ICANN 58

COMMUNITY FORUM

COPENHAGEN
11–16 March 2017

FY18 Operating Plan and Budget

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Introduction

Meet the Planning Team

Xavier Calvez
Project Sponsor

Becky Nash
Project Owner

Taryn Presley
Project Manager
and Budget

Leo Vegoda
Operating Plan

Kirsten Wattson
IANA Budget

Jessica Castillo
Project Coordinator

Agenda

1 Introduction

2 Planning Process Overview and Current Status

3 FY18 Op Plan & Budget and 5-Yr Op Plan Update Highlights

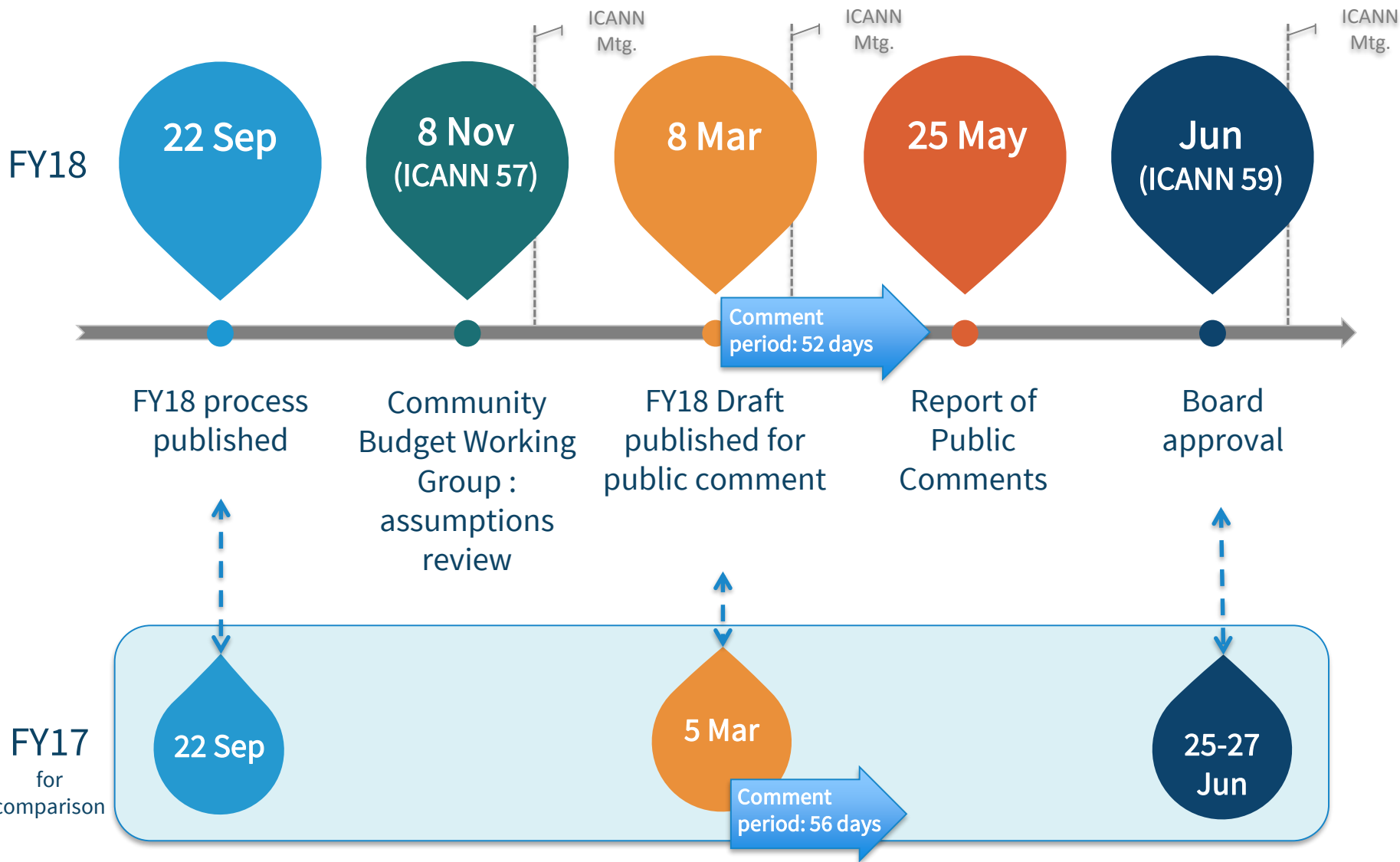**4** Next Steps

5 How to Get Involved

6 Q&A

Planning Process Overview and Current Status

FY18 Planning Process Overview and Timeline

FY18

| 22 Sep | 8 Nov (ICANN 57) | 8 Mar | 25 May | Jun (ICANN 59) |

ICANN Mtg.

