



ICANN|55
MARRAKECH
5 – 10 MARCH 2016



Draft 5-year Operating Plan Update and Draft FY17 Operating Plan & Budget

ICANN 55 | Marrakech | 10 March 2016

Agenda

1

Planning Process
and Calendar

2

Draft 5-Year
Operating Plan
Update
(5YOPU)

3

Draft FY17
Operating Plan
and Budget
(OP&B)

4

USG Transition /
Implementation

5

Risks and
Opportunities

6

Next Steps

Planning Process and Calendar

5-Year Planning Cycle

Planning Process



Management System

Community input



ICANN Staff



ICANN's Work Structure

**Objectives
(5)**

Core foundational strategies upon which goals are based



**Goals
(16)**

Desired deliverables to meet organization-wide objectives



**Portfolios
(63)**

Cross-functional work undertaken in support of goals to fulfil core deliverables and services



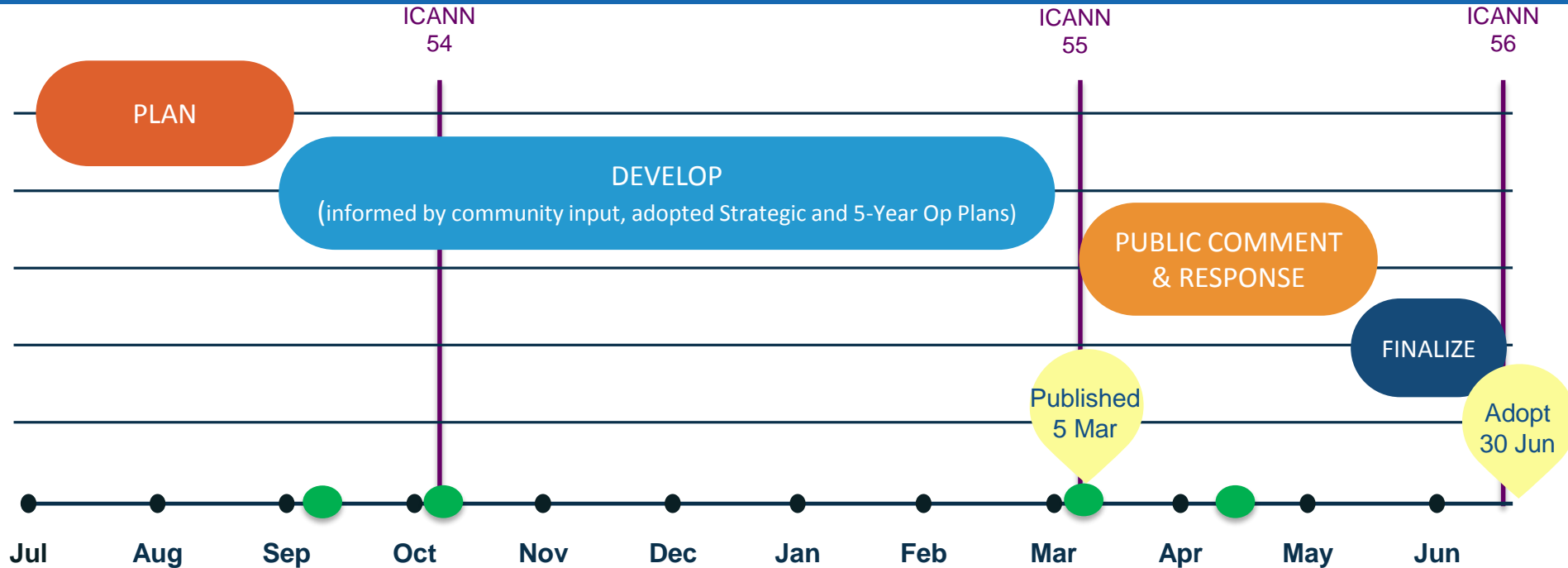
**Projects
(>340)**

A temporary endeavour that has a defined beginning and end and a specific set of deliverables

ICANN CEO and direct reports

ICANN management and staff

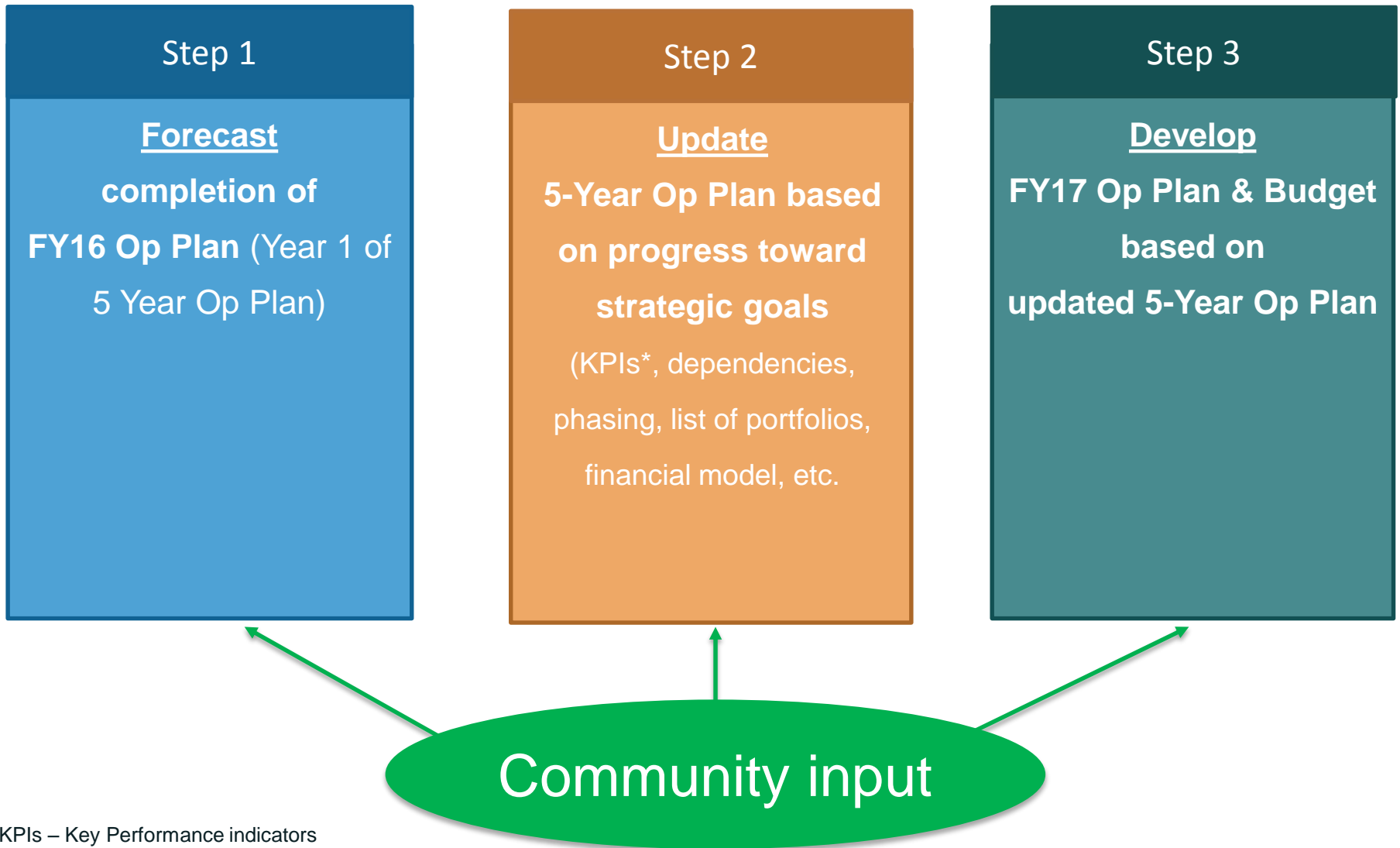
FY17 Process & Calendar



- Draft 5-Year Op Plan Update & FY17 Op Plan & Budget document posted 5 Mar
 - <https://www.icann.org/public-comments/op-budget-fy17-five-year-2016-03-05-en>
- Public comment period - 5 Mar through 30 Apr (56 days)
- Staff and members of Board Finance Committee to facilitate community consultations with those who submit comments 9-13 May (tentative)
- Report of Pubic Comments to be published 30 May

● Community consultations

Development



*KPIs – Key Performance indicators

Draft 5-Year Operating Plan Update (5YOPU)

Outcomes of 5-Year Op Plan Update Process

First update to 5-Year Operating Plan (FY16-20) reflects achievement of Year 1 (FY16) and revised view of planned work based on progress and changing environment.



