**Green Mountain Transit Interim Legislative Report**

To: House Committee on Transportation

 Senate Committee on Transportation

From: Clayton Clark

 General Manager

Date: November 15, 2024

In accordance with Act 148, Section 9(e):

(e) Conditions; report. As a condition of receiving the grant funding, Green Mountain Transit shall do all of the following:

(1) begin collecting fares for urban and commuter transit service not later than June 1, 2024;

(2) in coordination with the Agency of Transportation, Special Service Transportation Agency, Rural Community Transportation, and Tri-Valley Transit, evaluate alternative options for delivering cost-effective urban fixed route transit service, rural transit service, commuter service, and any other specialized services currently provided, and prepare a proposed implementation plan, including a three-year cost and revenue plan, for recommended service transitions; and

(3) submit to the House and Senate Committees on Transportation an interim report on or before November 15, 2024 and a final report on or before February 1, 2025, detailing the findings, recommendations, and implementation plan as described in subdivision (2) of this subsection.

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**Relevant Background**

The Report from Steadman Hill Consulting on the Transfer of GMT Rural Service provides background on the circumstances leading to the necessity of this report. GMT will expand on this background below in a few key areas.

**Vermont’s High Return on Investment for Public Transit**

We must start with acknowledgement that Vermont should be proud of its robust public transit system.

In its *Report on Funding Sources for Public Transit Nonfederal Match* from January 2024, the Vermont Public Transportation Association (VPTA) showed the ways VTrans and the Legislature have taken positive action to fund public transit, demonstrating that no other rural state invests more per capita state dollars in public transit than Vermont. This extends to how VTrans and the Legislature allocate federal funds to augment transit, where again Vermont is leading the way.

This level of spending would only be positive if the investment was providing a service that was used by our citizens. We can get an idea of how we compare to other similar sized agencies by looking at our federal appropriation.

The Federal Transportation Administration (FTA) measures the performance of small urban transit agencies across six measurements. These measurements are called Small Transit Intensive City (STIC) Factors. The FTA awards additional funds to agencies that have above average results for these six STIC factors.

GMT is above average on four of the six STIC Factors. Only 11% of transit agencies of comparable size are awarded four or more STIC Factors. Looking at the factors:

* Two of the factors measure the amount of service compared to our population. We are above average on both, showing that we have a comparably high level of service for a community our size. This means our higher investment has led to more service being available.
* Two of the factors measure the population’s usage of transit. We are above average on both, showing that we have a comparably high level of ridership for a community our size. This means our citizenry is using our service at an above average rate.
* Two of the factors measure efficiency, by looking at the relationship between preventative maintenance of vehicles and service miles and hours. These are the two areas we score below average. Part of our long-term funding plan will be finding ways to increase our scores on these measurements as well.

Collectively these measures indicate we have invested in our service and our population is using it, to all our benefit. It also demonstrates we have the potential to manage our service more efficiently.

In FY25 GMT will receive $2 million in performance awards from these STIC factors, creating a virtuous circle where municipal and state investment is rewarded with additional federal dollars.

**Organizational Assessment Identifies Root Cause of Performance & Fiscal Challenges**

GMT conducted an organizational assessment in 2023 and 2024, with the final recommendations of the assessment issued in June of 2024. The assessment was completed by Steadman Hill Consulting and Aplomb Consulting, with their findings included in this report.

The GMT organization assessment was requested by VTrans in the Fall of 2022 in response to a leadership staffing crisis where three of the six senior managers at GMT had submitted their resignations, to include the General Manager. VTrans supported the creation of an Assistant General Manager position to augment the GMT management team, and thankfully the General Manager at the time agreed to continue in this new role. This contributed to the retention of the other departing staff, who decided to remain.

The assessment provided a clear conclusion that was rooted both in staff surveys and interviews, as well as the consultant’s independent analysis: staff were stressed, there was organizational and interpersonal dysfunction, and the lack of staffing was the root cause. As described by Steadman Hill Consulting in their report below, there was a 42% reduction in managerial staff from 2012 to 2023.

