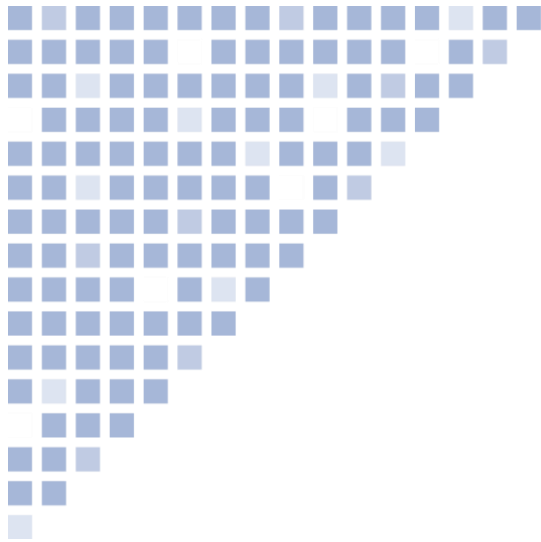




ICMA Budget

Fiscal Year 2016

July 1, 2015 — June 30, 2016

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Executive Summary

Document Organization

The FY 2016 budget document begins with an executive summary, which includes a budget summary, FY 2016 strategic priorities and metrics, a description of the budgeting process, summary budget by outcome area, budget assumptions, grant-and-contract analysis, risks, and risk mitigation.

The executive summary is followed by financial reserve goals, progress anticipated toward these goals, and a summary of capital investments and depreciation. Next is the summary comparative FY 2016 budget followed by data with key priorities organized by outcome area.

Appendix A includes the strategic plan adopted in 2008 with references back to where the strategy is addressed in the budget document.

Appendix B includes the update provided to the board on the FY 2015 financial condition and details of the reorganization. This appendix provides the context to the FY 2016 budget.

Budget Summary and Context

The ICMA 2016 budget is based on a continued philosophy of responding to changing factors in our environment, while positioning ourselves for the future by investing in areas that will ensure the long-term strength of the association and making course corrections as needed.

Even as the economy experienced a financial crisis, ICMA has enjoyed financial success over the past decade, which enabled us to build net assets with steadfast fiscal discipline. In the 10-year period from FY 2004 to FY 2013, ICMA contributed approximately \$5M to net assets after funding such initiatives as the debit card program, investments to jump-start the *Life, Well Run* campaign, and other priorities. Net assets balance at the end of FY 2013 was \$6.3M, exceeding the target of \$5.3M by approximately \$1M.

From FY 2009 to FY 2012, ICMA had international funding in excess of \$16M each year with FY 2012 having the highest levels of over \$19M primarily from funding in Afghanistan. We knew this trend would not last and were preparing for a post-Afghanistan reality of reduced funding in the range of \$15M by building reserves and focusing on increasing revenues from non-grants-and-contracts sources, which grew from less than \$10M in FY 2004 to approximately \$15M in FY 2015. However, the reductions in international programs came more quickly and drastically than we expected with an unanticipated termination of a project in Afghanistan in FY 2014. International program revenues fell to \$15M in FY 2014 and are expected to be between \$8M and \$10M in FY 2015.

In light of these and other changes, ICMA approached FY 2014 and FY 2015 as transition years to organize for the future as we right-sized for the reduced levels of funding and discontinued or revitalized several business lines that were no longer sustainable in their current model. Internally ICMA reorganized to become more efficient and to focus on key priorities more effectively. Some of the bold changes and accomplishments that were made during this period included:

- Built on the success of personal outreach to members by adding a third regional director for the Southeast region in addition to the West Coast and Midwest.

- Assessed the recommendations made by the Task Force on Financing ICMA and moved forward with implementing the flat-rate dues for department directors beginning in July 2015.
- Positioned ICMA to be relevant to the next generation of members by establishing student chapters in 47 universities and offering services targeted to this audience.
- Offered additional professional development offerings, such as the mid-career development program and a webinar series on Effective Supervisory Practices, to cater to various career segments.
- Delivered a very successful 100th annual conference and 100th anniversary celebration events.
- Changed the business model from having an in-house Center for Public Safety Management (CPSM) to entering into a royalty partnership with CPSM as an independent entity.
- Shut down the old software associated with the Center for Performance Measurement and entered into a partnership with SAS, Inc. to develop a customized product, *ICMA Insights*, to deliver on the board-approved new direction of ICMA's performance measurement program to scale performance management and analytics to numerous participants.
- Recalibrated the activities and expenses related to *Life, Well Run* to remain within current funding levels.
- Consolidated fund raising, business development, and bid and proposal activities to have a coordinated approach to pursuing opportunities.
- Consolidated project delivery to include all funded projects to gain efficiencies in project management.

Ongoing improvements include:

- Transitioning out of print publishing as a business line.
- Focusing on generating and distributing content of interest to members through various distribution channels including e-publications, Knowledge Network, *PM* magazine, *ICMA Newsletter*, and the ICMA website.
- Assessing the business model with the partnerships through the Center for Management Strategies and looking at ways to consolidate them into the Strategic Partner program.
- Focusing on a global perspective in all of ICMA activities including content delivery and professional development offerings to emphasize the "I" in ICMA.
- Implementing a new association management software that impacts nearly all teams and processes at ICMA.

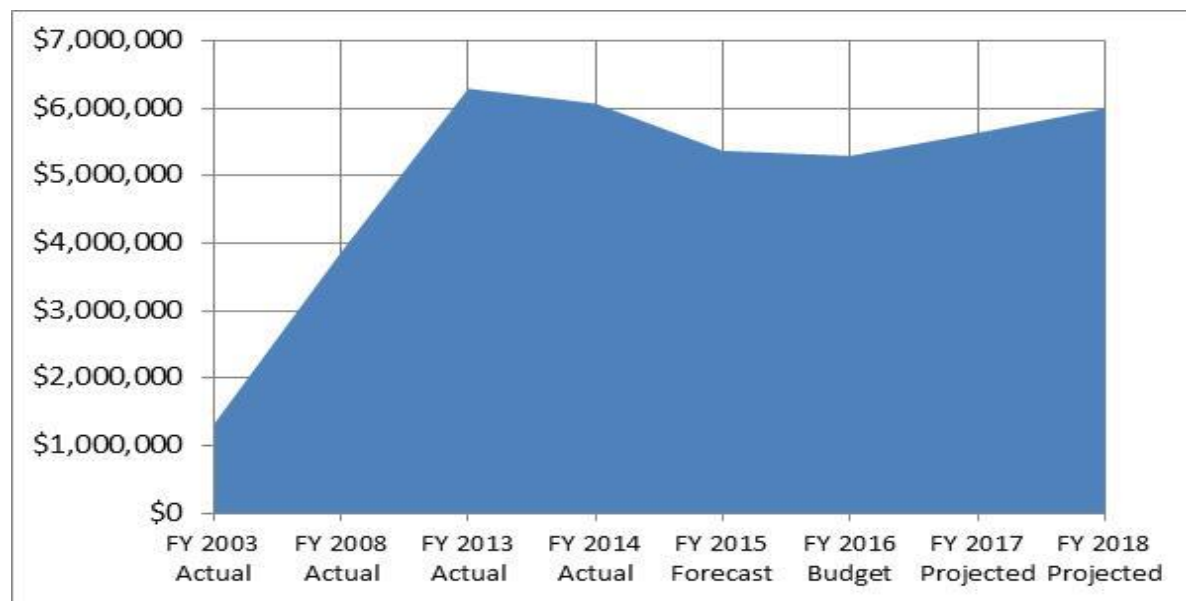
We ended FY 2014 using approximately \$221,000 from reserves and anticipate using an additional \$700,000 from reserves in FY 2015 as we reorganize for a reduction in total revenues from nearly \$35M in FY 2013 to an anticipated \$25M in FY 2015. This includes a one-time write-off of print inventory of approximately \$34,400; a write-off of the old CPM software of approximately \$95,000; and termination costs of approximately \$460,000 as we reduced staffing from 141 full time-equivalents (FTEs) budgeted in FY 2014 to 100 budgeted in FY 2016.

We approach FY 2016 as a break-even year with revenues and expenses of \$29,344,000 as we operationalize the changes discussed above and focus on the priorities as identified by the board. In addition, we will use \$75,000 from reserves to fund expenses for a recruitment firm related to the ICMA Executive Director search.

The additions to net assets made in FY 2003 – FY 2013 enabled us to weather the reductions in funding while thoughtfully reviewing business lines and making course corrections and investments in FY 2014

and FY 2015, which in turn can position ICMA to return to profitability in the out years, so that at the end of FY 2018, net assets balances can reach \$6M as shown below:

NET ASSETS BALANCES 2003 - 2018



The FY 2017 and FY 2018 projections are based on the FY 2016 budget assumptions, with marginal increases in revenue from the investments made in FY 2016 and adjusted for costs, such as the executive director search and Strategic Planning Task Force costs in FY 2017, and additional costs for an international board meeting in FY 2018.

FY 2016 Strategic Priorities

The FY 2016 budget funds the following priorities as identified by the executive board in November 2014. These priorities have a broad impact on the organization and its future. Additionally, each outcome team and program has its own set of priorities and metrics that comprise the operations plan for ICMA.

- Focus on what is important to our members and our core activities
 - Ethics, leadership, professional development and connecting with members
 - Engage, support, and grow membership at all levels
 - Recruit emerging leaders to ICMA
 - New member engagement
 - Maintain existing member benefits and identify ways to enhance and articulate value of membership.
- Implement the recommendation from the Task force on Financing ICMA to offer flat-rate membership dues to department heads (net reduction in revenue of \$73,000 included).
- Fund some of the recommendations made by the Leadership Task Force by developing online certificate programs and a Local Government 101 series (investments of approximately \$115,000 offset by new revenues of approximately \$100,000).
- Fund some of the recommendations from the Task Force on Women in the Profession (expenses of \$15,000 included).

- Fund expenses related to the Strategic Planning Task Force (expenses of \$25,000 included).
- Fund expenses related to the executive director recruitment (expenses of \$75,000 included).
- Continue investment in *ICMA Insights*, the enhanced performance management and analytics product that is offered in partnership with SAS (net investment of \$253,000 included).
- Reduced level of investment in business development and bids and proposals, which will be more targeted to attract and maintain future international funding (reduction of \$140,000 from FY 2015 budget).
- Invest in ICMA China to provide training opportunities for members and to develop and deliver training courses to local governments in China for a fee (expenses of \$100,000 included offset by revenues of approximately \$100,000).
- A shift in focus from print publishing, which is no longer financially viable, to a focus on generating and delivering content so that ICMA can continue to be a thought leader and provide information to members.
- Continued investment in the development and implementation of an association management software, netFORUM, and in other operational efficiencies.
- Structuring and implementing a new version of SharePoint (“Inside ICMA”) to create efficiencies in content sharing across the organization.

The purpose of these investments is to position the organization to return to profitability targets in the out years.

FY 2016 Budgeting Process

ICMA is organized internally around priority outcomes to achieve the objectives in the 2008 strategic plan. Staff teams are organic and are adjusted periodically in keeping with a commitment to continuous improvement and in recognition of a changing environment. In FY 2015, teams were reorganized internally around key priorities while building a sustainable organization for the future. Team budgets were developed to achieve the strategies related to each area to accomplish the following:

- Increase membership through recruitment, retention, and services and provide individual connection, support, and services to our members (*Member Services*).
- Offer professional development to address needs of various career stages and in leadership development (*Professional Development*).
- Identify, research, and disseminate content and best practices on local government management issues (*Research and Content*).
- Provide access to consulting and program services on fundamental and leading management practices (*Global Program Management*).
- Offer products such as *ICMA Insights* that help local governments achieve effective and efficient performance management (*Performance Management and Analytics*).
- Increase the perceived value of the profession and ICMA’s visibility as a valued brand (*Outreach*).
- Coordinated approach to fund raising, partnerships, business development, and bid and proposal efforts (*Business Development*).
- Provide needed organizational support so that other teams can accomplish their goals (*Executive Office, Finance, Facilities, Office Services, Human Resources, and Information Technology*).

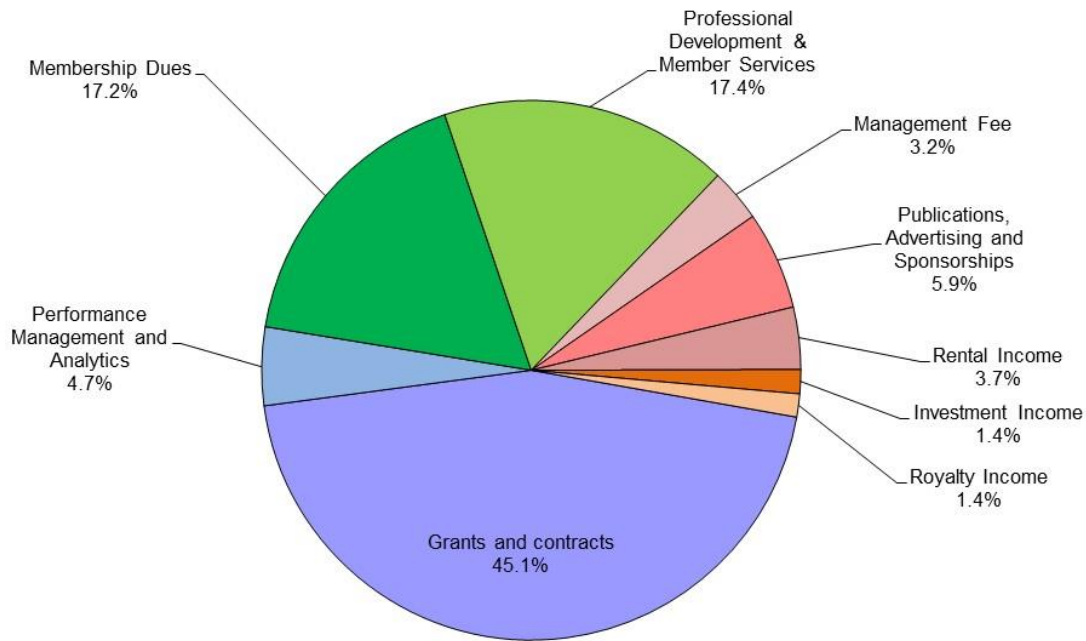
The following table shows the FY 2016 expected financial results by outcome area:

FY 2016 Budgeted Results by Outcome		Revenues	Labor, Fringe, & Other Direct Costs	Net Contribution from Operations
Member Dues	\$	5,050,000	-	5,050,000
Member Services		671,950	2,891,638	(2,219,688)
Professional Development		4,425,900	3,015,333	1,410,567
Research & Content		496,325	958,449	(462,124)
Outreach		335,000	1,321,248	(986,248)
Other (SLGE, sublease, Royalty, Investment income)		2,721,782	1,593,858	1,127,924
Business Development		895,000	1,000,788	(105,788)
Global Program Management		13,238,747	11,236,413	2,002,334
Performance Management & Analytics		1,377,296	1,630,296	(253,000)
Organizational Support		132,000	5,695,977	(5,563,977)
Net results from operations	\$	29,344,000	29,344,000	0
Executive Director search related expenses		-	75,000	(75,000)
Net Contribution to / (use from) Reserves	\$	29,344,000	29,419,000	(75,000)

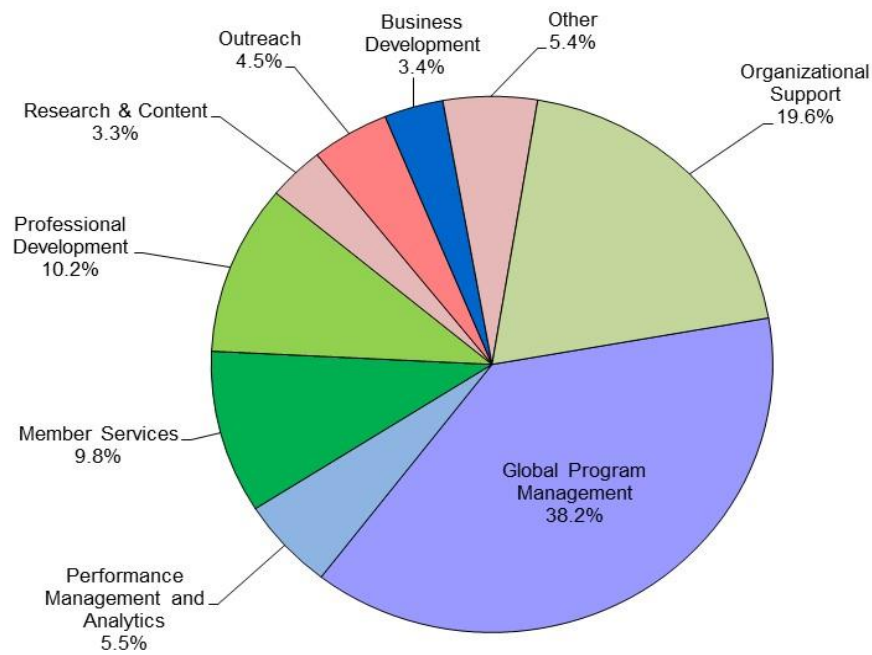
The FY 2016 budget proposes a break-even budget from operations with revenues and expenses of \$29,344,000 and using \$75,000 from net assets to fund the executive director search-related expenses.

