Finance Presentation

Becky Nash, VP Finance
Xavier Calvez, SVP & CFO

ICANN 62
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Presenters

Xavier Calvez
ICANN
SVP & CFO

Becky Nash
ICANN
VP Finance

Agenda

1 FY18 Financial Overview

2 FY19 Operating Plan and Budget
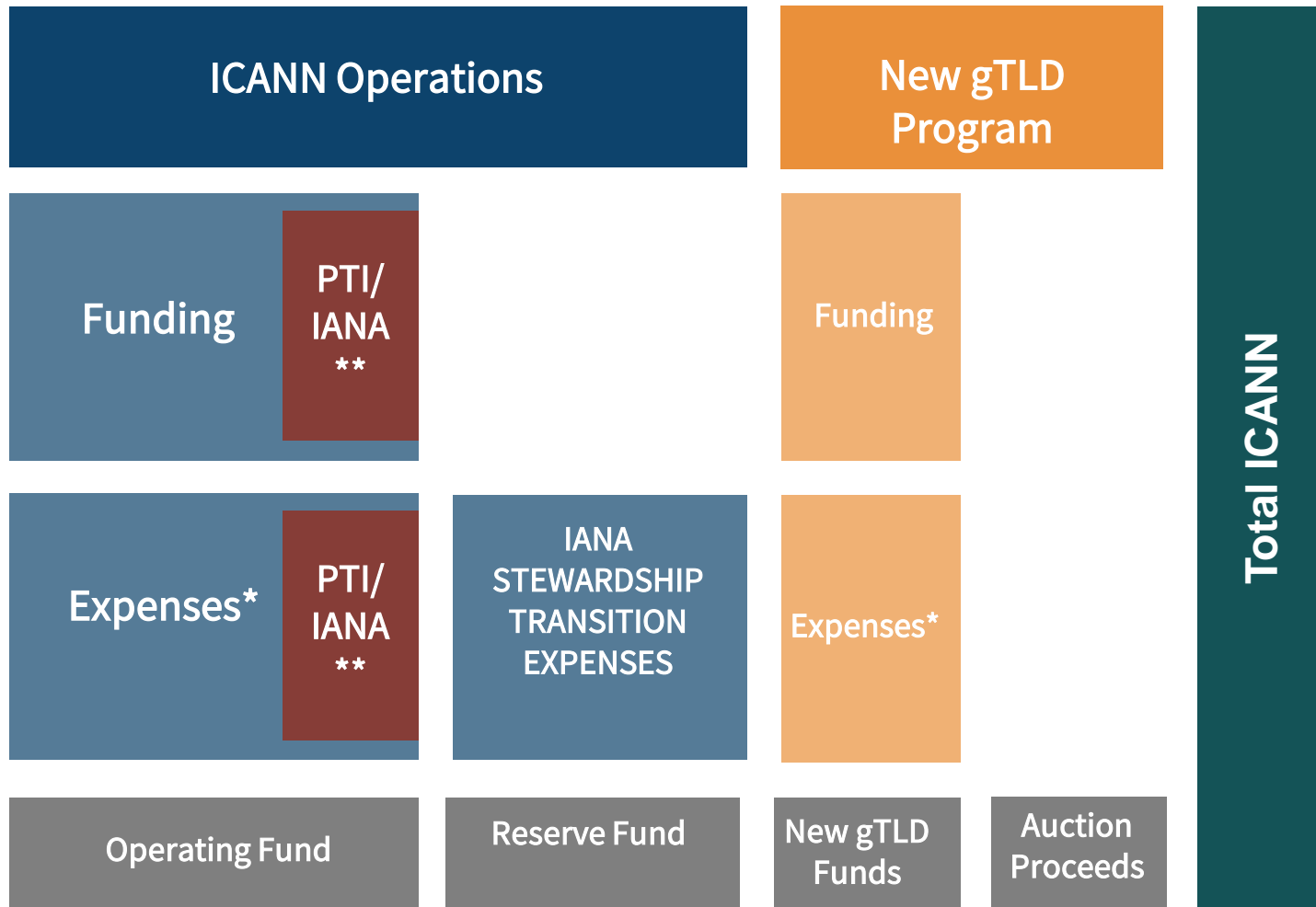
3 Reserve Fund Replenishment

4 Q&A

5 Appendix

1. FY18 Financial Overview

ICANN Organization Reporting Structure FY18

ICANN Operations

New gTLD Program

Total ICANN

Funding

PTI/IANA **

Expenses*

PTI/IANA **

IANA STEWARDSHIP TRANSITION EXPENSES

Funding

Expenses*

Operating Fund

Reserve Fund

New gTLD Funds

Auction Proceeds

*Excludes depreciation and bad debt expenses

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

FY18 Year-to-date FY18 Q3 (Jul 17- Mar 18)

Funding and Expenses below target.