This loss in management capacity led to a perpetual crisis mode where remaining staff didn’t have the time to focus beyond the daily fires associated with operating Vermont’s largest transit organization. The analysis showed that GMT barely had the capacity to operate a small, urban transportation network, let alone rural service in four other counties.

Here are examples of how the lack of capacity negatively impacted GMT’s ability to serve as a reliable partner to VTrans, the Legislature, and the communities we serve:

* In the Fall of 2022, at the same time as the leadership staffing crisis, the GMT Board developed a budget that would include the return to fares on July 1, 2023. Unfortunately, GMT was not operationally prepared to restart fare service. During the period of fare free operation, roughly half of GMT’s fare boxes became obsolete when the manufacturer discontinued support. The lack of clear communication between the board and staff on this issue can be attributed to the departure in mid-2022, without replacement, of GMT’s Transportation Director, who was responsible for managing fare hardware. As a result of this internal lack of communication, GMT needed to work with the Legislature and VTrans during the 2023 legislative session to fund a pathway to fare restoration, which disrupted VTrans’ previous budgetary work and required additional funds planned for use elsewhere.
* For much of 2022 to the present, GMT has been unable to operate full service in Washington County due to a shortage of CDL drivers. This led to conflict with local communities, most significantly Barre City. The root of this conflict was the lack of a GMT presence in the communities served. At the time, 100% of staff located in Berlin to support Washington County service were operational in nature, meaning they all drove, maintained, cleaned, dispatched, or scheduled buses and vans. Unlike in 2012, there were no staff focused on maintaining local relationships, which is critical for generating local match, developing a broad volunteer network to reduce costs and increase capacity, modifying transit services to meet community needs, and establishing trust with communities served. Management of Washington County service was done remotely by staff located in Burlington. The lack of local control both embittered relations with the communities we served and created a morale crisis where staff in Berlin felt powerless and unsupported, amplifying the retention challenges that were behind our inability to maintain driver staffing levels.
* The lack of capacity has hindered the ability of GMT to both innovate and meet ongoing needs. Staff who are struggling to manage to the end of the day have been naturally resistant to disrupting existing systems, even when they recognize these systems are imperfect. In terms of innovation, GMT struggled to implement the state’s first microtransit service during the pandemic and to migrate our fleet away from internal combustion engines. In terms of ongoing needs, we have been unable to move forward with a critically needed new facility in Washington County, leaving us using a facility that was flooded in 2023, with another near flood later that year.

Although it is true that GMT serves the two highest cost-of-living counties in Vermont (Chittenden and Washington), the high cost of GMT’s service can only partially be attributed to higher wages and benefit costs in these areas. The bottom line is that GMT operates more service than it can effectively manage with its current staff size, and this has generated higher costs. Here are examples:

* As noted in the attached report from Steadman Hill Consulting, in Franklin County we are over-reliant on taxi service due to shortages in drivers, vehicles, and volunteers. Like Berlin, our operations centered in St. Albans have no non-operational staff and rely on the overstretched central office staff to resolve these local challenges, which is especially problematic for volunteer recruitment and support. About a third of the estimated cost savings associated with transferring service would come from avoiding the use of taxi service.
* In Washington County we recruited an experienced leader to provide local management in Berlin. At the time, forced overtime was the primary method for maintaining service while short-staffed. This led to serious morale issues and higher costs, as most employees forced to work overtime were paid double-time. New employees, those with the lowest seniority, would be forced most often and would frequently leave shortly after completing training. This new local manager partnered with the local union stewards to identify how to reduce forcing. Their locally generated solution has all but eliminated forcing in the past three months. Not shockingly, a September 2024 Employee Engagement Survey of Berlin staff showed huge improvements in staff morale, and we are able to provide the same level of service more cost effectively.

**The GMT Unicorn – A Rare Urban and Rural Transit Agency**

The GMT organizational assessment also identified how rare it is for a transit agency to operate both urban and rural service. The FTA funds urban and rural transit through separate programs, and with a few exceptions these funds cannot be transferred between these programs.

As a result of this fiscal separation, GMT is like two separate transit agencies that share a common management team. The separation extends beyond just funding, however, because urban and rural transit operate very differently from each other, with urban and rural drivers having separate collective bargaining agreements.

