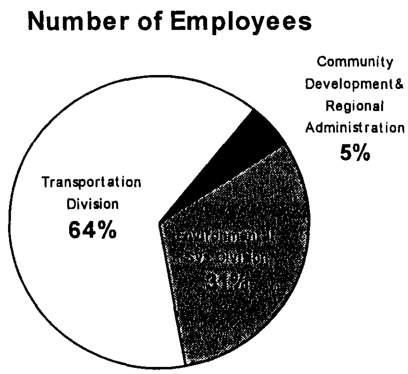
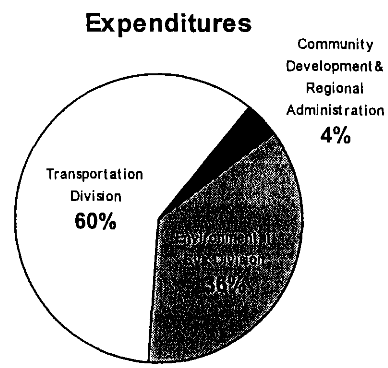
Introduction

The Twin Cities Region and the Metropolitan Council

The seven-county metropolitan area is a growing and economically stable region with a population of 2.5 million, with 10 percent racial minority groups. This region's strong economy has an unemployment rate well below the national average and a projected population growth of 650,000 persons by the year 2020. The Metropolitan Council guides the future growth and redevelopment of this region.

A chairperson and 16 Council members representing districts, all of whom are appointed by the governor, oversee this agency. The agency's duties include guiding development in the seven-county area through regional planning and providing essential regional services – wastewater collection and treatment, transit and the Metro HRA, an affordable-housing service that provides assistance to low-income families in the region. To carry out these duties, the agency has established divisions for transportation, environment, and community development, along with standing committees to deal with each of these areas. The Council has approximately 3,600 employees and annual expenditures of approximately $320 million to carry out its planning and service functions.





Purpose of 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 ways to strengthen its performance evaluation process.

The purpose of this report is to provide a record of the services provided and service levels achieved by the Council in the context of historical trends, performance measures and budget compliance. This annual report includes multi-year performance measures for all major operations and summarizes significant accomplishments by division. In future reports, additional performance measures will be added as the Council expands its performance measurement practices.

Division Functions

The **Community Development Division** includes functions such as Policy Development, Research, Geographic Information Systems, 800 MHz Radio Project, Parks and Open Space, the Metropolitan Housing and Redevelopment Authority, and Local Assistance. The division is responsible for:

- Providing coordinated planning of regional growth and redevelopment.
- Identifying and analyzing strategic issues.
- Providing leadership in facilitating community collaboration.
- Delivering assisted housing services.
- Staffing the Metropolitan Radio Board.

The **Environmental Services Division** consists of two major departments – (1) Environmental Planning and Evaluation and (2) Wastewater Services – and is responsible for:

- Coordinated planning for regional water supply and quality and for capital investments in the metropolitan wastewater system.
- Water resources management, including achieving the best mix of point source (treatment plant) and nonpoint source (urban/rural runoff) solutions.
- Cost-competitive and quality collection and treatment of wastewater from 104 customer communities and approximately 839 industrial users.

The **Transportation Division** includes (1) Metro Transit and (2) Transportation and Transit Development. The division is responsible for:

- Ensuring a basic level of mobility and a comprehensive set of transit and paratransit services for all people in the metropolitan area to the extent feasible.
- Cooperating with private and public transit providers to ensure the most efficient and coordinated use of existing and future transit services.
- Maintaining public mobility in the event of emergencies or energy shortages.
- Coordinating intermodal transportation and land use planning.
- Coordinating regional aviation planning.

Organization of Report

The report is organized into four major sections. The first three discuss division and subunit results. The fourth includes budgetary comparisons, appendices and maps showing Council districts, sewer service network, transit service area, and Metro HRA service area.

Council efforts with respect to regional growth strategy, affordable housing and Livable Communities and the Metropolitan Radio Board are discussed in the Community Development Division section. Transit Redesign and transit ridership are discussed under the Transportation Division. The Environmental Services section discusses environmental quality, point source and nonpoint source pollution abatement efforts, and redesign of programs, processes and services to be more cost-competitive and position the Council and region strategically for the future.

Summary of 1998 Priority Areas

Growth Strategy Saves Public Funds

Working closely with local communities, the Metropolitan Council is implementing Metro 2040, an innovative and nationally unique strategy for shaping the future growth of the region and sustaining a vibrant regional economy.

The strategy focuses on how to accommodate the additional 330,000 households, 650,000 people and 440,000 jobs expected in the seven-county area by the year 2020.

The plan calls for:

- Developing the region in a more compact fashion to reduce sprawl.
- Preserving prime agricultural areas and identifying open spaces and ways to preserve the natural environment.
- Identifying an "urban reserve" area set aside for development only after 2020.
- Revitalizing the urban core.
- Targeting certain areas along major transportation corridors for job development.

Metro 2040 calls for accommodating more than half of the future household growth within the current urban service area boundary and the remainder on about 60,000 acres at the urbanizing edge of the region. By guiding most new developing into the urban service area, the plan will save approximately $1.6 billion that would otherwise be spent on new public infrastructure, like roads and sewers, to serve developing areas.

Metro 2040 offers flexibility for expansion of the urban service area. Considering projected household growth, communities are allotted acres for expansion, but they can designate specific areas for development over time. This allows communities to better respond to market forces while moderating price escalation on land marked for future development.

The Council worked closely with the region's 186 communities to update local comprehensive land use plans by the December 31, 1998 deadline. Many communities experiencing rapid growth and changing demographics were granted deadline extensions of three to six months because of greater local public participation than expected during plan development.

Creating Livable Communities

The Metropolitan Council accomplishes various elements of its growth strategy through the Livable Communities Act. The act provides funds from a regional property tax to preserve and create affordable housing, stimulate redevelopment and job growth through cleanup of polluted land, and create compact, higher-density neighborhoods that foster a sense of community. The Council is responsible for allocating the funds.

In 1998, 101 communities worked in partnership with the Council to voluntarily set goals to produce affordable rental and ownership housing. If the negotiated goals are reached, the region will have more than 12,000 additional affordable rental units and 64,000 additional affordable units for ownership by the year 2010. Communities that set goals are eligible for Livable Communities funds.

The Council awarded $1.2 million from the Local Housing Incentives Account in 1998. The funds leveraged an additional $3.6 million to construct 108 new affordable rental units and preserve 340 existing units in six communities, and construct 24 new affordable ownership units.

From the Tax Base Revitalization Account, the Council awarded $5.5 million in grants to nine projects in six communities to clean up and redevelop 300 acres of polluted land. The funds leveraged an additional $328 million in private investment. The projects are anticipated to create about 4,460 new jobs at an average hourly wage of $13.00.

Eight projects with higher-density, mixed uses and a pedestrian and transit-friendly environment were awarded $4.9 million from the Demonstration Account. The Council funds leveraged an additional $234 million for the projects.

Producing More Affordable Housing

In addition to its activities under Livable Communities, the Council worked on several fronts in 1998 to increase the supply and distribution of affordable housing in the region.

The Council is working in partnership with two groups seeking to increase the supply and distribution of affordable housing in the region. The first is exploring ways to remove barriers and cut costs associated with housing development. The second is developing strategies to preserve existing affordable housing, emphasizing rehabilitation and preservation in the use of housing resources.

The Council is continuing its partnership with the Family Housing Fund, local housing authorities, state and federal housing agencies and others to fulfill the terms of the 1995 *Hollman* lawsuit settlement. The goal is to disperse low-income, public housing from some areas in Minneapolis to communities throughout the region.

Transit Ridership Climbed in 1997-98

The 1997 Legislature challenged the region's transit providers to increase ridership to 131 million rides during the biennium with increased state funding. Through December 1998, Metro Transit and its contract providers were more than 4.8 million rides ahead of the pace needed to meet the goal.

Ridership in 1998 increased 6.1 percent from a year earlier, the biggest ridership gain in 20 years. The Metropolitan Council and its partners pursued several strategies to increase ridership.

Service Expansion – Bus riders on University Avenue are now served by limited-stop buses between St. Paul and Minneapolis. Ridership along the corridor increased by more than 1,000 rides daily through the first three months of service. Other service expansions in 1998 included 24-hour service on eight core-connecting routes and new nonstop express service from Woodbury to downtown Minneapolis.

Metropass – This new transit incentive program allows participating employers to offer employees a free or deeply discounted annual bus pass worth up to $912. Metropass is modeled after a similar program in Denver, where participating companies experienced a 20 to 50 percent increase in bus ridership among employees.

The benefits are extensive. Employees get free or low-cost alternatives to driving to work so they avoid traffic congestion, parking hassles and higher auto-operation costs.

For employers, Metropass is a tax-deductible benefit, it is easy to implement and it decreases the demand for on-site parking. For the region the program is revenue-neutral, at least initially, and gets more people out of cars and on buses. Metropass will be evaluated for success and potential adjustments.

The first employer to sign up for Metropass was American Express Financial Advisors in downtown Minneapolis, with 6,000 employees. About 2,500 were bus riders before Metropass. That number jumped nearly 50 percent after the program started. Other employers to sign on include TKDA and Associates engineering and architectural firm in downtown St. Paul and Bemis Company in Minneapolis.

TransitWorks – Employers buy monthly bus passes for employees at a discount and pass the discount on to their workers. A half-price sale for new enrollees in 1998, made possible by a federal grant, targeted nonriders with the goal of increasing the number of commuters choosing transit by up to 25,000.

Updated Fleet – With 900 buses, Metro Transit has the 16th largest bus fleet in the nation. In 1998 Metro Transit replaced 163 buses, adding 20 new low-floor buses with easier access for passengers. The new bus interiors are more durable and less vulnerable to vandalism. Test demonstrations of different size buses may lead to fleet diversification in the future, with smaller vehicles serving some neighborhoods and large, coach-type buses used on suburban express routes.

New Transfer Policy – Riders on Metro Transit buses pay a single fare and for two and one-half hours have unlimited transfers in any direction. The change has the potential to generate 2.2 million more rides annually at a cost of $370,000. The policy will be evaluated at the end of the year.

"Hop On" – The first mass media advertising campaign by Metro Transit in four years encouraged commuters to "hop on" Metro Transit buses and avoid freeway traffic congestion and the high cost of parking.

Transit Ambassadors – This benchmark interactive mandatory training program enhances the customer communications and service skills of Metro Transit employees.

State Fair – Bus ridership to the State Fair reached 515,000 in 1998, surpassing the goal of 500,000 and up from 400,000 riders in 1997.

Hiawatha Light Rail Planning on Fast Track

With a $40 million jump-start from the Legislature, planning for the region's first light rail transit line accelerated sharply in 1998. The line will link downtown Minneapolis, Minneapolis-St. Paul International Airport and the Mall of America, and will run alongside Hiawatha Avenue.

The Minnesota Department of Transportation (Mn/DOT) will design, engineer and construct the 12.2-mile line, estimated to cost $446 million. Metro Transit will own and operate the line once it opens in 2003. The line is projected to carry 24,000 passengers on an average weekday.

Partners with Mn/DOT and the Council include Hennepin County, the Metropolitan Light Rail Transit Joint Powers Board, University of Minnesota, Metropolitan Airports Commission, and the cites of Bloomington and Minneapolis.

A final application to the federal government for funds to complete the line is due in 1999. The region will compete against 180 other rail programs across the nation.

Environmental Services Builds on Record of Perfect Compliance

For several years, Metropolitan Council Environmental Services' (MCES) nine wastewater treatment plants have achieved near-perfect environmental compliance at customer rates below the national average for similarly sized utilities. In 1998, MCES achieved 100 percent compliance with its discharge permit limits and three of its plants earned Platinum Awards from the Association of Metropolitan Sewerage Agencies for achieving five or more consecutive years of perfect compliance.

Despite this record of performance, strong industry forces are causing unprecedented changes in how MCES manages its business. Among the most significant are aggressive private sector challenges to operate public utilities, and rising customer expectations of higher value at lower costs. Also, more resources need to be directed toward preventing and abating surface water runoff (nonpoint source) pollution.

Responses to needed changes are detailed in MCES's 1998-revised strategic business plan. The plan specifies that over the next three years MCES will reduce its annual budget by $20 million, decreasing customer rates by approximately 15 percent. MCES will balance business and operation needs and cost reduction, and will maintain the quality of service the public expects.

As part of implementing its strategic plans, MCES will reduce its workforce 35 percent from its 1994 base by 2001. Technological improvements and increased automation and work practice changes make this possible. An incentive program encourages employees to leave voluntarily, retire early or be retrained to work elsewhere in the Council.

MCES will continue to cut costs by negotiating better prices with vendors, using consultants and contractors more strategically, and reducing chemical and utility use. By redesigning part of its treatment process in 1998, for example, MCES saved about $2 million in electrical costs. The Council is exploring further energy savings at MCES and transit facilities.

Lastly, to control debt service expenditures, MCES is re-examining the timing, scope, and costs of its major capital projects and is shifting projects to pay-as-you-go financing to avoid interest expenses.

Providing Cleaner Water and Air through Strategic Initiatives

MCES's technical excellence has helped to improve the quality of water in metropolitan area rivers and has contributed to the return of eagles and walleye to the Mississippi River basin. Further enhancements to environmental quality continued in 1998.

For example, in 1998 the Council approved new state-of-the-art processing technology for the Metro Wastewater Treatment Plant. When on-line in 2004, this new technology will reduce mercury emissions by 70 percent, reduce other air emissions and odors, increase processing capacity, cut energy use and streamline operations and maintenance.

In another example, under a new five-year operating permit negotiated in 1998, the Metro Plant will reduce phosphorus discharges from four parts per million (ppm) to one ppm by 2003 using an approach that costs 60 percent less than anticipated five years ago. This reduction is part of a comprehensive phosphorus-reduction strategy adopted by the Council in 1998.

In addition, under an Environmental Partnership agreement in 1998, MCES committed $7.5 million for surface runoff pollution abatement and prevention. This investment is in addition to the $8.5 million spent in the last five years and supports the MCES commitment to implement the most cost-effective measures for environmental improvement in the region, a shift from the traditional emphasis on treatment plant and end-of-pipe solutions.

Collaborating to Leverage Results

Working in partnership with local governments, nonprofit organizations, businesses, industry and others to achieve regional goals is a top priority of the Metropolitan Council.

For example, MCES works closely with municipalities, watershed management organizations and state agencies, helping them to incorporate practical and coordinated surface water runoff-reduction techniques into their plans and regulations. To strengthen these relationships, MCES has three staff watershed coordinators – one each for the Mississippi, Minnesota and St. Croix rivers. In 1998 the coordinators provided technical assistance, helped develop and implement watershed plans, and reviewed water resources projects. They also ensured that local government and MCES capital improvement concerns were considered in Council planning.

In addition, with support from MCES and the McKnight Foundation, the Upper Mississippi River is one of 14 river corridors in the country designated as an "American Heritage River." This federal initiative will help communities located along the river in expediting local plans to restore water quality, encourage economic development along the riverfronts and preserve their cultural heritage.

Community Development Division

Overview

The mission of the Community Development Division is to provide coordinated planning of regional growth and redevelopment, identify and analyze strategic regional issues, provide leadership in facilitating community collaboration, and deliver assisted housing services.

Core Community Development activities include:

- Regional growth management policy analysis and implementation, including the coordination of local comprehensive plans with regional systems.
- Collection, analysis, forecasting and provision of data the region and analysis of regional trends.
- Regional parks coordination.
- Geographic Information Systems (GIS) organizational support and MetroGIS activities.
- Analysis and promotion of cooperative governance and service delivery approaches throughout the region.
- Delivery of assisted housing services for lower-income people and assistance with the creation of life-cycle housing in the region.
- Council library, which serves as an information resource to Council supervisors and staff, and a as reference library to the public.

In 1998 the Community Development Division:

- Worked with communities as they prepared their comprehensive plans to resolve issues. The Council staff incorporated current local data regarding land use, zoning and development constraints into revised forecasts.

- Prepared annual population and household estimates for communities in the region. Estimates are delivered to Department of Revenue and Department of Transportation for use in Local Government Aid calculations and the municipal state aid road formula, respectively.

- Continued developing a comprehensive set of regional indicators to measure the status of the region's economy, environment, infrastructure and social well-being. This was the second year of an annual monitoring process and supported the Council's State of the Region event in March 1999. This year's work strengthened the historical and urban area comparative context, showed selected patterns on a sub-regional basis, and expanded the coverage of trends in some issue areas, including environmental quality.

- Initiated a major collaborative regional, research project to analyze the fiscal impacts of two growth scenarios on different land use categories for eight communities – from central cities all the way out to the developing suburbs. Cities participating include Minneapolis, St. Paul, Roseville, Richfield, Apple Valley, Coon Rapids, Shakopee, and Cottage Grove.

- Continued to administer federal, state and local rent subsidies on behalf of lower-income families and individuals throughout the region. Council staff and contracted community employees provided direct client services to over 5,000 program participants in nearly 100 communities. The Council entered into a contract with a nonprofit consortium to provide additional housing search assistance to Section 8 applicants looking to relocate to areas of lower poverty concentrations with greater educational and employment opportunities.

- Collaborated with area housing agencies and organizations to further implement the terms of the *Hollman* consent decree that call for the development and operation of federally assisted public housing family units in the suburban metropolitan area. The Council further developed a set of policies and procedures to assist suburban communities with certain administrative responsibilities resulting from hosting public housing units for qualified low-income families.

Regional Growth Strategy

After considerable analysis and public discussion, the Council developed and adopted a regional growth strategy at the end of 1996 to guide the region toward accommodating expected growth. In 1998, implementation of this Metro 2040 Regional Growth Strategy continued with the following activities:

- Aligning regional service and facility spending priorities to support the strategy.
- Structuring criteria and priorities of funding mechanisms to create incentives for compliance, such as ISTEA, LCA Demonstration Account, and the sewer availability charge.
- Reviewing local comprehensive plans for consistency with the *Regional Blueprint* and Metropolitan systems plans and advising communities on achieving *Blueprint* policy goals (also see "Local Assistance").
- Establishing linkages and working relationships with counties adjacent to the metro area through the Association of Minnesota Counties, and through liaison with Community-Based Planning pilot projects.
- Expanding the Metro 2040 multimedia presentation and publishing a user's guide for cluster development designs to provide visual materials and models of good planning practice for local government and developers.
- Becoming involved in Community-Based Planning through Minnesota Planning and Minnesota Regional Development Organization.

- Sponsoring a Permanent Agricultural Lands Preservation Task Force that developed a simple-to-use method for identifying prime agricultural lands needing protection.
- Monitoring an LCMR study of how to improve agricultural preservation techniques.
- Undertaking a cost-of-growth study and coordinating with several similar LCMR efforts by convening project leaders periodically.
- Sponsoring an Urban Economic Summit to establish a consensus action agenda.
- Becoming a charter member of the Minnesota Smart Growth Network.

Local Assistance

By December 1998, all communities were required to update their comprehensive plans. In preparation for these updates, and, as part of continuing, ongoing efforts to strengthen relationships with local governments, the Metropolitan Council was involved in these activities in 1998:

- The Council administered a grant program to assist local communities in their comprehensive planning process. The grant program is budgeted at $1 million. In 1997, 135 communities had applied and were approved to receive grants, for a total of $867,000. In 1998, an additional seven communities received planning grants totaling $41,710.
- The Council continued its sector outreach program, which provides a direct, personal link between the Council and local governments for answering questions and resolving issues.
- Over 400 plan reviews and referrals were conducted.
- Mississippi National River and Recreational Area (MNRRA) grants were also distributed to eligible communities. Reviews of critical area plans were conducted and contacts established with local governments.
- The Council became a significant participant in annexation, consolidation and incorporation proceedings deemed to have regional interest. The decision to be involved came about as a result of requests from the Minnesota Municipal Board and Council interest in implementing the regional growth strategy.

