

ICANN
COMMUNITY FORUM

64

KOBE

9–14 March 2019

ICANN 64 Finance Presentation



Presenters



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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

ICANN OPERATIONS

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

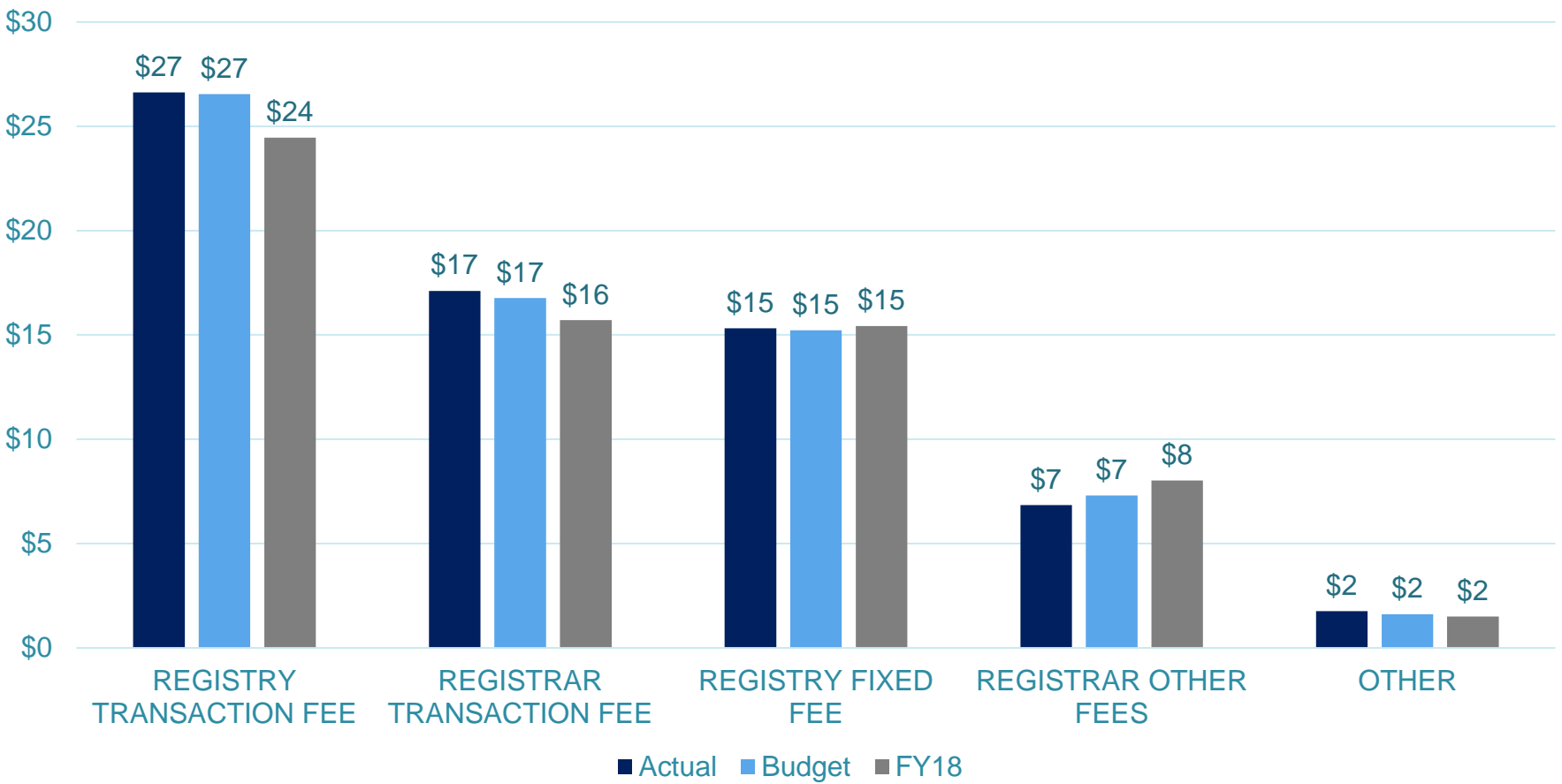
<https://www.icann.org/resources/pages/governance/current-en>