With its high population densities, urban service is focused on fixed route service. GMT establishes a schedule and picks up riders at set locations at set times. This creates predictability and there is only one rule set for how to operate. Most importantly, there is no pre- or post-ride interaction with GMT required to use the service.

Rural service is much more complex. In addition to fixed route, rural transit offers a variety of door-to-door services that require eligibility verifications, ride scheduling, following multiple rule sets for multiple funding sources, complex reporting requirements, etc. Rides generally require a personal interaction with a scheduler or dispatcher, and each day is a unique set of trips to manage. Medicaid transportation, which accounts for a large portion of rural demand response service, entails yet more staff administration, as client appointments need to be verified by transit agency staff, and reams of federal Medicaid rules consume many hours of staff time.

Outside of California, we have only been able to identify one other transit agency that had a dual urban and rural mission. And, since that other agency doesn’t provide seasonal service like GMT, it can reasonably be argued that GMT’s depleted management team is operating one of the most diverse transit agencies in the nation.

**Genesis of GMT Urban Service Reductions**

In early 2020, just prior to the beginning of the COVID-19 Pandemic, GMT began the process of reducing its service due to financial constraints. A round of reductions went into place across both our urban and rural systems in June of 2020.

One of the few positives of the pandemic was federal relief funds. As a municipality, GMT received $17.8 Million from the federal government. These funds could replace local match, which allowed maximum flexibility in how they were used.

This created a situation where a rising tide lifted all boats. The additional funds, and their flexibility, decreased our reliance on state funds. VTrans was able to decrease GMT’s state contributions in FY21 and FY22, allowing them to use funds to support other providers.

Most importantly, however, these funds allowed GMT to fill the gap between quickly rising costs and slowly rising revenue so that full service could continue to be provided to our communities (where staffing allowed). We project the last of these relief funds to be exhausted in early Fiscal Year 2026.

With relief funds exhausted, GMT, VTrans, urban municipalities, and the Legislature have a Hobson’s choice: implement severe urban service reductions or identify additional funds for transit. This choice is being made all across our country and Canada, as urban transit systems find themselves in similar circumstances.

As projected by VPTA’s *Report on Funding Sources for Public Transit Nonfederal Match*, GMT urban is the first of Vermont’s providers to hit their fiscal cliff, but rural providers and VTrans have their own cliffs that will soon put them in similar circumstances.

**Public Transit Funding Solution Elusive, Leaving Urban Municipalities Strained**

As described in Steadman Hill Consulting’s attached report, there have been nine transit funding studies conducted since 1998 to consider how to fund public transit in Chittenden County. None resulted in changes to the funding model.

As a result of our robust urban system, Chittenden County is the only place in Vermont where municipal contributions exceed state contributions for public transit. Collectively, GMT’s urban members will contribute $3.8 million towards urban transit in FY25. In comparison, even with an extra $630K provided to help address GMT’s fiscal cliff, state taxpayers will contribute $2.6M.

The burden is the worst on the City of Burlington, whose 44,743 residents contributed $1.9 million in FY25. In comparison, the combined municipal contributions towards public transit of all municipalities outside Chittenden County, with a population of 477,763, is only $1 million.

**Recent One Time Support to Urban Public Transit**

GMT received additional funds in Fiscal Years 2023 to 2025 for the following purposes:

* In FY23, the state provided $1 million as its share to continue zero fare service. At the time, zero fare service was the practice across the state, and there was support in the Legislature for its continuation. The loss of revenue from fare service was approximately $2 million, with the remaining $1 million paid for by relief funds.
* In FY24, the state provided GMT with $850K to extend fare free service into FY24, allowing GMT to perform the necessary upgrades to its fare system as described above.
* In FY25, the state provided an additional $630K to help preserve GMT’s relief funds and to decrease the service reductions necessary in FY26.

**Moving Forward – GMT Internal Response**

**Continued Response to Organizational Assessment**

The organizational assessment identified a wide range of areas of improvement for GMT, with suggested improvements as specific as changing radio practices to as broad as a total reorganization. Here are the larger themes GMT will be addressing internally.

