

Document 1: Internet Corporation for Assigned Names and Numbers (ICANN) Draft FY19 Operating Plan and Budget Introduction and Highlights

19 January 2018



DRAFT ICANN FY19 PLANNING DOCUMENTS

This is part of a series of documents that together form the ICANN annual update to the fiscal Operating Plan and Budget.

You are currently reading the document highlighted in light blue in the table below.

Document Number	Document Name	Description of Contents
1	FY19 Budget Introduction & Highlights	Overview of the key elements of the draft FY19 plans
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

To get the most out of this document series, please make sure you first read the Introduction and Highlights document. Then, each document is standalone and can be reviewed separately in no specific order, dependent on your interest.

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Introduction

Note from the Chair of the ICANN Board

CHERINE CHALABY

The ICANN Board has the responsibility of overseeing the budgeting process and approving the FY19 annual budget of ICANN, including Public Technical Identifiers (PTI)/Internet Assigned Numbers Authority (IANA). It is our fiduciary responsibility to safeguard the financial stability of ICANN, to ensure that the budget is balanced, and that available funding is used both efficiently and effectively to meet the objectives of the entire ICANN community.

This year, ICANN org has published the draft FY19 ICANN Operating Plan and Budget for public comment, as well as a high-level draft summary budget for FY20. The Board welcomes this new two-year approach, which provides budgetary transparency beyond the next fiscal year.

As we all know, ICANN's funding has consistently increased over the past few years. That historical year-on-year increase enabled ICANN org to respond flexibly to requests to fund projects that are proposed outside the normal budgeting cycle.

As we look ahead at the next few years, this flexibility is unlikely to continue, as funding is stabilizing for the foreseeable future at a level of US\$135 million to US\$140 million per fiscal year.

During the next fiscal year, therefore, ICANN org will not be able to undertake new projects that have not been planned for in the draft FY19 Budget, unless and until ICANN org has concluded that available contingency funds can responsibly be allocated for that purpose or has identified corresponding budget savings to offset unplanned spending.

This is a shift in how ICANN org operates and engages with the community. Together, we need to decide on some trade-offs in FY19. There are several proposed in the pages that follow this letter.

I hope that you will take this opportunity to review the draft FY19 ICANN Operating Plan and Budget thoroughly, look at the work that is planned, and share your thoughts on what ICANN org should and should not be doing, with what resources, to best support the ICANN mission. We need your input and feedback.

Thank you in advance.

Letter from the President and Chief Executive Officer

GÖRAN MARBY

In the following pages are the details of one of the most important responsibilities ICANN org has each year as a not-for-profit operating in the public interest: our proposed budget for Financial Year 2019.

Long-term financial planning and fiscal responsibility is important, and ICANN org, the Board, and the community must work together on both. A critical part of this process is that the budget goes through public comment and that you, the community, have the opportunity to provide feedback and inform the budget before it is finalized.

ICANN's mission and the accumulation over the years of ICANN commitments – from the IANA functions, technical work and policy development support, to ICANN meetings, reviews and community needs – have meant an increased workload for ICANN org and increased personnel and other resources to meet that workload.

Historically, the budget has been able to accommodate an increased workload, thanks to continued growth in funding.

Now, however, we cannot afford to continue this. The actual funding for FY18 is below the FY18 budget, and we expect this to continue. Funding for FY19 is \$138 million, below the FY18 budget of \$143 million, by \$5 million. This means ICANN needs to carefully plan and prioritize the work to support our Mission and keep expenses within its available budget. I know this is may not be an easy thing to do, but it is the right thing to do.

I know that we have all felt this increase in the volume of work. I recognize ICANN org could have done better in its financial long-term planning, and I know many of you agree, based on previous public comments, such as the recent one on the Reserve Fund and previous budget public comments, and I thank you for that. Now is the time, and we need your help, feedback and input to finalize the budget.

It is for the multistakeholder community to decide not just what work gets done and when, but also to help keep expenses within ICANN's means and focused on our mission. ICANN org exists to support the community's work and ICANN's mission.