Livable Communities Programs

One hundred and one Metropolitan area communities continue to participate in the Livable Communities program to help expand affordable housing opportunities, recycle polluted sites and implement compact development models in the region. These cities have negotiated housing goals with the Council that, if achieved, would add nearly 13,000 affordable rental units and nearly 69,000 affordable ownership units throughout the region by the year 2010.

More than 90 percent of the targeted developing communities have agreed to participate in the Livable Communities program. The developing communities are where job growth is highest and the need for affordable and life-cycle housing, now and in the future, is most apparent.

Incentives in the 1995 Metropolitan Livable Communities Act (LCA) legislation encourage communities throughout the region to address several key issues:

- The shortage of affordable housing in the seven-county metro area
- The need to redevelop declining neighborhoods
- An abundance of polluted land that thwarts economic opportunity
- The need for new models that demonstrate efficient use of land and services

Communities voluntarily participating in the program and developing housing goals in cooperation with the Council are eligible to compete for funding from all or any of three accounts in the Livable Communities Fund as well as pollution cleanup funds available from the Minnesota Department of Trade and Economic Development (DTED). This funding includes loans and grants that come from the following sources:

1. **Tax Base Revitalization Account** 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. In 1998, nine grants were awarded, totaling $5,461,765 to help clean up more than 300 acres of polluted land in seven communities. These projects will generate over $4 million in increased annual net tax capacity and 4,460 new jobs paying an average hourly wage of $13.00.

2. **Livable Communities Demonstration Account** funds projects that demonstrate how development can be designed to use land and services more efficiently, through more compact, higher density, transit-oriented developments with a mix of residential and commercial uses and a range of housing types and costs. Ten grants, totaling $4,950,000 were awarded in 1998 for demonstration projects in seven communities and one four-city coalition. Total development investments add up to $157 million.

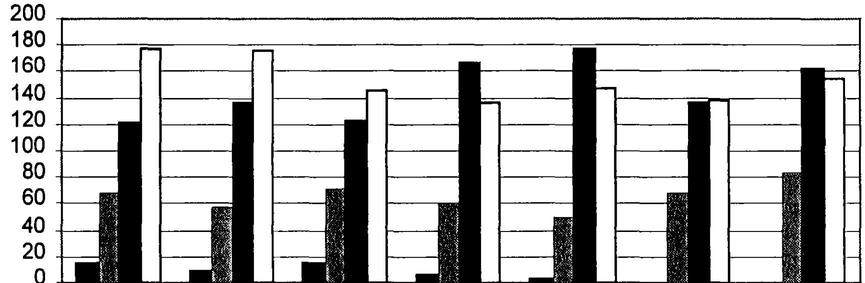
   Included in the funded projects are models of compact infill commercial and housing development that stabilize and improve livability in older neighborhoods, make stronger job-housing-transportation links, and demonstrate ways to revitalize commercial corridors and aging commercial centers.

3. **Local Housing Incentives Account (LHIA)** expands housing opportunities through grants to eligible communities to meet negotiated affordable and life-cycle housing goals. In 1998, the Metropolitan Council approved seven grants totaling $1,200,000 to seven communities to develop 108 new rental units, rehab 340 rental units, and construct 24 single-family homes. All of the units are affordable to low- and moderate-income households. This will result in $37 million in total development investments.

Reviews and Referrals

The Community Development Division conducts reviews of comprehensive plan amendments and updates as well as environmental submissions, and leads discussions and reviews of metropolitan urban service area changes. The chart and table below show the number and type of Local Assistance reviews and referrals administered by the Council from 1992 through 1998.

OFFICE OF LOCAL ASSISTANCE REVIEWS AND REFERRALS



	1992	1993	1994	1995	1996	1997	1998
Land Use Airport Search	14	8	14	5	2	0	0
EAW/EIS	68	58	71	61	50	68	83
Comp Plans	121	137	123	166	178	137	162
Other	177	176	145	137	147	138	155

Note: The "Other" category includes many different kinds of referrals including those related to the National Pollution Discharge Elimination Systems, US Corps of Army Engineers, watershed district plans, water supply plans, controlled access highway plans, critical area reviews, and Minnesota Municipal Board annexations, etc. EAW = Environmental Assessment Worksheets EIS = Environmental Impact Statement

Metropolitan Radio System

Since 1991, the Metropolitan Council has provided staff and financial support for the development of a highly efficient, cost-effective region-wide two-way public safety radio system. This system will serve the communications needs of all governmental jurisdictions in the metropolitan area as well as the counties of Isanti and Chisago. The system shares the 800-megahertz channels allocated to metropolitan area governmental jurisdictions by the Federal Communications Commission (FCC) as well as the network infrastructure of towers, transmission facilities, computer controllers and software.

In 1995, the legislature authorized the creation of a new political subdivision – the Metropolitan Radio Board. This board was charged with development and implementation oversight of a system plan for a region-wide public safety radio system.

The Metropolitan Council provides administrative support for the board and serves as the board's fiscal agent.

In 1998, with Council staff support, the Metropolitan Radio Board:

- Approved radio communications plans submitted by Washington County and by Ramsey County jointly with the City of St. Paul

- Recommended approval of a system design and contract award to Motorola for construction of the first phase of the radio system, which serves state and regional users, including the Metro Transit division of the Metropolitan Council

- Recommended approval of system designs and contract awards to Motorola for construction of the Hennepin County and City of Minneapolis subsystems as part of the initial construction of the radio system network

- Approved a request from Carver County to add its subsystem to the initial construction as a change order once the initial participants have signed contracts

- Recommended approval of shelter construction specifications for issuance by Mn/DOT

Metropolitan Parks System

The 1998 metropolitan regional park system that is open for public use encompasses approximately 46,500 acres of parkland. This land includes 32 regional parks, 4 special recreation features, 11 park reserves, and 103 miles of regional trails.

The Metropolitan Parks and Open Space Commission (MPOSC) was established by the Minnesota Legislature in 1974 as an agency of the Metropolitan Council. The commission's job is to advise and assist the Council in acquiring and developing a system of regional parks and recreation open space facilities in the Twin Cities metropolitan area.

The MPOSC plays a key role in shaping the regional park system, but it has no operating duties or ownership in any park or trail land. The parks and trails are owned and operated by 10 implementing agencies: Anoka, Carver, Dakota, Ramsey, Scott and Washington Counties, the Suburban Hennepin Regional Park District, the Minneapolis Park and Recreation Board, and the Cities of St. Paul and Bloomington.

Total park visits in 1997 were estimated at 17,364,000 or about 7 visits for each person in the metropolitan area. The 1998 park use estimates will be published in April 1999. The figure for average visits per year for regional park users is actually higher because not all persons use the regional parks, and not all users are from the metropolitan area.

Each year, the annual number of visits to regional parks increases. Between 1974 and 1997, total visits to regional parks have increased from 5 million to approximately 17.2 million. About 54% of visitors to the regional park system live where the regional park agency collects property taxes to operate and maintain their part of the regional park system.The remaining 46% of visitors come from the following locations:

- 36.5% live outside the county/city where the park is located, but in the metropolitan region.
- 4.4% are from Greater Minnesota.
- 4.9% are from other states.
- 0.2% are from foreign countries.

In 1997, the park system visitors spent $244.7 million, of which $26 million was from state taxes. Of the tax amount, nearly $4 million was attributed to out-of-state visitors.

The Council coordinated visitor counts of the regional park system by conducting a count of visitors in two-hour time periods at park-trail entrances selected randomly during the summers of 1995, 1996, 1997, and 1998. The samples are used to create an annual estimate for the entire system. The visitor counts will be conducted again in 1999.

An interview study of major park users was begun in 1998 and will be completed by June 1999. Analysis of the data will be completed by December 1999. Analysis will focus on significant recreational demand usage trends and be used to update the parks policy plan.

Metropolitan Council Housing and Redevelopment Authority

The Metropolitan Council Housing and Redevelopment Authority (Metro HRA) is a work unit of the Community Development Division. The Metro HRA administers housing assistance programs for low-income individuals and families in over 100 metropolitan communities in suburban Hennepin, Ramsey, Anoka and Carver Counties.

The majority of assistance provided by the HRA is federally funded tenant-based Section 8 rent subsidies that allow the user to locate suitable private market housing in all communities throughout the metropolitan area. Participating individuals and families receive a partial subsidy as rent assistance that is paid directly to the landlord. In addition to the staff based at Metropolitan Council offices, contract staff in seven local agencies serve as community representatives in administering the Section 8 programs in 49 communities.

Major 1998 accomplishments of the HRA:

- Administered the Section 8 Certificate and Voucher Rent Assistance Programs. These programs provide federal rent subsidies to low-income individuals and families to locate decent and affordable housing throughout the metropolitan region. The HRA achieved full utilization of the pass-through funds for the Section 8 Voucher Program and 95 percent utilization of Section 8 certificate funding. Among the obstacles identified to fully expending the federal funds were an unprecedented low vacancy rate in the metropolitan area, along with escalating apartment rents that exceeded the maximum permitted under federal program guidelines. A total of 4,698 households received assistance in 1998.

- Administered a number of specialized housing assistance programs through federal, state and local funding that provide housing subsidies and support services for people who are homeless or mentally ill, families who have members with disabilities, and persons with HIV/AIDS. These programs include two Bridges programs, three Shelter + Care programs, two Rental Assistance for Family Stabilization (RAFS) allocations and the Housing Opportunities for Persons With AIDS program. These programs served 513 individuals and families in 1998.

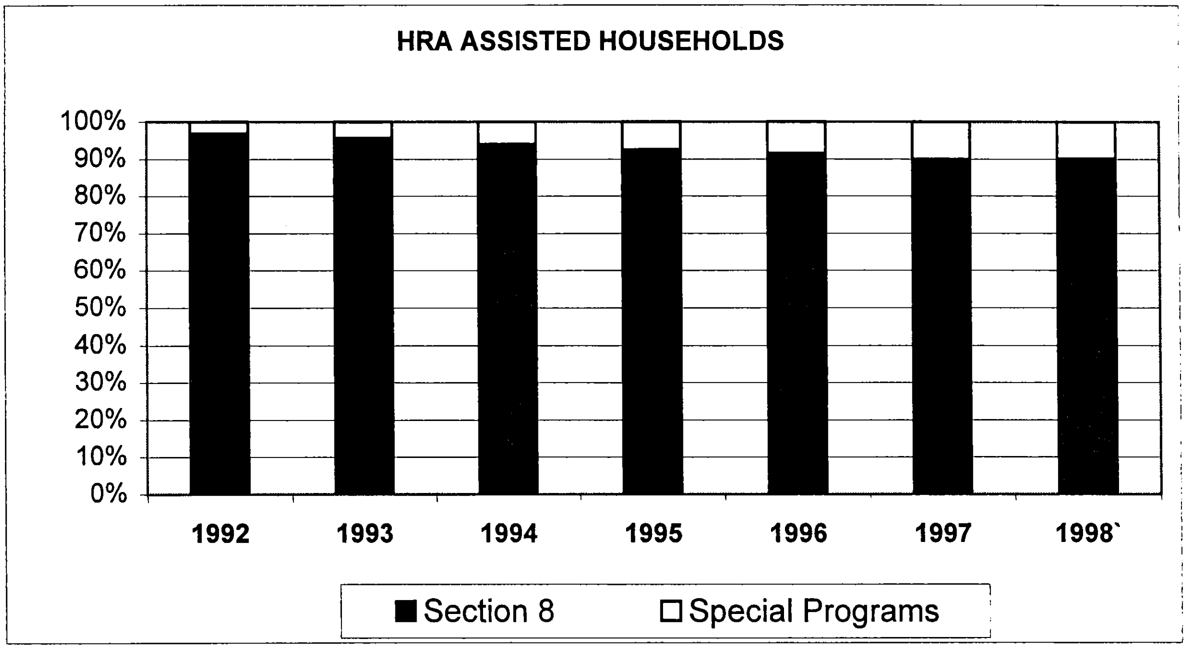
- Ongoing implementation of the Family Unification Program and the Family Self-Sufficiency (FSS) Program. The Family Unification Program provides rent subsidies to enable families to re-unite in cases where the lack of adequate housing may be preventing the family as a whole from thriving. The FSS Program assists families in working toward economic self-sufficiency and utilizes the resources and expertise of community-based social service agencies.

- Initiated operations for the Metro Housing Options program, formerly known as the Regional Opportunity Counseling (ROC) Program. Federally funded through 2001, the HRA is coordinating a consortium of three nonprofit organizations to provide housing counseling services to low-income Section 8 applicants. The MHO program will broaden the locational choice of Section 8 recipients seeking housing in the metropolitan area and will attempt to address other issues such as accessibility to transportation, adequate childcare and employment opportunities.

- Administered the Minnesota Housing Finance Agency (MHFA) Deferred Loan, Revolving Loan, and Accessibility Loan Programs. These programs make available home rehabilitation funds for low-income homeowners in suburban Ramsey County. In 1998, over $91,000 was disbursed for basic home improvements, as well as home modifications necessary to make a home more accessible for a person with a disability. A total of eleven loans were made with the average loan amount of approximately $8,300.

- Provided ongoing support for the housing clearinghouse as set forth in the *Hollman* consent decree. In 1998, the clearinghouse was incorporated into a nonprofit entity, the HousingLink. With its mission to provide a "one-stop shop" approach for affordable housing information, the HousingLink developed a comprehensive database of vacancies, two affordable housing directories, a "best practices" software application, as well as implemented a number of drop-in sites. At one of the pilot drop-in sites, the Metro HRA has created a resource room that makes available a number of resource directories and one-on-one services to people seeking affordable housing.

The table below shows the percent of households assisted by the Metro HRA between 1992 and 1998 through the Section 8 programs, and through other special housing programs.



DATE	1992	1993	1994	1995	1996	1997	1998
SPECIAL PROGRAMS	147	211	290	372	400	500	513
SECTION 8	4575	4575	4573	4623	4318	4493	4698
TOTAL	4722	4786	4863	4995	4718	4993	5211

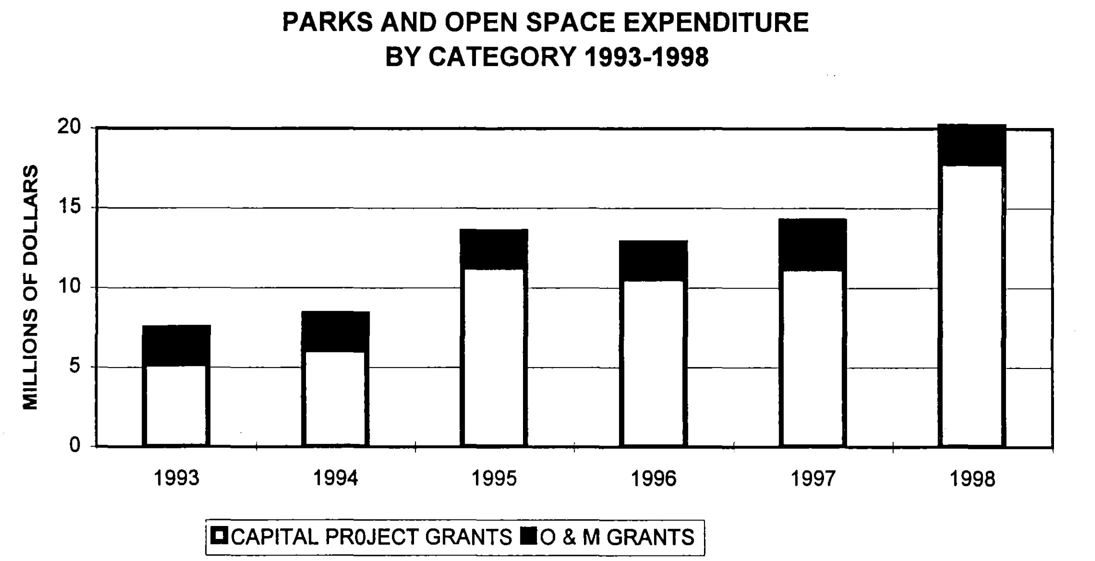
Metropolitan Council's Geographic Information System

- In 1998 the Council's GIS printed nearly 2 miles of maps, used to serve various business needs of the Council. These needs ranged from helping determine whether an apartment building qualifies for the HRA Metro Housing Options program to making it easier for maintenance crews of the Council's Environmental Services Division to locate damaged interceptor lines, to helping people understand the impact of light rail transit on their neighborhoods.

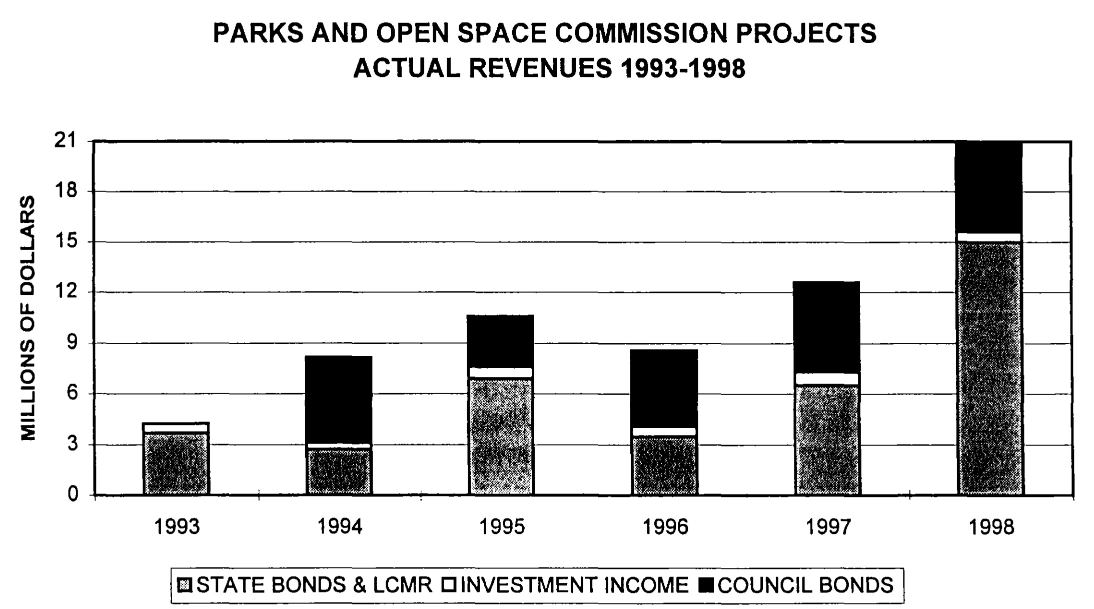
- GIS created 40 gigabytes of data in 1998. Land use has been interpreted for Dakota, Ramsey and Washington Counties and most of Scott using both county parcel data and imagery from the 1997 air photo flight. The land use data and data for the metropolitan urban service area, which was also generated in 1998, are being used in the comprehensive plan review process by both Environmental Services and Local Assistance.

Metro GIS

- All seven counties have signed agreements to share their GIS data with other government organizations in the region. Shared data makes it possible for projects like North Metro I-35W to describe business properties and develop integrated comprehensive plans for seven communities in two counties.
- Data Finder, a means for participants in MetroGIS to find and download GIS data, was implemented. Users now have access to more than 15 Council GIS data sets on the Internet and it requires minimum staff time.
- A $100,000 federal grant was received and a project begun to define the long-term financial and organizational structure for MetroGIS. MetroGIS Policy Board Action proposed for October 1999.
- MetroGIS has begun to set data standards and guidelines. This is critical to sharing of GIS data among participants. Standards have been set for County and Municipal boundaries, address coding and Centerlines.
- MetroGIS, Mn/DOT and the Council received a Certificate of Commendation from the Governor for the development of a street-centerline data agreement. Fifty government organizations are using the street centerline data. The agreement allows free access to a key GIS data set and helps integrate other shared GIS data.
- The Policy Board endorsed ongoing functions desired for the MetroGIS organization.