Three Examples of Updates

Stakeholder Journey

This was introduced to get more volunteer stakeholders more actively engaged in ICANN policy making and develop a diverse pipeline of volunteer talent

It is reflected in:

- The wording for the phasing
- Introduction of the ICANN.ORG development dependency

WHOIS

This work is addressed in three ways:

- A research portfolio for OCTO in Goal 2.2
- An implementation portfolio for GDD in Goal 2.3
- An AoC Review in the phasing for MSSSI in Goal 5.2

IANA Stewardship Transition

This is reflected in:

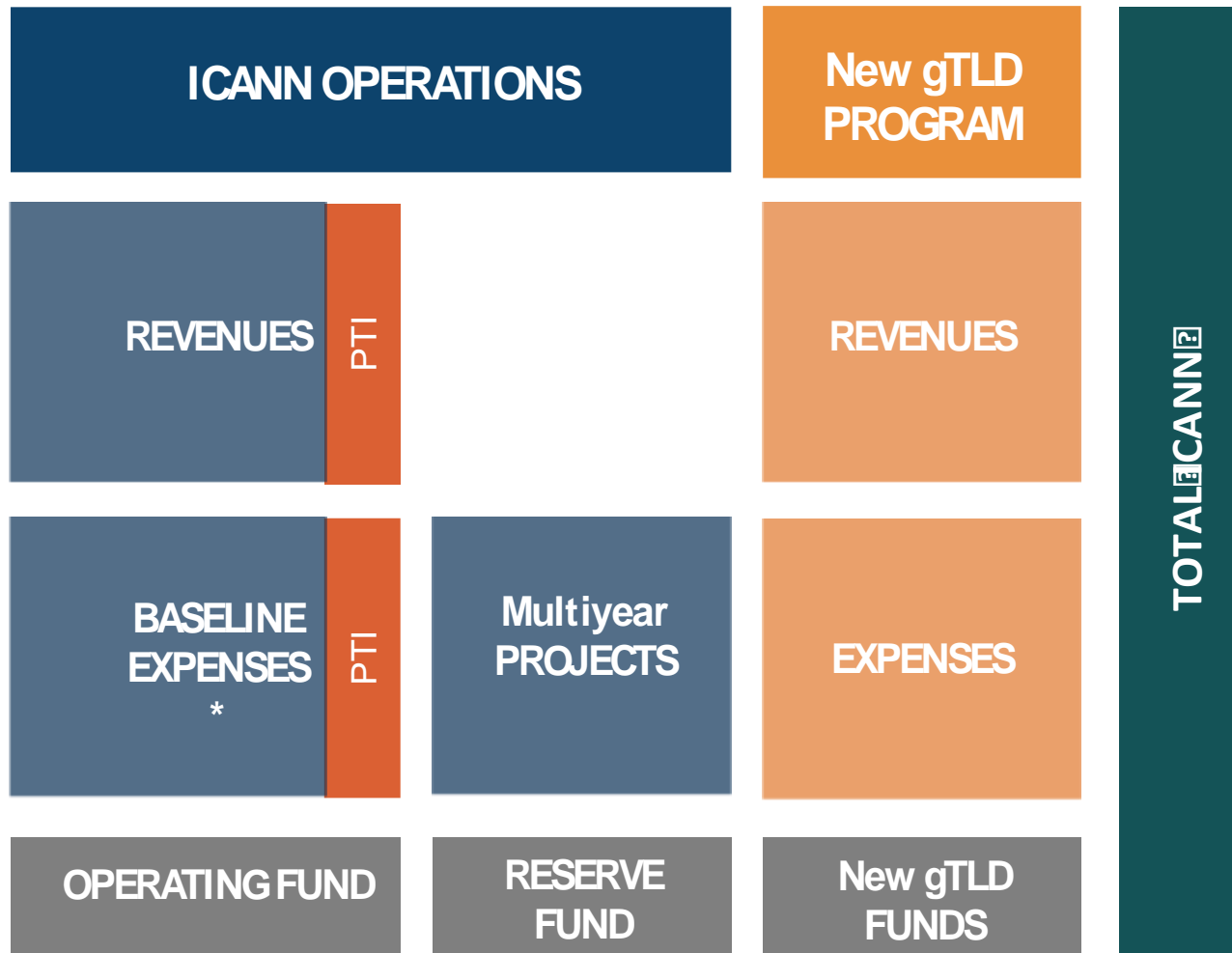
- A new implementation portfolio for GDD in Goal 2.1
- New dependencies for GSE in Goals 1.1 and 1.3 and GE in 4.1
- A new KPI for MSSSI in Goal 5.2
- New phasing in Goals 1.3, 4.1.

Draft FY17 Operating Plan and Budget (OP&B)

Background and Content

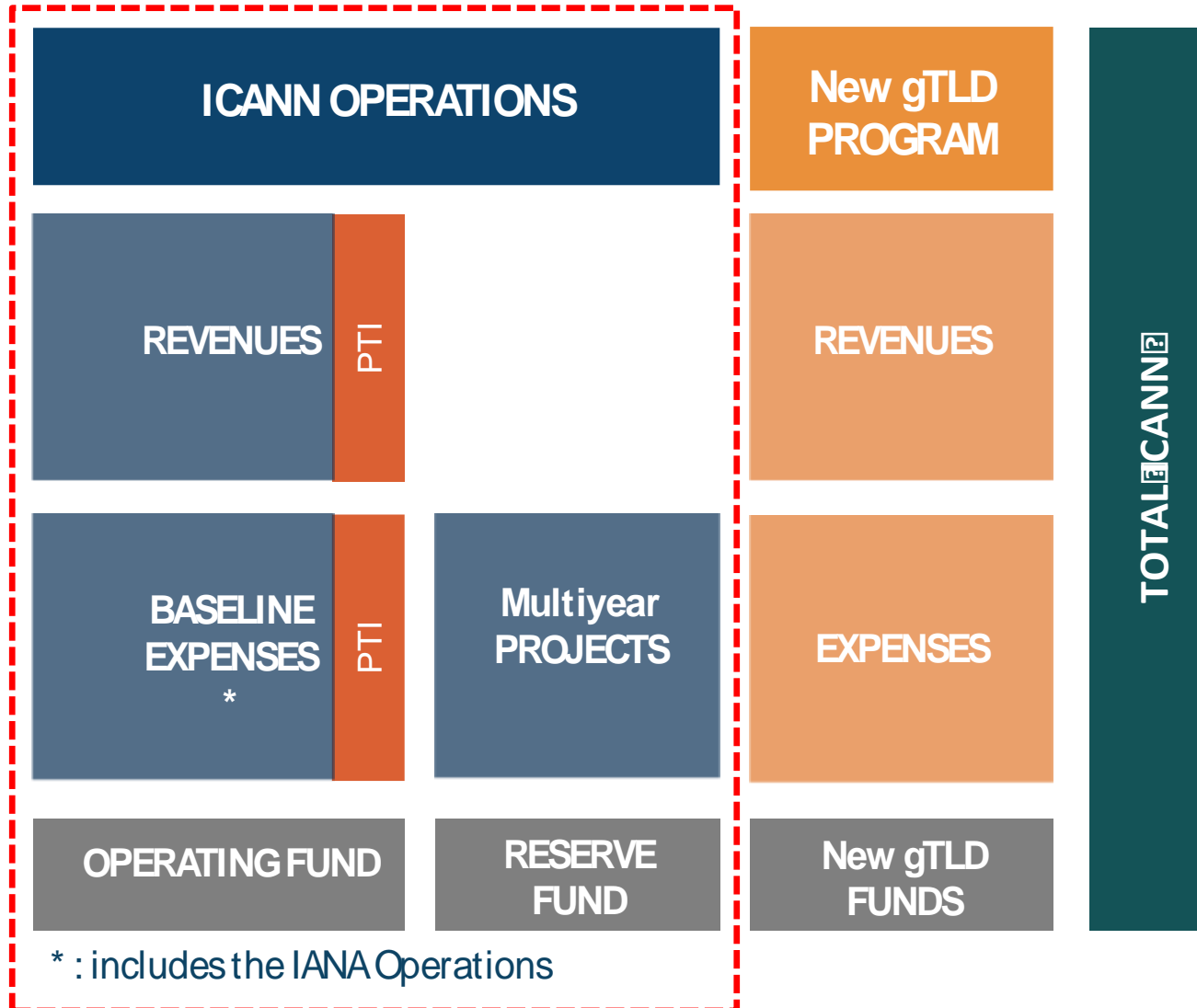
- Informed by ICANN's *Draft* Five-Year Operating Plan Update (FY16-20) and community input
- Includes:
 - ICANN Operations (excluding the new gTLD Program)
 - IANA Stewardship Transition and implementation (including Post Transition IANA)
 - New gTLD Program
 - Total ICANN (ICANN Operations + new gTLD) Draft Budget
 - Total ICANN Operating Plan and Budget by Objective, Goal, Portfolio and Project
 - Supporting Organization (SO) and Advisory Committee (AC) additional budget requests

