

I C A N N
ANNUAL GENERAL

66

MONTRÉAL

2-7 November 2019



Introduction To Finance Team



Xavier Calvez
Chief Financial
Officer



Becky Nash
VP Finance



Shani Quidwai
Director of Finance

Agenda

- ◉ FY19 Financial Results
- ◉ Planning Process
- ◉ FY21 Budget and FY21-FY25 Operating and Financial Plan:
Trends and Assumptions
- ◉ Q&A

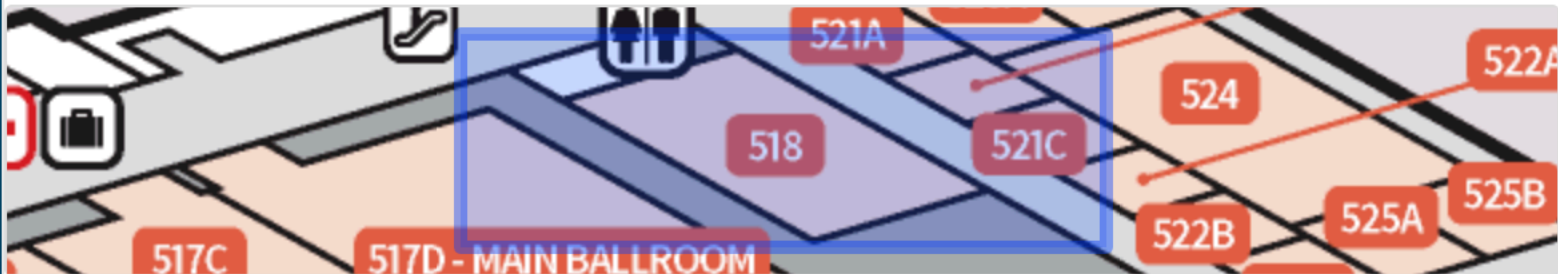
- In the essence of time, we are happy to focus the presentation on a specific topic rather than reviewing all of the materials
- You will have access to all the slides as these materials will be emailed to you
- Please contact us at Planning@ICANN.org with any further questions

<https://66.schedule.icann.org/meetings/1116983>

FY21 Annual Operating Plan and Budget and 5-Year Operating and Financial Plan

🕒 13:30 – 15:00, Wed, Nov 6, 2019

📍 518



The ICANN Planning Team will discuss the timeline and process for the FY21 Operating Plan and Budget, and the FY21–FY25 Operating and Financial Plan. There will be an opportunity to ask questions.

Session Leader: Xavier Calvez

Staff Facilitator: Shani Quidwai

PARTICIPATION LINKS

Financial Accountability- Reporting

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

Throughout the year

- Quarterly Financial Reporting
- Publication of the CEO Report
- Accountability Indicators
- ICANN Meetings travel reports

Annually

- Independent Auditors Report ✓
- Annual Report ✓
- Board Expenses ✓
- ccTLD Contributions ✓
- Funding by Source ✓
- Operating Plan and Budget
- Tax Return (Form 990)
- Staff Remuneration Practices

Link to Accountability Indicators & Financials:

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

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



FY19 Results

FY19 Year End Financial Highlights

- ⦿ ICANN Operations funding was \$3M higher than FY18 and \$1M lower than our budget
 - Funding was lower than budget mainly due to a slower than anticipated growth of the new TLDs registrations and a delay with the privacy proxy program
- ⦿ We were successful in managing our FY19 expenses, \$1M lower than FY18 and \$8M lower than the budget
 - Expenses are lower than budget primarily due to lower than planned headcount
- ⦿ ICANN Operations generated an operational excess of \$6M, actual funding of \$136M and cash expenses of \$130M

FY19 Expenses

| USD in millions Unaudited | FY19 Actual | FY19 Budget | FY19 Actual vs. Budget | | FY18 Actual | FY19 Actual vs. FY18 Actual | |
|--------------------------------|----------------|----------------|---------------------------|-----------|----------------|--------------------------------|-----------|
| Personnel | \$72.3 | \$76.5 | \$4.2 | 5% | \$69.3 | (\$3.0) | -4% |
| Travel & Meetings | 15.3 | 15.9 | 0.6 | 4% | 15.7 | 0.4 | 3% |
| Professional Services | 20.0 | 21.7 | 1.7 | 8% | 22.6 | 2.6 | 11% |
| Admin and Other ⁽¹⁾ | 16.5 | 17.3 | 0.8 | 4% | 17.7 | 1.2 | 7% |
| Capital | 0.9 | 1.1 | 0.2 | 16% | 2.4 | 1.5 | 61% |
| Contingency ⁽²⁾ | 5.0 | 5.2 | 0.2 | 4% | 3.4 | (1.6) | -46% |
| Cash Expenses | \$130.0 | \$137.7 | \$7.7 | 6% | \$131.2 | \$1.1 | 1% |