FY18 process published | Community Budget Working Group : assumptions review | FY18 Draft published for public comment | Report of Public Comments | Board approval

Comment period: 52 days

FY17 for comparison

22 Sep | 5 Mar | 25-27 Jun

Comment period: 56 days

Current Status

Draft 5-Yr Op Plan and FY18 Op Plan and Budget published 8 Mar
- 52-day public comment (8 Mar – 28 Apr)
- Ask clarifying questions (as needed) by 19 Mar
- Set up a meeting by 31 Mar to be held in May to review your submitted comments (as needed)

SO/AC Additional Budget Requests under review
- ~60 requests submitted by 6 SO/ACs
- Currently under review for recommendation to the Board
- ICANN Board approval (early May Board meeting)

FY18 Op Plan & Budget and 5-Yr Op Plan Update

5YOPU FY17 → FY18 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 FY17, work to be started in FY18, and refinements to work that will continue. This includes moving portfolios between goals following organizational changes.

3 **KPIs**
KPIs updated to reflect refinements in measurements based on a better understanding of success

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

5 **Phasing**
Phasing updated based on planned progress for FY17 and to give additional detail in FY18 and beyond

Three high profile updates:
- PTI op plan incorporated into total ICANN op plan
- No IANA Stewardship Transition
- Reviews incorporated into Bylaws. Now called Specific Reviews.

5-Yr OP Update & FY18 ICANN Ops Budget Highlights

1

5-year Operating Plan update
- Second update of Year 3 (FY18) of the 5-year Operating Plan.
- No major changes to baseline operations.
- IANA functions segregated in PTI.

2

FY18 Budget balanced
- Funding of $142.8m
- Baseline expenses of $142.8m
- No initiatives funded from Reserve Fund
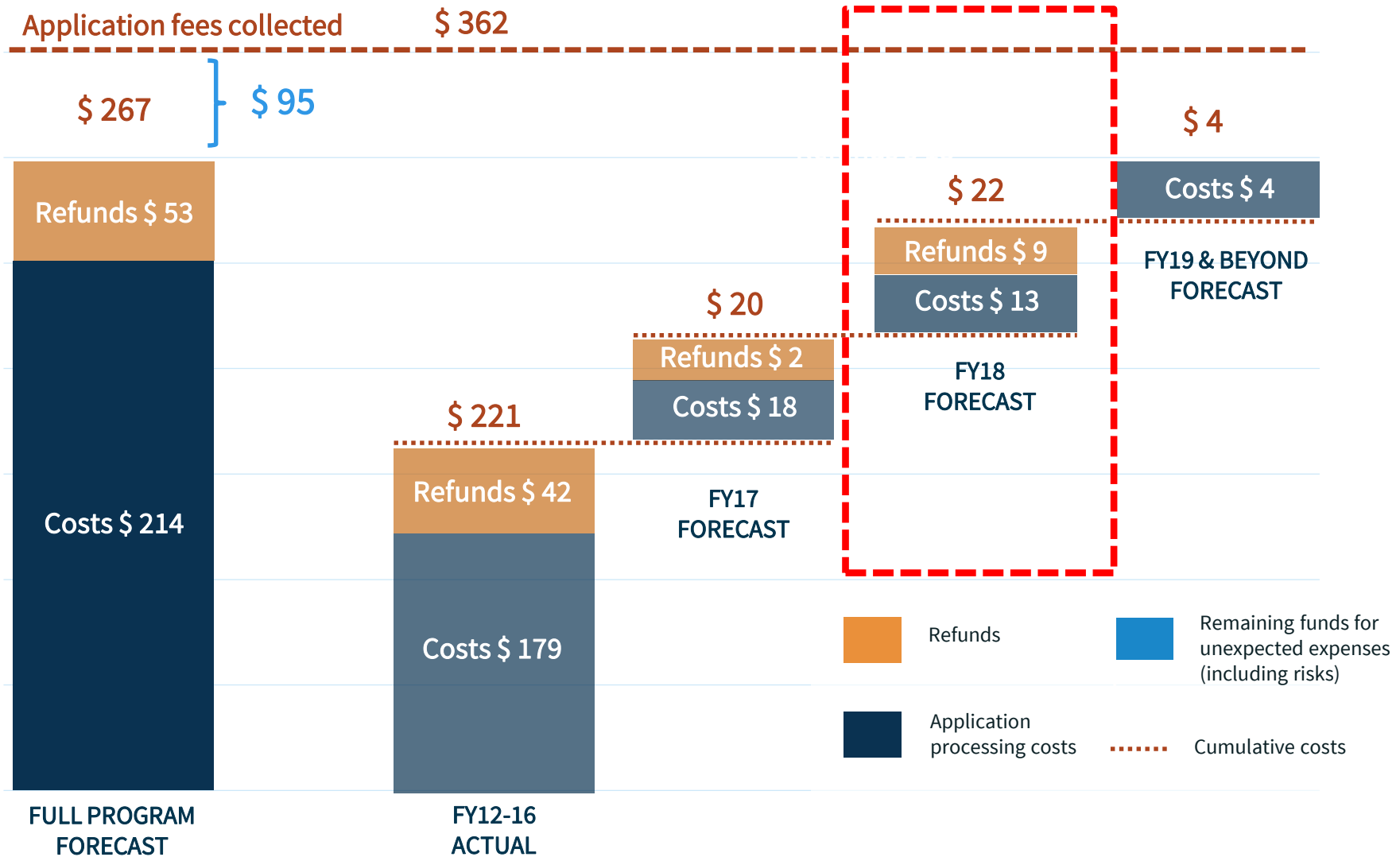
3