Total ICANN Structure



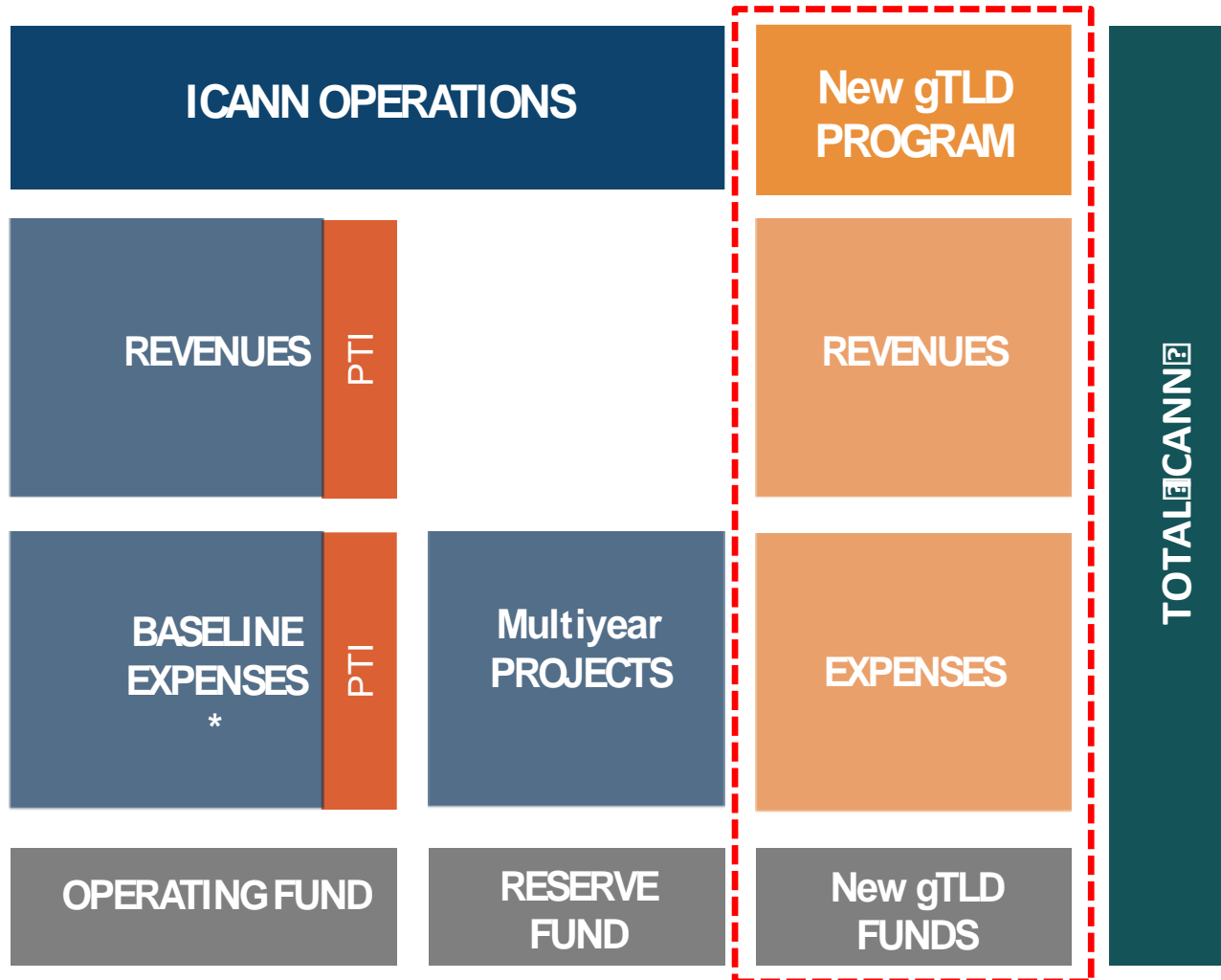
* : includes the IANA Operations

ICANN Operations Structure



* : includes the IANA Operations

New gTLD Program Structure



* : includes the IANA Operations

Overview

1

ICANN Ops revenue increase

Revenue estimate of \$132m, 10% above FY16 forecast of \$121m

2

ICANN Ops baseline expenses

Increase organically ~6%, increase from multiyear projects ~9%.

3

ICANN Ops multiyear projects expenses

Five multiyear project expenses totaling \$6m

4

ICANN Ops FY17 Excess / Deficit

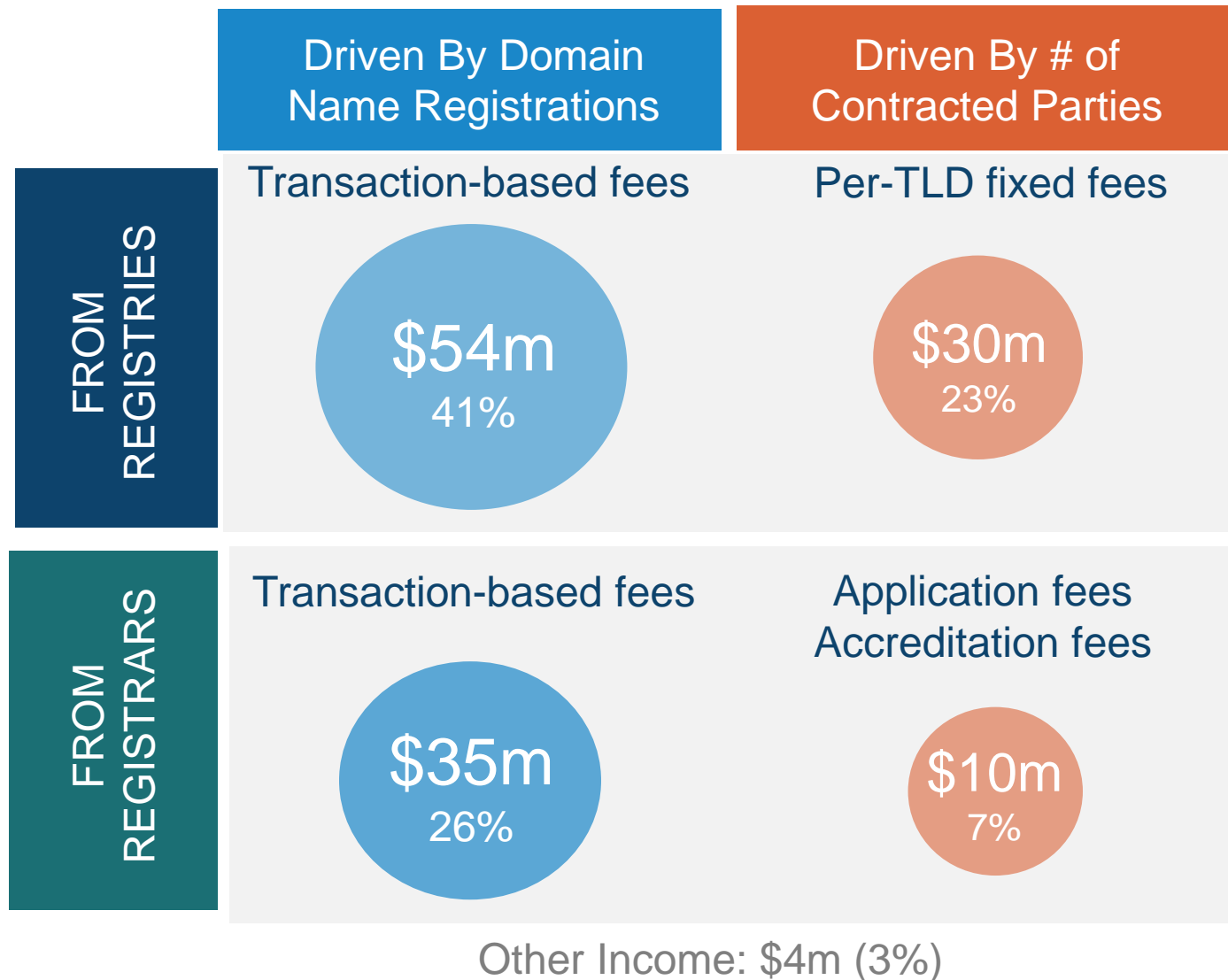
Balanced budget with baseline excess funding multiyear projects

