

American Public Power Association

Business Plan Executive Summary

Prepared by:
McKinley Advisors
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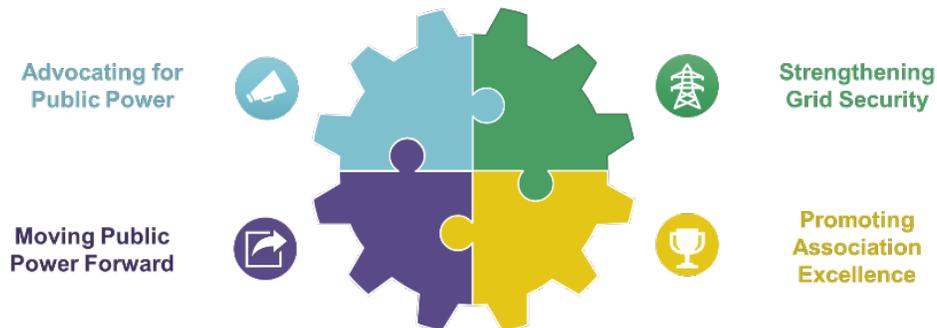
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Introduction

OVERVIEW

The American Public Power Association (APPA) is the leading association representing not-for-profit, community-owned electric utilities in the United States. APPA’s purpose is “to partner with members to promote public power, helping community-owned utilities deliver superior services through joint advocacy, education and collaboration.” In 2021, APPA partnered with McKinley Advisors to create a comprehensive and forward-focused business plan that aligns with and maximizes the association’s strategic and financial plans. This plan establishes a clear pathway driven by a set of guiding principles, specific priorities and a robust business framework that will take APPA from the successful association it is today toward the thriving association articulated in the organization’s vision statement: To shape the future of public power to drive a new era of community-owned electric service.

For the past decade, APPA has worked to eliminate the financial burden of the association’s Defined Benefit Pension plan, most of which was achieved through increases in utility member dues. Now, APPA has an opportunity to invest in, explore, and develop new opportunities for increasing, yet sustainable, growth that is not as reliant on member dues. There is a strong foundation for the future - APPA has a high member retention rate which is well above trade associations of similar size and scope. In addition, the association operates with a strong value proposition with unique offerings, including conferences, education, and topic-based analytical services in the reliability and safety areas. Most importantly, the APPA strategic plan outlines key areas of opportunity and influence that align with the organization’s vision and purpose.



The success of the business plan hinges on its alignment with the four pillars of the APPA strategic plan that were reviewed as part of this planning process and found to continue to align with the members’ expectations - advocating for public power, moving public power forward, strengthening grid security, and promoting association excellence. This business plan is meant to enable and enliven the goals set forth in the 2021 strategic plan by supporting the success of strategies, tactics, and metrics for each pillar. Some examples include opportunities for supporting APPA’s members on their workforce development challenges through new and enhanced education and training, building upon APPA’s strength in advocating for its members, including through enhanced media relations efforts, and including addressing the significant activities around climate change, and leveraging federal funding and other relationships to support our members on improving grid security.

OBJECTIVES

This business plan outlines how APPA can leverage its strong position and tackle the challenge of misaligned strategic and financial plans. With this work, the organization will be better positioned to

support its members in addressing the known challenges they face today and those unknown challenges of the future. To do this, the organization will need to:

- Protect member value while improving association management by embracing best practices.
- Identify the best opportunities to grow revenue outside of raising member dues in order to provide the services their members need to meet the challenges they face as the industry undergoes a significant and complex transition.
- Determine the most appropriate pace of execution to achieve the association’s goals.

The business plan seeks to accomplish these objectives through a three-pronged approach of: 1) building sustainable non-dues revenue; 2) focusing on mission impact; and 3) delivering member value. In the recommendations that follow, we outline opportunities for APPA to improve efficiency and effectiveness in existing programs, ways in which the organization can maximize impact through targeted investments, and opportunities to invest in the development of new program opportunities.



Increasing the level and sources of revenue builds resilience into the association's business model and decreases dependence on member dues. Even if no program changes were envisioned in the future, inflation is a reality for today’s associations especially given that the largest expense is often staff. The growth that is envisioned in this plan is not “growth for growth’s sake;” rather it is a plan to ensure that APPA does not have to go back to its members repeatedly for dues increases to maintain its bottom line while providing the value they have come to expect under the four strategic pillars. Further, the potential that is unlocked because of this plan can yield far greater returns on investment than a status quo approach. By taking these steps, APPA will truly be able to realize the vision outlined in its strategic plan.