**Increase Staff Capacity**

The clearest conclusion of the assessment is that GMT dysfunction is rooted in decreased staff capacity. This means GMT is faced with the daunting task of increasing staff capacity while also reducing expenditures.

The first approach GMT will take in addressing this issue is to maximize alternative revenue sources for staff capacity. For example: we were able to utilize funds from the Chittenden County Regional Planning Commission’s Unified Planning Work Program to increase our transit planning FTEs from 1.0 to 3.0, with GMT only required to provide a 20% local match. These planning positions will be critical for creating more efficient service across urban and rural service areas, and it will help alleviate frustrations felt by our municipal partners regarding the timeliness of service modifications.

The second approach may be less tolerable, as GMT needs to adjust its values to recognize that some service may need to be reduced so that all service can be better managed. If past financial challenges had led to across-the-board reductions instead of managerial reductions only, GMT would have continued to be a more reliable partner and provider. The Vermont transit providers thriving today invest more in their managerial staff, and GMT needs to follow their lead.

**Decentralization of Rural Management**

It can sometimes take years to learn if changes in organizational structure are beneficial. Moving significant management authority from Burlington to Berlin for the team providing Washington County service showed immediate positive results.

GMT recruited Monica White to be Director of Central Vermont Services after she departed state government as the Commissioner of the Department of Disabilities, Aging, and Independent Living in January 2024. In the seven months since she arrived at GMT, this team has made huge strides in performance and workplace culture.

GMT’s organizational assessment, provided later in this report, offer employee engagement survey results from Berlin in October 2023 and September 2024. They show remarkable improvement in the work experience of local staff. One key stat…

* in 2023, 0% of staff surveyed indicated the organization was moving in a positive direction, with 44% believing the organization was heading in a negative direction.
* In 2024, 52% of staff expressed positivity, with only 8% expressing things were getting worse.

The delegation of decision making to address site specific issues immediately improved the employee experience. Most critically for our ability to provide full service, the biggest improvement in morale was amongst drivers. Solutions include the near elimination of forcing, which was described above.

Another key decision was turning over supervision of the Montpelier Transit Center (MTC) to an onsite supervisor. Previously, both the Downtown Transit Center in Burlington and the MTC were supervised by the same person, with the supervisor working from Burlington. This limited the support on-site staff could receive, which was especially problematic when managing difficult customer situations. Since adding an onsite supervisor with experience both in human services and law enforcement, we have seen a marked decrease in the number of no trespasses issued to clients using the MTC because of their expertise in de-escalation. This keeps transit accessible to these dependent riders and has improved the sense of safety for both riders and staff.

The last example of immediate progress was in community engagement. GMT is now participating in local healthcare and human services efforts, such as becoming a partner with the Central Vermont Prevention Coalition. This has helped the community better understand the transit resources available, and helped GMT better understand the needs of the community. One improvement coming out of this local work is distributing Narcan from the MTC.

As you’ll see from the 2024 survey, one of the key worries of this team is that a transfer to another service provider will derail ongoing improvements after a long period of trauma. This team has struggled through floods, staff-based service reductions, vilification of their efforts from local communities frustrated with decreases in service, fears over their personal safety, lack of support, and internal dysfunction. Discussion of transfer just when things are looking better is unfortunate timing in terms of overall employee stress.

As with the previous section on increasing staff capacity, if GMT retains its rural service, it will need to find a pathway that is both economically feasible and increases overall capacity to manage our service.

**Efficiency of Service**

The organizational assessment also identified that GMT’s urban route efficiency is lower than its peers. The assessment identified that scheduling practices, which were developed to improve the employee experience, may result in less cost-effective transit.

Changing scheduling practices, however, would require negotiations with the urban operators’ union, who would likely and reasonably resist changes to scheduling practices that would be perceived as detrimental to its members. This will be a focus during upcoming negotiations with urban drivers, which will start before the end of the calendar year.

**Return to Financial Sustainability**

During the 2024 legislative session, legislators on both the House and Senate Committees on Transportation communicated their expectation that GMT needs to operate within its existing funding levels. Here are the steps GMT will take to meet these expectations.