5

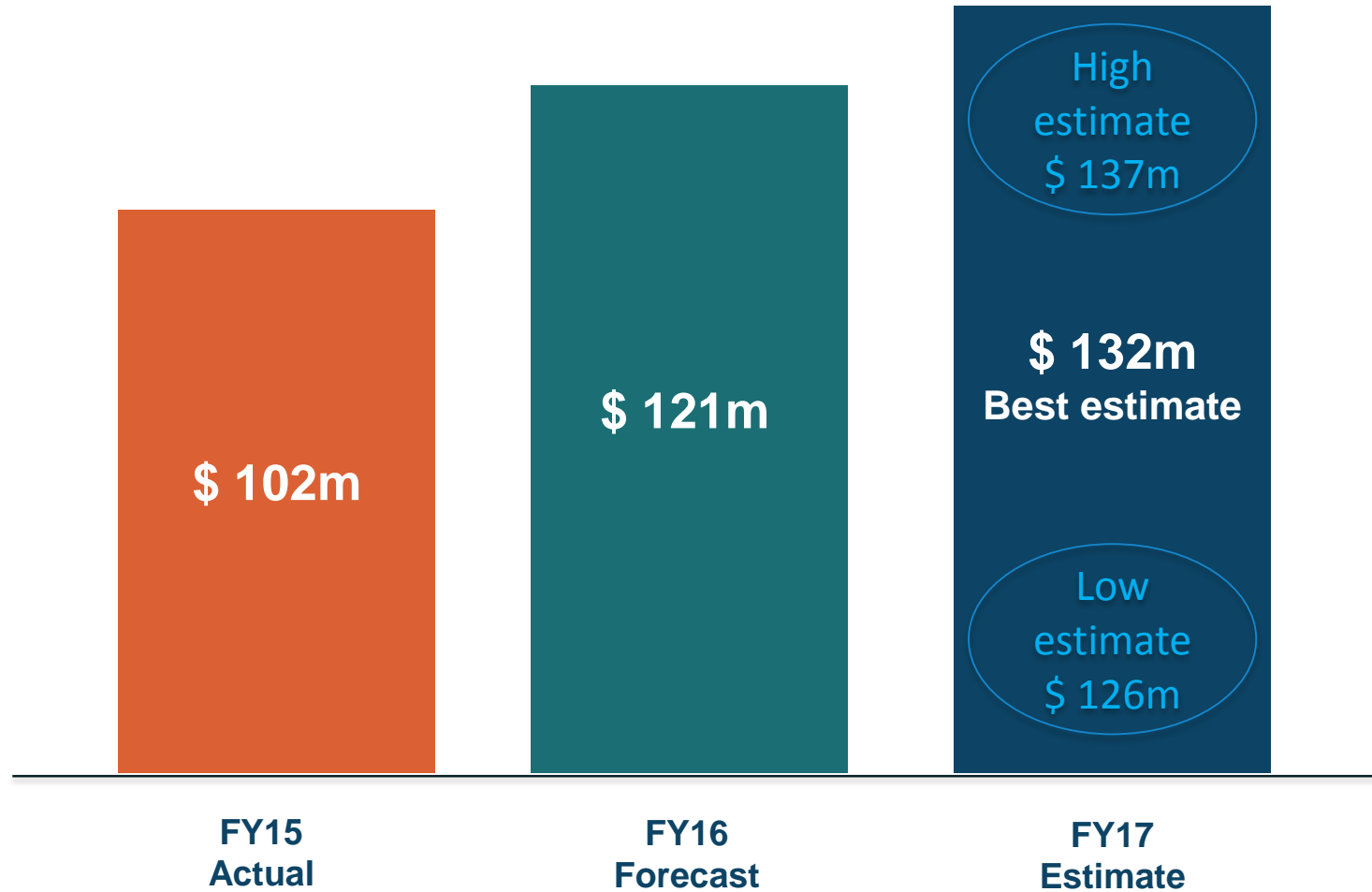
New gTLD Program

Extension of program to FY18 and beyond.

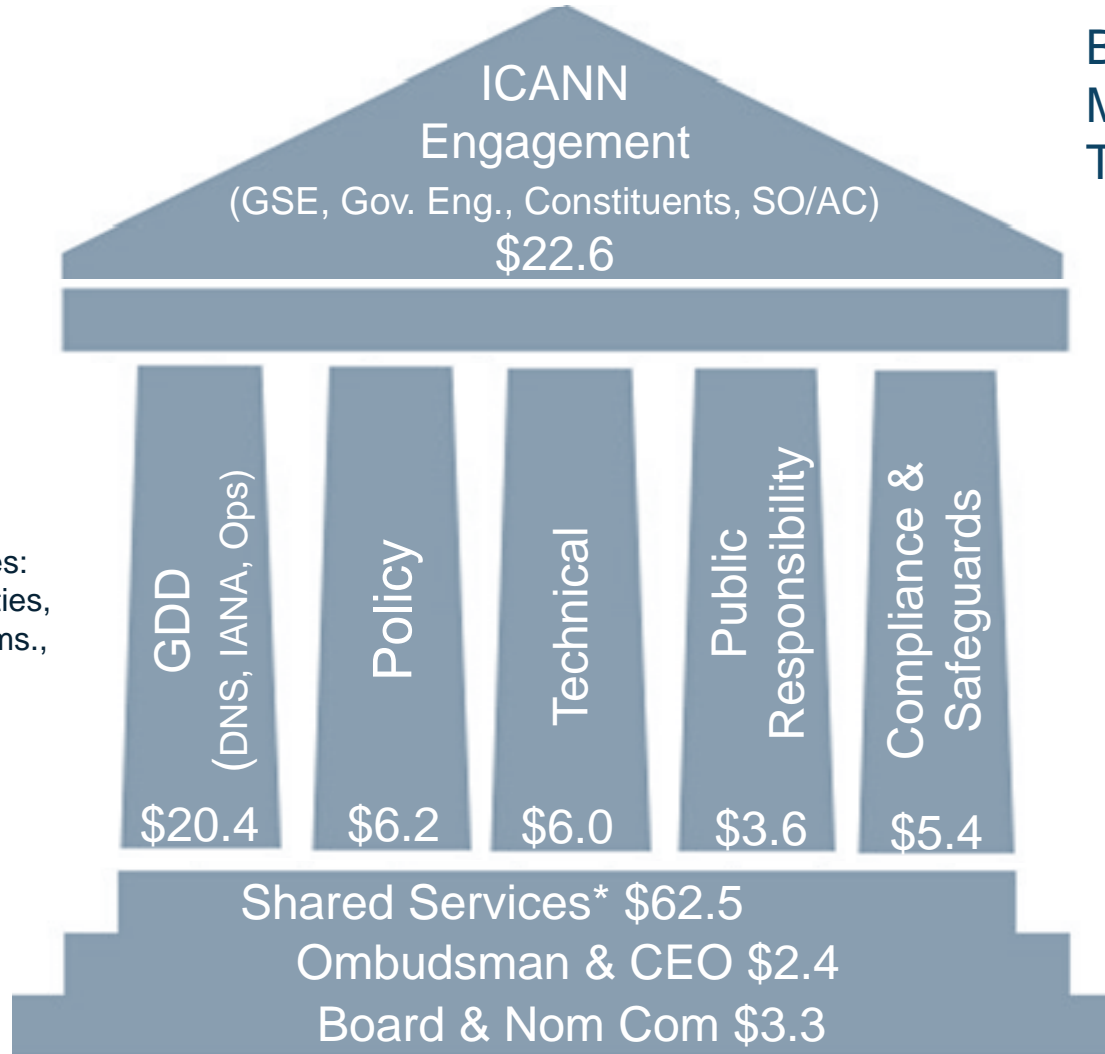
ICANN Ops Revenue \$132m (1 of 2)