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

ICANN OPERATIONS

Actual: \$ 68M
 Budget: \$ 67M
 FY18: \$ 65M

Funding slightly above budget



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

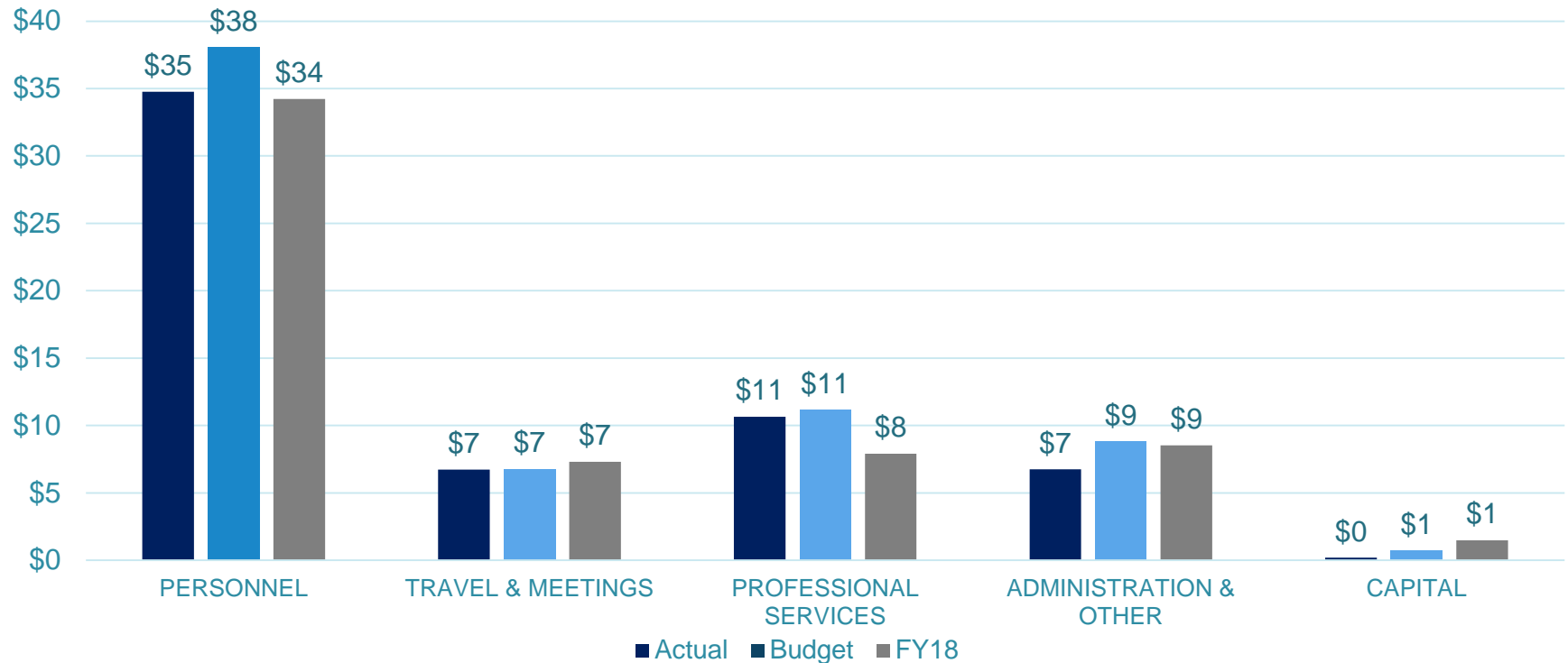


