



05 - 0285

March 22, 2005

Senator Steve Kelly  
Chair, Transportation Policy and Budget Division  
Room 205 State Capitol  
St. Paul, Minnesota 55155

Representative Mary Liz Holberg  
Chair, House Transportation Finance Committee  
349 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

Representative Ron Erhardt  
Chair, House Transportation Policy Committee  
591 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
St. Paul, Minnesota 55155

Dear Chairs:

Legislation contained in 2003 1<sup>st</sup> Special Session Laws, Chapter 19, Section 3 required the Council to report to the Chairs of the Senate and House of Representatives committees with jurisdiction over Transportation Policy and Finance regarding the distribution and impacts of the base budget reductions. As the Chair of the Metropolitan Council, I am fulfilling this requirement by providing an update to the report submitted to you on Dec. 15, 2003.

The initial report included a description and enumeration of programs that had their activities and spending levels reduced and the impacts on transit service levels and performance of the regular route and metro mobility systems. The report identified the total number of positions that were reduced or eliminated through attrition or layoffs, the number of positions reduced or eliminated in each of the bargaining units represented within the Council and the impact on the number of women and minorities employed by the Council.

Background on Action of the Legislature

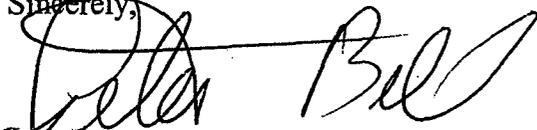
The state general fund appropriation for non-rail operations was reduced from an original 2002/2003 biennial appropriation of \$136.2 million to a 2004/2005 biennial appropriation of \$105.4 million, a 22.6% reduction.

Senator Steve Kelly  
Representative Mary Liz Holberg  
Representative Ron Erhardt  
March 22, 2005  
Page 3

### Metropolitan Transportation Services

- Metro Mobility  
Provides transit services to persons with disabilities. In 2003, state funds were reduced by 8.6%. In response, the Council increased some Metro Mobility fares, reduced hours of service, restructured programs, and increased use of federal funds. In 2004, these actions remained in place. Despite these changes, ridership increased 1.9% from CY 2002 to CY 2004.
- Contracted Regular Routes  
Uses private and non-profit entities to provide transit service under contract. State funds were reduced by 33% from CY 2002 budget to CY 2004 budget for this program. A fare increase and additional federal funds were used to offset a portion of this shortfall and ridership decreased by 1.7% from CY 2002 to CY 2004 due to service reductions and the fare increase.
- Transportation Planning  
State funding was reduced to the minimum required to match federal funds and two of fourteen positions have been held open.
- Metro Commuter Services  
All state funding was eliminated from this program. Two of nine positions were eliminated.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Bell", written over a horizontal line.

Peter Bell  
Chair

Contents

**Introduction..... 3**

**Background on Action of the Legislature..... 3**

**Reason for this Report..... 3**

**Approach to Implementing Budget Reductions..... 4**

**Reduction to the Council’s Metro Transit Division..... 4**

*Impacts on Regular Route Transit Service Levels..... 4*

*Fare Increase Needed..... 5*

*Ridership Loss ..... 5*

*Approach to Implementing Administrative Program Reductions..... 5*

*Position Reductions ..... 5*

**Reduction to the Council’s Metropolitan Transportation Services Division ..... 6**

*Metro Mobility..... 6*

*Contracted Regular Routes ..... 6*

*Community Programs..... 6*

*Transportation Planning ..... 6*

*Metro Commuter Services ..... 6*

**Reduction to the Council’s Regional Administration Function ..... 7**

*Position Reductions ..... 7*

**Appendices:**

**Appendix A: Impact of Budget Reductions on Filled Positions**

**Appendix B: Metropolitan Council Eliminated Unfilled Positions**

## Introduction

In its November 2002 economic forecast, the Department of Finance projected a state revenue shortfall of \$356 million for the 2002/2003 biennium. As a result, the Metropolitan Council received a general fund unallotment of \$2.6 million. Then, for the 2004/2005 biennium, the state announced a \$4.2 billion revenue shortfall. To address this additional budget problem, the Metropolitan Council received a state general fund biennium reduction of \$18.8 million.