Funding increases at a slower rate
- Funding forecast reaches $142.8m, 5% above the FY17 forecast ($135.9m).
- Slow down consistent with number of new TLDs in operations reaching its peak.

4

ICANN Operations baseline expenses
- Baseline cash expenses of $142.8M (excl. contingency) increase organically by about 5% over the FY17 forecast ($130.4M), mainly driven by Personnel expenses.

New gTLD Program – Multi-year Forecast

Application fees collected $ 362

$ 267 ⎱ $ 95

Refunds $ 53

Costs $ 214

FULL PROGRAM FORECAST

$ 221

Refunds $ 42

Costs $ 179

FY12-16 ACTUAL

$ 20

Refunds $ 2

Costs $ 18

FY17 FORECAST

$ 22

Refunds $ 9

Costs $ 13

FY18 FORECAST

$ 4

Costs $ 4

FY19 & BEYOND FORECAST

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

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

New to the Process

⦿ Caretaker budget
- Community power to reject the strategic / operating plans and budget.
- If the Board-approved OP&B is vetoed, **caretaker budget** replaces OP&B during veto resolution period.

⦿ Unfunded Potential FY18 Activities
- Include activities/expenses considered during budget development, but not included in the Draft FY18 OP&B.
- Activities to be considered during FY18, based on priority and availability on funding.

6. Next Steps

Next Steps

Date	Who	Step
19 Mar	Community	Submit clarifying questions (as needed) on the draft 5-Yr Op Plan Update and FY18 Op Plan
31 Mar	Staff	Post responses to clarifying questions
31 Mar	Community	Set up a meeting with the planning team to review your submitted comments (as needed) by
05 Apr (est.)	BFC	BFC recommends Board approves SO/AC Additional Budget requests
28 Apr	Community	Public comment Period ends
05 May	Board	Board approves SO/AC Additional Budget requests (Board resolution)
25 May	Staff	Staff Report published
05 Jun (est.)	BFC	BFC reviews the final ICANN Budget and recommends Board approval
10 Jun (est.)	Staff	New Step: Publication to the community of the final FY18 OP & B intended for Board approval highlighting any changes from the Draft.
24 Jun (est.) ICANN 59	Board	Board approves final ICANN Budget

How to Get Involved

Thank You
Email: controller@icann.org

Upcoming Sessions at ICANN 58

Budget Working Group
14 March 2017
5pm-8pm
MR 5 (Limited Space)

**Financial Accountability:
Operating Plan and Budget**
16 March 2017
9am-1030am
Hall A3

Public Comment
icann.org/public-comments

Community Finance Email List
How to subscribe?