	Actual	Budget	Var	% Var	FY17	Var	% Var
Funding	$98	$107	-$9	-8%	$105	($7)	-6%
Expenses	($93)	($105)	$12	-11%	($89)	($4)	4%
IANA Stewardship Transition Expenses	($1)	($2)	$1	-58%	($5)	$4	-80%
Net	$4	$0	$4	N/A	$11	($6)	-58%

Breakdown of Expenses	Actual	Budget	Var	% Var	FY17	Var	% Var
IANA Services	($5)	($7)	$2	-29%	($6)	$1	-18%
All Other	($88)	($97)	$10	-10%	($83)	($5)	6%

Note: Expenses exclude bad debt and depreciation and include capital expenses.

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

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FY18 Year-to-date (Jul 17 – Mar 18) Funding vs Budget & FY17

Funding below target due to lower registration volumes

Actual:	$ 98M
Budget:	$ 107M
FY17:	$ 105M

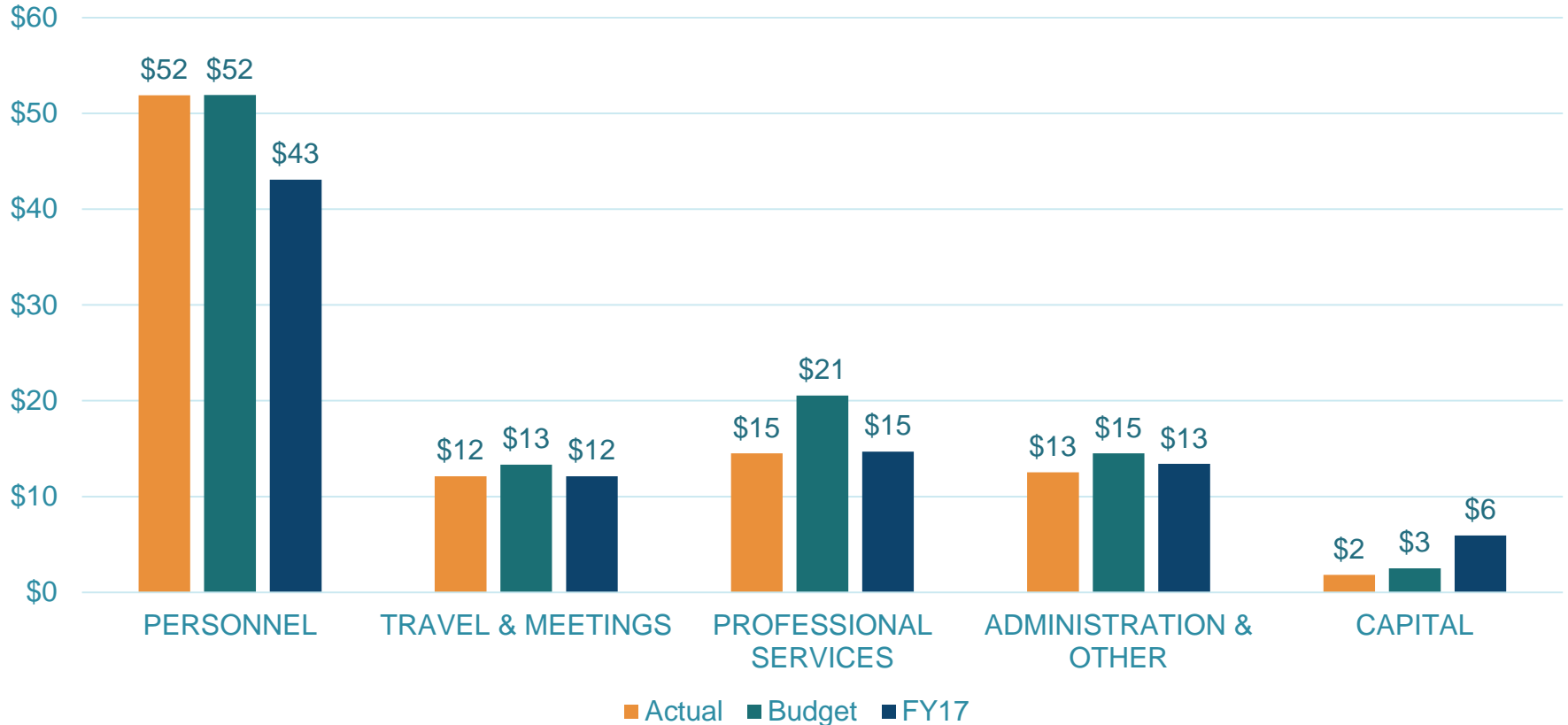In millions, USD- unaudited – Scale and Arithmetic inconsistencies are due to rounding to the nearest million.
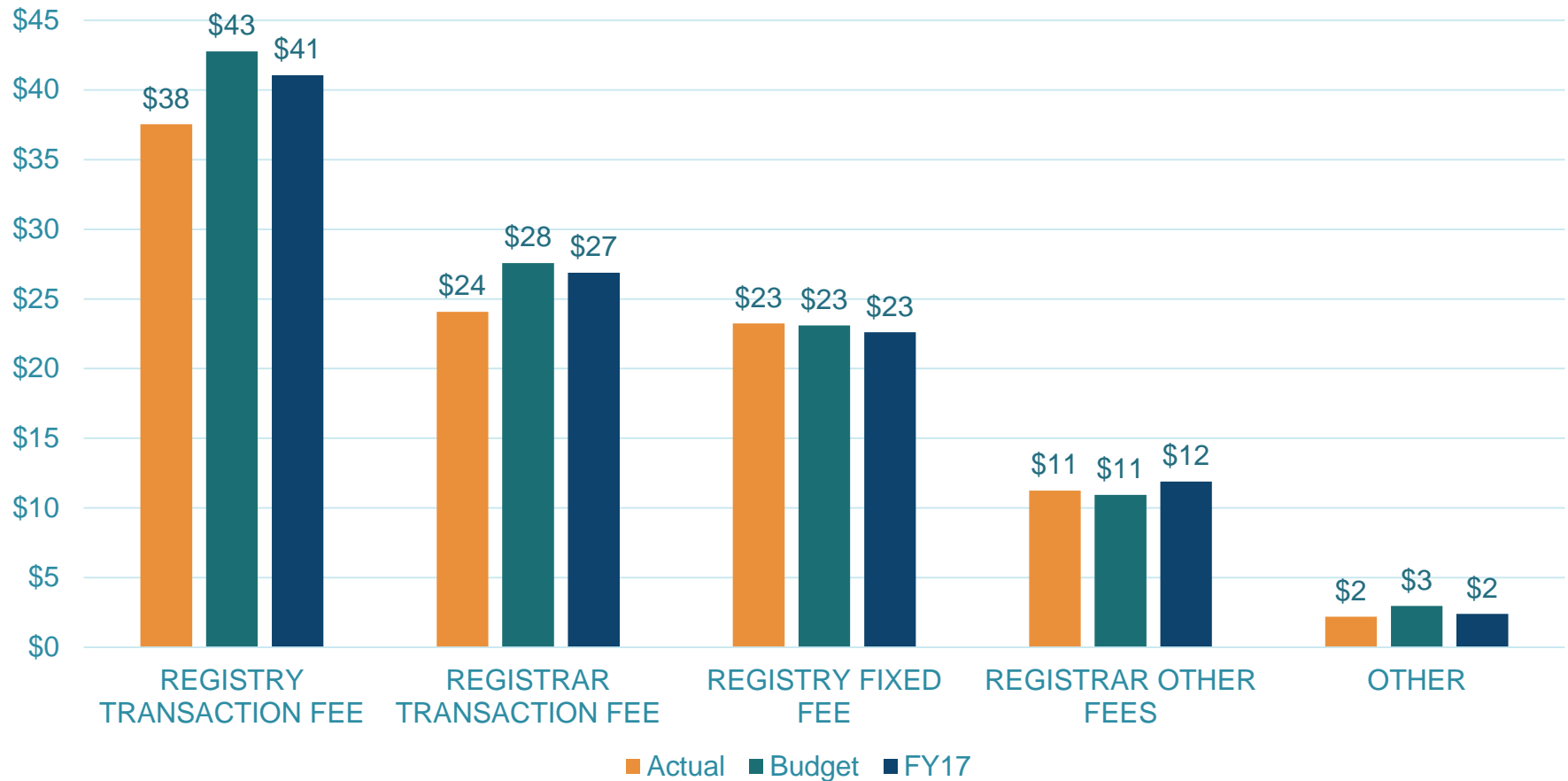
FY18 Year-to-date (Jul 17 – Mar 18) Operating & Capital Expenses

Lower professional services costs and timing differences of projects vs. plan.