The following pie charts show FY 2016 budgeted sources of revenue and the allocation of these revenues to the priority outcomes:

FY 2016 Budgeted Sources of ICMA Revenue



FY 2016 Allocation of ICMA Resources to Outcomes



Note: Organizational Support costs include labor, fringe, rent expense, and other direct expenses related to executive office, finance, human resources, information technology, facilities, and office administration.

Budget Assumptions

The FY 2016 budget includes the following assumptions:

Revenue Estimates

- ➡ **Membership dues** are budgeted to remain flat compared to FY 2015 results. This reflects the combined results of increasing membership while implementing the new lower flat-rate dues for department directors, which will adversely affect revenues in FY 2016.
- ↑ **Annual conference** revenues and costs related to the Seattle conference are budgeted to be slightly higher than Charlotte reflecting the West Coast location. Revenues reflect a 1.3% increase in registration fees and an increase in paid member attendance of approximately 3%.
- ↑ **Other professional development offerings** have higher budgeted revenues, reflecting the implementation in FY 2016 of new certificate programs. Expenses are also budgeted to be higher to reflect cost of development and marketing in year 1.
- ↓ **Research and content revenues** are budgeted to be lower than FY 2015 as we sell down the last of our print inventory. The focus here will be on generating sponsorships for our content.
- ↑ **Partnership** revenues are projected to be higher than FY 2015 as we consolidate our model to focus on strategic partners. We will also be working with the Center for Management Strategies partners individually to determine whether to continue working with them as a preferred provider or as a strategic partner. We will continue with the existing relationship with the Center for Public Safety where they pay us a royalty based on revenues.
- ↑ **Performance Management and Analytics** revenues are budgeted assuming we increase participation in *ICMA Insights* to approximately 250 participants in FY 2016 from our current 121. This is anticipating the results from consortiums and partnerships with other organizations such as GFOA. Scenarios will be provided for participants ranging from 150 to 350 in FY 2016.
- ↑ **Funded Program** revenues are budgeted at \$13M compared to a projected \$10M in FY 2015. This is based on the fact that we have \$1M in hand from domestic projects, 10.6M in hand from international projects, and an additional \$1.4M that we anticipate from outstanding proposals. New proposals that will be generated during the year have not been factored into potential wins in an effort to be conservative.
- ↔ **Other revenues** are budgeted to be flat. Royalty payments from ICMA-RC are budgeted to be flat; the reimbursements from the Center for State and Local Government Excellence is expected to increase; sublease income is expected to increase since we have subleased space to NFBPA; investment income from the Real Estate Investment Trust (REIT) dividend income is expected to decrease as the building invests in capital improvements.

Expense Estimates

The FY 2016 budget includes expense estimates to deliver on funded projects and the priorities identified by the board, while maintaining ongoing core operations. Specific items that are funded are referenced under the FY 2016 strategic priorities section above.

In addition, the FY 2016 budget also includes investment in staff as follows:

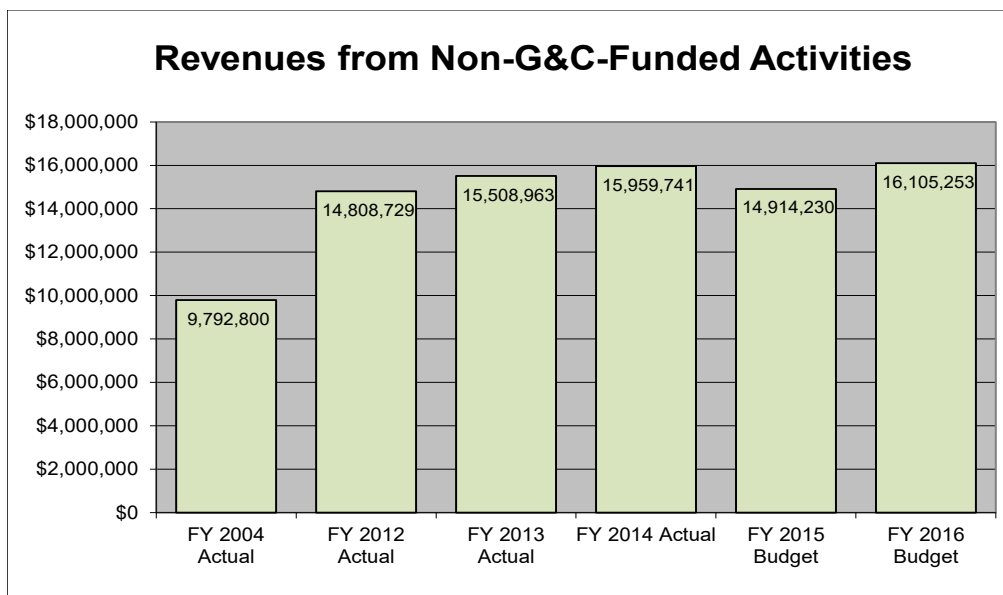
- Professional development and training, maintained at approximately \$1,000 per staff.
- Average 2% increase in labor costs, which will be distributed as a combination of base pay increases, bonuses, and/or contributions toward health premiums.
- Approximately 1 FTE or \$142,000 of unfunded time split across several staff that we will cover at various time during the year based on timing of federal awards.

Grant-and-Contract (G&C) Analysis

Federal- and foundation-funded grant-and-contract (G&C) technical assistance activities (included under Global Program Management) have contributed significantly to ICMA's mission and finances since 1990. Though G&C funding is expected to be greatly reduced from the high levels of \$16 - \$19M over the past few years, it still remains the largest single source of revenue in this budget at approximately 45% of total revenues. While providing benefits to ICMA, these sources come with higher risks, such as the uncertainty of obtaining projected funding; the delay in award of proposals, which leads to downtime between projects and/or to staff reductions; the ability to spend available funding on hand without interruptions; the challenges of working in high-risk countries, such as Afghanistan; and funders imposing heavy compliance requirements and restrictions on indirect cost recovery.

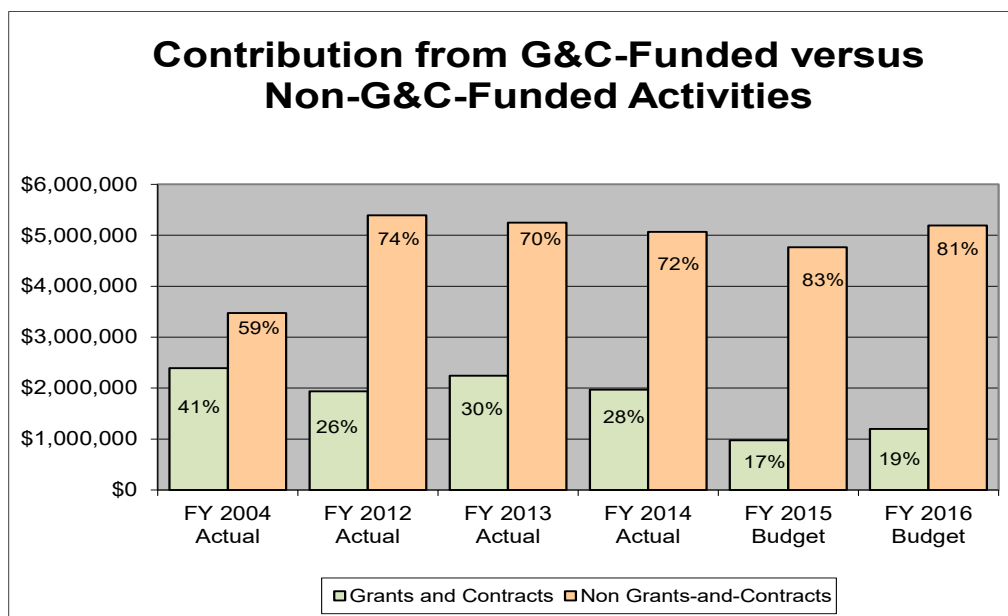
Since FY 2004, ICMA has been focused on reducing its reliance on grants and contracts by successfully pursuing such strategies as ensuring a higher contribution from the annual conference; attracting sponsorships; offering new professional development products; trying and revising other business models, such as the new *ICMA Insights*; providing management services to the Center for State and Local Government Excellence for a fee; and generating cash from the headquarters building by converting ownership to a REIT structure, all with a goal of increasing the contribution from non-G&C-funded activities.

Revenue from non-G&C-funded activities includes income from membership dues, annual conference and other professional development offerings, Job Center, publishing, survey research, performance management, strategic partnerships, sponsorships, advertising, subtenant rent, management services fee for the Center for State and Local Government Excellence, as well as royalty income, REIT dividend income, and other investment income.



As evidenced in the chart above, the focus on increasing non-G&C revenues has been successful as revenues from these areas increased from less than \$10M in FY 2004 to approximately \$15M in FY 2015 and \$16M budgeted for FY 2016. The FY 2015 budgeted revenue from these sources is lower than the FY 2014 actuals because of reduced revenues resulting from the change in the business model in the Center for Public Safety Management and in publishing. FY 2015 and FY 2016 are the transition years when non-G&C revenues are anticipated to exceed G&C revenues.

The FY 2016 budget projects the contribution from non-G&C-funded activities toward covering general support costs and net assets to be at 81%, up from 59% in FY 2004. The general support costs in the context of measuring contributions include general ICMA-wide marketing, brand management, communications, digital strategy, executive office, human resources, information technology, finance, facilities, and office administration.



Risks

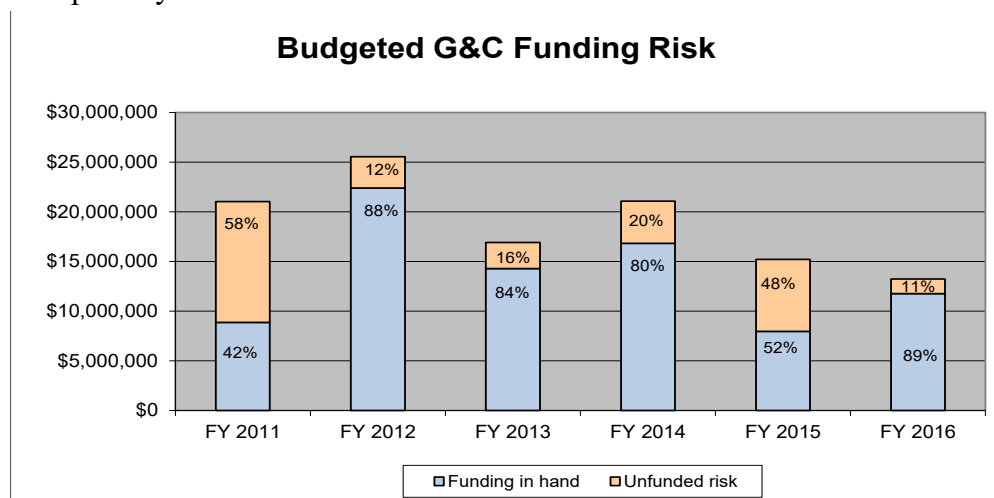
Risks inherent in the FY 2016 budget that might affect actual results include:

- Continued heavy reliance on funding from one primary source, USAID, for international work could be rapidly influenced by changing political environments and other factors. While it has been difficult to diversify funding sources, given USAID's unique ability to fund international development programs, we have been successful at diversifying regions. The FY 2016 budget includes international awards in hand of approximately \$10.6M, of which approximately \$4M is from two projects in Afghanistan. The remaining \$6.6M on hand and the \$1.4M in anticipated funding are from regions outside of Afghanistan. The single largest risk in the budget is that work in Afghanistan could be interrupted or stopped due to deteriorating political or security situations.
- There is a large proposal that has been submitted for work in the Philippines valued at over \$50M in which ICMA is the prime. USAID is expected to award this contract in the fall of 2015. If this work is awarded to ICMA, ICMA will need to increase its staff to deliver on this program.
- The Seattle conference is budgeted to attract 3% more in paid member attendance than Charlotte. Given the West Coast location, attendance is expected to exceed the attendance at the Charlotte conference.
- Local governments' restrictions or freezes on discretionary spending might adversely affect membership dues, professional development participation, and participation in direct technical assistance activities. A 5% reduction in these areas would reduce revenues by \$500,000 without an appreciable reduction in related expenses.
- The budget assumes continued net investments in *ICMA Insights* of \$253,000 in FY 2016. This assumes participation of approximately 250 jurisdictions (from the current 121 jurisdictions) as we encourage participation through consortiums and enter into partnerships with other organizations

such as GFOA. A worst case scenario assuming participation of only 150 communities by the end of FY 2016 will result in an additional loss of \$100,000. On the other hand, if we exceed 300 jurisdictions, we will need to staff up to provide the support needed to manage these additional participants.

- There continue to be additional risks associated with international program audits. Two major Afghanistan projects are currently under audit, with one audit in the appeals process with questioned cost of approximately \$1.8M.
- The amount of unfunded G&C funding included in the budget—\$1,373,700 and the \$100,000 anticipated from ICMA China (11% of total budgeted G&C funding and 5% of total association revenue)—is the lowest unfunded amount reducing the risk included in the budget. Each year we budget approximately 20% of G&C revenue as unfunded but since the awards are in 3-5 year cycles, the unfunded percentage fluctuates cyclically as projects end. The unfunded amount is based on our average win rate applied to outstanding or pending proposals and reflects the anticipated return on the investments made in business development and bid and proposal activities. We approached FY 2016 very cautiously and did not assume any wins on any proposals that we will be submitting in FY 2016.

The chart below shows the history of unfunded amounts included in the budgets for both domestic and international grants and contracts. Actual G&C revenues have ranged from 72% to 113% of budgeted revenues over the past 3 years.



Risk Mitigation

We are presenting a cautiously optimistic budget for FY 2016 assuming break even from operations and the use of \$75,000 from net assets to fund the executive director search, as we adapt to a reduction in G&C funding from a high of approximately \$20M to a budgeted \$13.2M in FY 2016. In FY 2016 we will focus on our core activities and on stabilizing the changes we implemented in FY 2015. Each outcome team is tasked with developing key metrics of success, trigger points to measure progress, and contingency plans in the event any of the revenue assumptions significantly change. ICMA's leadership team tracks leading indicators on the various business lines looking for early warning signs, and if assumptions do not hold true, will implement corrective action.

Financial Goals

Net Assets

Net assets represent the accumulated earnings of an organization, and are increased or decreased as a result of annual operating surpluses or deficits. It is a measure of an organization's long-term financial stability and capacity and is calculated as assets less liabilities. The median net assets balance of nonprofit organizations, as reported by the American Society of Association Executives, is approximately 50% of the average operating budget.

ICMA's net assets balance was \$1,309,352 at the end of FY 2003 when the board began setting net assets goals and interim targets in 5-year increments. In FY 2004, the board set a net assets target of \$2.6M to be achieved by FY 2008, and then in FY 2009 set a target of \$5.3M to be achieved by FY 2013. During this 10-year period from FY 2004 to FY 2013, significant progress was made toward our net assets goal by contributing approximately \$5M to net assets despite the impact of the economic downturn and after funding priorities including the *Life, Well Run* start-up costs and the membership debit card program. With these additions, the net assets balance at June 30, 2013, was \$6,291,566, exceeding the target of \$5.3M by approximately \$1M.

