

# ICANN 61 Finance Presentation

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ICANN 61  
10 March – 15 March 2018



# Agenda

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1

FY18 Financial  
Overview

2

Draft FY19 Operating  
Plan and Budget

3

Reserve Fund  
Replenishment

4

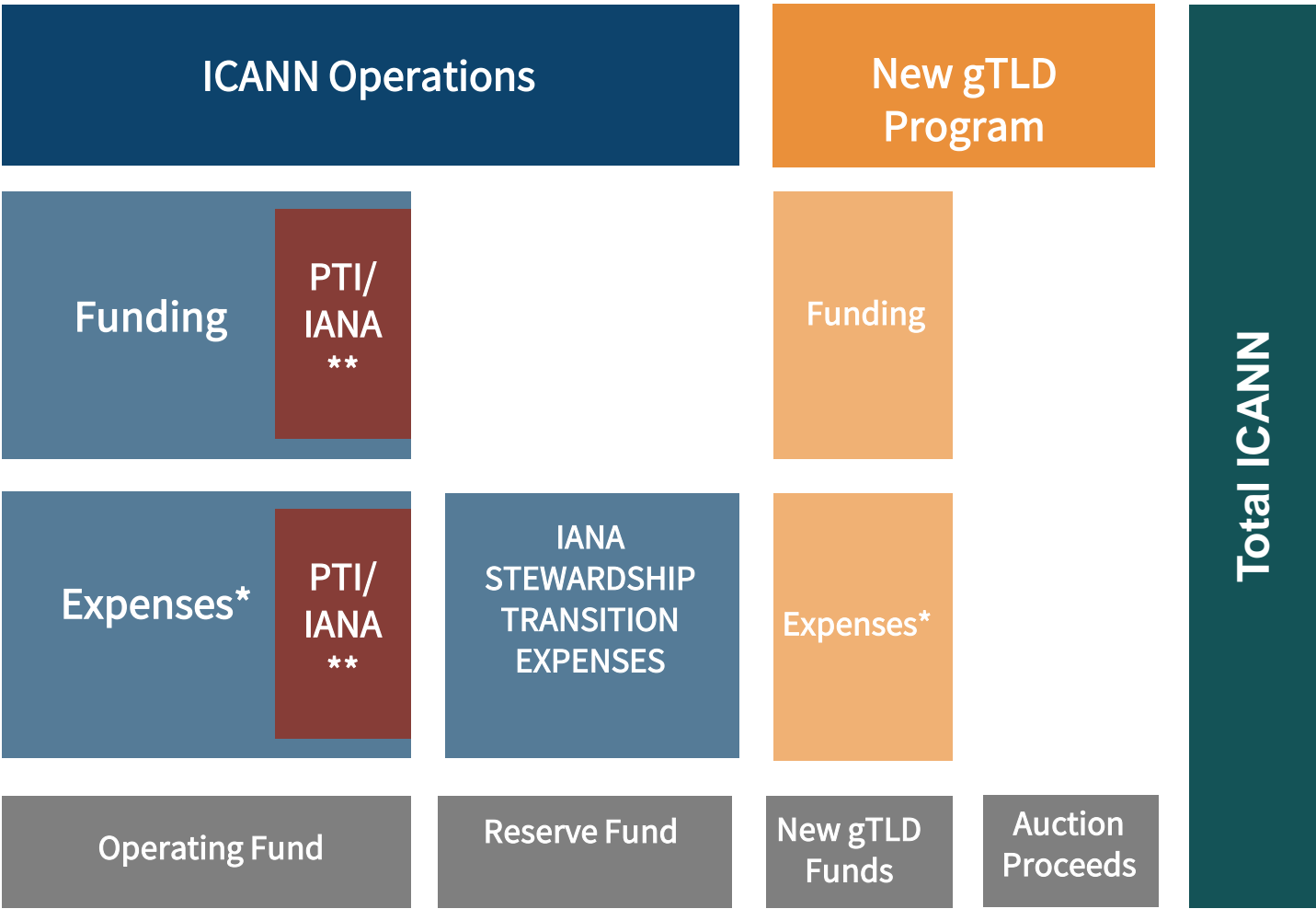
Q&A – General

5

Additional Topics

# FY18 Financial Overview

# ICANN Organization Reporting Structure FY18



\*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