Actual:	$ 93M
Budget:	$ 105M
FY17:	$ 89M

Bar chart, in millions USD:

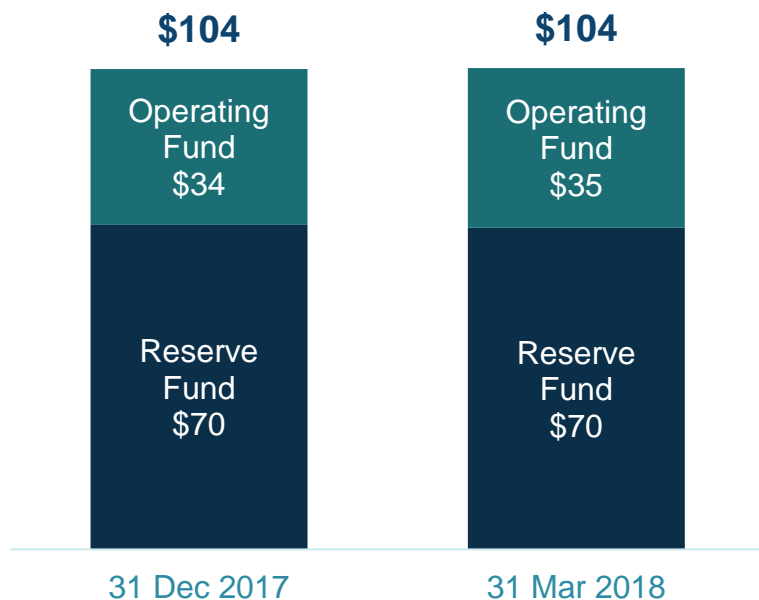| Category	Actual	Budget	FY17
PERSONNEL	$52	$52	$43
TRAVEL & MEETINGS	$12	$13	$12
PROFESSIONAL SERVICES	$15	$21	$15
ADMINISTRATION & OTHER	$13	$15	$13
CAPITAL	$2	$3	$6

Legend: ■ Actual ■ Budget ■ FY17

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 $1.9M.

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

Funds Under Management as of 31 March 2018

Total Funds: **$ 461M**
ICANN Operations: $ 105M
New gTLD Program-related: $ 357M

ICANN Operations

$104

| Operating Fund $34 |
| Reserve Fund $70 |

31 Dec 2017

$104

| Operating Fund $35 |
| Reserve Fund $70 |

31 Mar 2018

New gTLD Program

$358

| New gTLD Funds $121 |
| Auction Proceeds $236 |

31 Dec 2017

$357

| New gTLD Funds $120 |
| Auction Proceeds $237 |

21 Mar 2018

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

FY18 Total ICANN Organization – FY18 Full Year Forecast

	ICANN Operations (A)	IANA Stewardship Transition (B)	Total ICANN Operations (A+B)	New gTLD Program (C)	Total ICANN Org. (A+B+C)
Funding	$135	$0	$135	-$7	$128
Expenses*	($136)	($2)	($139)	($11)	($149)
Net	($2)	($2)	($4)	($17)	($21)
Funding from FY17 Savings (Approved by Board)	$2	$0	$2	$0	$2
Net	$0	($2)	($2)	($17)	($19)

Total ICANN Operations is the sum of ICANN Operations (A) and IANA Stewardship Transition (B). Total ICANN Organization is the sum of ICANN Operations (A), IANA Stewardship Transition (B), and New gTLD Program (C).

*Expenses exclude bad debt, depreciation and refunds for withdrawn New gTLD applications which are included in the Funding line.