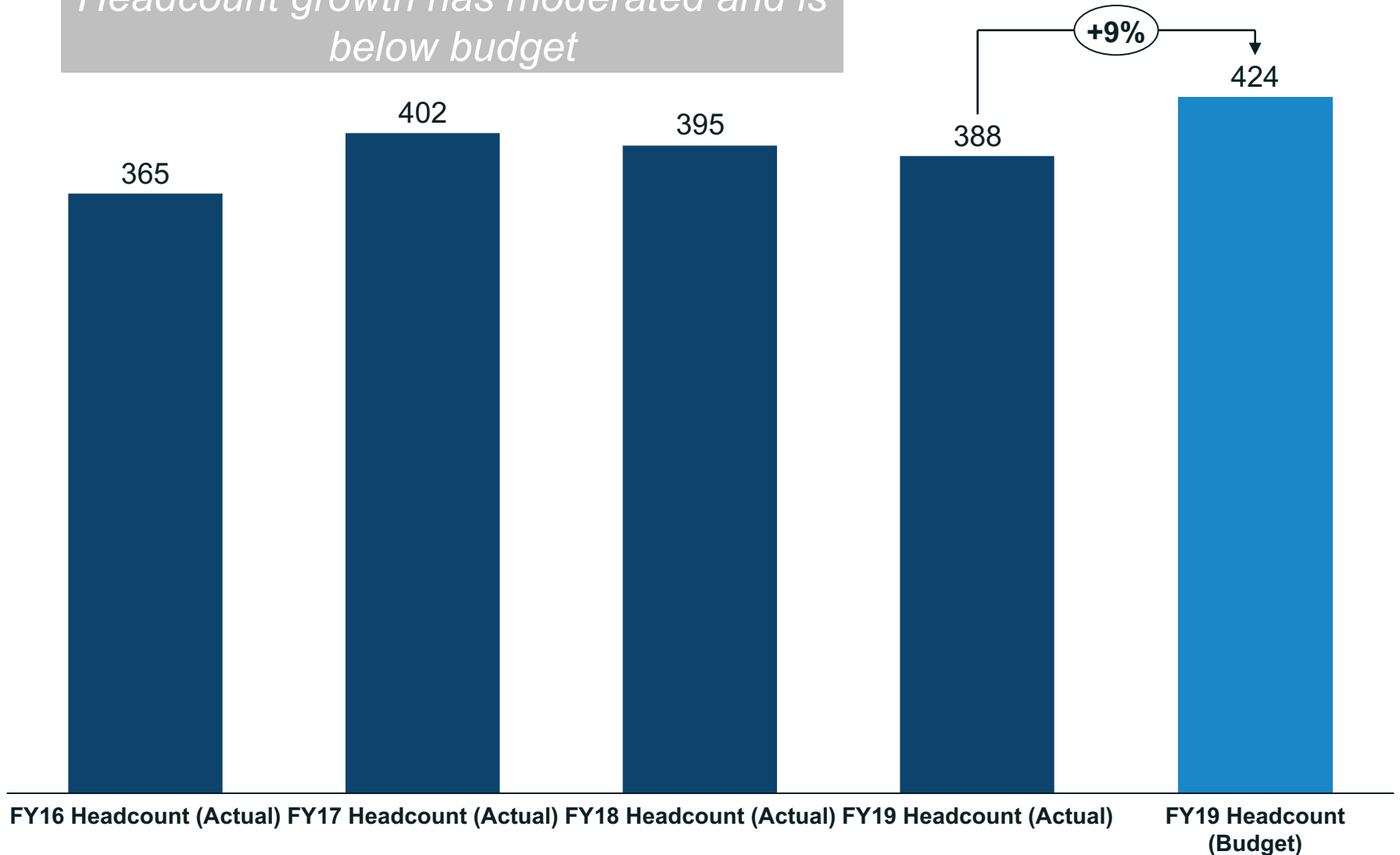
(1) Excludes depreciation, bad debt, investment (income)/ expense and (ii) historical development cost reimbursements from the New gTLD Program.

(2) Contingency actuals have been extracted from their respective cost categories and aggregated on this line. Contingency budget of \$5.2M is spread over six months beginning January 2019.

