

# Draft 5-year Operating Plan Update and Draft FY18 Operating Plan & Budget

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ICANN Board Workshop in LA  
3 February 2018

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# 1. Introduction and Executive Summary

# Introduction

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- ⦿ Slowing growth of our funding:
  - Funding in FY19 below the FY18 budget by \$5m.
  - Funding to remain flat year on year, or grow by inflation (~2% or so).
  - Funding forecast for FY18 below Budget by about \$8m.
  
- ⦿ Cost containment approach: helps to focus on the right thing to do
  - Tightened spending controls during FY18.
  - Same approach in proposed FY19 Budget, but preserving most of the services to the community.
  
- ⦿ New approach in proposed FY19 Budget published:
  - only includes work that has been approved by the Board.
  - more information to improve understanding and transparency.
  
- ⦿ Many in the community are ready for prioritization and cost containment.
  
- ⦿ Budget achievable but takes everyone's participation and contribution.

# 1.1 Draft FY19 Budget Summary

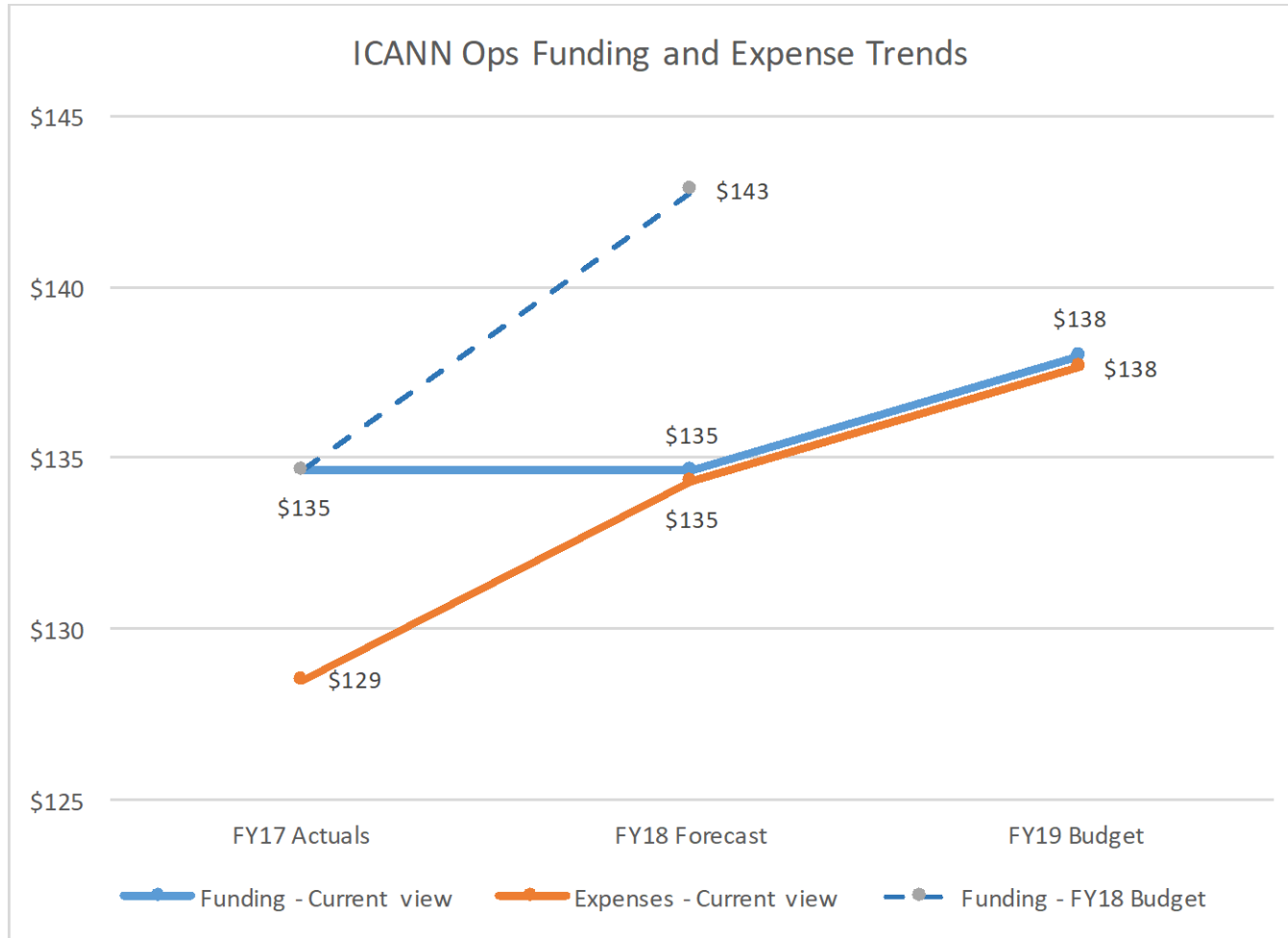
ICANN Operations	FY17 Actuals	FY18 Adopted Budget <sup>1</sup>	FY18 Forecast <sup>2</sup>	Draft FY19 Budget
<b>Funding</b>	\$135	\$143	\$135	\$138
<b>Cash Expenses</b>	\$128	\$143	\$137	\$138
<b>Funding from FY17 Savings (Approved by Board)</b>	\$0	\$0	\$2	\$0
<b>Excess/(Deficit)</b>	\$6	\$0	\$0	\$0

\$ in USD Millions

<sup>1</sup> FY18 Adopted Budget June 2017

<sup>2</sup> FY18 Forecast is the most recent data on FY18

# 1.2 Funding and Expense 3-year trend



Funding is stabilizing and expenses are brought in line accordingly.



# 1.3 FY19 Executive Summary

1

## 5-year Operating Plan update

- Year 4 (FY19) of the 5-year Operating Plan (2016-2020).
- No major changes to operations.

2

## FY19 Budget balanced

- Funding = Operations expenses = \$138M
- Significant shift in budgeting only for defined requirements, and not including tentative and unapproved potential work.
- Draft budget include \$6m of cost reductions to offset inflation and necessary increases.

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## Funding increases at a slower rate

- Funding of \$138M, 2.6% above the FY18 forecast \$135M.
- Slower growth in funding as all new gTLDs are now delegated.

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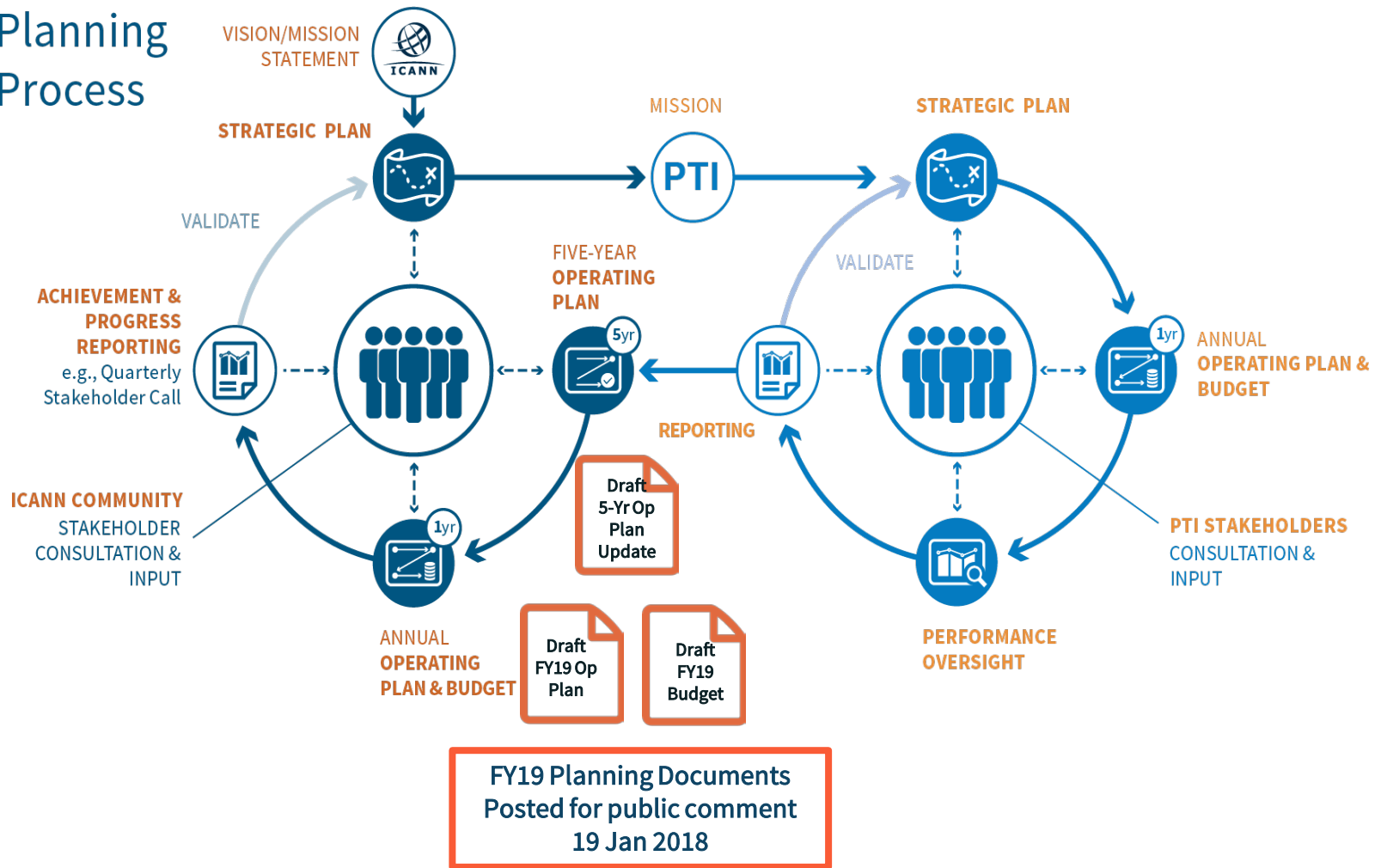
## ICANN Operations expenses

- Operations expenses are stable year on year.
- Personnel expenses increase offset by cost reductions (FY19 \$133.5M vs. FY18 Forecast \$133.3M, both excluding contingency).

