



BOARD RETREAT PRESENTATION

September 28th, 2023



1. Funding Overview

2. Grants Overview

3. Urban Financial Outlook

4. Rural Financial Outlook

PLAN FOR TODAY





FUNDING OVERVIEW



1

Understand how GMT is funded and the sources of funding.

2

Distinguish between GMT Urban vs. Rural.

3

Know the sources of local funding for both divisions.

LEARNING OBJECTIVES

4

OPERATING BUDGET

Revenues Federal, State and Local Revenues

Operating Revenues

Total Revenues

Expenses Salaries & Wages

Personnel Taxes & Benefits

General & Administrative

Operations

Planning

Vehicle & Building Maintenance

Contractors

Marketing

Other

Total Expenses

Cost Allocations

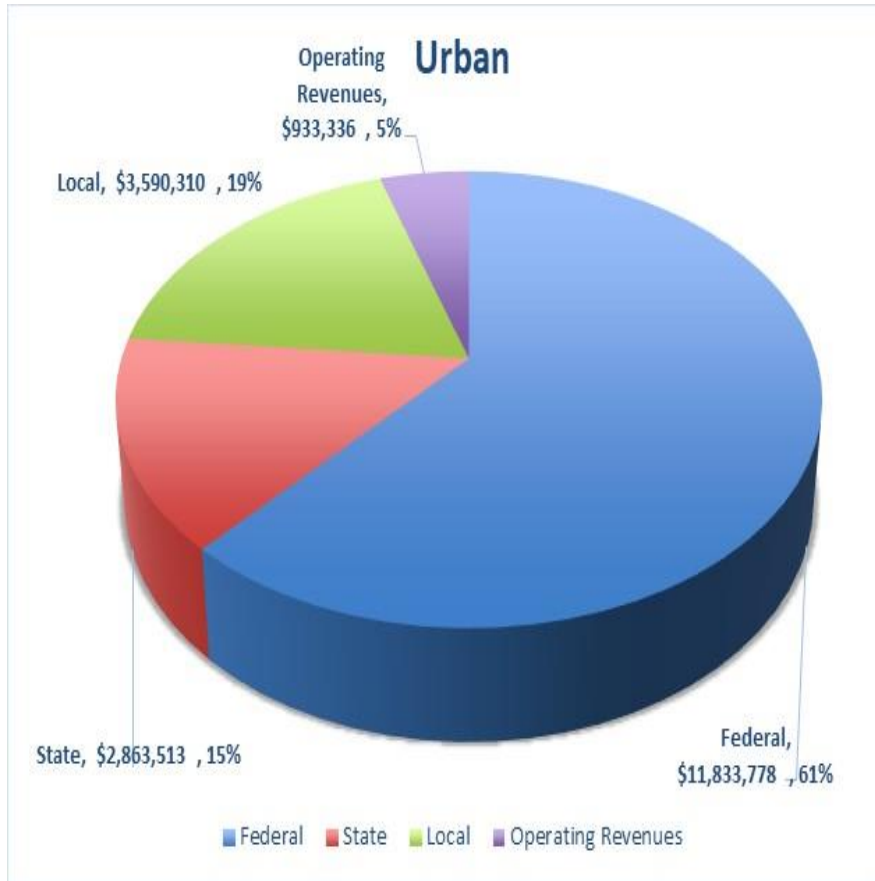
Balance

Proposed FY24 Adj. Operating Budget			
	URBAN	RURAL	Total
Federal, State and Local Revenues	\$18,287,601	\$6,856,223	\$25,143,824
Operating Revenues	\$933,336	\$2,233,500	\$3,166,836
Total Revenues	\$19,220,937	\$9,089,723	\$28,310,660
Salaries & Wages	\$8,391,284	\$3,916,584	\$12,307,867
Personnel Taxes & Benefits	\$3,395,048	\$1,298,776	\$4,693,824
General & Administrative	\$1,639,890	\$868,743	\$2,508,633
Operations	\$36,125	\$28,800	\$64,925
Planning	\$1,141,700	\$26,800	\$1,168,500
Vehicle & Building Maintenance	\$2,331,429	\$971,223	\$3,302,652
Contractors	\$1,850,837	\$1,770,416	\$3,621,252
Marketing	\$62,320	\$27,000	\$89,320
Other	\$438,187	\$115,500	\$553,687
Total Expenses	\$19,286,819	\$9,023,841	\$28,310,660
Cost Allocations	\$65,882	(\$65,882)	\$0
Balance	\$0	\$0	\$0

- Urban operating revenue levels remain muted (pre-pandemic = \$2.5M)
- Medicaid represents roughly \$2M of total rural operating revenues
- Urban 5307 funds continue to run at a deficit (- \$1.86M)
- Balanced budget being proposed with no use of reserves

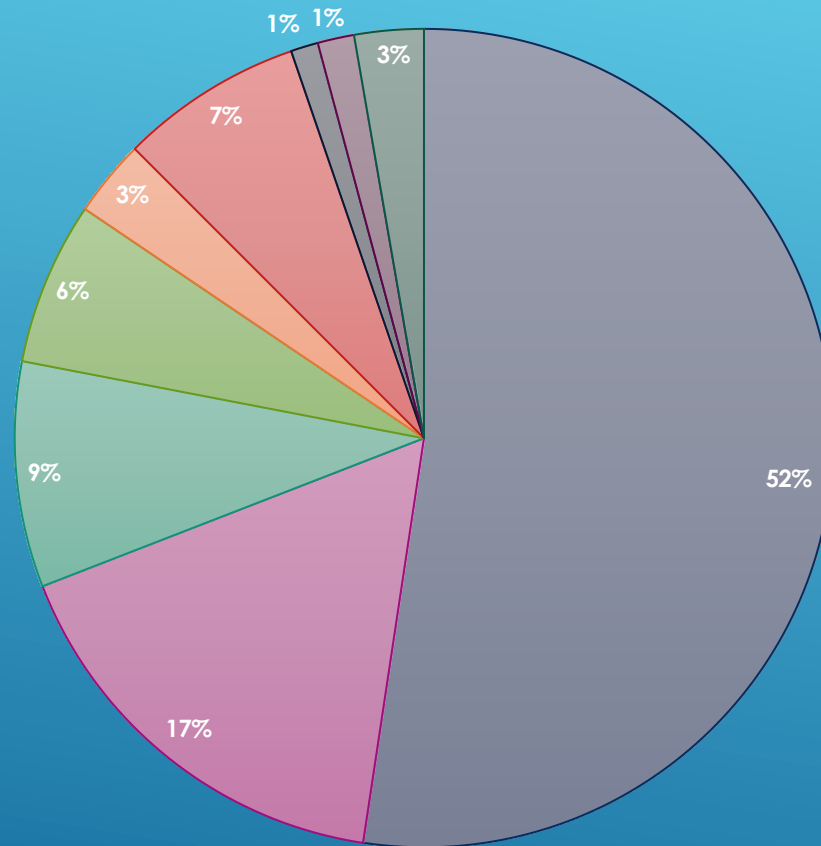
URBAN FUNDING SNAPSHOT

- ▶ Urban system heavily dependent on federal funding
- ▶ Operating revenues share has declined since the pandemic
- ▶ Local and State funding help support non-federal match



