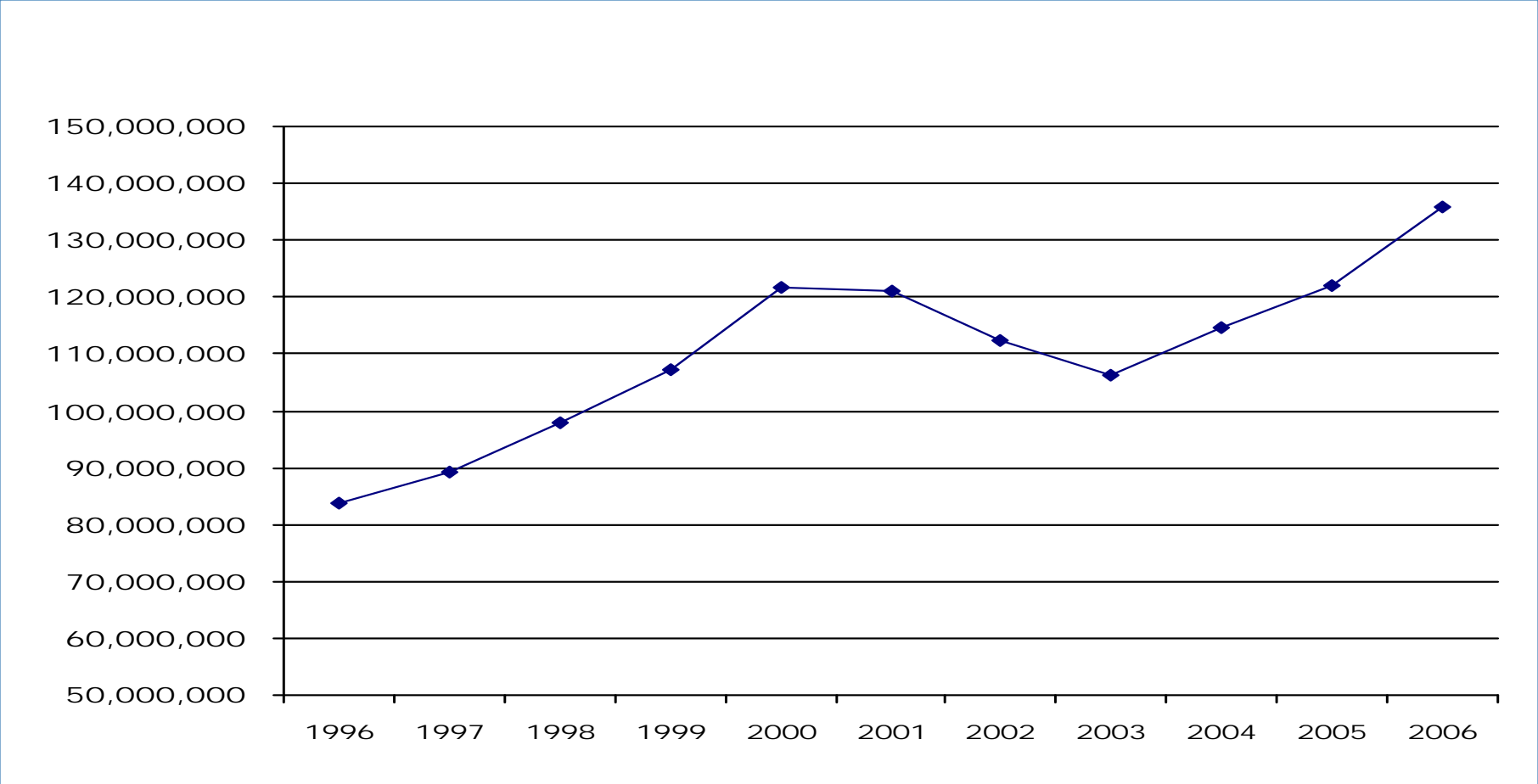


Financial Update

Chamber Transportation Committee

May 3, 2007

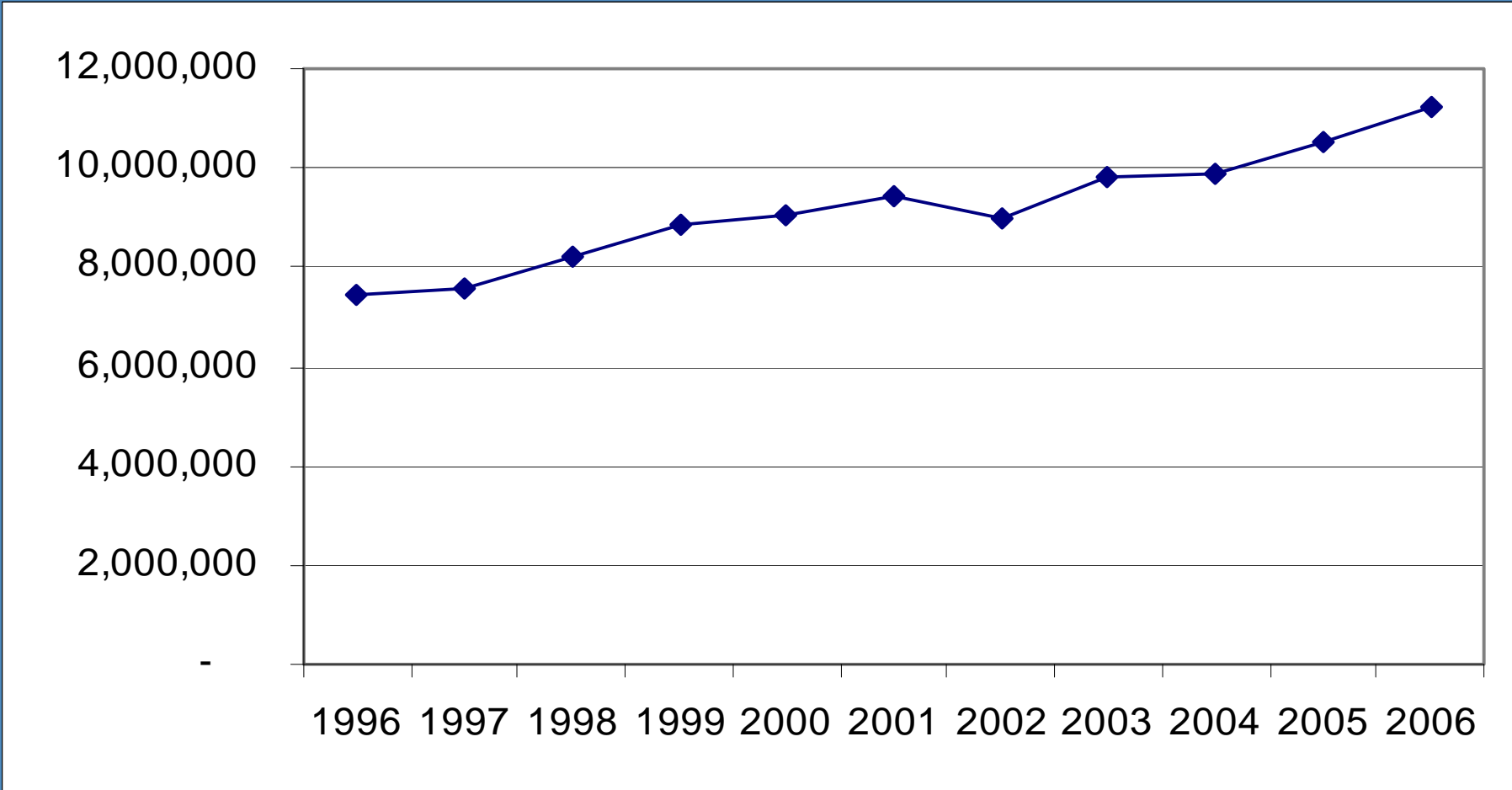
Sales Tax History



Average Growth Rate 5.2%

Compounded Growth Rate 4.96%

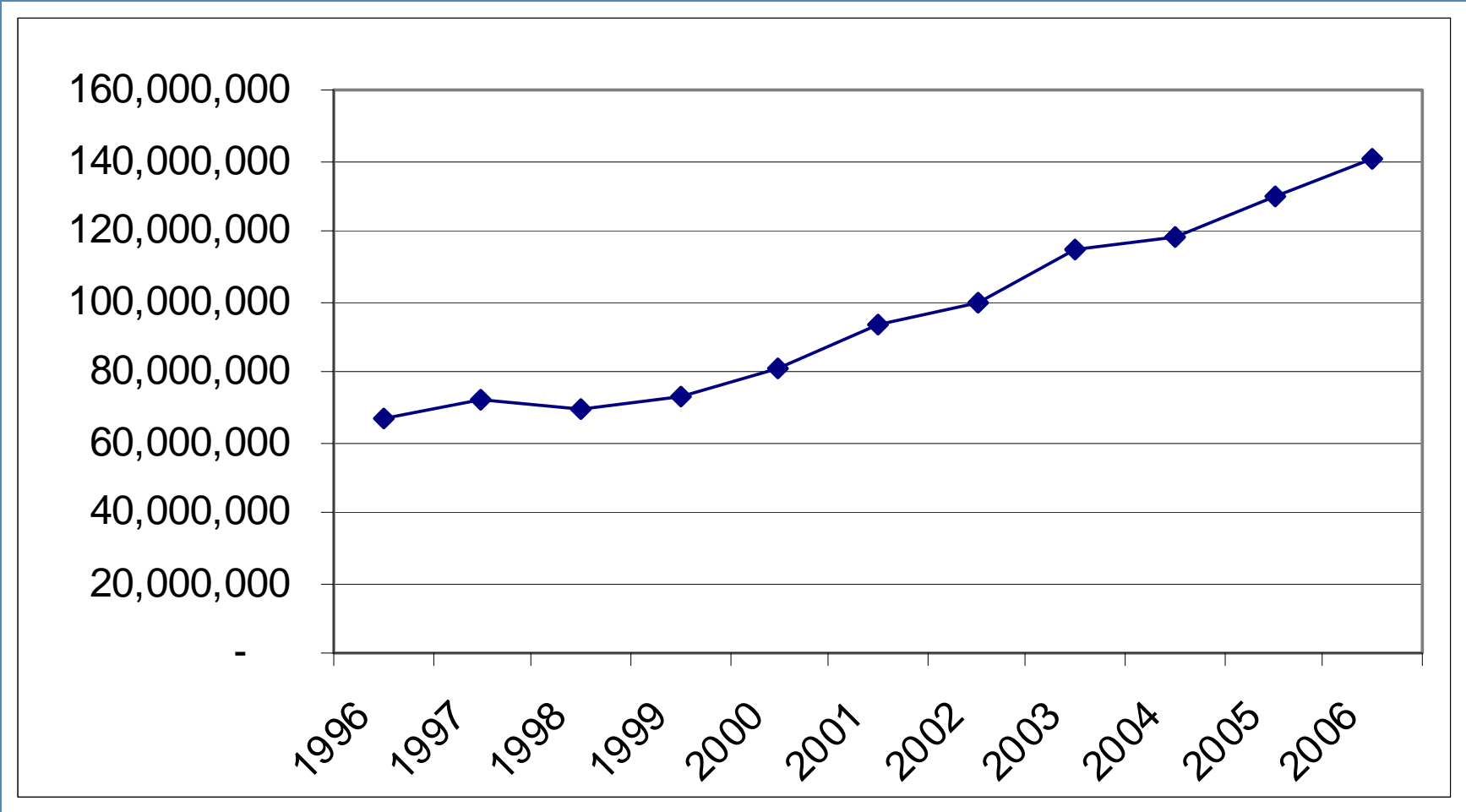
Fare Revenues History



Average Growth Rate 4.27%

Compounded Growth Rate 4.17%

Operating Expenses History



Average Growth Rate 7.79%

Compounded Growth Rate 7.64%

Texas Transit Agencies Fare Rate Comparison

Fare Comparison of Texas Properties as of Summer 2006

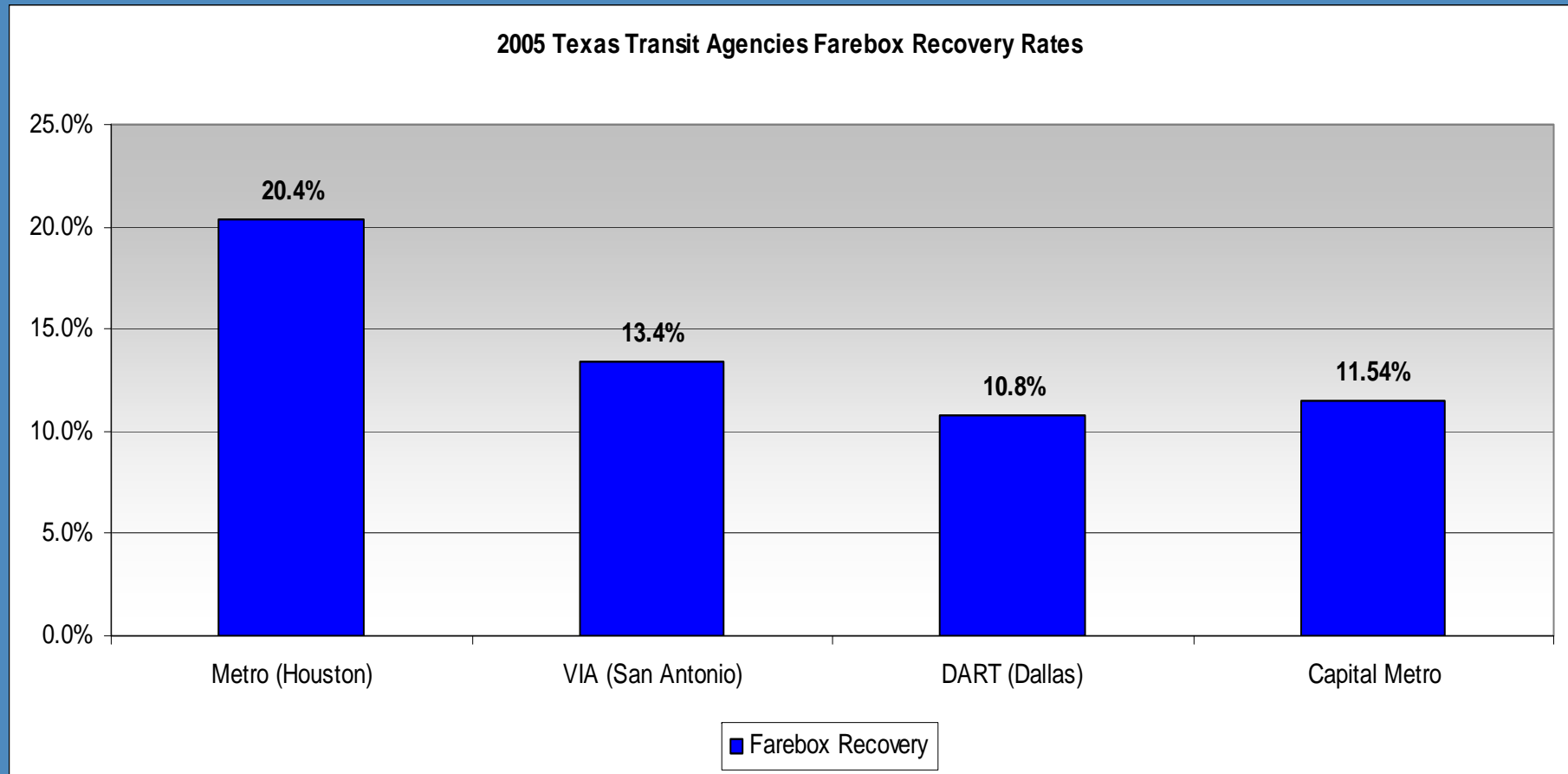
	Austin	Dallas Ft. Worth	San Antonio (Current)	San Antonio (Proposed)	Houston	Corpus Christi
Base Fare	\$ 0.50	\$ 1.25	\$ 0.80	\$ 1.00	\$ 1.00	\$ 0.75
Student Fare	0.25	0.50	0.40	0.50	0.40	0.35
Express	1.00	2.25	1.60	2.00	1.50 - 3.50	*1.25
Student Fare Express	0.50	0.50	0.80	1.00	.35 - .85	1.00
Day Pass	1.00	2.50	3.00	3.75	2.00	1.75
Senior Citizen	Free	0.50	0.40	0.50	0.40	0.25
31 Day Pass	10.00	40.00	20.00	25.00	35.00	30.00
31 Day Express	17.00	70.00	20.00	25.00	50.00 - 110.00	*12.50
STS Base Fare	0.60	2.50	1.25	1.60	1.15	1.25 - 3.25
STS Monthly	15.00	None	None	None	39.00	50.00