FY19 Year-to-date (Jul 18 – Dec 18) Operating & Capital Expense

ICANN OPERATIONS

Actual: \$ 59M
 Budget: \$ 65M
 FY18: \$ 59M

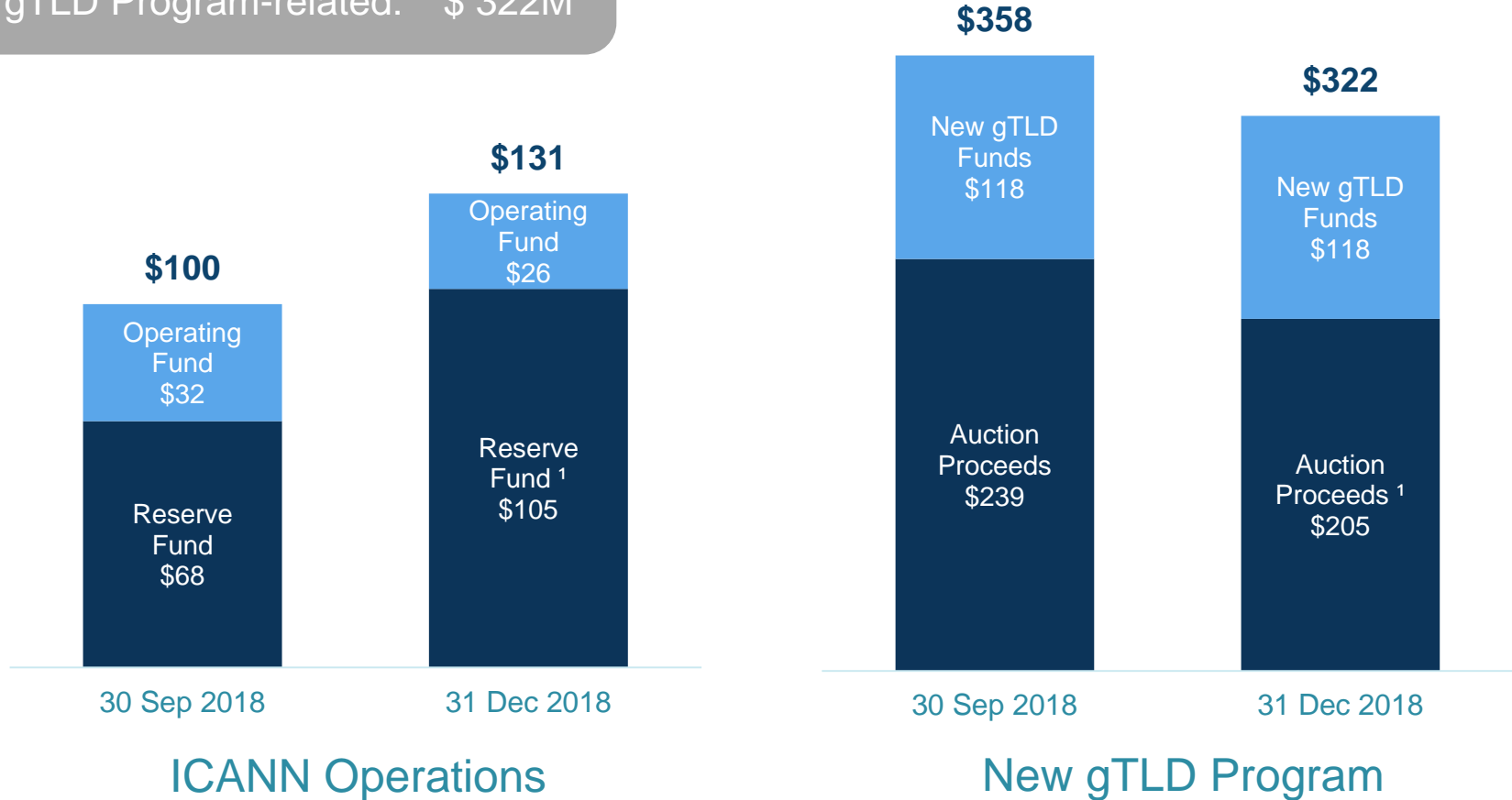
Lower personnel costs and timing differences of projects vs. plan



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.

