ICANN
ICANN | 54
Dublin
18-22 OCTOBER 2015

Operating Plan and Budget Working Group

| Dublin | 18 October 2015

Agenda

1. WG purpose, approach & desired outcome

   15mins

2. Revenue
   FY15 results, FY16 budget & FY17 model

   45mins

3. USG Stewardship Transition

   45mins

4. FY17 OP&B Process Lessons Learned, Requirements, Content/ Format & Calendar

   30mins

5. Action Items & Next steps

   15mins

FY17 OP&B WG

Purpose, Approach and Desired Outcome

Purpose/ Approach/ Desired Outcome

1

Purpose

Not a consultation, no representation role
Participation based on interest and competence
Second year session single as a step in the budget process

2

Approach

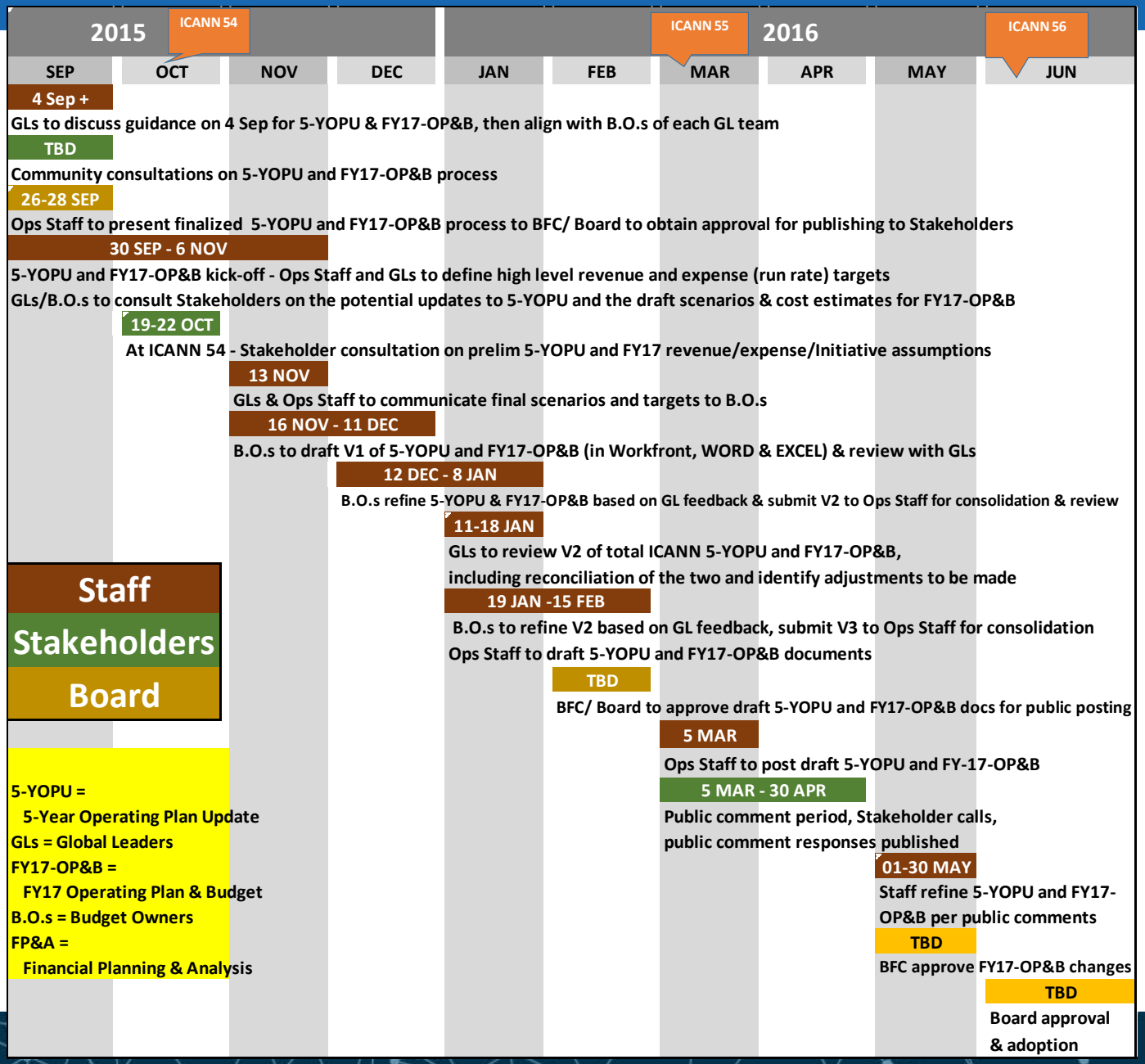
Timing of ICANN54: Early in the budget process before development of budget.
Review the process and budget assumptions from the point of view of ICANN's management
Constructive input: Comments, criticism proposals