**Reducing Costs – Service Reductions**

With the attrition of managerial staff, the only place for large-scale cost reductions within GMT’s urban budget are related to service.

In the Fall of 2024, GMT went through a public meeting process to gather input on potential service reductions. Staff identified savings of up to $3 million based on input from riders, municipalities, and the Board of Commissioners. The input established transit values that:

* Prioritizes local service over commuter service.
* Prioritizes weekday service over weekend service.
* Focuses reductions based on ridership and cost-per-rider, which would largely leave the most efficient service fully intact.

The first round of service reductions and eliminations will take place on December 2, 2024. The GMT board has already approved reductions that will result in savings of approximately $750 thousand each year. Later in the report is a listing of the service cut, service still under consideration for reduction, and public comment on the reductions.

The public comment is broken into two categories… Input from organizations and from members of the public. The comments indicate potential negative impacts on a wide assortment of priorities for the State of Vermont. The following themes were repeated throughout the process:

* Access to work. Many participants emphasized their dependence on transit to access work, to include during off peak times when there is lower ridership, which is critical for workers in the service industry. Individuals determined to be mission essential during the pandemic indicated transit was how they were able to serve.
* Access to housing. Many participants discussed using public transit to travel between work and locations with housing they could afford. Many participants also described choosing their housing location specifically because of public transit access. We also heard from local municipal planners who had made permitting decisions regarding parking based on public transit access.
* Access to healthcare. Many participants talked about the ability to get from outlying areas to medical appointments. This included access to daily dosing for citizens battling opioid addiction. This included concern from organizations who rely on public transit for their clients to access medical care, and the potential budgetary impact for them in needing to arrange alternative transportation. There was also concern expressed about increasing missed appointments.
* Access to human services and activities of daily living. Many participants talked about access to food shelves, counseling services, pharmacies, shopping, social engagement, etc. This included concern from organizations who rely on public transit for their clients to access services, and the potential budgetary impact for them in needing to arrange alternative transportation. There was also concern expressed about increasing missed appointments.
* Concern that reduced transit will increase traffic congestion in Chittenden County.
* Concern that reduced transit will interfere with the State of Vermont’s climate mitigation goals.

**Reducing Costs – Non-Driver Staff Reductions**

Although there are limited opportunities to provide savings through non-union staff reductions, we have created some savings. We chose not to fill a vacant Operations Supervisor position. This will save just under $100 thousand in pay and benefits, although it does lead to less oversight and support of our operations, as well as increased workload to other supervisors. We will continue to evaluate positions, although we do not anticipate further reductions at this time.

**Increasing Revenues**

To avoid a series of damaging service reduction cycles, GMT will need to identify new ways to generate revenue that go beyond existing practices and is less reliant on municipal and discretionary state spending.

**Urban Assessment Methodology to be Updated in 2025**

The statute creating GMT gave it assessment authority over its urban members. Changes to the assessment methodology require the approval of the legislative bodies of 75% of its urban members. With 10 urban members at present, this would require eight positive votes in city councils and selectboards to change.

The current assessment methodology was established in 2008. At the time, the primary concern of members was assessment volatility, so a methodology was established that would maximize budget predictability. Municipal budget planners could expect annual increases for fixed route service to be in the 3% to 4% range. The process achieved its predictability goal, but in doing so it created a relatively rigid structure that made it challenging for GMT to modify service or to react to changing world conditions.

Over the next year the GMT Board of Commissioners will go through the process of updating the assessment methodology with its urban members. We are hopeful members will approve changes in time for FY27 budget cycle, which starts November 2025.

**Urban ADA Assessment Methodology**

The Americans with Disabilities Act (ADA) requires GMT to offer paratransit service to riders who live within 3/4 of a mile of a local fixed route bus and have a disability that prevents them from using bus service.

For rural transit, ADA service is generally handled by having the smaller, rural bus deviate from the fixed route to pick up the rider at their location. As a result, rural ADA service is supported so that local municipalities and organizations only need to provide their 20% local match.