	1993	1994	1995	1996	1997	1998
O & M GRANTS	2.24	2.24	2.24	2.24	3	3
CAPITAL PROJECT GRANTS	5.2	6.08	11.29	10.57	11.21	17.85



	1993	1994	1995	1996	1997	1998
INVESTMENT INCOME	0.56	0.41	0.70	0.60	0.79	0.62
COUNCIL BONDS		5.05	3.00	4.50	5.30	5.33
STATE BONDS & LCMR	3.68	2.70	6.89	3.47	6.50	14.98
TOTAL	4.24	8.16	10.59	8.57	12.59	20.93

STATE APPROPRIATIONS FOR REGIONAL PARK OPERATIONS AND MAINTENANCE GRANTS				
CALENDAR YEARS 1989 TO 1998				
CALENDAR YEAR	STATE FISCAL YEAR	O & M GRANT APPROPRIATION FROM STATE OF MN	REGIONAL PARK AGENCIES' O & M COSTS BY CALENDAR YEAR	PERCENTAGE OF O & M COSTS COVERED BY STATE GRANT
1989	1990	$2,000,000	$29,294,759	6.83%
1990	1991	$2,817,000	$31,107,785	9.06%
1991	1992	$2,759,000	$32,453,120	8.50%
1992	1993	$2,356,000	$33,453,546	7.04%
1993	1994	$2,238,000	$35,646,465	6.28%
1994	1995	$2,238,000	$37,928,496	5.90%
1995	1996	$2,238,000	$40,158,254	5.57%
1996	1997	$2,238,000	$43,303,680	5.17%
1997	1998	$3,000,000	$44,573,970	6.73%
1998	1999	$3,000,000	$46,571,043	6.44%

Transportation Division

The Transportation Division is composed of two units – (1) Transportation and Transit Development and (2) Metro Transit – and is responsible for regional transportation planning including aviation, highway and transit systems as well as transit operations. This section first summarizes accomplishments of the Transportation and Transit Development unit by major work projects, then describes activities of Metro Transit.

Transportation Planning Activities

The Council is designated as the Metropolitan Planning Organization (MPO) under federal law. The Council must provide planning and administrative support for the continuing, coordinated, comprehensive transportation planning process pursuant to state and federal statutes and regulations. This process includes state, regional and local units of government and allows the region to be certified for continued receipt of federal transportation funding. The Council also worked with its Transportation Advisory Board (TAB) and Technical Advisory Committee to select projects for federal funding and prepare a three-year transportation improvement program (TIP). The TIP includes all federally funded transportation projects, as required by the 1991 U.S. Intermodal Surface Transportation Efficiency Act (ISTEA). The process includes broad citizen and interested group input including input from communities of color.

Major planning activities in 1998 are discussed below.

Transit Planning

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

- Transportation options for welfare reform continued to be discussed by working groups involving job service agencies, transit providers, and business and Chamber executives. Council staff led these groups. Two million dollars in funds that were appropriated to the Council by the 1997 legislature were distributed to the metro counties in 1998 as grants to assist welfare recipients with transportation to work.
- Planning for new and restructured transit services continued during 1998 to implement the Council's Transit Redesign effort. Service changes were implemented in Woodbury (direct express service to Minneapolis) and in the Oakdale/Lake Elmo/Stillwater area.
- A review of route changes that may impact areas eligible for the Transit-Related Development Tax Incentive program was completed in 1998 for map and brochure revision in early 1999.

- Work continued on Travel Demand Management (TDM) activities and initiatives to increase the effectiveness of TDM efforts. TDM options were also explored in efforts to design a transportation program for welfare clients in the Welfare to Work Program. Technical assistance was given to various groups in the areas of travel demand management and transit, telecommuting and transit projects.
- During 1998 the Council began to take delivery of new buses that are handicapped accessible. The Accessible Bus Plan was updated to determine which routes should receive these new buses to optimize transit service to the handicapped community.
- A study of park-and-ride lots was begun in 1998 to inventory all of the lots, their condition and features, and to determine usage patterns. A license plate survey was undertaken to determine the "travelshed" of each lot. This will lead to revised guidelines for determining placement, size and other features of park-and-ride lots.
- Staff participated with others from Mn/DOT, Metro Transit and the county regional rail authorities in doing feasibility studies for several transitway corridors including Hiawatha, Northstar and Riverview. Preliminary engineering was begun on the Hiawatha Corridor after funding for LRT became available in the spring of 1998.
- Transportation staff worked with Mn/DOT to complete Phase II of a Commuter Rail Study for the Metro Area.

Highway Planning

The Council participates with Mn/DOT in highway planning activities to ensure implementation of the policy direction established by the Council in the *Regional Blueprint* and the *Transportation Policy Plan.*

- 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 1998 the Council made loans for purchases of land to Maple Grove (TH 610) and Chanhassen (TH 212).
- The Council participated in several interagency corridor studies including TH 610, I-35E, Wakota Bridge/TH 61, CR 42 Access Management Study, TH 65, TH 316, Ayd Mill Road and Phalen Corridor, and the Hiawatha Corridor Transitway.
- Numerous comprehensive plans and environmental documents (EISs and EAWs) were reviewed to determine consistency with regional transportation plans.
- Several projects were submitted by Metro Transit for potential Guidestar funding.
- A study was conducted on regional parking policy to determine if policy changes could be implemented which would shift drivers away from single-occupant vehicles.

Air Quality Planning

The Council does long-term planning required by the Intermodal Surface Transportation Efficiency Act (ISTEA) to integrate study of congestion management, transportation, land use and air quality planning with the requirements of the 1990 Clean Air Act Amendment (CAAA).

During 1998 research was undertaken to better identify the air quality benefits for CMAQ projects. The Council also pursued the acceptance of a screening method for "hot spot" analysis with the federal Environmental Protection Agency. The screening method would develop thresholds that identify those projects that should not pose an air quality problem, and therefore do not require a hot spot analysis.

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. Council staff maintains socioeconomic data and obtains travel and traffic count data from Mn/DOT to monitor, revise and update travel forecasts to the year 2020. 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.*

- The regional travel demand model was used to prepare the modeling for the 1999-2002 TIP analysis on air quality conformity.
- In 1997 communities were asked to break down municipal population and employment forecasts adopted in the *Regional Blueprint* into Transportation Analysis Zones. This material was integrated into the regional travel models as it was received in 1998.
- Work continued on responding to requests for forecast travel demand data and providing assistance and model review to consultants and agencies.
- Council staff has assisted consultants on several regional-scale transportation and transit projects that required forecasts, including such projects, as Mn/DOT's Commuter Rail Project and the Hiawatha and Riverview Transitway Studies.
- Plans began to be formulated for a potential Year-2000 travel behavior inventory to determine current travel patterns in the Twin Cities region.

General Transportation Planning and Administration

- The Council prepared and adopted a 1999 Unified Planning Work Program (UPWP), which ensures that all agencies involved in transportation planning in the metropolitan area (including the Council, Mn/DOT, MAC and MPCA) coordinate their efforts.

- The Council prepared and administered federal planning grants including quarterly progress reports.
- The Council provided staff support to the numerous TAC/TAB committees composed of representatives from many agencies and local units of government, and in the case of the TAB, private citizens as well.
- The 1999-2002 TIP was prepared and adopted for inclusion in the State Transportation Improvement Program (STIP).
- In March 1998 the Council underwent a triennial review by the FTA and FHWA to ensure that its planning process is in conformance with applicable federal transportation planning regulations.
- The Council continued to work with Mn/DOT and the U of M Center for Transportation Studies on the Transportation and Regional Growth Study.

Aviation Planning Activities

The major focus of the 1998 aviation planning work program was preparation of the Airport/Community Economic Impact Study. Coordination efforts concerning expansion of Minneapolis/St. Paul International Airport (MSP) continued. On-going activities involving reviews of community plans and aviation system implementation projects also occurred.

System Plan Coordination

The Council has a continuing responsibility to coordinate regional aviation planning and development activities. This coordination occurs with affected local, state and federal governmental units, airport users and citizens. Specific coordination efforts are outlined below:

State Airport System Plan

In 1998 the Mn/DOT Office of Aeronautics completed its update of the State Airport System Plan (SASP), including the special economic and air-cargo studies. The Council participated on SASP policy and technical committees and provided results of its general aviation economic study for use in the state plan. The SASP will in turn, provide information for use by the Council in updating the Twin Cities regional airport system plan.

MSP Global Market Study

The Council entered into a cost-sharing agreement with the Twin Cities Airport Task Force to fund a study with the objective of building an economic knowledge base, for improving the global awareness of MSP International Airport and competing in global markets. The University of Minnesota Carlson School of Management and the Center for Transportation Studies is providing the technical assistance to prepare the study in 1999. The study information would address common concerns of the Task Force, The Metropolitan Airports Commission, Council, and Minnesota Department of Trade and Economic development, Mn/DOT and private sector firms. The Council will use the study as input to future *Blueprint* and Aviation Policy Plan updates.

Builders Guide Update

In 1997 the Council initiated preliminary assessment of an overall update of the *Aviation Policy Plan* and airport system plan. One of the first elements identified for updating was the *Builders Guide*, a Council document provided to developers and contractors to determine construction/materials needed to allow new single-family housing in certain aircraft noise zones. This document is part of the preventive measures in effect to ensure compatible land use in undeveloped areas around the region's public airports. The update was initiated in 1998 and is being developed with consultant assistance. It is being coordinated with the MAC, local building inspectors, city staff, public and private developers.

Airport/Recreation Coordinating Group

One of the impacts of an expanded MSP International Airport is the loss of recreational areas on airport property. An interagency and community coordinating group was established and facilitated by the Council to address this and other airport and recreational needs. The objective was to support the conversion of surplus federal lands in the Fort Snelling area, keeping public properties under public control for future airport and recreational needs. In 1998 the MAC entered into agreement with the U.S. Department of the Interior to purchase the old Bureau of Mines property. Agreement was also initiated for acquisition of federal properties near the GSA building at Fort Snelling. A DNR study was completed in 1998 on future development and usage of the Upper Bluff portion of Fort Snelling State Park. The study will be used as input to an overall development plan for land use by the coordinating group. The plan would be used to guide planning and development activities of the various federal, state, regional and local units of government. Coordination is on going with the City of Minneapolis and Richfield to develop facilities for active-recreation on the properties to be acquired in the Upper Bluff area.

Regional Aviation Policy Plan

Community Comprehensive Plan Reviews

The Council responded to the 1996 dual-track recommendations and actions of the legislature by amending its *Aviation Policy Plan* in 1996. Early in 1997 new aviation system statements were forwarded to local governmental units for their use in updating comprehensive plans as required by December 1998 under the Metropolitan Land Planning Act. In 1998 the Council reviewed a number of local plans; many communities requested time extensions to mid-1999 to complete their comprehensive plan.

Airport/Community Economic Impact Study

In 1998 the Council, using planning grant funds from the Federal Aviation Administration (FAA), completed an Airport/Community economic impact study. This study examined the economic impact of general aviation, primarily at the reliever airports – St. Paul Downtown, South St. Paul, Airlake, Flying Cloud, Crystal, Anoka County-Blaine and Lake Elmo. The study indicated general aviation supports 4,500 jobs and adds $1.4 billion to the region's annual economic activity. Information produced in the study will be used for public information and education, to further develop aviation economic policy and to identify airport system development priorities. The study information will also be input to the next update of the *Aviation Policy Plan.*

MSP Planning and Development

Completion of FEIS

In 1998 the federal portion of the MSP Final Environmental Impact Statement (FEIS) was approved in the Federal Aviation Administration's Record of Decision. The state portion of the FEIS in the Adequacy Determination was also approved by the state Environmental Quality Board. This action allows for implementation of the 2010 airport development plan.

Noise Mitigation

Final agreements were made for mitigation with the Minnesota Valley National Wildlife Refuge and with the City of Richfield concerning additional evaluation and mitigation of aircraft (low-frequency) ground noise impacts from operations on the new North/South runway. Coordination on implementation measures continues into 1999.

CIP

The MAC prepared a capital improvement program for projects to be constructed from 1998 to 2004. Most of the projects needed to implement the MSP Year-2010 long-term comprehensive plan are included in this CIP. Council review of the 1998 CIP occurred early in the year.

LRT

Proposed development of the Hiawatha LRT Corridor involves a route under the airport's parallel runways with passenger stations proposed at a below-ground interconnection with the airport people-mover system, at the HHH Terminal area, and potentially near Northwest Building C. The process is in its early stages and the Council is coordinating with the MAC, Mn/DOT, federal and state agencies on LRT routing, station location, and funding participation. Detailed design and operating costs elements are defined for work in 1999.

Reliever Airport Planning and Development

The reliever airports are a key element of the regional aviation system. Regional policy calls for the preparation and periodic updates of Long-Term Comprehensive Plans

(LTCPs) for all reliever airports. Each airport owner is responsible for the LTCP preparation and review by the Council.

Airlake Airport - The Council approved the original LTCP in 1990. It was updated in 1995-96 and the airport retains its Minor airport system role. The updated LTCP recommends extension of the existing runway, expansion of the south hangar building area and land acquisition for a new crosswind runway. The Council approved the LTCP in early 1998. The MAC completed site preparation of the new south building area in 1998.

Anoka County-Blaine Airport - MAC also prepared a LTCP for the Anoka County-Blaine airport in 1997. The airport retains its Minor system role classification. The LTCP recommends extension of the east/west runway to a total of 5,000 feet and development of a new northwest hangar building area. The LTCP was withdrawn by the MAC from Council review in 1998 pending resolution of litigation by the City of Mounds View.

Crystal Airport - In 1996 MAC completed a LTCP for the Crystal airport. The airport retains its Minor system role. No major changes in facility development are recommended in the LTCP. Several area communities want the airport closed in the long term. The Council's review of the Crystal airport LTCP cannot occur until submitted by the MAC. During 1997-98 the MAC completed some interim actions on removing airspace hazards and addressing height zoning ordinance issues. Council review of the LTCP is anticipated in 1999.

Flying Cloud Airport - The Council conditionally approved the MAC's LTCP for the Flying Cloud airport in 1996. The airport retains its Minor airport system role. The LTCP recommends runway extensions and new hangar building area expansion. In 1997 the MAC initiated the environmental impact statement (EIS) process for the Flying Cloud Airport expansion plan. The Council is participating on both the EIS Advisory Committee and Noise Mitigation Committee, along with the FAA, MAC, airport users, City of Eden Prairie and its citizens. Land acquisition was approved in the 1997 and, 98 CIP for runway protection whether or not the runways are extended. Appraisals were conducted in 1998. A final EIS is scheduled for completion by mid-1999.

Lake Elmo Airport - The Council approved the Lake Elmo airport LTCP in 1994. The airport will retain its Minor airport role. The LTCP recommends a longer, relocated main runway and the development of new hangar building areas. An EIS will be prepared for the major development projects when demand warrants construction.

South St. Paul Municipal Airport - The Council approved the airport plan in 1973. The facility retains its Minor system role classification. The Council has recommended that a LTCP be prepared with federal and state funding assistance. It is anticipated that the City of South St. Paul will include updated information on the airport along with its updated local comprehensive plan for Council review in December 1998.

St. Paul Downtown Airport - The Council approved an updated LTCP for this airport in 1995. The airport retains its Intermediate system role as the primary reliever to MSP. The LTCP recommended completion of the elevated hangar building area. In 1998 the airport initiated acquisition of land for installation of a precision landing system and began the construction of a new air-traffic control tower.

Transit Services

The Metropolitan Council sets policy, plans, coordinates, administers and operates a cost-effective system of transit services that is responsive to the needs of residents of the Twin Cities metropolitan area.

The Metropolitan Council's transit-related policies, as adopted in the Council's *Transportation Policy Plan,* are as follows:

- Focus investments to help implement the *Regional Blueprint* and the Regional Growth Strategy to support the region's economic vitality and quality of life.
- Pursue an adequate level of transportation funding.
- Make investments on the basis of need.
- Promote public participation when formulating and implementing transportation policy.
- Promote implementation of a regional network of dedicated transitways.
- Make the transit system more 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 aggressive use of travel demand management techniques to reduce peak-period vehicle trips.

To accomplish these overall goals, the Metropolitan Council carries out the following activities in relation to transit:

- Develops transit policy.
- Prepares transit implementation plans.
- Prepares and presents required transit budgets, financial plans and staffing plans.
- Oversees Metro Transit, the region's largest provider of regular-route transit service.
- Oversees Metro Mobility, the region's largest Americans with Disabilities Act (ADA) complementary paratransit service.

- Executes and administers more than 25 transit capital grants and 36 transit operating contracts.
- Administers the Jobseekers Program.
- Manages the Metro Commuter Service programs.
- Develops and updates the five-year transit plan for the metropolitan area.
- Administers replacement service (opt-out) programs where the Council levies the property tax.
- Conducts research and renders advice on transit issues.
- Conducts transit needs assessments.
- Develops new services.
- Promotes the use of public transit.

Metropolitan Council Transit Activities

During 1998, Metro Transit and the Office of Transportation and Transit Development redesigned a number of services, restored service levels cut back in previous years and expanded service in a few areas. Since adoption of the Transit Redesign Plan in 1996, implementation of specific redesign projects reached a total of 10 by the close of 1998.

They include:

- White Bear Lake (Lake Area Bus) 9/96
- Brooklyn Park and Brooklyn Center (Brooklyn Circuit) 3/97
- Woodbury 3/97
- Anoka County (Traveler) 6/97
- University of Minnesota 6/97
- Westonka 6/97
- South Washington County 9/97
- Minneapolis' Phillips Neighborhood service 10/97
- North Suburban Lines 6/98
- Woodbury Phase Two, express service to Minneapolis 9/98

Metro Transit and Metro Mobility, with additional funding resources from the legislature for the biennium beginning July 1997, were able to restore some service levels reduced during the prior two bienniums.

Furthermore, Metro Transit expanded some service in heavy-load corridors that increased its peak pullout requirements. Anoka, Dakota and Washington Counties also expanded their span of service day to comply with the American with Disabilities Act complementary paratransit service requirements. A summary of the key 1998 activities is highlighted in the following paragraphs.

Transit ridership has been and will continue to be the number one focus of the Metropolitan Council Transportation Division in 1998 and beyond. The legislature challenged Metro Council as part of its state Fiscal Year 1998-1999 biennial appropriation to serve 131 million passenger trips between July 1997 and June 1999. The Metropolitan Council, the staff at Metro Transit and private providers under contract to the Council are all focused on achieving their share of the ridership goal. At the conclusion of the first eighteen months of the biennium, actual ridership was running ahead of the goal by 4.9 percent. The specific ridership breakdowns by service type for the first eighteen months of the biennium are detailed as follows.

Transit Ridership Twin Cities Metropolitan Area			
	July 97-Dec 98 Actual	**July 97-Dec 98 Goal**	**Variance**
Metro Transit	97,222,000	92,600,000	4,622,000
Regular Route Private	2,422,000	2,197,000	225,000
Metro Mobility	1,516,000	1,527,000	(11,000)
Rural	647,000	677,000	(30,000)
Small Urban	134,000	139,000	(5,000)
Total	**101,941,000**	**97,140,000**	**4,801,000**

Metro Transit

By almost any measure, Metro Transit enjoyed a highly successful year in 1998, including strong ridership gains coupled with increasing public support for Metro Transit, breakthrough partnerships with major corporations to subsidize transit passes, new marketing initiatives and a five-percentage point improvement in overall customer satisfaction.

Ridership Increases
Metro Transit ridership jumped 6.4 percent in 1998 to 66 million rides – the fastest growing ridership in 21 years and the highest ridership in five years. Prospects for continued ridership increases in 1999 were strong because over the last four months of 1998, ridership increased 10 percent.

Service Expansion
The ability to increase ridership was the direct result of improved and enhanced service made possible by increased legislative funding of $4.7 million, which permitted a 3.8 percent growth in service. During the year Metro Transit opened two new routes, made significant frequency and spans of service improvements to 16 other routes and restored all-night service for the first time in more than three decades. In addition, the agency increased by 15 the number of buses it operates during peak rush-hour services. As a result of these schedule enhancements, Metro Transit projects an annualized increase of four million rides.

Here are examples of the service enhancements during 1998:

- Metro Transit inaugurated limited-stop service along University Avenue between St. Paul and Minneapolis to supplement local Route 16 service. This new route – begun last June and operating only during extended rush hours – will produce a half million rides in its first full year.