3

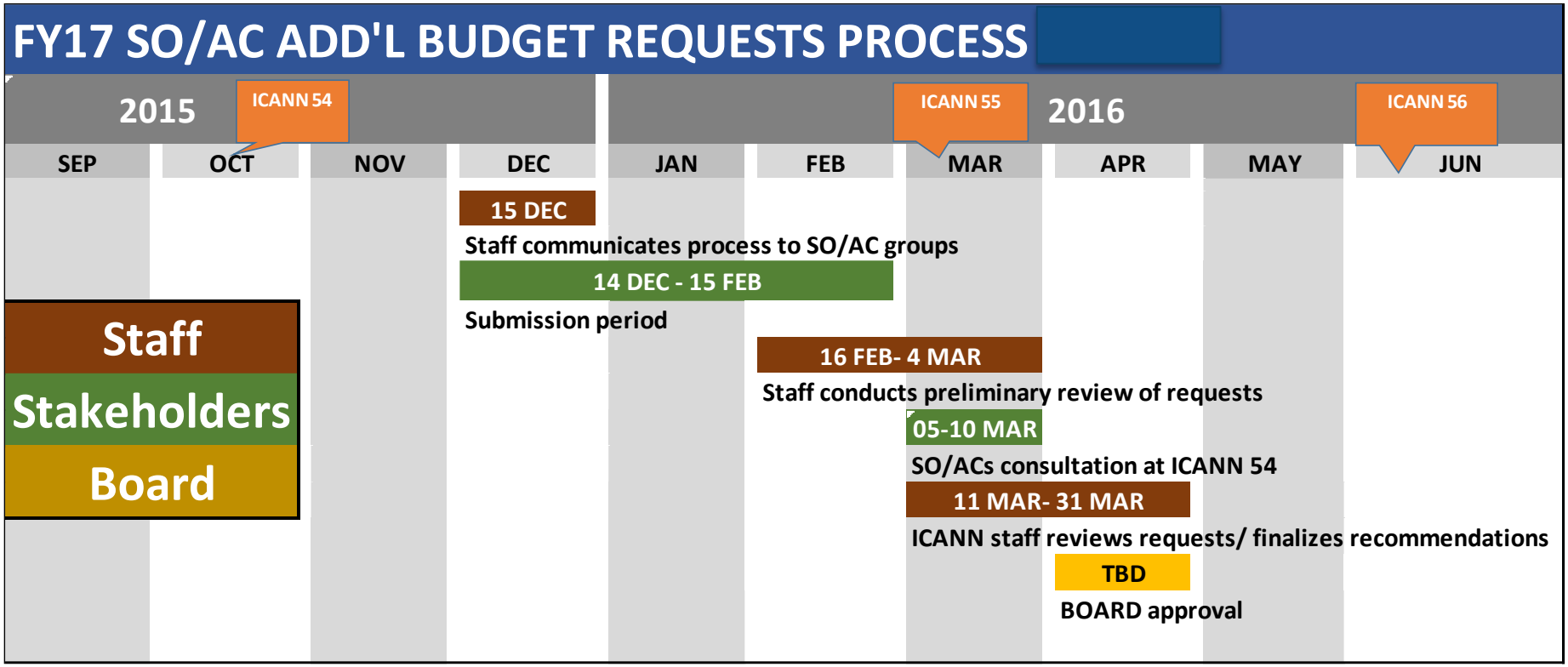
Desired outcome

Deepen mutual understanding and involvement between community and staff
Contribution on budget assumptions for FY17 to be materialized in a list of follow up actions and recommendations to ICANN's management

Process Overview & Timeline (1 of 2)



Process Overview & Timeline (2 of 2)



FY 17 Challenges ⇔ Key Success Factors

1

USG Transition?

- Coordinate assumptions with Staff – Board – Community
- Communicate extensively
- Monitor costs closely

2

New CEO?

- Draft completed/published by new CEO arrival
- Detailed briefing at arrival
- Increase contingency

3

Operating / Strategic plan update?

- New and additional step in the process
- Planning and communication required

4

Functional & SO/AC budgets?

- Identify functional areas of ICANN for which budgets should be clearly defined
- Develop model for defining budget by SO/AC group

5

Tight timeline?

- Early information/communication
- Clear/comprehensive calendar
- Discipline

6

Resource limitation?

- Marginal revenue increase
- New gTLD allocation “coming back”
- Reserve Fund “replenishment”
- Require more planning, including long term.

Revenue

FY15 Results and FY16 Budget

FY17 Revenue - Principles / Approach

- Realistic estimates based on historical trends and estimated “baseline” scenario for New gTLD
- New gTLD transaction levels estimated using average growth pattern of earlier-launched strings
- Delegation dates estimated from contracting dates/deadlines.
- Legacy transaction levels based on historical trends (using quarterly billing seasonal trends)
- Assumed no change to fee schedule/structure in FY17

FY15-16 Revenue

ICANN OPERATIONS

Unaudited

In US$ Millions	FY15 Budget	FY15 Actual	FY16 Budget
Registry Fees	$63	$59	$69
Transaction-based Fees	46	47	49
Fixed Fees	17	12	20
Registrar Fees	$37	$39	$40
Transaction-based Fees	29	29	30
Fixed Fees	8	10	10
Other	4	4	4
Total Revenue	$104	$102	$113

FY15-16 Transaction Volumes

	FY15 Budget	FY15 Actual	FY16 Budget*
# of Transactions (in M)	163.9	158.7	167.9
Legacy TLDs	148.1	151.3	155.3
New gTLDs – Total	15.8	7.4	12.6
New gTLDs - Billable	10.7	3.6	8.0

*Revised from previous version.

FY15-16 # Contracted Parties

	FY15 Budget	FY15 Actual	FY16 Budget
Total # of Contracted Parties (Beg./End Yr.)	1,331 – 2,130	1,642 - 2,414	2,120 - 2.573
# Legacy gTLDs	18	18	18
# New gTLDs (delegated)	344 - 1,012	322* - 679	602 - 945
# Registrars	969- 1,100	1,151 - 1,717	1,550 - 1,610

*Revised from previous version.

FY 15 Average Transactions Per TLD

	# of TLDs	Average Transactions/ TLD
Average Transactions Per TLD		
Legacy TLDs	18	8.4m
# New gTLDs-Reporting	443	17,000
# New gTLDs - Billable	21	171,000

Revenue Assumptions

Revenue type	Baseline scenario	High scenario	Low Scenario
Registrar accreditation			
Application fees	Assumptions on new applicants using historical trend multiplied by the existing application fee.	TBD	TBD
Accreditation fees	# of new registrars to be added to existing base at the end of FY16 multiplied by the existing annual fee.	TBD	TBD
Per registrar var. fee	No change expected - Total at $3.4m	TBD	TBD
Legacy TLDs			
Transaction volumes	Assumptions on historical growth average.	TBD	TBD
New TLDs			
New gTLDs Delegations	Expected delegation dates will be estimated for each TLD based on the current status of the applications and 3 broad categories (early adopters / standard average / brands)	TBD	TBD
Transaction volumes	Based on averages to date	TBD	TBD

USG Stewardship Transition

USG Stewardship Transition: planning

1

FY16 Initiative costs

- Budgeted envelope: $7m
- Includes both transition and implementation costs
- Shared monitoring of legal advice cost CWG/CCWG/ICANN

2

Status of proposals

- ICG and CCWG proposals being finalized
- PTI budget is one of the items under discussion
- PTI/ICANN budget dependent on implementation details of the PTI structure.

