



# FY18 Operating Plan & Budget

ALAC | 13 April 2017

# Introduction

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# Meet the Planning Team



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Operating Plan



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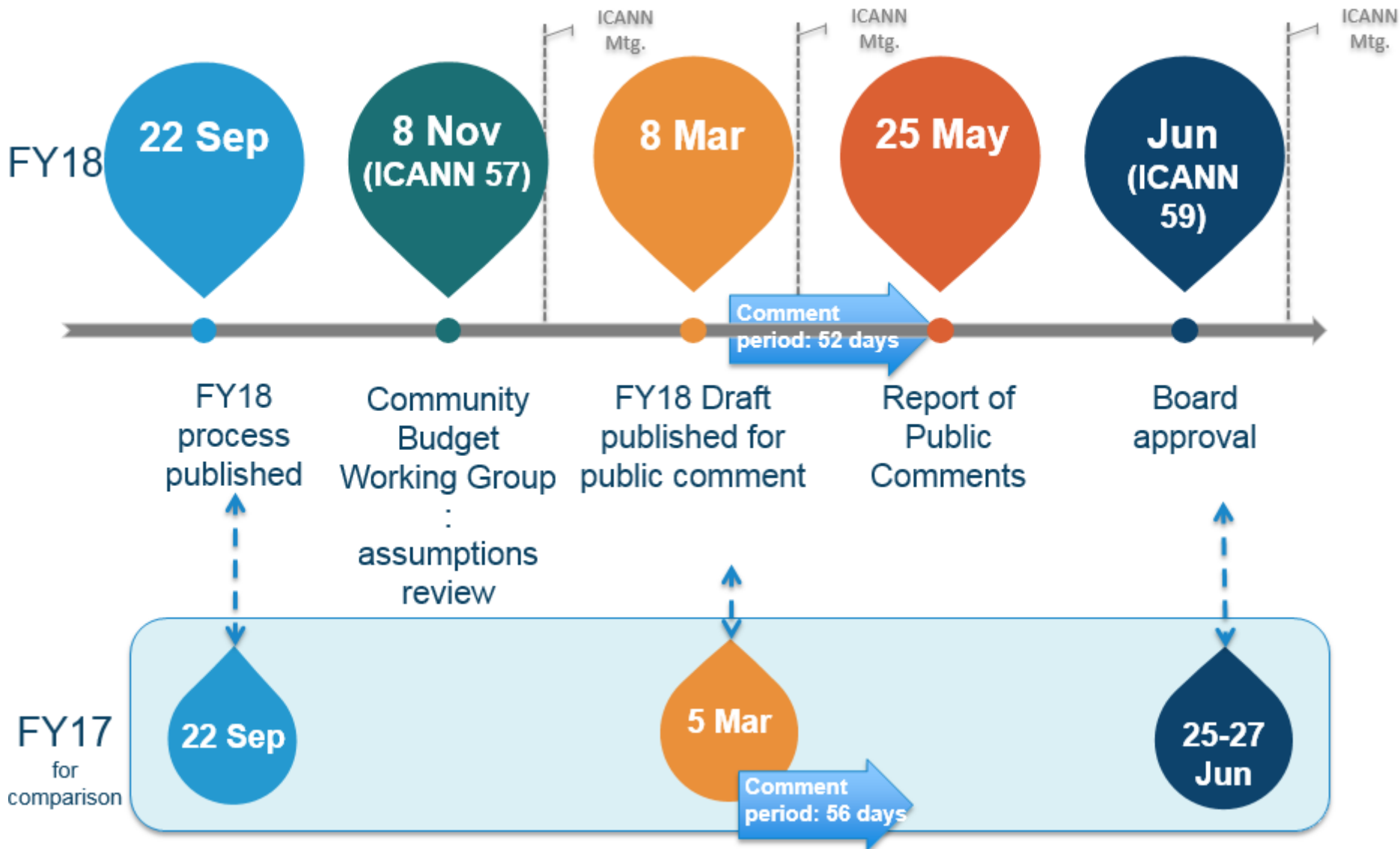


Jessica Castillo  
Project Coordinator

A world map where the continents are defined by a complex network of white dots (nodes) connected by thin white lines (edges). The background is a solid teal color. The map is centered and occupies most of the frame.

## 2. Planning Process Overview and Timeline

## 2.1. FY18 Planning Process Overview and Timeline





# 3. 5-Year Operating Plan Update



# 3.1. 5YOPU FY17 → FY18 Types of Changes

1

## Strategic Plan

Objectives and Goals are defined in the Strategic Plan and remain unchanged

4

## Dependencies

Dependencies updated to reflect completed work, events that have happened, and arising situations

2

## Portfolios

Portfolios updated to reflect work that will be completed in FY17, work to be started in FY18, and refinements to work that will continue. This includes moving portfolios between goals following organizational changes.

