I C A N N | 61
COMMUNITY FORUM

SAN JUAN
10–15 March 2018

Budget Working Group

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Becky Nash, ICANN VP Finance

ICANN 61
14 March 2018 – 1330-1645

Agenda

1. Introduction and Objectives - 10 mins

2. Fiscal Year 2018 (FY18) Financial Results - 20 mins

3. Fiscal Year 2019 (FY19) Planning Expenses - 30 mins.

4. Reserve Fund Allocation and Replenishment – 20 mins

5. **Break - 15 mins**

6. Funding –
    1. Fiscal Year 2018 (FY18) Forecast – 15 mins
    2. Fiscal Year 2019 (FY19) Planning - 15 mins

7. Fiscal Year 2020 (FY20) Planning Process – 10 mins

8. Strategic Planning – 15 mins

9. Community Engagement – 5 mins

10.Q & A and Discussion

Purpose/ Approach/ Desired Outcome

1

Purpose

Community feedback and input on:
- Draft FY19 OP&B and 5-Yr Op Plan Update
- Increasing community involvement in planning process

2

Approach

- Interactive discussion with constructive input, comments, criticism, proposals, etc.
- Open format with Q&A throughout
- Timing of ICANN61: FY19 Draft OP&B public comments received 8 March
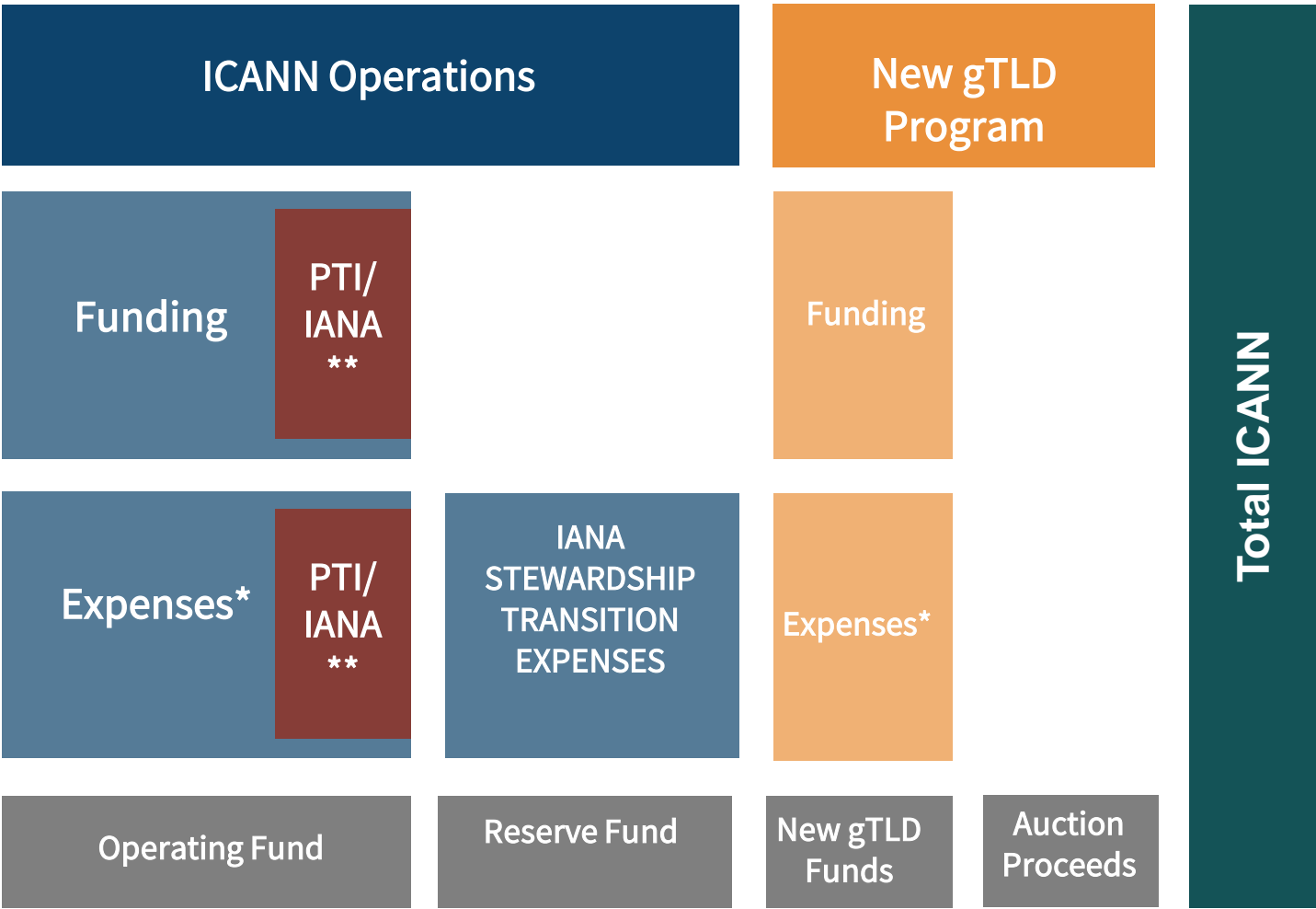
3

Desired outcomes

- Feedback on the Draft FY19 OP&B , particularly public comments, expenses and funding
- Deepened mutual understanding and engagement between community and staff and guidance on increasing engagement

FY18 Financial Overview

ICANN Organization Reporting Structure FY18

ICANN Operations			New gTLD Program	Total ICANN
Funding	PTI/ IANA **		Funding	
Expenses*	PTI/ IANA **	IANA STEWARDSHIP TRANSITION EXPENSES	Expenses*	
Operating Fund		Reserve Fund	New gTLD Funds / Auction Proceeds	

*Excludes depreciation and bad debt expenses

**IANA Services includes ICANN's and PTI's IANA Expenses

FY18 Year-to-date (Jul 17- Dec 17) Overview

Funding and Expenses below target.

	Actual	Budget	Var	% Var	FY17	Var	% Var
Funding	$65	$71	-$5	-8%	$65	$0	1%
Expenses	($59)	($68)	$9	-13%	($57)	($2)	4%
IANA Stewardship Transition Expenses	($1)	($2)	$1	-61%	($4)	$4	-86%
Net	$6	$1	$4	N/A	$4	$2	58%