3

ICANN Planning process

- Planning timeline designed for published draft OP&B early March
- Timeline requires finalized PTI/Accountability budget impacts by January 2016
- Preliminary estimates of USG Transition impacts to be included

4

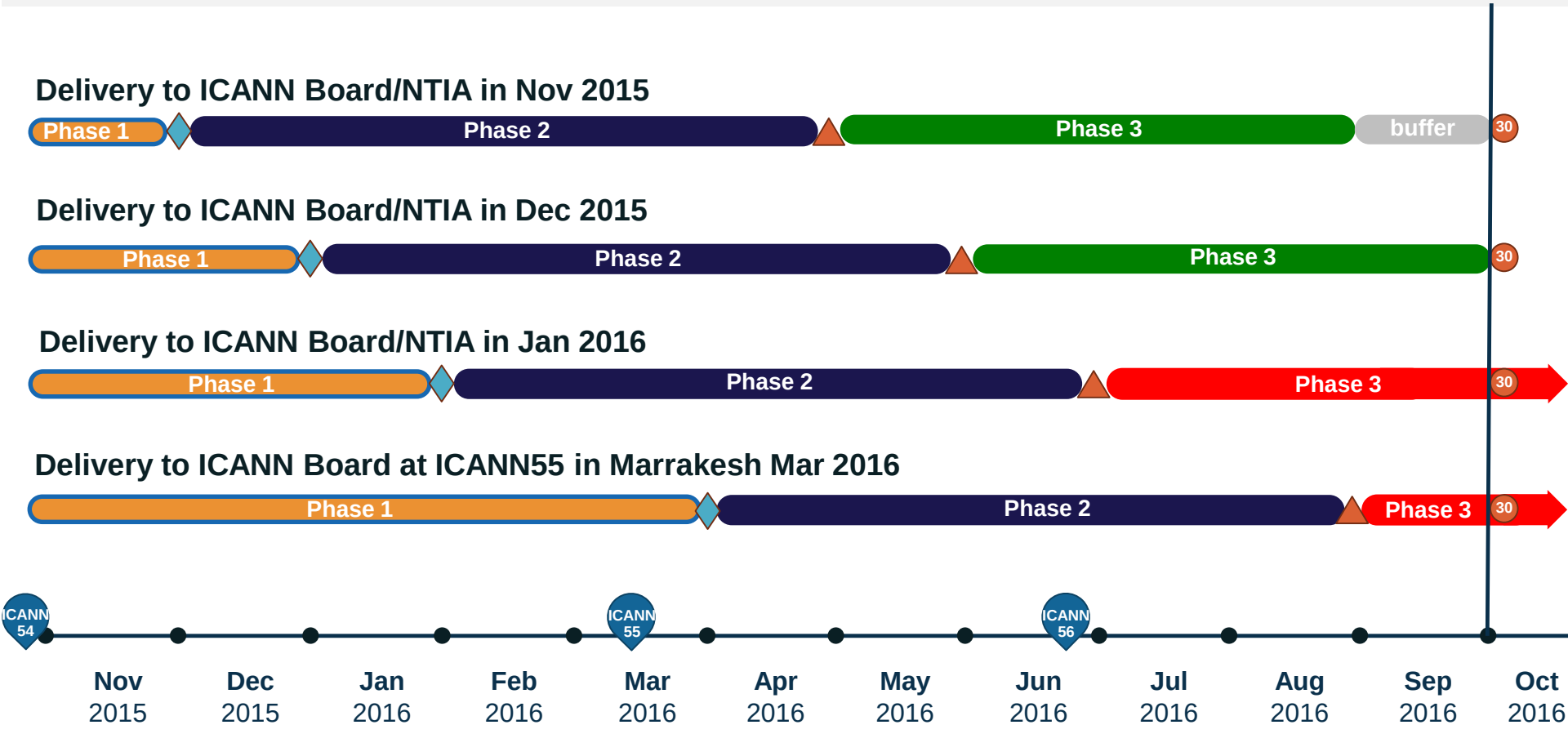
Implementation team

- Organizes interaction with Community for implementation
- Produces the successive versions of USG Transition budget (PTI/Accountability) in collaboration with Community
- Full integration/coordination with ICANN budget process

USG Stewardship Transition (1 of 2)

