# ICANN 64

## COMMUNITY FORUM

## KOBE

9–14 March 2019

**ICANN 64 Finance Presentation**

# Presenters

**Xavier Calvez**

CFO

**Becky Nash**

VP of Finance

**Shani Quidwai**

Director of Finance

# Agenda

| FY19 Year-To-Date Financial Overview | FY20 Draft Budget Highlights and Overview | Overview of Public Comment Themes & Community Comment Clarification |

# FY19 Year-To-Date Financial Overview

# FY19 Year-to-date (Jul 18 - Dec 18) Overview

## Funding is slightly above budget and Expenses are below budget

| USD in millions | FY19 YTD Actual | FY19 YTD Budget | Var | % Var | FY18 YTD Actual | Var | % Var |
|---|---|---|---|---|---|---|---|
| **Funding** | $68 | $67 | $0 | 0% | $65 | $3 | 4% |
| **Expenses** | ($59) | ($65) | $6 | -10% | ($59) | $0 | -1% |
| **Net** | **$9** | **$2** | **$7** | **335%** | **$6** | **$3** | **52%** |

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

| Breakdown of Expenses | FY19 YTD Actual | FY19 YTD Budget | Var | % Var | FY18 YTD Actual | Var | % Var |
|---|---|---|---|---|---|---|---|
| **IANA Services** | ($3) | ($4) | $1 | -23% | ($4) | $0 | -9% |
| **All Other** | ($56) | ($61) | $5 | -9% | ($56) | $0 | 0% |

*Link to Quarterly Financials*

## https://www.icann.org/resources/pages/governance/current-en

# FY19 Year-to-date (Jul 18 – Dec 18) Funding vs Budget & FY18

## Funding slightly above budget
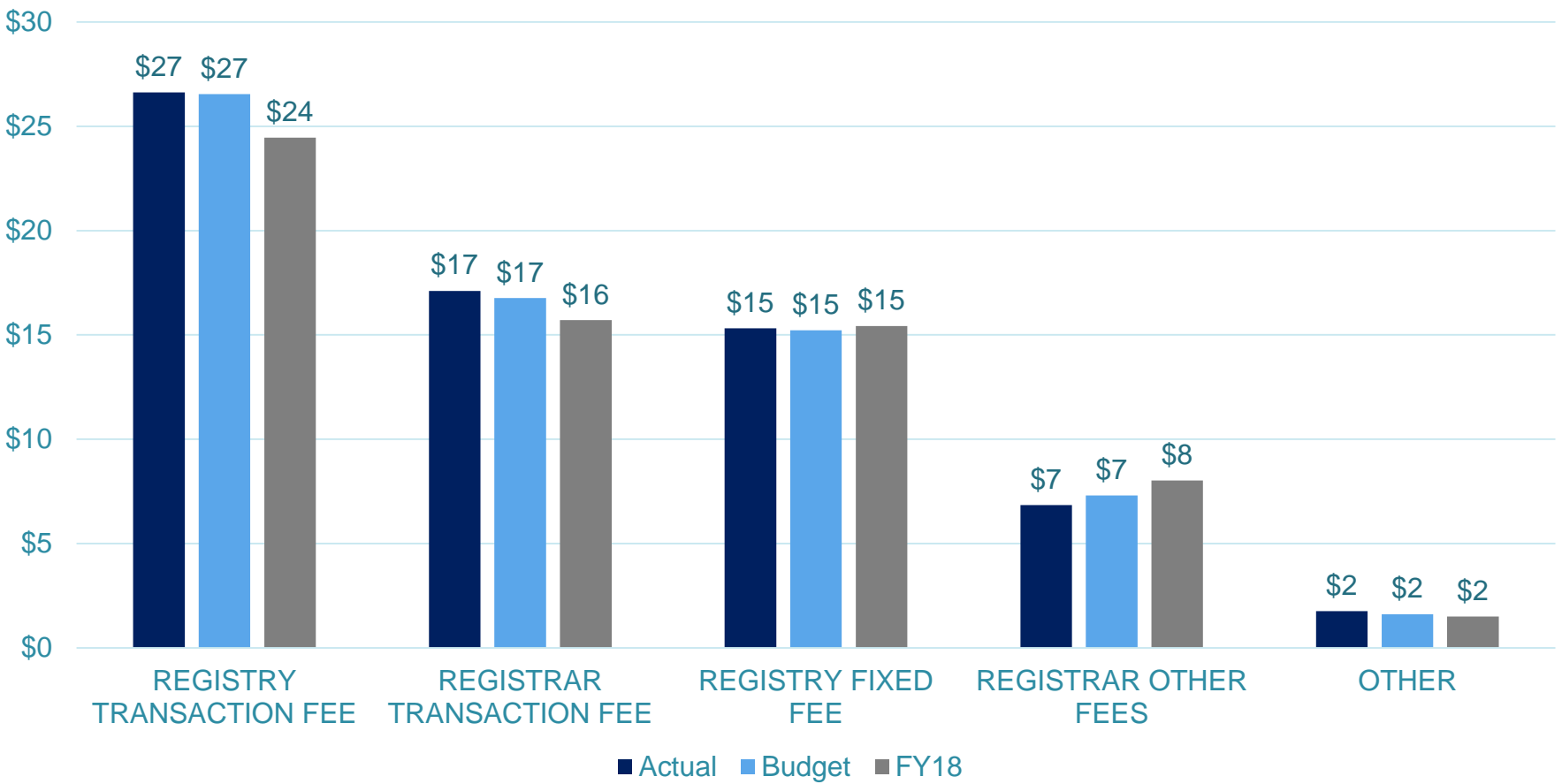
| Actual: | $ 68M |
| Budget: | $ 67M |
| FY18: | $ 65M |



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

# FY19 Year-to-date (Jul 18 – Dec 18) Operating & Capital Expense

| | |
|---|---|
| Actual: | $ 59M |
| Budget: | $ 65M |
| FY18: | $ 59M |

## Lower personnel costs and timing differences of projects vs. plan



Activities covered by the contingency have been reported in the expense categories above based on the nature of the expense. The Contingency budget year to date is $0M and $5.2M for the full year.