As ICMA transitions from an international funding stream of over \$19M in FY 2012 to approximately \$15M in FY 2014, with a further reduction to \$10M – \$12M in FY 2015 and FY 2016, the board in FY 2014 approved using FY 2014 and FY 2015 as transition and investment years to help us manage to a new steady state of revenues and to make the necessary investments to position us for the future. Besides responding to the impact of reduced international funding, ICMA has at the same time had to reinvent itself and make necessary changes to several other business models, including performance measurement, publishing, and the Center for Public Safety Management, while continuing to invest in member benefits and services and raise awareness of the profession through the *Life, Well Run* campaign. The better-than-budgeted contributions to net assets over the past few years provided an opportunity to respond thoughtfully to the reduced funding while positioning ICMA for the future.

The changes made in FY 2015 position us to have a break-even budget from operations in FY 2016, even as we fund board priorities related to enhancing member outreach and benefits, making changes in membership dues for department heads, funding expenses related to the Strategic Planning Task Force, and implementing recommendations of the Leadership Task Force and the Task Force on Women in the Profession, investing in *ICMA Insights* and in operational efficiencies, and to return to profitability in the out years so that the net assets balance at the end of FY 2018 will be at \$6M after funding the transition and the investments mentioned above, as shown in the table below:

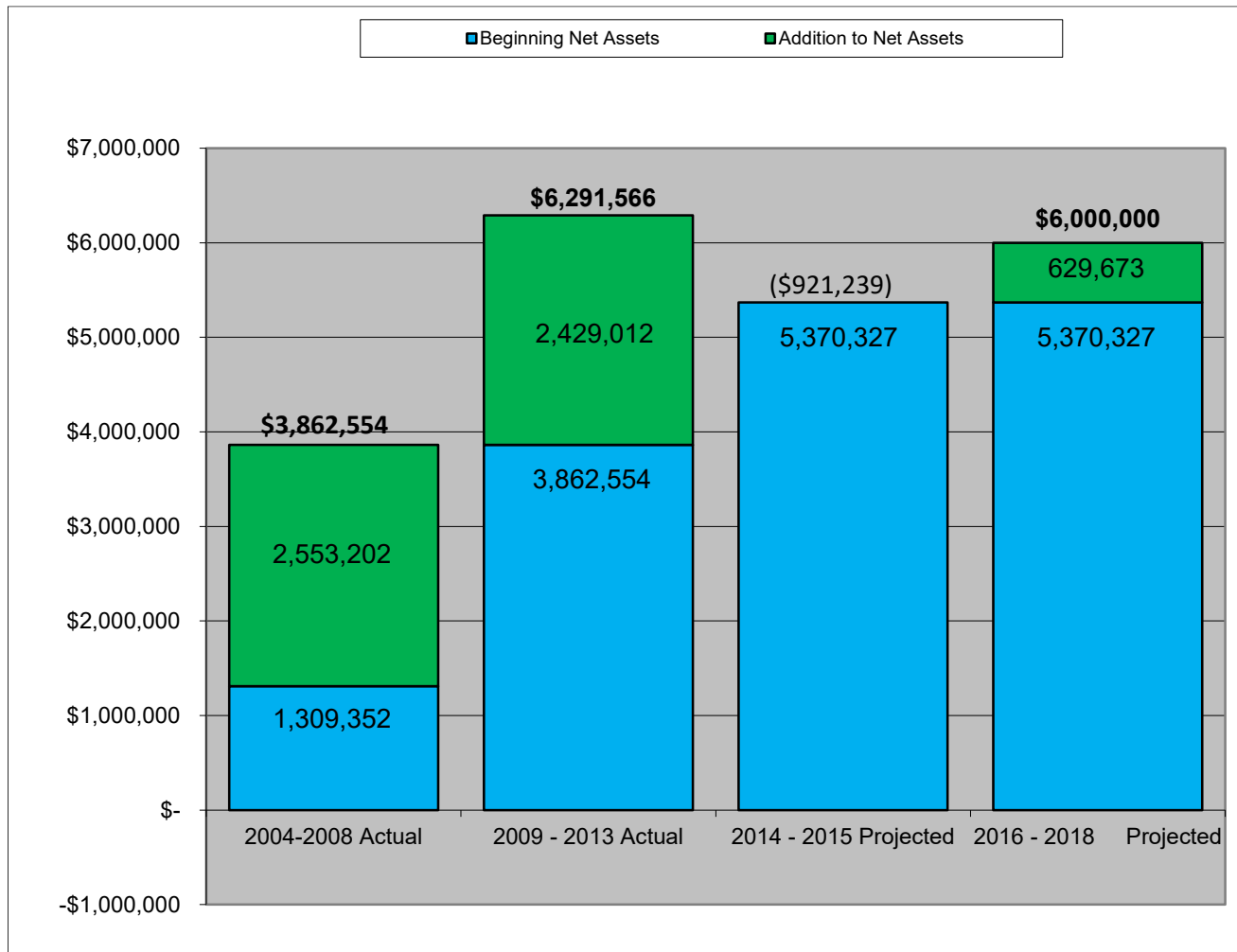
Fiscal Year/Description	Net addition to / (use of) reserves	Net Assets Balance
FY 2013 balance		\$6,291,566
FY 2014 use from reserves (includes write off of unsaleable print inventory, old CPM software, transition of CPSM)	(221,239)	\$6,070,327
FY 2015 forecast (includes termination costs of reductions in staffing)	(700,000)	\$5,370,327
FY 2016 budget (includes expenses related to Strategic Planning Task Force, executive director search, and other board priorities)	(75,000)	\$5,295,327
FY 2017 projected	339,500	\$5,850,000
FY 2018 projected	365,173	\$6,000,000

Net assets are being built to help ICMA manage these transitions and to make investments in the future as necessary. The net assets target will be reviewed and adjusted annually based on actual performance. The overall net asset targets are further divided into separate buckets to ensure that reserves are set up for different kinds of risks.

The table below shows the overall net assets goal and the incremental target for FY 2018:

Composition of Net Assets (NA) (based on FY 2015 and FY 2016 budget)	Net Assets Goal	FY 2014 NA Balance	FY 2018 NA Target
Non-G&C expenses (6 months)	\$9,544,000	\$4,635,327	\$4,582,000
G&C labor + fringe (3 months)	480,000	225,000	223,000
G&C non-labor expenses (1/2 month)	340,000	-	-
Economic fluctuation reserve (2% of revenues)	579,000	272,000	268,000
High risk award contingency (3% of award)	2,000,000	938,000	927,000
TOTAL	\$12,943,000	6,070,327	6,000,000
NA as a percentage of average annual expenses of \$29M	44%	21%	21%
NA balance as a % of total NA goal		47%	46%

The graph below shows the historical, current, and projected net asset balances based on the assumptions outlined above. **The ability to achieve the projected contribution is contingent on all of the uncertainties previously noted.** Despite the challenges, it remains our commitment to return to building the organization's reserves to the levels targeted by the board.

NET ASSETS BALANCES 2003 - 2018

Cash and Investments

The cash reserves goal (different from the net assets goal), which includes operating cash and investment reserves, is to provide ICMA with the resources needed to continue delivery of its programs in the event of delayed payments from funders and to prevent ICMA from making expensive short-term crisis-based decisions and focus on sound long-term decision making. The minimum cash reserve suggested by the Nonprofit Operating Reserves Initiative Workgroup is 25% or three months of the annual operating expense budget.

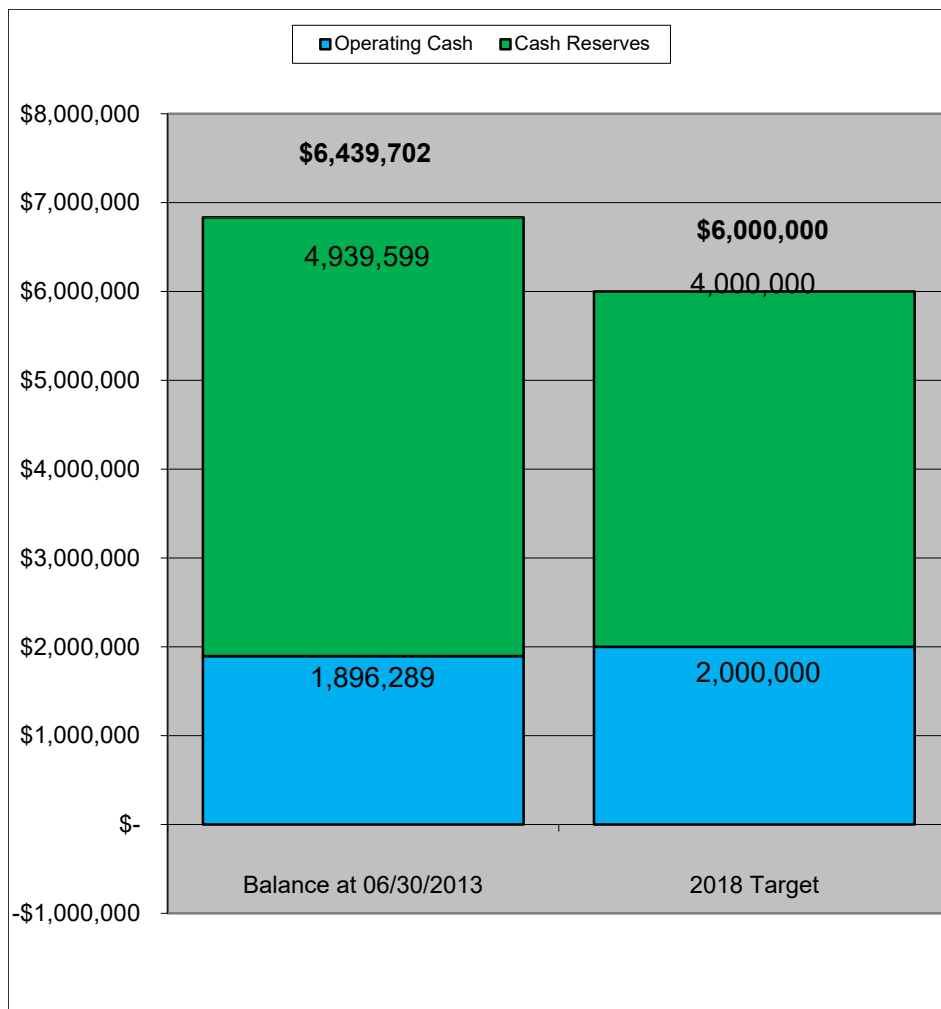
The table below shows the overall cash and investment reserves goal and the incremental target for the next five-year period of FY 2014 – FY 2018:

Composition of Cash and Investments (based of FY 2015 and FY 2016 budget)	Cash & Investments Goal	FY 2014 Cash Balances	FY 2018 Cash Target
Non G&C cash expenses (6 months)	\$9,329,000	\$4,848,888	\$4,257,000
G&C labor + fringe (3 months)	480,000	250,000	219,000
G&C non labor expenses (1 month)	340,000	177,000	155,000
High risk award contingency (3% of award)	2,000,000	1,040,000	913,000
Infrastructure Investments	1,000,000	520,000	456,000
Total cash and investments	\$13,149,000	6,835,888	6,000,000
Cash and investments balances as a percentage of average annual cash expenses of \$29M	46%	24%	21%
Cash balances as a % of total cash goal		52%	46%
Months covered	5.5	2.8	2.5

The interim cash goal set for ICMA to reach by FY 2013 was \$4,420,000. Actual cash and investment balance at June 30, 2013 was \$6,439,702. Progress toward cash goal fluctuates based on the kinds of contracts we have from International Programs and the timing of receipts and payments. Because ICMA is a subcontractor in several large projects, the additions to cash flow fluctuates due to timing issues, since we first incur the expenses and then wait 90 days on average to be reimbursed. We have made tremendous progress since FY 2012 to ensure timely payments from the prime contractors.

Cash balances are projected to decline through FY 2018 as we fund the transition costs in FY 2014 and FY 2015 and fund capital investments in the new association management software (AMS) and other priorities.

The graph below shows the current and projected operating cash and reserve balances. Operating cash also includes balances in foreign bank accounts where we need cash to operate field offices.



Capital Investments and Depreciation

As part of the annual budgeting process, capital investments are reviewed to determine which systems and other equipment need to be replaced over the next three years. The useful life of the asset is estimated, and the capital investment is depreciated over that period. Depreciation expense of approximately \$400,000 is included in the FY 2016 operating budget. Decisions on financing capital investments are based on available and required operating cash and reserves. Currently ICMA has no investments that are financed, and it has used its working capital to fund existing capital investments. The full-scale office space renovation project has been put on hold because of the funding situation and other priorities, and a more moderate maintenance budget for the office space is included in the budget.

The table below shows the capital investments made to date that still have a book value, and investments projected in FY 2015–FY 2017 with the related depreciation costs.

Capital Asset	Acquisition Year	Cost	Life in yrs			
				FY 2015	FY 2016	FY 2017
Existing Furniture	FY 2002-2014	113,807	10	11,710	11,408	9,374
SUBTOTAL Furniture				11,710	11,408	9,374
Shredder, hot water heater, misc	FY 07-2016	28,016	5	1,775	2,077	2,450
SUBTOTAL Office Equipment				1,775	2,077	2,450
IT Hardware & Copiers existing	through FY 2015	489,944		104,119	83,816	47,650
IT Hardware	FY 2016	65,000	3	-	10,833	21,667
IT Hardware	FY 2017	55,000	3	-	-	9,167
IT Hardware	FY 2018	55,000	3	-	-	-
VOIP	FY 2014	355,542	7	50,792	50,792	50,792
SUBTOTAL IT Hardware				154,911	145,441	129,275
KN/website	through FY 2015	163,051	2-5	32,388	13,780	3,130
Website redesign	FY 2016	350,000	7	-	25,000	50,000
JOB Center	through FY 2015	18,572	3	3,095	-	-
Help Desk Software	FY 2012	3,240	3	540	-	-
Sharepoint	FY 2015-FY 2016	105,000	7	7,500	15,000	15,000
Document Management	FY 2016	130,000	7	-	9,286	18,571
Software enhancements	FY 2016	100,000	7	-	7,143	14,286
Software enhancements	FY 2017	100,000	7	-	-	7,143
Accounting software	FY 2017	750,000	10	-	-	37,500
Association software	through FY 2015	1,278,021	10	63,901	127,802	127,802
Association software	FY 2016 - FY 2017	400,000	10	-	10,000	30,000
SUBTOTAL Software				107,425	208,010	303,432
Office space maintenance	through FY 2015	267,827	10	23,105	15,690	9,595
Office space maintenance	FY 2016	200,000	10	-	10,000	20,000
Office space maintenance	FY 2017	200,000	10	-	-	10,000
SUBTOTAL Leasehold Improvements				23,105	25,690	39,595
TOTAL				298,925	392,626	484,126

Summary Comparative Budget FY 2016

The following tables show the revenues, expenses, and net contributions for each of the major programs within each business line for the FY 2014 actual results, FY 2015 contingency budget, FY 2015 forecast, and the FY 2016 proposed budget. The last table shows the full-time equivalent positions budgeted for FY 2014, FY 2015, and FY 2016.

FY 2016 revenues are budgeted at \$29.3M, compared to FY 2015 projected revenues of \$25M. The increase is primarily in the area of funded grants and contracts since we have most of the funding in hand for FY 2016. The revenue assumptions for FY 2016 compared to prior years has been discussed in previous sections of this document.

FY 2016 expenses are budgeted at approximately \$29.4M compared to FY 2015 projected expenses of \$25.7M. The FY 2016 budget includes expenses to accomplish the priorities laid out in the budget document.

Net contribution from base operations budgeted for FY 2016 is at break even, with additional expenses budgeted to fund the Strategic Planning Task Force and the executive director search. The net impact is a use of \$75,000 from reserves in FY 2016.