## ICANN OPERATIONS

### Funding and Expenses below target.

	Actual	Budget	Var	% Var	FY17	Var	% Var
<b>Funding</b>	\$65	\$71	-\$5	-8%	\$65	\$0	1%
<b>Expenses</b>	(\$59)	(\$68)	\$9	-13%	(\$57)	(\$2)	4%
<b>IANA Stewardship Transition Expenses</b>	(\$1)	(\$2)	\$1	-61%	(\$4)	\$4	-86%
<b>Net</b>	\$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%

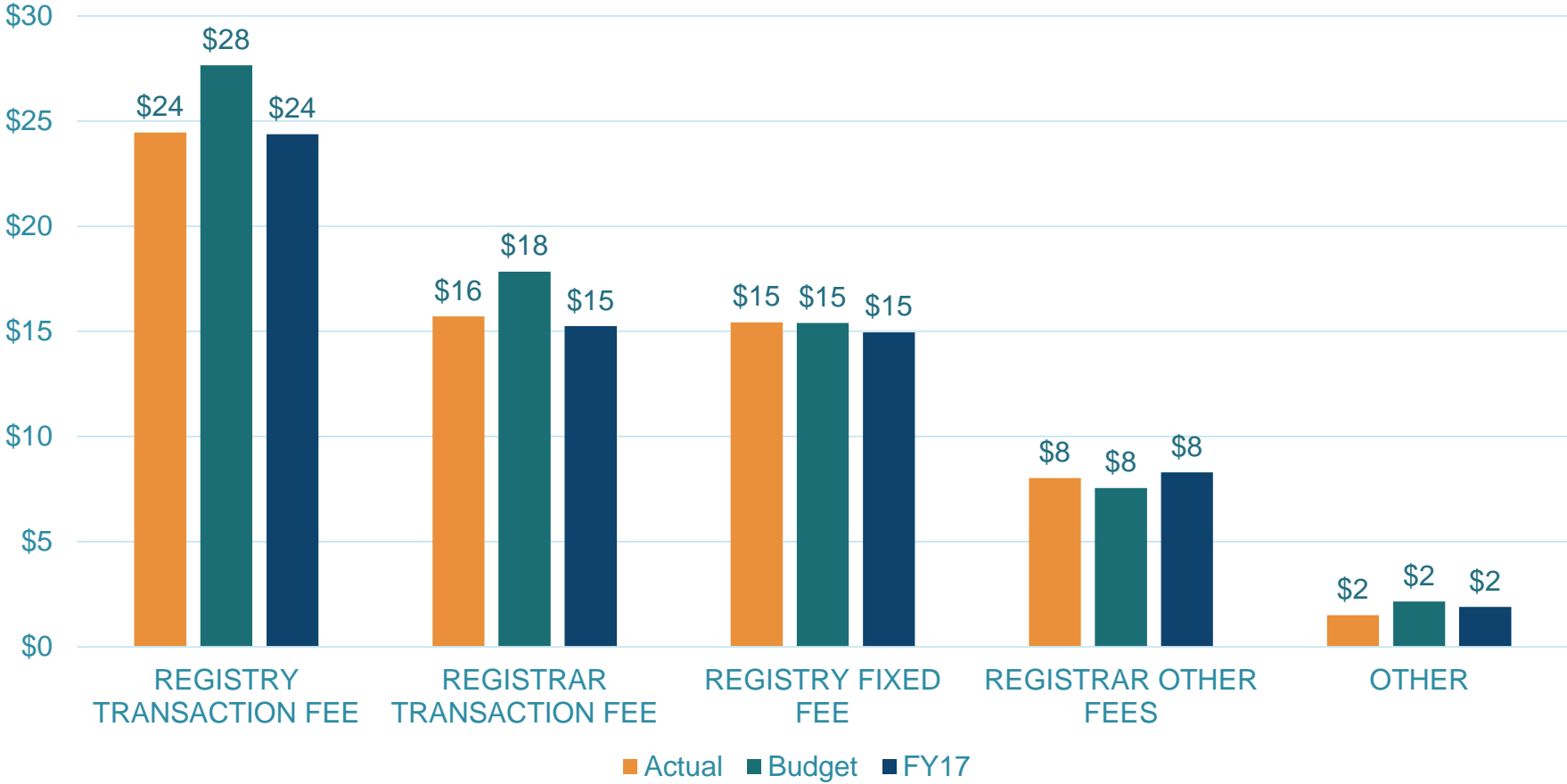
Note: Expenses exclude bad debt and depreciation and include capital expenses.