5

## Phasing

Phasing updated based on planned progress for FY17 and to give additional detail in FY18 and beyond

3

## KPIs

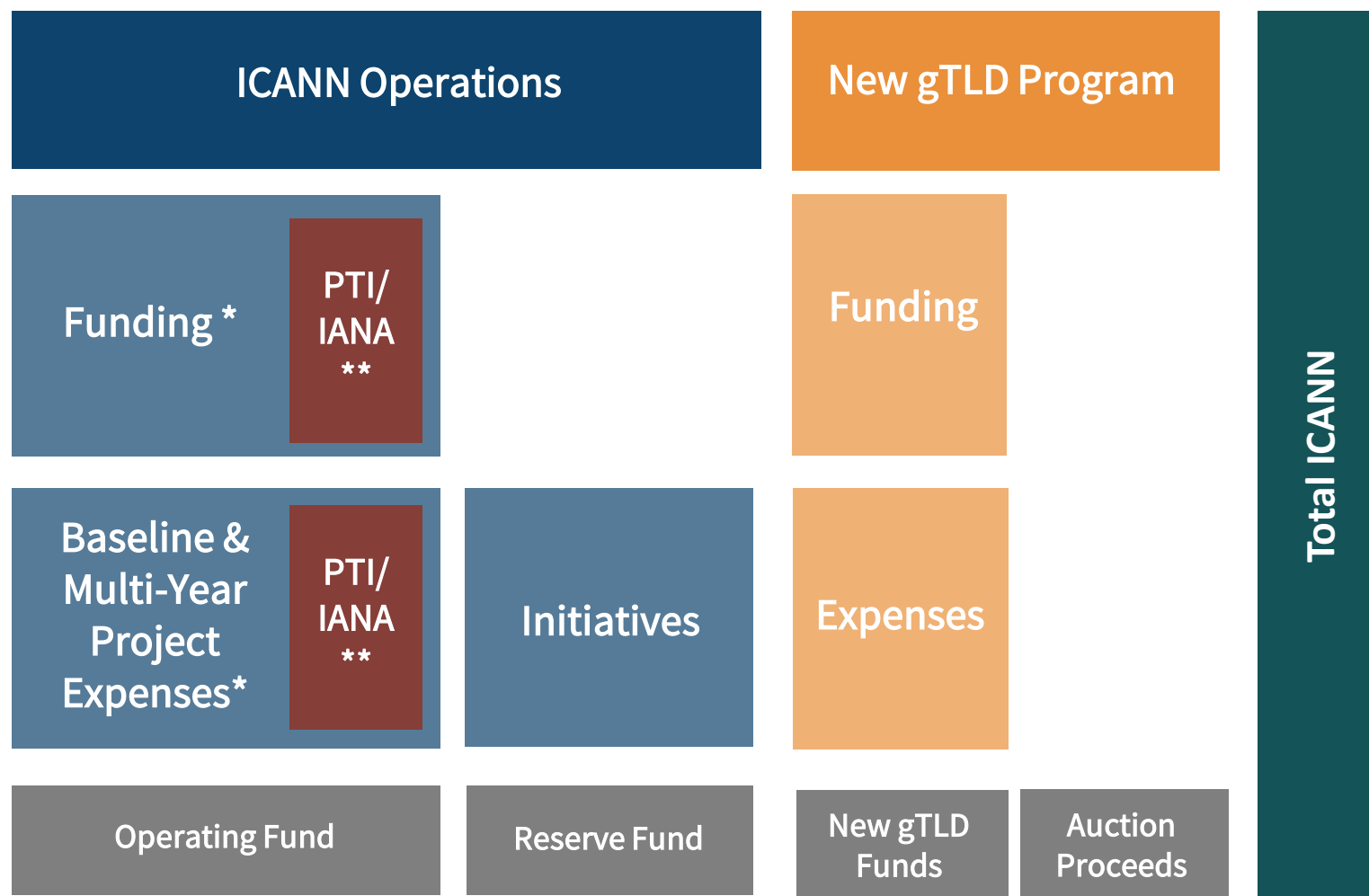
KPIs updated to reflect refinements in measurements based on a better understanding of success

### Three high profile updates:

- PTI op plan incorporated into total ICANN op plan
- No IANA Stewardship Transition
- Reviews incorporated into Bylaws. Now called Specific Reviews.

# 4. Draft FY18 Operating Plan and Budget

# 4.1. ICANN Org. Financial Reporting Structure



\* Excludes depreciation and bad debt expenses

\*\* IANA Services includes ICANN's and PTI's IANA Expenses



## 4.2. Draft FY18 ICANN Ops Op Plan & Budget Highlights

1

### **FY18 Operating Plan**

- Year 3 of the 5-year Operating Plan.
- No major changes to baseline operations.
- IANA functions segregated in PTI.

2

### **FY18 Budget balanced**

- Funding of \$142.8m
- Baseline expenses of \$142.8m
- No initiatives funded from Reserve Fund

3

### **Funding increases at a slower rate**

- Funding forecast reaches \$142.8m, 5% above the FY17 forecast (\$135.9m).
- Slow down consistent with number of new TLDs in operations reaching its peak.