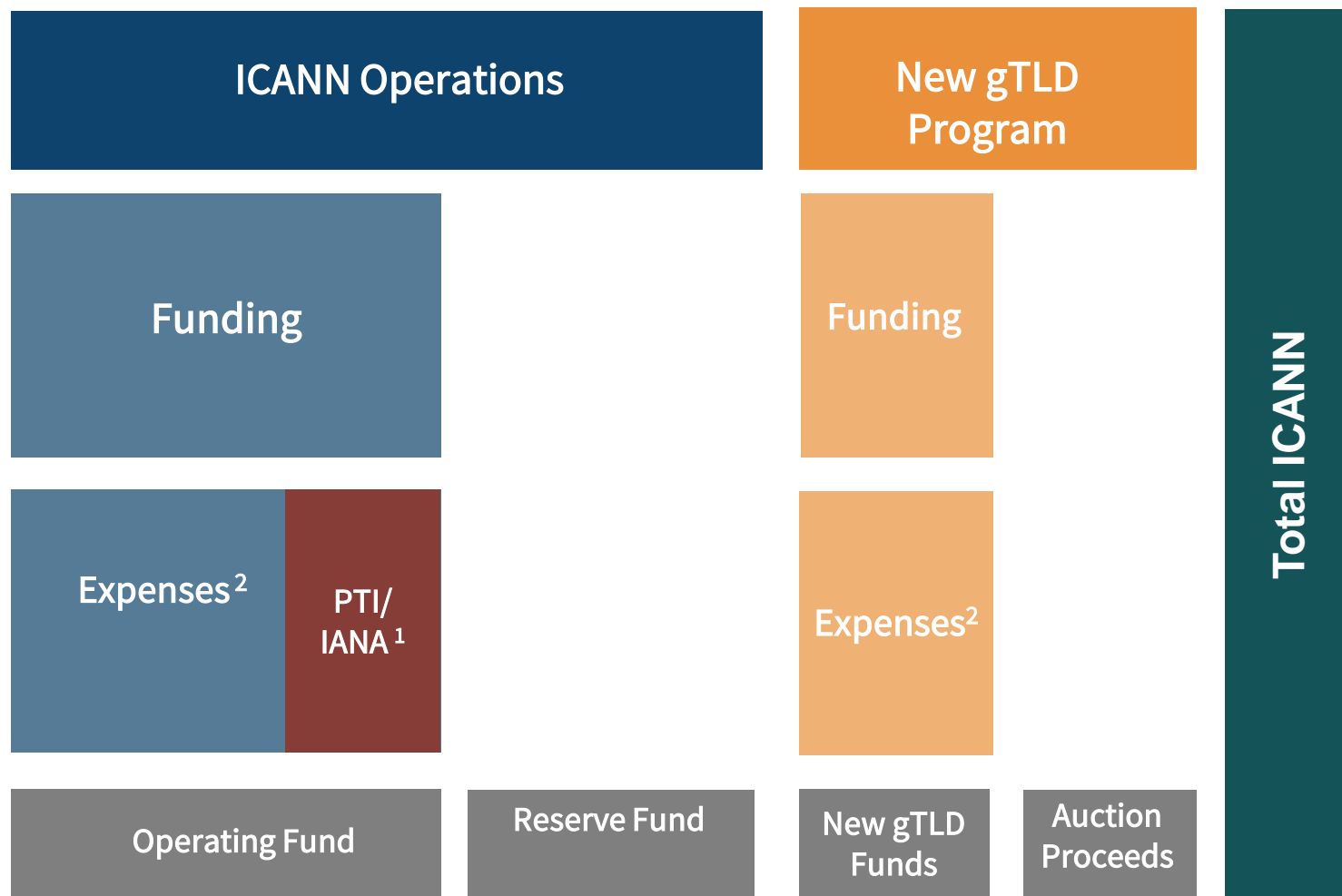
## 2. Planning Process

# Overview of Planning Cycle

## Planning Process



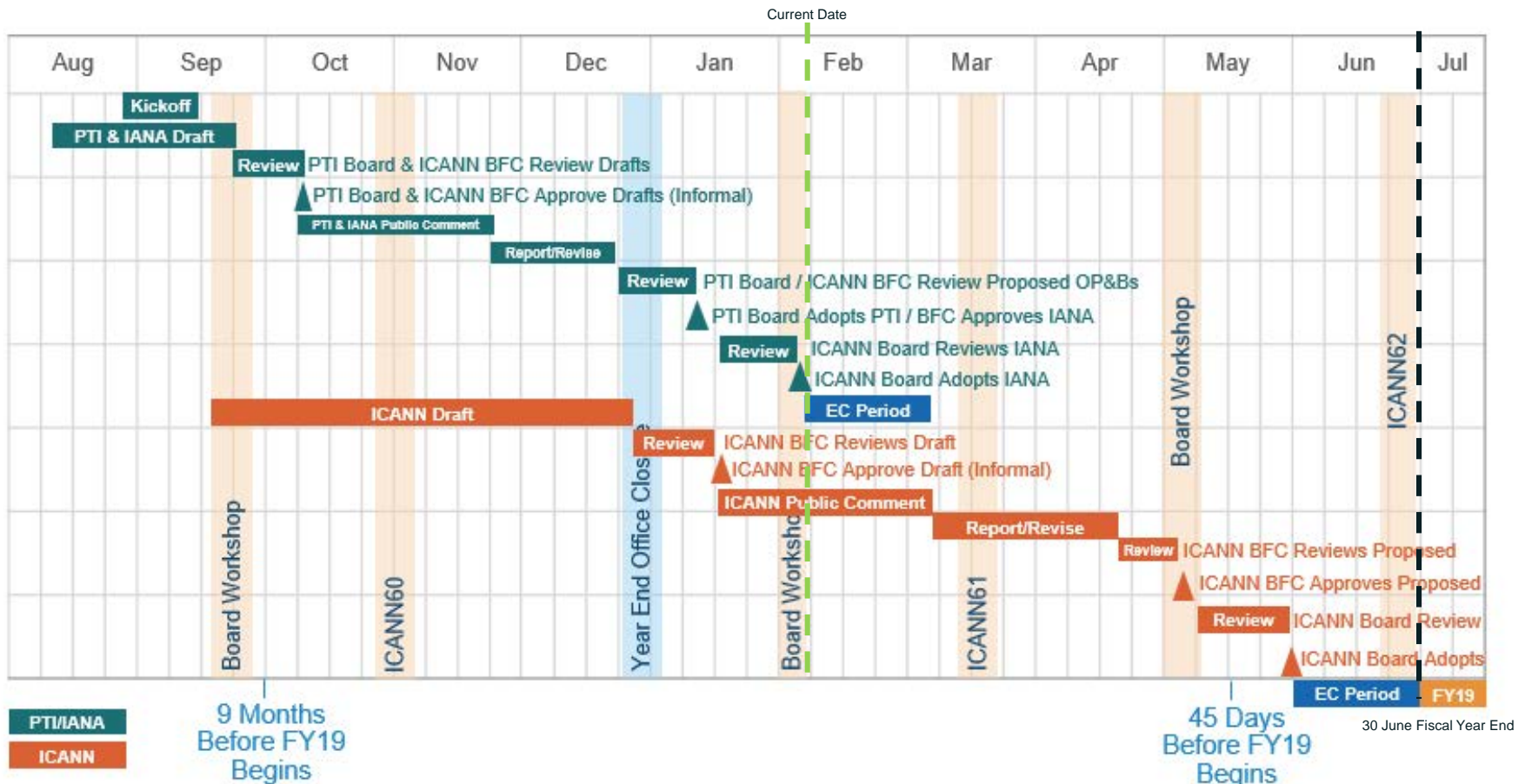
## 2.1 ICANN Organization Reporting Structure



<sup>1</sup> IANA Services includes ICANN's and PTI's IANA Expenses

<sup>2</sup> Excludes depreciation and bad debt expenses

# 2.2 FY19 Planning Calendar – High Level



- The 5Y-OPU and the FY19 OP&B documents were posted for public comment on 19 January
- On track for Board Adoption 45 days prior to fiscal year end and earlier than last year

## 2.3 Planning Document Structure – New

Document Number	Document Name	Description of Contents
1	<b>FY19 Budget Introduction &amp; Highlights</b>	<b>Overview of the key elements of the draft FY19 plans</b>
2	FY19 Total ICANN Budget	High-level review of the draft FY19 budget
3	FY19 Key Projects & Activities	Information on key cross-functional projects and activities planned for FY19
4	FY19 Operating Plan	Section 1: Summary of 6 modules of work planned for FY19 Section 2: Breakdown of the operating plan with the budget by strategic goal
5	FY19 Five-Year Operating Plan Update	High-level five-year perspective on the operations ICANN undertakes to implement its strategic plan
6	FY19 Excel Spreadsheet	Detailed breakdown of the budget for each project

- New series of six documents that form the ICANN annual update to the fiscal Operating Plan and Budget.
- Introduction and Highlights document recommended to read first
- Each document is standalone and can be reviewed separately in no specific order, dependent on interest.
- Key Projects and Operating Plan Modules provide more information on planned projects and activities