ICANN Ops Revenue \$132m (2 of 2)



ICANN Ops Baseline & Multiyear Project Expenses

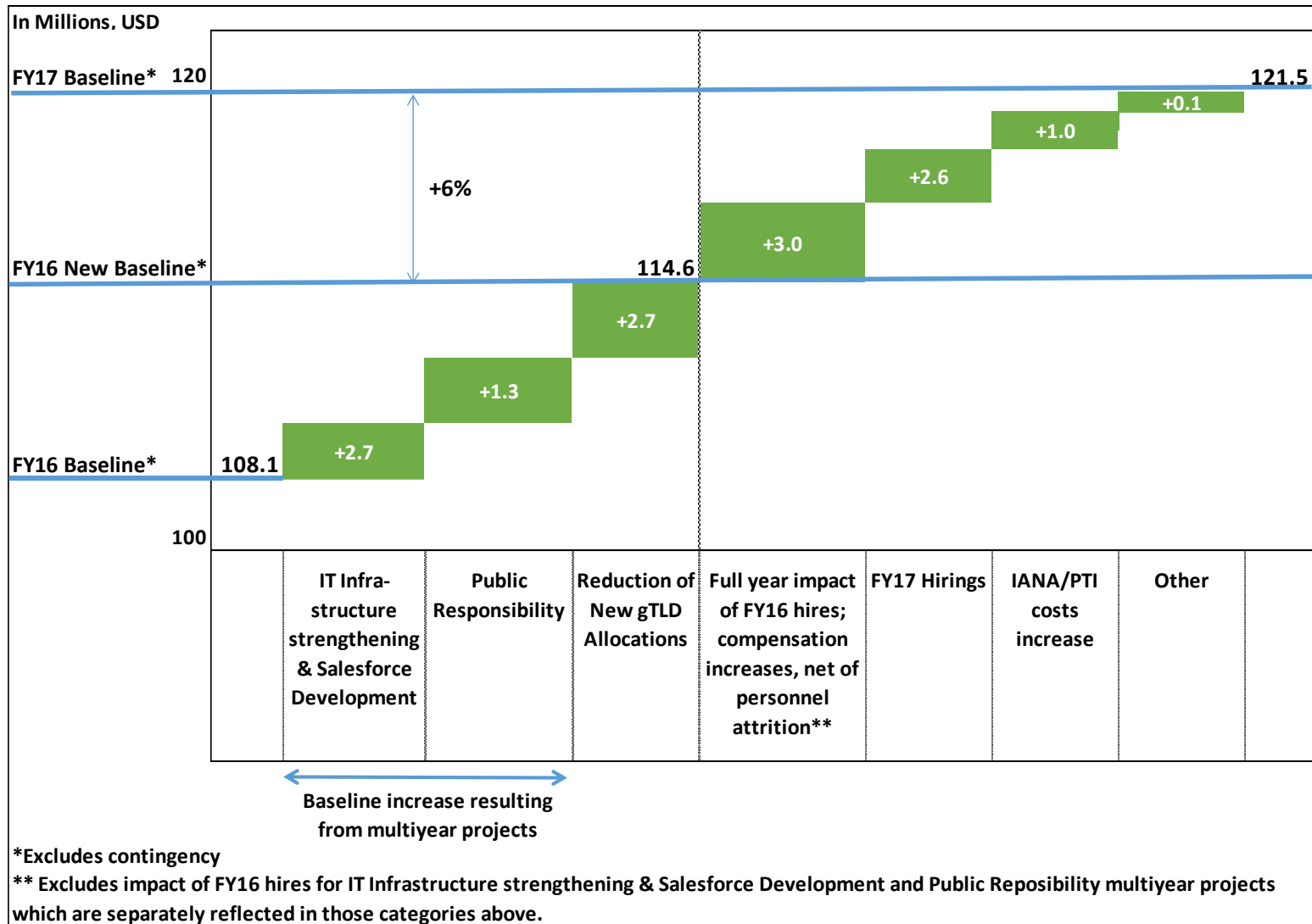


Baseline: \$126.5
Multiyear: \$ 5.9
Total: \$132.4

*Shared Services includes:
Ops, HR, Finance, Facilities,
IT, Legal, Strategy, Comms.,
and Language Svcs.)

*Excludes USG Transition costs envelope (\$6m) and headcount (8) in FY17

ICANN Ops Baseline Expenses – Variance Analysis



*Excludes USG Transition costs envelope (\$6m) and headcount (8) in FY17

Multiyear Projects \$5.9m

ERP
\$2.4m

The introduction of a new Oracle-based Enterprise Resource Planning system that will replace many of our Finance, Procurement and HR systems.

Reviews
\$1.7m

Planning and conducting reviews, and implementing improvements related to mandated reviews of ICANN commitments and structures exceeding a baseline level of activity.

**Public
Responsibility**
\$0.8m

Supports Education and Academic Outreach; Next Generation; and Participation in Global Internet Cooperation and Development.

Salesforce
\$0.5m

Redevelopment of the GDD registry and applicant portal to resolve security vulnerabilities and build a sound platform for future growth.

IPv6
\$0.6m

To support the deployment of IPv6 addresses, as a technical public responsibility within ICANN's remit.

IANA Functions Costs

In millions, USD	IANA Operations FY17 Budget			
	Names	Numbers	Protocol Parameters	FY Budget
Direct costs / Dedicated resources	2.2	0.4	1.1	3.7
Direct costs / Shared resources	1.2	0.2	0.6	2.0
Support Services Allocations	1.6	0.3	0.8	2.7
PTI Specific Costs	0.6			0.6
Total	\$5.6	\$1.0	\$2.4	\$9.0
	PTI			

- Direct Costs represent the 13 activities performed by the IANA dedicated resources
- Direct Costs/Shared IANA functions performed by other departments
- Support Services Allocations represent supporting functions allocated to IANA/PTI

1) Stakeholder Reports	8) KMF Facility Management
2) Request Handling	9) Customer Surveys
3) Stakeholder Engagement	10) 3rd Party Systems Audits
4) Internal Reports	11) Risk, Security, Continuity Plans
5) Systems/Tools Enhancements	12) Consultation to Policy Groups
6) Dept. Management Responsibilities	13) Organizational Meetings (Org. & Dept.)
7) Key Signing Ceremonies	