4

### **ICANN Operations baseline expenses**

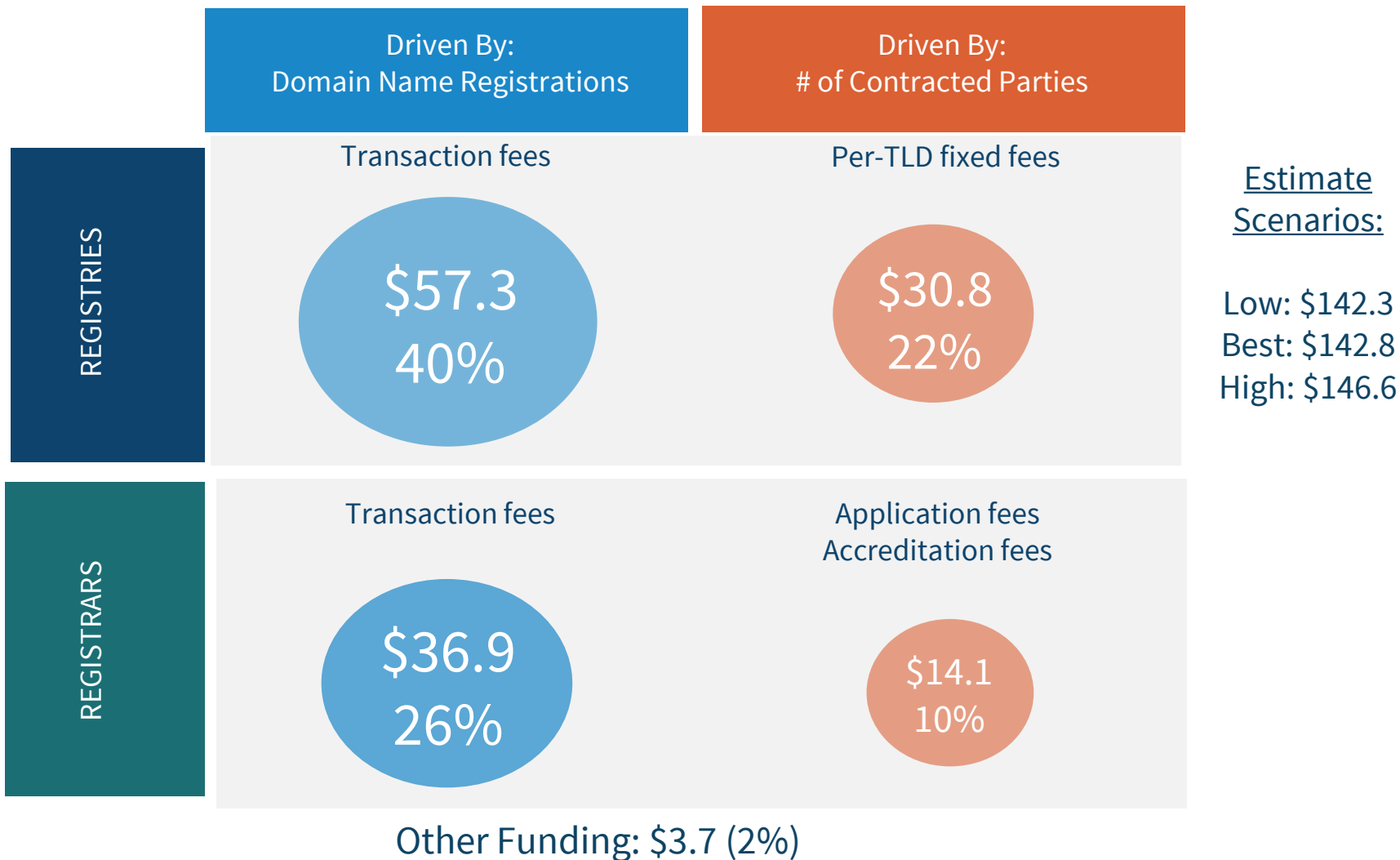
- Baseline cash expenses of \$142.8M increase organically by about 5% (excl. contingency) over the FY17 forecast (\$130.4M), mainly driven by Personnel expenses.

## 4.3. ICANN Ops Draft FY18 Budget

	Draft FY18 Budget	FY17 Forecast	Increase/ (Decrease)
<b>Funding</b>	\$ 142.8	\$ 135.9	\$ 6.9
<b>Baseline Cash Expenses</b>	-\$ 142.8	-\$ 130.4	\$ 12.5
<b>Excess/ (Deficit)</b>	\$ 0	\$ 5.5	(\$ 5.5)

# 4.4.1. Draft ICANN Ops FY18 Funding - Overview

Total: \$142.8 (“Best estimate” scenario)





## 4.4.2. Draft ICANN Ops FY18 Funding - Highlights and R&Os

### Highlights

- Conservative assumptions
- Continued engagement with community >> general acceptance of reasonableness

### Risks

- Lower legacy transactions growth (Low probability: \$0.5m)

### Opportunities

- Higher new gTLD transactions growth (Med. Probability: \$3.8m)

# 4.5.1. ICANN Ops Expenses Overview (1 of 2)

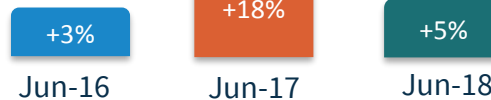
Annual Expenses = Baseline cash ICANN Ops expenses + IANA