* For Park & Ride Routes Only

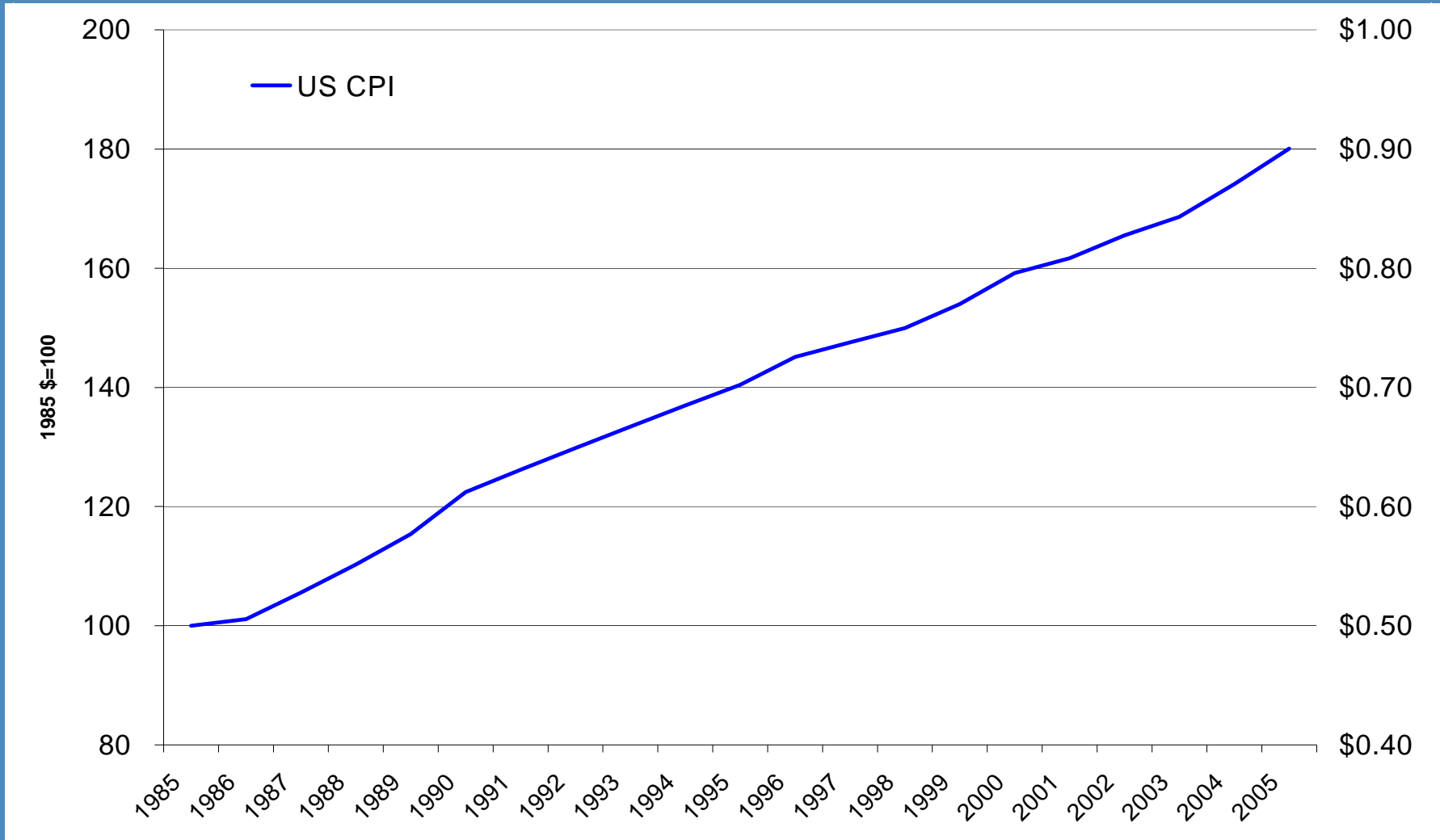


Texas Transit Agencies Farebox Recovery Rates



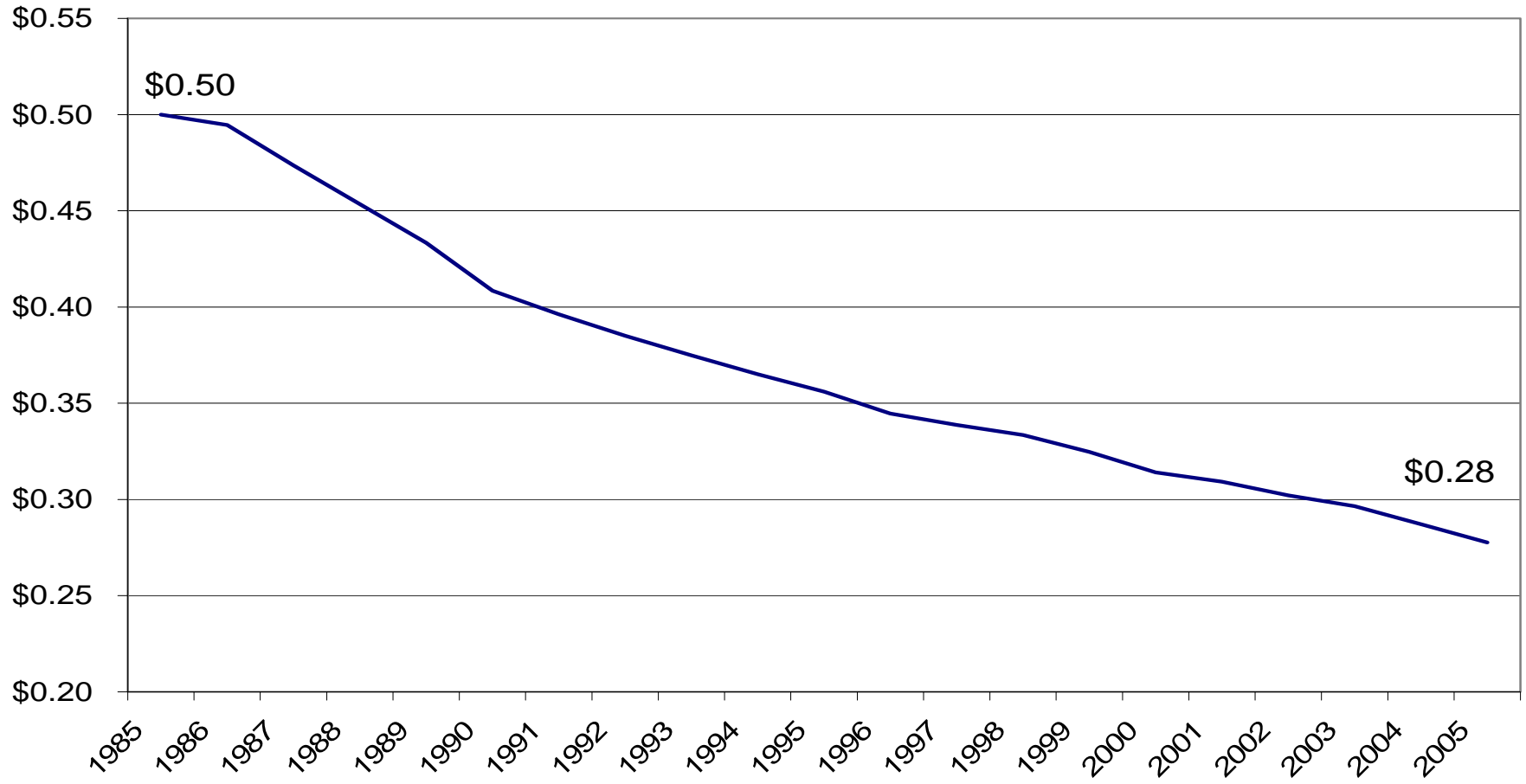
2005 Farebox Recovery Rates derived from CAFR