ICANN Ops Resource Utilization

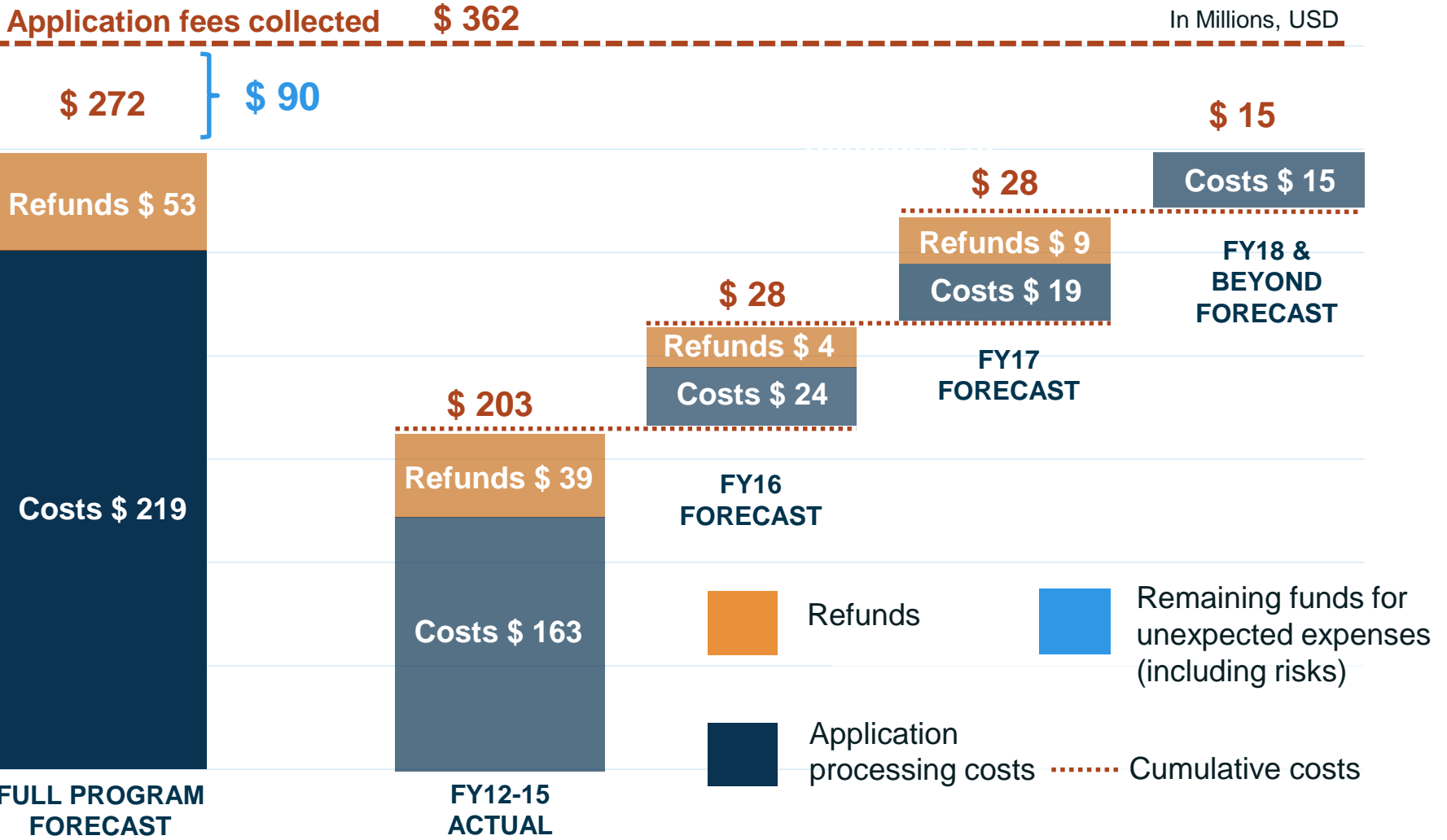
ICANN OPERATIONS in millions, USD	FY17 Draft Budget			FY16 Forecast			Increase/(Decrease)		
	Baseline	Multi-year Projects	Total	Baseline	Multi-year Projects	Total	Baseline	Multi-year Projects	Total
TOTAL SUPPORT AND REVENUE	\$132.4	-	\$132.4	\$120.8	-	\$120.8	\$11.6	-	\$11.6
Personnel	61.9	1.1	63.0	51.7	2.3	54.0	10.2	(1.2)	9.0
Travel & Meetings	15.7	1.7	17.4	15.4	0.6	16.0	0.3	1.1	1.4
Professional Services	21.5	1.7	23.2	19.2	1.5	20.7	2.3	0.2	2.5
Administration	16.6	0.4	17.0	15.8	0.2	15.9	0.8	0.3	1.1
Community Support Requests (a)	0.6	-	0.6	-	-	-	0.6	-	0.6
Contingency	5.0	-	5.0	1.2	-	1.2	3.8	-	3.8
Capital	5.3	1.0	6.3	6.0	0.8	6.8	(0.7)	0.2	(0.5)
TOTAL CASH EXPENSES (b)	\$126.5	5.9	132.4	\$109.3	5.3	114.6	17.2	0.6	17.8
EXCESS/ (DEFICIT)	\$5.9	(\$5.9)	-	\$11.5	(\$5.3)	\$6.2	(5.6)	(0.6)	(6.2)
AVERAGE HEADCOUNT	359.4	7.1	366.5	301.8	14.9	316.7	57.6	(7.8)	49.8

(a) FY16 Community Support Requests have been allocated to the expense categories based on the nature of the request.

(b) Excludes bad debt and depreciation expenses.

Excludes USG Transition costs envelope (\$6m) and headcount (8) in FY17

New gTLD Program - Multiyear View



Total ICANN Resource Utilization

TOTAL ICANN in Millions, USD	ICANN Ops			New gTLD Program			Total ICANN		
	FY17 Draft	FY16 Forecast	+Incr/ -(Decr)	FY17 Draft	FY16 Forecast	+Incr/ -(Decr)	FY17 Draft	FY16 Forecast	+Incr/ -(Decr)
SUPPORT AND REVENUE (a)	\$132.4	\$120.8	\$11.6	\$27.7	\$13.9	\$13.8	\$160.1	\$134.7	\$25.4
Personnel	63.0	54.0	9.0	4.9	5.8	(0.9)	\$67.9	\$59.7	8.1
Travel & Meetings	17.4	16.0	1.4	1.0	1.4	(0.4)	18.4	17.4	1.0
Professional Services	23.2	20.7	2.5	9.2	10.8	(1.6)	32.4	31.5	0.9
Administration	17.0	15.9	1.1	1.1	1.2	(0.1)	18.1	17.1	0.9
Community Support Requests (b)	0.6	-	0.6	-	-	-	0.6	-	0.6
Contingency	5.0	1.2	3.8	-	-	-	5.0	1.2	3.8
Capital	6.3	6.8	(0.5)	-	-	-	6.3	6.8	(0.5)
TOTAL CASH EXPENSES (c)	132.4	114.6	17.8	16.2	19.2	(3.0)	148.6	133.8	14.8
EXCESS/(DEFICIT)	-	6.2	(6.2)	11.5	(5.3)	16.7	11.5	1.0	10.5
AVERAGE HEADCOUNT (FTE) (d)	366.5	316.7	49.8	11.0	10.0	1.0	377.5	326.7	50.8

(a) Excludes new gTLD auction proceeds.

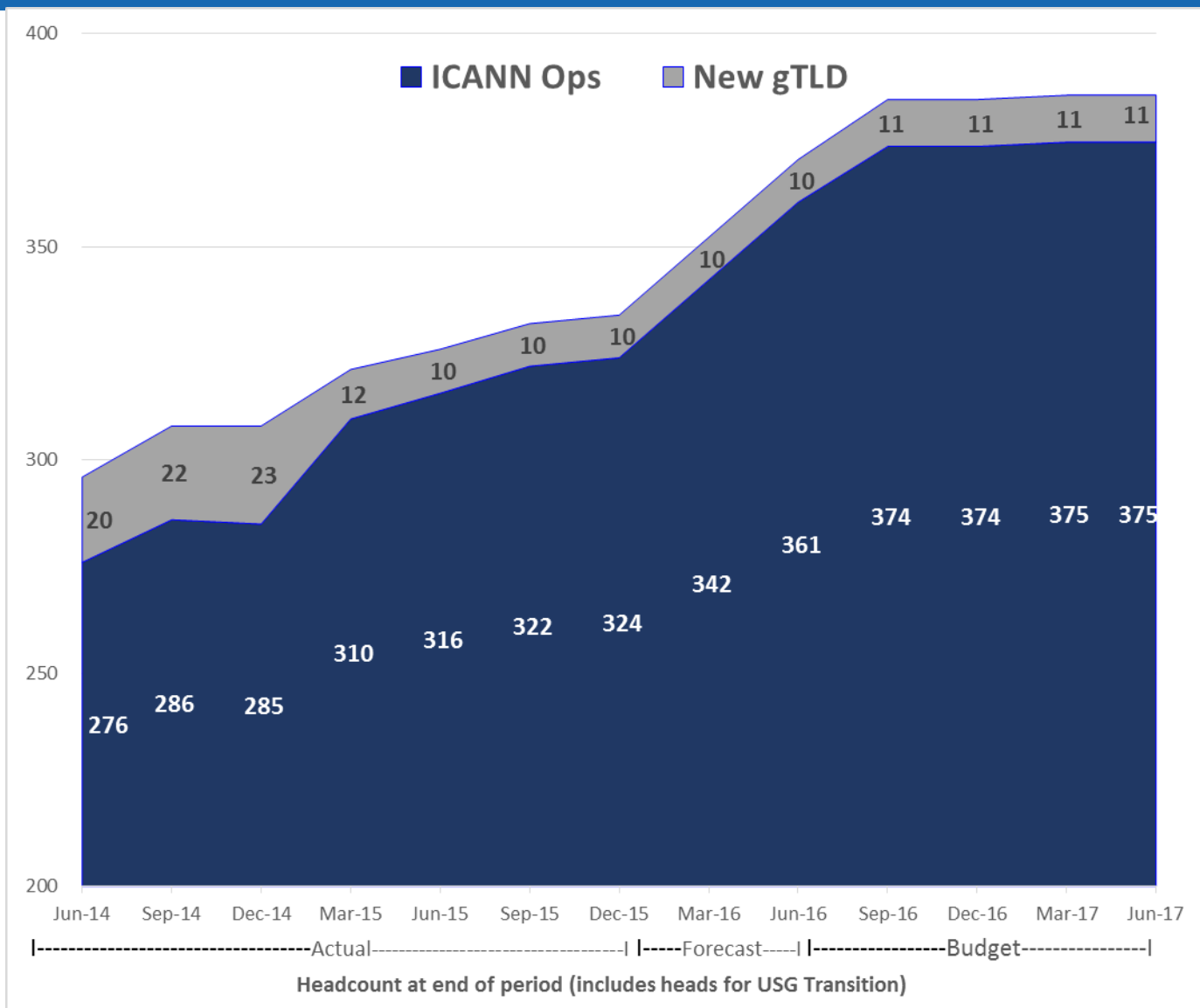
(b) FY16 Community Support Requests have been allocated to expense categories based on the nature of the request.