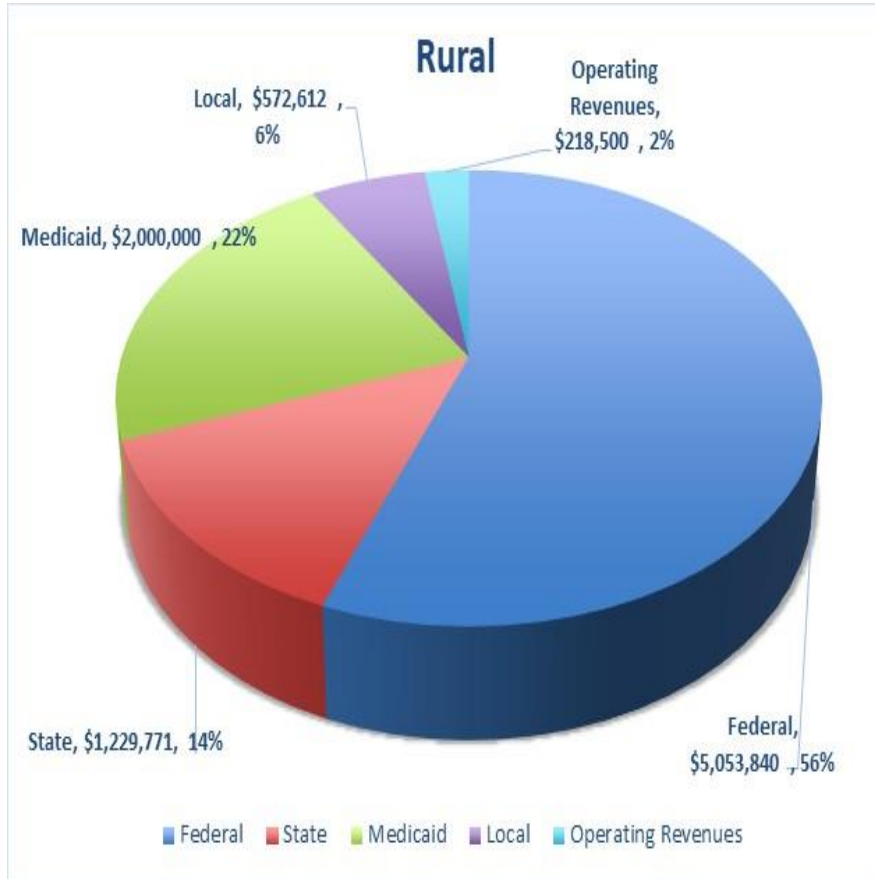
*Based on Proposed FY24 Adj. Budget

Sources of Urban Local Funding



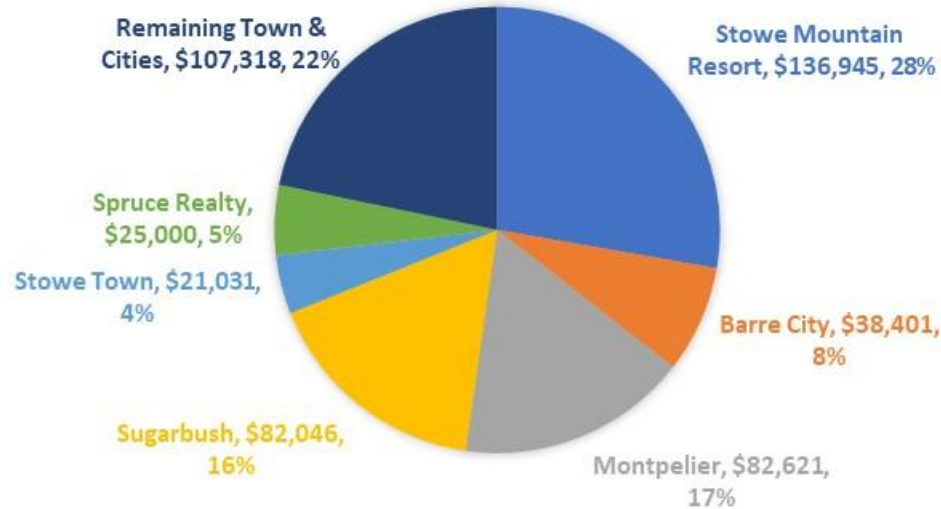
■ Burlington ■ So. Burl. ■ Essex ■ Winooski ■ Shelburne ■ Williston ■ Milton ■ Hinesburg ■ Colchester

RURAL FUNDING SNAPSHOT



*Based on Proposed FY24 Adj. Budget

- ▶ Rural system funded primarily with federal funding dollars
- ▶ Medicaid share continues to rise since pandemic
- ▶ Local funds growth has lagged for many years



**Excludes O&D cash match contributions/assessments*

SOURCES OF RURAL LOCAL CONTRIBUTIONS



GRANTS OVERVIEW



1

Understand the sources of GMT's federal funding.

2

Recognize who provides these funds and what they reimburse.

3

Comprehend why urban and rural funding is so different.

LEARNING OBJECTIVES

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What type of federal funds do we receive?

- With few exceptions, all of the federal funding that GMT receives are FTA funds. GMT typically receives the following “flavors” of FTA funds:
 - FTA Section 5303 – Metropolitan Planning Funds
 - FTA Section 5304 – Statewide Planning Funds
 - **FTA Section 5307 – Urbanized Area Formula Funds**
 - FTA Section 5309 – Capital Investment Grant Funds (formerly Discretionary Bus and Bus Facilities funds), seldom received by GMT in recent years.
 - **FTA Section 5310 – Elderly & Disabled (E&D) Program Funds**
 - **FTA Section 5311 – Non-Urbanized Area Formula Funds**
 - **FTA Section 5339 – Bus and Bus Facilities Program**

Who Gives GMT These Funds?

Directly Awarded by FTA



Section 5307 Funds
Section 5309 Funds
(older grants)

"Pass-Through" FTA Funds from Other Entities



Section 5304 Funds
Section 5309 Funds
Section 5310 Funds
Section 5311 Funds
Section 5339 Funds



Section 5303 Funds

How does GMT receive these funds?

There are three methods in which GMT receives FTA funds:

- Direct award from FTA
- Pass-Through funding from eligible recipients
- Transfer Funding

Direct Award from FTA

- FTA publishes annual “apportionments” which outline the amount of 5307 funding eligible recipients are entitled to receive in each year.
- GMT is also eligible to apply for discretionary 5339 funding from FTA for large capital projects such as bus replacements and facility construction/renovation projects.

FEDERAL TRANSIT ADMINISTRATION	
Table 3	
FY 2023 FULL YEAR SECTION 5307 AND SECTION 5340 URBANIZED AREA APPORTIONMENTS ¹	
<i>The amount apportioned in this notice includes funding authorized under the Bipartisan Infrastructure Law, enacted as the Infrastructure Investment and Jobs Act (Pub. L. 117-58) and is based on funding made available under the Consolidated Appropriations Act, 2023 (Pub. L. 117-328, Dec. 29, 2022).</i>	
<i>Note: This table shows the amounts attributable to each State of a Multi-State Urbanized Area over 200,000 in population. These amounts are for illustrative purposes only. Designated recipients shall continue to sub-allocate funds allocated to an urbanized area based on a locally determined process, consistent with Section 5307 statutory requirements. Each State's share of a multi-state urbanized area was calculated on the basis of the percentage of population attributable to the States in the UZA, as determined by the 2010 Census.</i>	
URBANIZED AREA/STATE	APPORTIONMENT
Vermont	\$4,348,526
Burlington, VT	\$4,348,526

Pass-Through Funding from Eligible Recipients

- GMT receives pass-through FTA funding through annual grant agreements with VTrans and CCRPC.
- The only method for GMT to receive 5303, 5304, 5310, and 5311 funding, which are directly awarded by FTA to the State of Vermont.
- GMT also receives pass-thru 5339 funds from VTrans to fund certain capital projects. There are two types of Section 5339 funds. “Formula” 5339 funds are awarded to states via apportionments and “Discretionary” funds are awarded to states and direct recipients like GMT through competitive grant applications.
- All of GMT's rural federal funding is awarded through VTrans

Transfer Funding

VTrans has the ability to “flex” certain FTA and FHWA funding to FTA 5307 funds, which are then directly awarded to GMT by FTA

- ~\$300K of VTrans’ 5311 apportionment has been transferred to GMT annually to cover operating expenses for routes which were previously funded through a discontinued FTA grant program. This has grown to ~\$350K in recent years to cover additional operating expenses such as Swiftly real-time vehicle location.
- VTrans also transfers roughly \$3.5M of FHWA funding to GMT to fund its CMAQ operating expenses and PM expenditures
 - CMAQ = Congestion Mitigation and Air Quality Improvement Program. Funding provided to states for transportation projects designed to reduce traffic congestion and improve air quality.
 - PM = Preventive Maintenance. Funding to cover the activities, supplies, materials, labor, services, and associated costs required to preserve or extend the functionality and serviceability of the asset in a cost effective manner

How much do these grants reimburse?