## 4. Draft FY19 Budget Assumptions

# 3.1 ICANN Operations FY19 Budget Overview

in Millions, USD	FY19 Draft Budget			FY18 Forecast			Increase/(Decrease) vs. FY18 Forecast			
	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Ops	IANA - PTI	Total ICANN Ops	%
<b>Funding</b>	<b>\$138.0</b>	<b>\$0.0</b>	<b>\$138.0</b>	<b>\$134.5</b>	<b>\$0.0</b>	<b>\$134.5</b>	<b>\$3.5</b>	<b>\$0.0</b>	<b>\$3.5</b>	<b>2.6%</b>
Personnel	70.8	6.0	76.8	63.0	5.8	68.7	7.8	0.3	8.1	12%
Travel & Meetings	15.0	0.7	15.6	15.2	0.6	15.8	(0.2)	0.1	(0.2)	-1%
Professional Svcs.	21.8	1.5	23.4	25.4	1.4	26.9	(3.6)	0.1	(3.5)	-13%
Administration <sup>(1)</sup> & Capital	15.9	1.9	17.8	20.2	1.8	21.9	(4.3)	0.1	(4.2)	-19%
Contingency <sup>(2)</sup>	4.0	0.5	4.5	2.7	0.5	3.2	1.3	(0.0)	1.3	40%
<b>Cash Expenses</b>	<b>\$127.5</b>	<b>\$10.6</b>	<b>\$138.0</b>	<b>\$126.5</b>	<b>\$10.0</b>	<b>\$136.5</b>	<b>\$1.0</b>	<b>\$0.5</b>	<b>\$1.5</b>	<b>1%</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$10.5</b>	<b>(\$10.6)</b>	<b>(\$0.0)</b>	<b>\$8.0</b>	<b>(\$10.0)</b>	<b>(\$2.0)</b>	<b>\$2.5</b>	<b>(\$0.5)</b>	<b>\$2.0</b>	<b>n/a</b>
<b>Board Approved ITI Funding</b>						<b>\$2.0</b>			<b>(\$2.0)</b>	<b>-100%</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$10.5</b>	<b>(\$10.6)</b>	<b>(\$0.0)</b>	<b>\$8.0</b>	<b>(\$10.0)</b>	<b>(\$0.0)</b>	<b>\$2.5</b>	<b>(\$0.5)</b>	<b>(\$0.0)</b>	<b>n/a</b>
EOP <sup>(4)</sup> Headcount	402.2	22.8	425.0	393.1	22.6	415.7	9.2	0.2	9.3	2%

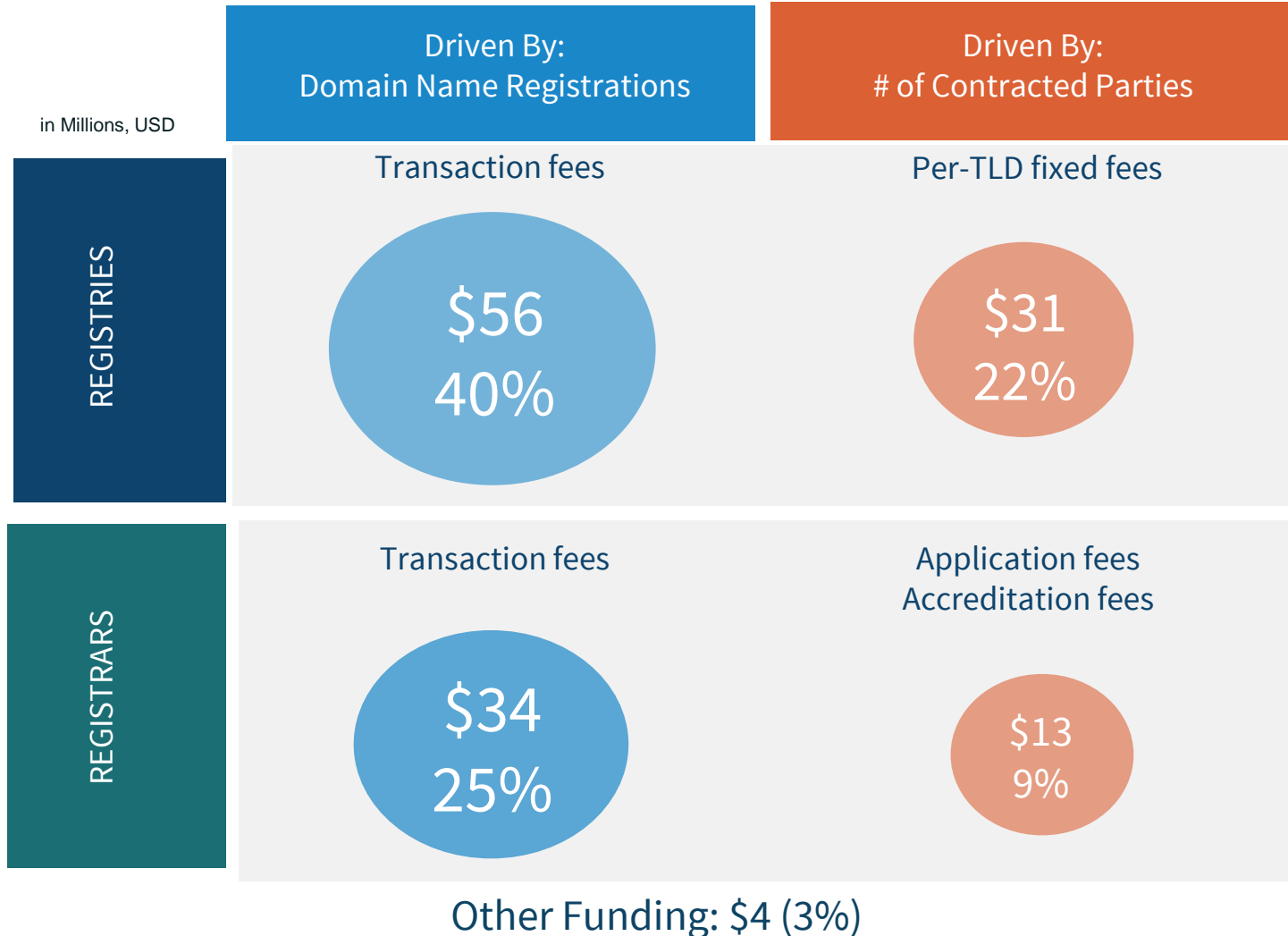
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(2) The FY19 contingency expense represents an amount of budgeted expenses unallocated to specific activities or departments. FY18 activities covered by the contingency have been reported in the expense categories above based on the nature of the expense.



# 3.2 FY19 Funding Assumptions (1/3)

FY19 Best Estimate total Funding \$138 Million



## 3.2 FY19 Funding Assumptions (2/3)

	FY19 Budget	FY18 Forecast	FY17 Actual
# of Transactions (in M)	197.1	185.6	183.1
Legacy gTLDs (in M)	168.7	163.6	160.9
New gTLDs – Total (in M)	28.4	21.9	22.2
New gTLDs - Billable	24.1	18.3	19.2
# of Contracted Parties (as of end of year)	3,470	3,467	4,200
Legacy gTLDs	22	22	22
New gTLDs (delegated)	1,231	1,228	1,226
Registrars	2,217	2,217	2,952

## 3.2 FY19 Funding Assumptions (3/3)

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### Highlights

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

### Risks

- Lower legacy transactions growth (Low probability: \$0.5m)
- Lower funding from Registrars fixed fees (Low probability: \$0.5m)

### Opportunities

- Higher new gTLD transactions growth (Med. Probability: \$0.5m)

A risk is defined as lower funding. An opportunity is defined as the opposite

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# 3.3 ICANN Ops Expense Assumptions

Annual Expenses = ICANN Ops cash expenses + IANA

1

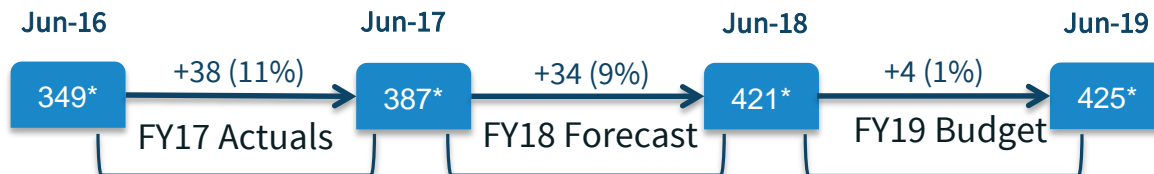
The FY19 Budget is Balanced:  
Operations cash expenses = Annual Funding

2

Operations cash expenses increase by \$1.5M or 1.1% from FY18 to FY19 due to moderate compensation+benefits increases, ITI expenses, offset by costs savings