- Personnel expense is lower than budget driven by open positions. End of period headcount is 36 lower than budget and average headcount is 32 lower than budget.
- Travel and Meetings expenses are \$0.6M lower than budget, primarily driven by lower ICANN meeting related expense: ICANN63 \$0.2M and ICANN64 \$0.3M.
- Professional Services are \$1.7M lower than budget with favorability across many functions

Headcount Trending (End of Period)

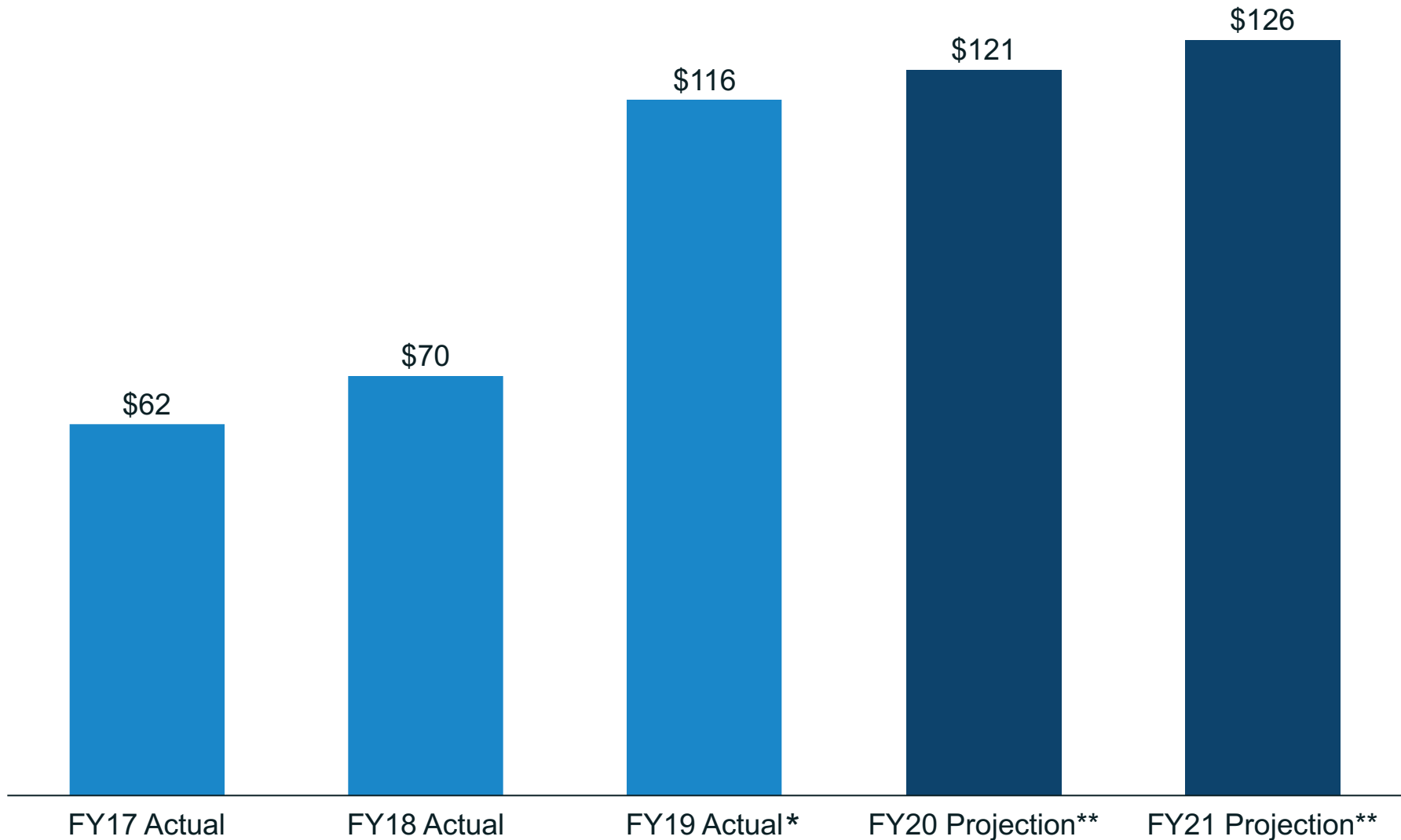
Headcount growth has moderated and is below budget



Reserve Fund Replenishment Strategy

- The Reserve Fund is a crucial component in ensuring ICANN's long-term financial accountability, stability, and sustainability. The Reserve Fund was depleted in recent years to cover for exceptional expenses incurred during the IANA stewardship transition.
- ICANN org collaborated with the Board and community to develop a strategy to replenish the Reserve Fund.
- The Board approved an eight-year plan to replenish the Reserve Fund to an amount that would equal approximately one year of Operating Expenses.
- The org has made significant progress in replenishing the Reserve Fund and is tracking ahead of the replenishment plan approved by the Board.
- The balance in the Reserve Fund was \$116 million which is an increase of \$47 million as compared with the prior year, primarily resulting from a transfer of \$36 million from Auction Proceeds and a contribution from operational surpluses.
- ICANN org plans to continue increasing the Reserve Fund on an annual basis.