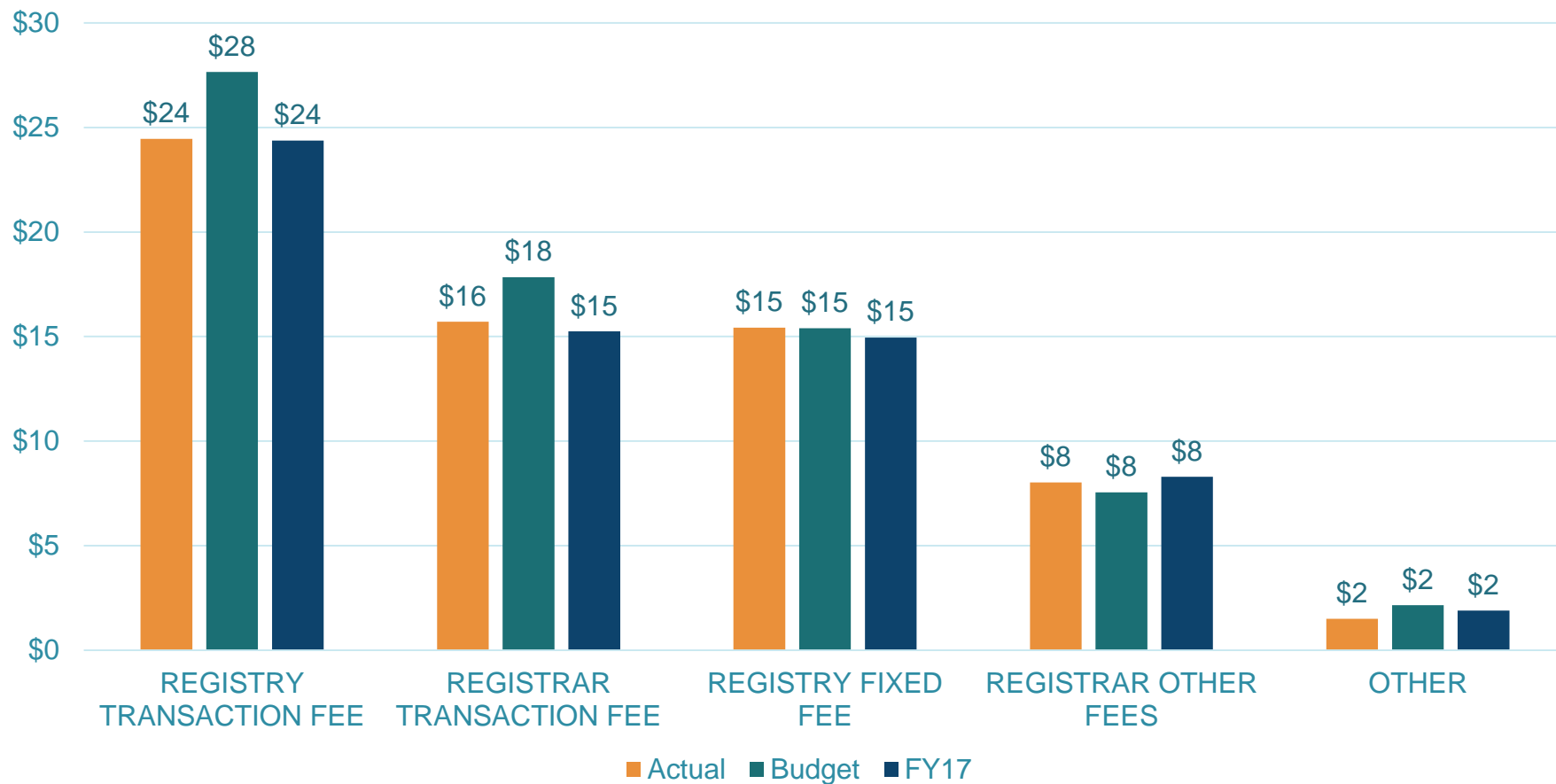| Breakdown of Expenses	Actual	Budget	Var	% Var	FY17	Var	% Var
IANA Services	($4)	($5)	$1	-17%	($6)	$3	-41%
All Other	($55)	($63)	$8	-13%	($50)	($5)	9%

Note: Expenses exclude bad debt and depreciation and include capital expenses.

FY18 Year-to-date (Jul 17 – Dec 17) Funding vs Budget & FY17

Actual:	$ 65M
Budget:	$ 71M
FY17:	$ 65M

Funding below target due to lower registration volumes

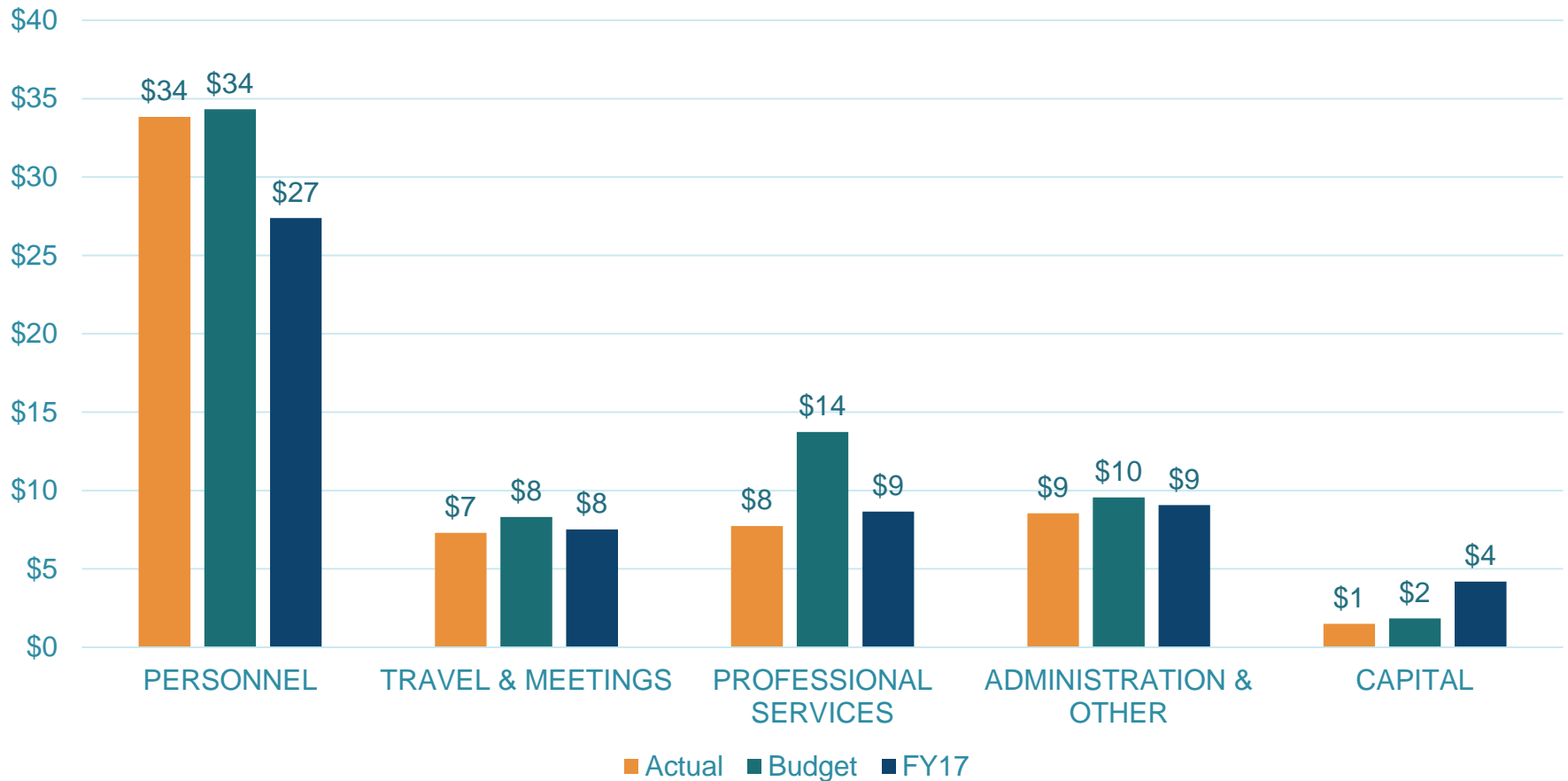In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.