2. FY19 Operating Plan and Budget

FY19 Planning Current Status
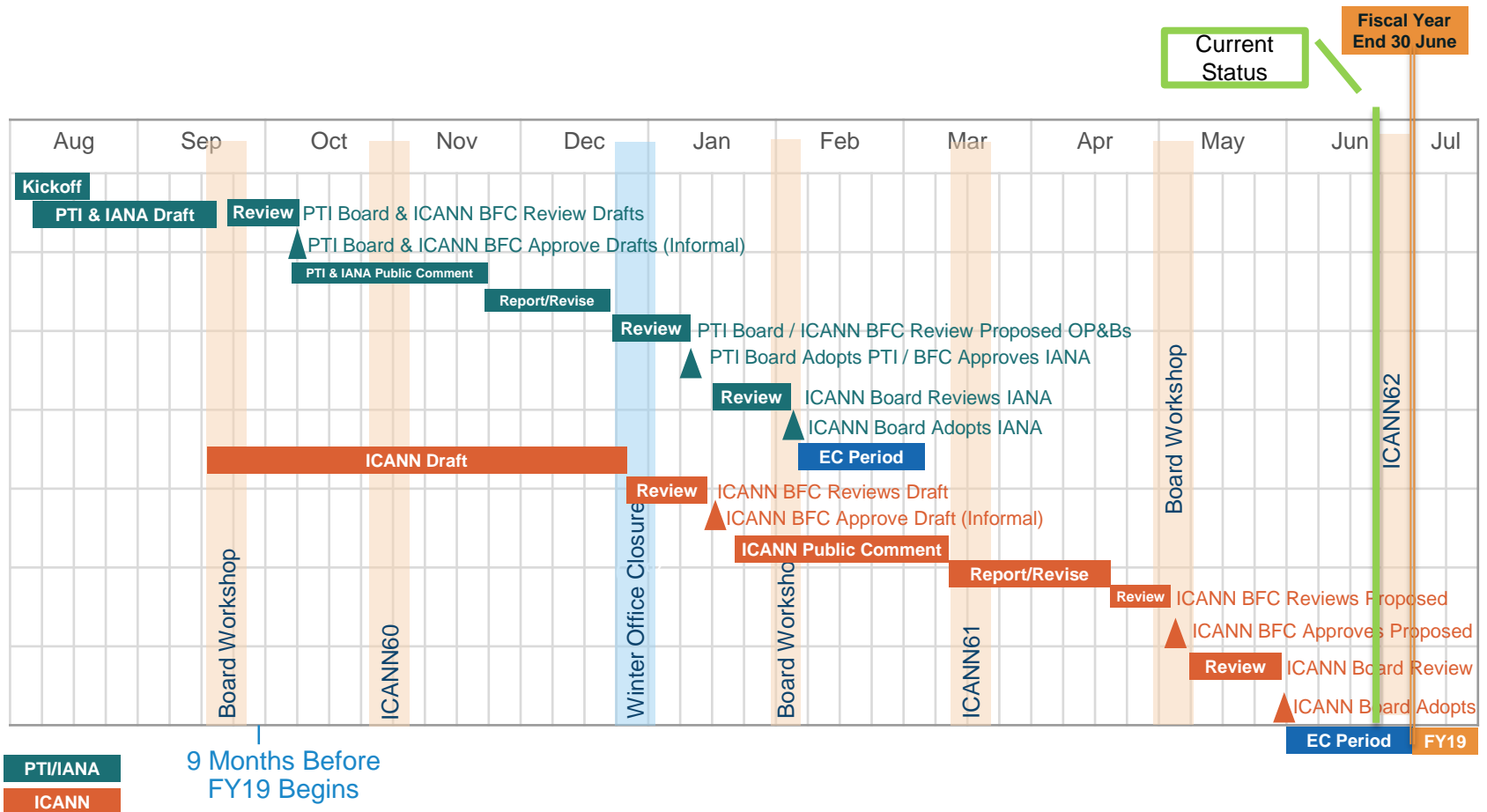
- The ICANN Board adopted the FY19 Operating Plan and Budget on 30 May 2018
- Empowered Community period 21 days plus 7 days
- FY19 OP&B effective prior to beginning of Fiscal Year 2019

FY19 Public Comments Summary

Category	Number of Comments
Community Travel Support/Funding	36
Community Outreach/ Engagement/ Programs	22
ICANN org Headcount	19
Budget Development Process & Document Contents/Structure	16
ICANN Wiki	14
GDD Operations and gTLDs	14
Other - Financial Management	13
Funding	10
Policy Development	7
Reserve Fund	7
General	7
Strategic/Operating Priorities	6
CROP	6
Contractual Compliance	3
IT Projects	1
Complaints Office	1
Funds Under Management	1
Language Services	1
Grand Total	**184**

- ICANN published the FY19 draft update to its Five-Year Operating Plan and budget documents on January 19th

- The Documents were supported by webinars with the community on January 25th and 26th, the start of the 49-day public comment period.

- Comments were received from 20 community groups and 19 individuals, with a total of 184 comments

- The staff report of Public Comments was published on 24 April 2018

Summary of Changes

As a result of public comments received and new information on several projects there were updates on several key projects:

- ◉ Key Changes
  - ○ Meeting Sponsorships reduction – external sponsorships for ICANN meetings has decreased -$300K
  - ○ Increase in rate of growth for Legacy TLD transactions $700K
  - ○ Decrease in rate of growth for New gTLDs transactions $1,700K
  - ○ Decrease in Registry Fixed Fees -$600K
  - ○ Increase in Registrar Accreditation Fees $1,700K
  - ○ Fellowship Program Travel Funding $151K: increase from 30 to 45 seats per meeting, and allocate the fellows to the SO/ACs for direct support during ICANN meetings.
  - ○ Community Regional Outreach Program $50K: reinstate for travel support to ICANN-sponsored meetings (excludes sponsoring travel to non- ICANN meetings)

Summary of Changes (continued)

- ○ ICANN Wiki $66K: fund 2/3 of historical contribution in FY19, with progressive elimination of support over next 2 years.