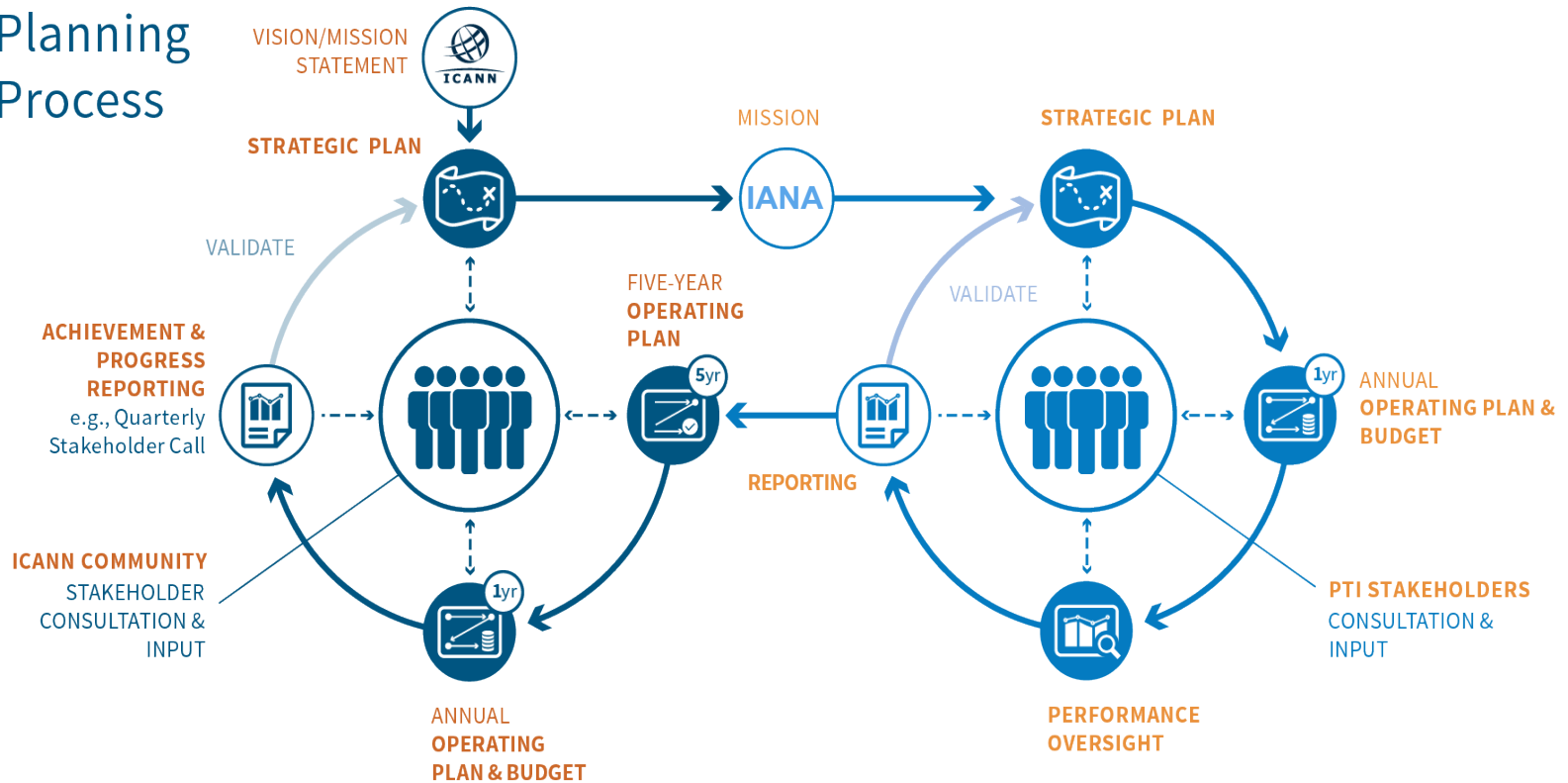
Reserve Fund- Historical and Projected Balance



