

ICMA

FY 2026 BUDGET



#MembersMatter

FY 2026 BUDGET

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Transmittal Letter

A MESSAGE FROM THE CEO/EXECUTIVE DIRECTOR

Dear President Ange and members of the ICMA Executive Board,

The development of the FY 2026 budget started with a \$3 million gap between ongoing revenues and ongoing expenses. The FY 2025 budget had a nearly \$1 million operating deficit, and the sudden cancellation of federal grants and contracts widened that gap to \$3 million. We have worked hard to close that gap, and this initial reshaping provides a new starting point for future budgets and a long-term fiscal planning effort that we will embark on in the new year.

While the proposed budget includes 22 fewer positions than were included in the FY 2025 budget, it also represents an investment in the programs and services our members care about. The development of the budget was guided by 13 priorities, some of them adopted by the board prior to the change in federal funding priorities and then adapted for our new reality, with others added to emphasize that we are a membership organization that exists to serve our members and the form of government to which they have dedicated their careers.

The total budget is \$28,843,026, with \$772,000 of one-time expenses coming from net assets and a small operating deficit of \$92,470 to be cared for from net assets. While this is positive, considering where we began our budget process, we also recognize that our fiscal environment will continue to change in the coming year. ICMA's programs and services continue to be supported by grant- and contract-funded projects. In FY 2026, approximately \$737,434 will be contributed from the efficient execution of these projects. In addition, ICMA anticipates exiting a long-term relationship with the Center for Public Administration and Service, Inc. (CPAS) and the associated Real Estate Investment Trust (REIT). This means that a source of revenue, REIT dividend (averaging approximately \$700,000 per year over the past three years), will not be available in FY 2027 and beyond. This will be balanced, in part, by lower overall real estate costs, but it is important to recognize the impact on the revenue side of the equation. As we reshape the organization, we will continue to look for opportunities to achieve efficiency and maximize revenue from valued programs and services.

Reshaping the Organization

The fiscal context and a desire to focus our organization on services our members value have driven a reshaping of ICMA's structure. Our leadership team will be smaller in FY 2026, our support services (finance, human resources, and information technology) will be smaller, and we will focus on how what we do supports our members and helps us support ICMA's mission to *advance professional local government through leadership, management, innovation, and ethics*.

Professional Development and Learning

We know that one of the services our members value most is our professional development and learning opportunities. Last year, we brought back popular programs including the Gettysburg Leadership Institute and Leadership ICMA. This year, we double down on those offerings and look to expand the immersive professional development experiences by bringing

back the Williamsburg Leadership Institute and developing new programs at other historical sites. We will also be increasing the value of membership by producing webinar series that will be free for members.

The other program our members value is credentialing. The ICMA-CM designation is something our members earn by their years of service as a full member and their commitment to ongoing professional development. The ICMA Credentialed Manager (CM) program turns 25 next year, and it has not changed much since its inception. We are investing in that program in FY 2026 with opportunities to create more of a cohort like experience for those earning their CM designation and enhance the technology we use for members to maintain their credentialing records. We also plan to have two in-person events exclusively for Credentialed Managers to bring them together for a day of learning.

We see a gap in programming for early career members. To address this, we will reimagine the Emerging Leaders Development Program and relaunch it during FY 2026. We will continue to develop a program during FY 2026 that builds on some of our core offerings to offer certificates that will “stack” and lead to a Certificate in Local Government Management. The program is under development and will be designed in such a way to ultimately be eligible for international certification, since we know that there is interest from members across the globe in certification programs. We will, however, focus on bringing this to our members first, so we truly have professional development offerings for members at all stages of their career.

The final change within professional development and learning is that we will use this talented team of trainers and coaches to support our coaching program that was previously part of our Career Equity and Advancement Team.

These are some highlights of work we will do in FY 2026 to expand our leadership development offerings and demonstrate how we are working together to focus on programs and services our members care about.

Relationships and Global Engagement

ICMA has been investing in a global strategy since the Envision ICMA Strategic Plan was adopted by the membership in 2017. The intent of the investment was to identify opportunities and markets for ICMA to bring desired services to members and generate income that would help us keep the cost of membership down and the value of membership high. There has been great progress in reinvigorating and formalizing relationships with strategic alliances around the globe, but a ready market has not emerged to realize a return on this multi-year investment.

The relationship work of global engagement is not unlike the relationship work our member services team does with organizations that exist to support our members domestically, such as the National Forum for Black Public Administrators (NFBPA), the Local Government Hispanic Network (LGHN), CivicPride, the International Network of Asian Public Administrators (I-NAPA), and others. Moving forward, the global engagement team will be aligned and integrated with member services. The team formerly known as Equity and Career Advancement, previously led by Rob Carty, will become the Strategic Relationships, Member Support, and Advancement team, and will be led by Isabelle Bully-Omictin. We will be intentional in our relationship work and ensure that all our partners/strategic alliances experience us as collaborative and committed to mutual success.

The Fund

ICMA members are passionate about professional local government, and they express that passion with generosity in contributing to the Fund that was established to promote professional local government, defend challenges to the form, and support campaigns to transition from elected to appointed executives. In FY 2026, we will elevate our commitment to this work and intentionally engage and communicate with our members and donors. We will be reimagining how this work is done, and I have asked the former director of the Center for State and Local Government Excellence, Beth Kellar, to serve as a special advisor and support Rob Carty in a new role as director of the Fund. I am excited about how we will make this work a visible expression of our support to members in the coming year.

Ethics Matter

The foundation of professionalism for our members is ethics. Over the past 12 years, the Committee on Professional Conduct (CPC) has diligently reviewed every tenet of the Code of Ethics, and each revision has been overwhelmingly approved by our members. While ethics is foundational to membership, I believe it should not be embedded in our membership services function; rather, it should align closely with and reside in the executive director's office. This will separate the function of serving our members from investigating complaints that have been filed against them, and ensure our CPC is properly supported within the executive office.

ICMA receives, on average, between 50 and 70 complaints against our 13,000+ members each year. Each allegation is researched by ICMA staff and reviewed by the CPC, resulting in a determination. Over the past ten years, the majority of complaints (56 percent) resulted in no finding of wrongdoing by our members. Our ethics team also provides support to members as they navigate complex issues in local communities, and frequently present at state conferences and offer training that promotes broad understanding of the Code of Ethics. Our members adhere to the Code of Ethics. As we review the complaint process with the CPC, we aim to prevent misuse of the Code by disgruntled individuals.