3

Operations headcount growth slower in FY19



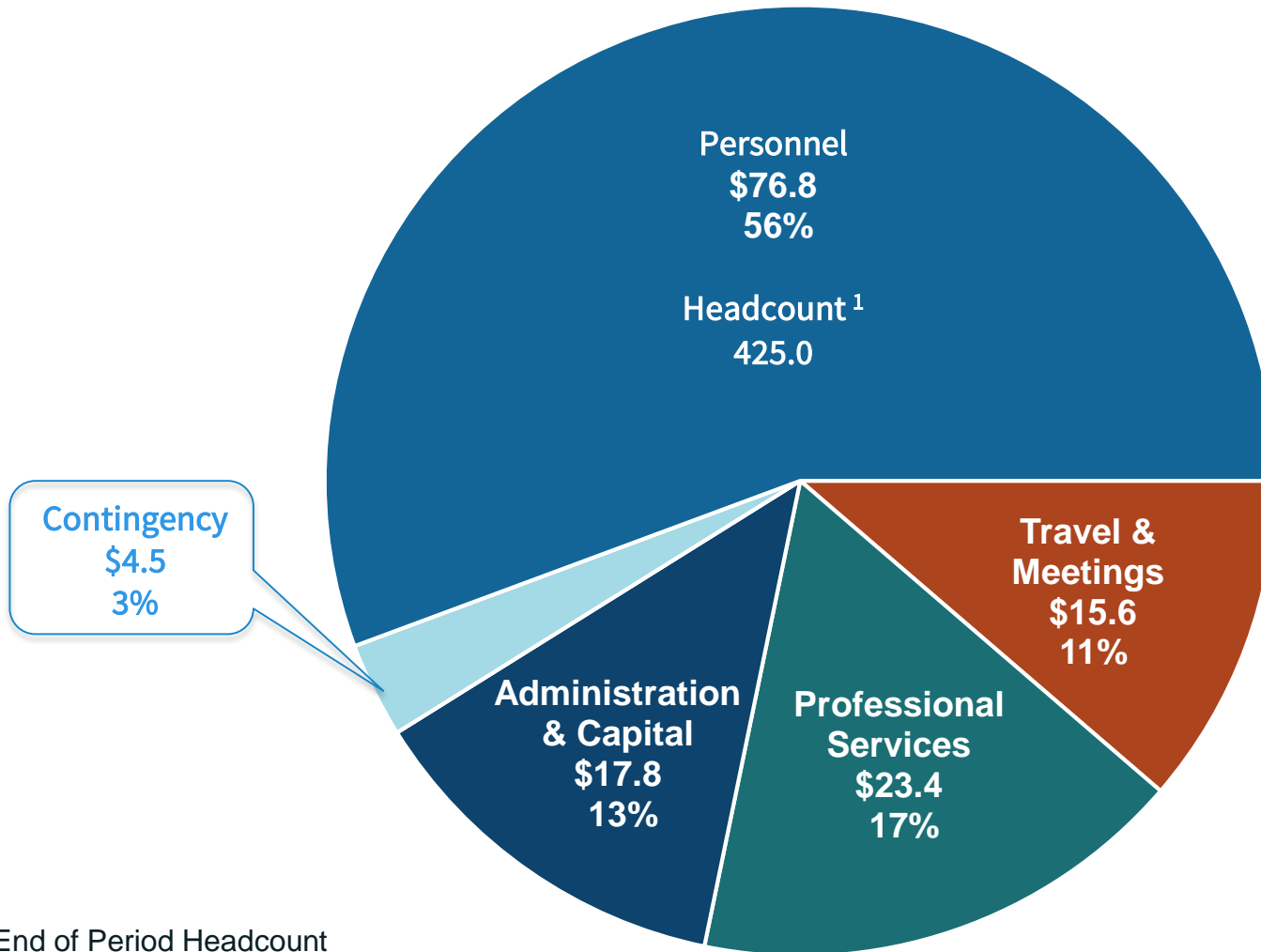
\*End of Period Headcount

4

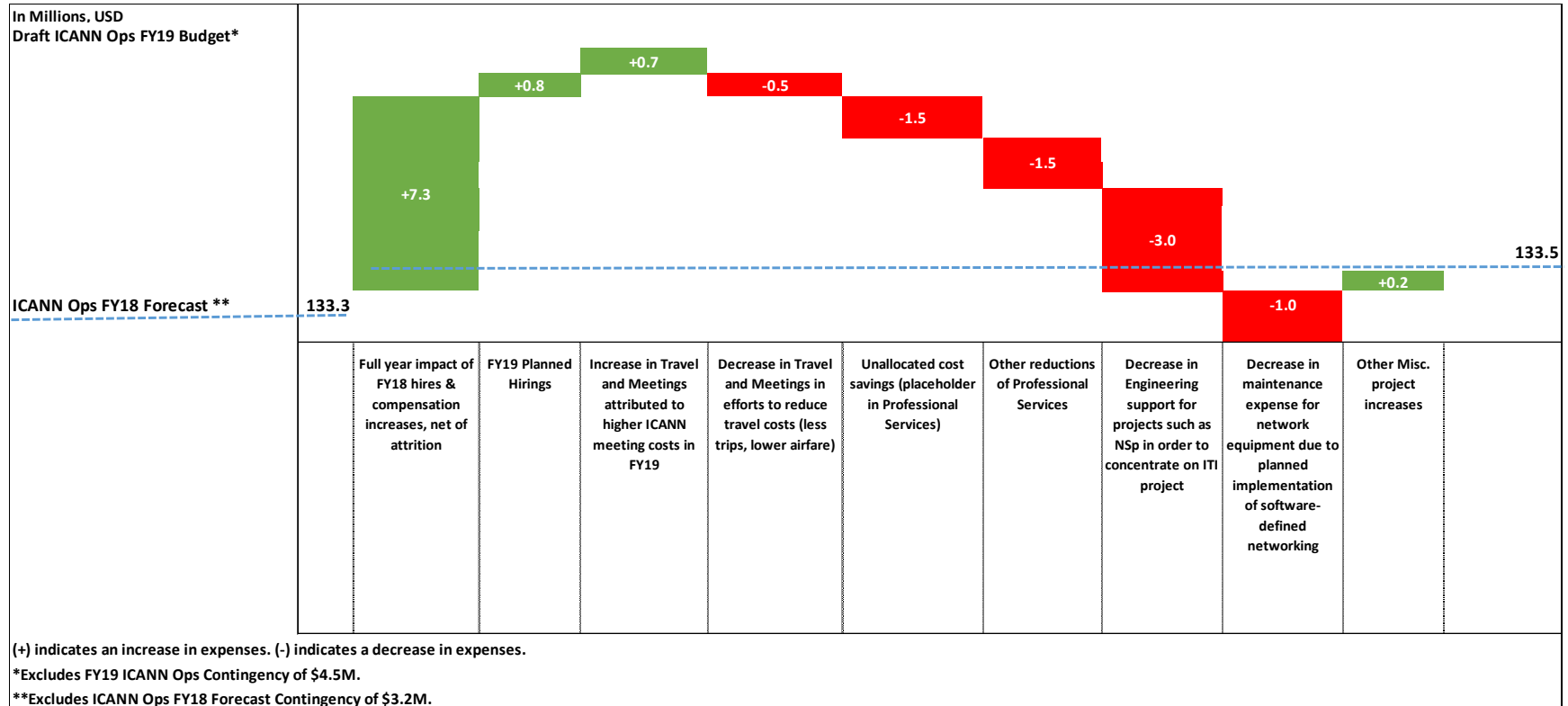
IANA Stewardship Transition work funded by the reserve fund concluded in FY18. FY19 WS2 implementation project is funded from Operations

# 3.4 FY19 ICANN Operating Cash Expenses

Total ICANN Operations Cash Expenses: \$ 138.0



# 3.5 ICANN Ops: Year-on-year expense change



- The \$0.2 million increase from \$133.3 million in FY18 to \$133.5 million in FY19 is driven by the following:
  - Personnel cost increases due to the full year impact of people hired during FY18 (34 personnel), expense increases (merit, taxes and fringe benefits) and impact of FY19 planned hires (4 four new)
  - FY19 Cost Savings Initiatives (Professional Services)
  - Increase in Travel and Meetings attributed to higher ICANN meeting costs in FY19
  - Decrease in Travel and Meetings in an effort to reduce travel costs
  - Decrease in Engineering support for projects such as Naming Service portal (NSp), ICANN.org and Technical Services
  - Decrease in maintenance expense for network equipment due to planned implementation of software-defined networking

# 3.6 ICANN Operations Headcount by Function

Executive Group	Executive	FY19 Draft Budget <sup>(1)</sup>	FY18 Forecast	Increase/(Decrease)	
		End of Period Hdct	End of Period Hdct	End of Period Hdct	%
DNS Industry and Engagement	Atallah	30	29	1	3%
Global Domains Division Ops and Product Mgt.	Atallah	56	51	5	9.8%
IANA	Atallah	17	17	-	0%
Regional Offices	Bennett	0	0	-	0%
Operations	Bennett	16	17	(1)	-6%
Strategic Communications	Burns	27	26	1	5%
Finance & Procurement and ERM	Calvez	19	15	4	23%
Office of the CTO	Conrad	19	17	2	12%
Global Stakeholder Engagement	Costerton	30	31	(1)	-3%
Meeting Operations	Costerton	8	8	-	0%
Development and Public Responsibility	Costerton	7	8	(1)	-13%
Contr. Compliance & Consumer Safeguards	Hedlund	29	29	-	0%
Governance Support	Jeffrey	24	17	7	39%
Governmental Engagement	Kamel	9	8	1	13%
Office of the CEO	Marby	3	3	-	0%
Policy Development & SO/ AC Engagement	Olive	35	35	0	1%
Constituent/ Stakeholder Travel	Olive	0	0	-	0%
Information Technology	Rangan	24	28	(4)	-15%
Engineering	Rangan	41	36	5	14%
Global Human Resources and Admin	Schroeder	24	23	1	6%
Multistakeholder Strategy & Strategic Initiatives	Swinehart	19	17	3	15%
Ombudsman	Ombudsman	1	1	-	0%
New gTLD Allocations		0	0	-	0%
Corporate (includes attrition and contingency)		(13)	0	(13)	0%
<b>Ending Headcount</b>	<b>Total</b>	<b>425</b>	<b>416</b>	<b>9</b>	<b>2%</b>