- ○ The funding of reviews has been reduced by $800K, and a portion of the Contingency has been reserved for additional funding of reviews, should it be necessary.

- ○ Subsequent procedures recommendations language has been revised to reflect that when the policy recommendations are finalized, the Board will consider the recommendations and how to fund the implementation.

Impact of Changes

In millions USD	Draft	Changes	Proposed for Adoption
Funding	138.0	(0.3)	137.7
Expenses (excl. Contingency)	133.5	(1.0)	132.5
As a result of public comments		*0.3*	
Reviews		*(0.8)*	
Other Changes and Corrections		*(0.5)*	
Contingency	4.5	0.8	5.2
Allocated to Reviews		*0.8*	
General		*(0.0)*	
Net	0	0	0

FY19 SO/AC Additional Budget Requests

- The Final Proposed FY19 Budget includes $300K for SO/AC Additional Budget Requests recommended for approval.

  - A total of 55 Requests were submitted by 16 different organizations and evaluated by ICANN org

  - The ABR assessment process focused on facilitating effective and sustainable community work using guiding principles

    - For travel related requests, a primary consideration was to prioritize events that are intended to take place at an ICANN Public Meeting or other ICANN-organized meeting (e.g. the GDD Summit);

  - 17 requests are recommended for approval for a total of $300K which is the budgeted amount.

- In Document #2, FY19 Total ICANN Budget, the approved requests have been published. The final SO/AC ABR report has been published to the Finance wiki.

ICANN Operations FY19 Budget Overview

in Millions, USD	Adopted FY19 Budget			FY18 Forecast			Increase/(Decrease) vs. FY18 Forecast			
	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	%
Funding	**$137.7**	**$0.0**	**$137.7**	**$134.5**	**$0.0**	**$134.5**	**$3.2**	**$0.0**	**$3.2**	**2.4%**
Personnel	70.6	6.0	76.6	63.0	5.8	68.7	7.6	0.3	7.9	11%
Travel & Meetings	15.2	0.7	15.9	15.2	0.6	15.8	0.0	0.1	0.1	1%
Professional Svcs.	20.2	1.5	21.7	25.4	1.4	26.9	(5.2)	0.1	(5.1)	-19%
Administration [1] & Capital	16.4	1.9	18.3	20.2	1.8	21.9	(3.7)	0.1	(3.6)	-16%
Contingency [2]	4.8	0.5	5.2	2.7	0.5	3.2	2.0	(0.0)	2.0	64%
Cash Expenses	**$127.2**	**$10.6**	**$137.7**	**$126.5**	**$10.0**	**$136.5**	**$0.7**	**$0.5**	**$1.2**	**0.9%**
Increase/ (Decrease) to Net Assets	**$10.6**	**($10.6)**	**$0.0**	**$8.0**	**($10.0)**	**($2.0)**	**$2.5**	**($0.5)**	**$2.0**	**n/a**
Funding from FY17 Savings (Approved by Board)						**$2.0**			**($2.0)**	**-100%**
Increase/ (Decrease) to Net Assets	**$10.6**	**($10.6)**	**$0.0**	**$8.0**	**($10.0)**	**($0.0)**	**$2.5**	**($0.5)**	**$0.0**	**n/a**
End of Period Headcount	**401**	**23**	**424**	**393**	**23**	**416**	**8**	**0**	**8**	**2%**

(1) ICANN Operations cash expenses excludes Depreciation and Bad Debt.

(2)The FY19 contingency expense represents an amount of budgeted expenses unallocated 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.

3. ICANN Reserve Fund Replenishment Strategy

Reserve Fund Discussions Background

- ⊙ ICANN Reserve Fund created in 2007, funding through operational surpluses.
  - ○ Target 12 months of operating expenses.
  - ○ In 2014: Reserve Fund = 11 months of Operating Expenses.
  - ○ Starting in 2014: withdrawals to fund IANA Stewardship Transition. Total $36 million over 4 years.