Communications, Outreach, and Brand

When positions are otherwise being eliminated in a budget, you know that adding new positions represents critical organizational priorities. Such is the case with communications. In FY 2026 we will have a new position, manager of strategic communications, in our Brand Management, Marketing, and Outreach Team, which will be renamed Strategic Communications, Marketing, and Outreach. Two positions focused on content writing and marketing in other units will be returned to this team, to ensure that we have a consistent approach to our work and that staff who fulfill similar functions in the organization are under common leadership. During FY 2026, a revamp of ICMA.org, a project that started last year, will come to life as we bring forward a new online presence with an updated website that our members will find easier to navigate. This overhaul will go live in spring 2026!

Innovation and Research

The newly merged unit, previously known as Research and Publications and Global Program Management (GPM), has undergone significant changes and will be known as Innovation and Research. The GPM team has been most affected by shifts in federal priorities and funding, resulting in the elimination of ten positions that supported both international and domestic

technical assistance programs, as well as one position from the research team. Our members emphasize the importance of leading practices and innovation in navigating the "challenge of change," a concept aptly described by longtime local government researcher Carl Stenberg.

Recently, ICMA's innovation brand is known as Local Government Reimagined (LGR), with its hallmark events being two conferences held in the United States. While these conferences have been popular for learning and sharing, our members have expressed a desire for more opportunities to connect with ICMA and their regional colleagues. In response, in addition to two 2026 LGR conferences in Philadelphia and Orlando, we will host three "Days with ICMA" in FY 2026. The research, professional development, and conference teams are actively working on the details of these events, and we are excited to offer these additional opportunities for member engagement. As we analyze the results of the 2025 member survey, we will develop a revitalized research agenda that aligns with member interests. Given the uncertain federal funding environment, ICMA will also be reevaluating our grant-funded technical assistance model and exploring new partnerships with philanthropic funders and other external sources of support.

Integrating Principles of Our Foundational Documents

Earlier this year, the executive board issued a statement reminding members of the foundational documents that guide professional local government and public service. ICMA is not a public agency, but we share the profession's commitment to the ICMA Constitution, the Code of Ethics, and the four pillars of public administration promulgated by the National Academy of Public Administration—economy, efficiency, effectiveness, and equity. ICMA will continue the work dedicated to these pillars that describes "how" we work, versus "what" we do, and integrate them into our work, just as our members do.

A New Strategic Plan

Envision ICMA has guided ICMA since 2017, and it is time to begin a new strategic planning process. Funds are included to begin this effort in FY 2026, and we will intentionally engage the executive board, the ICMA staff, and the membership. The vision articulated for our members in Envision ICMA still resonates today as we live in the reality of being the leading association of local government professionals dedicated to creating and sustaining thriving communities throughout the world. We will embark on a new strategic plan and hold on to what is precious and timeless, as we articulate a new plan for our organization with service to members as our highest priority.

Conclusion

I am grateful for the capable work of our chief financial officer and the entire leadership team as we put together a budget for FY 2026 that represents our new fiscal reality and moves us toward a fiscally sustainable operating budget. Thank you for the opportunity to serve as ICMA's executive director; it is a privilege to serve this board and our members.

Respectfully,



Julia D. Novak, ICMA-CM
CEO/Executive Director

FY 2026 Budget Priorities

Members Matter. Invest in programs and services that reinforce the value of membership and focus on membership retention, engagement, and growth.

Support for Professional Local Government. Reimagine our approach to supporting professional local government and honor the contributions donors make to the Fund.

Fiscal Stability. Develop a budget that reduces the structural imbalance between ongoing revenues and ongoing expenses, restores fiscal stability to the organization, and prioritizes the programs and services that our members value.

Global Engagement. Align efforts around global engagement with member priorities and decreased international technical assistance.

Governance. Conduct outreach to ICMA membership regarding the proposed Governance Task Force recommendations and create an implementation plan.

Professional Development. Continue optimizing the recently implemented learning management system and creating an array of engaging, high-quality, relevant, globally focused and real-time learning experiences for local government professionals at all career stages, while growing engagement and revenues.

Equity, Inclusion, and Belonging. Continue to promote equity by proposing solutions that eliminate disparities in each operational strategic priority, in line with the Declaration of Ideals.

Local Government Reimagined. Continue to showcase innovative policies, practices, and partnerships for local government challenges of today and those over the horizon.

Technical Assistance Programming. Reimagine how ICMA provides technical assistance domestically and internationally.

Communications. Proactively communicate with members, stakeholders, and constituencies and continue to enhance ICMA's brand, reputation, and member engagement.

Adaptive Workplace. Develop an inviting office culture and physical environment where employees will WANT to come to work, while continuing the "virtual-first, employee-choice hybrid" model.

Building Ownership. In collaboration with the CPAS co-owners, execute on the best strategy to address the building financing and occupancy challenges in light of the upcoming maturity of the loan and expiration of leases.

Strategic Planning. Design and initiate a strategic planning process that engages the organization and the board in a collaborative process that aligns the board's vision with operational priorities and intentionally incorporates and adapts to changes in board leadership.

Budget Overview

Summary

Figure 1, FY 2026 budget summary, illustrates budgeted sources of revenue and allocation of resources to strategic outcome areas.