ICANN Planning Process

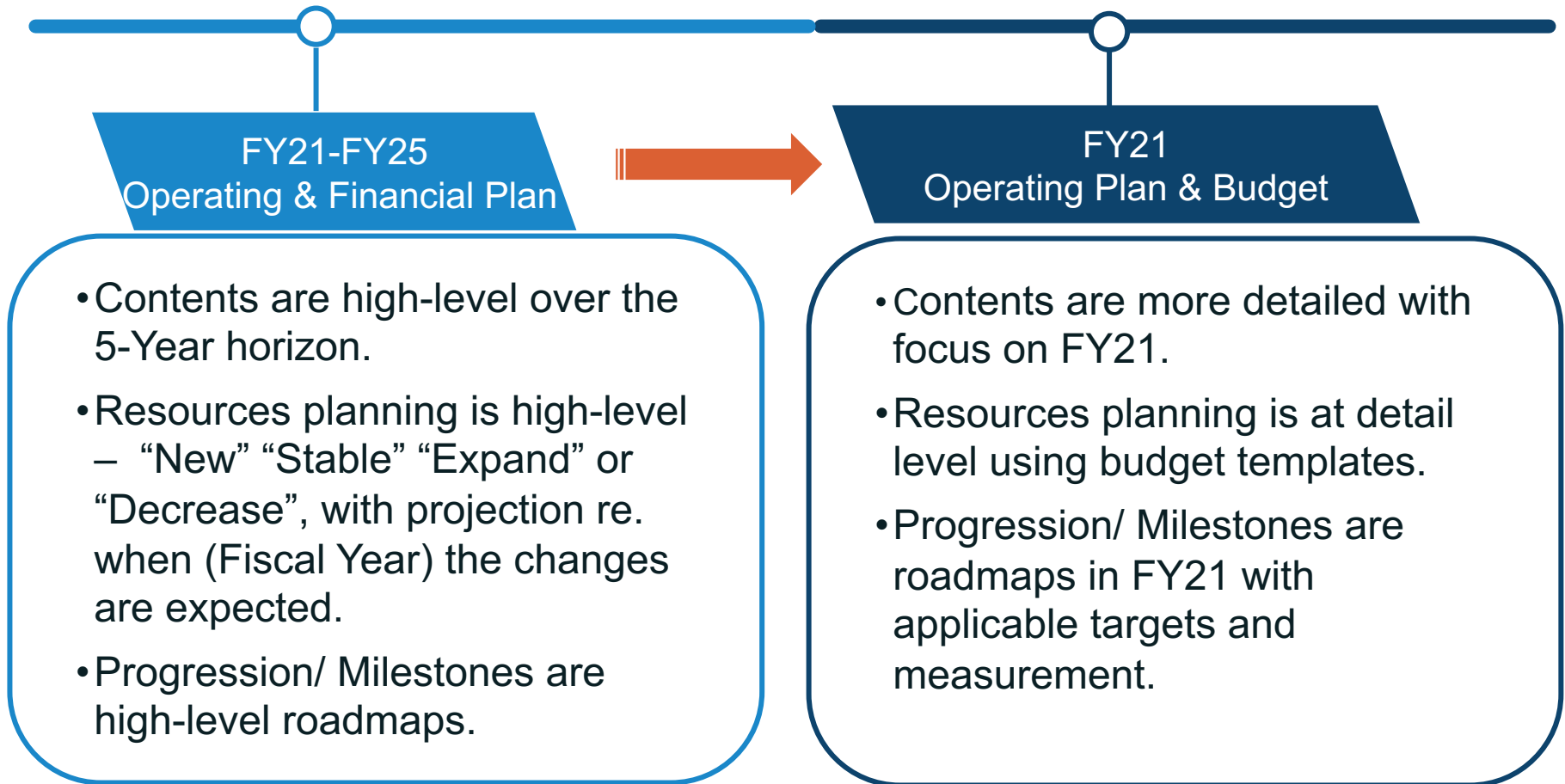
Process Overview: Planning Process Steps

Planning Process

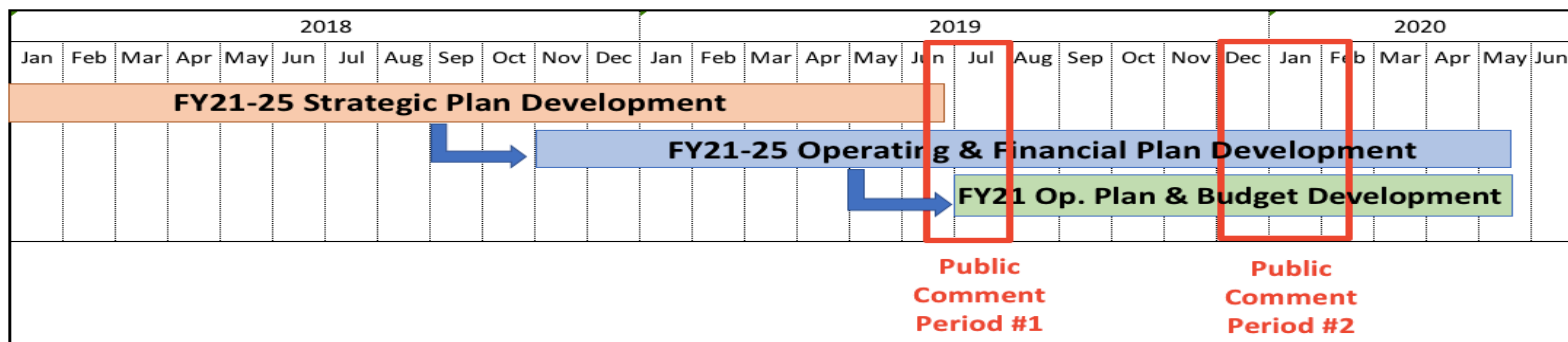


FY21-FY25 O&FP vs. FY21 OP&B

Both describe the work of the organization – purpose, activities, connection to the Strategic Plan, resources, considerations (risks, dependencies, challenges) and progression/ milestones.