1

Baseline cash expenses = Annual Funding

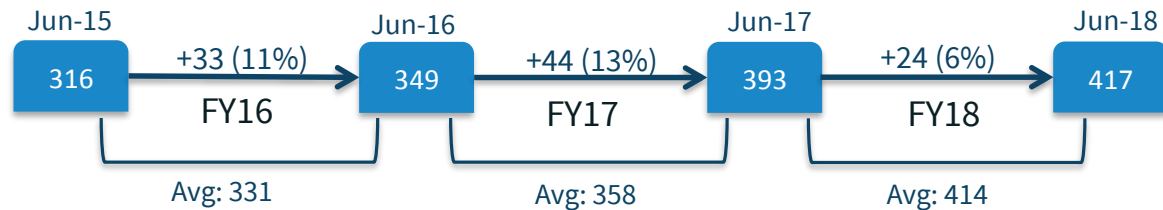
2

Baseline expenses growth slowing down



3

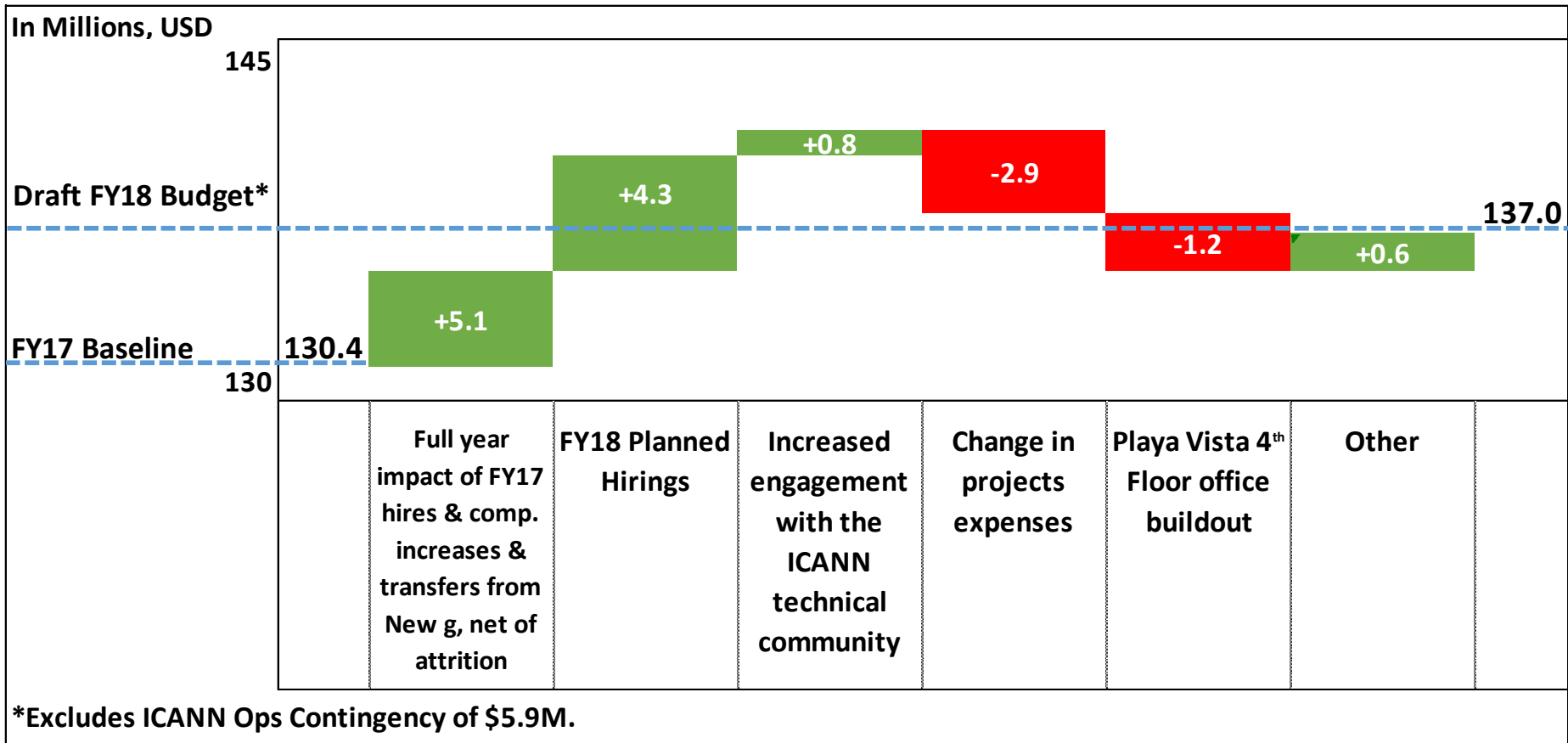
Slowdown of headcount growth in FY18



4

IANA Stewardship Transition concluding in FY17, including WS2.