FIGURE 1

	FY 2026 BUDGET
REVENUE	
Grants and contracts	7,713,424
Membership dues	6,283,000
Conferences, events, and sponsorships	6,776,492
Member support and professional development	1,465,191
Publications, subscriptions, and advertising	1,561,099
Royalty income	2,650,000
Investment income	1,440,000
Management fees	89,350
Total revenue	<u>27,978,556</u>
OPERATING EXPENSES	
Grants and contracts	6,975,990
Conferences, events, and sponsorships	5,660,752
Member support and professional development	3,966,923
Research and publications	575,047
Outreach, marketing, and communications	2,024,652
Other programs	1,509,202
Organizational support	7,358,461
Total operating expenses	<u>28,071,026</u>
Net from operations	<u>(92,470)</u>
DIRECT USES FROM NET ASSETS	
ICMA governance model	(50,000)
Strategic plan update	(75,000)
Website upgrade	(75,000)
Credentialing platform	(75,000)
America 250 – The Semiquincentennial	(50,000)
First Generation of African American City/County Managers Video History	(72,000)
Digital archiving of ICMA's print materials	(75,000)
Office space	(200,000)
CEO/executive director's contingency reserve	(100,000)
Total direct uses from net assets	<u>(772,000)</u>
TOTAL CHANGE IN NET ASSETS	<u>(864,470)</u>

Budgeted revenues are discussed in greater detail in the “Revenue Estimates” section of this document. The “Expense Estimates” section of this document provides additional details regarding the FY 2026 allocation of resources. This budget recommendation assumes the use of net assets of \$92,470 to supplement projected revenues in order to fund operations in FY 2026.

In addition, the proposed budget contains \$772,000 in one-time expenses that are not included in the operating budget and are to be funded directly from net assets. Additional details regarding the nature of these expenses are provided in the “Direct Uses from Net Assets” section of this document.

Comparative Budget

Figure 2 shows the proposed budget for FY 2026 compared with the FY 2024 actual results and the FY 2025 budget.

FIGURE 2

	FY 2024 ACTUAL	FY 2025 BUDGET	FY 2026 BUDGET
REVENUE			
Grants and contracts	10,498,083	13,703,682	7,713,424
Membership dues	5,916,306	6,100,000	6,283,000
Conferences, events, and sponsorships	6,393,108	6,483,317	6,776,492
Member support and professional development	1,127,427	1,267,280	1,465,191
Publications, subscriptions, and advertising	1,570,465	1,743,980	1,561,099
Royalty income	2,743,844	2,650,000	2,650,000
Investment income	2,038,272	1,390,000	1,440,000
Management fees	156,339	154,350	89,350
Subtenant rental income	115,576	115,379	-
Total revenue	30,559,420	33,607,988	27,978,556
OPERATING EXPENSES			
Grants and contracts	8,857,004	11,762,577	6,975,990
Conferences, events, and sponsorships	5,148,066	5,267,883	5,660,752
Member support and professional development	4,709,525	5,842,459	5,476,125
Research and publications	524,274	662,039	575,047
Outreach, marketing, and communications	1,661,844	2,003,237	2,024,652
Excess space	649,452	663,051	-
Organizational support	8,487,448	8,349,187	7,358,461
Other	5,000	-	-
Total operating expenses	30,042,615	34,550,434	28,071,026
Net from operations	516,805	(942,446)	(92,470)
Direct additions to/(uses from) net assets	(533,687)	(1,137,000)	(772,000)
TOTAL CHANGE IN NET ASSETS	(16,882)	(2,079,446)	(864,470)

Staffing

Due to significant changes in funding and the need to prioritize resources, ICMA has undergone internal reorganization. The new structure better enables us to focus on the most important priorities: delivering services to members and supporting professional local government management. The budget provides funding for 91 positions (87.9 full-time equivalents), compared to 113 positions (109 full-time equivalents) in FY 2025.