FY 2016 full-time equivalent positions (FTEs) are budgeted at 100, down from 107 positions budgeted in FY 2015, which was a reduction from 141 FTEs budgeted in FY 2014. The reduction to 100 FTEs has already been made in FY 2015 as we reorganized and adjusted to the reductions in revenues. The goal was to minimize impact to member services and make changes to staffing to consolidate and gain efficiencies. Using FY 2014 as the baseline when we had nearly 141 FTEs, as the FTE table shows, the changes made in FY 2015 resulted in the following changes:

- Member services saw an increase in FTEs of 1.3 as we separated out professional development and content into separate teams to provide more focus to each area and reallocated labor to more accurately reflect the cost of providing member services.
- Professional development saw a slight increase in FTEs of .4.
- Research and content saw an overall decrease of 1.7 FTEs as we eliminated positions related to print publishing and shifted staff to focus on research and content development.
- Outreach saw a reduction of 5.4 FTEs as we recalibrated resources focused on the *Life, Well Run* campaign, consolidated our marketing efforts, and changed our content and outreach strategy.
- Business development, fund raising, and partnerships saw a reduction of 8.4 FTEs as we consolidated our efforts related to CPSM, CMS, and strategic partners, and focused our business development on fewer areas with the highest probability of return.
- Performance Management and Analytics saw a decrease of 2.8 FTEs from the prior Center for Performance Management as we shut down the old system and related support.
- Grants and contracts funded staff (now called Consulting Services and Global Program Management) saw a reduction of 13.5 FTEs as a result of reductions in funding.
- Organizational support saw reductions of 5.7 FTEs as we made reductions in Finance, HR, and IT in response to overall reductions in staffing and funding and outsourced some back office IT work to external vendors.

We believe we have right sized the organization to deliver on the priorities identified by the board and included in the FY 2016 budget. At this time, however, with the added responsibilities of implementing the new association management software implementation and adjusting related work processes, staff are juggling both operational and strategic priorities. As we fully operationalize the new software, we anticipate workloads returning to a more steady state.

Summary Comparative Budget FY 2016

REVENUES		Actual FY 2014	Budget FY 2015	Forecast FY 2015	Budget FY 2016
MEMBER DUES	\$	4,935,558	4,950,000	5,060,000	5,050,000
Member Recruitment, Retention, & Services		152,825	166,200	166,200	168,800
Career Services		472,005	410,000	450,000	503,150
Executive Board		-	-	-	-
TOTAL MEMBER SERVICES		624,830	576,200	616,200	671,950
Annual Conference		2,894,627	2,780,830	3,011,977	3,154,816
Training, Education, and Leadership Development		1,167,487	1,193,271	1,098,055	1,271,084
TOTAL PROFESSIONAL DEVELOPMENT		4,062,114	3,974,101	4,110,032	4,425,900
Public Policy		-	-	-	-
Publishing		991,470	543,960	625,771	296,325
Research and Content		22,448	39,134	-	200,000
TOTAL RESEARCH & CONTENT		1,013,918	583,094	625,771	496,325
PM Magazine		138,501	196,500	210,000	206,500
Communications, Advocacy, and Outreach		67,343	120,000	137,742	128,500
TOTAL OUTREACH		205,844	316,500	347,742	335,000
CMS Partnerships		1,453,191	375,000	300,000	395,000
Strategic Partners		229,992	275,000	225,000	500,000
Business Development		4,900	-	2,100	-
TOTAL BUSINESS DEVELOPMENT		1,688,083	650,000	527,100	895,000
TOTAL PERFORMANCE MANAGEMENT AND ANALYTICS		683,119	1,165,625	664,752	1,377,296
Team Management and Support		-	-	-	-
Funded Projects		17,424,594	12,972,000	10,125,134	12,996,329
ICMA Latin America		91,058	72,476	65,000	142,418
ICMA China		-	-	-	100,000
TOTAL GLOBAL PROGRAM MANAGEMENT		17,515,652	13,044,476	10,190,134	13,238,747
Executive Office		500	-	(2,500)	-
Facilities and Administration		117,000	132,000	132,000	132,000
Human Resources		-	-	-	-
Information Technology		-	-	-	-
Finance		1,239	-	100	-
Contingency/Other		-	-	-	-
TOTAL ORGANIZATIONAL SUPPORT		118,739	132,000	129,600	132,000
CSLGE Management		733,727	726,000	730,000	800,805
ICMA-RC Royalty		400,470	405,000	420,162	405,000
Subtenant Space		1,058,052	1,000,710	1,000,705	1,093,781
Investment Income		435,287	435,000	557,594	422,196
TOTAL OTHER		2,627,536	2,566,710	2,708,461	2,721,782
ASSOCIATION TOTALS - REVENUES	\$	33,475,393	27,958,706	24,979,792	29,344,000

Summary Comparative Budget FY 2016

EXPENSES		Actual FY 2014	Budget FY 2015	Forecast FY 2015	Budget FY 2016
MEMBER DUES	\$	-	-	-	-
Member Recruitment, Retention, & Services		1,935,696	2,148,287	2,147,204	2,308,152
Career Services		225,095	245,560	215,000	261,208
Executive Board		380,483	313,547	334,000	322,278
TOTAL MEMBER SERVICES		2,541,274	2,707,394	2,696,204	2,891,638
Annual Conference		1,716,781	1,722,780	1,696,133	1,842,601
Training, Education, and Leadership Development		872,813	967,874	916,822	1,172,731
TOTAL PROFESSIONAL DEVELOPMENT		2,589,594	2,690,655	2,612,955	3,015,333
Public Policy		114,154	134,286	125,000	111,359
Publishing		933,560	648,716	678,230	283,216
Research and Content		123,174	143,740	119,029	563,875
TOTAL RESEARCH & CONTENT		1,170,888	926,743	922,259	958,449
PM Magazine		356,137	339,071	339,071	331,807
Communications, Advocacy, and Outreach		976,265	1,039,144	997,099	989,441
TOTAL OUTREACH		1,332,402	1,378,215	1,336,170	1,321,248
CMS Partnerships		1,642,569	170,304	225,000	-
Strategic Partners		138,127	229,965	180,000	191,724
Business Development		1,233,998	944,379	960,000	809,064
TOTAL BUSINESS DEVELOPMENT		3,014,694	1,344,647	1,365,000	1,000,788
TOTAL PERFORMANCE MANAGEMENT AND ANALYTICS		713,565	1,314,644	1,121,010	1,630,296
Team Management and Support		1,378,294	1,041,992	912,500	931,262
Funded Projects		12,861,830	10,011,641	7,695,798	10,062,725
ICMA Latin America		79,335	72,476	90,000	142,418
ICMA China		-	-	-	100,008
TOTAL GLOBAL PROGRAM MANAGEMENT		14,319,459	11,126,109	8,698,298	11,236,413
Executive Office		936,578	934,713	934,713	952,973
Facilities and Administration		1,629,790	1,684,044	1,704,183	1,734,327
Human Resources		687,840	457,923	500,000	549,557
Information Technology		1,547,562	1,342,274	1,342,274	1,617,351
Finance		977,937	814,380	821,618	916,770
Contingency/Other		781,846	178,859	170,000	-
TOTAL ORGANIZATIONAL SUPPORT		6,561,553	5,412,192	5,472,788	5,770,977
CSLGE Management		542,923	543,000	540,000	597,218
ICMA-RC Royalty		-	-	-	-
Subtenant Space		910,279	915,107	915,108	996,640
Investment Income		-	-	-	-
TOTAL OTHER		1,453,202	1,458,107	1,455,108	1,593,858
ASSOCIATION TOTALS - EXPENSES	\$	33,696,631	28,358,705	25,679,792	29,419,000

Summary Comparative Budget FY 2016

NET CONTRIBUTION		Actual FY 2014	Budget FY 2015	Forecast FY 2015	Budget FY 2016
MEMBER DUES		\$ 4,935,558	4,950,000	5,060,000	5,050,000
Member Recruitment, Retention, & Services		(1,782,871)	(1,982,087)	(1,981,004)	(2,139,352)
Career Services		246,910	164,440	235,000	241,942
Executive Board		(380,483)	(313,547)	(334,000)	(322,278)
TOTAL MEMBER SERVICES		(1,916,444)	(2,131,194)	(2,080,004)	(2,219,688)
Annual Conference		1,177,846	1,058,050	1,315,844	1,312,215
Training, Education, and Leadership Development		294,674	225,397	181,233	98,353
TOTAL PROFESSIONAL DEVELOPMENT		1,472,520	1,283,446	1,497,077	1,410,567
Public Policy		(114,154)	(134,286)	(125,000)	(111,359)
Publishing		57,910	(104,756)	(52,459)	13,109
Research and Content		(100,726)	(104,606)	(119,029)	(363,875)
TOTAL RESEARCH & CONTENT		(156,970)	(343,649)	(296,488)	(462,124)
PM Magazine		(217,636)	(142,571)	(129,071)	(125,307)
Communications, Advocacy, and Outreach		(908,922)	(919,144)	(859,357)	(860,941)
TOTAL OUTREACH		(1,126,558)	(1,061,715)	(988,428)	(986,248)
CMS Partnerships		(189,378)	204,696	75,000	395,000
Strategic Partners		91,865	45,035	45,000	308,276
Business Development		(1,229,098)	(944,379)	(957,900)	(809,064)
TOTAL BUSINESS DEVELOPMENT		(1,326,611)	(694,647)	(837,900)	(105,788)
TOTAL PERFORMANCE MANAGEMENT AND ANALYTICS		(30,446)	(149,019)	(456,258)	(253,000)
Team Management and Support		(1,378,294)	(1,041,992)	(912,500)	(931,262)
Funded Projects		4,562,764	2,960,359	2,429,336	2,933,603
ICMA Latin America		11,723	-	(25,000)	-
ICMA China		-	-	-	(8)
TOTAL GLOBAL PROGRAM MANAGEMENT		3,196,193	1,918,367	1,491,836	2,002,334
Executive Office		(936,078)	(934,713)	(937,213)	(952,973)
Facilities and Administration		(1,512,790)	(1,552,044)	(1,572,183)	(1,602,327)
Human Resources		(687,840)	(457,923)	(500,000)	(549,557)
Information Technology		(1,547,562)	(1,342,274)	(1,342,274)	(1,617,351)
Finance		(976,698)	(814,380)	(821,518)	(916,770)
Contingency/Other		(781,846)	(178,859)	(170,000)	-
TOTAL ORGANIZATIONAL SUPPORT		(6,442,814)	(5,280,192)	(5,343,188)	(5,638,977)
CSLGE Management		190,804	183,000	190,000	203,587
ICMA-RC Royalty		400,470	405,000	420,162	405,000
Subtenant Space		147,773	85,603	85,597	97,141
Investment Income		435,287	435,000	557,594	422,196
TOTAL OTHER		1,174,334	1,108,603	1,253,353	1,127,924
ASSOCIATION TOTALS - NET CONTRIBUTION	\$	(221,238)	(400,000)	(700,000)	(75,000)

FTEs		Budget FY 2014	Budget FY 2015	Budget FY 2016
Member Recruitment, Retention, & Services		11.11	11.81	12.70
Career Services		1.37	1.34	1.30
Executive Board		0.62	0.57	0.38
TOTAL MEMBER SERVICES		13.10	13.72	14.38
Annual Conference		4.16	4.11	4.00
Training, Education, and Leadership Development		4.48	5.43	5.04
TOTAL PROFESSIONAL DEVELOPMENT		8.64	9.54	9.04
Public Policy		0.70	0.66	0.41
Publishing		4.06	2.54	0.77
Research and Content		0.93	0.88	2.80
TOTAL RESEARCH & CONTENT		5.69	4.08	3.98
PM Magazine		0.86	0.84	0.86
Communications, Advocacy, and Outreach		12.91	8.21	7.46
TOTAL OUTREACH		13.77	9.05	8.32
CMS Partnerships		4.17	1.43	-
Strategic Partners		0.83	1.46	1.13
Business Development		8.94	5.62	4.38
TOTAL BUSINESS DEVELOPMENT		13.94	8.51	5.51
TOTAL PERFORMANCE MANAGEMENT AND ANALYTICS		6.02	3.16	3.24
Team Management and Support		9.99	7.02	5.20
Funded Projects		26.36	17.85	16.68
ICMA Latin America		0.36	0.45	0.87
ICMA China		-	-	0.50
TOTAL GLOBAL PROGRAM MANAGEMENT		36.71	25.32	23.26
Executive Office		2.53	2.59	2.59
Facilities and Administration		1.76	1.59	1.30
Human Resources		2.77	2.11	1.74
Information Technology		9.22	6.45	5.96
Finance		5.89	4.63	4.86
TOTAL ORGANIZATIONAL SUPPORT		22.17	17.37	16.45
CSLGE Management		2.81	2.81	2.94
Compensated Absences (Holidays, Sick leave, Annual leave)		18.22	13.75	12.36
TOTAL OTHER		21.03	16.56	15.30
ASSOCIATION TOTALS - FTEs		141.06	107.30	99.48

FY 2016 Program Priorities and Budget

Oversight of ICMA is provided by a 21-member executive board, which appoints the executive director, who is supported by a chief operating officer. With membership at its core, ICMA is organized around delivering key resources, products, and services worldwide in support of its mission.



The following section shows the FY 2016 budgeted revenues, expenses, net contribution, number of full-time equivalent positions, and the priorities for each of these units.

Membership

	FTEs	Revenues	Expenses	Net
Membership Dues Revenue		\$ 5,050,000	-	5,050,000
Member Recruitment, Retention, & Services	8.60	85,000	1,273,099	(1,188,099)
Ethics	0.80	-	131,445	(131,445)
Career Services	1.30	503,150	261,208	241,942
Relationship Management	3.30	83,800	903,608	(819,808)
Executive Board	0.38	-	322,278	(322,278)
	14.38	\$ 671,950	2,891,638	(2,219,688)

Purpose and Mission

The mission of Membership is to serve the members and to make ICMA the indispensable association for those who demonstrate a commitment to the highest standards of honesty and integrity, while seeking the best solutions in local government leadership and management worldwide. Through a variety of programs, this team also provides outreach beyond members to support professionalism in local government and provide partnerships that support our members.

FY 2016 Priorities

- Grow membership through tailored national, international, and state strategies. Increase full members by 285. Launch new lower flat-rate department head dues structure and recruit 75 additional members in this category, increasing total Affiliate members by 200.
- Enhance and articulate the value proposition of membership in ICMA in order to recruit and retain a diverse membership base. Deliver an array of high-quality member services and benefits designed to support members at each career stage.
- Implement a new program to recognize, thank, and reward membership at various anniversary levels.
- Continue collaboration to leverage emerging leaders programs as a portal to ICMA membership.
- Launch a national ICMA coaching program, modeled after the program offered by CAL-ICMA.
- Launch a national affiliate campaign to grow the emerging leader membership base.
- Revamp resources for members in transition.
- Expand the student chapter program from 47 to 75 to connect students to the profession and to ICMA.
- Promote the profession and support members in career advancement by enhancing the Job Center platform and profile with members, local government employees, and advertisers.
- Improve support for members and connection with state associations at a regional level through regional directors and senior advisors. Expand the senior advisor program beyond 22 states.
- Raise the visibility of ICMA at state and affiliate organization events by providing representation, content, and where available, serving as an exhibitor. Continue efforts to increase ICMA's visibility and connection with international affiliates by providing representation at international affiliate conferences; collaborating to exchange leading practices and expand organizational knowledge bases; and facilitating interaction with and among international affiliate organizations.
- Support the Committee on Professional Conduct in the ongoing review of the ICMA Code of Ethics.
- Implement the board-approved recommendations from the women's and inclusivity task forces.
- Provide necessary support to the Strategic Planning Task Force.
- Maintain member satisfaction as measured by annual membership survey.
- Enhance processes through effective use of the new association software, netFORUM.

Professional Development

	FTEs	Revenues	Expenses	Net
Annual Conference	4.00	\$ 3,154,816	1,842,601	1,312,215
Training and Education	5.04	1,271,084	1,172,731	98,353
	<u>9.04</u>	<u>\$ 4,425,900</u>	<u>3,015,333</u>	<u>1,410,567</u>

Purpose and Mission

The mission of Professional Development is to develop and enhance the leadership and management capacity of members and local government professionals through a comprehensive array of high-quality programs delivered in a variety of formats.

