

# How to Develop a Business Plan for Your Small Transit System

SURTC Transportation Learning  
Network (TLN) Transit Technical  
Assistance Workshop

Tuesday, October 18, 2005  
10:00 a.m. - 4:00 p.m. (CDT)



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# Workshop Agenda

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- 10:00 am Overview and Introductions
- 10:15 am What is a business plan and how can it help a transportation system?
- 10:30 am Basic components of a transit business plan
- 10:45 am Getting started – data requirements, stakeholders, review of goals, mission, review of opportunities and threats
- 11:00 am Break
- 11:10 am Review of Existing Operations
  - Operating and financial data
  - Organization, management, information systems, maintenance, marketing
  
- 12:30 pm – 1:45 pm Lunch Break
  
- 1:45 pm Understanding your market
- 2:15 pm Developing and quantifying service changes
- 2:45 pm Forecasting Operating Revenue and Expenses
- 3:00 pm Break
- 3:10 pm Developing a Capital Plan and Budget
- 3:30 pm Bringing it all together, questions, and follow up
- 4:00 pm Adjourn



# What is a business plan and why should I care?

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- I'm providing an essential service to humanity, not running a business
- It sounds like a lot of work, what's the payoff?



## Does this sound like your organization?

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- Enormously challenging goals
- Fragmented funding sources
- Overwhelming demand for your service
- Over-stretched staff
- Not enough time in the day



## How will the process of preparing a business plan help?

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- Provides a systematic way to think about your organization, its services, and its future
- Provides an effective tool to communicate with funders, employees and other stakeholders



## A Business plan helps to answer questions like:

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- Will our organization be around in five years and providing the same level or more services than it does now
- What should we be doing and what could we be doing?
- What are our priorities?



# What is a business plan and why should I care?

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- A **business plan** is a document that summarizes the operational and financial objectives of a business and contains the detailed plans and budgets showing how the objectives are to be realized.
- Because the business plan contains detailed financial projections, forecasts about your business's performance, and a marketing plan, it's an incredibly useful tool for business



# What is a Business Plan?

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- A story
- Describes what an organization hopes to accomplish
- Specifies resources needed
- Explains how activities proposed will achieve desired results



# Business Plans

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- In the private for-profit sector the primary purpose of a business plan is to attract investors or convince a bank to loan money
  - Example: all of the .coms that sought venture capital



# Business Plans

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- In the public sector the audience for a business plan includes:
  - Funding agencies
  - Board members
  - Staff
  - Customers
  - Community (taxpayers)



# Business Plans and Transit

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- Similar to a Short Range Transit Plan or a Transit Develop Plan
- Key difference is that the business plan is management and communications tool, action oriented rather than grant funds programming process



# Typical Short-Range Transit Plan

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- Inventory of existing services
  - Operations trends
  - Fare structure
  - Physical property
  - Management structure
  - Routes and service evaluation
  - Ridership characteristics (usually an on-board survey)



# Typical Short-Range Transit Plan

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- Analysis and Recommendations
  - Data analysis
  - Recommendations on transit operations
  - Equipment and facility requirements
  - Fare structure recommendation
  - Marketing plan
  - Financial feasibility analysis including capital and operating expense estimates (3-5 years)
  - Management and organization recommendations
  - A five-year summary/business plan



## Business plans come in many styles and forms, but have common elements

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- General format
- Small Business Administration Outline
- Suggested outline for small transit system



## General Format -- Essential Elements of a Business Plan

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- Precise description of the impact for which your organization holds itself accountable and how your work will lead to that impact
- Description of actions that must take place to achieve your desired impact



## General Format -- Essential Elements of a Business Plan (Continued)

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- Details of the Resources – financial and human – that you will need to take these actions
- An explanation of how you will measure success, both ultimately, and year to year



# Small Business Administration (SBA) Outline for Established Business

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- General Company Description
  - Mission
  - History
  - Strengths, core competencies, challenges
  - Long-term plans