## 3.7 Expenses - Risk and Opportunities

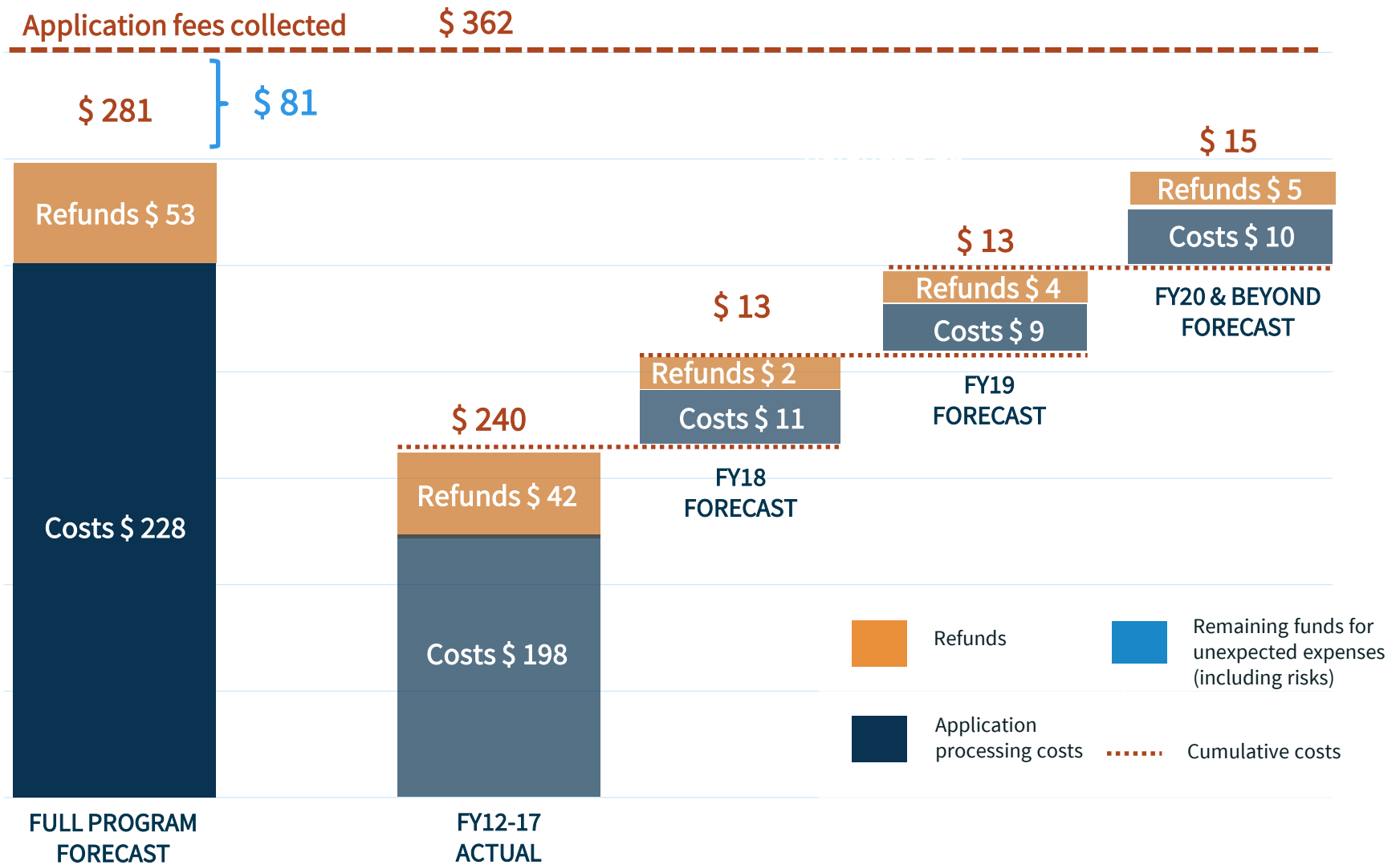
<b>Risks</b>	<b>Potential amount</b>	<b>Probability</b>
Expenses: Inability to identify costs savings across the organization	-\$1.5 million	Medium

<b>Opportunities</b>	<b>Potential amount</b>	<b>Probability</b>
Expenses: Higher benefit on cost run-rates of actions initiated in FY18	+\$1.5 million	Medium



# 3.8 New gTLD Program – Multi-year Forecast



# 3.9 Total ICANN FY19 Budget Overview

in Millions, USD	Draft FY19 Budget			FY18 Forecast											
	Total ICANN Operations	New gTLD	Total ICANN	Total ICANN Operations	IANA Transition	New gTLD	Total ICANN	Total ICANN Operations	%	IANA Transition	%	New gTLD	%	Total ICANN	%
<b>Funding</b>	\$138.0	\$14.8	\$152.8	\$134.5	\$0.0	(\$6.5)	\$128.0	\$3.5	2.6%	\$0.0	n/a	\$21.3	326.2%	\$24.8	19.4%
Personnel	76.8	2.0	78.8	68.7	0.9	2.5	72.2	8.1	12%	(0.9)	-100%	(\$0.5)	-21%	6.6	9%
Travel & Meetings	15.6	0.5	16.1	15.8	0.2	0.7	16.6	(0.2)	-1%	(0.2)	-100%	(0.2)	-22%	(0.5)	-3%
Professional Svcs.	23.4	5.2	28.5	26.9	1.1	7.9	35.8	(3.5)	-13%	(1.1)	-100%	(2.7)	-34%	(7.3)	-20%
Administration <sup>(1)</sup> & Capital	17.8	0.3	18.1	21.9	0.0	(0.5)	21.5	(4.2)	-19%	0.0	n/a	0.8	-168%	(3.4)	-16%
Contingency <sup>(2)</sup>	4.5	0.0	4.5	3.2	0.0	0.0	3.2	1.3	40%	0.0	n/a	0.0	n/a	1.3	40%
<b>Cash Expenses</b>	\$138.0	\$8.0	\$146.0	\$136.5	\$2.2	\$10.6	\$149.3	\$1.5	1%	(\$2.2)	-100%	(\$2.6)	-25%	(\$3.3)	-2%
<b>Increase/ (Decrease) to Net Assets</b>	(\$0.0)	\$6.8	\$6.7	(\$2.0)	(\$2.2)	(\$17.1)	(\$21.3)	\$2.0	n/a	\$2.2	-100%	\$23.9	-139%	\$28.1	-132%
<b>Funding from FY17 Savings (Approved by Board)</b>				\$2.0			\$2.0	(\$2.0)	-100%						
<b>Increase/ (Decrease) to Net Assets</b>	(\$0.0)	\$6.8	\$6.7	(\$0.0)	(\$2.2)	(\$17.1)	(\$19.3)	(\$0.0)	n/a	\$2.2	-100%	\$23.9	-139%	\$28.1	-145%
<b>End of Period Headcount</b>	425.0	-	425.0	415.7	4.5	0.0	420.2	9.3	2%	(4.5)	-100%	-	n/a	4.8	1%

(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.

# 3.10 Total ICANN Cash Flows - FY19 Budget

Cash Flow Statement	For the Year Ended 6/30/2019				
	Operating Fund	Reserve Fund	NgTLD	Auction Proceeds	Total
In Millions, US dollars					
<b>Funds Under Management - June 30, 2018</b>	\$ 31.0	\$ 65.1	\$ 114.5	\$ 237.3	\$ 447.8
Collected/ (refunded) from contracted parties	137.2		(3.7)		133.5
Auction Proceeds	-		-		-
Paid to vendors, net of reimbursement	(60.5)		(8.3)		(68.8)
Paid to employees, net of reimbursement	(76.8)		(2.5)		(79.4)
Reimbursement from Reserve Fund - IANA					
Transition Project Costs <sup>(1)</sup>	\$ (1.2)	\$ 1.2			-
Historical Development Costs	1.4		(1.4)		-
Capital expenditures	(1.1)		-		(1.1)
Change in investment market value		4.7	1.1	2.0	7.8
<b>Funds Under Management - June 30, 2019</b>	<b>\$ 29.9</b>	<b>\$ 71.0</b>	<b>\$ 99.7</b>	<b>\$ 239.3</b>	<b>\$ 439.9</b>

(1) The IANA Transition Project Costs are reimbursed from the Reserve Fund every six months for the previous six months of expenses. The FY19 impact represents the project expenses for (i) H2 FY18 ( expenses incurred from January 2018 through June 2018) only as the program concluded in FY18.

## 4. Focus areas

# 4.1 FY19 IANA Operating Plan & Budget

FY19 IANA Budget in Millions, USD	FY19 IANA Budget	FY18 IANA Budget	Increase/(Decrease)	
			Total	%
PTI Services	\$10.1	\$9.6	\$0.5	4.8%
IANA Services (a)	\$0.5	\$0.4	\$0.1	18.8%
<b>TOTAL</b>	<b>\$10.6</b>	<b>\$10.0</b>	<b>\$0.5</b>	<b>5.3%</b>

- A specific public comment process was carried out on the PTI/IANA budget. No changes were required as a result of public comments.
- The Final IANA FY19 Budget decreased by \$0.3M compared to the draft to include one less position.
- The PTI Board has adopted the PTI Budget included above.

## 4.2 Unfunded Activities & Costs savings

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### **Unfunded Activities:**

- Principle: Only activities supporting the implementation of Board approved policies or review recommendations are included in the budget. Implementation activities for policies or review recommendations not yet approved by the Board, will be scheduled, if and when approved by the Board, on the basis of resources reallocated from other activities.
- List of Implementation projects/activities not included:
  - GDPR work (post-implementation during FY18),
  - WS2 recommendations,
  - Review teams recommendations,
  - Auction Proceeds disbursement process,
  - Subsequent procedures recommendations,

### **Cost Savings:**

- Reduction of merit/promotion increases from 4% to 2%
- General travel/meeting reduction of 10%
- Other costs savings across all functions: \$6 million. Examples:
  - Reduction of regional capacity building activities,
  - Reduction of constituent travel support Optimization and reduction of IT support.

# 4.3 ICANN Operations FY20 Projections

in Millions, USD	FY17 Actuals Total ICANN Operations	FY18 Forecast Total ICANN Operations	FY19 Draft Budget Total ICANN Operations	FY20 Draft Projection Total ICANN Operations
<b>Funding</b>	<b>\$134.6</b>	<b>\$134.5</b>	<b>\$138.0</b>	<b>\$140.0</b>
Personnel	59.5	68.7	76.8	80.7
Travel & Meetings	18.1	15.8	15.6	15.8
Professional Svcs.	23.5	26.9	23.4	24.3
Administration <sup>(1)</sup> & Capital	27.4	21.9	17.8	17.9
Contingency <sup>(2)</sup>	0.0	3.2	4.5	4.5
Cost Reductions to Identify				(3.1)
<b>Cash Expenses</b>	<b>\$128.5</b>	<b>\$136.5</b>	<b>\$138.0</b>	<b>\$140.0</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$6.1</b>	<b>(\$2.0)</b>	<b>(\$0.0)</b>	<b>\$0.0</b>
<b>Board Approved ITI Funding</b>		<b>\$2.0</b>		
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$6.1</b>	<b>(\$0.0)</b>	<b>(\$0.0)</b>	<b>\$0.0</b>
<b>EOP <sup>(4)</sup> Headcount</b>	<b>378</b>	<b>416</b>	<b>425</b>	<b>425</b>

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

(2) The FY19 and FY20 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.

## ○ FY17 – FY20 Trends

- FY20 projections include an increase for cost of living and inflation.
- Cost savings will need to be identified to arrive at a balanced budget.