## Background on Action of the Legislature

The historical support of Metropolitan Council by the State of Minnesota through a general fund appropriation is shown below:

	State Biennium			
	1998-1999	2000-2001	2002-2003	2004-2005
Appropriation	\$98,702,000	\$113,602,000	\$130,872,000	\$107,103,000
% Change		15.1%	15.2%	-18.2%

The 2004/2005 state general fund appropriation for non-rail operations was reduced to \$107.1 million, an 18.2% reduction over the 2002/2003 biennial appropriation.

## Reason for this Report

This report responds to legislative direction outlined in Minnesota Session Laws 2003, 1st Special Session, Chapter 19 that directs the Metropolitan Council to report on the impact of state base budget reductions:

*Budget Base Reduction Report  
By December 15, 2003, and December 15,  
2004, the chair of the metropolitan  
council shall report to the chairs of  
the senate and house of representatives  
committees with jurisdiction over  
transportation policy and finance  
regarding the distribution and impacts  
of the base budget reductions. The  
report must include a description and  
enumeration of program activities with  
reduced spending levels and the impacts  
on transit service levels and  
performance of the regular route and  
metro mobility systems. The report  
must identify the total number of  
positions that were reduced or  
eliminated through attrition or  
layoffs, the number of positions  
reduced or eliminated in each of the*

*bargaining units represented within the council, and the impact on the number of women and minorities employed by the council.*

### **Approach to Implementing Budget Reductions**

The Council used these guiding principles in addressing its budgetary shortfall:

- Provide a balanced solution to minimize the impact on transit riders
- Preserve the integrity of the regional transit system while recognizing economic realities
- Be ready to grow the system in better economic times
- All portions of the Council will share in the solution

### **Reduction to the Council's Metro Transit Division**

Metro Transit began 2003 with a Council approved budget of \$218.5 million, which assumed an annual service growth of 4.1 percent. This was consistent with the objective of the Council's Transit Master Plan to double the size of the transit system by 2020. The 2003 budget for bus operations of \$218.5 million represented an increase of \$13.7 million, or 6.7%, over the 2002 amended budget of \$204.8 million.

Metro Transit absorbed \$1.615 million of the 2002/2003 state base budget reductions. In 2004/2005, Metro Transit's allotment was further reduced by \$11.4 million.

### **Impacts on Regular-Route Transit Service Levels**

Public hearings on required service adjustments and reductions were held in April 2003. More than 1,500 customers commented on the proposed changes.

As a result, these reductions have been or will be implemented. The impact is expressed as an annual amount:

- 8 routes eliminated
- 43 routes reduced
- Platform hours reduced 6.0% or 132,368 annual hours from 2,196,543 to 2,064,175
- Platform miles reduced 5.3% or 1,552,554 annual miles from 29,174,732 to 27,622,176 miles
- PM peak bus fleet reduced 4.7% or 33 buses from 704 to 671 buses

Service cuts to Metro Transit regular-route (non-contract) system due to reduced funding were implemented in March, June and September 2003. In August 2003 Metro Transit also raised its rush-hour express fare by 25 cents.

By reducing service hours and miles traveled, Metro Transit was able to reduce related costs of operations. Bus operator positions were held vacant through attrition and other

service-related positions were not filled as vacancies occurred. Savings in diesel fuel and bus parts also were achieved.

### **Fare Increase Needed**

The fare to ride express buses during rush hours increased 25 cents to \$2.50 in August 2003. At the same time, afternoon rush-hour period changed to 3 to 6:30 p.m. rather than from 3:30 to 6:30 p.m.

Other regular-route fares were not changed.

The fare changes implemented in August were less substantial than originally planned due to legislative action during the special session to increase transit funding by about \$11 million during the biennium, or \$5.5 million per year.

### **Ridership Loss**

Metro Transit expects a ridership loss of 3.4 percent or 2.4 million rides, in 2003. This ridership reduction can be attributed to a number of factors including service reductions, fare increase and a weakened regional economy with high unemployment. (More than 75 percent of Metro Transit rides are taken by customers going to and from work.)