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

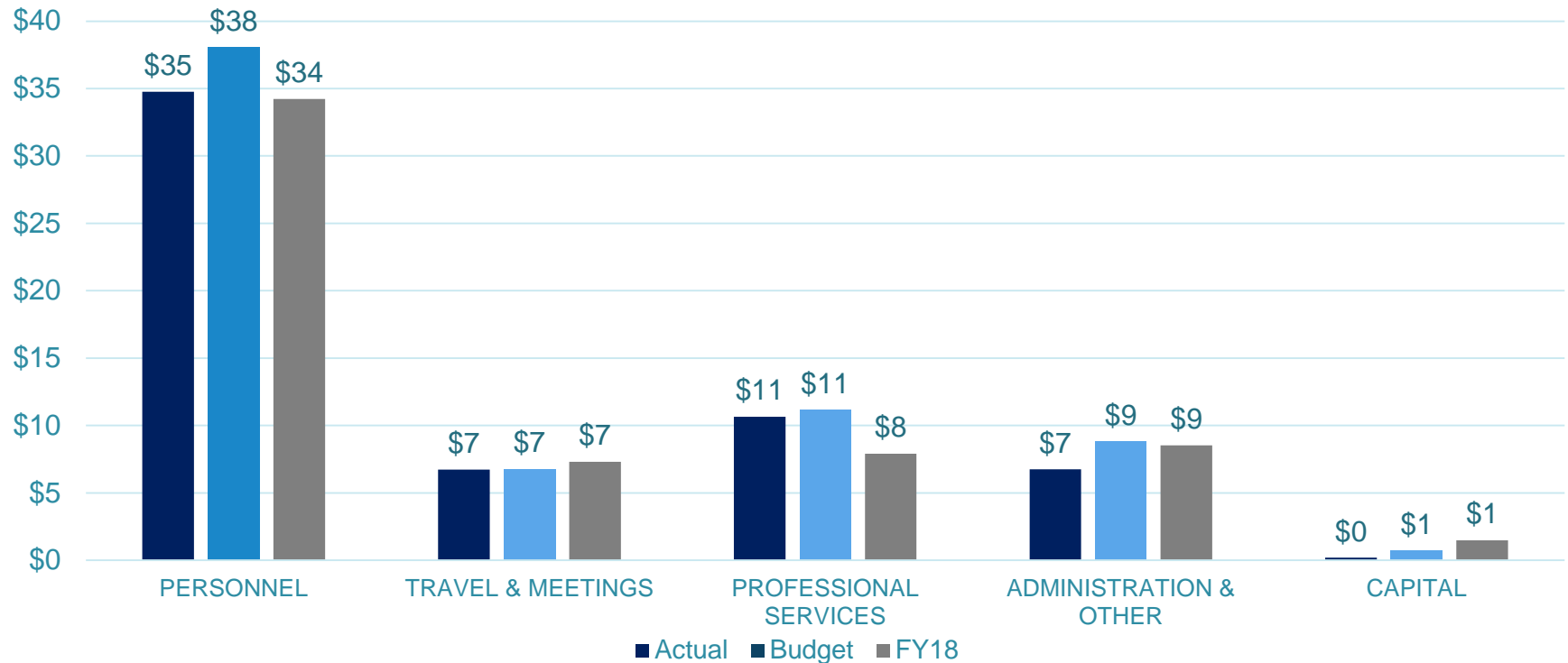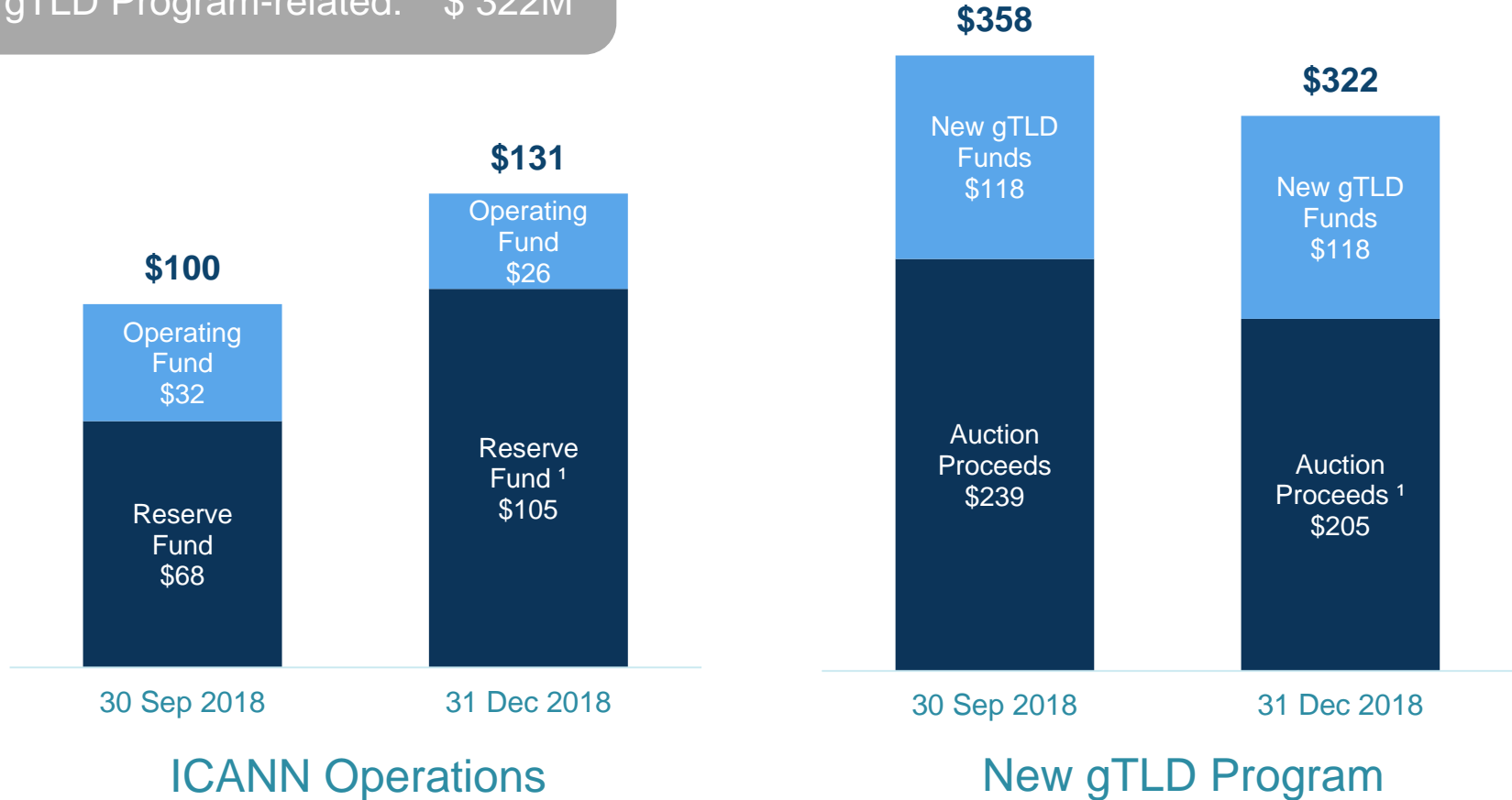# FY19 Funds Under Management as of 31 December 2018