# 5. Five-Year Operating Plan Update and FY19 Operating Plan



# 5.1. 5YOPU FY18 → FY19 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 FY18, work to be started in FY19, 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 FY18 and to give additional detail in FY19 and beyond

3

## Accountability Indicators

Accountability Indicators launched as a replacement for the KPI Dashboard early in FY18. We are now focusing on measuring our accountability to the community and many measurements are redesigned

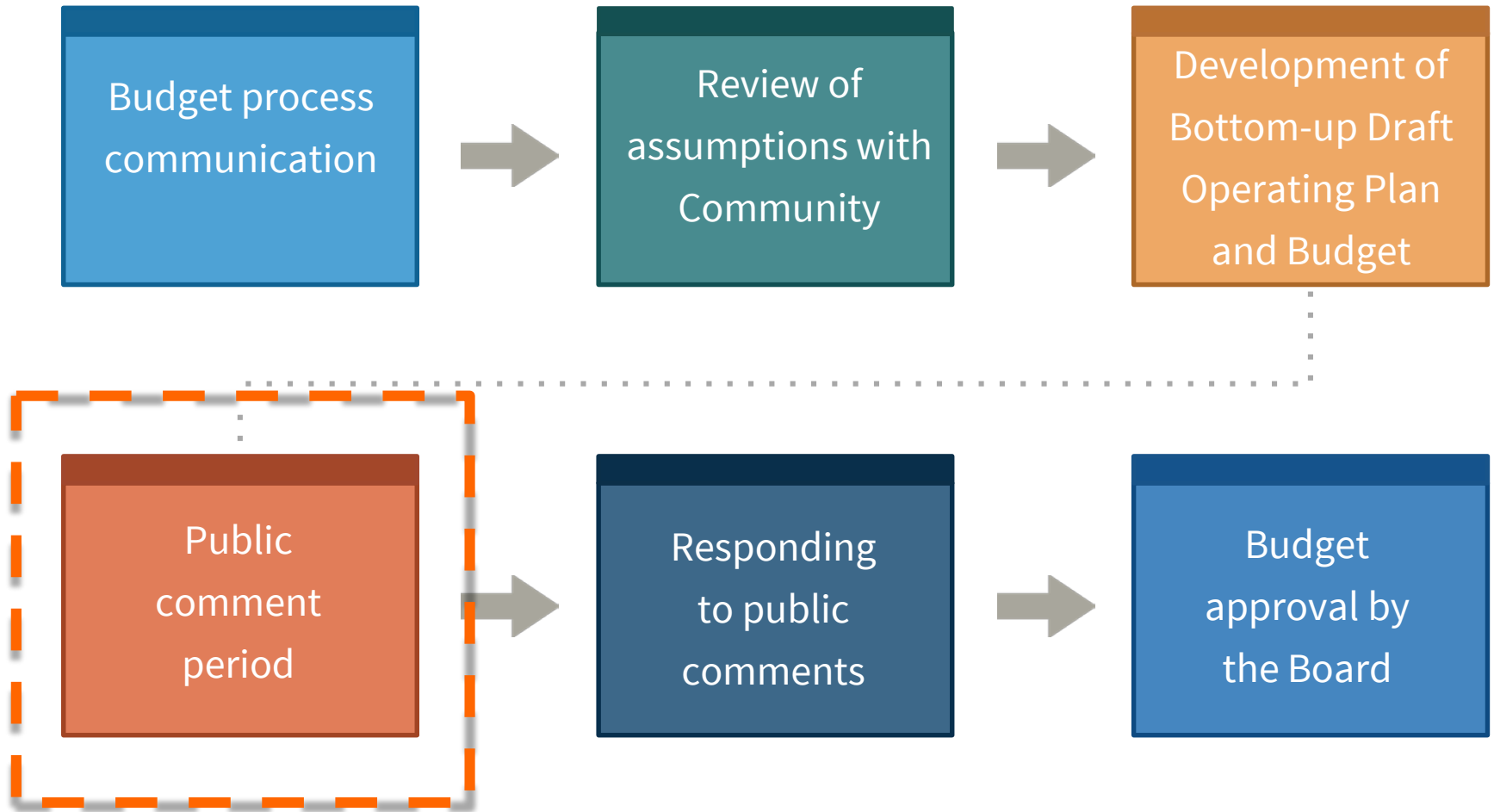
## 5.2 Five-Year Operating Plan Updates

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- ⦿ **This is year 4 of the Updates to the 5-year Operating Plan:**
  - Small differences in timing or deliverables, most notably in
    - WS2 implementation now funded by operations
    - Reviews associated with the Affirmation of Commitments that have now been incorporated into the Bylaws are called Specific Reviews.

## 6. Next Steps

# 6.1 FY19 Operating Plan & Budget – Next Steps



# 7. Appendix

- 7.1 ICANN Ops Funding Assumptions
- 7.2 ICANN Ops Baseline Cash Expenses by Function
- 7.3 Headcount 3-Year Overview
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- 7.11 IANA Budget Timeline and Process Overview
- 7.12 FY19 IANA Budget: Public Comments

# 7.1 ICANN Ops Funding Assumptions (1 of 3)

	Funding Type	Best Estimate	High Estimate	Low Estimate
<b>Legacy TLDs</b>	Transaction-based Fees	Assumes growth of transaction volume of 3.1% as per historical average	Growth of 4.1%	Growth of 2.7%
<b>New TLDs</b>	Fixed Fees	1,228 TLDs assumed delegated as of July 1, 2018 and 1,231 TLDs assumed delegated by June 30, 2019	Same as Best Estimate	Same as Best Estimate
	Transaction-based Fees	Transactions estimated using the per-TLD average number of transactions per month since delegation (average transactions during month 1, month 2,...) resulting in y/y transaction growth of 29.4%	Growth of 36.5% vs. 2018	Growth of 19.9% vs. 2018

# 7.1 ICANN Ops Funding Assumptions (2 of 3)

	Funding Type	Best Estimate	High Estimate	Low Estimate
<b>Registrar Accreditation</b>	Application Fees	The number of accredited registrars is maintained at current levels and increases based on pending applications - 15 for each quarter, 60 for the whole year	Same as Best Estimate	Same as Best Estimate
	Accreditation Fees	The number of accredited registrars is maintained at current levels and increases based on pending applications - 15 for each quarter, 60 for the whole year	Same as Best Estimate	Same as Best Estimate
	Per-registrar Variable Fees	Constant total of \$3.4m	Same as Best Estimate	Same as Best Estimate
<b>New gTLD Program</b>	Application Fees Revenue	Portion of application fees recognized in Funding ratably based on evaluation expense incurred vs total evaluation expenses forecasted	Same as Best Estimate	Same as Best Estimate

# 7.1 ICANN Ops Funding Assumptions (3 of 3)

In Millions, US Dollars	FY 19 Best Estimate	FY18 Forecast	+Incr./-Decr.	%	FY19 Estimates		FY18 Budget
					High	Low	
<b>Transactions</b>							
Registry transaction fees - Legacy	\$ 48.7	\$ 48.6	\$ 0.1	0.3%	\$ 49.2	\$ 48.5	\$ 48.4
Registry transaction fees - New gTLD	6.0	4.6	1.4	31.1%	6.4	5.6	8.9
Registrar transaction fees - Legacy	30.4	29.5	0.9	3.1%	30.7	30.3	29.4
Registrar transaction fees- New gTLD	5.1	3.9	1.2	29.4%	5.4	4.7	7.5
<b>Sub-total</b>	<b>90.2</b>	<b>86.6</b>	<b>3.7</b>	<b>4.2%</b>	<b>91.6</b>	<b>89.1</b>	<b>94.2</b>
<i>Volume: legacy transactions (millions)</i>	168.7	163.6	5.1	3.1%	170.4	168.1	163.6
<i>Volume: NewgTLD transactions (millions)</i>	28.4	21.9	6.4	29.4%	30.0	26.3	41.7
<b>Sub-total</b>	197.1	185.6	11.6	6.2%	200.4	194.4	205.3
<i>Volume: NewgTLD billable transactions (millions)</i>	24.1	18.3	5.8	31.9%	25.5	22.4	35.4
<i>NewgTLD Billable rate - average</i>	85.0%	83.4%	1.6%		85.0%	85.0%	85.0%
<b>Registry Fixed Fees</b>	<b>31.1</b>	<b>30.6</b>	<b>0.5</b>	<b>1.7%</b>	<b>31.3</b>	<b>30.7</b>	<b>30.8</b>
<b>Registrars accreditation</b>							
Application fees	-	0.2	(0.2)	-100.0%	-	-	0.2
Accreditation fees - annual	9.6	10.1	(0.5)	-4.9%	10.3	8.9	10.5
Per-registrar variable fees	3.4	3.4	(0.0)	-0.6%	3.4	3.4	3.4
<b>Sub-total</b>	<b>13.0</b>	<b>13.7</b>	<b>(0.7)</b>	<b>-5.2%</b>	<b>13.7</b>	<b>12.3</b>	<b>14.1</b>
<i>Count of total Registrars - at end of year</i>	2,217	2,217	-	0.0%	2,217	2,051	2,241
<i>Incr./Decr.) new Registrars - at end of year</i>	-	(772)	772	-100.0%	-	(166)	(748)
<b>Contributions</b>							
RIR	0.8	0.8	-	0.0%	0.8	0.8	0.8
ccTLD	2.1	2.1	-	0.0%	2.1	2.1	2.1
Meeting Sponsorships/other	0.8	0.8	-	0.0%	0.8	0.8	0.8
<b>Sub-total</b>	<b>3.7</b>	<b>3.7</b>	<b>-</b>	<b>0.0%</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>
<b>ICANN Ops Revenue</b>	<b>\$ 138.0</b>	<b>\$ 134.5</b>	<b>\$ 3.5</b>	<b>2.6%</b>	<b>\$ 140.3</b>	<b>\$ 135.8</b>	<b>\$ 142.8</b>