FY 2016 Priorities

- Plan and deliver a successful and educational annual conference in Seattle, aggressively marketing the event to members and nonmembers.
- Plan and deliver a successful and educational pilot track “ICMA 101” at the annual conference in Seattle.
- Plan and deliver a successful and educational “ICMA 101” online certificate program in late FY16.
- Implement board-approved work plan to fulfill Leadership Task Force recommendations, committing to leadership development as equal to ethics.
- Maintain all other current professional development programs, with the exception of the pre-summit mini-workshops, and continue to improve as needed.
- Enhance marketing to bring awareness to all professional development programs, especially those for emerging leaders who may or may not be members. Continue fulfilling detailed marketing plan and determine how to better reach the nonmember, non-manager market.
- Work with the membership team on recruitment by exposing nonmembers and emerging leaders to ICMA’s benefits, services, and programs.
- Operationalize the new team structure and continuously improve the efficiency and effectiveness of administrative and operational procedures and processes.

Research and Content

	FTEs	Revenues	Expenses	Net
Public Policy	0.41	\$ -	111,359	(111,359)
Publishing	0.77	296,325	283,216	13,109
Research & Content Development	2.80	200,000	563,875	(363,875)
	3.98	\$ 496,325	958,449	(462,124)

Purpose and Mission

The mission of the Research and Content team is to identify, research, and develop information resources at the crossroads of local government leadership and management and key topic areas important for today's local government professionals.

FY 2016 Priorities

- Reaffirm core content areas for survey, case study, and policy research and development.
- Facilitate and produce research-based content—often in partnership with ICMA members, as well as third-party organizations and researchers—on local government management and leadership.
- Manage ICMA's legacy publications and content, which includes the current hardcopy inventory, *InFocus* reports, the *Municipal Year Book* (MYB), reprints of popular print books, digital publications (e-books, e-pubs, and e-docs), and other legacy products and services related to publishing.
- Oversee and coordinate ICMA's public policy and related activities.
- Support the research and information needs of ICMA's core business lines.
- Produce new content on trending issues and hot topics for ICMA members and local government stakeholders.
- Manage existing relationships and generate new ones with third-party organizations that can produce content appropriate for the ICMA audience.
- Operationalize the new team structure as well as administrative and management processes and procedures.

Outreach

	FTEs	Revenues	Expenses	Net
Form of Government/Advocacy	0.22	\$ -	33,039	(33,039)
PM Magazine	0.86	206,500	331,807	(125,307)
Outreach and Communications	7.24	128,500	956,402	(827,902)
	8.32	\$ 335,000	1,321,248	(986,248)

Purpose and Mission

The mission of the Outreach team is to build awareness and the reputation of ICMA and the profession through effective packaging and dissemination of local government thought leadership content leading to increased demand for membership, partnerships, and resources.

ICMA has historically focused its international content in the international programs area. This includes the website's international section, a special newsletter called International Insights, and articles and news releases focused on international contracts. Through ICMA dissemination channels, we have shifted our goals to integrate international sources, contributors, examples, and cases where relevant into all content areas. For example, we will track the number of PM contributors from outside the US, the number of articles in PM and the newsletter that feature or include an international perspective, the number of SmartBrief items and Knowledge Network items that come from cities outside of the U.S., the number of media releases and contacts with an international dimension and the number of social media posts that include or reference an international perspective.

2016 Priorities

- Optimize the ICMA outreach channels and build new partnerships.
- Organize the outreach team to focus on priority content areas and align marketing efforts with our content purpose.
- Update brand architecture and create cohesive approach to outreach materials.
- Launch a redesigned website using open source content management system.
- Generate engagement and content sharing through social media.
- Generate high-profile media placements and develop media partnerships.
- Increase engagement, leads, and ultimately membership among students and the early-career segment.
- Continue to build awareness of the importance of the chief administrative officer to meet *Life, Well Run* objectives.
- Integrate a strong global perspective into content and channels.
- Test new engagement tactics including podcasts, free webcasts, TED-type talks.
- Build a video/photo library that features members for use by staff.
- Build the opt-in lead generation database.
- Responsible for revenue targets for Membership, Professional Development, and Insights.

Business Development

	FTEs	Revenues	Expenses	Net
Strategic Partners	1.13	\$ 895,000	191,724	703,276
Business Development	2.10	-	386,724	(386,724)
Bid and Proposal	2.28	-	422,340	(422,340)
	<u>5.51</u>	<u>\$ 895,000</u>	<u>1,000,788</u>	<u>(105,788)</u>

Purpose and Mission

The mission of the business development team is to generate business opportunities/innovations that boost membership value and foster professional local government management by identifying and aligning resources with the association's strategic goals and to help ICMA business lines achieve their business capture and revenue targets.

FY 2016 Priorities

- Determine priority areas of opportunity for business development and partnership engagement in coordination with ICMA business lines.
- Identify and manage relationships with strategic, provider, project, royalty, and other organizational partners affiliated with ICMA.
- Provide general business networking, marketing, and positioning of ICMA's technical assistance capabilities.
- Generate foundation funding and grants for ICMA's research and content, professional development, and consulting services teams.
- Generate private sector funding and sponsorships for ICMA's research and content, professional development, and consulting services.
- Oversee ICMA's fundraising and development activities in the association's ongoing and future campaigns.
- Coordinate B&P activities for federal agency and other major donor-funded RFPs, as well as B&P proposals for local government and governance opportunities.
- Review proposals and allocate resources for the development of new products and services for which an ICMA business line has conducted a preliminary market analysis.
- Analyze and report on ICMA's business development, relationship management, and fundraising activities.
- Continuously improve the efficiency and effectiveness of the administrative and operational procedures and processes for business development, fundraising, and relationship management.

Global Program Management

	FTEs	Revenues	Expenses	Net
Team Management and Support	5.20	\$ -	789,150	(789,150)
Domestic Programs	1.14	1,063,017	754,742	308,275
International Programs	9.97	10,559,612	8,236,497	2,323,115
Anticipated Funding	5.57	1,373,700	1,213,597	160,103
ICMA Latin America	0.87	142,418	142,418	-
ICMA China	0.50	100,000	100,008	(8)
Subtotal	23.26	\$ 13,238,747	11,236,413	2,002,334

Purpose and Mission

The mission of the Global Program Management team (also referred to as the Consulting Services team) is to deliver on all projects with high quality, on time, and within budget, and to ensure effective utilization and allocation of staffing resources.

FY 2016 Priorities

- Maintain revenue of the project portfolio and promote ICMA's core competencies, including city partnerships, peer-to-peer learning, sustainability, as well as several more focused technical areas, such as citizen engagement, shared services, and others.
- Through CityLinks, strengthen our expertise in the priority areas of food security, climate, and water/sanitation.
- Promote member interest and maintain member engagement in funded programs and activities.
- Increase efficiency, effectiveness, and compliance of program operations and financial and administrative processes by working on current and redefined process improvement priorities.
- Develop and implement a financially sustainable plan for the ICMA China Center by focusing on training opportunities arising as a result of the approval by the Chinese national government of ICMA as a foreign training service provider for Chinese government officials.

Center for Performance Analytics

	FTEs	Revenues	Expenses	Net
Performance Management & Analytics	3.24	1,377,296	1,630,296	(253,000)

Purpose and Mission

The mission of the Center for Performance Analytics is to demonstrate the performance dividend of professional local government by providing the next generation with analytical tools, training, and technical assistance to help communities achieve higher levels of performance. The Center for Performance Analytics accomplishes its mission by providing an affordable, top-quality, performance management and analytics solution (*ICMA Insights*) in partnership with SAS; disseminating research and best practices; and offering training, education, professional development opportunities, and technical assistance services.

2016 Priorities

- Continue marketing the *ICMA Insights* product, offered in partnership with SAS, heavily to local governments.
- Demonstrate to members and others the value that performance metrics, analytics, and advanced data visualization technologies bring to communities of all sizes.
- Attract at least 250 participants through the end of FY 2016 through targeted marketing and messaging.
- Educate members and others on the important role of performance management and data-driven decision making.
- Provide relevant, high-caliber education, training, professional development opportunities, and technical assistance services.
- Provide opportunities for communities to collaborate, share, and learn best practices from a network of city and county leaders to improve the quality of life for their citizens.
- Develop coaches, ambassadors, or liaisons to fill the need for simple panelist session requests and to help new participants.
- Develop resources and tool kits to guide participants through implementation. Help jurisdictions understand resources needed to effectively utilize the system.
- Provide case studies and success stories of participants from communities of various sizes.
- Build consortiums to attract similar communities to learn from each other.
- Develop partnerships with organizations like GFOA to attract their membership pool to the product.

Organizational Support

	FTEs	Revenues	Expenses	Net
Executive Office	2.59	\$ -	952,973	(952,973)
Facilities and Administration	1.30	132,000	1,734,327	(1,602,327)
Finance	4.86	-	916,770	(916,770)
Information Technology	5.96	-	1,617,351	(1,617,351)
Human Resources	1.74	-	549,557	(549,557)
	<u>16.45</u>	<u>\$ 132,000</u>	<u>5,770,977</u>	<u>(5,638,977)</u>

Purpose and Mission

The organizational support teams provide the program teams with the right people, technology, and resources needed to achieve their priorities and meet their performance objectives. The support teams are charged with ensuring organizational sustainability and an integrated commitment to the mission, vision, and core beliefs of the association.

FY 2016 Priorities

- Complete implementation of the new association management software, netFORUM, to provide a more flexible and robust platform for managing ICMA's primary business functions, such as membership, order processing, event management, marketing, and fundraising. Review and enhance during the year to make sure all system capabilities are being utilized effectively.
- Begin the process of replacing ICMA's web content management system and the Knowledge Network. Develop requirements, go through the bidding process, select a vendor, and begin implementing.
- Transition credentialing into netFORUM.
- Develop and create new reports and queries in netFORUM using an outside vendor. Enhance internal knowledge and skills to process the reports and queries internally in the future.
- Enhance and redevelop *ICMA Insights* shopping cart to be fully integrated with netFORUM.
- Implement business continuity plan for IT using new software and setup with a private cloud provider.
- Upgrade all laptops to Office 2013 and offer training to users through Custom Guide and other sessions.
- Ensure Sharepoint is effectively used for all internal communications.
- Streamline ICMA's procurement process.
- Ensure no material financial audit findings.
- Enhance ICMA office space to provide a better working environment and to increase efficiency of space.
- Provide necessary professional development offerings to staff to increase skill sets and productivity.
- Work with the audit and evaluation committee of the executive board on the executive director search.

Other

	FTEs	Revenues	Expenses	Net
CSLGE Management	2.94	\$ 800,805	597,218	203,587
ICMA-RC Royalty	-	405,000	-	405,000
Subtenant Space	-	1,093,781	996,640	97,141
REIT Dividend	-	400,000	-	400,000
Investment Income	-	22,196	-	22,196
	2.94	\$ 2,721,782	1,593,858	1,127,924

CSLGE Management

ICMA provides staffing to the Center for State and Local Government Excellence (CSLGE) for management of the center. The center reimburses ICMA for all direct and related indirect costs incurred by ICMA in providing this support.

ICMA-RC Royalty Payment

In accordance with an agreement dated July 1981, the ICMA Retirement Corporation (ICMA-RC) pays a royalty to ICMA for use of the association's name. This agreement is effective through 2090. The annual payment is calculated as \$200,000 plus .1% of gross adjusted annual revenues of the prior calendar year.

Subtenant Space

ICMA owns 49,856 square feet in the headquarters building, of which ICMA occupies 29,025 square feet and subleases 20,831 square feet. All available space is fully subleased. Additionally, ICMA has entered into an agreement with NFBPA to sublease approximately 2,200 square feet within ICMA's space on the 5th floor.

REIT Dividend and Other Investment Income

REIT dividend is the dividend income expected from the REIT investment in the building. Investment income is the earnings estimated on General Fund cash reserves.

Appendix A: FY 2015 – FY 2016 update to the ICMA Strategic Plan (adopted 2008)

ICMA's Vision

We are the premier association of professional local government leaders building sustainable communities to improve lives worldwide.

ICMA's Mission

To create excellence in local governance by developing and fostering professional local government management.

ICMA's Core Beliefs

We believe in

- Serving as stewards of representative democracy.
- Practicing the highest standards of honesty and integrity in local governance, as expressed through ICMA's Code of Ethics.
- Advocating for professional management as an integral component of effective local governance and community building with council-manager government as the preferred local government structure.
- Building sustainable communities as a core responsibility of local government.
- Networking and exchanging knowledge and skills across international boundaries.
- Ensuring that local governments and the association reflect the diversity of the communities we serve.
- Committing to lifelong learning and professional development.
- Building up the quality of the profession and the association through an engaged network of members personally committed to that end.

Outcomes and Strategies

Note: The following highlights strategies and tactics targeted in FY 2015 and FY 2016 and is not intended to capture all that ICMA will do as part of its ongoing operations. The outcomes (introductory paragraph to each section) and the strategies are as stated in the originally adopted strategic plan, unless otherwise noted. Tactics for FY 2015 and FY 2016 are in *italics*.

Leadership

Local government management is a profession of innovative, competent, principled leaders committed to promoting the integrity of local governance, meaningful community participation, and representative democracy. Managers work with elected officials, and in concert with citizens and partners, to facilitate community building and engage around issues that cross boundaries and borders. Professional local government managers are dedicated to sustainability; stewardship of public resources; and sound, results-based management principles to help create communities that improve the quality of life for everyone.

Professional local government management attracts and cultivates a diverse and talented group of individuals dedicated to these high ideals. Professional local government managers are the standard-bearers for ethical conduct and the advocates for professional management and principles of sound local

governance. ICMA is the association of choice for members of the professional local government management community and a model of effective outreach and collaboration with other associations, institutions, and stakeholders.

1. Raise awareness of the value that professional management brings to local governance and advocate council-manager government.

To achieve the board objective of matching expenses to funding in hand, the FY 2015 Life, Well Run campaign continued to focus on elected officials and students as the primary audiences. A print ad campaign ran in 46 state league publications. Social media grew. Facebook began the year with 300 followers and has grown to 2,200. Twitter has grown to 1,246 followers and both channels continue to drive viewers to the Life, Well Run website, which had over 260,000 views. Corporate contributions have come from Siemens and ICMA-RC and members and state association contributed over \$1 million to Life, Well Run. Requests from members and state associations for materials and other support for local campaign contributed to the nearly 4,000 materials downloads.

The 30-member, board-appointed Anniversary Task Force completed its ICMA's anniversary celebration in FY 2015. The annual conference in Charlotte capped the year-long celebration which included: the 100th anniversary photo gallery featuring images, photographs, memorabilia, and artifacts documenting the history of ICMA and the local government management profession a portion of which will live at ICMA headquarters; premium items and memorabilia for members attending the conference; a 64-page commemorative anniversary issue of PM magazine in September, which included essays, articles, and musings from 27 ICMA members and other authors focused on ICMA and the local government management profession; an anniversary video, which features members of the ICMA Executive Board and Anniversary Task Force and highlighted the past, present, and future of ICMA and professional management; "Then-and-Now" visual presentation that highlights many of the association's operational and organizational milestones; video interviews with retired and active ICMA members, which are posted to the ICMA Experience section of the anniversary website; monthly historical trivia quizzes in Leadership Matters e-newsletters and anniversary "Moments in History" in PM magazine; and "The Next Big Thing" webinar targeted toward students, interns, fellows, and young professionals.

2. FY 2012 new strategy: Undertake a review of the leadership philosophy for professional management, exploring the drivers of local government and the leadership characteristics necessary to excel in the current environment.

The ICMA Task Force on Leadership presented its recommendations to the executive board in September 2014. Staff will be proposing a plan of action to the board in June 2015 that lists items that are included in the FY 2016 budget and items that will require resources in the future.

3. Promote, enforce, and celebrate the highest ethical standards of professional behavior.

Using the board-approved process for conducting a formal review of the Code of Ethics, the Committee on Professional Conduct launched the review of Tenet 12 in January 2014. The committee's recommendations to change Tenet 12 were approved by the membership in April 2015. The board will consider the committee's recommendations to revise the guidelines for Tenet 12 at its June 2015 board meeting. The committee will also select the next Tenet(s) for review.

Staff presented ethics content at 10 state and affiliate associations. Along with the monthly PM column, Ethics Matter, those efforts are designed to promote and reinforce the profession's

standards. The Ethics 201 course was developed and will launch in FY 2016. The priority will be to continue the review of the Code of Ethics and to expand ICMA training opportunities with members.