FY21-25 O&FP and FY21 OP&B- Progress Update



| What | Who | When |
|-------------------------------------------------------------------------------------------|-------------------|-------------------------------------|
| ✓ FY21-25 O&FP Public Comment Period #1 | Community | 14 Jun – 5 Aug 2019 |
| ✓ Overview of FY21-25 O&FP development and Public Comment #1 materials | Community | Pre-ICANN65 Webinar on 17 June 2019 |
| ✓ Review Public Comment #1 inputs and plan development of both FY21-25 O&FP and FY21 OP&B | Board | Board Workshop Sep 2019 |
| Review draft FY21-25 O&FP for Public Comment #2 | Board | ICANN66 Nov 2019 |
| Review draft FY21OP&B for Public Comment | BFC | Early Dec 2019 |
| FY21-25 O&FP Public Comment Period #2 FY21 OP&B Public Comment Period | Community | Dec 2019 – Feb 2020 |
| Review Public Comment inputs and finalize development of both FY21-25 O&FP and FY21 OP&B | Board & Community | ICANN67 Mar 2020 |
| Review for Plan adoption of both plans | Board | Board Workshop May 2020 |
| Empowered Community Period | Community | May – Jun 2020 |

Additional Budget Request: FY21 Key Dates

Community Kick off and
Submission period

11 November 2019- 31 January 2020

SO/AC Consultations
at ICANN 67

7 March 2020-12 March 2020

Notify SO/ACs of Publication

6 May 2020- 12 May 2020

Publication on Website

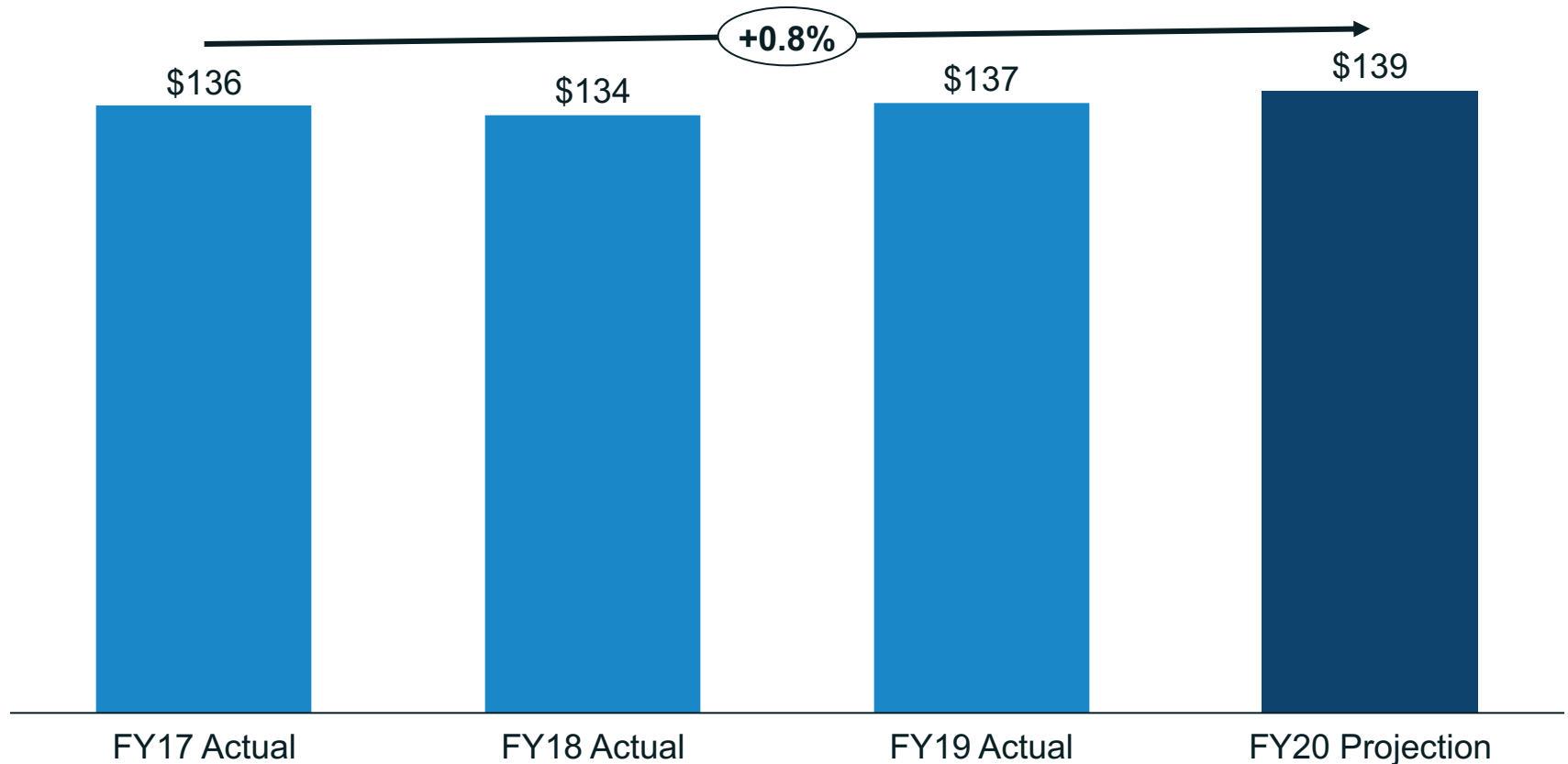
12 May 2020

FY21 Budget and FY21-FY25 Operating and Financial Plan

Trends & Assumptions

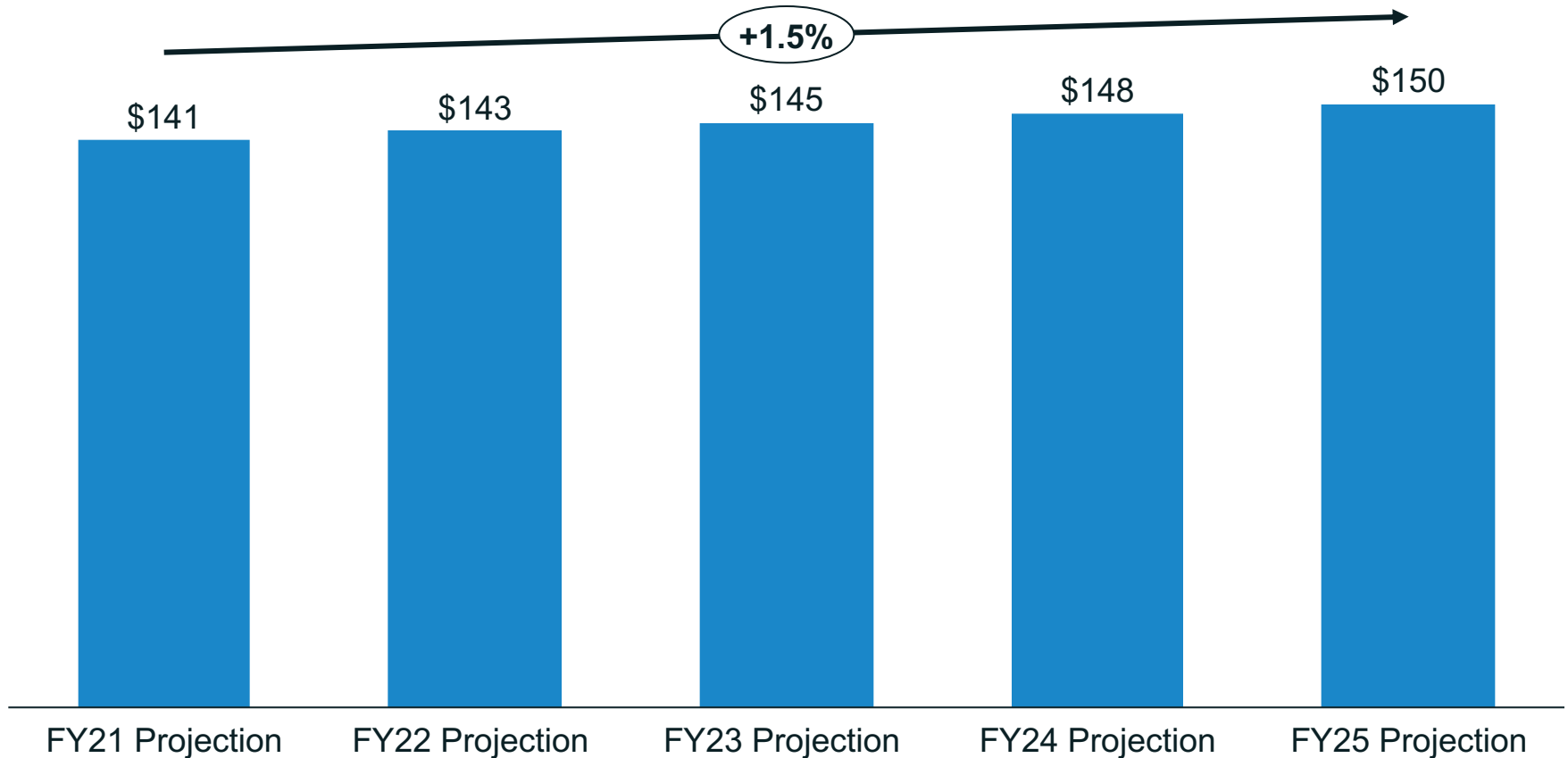
Recent Funding Trends

- Funding has stabilized and is growing at a very modest rate, this directly impacts our Budget