**Total Funds:** **$ 453M**
ICANN Operations: $ 131M
New gTLD Program-related: $ 322M

### ICANN Operations

**$100**
- Operating Fund $32
- Reserve Fund $68 (30 Sep 2018)

**$131**
- Operating Fund $26
- Reserve Fund [1] $105 (31 Dec 2018)

### New gTLD Program

**$358**
- New gTLD Funds $118
- Auction Proceeds $239 (30 Sep 2018)

**$322**
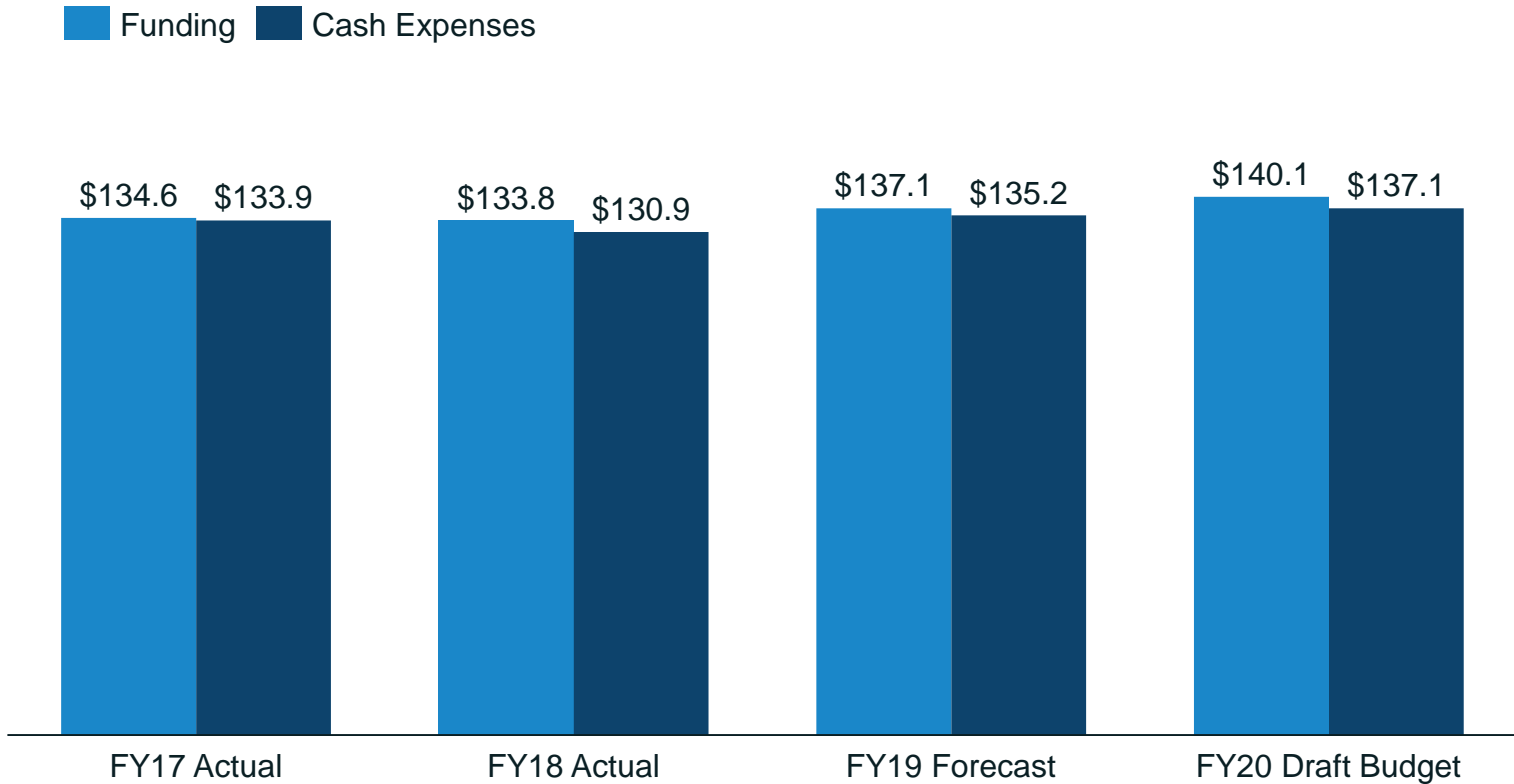- New gTLD Funds $118
- Auction Proceeds [1] $205 (31 Dec 2018)

*[1] Reflects $36M transfer from Auction Proceeds to Reserve Fund as part of Board Approved Replenishment Strategy*

# FY20 Draft Budget Highlights and Overview

# Funding and Cash Expense Trends



Funding ■ Cash Expenses

| | FY17 Actual | FY18 Actual | FY19 Forecast | FY20 Draft Budget |
|---|---|---|---|---|
| Funding | $134.6 | $133.8 | $137.1 | $140.1 |
| Cash Expenses | $133.9 | $130.9 | $135.2 | $137.1 |