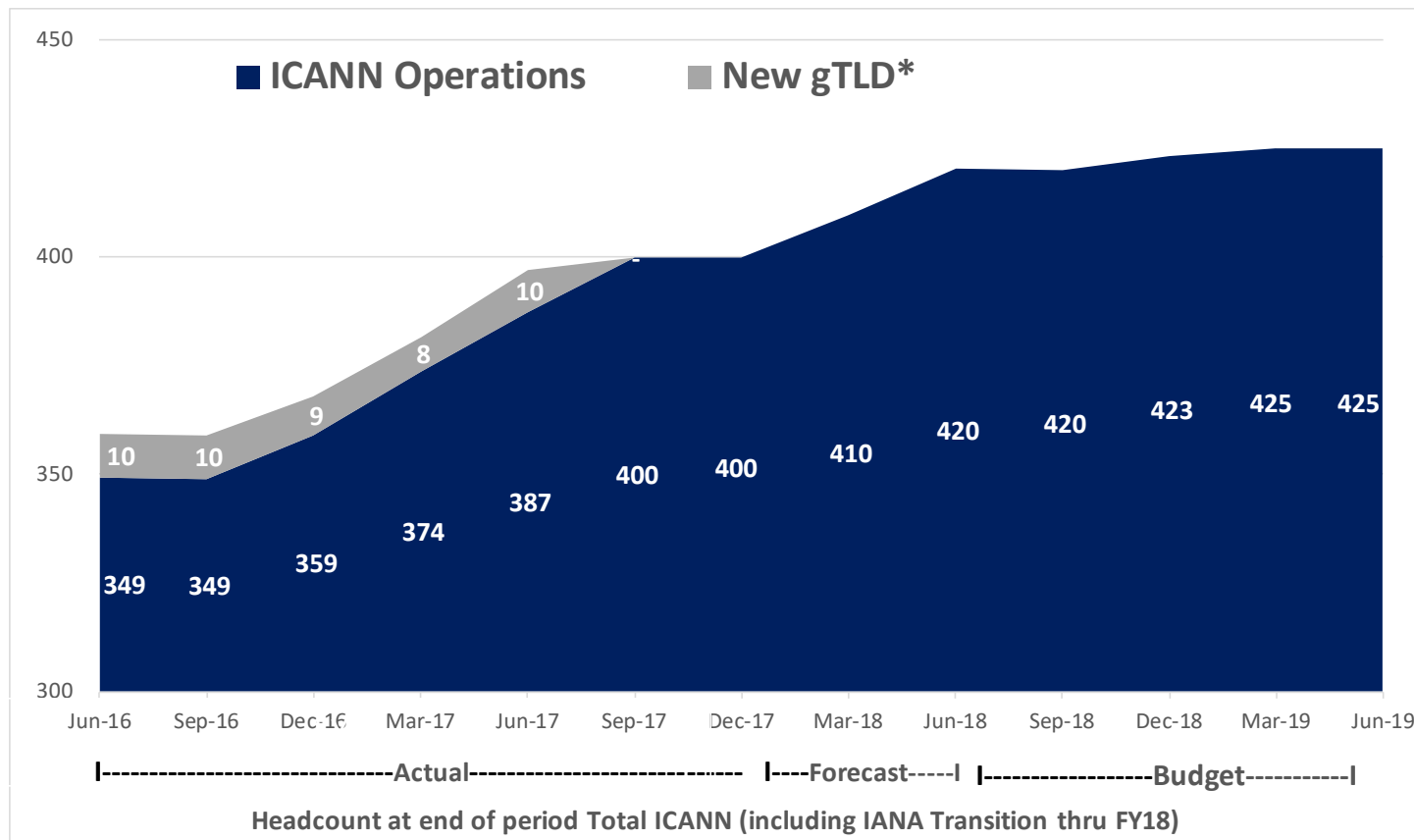


# 7.2 ICANN Operations Cash Expenses by Function

in Millions, USD		FY19 Draft Budget <sup>(1)</sup>			FY18 Forecast			Increase/(Decrease)			
Executive Group	Executive	EOP Hdct	Avg Hdct	Total	EOP Hdct	Avg Hdct	Total	EOP Hdct	Avg Hdct	Total	%
DNS Industry and Engagement	Atallah	30.0	29.8	\$7.4	29.0	29.0	\$7.5	1	0.8	(0.1)	-1%
Global Domains Division Ops and Product Mgt.	Atallah	56.0	56.0	\$12.2	51.0	51.0	\$12.3	5	5.0	(\$0.1)	-0.9%
IANA	Atallah	17.0	17.0	\$4.8	17.0	17.0	\$4.2	-	-	0.5	13%
Regional Offices	Bennett	0.0	0.0	\$6.6	0.0	0.0	\$6.0	-	-	0.5	9%
Operations	Bennett	16.0	16.0	\$6.8	17.0	17.0	\$7.1	(1)	(1.0)	(0.3)	-5%
Strategic Communications	Burns	27.0	27.0	\$10.3	26.1	26.1	\$9.4	1	0.9	0.8	9%
Finance & Procurement and ERM	Calvez	19.0	19.0	\$5.3	15.4	15.4	\$5.1	4	3.6	0.2	4%
Office of the CTO	Conrad	19.0	19.0	\$8.3	17.0	17.0	\$8.2	2	2.0	0.0	1%
Global Stakeholder Engagement	Costerton	30.0	30.0	\$8.1	31.0	31.0	\$8.0	(1)	(1.0)	0.1	1%
Meeting Operations	Costerton	8.0	8.0	\$5.3	8.0	8.0	\$5.1	-	-	0.3	5%
Development and Public Responsibility	Costerton	7.0	7.0	\$1.9	8.0	8.0	\$2.7	(1)	(1.0)	(0.8)	-29%
Contr. Compliance & Consumer Safeguards	Hedlund	29.0	29.0	\$5.3	29.0	29.0	\$5.4	-	-	(0.1)	-1%
Governance Support	Jeffrey	24.0	24.0	\$9.1	18.0	18.0	\$9.4	6	6.0	(0.3)	-4%
Governmental Engagement	Kamel	9.0	9.0	\$3.5	8.2	8.2	\$3.2	1	0.8	0.2	7%
Office of the CEO	Marby	3.0	3.0	\$1.9	3.0	3.0	\$2.0	-	-	(0.1)	-5%
Policy Development & SO/ AC Engagement	Olive	35.0	35.0	\$6.9	35.5	35.5	\$7.1	(1)	(0.5)	(0.3)	-4%
Constituent/ Stakeholder Travel	Olive	0.0	0.0	\$2.4	0.0	0.0	\$2.2	-	-	0.2	11%
Information Technology	Rangan	24.0	24.0	\$6.7	28.3	28.3	\$9.4	(4)	(4.3)	(2.7)	-29%
Engineering	Rangan	41.0	41.0	\$16.7	36.0	36.0	\$14.3	5	5.0	2.4	17%
Global Human Resources and Admin	Schroeder	24.0	24.0	\$4.4	22.6	22.6	\$4.0	1	1.4	0.4	9%
Multistakeholder Strategy & Strategic Initiatives	Swinehart	19.0	19.0	\$6.9	19.0	19.0	\$7.3	-	-	(0.4)	-6%
Ombudsman	Ombudsman	1.0	1.0	\$0.6	1.0	1.0	\$0.6	-	-	(0.0)	-2%
New gTLD Allocations		0.0	0.0	-\$3.5	0.0	0.0	-\$4.9	-	-	1.4	-28%
Corporate (includes attrition and contingency)		(13.0)	(13.0)	\$0.3	0.0	0.0	\$1.0	(13)	(13.0)	(0.7)	-70%
<b>Total</b>		<b>425.0</b>	<b>424.8</b>	<b>\$138.0</b>	<b>420.2</b>	<b>420.2</b>	<b>\$136.7</b>	<b>4.8</b>	<b>4.6</b>	<b>\$1.3</b>	<b>-99%</b>

(1) Includes contingency (\$4.5M).

## 7.3 Headcount 3-Year Overview



FY19 Total ICANN headcount is growing at a slower pace.

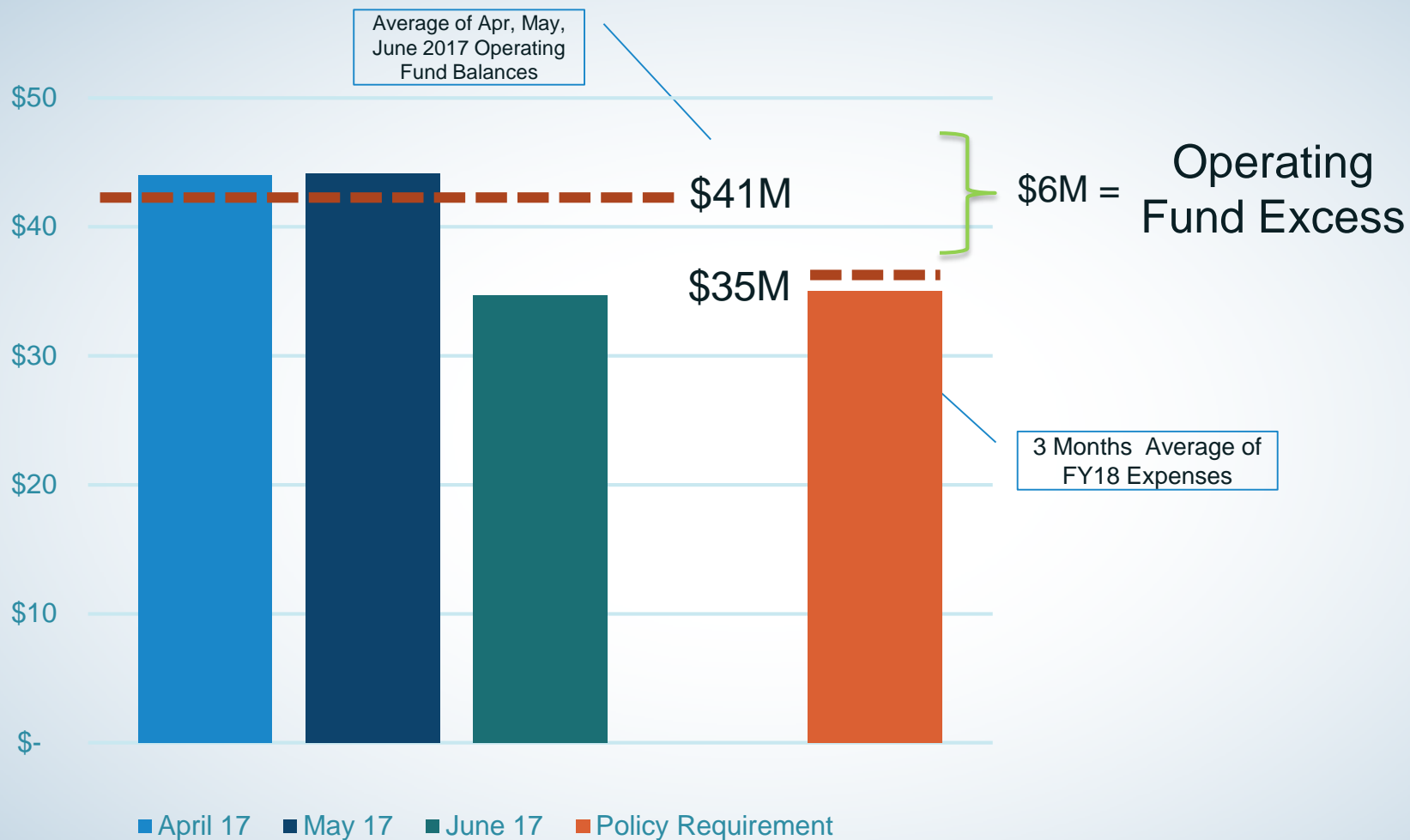
\*During FY18, as the New gTLD Program progressed, the dedicated resources previously reported under the Program were transferred to ICANN Operations and for FY19 they continue to support the Program as required.