- Metro Transit also began offering express service linking Minneapolis with Woodbury, the region's fastest growing suburb. The route was an instant success when it debuted in October, filling a new park-ride lot in the first week and now producing 420 rides per weekday.

- All-night Owl Service was established in 1998 for the first time since 1965. The service focuses on eight core-city routes, with timed transfers to broaden the network of connections and destinations. The service benefits shift workers, many of whom are entry-level employees. Owl Service will generate about 84,000 rides in its first full year.

- Metro Transit lengthened span of service on high-ridership routes and offered more frequent service during off-peak periods. As an example, Metro Transit increased frequency on Minneapolis Route 5 - its strongest route - running from Brookdale to the Mall of America. The new trips will produce 1.1 million rides in the first year of more frequent service. In the span-of-service category, the agency began operating Route 54 between St. Paul and MSP Airport/Mall of America later on weekday evenings and longer weekend hours to accommodate workers at those two important employment centers.

With employment growth in suburban business parks and with concentrations of available employees in downtown and first-ring suburbs, Metro Transit created more reverse commuting opportunities. For example, Metro Transit worked with UPS and other businesses in northeast Minneapolis to design service around their work shifts. Using an UPS survey and other data, Metro Transit scheduled bus service on its Routes 1 and 6 to coincide with first, second and third shift work starts.

Special Event Ridership
Service to the Minnesota State Fair is Metro Transit's premier opportunity to introduce many non-riders to the advantages of transit in an environment of high traffic congestion and tight parking. During the 12-day event in 1998, Metro Transit provided 516,000 rides to customers, a 28 percent increase over 1997. One in six Fairgoers arrived on a Metro Transit bus.

Other 1998 special events included Capital New Year, St. Paul Winter Carnival, World Figure Skating Championships, Miller Free Rides on St. Patrick's Day, Grand Old Day, Minnesota AIDS Walk and Juneteenth.

Ridership Opportunities

Assisting the community has helped Metro Transit supplement its ridership. When other transportation companies were unable to provide service, Metro Transit stepped in to offer emergency services to the Minneapolis School District and at Minneapolis/St. Paul International Airport.

Employer Outreach

In addition to service expansion and special-event ridership growth, selling businesses on the notion that transit is an employee benefit is a major 1998 success story for Metro Transit.

In the last three months of the year, more than 250 new businesses signed up to sell discounted bus passes to employees. This doubles the number of employers in the TransitWorks program. The increase in enrollment was the result of a federal grant that was used to underwrite half-price bus passes for six months for employers that agreed to continue selling bus passes at regular discounted prices for at least an additional six months.

Metropass is another key initiative. Under Metropass, businesses subsidize the cost of deeply discounted annual passes for employees. Four companies with 7,000 employees enrolled in 1998. Because of the deep discounting, 60 percent of those employees – 4,400 of them – now are bus riders.

Liberalizing Transfers

In mid-1998, Metro Transit eased its transfer rules in an effort to increase ridership by encouraging more short trips. The new policy permits unlimited bus riding for two and a half hours after a fare is paid, including the ability to travel round trip. Under the old rules, a customer could ride as many as four buses, but only in one direction. Metro Transit projects the new policy will result in 2.2 million more rides annually.

Mass Media Advertising

In 1998, Metro Transit returned to mass media marketing after nearly a four-year absence from sustained radio, television and print advertising. Without an advertising presence, Metro Transit had seen its percentage of new riders – those riding for a year or less – erode from 15 percent to 10 percent. In an effort to lure new customers to sample its services, Metro Transit invested in a fall campaign aimed at downtown commuters, who are experiencing growing freeway congestion and higher parking costs. The goal of the campaign is to increase the percentage of new riders from 10 percent to 13 percent by the end of the first quarter of 1999.

Fleet Improvement

Service expansions, employer outreach and advertising are of little consequence unless Metro Transit offers a quality product. A key component is the quality of the bus fleet. In 1998 Metro Transit put 153 new buses into service and revitalized 175 older buses with a fresh coat of paint and the new Metro Transit stripe. In addition, the agency adopted an aggressive zero-tolerance policy on graffiti and damage to buses or transit facilities caused by vandals. Graffiti is removed overnight in a million-dollar effort that enhances the appearance of the vehicles and contributes to customers' perceptions of on-board safety. The on-street reliability of Metro Transit grew in 1998 with the maintenance division reducing road calls during every month in 1998 and logging a zero failure rate on the 60 engines it rebuilt during the year.

Team Transit

Team Transit is an intergovernmental partnership working to create transit advantages for people traveling in high occupancy vehicles and buses. The key is to increase the number of people per vehicle. To accomplish this, transit and ridesharing use a series of special lanes, ramp meter bypasses and other improvements to speed them through congested areas.

The partners include the Metropolitan Council, Mn/DOT and various cities and counties. In order to be identified as a Team Transit project, it must speed buses through traffic congestion and require two or more units of government to make it happen. The following projects have been successful:

- Ramp meter bypasses that get buses on the freeway without being delayed at ramp meters. Mn/DOT and Metro Transit have shared construction costs to complete 20 bypasses for transit advantages.
- Exclusive bus lanes and use of bus-only shoulders have been implemented to move buses through highway traffic delays. Ninety-four miles of exclusive bus-only shoulders have opened on Mn/DOT highways since 1992. Hennepin, Anoka and Dakota Counties have joined the effort with an additional nine miles of bus-only shoulders on county roads.

Customer Service

A comfortable on-board riding experience is heavily influenced by the driving skills and communications abilities of Metro Transit bus operators. In 1998, Metro Transit began its first-ever mandatory customer service-training program for drivers. The multi-day program – developed in Canada and used by transit agencies around the world – encourages drivers to share communications techniques that successfully resolve common on-board situations impacting the civility of the ride. During the year, nearly 600 drivers and 100 non-drivers participated in the Transit Ambassador training.

Other 1998 Metro Transit programs were aimed at customer satisfaction, including accepting credit cards for Supersaver purchases, enhancing customer information on the agency's web site at *www.metrotransit.org* and the addition of bike racks on Minneapolis Route 6 for a two-year test.

Labor Relations

Strong relationships with Metro Transit's three unions were a hallmark of 1998. A cooperative spirit resulted in no arbitrations. In addition, a labor-management committee ensured continued fruitful dialog and resolution of issues. As the year closed, Metro Transit and its largest union were poised to jointly endorse a mechanic apprentice program to move employees from the cleaner/fueler ranks to licensed mechanics.

Facility Development

During 1998 Metro Transit gained approval to begin construction of a replacement for its 91-year-old Snelling Garage. The new garage will be built in St. Paul's near Eastside with a projected opening in 2001. In addition, Metro Transit moved its Instruction Center from the Snelling Garage to a new site at 1919 University Avenue in St. Paul.

Hiring Success

An important element in providing cost-effective operations during high-demand rush-hour service is Metro Transit's ability to deploy part-time bus drivers. After jump-starting interest in part-time driver positions through television, direct mail and onboard advertising, and attending dozens of job fairs, Human Resources processed almost 1,900 applications and made offers to 379 applicants.

Light Rail

With the region's first light rail line closer to reality, Metro Transit hosted a transit development conference in May so Twin Cities policy makers could hear from those who have successfully implemented light rail in other cities. The conference also attracted U.S. Congressman Martin Sabo and Federal Transit Administrator Gordon Linton. As 1998 closed, Metro Transit began recruiting the first personnel for its rail division.

Analysis for the Future

As Metro Transit builds its existing system, it undertook a number of initiatives to position itself for future success. In 1998, it began data collection for a nine-part study designed to gather community input on how best to craft service within given sectors of the Twin Cities region. In addition, Metro Transit began analysis of small buses and over-the-road coach buses in advance of making a recommendation to the Metropolitan Council about including vehicles of these types in its fleet. Most importantly, Metro Transit developed a contingency plan for increasing its service levels by 10 percent should additional state funding become available in 1999.

Other Transit Services

The American with Disabilities Act (ADA) required all complementary paratransit systems to complete compliance with the ADA transportation components during 1997. The Metropolitan Council accomplished this goal with service adjustments implemented in June 1997. As the fixed-route transit system expanded its geographic coverage area and span of service, the ADA services mirrored these expansions in 1998.

Regional Fixed-Route Services carry more than 97 percent of all passenger trips made on the regional transit system, representing nearly 66.5 million annual passenger trips. Sixty-five million of these passengers are transported by Metro Transit on 120 routes. Other fixed-route providers in the region include:

- Medicine Lake Lines operating Route 55
- North Suburban Lines
- Valley Transit operating in the Stillwater area
- Laidlaw Transit Services under contract to operate the BE-line (Bloomington-Edina), Roseville Area Circulator and other fixed-route services

Community-Based Services include demand-responsive operations primarily in a given community or adjacent communities, county-based services that operate from medium-sized buses to volunteer driver services, and three county systems that provide ADA service. State and regional funding for these services increased in July 1997 after four years of stagnant resources and some additional service has been implemented.

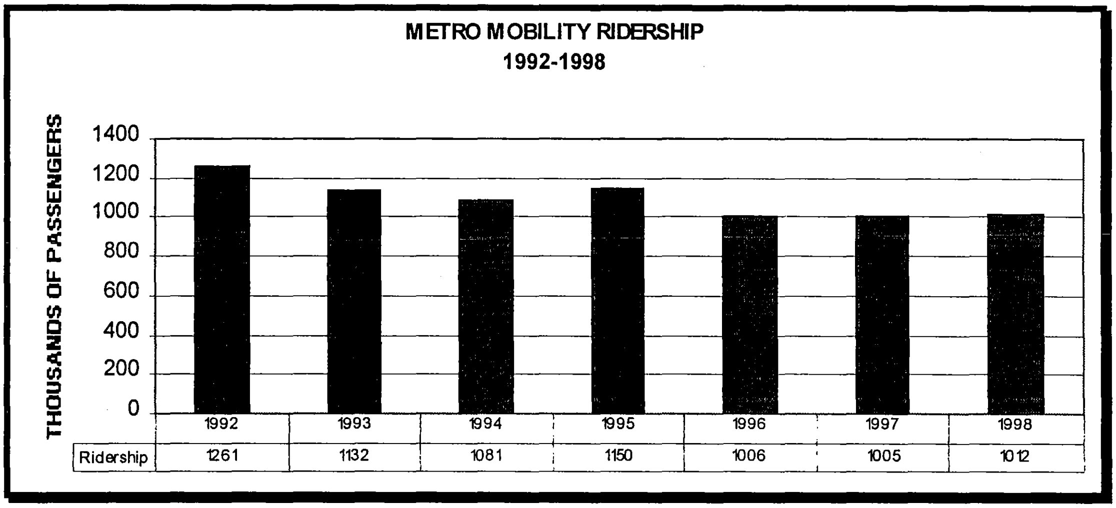
Significant ridership increases have occurred as a result of redesigned and/or additional services. For example, an annual ridership gain of 113,000 passengers in Westonka, 100,000 new passengers from Woodbury and 92,000 additional passengers in the White Bear Lake area.

Metro Mobility improved the quality of service delivery in 1998 through vehicle enhancements, implementation of a cancellation line, increased service hours and a new standing order process. The vehicles purchased in 1997 received several enhancements as the result of consumer input and management coordination efforts. Handrails were installed, more comfortable seatbelts were exchanged for the originals and mud flaps and heavy duty rear bumpers were added.

In response to the 1997 public forum, a cancellation line was installed in early 1998, freeing up reservation lines and reducing the wait time for customers wanting to schedule a ride. Customers could call a special line and leave a recording for cancelled trips. This option provided more flexibility for customers by allowing them to call in at times beyond the reservation hours.

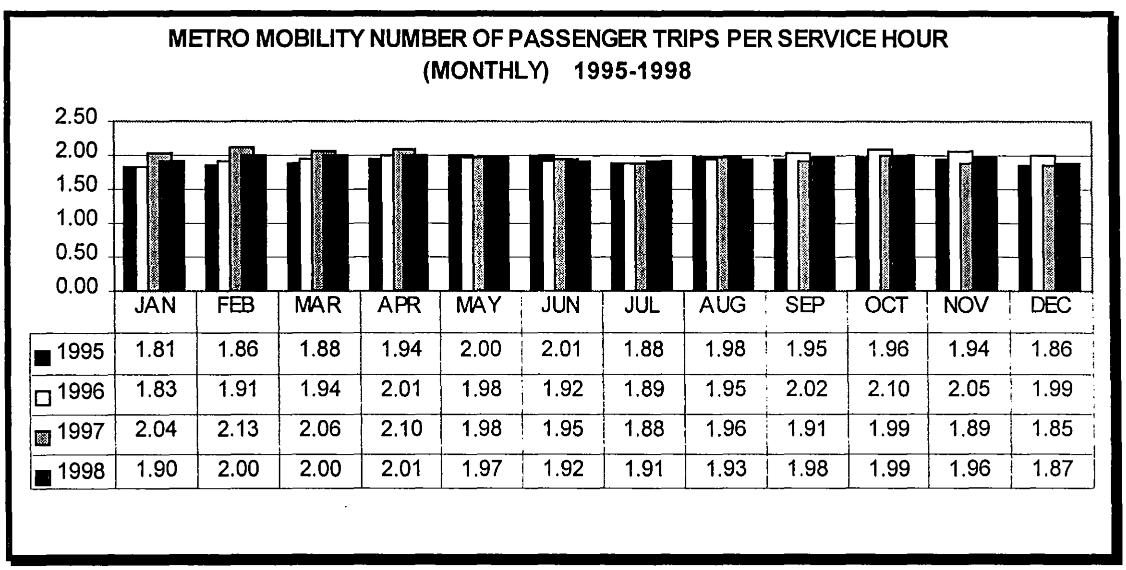
Service hours were restored to the 1995 levels, resulting in reduced trip denials in 1998. Annual average trip denials were 35 per 1,000 trip requests, less than half the 1996 level.

In addition, a combination of increased hours and improved productivity provided additional 6,400 rides over 1997 levels.



	1992	1993	1994	1995	1996	1997	1998
Ridership	1261	1132	1081	1150	1006	1005	1012

Beginning in 1995 a moratorium was placed on standing order requests. That action was necessary to keep the system compliant with the ADA requirement that no more than 50% of the rides in any given hour can be reserved for standing orders. Beginning in 1998, some peak-hour standing-order trips were made available. A quarterly standing order lottery process was developed and implemented on a trial basis during 1998. The demonstration process treated all requests in an equitable manner giving each ride requested the same chance of being selected. There were 1,500 standing order requests during 1998. Nearly 600 requests were randomly selected and successfully placed by the Metro Mobility providers.



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1995	1.81	1.86	1.88	1.94	2.00	2.01	1.88	1.98	1.95	1.96	1.94	1.86
1996	1.83	1.91	1.94	2.01	1.98	1.92	1.89	1.95	2.02	2.10	2.05	1.99
1997	2.04	2.13	2.06	2.10	1.98	1.95	1.88	1.96	1.91	1.99	1.89	1.85
1998	1.90	2.00	2.00	2.01	1.97	1.92	1.91	1.93	1.98	1.99	1.96	1.87

Public forums were held in late 1998 to solicit input on the future needs of Metro Mobility. In addition to gaining rider input on operational procedures, the forums provided valuable input in development of the Needs Assessment Study to be completed in early 1999.

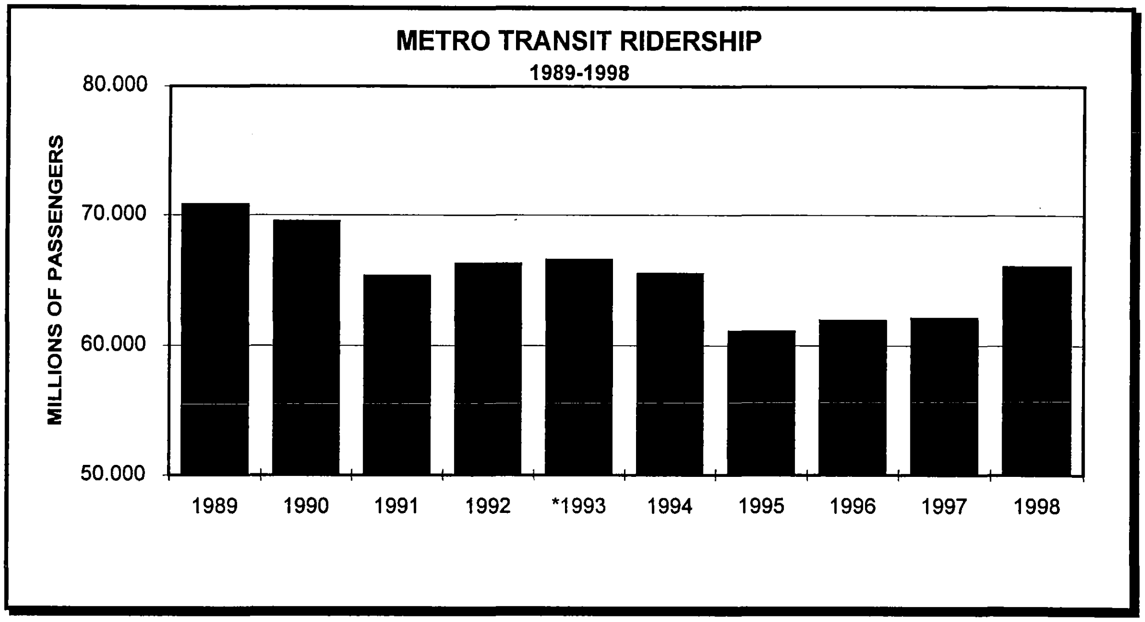
Travel Demand Management (TDM) strategies are promoted by the Metropolitan Council to reduce single-occupant vehicle trips, particularly during peak periods. TDM activities combat traffic congestion by offering alternatives to driving alone or by shifting trips out of peak periods.

TDM strategies include preferential freeway access for transit, car and vanpools, preferential parking for car and vanpools, and providing bicycle incentives and facilities. 1998 saw the formation of the Downtown St. Paul Transportation Management Organization (TMO) with financial and technical assistance from the Metropolitan Council.

Education and Outreach are the focus of the Metropolitan Transit Education Committee, composed of representatives of 10 metro agencies involved in transit and transportation. With the Metropolitan Council acting as the lead agency, a committee was formed to develop a plan to meet the need for transit information and education in the metropolitan area. The committee developed a strategic communication plan that focuses on the transit issues of the 1990s, including increasing awareness of the need for transit improvements and explaining the benefits of transit.

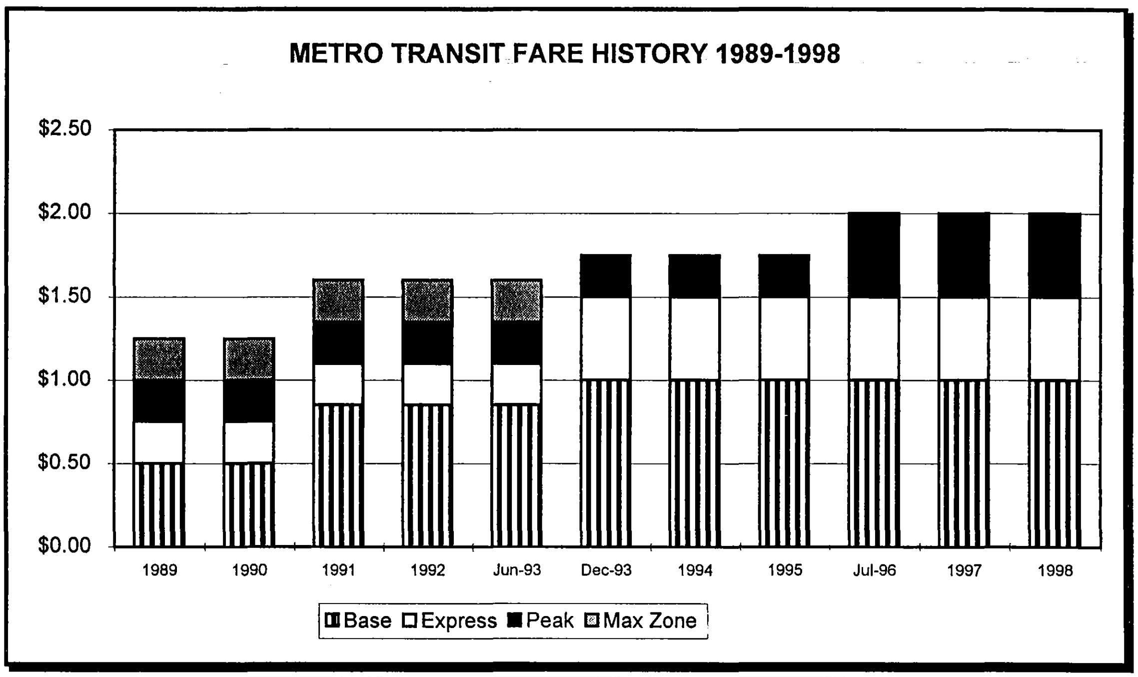
Transit Services Performance Charts and Tables

On the next three pages are 8 charts with accompanying tables that provide information on Metro Transit performance over a number of years.