Fares Have Not Risen with Inflation



Fares Have Not Risen with Inflation

Relative Value of 1985 Base Fare Over Time



High Impact Areas Identified Previously for Immediate Consideration

- Fares
 - Increase fares
 - Reduction of discounted/free fares
- STS
 - Reduce services to ADA mandate
 - Increase efficiency of provided service
- Service Provision
 - Current contractors provide service at \$16 – 20 per hour less than StarTran
 - Shift of StarTran service to contractors through attrition

High Impact Areas – What has been done?

- Fares
 - Direction received from Board to double fares
 - Study to determine Rail and Rapid Fares is complete
 - Market Research currently being conducted about fare increases and Rail and Rapid Fares
 - Outreach will begin after Rail and Rapid Fares are determined
 - Presentation to Access committee about potential fare increases on 12/6/06
- STS
 - Study completed to understand utilization of software
 - Study completed to review procedures and processes and identify efficiencies
 - Work with Access committee to implement procedure changes for increased efficiency
- Labor
 - Through attrition routes have been shifted from Star Tran to other providers
 - Current Board direction is to maintain current mix as Meet and Confer is discussed with Union

Bus Operations Cost Per Hour Yearly Trend

FY	Cost Per Hour	% Change
2004	\$ 71.39	
2005	\$ 76.97	7.82%
2006	\$ 82.42	7.08%
2007 **	\$ 82.51	0.10%

* 2007 Costs are based on budget

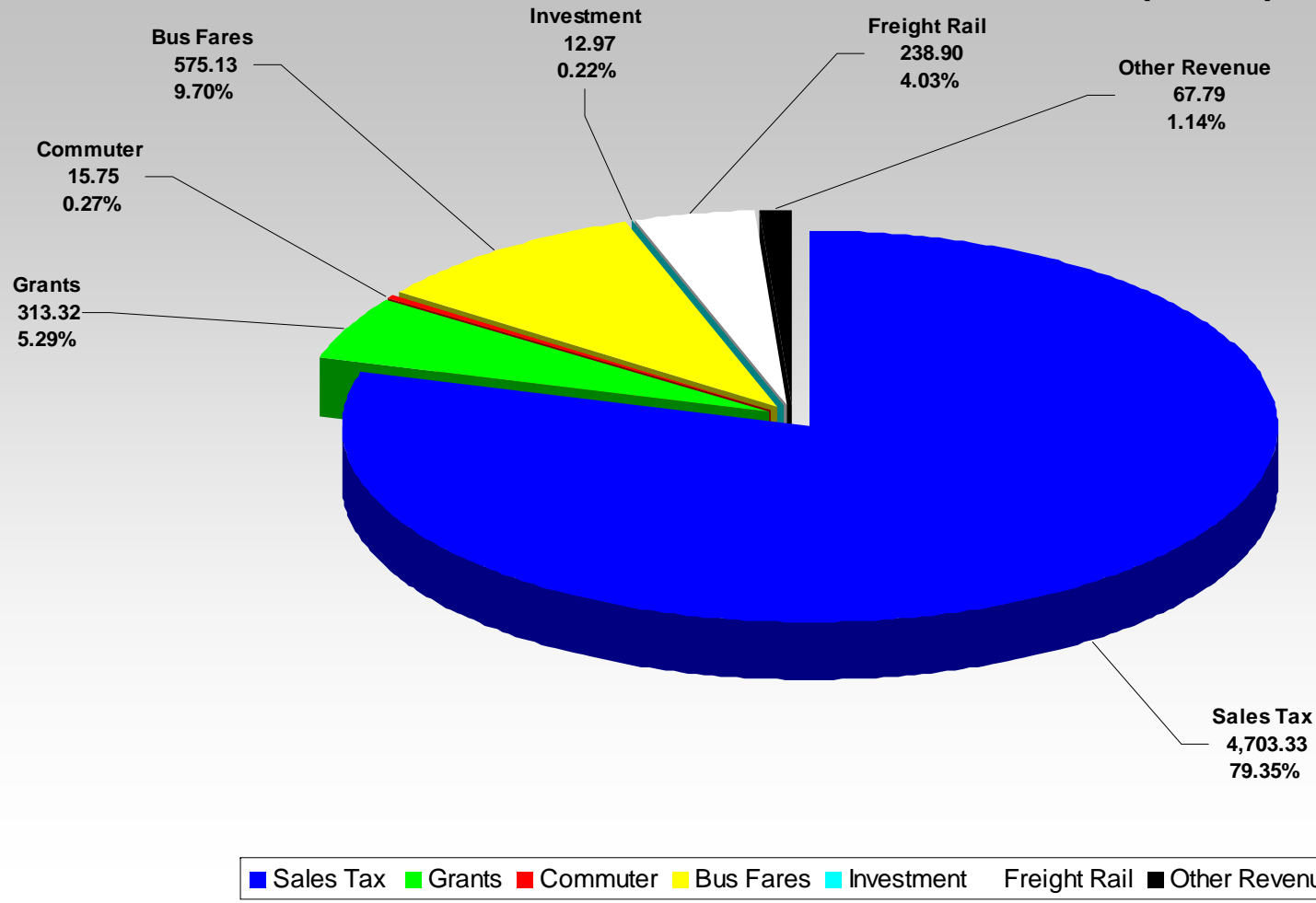
Note: Costs exclude Fuel

Baseline Assumptions – Major Revenue Drivers

- Sales Tax: 4.7% compounded growth
- Bus fares increased to \$1 in 2008, no other fare increases
- Grants: 4.0% annual growth
- Interest: 4.0% annual growth

Baseline Assumptions – Total Revenue FY 2007 - 2026

Total Revenue FY 2007 - 2026 Dollars (000's)



Baseline Assumptions – Major Expense Drivers

- Consumer Price Index (CPI): 2.75% annual growth
- Service Hours: 2% average growth
- Construction Cost Index: 4.4% annual growth
- Salaries: Annual growth: Non-bargaining CPI. Bargaining 4.0%.
- Healthcare: 7% annual growth
- Vehicle hours at FY2007 distribution for all bus service providers
- Fuel: 13.0% to 2011, Average 2.7% growth afterwards
- STS passenger growth based on projected growth in elderly population
- Freight: 2.5% annual growth except in 2008*
- No Capital is considered in this analysis
- Includes Northwest Commuter Rail Line