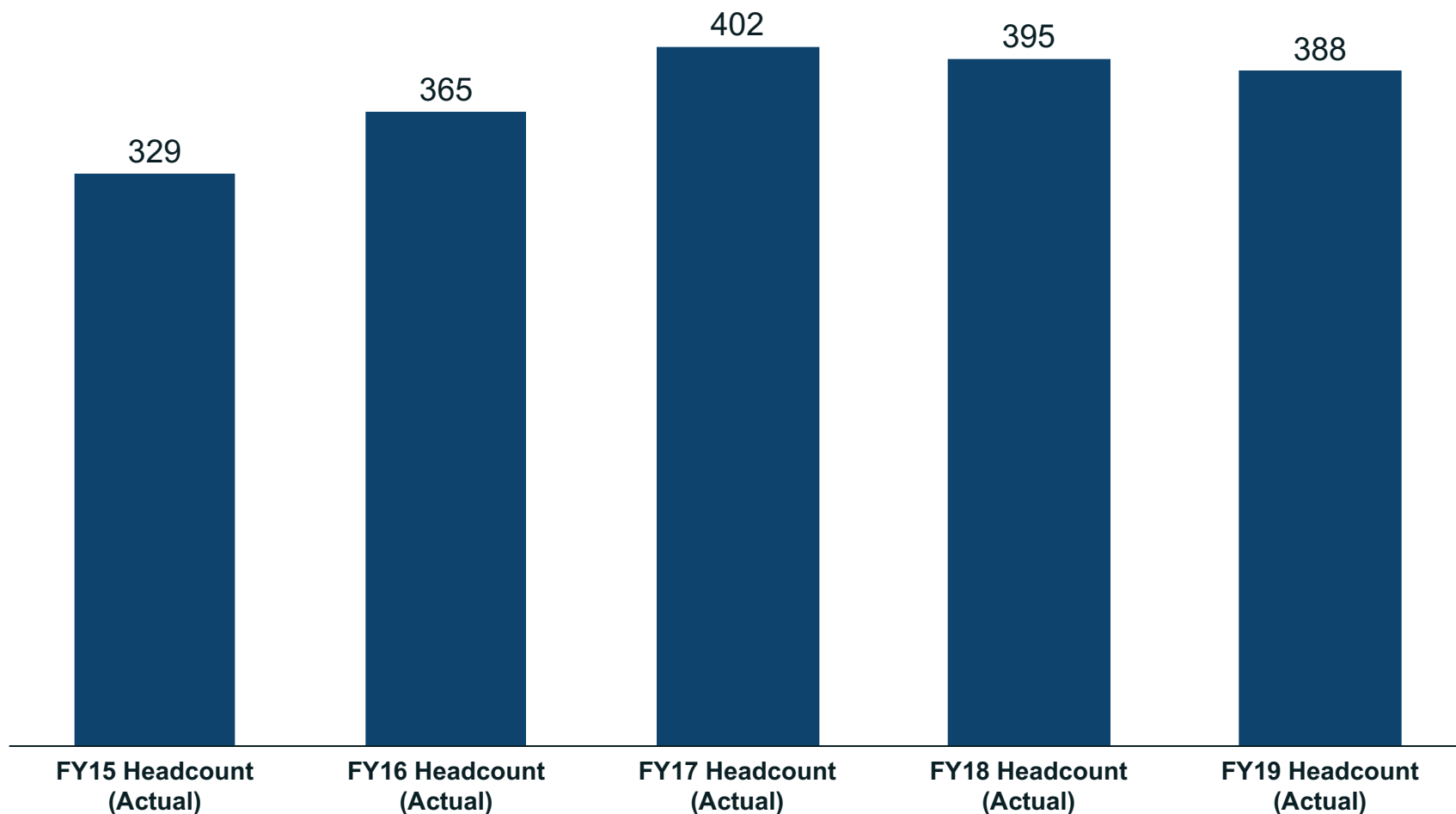
5 Year Funding Projections

- We expect the trend of moderate growth to continue; our base case 5-Year Funding projections suggest that growth will be less than inflation



Headcount Trending (End of Period)

- ICANN headcount has begun to stabilize in alignment with our Funding growth



Planning Expense Assumptions

- ICANN organization's activities and projects result directly or indirectly from Bylaws requirements, and from decisions made by the Board based on community-led policies or recommendations
 - At this time, we are not including implementation work from future Board decisions that have yet to be approved
 - The Budget will include contingency funding for unplanned work that has yet to be approved
- The FY21 draft budget and 5 Year plan will include a planned contribution to the Reserve Fund
- Headcount is expected to remain relatively stable
- The FY21 draft budget and 5 Year plan will be a balanced budget where expenses plus a planned contribution to the reserve fund will not exceed funding



Thank You and Questions

Visit us at icann.org/

Email: planning@icann.org



[@icann](https://twitter.com/icann)



facebook.com/icannorg



youtube.com/icannnews



flickr.com/icann



linkedin/company/icann



slideshare/icannpresentations



soundcloud/icann