## 7.4 Total ICANN Cash Flows - FY18 Forecast

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>	\$ 34.8	\$ 61.6	\$ 127.9	\$ 235.3	\$ 459.5
Collected/ (refunded) from contracted parties	135.1		(1.7)		133.4
Auction Proceeds	-		-		-
Paid to vendors, net of reimbursement	(68.0)		(8.3)		(76.4)
Paid to employees, net of reimbursement	(70.2)		(2.5)		(72.7)
Reimbursement from Reserve Fund - IANA					
Transition Project Costs <sup>(1)</sup>	\$ 6.0	\$ (6.0)			-
Allocation to Reserve Fund	\$ (5.0)	\$ 5.0			
Historical Development Costs	2.0		(2.0)		-
Capital expenditures	(3.7)		-		(3.7)
Change in investment market value		4.5	1.2	2.0	7.7
<b>Funds Under Management - June 30, 2018</b>	<b>\$ 31.0</b>	<b>\$ 65.1</b>	<b>\$ 114.5</b>	<b>\$ 237.3</b>	<b>\$ 447.8</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 expenses for (i) H2 FY17 ( January 2017 through June 2017) and (ii) H1 FY18 (July 2017 through December 2017).

# 7.5 Annual Net Asset Allocation Calculation



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

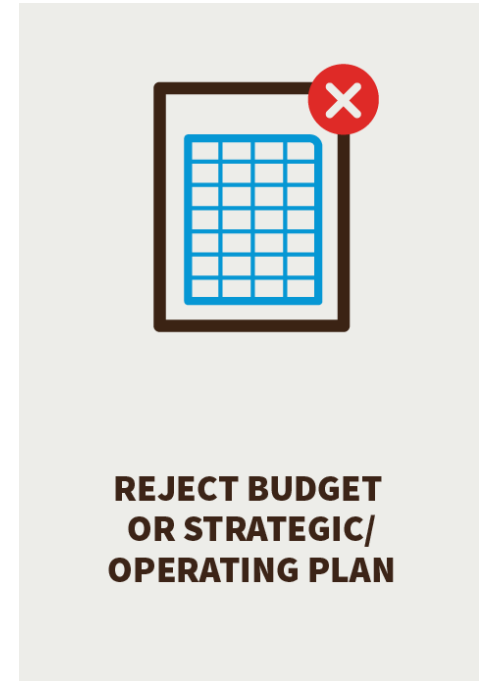
## 7.6 Annual Net Asset Allocation Approved

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- ⦿ The FY17 Operating Fund Level Analysis results in a net asset excess available in the Operating Fund of \$6M
- ⦿ BFC to consider to recommend to the Board the approval of a \$5M Transfer to the Reserve Fund
- ⦿ Allocation of the net asset excess:
  - +Excess \$6M
  - \$2M retained in Operating Fund for the ITI project funding
  - +\$1M of Historical Development Costs reimbursed from New gTLD program to the Operating Fund
  - = \$5M Transfer to the Reserve Fund
- ⦿ The Board approved this resolution in Abu Dhabi and the transfer was completed in December 2017.

# 7.7 Caretaker Budget

- ⦿ EC process per by laws:
  - 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.
- ⦿ Caretaker budget - suggested approach:
  - Basis: approved budget
  - Less: new positions to be suspended (from date of veto to end of veto period)
  - Less: 10% of Travel/Meeting and Professional Services
  - Less: expenses that triggered the veto.



# 7.8 FY18 Forecast vs FY18 Adopted Budget

in Millions, USD	FY18 Forecast			FY18 Budget			Increase/(Decrease) vs. FY18 Forecast			
	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Operations	IANA - PTI	Total ICANN Operations	ICANN Ops	IANA - PTI	Total ICANN Ops	%
<b>Funding</b>	\$134.5	\$0.0	\$134.5	\$142.8	\$0.0	\$142.8	(\$8.3)	\$0.0	(\$8.3)	-5.8%
Personnel	63.0	5.8	68.7	63.8	5.8	69.5	(0.8)	0.0	(0.8)	-1%
Travel & Meetings	15.2	0.6	15.8	17.2	0.6	17.8	(2.1)	0.0	(2.1)	-12%
Professional Svcs.	25.4	1.4	26.9	26.2	1.4	27.7	(0.8)	0.0	(0.8)	-3%
Administration <sup>(1)</sup> & Capital	20.2	1.8	21.9	20.7	1.8	22.5	(0.5)	0.0	(0.5)	-2%
Contingency <sup>(2)</sup>	2.7	0.5	3.2	4.9	0.5	5.3	(2.1)	0.0	(2.1)	-40%
<b>Cash Expenses</b>	<b>\$126.5</b>	<b>\$10.0</b>	<b>\$136.5</b>	<b>\$132.8</b>	<b>\$10.0</b>	<b>\$142.8</b>	<b>(\$6.3)</b>	<b>\$0.0</b>	<b>(\$6.3)</b>	<b>-4%</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$8.0</b>	<b>(\$10.0)</b>	<b>(\$2.0)</b>	<b>\$10.0</b>	<b>(\$10.0)</b>	<b>(\$0.0)</b>	<b>(\$2.0)</b>	<b>\$0.0</b>	<b>(\$2.0)</b>	<b>11167%</b>
<b>FY17 Net Asset Excess Allocated to ITI</b>			<b>\$2.0</b>						<b>\$2.0</b>	<b>n/a</b>
<b>Increase/ (Decrease) to Net Assets</b>	<b>\$8.0</b>	<b>(\$10.0)</b>	<b>(\$0.0)</b>	<b>\$10.0</b>	<b>(\$10.0)</b>	<b>(\$0.0)</b>	<b>(\$2.0)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>-100%</b>
<b>EOP<sup>(4)</sup> Headcount</b>	<b>394.4</b>	<b>21.3</b>	<b>416</b>	<b>391.1</b>	<b>22.6</b>	<b>414</b>	<b>3.3</b>	<b>(1.3)</b>	<b>2.0</b>	<b>0%</b>

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

(2) The budgeted 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.

- FY18 Forecast reflects a decrease vs FY18 Adopted Budget
  - Funding forecast decreases -\$8.3M due to lower transaction volumes
  - Expense forecast decreased -\$6.3M including ITI project expense which is then funded by \$2M funding as per board approval

# 7.9 Recent Board decisions impacting the budget

<b>FY18 Decisions</b> <b>(impact in \$ million)</b>	<b>Board Approval Date</b>	<b>FY19</b>	<b>FY20</b>
October 2018 ICANN 63 Meeting Venue and Location Contracting Barcelona, Spain	15 Sept 2017	\$1.3	
March 2019 ICANN 64 Meeting Venue and Location Contracting Kobe Japan	24 June 2017	\$2.2	
June 2019 ICANN 65 Meeting Venue and Location Contracting Marrakech, Morocco	02 Nov 2017	\$1.3	
Information Transparency Initiative one time project approval of \$6.3M for FY18-FY20 (without contingency)	23 Sept 2017	\$2.7	\$0.9



# 7.11 IANA Budget Timeline and Process Overview

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- ◎ Objectives:
  - Have the PTI Operating Plan and Budget submitted to ICANN at least nine months in advance of the fiscal year and
  - Have the IANA Budget approved by the ICANN Board in a much earlier timeframe than the overall ICANN budget
  
- ◎ Key Steps
  - ICANN received input from PTI on its budget and then developed an IANA budget – 25 Sept 2017
  - PTI's FY19 Operating Plan and Budget and the IANA FY19 Operating Plan and Budget (“IANA Budget”) were posted for public comment 9 October 2017 through 26 November 2017
    - A report of public comment was published on 13 December 2017
  - The PTI Board adopted the PTI Budget on 09 January, 2018
  - The IANA Budget was recommended by the BFC for approval on 2 Feb 2018

## 7.12 FY19 IANA Budget: Public Comments

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- Public comment period ran from 09 October -26 November 2017 (~7 weeks)
- 16 comments received by 3 organizations/groups.
  - Registries Stakeholder Group (RySG) - 4
  - GNSO Business Constituency (BC) - 9
  - GNSO Council (GNSO) - 3
- Consistent themes across comments.
  - Scope of Audits - 1
  - Capital Expenditures - 1
  - Document Structure and Format - 9
  - PTI Separation - 2
  - Financial Management - 1
  - General Operations - 2
- No substantive changes to Operating Plan and Budget as a result of public comments.