- ⊙ ICANN's size and risk profile evolved since creation of Reserve Fund:
  - ○ Board Working Group to reassess Reserve Fund
  - ○ Public comment on rationale and target level end of 2017
  - ○ Target level confirmed at a minimum of 12 months of Operating Expenses

- ⊙ 2nd Public Comment Process held from 6 Mar 2018 to 25 Apr 2018

Guiding principles

1. Appropriate replenishment period: 5 years.

2. Contribution from ICANN Org not compromising delivering its mission.

3. Avoid burden on contracted parties and by default registrants.

4. Take into account existing public comments

Reserve Fund Replenishment

- Target level = 12 months of Operating Expenses = US$138m
  - Amount of Reserve Fund as of 31/12/2017 (most recently published): US$70m
  - Shortfall: US$68m

- Strategy suggested: replenishment period 5 years (principle #1)
  - Over 5 years, ICANN Org operational savings US$15m (principle #2)
  - Auction Proceeds: US$36m, for IANA Stewardship Transition expenses
  - Remainder shortfall of US$17m (68 less 15 less 36):
    - Contribution from leftover funds from the new gTLD program, if any
    - Additional contribution from ICANN org.
    - Additional contribution from the Auction Proceeds.

Overview of the comments received

Submitter	Number of Comments
ALAC	4
ccNSO	5
GNSO	2
Government of India	1
i2 Coalition	3
Individual, Don Smith	1
Individual, John Poole	2
IPC	4
NCSG	5
RrSG	5
RySG	4
Karsten Manufacturing Corp.	1
BC	4
Individual, Keven Dabney	1
Grand Total	**42**

Category	Number of Comments
Auction Proceeds/Leftover gTLD Funds	10
General	5
Investment Returns	2
Level of ICANN contribution / Operational Savings	11
Additional Funds from contracted parties	8
Replenishment Strategy	6
Grand Total	**42**

Replenishment Strategy - Responses

	Less	ICANN Proposal	*More*	
ICANN Contribution		ALAC GNSO ccNSO GOI **$15M**	BC IPC **$25M**	i2Coalition RySG NCSG Individuals RrSG **$68M**
Auction Proceeds	i2Coalition RrSG NCSG RySG **Disagree to use**	BC[1] IPC[1] **$36M**	ALAC **25% of AP**	ccNSO[2] **$68M**
New gTLD leftover	RySG **Disagree to use**	BC ccNSO **$17M**	IPC **$43M**	
Fees Increase		RySG ccNSO RrSG IPC i2Coalition NCSG GNSO **$0M**	ALAC **$0.02 / domain name**	

All but the BC, ccNSO, IPC and ALAC believe remaining shortfall of $17M should come from ICANN contribution

[1] The BC and IPC believe it is possible to use Auction Proceeds but should wait for the CCWG final report
[2] The ccNSO recommends immediate full replenishment from Auction Proceeds, with $15M ICANN contribution reimbursed to Auction Proceeds fund over 5 years
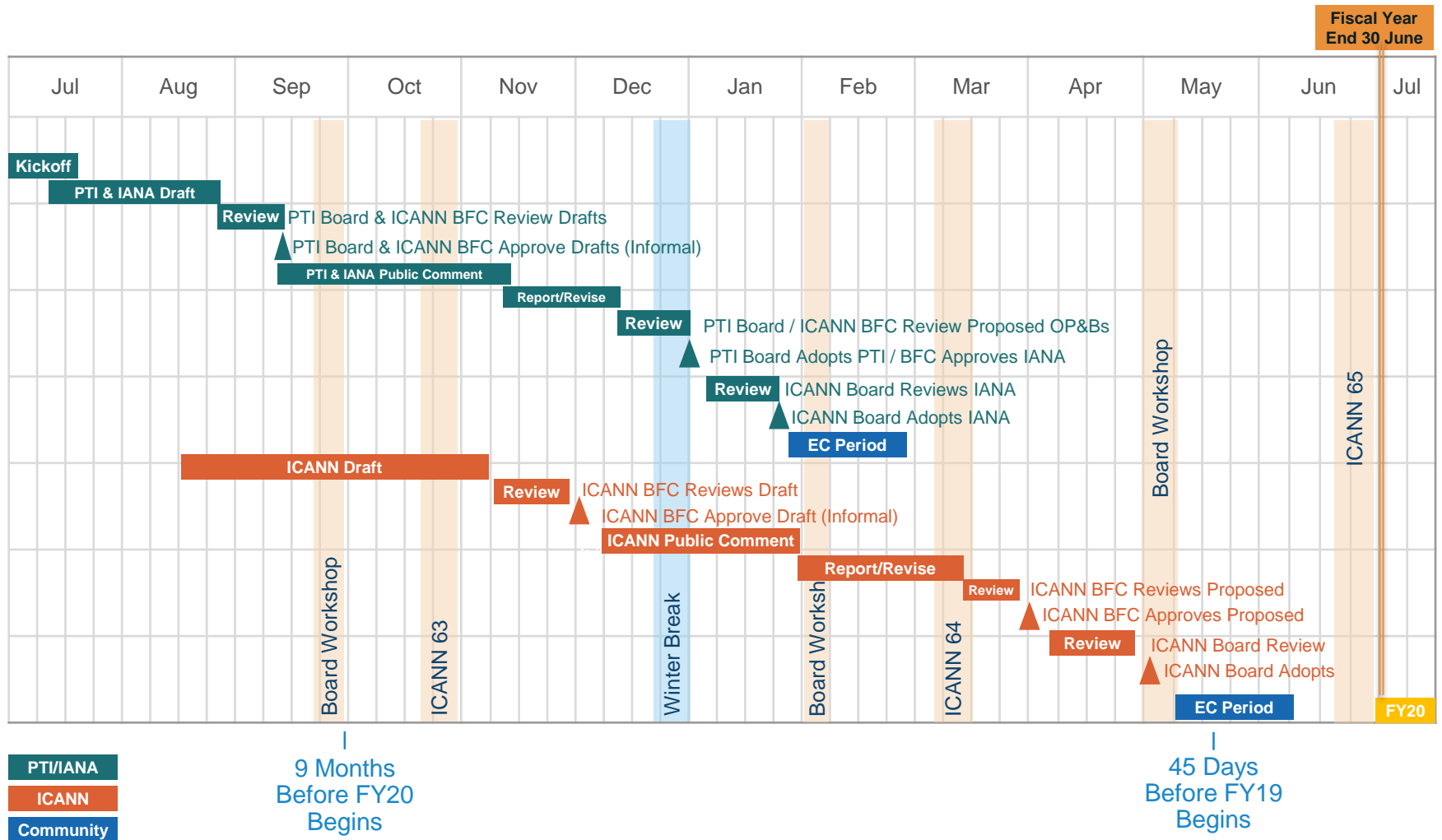
Next Steps