To better allocate resources, ICANN org looks to the community to provide feedback on what should be priorities, so that the org can provide the resources and support accordingly. The draft budget includes some proposed reduction of activities, including decreased or delayed potential implementation of projects or activities, engagement and community support, and includes \$8.5 million in savings within ICANN org, through optimized internal processes and procedures.

In addition, this year we have added new material to help you participate, based on your feedback. This includes a high-level plan for FY20, so you see what is beyond FY19, and six modules that provide a specific focus by topic:

- ⦿ Contractual Compliance and Consumer Safeguards
- ⦿ Direct Policy Support
- ⦿ DNS Marketplace and Identifier Ecosystem

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- ⦿ Technology and DNS security
 - ⦿ Engagement
 - ⦿ Reviews

The planned projects in FY19 continue to focus on ICANN's technical mission and accountability and transparency. In addition to supporting the ongoing community work, this includes projects such as the Information Transparency Initiative, which seeks to improve ICANN's document governance and content management, ultimately making it easier for the community to find information on our website.

Also in FY19, the community will come together to create the next strategic plan for 2021 and beyond. This will be an important moment for us all to work together on a long-term plan, in support of ICANN's mission, that fits within our available resources.

I know that prioritizing ICANN's work and being fiscally responsible is something the Board, community and ICANN org all care deeply about. This is the right time to plan for the long-term and to prioritize ICANN's work to support its mission. It is for the multistakeholder community to decide. You, as the Empowered Community, are also entitled to reject the budget outright.

We want and need your feedback and input.

I look forward to productive discussions about this proposed budget between now and March. Please take action and share your comments during the public comment process.

Letter from the Chief Financial Officer

XAVIER CALVEZ

ICANN's annual planning cycle is an important step in managing ICANN's resources. For the foreseeable future, ICANN's funding is stabilizing around \$135 million to \$140 million, which is consistent with FY17 levels and what's expected for the rest of FY18.

We should continue to make choices and closely consider financial impacts of projects and work. You, the community, play a critical role to help prioritize ICANN's activities. This may lead to delayed, reduced or eliminated activities, to allow new services and priorities.

I look forward to receiving your comments and suggestions on the Draft FY19 Operating Plan and Budget.

During this public comment proceeding, there are several documents for your review. It is recommended that you start with this Document 1, and then review the other documents based on your interest.

ICANN continues to improve the transparency and information provided in these documents, to increase participation.

- ⦿
- ⦿ We have made the following changes to the documents, based on your feedback in previous years. The Draft FY19 Operating Plan and Budget now includes 6 documents that are designed to help the reader identify, at a first glance, areas of particular interest, without having to go through everything. This is offered to help transparency on ICANN's Operating Plan and Budget, and help readers to access more directly and easily the information offered. Other changes include:
 - ⦿ Document 1 (this document), which provides an introduction and highlights to better understand the plan and budget. This is in addition to offering, as we did last year, an overview of the Draft FY19 Operating Plan and Budget which is also included in the following pages of this document.
 - ⦿ Document 3, which provides an overview of selected key projects and activities that ICANN org thinks is of particular interest to the community. This allows you to see key projects and activities, which are also disclosed in the comprehensive Document 4 – Operating Plan and Budget.
 - ⦿ Document 4 includes a list of 6 “modules” providing details on some of ICANN's core activities by topic. This is based on community feedback to make it easier to participate in specific areas of interest.

In addition, ICANN has simplified the structure of portfolio and projects, to improve understanding and transparency. This resulted in a reduction of the number portfolios and projects. There are now ICANN now 41 portfolios (versus 60 last year), and 222 projects (versus 318 last year).

What is not changing

ICANN continues to offer:

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- ⦿ An overview and highlights of the Draft FY19 Operating Plan and Budget: Document 1.
 - ⦿ The total ICANN Budget: Document 2.
 - ⦿ The entire Operating Plan by Portfolio: Document 4.
 - ⦿ The 5-year Operating Plan update: Document 5.
 - ⦿ The ICANN Budget detailed by project and categories of spend, in PDF and Excel formats: Document 6.