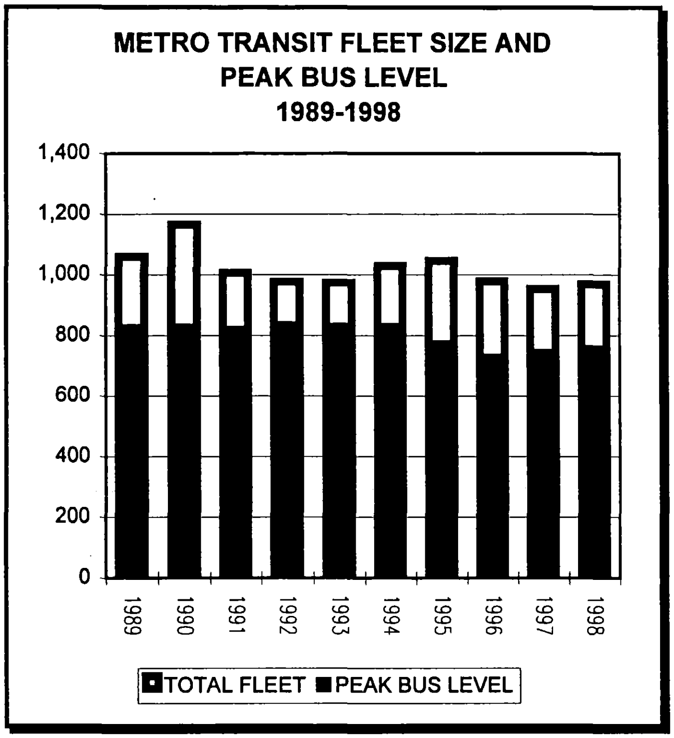


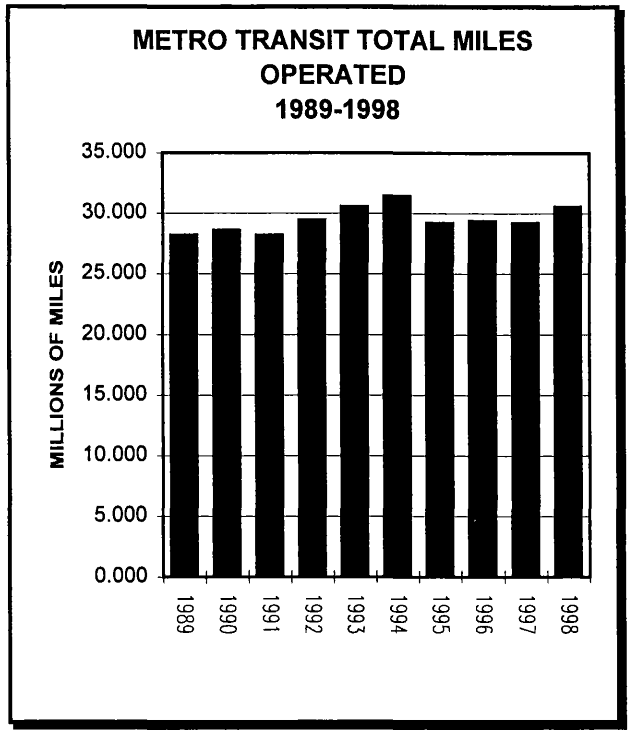
	1989	1990	1991	1992	*1993	1994	1995	1996	1997	1998
TOTAL	70.794	69.493	65.294	66.221	66.512	65.467	61.059	61.888	62.045	66.027

* includes regular route opt-out ridership

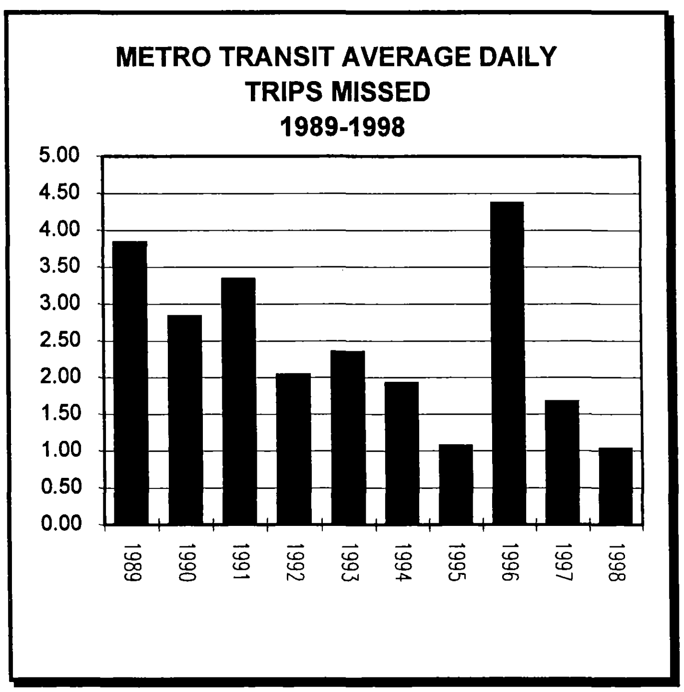


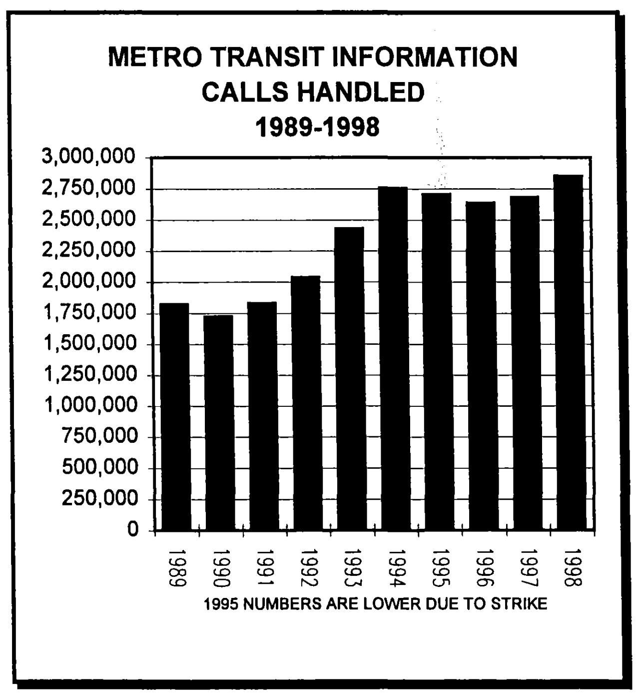
CHARGES	YEAR OF CHANGE									
Regular fare	1989	1990	1991	1992	Jun-93	Dec-93	1994	1995	Jul-96	1997	1998
Base	$0.50	$0.50	$0.85	$0.85	$0.85	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Express	$0.25	$0.25	$0.25	$0.25	$0.25	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50
Peak	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.50	$0.50	$0.50
Max Zone	$0.25	$0.25	$0.25	$0.25	$0.25						

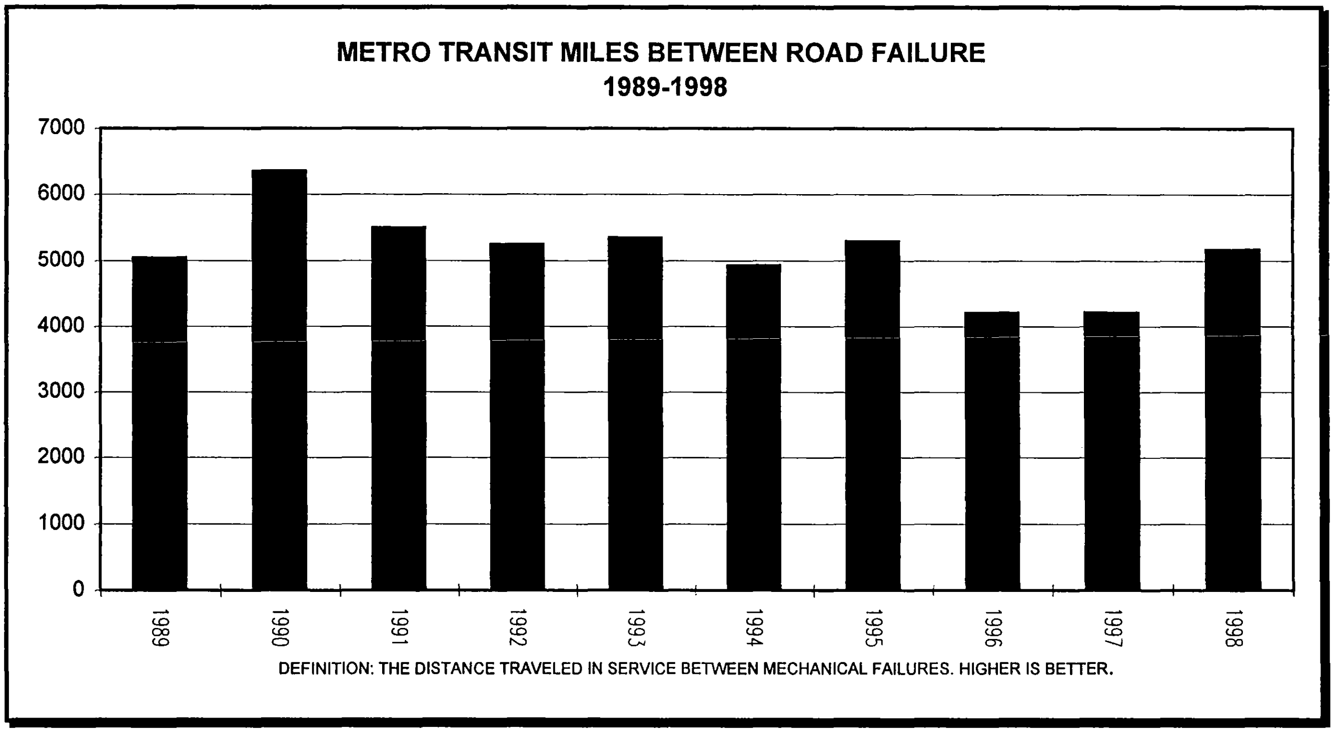




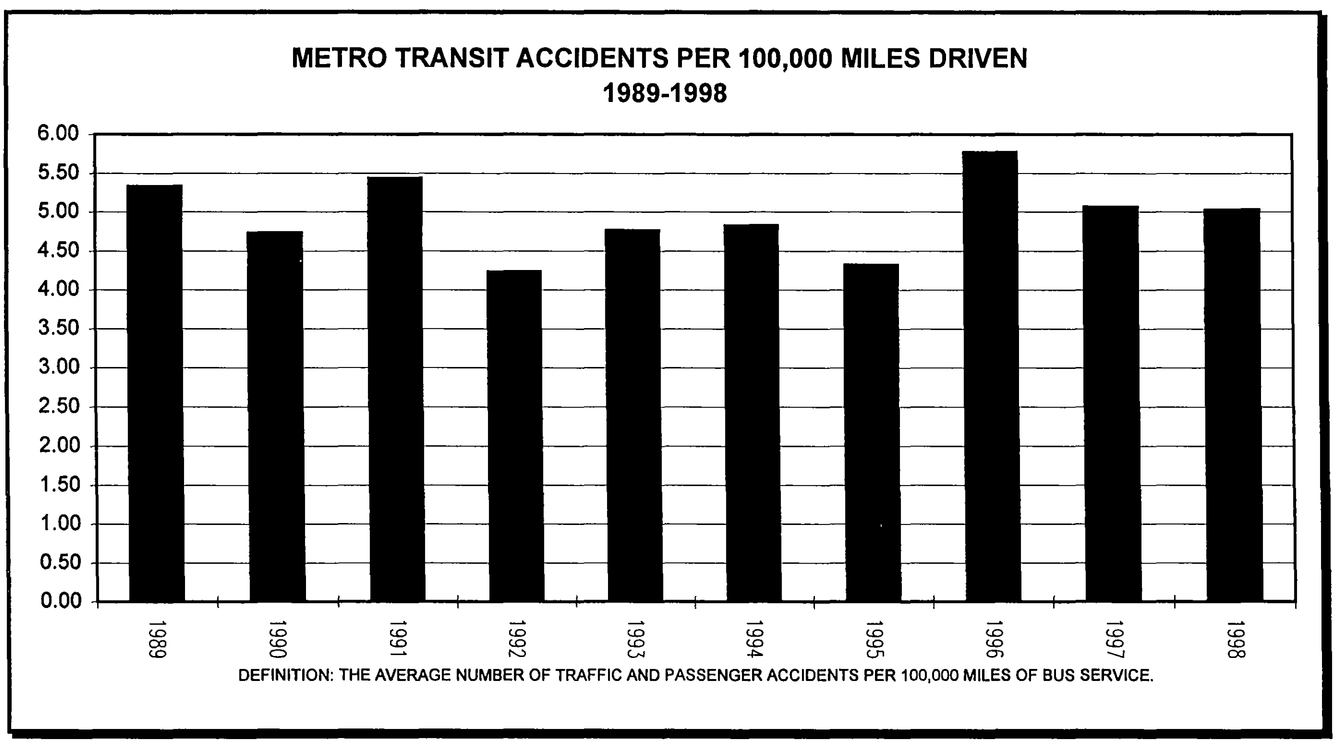
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
TOTAL FLEET	1,059	1,165	1,005	976	973	1,029	1,045	978	953	968
PEAK BUS LEVEL	833	834	827	842	837	837	781	735	751	764
MILES OPERATED	27.984	28.393	27.996	29.228	30.344	31.209	28.979	29.140	29.000	30.340
MISSED TRIPS	3.80	2.80	3.30	2.00	2.31	1.89	1.03	4.33	1.63	0.99
INFORMATION CALLS HANDLED	1,801,620	1,702,320	1,810,175	2,015,360	2,410,235	2,734,305	2,685,114	2,616,539	2,663,621	2,830,641







	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
MECHANICAL FAILURES	5006	6311	5460	5208	5308	4889	5256	4169	4176	5130
ACCIDENTS	5.30	4.70	5.40	4.20	4.73	4.79	4.29	5.74	5.03	4.99



Environmental Services Division

Overview

The major theme of 1998 was a call for accelerated action to implement the *Water Resources Management Policy Plan* and associated strategic business plan of the Metropolitan Council Environmental Services Division (MCES). The plans were developed in response to the changing nature of water resources management, competitive pressures, and higher public expectations. MCES's performance in 1998 demonstrates the achievement of a reasonable balance between planning and operations designed to preserve the region's water resources for tomorrow while managing the issues of today.

1998 Achievements Timeline

MCES's mission to support Council-guided regional development and to protect the public health and environment through its two-mandated core businesses remains unchanged, as does the vision of environmental sustainability. MCES's two businesses are water resources planning and management, and collection and treatment of wastewater.

Within the context of MCES's evolution as a regional planning and service-delivery organization, 1998 was a productive year and was important as a transition to the future of the division, the Council, and the region. A timeline of milestone events and representative activities is presented as follows.

- **January**
  - MCES receives $1.3 million rebate from Northern States Power for energy savings.
  - New wastewater billing system, in response to customer input, measures actual flow.
  - MCES and Minnesota Dental Association partner to reduce mercury.
  - Watershed coordinators named as liaisons to local units of government.
- **February**
  - Council approves strategy to reduce phosphorus discharges at treatment plants and from surface runoff.
- **March**
  - $1 million in water quality grants awarded to improve regional environment.
- **April**
  - Field crews gear up for lake and river monitoring; data show rivers improved by treatment plants but rivers and lakes impacted by increasing nonpoint source pollution.
- **May**
  - Council adopts comprehensive mercury reduction strategy.
  - Legislative changes obtained to improve MCES cost-competitive standing.
- **June**
  - Survey: residents say region's quality of life improves; surveys of cities, industries and other government agencies provide baseline information.
  - Information systems upgrade on track; include remedy for Y2K problem.
- **July**
  - New technology chosen to handle Metro Plant solids and improve air quality.
  - Three treatment plants earn national NPDES 'Platinum Award' for five perfect years.

- All MCES treatment plants on their way to perfect NPDES compliance in 1998.
- Upper Mississippi is one of 14 rivers selected as an American Heritage River.

- **August**
  - MCES proposes $20 million budget cut and 15 percent rate reduction by 2001.
- **September**
  - Watershed Partners environmental stewardship media campaign begun.
  - Startup of voluntary separation program to achieve budget reduction goal.
  - Blue Lake design-build-operate contract awarded for solids processing.
  - Council adopts updated administrative policies manual, reflects post-merger changes.
- **October**
  - Nonpoint source strategy developed.
  - Human resources strategic plan issued to all employees, includes staffing projections.
- **November**
  - Five-year Metro Plant permit signed.
  - Environmental partnership agreement for $7.5 million for runoff pollution abatement made with the Minnesota Center for Environmental Advocacy.
- **December**
  - Council adopts changes to industrial waste discharge rules.
  - Council adopts changes to SAC rate system to improve system equity.
  - Underground storage tanks removed and replaced per 10-year program completed in 1998.
  - Wastewater Services' restructuring along business unit lines announced.
  - MCES's strategic business plan revised to reflect needed changes.
  - 103.8 billion gallons of wastewater collected in 1998.

These accomplishments, together with the fuller array of items reported in the 1998 highlights (beginning on page 46), are contributing to the achievement of MCES's four strategic goals:

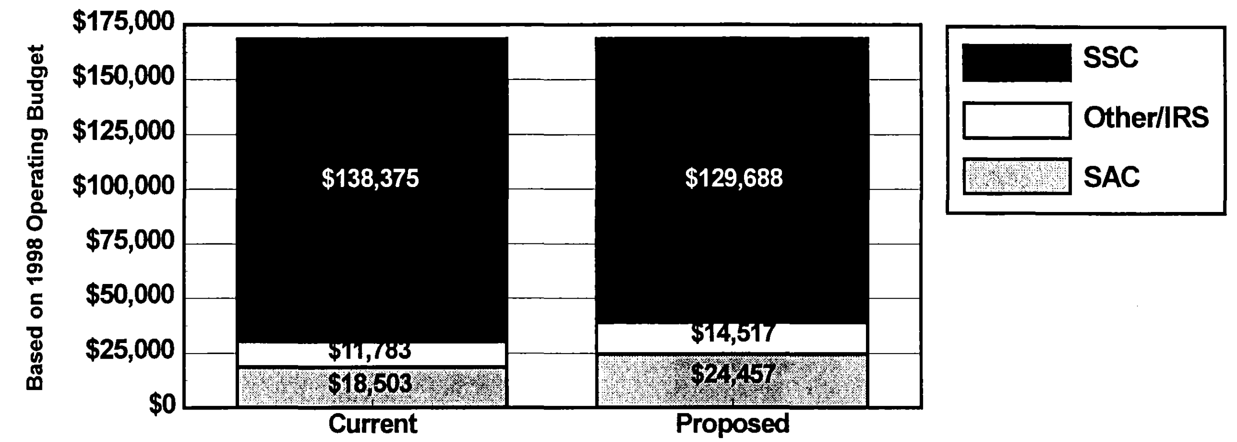
1. **Strategic Development**
2. **Customer Service**
3. **Water Resources Management**
4. **Cost-Competitive Business Processes**

Associated key results are presented in the following six charts.