4. Lead efforts to build sustainable communities by developing a recognized body of knowledge and expertise that focuses on balancing environmental stewardship, economic development, social equity, and financial and organizational viability.

In FY 2015, ICMA continued to work with the U.S. Department of Energy, the American Planning Association, the National Association of Regional Councils and other partners as part of the SunShot Solar Outreach Partnership (SunShot Solar OPS). ICMA is also working on several efforts funded by HUD. ICMA is part of a consortium that includes Enterprise Community Partners, New York University, PFM, and HR&A Advisors to work with some of America's most economically distressed cities. As part of the award, ICMA is coordinating peer networking activities and is managing the outreach and communications provided through the program's website (www.nationalresourcenetwork.org). Additionally, we completed several new survey research and case study publications on shared services among public health organizations and local food security and systems in the United States. ICMA and its project partners completed the Mecklenburg County Livable Communities Plan in early 2015 after nearly 18 months of work. The Center for Sustainable Communities continued to lead several technology-oriented projects in collaboration with ESRI and other firms. For the upcoming fiscal year, ICMA will continue work on issues at the intersection of local government management and sustainability with a focus on citizen engagement, renewable energy, economic redevelopment and the long term effort to create more sustainable communities worldwide.

5. Expand the current membership with an emphasis on attracting young people, women, and minorities, entrants from other careers, and other local government management professionals who are not members of ICMA.

Formal recruitment plans tailored to the individual needs of state and affiliate organizations are in implementation in 25 states and 3 countries. The focus is to develop mutually beneficial long-term strategies that will help both the states/affiliates and ICMA to attract CAOs, assistant/deputy CAOs, and early-mid-career professionals. The focus for FY 2016 will be to implement the reduced flat rate for department directors, conduct a national campaign to recruit emerging leaders, support the IMCOM partnership, and to implement state, country, and affiliate-based recruitment strategies.

6. Become more engaged in contributing to the public policy arena as it relates to local government.

Coordinated the work of the Big 7 through December 2014, working with the leadership to develop the strategic policy direction for the seven national associations and identifying consensus priorities. Current priorities are promoting a long-term funding solution for surface transportation, protecting the tax-exempt status of municipal bonds, Internet sales tax collection, and pension funding. Coordinated State and Local Fiscal Facts: 2015 to inform the media and policy leaders about state and local finances, municipal bonds, and public pensions. ICMA also continues its support of the State and Local Legal Center, signing on to 10 Supreme Court amicus briefs in cases affecting local government. On track to publish a joint ICMA-Government Finance Officers Association White Paper - Municipal Bonds and Infrastructure Development – Past, Present, and Future - written by Justin Marlow of the University of Washington in 2015.

Professional Development

Professional local government managers continually seek to improve their capabilities. Renewing themselves through lifelong learning, managers acquire new expertise and develop their leadership skills to build better communities. ICMA serves as a source of professional development for its members throughout their careers in public service.

1. Position ICMA at the forefront of local government leadership and professional development through the ICMA University.

The April 2014 professional development business and marketing plans continue to be implemented, and the team is currently making a planned shift in focus to implement the Leadership Task Force recommendations.

2. Establish a broad network of partners to develop and promote leading practices in professional and personal development.

A broad network of partners continues to expand across a number of content areas, including universities, other nonprofits, and strategic partners. For example, George Washington University, a strategic partner, is back for a second year to teach a module for the Mid-Career Managers Institute, and ICMA and the International Town-Gown Association have begun actively fulfilling a renewed affiliation agreement with three sessions planned across two conferences. ICMA will also be entering into discussions with other potential professional development partners, including partners who might assist with the new "ICMA 101: Mastering the Fundamentals" online certificate programs.

3. Create opportunities for participants with diverse backgrounds to engage in ICMA training and development activities and programs.

Continue outreach to a diverse pool of participants, including non CAOs, individuals on nontraditional career paths, and other audiences. Some examples include: The Emerging Professionals Leadership Institutes that precede the five regional summits and the annual, one-year Mid-Career Managers Institute both draw members and nonmembers, several of whom join ICMA as a result of participating in professional development. ICMA also offered Effective Supervisory Practices as a webinar series to new supervisors in 2014 and 2015. In addition to a third run of ESP, plans for FY 2016 include "ICMA 101: Mastering the Fundamentals" as a pilot track onsite at the 2015 ICMA Annual Conference and online beginning in December 2015.

4. Develop a formal path to credentialing that spans the career stages of a member.

The Credentialing Advisory Board has included a response to the Leadership Task Force recommendations as an appendix to the staff implementation plan that the executive board is reviewing in June 2015. ICMA has also budgeted for a professional graphic that clarifies the current path; the graphic will be updated as the path is further developed and improved. Effective March 2014, graduates of ICMA and other approved leadership development programs might receive additional experience credit toward the credential. Also, in conjunction with the development of new credentialing software in mid-FY 2016, ICMA plans to launch the new, optional credentialing designation for members who want more structure.

5. Ensure that ICMA serves as a vehicle for personal development and renewal.

The Mid-Career Managers Institute was created in FY 2012 to fill the gap for nontraditional managers or aspiring managers who are not eligible for Leadership ICMA or the Credentialing

Program. The class beginning spring 2015 saw greater participation than ever before with 20 participants (exceeding the goal of 15). ICMA also offers two highly-rated experiential leadership opportunities—the second annual Williamsburg Leadership Institute was held in 2014 and registrations are being accepted for the 2015 session, and the ninth annual Gettysburg Leadership Institute was held in 2015. Due to the Gettysburg Institute’s popularity, class size was increased to 34.

Knowledge Sharing

ICMA is the preeminent source for information about leadership and management of local government. ICMA promotes, supports, and engages in sharing member experiences and enthusiasm to create understanding and appreciation of national and global perspectives that can enhance local government, community building, and the effectiveness of public services.

1. Promote ICMA as the premier clearinghouse for information on local government management practices.

In FY 2015 we continued to transition out of the print publishing business to all-digital publishing. At the outset of FY 2015 we reduced the print inventory to 9 top-selling titles, and the emphasis has been on creating the online platform and product profiles for selling our digital publications. The new bookstore launched with a robust inventory of more than 300 offerings. Along with a much-improved platform is a “renovated” Publications area of ICMA’s website, with improved navigation and graphic appearance.

The publishing program is also aligning more closely with ICMA’s professional development initiatives. Building on last year’s success with a webinar series based on ICMA’s Effective Supervisory Practices, a shorter series has just been developed based on the best-selling A Budgeting Guide. FY 2015 also marks the first time The Municipal Year Book is being offered only digitally and includes a research-based article about police-community relations, a topic so prevalent in the media.

ICMA continues to carry out an ambitious survey research portfolio that advances the knowledge base of local government leadership and management practice, as well as funded research conducted in conjunction with federal or corporate partners and also addressing matters of importance to local governments. In 2015 research projects included the ICMA-funded 2014 CAO salary and compensation survey (the 2015 edition is in development); economic development (external funding); ICMA-funded county form of government; national sustainability survey of local governments (external funding); Michigan State University local food systems survey and case study research; U.S. HUD choice of neighborhoods survey; U.S. DOE solar outreach partnership case study research; IBTS (Institute for Building Technology and Safety) MARC shared services agreements case study; Robert Wood Johnson Foundation shared services in public health survey and case studies; and Arcadis water rates survey.

Through its outreach channels, including icma.org, PM magazine, Leadership Matters member and nonmember newsletters, press releases, SmartBrief, and social media, ICMA has systematically promoted its research and resources. Using analytics and member preference research, specific ongoing content areas, such as leadership practices, performance management, budgeting, public safety management, etc., are targeted, and content developed throughout ICMA is packaged for dissemination. In addition, “hot topics” are featured in a timely manner to aid the local government community in addressing pressing matters—drought, ebola/health crisis, and police-community relations are examples.

2. Create innovative, worldwide opportunities connecting members to increase knowledge transfer and experience sharing around good local government management values and practices.

ICMA continues to facilitate knowledge sharing internationally through funded projects, centers in Mexico, India, and China, an active international committee, the ICMA international affiliates and new international student chapters. U.S. State Department funded Professional Fellows Programs in the Asia/Pacific Region have been providing knowledge-sharing opportunities for ICMA members, their communities, and ICMA's international affiliates in climate change and legislative process/governance-related exchanges. USAID funded programs ongoing in some 20 countries and our signature CityLinks program will continue functioning as international knowledge-sharing platforms for members. Facilitated by our Mexico center and ICMA staff, members will continue engaging in Mexico and Latin America to share information on community policing and collaborative violence prevention programs and, recently, on urban climate adaptation. The ICMA China Center will build on the initial success of the "guest lecturer" program at Chinese universities and identify opportunities for training both in China and the United States as a Chinese-government-approved foreign training provider. Currently, ICMA members and their communities are benefiting from pro-bono engagements on virtually every continent: in Eastern Europe, the Middle East, the Americas, Africa and South East Asia.

3. Engage academics and subject matter experts (including the private sector and other research partners) in efforts to enhance the body of knowledge around preferred and best practices in local government management worldwide.

ICMA continued to participate as core member of the enhanced partnership involving ICMA, the Alliance for Innovation, and Arizona State University. The enhanced partnership research topics to date are citizen engagement, collaborative service delivery, and due processes that inhibit creativity and innovation with strategies for addressing these issues. The research results are disseminated through a variety of channels and might result in such products and services as jointly produced webinars.

We continued to support the work of The Local Government Research Collaborative (LGRC) composed of representatives of the local government management and academic communities. The LGRC identifies topics of interest, solicits proposals for research, and awards grants for the completion of the research. The first research paper and a second series of awards have been distributed in FY 2015. The project being funded by the LGRC is on the topic of "improving local governance in the United States by learning from abroad," and it is being conducted by the George Washington Institute of Public Policy. The members of the LGRC plan to see how the current project plays out before making a decision about the group's future.

ICMA's survey research and survey data continues to be highly valued by academic partners. Mildred Warner and other colleagues produced several reports based on ICMA's sustainability and planning across generations survey data. Through the newly funded National Resource Network: New Solutions for Cities effort, ICMA is working with New York University's Wagner School of Public Service. We continue to work with SAS to refine our offerings for both ICMA Insights as well as establishing ICMA as a thought leader in performance measurement and management. For FY 2016, ICMA has established a revitalized research and content team that is tasked with generating new information on leading practices and insights from the field through survey and other types of research and content generation.

Member Engagement and Support

ICMA fosters an active and engaged membership dedicated to contributing to and improving the association. The association promotes and embraces diversity among its members, including a governing

board that reflects ICMA's membership and the communities served. ICMA is a source of personal support and renewal for its members throughout their life in public service. The association is committed to strengthening strategic partnerships on behalf of members and providing the highest quality products and services to its members.

1. Ensure that ICMA remains the association of choice for professional managers (new strategy for 2012).

Recruitment along with developing and maintaining the personal connection with members is the key approach to ensure that ICMA remains the association of choice for professional managers. The personal connection not only builds the relationship but enables ICMA to learn what benefits and services are desired by members at each career stage. At the mid-point in the fiscal year, ICMA had 9,404 total members: 8,997 U.S. members and 407 international members representing 33 countries. Of the total membership, 6,332 members were in direct service to local government (6,036 in the United States; 296 international). Attracted 351 new in-service members (334 United States and 17 international), including 194 Full in-service members (182 United States, 66.2% of goal) and 93 entry- to mid-management Affiliate in-service members (91 United States, 52% of goal). Dues revenue is expected to generate \$110,000 more than budgeted. Updated member recruitment data will be provided once the new reporting systems from the new association management installation system have been developed.

In FY 2015, the membership team continued the direct member outreach strategy: contacted 172 members to discuss issues of concern; recognized Life members with a pin and personalized letter; delivered 373 new member packets with a flash drive containing key membership information and resources; and called members to encourage them to renew during the dues billing cycle. As part of the ongoing effort to reinforce the value of membership, developed a video of members promoting membership.

Working with the Membership Committee on plans to implement the board-approved recommendations for the Women's Task Force, Leadership Task Force, and Financing Task Force.

2. Create opportunities to gain entry into the profession and into the association and its leadership.
FY 2015 was year three of the new regional nominating process, which saw increased participation by affiliate partners and resulted in the selection of a vice presidential nominee to appear on the election ballot. Engaged state association leadership in each region in discussions about how best to strength the process and the nomination protocol agreements. The ICMA 2008 Strategic Plan outlines the profession's commitment to diversity as a Core Belief: "Ensuring that local governments and the association reflect the diversity of the communities we serve." To that end, the Task Force on Strengthening Inclusiveness launched in FY 2015 conducted a survey of the membership to inform their recommendations and is on track to report to the board in September 2015 on strategies to achieve the membership's core value of being an inclusive association and profession.
3. Enhance communication and dialogue to develop synergistic relationships with state and affiliate organizations and other professional associations.
The three regional directors, supplemented with three senior staff team leaders, are essential to developing and maintaining effective working relationships with the state and international affiliate organizations. In addition to maintaining formal agreements outlining shared goals with

existing state associations and key affiliates—NFBPA, IHN, NACA, and Women Leading Government—ICMA continues to develop formal agreements outlining shared goals in all countries with professional associations. In FY 2015, ICMA provided complimentary membership to the lead staff member from every association with whom we have an agreement. This step was taken to further solidify the relationship with these associations.

4. Foster inclusion, engagement, and support throughout a member's life of public service.
Senior advisors, regional directors, and state liaisons had direct contact with members through attendance and presentations at 21 state and affiliate meetings, two regional summits, and personal outreach. New members were matched with Welcome Ambassadors. Continue to support members in transition with current enrollment at 108. As part of the conference scholarship program, ICMA provided support to six members in transition. Eighty-eight percent rated the value of membership as "excellent" or "good." Customer service was rated as "excellent" or "good" by 90% of members who responded to the annual ICMA survey.
5. Be the leader in offering career services to local government professionals throughout their lives.
The Student Chapter program continues to expand with 48 chapters in the United States and internationally. To provide content and value, conducted three conference calls focusing on administration and engagement, insights in the profession with Bob O'Neill, and a session on job hunting in local government. Work progresses on the goal to take the CAL-ICMA Coaching Program national, under the financial and managerial supervision of ICMA. Released the updated career resource, "ICMA Job-Hunting Handbook." Opened applications for the 2015 Local Government Management Fellowship (LGMF). There are currently 34 hosts placing 49 Fellows, with 15 positions still recruiting. This will be a record year for the LGMF if two more positions are filled. Partnering with the Emerging Local Government Leaders (ELGL) program to sponsor their conference to connect emerging leaders to ICMA and to have ELGL support for ICMA's conference.
6. Promote work/life balance as part of attracting and retaining members and achieving organizational sustainability.
Continue to offer annual conference sessions, as well as events sponsored by the Partners' Program, that deal with issues facing local government managers and their families, including work/life balance.

Appendix B: Update to the board on FY 2015 Financial Condition and Reorganization provided January 2015

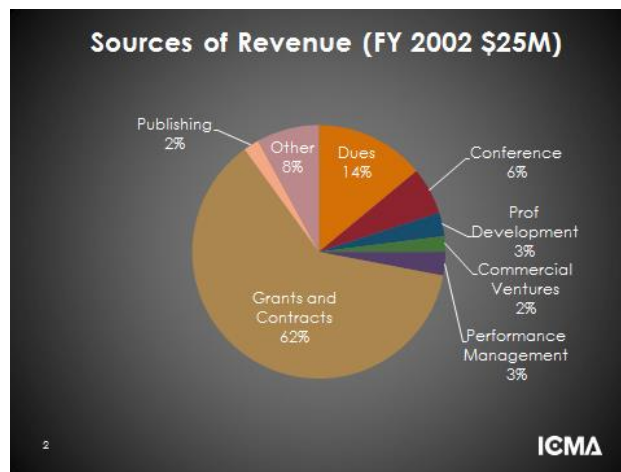
Background:

ICMA is a complex organization with multiple revenue sources and several business lines. As is typical of many membership associations, ICMA has such traditional association lines of business as dues revenue, member services, professional development, publications, and content.