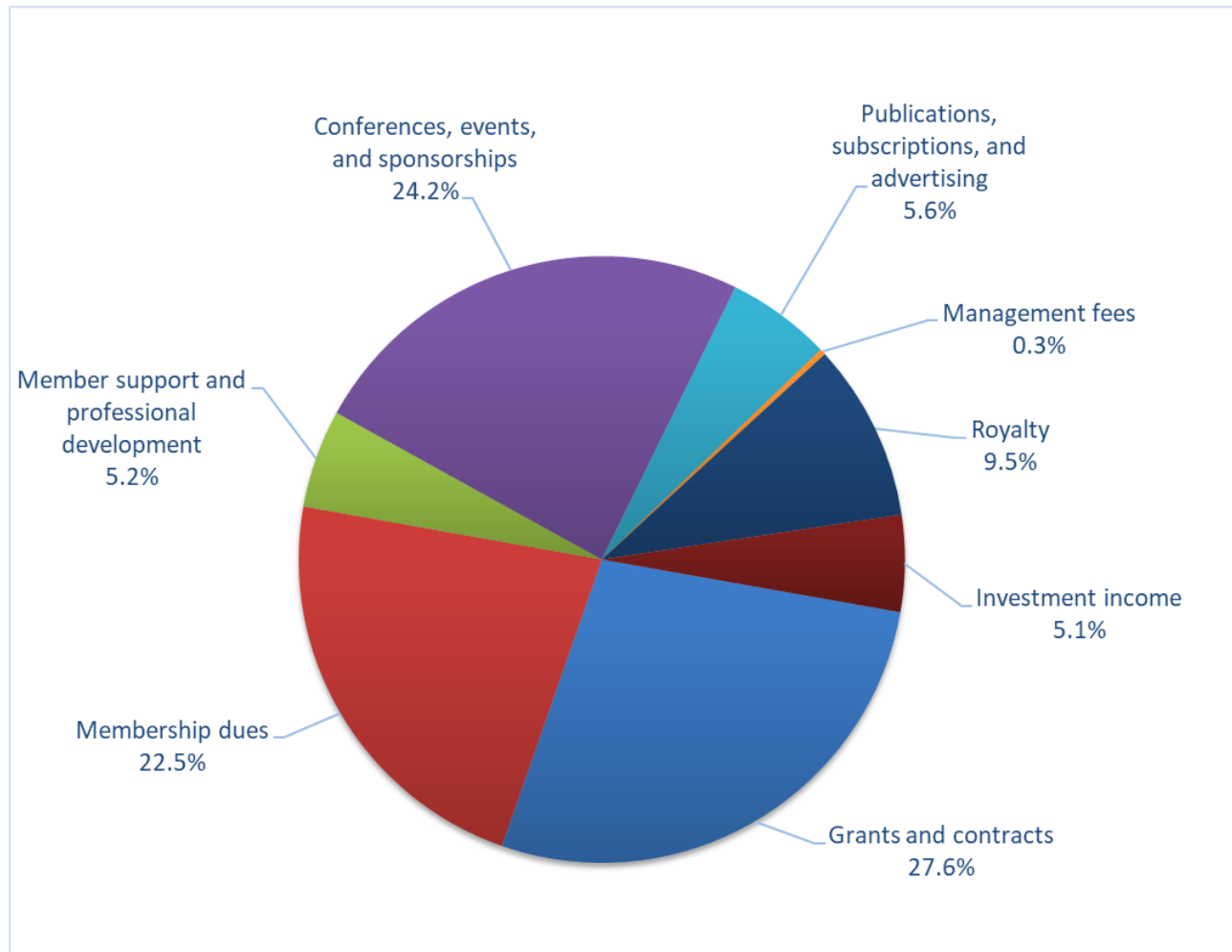
FIGURE 3

Team	Positions	FTEs
Member services	13.0	11.3
Professional development	9.0	7.8
Conferences, events, and sponsorships	7.0	6.1
Innovation and research	21.0	17.5
Outreach	11.0	9.6
Executive office	13.0	9.3
Organizational support	17.0	14.8
Compensated absences		11.4
Total	91.0	87.9

Revenue Estimates

Figure 4 illustrates the FY 2026 budgeted sources of revenue.

FIGURE 4



Membership dues are projected to account for 22.5 percent of ICMA's total revenue in FY 2026. Following an initial decline in revenue due to the revised dues structure introduced in FY 2023—which included reduced rates and a new discount for members from smaller communities—membership and dues revenue have shown steady growth. This upward trend is expected to continue in FY 2026, with an anticipated three percent increase in dues revenue compared to FY 2025.

Conferences, events, and sponsorships include the ICMA Annual Conference, Local Government Reimagined conferences and events, the ICMA Partner Program, and other partnerships and sponsor relationships. The registration revenue for the 2025 annual conference in Tampa, Florida, is projected at a five percent increase over Pittsburgh, in addition to the ten percent registration fee increase. Exhibit hall revenues are budgeted with a nine percent increase compared to the previous year's conference, based on strong pre-show

exhibit booth sales. Sponsorship revenues are budgeted at an eight percent increase, based on an elevated level of interest in sponsorships from both current and prospective sponsors, as well as the year-round partners. In addition to the annual conference, ICMA will host two Local Government Reimagined conferences between January and June 2026. Also, in response to member feedback requesting more regional networking and learning opportunities, we plan to offer three one-day events across the country focused on innovation topics. The overall budget for these events assumes break-even results. Finally, ICMA Partner Program revenues are budgeted at approximately the same level as in previous years.

Professional development includes the ICMA Voluntary Credentialing Program and various learning formats like in-person training, online courses, workshops, and webinars. The FY 2026 budget anticipates revenues from both existing and new programs, including Leadership ICMA, the immersive Gettysburg and Williamsburg Leadership Institutes, popular Effective Supervisory Practices and Budgeting webinar series, and new pilot programs on better public meetings and process efficiencies, developed and offered in partnership with other organizations.

Publications, subscriptions, and advertising, which include sales of print and electronic publications and advertising revenues, are projected to remain at approximately the same levels as in prior years.

Management fees are revenues from management and administrative services provided to certain organizations. These fees are anticipated to remain consistent with previous years, except for fees received from CPAS for leading building operations, which will cease mid-year following ICMA's anticipated exit from CPAS.

Royalty revenue is budgeted based on the current licensing agreement with ICMA-RC, now known as MissionSquare Retirement, for the use of ICMA's name and brand. Per the licensing agreement between ICMA and MissionSquare Retirement, the amount of revenue is calculated as a percentage of MissionSquare Retirement's gross revenues. The amount of royalty income budgeted for FY 2026 is in line with previous years.

Investment income consists of the annual Real Estate Investment Trust (REIT) distribution pertaining to ICMA's ownership interest in the headquarters building, as well as interest, dividends, and realized and unrealized gains and losses from the cash reserves invested in accordance with ICMA's Investment Policy Statement. The REIT dividend amount is derived from the building's operating budget. The investment income is budgeted based on the target return rate for the investment portfolio.

Grants and contracts are budgeted to generate approximately 27.6 percent of ICMA's total revenues, representing a significant reduction relative to prior years. Approximately 63 percent of grants and contracts revenue will come from non-federal sources, primarily the Gates Foundation, with a much smaller percentage to be generated from federally funded projects. These estimates are based on contracts in hand.

Expense Estimates

Figure 5 illustrates the allocation of resources to the three major outcome areas of ICMA's operations: non-grants and contracts activities, grants and contracts, and organizational support. In addition, non-grants and contracts activities are further broken down into several member-facing functional areas.

FIGURE 5



The FY 2026 budget reflects allocation of resources that aligns with a new organizational structure and ensures critical operational capacity to deliver on our goals and objectives in a changed fiscal environment. It directs sufficient resources to areas where we have the greatest opportunity to serve our members and their communities while bringing us closer to financial stability. Additionally, the budget provides for staff compensation increases in line with market trends, with an anticipated overall increase of three percent, which may be used for market, merit, cost of living, and other compensation adjustments.

Direct Uses from Net Assets

In addition to maintaining ongoing operations and services, the FY 2026 budget identifies several one-time expenses that are to be funded directly from the net assets rather than being absorbed in general operations. Figure 6 lists these items.

FIGURE 6

Net assets-funded items	Revenues	Expenses	Net
ICMA governance model	-	50,000	(50,000)
Strategic plan update	-	75,000	(75,000)
Website upgrade	-	75,000	(75,000)
Credentialing platform	-	75,000	(75,000)
America 250 – The Semiquincentennial	-	50,000	(50,000)
First Generation of African American City/County Managers Video History	-	72,000	(72,000)
Digital archiving of ICMA's print materials	-	75,000	(75,000)
Office space	-	200,000	(200,000)
CEO/executive director's contingency reserve	-	100,000	(100,000)
Total net assets-funded items	-	772,000	(772,000)

ICMA governance model: At its December 2022 meeting, the ICMA Executive Board approved a net assets allocation of up to \$125,000 to address issues related to the board's representation, including the makeup, diversity, procedures, and future realignment process, and to develop recommendations. ICMA initially engaged an external consultant and established a member task force to assist with this initiative and has supported the work of the Governance Task Force for two years, as the scope of this activity broadened to involve state associations, affiliate organizations, and other partners, aiming to incorporate their feedback into the final recommendations, which will be reviewed by the board in June 2025. In FY 2026, \$50,000 is budgeted to support additional member communication and education on the final changes.