** - In 2008, Freight expects a 40% growth in revenue due to Capital Aggregate*

Expense Scenario 1: Baseline Assumption

- Vehicle Hour service levels remain at FY 2007 levels. Change in percent of total is due to additional Rapid Bus service and out of service area service (CARTS)

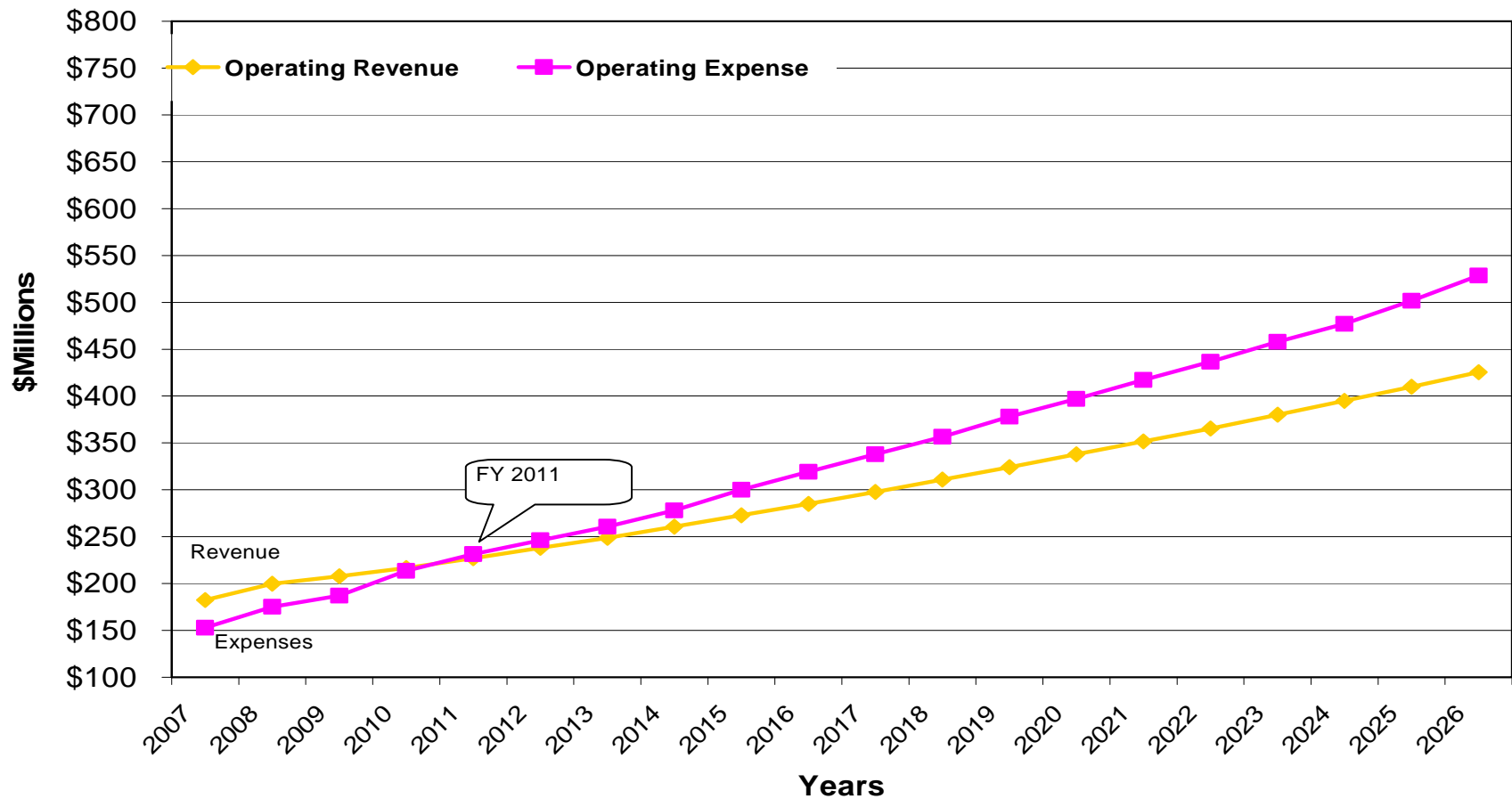
Expense Scenario 1: Baseline Vehicle Hours Assumptions

Service Provider	FY 2007 Percent of Total Bus Vehicle Hours	FY 2026 Percent of Total Bus Vehicle Hours
CARTS (out of service area vehicle hours) **	1%	10%
First Transit (UT Shuttle, AISD and Special Events) *	15%	11%
Rapid Bus (assumed purchased transportation provider)	0%	19%
StarTran (Fixed Route, AISD and Special Events) *	71%	51%
Veolia (Fixed Route and Special Events) *	13%	9%

* Percent change in 20 year plan is the addition of Rapid Bus hours

** Increase in CARTS hours is projected increase in out of service area hours

Expense Scenario 1: Baseline Operating Revenue and Expense Forecast



Expense Scenario 2: Right Size Service Levels

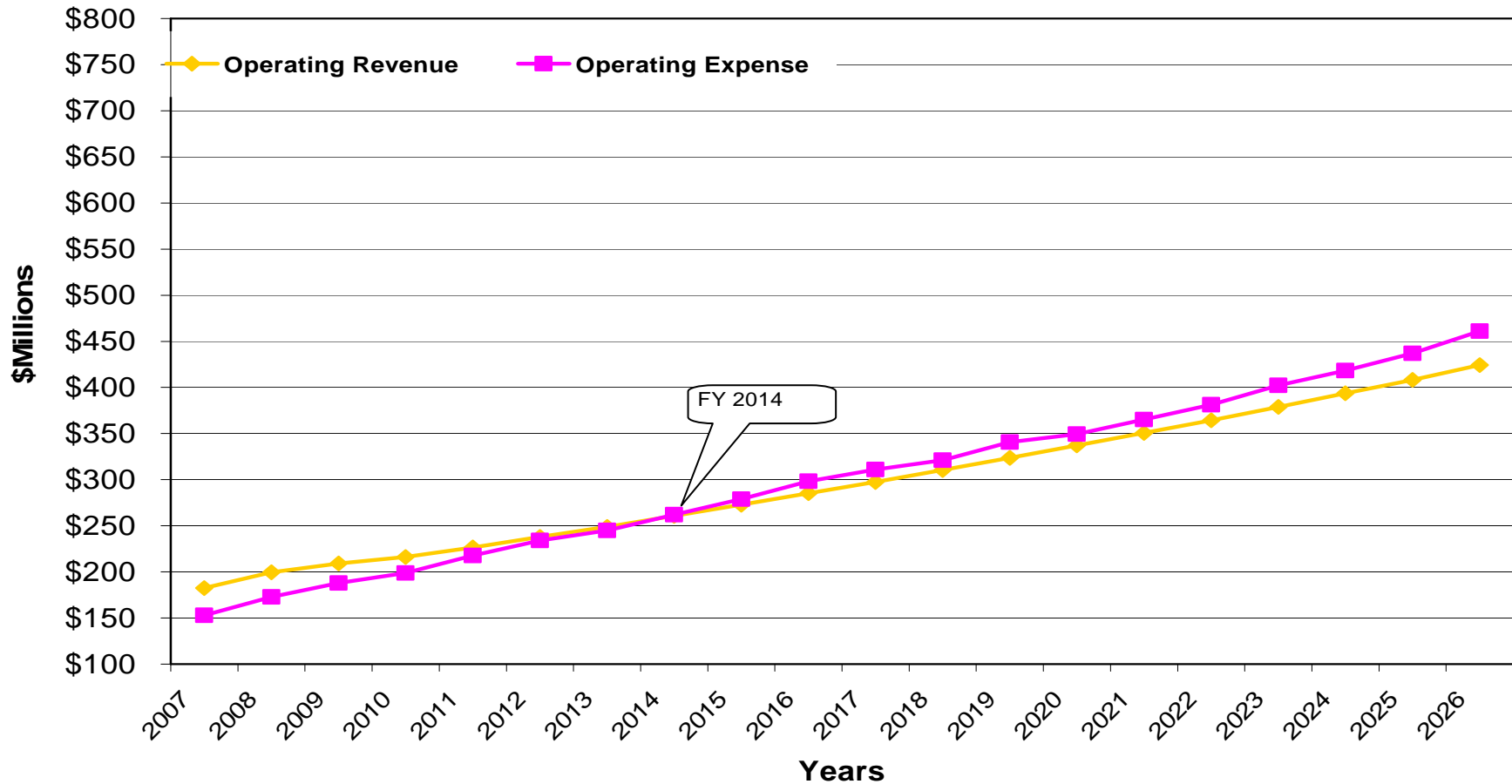
- Includes Baseline assumptions except:
 - Align Service to closest operating facility to increase efficiency by reducing deadhead