Strategic Result 1

Ensuring Equity in the MCES Rate System. One measurable aspect of strategic development of the region is system equity. MCES is committed to a system of rates that charges customers for the services they receive without subsidizing other user groups. MCES has systematically reexamined its three rate systems – the Sewer Service Charges (SSC), the Industrial Rate System (IRS) and the Service Availability Charge (SAC). Improvements are being made in all three systems. The allocations of costs before and after the improvements are illustrated in the following chart.

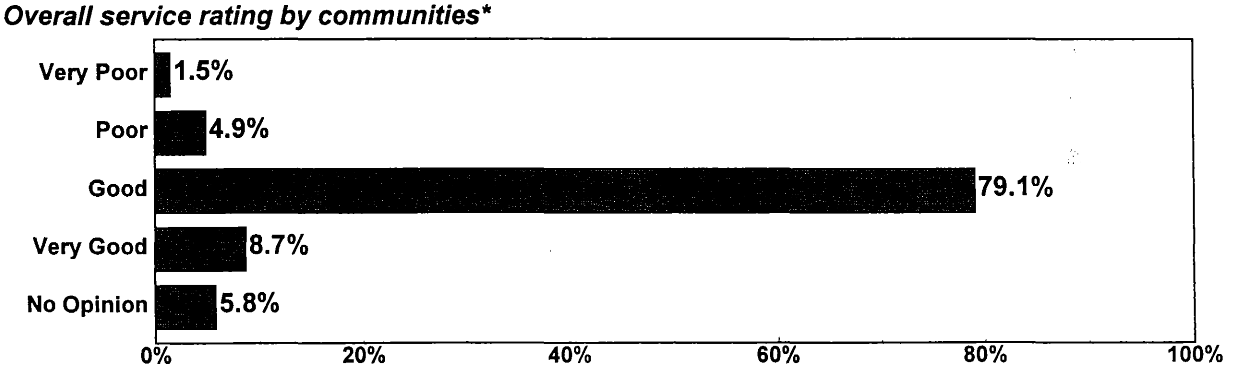
Strategic Development
System equity: proposed changes to SAC and IRS **($ in thousands)**



Strategic Result 2

Improving Relations With Key Customer Groups. As a service delivery agency, MCES's present and future success are dependent on customer satisfaction. Comprehensive research was conducted in 1998 of four key customer groups to identify their issues, perceptions and interests. The four groups were city officials and staff, industrial users, general public, and other government agencies. Overall, the groups thought MCES's performance and services are good to very good, as illustrated in the chart below. Additional findings for all groups are available from MCES. Recommended actions associated with the findings are to be implemented beginning in 1999.

Customer Service
Overall service rating by communities*

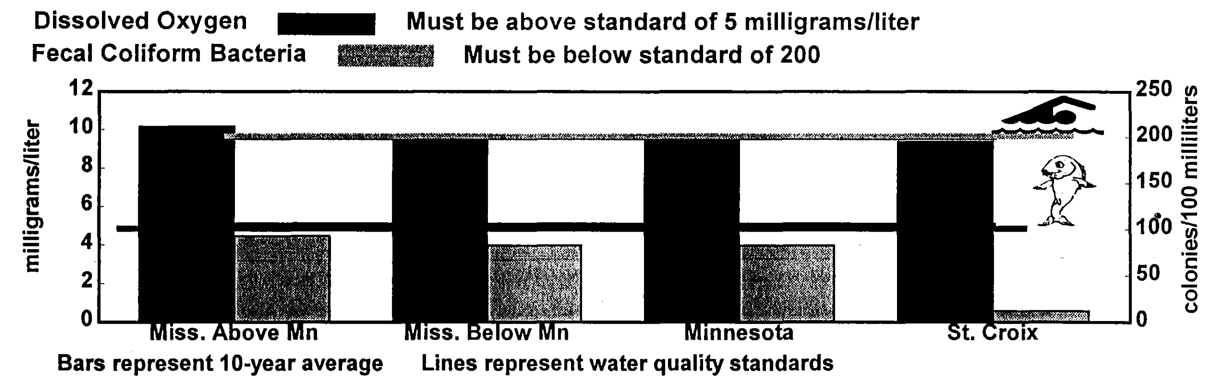


*Results from June 1998 survey conducted by *The Research Edge*

Strategic Results 3a and 3b

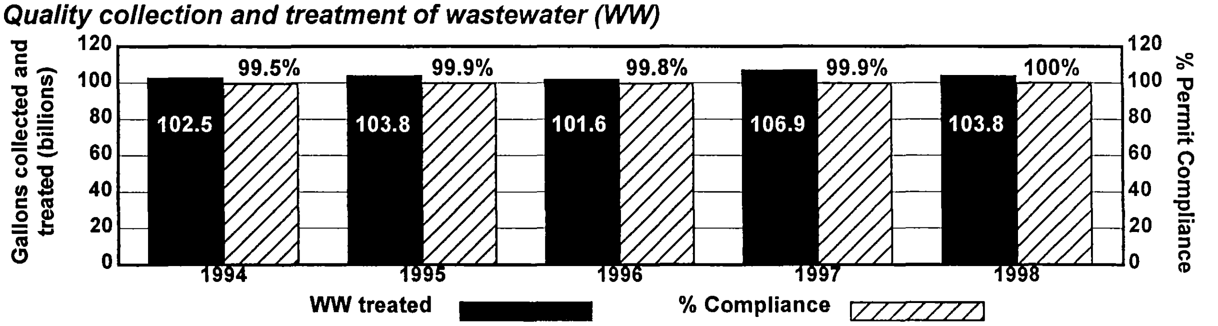
Improving the Environment and Public Health Through Strategically Focused Initiatives. MCES is responsible for both planning and operational aspects of water resources management for the region. One measure of success is the degree to which the "fishable/swimmable" goals of the federal Clean Water Act of 1972 are being met. Dissolved oxygen levels are one way of assessing the ability of a waterway to support fisheries; fecal coliform levels are one way of indicating the presence of bacteria in waters that may make them unsuitable for swimming and other recreation. The chart below includes average conditions in the Mississippi, Minnesota and St. Croix rivers over the past 10 years, as compared to standards for dissolved oxygen and fecal coliform bacteria. Results indicate the positive effects of wastewater treatment, which are affirmed by the return of lunker walleye and nesting eagles and herons to the river basin.

Water Resources Management
Fishable/swimmable waters



A second measure is the level of treatment achieved for wastewater collected, as gauged by compliance with discharge-permit limits. The chart below identifies volumes of wastewater collected over the past five years and the percent compliance for applicable discharge limits. Future enhancements to environmental quality are related to scheduled technology and process improvements at several of MCES's treatment plants and implementation of the Council-adopted phosphorus and mercury reduction and prevention strategies for both wastewater and surface runoff.

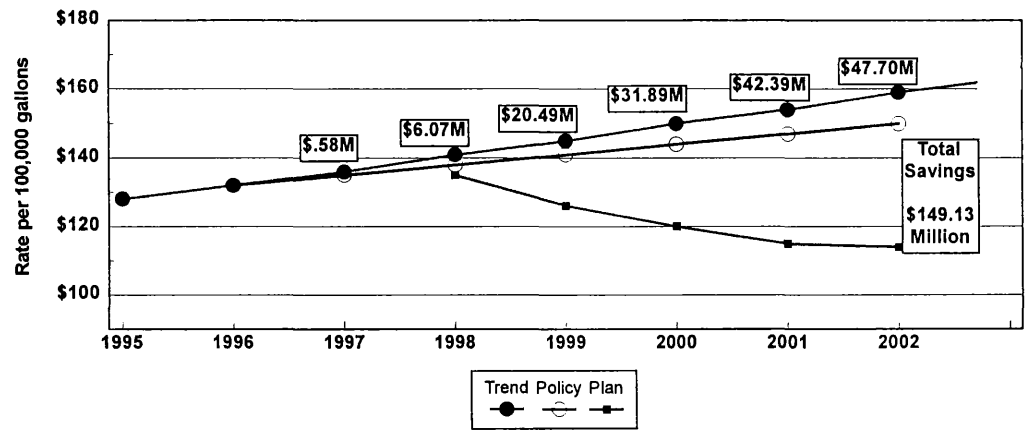
Water Resources Management
Quality collection and treatment of wastewater (WW)



Strategic Results 4a and 4b

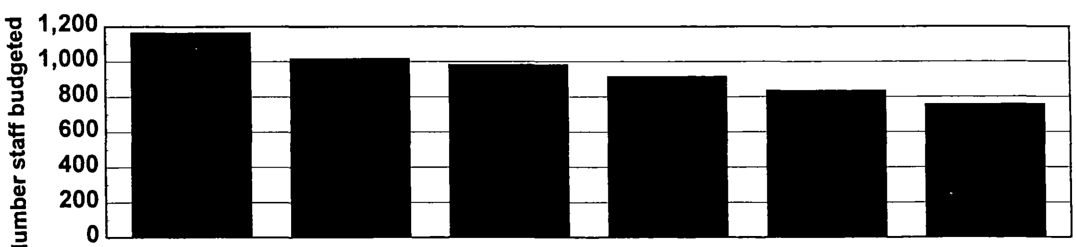
Providing Cost-Competitive Services. MCES maintains rates that are below the national average for similar-sized sanitary districts. MCES is committed to improvement in that standing. As a result of Council-controlled increases in rates through its Rate Policy and Rate Objective, MCES will save current and future ratepayers $149.13 million through 2001, as indicated in the chart below. The MCES 1999 budget is $10.4 million below its 1998 unamended base budget, resulting in a seven percent decrease in dollars per hundred thousand gallons charged to customer communities. An additional $9.6 million in cuts to be made by 2001 will result in a total rate reduction of approximately 15 percent.

Cost-Competitive Business Processes
Decreasing wastewater rates



Budget reductions will be achieved by a combination of controlling debt service expenses, flattening non-labor program expenses such as utility costs, and reducing the size of MCES's workforce. Because of increased automation and redesigned work practices, these cuts will not diminish our ability to improve the quality of our service. Between 1994 and 1998, MCES reduced its workforce through attrition and will eliminate additional positions between 1998 and 2001 for a total workforce reduction of 35 percent. A late 1998 voluntary separation program has already resulted in reduction of approximately 120 of the 200 positions identified for elimination between 1999 and 2001.

Cost-Competitive Business Processes
Budgeted Staff*



1994	1997	1998	Proj 1999	Proj 2000	Proj 2001
1,163	1,014	980	912	833	754

***Staffing levels calculated using budgeted FTEs (full-time equivalents).**

1998 Highlights

The year's highlights are presented below under MCES's four strategic goal categories. The categories are Strategic Development, Customer Service, Water Resources Management and Cost-Competitive Business Processes.

Strategic Development

As part of its planning responsibilities, MCES contributes to the strategic development of the region in several ways. Four examples from 1998 include:

- Successful nomination of the Upper Mississippi River as an American Heritage River. This designation clears the way for enhanced federal support and services to local communities that seek it.
- Completion of an array of environmental reviews to ensure consistency with the Council's *Regional Blueprint* and *Water Resources Management Policy Plan.*
- Improvement of equity within the MCES rate systems (see graph in preceding overview, page 43.)
- Advancement of the concept and application of sustainable development practices. Applications include: sustainable environmental practices incorporated into the Council's 2040 growth strategy video; sustainable building practices incorporated into design of two Council capital improvement projects; and needs identification for procurement of sustainable goods and materials.

Customer Service

As competition for existing resources becomes more intense and environmental protection issues become more complex, accurate information about customer needs is necessary to allocate MCES's resources wisely. In addition, effective partnering is key to generating better solutions and to sharing resources.

Customer Research

Comprehensive research of four key MCES customer groups was conducted in 1998. The four groups are the general public, city officials and staff, industrial users, and other governmental agencies. A summary of findings for all groups is available by contacting MCES's Office of Customer Relations. Overall, the groups viewed MCES's performance and services as "good" to "very good" (see graph in preceding overview, page 43). Recommended actions for improvement in response to the research findings are to be implemented beginning in 1999.

Partnerships

Partnering has become so integral to the way MCES fulfills its mission that a complete list of partnerships and partnering groups would be too long to include in this document. A partial list of key partnerships is identified on MCES's Internet site, updated and made more user-friendly in 1998. (See *http://www.metrocouncil.org/environment/AboutMCES/partnerships1.htm*)

Water Resources Management

MCES has responsibilities for water resources planning and management, including water quality and supply planning, wastewater collection and treatment, and surface water monitoring and assessment in the seven-county metropolitan region. Included are three major river watersheds (Mississippi, Minnesota, St. Croix) and 46 sub-watersheds, more than 900 lakes, a large multi-layered aquifer (groundwater) and a vital system of wetlands. In addition, a regional wastewater system exists that has replacement capital costs estimated at $2.5 to $3 billion.

Watershed Coordination

Four examples of studies and coordinating efforts in 1998 related to watershed management are as follows.

Water Supply Planning. MCES staff continued to work with Minnesota DNR staff to ensure that shortcomings of individual local water supply plans are remedied before water appropriation permits are issued to the communities.

On-Site Sewage Disposal System Management. The metropolitan area has over 75,000 septic tanks. At least 40,000 of these systems pre-date the era of state standards and regulations for the siting, design, construction and management of on-site sewage disposal systems. Very few local units of government have developed programs for managing these systems. In 1998, the Council approved funding to assist counties and other local units of government with the development and implementation of a management program for septic tanks. Administration of program funding is under way.

Stormwater Management. Two aspects of stormwater management that were studied in 1998 are:

(1) confirmation that stormwater runoff and not combined sewer overflow is the cause of elevated fecal coliform bacteria levels in the Mississippi River at Lock and Dam No. 1, and
(2) an analysis of available stormwater utility fees and their use for all aspects of stormwater management in the metropolitan area.

Water Program Funding. A survey of federal, state and local funding available through grants, loans and free services to local units of government for water resources management activities was conducted in 1998. Results will be available through the Internet in 1999.

Water Quality

MCES staff continued to monitor metropolitan area rivers (Mississippi, Minnesota, St. Croix, and Vermilion), tributaries, lakes and MCES wastewater treatment plant effluents on a scheduled basis in 1998. The monitoring is performed to fulfill discharge permit requirements, to assess the performance and effectiveness of MCES wastewater treatment plants, to measure compliance with water quality standards and criteria, and to obtain information on sources and water quality impacts of nonpoint source pollutants.

Overall, river water quality was good in 1998. Annual dissolved oxygen and fecal coliform bacteria levels (among other parameters) for area rivers were compared to "fishable and swimmable" water quality standards, as well as to 10-year average values (see graph in preceding overview, page 44.) Generally, area rivers are fishable and swimmable. However, there are consumption advisories for some locations because of the presence of toxics in fish tissue, and swimming is affected by competing uses, such as barge traffic.

Monitoring of area lakes in 1998 was conducted by MCES staff and trained volunteers. Lake quality is variable. Overall, the majority of area lakes, like area rivers, are affected by surface runoff pollution.

Nonpoint Source Controls

MCES formalized its nonpoint source pollution strategy in the fall of 1998 and continued to implement key components of the strategy, which parallels continuing Council efforts to reduce point source pollution and statewide, multi-agency pollution control efforts. Two examples of current activities follow.

Partnerships and Incentives. 1998 was the final year of a five-year grant program (Twin Cities Water Quality Initiative, TCQI) that, since its inception, has awarded over 100 grants for education, technical and financial assistance and research. Several of the activities funded under this program have received national and local awards. As an outgrowth of discussions related to reissuance of the Metro Plant discharge permit in 1998, MCES entered into an agreement with the Minnesota Center for Environmental Advocacy and pledged to dedicate $7.5 million to a "Metropolitan Partnership" grant program. This program, effective 1999-2003, is intended to fund projects that will result in lower nonpoint source pollution, including phosphorus, as a counterpoint to MCES treatment plant upgrades and process changes.

Best Management Practices Research and Inventory. Efforts have been ongoing since 1997 to develop a database of the various types of best management practices available for nonpoint pollution control. In addition, an inventory of metro area-specific best management practices is ongoing and is intended to improve alignment among the diverse efforts sponsored by an array of agencies and organizations.

Targeted Pollutants

Two parameters of special note that impact area rivers and lakes and originate from both nonpoint and point sources of pollution are phosphorus and mercury. Comprehensive strategies are being implemented to deal cost-effectively with these targeted pollutants. A third parameter, endocrine-disrupting compounds, is an emerging issue and is under initial investigation and research.

Point Source Controls

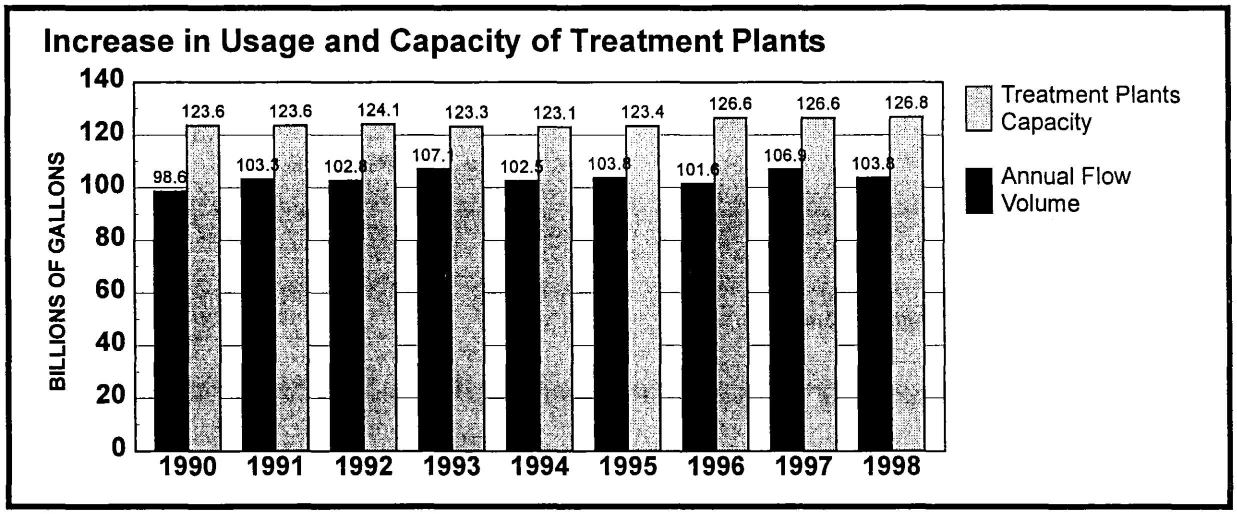
Industrial Waste Pretreatment. MPCA's annual inspection and audit of the MCES pretreatment program determined that the MCES program is " in compliance with the approved program and permit and regulatory requirements." Final verification was provided to the MPCA that the Council adopted the required revisions to the Waste Discharge Rules in December 1998.

In addition to pollution prevention activities, industrial waste staff in 1998 conducted more than 400 industrial monitoring projects, 54 collection system monitoring projects and about 500 inspections, including all 300 significant industrial users. In addition, emergency response actions occurred as necessary. Industrial discharge permit administration involved a total of 826 permittees; enforcement actions were taken as required, with 229 notices of violation being issued.

Wastewater Conveyance. The interceptor system conveyed approximately 103.8 billion gallons to the Council's treatment plants during the year. Overall, the conveyance system functioned well. Odor issues within the system have been addressed except for three, to be dealt with as part of an aggressive odor-control strategy to be implemented by MCES in 1999. Other capital improvement projects, including the East Area Interceptor and the Elm Creek Interceptor projects, are on schedule.

During the year, 65 miles of interceptor sewers were inspected and televised. Televising provided information that led to a major emergency repair at 52nd and Hiawatha in Minneapolis. The interceptor was fixed without any leakage or spills.

Wastewater Treatment. Regional wastewater flow processed by the Council's treatment plants is presented in the following graph. Since 1990, treatment plant capacity has ranged from 123.1 to 126.8 million gallons – a three-percent fluctuation. The annual flow volume has ranged from 98.6 to 106.1 million gallons – a fluctuation of eight percent.