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

ICANN OPERATIONS

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

Funding below target due to lower registration volumes



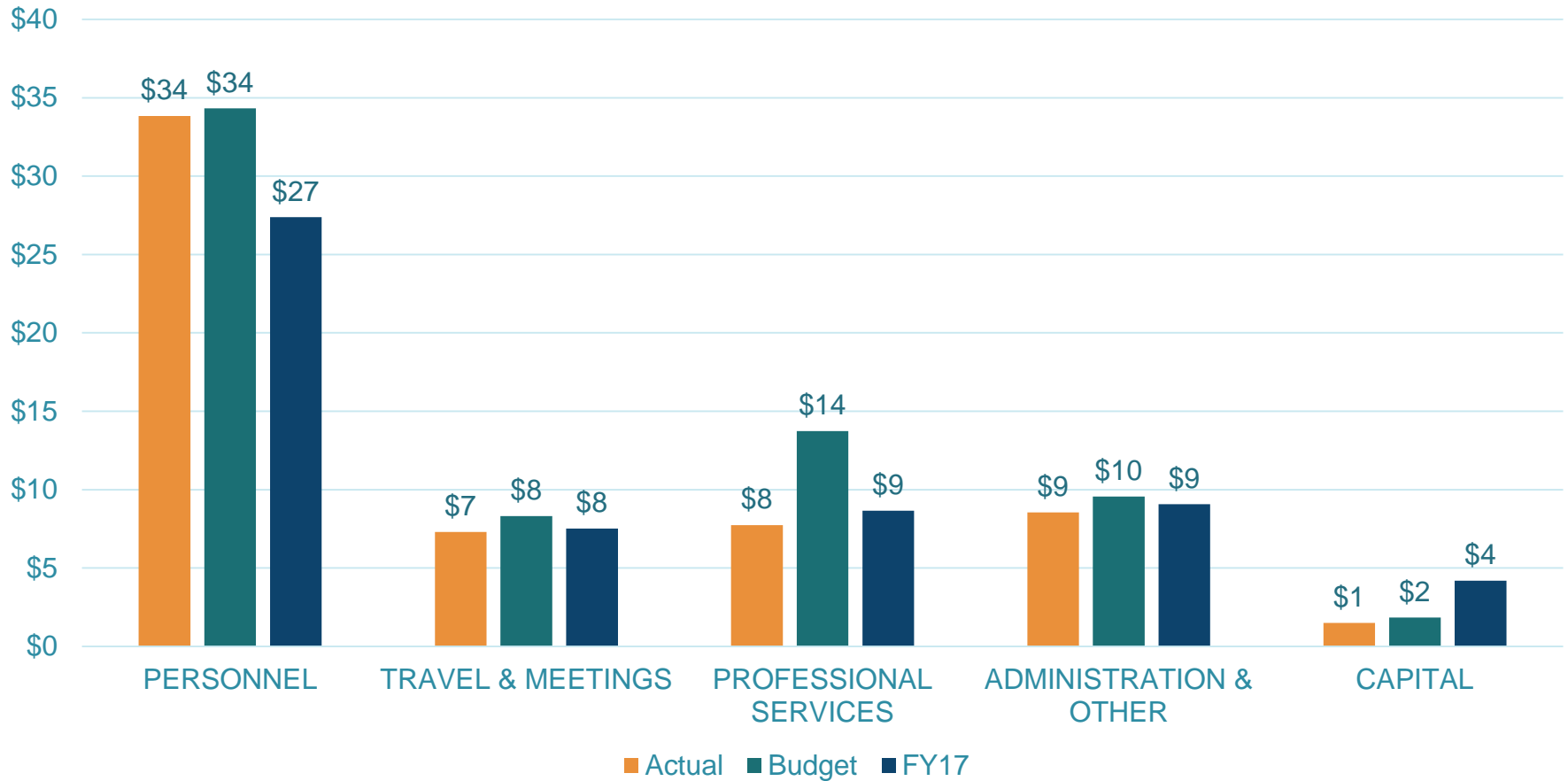
In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.