FY19 Funds Under Management as of 31 December 2018

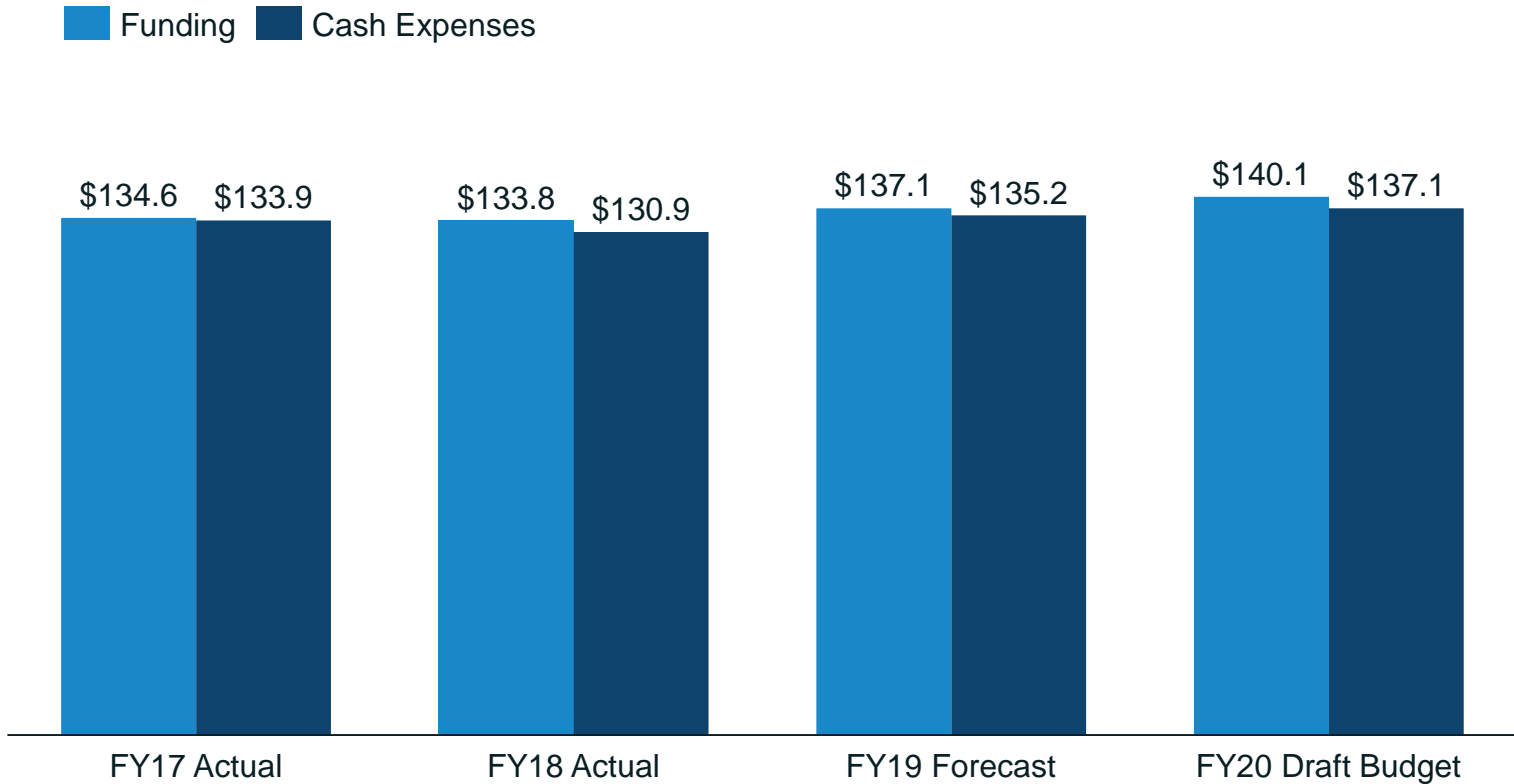
Total Funds: \$ 453M
ICANN Operations: \$ 131M
New gTLD Program-related: \$ 322M



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 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