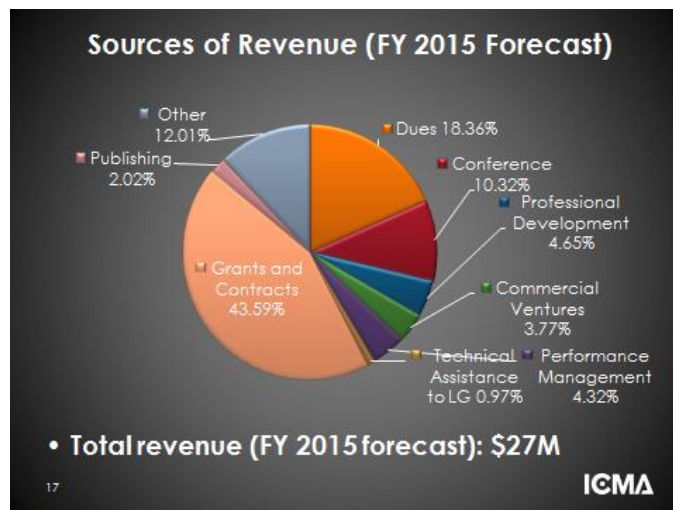
ICMA also engages in other commercial activities linked to its mission in an effort to provide ancillary services to membership, increase its revenue base, enhance the brand, and be in touch with issues facing local governments. These activities have included consulting services, performance management products, technical assistance, and grants and contracts.

The charts below show the composition of the various sources of revenues over different time periods.

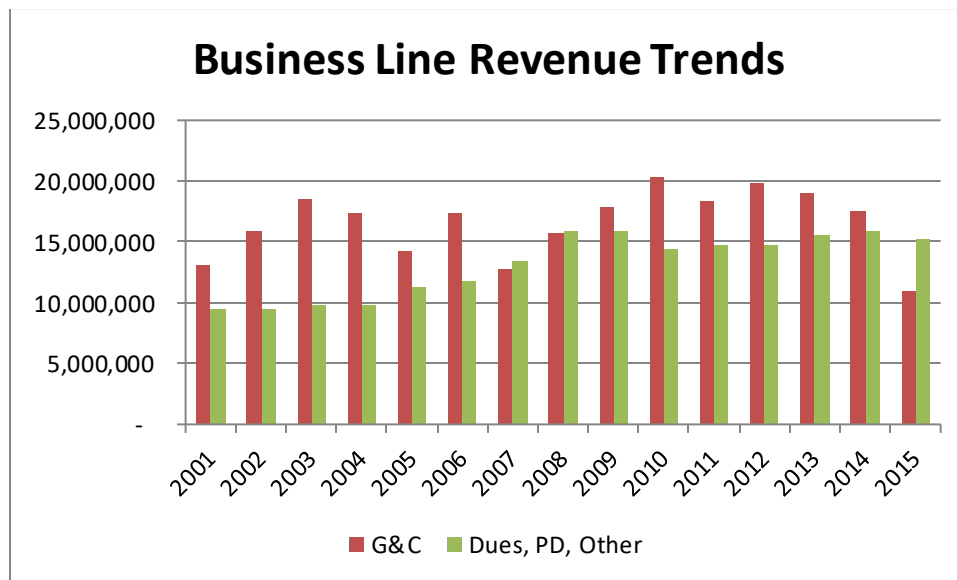
The first chart shows the composition of revenues in FY 2002 when ICMA had annual revenues of \$25M.



The following chart shows the composition anticipated for FY 2015 and beyond with expected annual revenues once again in the \$25M range.



Looking at the composition of revenues from Grants and Contracts (G&C) and other association revenues over the years, the chart below shows the fluctuations from G&C revenues since FY 2001 with a steady increase in the non-G&C revenues.



As the charts indicate, the composition of revenues has shifted such that G&C revenues have shifted from approximately 62% in FY 2002 when ICMA had comparable total revenues to 44% in FY 2015. Non G&C revenues are growing as a percentage of the total revenues which was one of the goals over the last several years to reduce the heavy reliance on G&C funding.

However even with a reduced level of funding from G&C, they still comprise a significant portion of ICMA's revenues projected at approximately 44% for FY 2015. Any fluctuations in this revenue source can have a major impact on the overall size and structure of the organization. As a point of reference, each \$1M in revenues from G&C generates approximately \$200,000 of which \$100,000 is used towards business development and program compliance and \$100,000 is used for general support costs and contribution to net assets.

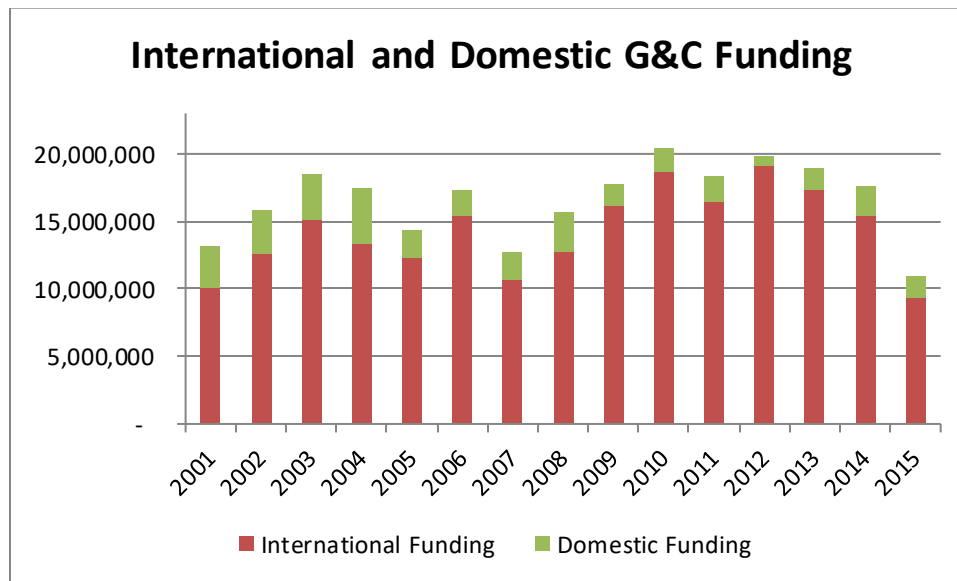
Grants and Contracts (G&C) Revenues:

Since a significant portion of ICMA's revenues are from G&C, it is important to gain a firm understanding on how this program works.

ICMA's primary G&C funder, the US Agency for International Development (USAID), makes determinations on which part of the world to focus its funding based on direction set by US policy. It then issues Requests for Proposals (RFPs) for work to be done in those countries. ICMA reviews the RFPs carefully and responds to those that are in line with our mission of introducing sound management practices to local governments in developing and decentralizing countries throughout the world. ICMA has a unique skillset to bring to the market with 100 years of experience in local government solutions, a deep member base, and practical solutions to real world problems faced by these developing countries each day.

The chart below shows the revenues received by ICMA from federal agencies for technical assistance work domestically and internationally. Domestic G&C revenues have been below approximately \$2M since 2009. International G&C revenues were on an upward trend since 2007 with a dip in 2011 followed by a record year in 2012. Since 2012 international G&C revenues have reduced each year by

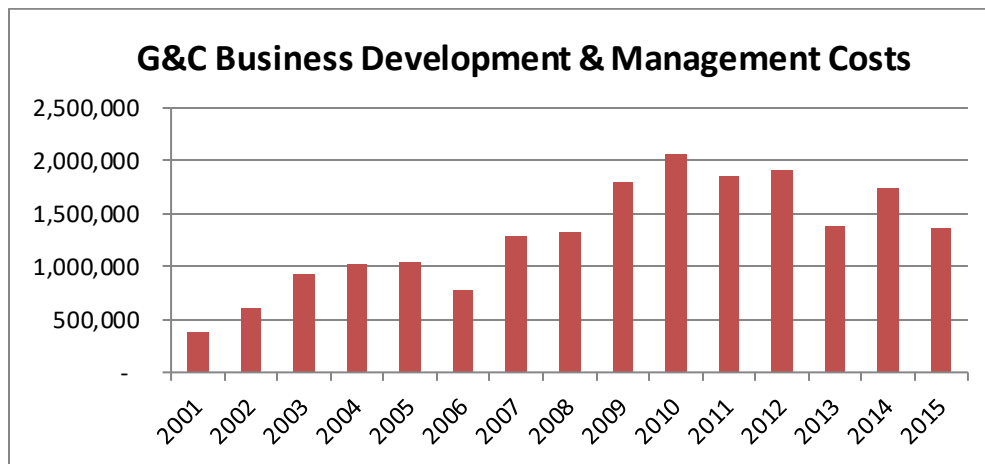
approximately \$2M with a big drop in 2015 to below \$10M, *the lowest international funded revenues since 2001.*



Overall USAID funding for countries like Iraq and Afghanistan is reducing in the current year. Earlier these awards were competed among associations like ICMA, Urban Institute, and RTI. However as available funding and size of awards for this business sector increased, competition increased. For-profit consulting firms like DAI and Chemonics entered the field willing to invest increasing amounts of money to win proposals. ICMA began working with these firms to team with them to provide the expertise needed and became a subcontractor in major awards in Afghanistan. Working as a subcontractor comes with its drawbacks: ICMA lost control over the projects and the relationships with the funder, and the consulting firms began to develop their own expertise in this field hiring subject matter experts directly instead of going through ICMA.

There also exists the risk of potential audit findings after the work has been completed. In fact, ICMA currently has over \$2.5M in questioned costs on the Afghanistan projects. Staff are working with USAID to get these resolved but these require significant investment of staff time.

Because of the important nature of the work that is being done in relationship to ICMA's mission and the difference ICMA projects are making to building communities around the world, ICMA implemented a strategy of investing more business development to continue to be a player in this field. At the same time funding restrictions were imposed and several project management costs that were previously covered by the funding were no longer covered, increasing the costs of operating these awards. As can be seen in the chart below, it has become more expensive to generate G&C revenues. Investments to generate these awards went from less than \$500,000 in FY 2001 to an average of approximately \$1.6M/year in the last 5 years.



On average for every \$1M of revenues from G&C, approximately 80% goes into the direct costs related to performing the technical assistance activity in the contract; approximately 10% - 12% goes towards investment in business development, bid and proposals, management and regulatory compliance; and approximately 8% - 10% goes towards supporting general support and infrastructure costs which benefits the entire organization. As funding goes down, the percentage of G&C revenues required to maintain steady levels of funding may actually increase.

ICMA still has a niche in this market but it is being increasingly challenged and replicated by competitors. However, ICMA maintains a strong position in the market based on our outstanding reputation and brand, our membership base, our presence in the U.S. local government sector and our long traditions of promoting good governance globally. The area where ICMA continues to maintain our unique niche is in the fellowship exchange programs and in the City Links program where the focus is on peer learning by matching local government professionals from across the globe to learn from each other. Due to our membership base, ICMA is able to identify cities that are willing to host and participate in these exchange programs.

In November 2014, staff reported to the board that it was becoming increasingly difficult to attract the level of funding that was needed to support the current structure and the increasing risks of working in a complex environment like Afghanistan and gave the board several options including not being a player in international grants and contracts. The ICMA board directed staff to explore an option of maintaining a presence in the international funded area by focusing increasingly on our unique strengths. There is a cost and complexity to executing international projects which will be hard to maintain below approximately \$10M of funding. While we will focus on the city links and fellowship programs, those programs alone will not be able to get us to \$10M level of annual funding and so the plan is to focus primarily on these programs but also selectively pursue other opportunities for participating in larger projects to maintain funding at \$10M in the future.

We currently have several submitted proposals, one of which is a large \$49M proposal over 5 years with ICMA as the prime contractor for a program in the Philippines to 'Strengthen Urban Resilience for Growth with Equity' (SURGE). There is stiff competition for this project but if it were to be awarded to ICMA, it would once again increase our overall revenues and more specifically our G&C revenues. With reduced business development and bid and proposal amounts available, we will not be able to pursue such opportunities in the future.

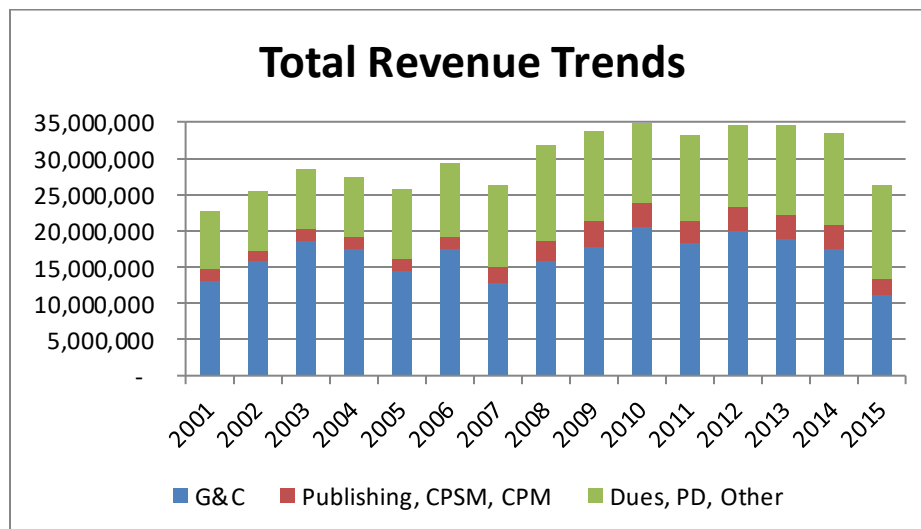
Revenues from non G&C sources:

The good news through all this is that revenues from ICMA's core services which include membership dues, annual conference, other professional development offerings, JOB ads, and sponsorships are on the rise. Revenues from these sources and from other sources such as investment income from the building and subleasing excess space have increased from under \$9M in the early 2000s to over \$15M projected in FY 2015. Revenues from the Center for Public Safety have been removed to show comparable numbers since the Center did not generate any net contribution. Membership dues were at a record high in FY 2014 with the number of members exceeding 9,200. Dues revenue in FY 2015 is tracking to exceed FY 2014 numbers. Attendance and sponsorships at the annual conferences in Boston and Charlotte exceeded expectations and new professional development opportunities are being offered to members at various career stages.



Overall Revenue Trends:

The chart below shows the revenue trends for the following:



- Grants and contracts, which as discussed above, shows a declining trend since its peak in 2010 and 2012.
- Membership Dues, Professional Development, Other, which as discussed above, is on the rise.
- Publishing, Center for Public Safety Management (CPSM), Center for Performance Management (CPM):
 - Publishing has been on the decline since FY 2008 and the board made a decision in November 2013 to exit print publishing all together after selling down existing inventory of best-selling titles. The transition to e-publishing is not expected to be a revenue generator and will be used more as a way to disseminate information at a lower cost.
 - The Center for Public Safety Management, while generating revenues, did not even cover its direct costs. In November 2013 the board decided to change the business model of this center to continue providing a service to the members in the important topic of public safety, while minimizing risk to ICMA. CPSM was spun off as an independent entity owned and operated by ICMA staff who were involved with the program, and they now pay us a royalty on revenues generated through their affiliation with ICMA.
 - The Center for Performance Management had declining participation and revenues. In November 2013 the board decided to abandon the existing software solution which was clunky and time consuming for users and to pursue a partnership with SAS to develop a solution for gathering metrics that can be consolidated at a national level. This led to the development of *ICMA Insights* which was just rolled out in October 2014. ICMA is continuing to work with SAS in an aggressive marketing and sales strategy to meet its enrollment targets.

As can be seen from the chart, overall revenues declined across time from a high of approximately \$35M in FY 2010 to an anticipated \$25M. The last time revenues were approximately \$25M was in FY 2002.