Expense Scenario 2: Right Size Service Levels

Service Provider	FY 2007 Percent of Total Bus Vehicle Hours	FY 2026 Percent of Total Bus Vehicle Hours
CARTS (out of service area vehicle hours) *	1%	10%
First Transit (UT Shuttle, AISD and Special Events)	15%	11%
Rapid Bus (assumed purchased transportation provider)	0%	19%
StarTran (Fixed Route, AISD and Special Events)	71%	35%
Veolia (Fixed Route and Special Events) *	13%	25%

** Increase in CARTS hours is projected increase in out of service area hours

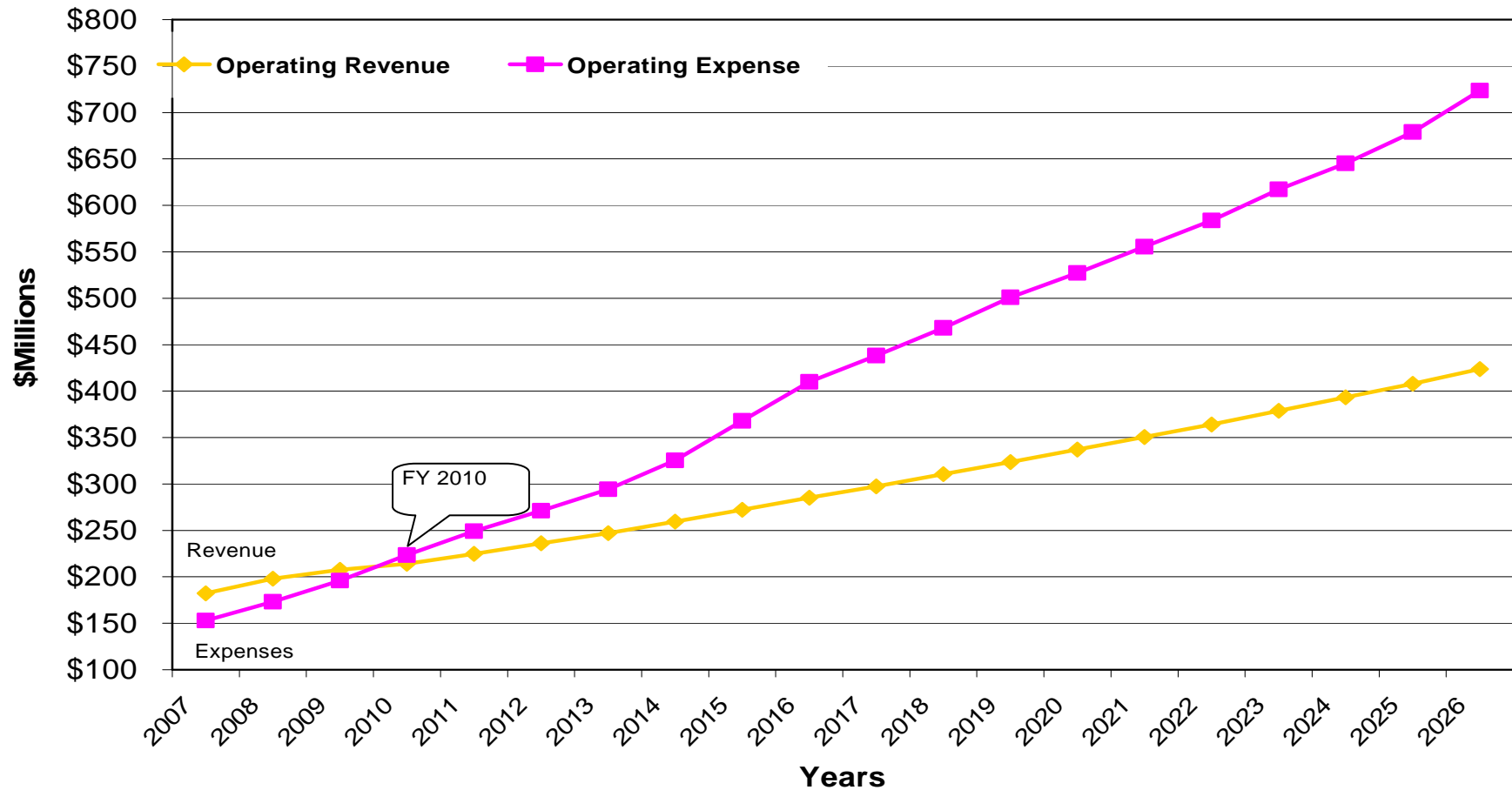
Expense Scenario 2: Right Size Operating Revenue and Expense Forecast



Expense Scenario 3: All services provided by StarTran

- Includes Baseline assumptions except:
 - StarTran performs all “in service area” bus vehicle hours including Rapid Bus
 - CARTS provides out of service area vehicle hours

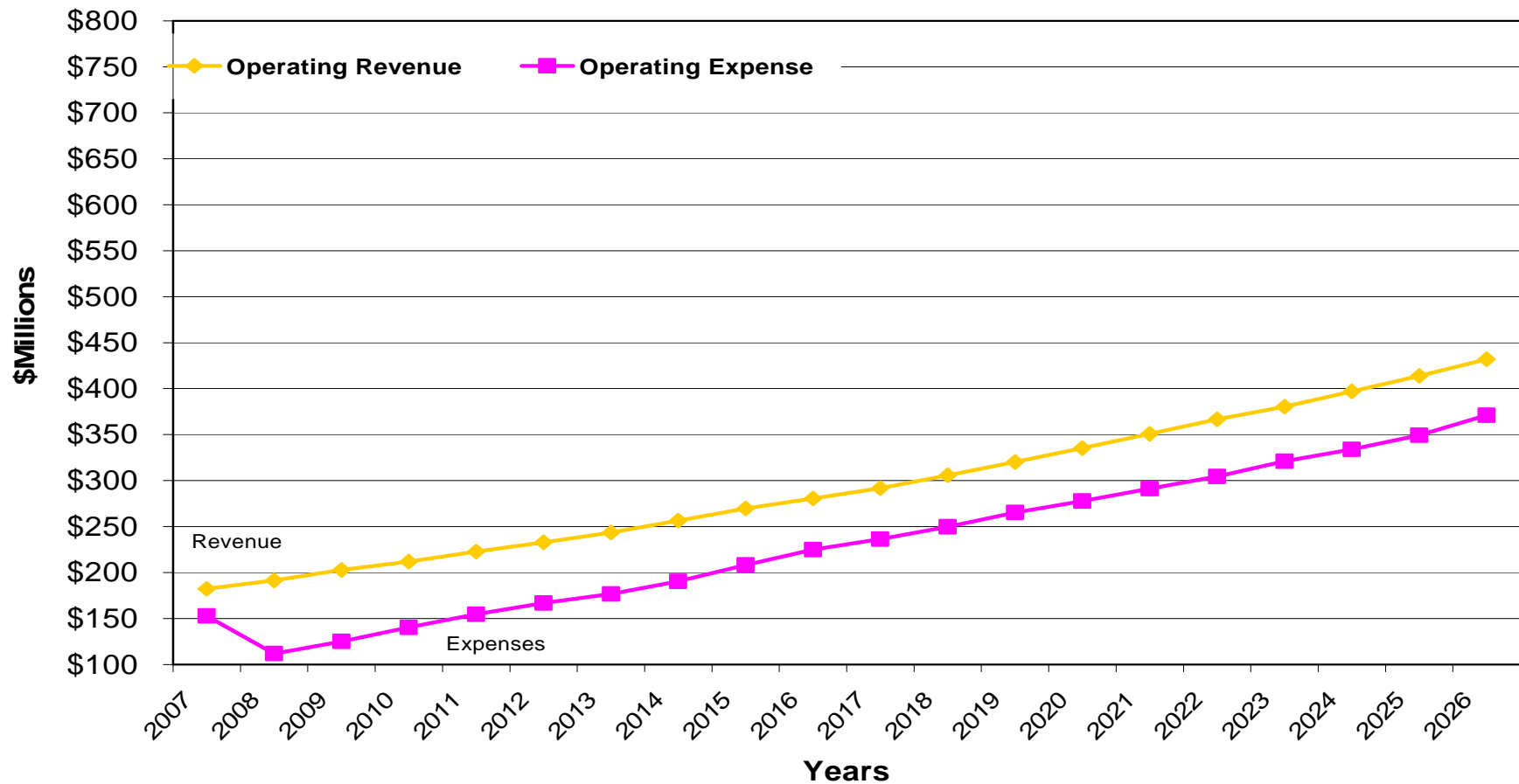
Expense Scenario 3: StarTran Exclusive Provider Revenue and Expense Forecast