Effect of Possible Delays on Overall Timeline

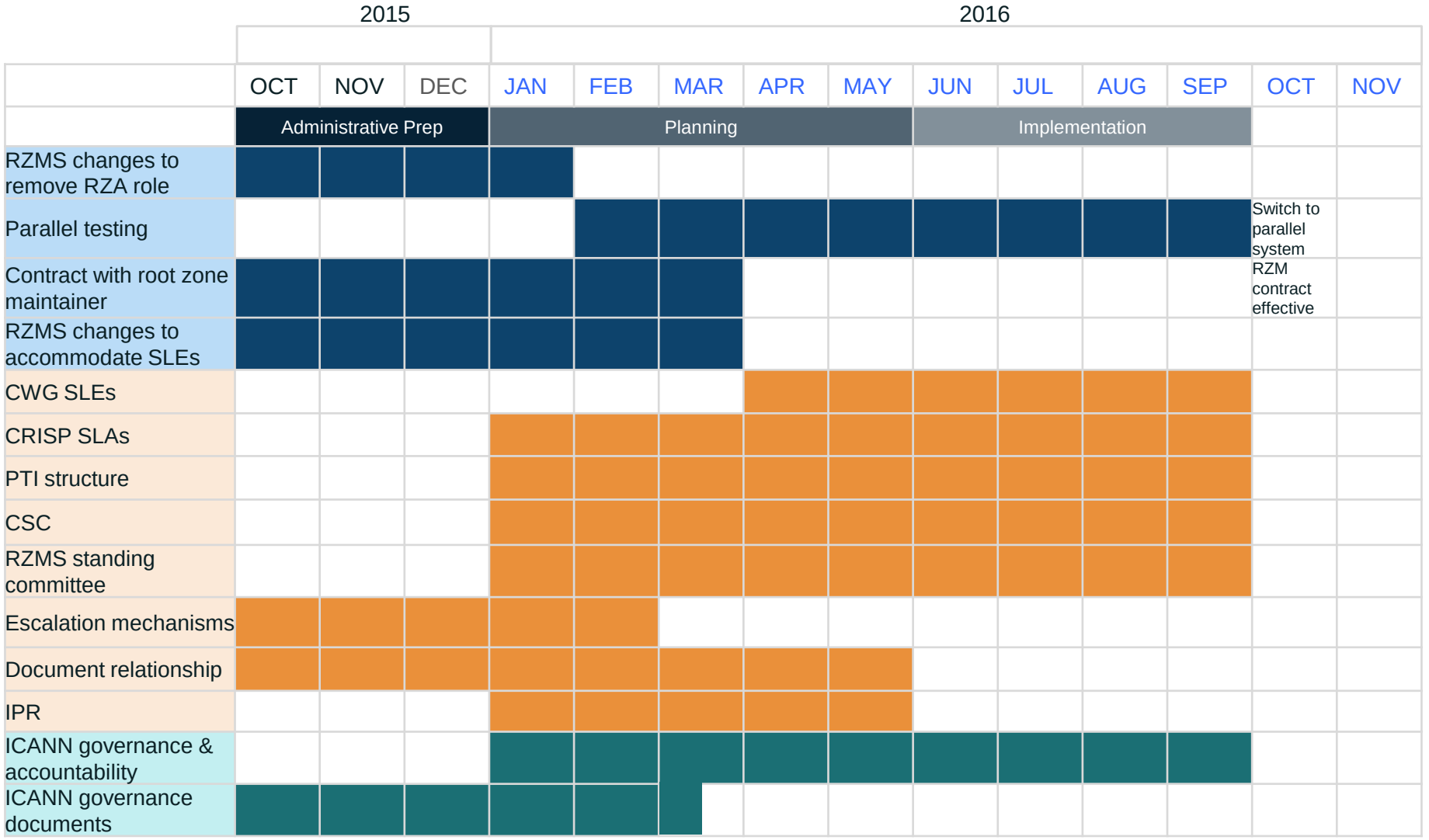
Phase 1: Community Proposal & Public Comment - **Phase 2:** NTIA Review/Evaluation & Implementation Planning - **Phase 3:** Impl. Execution



Multistakeholder Community Delivers to ICANN Board | NTIA Certification and USG Approval | 30 NTIA Contract Expiration – 30 Sep 2016

USG Stewardship Transition (2 of 2)

Implementation Timeline – Proposals Delivered in Dec 2015



FY15-16 IANA Function Costs*

US Dollars in millions	FY16 Budget	FY15 Actual	FY15 Budget
Direct Costs (IANA department)	2.8	2.4	2.4
Direct Costs (Shared resources)	2.0	1.9	1.9
Support functions allocation	2.0	2.1	2.0
Total Functional costs of IANA Operations	**6.9**	**6.4**	**6.3**

See appendix for details on types of costs included in each category.

*Revised from previous version.

FY17 OP&B Process

Lessons Learned from FY16, FY17 Requirements, Content/ Format & Calendar

Planning Cycle

FY16 Process – Lessons Learned

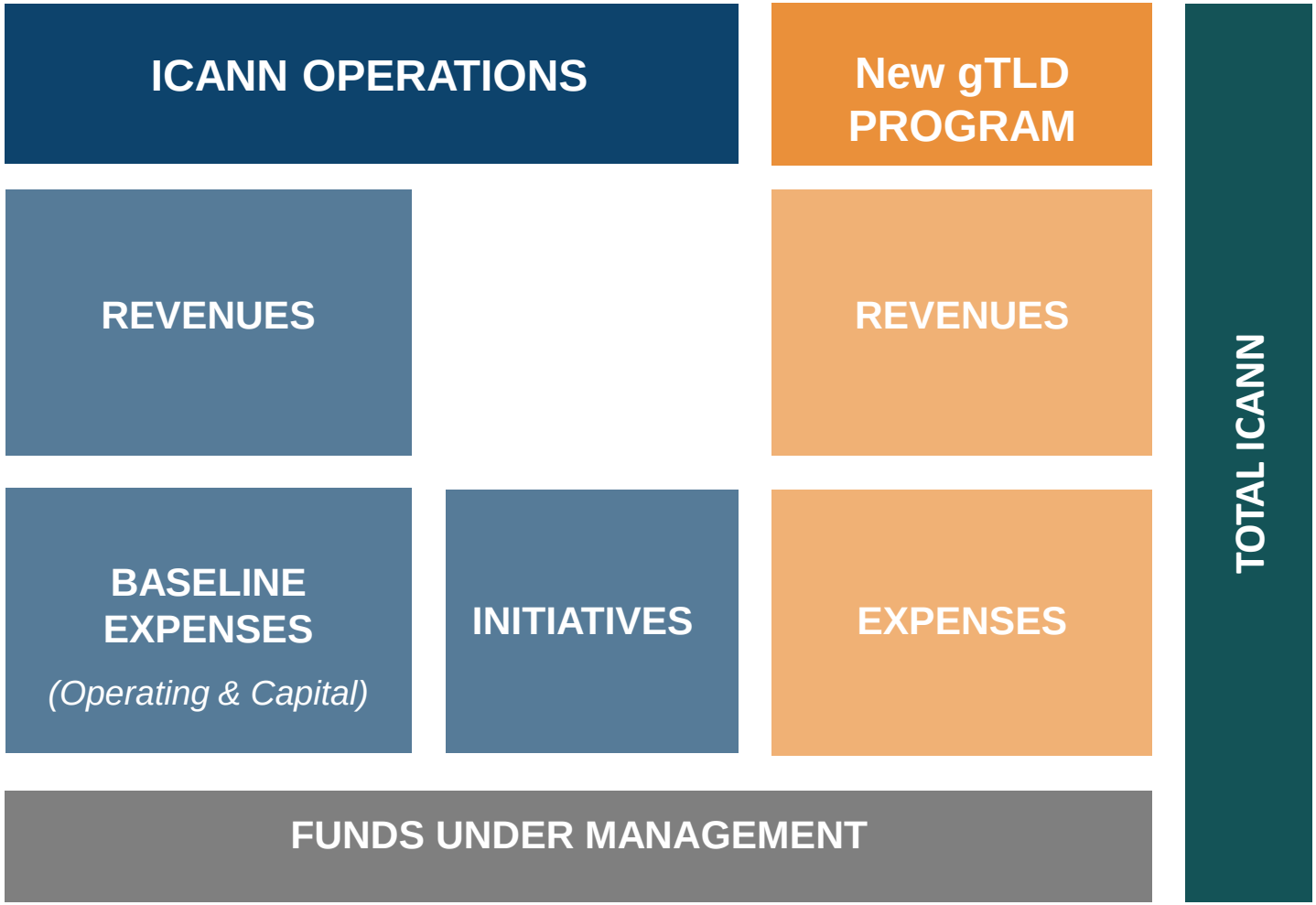
What we should continue:

- Annual Operating Plan and Budget derived from the 5-Year Operating Plan
- Advanced scheduled: earlier start, earlier Community/Staff interaction, earlier public comment period
- Interactive engagement: F2F working group session
- Improved communication on public comments and draft responses
- Involvement of Board in public comment process, improving Board accountability

What we should improve:

- Interaction with community was limited to SO/AC members = Need to expand participation
- Communication on the USG transition project monitoring and costs
- Integrate more and better the KPIs into the planning process

Total ICANN Overview



Initiatives - Description

- Baseline: funded by Revenue

➔ All on-going activities and projects of the organization to fulfill its core mission.

- Initiatives: funded by Reserve Fund

➔ Major projects not in baseline that are deemed to be critical and necessary by the Community (Staff, Board & Stakeholders), or

➔ A major program that may lead to on-going work that increases the Baseline … examples: new gTLD program (round 1, round 2,…), USG transition, ATRT2,…

Operating Plan & Budget-Content/ Format 1/2

Introduction ____ **3**

1 ICANN OPERATIONS ____ **8**

1.1 Resource Utilization ____ 8

1.2 Revenues ____ 9

1.3 Operating Expenses (Excludes Initiatives) ____ 13

1.4 Capital Expenses ____ 15

1.5 Initiatives ____ 16

1.6 Risks and Opportunities ____ 19

2 NEW gTLD PROGRAM ____ **20**

2.1 New gTLD Financial Summary ____ 20

2.2 New gTLD Program* Multi-year View ____ 22

2.3 New gTLD Program* – Revenue Variance Analysis ____ 24

2.4 New gTLD Program* – Operating Expenses Variance Analysis ____ 25

3 TOTAL ICANN OVERVIEW ____ **26**

3.1 Resource Utilization (including Initiatives) ____ 26

3.2 Headcount – 3-Year Overview ____ 27

Operating Plan & Budget-Content/ Format 2/2

4 FY16 Operating Plan & BUDGET – Description ____ 28

4.1 OBJECTIVE 1: Evolve and further globalize ICANN ____ 30

4.2 OBJECTIVE 2: Support a healthy, stable, and resilient unique identifier ecosystem ____ 36

4.3 OBJECTIVE 3: Advance organizational, technological and operational excellence. ____ 46

4.4 OBJECTIVE 4: Promote ICANN's role and multistakeholder approach. ____ 51

4.5 OBJECTIVE 5: Develop and implement a global public interest framework bounded by ICANN's mission ____ 56

5 APPENDIX ____ 64

5.1 FY16 Budget by project ____ 64

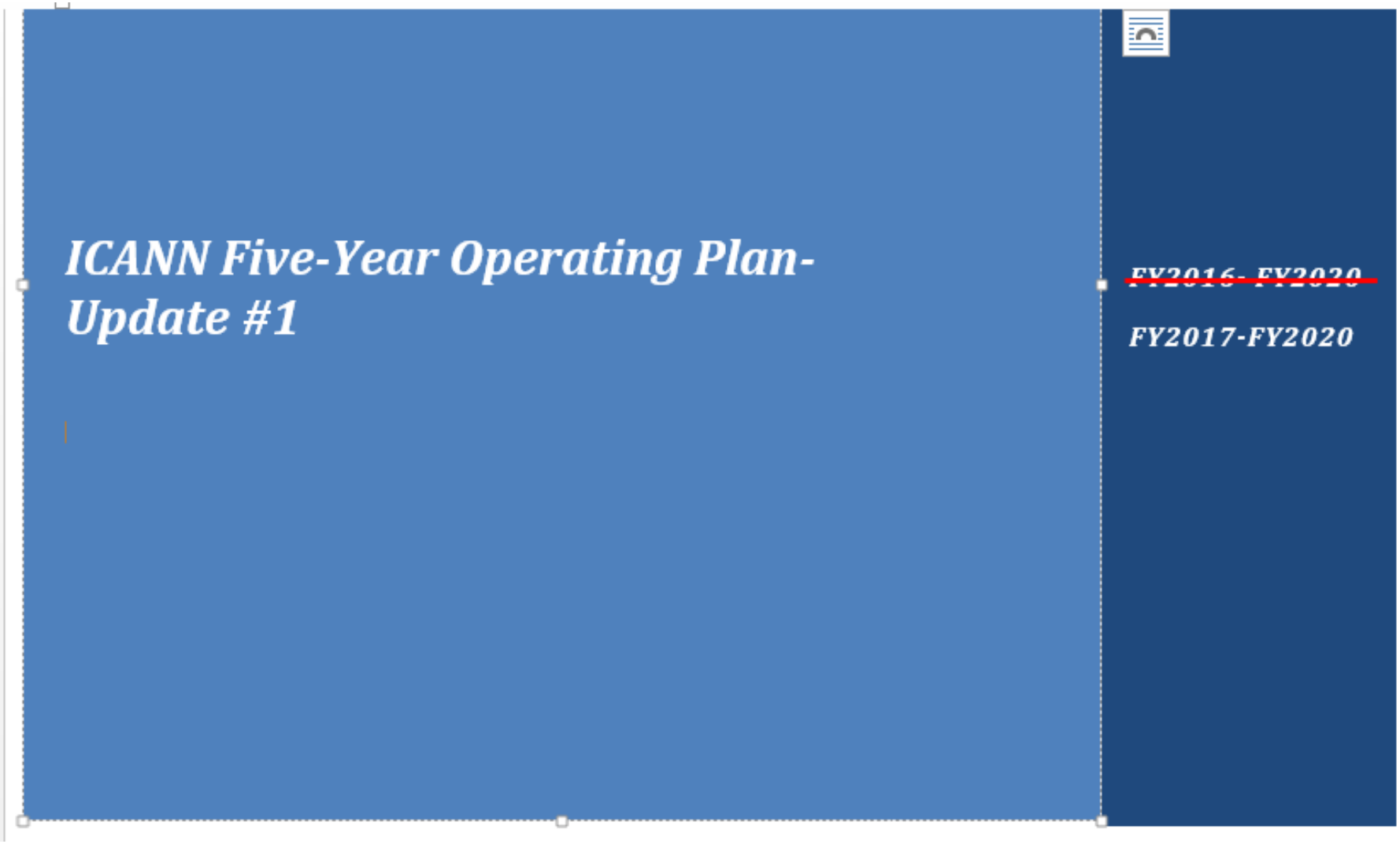
5.2 Statement of Activities – Total ICANN ____ 65