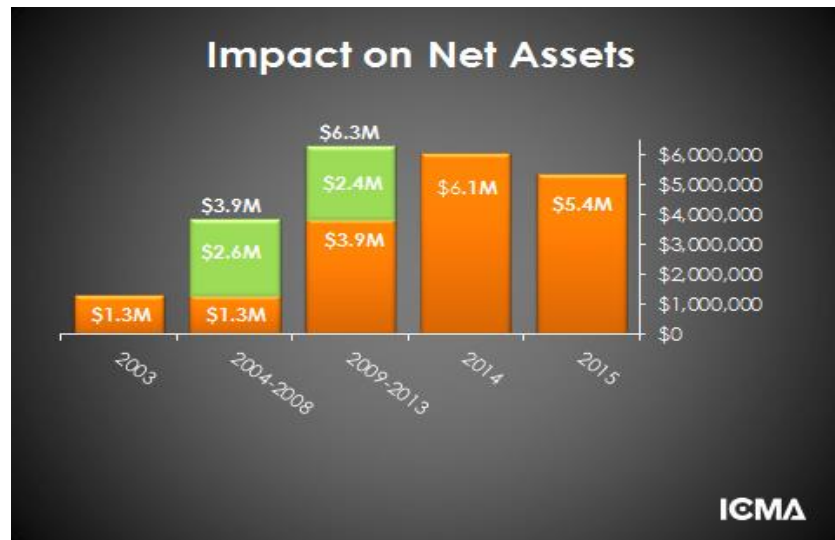
Impact on Net Assets (Fund Balance):

Net Assets are a measure of an organizations financial capacity and is calculated as assets less liabilities. Net Assets are accumulated through operating profits each year and reduced to fund operations in the years when there are losses. Typically Net Assets are used to weather changes in business environment, to fund any investments or one-time operational costs and should not be used to fund on-going operations.

In FY 2003, the Net Asset balance for ICMA was \$1.3M. The board set a target to double Net Assets over the next 5 years to \$2.6M in FY 2008. However, due to financial discipline and better than budgeted performance, Net Assets increased during this time to \$3.9M. The board set the next 5 year target at \$5.3M to be achieved by FY 2013. Once again, due to better than budgeted performance in all years except for FY 2010 when we felt the impact of the economy on all the business lines, Net Asset balance was at \$6.3M at FY 2013 exceeding the target by nearly \$1M. The board realized the importance of building net assets to weather a downturn in any of the business lines and to build a reserve against any potential risk of working in countries like Afghanistan.

International revenues were declining gradually from 2012 to 2013 and we were planning and preparing for a post-Afghanistan level of funding in 2 years. Business development efforts were focused on expanding our reach to other regions of the world such as Africa. However in the middle of FY 2014, a major program in Afghanistan that had already been awarded to ICMA as a sub-contractor was abruptly terminated for a reduction in revenues of almost \$3.5M in that year alone. At the same time the board

authorized investments in new priorities such as ICMA Insights and made bold decisions to revise existing business lines such as publishing, the Center for Public Safety Management and the Center for Performance Management, all of which involved writing off existing software and inventory. Despite all this, we were able to manage the fiscal year with a loss from operations of approximately \$221,000 by making changes to staffing, shifting responsibilities and making marginal changes related to grants and contracts and related support. Net Asset balance at the end of FY 2014 was at \$6.1M.

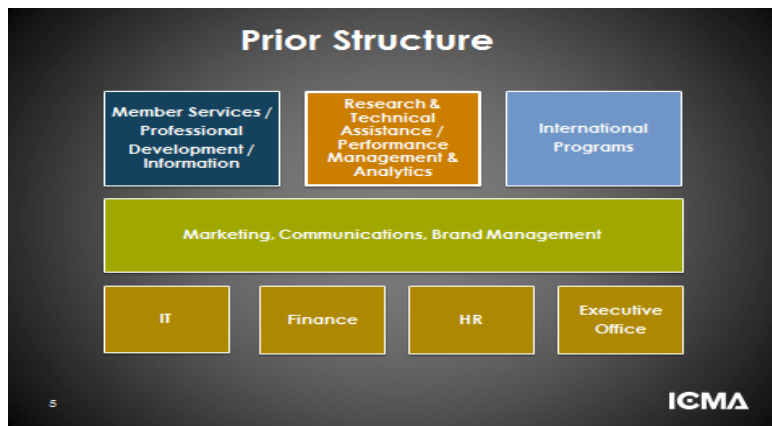


In FY 2015, international funding on hand went to an all-time low since FY 2001 of under \$10M. The board approved FY 2014 and FY 2015 to be years of transition as ICMA reviewed various business lines and made changes as necessary. The board further set the FY 2018 Net Asset target to be at \$6M giving ICMA a chance to make the necessary thoughtful changes to adapt to a new normal and to position the organization for the future. It is anticipated that FY 2015 will have a loss of \$500K to \$700K as we make the necessary changes to have a breakeven year in FY 2016 and to then begin adding to Net Assets.

Organizational Structure:

Prior Structure:

As ICMA's revenues increased, ICMA was organized internally around major revenue sources into the following teams:



1. Member Services/PD/Information: (Team Lead: Martha Perego): Included all member services, professional development, information, publishing, Knowledge Network.
2. Research & Technical Assistance/Performance Management & Analytics: (Team Lead: Tad McGalliard): Included all domestic funded technical assistance and related business development, technical assistance provided directly to Local Governments under the banners of Center for Public Safety Management, Center for Management Strategies, and the Center for Performance Management.
3. International programs (Team Lead: David Grossman): Included all USAID and other funding related to international TA, ICMA-China, Business Development, and Bid and Proposal efforts.
4. Brand, Marketing, and Communications (Team Lead: Ellen Foreman): Included social media, marketing and brand management.
5. Support Services (Team Leads: Sabina Agarunova (CFO); Juniper Korkie (Director of Business Applications Support); Bonnie Karns (HR Director): Included HR, IT, Finance, Contract Administration, and Facilities.

As we had discussed with the board in FY 2014 when we first received word of the termination of a major award and again in the context of the FY 2015 budget where we had reduced international funding, we were using FY 2014 and FY 2015 as review and transition years as we transitioned to what would be a new normal. We were still defining what the new normal level of funding would be.

It became clear to us that in order to build a sustainable organization for the future, we could no longer afford to trim around the edges and that we fundamentally needed to rethink how we are structured. In reimagining the ICMA of the future, we started with a clean slate of how ICMA would be organized if we were not limited by our current structure. We identified the goals of the reorganization as follows:



As we started dissecting what worked and what did not with our current structure, we made the following observations:

- Members join an association for 3 main reasons: personal support and networking; professional development opportunities; and a place to go to for content, solutions and thought leadership. So it was important to focus on these in the new structure.
- By having a separate international team we were creating silos to how we were working. If we really wanted to have a global context in everything we do, we needed to embed that throughout the organization in each team. It was important that we not look at international programs purely as a mechanism of obtaining external funding.
- Business Development funds were provided exclusively to some teams (International programs and US programs) and there were no funds to develop new products in the professional development area even when there was demand. It made sense to centralize business development so funds could be consolidated and directed to where there was most impact and need.
- Coordinated approach to content. Rich content was being generated in various parts of the organization. A separate team working closely with an editorial advisory board that identified member and academic needs for content and hot topics and that could drive research and related products would have a major impact on the quality of our content.
- Professional Development offerings were offered by various teams at ICMA under their banner which diluted the ICMA brand. A coordinated approach to all professional development offerings and to expand it to meet international needs was important.
- A centralized and coordinated outreach effort to disseminate all that ICMA was doing was also important.
- By centralizing all program implementation efforts, we could more effectively use project managers across projects and could more closely link project managers to funded projects so that if funding ended, staff could be identified clearly to that funding.
- Question all that we do based on its impact and level of effort required. Assess if there are different ways to do things.

New Structure:

The following team structure evolved from these discussions:



- Member Recruitment & Services (Team Lead: Martha Perego)
- Research, Content, Thought Leadership (Team Lead: Tad McGalliard)
- Professional Development (Strategic Team Lead: Bob O'Neill; Conference Team Lead: Ross Hoff; PD Director: Amanda Relyea)
- Technical Assistance Services (Team Lead: David Grossman)
- Insights (Team Lead: Randy Reid)
- Business Development and Partnerships (Team Lead: Tad McGalliard)
- Outreach (Team Lead: Ellen Foreman)
- Support Services (Team Leads: Sabina Agarunova (CFO); Juniper Korkie (Director, Business Applications Support); Bonnie Karns (HR Director))

This structure will enable us to focus on providing core and enhanced services that are relevant to our members by addressing the issues we identified as critical to success.

Impact on Staffing:

As a result of the reorganization, we were able to eliminate 10 positions during this round for a total reduction of 43 positions from the FY 2014 budget. While this was not at all easy to do, we are still working out the details of how we will shift some workload, do some things differently, or not at all. We will increase interns in some programs and in a couple of areas such as web design will recruit people with different skill sets.

The impacted staff were notified the week of 1/12 followed by an all-staff meeting on 1/16. Bob led this meeting along with Uma and the Leadership Team. Staff were given the financial presentation that was made to the board to provide the context of why staffing reductions and reorganization plans were

necessary. The reorganization plan details were also presented with each individual team leader presenting their vision and goals for the new teams. The meeting was recorded and posted on ICMA's intranet for staff who were not able to attend the meeting. Team leaders have begun discussing with their new teams the vision of the teams and to flesh out the operational details of the new structure and a new revised org chart will be issued to staff in early February. Bob and Uma also met with the staff advisory group to discuss any concerns.

The question has been raised as to the impact on member services by such drastic reductions in staffing. While it is impossible to say members will not feel any impact because we have reduced general support services in Finance, and IT, we have tried our best not to have any impact on direct member services. The table below provides some background on the type of positions that were impacted during the two rounds of reductions. The reductions in Q1 were based on business line changes and shifting workloads; reductions in Q3 were based on structural changes as part of the reorganization.

Note: with the restructure of teams, some staff shifted from one team to another. So the net change is not a mathematical formula and the new proposed team allocations will be more clearly laid out as we work through the FY 2016 budget.

Program Area	FY 2014 Budgeted	Q1 Changes	Q3 Changes	New Proposed	Net Change	Kinds of Positions Impacted
Member Services	14.03	(1.00)		12.75	(1.28)	Customer Support positions were reduced from 6 to 5 resulting from not having to process print publications and shifting workload.
Professional Development	7.64		(1.00)	6.87	(.77)	Conference assistant position eliminated; the 3 key conference staff (Ross, Karen, and Julie will take on additional responsibilities and delegate as needed to other staff attending the conference)
Research & Content (previously Information & Publishing)	8.43	(2.00)	(2.00)	4.22	(4.21)	The Research & Content team is a new team with staff repurposed to focus on this activity. The old Information team had Publishing staff in it. 2 positions related to print publishing were eliminated earlier in the year; 2 positions related to the Knowledge Network and to uploading e-docs were eliminated in Q3 with the KN moving to the Outreach team.
Outreach	11.66	(2.00)	(1.00)	9.92	(1.74)	2 positions related to Life Well Run were eliminated in Q1 with the Director assuming those responsibilities. The Strategic Partner liaison position was eliminated in Q3 with those responsibilities moving to the centralized business development team. The Creative Services Director position was eliminated in Q3. A new position of webmaster to help us with our website will be filled.
Business Development – (non Technical				1.48	1.48	This is a new centralized team that will coordinate strategic partners, foundations, sponsors, CMS providers, and contributors to the fund. Content experts

Appendix B: Progress towards the Strategic Plan (adopted 2008)

Program Area	FY 2014 Budgeted	Q1 Changes	Q3 Changes	New Proposed	Net Change	Kinds of Positions Impacted
Assistance related)						will be liaisons with the strategic partners. Business development positions related to technical assistance is included with technical assistance.
International and US Funded Technical Assistance and related support	50.09	(20.00)	(3.00)	24.49	(25.60)	Other than funded positions related to projects, 4 public safety positions and 3.5 positions related to support for funded technical assistance eliminated in Q1; 1 business development position and 1 position related to Center for Management Strategies eliminated in Q3. Additional positions may be impacted based on available project funding.
CPM/Insights	6.02	(4.00)		4	(2.02)	Q1 reductions related to the old CPM product.
Support	22.17	(4.40)	(3.00)	17.92	(4.25)	1 HR position and 1 IT position eliminated in Q1; 1 Finance position, 1 Operations and 1 IT positions eliminated in Q3 due to reduction in overall workforce.
State & Local Government Excellence	2.81			3.18	.37	
Compensated Absences	18.22			12.61	(5.61)	Leave time related to reduced workforce
TOTAL FTEs (rounded)	141.00	(34.00)	(10.00)	97.00	(44.00)	

The challenge and risk associated with such reductions is that everyone is asked to take on more at a time when morale is impacted. We are confident we will get through this but change takes time. Also the major challenge is the timing of the implementation of the new Association Management Software which is expected to launch next month. There is a learning curve for new software that touches nearly every staff person, has a member and customer experience component to it, and there is the unknown of the efficiencies we will gain from the implementation.

Financial Situation:

The goal of this restructuring, while trying to get us organized around our priorities and to be efficient, was to come up with a structure that is financially sustainable and is not impacted greatly by fluctuations in external funding.

Without going through the details of a full blown budget, a rough calculation shows the financial restructured model to be as follows:

Financial Model				
	FTEs	Revenues	Total Expenses	Net
Dues Revenue		5,000,000	-	5,000,000
Member Services	12.75	576,000	2,400,000	(1,824,000)
Professional Development	6.87	4,294,000	2,644,000	1,650,000
Research & Content	4.22		788,000	(788,000)
Business Development – Non TA	1.48	550,000	250,000	300,000
Outreach	9.92	365,000	1,810,000	(1,445,000)
Other (SLGE, Royalty, Subtenants, REIT)	3.18	2,559,000	1,539,000	1,020,000
General Support	13.92	132,000	5,130,000	(4,998,000)
Subtotal Membership organization	52.33	13,476,000	14,561,000	(1,085,000)
TA, Insights, Other ventures	32.49	11,736,000	10,925,000	811,000
Compensated Absences	12.68			
TOTAL ICMA	97.50	25,212,000	25,486,000	(274,000)

The table shows the Full time staff equivalents (FTEs) assigned to each business line, projected revenues, expenses, and net for the 2 sections of the organization: core membership organization (the line that shows Subtotal Membership Organization) and ancillary commercial ventures and technical assistance (TA) for a total ICMA picture.

An organization that relied solely on dues revenues, member services, professional development offerings, and had a robust research and content, business development, and outreach teams would need to generate an additional net contribution of approximately \$1M to break even and to be completely financially independent of the other areas of the organization that is more commercial in nature. This table does not assume any new sources of revenue from professional development where we know there are additional opportunities. The table also assumes that the base membership organization would need to cover the full costs of general support costs such as the cost of the Executive board, Executive Director, core Finance, HR, and IT services since it would be difficult to cut these costs proportionately if there were reductions in funding. However costs such as the COO, and other senior support positions that are needed only as long as the organization has a level of complexity are allocated to the TA section of the organization. The break-even scenario may not happen in a year or even two, but if we maintained our focus on getting this to break-even, then we would have achieved our financial sustainability goals.

The TA section of the organization shows the FTEs, revenues, expenses and net assuming \$10M in international funding. The goal here should be to generate approximately 8% - 9% of revenues from this section to cover general support costs and to the bottom line. It is very reasonable to expect the commercial ventures to contribute 8% - 9% of revenues towards general support to include the ICMA brand, and general IT, HR, and Finance support.

If we could achieve break-even on the membership side of the organization and an 8% - 9% return on other commercial activities, then we could more easily weather funding fluctuations by affecting only the funded side of the organization. The goal should be then to bank about 40% of the return to build net assets and use 60% to invest in new ventures or other initiatives that the board might decide to pursue instead of trying to fund everything out of operations. Once we get to this level of sustainability,

it becomes less relevant if the external funding was \$8M or \$10M as expense reductions will need to be made to that sector of the organization.

It is important to note that this model cannot be achieved overnight but with the right focus it can be something to strive for over the next 2-3 years. It should also be noted that while this will minimize the impact of external funding on core services, there is always the risk that a particular conference, or professional development offering will not generate the expected attendance and revenues and costs cannot be adjusted for these fluctuations immediately.

For FY 2016, under these assumptions, the positive note is that we already have \$10 of international funding in hand. The risk always exists that funding can be terminated but barring that we would not need to generate additional funding to meet the \$10M target for FY 2016. On the upside, we could win the \$49M over 5 year prime proposal we have submitted which would increase G&C revenues well above the target. We should however be focused on generating and planning for a steady stream of \$10M of funding in the out years.

It is good that the board is asking these important questions so that decisions can be made with full information. It was the foresight of prior and current boards that enabled ICMA to build up Net Assets to help us weather such a drastic reduction in revenues and to take the time to react thoughtfully.

Please let us know if you have any further questions or would like additional information on any aspect of this.

Thanks!