(c) Excludes bad debt and depreciation expenses.

(d) FTE: Full-time staff equivalent

Excludes USG Transition costs envelope (\$6m) and headcount (8) in FY17

Headcount – 3 Year Overview



USG Transition / Implementation

USG Transition/Implementation/WS2 (FY17)

Funding to be determined through community consultation

Scope:

- End of Transition work (until 30 September 2016)
- Implementation: Staff work on implementing the proposals, in collaboration with working groups (ICG/CWG/CCWG).
- Accountability Work Stream 2

FY17 expenses envelope:

Working on developing a work plan and costs estimates with community.

Risks and Opportunities

5. Risks & Opportunities

Risks

Revenue: Lower Legacy/new gTLD registrations	Low (1.2m)
Revenue: Decrease in number of accredited registrars resulting from market correction	Med (3.5m)
Expenses: Higher costs of implementation and post-transition expenses	High
Expenses: fatigue/strain due to workload and environment changes	High
Expenses: expenses supporting the CWG for auction proceeds disbursements	Med

Opportunities

Revenue: faster new TLD registration growth	Med +0.6m
Revenue: number of registrars stays high at FY16 level during FY17	Med +3.7m
Expenses: ability to prioritize the activities of the ICANN Community	Low

Risk: defined as the possibility of a lower revenue or higher cost / Opportunity is the opposite.

Next Steps

Next Steps - Process

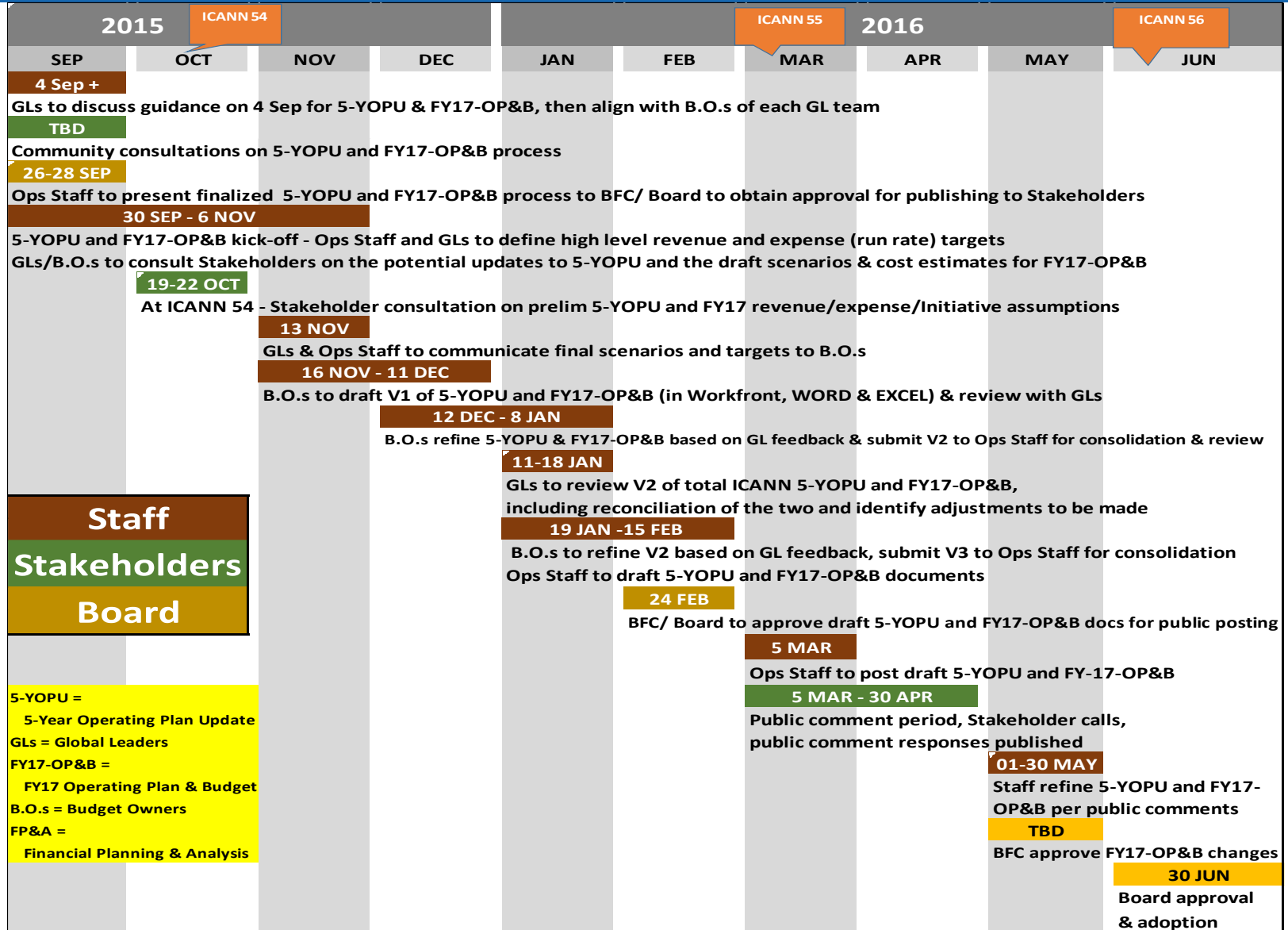
FY16
Timeline



1	Develop a forecast for USG Transition expenses - 31 Mar	n/a
2	Respond to public comment: 1 May – 30 May <ul style="list-style-type: none">Approach:<ul style="list-style-type: none">Review of public comments through direct communication between Staff/BFC and SO/ACDetailed review of comments/responses by BFC/Board	1 May/ 1 Jun
3	Final Budget submitted to BFC: 10 June (tentative)	10 Jun
4	Board approval: 30 June	25 Jun