- Section 5307:
 - Operating line items are funded 50%
 - Capital, CMAQ, and PM line items are funded 80%
- Section 5310:
 - Capital is funded 80%
- Section 5311:
 - Operating is funded 50%
 - Capital, Admin, and PM are funded 80%
 - Rural Technical Assistance Program (RTAP) is funded 100%
- Section 5339 (including LowNo):
 - Formula & Discretionary non-vehicle capital is funded 80%
 - Discretionary vehicle capital is funded 85%
 - Electric bus infrastructure capital is funded 90% (LowNo only)
- Section 5303/5304 are funded 80%
- Emergency relief and stimulus funds are typically awarded to cover 100% of costs.

Why Separate Urban and Rural?

- FTA provides operating funds in two forms, 5307 (Urbanized Areas) and 5311 (Non-Urbanized Areas)
- The eligibility of 5307 and 5311 funding is determined by the population of the area served.
 - 5307 funding is ineligible to be used for assistance in service areas with population below 50,000
 - 5311 funding is ineligible to be used for assistance in service areas with population equal to or above 50,000
- FTA funding apportionments are largely determined by population and population density



URBAN FINANCIAL OUTLOOK



1

*How did we
get here?*

2

*What does
this mean for
the future?*

3

*How can we
fix it?*

4

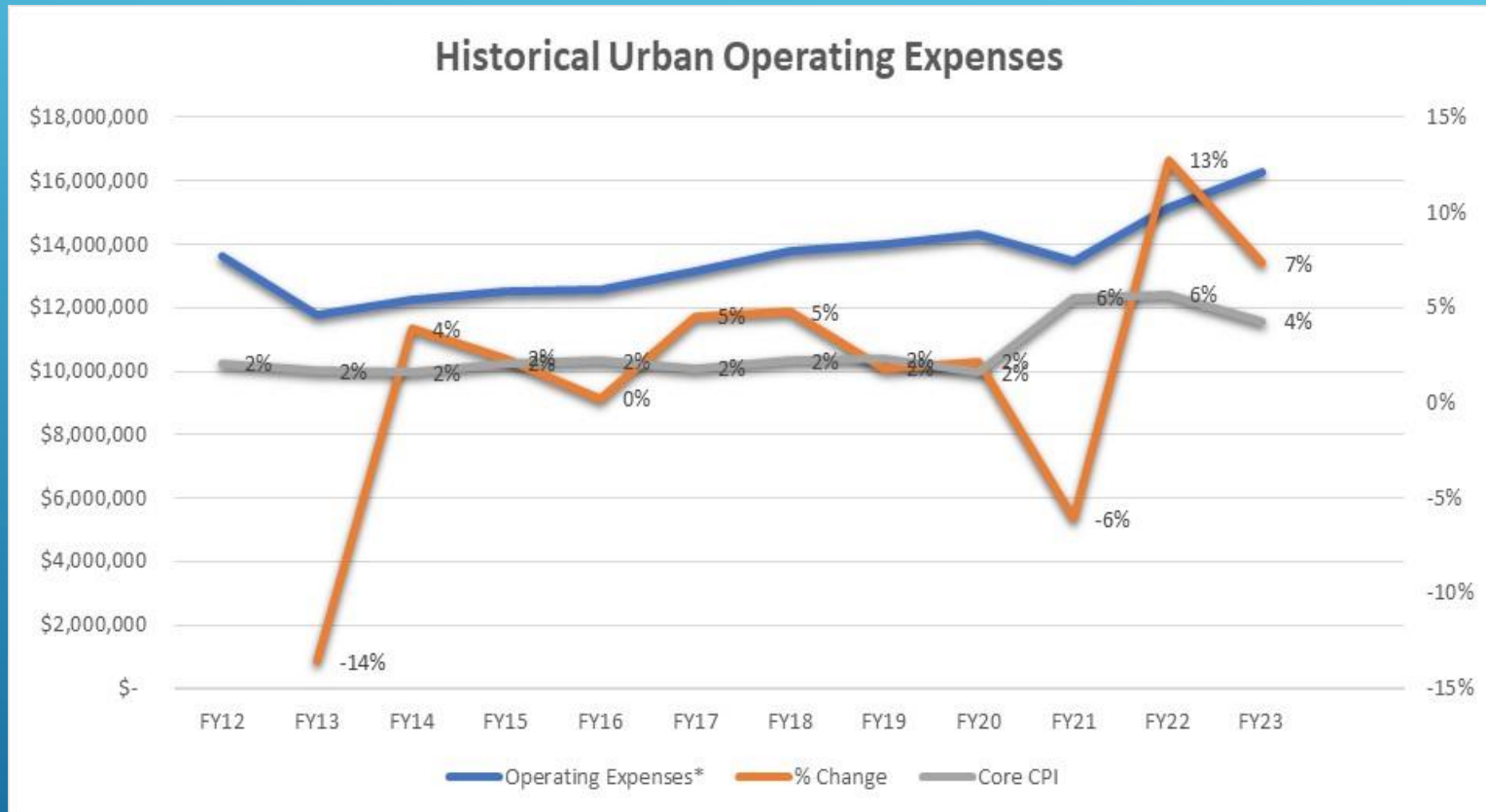
*What
happens if
we don't?*

LEARNING OBJECTIVES

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HOW DID WE GET HERE?

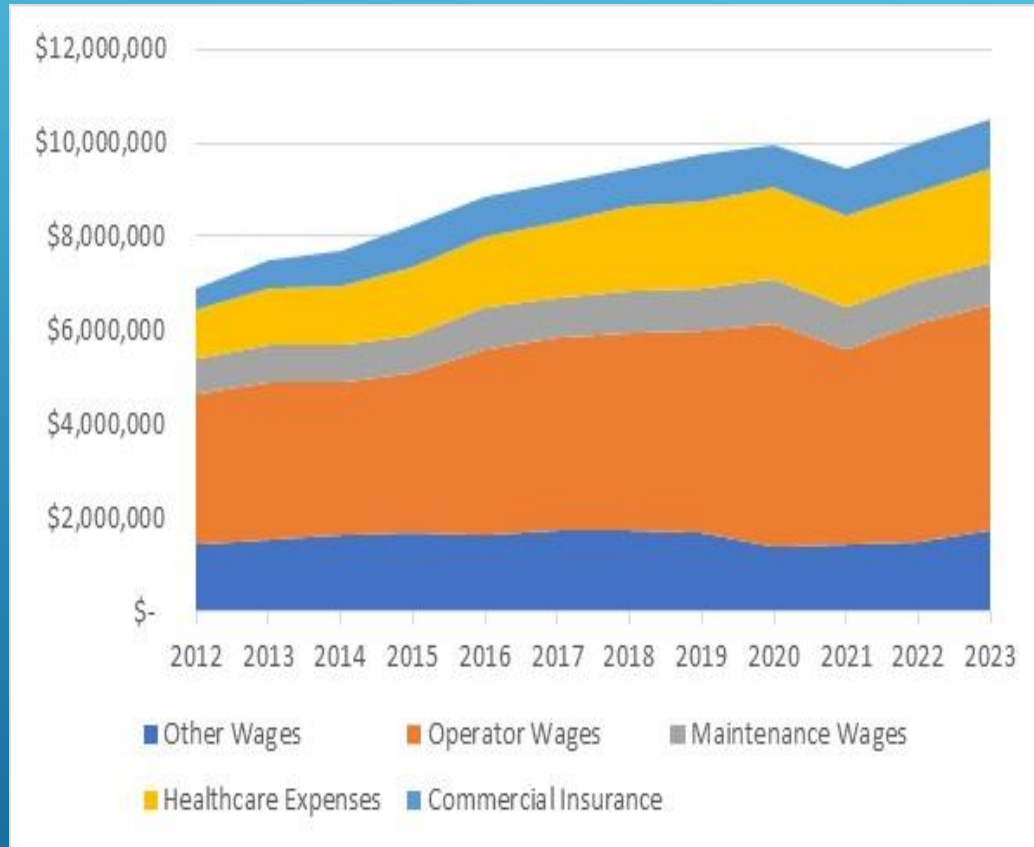
#1 Inflationary Pressures



*Excludes contribution to the Local Capital Match Fund

HOW DID WE GET HERE?