Strategic plan update: ICMA's current strategic plan was adopted in 2017, and it does not reflect many of the changes that have occurred and continue to occur in and around ICMA, as well as in the local government landscape. To align the organization's strategic plan with the changing reality and to better serve the needs of ICMA's members and other local government stakeholders around the world, ICMA plans to engage in a new strategic planning process. At this time, the cost of this effort is estimated at \$150,000 over the course of the next two years. In FY 2026 we will focus on articulating the strategic planning framework and move to implementation strategy development in FY 2027.

Website upgrade: ICMA will revamp its website in FY 2026 for better navigation and interaction. The budget allocates \$75,000 in net assets for the one-time costs related to the implementation of the new technology platform. The new website will be unveiled in spring 2026.

Credentialing platform: The planned improvements to the credentialing program for FY 2026 include implementing a technology solution aimed at enhancing member experience and

establishing two in-person events to engage Credentialed Managers. The FY 2026 budget allocates \$75,000 of net assets for this implementation.

America 250 – The Semiquincentennial: In 2026, the United States will celebrate the 250th anniversary of the signing of the Declaration of Independence. Local governments around the country and many other stakeholders are planning local, state, and national celebrations. ICMA is planning to feature educational and outreach activities focused on the important roles that local governments have played in the American democratic experiment. ICMA is actively involved in integrating this theme into our planning for the coming year, and \$50,000 from net assets has been included in the FY 2026 budget for these purposes.

First Generation of African American City/County Managers Video History: ICMA has been researching the first generation of African American city and county managers that were hired between 1968 and 1983. Several videos of men and women from that generation have been completed with additional filming to occur in FY 2026. With the additional net assets allocation of \$72,000, we plan to complete this work in the next fiscal year.

Digital archiving of ICMA's print materials: In over a century of its existence, ICMA has produced and accumulated significant amounts of information (books, magazines, newsletters, photographs, etc.), much of which existed before the digital age. To ensure the preservation of this information, ICMA has begun digitizing its print assets. This project will continue in FY 2026, with a budget that includes \$75,000 allocated for this purpose.

Office space: As ICMA's current office lease expiration date draws near, we are beginning to develop plans for our next office space, with a significantly reduced footprint. This transition will require funding for one-time, non-capital expenses such as moving, hauling out junk, temporary storage, as well as legal and other fees involved in executing a new lease. The budget includes \$200,000 in net assets set aside for this purpose.

CEO/executive director's contingency reserve: In accordance with ICMA's financial policy, the FY 2026 budget proposal includes a \$100,000 reserve, to be used at the CEO/executive director's discretion, for expenditures not otherwise included in the operating budget. Updates regarding usage of these funds are provided to the board in the quarterly financial updates.

Risks and Opportunities

As ICMA navigates its evolving financial landscape, the organization faces increasing risks across many revenue streams, especially in grants and contracts, which have historically been the most unpredictable. This was highlighted in FY 2025, when several federally funded projects were unexpectedly terminated due to a shift in government priorities, triggering a significant reduction in available resources and internal reorganization. While other revenue sources also present challenges, several of them come with opportunities for growth if ICMA strategically addresses them. The FY 2026 budget is based on carefully crafted assumptions, though actual outcomes could vary significantly.

Membership dues revenue is projected to be approximately three percent higher than the FY 2025 projections. ICMA plans to focus on programs and services important to members, aiming for membership growth, especially among individuals from smaller communities, who can benefit from the 20 percent small community discount. Lower dues rates combined with increases in membership value are expected to contribute to membership growth.

Annual conference: The assumptions for paid attendance at the Tampa conference, as well as the assumptions for exhibit hall and sponsorship revenues, are reasonable but not without risks. Additionally, with the recent trend of rising costs for conference expenses like labor, food and beverage, and technology, the risk level for the budgeted net contribution from the annual conference is high. The challenge lies in balancing the expectations of ICMA members for an exceptional attendee experience with delivering financial results that align with the budget.

Local Government Reimagined conferences carry a significant level of uncertainty as ICMA continues to reshape these events to be both valuable to members and financially sustainable. These conferences will feature new and innovative programming to attract more attendees and sponsorships. In addition, while the “Day with ICMA” regional events, focused on innovative topics and designed to respond to members’ desire for greater regional engagement and networking, are expected to attract enough participants to make them worthwhile, these are new and yet to be tested. We continue to work toward an overall goal of generating enough revenue from all these activities to cover direct expenses associated with them. However, there is still a risk that, despite our best efforts, achieving break-even results will be challenging.

Professional development presents a significant opportunity to enhance ICMA’s value to members at all career stages, while also positioning ICMA for long-term financial success. The budget assumes higher revenues from learning experiences in various formats than in previous years. Revenues from newer programs carry a higher risk than those from established programs.

ICMA Partner Program will continue to develop in its revised format in FY 2026. ICMA aims to renew existing agreements while proactively seeking relationships with new partners and sponsors. This effort will be supported by promoting year-round engagement opportunities focused on thought leadership and sponsorship prospects. Although the revenue for FY 2026 is not anticipated to grow significantly compared to the previous year, this area remains an opportunity for generating additional value to members and ICMA.

Publications, subscriptions, and advertising represent stable sources of revenue for ICMA. Both print and digital publications, along with data sets, continue to be well-received by members and other audiences, including the academic community. This popularity is particularly notable for resources linked to our professional development offerings. On occasion, some of ICMA's research activities receive sponsorship or underwriting from external sources. While securing this type of funding carries a relatively high degree of uncertainty, the budget risk for FY 2026 remains manageable due to the low revenue expectations associated with sponsored research. Additionally, advertising revenue projections are grounded in historical data, and the likelihood of not meeting these targets is considered to be low.