5.3 Registrar Fees ____ 66

5.4 Summary of changes ____ 69

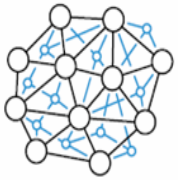
Five- Year Operating Plan update

FY 17 = Update # 1

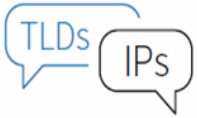


Five-Year Operating Plan – Objective Focus

1 Evolve and further **globalize** ICANN.



4 Promote ICANN's role and **multistakeholder** approach.

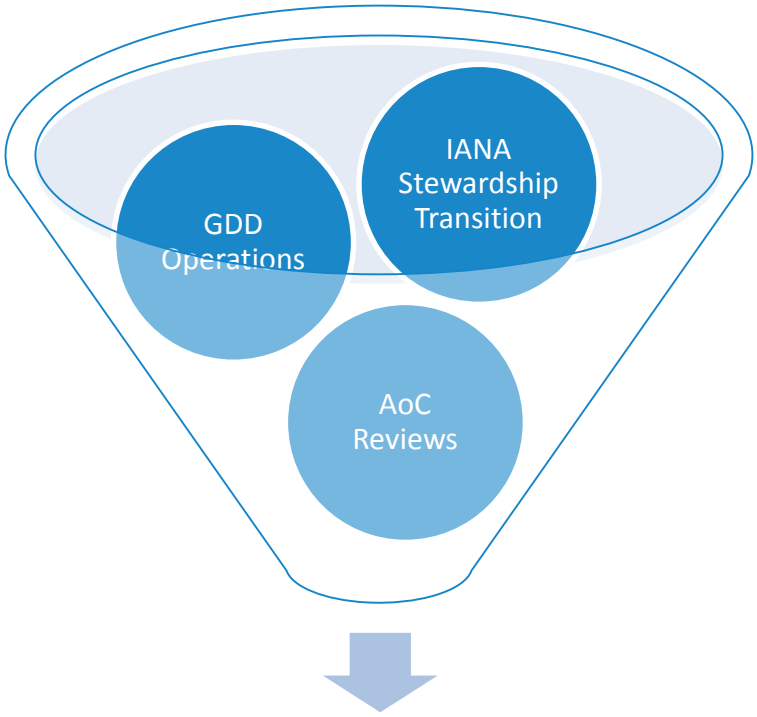


2 Support a healthy, stable, and resilient **unique identifier ecosystem**.

5 Develop and implement a **global public interest** framework bounded by ICANN's mission.

3 Advance **organizational**, **technological** and **operational excellence**.

Five Year Operating Plan – FY16 Changes



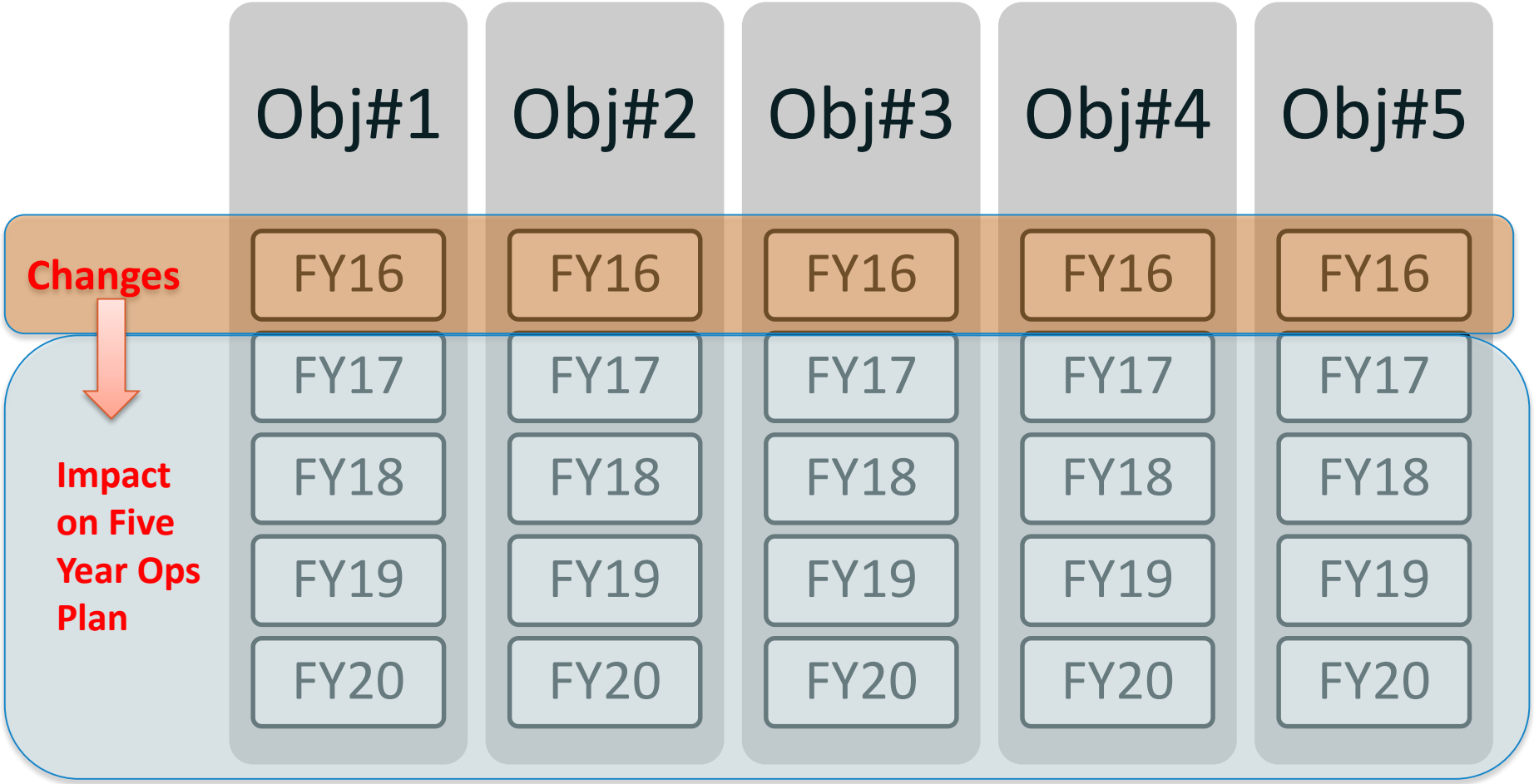
Deviation from FY16 Operating Plan

FY16 Forecasted Summary Results - Sample

Objective 1

Obj	Phasing Planned	Status - TBD
1.1	1. Integrate global and regional communications strategies.	Complete
	2. Comprehensive regional engagement plans and strategies covering most ICANN regions.	Carry Over to FY17
	3. Further distribute ICANN functions at hub offices.	In works
1.2	1. Implement global stakeholder engagement (GSE) web tools for supporting stakeholder engagement activities at regional and local level.	…
	2. Examine effectiveness of regional strategies launched in FY13-FY14.	
1.3	1. Complete a comprehensive inventory of all resources and capabilities that ICANN provides to the current stakeholder communities.	
	2. Complete a comprehensive assessment of delivery of all resources and capabilities that are provided to the stakeholders.	
	…	

Five Year Operating Plan – FY16 Changes



Update Sample Page

Strategic Objective 1 - Evolve and further **globalize** ICANN.

Strategic Goal 1.1 Further **globalize and regionalize** ICANN functions.

Portfolios: **Review and edit as needed**

1. Raising Stakeholder Awareness of ICANN Worldwide
2. Engagement Planning

Key Performance Indicators (Metrics): **Review and edit as needed**