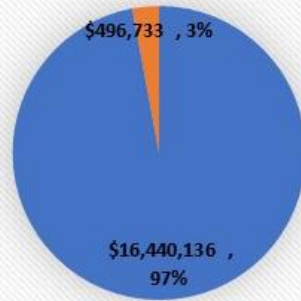
#1 (a) Especially in Salaries, Benefits, and Risk Management



CAGR	
Other Wages	1.8%
Operator Wages	3.7%
Maintenance Wages	2.0%
Healthcare Expenses	6.1%
Commercial Insurance	8.0%
Combined	3.9%

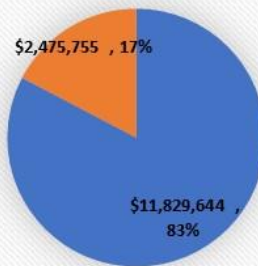
#2 A change in funding mix

**FY23
Post-Pandemic**



■ Federal, State, & Local ■ Operating Revenues

**FY19
Pre-Pandemic**



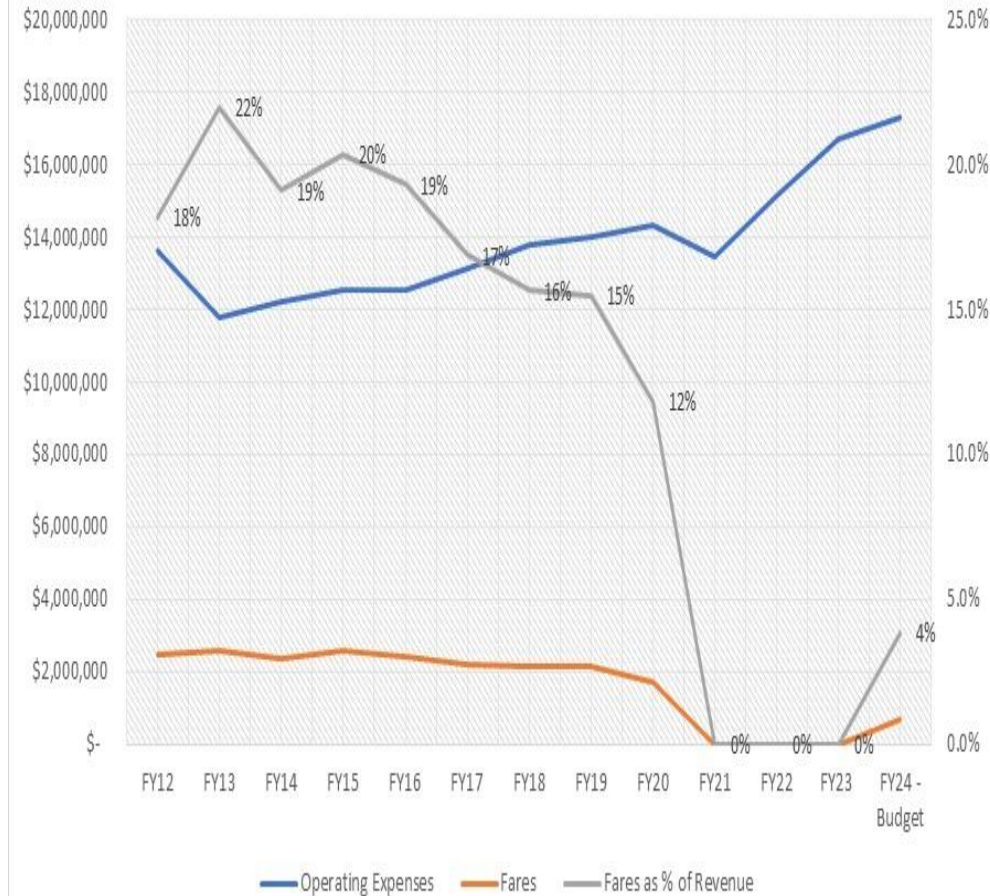
■ Federal, State, & Local ■ Operating Revenues

How did we get here?

URBAN FUNDING: PAST VS. PRESENT

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#2(a) Especially in Farebox Recovery Rates



Operating expense growth and low fare growth has lowered farebox recovery rates

Fare-free during the pandemic has added pressure to federal funds

Loss in ridership has lowered future fare growth

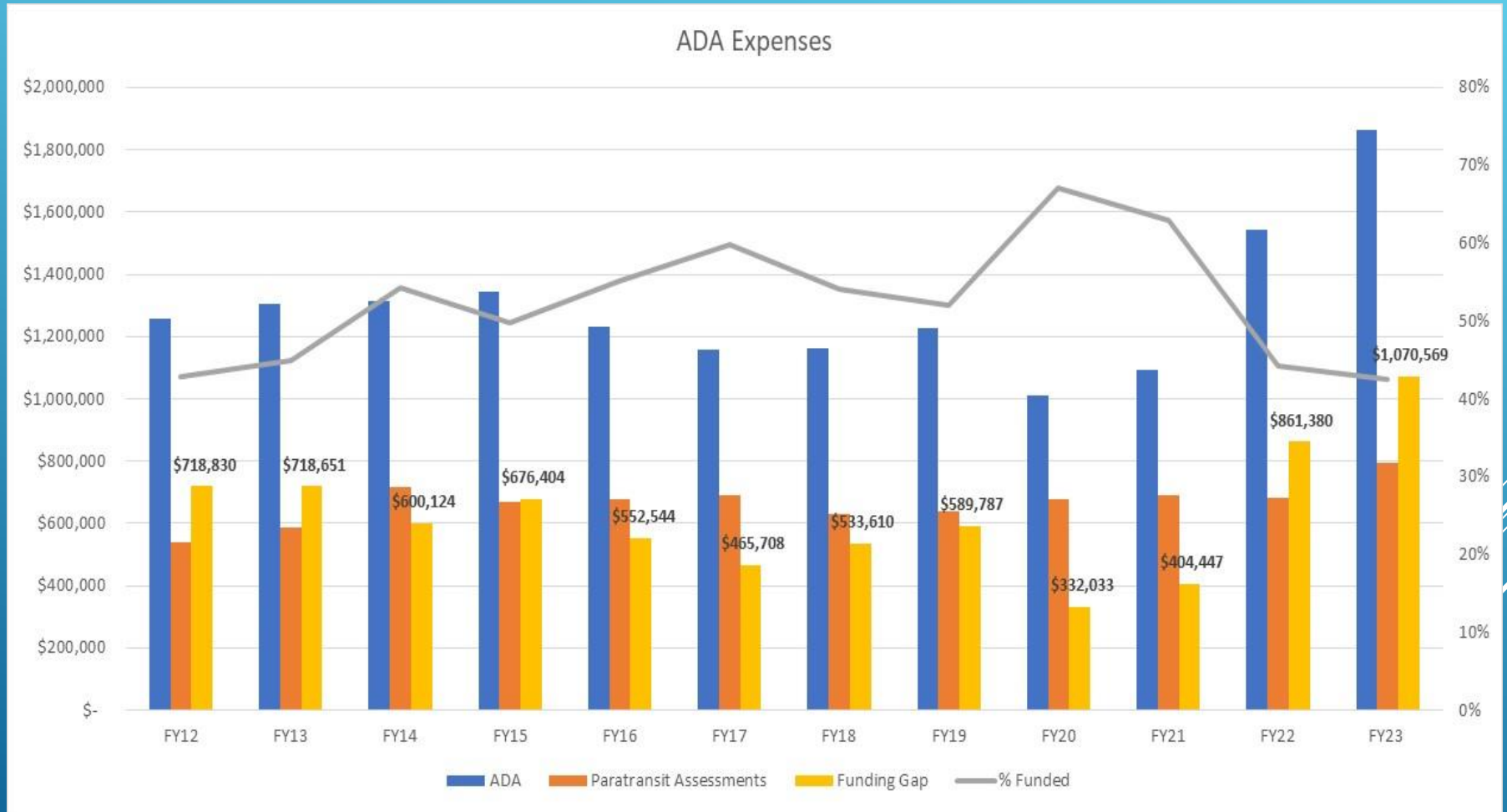
10% fare target may not be sustainable

HOW DID WE GET HERE?