Royalty revenue is budgeted based on the current licensing agreement with ICMA-RC, now known as MissionSquare Retirement. Since the royalty is calculated using a formula applied to MissionSquare Retirement's gross revenue, the financial risk associated with this funding source depends on the accuracy of these revenue estimates as well as market fluctuations. While the amount of FY 2026 revenue does not raise immediate concern, there is potential risk that the new tax bill currently progressing through Congress may remove the tax exemption on the royalty and licensing fees. If this provision is included in the final bill, the royalty may become taxable income.

Grants and contracts: ICMA's grants and contracts landscape has undergone significant changes. For decades, federally funded awards formed a major portion of ICMA's revenue, with funding primarily coming from agencies like USAID and Department of State for international technical assistance projects and exchanges, as well as from domestic agencies like Environmental Protection Agency (EPA) and Department of Energy. However, in FY 2025, the termination of nearly all our international projects and a relatively large domestic EPA-funded project, coupled with high uncertainty for the future of our remaining federally funded portfolio, marked a dramatic shift.

In FY 2026, ICMA will focus on implementing projects funded primarily by non-federal sources, like the Gates Foundation, while at the same time crafting a new business development strategy aimed at pursuing alternative funding sources that are aligned with our mission. Given a significantly reduced level of grants and contracts activities and a shift to non-federal sources, the FY 2026 grants and contracts risks are lower than in prior years. However, some level of risk remains in this area, as this business line is still expected to generate more than \$700,000 in net contribution toward the rest of the organization's operations, and this net contribution is dependent on our ability to implement the projects successfully. Additional details are provided in the "Risk Analysis of Federal and Non-Federal Grants and Contracts (G&C) Support" document prepared in conjunction with the FY 2026 budget and provided to the ICMA Executive Board as a management report.

Financial Goals

Net assets

Net assets represent an organization's accumulated earnings. The net assets balance changes based on annual operating surpluses or deficits. Net assets are an indicator of the organization's long-term financial stability and capacity and are calculated by subtracting total liabilities from total assets. Net assets help organizations manage transitions and economic uncertainty, and fund new investments. As a best practice, nonprofit organizations strive to maintain a net assets balance of at least 50 percent of their average annual operating budget.

The ICMA Executive Board determines the overall net assets goal based on best practice, while also considering the unique mix of ICMA's business lines, risks, and opportunities. In addition, the executive board establishes interim net assets targets in five-year intervals. These targets are reviewed and adjusted annually based on ICMA's actual and expected financial performance, as well as potential investments in priorities and programs that are on the horizon. The interim net assets target established for June 30, 2028, is \$14 million.

ICMA began FY 2025 with approximately \$15.4 million in net assets, and the FY 2025 approved budget assumed use of net assets of approximately \$2.1 million. With the unexpected loss of federal funding in the middle of FY 2025 and the organizational transition triggered by this loss, we anticipate a greater need for net assets than was originally budgeted. By the end of FY 2025, net assets balance is expected to be in the \$12-\$12.5 million range. With the use of net assets of \$864,470 budgeted for FY 2026, the balance of ICMA's net assets is expected to be further reduced to between \$11.1 and \$11.6 million by June 30, 2026. However, these estimates may be materially impacted by several factors, including the terms of ICMA's anticipated exit from CPAS.

FIGURE 7

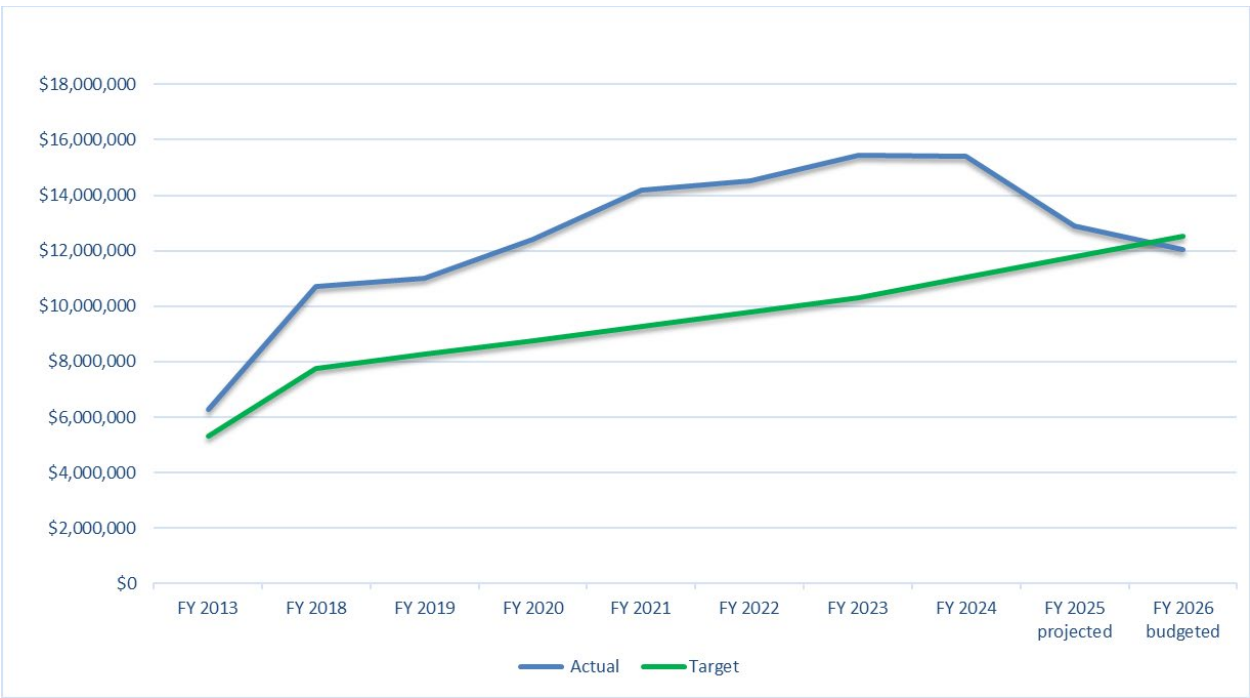


Figure 8 illustrates the overall long-term net assets goal, the FY 2028 board-approved net assets target, and net assets balance for the FY 2026 year-end.