- Stakeholder engagement index (e.g., Fellowship (new/alumni/coach/mentor); ICANN language services – timeliness, effectiveness and efficiency; Language Localization; Meetings Statistics (current statistics on newcomers, by stakeholder group); Tracking newcomers; Regional participation in SO/AC groups (data provided by Policy team - GAC data provided by Government Engagement); Stakeholder Engagement Heat map)
- XX % of ICANN organizational functions performed across ICANN

Dependencies: **Review and edit as needed**

1. Sufficient funding for media tracking and communications activities to understand success in globalizing ICANN
2. Communications needs may increase/Global Stakeholder Engagement (GSE) focus may shift in event of additional round of new gTLDs during the Five-Year Operating Plan

Phasing: **Remove FY16 and edit as needed FY17-20**

FY16 **Delete**	1. Integrate global and regional communications strategies. 2. Comprehensive regional engagement plans and strategies covering most ICANN regions. 3. Further distribute ICANN functions at hub offices.
FY17 **Edit**	1. Sustain implementation of communications strategy. 2. Wide awareness raising and educational effort if supporting ICANN with another new gTLD round. 3. Examine how hubs and engagement offices are supporting ICANN globalization.
FY18 **Edit**	1. Reevaluate communications strategy, refresh social media tools and reevaluate ROI from existing platforms. 2. Conduct mapping of community to regional engagement; implement recommendations resulting from examination of ICANN hub office and engagement site support of ICANN globalization.
FY19 **Edit**	1. Implement integrated global and regional communications strategies in support of ICANN strategies. 2. Implement improvements for global stakeholder engagement (GSE) based on community mapping in FY18.
FY20 **Edit**	1. Conduct holistic evaluation of ongoing integrated global and regional communications strategies. 2. Survey community on GSE engagement and support of community engagement at high level. 3. Implement improvements on review of GSE web, CRM tools from 2019.