Q&A

Appendix

ICANN Org. Financial Reporting Structure

ICANN Operations		New gTLD Program	Total ICANN
Funding *	PTI/ IANA **	Funding	
Baseline & Multi-Year Project Expenses*	PTI/ IANA **	Expenses	
	Initiatives		
Operating Fund	Reserve Fund	New gTLD Funds / Auction Proceeds	
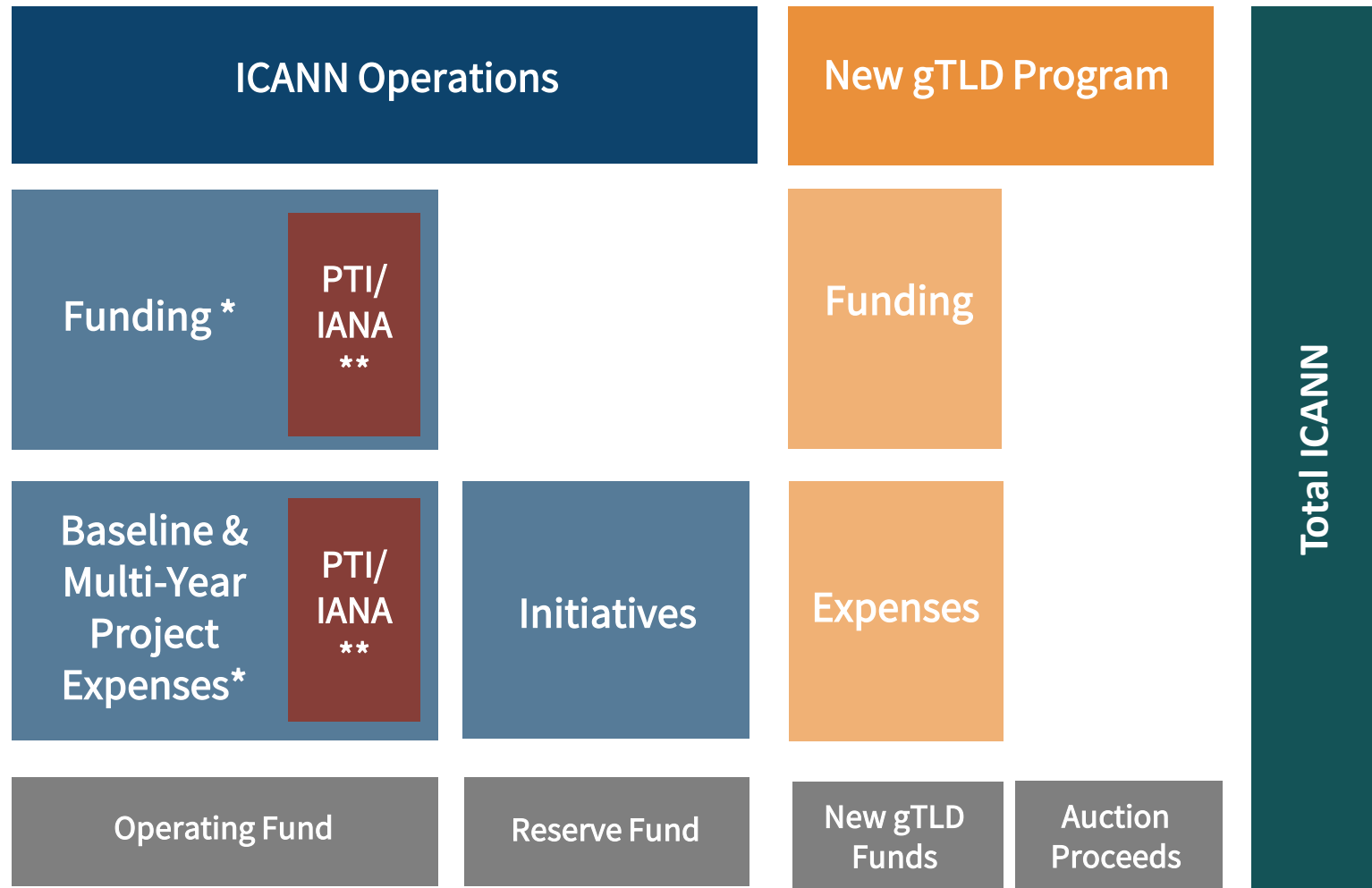
* Excludes depreciation and bad debt expenses