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

## ICANN OPERATIONS

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

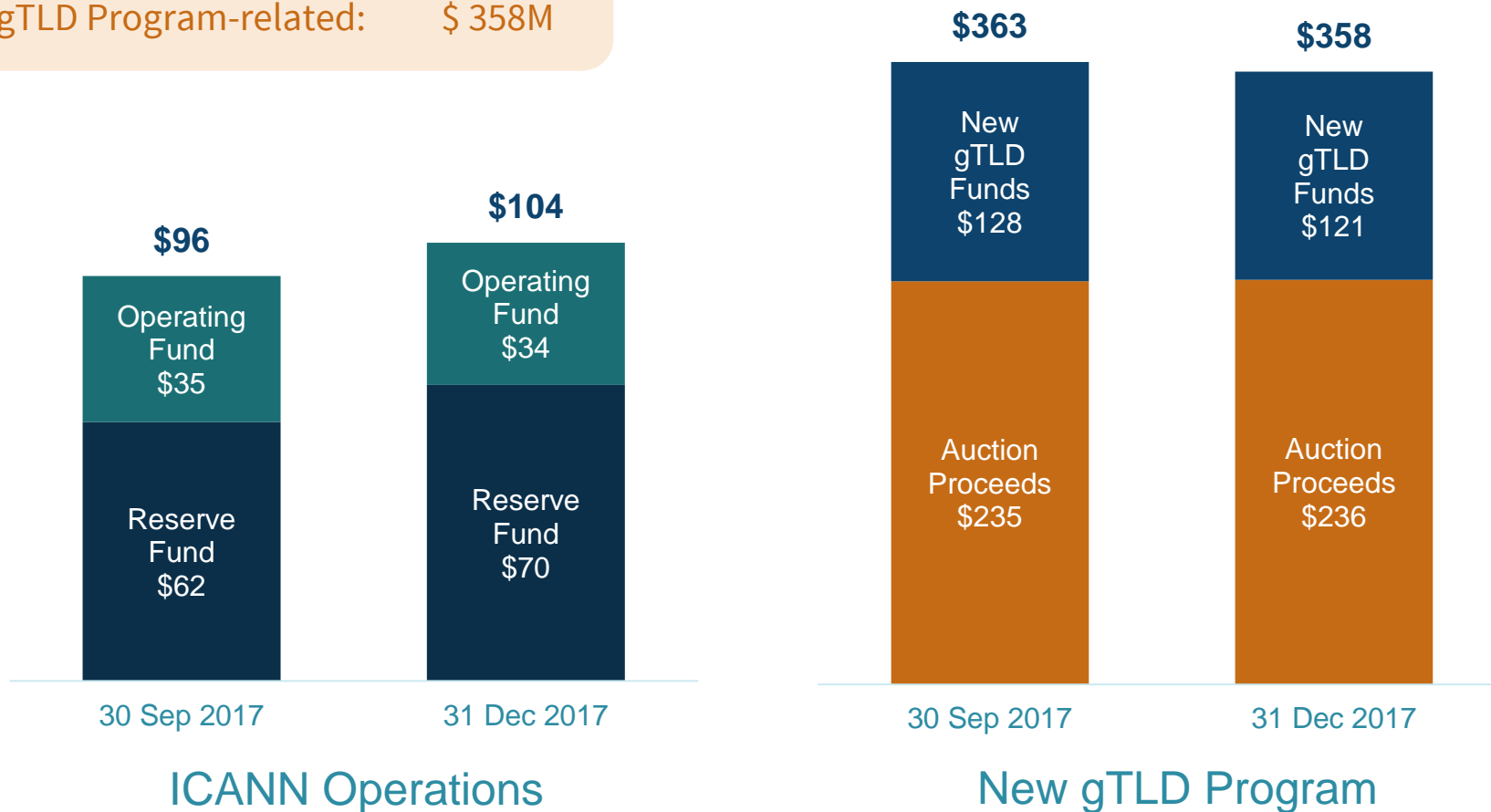
Actual:	\$ 59M
Budget:	\$ 68M
FY16:	\$ 57M