◉ Funding is stabilizing and expenses are brought in line accordingly

◉ Draft FY20 Budget assumes a $3M excess that will be used to replenish the Reserve Account
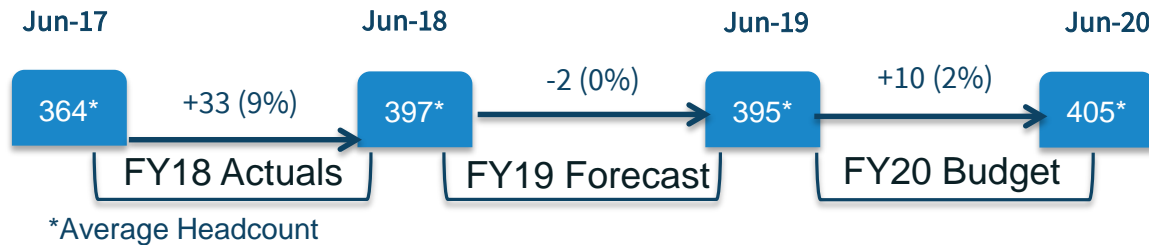
# Draft FY20 Budget Overview

**1**

## Funding growth continues to stabilize

- Funding of $140M, 2.2% above the FY19 forecast $137M
- Slower growth in funding as all new gTLDs are now delegated and transaction volumes flatten.

**2**

## Operations headcount has stabilized

| Jun-17 | | Jun-18 | | Jun-19 | | Jun-20 |
|--------|--|--------|--|--------|--|--------|
| 364* | +33 (9%) | 397* | -2 (0%) | 395* | +10 (2%) | 405* |
| | FY18 Actuals | | FY19 Forecast | | FY20 Budget | |

*Average Headcount

**3**

## Reserve Fund Contribution

- The Draft Budget includes a $3M contribution to the Reserve Fund
- Aligns with Board Approval to contribute $32M over the next 8 years

**4**

## FY20 Budget balanced

- Funding less Reserve Fund contribution = $137M = Operations expenses
- Cost containment across the organization has enabled us to offset the Reserve Fund contribution, inflation, and necessary increases
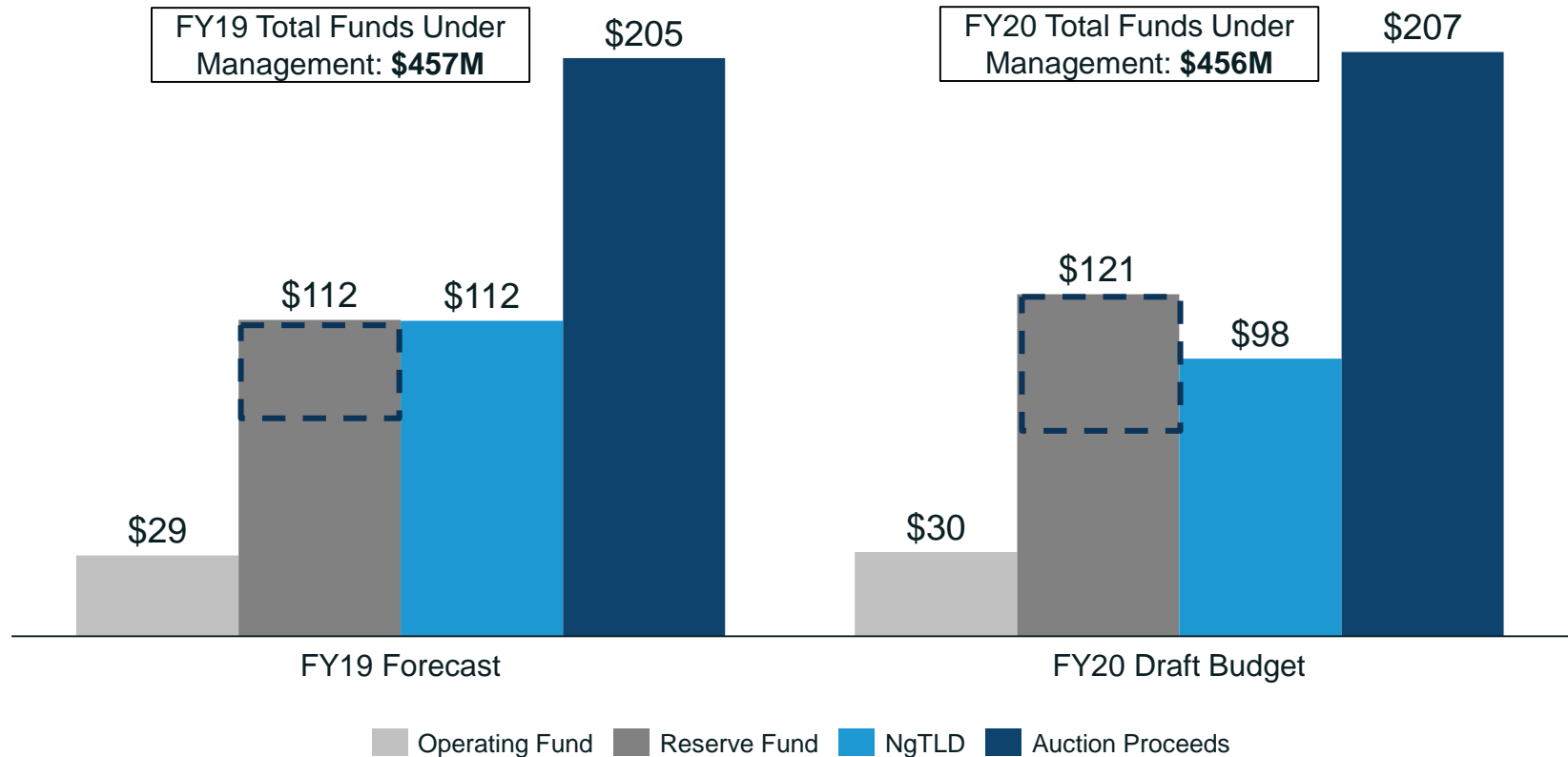
# Total ICANN Budget and Forecast- FY18-FY20