Action Items & Next steps

Action Items & Next steps

- Produce a summary of actions and recommendations – by 23 Oct
- Organize a webinar to present Revenue assumptions – TBD
- Organize a webinar to present Expense assumptions - TBD
- ….

Appendix

FY15-16 IANA Function Costs

General Assumptions

The IANA cost estimate corresponds to a "fully absorbed" IANA Operations cost for ICANN. It therefore reflects the benefit of leveraging economies of scale from ICANN's infrastructure and expertise of other functions. The fully absorbed IANA Operations cost within another entity would be different, as would be a "standalone" cost estimate as the cost of a fully operational and mature IT infrastructure would be higher, economies of scale would not exist, and additional costs of operating a separate organization would be created (relative for example to governance, communication, reporting,...).

The analysis includes a placeholder estimate for the annual depreciation of assets, but does not include any capital costs, or representation of the value of the capital assets that are currently supporting the IANA functions as operated by ICANN.

FY15-16 IANA Function Costs

[A] Direct Costs (IANA department)

These costs cover direct and dedicated personnel and associated costs assigned to delivering the IANA functions: registration and maintenance of protocol parameter registries; allocation of Internet numbers and the maintenance of the Internet number registries; validation and processing of root zone change requests as well as maintenance of the root zone registry; management of the .int and .arpa domains; and holder of the root zone key signing key for the security of the DNS root zone.

FY15-16 IANA Function Costs

[B] Direct Costs (Shared resources)

Within ICANN, other departments than the IANA department perform or participate to processes directly related to the delivery of the IANA functions.
The costs of the activities carried out by other departments to perform the IANA Operations were evaluated by each department's budget owners by identifying the direct external costs (professional services, infrastructure,...), and estimating the time spent by personnel from the department on the identified activities valued at the annual cost of each employee (base+benefits).
See in Appendix the full description of the activities that are carried out by those departments, which are summarized below:

- Request processing - IT
- Root Key Signing - IT, Registry technical Services, SSR, GSE
- IANA Website - IT, Legal, Web-admin
- Protection of data and systems - IT, Security, Legal
- Continuity and Contingency of service - IT
- Conflict of Interest assertions - IT, Legal
- Monthly reporting of performance - IT, Legal, Gov. Engagement
- Administrative support (shared with Compliance)
- Annual updates to Agreements - Legal

The Direct costs of shared resources also include a placeholder estimate for the depreciation costs of capital assets.

FY15-16 IANA Function Costs

[C] Support functions allocation

Support functions which organize the ability for operational activities to be carried out. The total costs of these functions [D], after excluding the shared from those functions included in [B], were divided by the total costs of operational functions [E], to determine a percentage of support functions ([D]+[E]= total costs of ICANN Operations).
This percentage was then applied to the total costs of IANA (both IANA department direct costs and shared resources direct costs as defined above), to determine a cost of support function allocated to IANA. This cost [C] is additive to [A] and [B].
List of functions included:

- Executive
- Communications
- Operations (HR, Finance, Procurement, ERM, PMO/BI, HR development, Operations Executive, Administrative / Real Estate)
- IT (cyber-security, admin, infrastructure, PMO, Staff facing solutions)
- Governance support (Legal, Board support, Nomcom)

FY15-16 IANA Function Costs*

US Dollars in millions	FY15 Budget	FY15 Actuals	FY16 Budget	Description
[A] Direct Costs (IANA department)	$2.4	$2.4	$2.8	These costs cover direct and dedicated personnel (12 employees) and associated costs assigned to delivering the IANA functions: registration and maintenance of protocol parameter registries; allocation of Internet numbers and the maintenance of the Internet number registries; validation and processing of root zone change requests as well as maintenance of the root zone registry; management of the .int and .arpa domains; and holder of the root zone key signing key for the security of the DNS root zone.
[B] Direct Costs (Shared resources)	$1.9	$1.9	$2.0	Within ICANN, other departments than the IANA department perform or participate to processes directly related to the delivery of the IANA functions. The costs of the activities carried out by other departments to perform the IANA Operations were evaluated by each department's budget owners by identifying the direct external costs (professional services, infrastructure,...), and estimating the time spent by personnel from the department on the identified activities valued at the annual cost of each employee (base+benefits). See in Appendix the full description of the activities that are carried out by those departments, which are summarized below: - Request processing - IT - Root Key Signing - IT, Registry technical Services, SSR, GSE - IANA Website - IT, Legal, Web-admin - Protection of data and systems - IT, Security, Legal - Continuity and Contingency of service - IT - Conflict of Interest assertions - IT, Legal - Monthly reporting of performance - IT, Legal, Gov. Engagement - Administrative support (shared with Compliance) - Annual updates to Agreements - Legal The Direct costs of shared resources also include a placeholder estimate for the depreciation costs of capital assets of 0.5m.
[C] Support functions allocation	$2.0	$2.1	$2.0	Support functions which organize the ability for operational activities to be carried out. The total costs of these functions [D], after excluding the shared resources from those functions included in [B], were divided by the total costs of operational functions [E], to determine a percentage of support functions ([D]+[E]= total costs of ICANN Operations). This percentage was then applied to the total costs of IANA (both IANA department direct costs and shared resources direct costs as defined above), to determine a cost of support function allocated to IANA. This cost [C] is additive to [A] and [B]. List of functions included: - Executive - Communications - Operations (HR, Finance, Procurement, ERM, PMO/BI, HR development, Operations Executive, Administrative / Real Estate) - IT (cyber-security, admin, infrastructure, PMO, Staff facing solutions) - Governance support (Legal, Board support, Nomcom)
Total Functional costs of IANA Operations	**$6.3**	**$6.4**	**$6.9**	

*Revised from previous version.

In Millions, USD