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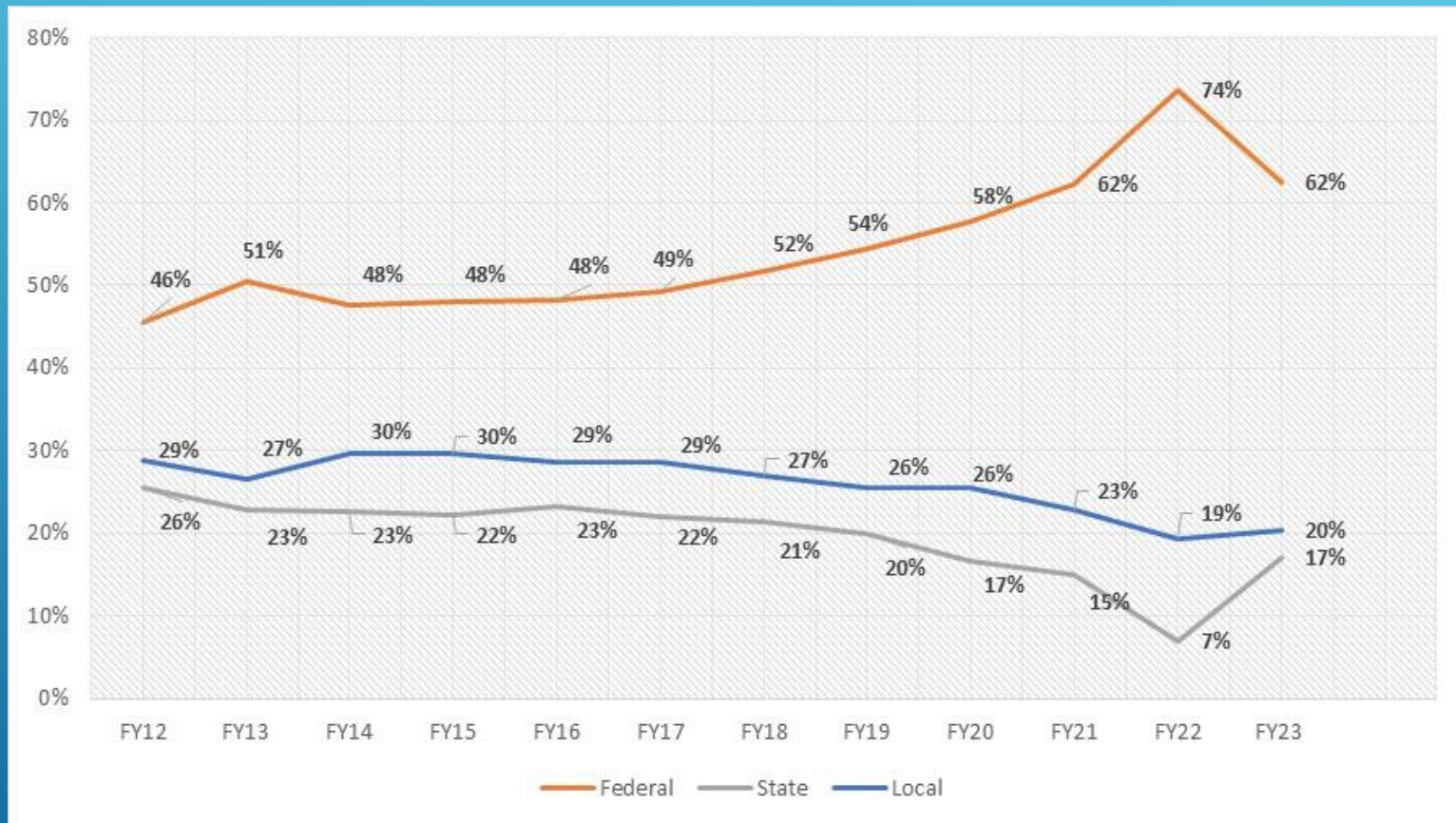
HOW DID WE GET HERE?

#3 ADA: An Unfunded Mandate



HOW DID WE GET HERE?

#4 Overreliance on Federal Funding



#4(a) Specifically in 5307 Formula Funding

Both historical....

Fiscal Year	2014A	2015A	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A
Section 5307 Total Apportionment	\$2,359,457	\$2,426,378	\$2,406,753	\$2,437,861	\$2,473,300	\$2,365,729	\$2,635,398	\$2,722,103	\$2,681,421	\$3,514,573
Total STIC Factors	5	5	5	5	5	4	4	4	4	3
Value Per STIC Factor	\$180,461	\$192,016	\$188,788	\$189,432	\$191,038	\$202,003	\$261,911	\$274,458	\$276,054	\$537,526
5307 Spending	\$ 2,535,839	\$ 2,177,106	\$ 1,873,942	\$ 2,298,273	\$ 3,106,471	\$ 3,396,472	\$ 4,036,274	\$5,506,164	\$8,807,635	\$6,139,759
Difference	(\$176,382)	\$249,272	\$532,811	\$139,588	(\$633,171)	(\$1,030,743)	(\$1,400,876)	(\$2,784,061)	(\$6,126,214)	(\$2,625,186)

And projected...