The following table presents the number of Residential Equivalent Connections (RECs) and Service Availability Charges (SACs). A REC is the volume of sewage equivalent to that generated by an average single-family residence and currently equals about 75,500 gallons/year. The SAC charge is a one-time fee charged to each property owner at the time a building is connected to the Metropolitan Disposal System.

Residential Connections (RECs) and Service Availability Charges (SAC)

Residential Connections

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total RECs	1,230,000	1,245,102	1,262,731	1,279,378	1,295,964	1,314,459	1,334,106	1,353,435	1,375,245
New Connections	17,000	15,102	17,629	16,647	16,586	18,495	19,647	19,329	21,810

Service Availability Charges

	1990	1991	1992	1993	1994	1995	1996	1997	1998
With Interceptor	$600	$650	$700	$750	$800	$850	$900	$950	$1,000
Without Interceptor	$430	$494	$560	$625	$690	$755	$820	$885	$950

- *Regulatory Compliance – Discharge Operating Permits.* The wastewater treatment system achieved 100 percent compliance with its NPDES discharge permit limits in 1998. This feat exceeds all past performance records. (See graph in preceding overview, page 44.) This continues a near-perfect performance streak this decade at all nine facilities.

  This level of technical excellence is recognized and is being acknowledged. For example, three facilities (Blue Lake, Stillwater and Hastings) received AMSA Platinum Awards for five consecutive years of perfect compliance.

  Treated wastewater quality in relation to selected performance standards for the Metro Plant and Regional Plants is summarized in the following graphs. The effluent, treated wastewater that is discharged to area receiving waters, is tested for Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS) and is consistently better than permit levels.

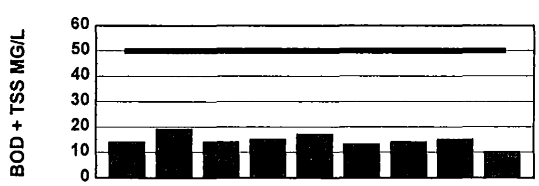
  In addition, note that:

  — Scheduled acute and chronic toxicity tests conducted at MCES's treatment plants in 1998 identified that no toxicity was occurring.

  — All underground storage tanks (USTs) were replaced or upgraded by December 22, 1998, as required by the 10-year federal UST program begun in 1988. More than $136,000 was recovered from the State to help reimburse the Council for cleanup costs.

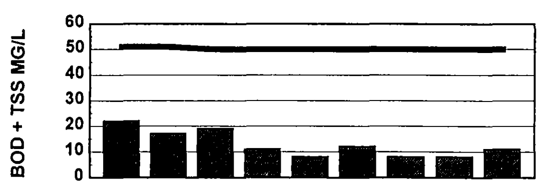
Treatment Plant Performance: 1990 to 1998

Metro Plant Average Effluent Discharge



	90	91	92	93	94	95	96	97	98
Permit	50	50	50	50	50	50	50	50	50
Actual	14	19	14	15	17	13	14	15	10

Regional Plants Average Effluent Discharge



	90	91	92	93	94	95	96	97	98
Permit	51	51	50	50	50	50	50	50	50
Actual	22	17	19	11	8	12	8	8	11

- *Beneficial Reuse of Biosolids.* Two beneficial-reuse programs were administered in 1998. N-Viro Soil was applied to 28 sites, encompassing 471 acres; and ash was utilized in construction products (15,476 dry tons in Holnam Cement, 108 dry tons in Valley Paving asphalt, and 200 dry tons in Cemstone flowable fill).

- *Capital Projects.* Improvements in 1998 related to wastewater treatment include:

  — Metro Plant solids replacement technology was selected in 1998. Considerable public input was factored into the Council decision. The new technology will replace obsolete equipment and will improve air quality, including mercury emissions and odors. The project was set at $185 million.

  — The Blue Lake solids processing project was approved by the Council, after several years of discussion and pursuing alternative approaches to delivering competitive capital projects. The decision provided for a design/build approach, coupled with contract operations. A public/private partnership approach is under discussion with the contractor.

— Follow-up to siting of the South Washington County Plant that was resolved in 1997. A public hearing and adoption of the facility plan occurred in 1998, with support of the Cottage Grove city council and the community.

Cost-Competitive Business Processes

MCES's bottom-line commitment to the region is **high-quality water provided in a value-added manner**. The following items highlight key aspects of MCES's financial planning and management and support-process improvements designed to add increasingly more value for the region's ratepayers.

Key Business Processes

Of MCES's 10 key business processes, priority attention was given to these four management processes in 1998: Customer Relations, Finance, Information, and Human Resources. Schematics of important aspects of each of these processes were prepared as a tool for reengineering the processes for optimal performance and preliminary improvements to these processes were made.

Financial Planning and Resource Allocation

MCES maintains rates that are below the national average and is committed to improvement in its competitive standing. As a result of Council-controlled increases in rates through its rate policy and implementation of MCES's budget reduction goal, MCES will save current and future ratepayers approximately $150 million through 2001 (see graph in preceding overview, page 45).

Budget Reduction Goal. MCES has developed a goal for short-term cost reduction that responds to customer input and other external forces for change. MCES will reduce its annual budget (from the 1998 unamended base) $20 million by the year 2001 by controlling debt service expenditures, flattening non-labor expenses such as utility costs, and reducing the size of the workforce. The $20 million reduction will result in an estimated 15 percent decrease in rates by 2001, as summarized in MCES's 1998-2002 Plan for Allocating Resources (PAR) and the 1999 Annual Budget.

1998 Annual Budget and Favorable Variance. Year-end expenses and revenues have resulted in a 1998 projected positive variance of 2.4 percent (approximately $4 million) of the total amended budget of $168.7 million. Of the variance, 25 percent was due to spending under budget and 75 percent was due to additional revenue, including $100,000+ in SAC audit-related revenue.

The Metropolitan Council approved a revised MCES favorable variance policy in December 1998. The policy allows use of revenue-related variances to create a working capital fund needed as a follow-up to the changed billing process introduced in early 1998. The policy also allows variances created by underspending (and any excess revenue variance) to be used for short- and long-term rate reduction.

1999-2001 Annual Budgets. The MCES 1999 approved budget is $10.4 million below the 1998 unamended base budget. An additional $9.6 million in cuts will be made by 2001.

- *Workforce Reductions.* Between 1994 and 1998, MCES reduced its workforce through attrition by 183 positions (see graph in preceding overview, page 45). As part of the planned budget reductions, MCES will eliminate 220 additional positions between 1998 and 2001 for a total workforce reduction of 35 percent. A late 1998 voluntary separation program has already resulted in reduction of approximately 120 of the 200 designated positions for 1999-2001.
- *Non-Labor Expenses.* By continuing efforts to buy commodities in bulk, buy cooperatively with other organizations, and negotiate better utility rates, MCES is flattening its non-labor program expenses. For example, in 1997 and 1998 MCES received rebates of $1.8 million from NSP for its energy efficiency measures. Such cost-containment efforts will continue in 1999 and beyond.
- *Debt Service.* Debt service is about 40 percent of the MCES annual budget. In the early 1990s, the organization prepaid and restructured its debt, saving millions of dollars in debt service costs. MCES continues to see debt as a high-priority issue. To control debt service expenses in the future, MCES is reexamining the timing, scope, and costs of its major capital projects. MCES is also shifting projects to pay-as-you-go financing to avoid interest expenses.

Capital Budget and Program. Year-end projected expenses for 1998 and highlights of the 1999 capital budget approved in December 1998 are as follows.

The 1998 year-end capital program expenditures are projected to be approximately $34 million, compared to $66 million projected by the budget. Adjustments have been made to the methodology of cost-expense estimating for the 1999 capital budget. A total of 17 engineering contracts were awarded in 1998. These contracts had an estimated value of $15.87 million, as compared to the 27 contracts for $8.82 million in 1997. A total of 12 construction contracts were awarded in 1998. These contracts have an estimated value of $28.95 million, compared to the 17 contracts in 1997 for $22.67 million. The approved 1999 budget of $59.2 million includes projected expenditures for the active projects in both the 1999 capital programs and previously authorized capital programs.

Information Systems Development

The following MCES information management systems (described in the 1997 *Performance Evaluation Report*) are on track regarding their upgrade and/or development and include modifications to ensure compliance with Y2K needs.

- Environmental Information Management System (EIMS)
- Laboratory Information Management System (LIMS)
- Interceptor Metering and Alarm System
- Metro Plant and Regional Plants Process Control Systems
- Computerized Maintenance and Materials Management System (CMMIS)

Additional information system enhancements are occurring, including (1) industrial waste data handling and management, (2) creation of a virtual library, and (3) use of web technology.

Human Resources Strategic Planning

MCES's overarching business goal related to human resources management is for the workforce to be accountable, productive and empowered. Specific goals include a workforce that is right-sized and diverse, flexible and properly located, and skilled and capable. The focus in 1998 was on the development and initial implementation of a human resources strategic plan designed to facilitate achievement of the above goals and to contribute to the achievement of MCES's budget reduction goal established in 1998.

The MCES Human Resources Strategic Plan was developed by a cross-functional team and includes input from labor unions and the employees at large. The plan is intended to achieve the twin goals of:

- Reducing the labor portion of the 1999-2001 budgets by $12 million or 60 percent of the total $20 million planned reduction, and
- Maintaining necessary competencies in all work units through retraining and reengineering to continue providing high quality services for the metropolitan region.

Implementation efforts in 1998 focused on the reduction of staff. The focus for 1999 will be on organization development, including reengineering of work processes and retraining and skill enhancement of staff.

As MCES continues to evolve and to experience significant change, support programs will exist to assist with the effects of change and the need to ensure compliance with basic human resource requirements. Key support initiatives and programs include: (1) updated administrative policies and procedures to assist staff in better aligning their work efforts; (2) positive performance management improvements related to performance appraisals, employee recognition, management and employee development, and positive discipline; (3) management of a diverse workforce; and (4) safety awareness and risk-reduction programs.

Next Steps

Several challenges exist as MCES moves forward in 1999. These challenges include a change in political leadership, competition from the private sector, evolution of water resources management, and rising customer expectations. MCES is committed to meeting these and other challenges by applying these three guiding principles:

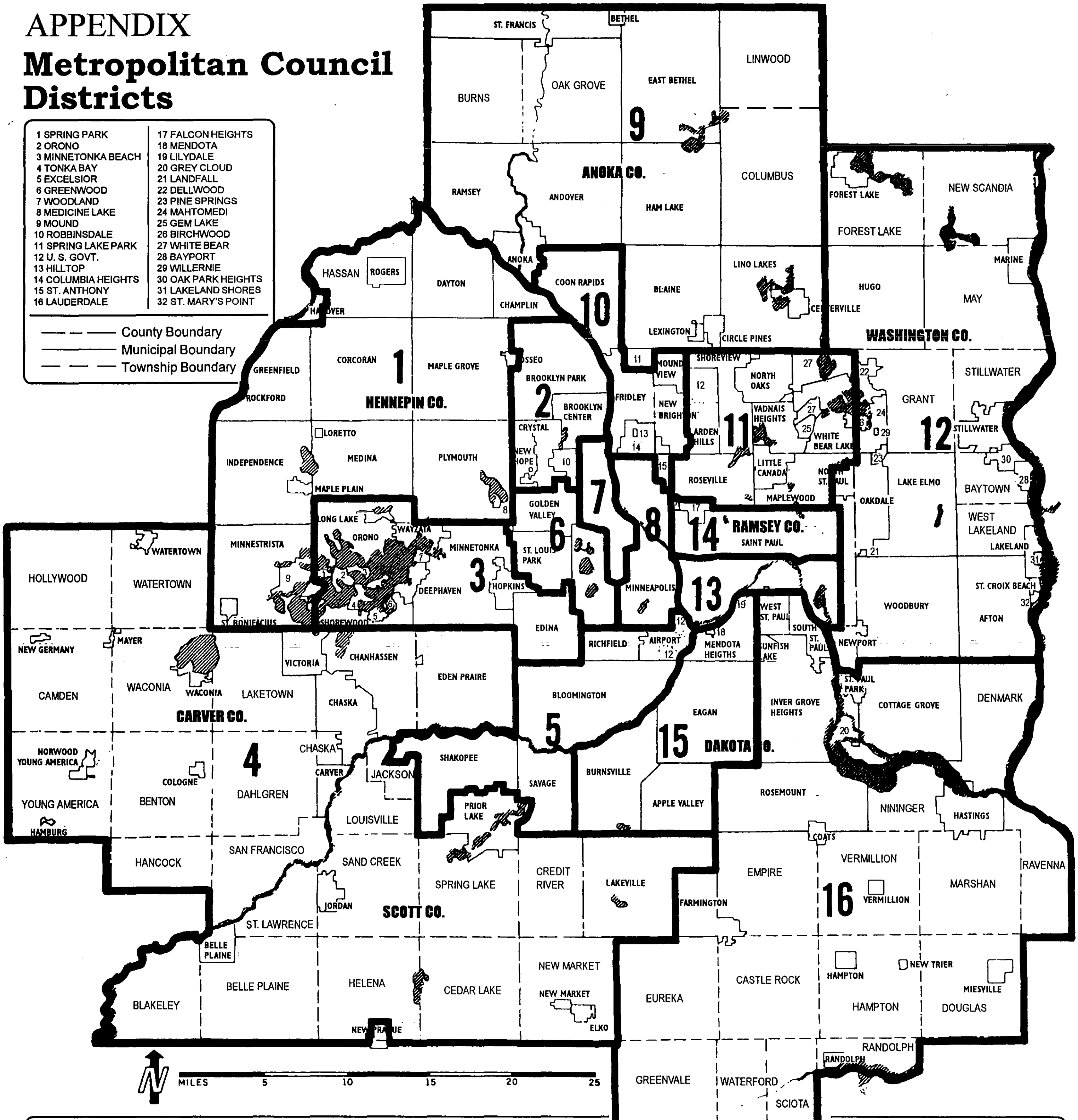
1. Plan effectively at a watershed level.
2. Implement plans through leveraged partnerships.
3. Provide cost- and quality-competitive services.

The theme for 1999 will be continued accelerated implementation of the *Water Resources Management Policy Plan and* MCES's revised strategic business plan, *Navigating the Waters of Regional Change.* Doing so will ensure MCES's evolution toward full delivery of these important outcomes for the region:

- Customer Satisfaction
- A Sustainable Regional Environment
- Fishable/Swimmable Waters and Quality Collection and Treatment of Wastewater
- Cost-Competitive Rates and Processes.

APPENDIX

Metropolitan Council Districts



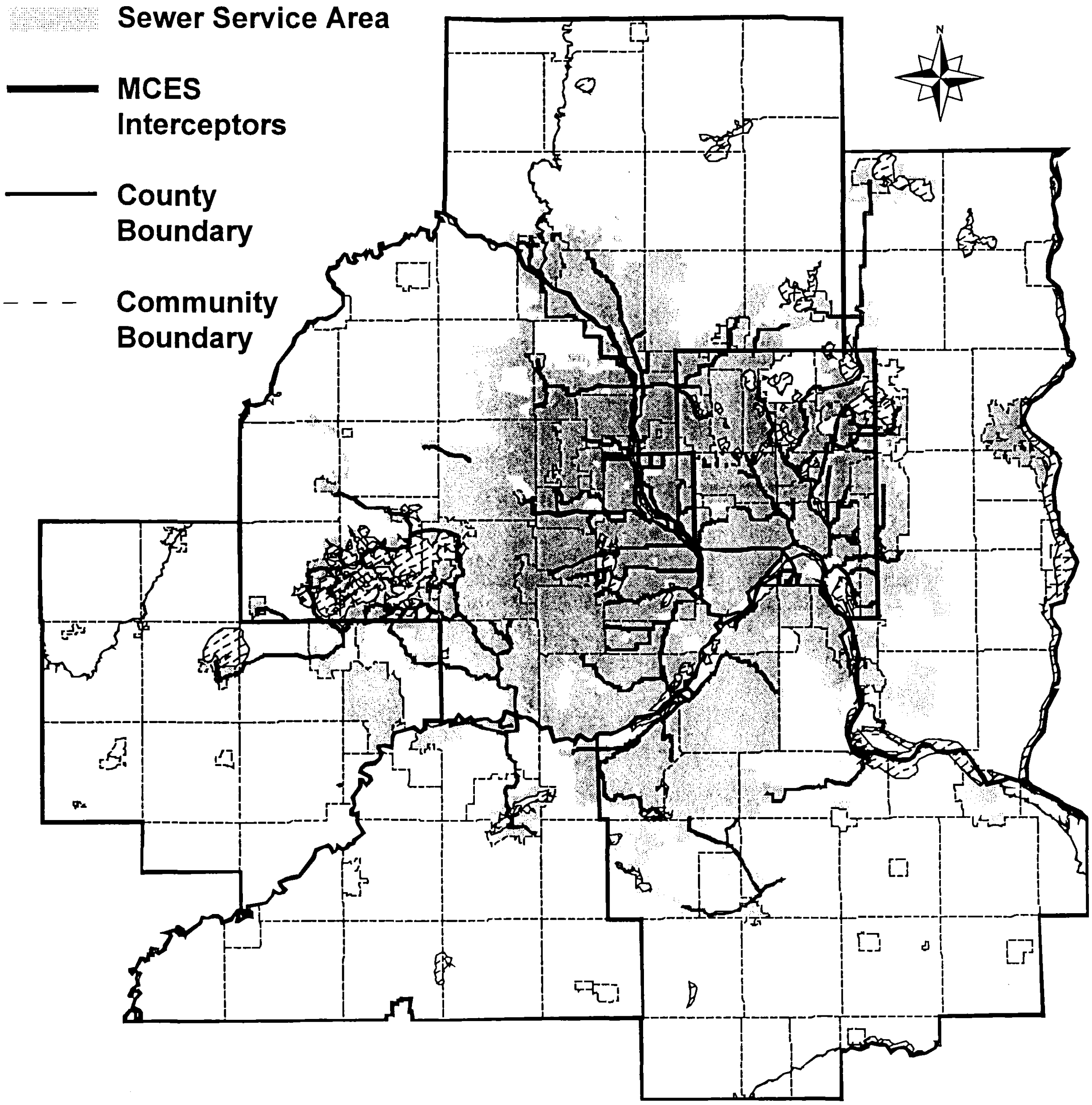
The Council members and their districts are as follows: Chair — Ted Mondale

1 — Saundra Spigner, Plymouth
2 — Todd Paulson, Brooklyn Center
3 — Mary H. Smith, Orono
4 — Julius C. Smith, Chaska
5 — Phil Riveness, Bloomington
6 — Caren Dewar, Minneapolis
7 — Matthew L. Ramadan, Minneapolis
8 — Carol A. Kummer, Minneapolis
9 — Natalie Haas Steffen, Ramsey
10 — James W. Nelson, Columbia Heights
11 — Roger Williams, Arden Hills
12 — Marc Hugunin, Stillwater
13 — Fred Perez, St. Paul
14 — Lee Pao Xiong, St. Paul
15 — Carolyn Rodriguez, Apple Valley
16 — John Conzemius, Douglas Twp.