# 4.5.1. ICANN Ops Expenses Overview (2 of 2)





## 4.5.2. ICANN Ops Draft FY18 Headcount

Executive Group	in Millions, USD		FY18 Draft Budget <sup>(1)</sup>		FY17 Forecast <sup>(2)</sup>		Increase/(Decrease)			
	EOP Hdct	Avg Hdct	EOP Hdct	Avg Hdct	EOP Hdct	Avg Hdct	EOY Hdct	%	Avg Hdct	%
DNS, GDD, IANA	99.0	98.5	88	72.5	11	13%	26.0	36%		
Operations	17.0	17.0	17	9.9	-	0%	7.1	72%		
Strategic Communications	26.0	26.0	26	25.2	-	0%	0.8	3%		
Finance & Procurement and ERM	20.0	20.0	20	15.8	-	0%	4.2	26%		
Technical Functions	19.0	18.0	17	14.6	2	12%	3.4	24%		
GSE, Meetings Ops, DPRD	48.0	48.0	46	43.9	2	4%	4.1	9%		
Contr. Compliance & Consumer Safeguards	29.0	29.0	26	26.2	3	12%	2.8	10%		
Governance Support	20.0	19.0	17	16.2	3	18%	2.8	17%		
Governmental & IGOs										
Engagement	8.0	8.0	7	7.0	1	14%	1.0	14%		
Executive	3.0	3.0	3	3.0	-	0%	-	0%		
Policy Dev Support and SO/AC										
Engagement	35.0	34.9	34	30.4	1	3%	4.5	15%		
IT	66.0	66.0	61	59.9	5	8%	6.1	10%		
Global Human Resources & Admin	22.0	21.7	21	19.6	1	5%	2.1	11%		
MSSI	17.0	17.0	17	12.9	-	0%	4.1	31%		
Ombudsman	1.0	1.0	1	1.0	-	0%	-	0%		
New gTLD Allocations & Corporate (includes attrition)	(13.3)	(13.3)	-	-	(13)	0%	(13.3)	0%		
	<b>417</b>	<b>413.8</b>	<b>401</b>	<b>358.2</b>	<b>16</b>	<b>4%</b>	<b>55.6</b>	<b>16%</b>		

In millions, USD

## 4.5.3. Draft FY18 Baseline Cash Expenses R&Os

### Risks

- Possibility/ probability of carrying out “Unfunded Potential FY18 Activities.”
- Increasing urgency of large projects to be carried out.
- Potential impact of the bylaw-driven cycle of reviews both on Community and ICANN organization workload and bandwidth.
- WS2 Transition work expenses delayed to FY18.

### Opportunities

- Ability to prioritize the activities of the ICANN Community.
- Ability to reduce headcount growth as result of possible optimization of resources

## 4.5.4. PTI and IANA Budget

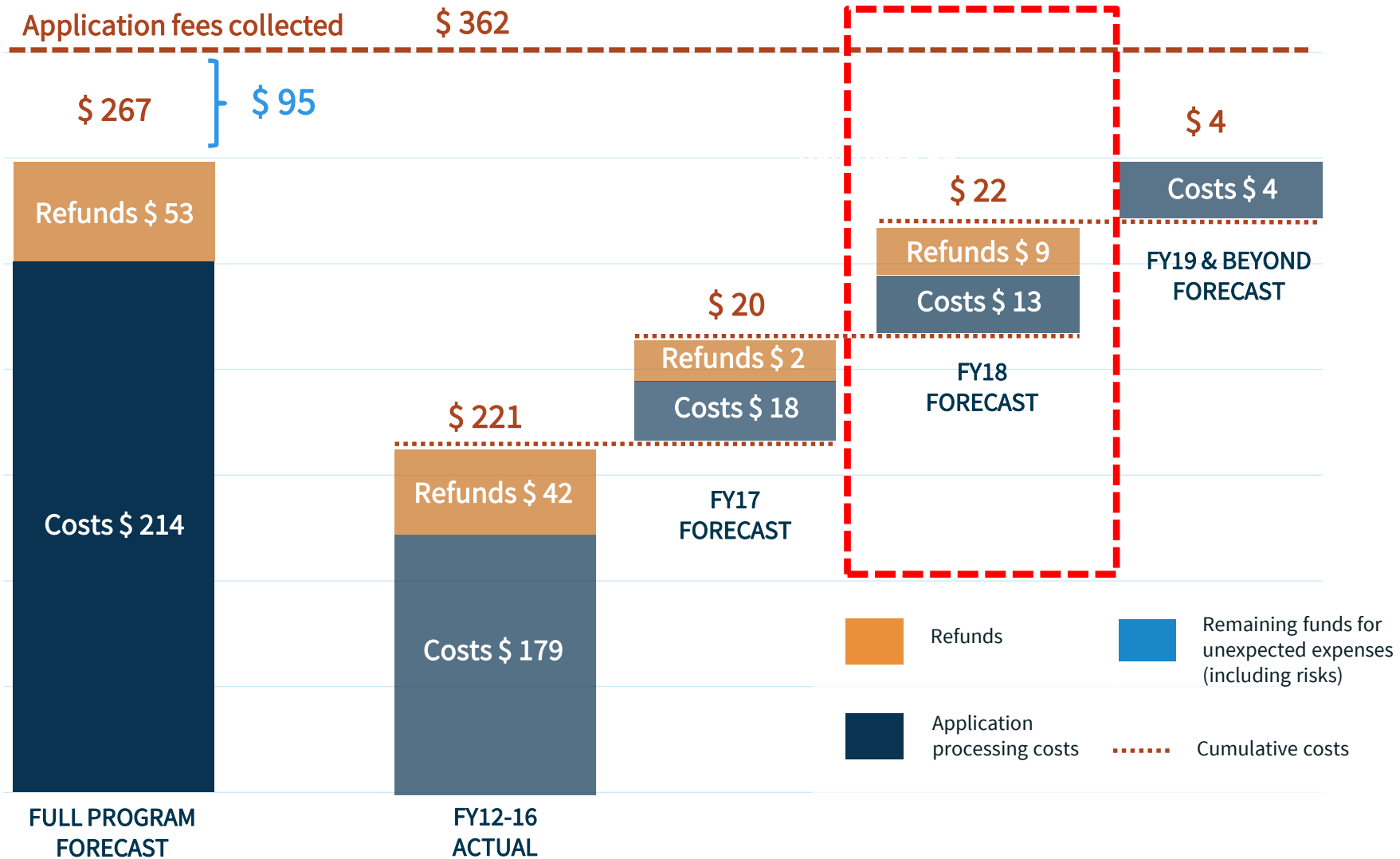
<b>FY18 IANA Budget in Millions, USD</b>		<b>IANA Services FY18 Budget</b>
PTI Operations		\$9.6
IANA Budget		
RZMA (Operating Expense)	(a)	\$0.3
Capital	(b)	\$0.1
<b>Subtotal</b>		\$0.4
<b>TOTAL IANA BUDGET</b>		<b>\$10.0</b>