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

ICANN Ops Draft FY18 Financial Overview

in Millions, USD	FY18 Draft Budget			FY17 Forecast [1]			Increase/(Decrease) vs. FY17 Forecast			
	ICANN Ops	IANA	Total ICANN Ops	ICANN Ops	IANA	Total ICANN Ops	ICANN Ops	IANA	Total ICANN Ops	%
Funding	$142.8	$0.0	$142.8	$135.9	$0.0	$135.9	$6.9	$0.0	$6.9	5.1%
Personnel	63.8	$5.8	69.5	$55.2	$5.2	$60.4	8.6	$0.5	9.1	15%
Travel & Meetings	17.0	0.6	17.6	17.6	$0.4	18.0	(0.6)	0.2	(0.4)	-2%
Professional Svcs.	26.1	1.5	27.6	25.9	1.3	27.2	0.1	0.2	0.4	1%
Adminstration [2]	17.1	1.6	18.7	15.3	1.7	17.0	1.8	(0.1)	1.7	10%
Capital	3.5	0.1	3.6	7.6	0.1	7.7	(4.1)	(0.0)	(4.1)	-53%
Contingency [3]	5.3	0.5	5.8	0.0	0.0	0.0	5.3	0.5	5.8	n/a
Baseline Cash Expenses	$132.8	$10.0	$142.8	$121.6	$8.7	$130.4	$11.2	$1.3	$12.5	10%
Increase/ (Decrease) to Net Assets	$10.0	($10.0)	$0.0	$14.3	($8.7)	$5.5	($4.2)	($1.3)	($5.5)	-100%
Average Headcount	391.2	22.6	413.8	336.9	21.3	358.2	54.3	1.3	55.6	16%

(1) FY17 Forecast excludes IANA Stewardship Transition travel and meetings, professional services, admin, and capital costs.

(2) ICANN Ops excludes Depreciation and Bad Debt of ~$8M.

(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

5.6. Total ICANN Financial Overview

in Millions, USD	FY18 Draft Budget			FY17 Forecast [1]			Increase/(Decrease) vs. FY17 Forecast					
	Total ICANN Ops	New gTLD*	ICANN Org.	Total ICANN Ops	New gTLD*	ICANN Org.	Total ICANN Ops	%	New gTLD	%	ICANN Org.	%
Funding	$142.8	$19.5	$162.3	$135.9	$154.1	$290.0	$6.9	5.1%	($134.7)	-87.4%	($127.7)	-44.0%
Personnel	69.5	$2.5	72.0	$60.4	$4.6	$65.0	9.1	15%	($2.1)	-45%	7.1	11%
Travel & Meetings	17.6	0.7	18.3	18.0	$1.0	19.0	(0.4)	-2%	(0.3)	-32%	(0.7)	-4%
Professional Svcs.	27.6	7.0	34.6	27.2	11.4	38.6	0.4	1%	(4.4)	-39%	(4.0)	-10%
Administration [2]	18.7	0.7	19.3	17.0	1.1	18.1	1.7	10%	(0.4)	-37%	1.3	7%
Capital	3.6	0.0	3.6	7.7	0.0	7.7	(4.1)	-53%	0.0	n/a	(4.1)	-53%
Contingency [3]	5.8	0.0	5.8	0.0	0.0	0.0	5.8	n/a	0.0	n/a	5.8	n/a
Baseline Cash Expenses	$142.8	$10.9	$153.7	$130.4	$18.0	$148.3	$12.5	10%	($7.1)	-40%	$5.3	4%
Increase/ (Decrease) to Net Assets	$0.0	$8.6	$8.6	$5.5	$136.2	$141.7	($5.5)	-100%	($127.5)	-94%	($133.1)	-94%
Average Headcount	413.8	0.0	413.8	358.2	9.0	367.2	55.6	16%	(9.0)	-100%	46.6	13%

(1) FY17 Forecast excludes IANA Stewardship Transition travel and meetings, professional services, admin, and capital costs.

(2) ICANN Ops excludes Depreciation and Bad Debt of ~$8M.