April 1999

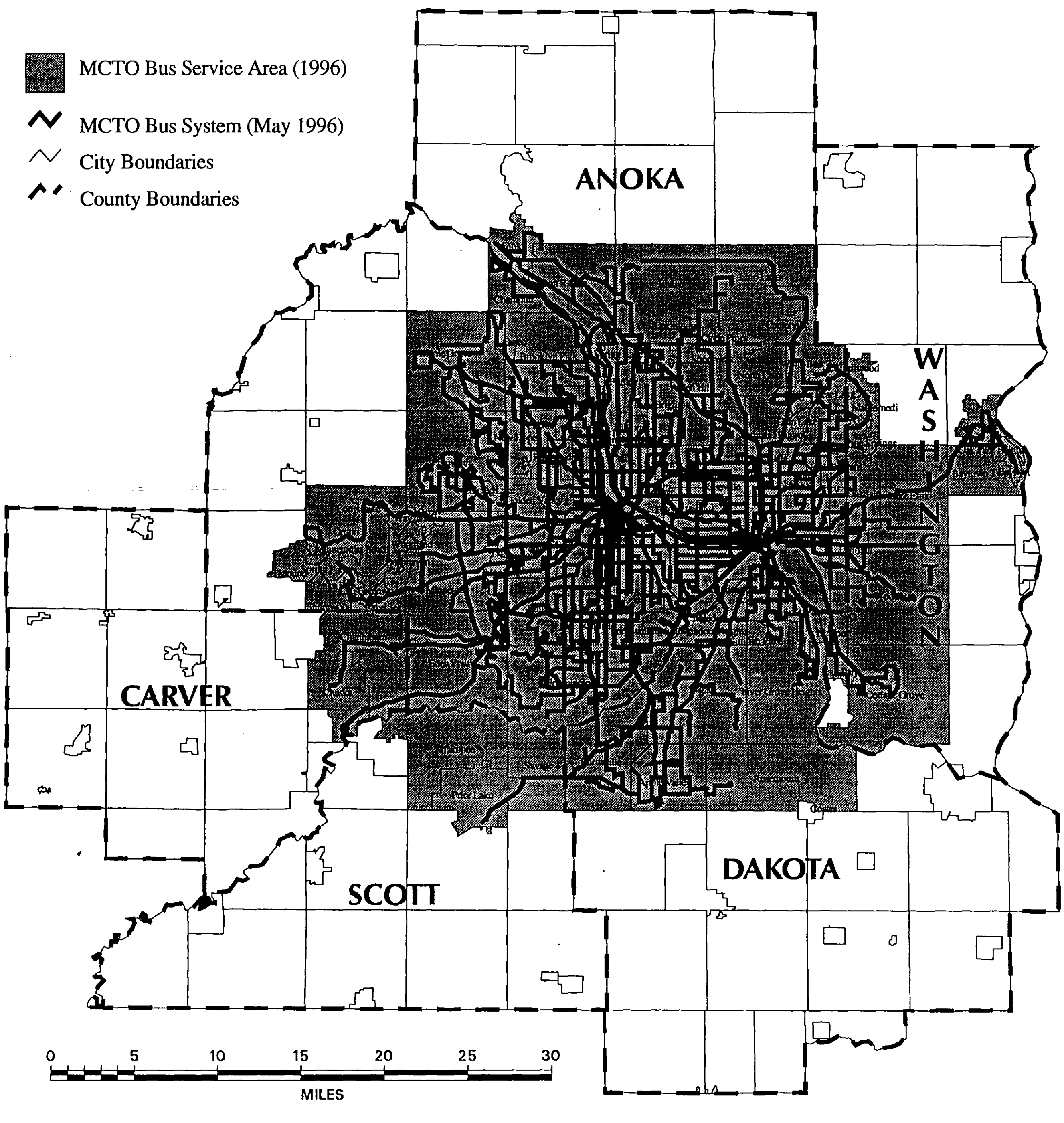
Metropolitan Council Environmental Services

Sewer Service Network



December 1996

Metropolitan Council Transit Operations Communities within Bus Service Area

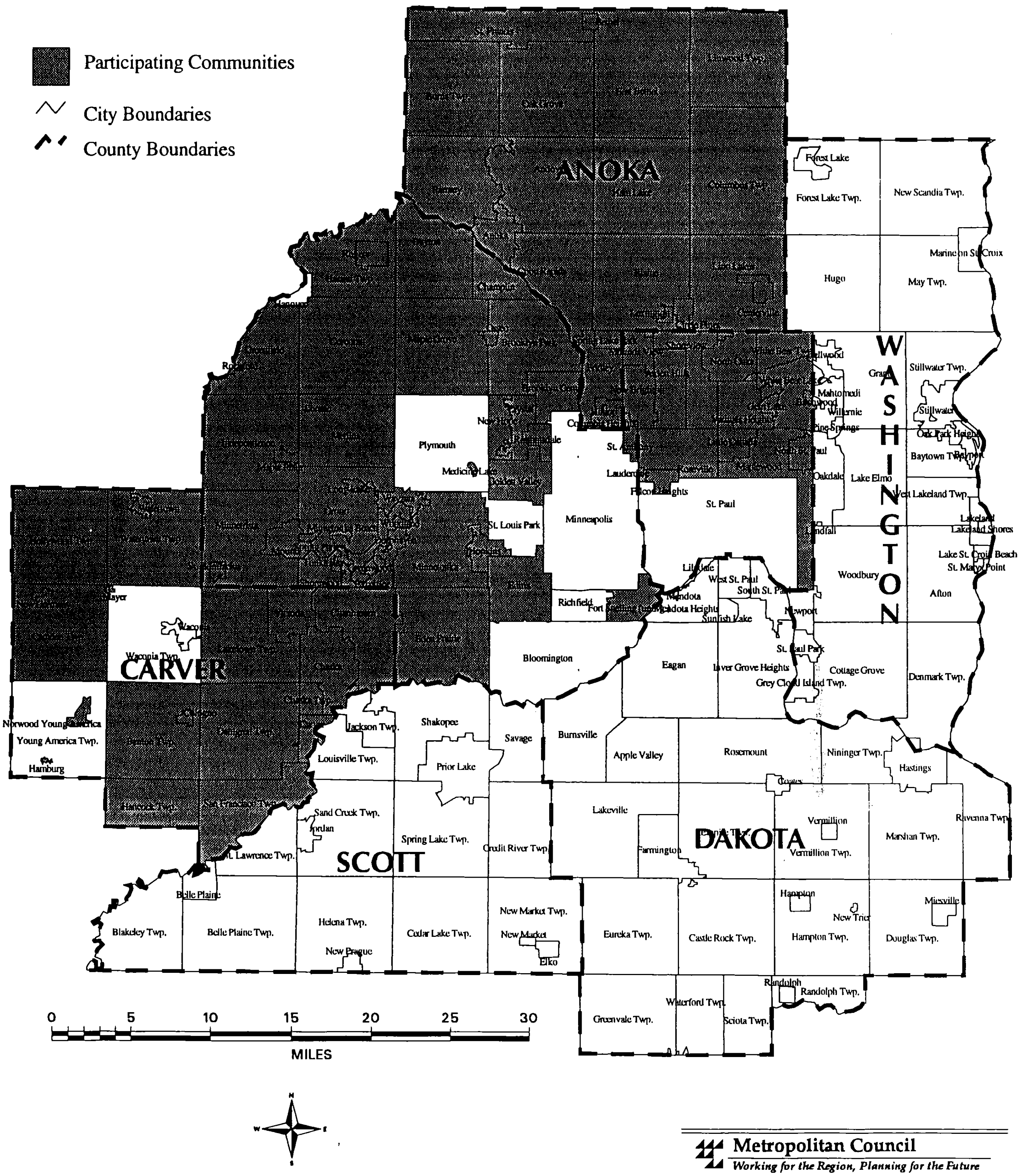


Metropolitan Council
Working for the Region, Planning for the Future

Metropolitan Council GIS

December 1996

Metropolitan Council HRA
Participating Communities



Metropolitan Council
Working for the Region, Planning for the Future
Mears Park Centre 230 East Fifth Street St. Paul, Minnesota 55101-1634
(612) 602-1000 Fax 602-1550 TDD/TTY 291-0904 Metro Info Line 602-1888

Metropolitan Council GIS April 1997

APPENDIX Listing of Reports with Additional Information

Additional information regarding the Council's 1998 work program and performance are available in the documents listed below. These documents are available from the Council Data Center, telephone 602-1140.

Title	Date or Publication Number	Prepared by:
Environmental Services 1998 Performance Report	January 1999	M. C. -- Environmental Services Division
Navigating the Waters of Regional Change: MCES Strategic Business Plan Revised Edition: January 1999	32-99-005	M. C. -- Environmental Services Division
Water Resources Management Policy Plan, Adopted by the Council, December 1996	32-96-050	M. C. -- Environmental Services Division
Protecting Our Future Metropolitan Council Environmental Services	1996-1998 Biennial Report	M. C. --Environmental Services Division
Metropolitan Council 1998 Annual Report	14-99-001	Metropolitan Council
1998 Annual Report Appendix	14-99-002	Metropolitan Council
Metropolitan Council Comprehensive Annual Financial Report for Year ended December 31, 1998	**(To be Published later)**	Metropolitan Council
Regional Transit Marketing Plan 1998	14-98-012	M.C. -- Transportation Division
Twin Cities Commuting Area Transportation System Performance Audit	**1998**	M.C. -- Transportation Division
Transit Redesign-1996	**35-96-009**	M.C. -- Transportation Division
Metropolitan Council Transit Operations Business Plan--Setting Transit Redesign in Motion 1997-1998	**35-96-048**	M.C. -- Transportation Division
1999 Transportation Unified Planning Work Program for the TCMA	**35-98-044**	M.C. -- Transportation Division
Metro Livable Communities Act...Affordable Life-Cycle Housing Goals For Communities Initiating Participation or Renegotiating Goals-1999	74-99 -007	M.C.--Community Development Division
The Metropolitan Council's Plan for Monitoring Affordable and Life-Cycle Housing Part I	74-97-065	M.C.--Community Development Division

FINANCIAL SUMMARY
Budget to Actual Comparison

Comparison of 1998 actual operating revenues and expenditures with the adopted budget is presented in the table that follows. The table includes the three organizational units of the Council: the Environmental Services division, Transportation division, and Regional Administration/Community Development division.

For the unified budget, operating revenues exceeded budget by approximately $5.8 million. Operating expenditures were less than budget by approximately $13.6 million. Overall for the unified operating budget, revenues and other sources exceeded expenditures and other uses by $9.3 million for 1998.

Environmental Services Division

The Environmental Services Division has responsibility for Regional Water Resources Planning and Wastewater Collection and Treatment. The division ended the year with a positive balance of approximately $8.9 million. The balance is comprised of $4.7 million of revenues over budget, due to investment earnings and sewer service charges that exceeded the budget, and $4.2 million in operating expenditures under budget. Of the several major expense categories under budget, the largest were Contracted Services, $1 million and Other Expenses, $3.4 million. Expense categories that were over budget were Wages and Benefits, $1.4 million due to costs related to an early retirement program, and Capital Outlay, $.8 million.

Consistent with state statute and pursuant to approval by the Environment Committee and the Council, the division amended the 1998 budget to recognize other sources and other uses of funds in an amount equal to the positive operating balance of $8.9 million. As a result, the division ended the year in balance between revenues and other sources, and expenditures and other uses.

A Working Capital Fund was established to provide necessary reserves to support the new billing system for wastewater service charges. The remaining balance was added to the Contingency Reserve.

Transportation Division

The Transportation division includes the Office of Transportation and Transit Development and Metro Transit. Information on transit services is presented in the Transportation Division section of this report.

The actual results for the year for the Division show a surplus of $1.3 million of revenues and other sources less expenses. Revenues, including property taxes, state appropriation, passenger fares, and interest earnings were $189.7 million compared to budgeted revenues of $189.2 million, for a budget variance of $.5 million. Passenger fares and special fares exceeded budget by approximately $2 million, interest earnings exceeded budget by $1.2 million, and local revenues were under budget by $2.6 million.

Expenditures were $187.9 million compared to budget of $193.9 million, for a budget variance of $6 million. Expenses were under budget approximately $2.1 million for contractual services, and $4.8 million for Transit Provider Assistance. Insurance costs exceeded budget by $2 million. The adopted budget for Metro Transit does not include depreciation and therefore depreciation is not included in the budget to actual table in this report. However, the actual results for the year as reported in the Comprehensive Annual Financial Report does include depreciation, therefore, the results reported in the accompanying budget table will differ from the Comprehensive Annual Financial Report.

Regional Administration and Community Development

Regional Administration and Community Development include the General Fund, HRA operating fund and capital outlay fund. These funds ended the year with a combined deficit of approximately $50,000.

Revenues for 1998 were $17.7 million compared to budget of $17.2 million. Expenditures totaled $40.4 million compared to the budget of $43.1 million. Approximately $3 million of 1998 expenditure authority was carried over to the 1999 budget under a budget amendment approved in the first quarter 1999. Projects with budget authority carryover into 1999 include Year 2000 computer related work, a consultant project on the regional fiscal impact of development, regional parks user surveys and GIS data acquisitions.

Regional Administration provides centralized administrative services to all Council divisions and allocates the costs of administrative services to the divisions based on approved procedures. Total allocated costs for 1998 were $23.8 million compared to budget of $22.2 million. The increase is due primarily to Year 2000 project costs.

FINANCIAL SUMMARY
Budget to Actual Comparison

Comparison of 1998 actual operating revenues and expenditures with the adopted budget is presented in the table that follows. The table includes the three organizational units of the Council: the Environmental Services division, Transportation division, and Regional Administration/Community Development division.

For the unified budget, operating revenues exceeded budget by approximately $5.8 million. Operating expenditures were less than budget by approximately $13.6 million. Overall for the unified operating budget, revenues and other sources exceeded expenditures and other uses by $9.3 million for 1998.

Environmental Services Division

The Environmental Services Division has responsibility for Regional Water Resources Planning and Wastewater Collection and Treatment. The division ended the year with a positive balance of approximately $8.9 million. The balance is comprised of $4.7 million of revenues over budget, due to investment earnings and sewer service charges that exceeded the budget, and $4.2 million in operating expenditures under budget. Of the several major expense categories under budget, the largest were Contracted Services, $1 million and Other Expenses, $3.4 million. Expense categories that were over budget were Wages and Benefits, $1.4 million due to costs related to an early retirement program, and Capital Outlay, $.8 million.

Consistent with state statute and pursuant to approval by the Environment Committee and the Council, the division amended the 1998 budget to recognize other sources and other uses of funds in an amount equal to the positive operating balance of $8.9 million. As a result, the division ended the year in balance between revenues and other sources, and expenditures and other uses.

A Working Capital Fund was established to provide necessary reserves to support the new billing system for wastewater service charges. The remaining balance was added to the Contingency Reserve.

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The Transportation division includes the Office of Transportation and Transit Development and Metro Transit. Information on transit services is presented in the Transportation Division section of this report.

The actual results for the year for the Division show a surplus of $.9 million of revenues and other sources less expenses. Revenues, including property taxes, state appropriation, passenger fares, and interest earnings were $189.7 million compared to budgeted revenues of $189.2 million, for a budget variance of $.5 million. Passenger fares and special fares exceeded budget by approximately $2 million, interest earnings exceeded budget by $1.2 million, and local revenues were under budget by $2.6 million.

Expenditures including interdivisional cost allocation were $186.9 million compared to budget of $193.9 million, for a budget variance of $7 million. Expenses were under budget approximately $2.1 million for contractual services, and $4.8 million for Transit Provider Assistance. Insurance costs exceeded budget by $2 million. The adopted budget for Metro Transit does not include depreciation and therefore depreciation is not included in the budget to actual table in this report. However, the actual results for the year as reported in the Comprehensive Annual Financial Report does include depreciation, therefore, the results reported in the accompanying budget table will differ from the Comprehensive Annual Financial Report.

Regional Administration and Community Development

Regional Administration and Community Development include the General Fund, HRA operating fund and capital outlay fund. These funds ended the year with a combined deficit of approximately $90,000.

Revenues for 1998 were $17.7 million compared to budget of $17.2 million. Expenditures totaled $40.4 million compared to the budget of $43.1 million. Approximately $3 million of 1998 expenditure authority was carried over to the 1999 budget under a budget amendment approved in the first quarter 1999. Projects with budget authority carryover into 1999 include Year 2000 computer related work, a consultant project on the regional fiscal impact of development, regional parks user surveys and GIS data acquisitions.

Regional Administration provides centralized administrative services to all Council divisions and allocates the costs of administrative services to the divisions based on approved procedures. Total allocated costs for 1998 were $23.8 million compared to budget of $22.2 million. The increase is due primarily to Year 2000 project costs.

PERFORMANCE REPORT BUDGET VS ACTUAL SPREADSHEET
METROPOLITAN COUNCIL
1998

	REGIONAL ADMINISTRATION /COMMUNITY DEVELOPMENT Including HRA and Capital			ENVIRONMENTAL SERVICES DIVISION Excluding Debt Service			TRANSPORTATION DIVISION			foot note
	PROJECTED ACTUAL	BUDGET	(UNFAVORABLE) FAVORABLE VARIANCE	PROJECTED ACTUAL	BUDGET	(UNFAVORABLE) FAVORABLE VARIANCE	PROJECTED ACTUAL	BUDGET	(UNFAVORABLE) FAVORABLE VARIANCE	
EXTERNAL REVENUE										
Property Taxes	($7,861,508)	($7,720,500)	$141,008				($56,946,561)	($67,024,372)	($10,077,811)	
State Revenue	($5,144,090)	($5,198,120)	($54,030)	($278,951)	($461,000)	($182,049)	($63,821,093)	($53,695,000)	$10,126,093	
Federal Revenue	($3,148,945)	($2,852,832)	$296,113				($4,727,802)	($4,573,735)	$154,067	
Local Revenue	($105,095)	($314,200)	($209,105)				($227,235)	($2,843,000)	($2,615,765)	
Sewer Service Charges				($94,860,437)	($92,518,000)	$2,342,437				
Industrial Strength Charges				($7,798,654)	($9,178,000)	($1,379,346)				
Fares & Related Revenue							($61,382,674)	($59,405,879)	$1,976,795	
Investment Earnings	($511,405)	($384,721)	$126,684	($2,824,925)	($625,000)	$2,199,925	($1,997,015)	($850,000)	$1,147,015	
Other Revenue	($972,955)	($753,888)	$219,067	($3,293,531)	($1,519,432)	$1,774,099	($587,326)	($795,200)	($207,874)	
Total Revenue	($17,744,000)	($17,224,261)	$519,739	($109,056,498)	($104,301,432)	$4,755,066	($189,689,706)	($189,187,186)	$502,520	
EXPENDITURES										
Salaries, Wages, & Fringes	$17,590,854	$17,005,658	($585,196)	$60,639,984	$59,332,705	($1,307,279)	$118,926,736	$119,538,385	$611,649	
Contracted Services	$11,416,727	$13,612,115	$2,195,388	$4,868,774	$6,150,079	$1,281,305	$3,326,365	$5,468,287	$2,141,922	
Rent & Utilities	$2,219,689	$2,104,535	($115,154)	$10,916,390	$11,550,251	$633,861	$2,512,407	$3,101,962	$589,555	
Materials & Supplies	$1,803,501	$852,005	($951,496)	$4,489,367	$4,497,759	$8,392	$15,602,051	$15,562,519	($39,532)	
Chemicals				$3,707,801	$3,817,506	$109,705				
Insurance	$662,345	$818,348	$156,003	$601,134	$1,393,500	$792,366	$2,033,931	$2,000	($2,031,931)	
Other Expense	$1,741,031	$2,380,920	$639,889	$2,138,936	$5,498,006	$3,359,070	$2,433,653	$2,474,491	$40,838	
Transit Provider Expenditure							$30,739,388	$35,572,670	$4,833,282	
HRA Administrative Fees	$1,051,380	$1,066,364	$14,984					$147,290	$147,290	
Grants	$3,049,557	$3,033,078	($16,479)				$685,812	$1,000,000	$314,188	
Capital Outlay	$864,519	$2,111,042	$1,246,523	$3,121,527	$2,632,369	($489,158)		$5,000	$5,000	
Debt Service Expense		$68,600	$68,600							
Total Expenditures	$40,399,602	$43,052,665	$2,653,063	$90,483,913	$94,872,175	$4,388,262	$176,260,343	$182,872,604	$6,612,261	
Other Financing Sources/(Uses)										
Net Interdivisional Cost Allocation	($23,796,068)	($22,226,568)	$1,569,500	$12,024,833	$13,393,344	$1,368,511	$10,662,147	$11,043,622	$381,475	
Working Capital Fund				$3,235,862		($3,235,862)				
Retained Earnings Reserves				$6,177,877		($6,177,877)				
Other	$1,230,911	($5,321)	($1,236,232)	($2,865,987)	($3,964,087)	($1,098,100)	$1,804,191	($240,000)	($2,044,191)	
Surplus(Deficit)	($90,445)	($3,596,515)	$3,506,070				$963,025	($4,489,040)	$5,452,065	