FY18 Year-to-date (Jul 17 – Dec 17) Operating & Capital Expenses

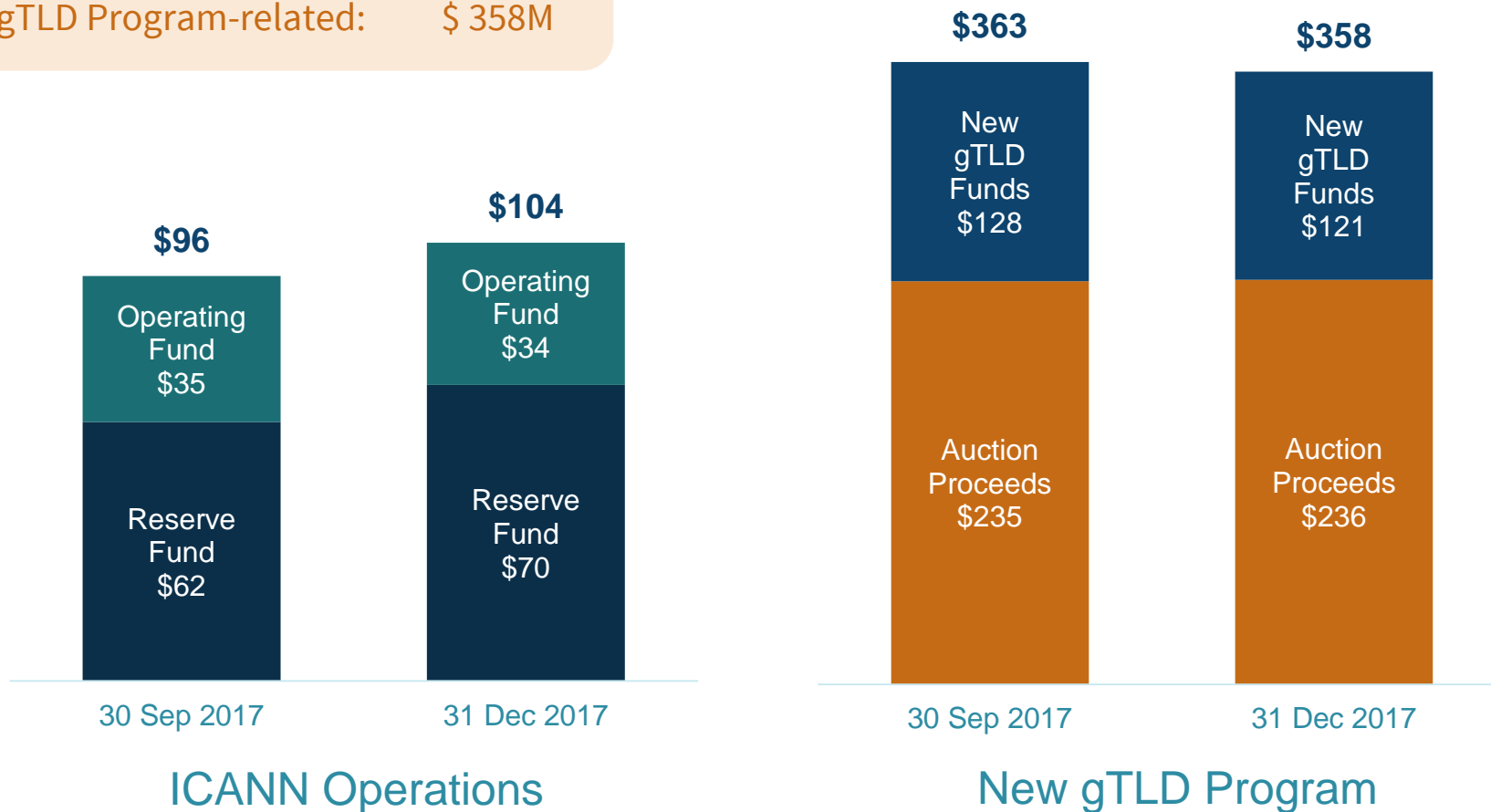Lower professional services costs and timing differences of projects vs. plan.

Actual:	$ 59M
Budget:	$ 68M
FY17:	$ 57M

Bar chart — values in millions, USD:

	Actual	Budget	FY17
PERSONNEL	$34	$34	$27
TRAVEL & MEETINGS	$7	$8	$8
PROFESSIONAL SERVICES	$8	$14	$9
ADMINISTRATION & OTHER	$9	$10	$9
CAPITAL	$1	$2	$4

In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.

Funds Under Management as of 31 Dec 2017

Total Funds: **$ 462M**
ICANN Operations: $ 104M
New gTLD Program-related: $ 358M

ICANN Operations

$96

Operating Fund $35

Reserve Fund $62

30 Sep 2017

$104

Operating Fund $34

Reserve Fund $70

31 Dec 2017

New gTLD Program

$363

New gTLD Funds $128

Auction Proceeds $235

30 Sep 2017

$358

New gTLD Funds $121

Auction Proceeds $236

31 Dec 2017

In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.

FY19 Planning Process

FY19 Planning Timeline Highlights

Current Status

Fiscal Year End 30 June

Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul

Kickoff

PTI & IANA Draft

Review PTI Board & ICANN BFC Review Drafts

PTI Board & ICANN BFC Approve Drafts (Informal)

PTI & IANA Public Comment

Report/Revise

Review PTI Board / ICANN BFC Review Proposed OP&Bs

PTI Board Adopts PTI / BFC Approves IANA

Review ICANN Board Reviews IANA

ICANN Board Adopts IANA

EC Period

ICANN Draft

Review ICANN BFC Reviews Draft

ICANN BFC Approve Draft (Informal)

ICANN Public Comment

Report/Revise

Review ICANN BFC Reviews Proposed

ICANN BFC Approves Proposed

Review ICANN Board Review

ICANN Board Adopts

EC Period   **FY19**

Board Workshop

ICANN60

Winter Office Closure

Board Workshop

ICANN61

Board Workshop

ICANN62

PTI/IANA

ICANN

9 Months Before FY19 Begins

45 Days Before FY19 Begins

Key Next Steps:
1. Public Comment Period Ends 8 March
2. ICANN.org report on Public Comment Due 12 April
3. ICANN Board Approval 31 May 2018

Strategic / Operating plan overview

5

OBJECTIVES

Core foundational strategies upon which goals are based

16

GOALS

Desired deliverables to meet organization-wide objectives

41

PORTFOLIOS

Cross-functional work undertaken in support of goals to fulfil core deliverables and services

222

PROJECTS

Temporary endeavour with a defined beginning and end and a specific set of deliverables
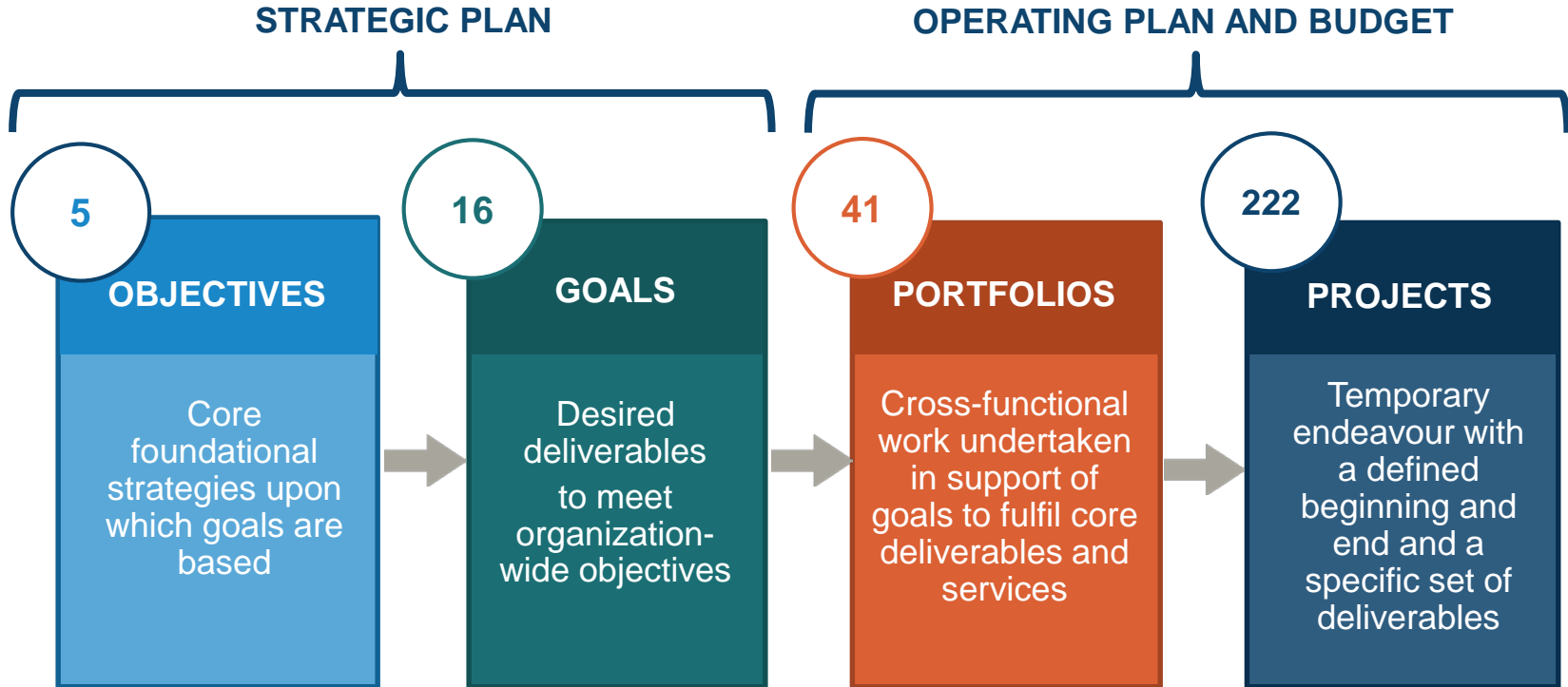
5YOPU FY18 → FY19 Types of Changes