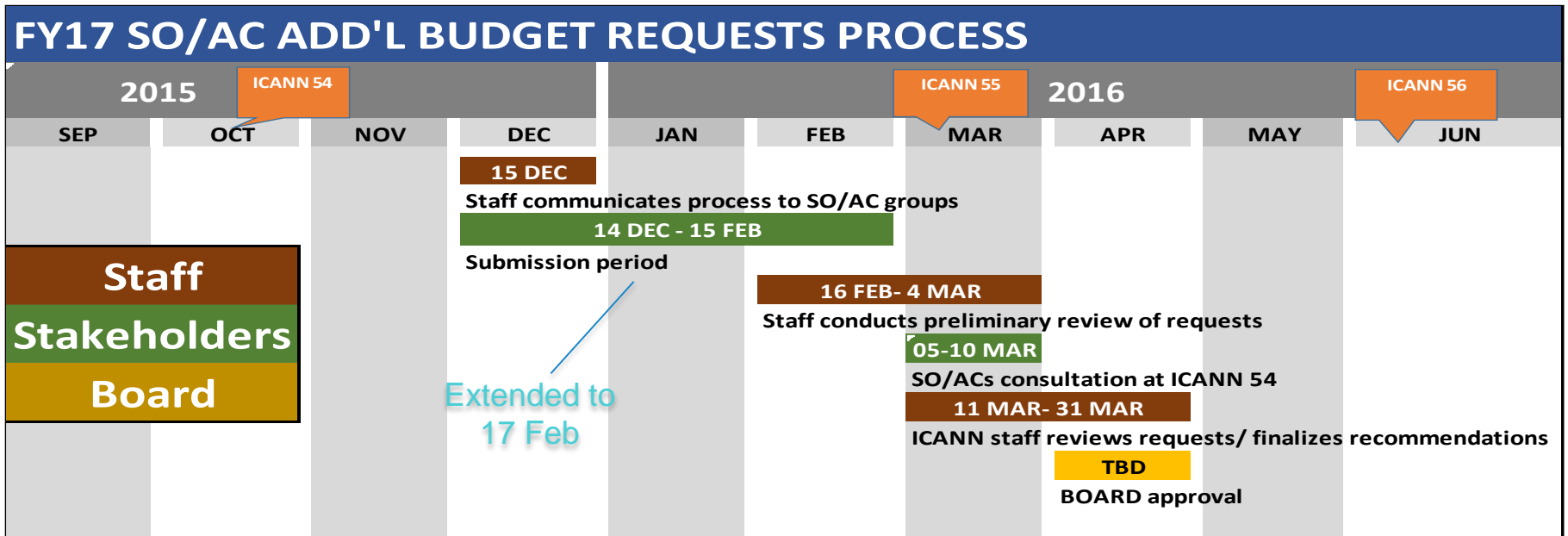
Appendix

5YOPU & FY17 OP&B Process & Calendar (1 of 2)



5YOPU & FY17 OP&B Process & Calendar (1 of 2)

Dedicated part of the overall ICANN annual budget that is set aside to take into account specific requests from the community for activities that are not already included in the recurring ICANN budget.



ICANN Ops Revenue

In Millions, US dollars	FY17 Best Estimate	FY16 Forecast	+ Incr./ - Decr.	%	FY17 Estimates		FY16 Budget
					High	Low	
Legacy gTLD							
Registry - transaction fees	48.2	46.9	1.4	3%	48.6	47.6	47.0
Registrar - transaction fees	29.1	28.1	1.0	3%	29.4	28.7	28.2
Sub-total	\$77.4	\$75.0	\$2.3	3%	\$78.0	\$76.2	\$75.1
New gTLD			-				
Registry - fixed fees	30.2	21.5	8.7	41%	30.2	28.7	19.9
Registry - transaction fees	5.8	2.8	2.9	104%	5.9	5.5	2.0
Registrar - transaction fees	5.5	3.0	2.6	86%	5.6	5.3	2.3
Sub-total	\$41.5	\$27.3	\$14.2	52%	\$41.7	\$39.5	\$24.1
Registrars accreditation							
Application fees	0.1	2.6	(2.5)	-95%	0.1	0.1	0.2
Accreditation fees	6.3	8.8	(2.4)	-28%	10.0	2.8	6.1
Per-registrar variable fees	3.4	3.4	-	0%	3.4	3.4	3.4
Sub-total	\$9.9	\$14.8	(\$4.9)	-33%	\$13.6	\$6.3	\$9.7
Contributions							
RIR	0.8	0.8	-	0%	0.8	0.8	0.8
ccTLD	2.1	2.1	-	0%	2.1	2.1	2.1
Meeting Sponsorships/other	0.8	0.8	-	0%	0.8	0.8	1.5
Sub-total	\$3.7	\$3.7	-	0%	\$3.7	\$3.7	\$4.4
ICANN Ops Revenue	\$132.4	\$120.8	\$11.6	10%	\$137.0	\$125.7	\$113.4

ICANN Ops Expenses by Function

ICANN Operations In Millions, USD	FY17 Draft Budget					FY16 Forecast					Increase/ (Decrease)				
	Baseline	Multi-year Projects	Total	Avg. Hdct	EOY Hdct	Baseline	Multi-year Projects	Total	Avg. Hdct	EOY Hdct	Baseline	Multi-year Projects	Total	Avg. Hdct	EOY Hdct
Support and Revenue	\$132.4		\$132.4			\$120.8		\$120.8			\$11.6		\$11.6		
Compliance & Safeguards	\$5.4	\$0.0	\$5.4	26.0	27	\$5.3	\$0.0	\$5.3	24.0	25	\$0.1	\$0.0	\$0.1	2.0	2
GDD: DNS, IANA, Ops	20.4	0.0	20.4	80.4	80	18.1	0.0	18.1	65.6	74	2.3	0.0	2.3	14.8	7
CTO	6.0	0.0	6.0	13.9	14	5.1	0.0	5.1	12.5	15	0.9	0.0	0.9	1.4	(1)
Strat. Initiatives & Reviews	3.8	1.7	5.5	10.1	10	3.0	0.0	3.0	5.5	8	0.8	1.7	2.5	4.6	3
Strategic Communications	9.5	0.0	9.5	25.0	25	8.1	0.0	8.1	20.7	22	1.4	0.0	1.4	4.3	3
GSE and Meetings Ops.	14.9	0.6	15.5	44.0	44	14.6	0.0	14.6	40.0	41	0.3	0.6	0.9	4.0	3
Gov Engagement	2.9	0.0	2.9	7.0	7	2.6	0.0	2.6	6.9	7	0.2	0.0	0.2	0.1	0
SO/AC Policy and Eng.	10.5	0.0	10.5	30.0	30	9.4	0.3	9.7	28.5	30	1.1	(0.3)	0.8	1.5	-
Public Responsibility	2.9	0.8	3.6	8.0	8	0.3	2.5	2.8	7.0	8	2.5	(1.7)	0.8	1.0	-
Governance support	11.7	0.0	11.7	21.9	22	10.1	0.0	10.1	16.4	19	1.6	0.0	1.6	5.5	3
Operations	16.7	0.4	17.1	45.0	45	16.3	0.0	16.3	36.7	37	0.4	0.4	0.8	8.3	8
IT & Cyber Security	21.1	2.5	23.6	60.1	60	20.1	2.5	22.6	48.9	54	1.0	0.0	1.0	11.1	6
Executive & Ombudsman	2.4	0.0	2.4	4.0	4	2.8	0.0	2.8	4.0	4	(0.4)	0.0	(0.4)	-	-
New gTLD Allocation	(5.1)	0.0	(5.1)			(7.8)	0.0	(7.8)	-	-	2.7	0.0	2.7	-	-
Corporate	(1.5)	0.0	(1.5)	(8.9)	(9)	0.0	0.0	0.0	-	-	(1.5)	0.0	(1.5)	(8.9)	(9)
Contingency	5.0	0.0	5.0			1.2	0.0	1.2	-	-	3.8	0.0	3.8	-	-
Total Baseline Opex (Cash)	\$126.5	\$5.9	\$132.4	366.5	367	\$109.3	\$5.3	\$114.6	316.7	343	\$17.2	\$0.6	\$17.8	49.8	24
Excess/ (Deficit)	\$5.9	(\$5.9)	\$0.0			\$11.5	(\$5.3)	\$6.2							

*Excludes USG Transition costs envelope (\$6m) and headcount (8) in FY17

Reference Documents

Strategic Plan

<https://www.icann.org/en/system/files/files/strategic-plan-2016-2020-10oct14-en.pdf>

5-Year Operating Plan

<https://www.icann.org/en/system/files/files/adopted-opplan-2016-2020-26apr15-en.pdf>

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<https://www.icann.org/public-comments/op-budget-fy17-five-year-2016-03-05-en>

Draft FY17 Operating Plan and Budget

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