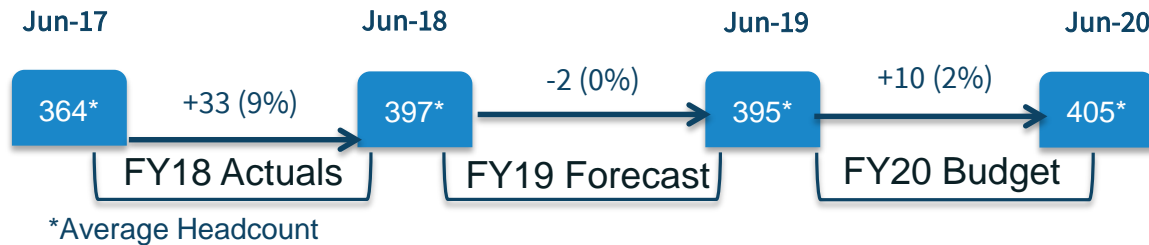
1

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



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

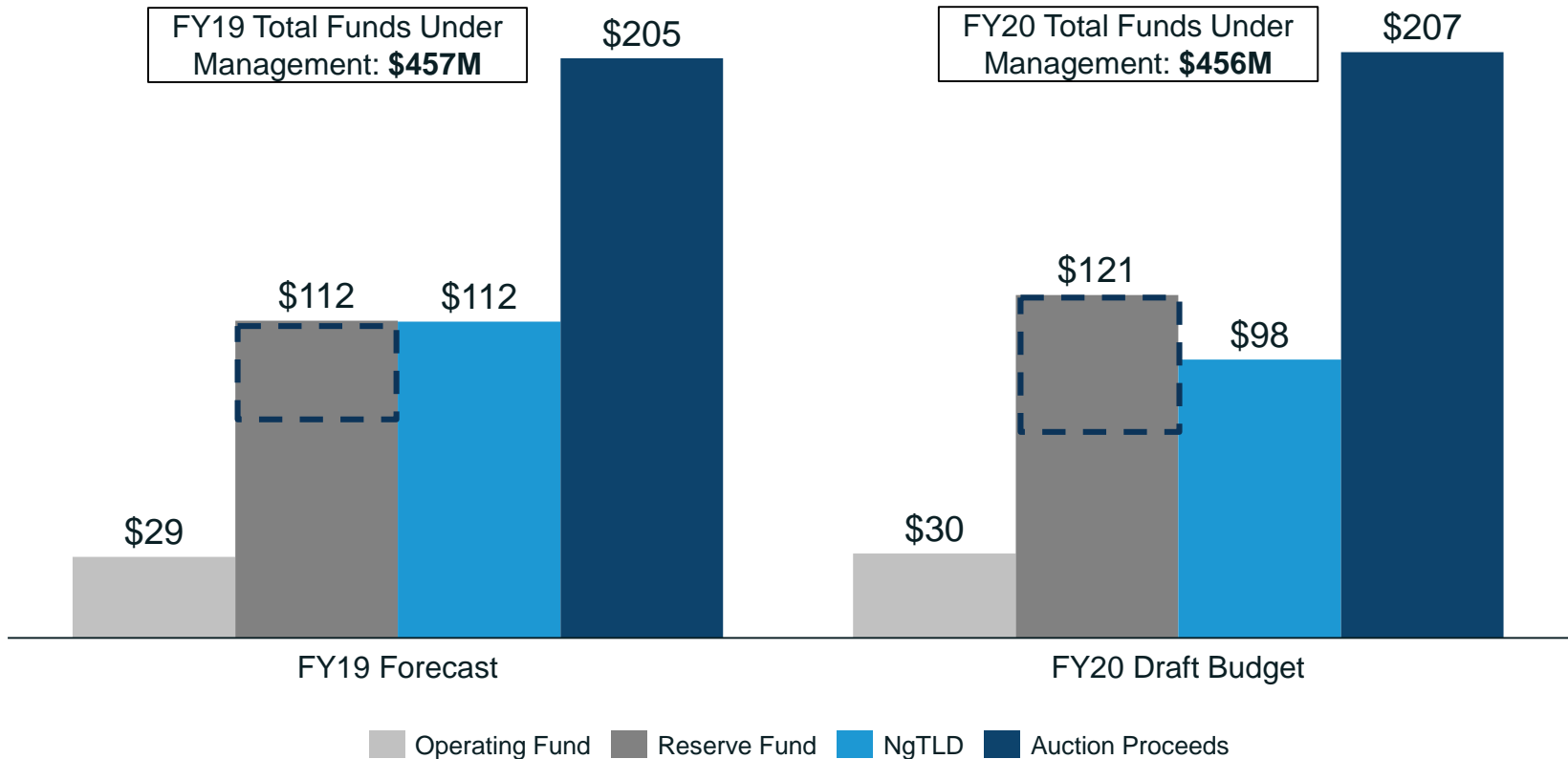
in Millions, USD	FY18 Actuals Total ICANN Operations	FY19 Forecast Total ICANN Operations	Draft FY20 Budget Total ICANN Operations
Funding	\$133.8	\$137.1	\$140.1
Personnel	69.9	72.0	76.3
Travel & Meetings	15.7	15.9	15.4
Professional Svcs.	25.1	23.7	21.6
Administration ⁽¹⁾ & Capital	20.2	18.3	18.6
Contingency ⁽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 unallo-
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.