1 — **Strategic Plan**
Objectives and Goals are defined in the Strategic Plan and remain unchanged

2 — **Portfolios**
Portfolios updated to reflect work that will be completed in FY18, work to be started in FY19, and refinements to work that will continue. This includes moving portfolios between goals following organizational changes.

3 — **Accountability Indicators**
Accountability Indicators launched as a replacement for the KPI Dashboard early in FY18. We are now focusing on measuring our accountability to the community and many measurements are redesigned

4 — **Dependencies**
Dependencies updated to reflect completed work, events that have happened, and arising situations

5 — **Phasing**
Phasing updated based on planned progress for FY18 and to give additional detail in FY19 and beyond

Five-Year Operating Plan Updates

⦿ **This is year 4 of the Updates to the 5-year Operating Plan:**
  ○ Small differences in timing or deliverables, most notably in
    • WS2 implementation now funded by operations
    • Reviews associated with the Affirmation of Commitments that have now been incorporated into the Bylaws are called Specific Reviews.

Planning Document Structure

Document Number	Document Name	Description of Contents
1	**FY19 Budget Introduction & Highlights**	**Overview of the key elements of the draft FY19 plans**
2	FY19 Total ICANN Budget	High-level review of the draft FY19 budget
3	FY19 Key Projects & Activities	Information on key cross-functional projects and activities planned for FY19
4	FY19 Operating Plan	Section 1: Summary of 6 modules of work planned for FY19 Section 2: Breakdown of the operating plan with the budget by strategic goal
5	FY19 Five-Year Operating Plan Update	High-level five-year perspective on the operations ICANN undertakes to implement its strategic plan
6	FY19 Excel Spreadsheet	Detailed breakdown of the budget for each project

⊙ New series of six documents that form the ICANN annual update to the fiscal Operating Plan and Budget.

- o Introduction and Highlights document recommended to read first

- o Each document is standalone and can be reviewed separately in no specific order, dependent on interest.

- o Key Projects and Operating Plan Modules provide more information on planned projects and activities

Document 4: FY19 Operating Plan

TABLE OF CONTENTS

Introduction

- Slowing growth of our funding

- Cost containment approach: helps to focus on the right thing to do.

- New approach in proposed FY19 Operating Plan & Budget published

- Many in the community are ready for prioritization and cost containment.

- Plan/Budget achievable but takes everyone's participation and contribution.

Draft FY19 Budget Summary

ICANN Operations	FY17 Actuals	FY18 Adopted Budget [1]	FY18 Forecast [2]	Draft FY19 Budget
Funding	$135	$143	$135	$138
Cash Expenses	$128	$143	$137	$138
Funding from FY17 Savings (Approved by Board)	$0	$0	$2	$0
Excess/(Deficit)	$6	$0	$0	$0

$ in USD Millions

[1] FY18 Adopted Budget in June 2017

[2] FY18 Forecast is the most recent data on FY18

FY19 Budget Highlights

1

FY19 Budget balanced
- Funding = Operations expenses = $138M
- Significant shift in budgeting only for defined requirements, and not including tentative and unapproved potential work.
- Draft budget include $6m of cost reductions to offset inflation and necessary increases.

2

Funding increases at a slower rate
- Funding of $138M, 2.6% above the FY18 forecast $135M.
- Slower growth in funding as all new gTLDs are now delegated.

3

ICANN Operations expenses
- Operations expenses are stable year on year.
- Personnel expenses increase offset by cost reductions (FY19 $133.5M vs. FY18 Forecast $133.3M, both excluding contingency).

4

Headcount Trends
- Total ICANN headcount in FY19 is growing at a slower pace.
- End of Period headcount for FY19 is 425 or 1% higher than the expected headcount of 421 for the end of FY18.

FY19 Draft Budget By Portfolio – Objective #1

Objective	Goal	Portfolios	Document 4 - Operating Plan Module Reference*	FTE*	Total
Objective 1: Evolve and Further Globalize ICANN	1.1 Further globalize and regionalize ICANN functions	1.1.1 Language Services		6.7	2.9
		1.1.2 Raising Stakeholder Awareness of ICANN Worldwide	Module 1: Engagement Activities	18.1	3.7
	1.1 Further globalize and regionalize ICANN functions Total			24.8	6.6
	1.2 Bring ICANN to the world by creating a balanced and proactive approach to regional engagement with stakeholders	1.2.1 Meeting Services	Module 1: Engagement Activities	9.4	11.6
		1.2.2 Engage Stakeholders Regionally	Module 1: Engagement Activities	36.1	13.5
	1.2-Bring ICANN to the world by creating a balanced and proactive approach to regional engagement with stakeholders total			45.5	25.1
	1.3 Evolve policy development and governance processes, structures and meetings to be more accountable, inclusive, efficient, effective and responsive	1.3.1 Support Policy Development, Policy Related and Advisory Activities	Module 2: Direct Community Activity Support	34.6	6.1
		1.3.2 Reinforce Stakeholder Effectiveness, Collaboration and Communication Capabilities	Module 2: Direct Community Activity Support	1.1	2.3
	1.3 Evolve policy development and governance processes, structures and meetings to be more accountable, inclusive,			35.6	8.4
Objective 1: Evolve and Further Globalize ICANN Total				105.9	40.1