(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

4.1. PTI and IANA Budget

FY18 IANA Budget in Millions, USD		IANA Services FY18 Budget
PTI Operations IANA Budget		$9.6
RZMA (Operating Expense)	(a)	$0.3
Capital	(b)	$0.1
Subtotal		$0.4
TOTAL IANA BUDGET		**$10.0**

(a) RZMA = Root Zone Maintainer Agreement for $300K per Year. This is funded by ICANN Operations

(b) Capital for IANA for IT systems maintenance

- PTI FY18 OP&B adopted by the PTI Board on 27 January 2017.
- ICANN received as input into the FY18 IANA Budget which is subject to the empowered community veto process
- The IANA Budget is included in the Caretaker Budget should a veto process be triggered

5.7. Total ICANN Cash Flows - FY18

Cash Flow Statement	For the Year Ended 6/30/2018				
In Millions, US dollars	**Operating Fund**	**Reserve Fund**	**NgTLD**	**Auction Proceeds**	**Total**
Funds Under Management - June 30, 2017	$ 46.0	$ 57.4	$ 123.7	$ 233.0	$ 460.1
Collected/ (refunded) from contracted parties	141.3		(9.0)		132.3
Auction Proceeds	-		-		-
Paid to vendors, net of reimbursement	(62.8)		(8.3)		(71.2)
Paid to employees, net of reimbursement	(70.9)		(2.5)		(73.4)
Reimbursement from Reserve Fund - IANA Transition Project Costs [1]	$ 4.5	$ (4.5)			-
Historical Development Costs	2.0		(2.0)		-
Capital expenditures	(3.6)		-		(3.6)
Change in investment market value	1.2		0.3	0.5	1.9
Funds Under Management - June 30, 2018	$ 57.7	$ 53.0	$ 102.0	$ 233.5	$ 446.1

(1) The IANA Transition Project Costs are reimbursed from the Reserve Fund every six months for the previous six months of expenses. The FY18 impact represents the project expense for H2 FY17 (January through July).

4.2. Caretaker budget

⊙ Reminder:
  - Community power to reject the strategic / operating plans and budget.
  - If the Board-approved OP&B is vetoed, **caretaker budget** replaces OP&B during veto resolution period.

⊙ Caretaker budget - suggested approach:
  - Basis: approved budget
  - Less: new positions to be suspended (from date of veto to end of veto period)
  - Less: 10% of Travel/Meeting and Professional Services
  - Less: expenses that triggered the veto.
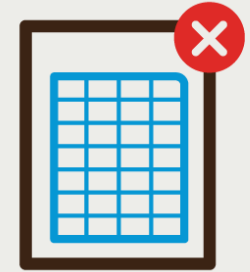
REJECT BUDGET OR STRATEGIC/ OPERATING PLAN

5.4. Unfunded Potential FY18 Activities

- Include activities/expenses considered during budget development, but not included in the Draft FY18 OP&B.
- Activities to be considered during FY18, based on priority and availability on funding.
- List of activities is evolving and may change as additional information becomes available.

	Name	FY18	Total Expenses	Annual recurring	Estimated Start Date	Estimated End Date
Operations	Internal Controls Audit function	$0.4	n/a	$0.5	n/a	n/a
Comms/LS	Comms/Language Services	$0.2	$0.2		Jul-17	Jun-18
MSSI	Reviews support	$0.2	$0.2		Jul-17	Jun-18
GSE	SSR capacity building and additional headcount	$0.4	$0.4	$0.3	Jul-17	Jun-18
Meetings	Additional Meetings headcount	$0.2	n/a	$0.2	n/a	n/a
Legal	Additional Legal resources	$0.3	n/a	$0.3	n/a	n/a
Legal	Additional defense resources	$1.0	$1.0		Jul-17	Jun-18
Finance	Additional business analysis	$0.2	n/a	$0.2	n/a	n/a
Contractual Compliance	Additional professional services	$0.1	$0.1		Jul-17	Jun-18
Comms/LS	Comms	$0.4	$0.4	$0.4	Jul-17	ongoing
Comms/LS	Comms	$0.2	$0.2	$0.2	Jul-17	ongoing
Policy Development Support	Document Production Pilot Support	$0.1	$0.1		Jul-17	Dec-17
Community Travel Support	Community Regional Outreach program	$0.1	$0.2		Jul-17	Jun-18
Policy Development Support	Additional professional services	$0.1	$0.1			
Government Engagement	Additional professional services (engagement - capacity building)	$0.3	$0.3		Jul-17	Jun-18
	Sub-total	$3.9	$3.0	$2.0		