(a) RZMA= Root Zone Maintainer Agreement for \$300K per Year. This is funded by ICANN Operations  
(b) Capital for IANA for IT systems maintenance

- PTI FY18 OP&B adopted by the PTI Board on 27 January 2017.
- ICANN received as input into the FY18 IANA Budget which is subject to the empowered community veto process
- The IANA Budget is included in the Caretaker Budget should a veto process be triggered



# 4.6. New gTLD Program – Multi-year Forecast



# 4.7.1. Total ICANN Financial Overview

in Millions, USD	FY18 Draft Budget			FY17 Forecast <sup>(1)</sup>			Increase/(Decrease) vs. FY17 Forecast					
	Total ICANN Ops	New gTLD*	ICANN Org.	Total ICANN Ops	New gTLD*	ICANN Org.	Total ICANN Ops	%	New gTLD	%	ICANN Org.	%
<b>Funding</b>	<b>\$142.8</b>	<b>\$19.5</b>	<b>\$162.3</b>	<b>\$135.9</b>	<b>\$154.1</b>	<b>\$290.0</b>	<b>\$6.9</b>	<b>5.1%</b>	<b>(\$134.7)</b>	<b>-87.4%</b>	<b>(\$127.7)</b>	<b>-44.0%</b>
Personnel	69.5	\$2.5	72.0	\$60.4	\$4.6	\$65.0	9.1	15%	(\$2.1)	-45%	7.1	11%
Travel & Meetings	17.6	0.7	18.3	18.0	\$1.0	19.0	(0.4)	-2%	(0.3)	-32%	(0.7)	-4%
Professional Svcs.	27.6	7.0	34.6	27.2	11.4	38.6	0.4	1%	(4.4)	-39%	(4.0)	-10%
Administration <sup>(2)</sup>	18.7	0.7	19.3	17.0	1.1	18.1	1.7	10%	(0.4)	-37%	1.3	7%
Capital	3.6	0.0	3.6	7.7	0.0	7.7	(4.1)	-53%	0.0	n/a	(4.1)	-53%
Contingency <sup>(3)</sup>	5.8	0.0	5.8	0.0	0.0	0.0	5.8	n/a	0.0	n/a	5.8	n/a
<b>Baseline Cash Expenses</b>	<b>\$142.8</b>	<b>\$10.9</b>	<b>\$153.7</b>	<b>\$130.4</b>	<b>\$18.0</b>	<b>\$148.3</b>	<b>\$12.5</b>	<b>10%</b>	<b>(\$7.1)</b>	<b>-40%</b>	<b>\$5.3</b>	<b>4%</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$0.0</b>	<b>\$8.6</b>	<b>\$8.6</b>	<b>\$5.5</b>	<b>\$136.2</b>	<b>\$141.7</b>	<b>(\$5.5)</b>	<b>-100%</b>	<b>(\$127.5)</b>	<b>-94%</b>	<b>(\$133.1)</b>	<b>-94%</b>
<b>Average Headcount</b>	<b>413.8</b>	<b>0.0</b>	<b>413.8</b>	<b>358.2</b>	<b>9.0</b>	<b>367.2</b>	<b>55.6</b>	<b>16%</b>	<b>(9.0)</b>	<b>-100%</b>	<b>46.6</b>	<b>13%</b>

(1) FY17 Forecast excludes IANA Stewardship Transition travel and meetings, professional services, admin, and capital costs.

(2) ICANN Ops excludes Depreciation and Bad Debt of ~\$8M.

(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

## 4.7.2. Total ICANN Cash Flows - FY18

Cash Flow Statement	For the Year Ended 6/30/2018				
	Operating Fund	Reserve Fund	NgTLD	Auction Proceeds	Total
In Millions, US dollars					
<b>Funds Under Management - June 30, 2017</b>	\$ 44.9	\$ 58.6	\$ 123.7	\$ 233.0	\$ 460.1
Collected/ (refunded) from contracted parties	141.3		(9.0)		132.3
Auction Proceeds	-		-		-
Paid to vendors, net of reimbursement	(62.8)		(8.3)		(71.2)
Paid to employees, net of reimbursement	(70.9)		(2.5)		(73.4)
Reimbursement from Reserve Fund - IANA					
Transition Project Costs <sup>(1)</sup>	\$ 4.5	\$ (4.5)			-
Historical Development Costs	2.0		(2.0)		-
Capital expenditures	(3.6)		-		(3.6)
Change in investment market value		1.2	0.3	0.5	1.9
<b>Funds Under Management - June 30, 2018</b>	<b>\$ 55.4</b>	<b>\$ 55.3</b>	<b>\$ 102.0</b>	<b>\$ 233.5</b>	<b>\$ 446.1</b>

(1) The IANA Transition Project Costs are reimbursed from the Reserve Fund every six months for the previous six months of expenses. The FY18 impact represents the project expense for H2 FY17 ( January through July ).