This is not the cast for GMT urban. City buses move too many people to make deviations a viable option, especially when considering navigating a 40-foot bus through residential neighborhoods with narrower streets and turns.

GMT has a contract with the Special Services Transportation Agency (SSTA) to provide door-to-door paratransit. This service, which cost $2.3 million to operate in FY24, is paid for 50/50 between urban municipalities and GMT’s federal appropriation ($4.3 million in FY25). As a result, roughly a quarter of our municipal and direct federal revenue is used for this service.

As part of updating urban assessments, GMT will need to consider increasing the municipal contribution towards ADA service. Separately, GMT will raise this issue with VTrans and the Legislature as it considers future funding practices.

**Special Assessment Limitations Hinder GMT’s Ability to Meet Funding Crisis**

The statute creating GMT gave it authority to issue special assessments to fill funding gaps. This is a wonderful idea in concept but is set up in a way to ensure it is rarely, if ever, used.

The special assessment requires the unanimous approval of the legislative bodies of all urban members. Furthermore, the assessment must be collected across the members in the same manner as the regular assessment, not allowing for flexibility to adapt the assessment, which is critical when also considering service reductions.

For GMT to receive revenue from a special assessment in FY26, it would have to convince all 10 of its urban members to voluntarily pay more. Several of these communities will potentially have drastic reductions in their service.

Not surprisingly, city councils and selectboard have expressed opposition to increasing their contributions while service in their community is being cut. Urban voters share in the frustration over high costs, and paying more for less is not a politically viable option. Since service reductions are likely to be part of the response to any fiscal crisis GMT urban faces, this makes any meaningful special assessment a near impossibility.

With that said, GMT will be asking its members for a $316K special assessment in FY26. To overcome concerns of paying more for less service, this assessment will be for non-service-related expenses, with the bulk of the revenue used to offer a retirement buy out option to reduce our workforce.

**Expansion of Non-Municipal Local Match**

As described above, GMT’s authorizing statute gives it the power to assess. This is unique amongst Vermont transit providers. This power allows GMT to efficiently generate local match, which is critical because of the leanness of our staff.

For GMT to adapt to the current environment, however, it will need to emulate rural service providers and think beyond municipalities.

Vermont’s rural providers do not have assessment authority. As a result, the local funds they raise come from a variety of sources. The funds are also raised through negotiation by showing a return on investment to those entities that provide local match. This creates a virtuous cycle where there is never a separation between the service provided and the payer of that service. Rural providers handle this extra work by investing more of its resources into their non-operational staff.

**Fares**

Fare revenue has been a critical component of GMT’s funding. In FY13, 22% of GMT revenue was generated from fares. The percentage of revenue coming from fares gradually declined until 2020 when fares were suspended because of the pandemic.

GMT returned to its practice of collecting fares on May 20, 2024. The fare system had a goal, established in the FY24 Transportation Bill, of generating 10% of its revenue from fares, and the fare structure was set up for that target. Although it is still too early to tell if GMT will achieve its fare target, it appears that revenue may be slightly lagging expectations. There is some good news, however, as GMT is exceeding expectations for revenue generated from unlimited access agreements. These unlimited access agreements provide free transit for members, which is ideal both for the rider and GMT. Unlike fare revenue, FTA rules have allowed these funds to be considered local match, making them more useful.

In the coming months, however, the Board of Commissioners will need to review fare revenue data to determine whether adjustments should be made. This will also need to include a discussion about whether 10% is the right target considering the financial challenges ahead and the desire to retain service.

Separate from bus fares, the Board did approve increasing ADA fares from $3 to $4. This is the fare for using the paratransit service offered by SSTA described above. The fare increase will be effective January 1, 2025.

**Green Mountain Transit Foundation & Association**

The GMT Board of Commissioners recently approved the creation of an affiliated not for profit organization to increase opportunities for revenue generation. The Green Mountain Transit Foundation and Association will give GMT the ability to directly fundraise, will increase access to grant opportunities, and will offer more tools to solve problems. We do not anticipate this to have a large impact immediately, but over time our hope is to self-fund a portion of our revenue growth.

**Moving Forward – GMT’s Collaborative Response**

GMT is a partner within Vermont’s public transit system. Addressing the challenges of the moment will require collaboration with other partners.