FY19 Draft Budget By Portfolio – Objective #2

Objective	Goal	Portfolios	Document 4 - Operating Plan Module Reference*	FTE*	Total
Objective 2: Support A Healthy, Stable, and Resilient Unique Identifier Ecosystem	2.1 Foster and coordinate a healthy, secure, stable, and resilient identifier ecosystem	2.1.1 Registration Directory Services (WHOIS)	Module 3: DNS Marketplace and Identifier Ecosystem	1.4	0.6
		2.1.2 Global Domains Division (GDD) Strategic Programs	Module 3: DNS Marketplace and Identifier Ecosystem	5.1	1.2
		2.1.3 PTI Operations	Module 3: DNS Marketplace and Identifier Ecosystem	20.0	5.6
		2.1.4 PTI Technical System Enhancements	Module 3: DNS Marketplace and Identifier Ecosystem	2.3	0.6
		2.1.5 Global Domains Division (GDD) Operations	Module 3: DNS Marketplace and Identifier Ecosystem	39.3	8.4
	2.1 Foster and coordinate a healthy, secure, stable, and resilient identifier ecosystem Total			67.9	16.5
	2.2 Proactively plan for changes in the use of unique identifiers and develop technology roadmaps to help guide ICANN activities	2.2.1 Security, Stability and Resiliency of Internet Identifiers	Module 1: Engagement Activities	6.7	2.8
		2.2.2 Identifier Evolution	Module 4: Technology & DNS Security	9.1	4.1
	2.2 Proactively plan for changes in the use of unique identifiers and develop technology roadmaps to help guide ICANN			15.8	6.9
	2.3 Support the evolution of domain name marketplace to be robust, stable and trusted	2.3.1 GDD Technical Services	Module 3: DNS Marketplace and Identifier Ecosystem	4.0	1.2
		2.3.2 New gTLD Program		0.0	5.6
		2.3.3 Registrar Services	Module 3: DNS Marketplace and Identifier Ecosystem	6.0	1.4
		2.3.4 Registry Services	Module 3: DNS Marketplace and Identifier Ecosystem	9.0	1.7
		2.3.5 Domain Name Services	Module 3: DNS Marketplace and Identifier Ecosystem	7.5	1.7
		2.3.6 Internationalized Domain Names and Universal Acceptance	Module 3: DNS Marketplace and Identifier Ecosystem	2.0	1.9
	2.3 Support the evolution of domain name marketplace to be robust, stable and trusted Total			28.4	13.5
Objective 2: Support A Healthy, Stable, and Resilient Unique Identifier Ecosystem Total				112.2	36.9

FY19 Draft Budget By Portfolio – Objective #3

Objective	Goal	Portfolios	Document 4 - Operating Plan Module Reference*	FTE*	Total
Objective 3: Advance Organizational, Technological and Operational Excellence	3.1 Ensure ICANN's long-term financial accountability, stability and sustainability	3.1.1 Internal Facing Operations		10.5	3.3
		3.1.2 Finance and Procurement		18.3	5.0
		3.1.3 Strategic and Operating Planning		8.5	2.2
	3.1 Ensure ICANN's long-term financial accountability, stability and sustainability Total			37.2	10.5
	3.2 Ensure structured coordination of ICANN's technical resources	3.2.1 IT Infrastructure, Cybersecurity Hardening and Control		21.4	7.5
		3.2.2 Root Systems Operations		5.0	2.4
		3.2.3 IT Service Scaling and Product Management		45.9	12.6
	3.2 Ensure structured coordination of ICANN's technical resources Total			72.2	22.4
	3.3 Develop a globally diverse culture of knowledge and expertise available to ICANN's Board, staff, and	3.3.1 People Management		13.1	2.9
		3.3.2 Global Operations		13.2	10.1
	3.3 Develop a globally diverse culture of knowledge and expertise available to ICANN's Board, staff, and stakeholders Total			26.3	13.1
Objective 3: Advance Organizational, Technological and Operational Excellence Total				135.7	46.0

FY19 Draft Budget By Portfolio – Objective #4

Objective	Goal	Portfolios	Document 4 - Operating Plan Module Reference*	FTE*	Total
Objective 4: Promote ICANN's Role and Multistakeholder Approach	4.1 Encourage engagement with the existing internet governance ecosystem at national, regional and global levels	4.1.1 Coordination of ICANN participation in Internet Governance	Module 1: Engagement Activities	2.6	1.1
	4.1 Encourage engagement with the existing Internet governance ecosystem at national, regional and international levels			2.6	1.1
	4.2 Clarify the role of governments in ICANN and work with them to strengthen their commitment to supporting the global Internet ecosystem	4.2.1 Working with Governments and Intergovernmental Organizations	Module 1: Engagement Activities	1.7	0.6
	4.2 Clarify the role of governments in ICANN and work with them to strengthen their commitment to supporting the global			1.7	0.6
	4.3 Participate in the evolution of a global, trusted, inclusive multistakeholder Internet Governance ecosystem that addresses Internet issues	4.3.1 Support Internet Governance Ecosystem Advancement	Module 1: Engagement Activities	4.0	1.5
	4.3 Participate in the evolution of a global, trusted, inclusive multistakeholder Internet Governance ecosystem that			4.0	1.5
	4.4 Promote role clarity and establish mechanisms to increase trust within the ecosystem rooted in the public interest	4.4.1 Contractual Compliance and Safeguards	Module 5: Contractual Compliance and Consumer Safeguards	2.4	0.9
		4.4.2 Contractual Compliance Function	Module 5: Contractual Compliance and Consumer Safeguards	27.0	4.4
	4.4 Promote role clarity and establish mechanisms to increase trust within the ecosystem rooted in the public interest Total			29.4	5.3
Objective 4: Promote ICANN's Role and Multistakeholder Approach Total				37.6	8.5

FY19 Draft Budget By Portfolio – Objective #5

Objective	Goal	Portfolios	Document 4 - Operating Plan Module Reference*	FTE*	Total
Objective 5: Develop and Implement a Global Public Interest Framework Bounded by ICANN's Mission	5.1 Act as a steward of the public interest	5.1.1 Legal Support and Advice		12.0	4.6
		5.1.2 Support ICANN Board		12.6	4.5
	5.1 Act as a steward of the public interest Total			24.6	9.1
	5.2 Promote ethics, transparency and accountability across the ICANN community	5.2.1 Enhancing ICANN Accountability - WS2		1.5	0.9
		5.2.2 Organizational Reviews	Module 6: Reviews	1.2	0.6
		5.2.3 Specific Reviews (Bylaws Article 4, Section 4.6)	Module 6: Reviews	3.7	1.9
		5.2.4 Strategic Initiatives		3.5	1.4
		5.2.5 Accountability and Transparency Mechanisms		3.0	1.2
	5.2 Promote ethics, transparency and accountability across the ICANN community Total			12.8	6.1
	5.3 Empower current and new stakeholders to fully participate in ICANN activities	5.3.1 Supporting Public Interest Initiatives		1.3	0.5
		5.3.2 Supporting Stakeholder Participation		7.6	1.7
	5.3 Empower current and new stakeholders to fully participate in ICANN activities Total			8.8	2.1
Objective 5: Develop and Implement a Global Public Interest Framework Bounded by ICANN's Mission Total				46.2	17.3
		Allocation to New gTLD Program		0.0	(3.5)
		Cost Savings		0.0	(1.5)
		Contingency		0.0	4.5
		Staff Attrition		(13.0)	(2.2)
	Unallocated total			(13.0)	(2.8)
Grand Total ICANN				424.5	146.0

FY19 Planning Timeline – Key Dates

Step	Target Dates	Note
ICANN Public Comment	19 Jan – 8 Mar	49 Days (7 weeks)
Responses to Clarifying Questions Published	12 Feb 2018	Approximately 4 weeks before end of public comment
SO/AC Additional Budget Request Submission Due Date	30 January	Process timing similar to last year
ICANN 61 Community Forum	10 Mar – 15 Mar	2 Public Sessions to discuss comments received on ICANN OP&B. Attend SO/AC/SG Meetings to discuss comments as needed.
ICANN.org Report on Public Comment	12 April	Report on Responses to Public Comment Published
ICANN Proposed OP&B Submitted to ICANN Board	11 May	At Least 45 Days Before Next Fiscal Year (Per Bylaws)
ICANN Board to Approve ICANN OP&B	31 May	Target to allow for EC Review Period before 1 July

Reserve Fund Replenishment Strategy

Reserve Fund: Public comment #2 on Replenishment

- ⊙ ICANN Reserve Fund created in 2007, funding through operational surpluses.
  - ○ Target 12 months of operating expenses.
  - ○ In 2014: Reserve Fund = 11 months of Operating Expenses.
  - ○ Starting in 2014: withdrawals to fund IANA Stewardship Transition. Total $36 million over 4 years.