FIGURE 8

Composition of net assets	Goal	FY 2028 approved target	FY 2026 projected balance
Reserve for non-G&C operating expenses (6 months)	\$11.0 million	\$10.3 million	\$8.5 million
Reserve for grants and contracts (3.5% of total portfolio)	\$1.2 million	\$1.1 million	\$1.0 million
Reserve for investments in new programs and priorities	\$2.8 million	\$2.6 million	\$2.1 million
Total	\$15.0 million	\$14.0 million	\$11.6 million

Cash and investments

The goal for cash reserves, separate from the net assets goal, includes operating cash and investment reserves to ensure continuous operations for ICMA. The Nonprofit Operating Reserves Initiative Workgroup suggests a minimum cash reserve of 25 percent of the annual operating expense budget. By the end of FY 2026, ICMA's cash and investments balance is projected to be equal to 68 percent of its average annual operating expenses.

FY 2026 Team Priorities and Budgets



With membership at its core, ICMA is organized into business teams focused on delivering resources, programs, products, and services in support of ICMA’s mission worldwide. This section details missions and priorities and describes the budgeted revenues, expenses, net contributions, and full-time equivalent positions for each team.

Member Services

Mission

To position ICMA to be indispensable for local government leaders, senior managers, and those who aspire to those positions; to build a profession that reflects the diversity of the communities we serve; to recruit, retain, and support members at all career stages; and to deliver high-touch, personal, and excellent customer service to members and other customers.

Priorities

- Retain and engage existing members and recruit new members through a variety of strategies.
- Maintain and enhance collaborative relationships with state associations and other local-government-focused organizations worldwide.
- Promote equity and inclusion in the profession and in a leadership pipeline for the association.
- Help talented individuals gain entry into the profession and the association.
- Deliver timely, personalized support and customer service that meets the evolving needs of our membership to strengthen member engagement and satisfaction.

FY 2026 budget

	<u>FTEs</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Net</u>
Membership dues	<u>-</u>	<u>\$ 6,283,000</u>	<u>-</u>	<u>6,283,000</u>
Member retention, engagement, and recruitment	6.09	27,000	1,211,947	(1,184,947)
Strategic relationships, member support, and advancement	<u>5.32</u>	<u>902,465</u>	<u>1,155,636</u>	<u>(253,171)</u>
	<u>11.41</u>	<u>\$ 7,212,465</u>	<u>2,367,584</u>	<u>4,844,881</u>

Professional Development

Mission

To empower members and local government professionals with exceptional leadership and management capabilities through a dynamic portfolio of high-quality programs tailored to each career stage, directly enhancing their professional journey and impact.

Priorities

- Enhance professional development offerings to provide engaging learning experiences that resonate with local government professionals across diverse modalities, maximizing skill development.
- Create cohort-based experiences to deepen member engagement with one another and with ICMA.
- Strengthen the Credentialing Program experience with enhanced technology, process improvement, targeted professional development opportunities, and networking events.
- Revitalize and retool existing content to ensure continued relevance and immediate applicability to the challenges members face.
- Build innovative new programs designed to equip local government professionals with critical, cutting-edge competencies, directly boosting value and effectiveness.
- Integrate the CoachConnect program as a Professional Development-led program.

FY 2026 budget

	FTEs	Revenues	Expenses	Net
Credentialing and assessments	1.84	\$ 39,200	262,992	(223,792)
Learning programs	5.99	1,194,876	1,336,348	(141,472)
	<u>7.83</u>	<u>\$ 1,234,076</u>	<u>1,599,340</u>	<u>(365,264)</u>

Conferences, Events, and Sponsorships

Mission

To create business opportunities and innovations that enhance member value and support professional local government management through world-class events and strategic partnerships aligned with ICMA's goals.

Priorities

- Produce engaging conferences and events, focused on relevant and timely topics and issues, for ICMA members and prospects to participate in professional development and networking opportunities.
- Provide a quality conference experience while managing increasing costs.
- Continue the growth of the ICMA Partner Program that supports ICMA's programs, benefits, and services by offering sponsorship opportunities to organizations that provide value to the local government sector.

FY 2026 budget

	FTEs	Revenues	Expenses	Net
Annual conference	3.32	\$ 5,365,695	4,557,949	807,746
Local Government Reimagined conferences	1.29	764,797	764,675	122
Partner program	1.48	646,000	338,127	307,873
	6.09	\$ 6,776,492	5,660,752	1,115,740

Innovation and Research

Mission

To position ICMA as a respected research and technical assistance thought leader focused on innovative, emerging, leading, and prevailing practices in local government leadership, management, and service delivery.

Priorities

- Conduct surveys and research on local government policies and programs and produce useful and relevant research-based content.
- Lead the implementation of ICMA's Local Government Reimagined strategy and related activities focusing on core content for conferences, convenings, webinars, and other learning experiences.
- Continue to advance programming on economic mobility and opportunity (EMO).
- Manage ICMA's digital and print publications business line.
- Implement existing grant-funded technical assistance projects and reimagine a future state of technical assistance programming with new types of business models and funders.
- Coordinate special projects, including digitization of legacy ICMA materials, videos of the first generation of African American city and county managers, and ICMA's participation in America 250 projects.

FY 2026 budget

	FTEs	Revenues	Expenses	Net
Publications	0.34	\$ 395,000	255,194	139,806
Research	1.54	25,000	319,853	(294,853)
	<u>1.88</u>	<u>\$ 420,000</u>	<u>575,047</u>	<u>(155,047)</u>

	FTEs	Revenues	Expenses	Net
Grants and contracts	14.77	\$ 7,713,424	6,367,316	1,346,108
Business development and contract administration	2.04	-	608,674	(608,674)
	<u>16.80</u>	<u>\$ 7,713,424</u>	<u>6,975,990</u>	<u>737,434</u>

Outreach

Mission

To manage strategic communications and build brand awareness and the reputation of ICMA and the profession globally through effective packaging and dissemination of local government thought leadership content, leading to increased demand for membership, partnerships, and resources, while engaging key audiences and stakeholders.

Priorities

- Communicate the value of professional local government management to various audiences.
- Communicate and promote the value of ICMA's membership, professional development, and thought leadership to local government leaders and those who aspire to leadership roles.
- Provide a platform for member engagement and interaction.
- Ensure an effective online presence for ICMA through the website, mobile apps, and social media channels.
- Grow and manage ICMA's marketing and communications channels to generate maximum exposure for the organization's brand, products, and services.
- Partner with internal business teams to develop and implement marketing plans that will help them achieve their business objectives.