Process

McKinley Advisors worked closely with APPA staff and volunteer leaders throughout a nine-month process that included background research, creation of a business planning committee comprised of members that met several times and provided valuable feedback, qualitative interviews with additional members as well as APPA staff, Board of Directors working sessions, staff working sessions, analysis of recent membership surveys and third-party analyses of membership engagement performed previously, detailed collaboration with the APPA executive team, and an environmental scan. The recommendations outlined in this document reflect these various inputs as well as a broad understanding of past and emerging association best practices.

DATA-DRIVEN APPROACH

To inform the business planning project, McKinley engaged in a data-driven approach that included multiple research phases to inform the direction of the business plan. Grounding the work in APPA’s current environment and ensuring a baseline understanding of the work done by the association to-date, McKinley conducted a data review and analysis of findings from APPA’s past surveys and relevant research, determining initial areas of exploration for the business plan. McKinley conducted a series of qualitative interviews with APPA staff, Board Members, and general members to validate the themes and findings while identifying current trends, challenges, and perceptions.

For a collaborative, inclusive process, McKinley engaged APPA staff and members of the Business Planning Committee in a series of working sessions to further develop the business plan by assessing options, refining concepts, and building consensus on the core, foundational elements of the business plan. Finally, McKinley conducted a robust environmental scan of four targeted associations to identify gaps in the market and potential strategies, concepts, and revenue opportunities. All of this data was used to drive decisions and recommendations outlined in the final APPA Business Plan.



BUSINESS PLANNING COMMITTEE MEMBERS

The Business Planning Committee (BPC) is comprised of the following APPA members:

- Troy Adams, Manitowoc Public Utilities, Manitowoc, Wisconsin
- Elaina Ball, Fayetteville Public Works Commission, Fayetteville, North Carolina
- Dan Beans, Redding Electric Utility, Redding, California
- Jackie Flowers, Tacoma Public Utilities, Tacoma, Washington
- Jon Hand, Electric Cities of Alabama, Montgomery, Alabama
- Colin Hansen, Kansas Municipal Utilities, McPherson, Kansas
- Wes Kelley, Huntsville Utilities, Huntsville, Alabama
- Dave Koster, Holland Board of Public Works, Holland, Michigan
- Laurie Mangum, City of St. George Energy Services Department, St. George, Utah
- Gary Miller, Bryan Texas Utilities, Bryan, Texas
- Jolene Thompson, American Municipal Power, Columbus, Ohio
- Amy Zubaly, Florida Municipal Electric Association, Tallahassee, Florida

The committee was also supported by APPA staff who provided guidance and insight throughout the process:

Executive Team

- Joy Ditto, President and Chief Executive Officer
- Harry Olibris, Senior Vice President, Finance & Administration, and Chief Financial Officer
- Delia Patterson, Senior Vice President, Advocacy & Communication and General Counsel

- Jeff Haas, Senior Vice President, Membership and Education

Key Research and Feedback on Non-Dues Programs

- Alex Hofmann, Vice President, Technical and Operations Services
- Ursula Schryver, Vice President, Strategic Member Engagement & Education

Case for Change

Establishing a clear pathway driven by a set of guiding principles, specific priorities and a robust business framework is a critical process that every member-based organization must undertake to envision and realize its desired future state. It is with this understanding that APPA set out to develop a business plan that provides the framework to guide the association during the years ahead.

APPA is operating from a position of strength with healthy reserves, strong member retention and a unique value proposition, however, three primary drivers have accelerated the association's need to establish sustainable revenue sources and reinforce the value of membership.

The COVID Pandemic: An uneven recovery from COVID, with both regressing and advancing trends, is changing how associations do business. Loss in revenue from in-person events has resulted in a strong demand for new revenue sources and has unlocked strong demand for virtual offerings in addition to a return to in-person events. This uncertainty drives a need to innovate and invest in high-value engagement opportunities while sunsetting programs that no longer serve traditional constituents. The shifting nature of competition and collaboration points to the need to reconsider who the association serves and how it serves them.

Aging and Retiring Membership: A shortage of experienced professionals in the pipeline to fill leadership positions drives concerns about a leadership vacuum when experienced leaders retire. This limited pipeline and a desire for a more diverse and inclusive leadership cohort drives the need to be intentional in recruiting and training new leaders.

Industry Disruptors: A number of factors are creating pressure on APPA's members that have not been seen before. An ongoing focus on climate change policy and grid resilience at the federal level is challenging the industry to balance priorities which can at times feel at odds. In addition, changing customer expectations, in part enabled by technology developments, have increased the complexity of doing business in an already complex and uncertain industry that, literally, underpins modern society.