**Transfer of Rural Services**

The biggest question to answer from this report is whether GMT should continue to be a dual urban and rural transit agency. To meet the requirement of the FY25 Transportation Bill, GMT collaborated with Rural Community Transit (RCT), Special Services Transportation Agency (SSTA), Tri Valley Transit (TVT), and VTrans. In May 2024 we agreed that Steadman Hill Consulting was in the best position to independently evaluate the situation, and their report immediately follows ours.

The report, which also expands upon GMT’s limited managerial capacity, shows that there is the potential for cost savings by transferring all of GMT’s rural service to other providers and returning GMT to its urban roots.

The GMT Board of Commissioners will consider the report and issue their recommendations in our final report to the Legislature, which is due February 1, 2025. GMT is committed to being a positive partner with VTrans and the other providers. We wish to be part of any solutions to our collective funding predicament. We also want to make sure we fully understand the potential impact these transfers will have on our riders, employees, and communities served before taking a position.

**Public Transit Funding Recommendation**

As discussed in the relevant background, there have been nine studies on how to finance public transit in Chittenden County. With rural providers approaching their own fiscal cliffs, now is the time to either act on one of the solutions recommended in the *Report on Funding Sources for Public Transit Nonfederal Match*, or enact another solution. Here are the recommendations from this report:

“In order to achieve these revenue targets and based on the evaluation of options in the previous chapter, this report recommends the following:

* Change the vehicle registration fee to an ad valorem fee and boost the average fee to $96. Study will be needed to determine the best way to transition to the ad valorem fee as well as to calculate what the fees should be per hundred dollars of value so that the average comes out to $96 per vehicle.
* Work with the Public Utility Commission to institute a fee to account for the increasing role of electric power in transportation. The first step is a study by the PUC, which can also include analysis of the impacts at various levels of revenue generation and a fee per kWh that would generate the same amount of revenue as a flat fee.
* Request a study by VTrans of an incentive program for transit funding within the State Aid for Town Highways program. Any revenue enhancement for the T-Fund should be accompanied by an incentive program for municipalities to support their local transit system.
* Increase the rental car tax by 1.5%. This tax increase would generate $1 million in new revenue.
* Implement a retail delivery fee. Impose new fee in recognition of damage caused to Vermont’s roads by delivery vehicles. Colorado and Minnesota can provide further guidance on the best practice for administering this fee.”

GMT is aware of Governor Phil Scott’s stated opposition to new fees. Without a public transit funding solution, however, Vermont will either need to flex more of its federal highway funds to transit or accept lower service levels across the state. Neither seems a good long-term strategy.

**M****ind the Gap – Urban Projections for FY27 and FY28**

Cutting ~$2 million in service for FY26 will not end the financial crisis for GMT urban. Even with this reduction, we have a projected deficit in FY27 of ~$2 million and FY28 of ~$1 million. Three years of service uncertainty and reductions will undermine our ability to meet community needs. Overall savings to the State of Vermont are unlikely to materialize as healthcare providers and human services agencies take on more costs associated with transporting clients, and replacement transportation services will likely have a much higher cost per passenger than public transit.

**Layo****ffs**

If GMT enters FY26 with the ~$2 million funding gap projected, we estimate the need to layoff 10 full-time drivers and all 12 part-time drivers, for a total of 22 employees. The layoff action would occur June 2025. Our part time drivers are our most economical labor pool, but our collective bargaining agreement requires their separation before full-time drivers can be laid off.

The scarcity of CDL drivers in Vermont has been well documented. We believe a layoff action would create future labor scarcity. The drivers that would be laid off would be those with the lowest seniority, leaving drivers with higher seniority. Many higher seniority drivers are approaching retirement age. Replacing them after they retire will be exceedingly difficult, especially if GMT’s reputation for employment is soured by a layoff action.

As a result, GMT will seek to raise funds to offer a buyout option that would give drivers with higher seniority the opportunity to voluntarily depart GMT. If GMT were to offer 1 weeks’ pay for 1 year of service, the estimated cost of a buyout of 10 drivers would be $240K. It is unclear if this level of payment would produce the volunteers necessary to avoid layoffs.