- ⊙ Target level = 12 months of Operating Expenses = US$138m
  - ○ Amount of Reserve Fund as of 31/12/2017 (most recently published): US$70m
  - ○ Shortfall: US$68m

- ⊙ Strategy suggested: replenishment period 5 years (principle #1)
  - ○ Over 5 years, ICANN Org operational savings US$15m (principle #2)
  - ○ Auction Proceeds: US$36m, for IANA Stewardship Transition expenses
  - ○ Remainder shortfall of US$17m (68 less 15 less 36):
    - • Contribution from leftover funds from the new gTLD program, if any
    - • Additional contribution from ICANN org.
    - • Additional contribution from the Auction Proceeds.

Funding

FY19 ICANN Ops Funding Assumptions

	Funding Type	Best Estimate	High Estimate	Low Estimate
Legacy TLDs	Transaction-based Fees	Assumes growth of transaction volume of 3.1% as per historical average	Growth of 4.1%	Growth of 2.7%
New TLDs	Fixed Fees	1,228 TLDs assumed delegated as of July 1, 2018 and 1,231 TLDs assumed delegated by June 30, 2019	Same as Best Estimate	Same as Best Estimate
	Transaction-based Fees	Transactions estimated using the per-TLD average number of transactions per month since delegation (average transactions during month 1, month 2,…) resulting in y/y transaction growth of 29.4%	Growth of 36.5% vs. 2018	Growth of 19.9% vs. 2018

FY19 ICANN Ops Funding Assumptions

	Funding Type	Best Estimate	High Estimate	Low Estimate
Registrar Accreditation	Application Fees	The number of accredited registrars is maintained at current levels and increases based on pending applications - 15 for each quarter, 60 for the whole year	Same as Best Estimate	Same as Best Estimate
	Accreditation Fees	The number of accredited registrars is maintained at current levels and increases based on pending applications - 15 for each quarter, 60 for the whole year	Same as Best Estimate	Same as Best Estimate
	Per-registrar Variable Fees	Constant total of $3.4m	Same as Best Estimate	Same as Best Estimate
New gTLD Program	Application Fees Revenue	Portion of application fees recognized in Funding ratably based on evaluation expense incurred vs total evaluation expenses forecasted	Same as Best Estimate	Same as Best Estimate

ICANN Ops Funding Assumptions

	FY19 Budget	FY18 Forecast	FY17 Actual
# of Transactions (in M)	197.1	185.6	183.1
Legacy gTLDs (in M)	168.7	163.6	160.9
New gTLDs – Total (in M)	28.4	21.9	22.2
New gTLDs - Billable	24.1	18.3	19.2
# of Contracted Parties	3,470	3,467	4,200
(as of end of year)			
Legacy gTLDs	22	22	22
New gTLDs (delegated)	1,231	1,228	1,226
Registrars	2,217	2,217	2,952

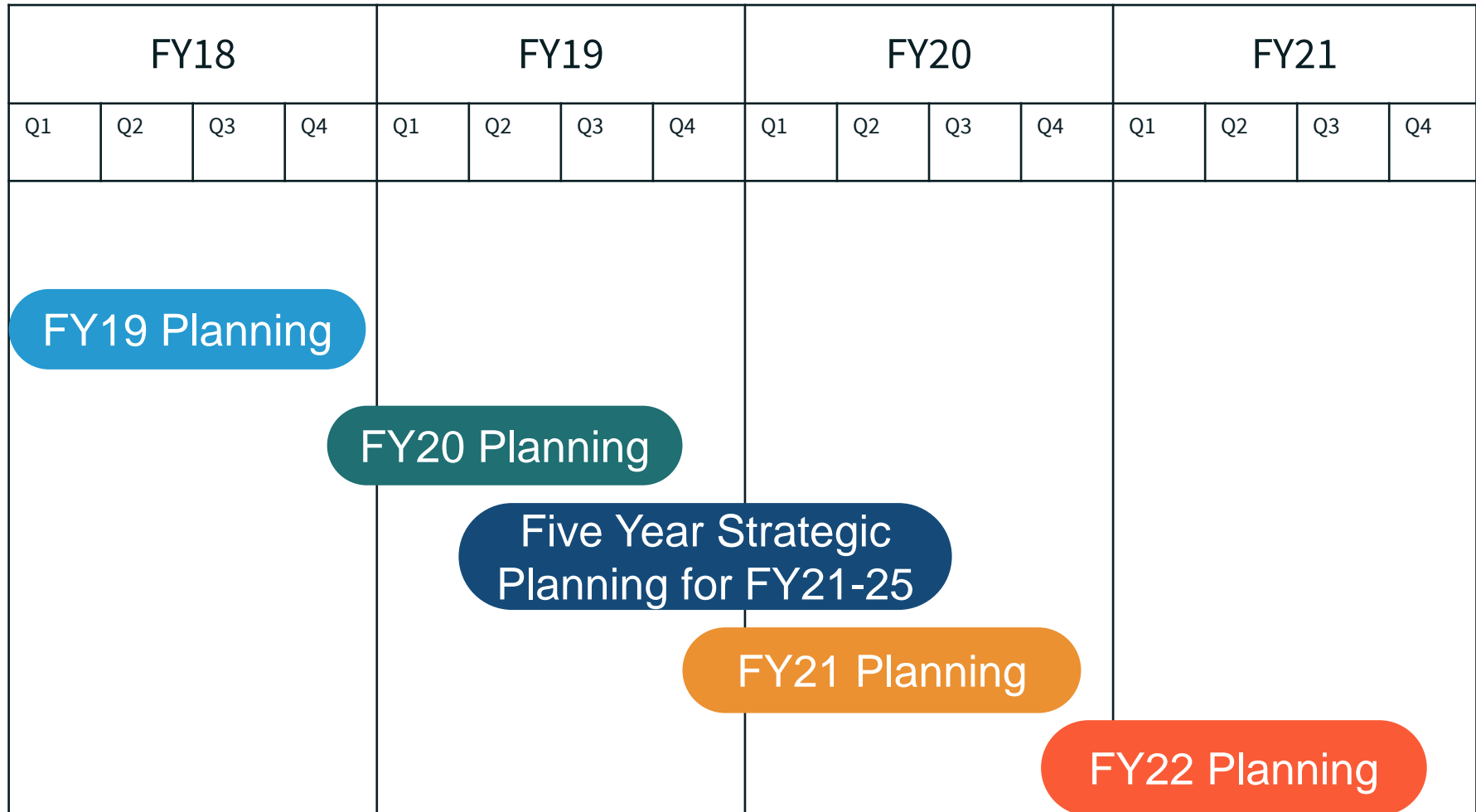# ICANN Ops Funding Assumptions FY19 vs FY18 Forecast