For those who are not familiar with the roles and responsibilities of the Board, org and community, I have summarized the usual process that leads the ICANN org to perform its work, as documented in the annual operating plan and budget. This is important context to understand how work gets planned into the budget.

Once draft recommendations are finalized by the community working groups, the decision process includes a broad community input process (with potential revision iterations), before it goes for full Board review and decision (also subject to review iterations with the authoring community group and the wider community). Resources requirements are part of the Board-approval process. Finally, the ICANN org can schedule the implementation work, and allocate resources.

It is difficult to plan and budget these activities until the decision-making process within the community and Board is complete. For good governance, clarity and transparency, only activities and projects resulting from ICANN Board-approved policies or review recommendations, for which implementation work can be evaluated and planned, are specifically itemized in the Draft FY19 Operating Plan and Budget.

Any work after the FY19 Operating Plan and Budget is finalized and approved can only be carried out if funding is identified, by using resources reallocated from existing activities or projects that would need to be reduced, delayed or canceled.

To accommodate this natural and likely occurrence, the ICANN org can either reprioritize budgeted work, or elect to use contingency funding, which is included in the budget for such requirements that are unknown at the time the Operating Plan and Budget is finalized.

ICANN Operations Overview

ICANN FY19 Budget Highlights and Overview

This document provides key highlights and an overview of the FY19 Budget as presented in the Draft FY19 Operating Plan and Budget that was published for public comment on January 19, 2018. It summarizes ICANN's planned FY19 activities for its financial year ending 30 June 2019.

The operations of Public Technical Identifiers (PTI) are a part of ICANN's total operations and these planned activities are included in the ICANN budget.

ICANN welcomes and recognizes the diverse participation from stakeholders as we've continued to evolve ICANN's planning process (including the strategic plan, operating plan, budget or on-going operational and financial updates).

FY19 Budget Highlights: ICANN Operations Overview

ICANN Operations FY19 funding is \$138 million and the baseline expenses total \$138 million. This results in a balanced budget.

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

\$ in USD Millions

¹ FY18 Adopted Budget as June 2017

² FY18 Forecast is the most recent data on FY18

Funding: Three-Year Comparative Summary

Funding for FY19 is at \$138 million which is below the FY18 Adopted Budget of \$143 million. In addition, FY19 Funding of \$138 million is \$3 million above the FY18 forecast of \$135 million. We anticipate funding to remain flat and this slowdown in funding is consistent with the number of new TLDs in operations reaching its peak.

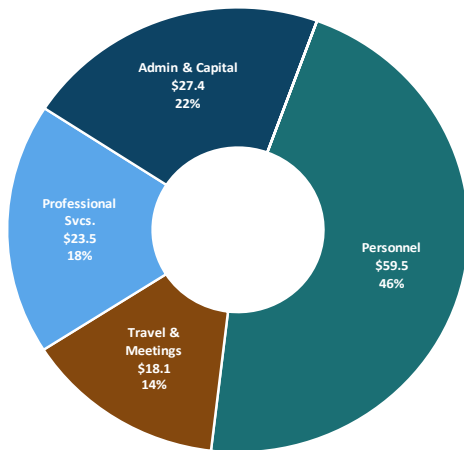
	FY17 Actuals	FY18 Adopted Budget	FY18 Forecast	Draft FY19 Budget
Registry Transaction Fee	\$54	\$57	\$53	\$55
Registrar Transaction Fee	\$31	\$37	\$33	\$35
Registry Fixed Fee	\$30	\$31	\$31	\$31
Registrar Other Fees	\$16	\$14	\$14	\$13
Other	\$4	\$4	\$4	\$4
Total	\$135	\$143	\$135	\$138