FY 2026 budget

	FTEs	Revenues	Expenses	Net
<i>PM</i> magazine	0.87	\$ 99,080	400,615	(301,535)
Outreach, marketing, and communications	8.60	367,019	1,624,037	(1,257,018)
	<u>9.47</u>	<u>\$ 466,099</u>	<u>2,024,652</u>	<u>(1,558,553)</u>

Executive Office

Mission

To provide leadership and guidance to the organization and partner with the executive board to establish and implement organizational priorities.

Priorities

- Ensure achievement of the FY 2026 programmatic and financial goals.
- Assist the ICMA Executive Board in the execution of their duties by providing necessary support.
- Develop an efficient organizational structure to ensure proper alignment of resources with strategic priorities.
- Implement a strategic planning process to prioritize the organization's key objectives for our members.
- Promote a global commitment to ethics and enhance ethics awareness.
- Engage actively in the initiatives of the Big 7 organizations concerning local government policy matters.
- Enhance initiatives to advocate for professional local government management, as well as support the Future for Professional Management Fund.

FY 2026 budget

	FTEs	Revenues	Expenses	Net
ICMA Executive Board	0.44	\$ -	517,796	(517,796)
Executive leadership and management	3.05	-	1,479,425	(1,479,425)
Ethics	1.74	-	359,885	(359,885)
Public policy and support for the Fund	1.74	-	390,116	(390,116)
Regional directors	2.38	-	759,200	(759,200)
	9.34	\$ -	3,506,422	(3,506,422)

Organizational Support

Mission

To assist other business teams by providing the human capital, technology, space, and resources needed to achieve their priorities and meet their respective performance objectives. The support teams are charged with ensuring organizational sustainability and an integrated commitment to the organization's mission and vision.

Priorities

- Create an inviting office space that encourages collaboration and attracts employees.
- Overhaul ICMA's website to make it easier to navigate and find information.
- Maintain a system of strong yet flexible internal controls and processes that ensure efficient use of organizational resources and compliance with laws, regulations, and best practices.
- Pursue an information technology vision and strategy to ensure that ICMA's flexible operations are fully supported and secure.
- Build an employee culture of collaboration and excellence.

FY 2026 budget

	FTEs	Revenues	Expenses	Net
Facilities and administration	1.02	\$ 66,000	1,720,596	(1,654,596)
Finance	5.68	-	1,387,557	(1,387,557)
Information technology	5.22	-	1,646,068	(1,646,068)
Human resources	1.74	-	607,019	(607,019)
	<u>13.66</u>	<u>\$ 66,000</u>	<u>5,361,240</u>	<u>(5,295,240)</u>

Other

ICMA-RC (MissionSquare Retirement) royalty

In accordance with the licensing agreement between ICMA and ICMA-RC (dba MissionSquare Retirement), ICMA receives a fee for the use of the association's name and brand. The annual payment is calculated as 1.15 percent of MissionSquare Retirement's consolidated gross revenues up to \$200 million, plus .75 percent of such revenues in excess of \$200 million. The FY 2026 budget includes an estimate of royalty revenue based on MissionSquare's estimates of their gross revenues for that period. ICMA-RC's rebranding to MissionSquare Retirement is not expected to impact this arrangement while the licensing agreement is in effect. The agreement expires on December 31, 2036.

REIT dividend

Real Estate Investment Trust (REIT) dividend is the income expected to be generated from ICMA's one-third ownership of its headquarters building located at 777 N. Capitol Street, NE, Washington, DC 20002. The FY 2026 budget includes an estimate of the REIT dividend based on the REIT net income projections for calendar year 2025.

Investment income

Investment income consists of estimated interest, dividends, and realized and unrealized gains and losses on ICMA's cash reserves invested in accordance with its Investment Policy Statement.

FY 2026 budget

	FTEs	Revenues	Expenses	Net
ICMA-RC (MissionSquare Retirement) royalty	-	\$ 2,650,000	-	2,650,000
REIT dividend	-	600,000	-	600,000
Investment income	-	840,000	-	840,000
	-	\$ 4,090,000	-	4,090,000

Capital Investments and Depreciation

As part of the annual budgeting process, capital investments are reviewed to determine the equipment, software, and other capital assets that must be placed in service or replaced over the next several years. Capital expenditures are depreciated over the useful life of each asset class. Decisions about financing capital investments are based on cash availability and other economic factors. Currently, ICMA has no capital assets that are financed through debt arrangements.

ICMA's largest capital investment over the past ten years was related to its association management system, NetForum. The amortization period for the approximately \$2.8 million in capitalized NetForum costs ended in FY 2025. In FY 2024, ICMA conducted a review of the system, which demonstrated that NetForum would continue to meet the organization's needs for the next several years.

The FY 2026 capital budget includes an estimate of \$1 million for potential costs related to the new office space. The amortization expense included in the FY 2026 budget is based on the assumption of a 12-year lease period. The actual expense may be different, depending on how much of these costs will be funded by the landlord and the actual lease period, all of which will be negotiated in the coming months.

Figure 9 illustrates existing capital assets and investments projected to be made in FY 2026 – FY 2028, with related depreciation and amortization expenses.

FIGURE 9

Capital assets	Acquisition year	Cost	Useful life	Depreciation/amortization expense		
				FY 2026	FY 2027	FY 2028
Furniture	FY 2004-2016	74,512	10	334	-	-
SUBTOTAL Furniture				334	-	-
Laptops	FY 2021-2026	340,596	3	70,468	71,579	70,813
Other hardware	FY 2020-2026	31,541	5	2,596	3,796	3,098
SUBTOTAL Hardware				73,064	75,375	73,911
Association management software (netFORUM)	FY 2013-2025	2,822,739	10	-	-	-
Website	FY 2016-2026	492,822	7	12,767	16,339	11,741
SUBTOTAL Software				12,767	16,339	11,741
Leasehold improvements	FY 2016-2013	1,207,244	10	52,796	86,345	83,333
SUBTOTAL Leasehold Improvements				52,796	86,345	83,333
TOTAL				138,962	178,058	168,985