| in Millions, USD | FY18 Actuals<br>Total ICANN Operations | FY19 Forecast<br>Total ICANN Operations | Draft FY20 Budget<br>Total ICANN Operations |
|---|---|---|---|
| **Funding** | **$133.8** | **$137.1** | **$140.1** |
| | | | |
| Personnel | 69.9 | 72.0 | 76.3 |
| Travel & Meetings | 15.7 | 15.9 | 15.4 |
| Professional Svcs. | 25.1 | 23.7 | 21.6 |
| Administration [1] & Capital | 20.2 | 18.3 | 18.6 |
| Contingency [2] | | 5.2 | 5.2 |
| **Cash Expenses** | **$130.9** | **$135.2** | **$137.1** |
| | | | |
| **Increase/ (Decrease) to Net Assets** | **$3.0** | **$1.9** | **$3.0** |
| | | | |
| Reserve Fund | 3.0 | 0.0 | 3.0 |
| | | | |
| **Increase/ (Decrease) to Net Assets** | **$0.0** | **$1.9** | **$0.0** |
| | | | |
| **Average Headcount** | **397** | **395** | **405** |

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

(2) The FY19, FY20 and FY21 contingency expense represents an amount of budgeted expenses unalloc
 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.

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# Draft FY20 Budget- Funds Under Management

- FY19 Reserve Fund balance includes $36M transfer from Auction Process as part of the Board approved Reserve Fund Replenishment Strategy

- FY20 includes transfer noted above along with a planned $3M contribution from the ICANN Operations budget

FY19 Total Funds Under Management: **$457M**

FY20 Total Funds Under Management: **$456M**

$205

$207

$112   $112

$121

$98

$29

$30

FY19 Forecast

FY20 Draft Budget

Operating Fund    Reserve Fund    NgTLD    Auction Proceeds

# Overview of Public Comment Themes & Community Comment Clarification

# Public Comments- Session Objectives

**1** Provide thematic overview of submitted comments.

**2** Allow community to further clarify comments where necessary.

**3** Use clarification to better prepare staff report responses.

# Public Comments- Operating Plan & Budget Comments by Year

- The Public Comment window was open from 17 December 2018 – 8 February 2019

- Community Involvement and Engagement continues to remain high

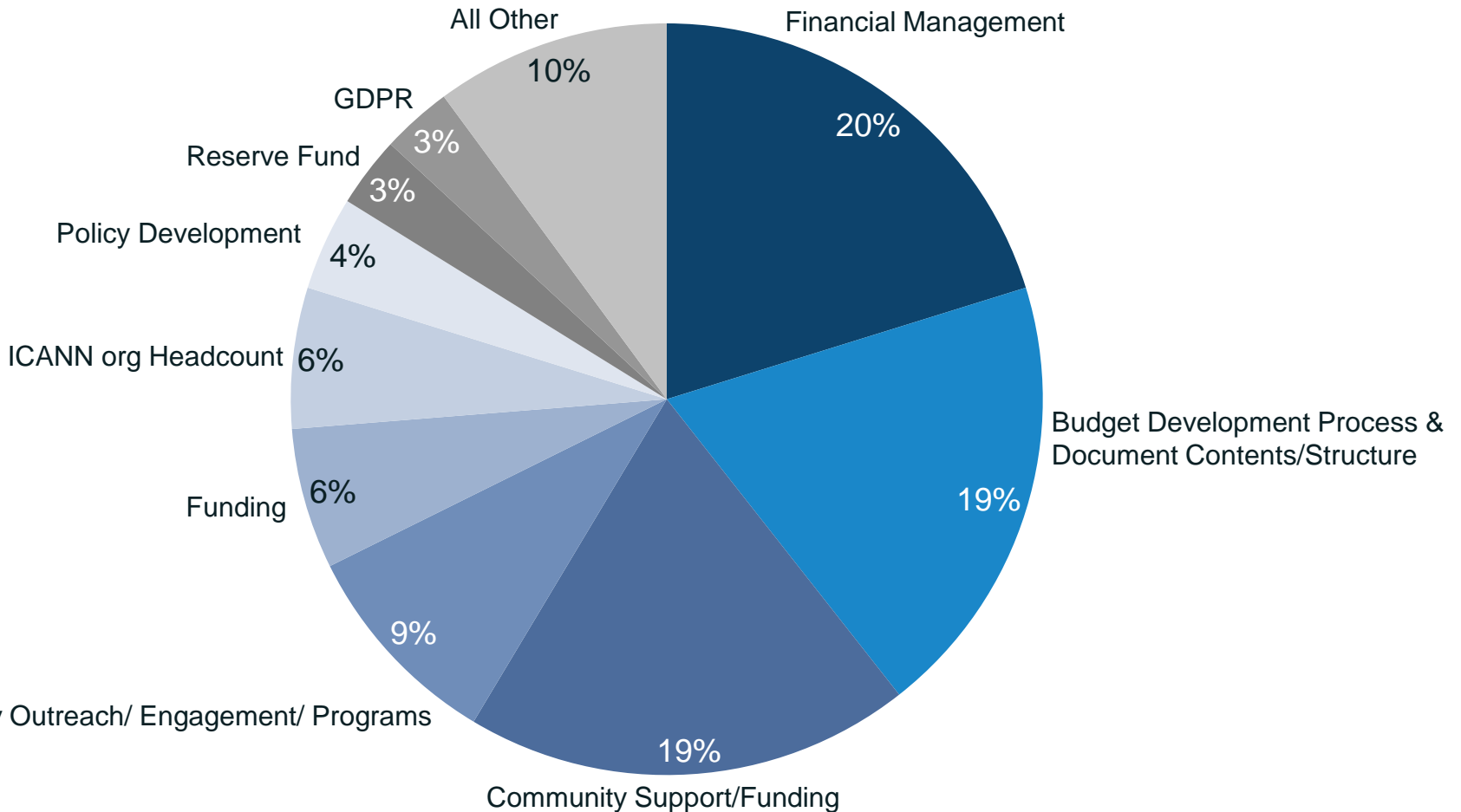- We are expecting to publish the Staff Report on 19 March 2019