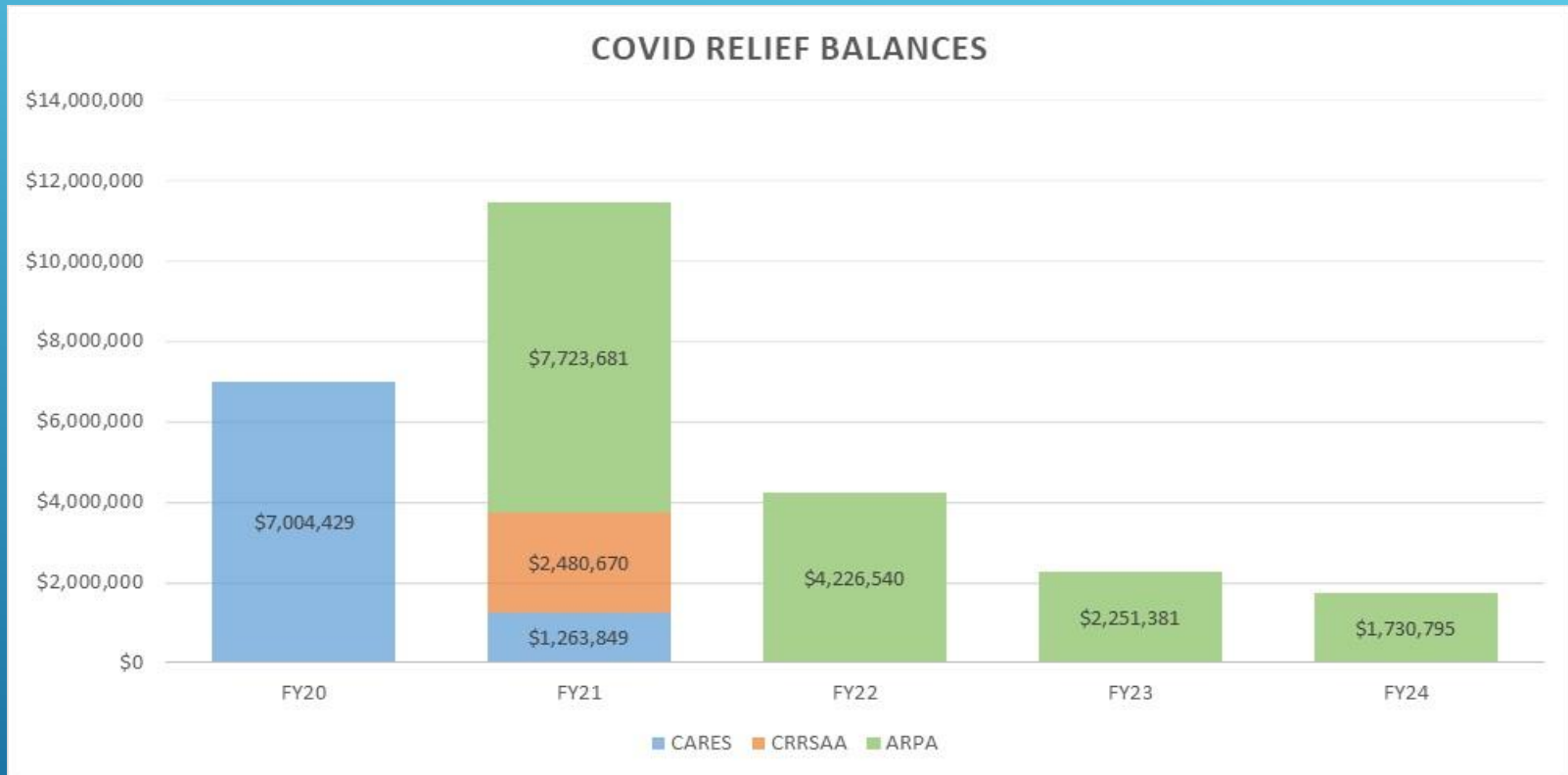
Fiscal Year	2024F	2025F	2026F	2027F
Section 5307 Total Apportionment	\$4,148,526	\$3,625,957	\$3,677,229	\$3,740,878
Total STIC Factors	4	3	3	3
Value Per STIC Factor	\$544,434	\$553,645	\$561,064	\$570,274
5307 Spending	\$6,010,862	\$5,829,829	\$5,025,923	\$3,740,878
Difference	(\$1,862,336)	(\$2,203,872)	(\$1,348,694)	\$0

Insufficient federal & non-federal funds in FY26 and FY27

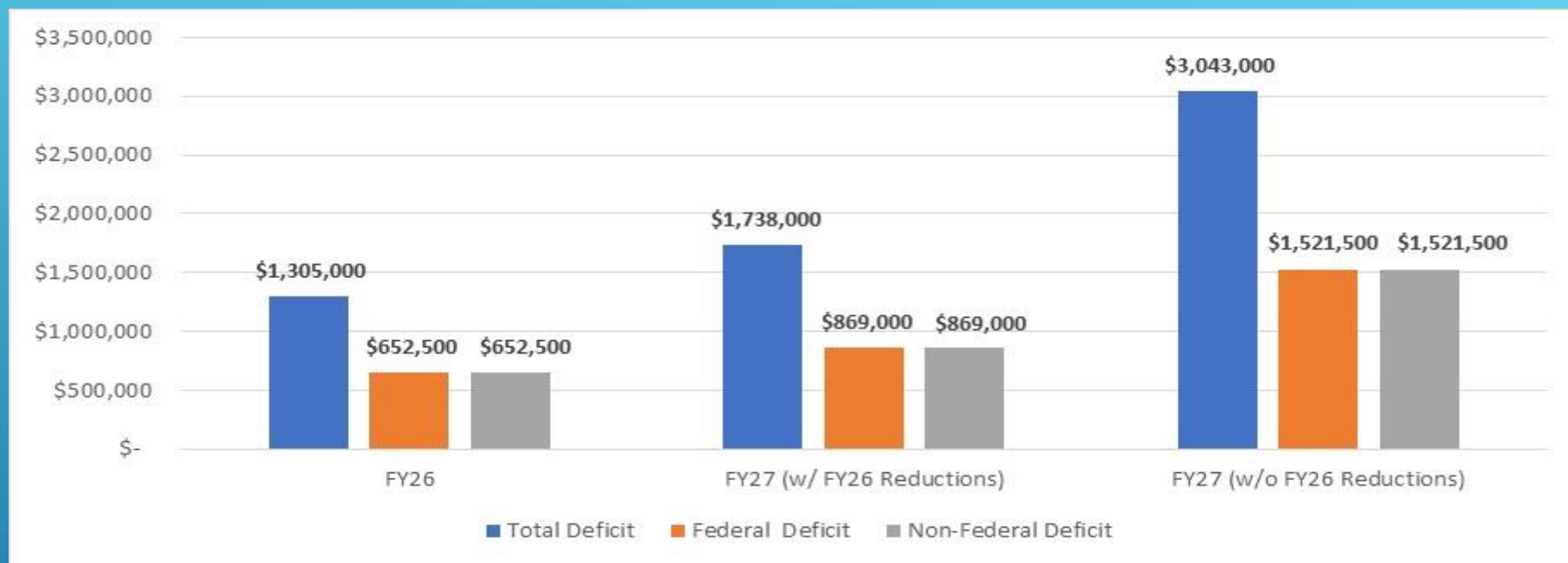
HOW DID WE GET HERE?

HOW DID WE GET HERE?

#5 Financing expense growth with one-time funding

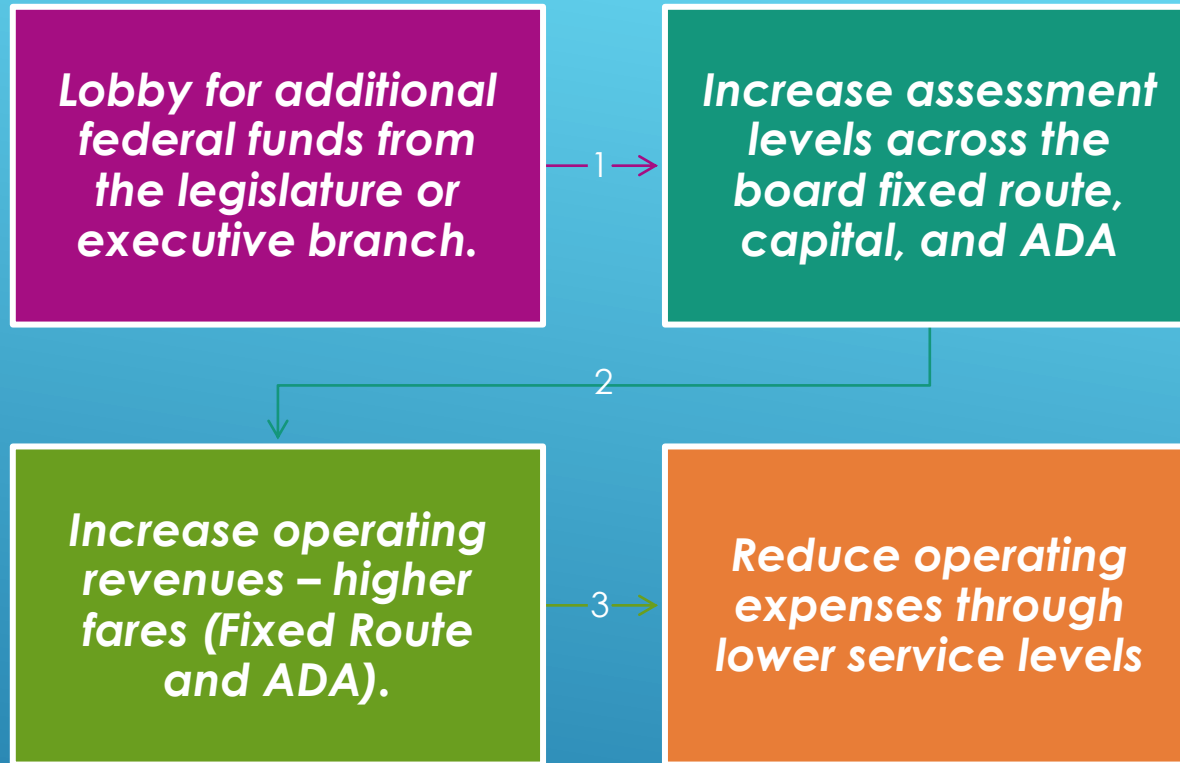


WHAT DOES THIS MEAN FOR THE FUTURE?