Expense Scenario 4: Most Cost Effective Provider Assumptions

- Includes Baseline assumptions except:
 - Veolia performs all “in service area” bus vehicle hours including Rapid Bus
 - CARTS provides out of service area vehicle hours

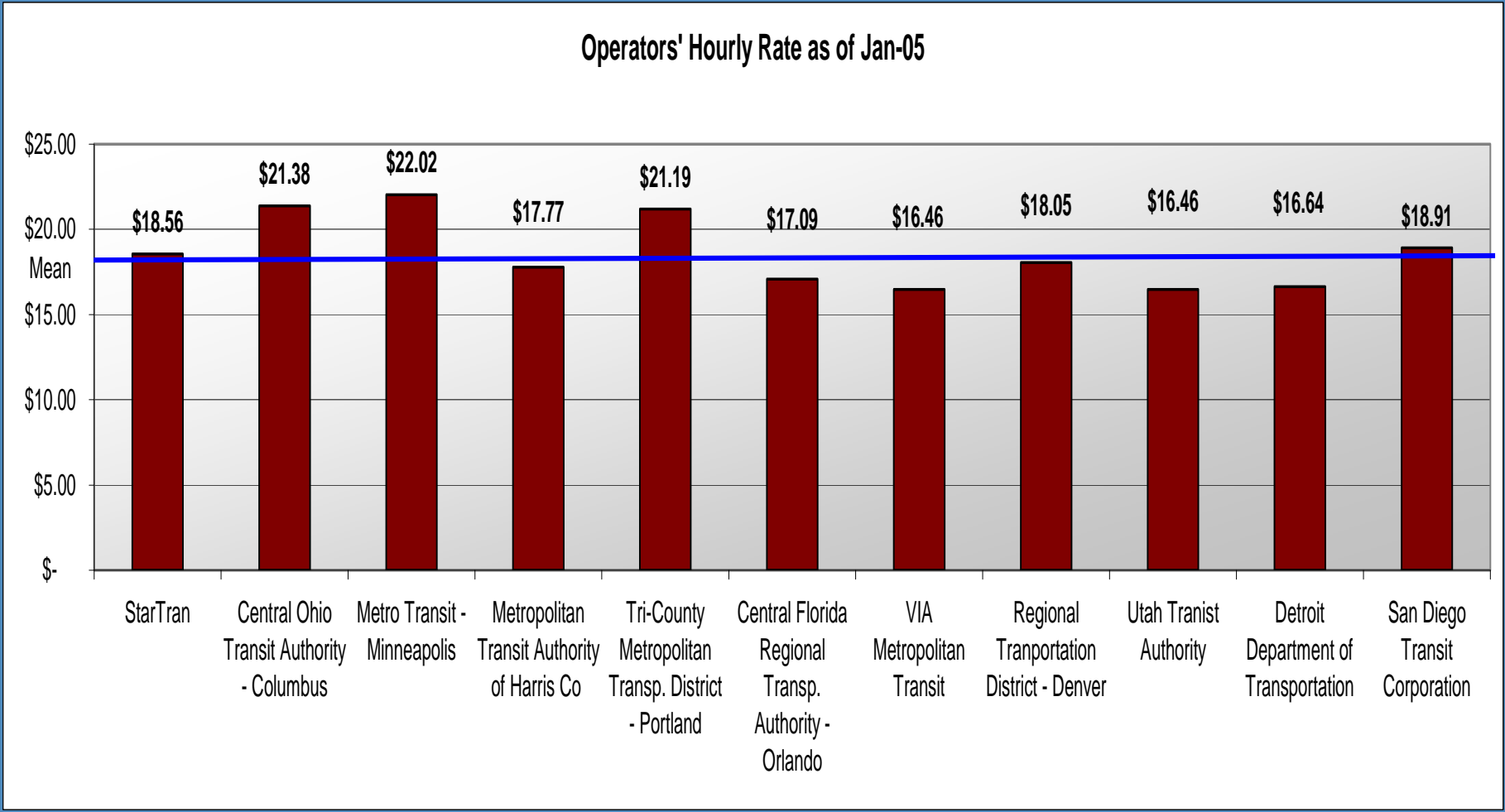
Expense Scenario 4: Most Cost Effective Provider Revenue and Expense Forecast



FY 2007 Operator Wage Rate Comparison

Service Provider	Min	Max
First Transit	\$10.00	\$15.25
StarTran	\$11.81	\$19.69
Veolia	\$10.40	\$15.50