| FY17 | FY18 | FY19 | FY20 |
|------|------|------|------|
| 153  | 134  | 184  | 143  |
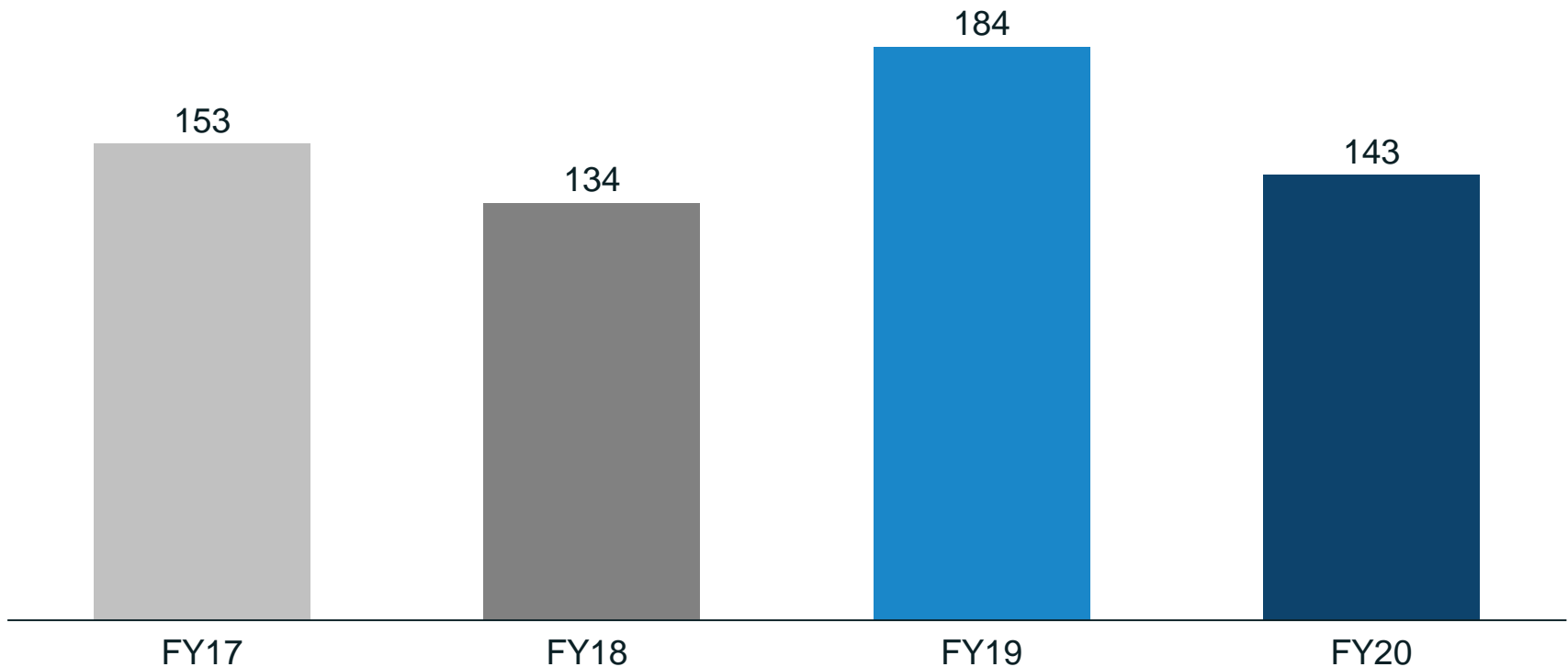
# Public Comments- By Submitter, FY19 versus FY20

| Number | Groups Submitting Comments | FY19 Number of Comments | FY20 Number of Comments | Higher/(Lower) |
|---|---|---|---|---|
| 1 | Individual | 44 | 1 | (43) |
| 2 | ccNSO Strategic and Operational Planning Committee (SOPC) | 22 | 36 | 14 |
| 3 | Non-Commercial Stakeholders Group (NCSG) | 19 | 27 | 8 |
| 4 | gTLD Registries Stakeholder Group (RySG) | 18 | 16 | (2) |
| 5 | GNSO Council | 14 | 12 | (2) |
| 6 | ISPCP | 12 | 0 | (12) |
| 7 | At-Large Advisory Committee | 9 | 10 | 1 |
| 8 | Registrar Stakeholder Group (RrSG) | 7 | 1 | (6) |
| 9 | ICANN Business Constituency (BC) | 7 | 6 | (1) |
| 10 | i2Coalition | 7 | 0 | (7) |
| 11 | Blacknight Internet Solutions Ltd | 5 | 4 | (1) |
| 12 | Namibian Network Information Center | 5 | 0 | (5) |
| 13 | Intellectual Property Constituency (IPC) | 5 | 15 | 10 |
| 14 | Security and Stability Advisory Committee (SSAC) | 2 | 2 | - |
| 15 | MarkMonitor | 2 | 0 | (2) |
| 16 | The Centre for Internet and Society | 0 | 8 | 8 |
| 17 | ICANN Governmental Advisory Committee (GAC) | 0 | 4 | 4 |
| 18 | Customer Service Committee (CSC) | 0 | 1 | 1 |
| 19 | Swahili ICANN Wiki | 1 | 0 | (1) |
| 20 | Radix | 1 | 0 | (1) |
| 21 | Fellowship alumni | 1 | 0 | (1) |
| 22 | CEO, Allegravita LLC | 1 | 0 | (1) |
| 23 | CEO of Registry Africa, Mr. Lucky Masilela | 1 | 0 | (1) |
| 24 | registry.asia | 1 | 0 | (1) |
| | **Total** | **184** | **143** | **(41)** |

# Public Comments: Thematic Breakdown FY20

## FY20 Operating Plan & Budget Public Comments- 143



All Other — 10%
GDPR — 3%
Reserve Fund — 3%
Policy Development — 4%
ICANN org Headcount — 6%
Funding — 6%
Community Outreach/ Engagement/ Programs — 9%
Community Support/Funding — 19%
Financial Management — 20%
Budget Development Process & Document Contents/Structure — 19%