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



Operating Fund Reserve Fund NgTLD Auction Proceeds

\$in Millions
Balance on 30 June of each fiscal year

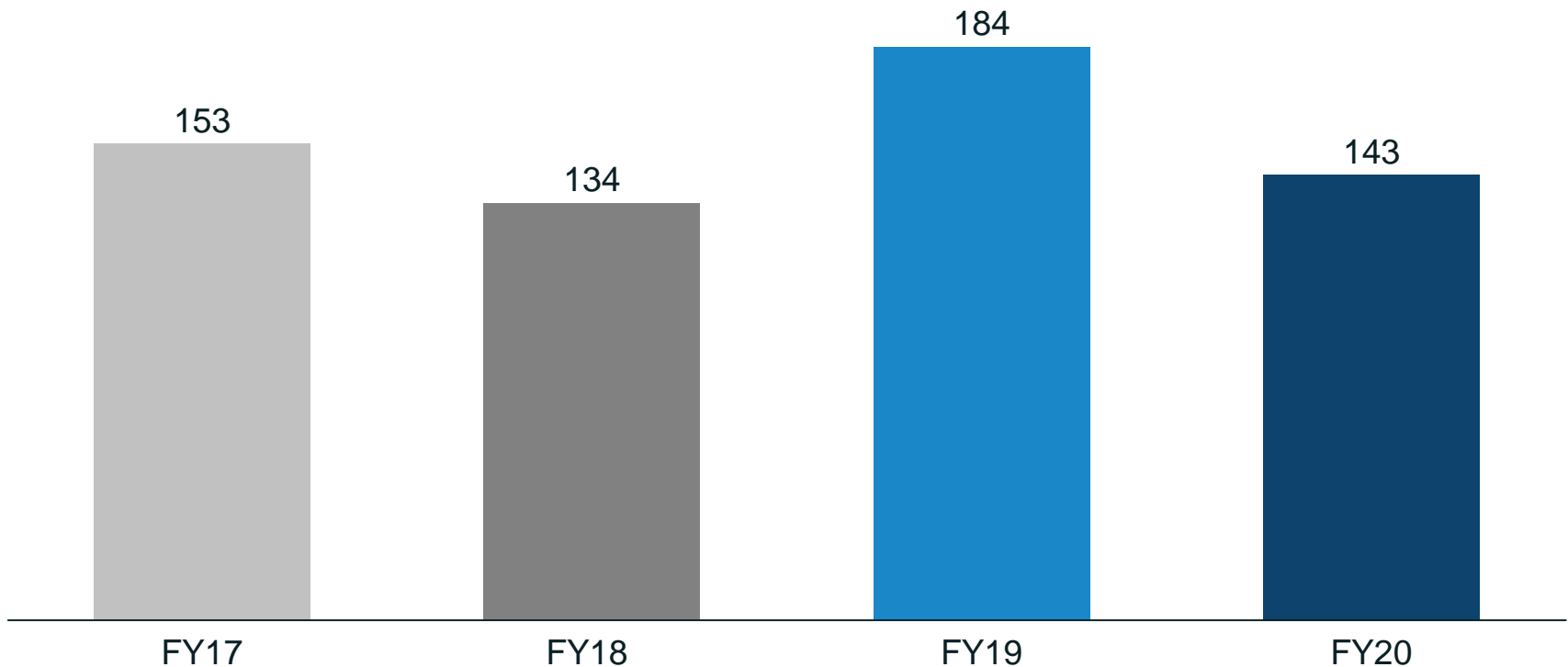
Overview of Public Comment Themes & Community Comment Clarification