# SBA Outline for Established Business (Continued)

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- Products and Services
- Market Plan
  - Market research
  - Customers, competitive analysis
  - Marketing strategy
- Sales Forecast



# SBA Outline for Established Business (Continued)

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- Operational plan
  - Legal environment
  - Methods
- Management and organization
- Financial history and analysis
- Financial plan
  - 12-month and 4-year projections
  - Cash flow projections
  - Balance sheet



# A SUGGESTED APPROACH

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# Outline of Transit System Business Plan

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- **Introduction and scope**
  - Purpose of the business plan
  - Brief history of the transit system
  - Financial and operating trends over past 3-4 years
  - Overview of rest of plan



# Outline of Transit System Business Plan (Continued)

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- **Description of system organization and governance**
  - Non-profit, government agency, etc
  - Policy board make up
  - Organization chart of organization from Board to drivers
  - Evaluation of current governance and organization including conformance to state and federal program guidelines



# Outline of Transit System Business Plan (Continued)

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- Candid discussion of
  - Strengths – core competencies (what do you do well)
  - Opportunities
  - Challenges
  - Limitations
- Consider both internal and external



# Outline of Transit System Business Plan (Continued)

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- **Market for transportation in your service area**
  - Demographic information on existing service area including, population, age distribution, disabled, low income population, auto ownership
  - Estimate of current ridership by sub areas (county, township, city)
  - Demographic information on areas considered for expansion
  - Estimates of ridership potential from existing areas as well as new expansion



# Outline of Transit System Business Plan (Continued)

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- **Description of existing operations**
  - Description of existing routes, service areas, service types
  - Description and evaluation of functional areas of operation
    - Call-taking, dispatching
    - Maintenance
    - Personnel
    - Management information systems (client records, ridership and operating data)
    - Accounting and finance
  - Description and evaluation of vehicles, including a roster
  - Description and evaluation of facilities, e.g., office, maintenance, storage
  - Performance evaluation using a few key statistics
    - Over time
    - Peer group comparisons



# Outline of Transit System Business Plan (Continued)

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- **Mission, Vision, Goals and Specific Objectives to guide next 5 years**
  - Vision for the system and relationship to other regional goals
  - Transit-specific objectives that can be measured
  - Specific performance measures and future goals



# Outline of Transit System Business Plan (Continued)

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- **Discussion of future service changes – expansions, reductions**
  - Describe service
  - Quantify change in terms of miles, hours, vehicles, ridership estimates
  - Discussion of staffing and facilities needs to support expansion
  - Rank service change priorities



# Outline of Transit System Business Plan (Continued)

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- **Capital budget for next 5 Years**
  - Vehicle replacement needs and timing
  - Vehicle needs for expansion
  - Facilities expansion
  - Other capital needs – computers, information systems, maintenance and other small capital items



# Outline of Transit System Business Plan (Continued)

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- **Operating Budget Projections for next 5 years**
  - Revenue, expenses, deficit projections
  - Analysis of sources of deficit funding
  - Combine capital and operating support needs for 5 years to determine total state, federal, local contributions



# Outline of Transit System Business Plan (Continued)

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- **Propose performance measures and milestones to evaluate success of plan**
  - Performance indicators
  - Information system needs to support measurement
  - Possible triggers to suggest plan update



# Getting Started

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- Time required
- Data
- Involvement of others
  - Employees
  - Customers
  - Policy Board
  - Community leaders
  - Political leaders



# Discussion of strengths, opportunities, challenges

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- Strengths – core competencies
  - Staff
  - Facilities/vehicles
  - Community support
  - Funding
  - Services



# Discussion of strengths, opportunities, challenges

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- Opportunities
  - New mandates or programs
  - Increased funding
  - Political support
  - Coordination opportunities



# Discussion of strengths, opportunities, challenges

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- Challenges

- Staffing – turnover, succession, retention
- Funding
- Local support
- Agency support
- Equipment, facilities
- Local demographics (declining population, rapid growth in some sectors, etc)



**BREAK – 10 minutes**

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