►Based on staff's preliminary forecast, if additional revenues both federal and non-federal are not identified by FY26 – the organization will have to restructure.

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HOW CAN WE FIX THIS?

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RESTRICTED NET POSITION



If additional revenues are not identified by FY26 – GMT would have to reduce service levels or utilize its urban local match fund reserves, which may not be sufficient.

Service cuts would need to be initiated for FY27.

Management will provide further details at a future date.

WHAT HAPPENS IF WE DON'T?

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RURAL FINANCIAL OUTLOOK



1

1. Understand the financial history, the near-term forecast, the risks to it, and resources.

2

2. Appreciate the differences in economics between rural and urban.

3

3. Recognize why Medicaid and O&D is such an important factor in the health of the rural division.

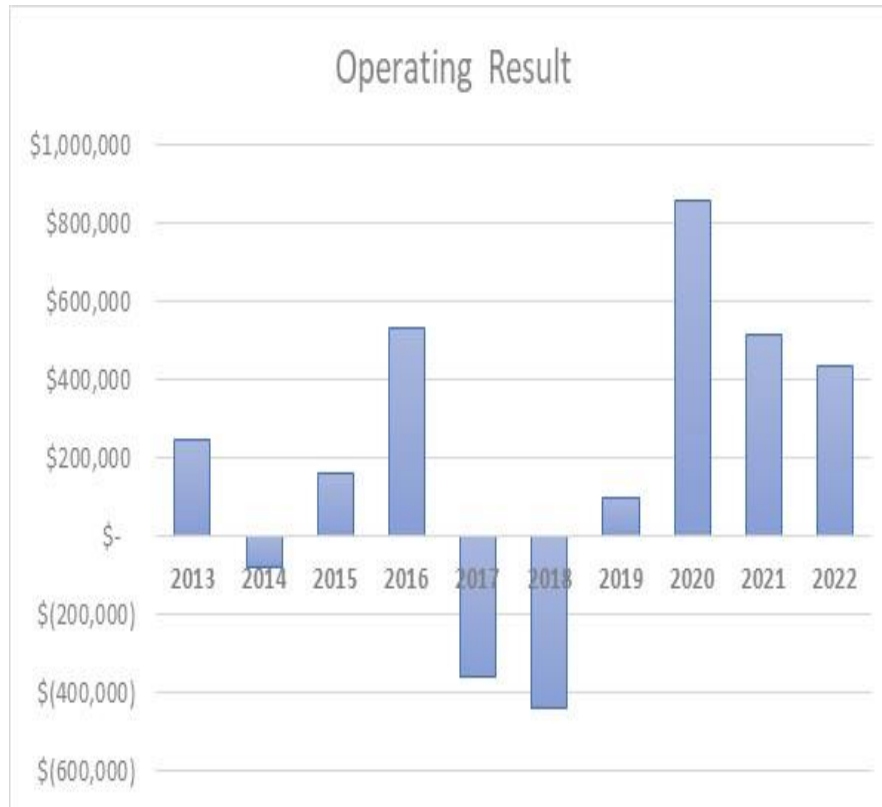
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4. Acknowledge the impact of a future with less volunteer drivers.

LEARNING OBJECTIVES

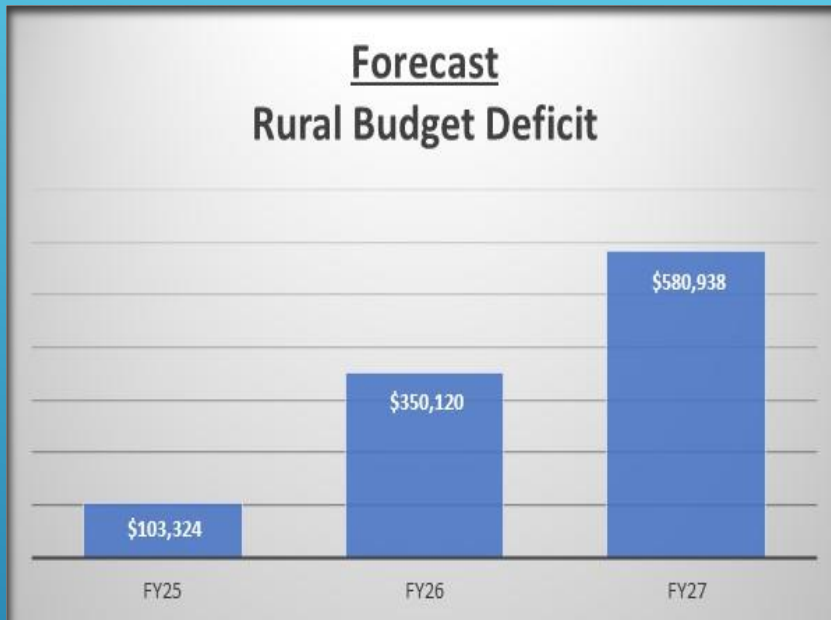
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FINANCIAL HISTORY



- ▶ Without growth in local operating assistance additional state funds will be needed to provide non-federal match support
- ▶ Medicaid demand and funding adds a level of volatility to rural results
- ▶ Local capital match needs are projected to increase in the future – rural reserves should be maintained for this purpose and solvency
- ▶ The continued decline in volunteer drivers will transfer low-cost trips to higher cost modes, which will impact operating expenses

Forecast Rural Budget Deficit



RURAL FORECAST



Without growth in local operating assistance additional state funds will be needed to provide non-federal match support



Medicaid demand and funding adds a level of volatility to rural results

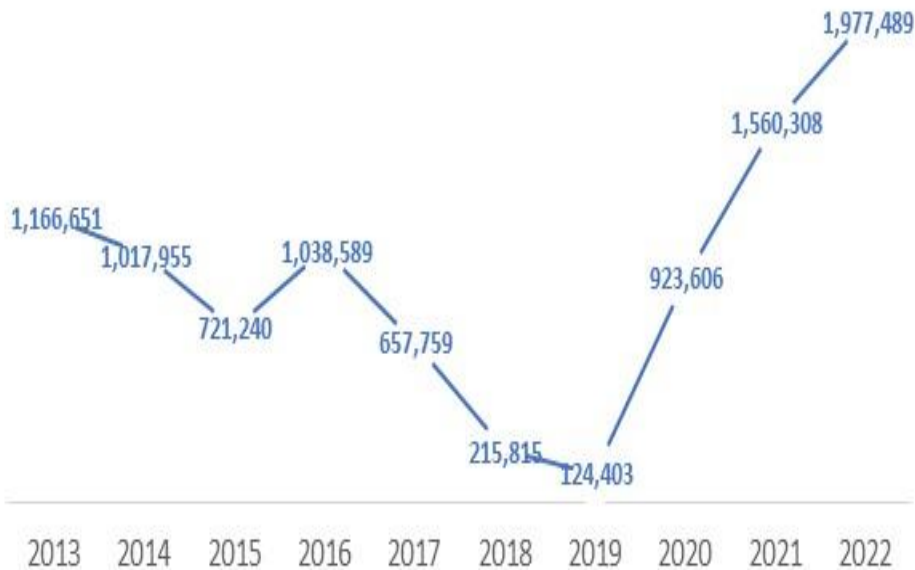


Local capital match needs are projected to increase in the future – rural reserves should be maintained for this purpose and solvency