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# FY20 Operating Plan & Budget- GNSO Council Public Comments by Theme

| Number | Theme | FY20 Draft Operating Pland & Budget Total Number of Comments | GNSO Council |
|---|---|---|---|
| 1 | Community Support/Funding | 27 | 6 |
| 2 | Budget Development Process & Document Contents/Structure | 27 | 2 |
| 3 | Financial Management | 28 | 2 |
| 4 | Policy Development | 6 | 1 |
| 5 | ICANN org Headcount | 9 | 1 |
| 6 | Community Outreach/ Engagement/ Programs | 13 | - |
| 7 | Information Transparency Initiative | 1 | - |
| 8 | Language Services | 1 | - |
| 9 | Organizational Reviews | 1 | - |
| 10 | Funding | 9 | - |
| 11 | Reserve Fund | 5 | - |
| 12 | GDPR | 5 | - |
| 13 | Funds Under Management | 3 | - |
| 14 | GDD Operations and gTLDs | 3 | - |
| 15 | CROP | 2 | - |
| 16 | Contractual Compliance | 1 | - |
| 17 | ICANN Meetings | 1 | - |
| 18 | Open Data Initiative | 1 | - |
| | **Total** | **143** | **12** |

# Appendix

# Public Comments: Thematic Breakdown by SO/AC

| Number | Theme | FY20 Draft Operating Pland & Budget Total Number of Comments | ALAC | GNSO Council | gTLD Registries Stakeholder Group (RySG) | Intellectual Property Constituency (IPC) | Registrar Stakeholder Group (RrSG) | Business Constituency (BC) | Customer Service Committee (CSC) | The Centre for Internet and Society | Blacknight Internet Solutions Ltd | ICANN Governmental Advisory Committee (GAC) | Non-Commercial Stakeholders Group (NCSG) | Individual | Security and Stability Advisory Committee (SSAC) | ccNSO Strategic and Operational Planning Committee (SOPC) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Financial Management | 28 | - | 2 | 3 | 3 | 1 | 2 | - | 2 | 2 | - | 7 | - | - | 6 |
| 2 | Budget Development Process & Document Contents/Structure | 27 | 1 | 2 | - | 1 | - | - | - | - | - | 1 | 2 | - | - | 20 |
| 3 | Community Support/Funding | 27 | - | 6 | - | - | - | - | 1 | - | - | 3 | 15 | - | 2 | - |
| 4 | Community Outreach/ Engagement/ Programs | 13 | 4 | - | 2 | - | - | 1 | - | 1 | - | - | - | - | - | 5 |
| 5 | Funding | 9 | - | - | 1 | 4 | - | - | - | 1 | 1 | - | - | 1 | - | 1 |
| 6 | ICANN org Headcount | 9 | - | 1 | 3 | 2 | - | - | - | 1 | - | - | 1 | - | - | 1 |
| 7 | Policy Development | 6 | 2 | 1 | 1 | - | - | - | - | - | - | - | 1 | - | - | 1 |
| 8 | Reserve Fund | 5 | - | - | 3 | 1 | - | - | - | - | - | - | - | - | - | 1 |
| 9 | GDPR | 5 | - | - | - | 2 | - | - | - | 1 | 1 | - | - | - | - | 1 |
| 10 | Funds Under Management | 3 | - | - | - | 1 | - | 1 | - | 1 | - | - | - | - | - | - |
| 11 | GDD Operations and gTLDs | 3 | - | - | 2 | - | - | - | - | 1 | - | - | - | - | - | - |
| 12 | CROP | 2 | - | - | - | - | - | 1 | - | - | - | - | 1 | - | - | - |
| 13 | Contractual Compliance | 1 | - | - | - | 1 | - | - | - | - | - | - | - | - | - | - |
| 14 | ICANN Meetings | 1 | - | - | 1 | - | - | - | - | - | - | - | - | - | - | - |
| 15 | Information Transparency Initiative | 1 | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 16 | Language Services | 1 | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 17 | Open Data Initiative | 1 | - | - | - | - | - | 1 | - | - | - | - | - | - | - | - |
| 18 | Organizational Reviews | 1 | 1 | - | - | - | - | - | - | - | - | - | - | - | - | - |
|  | **Total** | **143** | **10** | **12** | **16** | **15** | **1** | **6** | **1** | **8** | **4** | **4** | **27** | **1** | **2** | **36** |