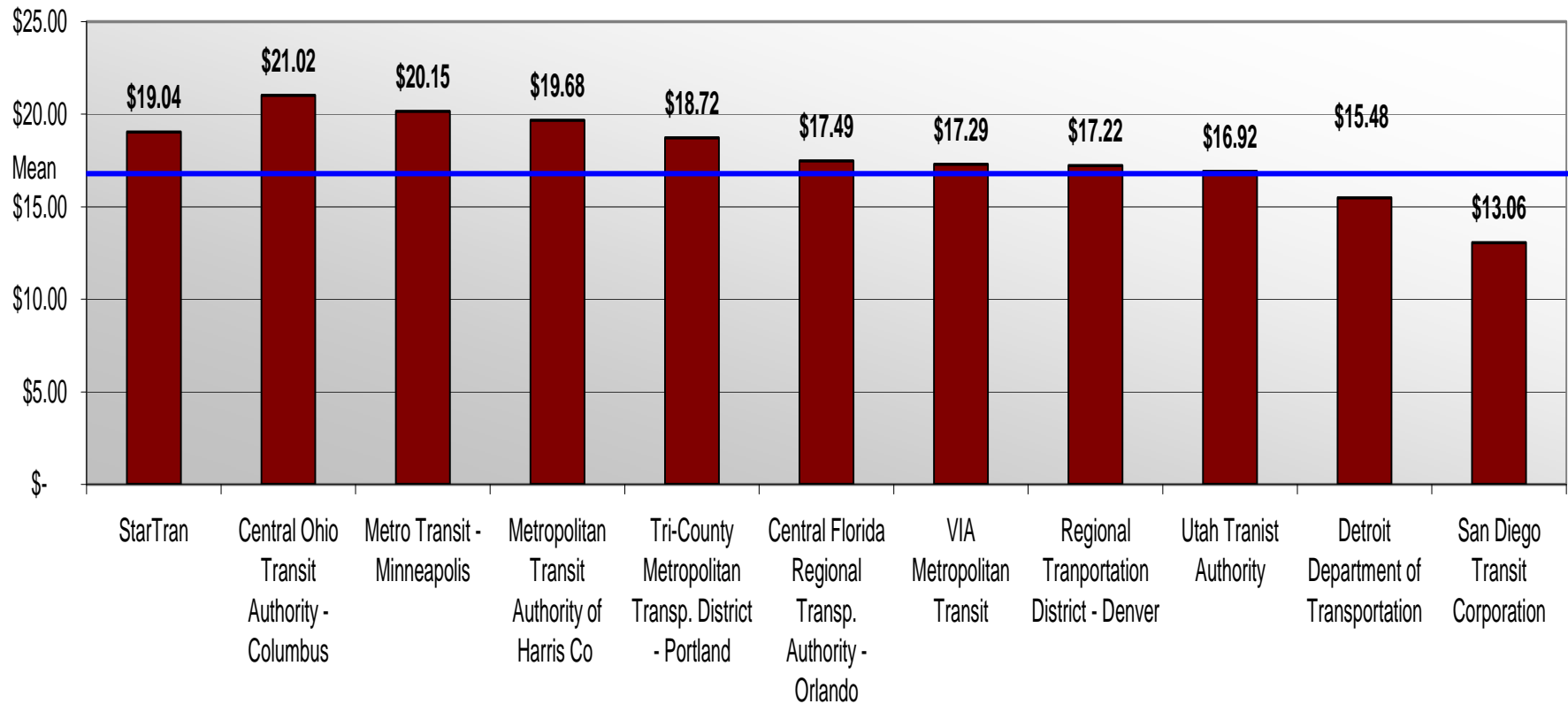
Bus Operators' Top Hourly Wage



Source: John A. Dash & Associates

Bus Operators' Top Hourly Wage Adjusted For Intercity Living Cost Differences

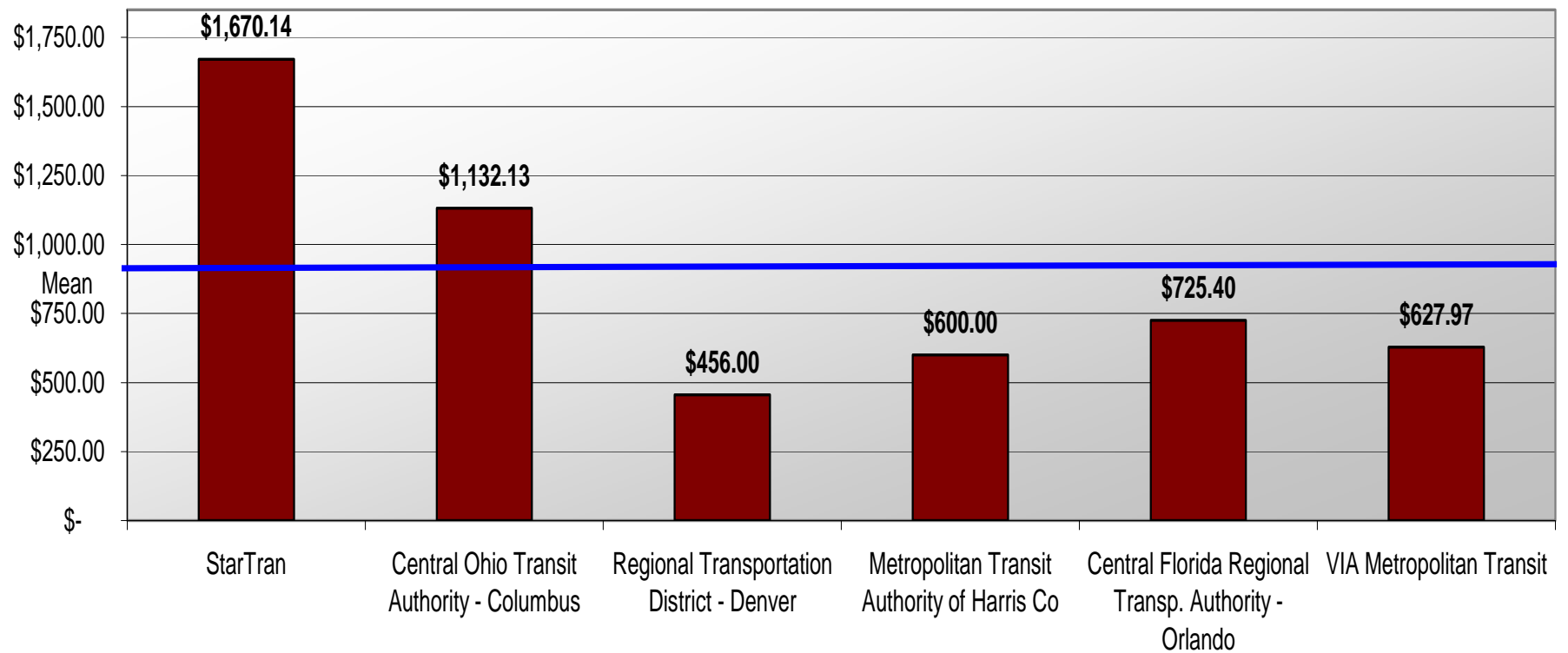
Operators' Rate Adjusted For Intercity Living Costs as of Jan-05



Source: John A. Dash & Associates

Employers' Monthly Contribution For Health Care Benefits - Family

Monthly Premium cost Paid by Employer - Family as of July-06



Source: John A. Dash & Associates

Comparison of Health Care Plans

	Capital Metro					City of Austin		Travis County		
	Admin. 2007 Core Plan	Admin. 2007 Buy-up Plan	Bargaining Plan A	Bargaining Plan B	Bargaining Plan C	2006 United Healthcare	2006 BC/BS	2007 EPO	2007 Choice +	2007 Co-Insured EPO
Individual Deductible	\$500	\$300	\$0	\$0	\$0	\$300	\$0	\$0	\$200	\$400
Family Deductible	\$1,000	\$600	\$0	\$0	\$0	\$300	\$0	\$0	\$600	\$1,200
CY Individual Out of Pocket Limit	\$3,000	\$1,500	\$1,500	\$500	\$1,500	\$2,500	\$2,000	\$1,000	\$1,500	\$1,500
CY Family Out of Pocket Limit	\$6,000	\$3,000	\$2,500	\$1,000	\$3,000		*		\$3,000	\$3,000
Co-pay Doctor Visit	\$30	\$25	\$15	\$15	\$15	\$20	\$20	\$20	\$20	\$15
Co-pay Specialty Visit	\$40	\$25	\$15	\$15	\$15	\$25	\$25	\$35	\$35	\$25
Urgent Care Facility	\$50	\$30	\$40	\$40	\$40	\$25	\$35			*
Emergency Room	\$75	\$50	\$55	\$40	\$80	\$100	\$100			*
Hospital In-patient	80%	90%	100%	100%	100%	85%	\$ 100.00	100%	90%	80%

Summary of Scenarios

Scenario	Description	Year Expenses Exceed Revenue
1	Baseline	2011
2	Right Size through attrition	2014
3	All Star Tran	2010
4	All Veolia	Never

Completion of Financial Plan

- Executive Staff had retreat to discuss major cost/revenue drivers
 - Determine strategies to get costs under control
- Areas being considered
 - Healthcare costs
 - Fare increases
 - Freight Rail operations
 - STS Service
 - Wage Structure for service providers