\$ in USD Millions

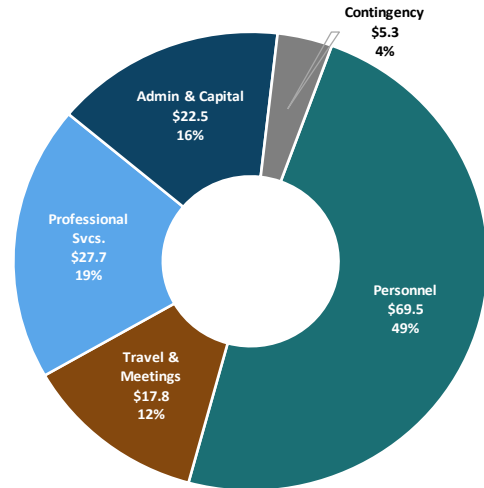
ICANN Operations: Cash Expenses by Category

FY19 operations cash expenses of \$138 million is \$5 million below the FY18 Adopted Budget expenses of \$143 million. In addition, FY19 operations cash expenses of \$138 million is \$3 million above the FY18 forecast expenses of \$135 million.

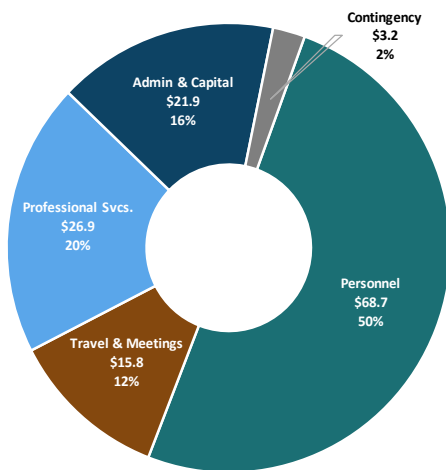
FY17 Actuals



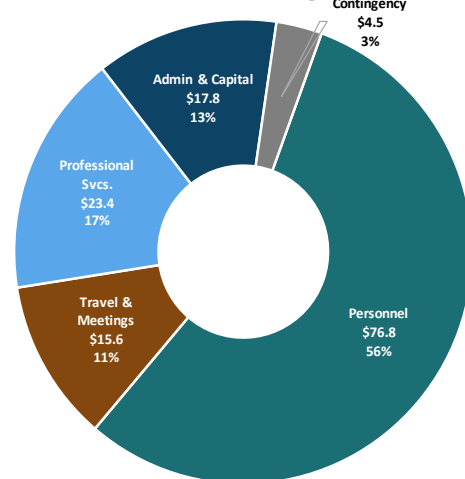
FY18 Adopted Budget



FY18 Forecast



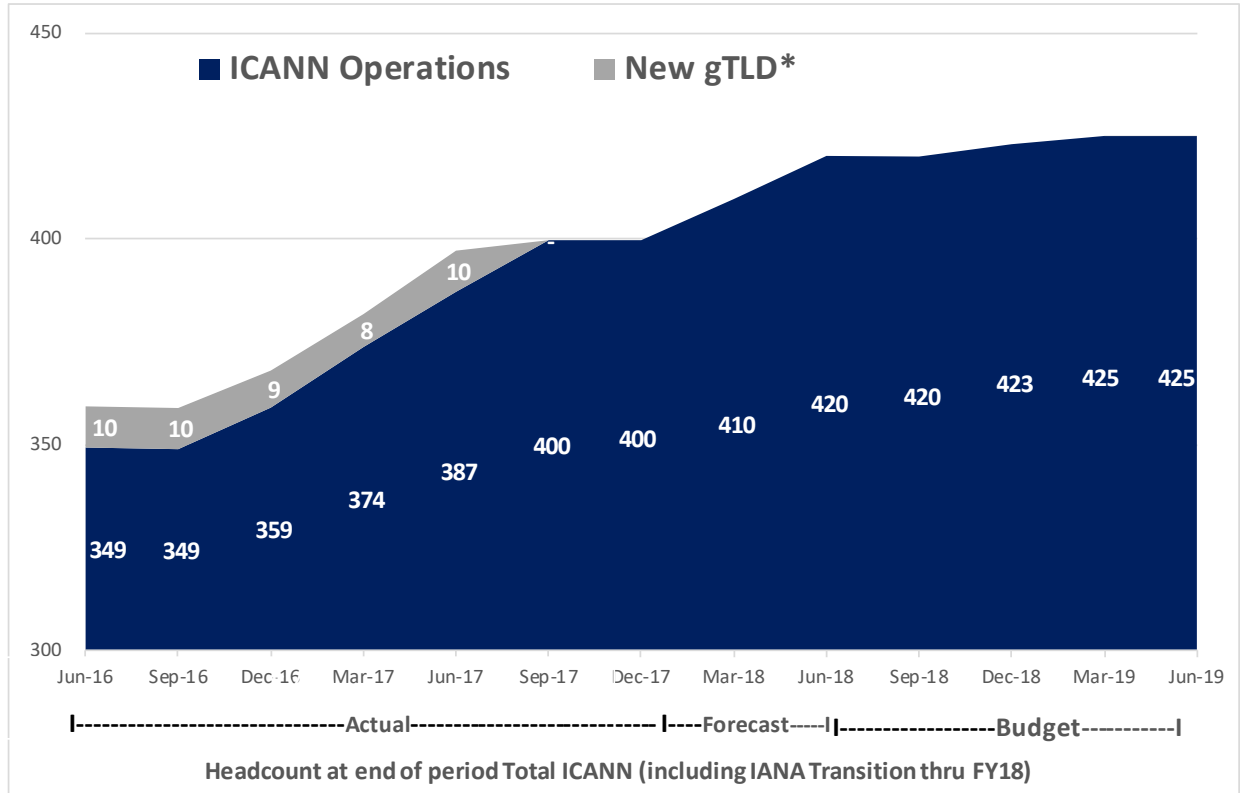
FY19 Draft Budget



Three Year Summary	FY17		FY18		FY18		FY19	
Expenses By Category	Actuals	% TTL	Adopted Budget	% TTL	Forecast	% TTL	Budget	% TTL
Personnel	\$59.5	46%	\$69.5	54%	\$68.7	50%	\$76.8	56%
Travel & Meetings	\$18.1	14%	\$17.8	14%	\$15.8	12%	\$15.6	11%
Professional Svcs.	\$23.5	18%	\$27.7	22%	\$26.9	20%	\$23.4	17%
Admin & Capital	\$27.4	21%	\$22.5	17%	\$21.9	16%	\$17.8	13%
Contingency	\$0.0	0%	\$5.3	4%	\$3.2	2%	\$4.5	3%
Cash Expenses	\$128.5	100%	\$142.8	111%	\$136.5	100%	\$138.0	100%

Budget Headcount: Three-Year Overview

The headcount below represents the number of ICANN organization employees working on the last calendar day of each period. In FY19, as the New gTLD Program progresses, the dedicated resources previously reported under the Program are transferring to ICANN Operations and will continue to support the program as required.



Cash Flow Management: Cash Flow Synopsis

The following table describes ICANN's planned cash inflows and outflows for FY19.

Cash Flow Statement	For the Year Ended 6/30/2019				
	Operating Fund	Reserve Fund	NgTLD	Auction Proceeds	Total
In Millions, US dollars					
Funds Under Management - June 30, 2018	\$ 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 ⁽¹⁾	\$ (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
Funds Under Management - June 30, 2019	\$ 29.9	\$ 71.0	\$ 99.7	\$ 239.3	\$ 439.9

(1) The IANA Stewardship 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 the second half of FY18 (expenses incurred from January 2018 through June 2018) only as the program concluded in FY18.

The above positions for the Operating Fund and Reserve Fund do not reflect the effect of potential decisions to be considered and approved by the Board that could affect these positions, for example, a replenishment of the Reserve Fund by an allocation from the Operating Fund. Such Board decisions are made using the audited financial statements of each fiscal year, which are available by the end of October of every year, for the fiscal year closed on the previous 30 of June.

ICANN's investment policies for the Reserve Fund and the New gTLD/Auction Proceeds are published on ICANN.org at:

- ⦿ [ICANN investment-policy](#)
- ⦿ [New gTLD and Auction Proceeds investment-policy](#)