# Funds Under Management as of 31 Dec 2017

## FUNDS UNDER MGMT.

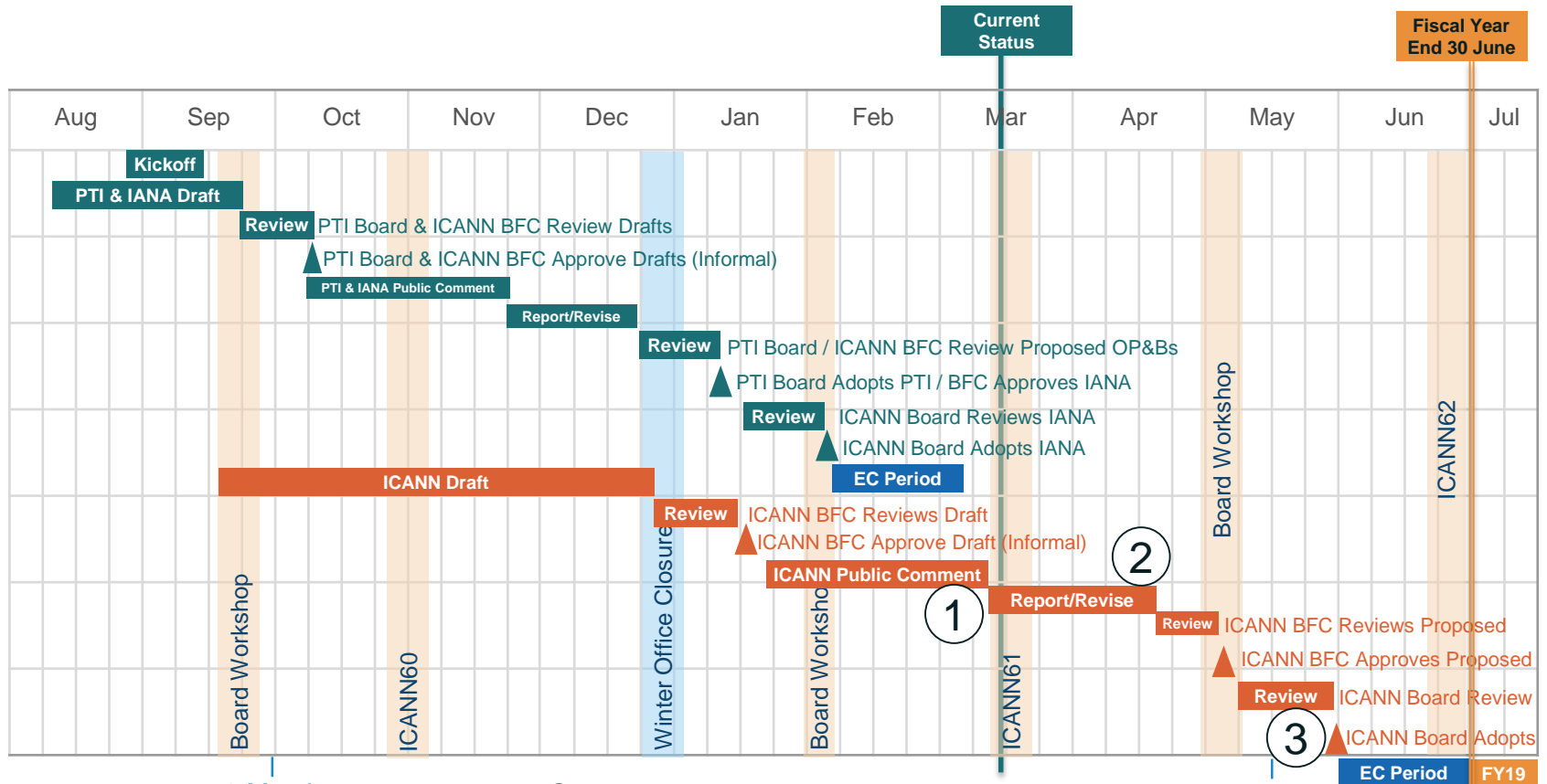
**Total Funds:** \$ 462M  
**ICANN Operations:** \$ 104M  
**New gTLD Program-related:** \$ 358M