# FY20 Planning Timeline- High Level
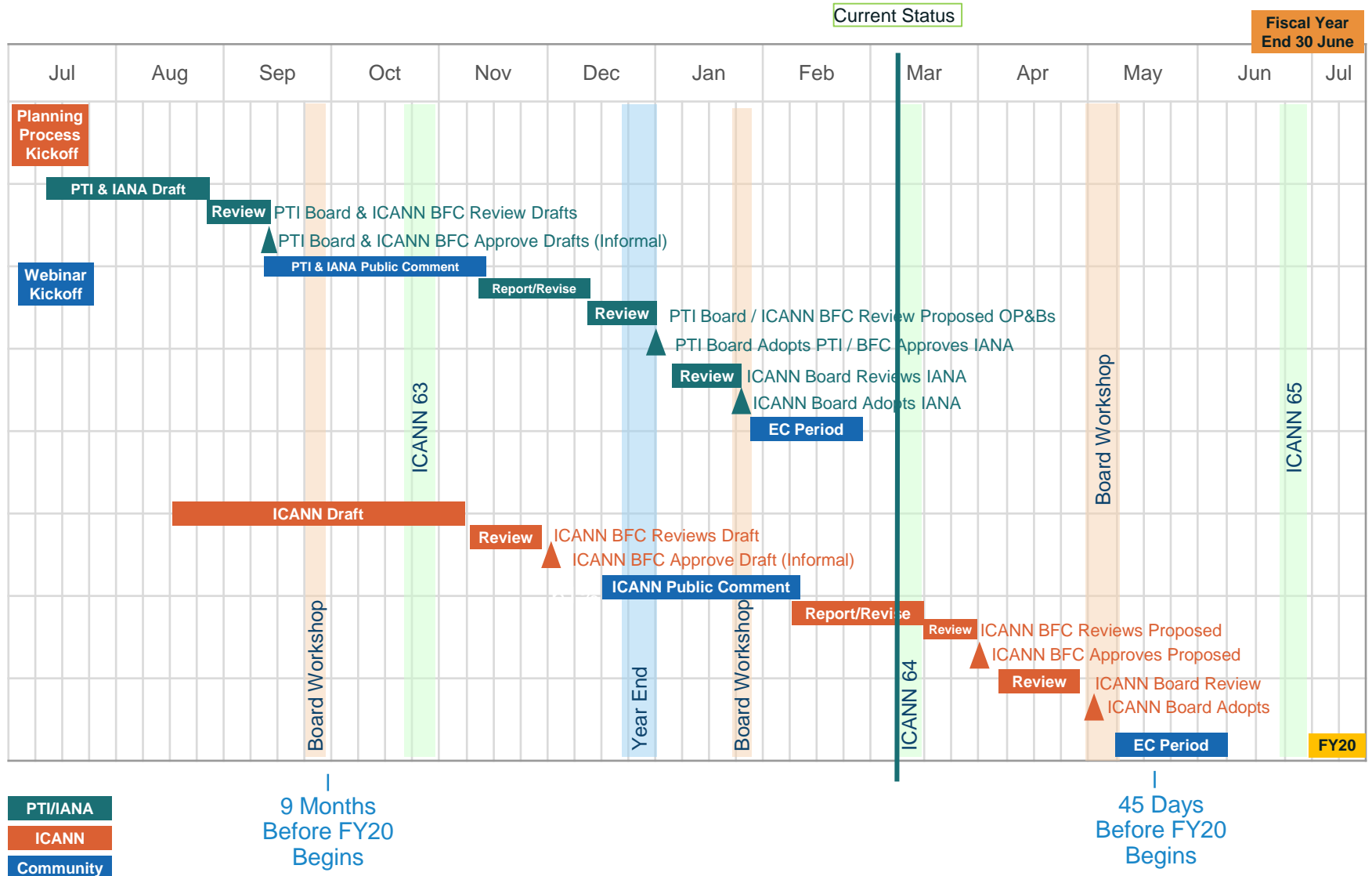
# Total ICANN FY20 Proposed Planning Timeline – Key Dates

| Step | Dates | Action By | Note |
|---|---|---|---|
| ICANN Public Comment Period | 17 Dec 2018 – 08 Feb 2019 | Community | 53 Days including 7 days for Year End |
| ICANN 64 Community Forum | 13 Mar 19 | Community | Report on Responses to Public Comment Published |
| ICANN Staff Report on Public Comment Published | 19 Mar 19 | ICANN | Staff Report Published |
| ICANN Proposed OP&B Submitted to ICANN Board | 22 Apr 2019 | ICANN Board | At Least 45 Days Before Next Fiscal Year (Per Bylaws) |
| ICANN Board Adopts | 03 May 2019 | ICANN Board | Target to allow for EC Review Period |
| Empowered Community | | | |

# FY20 SO/AC Additional Budget Request Timeline

- The FY20 SO/AC additional budget request process pertains to a dedicated part of the overall ICANN annual budget that is set aside to fund specific requests from the community for activities that are not already included in the recurring ICANN budget.

- The following timeline of the SO/AC ABR timeline is provided below.

| Timeline | Start | End |
|---|---|---|
| Kickoff | 11/5/2018 | |
| Submissions Due (send to Planning@ICANN.org) | 11/5/2018 | 1/25/2019 |
| Preliminary Review of Requests by ICANN org | 1/28/2019 | 3/8/2019 |
| SO/AC Consultations at ICANN 64 (by request, during Constituents Day) | 3/9/2019 | 3/15/2019 |
| Final Assessments and Recommendations by ICANN org | 3/18/2019 | 3/31/2019 |
| ICANN Board Finance Committee Review and Recommendation for Approval to the Board | 4/15/2019 | 4/19/2019 |
| ICANN Board Review and Approval at Board Meeting | 4/22/2019 | 5/3/2019 |

# Reserve Fund Replenishment Strategy

⊙ Following the 2nd public consultation, ICANN Org drafted a final proposed Replenishment Strategy

⊙ Strategy summary:

1. A 5-year replenishment period starting from 1 July 2018.

2. A minimum contribution from ICANN org operational excesses of US$ 20 million over 5 years.

3. A contribution from the Auction Proceeds should be made immediately for US$ 36 million.

4. A contribution from the new gTLD program remaining fees should be made immediately for US$ 12 million.

⊙ Implementation:

○ ICANN org to contribute $32m over 8 years

  • $3m from FY18 excess transferred to Reserve Fund in October 2018 (following Board approval at ICANN63)

○ Transfer (following Board approval at ICANN63) of $36m of auction proceeds into Reserve Fund.

# Financial Accountability- Reporting

ICANN staff reports results to the community in support of commitment to accountability and transparency.

| Monthly | Quarterly | Annually |
|---|---|---|
| • KPI Dashboard (Goal 3.1)<br>• Publication of on-going expenses on selected projects | • Quarterly Financial Reporting<br>• Publication of on-going expense for reviews | • Independent Auditors Report<br>• Tax Report Form 990<br>• Annual Report<br>• Operating Plan and Budget<br>• Staff Remuneration<br>• Board Compensation<br>• ccTLD Contributions |

*Link to Quarterly Accountability Indicators*

https://www.icann.org/accountability-indicators

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# How can I participate

**Attend** Budget Working Group or Finance Related sessions at **ICANN Public Meetings.**

https://meetings.icann.org/en/

Send any questions to Planning@ICANN.org

Subscribe to the community-finance@icann.org for updates on planning activities.

View current year plans for reference online.

https://www.icann.org/resources/pages/governance/planning-en

Review Quarterly Financials.

https://www.icann.org/resources/pages/governance/current-en

Review Quarterly Accountability Indicators.
https://www.icann.org/accountability-indicators