The continued decline in volunteer drivers will transfer low-cost trips to higher cost modes, which will impact operating expenses

UNRESTRICTED NET POSITION



Increased solvency due to Medicaid gains and extra state support during the pandemic – **these factors will not exist in perpetuity**

Unrestricted Net Position does not equal reserves, but can be used as a proxy for financial health

These resources have allowed the rural division to meet its fund balance policy and are not a source of long-term funding

Resources will be needed for local match for new Washington County Facility and future capital

RURAL FORECAST

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Demand
Response

Medicaid/O&D

Volunteer
Drivers

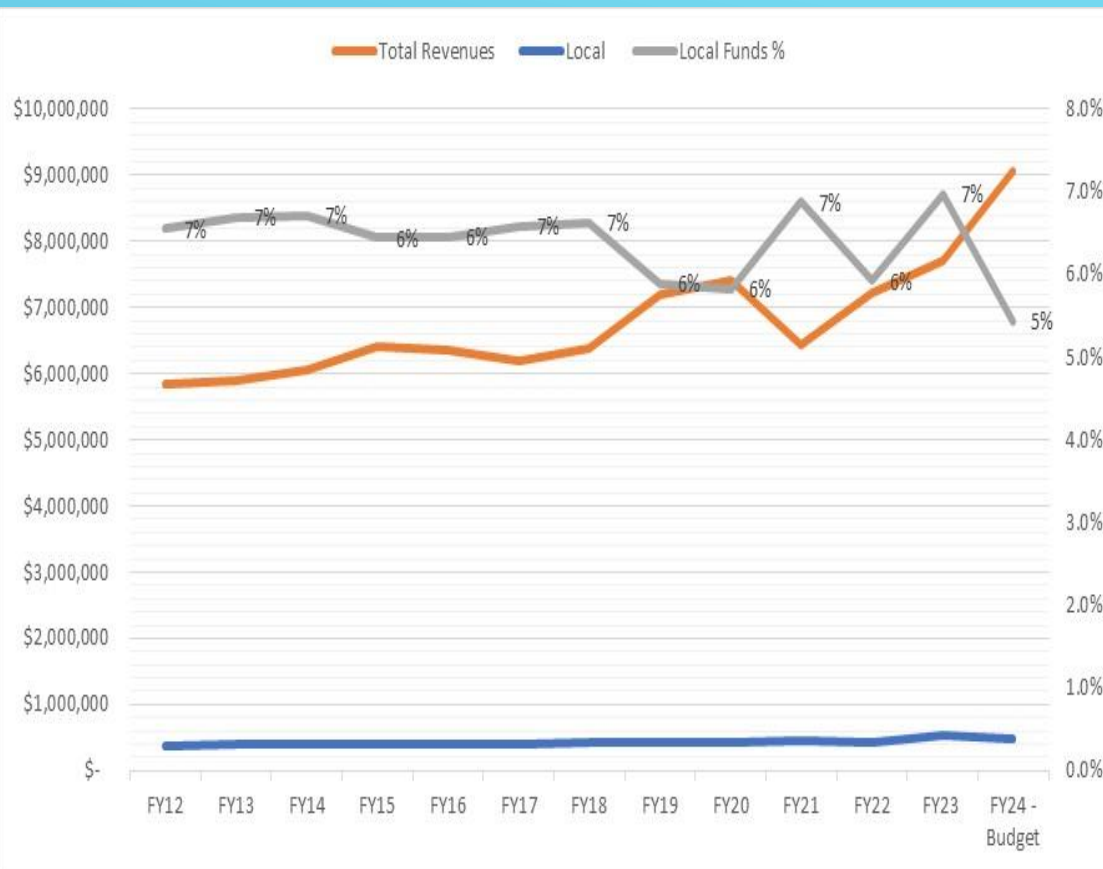
Deviated Fixed
Route
(ADA)

Fare-free

Spot fuel
purchases

HOW IS RURAL DIFFERENT?

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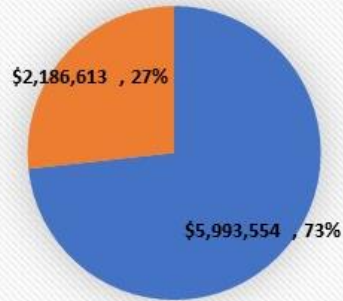
- Lack of member assessment structure hurts local fund growth
- State support has so far met non-federal match needs
- Expense growth remains a concern
- Need for capital investment is also a long-term concern

HOW IS RURAL DIFFERENT?

HOW IS RURAL DIFFERENT?

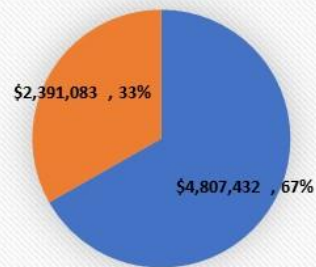
RURAL FUNDING: PAST VS. PRESENT

**FY23
Post-Pandemic**



■ Federal, State, & Local ■ Operating Revenues

**FY19
Pre-Pandemic**



■ Federal, State, & Local ■ Operating Revenues

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Medicaid and O&D
represent roughly 46%
of total revenues



These programs
contribute to positive
operating leverage



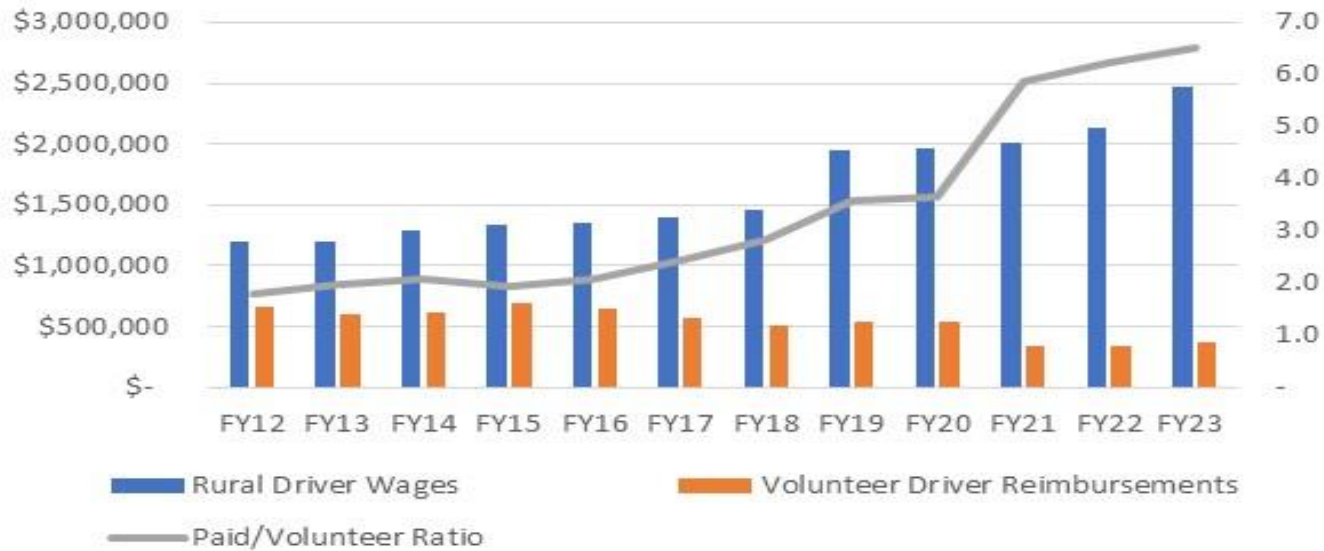
\$50K of O&D funds are
provided to support
overhead costs



Volunteers lower
average trip costs and
improve economics

MEDICAID AND O&D

Volunteer



VOLUNTEER DRIVERS



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Questions?

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