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

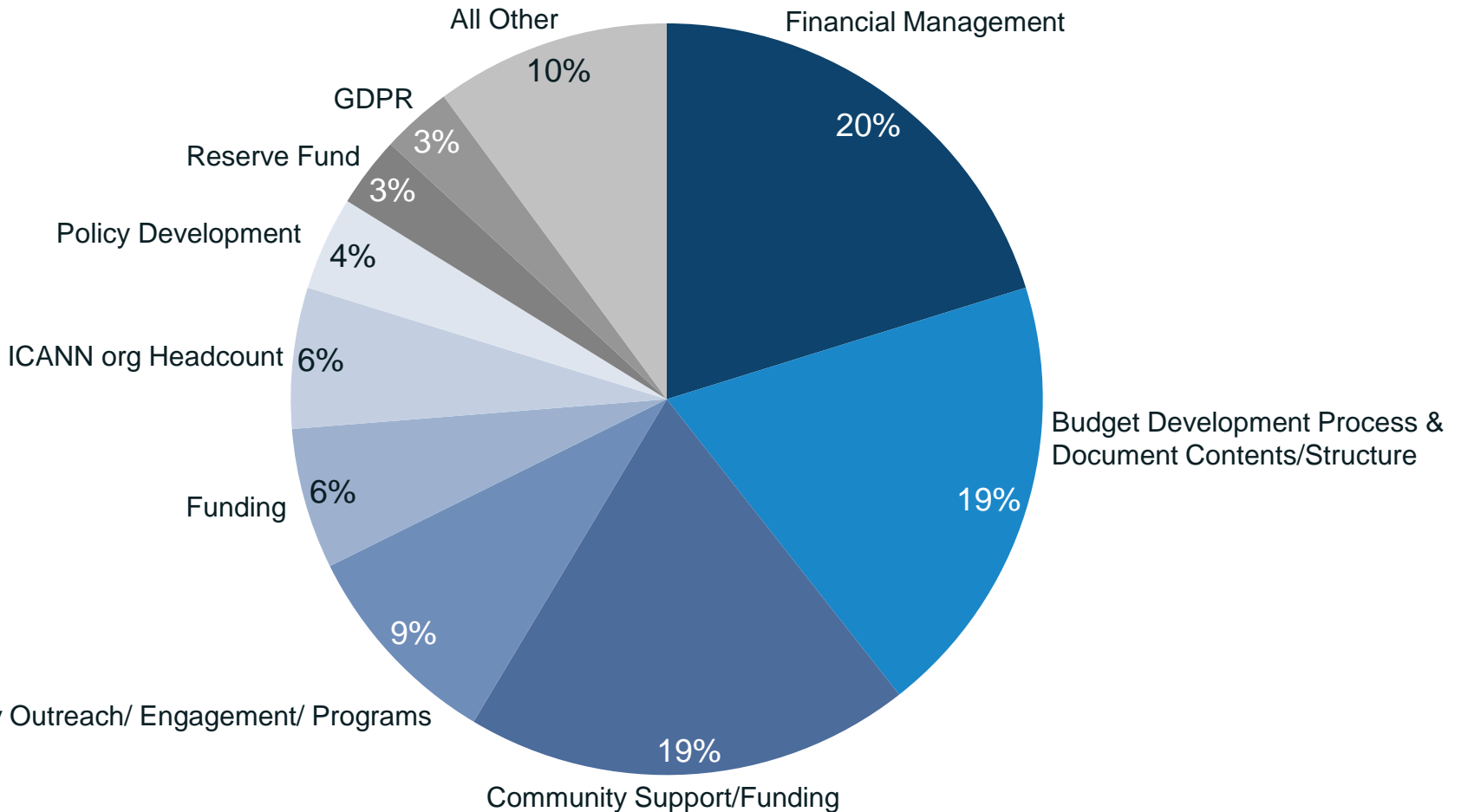


Public Comments- By Submitter, FY19 versus FY20

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	ICANN At-Large	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