### **Approach to Implementing Administrative Program Reductions**

Metro Transit directed its managers to identify overhead cost savings that would contribute to solving both the current year budget shortfall and provide ongoing financial relief. The goal was to reduce overhead costs while maintaining quality of service. Each department director was required to identify savings that represented a reduction 6.1% of overhead costs in his or her respective area. Recommended reductions were reviewed by the executive team to ensure that savings were congruent with business needs.

### **Position Reductions**

As mentioned earlier, both service producing positions and overhead positions were targeted to meet the reduced spending levels.

Unfilled and filled positions were reviewed for cost savings potential. When possible, incumbents in positions slated for elimination were reassigned to other unfilled and open positions deemed essential for operations. The resulting retrenchment of staff is included in **Appendix A**. Staff at Metro Transit are represented by the Amalgamated Transit Union (ATU), Law Enforcement Labor Services (LELS), Transit Managers and Supervisors Association (TMSA) and others who are non-represented (Non-Rep).

**Appendix B** includes the budgeted, unfilled full-time equivalent positions that were also eliminated when vacancies occurred.

## Reduction to the Council's Metropolitan Transportation Services Division

The impacts on the Metropolitan Transportation Services 2003 budget are as follows:

- **Metro Mobility**: provides transit services to persons with disabilities that prohibit them from using the regular transit system.

State funds were reduced by 8.6% in 2003, from \$22 million to \$20.1 million. In response, the Council increased fares during rush hours from \$2.50 to \$3.00, reduced weekend service hours to ADA minimums, reduced some weekday service to ADA minimums, restructured programs to be more efficient, and used one-time federal funds to satisfy ridership increases of 7% without increasing trip denials.

- **Contracted Regular Routes**: use private and non-profit entities under contract to provide transit service.

State funds were reduced by 32% from 2003 to 2004 for this program. Through the use of one-time fund balances and increased federal funds, transit service is only being reduced 11% in 2004.

- **Community Programs**: are funds provided to counties and cities to provide transit service in rural areas and select cities.

These funds were held at the same levels as 2003, forcing some providers to reduce service.

- **Transportation Planning**: has held two planning positions unfilled out of fourteen and a five percent overall reduction in the Planning budget.
- **Metro Commuter Services**: which promotes alternatives to driving in single occupant vehicles had all of its State General Funds eliminated (\$115,000) and one position out of nine cut.

### **Reduction to the Council's Regional Administration Function**

Although no direct state dollars are provided for Regional Administration departments, costs for those functions are charged to the transportation units. Regional Administration and Community Development combined to provide a \$3 million reduction for the biennium in allocations to transportation units. Cuts in staffing and other expenses were made to meet the target. Staff reductions affected these bargaining units: American Federation of State, County and Municipal Employees (AFSCME), Confidential Managers Association (CMA), Metropolitan Council Management Association (MANA) and others who are non-represented (Non-Rep).

### **Position Reductions**

The elimination of some of these positions resulted in the retrenchment of employees. **Appendix A** includes the demographic information related to the incumbents of the eliminated positions. **Appendix B** displays the details about eliminated, unfilled positions.

**Appendix A**

**Metropolitan Council  
Impact of Budget Reductions  
on Filled Positions**

Employees Laid Off 30

**By Bargaining Unit**

AFSCME	9
CMA	1
Non-Rep	6
MANA	0
LELS	0
ATU	14
TMSA	0

**By Gender**

Male	14
Female	16

**By Ethnic Group**

African American	6
Hispanic/American Indian	1
White	21
Asian	2

**Appendix B**

**Metropolitan Council 2003 Eliminated Unfilled Positions**

<b><u>Bargaining Unit</u></b>	<b><u>Full-Time Equivalent Positions</u></b>
AFSCME	22.40
Non-Rep	16.30
CMA	1.00
MANA	3.00
LELS	1.00
ATU	151.31
TMSA	3.00
Unfilled Positions Eliminated	<u>198.01</u>