# 5. New to the Planning Process

# 5. New to the Process

- Caretaker budget
  - Community power to reject the strategic / operating plans and budget.
  - If the Board-approved OP&B is vetoed, **caretaker budget** replaces OP&B during veto resolution period.
- Unfunded Potential FY18 Activities
  - Include activities/expenses considered during budget development, but not included in the Draft FY18 OP&B.
  - Activities to be considered during FY18, based on priority and availability on funding.



# 6. Next Steps in FY18 Budget Process

# 6. Next Steps

Date	Who	Step
19 Mar	Community	Submit clarifying questions (as needed) on the draft 5-Yr Op Plan Update and FY18 Op Plan
31 Mar	Staff	Post responses to clarifying questions
31 Mar	Community	Set up a meeting with the planning team to review your submitted comments (as needed) by
05 Apr (est.)	BFC	BFC recommends Board approves SO/AC Additional Budget requests
28 Apr	Community	Public comment Period ends
05 May	Board	Board approves SO/AC Additional Budget requests (Board resolution)
01 June	Staff	Staff Report published
05 Jun (est.)	BFC	BFC reviews the final ICANN Budget and recommends Board approval
10 Jun (est.)	Staff	New Step: Publication to the community of the final FY18 OP & B intended for Board approval highlighting any changes from the Draft.
24 Jun (est.) ICANN 59	Board	Board approves final ICANN Budget

# 7. How to Get Involved



Email: [controller@icann.org](mailto:controller@icann.org)



**Public Comment**  
[icann.org/public-comments](https://icann.org/public-comments)



**Community Finance Email List**  
How to subscribe?

# 8. Empowered Community – Budget Rejection Power



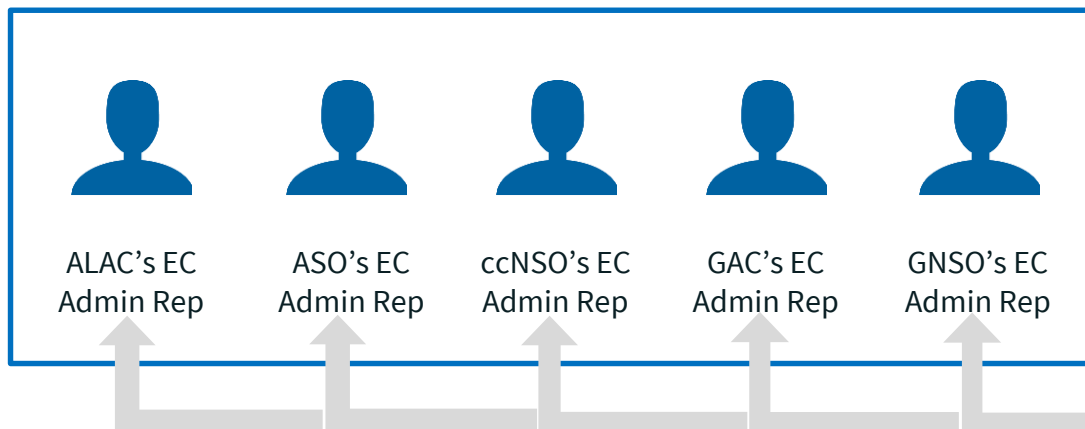
# Overview of EC and EC Administration

## Empowered Community (“EC”)



In representing a Decisional Participant on the EC Administration, the individual representative acts solely as directed by the represented Decisional Participant and in accordance with processes developed by such Decisional Participant.

## Empowered Community Administration



In representing the EC Administration, the representatives act as required for the EC to follow the applicable procedures to exercise its rights.



# ICANN and IANA Budget Rejection Action Procedures

## Rejection Action Board Notice

ICANN Board approves the ICANN and IANA budgets.

ICANN Secretary sends Rejection Action Board Notice to EC Admin and Decisional Participants.

## Petition Period – 21 days

In accordance with procedures of Decisional Participant, an individual may submit a petition.

Decisional Participant decides whether to accept petition. If accept, notify EC Admin and ICANN Secretary.

## Support Period (7 days)

Petitioning Decisional Participant contacts EC Admin and other Decisional Participants to determine whether any other Decisional Participants support petition. If at least one other Decisional Participant supports, notify EC Admin and ICANN Secretary.

## Community Forum Period – 21 days

EC Admin directs ICANN org to convene Community Forum (may also request to hold conference call prior to Community Forum).

ICANN org schedules conference call (if requested) and Community Forum.  
ICANN org, SOs/ACs (including Decisional Participants) submit written views/questions to EC Admin with copy to ICANN Secretary.

EC Admin moderates conference call (if scheduled) and Community Forum. ICANN org staff and Board Directors attend to answer questions.

## Decision Period – 21 days

Decisional Participants decide whether to (i) support petition; (ii) reject petition; (iii) abstain, and notify EC Admin with copy to ICANN Secretary.