FY20 Operating Plan & Budget- ALAC Public Comments by Theme

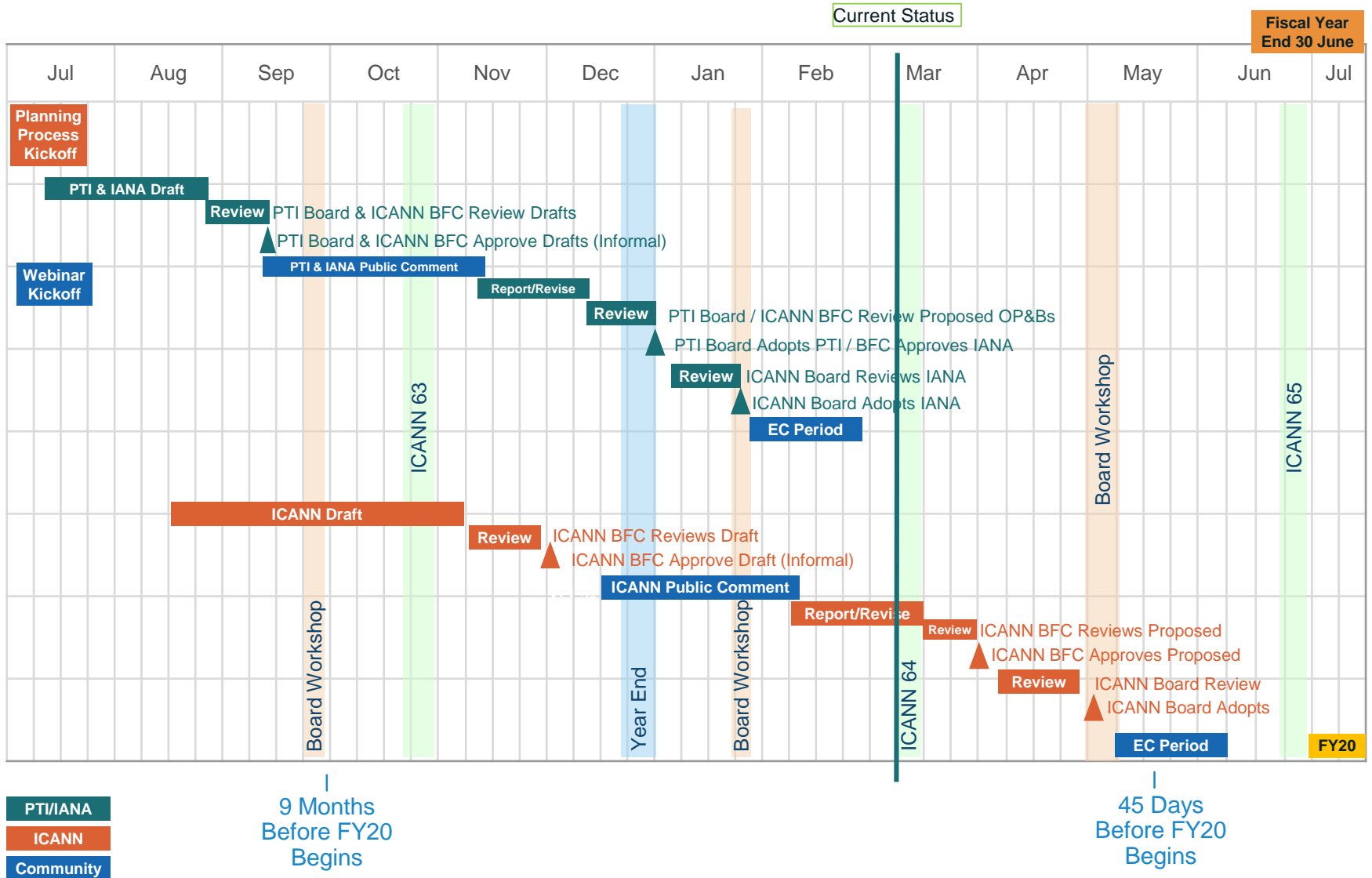
Number	Theme	FY20 Draft Operating Plan & Budget Total Number of Comments	ALAC Number of Comments
1	Community Outreach/ Engagement/ Programs	13	4
2	Policy Development	6	2
3	Budget Development Process & Document Contents/Structure	27	1
4	Information Transparency Initiative	1	1
5	Language Services	1	1
6	Organizational Reviews	1	1
7	Financial Management	28	-
8	Community Support/Funding	27	-
9	Funding	9	-
10	ICANN org Headcount	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	10

Appendix

Public Comments: Thematic Breakdown by SO/AC

Number	Theme	FY20 Draft Operating Plan & 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

- KPI Dashboard (Goal 3.1)
- Publication of on-going expenses on selected projects

Quarterly

- Quarterly Financial Reporting
- Publication of on-going expense for reviews

Annually

- Independent Auditors Report
- Tax Report Form 990
- Annual Report
- Operating Plan and Budget
- Staff Remuneration
- Board Compensation
- ccTLD Contributions

Link to Quarterly Accountability Indicators

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

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>