In Millions, US Dollars	FY 19 Best Estimate	FY18 Forecast	+Incr./ -Decr.	%	FY19 Estimates High	Low	FY18 Budget
Transactions							
Registry transaction fees - Legacy	$ 48.7	$ 48.6	$ 0.1	0.3%	$ 49.2	$ 48.5	$ 48.4
Registry transaction fees - New gTLD	6.0	4.6	1.4	31.1%	6.4	5.6	8.9
Registrar transaction fees - Legacy	30.4	29.5	0.9	3.1%	30.7	30.3	29.4
Registrar transaction fees- New gTLD	5.1	3.9	1.2	29.4%	5.4	4.7	7.5
Sub-total	**90.2**	**86.6**	**3.7**	**4.2%**	**91.6**	**89.1**	**94.2**
Volume: legacy transactions (millions)	*168.7*	*163.6*	*5.1*	*3.1%*	*170.4*	*168.1*	*163.6*
Volume: New gTLD transactions (millions)	*28.4*	*21.9*	*6.4*	*29.4%*	*30.0*	*26.3*	*41.7*
Sub-total	*197.1*	*185.6*	*11.6*	*6.2%*	*200.4*	*194.4*	*205.3*
Volume: New gTLD billable transactions (millions)	*24.1*	*18.3*	*5.8*	*31.9%*	*25.5*	*22.4*	*35.4*
New gTLD Billable rate - average	*85.0%*	*83.4%*	*1.6%*		*85.0%*	*85.0%*	*85.0%*
Registry Fixed Fees	**31.1**	**30.6**	**0.5**	**1.7%**	**31.3**	**30.7**	**30.8**
Registrars accreditation							
Application fees	-	0.2	(0.2)	-100.0%	-	-	0.2
Accreditation fees - annual	9.6	10.1	(0.5)	-4.9%	10.3	8.9	10.5
Per-registrar variable fees	3.4	3.4	(0.0)	-0.6%	3.4	3.4	3.4
Sub-total	**13.0**	**13.7**	**(0.7)**	**-5.2%**	**13.7**	**12.3**	**14.1**
Count of total Registrars - at end of year	*2,217*	*2,217*	*-*	*0.0%*	*2,217*	*2,051*	*2,241*
Incr./(Decr.) new Registrars - at end of year	*-*	*(772)*	*772*	*-100.0%*	*-*	*(166)*	*(748)*
Contributions							
RIR	0.8	0.8	-	0.0%	0.8	0.8	0.8
ccTLD	2.1	2.1	-	0.0%	2.1	2.1	2.1
Meeting Sponsorships/other	0.8	0.8	-	0.0%	0.8	0.8	0.8
Sub-total	**3.7**	**3.7**	**-**	**0.0%**	**3.7**	**3.7**	**3.7**
ICANN Ops Revenue	**$ 138.0**	**$ 134.5**	**$ 3.5**	**2.6%**	**$ 140.3**	**$ 135.8**	**$ 142.8**

FY20 Planning and Strategic Planning

FY20 and 5 Year Strategic Planning Cycle

Draft

Timing of annual planning cycles and the next 5-year Strategic Planning Cycle

FY18				FY19				FY20				FY21			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

FY19 Planning

FY20 Planning

Five Year Strategic Planning for FY21-25

FY21 Planning

FY22 Planning

Strategic Planning Process

- Strategic outlook trends sessions:
  - A process to identify internal and external trends to keep an eye on areas that may have an effect on ICANN, its mission, or operations.
  - Sessions with community groups at ICANN61 and ICANN62.
  - Key trends will inform the strategic objectives, goals and priorities for the next plan period.

- Strategic planning framework (FY21-25):
  - Will be an update of the current framework.
  - Will address key trends identified by the Community.
  - Will be drafted by the Board for discussion with the community at ICANN63 in Barcelona.
  - Will include allocations of forecasted funding.
  - A public comment period will be conducted, with the intent to finalize the draft Strategic Plan following ICANN63.
  - The Strategic Plan will guide development of the Five-Year Operating Plan, which will detail how the work will be done to meet the Strategic Plan.

Community Engagement

How can we <u>improve</u> community engagement?

- Forums: F2F, webinars, website

How can we <u>expand</u> community engagement?

- A broader and more diverse base of constituents who are knowledgeable about and involved in the planning process.

Frequency	Forums	Timing
• more/ less often?	• F2F, webinars, website?	• Recurring/ ad hoc?
	Content	Marketing/ recruitment strategy
	• more/ less detailed?	• Focused/ broad?

Questions?