# FY19 Planning Process

# FY19 Planning Timeline Highlights



PTI/IANA  
ICANN

9 Months  
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

45 Days  
Before FY19  
Begins

# 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.
  - Introduction and Highlights document recommended to read first
  - Each document is standalone and can be reviewed separately in no specific order, dependent on interest.
  - Key Projects and Operating Plan Modules provide more information on planned projects and activities

# Draft FY19 Budget Summary

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

\$ in USD Millions

<sup>1</sup> FY18 Adopted Budget in June 2017

<sup>2</sup> 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 Planning Timeline – Key Next Steps

Step	Target Dates	Note
ICANN Public Comment	19 Jan – 8 Mar	49 Days (7 weeks)
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	15 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

# ICANN Reserve Fund Replenishment Strategy

# Reserve Fund: Public comment #2 on Replenishment

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- 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.





**Questions?**

# Additional Topics

# FY19 SO/AC Additional Budget Requests

<b>Step</b>	<b>Timing</b>
<b>Process launched on Finance Community</b>	1 December 2017
<b>ABR Submissions received</b>	31 January 2018
<b>SO/AC consultations at ICANN 61</b>	10 March – 15 March 2018
<b>Evaluations by assessment team</b>	15 April 2018
<b>Recommendation to ICANN Management and ICANN BFC</b>	25 April 2018
<b>Recommendations to ICANN Board</b>	15 May 2018
<b>ICANN Board Adoption of FY19 OP&amp;B including SO/AC ABR</b>	31 May 2018

# How to Get Involved



## Thank You

Email: [planning@icann.org](mailto:planning@icann.org)



**Report on Public  
Comment**

[icann.org/public-comments](https://icann.org/public-comments)



**Community Finance Email List**

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## Finance Sessions at ICANN 61:

**FY19 Operating Plan and Budget Discussion on Public Comments Received- Part 1:**

Tue, Mar 13, 2018-**13:30 - 15:00**, – Room 202

**FY19 Operating Plan and Budget Discussion on Public Comments Received- Part 2:**

Wed, Mar 14, 2018– **10:15 - 12:00**, – Room 202

**Budget Working Group - Topics Include: FY18 Financial Results, FY20 Planning, Reserve Fund, Strategic Planning**

Wed, Mar 14, 2018- **13:30 - 16:45** - Room 202