## EC Admin Notice – 24 hours

EC Admin tallies decisions from Decisional Participants. If 4 support and no more than 1 reject, send ICANN Secretary EC Approval Notice. If approval threshold not met, send ICANN Secretary Approval Process Termination Notice.

# Appendix – Draft 5-Year Operating Plan Update and FY18 Operating Plan and Budget

# ICANN Ops Draft FY18 Financial Overview

in Millions, USD	FY18 Draft Budget			FY17 Forecast <sup>(1)</sup>			Increase/(Decrease) vs. FY17 Forecast			
	ICANN Ops	IANA	Total ICANN Ops	ICANN Ops	IANA	Total ICANN Ops	ICANN Ops	IANA	Total ICANN Ops	%
<b>Funding</b>	\$142.8	\$0.0	\$142.8	\$135.9	\$0.0	\$135.9	\$6.9	\$0.0	\$6.9	5.1%
Personnel	63.8	\$5.8	69.5	\$55.2	\$5.2	\$60.4	8.6	\$0.5	9.1	15%
Travel & Meetings	17.0	0.6	17.6	17.6	\$0.4	18.0	(0.6)	0.2	(0.4)	-2%
Professional Svcs.	26.1	1.5	27.6	25.9	1.3	27.2	0.1	0.2	0.4	1%
Administration <sup>(2)</sup>	17.1	1.6	18.7	15.3	1.7	17.0	1.8	(0.1)	1.7	10%
Capital	3.5	0.1	3.6	7.6	0.1	7.7	(4.1)	(0.0)	(4.1)	-53%
Contingency <sup>(3)</sup>	5.3	0.5	5.8	0.0	0.0	0.0	5.3	0.5	5.8	n/a
<b>Baseline Cash Expenses</b>	\$132.8	\$10.0	\$142.8	\$121.6	\$8.7	\$130.4	\$11.2	\$1.3	\$12.5	10%
<b>Increase/ (Decrease) to Net Assets</b>	\$10.0	(\$10.0)	\$0.0	\$14.3	(\$8.7)	\$5.5	(\$4.2)	(\$1.3)	(\$5.5)	-100%
<b>Average Headcount</b>	391.2	22.6	413.8	336.9	21.3	358.2	54.3	1.3	55.6	16%

(1) FY17 Forecast excludes IANA Stewardship Transition travel and meetings, professional services, admin, and capital costs.

(2) ICANN Ops excludes Depreciation and Bad Debt of ~\$8M.

(3) FY17 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.

# Draft FY18 Revenue Assumptions

	FY18 Budget	FY17 Forecast	% Inc/ (Dec)
<b># of Transactions (in M)</b>	205.3	192.0	6.9%
Legacy gTLDs	163.6	159.9	2.3%
New gTLDs – Total	41.7	32.1	29.9%
New gTLDs - Billable	35.4	27.0	31.1%
<b># of Contracted Parties (as of end of year)</b>	3,503	4,249	-24.9%
Legacy gTLDs	22	22	0.0%
New gTLDs (delegated)	1,240	1,238	0.1%
Registrars	2,241	2,989	-25.0%



# Unfunded Potential FY18 Activities

- Include activities/expenses considered during budget development, but not included in the Draft FY18 OP&B.
- Activities to be considered during FY18, based on priority and availability on funding.
- List of activities is evolving and may change as additional information becomes available.

	Name	FY18	Total Expenses	Annual recurring	Estimated Start Date	Estimated End Date
<b>Operations</b>	Internal Controls Audit function	\$0.4	n/a	\$0.5	n/a	n/a
<b>Comms/LS</b>	Comms/Language Services	\$0.2	\$0.2		Jul-17	Jun-18
<b>MSSI</b>	Reviews support	\$0.2	\$0.2		Jul-17	Jun-18
<b>GSE</b>	SSR capacity building and additional headcount	\$0.4	\$0.4	\$0.3	Jul-17	Jun-18
<b>Meetings</b>	Additional Meetings headcount	\$0.2	n/a	\$0.2	n/a	n/a
<b>Legal</b>	Additional Legal resources	\$0.3	n/a	\$0.3	n/a	n/a
<b>Legal</b>	Additional defense resources	\$1.0	\$1.0		Jul-17	Jun-18
<b>Finance</b>	Additional business analysis	\$0.2	n/a	\$0.2	n/a	n/a
<b>Contractual Compliance</b>	Additional professional services	\$0.1	\$0.1		Jul-17	Jun-18
<b>Comms/LS</b>	Comms	\$0.4	\$0.4	\$0.4	Jul-17	ongoing
<b>Comms/LS</b>	Comms	\$0.2	\$0.2	\$0.2	Jul-17	ongoing
<b>Policy Development Support</b>	Document Production Pilot Support	\$0.1	\$0.1		Jul-17	Dec-17
<b>Community Travel Support</b>	Community Regional Outreach program	\$0.1	\$0.2		Jul-17	Jun-18
<b>Policy Development Support</b>	Additional professional services	\$0.1	\$0.1			
<b>Government Engagement</b>	Additional professional services (engagement - capacity building)	\$0.3	\$0.3		Jul-17	Jun-18
	<b>Sub-total</b>	<b>\$3.9</b>	<b>\$3.0</b>	<b>\$2.0</b>		