How to Get Involved

Thank You
Email: planning@icann.org

ICANN

Report on Public Comment 12 April
icann.org/public-comments

Community Finance Email List
Subscribe

Appendix

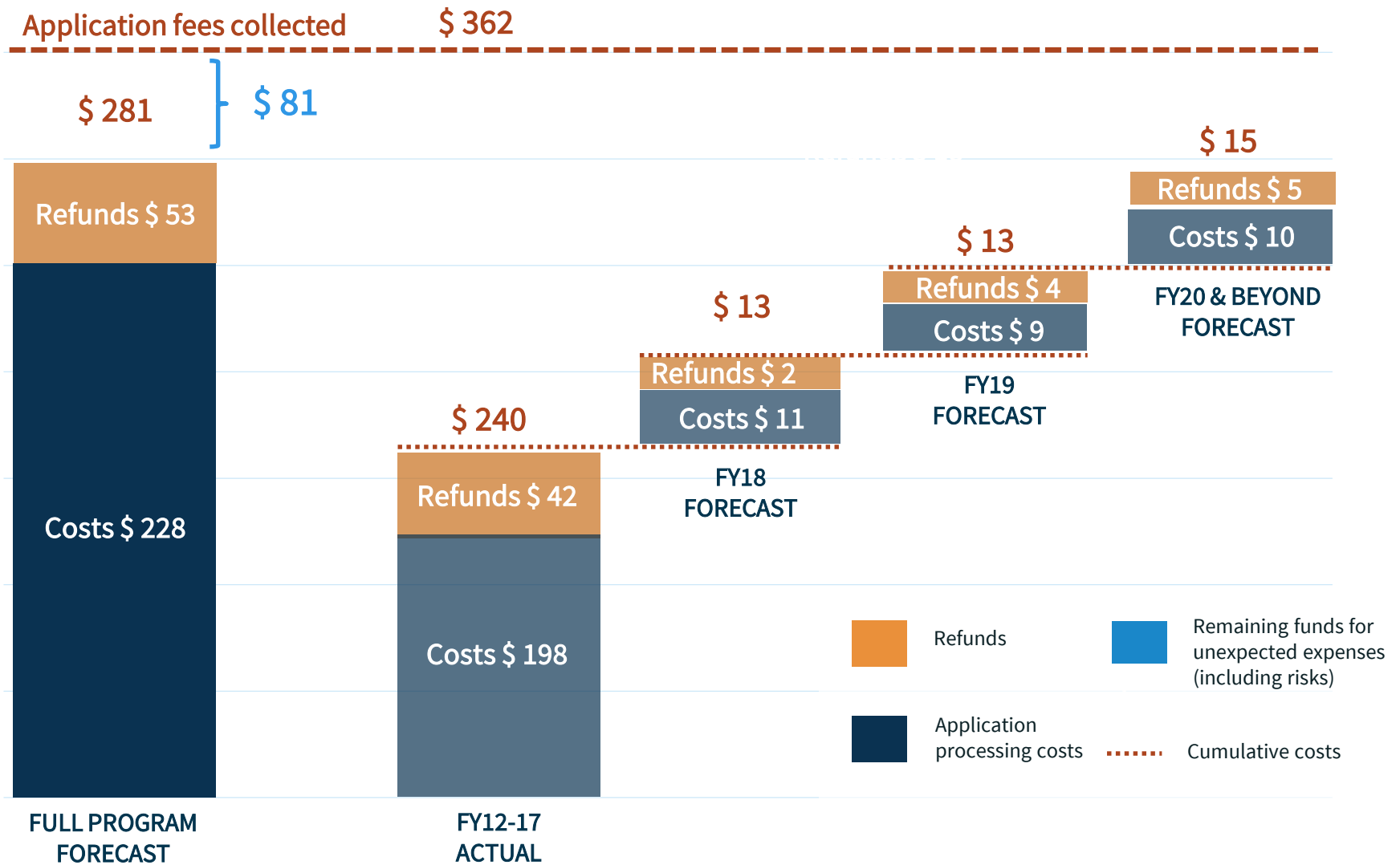# Draft FY19 Operating Plan and Budget

ICANN Operations FY19 Budget Overview

in Millions, USD	FY19 Draft Budget			FY18 Forecast			Increase/(Decrease) vs. FY18 Forecast			
	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Ops	IANA - PTI	Total ICANN Ops	%
Funding	**$138.0**	**$0.0**	**$138.0**	**$134.5**	**$0.0**	**$134.5**	**$3.5**	**$0.0**	**$3.5**	**2.6%**
Personnel	70.8	6.0	76.8	63.0	5.8	68.7	7.8	0.3	8.1	12%
Travel & Meetings	15.0	0.7	15.6	15.2	0.6	15.8	(0.2)	0.1	(0.2)	-1%
Professional Svcs.	21.8	1.5	23.4	25.4	1.4	26.9	(3.6)	0.1	(3.5)	-13%
Administration [1] & Capital	15.9	1.9	17.8	20.2	1.8	21.9	(4.3)	0.1	(4.2)	-19%
Contingency [2]	4.0	0.5	4.5	2.7	0.5	3.2	1.3	(0.0)	1.3	40%
Cash Expenses	**$127.5**	**$10.6**	**$138.0**	**$126.5**	**$10.0**	**$136.5**	**$1.0**	**$0.5**	**$1.5**	**1%**
Increase/ (Decrease) to Net Assets	**$10.5**	**($10.6)**	**($0.0)**	**$8.0**	**($10.0)**	**($2.0)**	**$2.5**	**($0.5)**	**$2.0**	**n/a**
Board Approved ITI Funding						**$2.0**			**($2.0)**	**-100%**
Increase/ (Decrease) to Net Assets	**$10.5**	**($10.6)**	**($0.0)**	**$8.0**	**($10.0)**	**($0.0)**	**$2.5**	**($0.5)**	**($0.0)**	**n/a**
EOP [4] Headcount	**402.2**	**22.8**	**425.0**	**393.1**	**22.6**	**415.7**	**9.2**	**0.2**	**9.3**	**2%**

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.

(2) The FY19 contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments. FY18 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

3.4. New gTLD Program – Multi-year Forecast

Application fees collected $ 362

$ 281 $ 81

FULL PROGRAM FORECAST
- Refunds $ 53
- Costs $ 228

FY12-17 ACTUAL — $ 240
- Refunds $ 42
- Costs $ 198

FY18 FORECAST — $ 13
- Refunds $ 2
- Costs $ 11

FY19 FORECAST — $ 13
- Refunds $ 4
- Costs $ 9

FY20 & BEYOND FORECAST — $ 15
- Refunds $ 5
- Costs $ 10

Legend:
- Refunds
- Remaining funds for unexpected expenses (including risks)
- Application processing costs
- ······ Cumulative costs

In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.

Total ICANN FY19 Budget Overview

in Millions, USD	Total ICANN Operations	New gTLD	Total ICANN	Total ICANN Operations	IANA Transition	New gTLD	Total ICANN	Total ICANN Ops	%	IANA Transition	%	New gTLD	%	Total ICANN	%
Funding	$138.0	$14.8	$152.8	$134.5	$0.0	($6.5)	$128.0	$3.5	2.6%	$0.0	n/a	$21.3	326.2%	$24.8	19.4%
Personnel	76.8	2.0	78.8	68.7	0.9	2.5	72.2	8.1	12%	(0.9)	-100%	($0.5)	-21%	6.6	9%
Travel & Meetings	15.6	0.5	16.1	15.8	0.2	0.7	16.6	(0.2)	-1%	(0.2)	-100%	(0.2)	-22%	(0.5)	-3%
Professional Svcs.	23.4	5.2	28.5	26.9	1.1	7.9	35.8	(3.5)	-13%	(1.1)	-100%	(2.7)	-34%	(7.3)	-20%
Administration [1] & Capital	17.8	0.3	18.1	21.9	0.2	(0.5)	21.7	(4.2)	-19%	(0.2)	-100%	0.8	-168%	(3.6)	-17%
Contingency [2]	4.5	0.0	4.5	3.2	0.0	0.0	3.2	1.3	40%	0.0	n/a	0.0	n/a	1.3	40%
Cash Expenses	$138.0	$8.0	$146.0	$136.5	$2.4	$10.6	$149.6	$1.5	1%	($2.4)	-100%	($2.6)	-25%	($3.5)	-2%
Increase/ (Decrease) to Net Assets	($0.0)	$6.8	$6.7	($2.0)	($2.4)	($17.1)	($21.6)	$2.0	n/a	$2.4	-100%	$23.9	-139%	$28.3	-131%
Board Approved ITI Funding				$2.0			$2.0	($2.0)	-100%						
Increase/ (Decrease) to Net Assets	($0.0)	$6.8	$6.7	($0.0)	($2.4)	($17.1)	($19.6)	($0.0)	n/a	$2.4	-100%	$23.9	-139%	$28.3	-145%
EOP [4] Headcount	425.0	-	425.0	415.7	4.5	0.0	420.2	9.3	2%	(4.5)	-100%	-	n/a	4.8	1%

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.

(2) The FY19 contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments. FY18 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

Reserve Fund Replenishment Strategy

Background

- ICANN Reserve Fund created in 2007, funding through operational surpluses.
  - Target 12 months of operating expenses.
  - In 2014: Reserve Fund = 11 months of Operating Expenses.
  - Starting in 2014: withdrawals to fund IANA Stewardship Transition. Total $36 million over 4 years.

- ICANN's size and risk profile evolved since creation of Reserve Fund:
  - Board Working Group to reassess Reserve Fund
  - Public comment on rationale and target level end of 2017
  - Target level confirmed at a minimum of 12 months of Operating Expenses

- 2nd Public Comment Process upcoming to address Replenishment Strategy

Shortfall

- Target level = 12 months of Operating Expenses
  - Operating Expenses in Draft FY19 Budget: US$138m for 12 months

- Amount of Reserve Fund as of 31/12/2017 (most recently published): US$70m

- Shortfall: US$68m

Sources of funding

- ⊙ Contribution of operational excesses from ICANN Org. US$5m allocated to Reserve Fund in December 2017.

- ⊙ New gTLD Auction Proceeds: US$104m, excluding US$132m for the .web auction (net of fees).

- ⊙ Potential leftover funds at the end of the new gTLD program.

- ⊙ Additional funds from contracted parties: one-time fee, or fee increase to generate surpluses allocated to Reserve Fund.

- ⊙ Other sources…

Previous public comments received on replenishment

- **Need for a replenishment strategy:** ccNSO SOP Working Group, ALAC, GNSO-IPC, GNSO-BC, i2Coalition,

- **Contribution from ICANN Org - control/reduction of expenses to allow for allocations to the Reserve Fund:** i2Coalition, RrSG, RySG, NCSG, ccNSO SOP Working Group,

- **Auction proceeds:**
  - In favor of using for replenishment in general (no amount specified): ccNSO SOP Working Group, Stephen Deerhake,
  - In favor of using for replenishment for an amount equal the IANA Stewardship transition costs (US$36m): RySG
  - In opposition to using for replenishment: RrSG, NCSG.

- **Leftover funds at the end of the new gTLD Program:** ccNSO SOP Working Group, RrSG,

- **Additional funds from contracted parties: in opposition of increasing fees on registrants:** i2Coalition, RrSG (for registrar per-domain fees)

Guiding principles

1. Appropriate replenishment period: 5 years.

2. Contribution from ICANN Org not compromising delivering its mission.

3. Avoid burden on contracted parties and by default registrants.

4. Take into account existing public comments

Replenishment strategy considered

- Replenishment period not to exceed 5 years (principle #1)

- Over 5 years, ICANN Org operational savings to contribute US$15m (principle #2)

- New gTLD Auction Proceeds: US$36m, for IANA Stewardship Transition expenses

- Remainder shortfall of US$17m (68 less 15 less 36):
  - Additional ICANN Org contribution from operational savings
  - Additional auction proceeds allocation
  - Additional funds from fees on contracted parties