- ⦿ Review public comments on the suggested strategy of replenishment with the ICANN Board

- ⦿ Board decision, after ICANN62, to allow for community discussions at ICANN 62

Q&A

Appendix

FY20 Planning Proposed Draft Timeline

Timeline months: Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul

Fiscal Year End 30 June

PTI/IANA tasks:
- Kickoff
- PTI & IANA Draft
- Review — PTI Board & ICANN BFC Review Drafts
- PTI Board & ICANN BFC Approve Drafts (Informal)
- PTI & IANA Public Comment
- Report/Revise
- Review — PTI Board / ICANN BFC Review Proposed OP&Bs
- PTI Board Adopts PTI / BFC Approves IANA
- Review — ICANN Board Reviews IANA
- ICANN Board Adopts IANA
- EC Period

ICANN tasks:
- ICANN Draft
- Review — ICANN BFC Reviews Draft
- ICANN BFC Approve Draft (Informal)
- ICANN Public Comment
- Report/Revise
- Review — ICANN BFC Reviews Proposed
- ICANN BFC Approves Proposed
- Review — ICANN Board Review
- ICANN Board Adopts
- EC Period
- FY20

Event markers: Board Workshop, ICANN 63, Winter Break, Board Worksh, Board Worksh, ICANN 64, Board Workshop, ICANN 65

Legend:
- PTI/IANA
- ICANN
- Community

9 Months Before FY20 Begins

45 Days Before FY19 Begins

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FY20 Planning Proposed Draft Timeline – Key Dates

Step	Dates	Note
PTI & IANA OP&B DRAFT Submitted to PTI Board & ICANN BFC	27 Aug 2018	At Least 9 Months Before Next Fiscal Year (Per Bylaws)
PTI & IANA Public Comment	12 Sep – 02 Nov 2018	45 Days (52 Days Minus 7 Days ICANN Meeting)
PTI Adopted	7 Dec 2018	Before ICANN Public Comment Begins (Input to ICANN OP&B Per Bylaws)
ICANN Public Comment	19 Nov 2018 – 10 Jan 2019	53 Days (8 weeks)
Staff Report to Public Comment Published	01 Mar 2019	Staff Report Published
ICANN Proposed OP&B Submitted to ICANN Board	05 Apr 2019	At Least 45 Days Before Next Fiscal Year (Per Bylaws)
ICANN Board to Consider Adoption	19 Apr 2019	Target to have adoption before the beginning of the next fiscal year and to allow for EC Review Period

Engage with ICANN

Thank You and Questions

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