**Rural Transfer Are****as of Continued Examination**

Steadman Hill Consulting’s report projects that transferring service would provide long term cost savings. Prior to issuing a recommendation on transferring service, GMT will explore issues beyond the finances:

* GMT values our workforce. We do not want a transfer of service to negatively impact on employees. GMT is concerned about the fallout of transferring union positions to a non-union provider in Franklin County. We will continue to work with VTrans and the other providers to address these issues.
* GMT will examine the internal financial impact. Any negative impact to GMT’s urban financials resulting from a transfer will need to be mitigated… transferring service can’t amplify urban’s financial crisis.

**Previ****ew of Final Report**

GMT appreciates the opportunity to provide both an interim and final report. Our final report will include:

* A recommendation on whether to transfer rural service to other providers.
* Greater clarity on local service reductions anticipated for June 2025. By the time the FY26 Transportation Bill is being crafted, Transportation Committee members will have a waterfall list to use to show what would be cut at different funding levels.
* Recommendations for statutory improvements (separate from those required for rural transfer). This will include suggestions that would give GMT greater flexibility regarding special assessments to address funding crises.
* Steadman Hill Consulting will have revised financial projections to reflect new collective bargaining agreements with GMT’s rural operators and maintenance staff, which went into effect in August and September 2024.

**Conclusion**

The biggest takeaway of this interim report is that the status quo is not an option:

* Even if rural service is not transferred to other providers, GMT will make fundamental shifts in how we manage our rural services. As described above, GMT will learn from its peers to increase local control and to improve community integration. This will improve the transit experience for riders, the work experience for employees, and funding options from local partners.
* Staff capacity will be increased so that we can stop asking staff to work harder instead of smarter. This may mean some additional losses in service, but the result will be an organization that is more flexible and has greater ability to adapt to community needs.

For now, we would ask legislators to consider the following:

* The limited number of non-operational staff remaining at GMT are doing the best they can and will continue to do so to be a good partner to VTrans and the State of Vermont. Past missteps are not rooted in managerial malfeasance or incompetence but overall capacity.
* GMT is governed by a volunteer Board of Commissioners who are doing the best they can and will continue to do so to manage a very complex organization, one of the most complex small transit agencies in the nation, with minimal staff capacity. Up to 28 volunteers serve on the board as primary and alternate commissioners.
* Progress is being made to reduce urban service costs with limited impact on communities and riders, but there is no avoiding the fact that these reductions will harm some of our most vulnerable community members. There is also no avoiding the fact that some of the transit being eliminated is among the most cost effective in the state.

**Bonus Section: Why So Many Big, Empty Buses?**

At all nine public meetings to discuss service reductions, GMT was asked some variation of the following questions:

* Why does GMT use such big buses when often there are only a handful of riders?
* Wouldn’t GMT save a lot of money if it used smaller buses?

I can relate to these questions, because I asked them on January 10, 2023… My first day as GMT’s new General Manager.

The surprising answer is “No.” Here’s why.

* A full-size city bus has a lifespan of at least 12 years. About a third of GMT’s urban buses are 12 years or older. These behemoths are more like a boat than a car, meaning retrofits like installing a new engine is somewhat commonplace.
* Smaller buses have a lifespan of roughly 6 years. The initial cost is about half the price of a full-size bus. This means the long-term capital costs of large buses are roughly the same as smaller buses.
* Labor is the single biggest cost of our operations. A smaller bus would still carry more than 14 riders, which means that a CDL driver is still required. This means no labor savings from a smaller bus.
* Buses are filled during peak times along our major corridors. Swapping buses during non-peak times would greatly diminish overall labor efficiency.
* Using large buses exclusively means that any urban bus can operate any urban route. This limits service disruptions, especially during times when more buses are temporarily non-operational.
* Every new vehicle type also means a new parts inventory to maintain and more training for maintenance staff, both of which increase costs and overall complexity of the operation.
* There currently are no smaller options for electric battery buses, which is the direction GMT is moving towards as we replace internal combustion engines.