Recommendations

The recommendations provided in this business plan are categorized into three areas of focus designed to provide APPA a forward-focused road map to provide strong member and constituent value that aligns with the strategic plan and ensures a secure financial position for the organization. In some cases, the recommendations are a continuation and expansion of existing work. In other cases, the recommendations move the association in a new direction. All recommendations are based on data collected throughout the project and take into consideration association best practices.

MISSION IMPACT

The following recommendations are designed to amplify APPA's impact through targeted resource deployment. Aligned directly with the Promoting Association Excellence pillar, implementing these activities will help the association to focus on its strengths and make strategic investments to deliver

the highest impact. By enhancing internal efficiencies and using data to make informed decisions, APPA will elevate the association's profile.

1. Conduct an Organization-Wide Portfolio Audit
2. Collect and Leverage Data for Decision Making
3. Continue to Use the Strategic Pillars as the Driver for Prioritizing Resources

Business Plan Area	Measures of Success
Organization-Wide Portfolio Audit	<ul style="list-style-type: none"> • Complete an initial portfolio audit • Establish a regular program review schedule • Use direct and indirect costs for each program to drive decisions on pricing, sponsorship goals and revenue projections
Collect and Leverage Data	<ul style="list-style-type: none"> • All staff are fully trained on the new AMS • Full suite of reports and dashboards are available to all staff
Prioritize Resources	<ul style="list-style-type: none"> • Establish a metrics dashboard aligned with the strategic pillars • Link the staff performance review to measurements of the strategic pillars

MEMBER VALUE

These initiatives focus the association on members and ensure the association finds its niche within a crowded and changing competitive landscape. These recommendations cut across three strategic pillars – Advocating for Public Power, Moving Public Power Forward and Strengthening Grid Security. By investing in core areas such as advocacy, workforce, and public awareness, APPA ensures a strong member value proposition for the future. At the same time, there is opportunity to test new pricing models that support the core membership value proposition and bring members new products through strategic partnerships.

1. Protect Core Member Value Proposition
2. Explore New Pricing and Partnership Structures

Business Plan Area	Measures of Success
Core Member Value Proposition	<ul style="list-style-type: none"> • Member satisfaction with membership • Value to Cost for membership • Growth in program engagement and program satisfaction
New Pricing and Partnership Structures	<ul style="list-style-type: none"> • Market test new pricing structures of three programs • Repurpose governance training content and offer to one new audience • Identify a strategic partner for each workforce challenge – emerging leaders, DEI, and success planning

SUSTAINABLE NON-DUES REVENUE

The following initiatives are intended to strengthen existing programs as well as build and diversify new revenue streams for APPA, reducing reliance on utility member dues. While the focus of these initiatives is to create efficiency and generate revenue to alleviate upward pressure on dues, it will also be critical to focus on programs that provide valuable content, support the association’s mission, and align with the current strategic plan. The work to be done in this area supports strategies in the Moving Public Power Forward and Promoting Association Excellence strategic pillars through investments in the research and development program and targets growth of non-utility dues revenue streams.

Given the association's current staff resources, the recommendations are presented in a two-phase sequence. The first three years focus on association best practices to expand existing programs, and then years four and five focus on building a new data analytics business line.

1. Implement Association Best Practices with Existing Programs
 - a. Position Meetings and Education into Robust Profit Centers
 - b. Expand Associate Membership
 - c. Expand and Enhance R&D Program
2. Invest in a New Data Analytics Service Line

Business Plan Area	Measures of Success
Meeting and Education	<ul style="list-style-type: none"> • Program level KPIs • 30% of all revenue from sponsorships, advertising, and exhibits • 20% net income for entire portfolio
Associate Membership	<ul style="list-style-type: none"> • 7% YOY growth for next five years • Execute targeted recruitment campaigns for associate member categories • Increase engagement in other APPA programs by associate members
R&D Program	<ul style="list-style-type: none"> • Double DEED revenue and add sufficient revenue to ensure the program is breaking even within five years. • Sustainable growth in grant program as measured by client satisfaction, revenue to expense ratio and successful program outcomes
Data Analytics	<ul style="list-style-type: none"> • New business line fully launches in year five

Conclusion

This business plan is designed to help APPA protect its core member value proposition while improving its operations and ensuring alignment with the strategic plan. The focus is to lean into key value drivers such as advocacy and high-quality education and training programs while emphasizing excellence in operational services. The key is to identify the best opportunities to grow and diversify revenue, add value, and accelerate growth, but do so at an execution pace that will lead to success. With a measured approach that employs best practices, the association can diversify and continue to strengthen its finances for the long term.